

**Health Insurance Advisory Council**  
**April 22, 2008**  
**5 – 6:30 PM – DBR Hearing Room**

**Minutes**

**Attendance:**

Members: Bill Martin, Bill Schmiedeknecht, Howard Dulude, Serena Sposato MD, Dawn Wardyga, Hub Brennan, DO, Chris Koller (Co-Chair), Ed Quinlan, Peter Quattromani, Rick Brooks (Co-Chair)

Health Plans: Brenda Whittle, Tom Boyd, Lauren Conway

OHIC Staff: Patricia Huschle, John Cogan, Adrienne Evans, Matt Stark

Not in Attendance: Patrick Quinn, Elizabeth Walsh, Denise Lynn Phil Papoojian, Roland Benjamin, Domenic Delmonico

1. Introductions

- Members of the Council introduced themselves.

2. Review of Minutes

- March 2008, Minutes
  1. Minutes for the March 18, 2008 meeting were reviewed. On page 2 in the first bullet, the word “is” should be deleted. There were no other changes to the notes.

3. Updates

- The Council discussed a recent article in the Providence Journal indicating some public scrutiny of the Office by Legislative Representatives. There were some concerns expressed in a Budget hearing about how the Office has carried out its responsibilities. There has been no follow up to the article – informal conversations have indicated the concerns may be specific in nature. Ed Quinlan noted that his comments in the article were taken out of context, and were not indicative of the Hospital Association’s experience with the Office. This has been acknowledged by the reporter, he said. Members of the council offered their formal support if needed.

4. Discussion Topic – Review of Filings from Health Plans for Large Group Rate Factors.

The purpose of the meeting tonight was to review the health plan filings for large group rate factors and get feedback from the council. These rate factors would be used in accordance with the plans’ rating manuals to determine te rates for an employer.

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The materials distributed included copies of (redacted) trend factors, additional filing materials from the plans that was not deemed proprietary, the public solicitation of comments, and analysis by OHIC. These items plus more documentation are available on the OHIC web site.

- What information is public?

Mr. Koller clarified what information was available for public review. The plans have independently both asked that price and utilization trend components for the four medical trend factors be made confidential. OHIC is evaluating their requests and rationale. Until a final decision is made, OHIC will honor that request. The information presented at the meeting reflects that. In addition the BCBSRI submission included an affordability plan which has been kept confidential at their request. The initial United submission did not. Include any such documentation.

- Standards for Review

The Council was referred to the notes for the March 18<sup>th</sup> meeting, which identified the standards to be used for review for each trend factor.

The public information can be summarized as follows:

	BCBSRI (Pro- posed)	United (Pro- posed)	Standards for Review
Contribution to Reserves	2.35%	2.3%	<ul style="list-style-type: none"> <li>- Existing Reserves,</li> <li>- Industry Averages,</li> <li>- General Health Plan Conduct</li> </ul>
Administrative Costs as % of	11.5%	17.7%	<ul style="list-style-type: none"> <li>- Industry Averages, Compliance with national accounting stds, Affordability Efforts, General Conduct of Insurers</li> </ul>
<b>Trend Factors ('Inflation rates')</b>			
Inpatient	9.5%	14.8%	<ul style="list-style-type: none"> <li>- Actuarial Soundness,</li> <li>- Other insurers,</li> <li>- Commercial Standards,</li> <li>- Affordability Efforts of Insurers</li> </ul>
Outpatient	8.4%	9.8%	
Md/Others	8.6%	7.9%	
RX	10.5%	12.5%	
<b>Total</b>	<b>9.4%</b>	<b>10.7%</b>	

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#### A. Rate Factor 1: Contribution to Reserves (%)

##### Comments:

- Both plans are at or above their required reserve levels. This makes it hard to accept adding to them. Although the Lewin study did not recommend a specific level for United, they are well above the ranges discussed.
- Insurers need a margin to keep up with SAPOR, since medical costs are inflating.
- Not sure United shareholders are guaranteed a certain a profit.
- Are we regulating a floor or a ceiling? After this target is set – plans have ability to manage to a greater profit.
- Margins do not look outrageous – Medicare business is more profitable.
- Blue Cross is funding a replacement HIT system out of reserves.
- How strong are incentives to be efficient – how do we know they are not just projecting their costs and tacking on a margin?
- United does not compete for docs or consumers (in terms of “General Conduct”) – they are not a healthy insurance company.

#### B. Rate Factor 2: Administrative Costs

##### Comments:

- Why should admin costs inflate at rate of medical expenses – this is implied when your use % of total costs as bench mark.
- United’s admin costs do not add up. (Lauren Conway confirmed that there was an error in submission – United’s corrected admin costs are 17.7% and include 3% for commissions and 3% for taxes. )
- Can you track these administrative costs to Self Insured Business – the costs there are much lower. Are they being subsidized by commercial? How are costs allocated by Line of Business?
- Admin costs do not equate to good customer service. This does not measure effectiveness.
- United has significant troubles with provider services. They are late with claims and do not answer questions. They just do not play fair ball. I have significant problems with approving these factors given that.
- Neither plan is good with customer service – this puts members in the middle of these discussions, especially if a provider drops a plan.
- Note admin costs in the region. Other for profits have much lower admin costs than United.
- United has a contract with its parent for 12% of revenues. Covers all admin costs. This was approved by DBR but has not been subject to review and examination.

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- Note that United did not file an affordability plan, which is a chance to demonstrate how it has met these standards.
- Providers have little leverage with plans, given their size.
- How can United have higher admin costs and still have all the problems with providers that we have heard about here?

#### C. Rate Factor 3: Medical expense trends

- Mr. Koller reviewed the submitted medical expense trends for each of four service categories. At the request of the plans, utilization and price breakdowns are being kept confidential at this time.
- These are hard to evaluate. Especially without more information.
- Look at how much higher hospital trends are than physician – does that reflect bargaining power?
- Are demographics part of the inflation factor? Answer - Almost certainly does not drive much year-to-year change.
- Note the standard – not just are they actuarially sound but are health plans doing all they can to keep affordable. United did not submit information to assess. This includes both individual plan efforts and system-wide collaborations.
- If providers are being underpaid relative to Mass and CT as many claim, this will only raise the rates. OHIC will be doing a comparative study later this year on provider rates – but it will not be easy.
- What are health plans doing to change how providers get paid, not just how much?
- In addition to asking these questions in regulation, state needs to consider them in its legislation and purchasing – focus has been on managing the state’s own expenses, regardless of impact on providers.
- Note that while a cut in rate factors can be considered a penalty, it can result in more business going to that plan – upsets competitive balance.

#### D. Additional Input

The committee informally recommended that OHIC seek more public input, in a focused way. There is too much information here for public to digest – especially data and analytical. Ask employers and physicians a few simple targeted questions related to the standards OHIC is supposed to use, however, would both educate people and generate more responses.

#### E. Conditions

OHIC has authority to approve, modify or reject these trend factors. Conditions can also be attached to them.

(CHANGE)

Next Meeting of the Council

Health Insurance Advisory Council

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April 22, 2008

April 22, 2008 (note new date – one week later)

5 pm DBR Main Hearing Room

Topic – Review of submissions for large group rate factors.