



## Office of the Inspector General Commonwealth of Massachusetts

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### **Communication from Inspector General Gregory W. Sullivan to the Health Care Quality & Cost Council, October 2009**

Sent: Tuesday, October 20, 2009 1:33 PM

Subject: Recommendations regarding the Roadmap

Dear Council Members:

My testimony highlights two issues that I do not believe are appropriately addressed in the final draft of the Roadmap to Cost Containment, which issues I have raised previously at the Cost Containment subcommittee. Accordingly, it is my intention to offer two motions to include the following recommendations in the Roadmap:

1. The payment reform legislation should require that ACOs [Accountable Care Organizations] and insurers submit capitated global payment rates in advance for review and approval/disapproval by a state agency, which review should include findings regarding the adequacy of efforts by providers and insurers to contain underlying costs. The Department of the Attorney General should be a party to the proceedings.

This process is necessary to assure that health insurance premiums will be affordable for the citizens and employers of Massachusetts.

2. The Office of the Attorney General and the Division of Insurance should be given broad statutory authority from the outset of the new ACO system to ensure that the system not have anti-competitive elements.

I also have additional concerns about the draft Roadmap, including the following:

1. The Roadmap recommendations do not adequately address short-term health care costs, which are currently increasing at an alarming rate. (See attached testimony for discussion of premium increases.) I recommend the immediate use of insurance premium regulation, which is the most useful short-term tool currently available to contain costs. In my opinion, the Roadmap erroneously suggests that statutory changes would be needed to regulate insurance premiums effectively, when ample statutory authority for the Division of Insurance to regulate premiums already exists. (See, e.g., G.L. c. 176G, §16, paragraph 1, which states: "The subscriber contracts, rates and evidence of coverage shall be subject to the disapproval of the commissioner. No such contracts shall be approved if the benefits provided therein are unreasonable in relation to the rate charged, nor if the rates are excessive, inadequate or unfairly discriminatory. Classifications shall be fair and reasonable.")

The Roadmap also indicates that premium regulation may "drastically reduce health insurer reserves." (See draft Roadmap, p. 81.) I do not agree with this conclusion as it ignores the appropriate focus of premium regulation, which is on efforts by insurers to contain underlying health care costs. As part of its regulation of premiums, the Division of Insurance should work with the insurers, as well as with providers and other interested parties, to help develop and coordinate strategies to contain short-term and long-term health care costs. By helping the insurers to reduce underlying costs, premiums can be reduced without adversely affecting insurer profit margins and reserves.

2. I continue to have great concerns about the HCQCC endorsing a federal waiver to put Medicare in Massachusetts under an ACO capitated global payment system. In the absence of a detailed description of the terms of such a waiver request, including the effect it would have on Medicare recipients, I am not willing to make such an endorsement.

Inspector General Gregory W. Sullivan's Testimony before the Joint Committee on Health Care Financing, October 2009

Thank you for considering my concerns.

Sincerely,

Greg Sullivan