

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

House Bill 823 (Chair, Health and Government Operations  
Committee)(By Request - Department of Legislative  
Services)

Health and Government Operations

Finance

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Health Insurance - Insurance Laws That Apply to Health Maintenance  
Organizations - Consolidation and Clarification

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This bill consolidates the insurance laws of the State that apply to health maintenance organizations (HMOs), clarifies the application of such provisions, makes conforming changes, and repeals obsolete provisions. The bill expresses legislative intent that it be construed as a nonsubstantive revision to consolidate and clarify.

The bill takes effect June 1, 2014.

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Fiscal Summary

**State Effect:** None. The bill's provisions are intended as nonsubstantive revisions. There is no fiscal impact.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** The bill clarifies that, except as otherwise provided in Title 19, Subtitle 7 of the Health-General Article *or expressly provided in the Insurance Article*, an HMO is not subject to the insurance laws of the State. The bill repeals multiple cross-references in § 19-706 of the Health-General Article in light of more explicit

provisions about the applicability of insurance provisions to HMOs found under the Insurance Article.

**Current Law:** A “health maintenance organization” means any person, either for-profit or nonprofit that (1) operates or proposes to operate in Maryland; (2) provides or otherwise makes available to its members health care services that include at least physician, hospitalization, laboratory, x-ray, emergency, preventive services, and out-of-area coverage; (3) except for any copayment or deductible arrangement, is compensated only on a predetermined periodic rate basis for providing to members the required minimum services; (4) assures its subscribers and members, the Insurance Commissioner, and the Department of Health and Mental Hygiene (DHMH) that one clearly specified legal and administrative focal point or element of the HMO has the responsibility of providing the availability, accessibility, quality, and effective use of comprehensive health care services; and (5) primarily provides services of physicians directly through physicians who are either employees or partners of the HMO or under specified arrangements with one or more groups of physicians.

HMOs are regulated under Title 19, Subtitle 7 of the Health-General Article and must be licensed by DHMH’s Office of Health Care Quality. As of January 2014, there are eight HMOs licensed in Maryland, including two located outside the State.

Section 19-706 of the Health-General Article lists the specific provisions of the Insurance Article that apply to HMOs; however, many of these provisions are duplicative in light of provisions found in the Insurance Article.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 893 (Chair, Finance Committee)(By Request - Department of Legislative Services) - Finance.

**Information Source(s):** Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2014  
ncs/ljm

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