

SENATE NO. 699

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. 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
3 and Human Services, the Commissioner of the Department of Medical Security, the Commissioner
4 of the Department of Consumer Affairs and Business Regulation and the Secretary of
5 Administration and Finance, to develop a system of uniform and standardized billing and payment
6 to be utilized by every medical provider, hospital, insurer, health maintenance organization and any
7 other entity making payment of any type for health care goods or services of any type in the
8 Commonwealth.

9 (1) Not later than sixty days following the passage of this act, said commissioner shall convene a
10 planning group to assist in the development of said uniform payment system, hereinafter referred to
11 as "UPS." Said planning group shall be comprised of those individuals listed in Section 1 of this
12 Act or their designee, together with the following: Three representatives of the Massachusetts
13 Hospital Association, one of which shall represent a community hospital, one representative of a
14 Health Maintenance Organization doing business in the Commonwealth, one of which shall

15 represent a commercial insurer doing business in the Commonwealth, one representative of the
16 Commonwealth's insurer of last resort, one representative of a preferred provider organization
17 doing business in the Commonwealth, one representative of the Massachusetts Nurses Association,
18 three representatives of the Massachusetts Medical Society, three members of the Senate, at least
19 one of whom shall represent the minority party, and three members of the House of
20 Representatives, at least one of whom shall represent the minority party. Said planning group
21 shall, in the discretion of the Commissioner, assist in the development and implementation of a
22 UPS having the characteristics prescribed by Subsection 2 of this section.

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

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

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

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

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

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

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

55 (6) The Commission shall maintain the planning group prescribed by subsection 1 for the purposes
56 of monitoring the implementation of the UPS developed herein making recommendations to the

57 commissioner for any necessary changes to enhance or maintain the effectiveness of the UPS, and
58 to assist in the issuance of reports relative to the UPS prescribed by subsection 6 of this section.

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

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

67 Said reports shall be delivered to the Clerks of the House and Senate and the Governor of the
68 Commonwealth.

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

72 Said Commissioner shall conduct a public hearing to receive public comment, in person and in
73 writing, within ninety days of receiving said petition, and shall issue a ruling on the proposed
74 change within thirty days of the conclusion of said hearing. The Commissioner may, within his
75 or her discretion, consolidate said hearings for the purpose of promoting efficiency. Any

76 changes so approved shall be implemented in the next semi-annual modification period
77 following the ruling.

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

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

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

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

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

91 (b) The commissioner of the division of healthcare finance and policy is hereby authorized and
92 directed to convene a special commission for the purpose of developing a system employing
93 loss ratios in order to maximize the amount of direct premiums earned which are expended on
94 the provision of care in the commonwealth, consistent with prudent insurance practices and any
95 other relevant issues of commercial practicability.

96 Said commission shall consist of the commissioner, who shall serve as its chair, the
97 commissioner of the division of insurance, the secretary of health and human services or his
98 designee, the director of the executive office of consumer affairs or his designee, and the
99 following members appointed by the governor: two representatives of health maintenance
100 organizations doing business in the commonwealth, two representatives of commercial insurers
101 doing business in the commonwealth, two representatives of preferred provider organizations
102 doing business in the commonwealth, two representatives of organizations providing indemnity
103 plans, so-called, in the commonwealth, a representative of a healthcare advocacy organization in
104 the commonwealth, a representative of the Massachusetts Nurses Association, a representative
105 of the Massachusetts Medical Society, three representatives of Massachusetts hospitals of a
106 diverse nature, an attorney with healthcare expertise in healthcare financing, an economist with
107 expertise in healthcare financing, and three individuals representing consumers in the
108 commonwealth.

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