HealthHub Rhode Island

Project Kickoff

Tuesday, October 14, 2008

Today's Agenda

- **Context**
  -- Healthy RI Reform Act of 2008
  -- HealthHub Rhode Island legislation
- **Project Overview**
  -- Why HealthHub RI?
  -- Project Objectives, Structure and Workplan
- **Project Background: Rhode Island Health Insurance Market**
  -- Overall insurance trends
  -- Small employer market
  -- Individual market
  -- Uninsured
- **HealthHub RI: Problem Statement, Goals**
- **Next Steps**

Context

Healthy RI Reform Act of 2008

- Regional Health Insurance Market Initiative
- Quality and Value Database
- Healthy Rhode Island Strategic Initiative
- Joint Legislative Task Force

- On-going HealthHub RI initiative

Why HealthHub RI?

What problems are we trying to address?

- Erosion in employer based health insurance, rising uninsured
- Complexity of purchasing process, especially for small employers
- Rising cost of health insurance
- National trend toward declining coverage levels, “underinsurance”

Why HealthHub RI?

Short-term

- Organize market:
  -- transparency
  -- simplification
  -- standardization
  -- portability
  -- choice
- Drive system affordability:
  -- benefit design
  -- product standards
  -- provider standards

Medium-term

- Define affordable, creditable coverage
- Support ongoing transition to individual purchasing

Longer-term

- Location for Subsidies

Project Goals

- **Assess and confirm the goals of HealthHub Rhode Island**
- **Assess best options for achieving these goals; specifically,**
  - ✓ **Target population**
    Individuals? Small employers? What size?
  - ✓ **Will mandates be needed to support this model?**
    Individual mandate? Employer mandate?
  - ✓ **How will the Hub interface with the existing markets?**
    Alongside or replace?
  - ✓ **Business Model**
    Independent Hub? Subsidiary of Mass Connector? Virtual Model?
  - ✓ **Other Issues**
    Standard products? Product Choice? Rating rule revisions?

Project Structure

Working Group

- Conduct research
- Develop options, recommendations

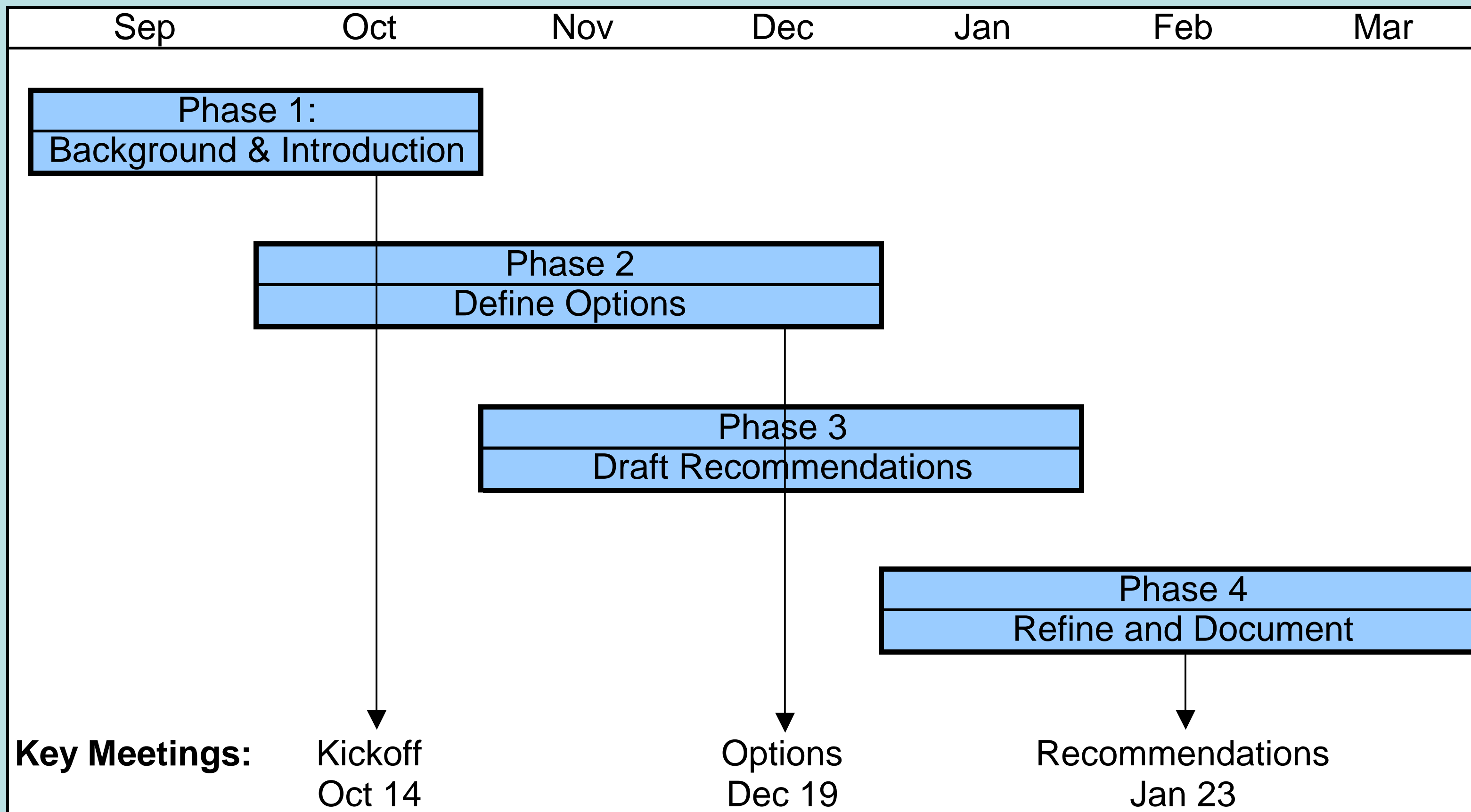
Stakeholder Group

- Edit, revise, refine

Joint Legislative Task Force

- Final Audience

Workplan: Four Phases



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a. Overall Market

By the Numbers

Total Population	Number of Rhode Islanders	Percent of Rhode Islanders
Total Commercially Insured	600,000	55%
Total Medicare or Medicaid	400,000	36%
Total Uninsured	100,000	9%
Total Population	**1,100,000**	**100%**

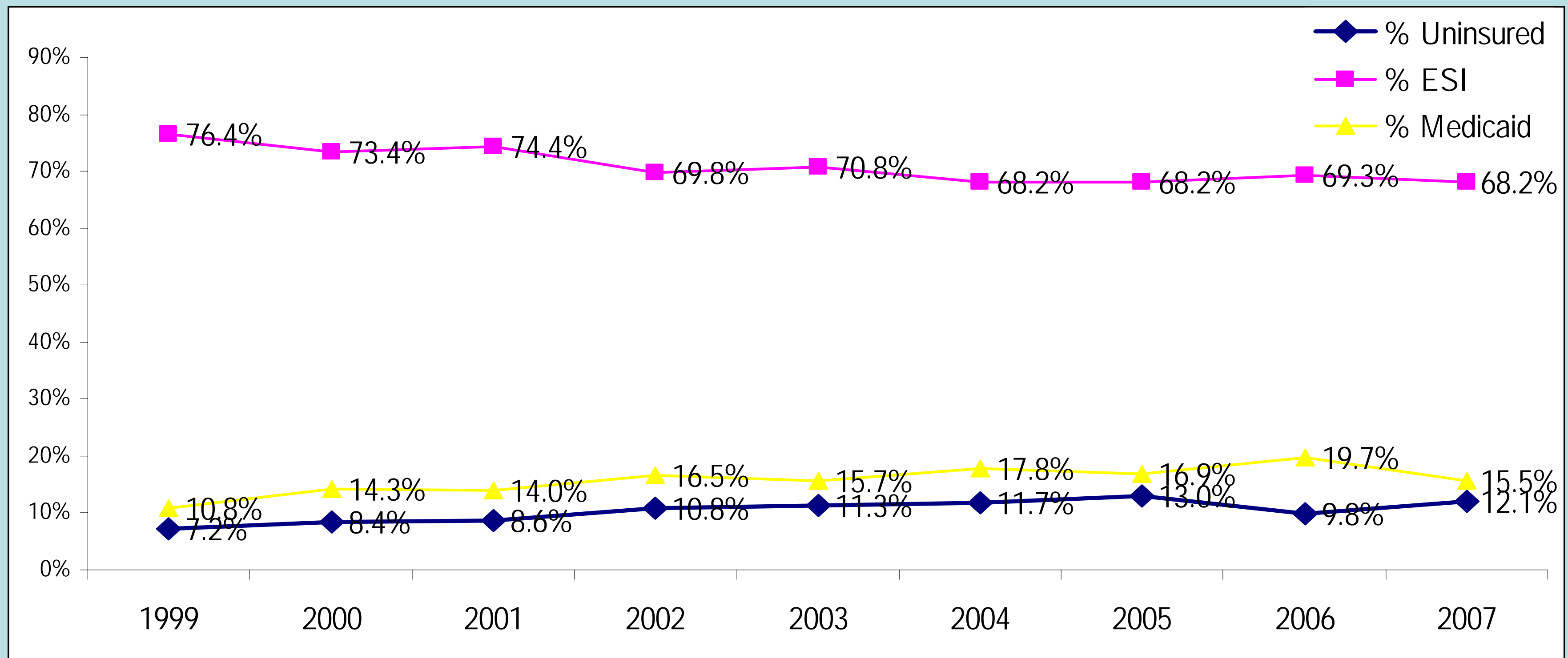
Commercially Insured	Number of Commercially Insured Rhode Islanders	Percent of Commercially Insured Rhode Islanders
Total Large Group (50 +)	471,000	79%
Total Small Group (< 50)	115,000	19%
Total Direct Pay	14,000	2%
Total Commercially Insured	**600,000**	**100%**

a. Overall Market

Coverage Erosion

Employer-based coverage continues to erode…uninsured on the rise

Rhode Island population under age 65



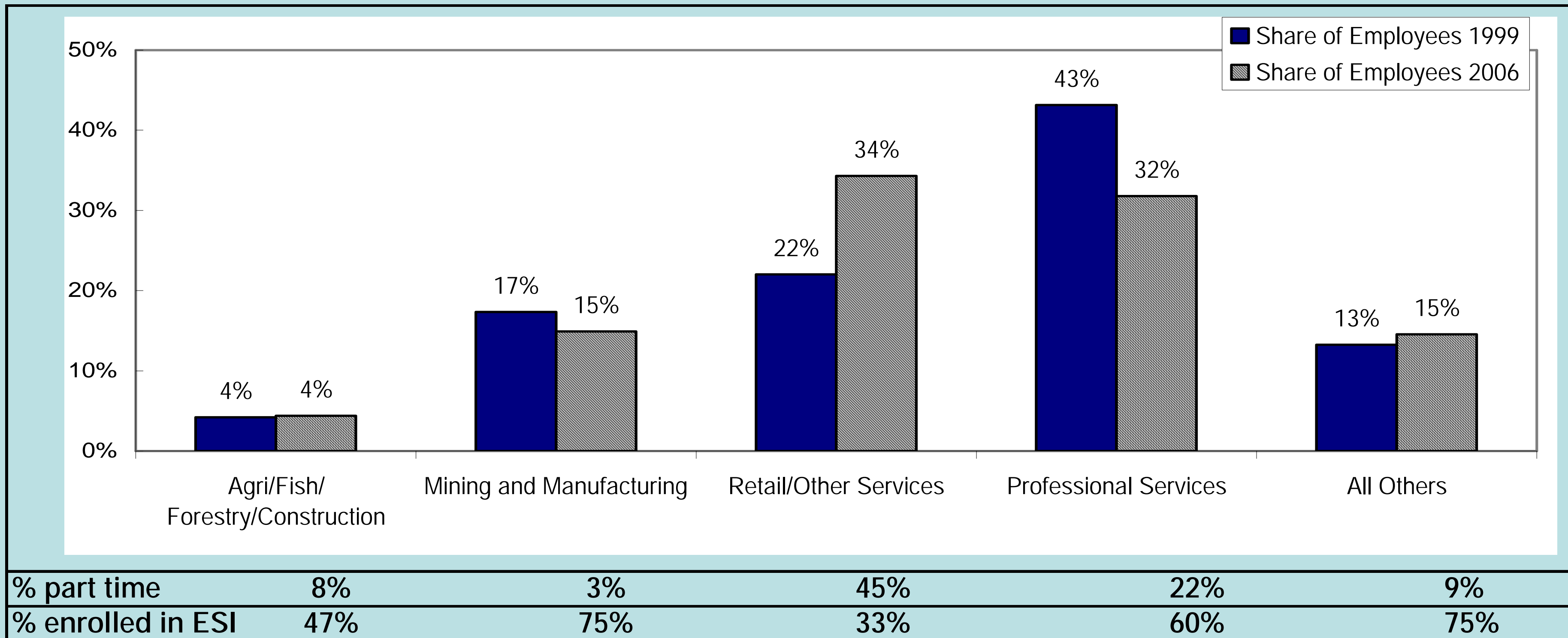
Source: CPS data, RI KidsCount/OHIC analysis

a. Overall Market

Industry Shift

Part of the erosion in coverage appears to be explained by a shift in industry mix

Percent of RI employees by industry



	Agri/Fish/ Forestry/Construction	Mining and Manufacturing	Retail/Other Services	Professional Services	All Others
% part time	8%	3%	45%	22%	9%
% enrolled in ESI	47%	75%	33%	60%	75%

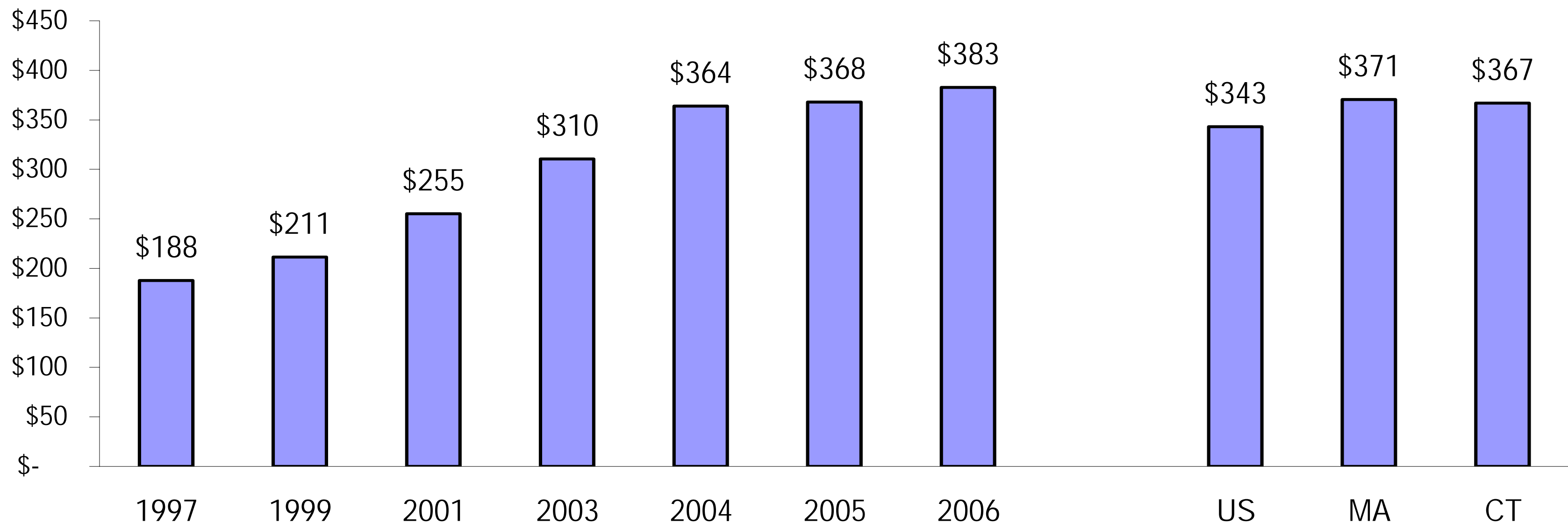
Source: MEPS, OHIC analysis

a. Overall Market

High Premiums

Above national and regional benchmarks, rising at ~8-9% per year

Average Total Single Premium per enrolled employee per month



-- 2006 Benchmarks --

Note: According to a Health Affairs study, after adjusting for benefit richness, RI drops from 2nd highest premium in US to 23th.
Source: MEPS, OHIC analysis

a. Overall Market

Rich benefits vs. national, regional benchmarks

After adjusting for benefit richness, RI drops from 2nd highest premium in US to 29th

Single Premium per Employee per Month by State

State	Premium
1. AL	$365
2. RI	**$364**
3. DC	$352
4. MA	$345
5. ME	$343
6. NH	$340
7. VT	$340
8. WI	$327
9. MI	$327
10. NJ	$324

2004 AHRQ MEPS-IC

Actuarial Value of Benefits, 2002

State	Actuarial Value
1. RI	**89.0%**
2. MA	87.6%
3. CA	86.3%
4. NY	85.3%
5. PA	85.3%
6. NH	85.1%
7. CT	84.8%
8. CO	84.6%
9. DE	84.6%
10. MI	84.5%

Health Affairs 25, no. 3 (2006): 832–843

Adjusted Single Premiums, 2002

State	Adjusted Premium
1. WY	$333
2. ME	$302
3. WI	$299
4. WV	$295
5. IL	$293
6. NJ	$288
7. NV	$282
8. WA	$281
9. MT	$281
10. NB	$281
29. RI	**$263**

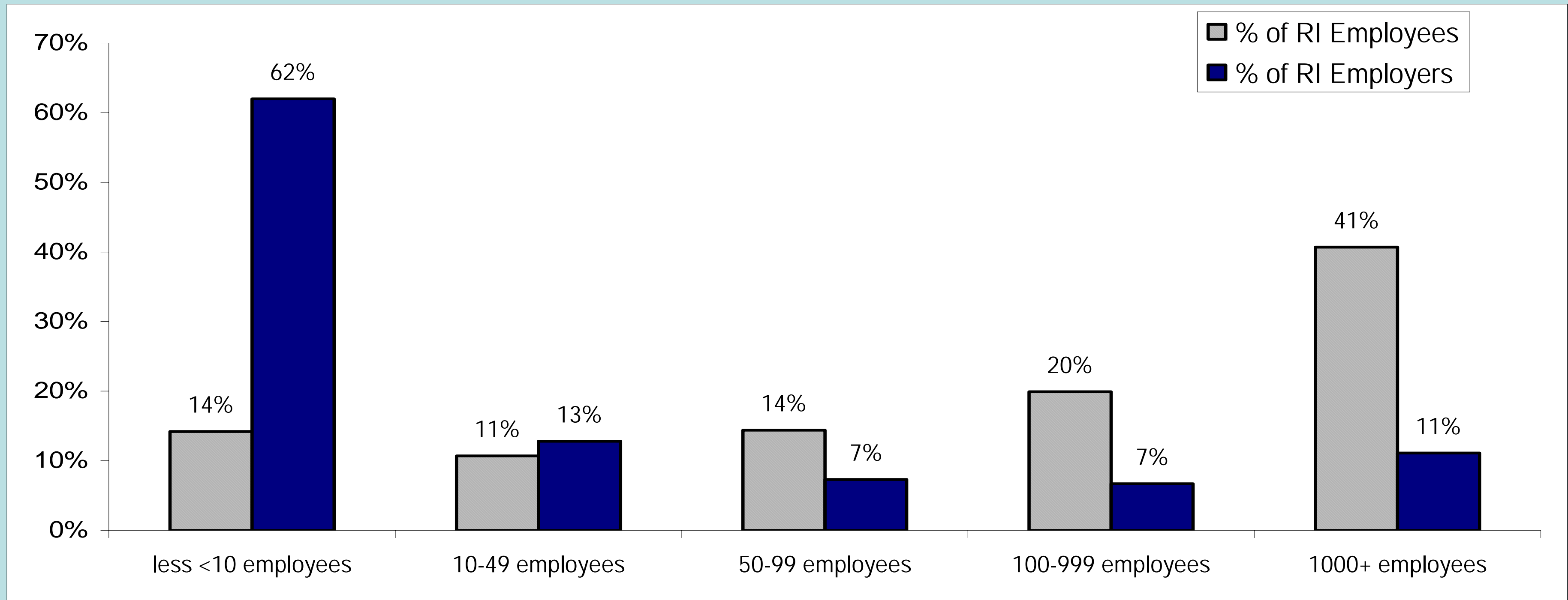
Health Affairs 25, no. 3 (2006): 832–843

Source: MEPS, Health Affairs, OHIC/DeWeese Consulting Analysis

b. Small Employer Market

By the Numbers

Small employers (<50) account for 75% of employers, 25% of workers in RI



Source: MEPS, OHIC analysis

b. Small Employer Market

Small employers face similar trends *vs.* Rhode Island overall

- Similar erosion in employer based coverage… but less likely to offer
- Similar rise in premiums… but slightly higher and with higher trend
- Those employers that do offer provide rich benefits and higher contributions

b. Small Employer Market

Some Unique Challenges

- Typically not set up to handle complexity of purchasing decision
- Higher premiums
  Negotiating leverage, risk/adverse selection…
- Heavily dependent on brokers to support, inform purchasing decision

b. Small Employer Market

Strengths of Existing Structure

Small group law carefully crafted in 2000 to balance access and affordability.

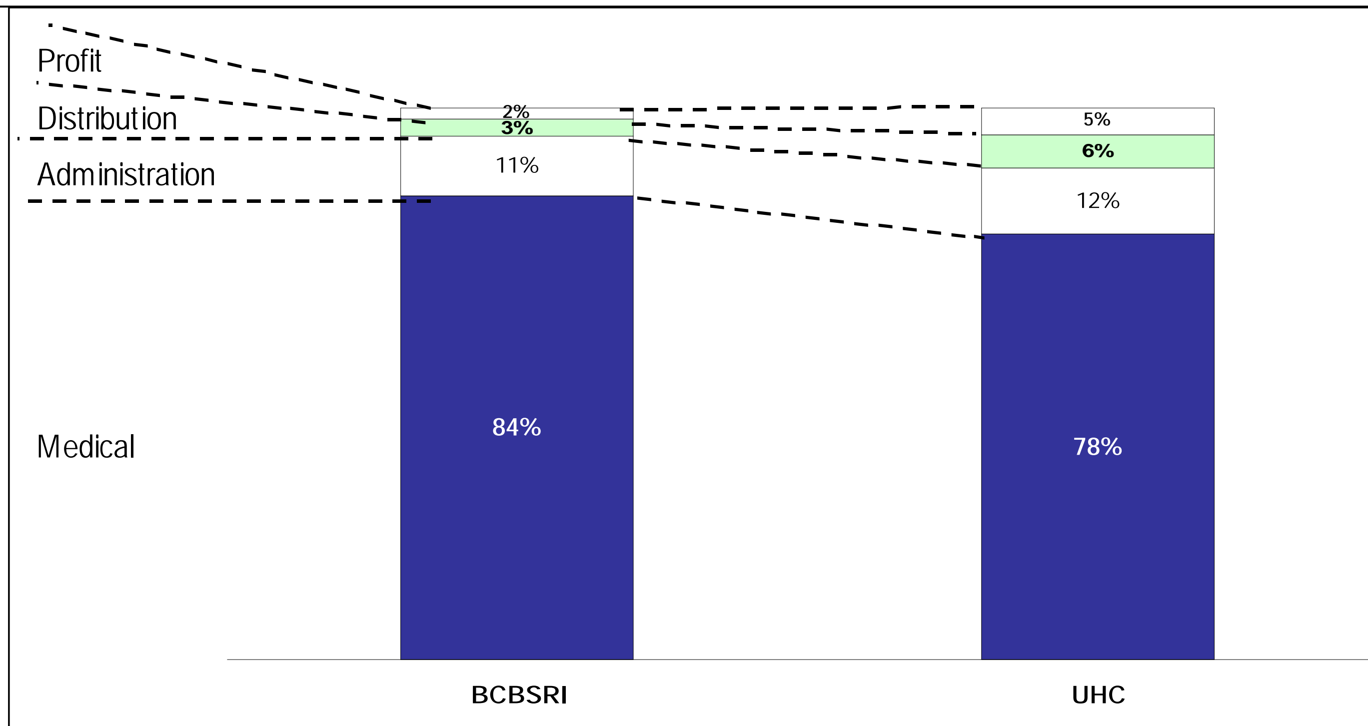
RI is comparable to New England states, but not national norm

State	Guaranteed Issue	Community Rating	Rate Band	Rating Factors		Health Status Factor (Y/N?)
				Common across all four states	Added factors	
NAIC	**Yes**	**Adjusted**	**2:1**	**Age** **Family Composition**	**Geography**	**No**
MA	Yes	Adjusted	2:1	Age, Family Composition	Geography Group size Industry	No
NH	Yes	Adjusted	3.5:1	Age Family Composition	Geography Industry	No
RI	**Yes**	**Adjusted**	**4:1**	**Age** **Family Composition**	**Gender**	**No** *(effective 1/09)*
CT	Yes	Adjusted	None	Age Family Composition	Geography Gender Industry Group size	No

Source: NAIC website, CT/NH state insurance department interviews, OHIC analysis

b. Small Employer Market

Components of Health Insurance Premiums



OHIC has regulatory authority over health plan rates and products. New regulations:

- Require at least 80% medical loss ratio
- Established an annual rate review process, whereby OHIC will review rates using standards of actuarial soundness, solvency, consumer protection, fair treatment of providers and affordability.

Source: 2005 OHIC Market Conduct Study

c. Individual Market

Unique Model: Four Key Characteristics

- **Eligibility**
  Anyone not eligible for employer-sponsored coverage

- **Guaranteed Issue**
  Health plans cannot deny applications for insurance

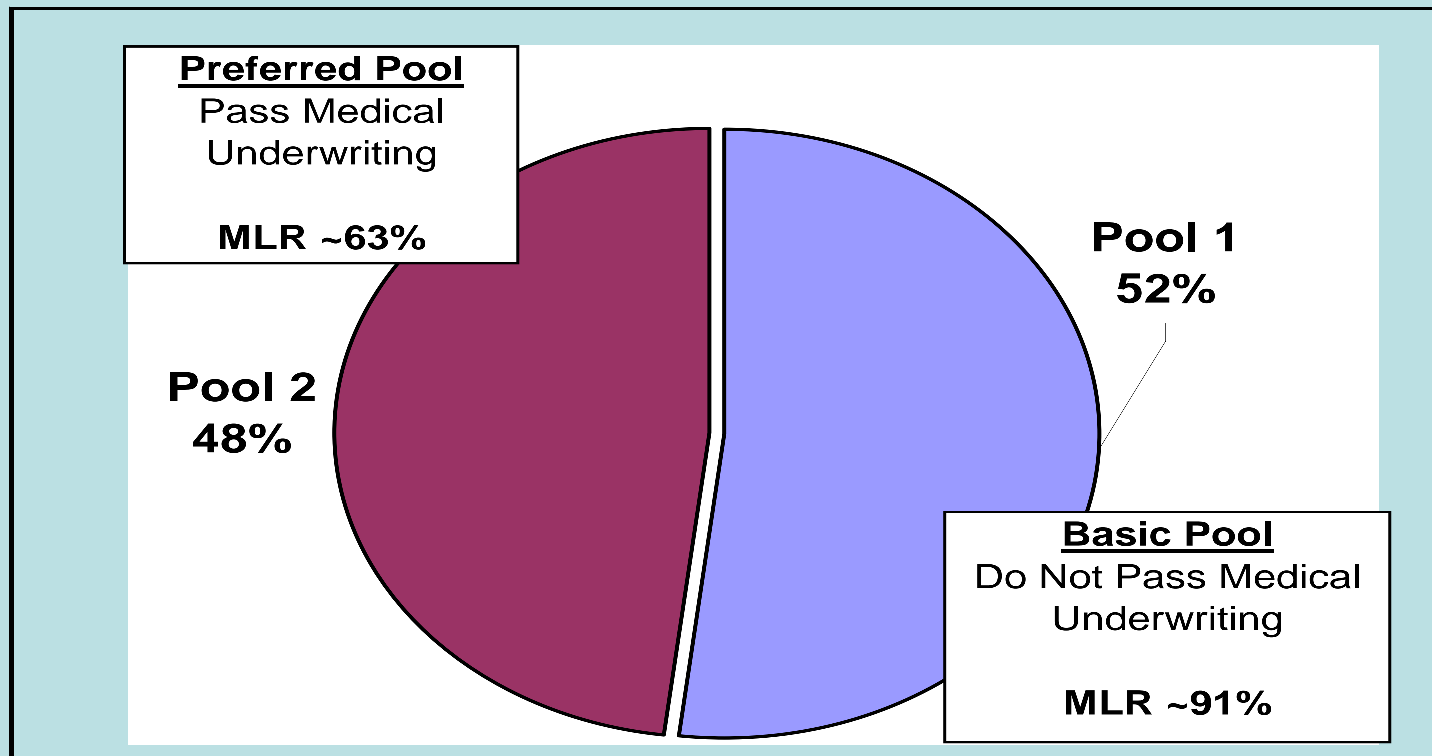
- **Single Carrier**
  BCBSRI is the only carrier – no risk selection, "cherry picking"

- **Two Pool Structure**
  Carefully regulated medical underwriting, with cross subsidization across pools

c. Individual Market

Unique Model: How does it work?

Negotiated cross subsidies across the two pools



Source: BCBSRI filings, OHIC analysis

c. Individual Market

Well-functioning

Independent study concluded market works well *vs.* other markets and RI small group

- **Stable Membership**
  The percentage of preferred subscribers (those healthy enough to pass medical underwriting), has slightly increased from 42.6% in 2003 to 48% in 2007.

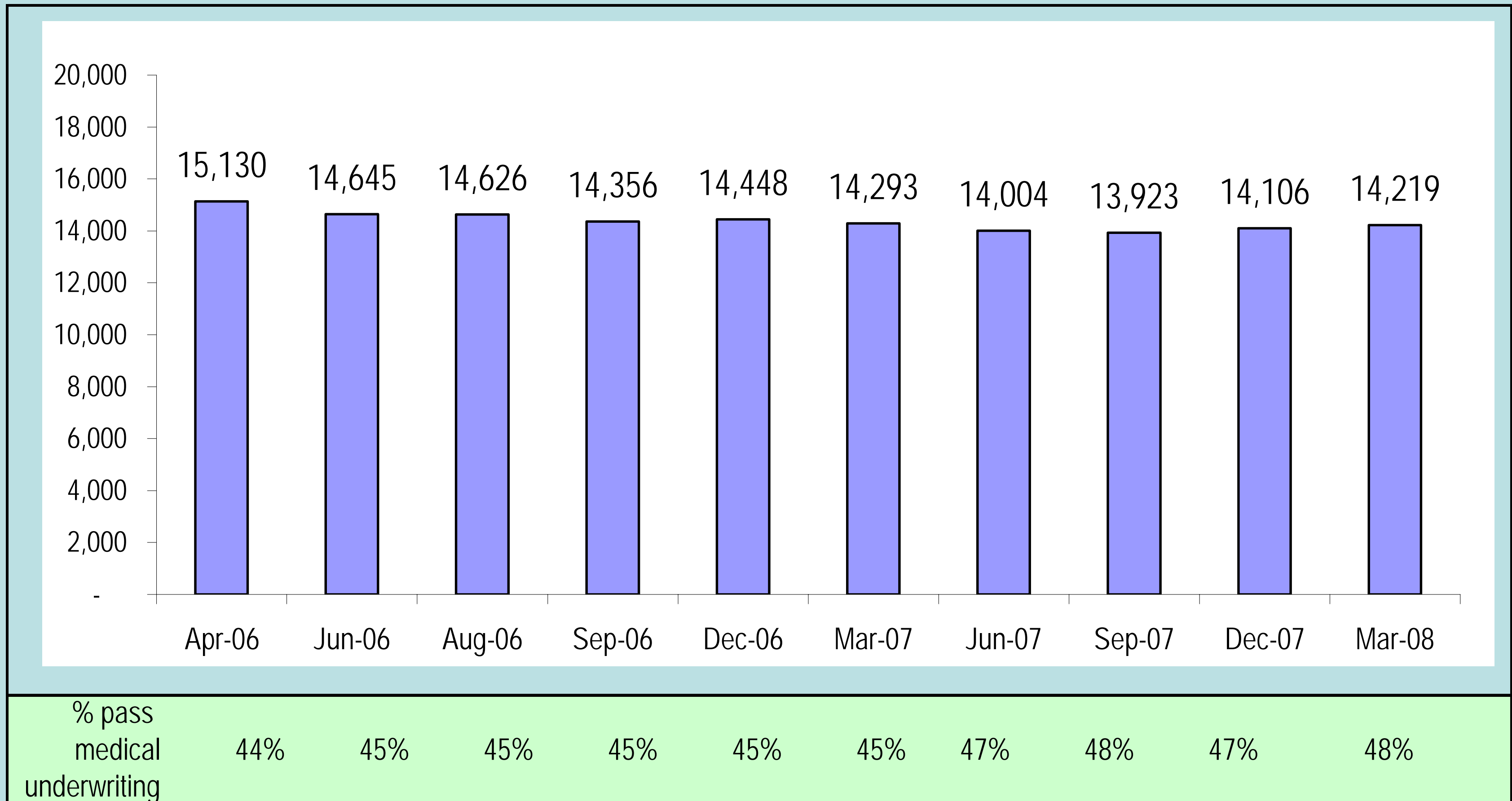
- **Premiums Compare Favorably to Small Group**
  The average non-group premium is on average $322 per member per month versus $334 per member per month in the small group market

- **Rhode Island's non-group market compares favorably with individual markets in other states with respect to access and cost, but less so regarding choice**

Source: Market Merger Task Force, summary of recommendations

c. Individual Market

Well Functioning: Stable Enrollment

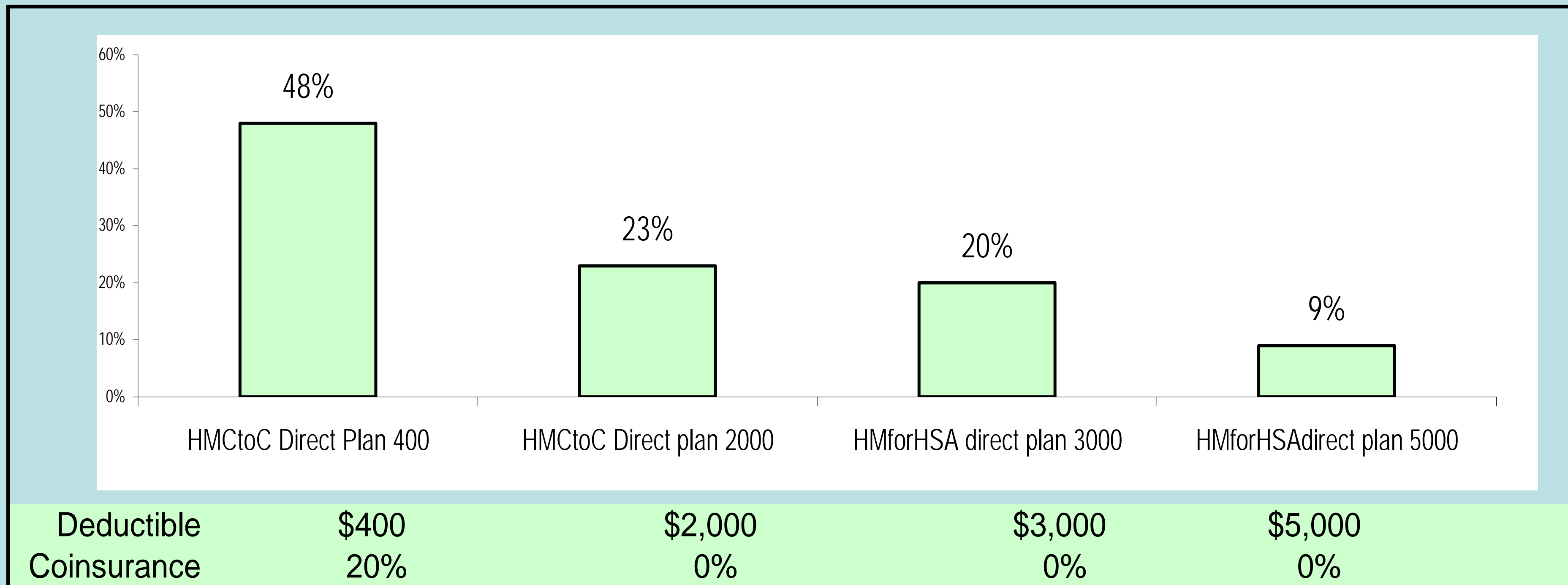


Source: BCBSRI filings, OHIC analysis

c. Individual Market

Choice of Products

Rhode Island's non-group market compares favorably with individual markets in other states with respect to access and cost, but less so regarding choice

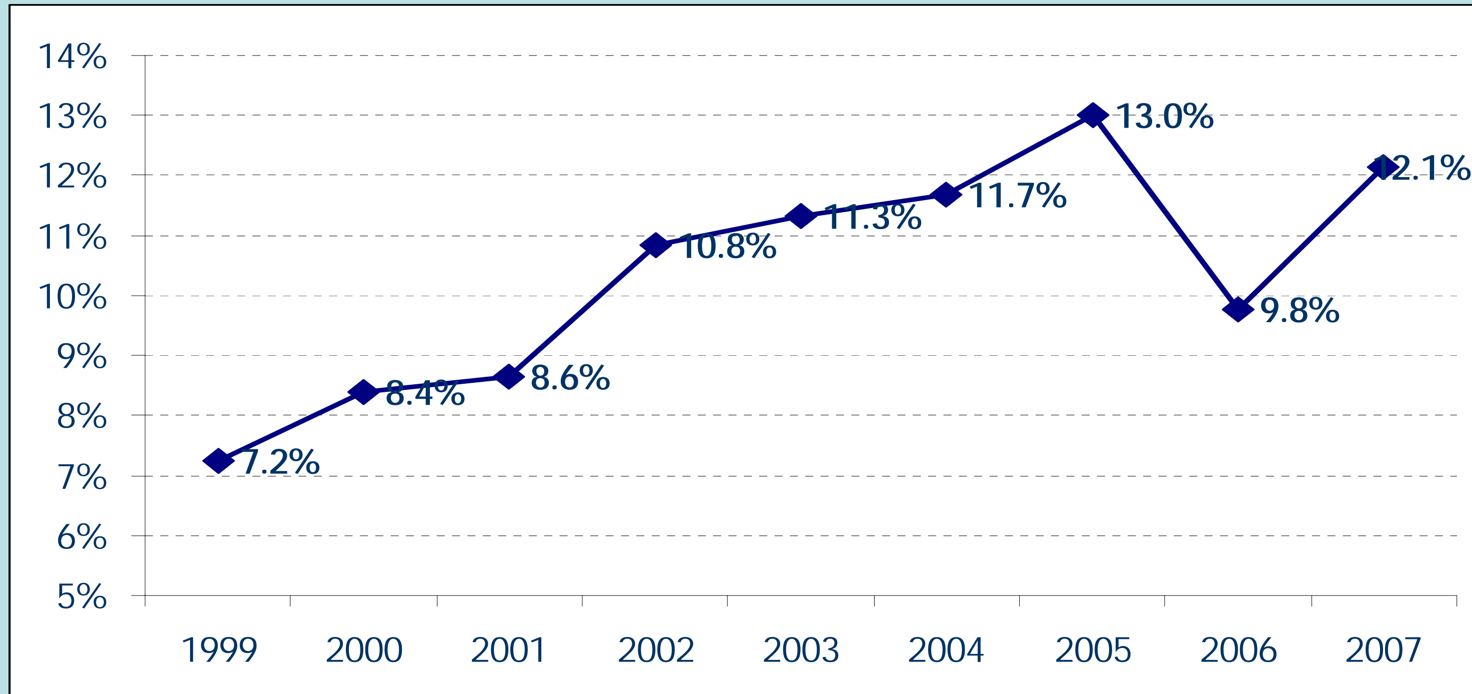


Source: BCBSRI filings, OHIC analysis

d. Uninsured

By the Numbers: Uninsured as a % of RI Population <65

Growth in uninsured due to decline in employer based coverage

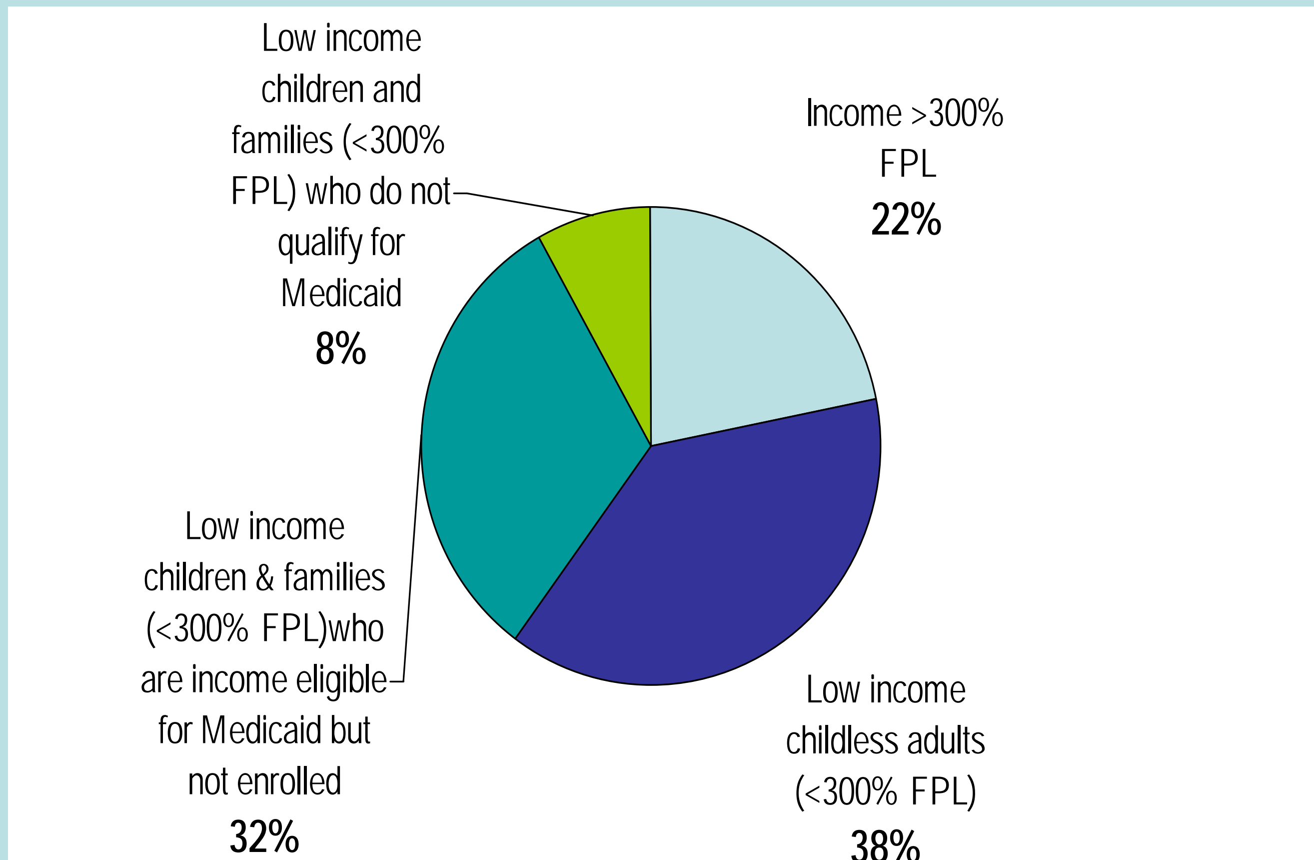


Source: CPS, RI KidsCount Analysis

d. Uninsured

Who are the Uninsured?

78% of the uninsured (and 92% of the growth in uninsured) are under 300% FPL



Source: Rhode Island HIS 2004 adjusted for CPS totals. Can not be updated, as HIS update has not been funded

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Problem Statement

- Erosion in employer based health insurance, rising uninsured
- Complexity of purchasing process, especially for small employers
- Rising cost of health insurance
- National trend toward declining coverage levels, “underinsurance”

Given lessons from RI Market primer, are these the right problems to address?

Goals

Short-term

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- Drive system affordability:
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  -- provider standards

Medium-term

- Define affordable, creditable coverage
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Longer-term

- Location for Subsidies

Are these goals appropriate? Are there any you would eliminate/add/revise?

Project Goals

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Next Steps

Phase 2: Define Options