

SENATE No. 585

The Commonwealth of Massachusetts

In the Year Two Thousand Nine

An Act to reduce health care costs and improve patient care..

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

1 SECTION 1. (a) Definitions: For the purposes of this section, the following terms shall
2 have the following meanings:

3 1) Direct Premiums Earned--premiums earned during a particular period plus the
4 unearned premiums at the beginning of the period less the unearned premiums at the end of the
5 period.

6 2) Direct Claims Incurred—Claims paid during a particular period which pertain only
7 to that specific period, plus any unpaid claim reserve at the end of period which is attributable to
8 that period.

9 3) Loss ratio—the ratio of direct claims incurred to direct premiums earned, expressed
10 as a percentage.

11 (b) The commissioner of the division of healthcare finance and policy is hereby
12 authorized and directed to convene a special commission for the purpose of developing a system
13 employing loss ratios in order to maximize the amount of direct premiums earned which are

14 expended on the provision of care in the commonwealth, consistent with prudent insurance
15 practices and any other relevant issues of commercial practicability.

16 Said commission shall consist of the commissioner, who shall serve as its chair, the
17 commissioner of the division of insurance, the secretary of health and human services or his
18 designee, the director of the executive office of consumer affairs or his designee, and the
19 following members appointed by the governor: two representatives of health maintenance
20 organizations doing business in the commonwealth, two representatives of commercial insurers
21 doing business in the commonwealth, two representatives of preferred provider organizations
22 doing business in the commonwealth, two representatives of organizations providing indemnity
23 plans, so-called, in the commonwealth, a representative of a healthcare advocacy organization in
24 the commonwealth, a representative of the Massachusetts Nurses Association, a representative of
25 the Massachusetts Medical Society, three representatives of Massachusetts hospitals of a diverse
26 nature, an attorney with healthcare expertise in healthcare financing, an economist with expertise
27 in healthcare financing, and three individuals representing consumers in the commonwealth.

28 (c) Said commission shall investigate and evaluate potential methodologies for
29 employing the use of loss ratios in statute, regulation, or both, to minimize administrative
30 expenses and maximize actual funds expended on healthcare in the commonwealth. Said
31 commission shall design a system utilizing those methodologies it finds to be most effective,
32 practical and efficient in their application of loss ratios. The commission shall file a report
33 containing said system, together with any and all necessary legislative recommendations for its
34 implementation, with the clerks of the House and Senate and the joint committees on public
35 health, healthcare financing and financial services not later than eight months following the
36 passage of this act.