

# HOUSE . . . . . No. 2953

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## The Commonwealth of Massachusetts

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PRESENTED BY:

***Michael J. Finn***

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*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.

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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

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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.

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## The Commonwealth of Massachusetts

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