

SENATE NO. 639

AN ACT RELATIVE TO STANDARDIZED BILLING

*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. “The Commissioner of the Division of Insurance is hereby authorized and directed in
2 consultation with the Commissioner of the Department of Public Health, the Secretary of Health and
3 Human Services, the Commissioner of the Department of Medical Security, the Commissioner of the
4 Department of Consumer Affairs and Business Regulation and the Secretary of Administration and
5 Finance, to develop a system of uniform and standardized billing and payment to be utilized by every
6 medical provider, hospital, insurer, health maintenance organization and any other entity making payment
7 of any type for health care goods or services of any type in the Commonwealth.

8 (1) Not later than sixty days following the passage of this act, said commissioner shall convene a planning
9 group to assist in the development of said uniform payment system, hereinafter referred to as “UPS.”

10 Said planning group shall be comprised of those individuals listed in Section 1 of this Act or their
11 designee, together with the following: Three representatives of the Massachusetts Hospital Association,
12 one of which shall represent a community hospital; one representative of a Health Maintenance
13 Organization doing business in the Commonwealth, one of which shall represent a commercial insurer
14 doing business in the Commonwealth, one representative of the Commonwealth’s insurer of last resort,
15 one representative of a preferred provider organization doing business in the Commonwealth, one

16 representative of the Massachusetts Nurses Association, three representatives of the Massachusetts
17 Medical Society, three members of the Senate, at least one of whom shall represent the minority party,
18 and three members of the House of Representatives, at least one of whom shall represent the minority
19 party. Said planning group shall, in the discretion of the Commissioner, assist in the development and
20 implementation of a UPS having the characteristics prescribed by Subsection 2 of this section.

21 (2) The UPS developed pursuant to this act shall employ a single, standardized format for the making and
22 payment of claims between any provider and any payer of health care goods and services rendered to any
23 citizen of the commonwealth. Said system shall include, but not be limited to, a universal format for the
24 identification by code of particular conditions, treatments and goods, which format shall be maintained by
25 any entity, including Medicaid, which delivers a contract for the payment of health care costs in the
26 commonwealth. Said format shall be designed so as to be usable in electronic or printed media, shall be
27 simplified and straightforward, shall be expendable to cover future health care developments, shall be
28 modifiable to adapt to any changing circumstances, shall facilitate the timely making, processing, and
29 payment of claims, and shall be commercially practicable.

30 (3) Said UPS shall provide for the prompt notification of a claimant by a payer that a claim has been
31 received, and that the information necessary to process the claim is either complete or incomplete.

32 (a) In the event that the claim is incomplete, then such notification shall include any and all remaining
33 information necessary to the payment of the claim. Such information shall, in turn, be provided on a
34 supplementary claim form which shall bear its date of submission, which shall not be later than thirty days
35 after the original notification of the receipt of the claim. Payment shall be issued by the payer not later
36 than forty-five days following the receipt of the supplementary claim form.

37 (b) In the event that all claim information is complete, then payment shall be issued within forty-five days.

38 (c) The planning group prescribed in subsection (1) shall be authorized to develop the specific details of
39 this notification process, including any appeals and further allowances for defective claim information.

40 (4) Said UPS shall be developed in a state suitable for implementation and reported to the Clerks of the
41 House and Senate and to the Governor of the Commonwealth not later than eighteen months following
42 the passage of this act. Following said reporting, the General Court shall have ninety days to make
43 recommendations to the Commissioner, or take legislative action to delay implementation of said UPS.

44 (5) Not later than twenty-four months following the passage of this act, the Commissioner shall
45 implement the UPS developed pursuant to the provisions herein, unless otherwise directed by the General
46 Court.

47 (6) The Commission shall maintain the planning group prescribed by subsection 1 for the purposes of
48 monitoring the implementation of the UPS developed herein making recommendations to the
49 commissioner for any necessary changes to enhance or maintain the effectiveness of the UPS, and to
50 assist in the issuance of reports relative to the UPS prescribed by subsection 6 of this section.

51 (7) The Commissioner shall, for the three year period commencing upon the implementation of the UPS,
52 issue quarterly reports relative to the operating effectiveness of the UPS, which shall include, but not be
53 limited to:

- 54 1. The costs of implementation and operation of the system, both to the private and
55 public sectors.
- 56 2. Problems or difficulties encountered in implementing or operating the system.
- 57 3. Public comment received relative to the system, either in actual or summary format.
- 58 4. Average time periods for the making and payment of claims under the UPS.
- 59 5. Any legislative recommendations.

60 Said reports shall be delivered to the Clerks of the House and Senate and the Governor of

61 the Commonwealth.

62 (8) Any insurer licensed by the Division of Insurance, or any health care provider practicing in the
63 Commonwealth may, in a written form approved and promulgated by the Commissioner, petition for a
64 change in the UPS, which shall be considered in a timely fashion by the Commissioner.

65 Said Commissioner shall conduct a public hearing to receive public comment, in person and in
66 writing, within ninety days of receiving said petition, and shall issue a ruling on the proposed change
67 within thirty days of the conclusion of said hearing. The Commissioner may, within his or her discretion,
68 consolidate said hearings for the purpose of promoting efficiency. Any changes so approved shall be
69 implemented in the next semi-annual modification period following the ruling.

70 (9)The Commissioner shall establish two semi-annual modification dates whereby any changes to the
71 UPS shall be implemented. The Commissioner is hereby authorized to develop regulations pursuant to
72 this act to ensure that adequate notice is given of any such changes, and that prompt compliance is
73 accomplished with regard to such changes.

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

76 “Direct Premiums Earned,” premiums earned during a particular period plus the unearned premiums at
77 the beginning of the period less the unearned premiums at the end of the period.

78 “Direct Claims Incurred,” Claims paid during a particular period which pertain only to that specific
79 period, plus any unpaid claim reserve at the end of period which is attributable to that period.

80 “Loss ratio,”—the ratio of direct claims incurred to direct premiums earned, expressed as a percentage.

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

84 care in the commonwealth, consistent with prudent insurance practices and any other relevant issues of
85 commercial practicability.

86 Said commission shall consist of the commissioner, who shall serve as its chair, the
87 commissioner of the division of insurance, the secretary of health and human services or his designee,
88 the director of the executive office of consumer affairs or his designee, and the following members
89 appointed by the governor: two representatives of health maintenance organizations doing business in
90 the commonwealth, two representatives of commercial insurers doing business in the commonwealth,
91 two representatives of preferred provider organizations doing business in the commonwealth, two
92 representatives of organizations providing indemnity plans, so-called, in the commonwealth, a
93 representative of a healthcare advocacy organization in the commonwealth, a representative of the
94 Massachusetts Nurses Association, a representative of the Massachusetts Medical Society, three
95 representatives of Massachusetts hospitals of a diverse nature, an attorney with healthcare expertise in
96 healthcare financing, an economist with expertise in healthcare financing, and three individuals
97 representing consumers in the commonwealth.

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