Health Insurance Advisory Council
May 19, 2009
4:30-6:00 PM – DLT Main Conference Room

Minutes

Attendance:

Members: Rick Brooks (Co-Chair), Chris Koller (Co-Chair), Bill Martin, Phil Papoojian, Hub Brennan, DO, Michael Souza for Ed Quinlan, Bill Schmiedeknecht, Domenic Delmonico, Peter Quattromani,

Health Plans: Tom Boyd, Maria LaFerriere, Richard Licht

OHIC Staff: Angela Sherwin, Deb Faulkner,

Not in Attendance: Roland Benjamin, Pat Mattingly, Peter Asen, Karen Fifer Ferry, Howard Dulude, Serena Sposato MD

1. Introductions
   - Members of the Council introduced themselves.

2. Minutes
   - Minutes from the April 21, 2009 meeting were reviewed and approved with no changes.

3. Updates
   - Chris Koller circulated an issue brief developed to present the Council's Affordability Priorities and Standards. This will be disseminated through the web site. As set forth by the Council document, OHIC staff have begun to meet with the Plans to help them develop their thinking about how they will meet the standard. Official plans are doing from the insurers in September.

4. Discussion/Feedback: Health Plan Rate Factor Filings

   Chris Koller reviewed the documents shared with Council for their review:
   - Call for Public Document – describes the process and criteria to be used by OHIC in reviewing the rate factors
   - Rate Factor template – sets forth the actual numbers submitted by plan, line of business and rate factor. Inflation and price factors are included this time for the first time.
   - Affordability reports by insurers
   - Administrative cost breakdown by insurer.
   - Regional benchmarks and 2008 financial performance.
   - OHIC provider survey – initial results.

Rick Brooks then opened the meeting for comment.

1. Administrative Costs
   Council members discussed the following points related to health plan administrative costs:
   - the breadth and generality of the categories used by the plans (these are from the standard NAIC submission)
   - the significant increase in administrative costs proposed by BCBSRI. – it appears to be general allocation across all categories; few stand out. BCBSRI and United are now asking for administrative costs that are quite similar to one another as a portion of projected premium. (When asked, BCBSRI representative could not point to any one factor; it was a combination of membership decreases and increased costs. The plan's IT system conversion is also a part of this)
   - the extent to which commercial insurance administrative costs are or are not subsidizing the administrative costs of the self insured market.
   - For 2008, both plans reported administrative proportions that were higher than NAIC benchmark plans. They are also higher than Massachusetts benchmarks.

2. Medical Costs
   - Hospitals are publicly reporting a decline in outpatient volumes, yet the Health plans are budgeting for increased utilization. How is that?
   - From the Affordability Reports, BCBSRI reports their three biggest cost drivers to be:
     1. Brand name RX costs
     2. Advances in technology (devices, specialty RX and imaging)
     3. Hospital Pricing
   - Tufts listed their top three as:
     1. New technologies – especially biologics and lab testing.
     2. Lifestyle factors
     3. Increase in elective surgical procedures.
   - United did not file an affordability report. Council members expressed their disappointment at the absence of United information.
   - Council members express concerned about the sustainability of medical trends in the range of 7-8 percent as predicted by BCBSRI and Tufts.
   - Rate factor filings include price and utilization trend factors. Are high hospital inpatient and outpatient price factors a function of bargaining power, increasing number of uninsured or lower payments by public payors?
   - Bill Martin said that the answer is unimportant – the commercial market should not be asked to pay for the break down of other markets or systems, as seems to be happening now. Other council members were not so sure, citing the real financial hardships of hospitals in particular.

3. Profits/contributions to reserves
    - Chris Koller noted that BCBSRI is at the low end or just below the targeted reserve level advanced in the Lewin report. While no standard was developed for United because of its inter-corporate risk sharing, the local affiliate is more than adequately reserved. Finally, the Office has no standards for Tufts - as a Massachusetts company; their reserves are overseen by the Mass Department of Insurance.
    - Chirs Koller asked to what extent for profit health plans needed a profit margin built into their approved rate factors. Council members did not feel that shareholders had a particular guarantee on a profit as part of a rate factor approval.
    - Several Council members felt that given the economic climate and relative financial health of insurers, the health plans should have no contribution approved.
    - Several noted United's reported 6.6% margin on commercial business in 2008. The rate factor process last year – when United was granted a 1% factor - was for q4 2008 and 2009, not this reporting period, but Council members still felt this to be excessive.

4. Provider Survey

    - Chris Koller referred council members to the initial analysis of OHIC's annual provider survey. Response rate was considerably improved over last year, thanks to the efforts of Angela Sherwin. In the ranking section, United scored significantly worse than BCBSRI or Tufts in every measure. No analysis of written comments has been completed yes. Fair treatment of providers is part of the "General Conduct of Health Plans' criteria used by OHIC in reviewing rate factors.

The meeting then adjourned.

Next Meeting of the Council
June 16, 2009
4:30 pm DLT Main Hearing Room

Topics
- Review rate factor submissions by health plans.
- Priorities for HIAC work for 2009/10