

HOUSE No. 2953

The Commonwealth of Massachusetts

PRESENTED BY:

Michael J. Finn

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 ensuring equitable distribution of reserves.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Michael J. Finn</i>	<i>6th Hampden</i>	<i>1/20/2017</i>
<i>José F. Tosado</i>	<i>9th Hampden</i>	<i>1/20/2017</i>
<i>Gerard Cassidy</i>	<i>9th Plymouth</i>	<i>1/20/2017</i>

HOUSE No. 2953

By Mr. Finn of West Springfield, a petition (accompanied by bill, House, No. 2953) of Michael J. Finn, Jose F. Tosado and Gerard Cassidy that the Division of Insurance be authorized to conduct a study on the adequacy of reserves for payers and providers. Financial Services.

The Commonwealth of Massachusetts

**In the One Hundred and Ninetieth General Court
(2017-2018)**

An Act ensuring equitable distribution of reserves.

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. Notwithstanding any law or regulation to the contrary, the division of
2 insurance shall conduct a study on the adequacy of reserves for both payers and providers. The
3 study shall include the following: (1) current reserves held by payers, (2) current reserves held by
4 providers, (3) a formula to calculate the minimum necessary reserves for payers based on their
5 levels of risk, (4) a formula to calculate the minimum necessary reserves for providers based on
6 their levels of risk, (5) a threshold of excess reserves, and (6) a methodology to calculate an
7 appropriate transfer of reserves from payers to providers as providers take on increasing amounts
8 of downside risk from payers. Minimum necessary reserves shall mean the amount of reserves
9 required for a payer or provider to be fiscally solvent. The threshold of excess reserves shall
10 represent an amount beyond what a payer or provider should reasonably hold above the
11 necessary reserves amount. The level of risk shall mean the possible percentages of risk a
12 provider or payer has in any risk sharing arrangement. Downside risk shall mean the risk taken
13 on by a provider organization as part of an alternate payment contract with a carrier or other

14 payer where the provider organization is responsible for either the full or partial costs of treating
15 a group of patients that exceeds a contract's budgeted payment arrangements.

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17 Upon completion of this study, the division shall promulgate all necessary regulations to
18 implement the findings of the study.

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20 The division shall then issue a report on its findings to the senate and house committees
21 on ways and means and the joint committee on health care financing by July 1, 2018.