



ML Strategies Alert

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Massachusetts Releases Health Care Cost Containment Legislation

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Massachusetts continues to be at the national forefront of health care reform. Since becoming the first state in the nation to expand access aimed at universal health care coverage through Chapter 58 of the Acts of 2006, Massachusetts has continued to address legislative and regulatory challenges in the health care industry. The current legislative session's policy focus has been health care payment reform, and the Massachusetts Senate, House of Representatives and governor have each proposed their own unique approach to transition the market away from fee-for-service and to contain cost growth.

The Senate Bill

On May 9, 2012, the Massachusetts Senate released [Senate Bill 2260](#), "An Act Improving the Quality of Health Care and Reducing Costs through Increased Transparency, Efficiency and Innovation." The bill proposes to reduce state health care costs over the next 15 years by \$150 billion.

Highlights of the Senate Bill

- establishes a quasi-public authority that assists in the development of standards for best practices for care delivery, administers a Health Care Payment Reform Fund to support the market in continuing to innovate and experiment, and sets annual health care cost goals;
- transitions toward alternative payment methodologies for state-funded programs;
- sets up a certification process for Beacon Accountable Care Organizations (ACOs), which would receive a contracting preference in state-funded health care programs;
- establishes health care costs growth benchmarks at levels no lower than growth of the state's gross state product;
- dedicates \$100 million over the next five years from a health system benefit surcharge on health plans to support community-based prevention and wellness programs;
- provides a subsidy of up to 15% of premium costs for a wellness incentive program for small businesses;
- mandates new transparency tools to let consumers make health care purchasing decisions based on comparative cost and quality and develops a special commission to determine acceptable and unacceptable factors contributing to price variations;
- allocates \$100 million to accelerate statewide adoption of electronic health records by 2015;

- establishes a commission rather than assessing a surcharge to address disparities related to provider costs;
- increases access to essential services by expanding the role of physician assistants and nurse practitioners to act as primary care providers;
- imposes a 180-day cooling off period after an injured patient signals an intention to file litigation;
- establishes an independent state agency designated as the health care data collection, dissemination, and analysis agency of the Commonwealth.

The House Bill

On May 4 the Massachusetts House of Representatives released [House Bill 4070](#), “An Act Relative to Health Care Quality Improvement and Cost Reduction Act of 2012.” House Speaker Robert A. DeLeo and State Representative Steven Walsh, House Co-Chair of the Committee on Health Care Financing, expect the bill to “limit cost growth while maintaining high quality health care and innovation.”

Highlights of the House Bill

- establishes a website that would provide consumers and physicians with detailed quality and cost-sharing information categorized by medical procedure;
- transitions toward alternative payment methodologies such as global payments;
- requires that, over a certain period of time, medical costs grow less rapidly than the gross state product;
- improves access to preventive care by establishing patient-centered medical homes;
- mandates the use of interoperable electronic medical records by 2017;
- authorizes a system of smart-tiering, whereby payers would tier by service, rather than by facility, which creates more reasonable cost-sharing for more expensive or unique services;
- offers a \$10,000 tax credit to employers that establish wellness programs;
- imposes a 10% tax on hospitals if they charged more than 20% of the state median price for a particular service without evidence to support that charge; and
- consolidates all state health care agencies into a single quasi-government Division of Health Care Cost and Quality, to be overseen by a board of consumers, industry, and government representatives.

The Governor’s Bill

Governor Patrick filed comprehensive legislation in February of 2011 ([see MLS Alert](#)). The bill was referred to the Joint Committee on Health Care Finance. The Committee conducted several regional hearings throughout the state and has had extensive input from stakeholders including providers, insurers, employers, consumers, and labor. The bill was reported favorably to the Senate unchanged.

What’s Next?

The Senate has scheduled debate for Tuesday, May 15, 2012, with amendments due by 5 pm on Friday, May 11. The House has not scheduled debate, but Speaker DeLeo has indicated that he hopes to address this House bill in the coming weeks. In the interim, he has encouraged feedback from stakeholders. The legislation must be finalized by the completion of the formal legislative session on July 31, 2012.

ML Strategies will follow the debate in both branches and provide periodic updates as the legislation progresses.

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