

## Chapter 196

(Senate Bill 230)

AN ACT concerning

### Insurance – Maryland Health Care Provider Rate Stabilization Fund

FOR the purpose of altering the time at which certain professional liability insurers seeking reimbursement from the Rate Stabilization Account of the Maryland Health Care Provider Rate Stabilization Fund on behalf of certain health care providers are required to make a certain determination, send a certain notice, and apply to the Rate Stabilization Account for reimbursement; repealing a requirement that money be disbursed from the Rate Stabilization Account on a quarterly basis; repealing ~~a certain audit requirement requirements~~; requiring the Secretary of Health and Mental Hygiene, instead of the Maryland Insurance Commissioner, ~~to include a certain audit in a certain annual report and~~ to report to a certain committee of the General Assembly on or before a certain date each year; altering the contents of a certain report; and generally relating to the Maryland Health Care Provider Rate Stabilization Fund.

BY repealing and reenacting, with amendments,

Article – Insurance  
Section 19–805 and 19–808  
Annotated Code of Maryland  
(2011 Replacement Volume)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

#### Article – Insurance

19–805.

(a) (1) Participation in the Fund by a medical professional liability insurer shall be voluntary.

(2) [On at least an annual basis, a] **A** medical professional liability insurer seeking reimbursement from the Rate Stabilization Account shall:

- and
- (i) determine the amount of the subsidy for each policyholder;
  - (ii) send a written notice to each policyholder stating:

1. the amount of the estimated annual subsidy provided by the State; and

2. the procedure a health care provider shall follow if electing not to receive a rate reduction, credit, or refund.

(b) Subject to § 19–804(d) of this subtitle and subsection (c) of this section, the subsidy provided to each policyholder shall be:

(1) for medical professional liability insurance policies subject to rates that were approved for an initial effective date on or after January 1, 2005, but prior to January 1, 2006, the amount of a premium increase that is greater than 5% of the approved rates in effect 1 year prior to the effective date of the policy; and

(2) for medical professional liability insurance policies subject to rates that were approved for an initial effective date on or after January 1, 2006, a percentage of the policyholder's premium for the prior year that equals the quotient, measured as a percentage of the balance of the Rate Stabilization Account for the current calendar year divided by the aggregate amount of premiums for medical professional liability insurance that would have been paid by health care providers at the approved rate during the prior calendar year.

(c) The State subsidy calculated under subsection (b) of this section may not include the amount of a rate increase resulting from a premium surcharge or the loss of a discount due to a health care provider's loss experience.

(d) A health care provider may elect not to receive a rate reduction, credit, or refund by:

(1) notifying the medical professional liability insurer within 15 days of receiving the notice under subsection (a) of this section of the health care provider's intent not to accept a rate reduction, credit, or refund; and

(2) paying, either in full, or on an installment basis, the amount of premium billed by the medical professional liability insurer.

(e) (1) [On at least an annual basis, a] **A** medical professional liability insurer seeking reimbursement from the Rate Stabilization Account on behalf of health care providers shall apply to the Rate Stabilization Account **ON OR BEFORE SEPTEMBER 30, 2012**, on a form and in a manner approved by the Commissioner.

(2) The Commissioner may adopt regulations that specify the information that medical professional liability insurers shall submit to receive money from the Rate Stabilization Account.

(3) The information required shall include:

(i) by health care provider classification and geographic territory, the amount of the base premium rate charged by the insurer at the approved rate;

(ii) by health care provider classification and geographic territory, the amount of the base premium rate charged by the insurer reduced by the amount of the subsidy;

(iii) the number of health care providers in each classification and geographic territory;

(iv) the total amount of reimbursement requested from the Rate Stabilization Account;

(v) the name, classification, and geographic territory of each health care provider electing not to receive a rate reduction, credit, or refund; and

(vi) any other information the Commissioner considers necessary to disburse money from the Rate Stabilization Account.

(f) Within 60 days of receipt of a request for reimbursement from the Fund, the Commissioner shall disburse money from the Rate Stabilization Account [on a quarterly basis] to medical professional liability insurers to be used to provide a rate reduction, credit, or refund to health care providers.

(g) In anticipation of reimbursement or on reimbursement from the Rate Stabilization Account, a medical professional liability insurer shall provide a rate reduction, credit, or refund to a policyholder as follows:

(1) for premiums paid on an installment basis, the rate reduction or credit shall be applied against the base premium rate due on the next installment; and

(2) if the amount of the rate reduction or credit is more than the amount due on the next installment, or if a policy is paid in full, the policyholder may elect that either a refund be issued, or that a credit be applied against the base premium rate due on the policyholder's next renewal.

(h) During the period in which disbursements are made from the Rate Stabilization Account to pay for health care provider rate reductions, credits, or refunds:

(1) a disbursement from the Rate Stabilization Account to a medical professional liability insurer conducting business as a mutual company shall be reduced by the value of a dividend that may be issued by the insurer; and

(2) a disbursement may not be made from the Rate Stabilization Account to the Medical Mutual Liability Insurance Society of Maryland during any period for which the Commissioner has determined, under § 24-212 of this article, that the surplus of the Society is excessive.

[(i) The Commissioner or the Commissioner's designee shall conduct an annual audit to verify the information submitted by a medical professional liability insurer applying for reimbursement from the Rate Stabilization Account.]

19-808.

~~(a) Each year the Office of Legislative Audits shall audit the receipts and disbursements of the Fund and the [Commissioner] SECRETARY OF HEALTH AND MENTAL HYGIENE shall include the audit as a part of the annual report required under subsection (c) of this section.~~

~~(b)~~ The Fund, the Rate Stabilization Account, and the Medical Assistance Program Account shall be used only for the purposes stated in this subtitle.

~~(b)~~ **(B)** On or before March 15 of each year, the [Commissioner] **SECRETARY OF HEALTH AND MENTAL HYGIENE** shall report to the Legislative Policy Committee, in accordance with § 2-1246 of the State Government Article, on:

[(1) for each year that an allocation is made to the Rate Stabilization Account:

(i) the amount of money applied for by medical professional liability insurers during the previous calendar year;

(ii) by classification and geographic territory, the amount of money disbursed to medical professional liability insurers on behalf of health care providers during the previous calendar year;

(iii) by classification and geographic territory, the number of health care providers electing not to receive a rate reduction, credit, or refund in the previous calendar year;

(iv) the costs incurred by the Commissioner in administering the Rate Stabilization Account during the previous calendar year, including a justification of the audit costs incurred under § 19-805(i) of this subtitle; and

(v) the amount of money available in the Rate Stabilization Account on the last day of the previous calendar year;

(2) the amount of money available in the Fund and the Medical Assistance Program Account on the last day of the previous calendar year;

(3) (i) **(1)** the amount of money disbursed to the Maryland Medical Assistance Program under § 19–807 of this subtitle;

**[(ii)] (2)** the amount of increase in fee–for–service health care provider rates; and

**[(iii)] (3)** the amount of increase in capitation payments to managed care organizations[; and

(4) the report of audited receipts and disbursements of the Fund as required under subsection (a) of this section].

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2012.

**Approved by the Governor, May 2, 2012.**