

MAINE STATE LEGISLATURE

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1 (New Draft of S.P. 230, L.D. 592)
2 FIRST REGULAR SESSION
3

4 ONE HUNDRED AND TWELFTH LEGISLATURE
5

6 Legislative Document

No. 1604

8 S.P. 611

In Senate, May 24, 1985

9 Reported by Majority Report from the Committee on Business and
10 Commerce and printed under Joint Rule 2. Original bill presented by Senator
Perkins of Hancock. Cosponsored by Representative Murray of Bangor,
11 Representative Brannigan of Portland and Representative Baker of Orrington.

JOY J. O'BRIEN, Secretary of the Senate

12
13 STATE OF MAINE
14

15 IN THE YEAR OF OUR LORD
16 NINETEEN HUNDRED AND EIGHTY-FIVE
17

18 AN ACT to Clarify the Authority of Nonprofit
19 Hospital and Medical Service
20 Organizations to Make Incidental
21 Indemnity Payments.
22

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

25 Sec. 1. 24 MRSA §2301, sub-§9, as enacted by PL
26 1971, c. 444, §1, is amended to read:

27 9. Indemnity health care contracts. Nothing in
28 this chapter ~~shall~~ may authorize an organization op-
29 erating under this chapter to enter into indemnity
30 health care contracts; provided that this subsection
31 shall not be construed to prohibit an organization
32 operating under this chapter from entering into a
33 comprehensive major health care contract that pro-
34 vides for incidental indemnity payments, which shall
35 in no case exceed 10% of the total contract benefits.

1 Sec. 2. 24 MRSA §2311 is amended by adding at
2 the end a new paragraph to read:

3 An organization which enters into a comprehensive
4 major health care contract under section 2301, sub-
5 section 9, shall be subject to a tax on premiums as
6 set forth in Title 36, section 2511.

7 Sec. 3. 36 MRSA §2511, as amended by PL 1983, c.
8 479, §1, is further amended by adding at the end a
9 new paragraph to read:

10 Any organization operating under the provisions
11 of Title 24, chapter 19, which enters into a compre-
12 hensive major health care contract under Title 24,
13 section 2301, subsection 9, shall pay a tax of 1%
14 upon 10% of the gross direct premium written for the
15 comprehensive contract whether in cash or in notes
16 absolutely payable on contracts made in the State,
17 less return premiums thereon, payable upon filing the
18 annual statement under Title 24, section 2306.

19 Sec. 4. Sunset. This Act shall be repealed on
20 October 1, 1989.

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STATEMENT OF FACT

2 This new draft amends the Maine Revised Statutes,
3 Title 24, which governs the establishment and opera-
4 tions of nonprofit hospital and medical service orga-
5 nizations in the State. The only nonprofit hospital
6 and medical service organization in this State is
7 Blue Cross and Blue Shield which has traditionally
8 provided coverage for the cost of health care through
9 service contracts with participating professionals
10 and hospitals. There is presently a demand for cover-
11 age of services such as ambulance services, drugs and
12 durable medical equipment such as splints and
13 crutches, which are more efficiently provided by
14 means of indemnity coverage. Indemnity coverage sim-
15 ply means that money is paid directly to the consumer
16 who has purchased or will purchase drugs, prosthetic
17 devices and the like, rather than a participating
18 agreement being entered into with each purveyor of
19 service or goods.

20 Present Maine law is unclear whether Blue Cross
21 and Blue Shield may include incidental indemnity pay-
22 ments under a health care contract which would be
23 predominantly service oriented. This new draft allows
24 such organizations to offer comprehensive major
25 health care contracts that provide incidental indem-
26 nity benefits as long as the indemnity benefits do
27 not exceed 10% of total contract benefits. In so do-
28 ing, the Legislature recognizes the important role
29 served by Blue Cross and Blue Shield in providing
30 coverage for consumers who might not otherwise be
31 able to obtain coverage through insurance policies.

32 The Legislature also recognizes that giving a
33 tax-exempt organization such as Blue Cross and Blue
34 Shield the ability to offer comprehensive contracts,
35 which may in some cases compete directly against the
36 traditional products of insurance companies, could
37 give Blue Cross and Blue Shield an unfair competitive
38 advantage since insurance companies are subject to a
39 premium tax. This new draft enacts a 1% premium tax
40 to be paid on 10% of the total premium paid for the
41 comprehensive contract.

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