

Health Insurance Advisory Council
January 19, 2010
4:30-6:00 PM – Potter Center, South County Hospital

Minutes

Attendance:

Members: Bill Martin (Co-Chair), Chris Koller (Co-Chair), Rick Brooks, Bill Schmiedeknecht, Domenic Delmonico, Roland Benjamin, Howard Dulude, Robin Benoit, Joel Cooper, Pat Mattingly, Phil Papoojian, Ed Quinlan, Hub Brennan, DO

Health Plans: Maria LaFerriere, Patrick Ross, John Lynch, Jason Martiesian

OHIC Staff: Adrienne Evans, Deb Faulkner

Not in Attendance: Peter Quattromani, Peter Asen, Monica Coughlin, Karen Fifer Ferry, Gregg Allen

Guests: (public attendees)

1. Introductions

- Members of the Council introduced themselves. Mr. Koller thanked South County Hospital for its hospitality. He then explained to the approximately 30 or so people in attendance the functions of the Advisory Council, the agenda for today's meeting and meeting protocol.

2. Minutes

- Minutes from the December 15, 2009 HIAC meeting were reviewed. Mr. Benjamin asked for clarification on 4.B.a.ii: what was the Massachusetts experience with utilization of new enrollees? The minutes were approved, subject to these clarifications.

Follow up: Subsequent to the meeting, officials in Massachusetts offered the following statement:

Compared to pre reform projections, Massachusetts found more people eligible for and enrolling in subsidized healthcare. The costs per person have been at or below what was projected. No comprehensive statement can be made about the utilization patterns of those enrolling. Subsidies were higher than originally budgeted. Overall state budget expenses have been close to expectations.

3. Updates

- Direct Pay Submission: first day of rate hearing was today. BCBSRI has applied for a rate increase of 10.2% with benefit changes. Today the Attorney General office

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presented evidence for a 9.5% increase. OHIC must make a decision based on the record of the hearing.

- Rate Factor submissions from plans: United filed its proposed large group and small group rate factors for q3 and q4 of 2010 on Friday. OHIC has not analyzed the requests yet. BCBSRI is expected to file in the coming weeks. Public review and comment will be taken. Information on the filings will be shared with the Advisory Council at the next meeting. The plans indicated that the conditions which drove their previous requests have not changed and that periods with no – or below-needed – requests create a need for “catching up” to inflation. At this time, OHIC does not intend to alter the annual rate factor review process which normally takes place in the summer of each year.
- Affordability Standards: Monitoring Implementation
 - Consistent with HIAC’s annual agenda. Deb Faulkner, consultant to OHIC, reviewed where the Office was with implementing the Council’s affordability standards.
 - A calendar laid major milestones for 2010 in this effort.
 - The plans have made no substantial changes to their investment plans for 2010. They continue to implement these plans. Mr. Koller noted that “CSI-RI” (the all payer patient centered medical home project) is expanding with the support of the health plans – as required by the Standards - and will include several practices affiliated with South County Hospital.
 - Reporting on actual primary care spend rates for 2009 will be available in April. Dr. Brennan noted that to these extent these well-intentioned programs place additional administrative burdens on primary care practices, these should be noted as well.
 - OHIC has had limited progress with utilization-based evaluation measures (Emergency Room and Hospital Readmission rates) because of resource constraints at the Department of Health.
 - Planning will soon begin for spending in 2011. As both the profile of the standards and the dollars involve increase, the planning process will become more deliberate. The Council will be actively involved. As a point of information, Mr. Koller attached a letter from a primary care physician making the case that more money should be devoted to fee schedule enhancements to improve regional competitiveness and attract and retain more physicians. This prioritizes regional parity over payment reform. Dr. Mattingly noted that real information on regional parity and what is necessary to recruit primary care MD’s would be helpful to guide future planning decisions.
 - The next update will be in April of 2010.

4. Discussion Topic Report: Commercial Insurer Payments to Hospitals

Mr. Koller presented a summary PowerPoint presentation of this of this report, which was put out by OHIC on January 14, based on data collected as part of the rate factor review in Spring of 2009.

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The presentation is available at the HIAC page of the OHIC website.
(<http://www.ohic.ri.gov/2010%20Variations%20in%20Hospital%20pmts%20report.php>)

After the presentation, Mr. Martin took questions and comments – first from the Council and then from the Public Attendees.

Mr. Martin noted the “lumpiness” of the distribution of payment levels among hospitals – this is not what one would expect of a well functioning market.

Mr. Brooks noted the publicity in Boston related to payments to academic medical centers and the assumed disparity with community hospitals. Is parity an explicit goal in either in Mass or RI? Mr. Koller noted that OHIC statutory language is to direct health insurers towards policies that encourage affordability and fair treatment of providers – there is nothing explicit about parity.

In response to a question about the rationale for the disparity from Mr. Papoojian, Dr. Mattingly noted that these findings are consistent with many others in many communities – and that reimbursement is positive correlated with institutional size and market share in services. He said his sense was that OHIC’s current authority to address this would be to do studies and to monitor affordability effects by assessing average inpatient payments to hospitals vs Medicare as part of annual insurer rate factor review.

Mr. Koller said he would agree and noted the additional complication of taking any action based on that analysis, given that health plans often have multi-year contracts with hospitals.

Mr. Delmonico noted several concerns he had with the report. While noting his status as a hospital system employee, Mr. Delmonico stated he felt the following should be of concern to any reviewer: the exclusion of outpatient services from the analysis eliminates 50% of the study and could result in different findings, the exclusion of Medicare and Medicaid managed care business – which is contracted through the health insurers and at the same time as the commercial insurer business – similarly limits the comprehensiveness of the picture presented here. Lastly, the Office of the Health Insurance Commissioner did not make the report available to the hospitals before its release for review, comment and possible correction; for a study of this impact Mr. Delmonico said he felt that action was appropriate, as has been the case with work done with Medicaid. Mr. Delmonico said his concerns were so significant that he could not endorse this work as a Council Member and it was his intent to resign from the Council.

Mr. Koller noted that the report puts forth its limitations and does not purport to be a picture of hospitals’ financial conditions; however, the feedback is welcome and will be incorporated in any future work done by the Office.

Mr. Martin noted that the effect of the report was to raise questions about whether the current private contracting process is fair and effective. Mr. Benjamin said this was

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particularly important since insurance premiums continue to rise, driven in part – according to filings with OHIC - by big increases in payments to hospitals.

Mr. Cooper wondered about the effects of uncompensated care – were some hospitals collecting more from insurers to make up for uncompensated care? Mr. Koller noted that in the report there was no correlation between the relative amount of uncompensated care provided by the hospital and their commercial premium relative to Medicare.

Mr. Martin then asked for public comment.

Mr. Lou Giancola, CEO of South County Hospital introduced himself. He welcomed the Council to the Hospital and thanked them for coming all the way down. He reiterated South County's commitment to maintaining and improving the health of its community. The private contracting process, he said, makes it very hard for providers to do this ("the right thing") – rewarding market power and the status quo payment system. Mr Giancola said none of the reports findings should be surprising. He also noted that he was disappointed with the exclusion of Obstetrics from the study, that he believes there is no correlation between quality of services and payment, that he believes the report clearly demonstrates unfair treatment of providers resulting from this process. Finally, the issues of uncompensated care are getting worse, and the phenomenon noted in this report exists for physicians as well, with larger groups and those with academic affiliations receiving more money for the same kind of work.

Ken Belcher, CEO of Roger Williams Medical Center, complimented the Council and OHIC on the report, which extends the findings of the Community Hospital Task Force. The current free market negotiating process is not working, he said. Hospitals are trying to cut costs and strengthen their finances but the transparency this report offers is important and points to bigger problems. Mr. Belcher asked that the Council not the report die.

The head of South County's Medical Staff thanked the Council for its work here and in the areas of Affordability. South County Hospital is aggressively pursuing this collaboration with its primary care doctors to improve care coordination and reduce unnecessary utilization, even if it makes it a financial "loser". But the payment mechanisms documented in this report and the equivalent issues for physicians make it very hard for South County to recruit physicians and can result in access issues. Hospitals are supposed to be separately compensated for teaching. He asked the Council to pay attention to these issues.

Mr. Ed Quinlan asked if another report was contemplated by OHIC looking at how out of state insurers pay RI hospital by comparison. Mr. Koller said perhaps, but these volumes were relatively small. Other possible studies include the equivalent physician payment study and trying to understand provider payments in Massachusetts vs. RI – both of which would be more complex than this one.

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Ms. Anne Keenan of the South County Hospital Board asked what public oversight there was of the negotiation process, if the outcomes are this “lumpy”. Mr. Koller said not much formally – OHIC can influence through the rate review process, as Dr. Mattingly indicated earlier but cannot intervene in specific negotiations.

Mr. Papoojian noted the similarities and differences with manufacturing – where small vendors have to reduce their costs because big buyers say so. However, that model assumes big vendors are getting similar low prices (the reverse of what is happening in hospitals) and – as Mr. Giancola pointed out – hospitals have to take non-paying customers.

Mr. Brian Jordan of Westerly Hospital read a brief statement from the hospital that supported the findings of the report, stated that system of negotiating payments was in disrepair and that reforms were needed. Included a rate approval process overseen by public officials.

That concluded public comment. The second agenda item - Criteria to be used by OHIC in calling for a rate hearing – was postponed for the February meeting. Mr. Martin called the meeting to a close and thanked all attendees for their interest and participation.

5. Other Business:

- none

Next Meeting

February 16, 2010.

4:30 pm – Department of Labor and Training Conference Room

Agenda:

- Criteria to be used by OHIC in calling for a rate hearing
- New OHIC regulations for small and large group rate factor review
- Review of proposed small and large group rate factors (if filed)

The meeting then adjourned.