

# MAINE STATE LEGISLATURE

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L.D. 1636

(Filing No. H- 352)

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
112TH LEGISLATURE  
FIRST REGULAR SESSION

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COMMITTEE AMENDMENT "A" to H.P. 1129, L.D. 1636, Bill, "AN ACT Relating to the Authority of Medical Service Organizations and Nonprofit Hospitals to make Incidental Indemnity Payments."

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Amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

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

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9. Indemnity health care contracts. Nothing in this chapter ~~shall~~ may authorize an organization operating under this chapter to enter into indemnity health care contracts; provided that this subsection shall not be construed to prohibit an organization operating under this chapter from entering into a comprehensive major health care contract that provides for incidental indemnity payments, which shall in no case exceed 10% of the total contract benefits.

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

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

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

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Any organization operating under Title 24, chapter 19, which enters into a comprehensive major health care contract under Title 24, section 2301,

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1 subsection 9, shall pay a tax of 1% upon all gross  
2 direct premiums written for the comprehensive con-  
3 tract whether in cash or in notes absolutely payable  
4 on contracts made in the State, less return premiums  
5 thereon, payable upon filing the annual statement un-  
6 der Title 24, section 2306.

7 Sec. 4. Sunset. This Act shall be repealed on  
8 October 1, 1989.'

9 STATEMENT OF FACT

10 This amendment changes the Maine Revised Stat-  
11 utes, Title 24, which governs the establishment and  
12 operations of nonprofit hospital and medical service  
13 organizations in the State. The only nonprofit hos-  
14 pital and medical service organization in this State  
15 is Blue Cross and Blue Shield which has traditionally  
16 provided coverage for the cost of health care through  
17 service contracts with participating professionals  
18 and hospitals. There is presently a demand for cov-  
19 erage of services, such as ambulance services, drugs  
20 and durable medical equipment, such as splints and  
21 crutches, which are more efficiently provided by  
22 means of indemnity coverage. Indemnity coverage sim-  
23 ply means that money is paid directly to the consumer  
24 who has purchased or will purchase drugs, prosthetic  
25 devices and the like, rather than a participating  
26 agreement being entered into with each purveyor of  
27 service or goods.

28 Present Maine law is unclear whether Blue Cross  
29 and Blue Shield may include incidental indemnity pay-  
30 ments under a health care contract which would be  
31 predominantly service-oriented. This amendment al-  
32 lows these organizations to offer comprehensive major  
33 health care contracts that provide incidental indem-  
34 nity benefits as long as the indemnity benefits do  
35 not exceed 10% of total contract benefits. In so do-  
36 ing, the Legislature recognizes the important role

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1 served by Blue Cross and Blue Shield in providing  
2 coverage for consumers who might not otherwise be  
3 able to obtain coverage through insurance policies.

4 The Legislature also recognizes that giving a  
5 tax-exempt organization, such as Blue Cross and Blue  
6 Shield, the ability to offer comprehensive contracts  
7 which may in some cases compete directly against the  
8 traditional products of insurance companies could  
9 give Blue Cross and Blue Shield an unfair competitive  
10 advantage since insurance companies are subject to a  
11 premium tax. Therefore, this amendment enacts a 1%  
12 premium tax to be paid on the total premiums paid for  
13 the comprehensive contract.

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