

OHIC and Health Insurance Advisory Council develop new standards to improve health care system affordability in Rhode Island

Rhode Island to be the first state in the nation to hold health plans accountable for shifting resources toward preventive, primary care

Rhode Island's Office of the Health Insurance Commissioner (OHIC) and the Health Insurance Advisory Council (HIAC), with assistance from local health plans, have developed groundbreaking standards which will require commercial health plans to collectively increase the portion of their medical spending on primary care by five percentage points (from 5.9% to 10.9%) over five years, without increasing total medical expenditures. In addition, health plans must promote improved chronic care in primary care settings, invest in electronic medical records and help reform the way providers are paid.

These standards of affordability are unique to Rhode Island, and should increase investments in primary care in the state by more than \$120 million by 2014.

The Problem

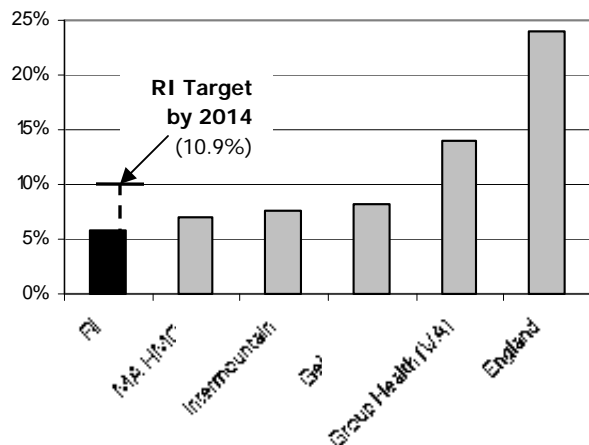
The United States spends more per capita on health care than any other country yet this investment has not improved health outcomes. The United States has higher mortality rates, higher rates of low birth-weight babies, and a shorter average lifespan than countries that spend considerably less per person on health care. Commercial health insurers in Rhode Island have a statutory responsibility to work together to improve the medical system; OHIC asked the HIAC to develop system-wide priorities and standards for this work.

Developing Affordability Standards

Priorities and measurable standards were developed as part of OHIC's mandate to hold health plans accountable for implementing policies that ensure overall health care system affordability and efficiency. A variety of stakeholders participated in the plan development process including Rhode Island health insurers, physicians, consumers, and local and national experts.

Figure 1. Benchmarks for primary care expenditures

(As a percent of total medical costs)



Standards of Affordability

Health plans will increase primary care capacity and improve the affordability of health care in Rhode Island through payment reform, beginning with primary care. Key initiatives include:

- Investing in primary care infrastructure
- Expanding adoption of the chronic care model medical home
- Standardizing electronic medical record incentives
- Working toward comprehensive payment reform across the health care delivery system

The consequences for not meeting the standards will be penalties incurred as part of the health plans' annual rate factor review by OHIC.

Invest in primary care infrastructure

Rhode Island's commercial health plans currently spend, on average, 5.9% of their medical expenses on primary care. By comparison, commercial health plans in Massachusetts currently collectively spend 7.1%; Geisinger and Intermountain Health Plans spend 8.3 % and 7.6% respectively; and the country of England allocates 24% of its medical spend to primary care (Figure 1).

Studies have shown that an adequate supply of primary care physicians can reduce health disparities across racial and socioeconomic groups, improve health outcomes and reduce costs. The new affordability standard will require commercial health plans to collectively spend 10.9% of their medical expenses on primary care by 2014. This increased funding will be utilized to expand care coordination by primary care physicians (PCP) and staff, build infrastructure and raise fees. Compliance with this standard will require practice change and innovative contracting arrangements across specialists.

Expand adoption of the chronic care model medical home

Five percent of people drive 50% of system costs – most of them suffer from multiple chronic conditions. Strong evidence indicates that a primary care “medical home” focused on improving care for people with chronic conditions can improve quality and lower costs significantly.

The affordability standards require insurers to expand a current RI pilot project to promote the chronic care style medical home involving all payors. Key elements include common training, common contracts, additional nurse care manager staff and different methods of payment.

Standardize EMR incentives

A 19th century paper-based records medical records system won't work for 21st century medicine. 13.2 percent of Rhode Island physicians now report using electronic clinical information systems. To encourage greater adoption of

electronic medical record (EMR) use, commercial health insurers will standardize and expand incentives for providers to acquire EMR systems, which typically cost between \$25,000 and \$35,000. In addition, insurers will support the cost of implementation, increasing fees for providers with EMRs by at least 3%.

Work toward comprehensive payment reform across the delivery system

The current fee-for-service system has powerful inherent incentives to provide more services, whether or not more services are necessary or beneficial to the patient.

Provider payment reform aligning participants' incentives with both population health and costs will be crucial to improving medical system performance and reversing high cost trends. The new affordability standard requires insurers to participate in a state-facilitated process to explore, assess, recommend and adopt health care service payment reforms in Rhode Island.

What will success look like?

In five years, the HIAC believes RI's health care system should look different as a result of this investment.

- There will be more PCP's – per capita and as a percentage of total RI providers
- There will be fewer hospitalizations and emergency room visits for ambulatory care sensitive conditions
- The overall medical inflation rate for fully insured, commercial business in RI will grow at a lower rate
- Primary care providers will be more satisfied with reimbursement rates, claims processing, and general provider services

Next Steps

This will be a significant shift in resources for RI's health system. Health Plans will have to develop plans for their investment to be shared publicly, and document how they are meeting the standards. Health Plans will see consequences in their annual rate reviews if the standards are not met. OHIC will work with a large group of stakeholders to set common expectations and monitor health plan performance.