

**Health Insurance Advisory Council**  
**April 21, 2009**  
**4:30-6:00 PM – DLT Main Conference Room**

**Minutes**

**Attendance:**

Members: Rick Brooks (Co-Chair), Chris Koller (Co-Chair), Bill Martin, , Pat Mattingly, Peter Asen, Karen Fifer Ferry, Phil Papoojian, Howard Dulude, Serena Sposato MD, Hub Brennan, DO, Ed Quinlan, Bill Schmiedeknecht,

Health Plans: Tom Boyd, Maria LaFerriere, Jean Knapp, Jason Martiesian

OHIC Staff: Angela Sherwin, John Cogan, Michael Bailit (consultant), Adrienne Evans, Deb Faulkner, Jack Broccoli

Not in Attendance: Domenic Delmonico Roland Benjamin, Peter Quattromani,

1. Introductions
  - Members of the Council introduced themselves.
2. Minutes
  - Minutes from the March 24, 2009 meeting were reviewed and approved with no changes.
3. Updates
  - Regulations: John Cogan. John reviewed the six regulations being promulgated by the Office. Regulations have the force of law and are developed in a prescribed fashion that allows for public comment. Most are required updates. The two most significant policy developments are a regulation that requires health plan forms approved by OHIC to be written at an eighth grade reading level. The second would implement a tobacco cessation benefits mandate by requiring health plans to cover tobacco cessation products - but only when used in accordance with federal practice guidelines. Both of these are believed to be unique among states.
  - COBRA: since the last meeting the Office has spent significant resources informing people of their coverage options under COBRA and their ability to use funds available through the federal stimulus package to subsidize the costs of COBRA and the equivalent RI-specific program from laid off employees of firms under 20 and of firms that have shut down. The Office continues to field calls from newly uninsured workers and has resources on its web site about available options.
  - Rate Factor review: Large and small group rate factors for 2010 will be reviewed by OHIC between mid May and mid June. The govern the rate factors used to calculate premiums for about 400k people in RI. Several changes have been

made to the submission and rate review process from last year. Submissions from the plans are due May 15, 2009. The HIAC May meeting will be spent reviewing these submissions.

- In conjunction with rate factor review, a second round of the OHIC provider survey has been issued.

#### 4. Discussion/Feedback

Work continued on the Council's major fall item – *refining medical cost improvement priorities in Rhode Island for health plans as a condition of approval of medical cost rate factors in large and small group rate filings.*

The Council had received a second draft of the document: "System Affordability Priorities and Standards for Health Insurers in Rhode Island", summarizing the Council's work. Changes from the previous included revisions and clarifications suggested by the plans and several members of the Council. There were not significant deletions or additions. No changes were suggested in public comment. Deb Faulkner briefly reviewed the changes.

Rick Brooks noted that the document was before the Council for a final vote tonight and thanked Pat Mattingly and Karen Fifer Ferry in particular for their careful review and comments in between meetings. .

Bill Martin confirmed that the EMR standard was for the plans to develop an EMR incentive meeting certain financial requirements. There were no standards (or penalties) on plans (or physicians) for taking the incentive up.

Peter Asen raised concerns that the Standards document was not clear enough on the portion of increased health spending for primary care that was to go to increased fees for physicians and appeared to be discouraging the raising of fees. He suggested specific wording to clarify this. A discussion then ensued about the recommendations of the Council in this area and whether the wording needed to be changed as a result. The consensus of the Council was that::

- Some amount of money should be spend in enhancing fees for primary care docs but the size of that amount is not known.
- Payment reform for primary care – resulting in higher reimbursement to primary care physicians - is a higher long-term priority for improving the affordability of the system in RI than enhancing the current fee schedule.
- The current wording in the document adequately reflects this.

A motion was made and seconded to approve the document: "System Affordability Priorities and Standards for Health Insurers in Rhode Island" as submitted to the Council. The motion passed unanimously.

Chris Koller reviewed next steps in the dissemination of the priorities and standards:

- Plan language policy brief of the document.
- Communications with stakeholders through Office out reach.

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- OHIC will set up a series of regular meetings with insurers to review their estimated budgets, categories of investments and plans for compliance.
- At its final meeting of the season in June, HIAC will determine its role in this process going forward.
- Insurers will submit plans in September in accordance with standards. These will be shared publicly and with HIAC.

#### 5. Allowable administrative costs.

The Council continues to be interested in the role of administrative costs in medical care inflation and potential stances by OHIC in understanding and addressing this.

Previously, OHIC consultants prepared a summary of national research on the role of health plan administrative costs in insurance premium rate increases. These were inconclusive.

OHIC prepared an analysis based on administrative expense data – net of contributions to reserves and profit - submitted by health plans to DBR as part of their financial filings. It showed that on a per member month basis:

- United administrative costs are 50% higher than BCBSRI
- Admin costs for the five years from 04 to 08 grew at an average of 5,%% for BCBSRI and 9% for United.
- An analysis by category of administrative expense showed great variability. It is also not clear that costs are categorized similarly across plans.

In preparation for this meeting, health plans were asked to prepare their own analysis of trends in their administrative costs by category of cost. United Health Care declined the request, citing proprietary information regarding inter-company transfers. Tufts and Blue Cross requested that they be excused for reasons of consistent treatment and these requests were allowed.

With this information, Council members were asked whether and how they wanted to pursue the question of the role of administrative costs in premium affordability. Bill Martin and Rick Brooks both answered in the affirmative, since this is a role for HIAC and OHIC, but acknowledged the difficulty of the analysis. Pat Mattingly said it would depend on where Council oversight could be expected to result in the greatest improvements to affordability – could standards be set and then the Council would over see them? Ed Quinlan said he thought administrative costs should be a priority for HIAC if it looked less at differences between plans and more at costs to the providers and health plans, the potential savings of simplification.

There were several questions from Council members as the business model for health plans and why per unit costs should increase as size (measured in membership and revenue) increased. This seems to happen across the industry. Would not economies of scale dictate efficiencies instead?

Karen Fifer Ferry said that in the short run – as part of the upcoming rate filing – health plans should be asked to explain the general rise in their particular administrative costs and justify any categories where expense increases (on a percentage basis) were particularly high. This information would help OHIC understand and evaluate the appropriateness of requested

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administrative costs. Several Council members concurred and health plan representatives said they could comply but asked that the information requested not be resource intensive to produce.

Longer term, the option exists for HIAC to recommend standards for administrative costs for health plans operating in Rhode Island. This would be similar to the standards developed for reserves several years ago and would be a sizable project. Alternatively, it could promote efforts to improve administrative simplicity, as suggested by Ed Quinlan, Rick Brooks noted that in the June meeting, the Council will decide its work priorities for next year and these two options will be evaluated at that time.

The meeting then adjourned.

Next Meeting of the Council

May 19, 2009

4:30 pm DLT Main Hearing Room

Topics

- Review rate factor submissions by health plans.