SENATE DOCKET, NO. 1162 FILED ON: 1/20/2011

SENATE . . . . . No. 451

The Commonwealth of Massachusetts

PRESENTED BY:

Marc R. Pacheco

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:

An Act to improve affordability of health care.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Marc R. Pacheco	☐ *[District]* ☐
John Hart, Jr.	☐ *[District]* ☐

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SENATE . . . . . No. 451

By Mr. Pacheco, a petition (accompanied by bill, Senate, No. 451) of Marc R. Pacheco and John Hart, Jr. for legislation to improve affordability of health care. Financial Services.

The Commonwealth of Massachusetts

An Act to improve affordability of health care.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Chapter 29 of the General Laws is hereby amended by inserting after section 2BBBB the following section:

Section 2CCCC. There shall be established and set up on the books of the commonwealth a separate fund to be known as the High Risk Reinsurance Trust Fund. The commissioner of insurance, in consultation with the commissioner of health care finance and policy, the secretary of administration and finance and the secretary of health and human services, shall administer a reinsurance program for high-risk individuals covered under products issued under chapter 176J. The commissioner of the division of health care finance and policy shall approve the amounts assessed on payers sufficient to fund the level of reinsurance specified in section 14 of chapter 176J provided that to the extent federal financial participation is received, the commissioner shall adjust the amount assessed accordingly. The commissioner of the division of health care finance and policy shall promulgate regulations specifying the dates for collection and the method for collecting the amount specified, provided however that the methodology must be through a surcharge mechanism consistent with section 38 of chapter 118G.

The commissioner of insurance shall appoint 7 representatives of carriers issuing or renewing products in accordance with said chapter 176J to be a members of a board to develop a plan of operations of such high-risk reinsurance program and to monitor the functioning of the program. The commissioner of insurance, in consultation with the secretary of administration and finance and the secretary of health and human services, shall approve the plan of operations of the reinsurance program, the level of reinsurance sponsored by the program, any premium charged for reinsurance, the manner by which expenditures shall be made from the fund to reimburse carriers, as defined section 1 of said chapter 176J, for all costs that the carriers may incur in claims under section 14 of said chapter 176J and the level of assessments necessary to pay for costs that are not covered by any reinsurance premiums.

25 Nothing in this section shall prohibit the commissioner of insurance from contracting
26 with a third party to administer the fund.

27 The commissioner of insurance shall adopt regulations as necessary to implement this
28 section. The commissioner of insurance shall, not later than October 1 of each year, file a
29 written, detailed report on the reinsurance program with the joint committee on health care
30 financing, the joint committee on financial services and the house and senate committees on
31 ways and means specifying:

32 (i) the methodology and mechanism used in ascertaining any assessments; (ii) the
33 methodology used for reimbursing eligible carriers; and (iii) the disbursements made by carriers
34 and the amount of those disbursements for the fiscal year ending on the preceding June 30.

35 SECT1ON 2. Chapter 176J of the General Laws is hereby amended by adding the
36 following section:-

37 Section 14. (a) The commissioner shall reimburse a carrier an amount equal to 90 per
38 cent of claims costs in any calendar year between the reinsurance threshold and the reinsurance
39 limit attributable to any eligible individual or eligible employee or dependent of an eligible small
40 business. The initial reinsurance threshold shall be $100,000. The initial reinsurance limit shall
41 be $2,000,000. The commissioner shall increase the reinsurance threshold and limit on an annual
42 basis by an amount consistent with medical cost trends in the small group market.

43 (b) A carrier's cost and utilization trends applicable to premiums charged to eligible small
44 businesses shall reflect anticipated reimbursements pursuant to this section.

45 (c) Reimbursements to carriers pursuant to this section shall be made from the Individual
46 Group Reinsurance Fund established in section 2CCCC of chapter 29.

47 (d) The commissioner shall promulgate regulations necessary to implement this section.