

Mass. Senate OKs Bill Requiring Some Hospitals to Pay \$100 Million to Insurers

By Fran Matso Lysiak

BOSTON May 19 (BestWire) — The Massachusetts Senate approved legislation that would require hospitals and other health care providers with healthy profit margins to make a one-time, \$100 million contribution to health insurers to help bring relief to small businesses struggling to pay soaring health insurance premiums.

This money would reduce premiums for small businesses by 2.5%, according to a statement from Massachusetts Senate President Therese Murray, D-Plymouth.

The contributions would go directly to the insurers, who would be required to use it for premium relief for small businesses, said David Falcone, Murray's director of communications. The Division of Insurance would oversee the process to make sure every dollar is targeted to premium relief for small business, he said.

The bill, now heading to the House of Representatives, also requires insurers to file under an efficiency guarantee ensuring that at least 90% of their premium dollars would be spent on medical care and not administrative costs, such as marketing or profit.

If carriers don't file rates with the guarantee, they would be subject to an insurance division review to determine if premium increases exceed medical inflation — which would not be allowed.

The \$100 million contribution wouldn't affect small or struggling hospitals but as confirmed by a recent report, many larger hospitals and provider groups have large reserves and significant profit margins, Falcone said.

Hospitals and other health care providers with healthy reserves and a profit margin greater than 2.5% for the past two years, would be required to pay the contribution. The contribution would "help bridge the short-term crisis as work continues on long-term payment reform," Falcone said.

Providers would negotiate with insurers on the specifics. However, the money would go to the carrier and be put back into the system in the form of rebates or some other method for small businesses over the next two years, starting Oct. 1, Falcone said.

The bill "isn't just about insurers — it's about a shared sacrifice from providers as well," he said.

Attempts to speak with the Massachusetts Association of Health Plans were unsuccessful.

In April, a Massachusetts judge ruled against the state's insurers in their effort to stop the fallout from a state rejection of most of their latest rate increase proposals in the small-group market. MAHP argued the insurers are having to adapt to the spiking costs of medical care, and put the blame on the "market clout of certain hospitals and physician groups" (BestWire, April 13, 2010).

Other aspects of the bill — which provides total premium relief of about 10% to 15%, according to Murray's office — are:

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— The practice of measuring the age of employees in five-year increments would be eliminated and replaced with a yearly measurement of age to smooth out annual increases as an employee group ages. It's intended to control yearly rate volatility that led to 30% to 40% increases in premiums for some small businesses.

— Establishes a pilot program that provides a state boost to the federal tax credit program for small businesses that buy coverage through the Massachusetts Health Connector and participate in wellness programs. Eligible small businesses that participate would receive a 5% state subsidy for insurance costs from 2011 to 2014.

Small businesses are letting people go and in some cases shutting down because of the burden of rising health care costs, Falcone said. "This makes instant relief for small businesses even more urgent."

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