SENATE DOCKET, NO. 623 FILED ON: 1/15/2015

SENATE . . . . . No. 510

The Commonwealth of Massachusetts

PRESENTED BY:

Brian A. Joyce

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act related to insurer reserve requirements.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Brian A. Joyce	*Norfolk, Bristol and Plymouth*

SENATE DOCKET, NO. 623 FILED ON: 1/15/2015

SENATE . . . . . No. 510

By Mr. Joyce, a petition (accompanied by bill, Senate, No. 510) of Brian A. Joyce for legislation related to insurer reserve requirements. Financial Services.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE SENATE, NO. *470* OF 2013-2014.]

The Commonwealth of Massachusetts

In the One Hundred and Eighty-Ninth General Court
(2015-2016)

An Act related to insurer reserve requirements.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Chapter 176O of the General Laws, as appearing in the 2012 official edition, is hereby amended by striking out section 21 in its entirety and inserting in place thereof the following new section:

Section 21. (a) Each carrier shall submit an annual comprehensive financial statement to the division detailing carrier costs from the previous calendar year; provided, however, that for the purposes of this subsection, "carrier" shall not include any entity to the extent it offers a policy, certificate or contract that does not qualify as creditable coverage as defined in section 1 of chapter 111M.

The annual comprehensive financial statement shall include all of the information in this section and shall be itemized, where applicable, by:

11 (i) market group size, including individual; small groups of 1 to 5, 6 to 10, 11 to 25 and
12 26 to 50; large groups of 50 to 100, 101 to 500, 501 to 1000 and greater than 1000; and

13 (ii) line of business, including individual, general, blanket or group policy of health,
14 accident or sickness insurance issued by an insurer licensed under chapter 175; a hospital service
15 plan issued by a nonprofit hospital service corporation under chapter 176A; a medical service
16 plan issued by a nonprofit hospital service corporation under chapter 176B; a health maintenance
17 contract issued by a health maintenance organization under chapter 176G; insured health benefit
18 plan that includes a preferred provider arrangement issued under chapter 176I; and group health
19 insurance plans issued by the commission under chapter 32A.

20 The statement shall include, but shall not be limited to, the following information:

21 (i) direct premiums earned, as defined in chapter 176J; direct claims incurred, as defined
22 in said chapter 176J;

23 (ii) medical loss ratio;

24 (iii) number of members;

25 (iv) number of distinct groups covered;

26 (v) number of lives covered;

27 (vii) realized capital gains and losses;

28 (viii) net income;

29 (ix) accumulated surplus;

30 (x) accumulated reserves;

31 (xi) amount of downside risk, as defined in Chapter 176T section 1, transferred to each
32 certified risk bearing provider organization where the carrier has entered into a contractual
33 agreement that utilizes an alternate payment methodology with downside risk;

34 (xii) risk-based capital ratio, based on a formula developed by the National Association
35 of Insurance Commissioners;

36 (xiii) financial administration expenses, including underwriting, auditing, actuarial,
37 financial analysis, treasury and investment expenses;

38 (xiv) marketing and sales expenses, including advertising, member relations, member
39 enrollment expenses;

40 (xv) distributions expenses, including commissions, producers, broker and benefit
41 consultant expenses;

42 (xvi) claims operations expenses, including adjudication, appeals, settlements and
43 expenses associated with paying claims;

44 (xvii) medical administration expenses, including disease management, utilization review
45 and medical management expenses;

46 (xviii) network operational expenses, including contracting, hospital and physician
47 relations and medical policy procedures;

48 (xix) charitable expenses, including any contributions to tax-exempt foundations and
49 community benefits;

50 (xx) board, bureau or association fees;

51 (xxi) any miscellaneous expenses described in detail by expense, including an expense
52 not included in (i) to (xix), inclusive;

53 (xxii) payroll expenses and the number of employees on the carrier's payroll;

54 (xxiii) taxes, if any, paid by the carrier to the federal government or to the
55 commonwealth;

56 (xxiv) any capital investments or write downs in investments in related or unrelated
57 organizations;

58 (xxv) intercompany transfers with subsidiary organizations;

59 (xxvi) any changes in reserves for unpaid claims and any other contingent liabilities; and

60 (xxvii) any other information deemed necessary by the commissioner.

61 (b)(1) In this subsection, the following words shall have the following meanings:--

62 "Carrier", an insurer licensed or otherwise authorized to transact accident or health
63 insurance under chapter 175; a nonprofit hospital service corporation organized under chapter
64 176A; a nonprofit medical service corporation organized under chapter 176B; a health
65 maintenance organization organized under chapter 176G; and an organization entering into a
66 preferred provider arrangement under chapter 176I; or a third party administrator, a pharmacy
67 benefit manager or other similar entity with claims data, eligibility data, provider files and other
68 information relating to health care provided to residents of the commonwealth and health care
69 provided by health care providers in the commonwealth; provided, however, that "carrier" shall

70 not include any entity to the extent it offers a policy, certificate or contract that does not qualify
71 as creditable coverage as defined in section 1 of chapter 111M; provided, further, that "carrier"
72 shall include an entity that offers a policy, certificate or contract that provides coverage solely for
73 dental care services or visions care services.

74 "Self-insured customer", a self-insured group for which a carrier provides administrative
75 services.

76 "Self-insured group", a self-insured or self-funded employer group health plan.

77 "Third-party administrator", a person who, on behalf of a health insurer or purchaser of
78 health benefits, receives or collects charges, contributions or premiums for, or adjusts or settles
79 claims on or for residents of the commonwealth.

80 (2) Any carrier required to report under this section, which provides administrative
81 services to 1 or more self-insured groups shall include, as an appendix to such report, the
82 following information:

83 (i) the number of the carrier's self-insured customers;

84 (ii) the aggregate number of members, as defined in section 1 of chapter 176J, in all of
85 the carrier's self-insured customers;

86 (iii) the aggregate number of lives covered in all of the carrier's self-insured customers;

87 (iv) the aggregate value of direct premiums earned, as defined in said section 1 of said
88 chapter 176J, for all of the carrier's self-insured customers;

89 (v) the aggregate value of direct claims incurred, as defined in said section 1 of said
90 chapter 176J, for all of the carrier's self-insured customers;

91 (vi) the aggregate medical loss ratio, as defined in said section of said chapter 176J, for
92 all of the carrier's self-insured customers;

93 (vii) net income;

94 (viii) accumulated surplus;

95 (ix) accumulated reserves;

96 (x) the percentage of the carrier's self-insured customers that include each of the benefits
97 mandated for health benefit plans under chapters 175, 176A, 176B and 176G;

98 (xi) amount of downside risk, as defined in Chapter 176T section 1, transferred to each
99 certified risk bearing provider organization where the carrier has entered into a contractual
100 agreement that utilizes an alternate payment methodology with downside risk;

101 (xii) administrative service fees paid by each of the carrier's self-insured customers; and

102 (xiii) any other information deemed necessary by the commissioner.

103 (c) A carrier who fails to file this report on or before April 1 shall be assessed a late
104 penalty not to exceed $100 per day. The division shall make public all of the information
105 collected under this section. The division shall issue an annual summary report to the joint
106 committee on financial services, the joint committee on health care financing and the house and
107 senate committees on ways and means of the annual comprehensive financial statements by May
108 15. The information shall be exchanged with the center for health information and analysis for

109 use under section 10 of chapter 12C. The division shall, from time to time, require payers to
110 submit the underlying data used in their calculations for audit.

111 The commissioner shall adopt regulations to carry out this subsection, including
112 standards and procedures requiring the registration of persons or entities not otherwise licensed
113 or registered by the commissioner, such as third-party administrators, and criteria for the
114 standardized reporting and uniform allocation methodologies among carriers.

115 The commissioner shall establish a formula to determine the amount of reserves,
116 allocated on an annual basis, to each risk bearing provider organization by each carrier that has
117 entered into an alternative payment methodology with downside risk. The amount to be
118 allocated shall be based on the proportion of risk that the carrier is shifting to the certified risk
119 bearing provider organization. The Division shall promulgate rules to carry out the provision of
120 this subsection, which shall include reporting of such information as part of its requirements for
121 approval of a risk bearing provider organization under Section 3(c) of Chapter 176T.

122 d) If, in any year, a carrier reports a risk-based capital ratio on a combined entity basis
123 under subsection (a) that exceeds 600 per cent, the division shall hold a public hearing within 60
124 days. Each carrier that exceeds 600 per cent shall be publicly listed on the Division's website.
125 The carrier shall submit testimony on its overall financial condition and the continued need for
126 additional surplus. The carrier shall also submit testimony on how, and in what proportion to the
127 total surplus accumulated, the carrier will dedicate additional surplus to reducing the cost of
128 health benefit plans. The division shall review such testimony and issue a final report on the
129 results of the hearing. The Division's report shall be made publicly available on the Division's
130 website.

131 (e) The commissioner may waive specific reporting requirements in this section for
132 classes of carriers for which the commissioner deems such reporting requirements to be
133 inapplicable; provided, however, that the commissioner shall provide written notice, which shall
134 be a public record, of any such waiver to the joint committee on health care financing and the
135 house and senate committees on ways and means.

136 SECTION 2. The Commissioner of Insurance shall promulgate regulations to enforce the
137 provisions of this Act no later than 90 days after the effective date, which shall be effective for
138 provider contracts which are entered into, renewed, or amended on or after the regulations
139 effective date.