

Health Insurance Advisory Council

December 19, 2006

5 – 6:30 PM – DBR Hearing Room

Minutes

Attendance:

Members: Annemarie Monks, Domenic Delmonico, Serena Sposato, Hub Brennan, Dawn Wardyga, Bill Martin, Denise Lynn Bill Schmiedesknischt, Rick Brooks and Chris Koller (Co-Chairs)

Health Plans: Tom Boyd, Jason Martesian, Ken Pariseau

OHIC/DBR Staff: Matthew Stark, Patricia Huschle, Adrienne Evans. Joe Torti, John Cogan

Not in Attendance: Craig O'Connor , Patrick Quinn, Howard Dulude, Peter Quattromanni, Elizabeth Walsh,

1. Introductions

- Members of the Council introduced themselves.

2. Updates

- November 21, 2006, Minutes

Approved with no changes.

- Medigap Rate filing: process

John Cogan updated the group on the recent Medigap Filing Process. Recall the intent was to avoid the expense of a public hearing but to maintain the same level of accountability and public input. The Office solicited two rounds of interrogatories and filings from both the AG and BCBSRI. Two (sparsely attended) publicized public meetings were held. OHIC's own actuary analyzed the materials. OHIC then issued a ruling which was not contested by the AG.

Office hope to use this model in other rate filings. It will review legislation (when developed) with Advisory Council which would make a Direct Pay rate hearing optional but require a formal rate review process instead. Hope is to have it passed this session.

- Pending Direct Pay Filing

BCBSRI has filed for new rates for this product to go into effect one year from last set of rates. Average increase is 7.8 percent. OHIC will conduct formal hearing process.

Several Council members noted that Direct Pay group represents a natural experiment in how consumers use high deductible health plans (HDHP), since they were offered last year for the first time to this group. They asked OHIC staff, as part of rate filing, to do some analyses of how HDHP enrollees use services and whether that utilization changed after enrolling in an HDHP.

Staff will investigate, taking into account short implementation period (plans up last May).

Physicians present also asked if there were options for plans to sanction enrollees who did not pay amounts owed providers on deductibles.

3. Issue: Selected Recommendations from Small Group Market Conduct Examination:

Chris Koller presented a summary of policy findings from the recent examination of insurers' compliance with rating rules in the small group (under 50) market.

- This is the second market conduct examination since the rating changes were passed in 2000. The first exam essentially clarified the rules plans were operating under. This exam assessed how well the rules were followed (compliance) and did the rules have the desired effect (policy).**

- The 2000 reforms established a policy of “modified community rating” for the small group market – allowing employer rates to vary by average age, gender mix, family size and (limited) health status. All other rating variables – industry class, association status etc. - were eliminated. Also it became illegal for employers to deny an application, deny re-enrollment (“guaranteed issue”) or impose waiting periods or exemptions for pre-existing conditions.**

- No insurer-specific information (compliance) was presented, since this has yet to be made public.**

The Examiners made recommendations in the following policy areas:

- Rate Regulation:**

- **Maintain current factors. More transparency in rating.**
- **Standardize medical history tool.**
- **Consider stronger rate oversight, reinsurance adjustors.**
- **Managing Groups By Size**
- **No further segmentation by group size.**
- **Keep groups of one in small group. Study merging direct pay and small group markets.**
- **Understand why UHC and BCBSRI have very different loss ratios in very small groups.**

- **Product Portfolio**
- **Make it easier for carriers to drop unpopular products.**
- **Better, more consistent product information at time of renewal.**
- **Stronger OHIC efforts at consumer education to help them make informed choices**
- **Distribution System**
- **Commission disclosure by brokers.**
- **All carriers file commission schedules with OHIC.**
- **Distribution costs disclosed to consumers as part of pricing information.**
- **No volume or persistency bonuses.**
- **Distribution costs allowed as rating variable (only charge broker fees to the accounts who use a broker). Long term – consider brokers billing for services.**

The following comments were offered:

- Several people felt strongly that policy needs to look more broadly. These ideas are about cost shifting within the small group market – “rearranging the deck chairs”. Need to look at broader underwriting pools (e.g, legislation expanding rating rules up to groups under 100) to eliminate disadvantages of small groups compared to big groups.**
- Chris Koller noted that such pooling would not reduce overall costs – but could be seen as “fairer” and more stable.**
- Rather than underwriting rules, look at how to take costs out of the system: like wellness and consumer behavior/compliance. That is the thinking behind the Wellness Health Benefit Plan for small groups that OHIC is developing.**
- Of the areas noted above – there was most interest in improving the distribution system for small groups. Concern about the variation in performance depending on who the broker is, hidden cost information and costs being allocated to you whether you use brokers or not.**
- No support for loosening underwriting rules to reduce costs for younger and healthier and raise costs for the older and sicker.**

Next Steps for OHIC

- Release compliance report on each plan and overall policy report.**
- Propose legislation based on the plan. (e.g. rating factor for broker costs, study group for merging small group and individual markets).**
- Implement via regulation or rules other items which do not require statutory changes (e.g. standardized medical underwriting tool, price**

disclosure).

4. Next Meeting of Council:

January 18, 2007. 5 PM

Topics:

- Initial Findings of Workgroup on Price and Quality Transparency**
- Numerical trends; Medicaid, Medicare, Uninsured, Commercial,**