

**SENATE . . . . . No.**

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**The Commonwealth of Massachusetts**

PRESENTED BY:

**Mr. Tarr**

*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 passage of the accompanying bill:

An Act to reduce health care costs and improve patient care.

PETITION OF:

NAME:

Mr. Tarr

DISTRICT/ADDRESS:

First Essex and Middlesex

# The Commonwealth of Massachusetts

\_\_\_\_\_  
In the Year Two Thousand and Nine  
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## 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. (a) Definitions: For the purposes of this section, the following terms shall  
2 have the following meanings:
- 3    1) Direct Premiums Earned--premiums earned during a particular period plus the unearned  
4 premiums at the beginning of the period less the unearned premiums at the end of the period.
- 5    2) Direct Claims Incurred—Claims paid during a particular period which pertain only to that  
6 specific period, plus any unpaid claim reserve at the end of period which is attributable to that  
7 period.
- 8    3) Loss ratio—the ratio of direct claims incurred to direct premiums earned, expressed as a  
9 percentage.
- 10 (b) The commissioner of the division of healthcare finance and policy is hereby authorized and  
11 directed to convene a special commission for the purpose of developing a system employing loss

12 ratios in order to maximize the amount of direct premiums earned which are expended on the  
13 provision of care in the commonwealth, consistent with prudent insurance practices and any  
14 other relevant issues of commercial practicability.

15 Said commission shall consist of the commissioner, who shall serve as its chair, the  
16 commissioner of the division of insurance, the secretary of health and human services or his  
17 designee, the director of the executive office of consumer affairs or his designee, and the  
18 following members appointed by the governor: two representatives of health maintenance  
19 organizations doing business in the commonwealth, two representatives of commercial insurers  
20 doing business in the commonwealth, two representatives of preferred provider organizations  
21 doing business in the commonwealth, two representatives of organizations providing indemnity  
22 plans, so-called, in the commonwealth, a representative of a healthcare advocacy organization in  
23 the commonwealth, a representative of the Massachusetts Nurses Association, a representative of  
24 the Massachusetts Medical Society, three representatives of Massachusetts hospitals of a diverse  
25 nature, an attorney with healthcare expertise in healthcare financing, an economist with expertise  
26 in healthcare financing, and three individuals representing consumers in the commonwealth.

27 (c) Said commission shall investigate and evaluate potential methodologies for employing the  
28 use of loss ratios in statute, regulation, or both, to minimize administrative expenses and  
29 maximize actual funds expended on healthcare in the commonwealth. Said commission shall  
30 design a system utilizing those methodologies it finds to be most effective, practical and efficient  
31 in their application of loss ratios. The commission shall file a report containing said system,  
32 together with any and all necessary legislative recommendations for its implementation, with the

- 33 clerks of the House and Senate and the joint committees on public health, healthcare financing
- 34 and financial services not later than eight months following the passage of this act.