

An Act Relative to Promoting the Efficient Use of Health Care Revenues – SD 711

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For the sake of the health of the people of Massachusetts and the financial health of the Commonwealth, the League of Women Voters urges you to support “An Act Relative to Promoting the Efficient Use of Health Care Revenues” – SD 711 so that a sufficient and fair amount of each health care premium paid for in Massachusetts will be spent for actual health care.

Lead Sponsor: Sen. Patricia Jehlen.

Purpose of the Bill:

- The bill seeks to set minimum care ratios – the percentage of premium dollars used for actual care as opposed to administrative costs, which includes high CEO salaries, marketing, lobbying, and paying staff to deny claims.
- The care ratio established is set at 85% or 90%, depending upon the number of Massachusetts residents insured by the carrier.

Talking Points:

- A study completed by Senator Jehlen’s office has estimated that implementation of this bill will generate \$400,000,000 of savings to the residents and businesses of Massachusetts
- Medicare operates at a care ratio of less than 95%.
- Harvard Pilgrim operates at a care ratio of 90%.
- Insurance carriers often spend as much as 40% to 50% of premiums on administrative expenses, leaving a care ratio of 60% to 50%.
- The costs incurred by the Insurance Commissioner for auditing the books of the insurance companies will be paid, on a *pro rata* basis, by each insurance company that has done business in the Commonwealth for at least five years. Known violations of this bill will be punished by imprisonment of not more than five years or by a fine of not more than 25% of the violating insurance carrier’s Massachusetts-associated revenues.

