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**PATRICK-MURRAY ADMINISTRATION PROPOSES COMPREHENSIVE HEALTH CARE COST-CONTAINMENT LEGISLATION****Bill will help control costs and improve patient care by reforming health care payment and delivery systems**Governor Patrick offers remarks at the Greater Boston Chamber of Commerce's Government Affairs Forum. (Photo credit: Matt Bennett/Governor's Office). [View additional photos.](#)

BOSTON - Thursday, February 17, 2011 - Governor Deval Patrick today announced comprehensive health care payment and delivery reform legislation designed to control rising health care costs and improve patient care. The Governor's proposal builds on the Patrick-Murray Administration's bold leadership in achieving universal access to health care by confronting the next frontier - ensuring that health care is universally affordable.

The bill, "An Act Improving the Quality of Health Care and Controlling Costs by Reforming Health Systems and Payments," establishes a structure and process to facilitate significant reforms to the Commonwealth's health care payment and service delivery systems over the next three years.

"Massachusetts led the nation on health care reform and is poised to lead again on health care cost containment," said Governor Patrick. "With 98 percent of the Commonwealth's residents insured, we have shown how government, consumers, insurers and providers can work together to realize the goals of health care reform. Our next major achievement in this arena will be controlling costs while ensuring that the people of Massachusetts continue to receive world-class care."

"We are dedicated to building a stronger Commonwealth, and that includes improving the health care system now and for future generations," said Lieutenant Governor Timothy Murray. "We have worked hard to increase access for our residents. This proposal is the critical next step that will provide higher quality and more affordable health care in Massachusetts."

"These reforms represent a first step in reforming how we pay for health care in Massachusetts, while maintaining access and ensuring quality of patient care," said Secretary of Health and Human Services Dr. JudyAnn Bigby. "By encouraging payments that basically recognize that doctors, nurses, and other providers want - first and foremost - to take care of their patients, this legislation will help ensure that patients receive the right care at the right time."

"The outline of the Governor's health care cost control reform is very encouraging for consumers, small businesses and taxpayers," said Jon B. Hurst, President of the Retailers Association of Massachusetts. "We should no longer tolerate premium increases which do not reflect the economic realities being faced every day on Main Street or in middle class families across the Commonwealth."

"We applaud the Governor for taking the next big step to reform health care and bring costs under control," said Dr. Gene Lindsey, President and CEO of Atrius Health. "As an organization that has been operating with global payments for 40 years, we at Atrius Health know the potential is there to give consumers the coordinated, patient-centered care they deserve. There will undoubtedly be bumps along the way and this transformation will not be easy, but we are ready to move forward with the Patrick Administration to make this new world of health care a reality. "

The legislation filed today encourages the growth of "integrated care organizations," (ICOs) comprised of groups of providers that work together to achieve improved health outcomes for patients at lower costs; provides benchmarks, standards and guidance for the transition to integrated care and global payments; and allows the Division of Insurance (DOI) to consider more criteria when making the decision to either approve or reject rate increase requests from both carriers and providers.

#### **Improving the Quality of Health Care Service :**

The existing fee-for-service payment system is outdated in the medical field. Providers who emphasize wellness or help individuals manage chronic medical issues both improve health and reduce system costs, but are not rewarded for those outcomes. Through this legislation, the Commonwealth will change incentives in the payment system by providing the necessary infrastructure and support for global and other alternative payment methods and innovations.

Specifically, this legislation:

- Encourages the formation of integrated care organizations (commonly referred to as Accountable Care Organizations or "ACOs") by providing standard criteria for ACOs;
- Requires that an ACO be certified by the Division of Health Care Finance and Policy (DHCFP), with financial oversight by the Division of Insurance (DOI), and directs DHCFP to standardize alternative payment methodologies;
- Requires that if contracts between payers and ACOs include shared savings, that savings must also be shared with consumers;
- Provides that the Attorney General will use existing authority to monitor ACOs to ensure no anti-trust violations occur;
- Aims to expand the use of alternative payment methods and significantly reduce fee-for-service payments by the end of 2015;
- Ensures transparency of payer and provider costs, provider payments, clinical outcomes, quality measures, and other information necessary to discern the value of health services which helps guarantee that consumers and businesses have accurate and available information about their health care

#### **Lowering the Cost of Health Care :**

Building on the Governor's successful strategy of directing the Commissioner of Insurance to disapprove excessive insurance rate increases for small businesses last year, this legislation clarifies the Commissioner's authority to reject premium increases where the underlying provider rates are excessive. Specifically, the Commissioner may disapprove rates that contain provider increases inconsistent with the following criteria:

- The rate of increase in the state's Gross Domestic Product;
- The rate of increase in total medical expenses in the region as reported by the Division of Health Care Finance and Policy;
- A provider's rate of reimbursement with a carrier, especially in relation to the carrier's statewide average relative price;
- Whether the carrier and a contracting provider are transitioning from a fee-for-service contract to an alternative payment contract.

As provider rates decline, carriers are required to factor such savings into the premiums charged to consumers.

**Encouraging Further Innovations :**

Governor Patrick's legislation recognizes the need to leave room for new ideas for lowering the cost of health care and improving the quality of services. Accordingly, this legislation facilitates the use of pilot programs to test other solutions to reduce health care costs. Tapping into the wealth of talent and creativity in our medical community, this bill creates an advisory committee, consisting of 18 members from providers to carriers to organized labor, to ensure an ongoing dialogue about solutions and assess progress towards the goal of cost reduction to consumers.

**Medical Malpractice Reform :**

The Governor's legislation also reforms the medical malpractice liability system to emphasize prompt resolution, de-emphasize "defensive medicine," reduce the number of costly lawsuits and improve care. Specifically, the bill:

- Makes providers' apologies inadmissible in evidence. Many studies show that an apology can prevent a lawsuit, but due to the threat of litigation, providers remain silent;
- Establishes a 180-day cooling off period before a party may initiate suit;
- Amends the peer review laws to include ACOs;
- Creates a process for providers and aggrieved patients to communicate and exchange documents prior to litigation in the hope that more open communication by both parties will resolve disputes.

Massachusetts leads the nation in the percentage of residents with health insurance, with more than 98 percent of people covered. Since passage of health care reform legislation in 2006, the rate of insurance coverage has increased for all income levels and among all racial and ethnic groups. As of June 2010, more than 400,000 people in Massachusetts had insurance than had previously been uninsured. The Commonwealth has achieved near universal coverage for children, with 99.8 percent insured, including 20,000 more children enrolled in MassHealth during the past year alone.

While Massachusetts has shown national leadership in expanding access to health care, costs that are higher than the national average threaten the extraordinary progress we have made in ensuring access. The rate of increase in health care costs has outpaced growth in the economy and threatens the financial health of individuals and businesses. Left unchecked, per capita health care spending in Massachusetts would continue to outpace the annual rise in the GDP, and by 2020 total health care spending would reach \$123 billion.

[Read the Governor's remarks.](#)

Read [PaymentDeliveryReformSummary.pdf](#) 

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