

Health Insurance Advisory Council
February 16, 2010
4:30-6:00 PM – Department of Labor and Training, Cranston, RI

Minutes

Attendance:

- Members: Bill Martin (Co-Chair), Chris Koller (Co-Chair), Rick Brooks, Howard Dulude, Robin Benoit, Joel Cooper, Pat Mattingly, Phil Papoojian, Ed Quinlan, Hub Brennan, DO, Gregg Allen, MD, Peter Quattromani, Karen Fifer Ferry
- Health Plans: Maria LaFerriere, Patrick Ross, John Lynch, Tom Boyd, Jason Martiesian
- OHIC Staff: Adrienne Evans, Jon Cogan, Lori Mello
- Not in Attendance: Bill Schmiedeknicht, Roland Benjamin, Rick Brooks, Peter Asen, Monica Coughlin,
- Guests: (public attendees)

1. Introductions

- Members of the Council introduced themselves. Mr. Koller explained to the approximately 15 people in attendance the functions of the Advisory Council, the agenda for today's meeting and meeting protocol.

2. Minutes

- Minutes from the January 19, 2010 HIAC meeting were reviewed. In January, Mr. Benjamin asked for clarification on a topic from December - what was the Massachusetts experience with utilization of new enrollees? The January minutes reflected the information gathered by OHIC to answer that question. They were approved, with no changes.

3. Updates

- Direct Pay Submission: Mr. Koller reviewed the details of the OHIC decision, which included eliminating the surcharges for the premium tax and pediatric immunizations. The effect was to reduce the requested rate increase from the 9.5% agreed to with the Attorney General. Blue Cross has not responded to the decision.
- OHIC funding. Mr. Koller reviewed the details of Budget Article 26, which shifts the funding of the Office from the state's General Revenues to an assessment on insurers and third party administrators. The value of the surcharge is estimated at .013% of premiums. This funding mechanism is in response to budget pressures and is relatively common in other states for insurance department activities. Hearings will be conducted by House and Senate finance committees in the coming weeks.

- Commercial Insurer Payments to Hospitals. As a follow up to the report presented at January's meeting, Mr. Koller noted that he had received a letter from Domenic Delmonico of Care New England, detailing concerns he had spoken of to the Council. In addition, there are three legislative proposals that would change the way hospital payment rates are determined. OHIC is evaluating these in light of the HIAC's approved Affordability Standards, which call on the insurers to participate in comprehensive payment reform efforts.

4. Discussion Topic Small and Large Group Rate Factor Submissions by Plans.

All three health plans have submitted revised rate factors to be used by them in calculating rates for q3 and q4 of 2010. This represents the six month delay they agreed to when they withdrew their requests last July, Rate factors for 2011 will be addressed through the normal process commencing in May of this year.

Mr. Koller reviewed the documents in the Council's packet

- Rate Factor Review Template for Large Group and for Small Group
- Public Comment Solicitation
- "Small Group Rate Factor Request: Cost Drivers" and "Large Group Rate Factor Request: Cost Drivers"
- Document: "Standards for OHIC to Consider and Comments"
- Mercer Press Release and Graphs on Employer reactions to premium trends
- Mass Div Of Health Care Finance and Purchasing: Mass Health Care Cost Trends (Feb 2010)
- Financial Standards for United and BCBSRI compared to New England averages (produced by OHIC/DBR)

Mr. Martin then asked for clarifying questions or comments.

- In response to a question, Mr. Koller said he was not aware of any state that put out his level of detailed projections for public comments.
- Mr. Quinlan asked if OHIC verified the trend factors submitted by the plans. The price trends for the hospitals were high. Mr. Koller said that the consulting actuary tests the utilization trends. In response to a question, he noted that OHIC has the ability to audit hospital contracts to verify price trends but historically it has not.
- Mr. Martin noted the discrepancy in some utilization assumptions between the plans for the same services. He asked if OHIC was aware of what drove those differences – population, management practices or something else, Mr. Koller said they did not know why they were different – this was why the information was collected.
- Mr. Martin also noted the increase in primary care expense at Blue Cross – presumably in response to HIAC initiatives.
- Several questions were asked about the "adjustments to prior year" cost category. Mr. Koller that this was new this year and was in effect a "plug" between the trend

being requested and the sum of the medical expense inflation factors. It could be considered "catch up" from the previous year, but the plans were not specific. Council members indicated their concern that approving such factors would "let health plans off the hook" of paying attention to overall trends – making them responsible instead only for premium estimation and claims administration. This is also related to premium deficiency reserve charges which BCBSRI has recorded on its financials.

- Mr. Martin noted the lack of a broader plan by insurers to address these medical expense trends – in effect, we are being asked to be patient.
- Members were asked to comment about administrative costs
 - The reduction of administrative costs in Blue Cross's submission was noted. A letter to Council members from Jim Purcell referred to this as well, although it was not clear if specific reductions were targeted.
 - The existing arrangement between United and its parent where a portion of each premium is passed on was also noted.
 - Dr. Brennan expressed concern with the decline in Blue Cross enrollment and the pressure that creates on their administrative cost structure. In addition, reduced revenues from self insured business create pressure here as well.
 - Members also commented that flat percentage of an increasing premium is a further increase in administrative costs. This is not the direction they had indicated in the November meeting of the HIAC. .
 - Ms. Fifer Ferry indicated that she was not persuaded by Mr. Purcell's letter. There was not much detail – they appeared to be just submitting a number they thought would be acceptable.
- More general discussion concerned the impact of any health reform, and the ability of OHIC – through the insurers or to the legislature – to create more pressure for delivery system change as laid out in the Council's affordability standards.
- Testimony was then taken from the public. Three people presented comments – all of them elected officials, Treasurer Caprio, Lieutenant Governor Roberts and Sen. Raptakis all urged the Council to advise the Commissioner to reject the rate factor requests in their entirety.
- Mr. Koller noted the issue of how to create pressure for changing the delivery system is being discussed in Massachusetts. There the Governor is attempting to give guidance to the Insurance Commissioner to reject rate request for small group larger than 150% of CPI. In addition, legislation has been proposed to require prior approval for health plan and hospital contracts.
- The Council discussed whether giving the health plans less than they requested would create more pressure for change. Dr. Mattingly said yes but that it was probably not enough. Given the lack of a plan or direction from the insurers, more public action is probably needed. Dr. Brennan noted this was consistent with Lieutenant Governor Roberts's comments.

Health Insurance Advisory Council

Minutes

February 16, 2010

This concluded discussion on this topic. Mr. Koller noted that public comments ends on 2/22. It is not his intention at this time to call for a rate hearing. Instead, a decision will be given to the plans. If any chooses not accept that decision, a hearing would be called.

5. Other Business:

- none

Next Meeting

March 23, 2010. (changed)

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

Agenda:

- Review of Rate factors decision
- Review of legislation proposed this session of relevance to OHIC/HIAC

The meeting then adjourned.