

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

Natwar M. Gandhi  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer

**DATE:** April 2, 2001

**SUBJECT:** Fiscal Impact Statement: "Health Maintenance Organization  
Amendment Act of 2001"

**REFERENCE:** Draft Legislation - Bill Number Not Available ([B 14-156](#))

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**Conclusion**

Funds are sufficient in the District's FY 2001 through FY 2004 budget and financial plan to support the changes proposed by this legislation. This legislation imposes no additional costs on the District and revenue that would be generated by this legislation is negligible.

**Background**

The purpose of this bill is to amend the Health Maintenance Organization Act of 1996 to improve and facilitate the regulation of the health maintenance organizations (HMO) in the District of Columbia. The bill establishes a fine for persons operating an HMO without a certificate of authority, establishes a license renewal fee to do business in the District of Columbia, and requires that a violation of District law by an HMO is grounds for suspending or revoking the HMO's certificate of authority in addition to other amendments. The legislation also deletes current provisions pertaining to annual reports, examinations, and acquisition of control or merger and establishes the same regulatory mechanism for HMOs as applies to insurance companies with respect to these provisions.

### **Financial Plan Impact**

Funds are sufficient in the FY 2001 through FY 2004 budget and financial plan because the proposed legislation does not create any additional costs. The proposed legislation establishes an annual license renewal fee of \$200 for an HMO to do business in the District. Because there are only 18 HMOs domiciled in the District, this fee will generate \$3,600 in general fund revenues. In addition, the legislation establishes a penalty of \$100 for tardy compliance with certification requirements. Because of the limited number of HMOs in the District, this penalty will not be invoked often and its material impact on the District's financial plan is negligible. The legislation also allows the District to charge a penalty as high as \$50,000 when an HMO violates District law as an alternative to revoking the particular HMO's certificate of authority. The likelihood that the penalty will be imposed is remote because it will only be imposed when the District wants to keep an HMO in the District instead of revoking its license.