

# MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION  
2

3 ONE HUNDRED AND TWELFTH LEGISLATURE  
4

5 Legislative Document

No. 592

6  
7 S.P. 230

In Senate, February 19, 1985

8 Reference to the Committee on Business and Commerce suggested and  
9 ordered printed.

10 JOY J. O'BRIEN, Secretary of the Senate

Presented by Senator Perkins of Hancock.

11 Cosponsored by Murray of Bangor, Representative Brannigan of  
Portland and Representative Baker of Orrington.

12 STATE OF MAINE  
13

14 IN THE YEAR OF OUR LORD  
15 NINETEEN HUNDRED AND EIGHTY-FIVE  
16

17 AN ACT to Clarify the Authority of Nonprofit  
18 Hospital and Medical Service  
19 Organizations to Make Incidental  
20 Indemnity Payments.  
21

22 Be it enacted by the People of the State of Maine as  
23 follows:

24 24 MRSA §2301, sub-§9, as enacted by PL 1971, c.  
25 444, §1, is amended to read:

26 9. Indemnity health care contracts. Nothing in  
27 this chapter ~~shall authorize~~ authorizes an organiza-  
28 tion operating under this chapter to enter into in-  
29 demnity health care contracts; provided that this  
30 subsection shall not be construed to prohibit an or-  
31 ganization operating under this chapter from entering  
32 into a health care contract which provides for inci-  
33 denial indemnity payments not exceeding 10% of total  
34 charges.

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STATEMENT OF FACT

2           This bill amends the Revised Statutes, Title 24,  
3 which governs the establishment and operations of  
4 nonprofit hospital and medical service organizations  
5 in the State. The only nonprofit hospital and medi-  
6 cal service organization in this State is Blue Cross  
7 and Blue Shield of Maine. Blue Cross and Blue Shield  
8 has traditionally provided coverage for the cost of  
9 health care through service contracts with participat-  
10 ing professionals, hospitals, etc. There is pres-  
11 ently a demand for coverage of services such as ambu-  
12 lance services, drugs and durable medical equipment  
13 such as splints, crutches, etc., which are more effi-  
14 ciently provided by means of indemnity coverage. In-  
15 demnity coverage simply means that money is paid di-  
16 rectly to the consumer who has purchased or will pur-  
17 chase drugs, prosthetic devices and the like, rather  
18 than a participating agreement being entered into  
19 with each purveyor of services or goods.

20           The present Maine law is unclear whether Blue  
21 Cross and Blue Shield may include incidental indemni-  
22 ty payments under a health care contract which would  
23 be predominantly service-oriented. Courts in other  
24 states have held that these incidental payments or  
25 benefits are within the scope of Blue Cross and Blue  
26 Shield authorized activity. Where benefits such as  
27 ambulance services, prosthetic devices, drugs and or-  
28 thopedic appliances are concerned, the economics  
29 clearly mandate that it is more efficient and less  
30 costly to the individual subscribers, providers of  
31 services and Blue Cross and Blue Shield to allow the  
32 consumer to do his own shopping for services and to  
33 receive indemnification from Blue Cross and Blue  
34 Shield than it is for Blue Cross and Blue Shield to  
35 enter into 3rd party contracts with all the drug  
36 stores, ambulance services, medical hardware stores  
37 and the like in the State.

1           This bill simply clarifies that incidental indem-  
2           nity benefits are allowed as long as the indemnity  
3           benefits do not exceed 10% of total benefits. The  
4           bill does not alter the basic role of Blue Cross and  
5           Blue Shield as a provider of service benefits.

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