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May 18, 2010

Baddour Votes to Bring Immediate Relief to Small Businesses Struggling with Soaring Health Care Costs

BOSTON – The Senate on Tuesday approved legislation to help spur economic growth by providing small businesses the immediate health care cost relief they need to retain and create jobs and start hiring again, Senator Steven A. Baddour (D-Methuen) announced today. The comprehensive bill requires insurers to offer affordable health plans, reduces premium fluctuations, allows for group purchasing, and promotes wellness programs for small businesses.

The legislation delivers an estimated premium relief of 10-to-15 percent with the possibility of more for small businesses to save and reinvest in themselves and their workforce. It also establishes standardized transparency measures for comparing provider prices and requiring annual public reporting to shine a light on the marketplace and collect important financial information for ongoing policy discussions about long-term system reform.

“Small businesses are *the* job producers in Massachusetts, and they have been suffocating under the mounting costs of health care,” Senate President Therese Murray (D-Plymouth) said. “This bill brings the relief they need to start growing again, and it ensures a shared sacrifice from insurers *and* providers to bring relief in the short-term as we continue to work on complicated, long-term cost-control measures. It is not a permanent fix, but it will have an immediate and positive impact on small businesses that cannot be ignored.”

Senator Richard T. Moore (D-Uxbridge), Senate chair of the Joint Committee on Health Care Financing, said: “Affordability should not impede access to quality health care, and this legislation maintains the Commonwealth’s commitment to evolving our system by expanding on the successes of the Quality and Cost Containment Act of 2008. The Senate recognizes that temporary measures must lead to permanent reforms, which is why it will be necessary to develop a long-term payment system that effectively restrains the volatility of our health care system. This bill necessitates systemic change, and will continue to lead Massachusetts on a path toward stable, economically practical, and accessible levels of care.”

The bill requires insurance carriers to file premium rates with the Division of Insurance (DOI) prior to their effective date for review and gives insurers the option of filing rates under an Efficiency Guarantee.

The Guarantee ensures that at least 90 percent of their premium dollars will be spent on actual care and not administrative costs, such as marketing, salaries or profit margins. If carriers choose not to file rates with the Guarantee, they would be subject to a DOI review to determine if premium increases exceed medical inflation, which would not be allowed.

A major provision of the bill, offered as an amendment by Senator Steven A. Baddour (D-Methuen) that was unanimously accepted by the members, authorizes small businesses to group together and purchase health care plans at lower prices. “Pressures on small business owners and employers have slowly been building for years and we fear that given the current economic conditions, many are now at the breaking point,” said Senator Baddour. “To fix this problem, we must return equal rights to small purchasers, allowing them negotiate, group buy, and institute wellness programs that will result in savings for their employees. This change will return real competition to the marketplace and force insurers to stop this discriminatory cost-shifting to the small employer.”

Addressing the issue of market instability, the bill closes existing loopholes in the system that drive up premiums for everyone. By moving to an annual open enrollment period, it ends the so-called “jumpers and dumpers” practice of individuals who purchase coverage only for expensive treatment and then drop the coverage.

The bill also controls year-to-year rate volatility that leads to 30- to 40-percent increases in health care premiums for some small businesses. The cost-spiking practice of measuring the age of employees in five-year increments would be eliminated, replaced with a yearly measurement of age to smooth out the annual increases as an employee group ages.

Additionally, the legislation provides more affordable health care products to small business employers by requiring carriers in the small group market to offer at least one reduced network plan with premiums 10 percent lower than those for a full network plan.

The bill also establishes a pilot program that provides a state enhancement of the federal tax credit program for small businesses that purchase health insurance through the Massachusetts Health Connector and participate in wellness programs.

Eligible small businesses that demonstrate participation in a wellness program would receive an additional 5 percent state subsidy for eligible health insurance costs from 2011 to 2014, bringing the total state and federal assistance up to 40 percent of employer health care costs per year.

Finally, the bill requires hospitals and other large health care providers with healthy reserves and a profit margin (revenues that exceed patient care expenses) over 2.5 percent for the past two years to make a one-time, shared-sacrifice contribution to help alleviate rising health costs for small businesses and bridge the gap to long-term system reform.

Providers will negotiate with insurance carriers on the specifics of the contributed transfer back into the system for small business relief. No funding will be transferred to the state. The Division of Insurance will work with the institutions to ensure that every dollar is targeted to premium relief, with refunds going to small businesses over a two-year period.

A \$100 million contribution from the provider community would reduce small business health insurance costs by an additional 2.5 percent.

Other provisions in the bill:

- Prohibit anti-competitive contract provisions between insurance carriers and health providers that restrict product innovation or tie reimbursement rates to those received by other providers; and
- Establish a Mandated Benefit Expert Review process whereby the Division of Health Care Finance and Policy must conduct a comprehensive review of the cost, public health impact and clinical efficacy of all existing mandated benefits every four years.

The bill now goes to the House of Representatives.

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