

# SENATE . . . . . No. 1481

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## The Commonwealth of Massachusetts

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SENATE, February 5, 1990.

The committee on Insurance, to whom was referred the petition (accompanied by bill, Senate, No. 659) of John Patrick Houston, David B. Cohen, Robert A. Durand, John J. Binienda and other members of the General Court for legislation to stabilize health care coverage in the Commonwealth; and the petition (accompanied by bill, Senate, No. 1477) of Linda J. Melconian for legislation relative to Medicare supplemental coverage, reports the accompanying bill (Senate, No. 1481).

For the committee,

LINDA J. MELCONIAN.

**The Commonwealth of Massachusetts**

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In the Year One Thousand Nine Hundred and Ninety.

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## AN ACT RELATIVE TO MEDICARE SUPPLEMENTAL COVERAGE.

1     *Whereas*, The deferred operation of this act would tend to  
2 defeat its purpose, which is in part to guarantee the affordability  
3 of medicare supplemental coverage offered by hospital service  
4 corporations, it is hereby declared to be an emergency law,  
5 necessary for the immediate preservation of the public  
6 convenience.

*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. Section 1A of Chapter 176A as appearing in the  
2 1988 Official Edition is hereby amended by adding after the  
3 second paragraph in line 22, the following new paragraph: —

4     All nonprofit hospital corporations governed by this  
5 chapter which offer supplemental coverage to medicare shall not  
6 charge any subscribers with premium rates in excess of the policy  
7 year 1989 rates as approved by the Commissioner of Insurance  
8 for the first six months of policy year 1990.

1     SECTION 2. Chapter 176A as appearing in the 1988 Official  
2 Edition is hereby amended by adding after Section 1A the  
3 following new section: —

4     Section 1B. There shall be established a Medicare Supplementary  
5 Insurance Advocacy Fund for the purpose of supporting the  
6 intervention of affected advocacy groups at hearings before the  
7 Commissioner of Insurance on the adoption of Medicare  
8 supplementary insurance rates. The insurance commissioner is  
9 hereby authorized to finance said Fund through an annual  
10 assessment against any Hospital Service Corporation as defined  
11 in section one of this chapter in the amount of one hundred fifty  
12 thousand dollars, which amount shall be collected as part of the  
13 annual Medicare supplementary insurance subscription fee.

14 The proceeds of said Fund shall be distributed to the Massa-  
15 chusetts Legal Assistance Corporation to be used to provide legal  
16 representation for non-profit consumer advocacy groups which  
17 have been involved in Medicare supplementary insurance rate  
18 process. The Massachusetts Legal Assistance Corporation shall  
19 distribute said proceeds to legal service programs which have  
20 demonstrated their ability to represent consumers in the Medicare  
21 supplementary insurance rate process. The Mass Legal Assistance  
22 Corporation shall file an annual report with the insurance  
23 commissioner regarding the proceeds of said Fund. The State  
24 Auditor shall conduct an annual audit of said Fund.

1 SECTION 3. Section 4 of Chapter 176B as appearing in the  
2 1988 Official Edition is hereby amended by adding after the fifth  
3 paragraph in line 73 the following new paragraph: —

4 All medical service corporations governed by this chapter which  
5 offer supplemental coverage to medicare shall not charge any  
6 subscribers with premium rates in excess of the policy year 1989  
7 rates as approved by the commissioner of insurance for the first  
8 six months of policy year 1990.

1 SECTION 4. The commissioner of insurance is hereby  
2 authorized to make an assessment against the insurance  
3 companies licensed to write health and accident insurance policies  
4 covering residents of Massachusetts and regulated under para-  
5 graph six of section forty-seven of chapter one hundred and  
6 seventy-five, health maintenance organizations regulated under  
7 chapter one hundred and seventy-six G and preferred provider  
8 arrangements regulated under chapter one hundred and seventy-  
9 six I an amount equivalent to the difference in premium dollars  
10 between the premium rate approved by the commissioner of  
11 insurance for supplemental coverage to medicare governed by  
12 chapter one hundred and seventy-six A and chapter one hundred  
13 and seventy-six B for policy year 1989 and the approved rate for  
14 policy year 1990. Said assessment shall be apportioned among  
15 such companies based on their pro rata market share as  
16 determined by the commissioner. Said assessment shall apply for  
17 the first six months of policy year 1990.

18 Notwithstanding any provision of law to the contrary, any

19 health plan which offers to medicare beneficiaries in Massachu-  
20 setts coverage comparable to medex shall be exempt from any  
21 assessment provided by this section. For purposes of this section,  
22 the following terms shall have the meanings set forth below:

23 A "health plan" shall be any insurance company, hospital  
24 service corporation, medical service corporation, health  
25 maintenance organization, or preferred provider organization.

26 Coverage shall be deemed to be "comparable to medex" if  
27 (i) the conditions covered are substantially equivalent to the  
28 conditions covered under medex III, which coverage may be  
29 offered as a separate policy or as part of comprehensive coverage,  
30 and (ii) the monthly cost to a beneficiary is less than the monthly  
31 cost to a beneficiary of the medex III product.

32 Coverage shall be deemed to be "offered to Medicare  
33 beneficiaries in Massachusetts" if (i) it has been purchased by at  
34 least 2,500 medicare beneficiaries residing in Massachusetts and  
35 (ii) the health plan provides continuous open enrollment  
36 opportunity for any medicare beneficiary residing within the  
37 health plan's service area in Massachusetts or regions of Massa-  
38 chusetts in which the health plan is licensed to offer health  
39 coverage products, provided that such open enrollment may, in  
40 the case of medicare coverage products which must be approved  
41 by the Health Care Financing Administration, be subject to such  
42 conditions as are imposed by the Health Care Financing Admini-  
43 stration under the statutes and regulations pursuant to which it  
44 approves such products.

1 SECTION 5. The Commissioner shall, upon the completion of  
2 his present study of Blue Cross/Blue Shield, submit said study  
3 to the clerk of the House and the clerk of the Senate. Said study  
4 shall be referred to the Joint Committee on Insurance.

1 SECTION 6. Thirty days after said study is submitted to the  
2 clerk of the House and the clerk of the Senate, the commissioner  
3 shall submit to the clerk of the House and the clerk of the Senate  
4 a plan containing his findings and recommendations on the basis  
5 of said study, which shall include but not be limited to the  
6 following matters: —

7 (1) the structure, effectiveness and efficiency of BC/BS of  
8 Massachusetts;

9 (2) The adequacy and efficacy of the laws and regulations of  
10 the Commonwealth governing health care coverage, including but  
11 not limited to financial standards and oversight, cost containment,  
12 solvency protection, reinsurance coverage, rate regulation, benefit  
13 packages and management, availability and affordability, and tax  
14 exemptions;

15 (3) a review of market conditions in the last three years,  
16 including underwriting practices and rate changes.

17 The commissioner's plan shall include specific findings and  
18 recommendations concerning the effects of the current market on  
19 the affected population, specifically the elderly, purchasers of  
20 nongroup coverage, owners and employees of small businesses,  
21 economically disadvantaged persons suffering conditions for  
22 which health care coverage benefits are required by law to be  
23 provided. The commissioner's plan shall also include specific  
24 findings and recommendations concerning stabilizing rates for  
25 group policies.

26 The clerk of the House and the clerk of the Senate shall refer  
27 said plan to the Joint Committee on Insurance. The Insurance  
28 Committee shall conduct a hearing on said plan.

9 (2) The subject and title of the paper shall be  
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