

2008/2009 Report of the Health Insurance Advisory Council

Office of the Health Insurance Commissioner

August 2009



**Office of the Health Insurance Commissioner
Health Insurance Advisory Council
2008/2009 Report to the Legislature**

Council Purpose: The Health Insurance Advisory Council, established under RI law 42-14, exists to obtain information and present concerns to the Health Insurance Commissioner of consumers, business and medical providers affected by health insurance decisions

This report summarizes the primary work of the Council in meeting this purpose for the period September 2008 through June 2009.

The report is organized chronologically. As noted in its charter (attached) the Council is a diverse group of business people, providers and consumers who give advice and feedback to the Office of the Health Insurance Commissioner as it carries out its statutory function (membership attached). The group meets once a month in meetings that are open to the public. Records of this work can be found in the minutes of the Council's meetings, available at www.ohic.ri.gov

In **September 2008**, the Council reconvened after a summer break. The September Meeting set the agenda for the coming year. In 2007/2008 the Council attempted to take up issues rather than react to the items put before it. The proposed agenda for 2008/9 extended this trend: the Council agreed to make its year-long project the issue of *what should the expectations be for commercial health insurers operating in Rhode Island regarding their efforts to promote affordability*. The goals of the process would be a set of expectations or standards which could be used by the Office in interactions with the health plans in general and particularly in regard to reviewing rate factors. The decision by the Council to focus on affordability efforts stemmed from the following:

- Affordability remains central to the Office's and the Health Plans' focus and authority. Insurance access depends upon a set of policies and actors that extends beyond OHIC and the Health Plans; oversight of health plans quality activities is shared with the Department of Health
- Recent efforts to over see health plans affordability activities by OHIC have been largely reactive in nature – for instance the submission of "Affordability Reports" - with little guidance or direction given to the insurers.
- OHIC's enabling statute calls on it to "View the health care system as a comprehensive entity and encourage and direct insurers towards policies that advance the welfare of the public through overall efficiency, improved health care quality, and appropriate access." In the absence of a statutory definition of the desired policies towards which health plans are to be directed, use of the statutorily- established Advisory Council to develop this consensus was appropriate.

The Council adopted a proposed work plan and agenda for the coming year for its meetings, with the goal of developing affordability priorities and standards for commercial health insurers in Rhode Island.

In addition, each meeting during the year included time for the Office to update the Council on its routine activities; those discussions are not reflected in this report.

October and November 2008: Identification of Potential Medical Cost Reduction Initiatives

During these months, the Council reviewed best thinking nationally of how states and local health systems could “bend the health care cost curve”. With commercial insurance premiums rising at more than 9% a year, and a resulting higher number of uninsured, the urgency of the work was great.

The work reviewed included efforts by the Commonwealth Fund, the Agency for Health Care Research and Quality, and the Institute of Medicine. The range of thinking presented by these national studies was very broad. The studies tried to quantify the relative benefits of broad reaching cost reduction initiatives including:

- Changing consumer behavior through a systemic focus on prevention of diseases and public health - including reducing incidences of tobacco use and obesity - and an emphasis on personal responsibility.
- Delivery System Change through Provider Payment reform
- Changes in the Medical Care Infrastructure – including Health Information Technology responsibility

December 2008

Using grant-funded consultants and graduate school interns, the Council quantified the financial returns associated with specific initiatives based on health services research and assessed the extent to which Health Plans could be held distinctively accountable for progress – many systemic affordability improvements are outside of the insurer’s specific control but require multiple stakeholders.

The Council then selected four priority areas for affordability efforts by plans based on the results of the compilation of the research:

“Health plans will improve the affordability of health care in Rhode Island by focusing their efforts upon provider payment reform, beginning with primary care. Achievement of this goal will not add to overall medical spend in the short-term, and is expected to produce savings thereafter. Specific areas of focus in support of this goal are as follows:

- 1. Expand and improve the primary care infrastructure in the state -- with limitations on ability to pass on in premiums*
- 2. Spread Adoption of the Chronic Care Model-Style Medical Home*
- 3. Standardize EMR incentives*
- 4. Work toward comprehensive payment reform across the delivery system. ”*

These priorities represent compromises between

- the need for immediate relief and long term planning
- the acknowledged under-funding of primary care and the premium pressures on subscribers
- the need for systemic reform involving multiple stakeholders and the desire to hold health plans accountable for what they can control.
- The desire to engage consumers in an employer-based financing system
- Paying for prevention and paying for medical treatment
- The desire for action at the state level and the need for federal efforts as well.

The Council was clear that these priorities are necessary but not sufficient to reduce medical care costs. While “bending the cost curve” will take years of coordinated policies, every high performing system examined had a larger primary care infrastructure than RI.

At each step in this process, efforts were taken to ensure stakeholder input – especially from the health insurers who were cooperative with the effort and offered their own staff time, analysis, and input. The contributions of the insurers were taken into account by the Council in the course of their work, but were not determinative.

January and February 2009

Given these priorities, what is the explicit expectation of health plans – what are they to do to meet them? In January, the Council reviewed draft standards for each of these priorities. The standards had to be measurable, plan-specific and actionable by the plans. Feedback was given by the health plans.

In February the Council reviewed revised standards and took on two related questions:

- What are the consequences to plans for not meeting these standards? Since health plans are required to demonstrate efforts to improve affordability, accessibility and quality in the RI medical care system, the Council determined the best opportunity for review of their efforts would be as the health plans requested increases and changes in the factors used to calculate their insurance premium rates. IN the future, health plans who do not met the standards for these priorities would have that taken into consideration as their requests are reviewed.
- What constitutes success? It will be important to monitor evaluate the effects of these investments in primary care, adoption of a chronic-care style medical home, proliferation of HIT and implementation of broader payment reform. After discussion the Council recommended changes in four areas: Emergency Room Visit rates, Inpatient (re)admission rates, primary care physicians per capita, and health insurance premium trends.

March 2009

Prior to the March Meeting. OHIC solicited public comment on the Draft Affordability and Standards Document. Oral and written comment was presented at the meeting. While not significant in volume, it was universally supportive.

April 2009

The Council – with minor changes – formally adopted the “System Affordability Priorities and Standards for Health Insurers in Rhode Island” document.

During this period the Council also reviewed preliminary data on the administrative costs of commercial health insurers in Rhode Island, noting the significant disparities that exist between insurers and in the region. There was some discussion about the feasibility of reviewing these issues more carefully and the Council recommending standards for administrative costs for OHIC to use in rate factor review. At the April meeting the Council deferred further action on this item pending further expert analysis. The opportunity may exist in the future to have a consultant assemble an analysis and make recommendations (as was done in the Council’s first year with health plan reserves). Without that sort of information, however, the Council was uncomfortable making formal recommendations to OHIC.

May 2009

The Council reviewed the rate factor submissions by health plans for setting large and small group commercial premiums. Information was distributed breaking down the requests by plan type and rate factor category. Public Comment was also solicited.

This meeting occurred less than a week after submission of the rate factors, so public awareness of the issues and OHIC analysis was limited. In general the Council expressed concern with:

- the average increases in premiums resulting from the proposed rate factors, particularly for United and BCBSRI.
- United's historical profit margins on commercial business.
- BCBSRI's requested increase in administrative costs.
- The estimated increases in provider prices – especially for hospital services.

The Council's role in the rate factor review process is advisory only. (The Commissioner has the authority to accept, modify or reject the rate factor filings based on the information presented, public input and statutory standards.) The Commissioner subsequently made a decision to ask the insurers' to withdraw their rate increases or – alternatively – go through a hearing process, based in part on the Council's input.

June 2009

The Council reviewed its year and engaged in planning for 2009/2010. In its self evaluation the Council noted the following:

- The work on the Affordability Standards was well received. The Council liked focusing on an issue and making policy, even at the expense of ignoring other potential topics. The Council believes it is being used appropriately and as intended in statute.
- The resource constraints on the Office are mounting. Foundation support and interns helped with the affordability work.
- If the Council – as planned – focuses its 09/10 work on monitoring the implementation of these Affordability Standards for commercial insurers, legislative direction and oversight on other parts of the system which affect affordability, access and quality will be important.

Subsequently, the discussions in the RI legislature on the funding of this Office and the ongoing debate over Federal Health Care Reform proposals underscore the importance and complexity of health care systems financing and oversight. This Office will continue to work with the Council to fulfill its statutory mandate.

This concludes a report summarizing the work of the Council for this year. The Office of the Health Insurance Commissioner greatly appreciates the input of the Council in framing key issues facing OHIC as it carries out its statutory responsibilities. Health Care is a large part of the RI economy and an important social good. The Council's efforts in articulating priorities and policies for the Office have been of great value to the Office, the Administration and the State as a whole. The Office notes in particular the contributions of departing members Dawn Wardyga and Serena Sposato and of Rick Brooks, who completed his service as co-chair. The Office is grateful for the service of all members of the Council.

(attachments – Report: System Affordability Priorities and Standards for Health Insurers in Rhode Island," Council Membership, and Council Charter)

Charter (as of September 2005)

Legislative Intent: (from 42-14.5-3)

"To obtain information and present concerns of consumers, business and medical providers affected by health insurance decisions."

Purpose Statement

The Health Insurance Advisory Council, established under RI law 42-14, exists to obtain information and present concerns to the Health Insurance Commissioner of consumers, business and medical providers affected by health insurance decisions

Statutory expectations:

- Planning and conducting at least one annual public meeting "regarding the rates, services and operations of insurers licensed to provide health insurance in the state(.) the effects of such rates, services and operations on consumers, medical care providers and patients, and the market environment in which such insurers operate."
- After assessing "the views of the health provider community relative to insurance rates of reimbursement, billing and reimbursement procedures, and the insurers' role in promoting efficient and high quality health care", issue an annual report "of findings and recommendations to the governor and the joint legislative committee on health care oversight."
- Assist in the design "of an insurance complaint process to ensure that small businesses whom (sic) experience extraordinary rate increases in a given year could request and receive a formal review by the department of business regulation."
- (Per Draft S838 legislation "Health Care Fairness Act": oversee "the Professional Provider-Health Plan Work Group" to focus on initiatives to improve administrative efficiencies between health plans and providers.)

Membership

"The advisory Council is to be diverse in interests and shall include representatives of community consumer organizations; small businesses, other than those involved in the sale of insurance products; and hospital, medical, and other health provider organizations. Such representatives shall be nominated by their respective organizations."

The following guidelines will apply:

- o Minimum six members, maximum eighteen.
- o Membership will be based on statutory direction, recommendations by council members and determination of Council co-chairs.
- o Formal membership term will last no longer than two three-year terms.

Health Plans are invited guests. Their attendance and participation is welcome and expected. They are not members of the Council.

Leadership

"The advisory Council shall be co-chaired by the health insurance commissioner and a community consumer organization or small business member to be elected by the full advisory Council."

The Council co-Chair will serve an initial one-year term. Subsequent terms will be two years.

Conduct of meetings

- All meetings will be open to the public and conducted by Council co-chairs.
- Agendas will be published in advance and distributed to an interested parties list.
- Meetings will be conducted in compliance with Open Meetings Laws.
- As the role of the Council is largely advisory, meetings will be conducted in open, participatory style, inclusive of all members.
- Council co-chairs will determine under what circumstances non-members may participate in particular meetings. Preference for participation among non-members will be given to invited guests, those who request agenda items and regular attendees.

Agenda Development

The agenda for its work is recommended by Council co-chairs and set by Council members based on:

- statutory deliverables;
- the concerns of providers, consumers and business regarding "rates, services and operations of health insurers" as presented to both members of the Council and the health insurance commissioner;
- the priorities of the health insurance commissioner based on his/her statutory obligations.
- Requests made of the council by members of the public.

(List of Members)

Name	Affiliation
Co-Chair Rick Brooks	UNAP
Co-Chair Chris Koller	OHIC
Domenic Delmonico	Women and Infants/ CNE
Patrick Quinn	NEHCEU/SEIU
Howard Dulude	Lifespan
Serena Sposato, MD	Bayside OB/GYN
Hub Brennan D.O.	2358 South County Trail
Dawn Wardyga	RIPIN/ Family Voices
Peter Quattromani	UCPRI
Ed Quinlan	HARI
William Martin	Epivax
Denise Lynn	NeuroHealth
Elizabeth Walsh	Providence College
Bill Schmiedeknecht	Bradford Soap
Phil Papoojian	Mereco
Roland Benjamin	LFI Inc.
	Health Plan Invitees
Tom Boyd	BCBSRI
Ken Pariseau	NHPRI
Jason Martesian	UHC