

Rhode Island Health Insurance Advisory Council (HIAC)
Draft Strategy to Control Health Insurer Medical Expense Trend
Proposed for presentation to carriers on 3-27-12

1. Define affordable medical expense trend as one which generally grows no faster than a market basket of other prices that consumers face and have OHIC apply this standard when assessing commercial insurer rate filings.
2. Use the U.S. Bureau of Labor Statistics Consumer Price Index (All Urban Consumers All Items less Food and Energy) as the market basket of practices.
 - a. Exclude food and energy because doing so significantly reduces the volatility of this index.
 - b. Include the medical component of the CPI because 1) the BLS does not produce an “All Urban Consumers All Items less Food and Energy and Medical” CPI, and 2) removing the medical component from CPI does not substantively influence the results.
3. Allow for possible adjustments to the medical expense trend target to produce a carrier-specific target¹
 - a. OHIC should have the authority to modify the CPI-based medical expense trend target if OHIC finds that a carrier’s based medical expense levels are inappropriately high or low relative to Connecticut and Massachusetts benchmarks using an analytic methodology to be defined by OHIC, **or**
 - b. OHIC should have the authority to adjust medical expense trend target if Rhode Island health insurance rates relative to median wages are higher than in Connecticut and Massachusetts.
4. Phase in the transition to the CPI-based medical expense trend over a three-year period such that OHIC would add a diminishing number of percentage points to the index-generated rate until reaching the target rate in Year 3.
5. The consequence of filing a medical expense trend above target will be an administrative rate hearing, including a full review of provider contracts. Previous rates will continue until the hearing ruling is issued.

¹ In addition, should the carrier’s reserve level falls outside of objective parameters specified by OHIC, OHIC will modify the insurance rate reserve adjustment factor.