

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND TWELFTH LEGISLATURE
4

5 Legislative Document

No. 1636

6
7 H.P. 1129

House of Representatives, May 31, 1985

8 Reported by Representative Brannigan from the Joint Standing
9 Committee on Business and Commerce pursuant to Joint Order, H.P. 1110
and printed under Joint Rule 2.

10 EDWIN H. PERT, Clerk

11
12 STATE OF MAINE
13

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

17 AN ACT Relating to the Authority of Medical
18 Service Organizations and Nonprofit Hospitals to
19 make Incidental Indemnity Payments.
20

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

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

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

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

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

5 Sec. 3. 36 MRSA §2511, as amended by PL 1983, c.
6 479, §1, is further amended by adding at the end a
7 new paragraph to read:

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

17 Sec. 4. Sunset. This Act shall be repealed on
18 October 1, 1989.

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STATEMENT OF FACT

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

20 Present Maine law is unclear whether Blue Cross
21 and Blue Shield may include incidental indemnity
22 payments under a health care contract which would be
23 predominantly service oriented. This bill allows such
24 organizations to offer comprehensive major health
25 care contracts that provide incidental indemnity
26 benefits as long as the indemnity benefits do not
27 exceed 10% of total contract benefits. In so doing,
28 the Legislature recognizes the important role served
29 by Blue Cross and Blue Shield in providing coverage
30 for consumers who might not otherwise be able to
31 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 bill enacts a 1% premium tax to
40 be paid on 10% of the total premium paid for the
41 comprehensive contract.

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