

AN ACT

Codification  
District of  
Columbia  
Official Code

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IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend the Health Maintenance Organization Act of 1996 to establish a license disqualification for persons operating a health maintenance organization without a certificate of authority, to establish a renewal date for the certificate of authority of health maintenance organizations, to establish the authority for the imposition of a renewal fee, to permit the Commissioner to accept third party assurance reports and to require health maintenance organizations to pay for a quality assurance examination, to repeal current provisions pertaining to annual reports, examinations, and acquisition of control or merger, to establish the same regulatory mechanism for health maintenance organizations as applies to insurance companies with respect to annual reports, examinations, risk-based capital and acquisition of control or merger, to limit the required net worth of health maintenance organizations to \$4 million, to provide that the violation by a health maintenance organization of any District of Columbia laws, its charter, or its corporate powers shall be a basis to suspend or revoke the health maintenance organization's certificate of authority, to repeal the phase-in mechanism for net worth requirements, and to require domiciled health maintenance organizations to maintain their principal office, books and records in the District of Columbia.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Health Maintenance Organization Amendment Act of 2002".

Sec. 2. The Health Maintenance Organization Act of 1996, effective April 9, 1997 (D.C. Law 11-235; D.C. Official Code § 31-3401 *et seq.*), is amended as follows:

Amend  
§ 31-3402

(a) Section 3(a) (D.C. Official Code § 31-3402 (a)) is amended by adding a new third sentence to read as follows:

"Any person who shall establish and operate a health maintenance organization without obtaining a certificate of authority shall be prohibited from receiving a certificate of authority to do business as a health maintenance organization for a period not to exceed 5 years as determined by the Commissioner."

**ENROLLED ORIGINAL**

(b) Section 4 (D.C. Official Code § 31-3403) is amended by adding new subsections (g), (h), and (i) to read as follows:

**Amend  
§ 31-3403**

“(g) Each certificate of authority to do business in the District of Columbia shall renew on May 1 of each year following the date of its issuance unless it has been revoked or the renewal fee under subsection (h) of this section has not been paid.

“(h) The Commissioner may charge a renewal license fee to health maintenance organizations licensed to do business in the District of Columbia. The renewal fee shall be paid before April 2 of each renewal year. The fee shall be remitted in a manner prescribed by the Commissioner.

“(i) After receiving its certificate of authority, a health maintenance organization shall submit to the Commissioner information concerning any modification or amendment to its application for a certificate of authority or supporting documentation prior to the effectuation of the modification or amendment or provide this information or documentation to the Commissioner when the health maintenance organization files its annual report.”.

(c) Section 7 (D.C. Official Code § 31-3406) is amended by adding new subsections (i) and (j) to read as follows:

**Amend  
§ 31-3406**

“(i) The Commissioner may accept all or part of a quality assurance report and supporting documentation of an approved accrediting organization acceptable to the Commissioner to satisfy the review requirements under this section; provided, that such acceptance shall not preclude the Commissioner from performing the examination function.

“(j) The expense of the quality assurance examination shall be borne by the entity applying for the health maintenance organization certificate of authority or otherwise seeking to comply with this section.”.

(d) Section 9 (D.C. Official Code §31-3408) is repealed.

**Repeal  
§ 31-3408  
New  
§ 31-3408.01**

(e) A new section 9a is added to read as follows:

“Section 9a. Compliance with other laws.

"Health maintenance organizations shall comply with the following laws:

"(1) The Annual Audited Financial Reports Act of 1993, effective October 24, 1993 (D.C. Law 10-43; D.C. Official Code § 31-301 *et seq.*);

"(2) The Required Annual Financial Statements and Participation in the NAIC Insurance Regulatory Information System Act of 1993, effective October 21, 1993 (D.C. Law 10-42; D.C. Official Code § 31-1901 *et seq.*);

"(3) The Law on Examinations Act of 1993, effective October 21, 1993 (D.C. Law 10-49; D.C. Official Code § 31-1401 *et seq.*);

"(4) The Holding Company System Act of 1993, effective October 21, 1993 (D.C. Law 10-44; D.C. Official Code § 31-701 *et seq.*); and

"(5) The Standards to Identify Insurance Companies Deemed to Be in Hazardous Financial Condition Act of 1993, effective October 21, 1993 (D.C. Law 10-43; D.C. Official Code § 31-2101 *et seq.*).”.

**ENROLLED ORIGINAL**

- (f) Section 13(a) (D.C. Official Code § 31-3412 (a)) is amended as follows:
  - (1) Strike the phrase "(3) and" and insert the phrase "(2A), (3), and" in its place.
  - (2) A new paragraph (2A) is added to read as follows:

“(2A) A health maintenance organization shall not be required to maintain a net worth in excess of \$4 million.”.

Amend  
§ 31-3412
- (g) Section 19 (D.C Official Code § 31-3418) is repealed.

Repeal  
§ 31-3418
- (h) Section 20(a) (D.C. Official Code § 31-3419(a)) is amended by adding a new paragraph (12) to read as follows:

“(12) A health maintenance organization has violated a law of the District, has violated its charter, or has exceeded its corporate powers.”.
- (i) Section 25(a) (D.C. Official Code § 31-3423(a)) is amended to read as follows:

“(a) The Commissioner, after giving reasonable written notice of intent and providing a reasonable time within which the health maintenance organization may respond, in lieu of suspension or revocation of a certificate of authority under section 20, may levy an administrative penalty in an amount not to exceed \$50,000 for any violation when, in the Commissioner’s judgment, the Commissioner finds that the public interest would be best served by the continued operation of the company. The Commissioner may increase this penalty by the amount which the Commissioner determines to be the damages suffered by enrollees or other members of the public. The amount of any penalty shall be paid by the health maintenance organization through the Office of the Commissioner to the District of Columbia Treasurer. Civil penalties may be imposed as alternative sanctions for any infraction of the provisions of District law or any rules or regulations issued which pertain to health maintenance organizations.”.

Amend  
§ 31-3423
- (j) Section 29 (D.C. Official Code § 31-3428) is repealed.

Repeal  
§ 31-3428
- (k) A new section 32a is added to read as follows:

“Sec. 32a. Principal office, books, records, and files of the health maintenance organization to be in the District.

“(a) Any health maintenance organization domiciled in the District or hereafter formed or organized in the District to engage in the health care business as a health maintenance organization shall maintain its principal office within the District, shall keep its books, records, and files in the District, and shall not remove from the District its principal office or its books, records, or files without first obtaining the written permission of the Commissioner; provided, that this section shall not apply to the books, records, and files of any branch office of a health maintenance organization, which books, records, and files relate solely to the business transacted by the branch office agency.

“(b) A health maintenance organization domiciled in the District which violates this section shall immediately forfeit its certificate of authority to do business in the District.

“(c) An officer, agent, or employee of a health maintenance organization which violates this section shall be guilty of a misdemeanor and, upon conviction, shall pay a fine of not less

New  
§ 31-3431.01

**ENROLLED ORIGINAL**

than \$100 for each offense.”.

**Sec. 3. Applicability.**

This act shall not apply until the Commissioner gives written notice that all necessary rules and administrative procedures are in place to effect the provisions of this act.

**Sec. 4. Fiscal impact statement.**

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

**Sec. 5. Effective date.**

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.

**Note,  
§§ 31-3402,  
31-3408.01,  
31-3431.01**

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Chairman  
Council of the District of Columbia

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Mayor  
District of Columbia