

SENATE NO. 704

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.

2 The Commissioner of the Division of Insurance is hereby authorized and directed in consultation with the
3 Commissioner of the Department of Public Health, the Secretary of Health and Human Services, the
4 Commissioner of the Department of Medical Security, the Commissioner of the Department of Consumer
5 Affairs and Business Regulation and the Secretary of Administration and Finance, to develop a system of
6 uniform and standardized billing and payment to be utilized by every medical provider, hospital, insurer,
7 health maintenance organization and any other entity making payment of any type for health care goods
8 or services of any type in the 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
11 referred to as "UPS." Said planning group shall be comprised of those individuals listed in
12 Section 1 of this Act or their designee, together with the following: Three representatives of
13 the Massachusetts Hospital Association, one of which shall represent a community hospital,

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

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

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

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

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

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

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

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

57 (6) The Commission shall maintain the planning group prescribed by subsection 1 for the
58 purposes of monitoring the implementation of the UPS developed herein making
59 recommendations to the commissioner for any necessary changes to enhance or maintain the

60 effectiveness of the UPS, and to assist in the issuance of reports relative to the UPS prescribed
61 by subsection 6 of this section.

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

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

71 Said reports shall be delivered to the Clerks of the House and Senate and the Governor of
72 the Commonwealth.

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

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

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

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

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

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

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

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

101 Said commission shall consist of the commissioner, who shall serve as its chair, the
102 commissioner of the division of insurance, the secretary of health and human services or his designee,
103 the director of the executive office of consumer affairs or his designee, and the following members
104 appointed by the governor: two representatives of health maintenance organizations doing business in
105 the commonwealth, two representatives of commercial insurers doing business in the commonwealth,

106 two representatives of preferred provider organizations doing business in the commonwealth, two
107 representatives of organizations providing indemnity plans, so-called, in the commonwealth, a
108 representative of a healthcare advocacy organization in the commonwealth, a representative of the
109 Massachusetts Nurses Association, a representative of the Massachusetts Medical Society, three
110 representatives of Massachusetts hospitals of a diverse nature, an attorney with healthcare expertise in
111 healthcare financing, an economist with expertise in healthcare financing, and three individuals
112 representing consumers in the commonwealth.

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