



125th MAINE LEGISLATURE

FIRST REGULAR SESSION-2011

Legislative Document

No. 540

H.P. 423

House of Representatives, February 15, 2011

**An Act To Implement the Insurance Payment Reform
Recommendations of the Advisory Council on Health Systems
Development**

Reference to the Committee on Insurance and Financial Services suggested and ordered printed.

A handwritten signature in cursive script that reads "Heather J.R. Priest".

HEATHER J.R. PRIEST
Clerk

Presented by Representative GRAHAM of North Yarmouth.
Cosponsored by Senator BRANNIGAN of Cumberland and
Representatives: BELIVEAU of Kittery, EVES of North Berwick, FOSSEL of Alna, GOODE
of Bangor, MORRISON of South Portland, RICHARDSON of Warren, Senators: ALFOND of
Cumberland, CRAVEN of Androscoggin.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 2 MRSA §104, sub-§7, ¶G**, as amended by PL 2009, c. 609, §2, is further
3 amended to read:

4 G. Beginning March 1, 2008 and annually thereafter, making specific
5 recommendations relating to paragraphs A to F and to paragraph H to the joint
6 standing committee of the Legislature having jurisdiction over insurance and
7 financial services matters and the joint standing committee of the Legislature having
8 jurisdiction over health and human services matters and to any appropriate state
9 agency; ~~and~~

10 **Sec. 2. 2 MRSA §104, sub-§7, ¶H**, as enacted by PL 2009, c. 609, §3, is
11 amended to read:

12 H. Reviewing and evaluating strategies for payment reform in the State's health care
13 system to assess whether proposed payment reform efforts follow the guiding
14 principles developed by the council and ~~identifying~~ identifying any statutory or
15 regulatory barriers to implementation of payment reform; ~~and~~

16 **Sec. 3. 2 MRSA §104, sub-§7, ¶I** is enacted to read:

17 I. Reviewing pilot projects for payment reform submitted to the Department of
18 Professional and Financial Regulation, Bureau of Insurance pursuant to Title 24-A,
19 section 4319 and assessing whether the pilot projects follow the principles adopted by
20 the council in subsection 11.

21 **Sec. 4. 2 MRSA §104, sub-§11** is enacted to read:

22 **11. Payment reform principles.** The council shall adopt principles for the review
23 of pilot projects to require that payment reform strategies:

24 A. Support integrated, efficient and effective systems of care delivery and payment;

25 B. Promote a patient-centered approach to service payment and delivery;

26 C. Encourage and reward the prevention and management of disease;

27 D. Promote the value of care over volume to measurably lower costs; and

28 E. Support payments and processes that are transparent, easy to understand and
29 simple to administer for patients, providers, purchasers and other stakeholders.

30 **Sec. 5. 24-A MRSA §4303, sub-§3-B**, as amended by PL 2007, c. 199, Pt. B, §8,
31 is further amended to read:

32 **3-B. Prohibition on financial incentives.** A carrier offering or renewing a managed
33 care plan may not offer or pay any type of material inducement, bonus or other financial
34 incentive to a participating provider to deny, reduce, withhold, limit or delay specific
35 medically necessary health care services covered under the plan to an enrollee. This
36 subsection may not be construed to prohibit pilot projects authorized pursuant to section
37 4319 or to prohibit contracts that contain incentive plans that involve general payments

1 such as capitation payments or risk-sharing agreements that are made with respect to
2 providers or groups of providers or that are made with respect to groups of enrollees.

3 **Sec. 6. 24-A MRSA §4319** is enacted to read:

4 **§4319. Payment reform pilot projects**

5 **1. Pilot projects.** Beginning January 1, 2012, the superintendent may authorize pilot
6 projects in accordance with this subsection that allow a health insurance carrier that offers
7 health plans in this State to implement payment reform strategies with providers to reduce
8 costs and improve the quality of patient care.

9 A. The superintendent may approve a pilot project that utilizes payment
10 methodologies and purchasing strategies, including, but not limited to: alternatives to
11 fee-for-service models, such as blended capitation rates, episodes-of-care payments,
12 medical home models and global budgets; pay-for-performance programs; tiering of
13 providers; and evidence-based purchasing strategies.

14 B. Prior to approving a pilot project, the superintendent shall consult with the
15 Advisory Council on Health Systems Development and consider the recommendation
16 of the council on whether the proposed pilot project is consistent with the principles
17 for payment reform under Title 2, section 104, subsection 11.

18 **2. Rulemaking.** The superintendent shall establish by rule procedures and policies
19 that facilitate the implementation of a pilot project pursuant to this section, including, but
20 not limited to, a process for a health insurance carrier's submitting a pilot project proposal
21 and minimum requirements for approval of a pilot project. Rules adopted pursuant to this
22 subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A
23 and must be adopted no later than 90 days after the effective date of this subsection.

24 **3. Report.** Beginning in 2013, the superintendent shall report by March 1st annually
25 to the joint standing committee of the Legislature having jurisdiction over insurance
26 matters on the status of any pilot project approved by the superintendent pursuant to this
27 section. The report must include an analysis of the effectiveness of the pilot project in
28 reducing health care costs including any impact on premiums.

29 **4. Evaluation.** During the First Regular Session of the 129th Legislature, the joint
30 standing committee of the Legislature having jurisdiction over insurance and financial
31 services matters shall conduct an evaluation of the effectiveness of any pilot project
32 approved by the superintendent and make a determination whether to continue, amend or
33 repeal the authorization for a pilot project pursuant to this section. The joint standing
34 committee of the Legislature having jurisdiction over insurance and financial services
35 matters may report out a bill based on the evaluation to the First Regular Session of the
36 129th Legislature.

37 **Sec. 7. Department of Health and Human Services payment reform**
38 **demonstration project authorized.** Beginning July 1, 2012 and until June 30, 2016,
39 the Department of Health and Human Services may establish a demonstration project to
40 implement payment reform strategies to achieve cost savings within the MaineCare
41 program. The demonstration project must be consistent with the principles for payment

1 reform adopted by the Advisory Council on Health Systems Development in the Maine
2 Revised Statutes, Title 2, section 104, subsection 11. The demonstration project must
3 also include measurable goals consistent with those principles and include methods for
4 monitoring and reporting. The department may adopt rules to implement this section.
5 Rules adopted pursuant to this section are routine technical rules as defined in Title 5,
6 chapter 375, subchapter 2-A.

7

SUMMARY

8 This bill implements the recommendations of the Advisory Council on Health
9 Systems Development relating to insurance payment reform. The bill adopts principles
10 for payment reform strategies developed by the Advisory Council on Health Systems
11 Development and requires that these principles be used to evaluate pilot project
12 proposals. The bill authorizes the Superintendent of Insurance to permit health insurance
13 carriers to implement payment reform pilot projects beginning January 1, 2012. The bill
14 requires the Superintendent of Insurance to consider the recommendation of the Advisory
15 Council on Health Systems Development before approving a pilot project.

16 The bill also authorizes the Department of Health and Human Services to conduct a
17 4-year demonstration project for payment reform to achieve cost savings within the
18 MaineCare program beginning July 1, 2012.