



**State of Rhode Island Office of the Health Insurance Commissioner
Health Insurance Advisory Council
Meeting Minutes
April 17, 2012, 4:30 P.M. to 6:00 P.M.
State of Rhode Island Department of Labor and Training
1511 Pontiac Avenue, Building 73-1
Cranston, RI 02920-4407**

Attendance

Members

William Martin (Co-Chair), Christopher Koller (Co-Chair), Hub Brennan, Howard Dulude, Herb Gray, Al Kurose, Linda Lulli, Pat Mattingly, Tim Melia, Phil Papoojian, Ed Quinlan

Issuers

Lauren Conway, Edward Hanley, Craig O'Connor

State of Rhode Island Office of the Health Insurance Commissioner Staff

Maria Casale, Adrienne Evans, Herb Olson, Kim Paull, Nicole Renzulli, Patrick Tighe

Not in Attendance

Gregory Allen, Karen Fifer Ferry, Peter Quattromani, Jack Spears, Bill Schmiedeknecht, Jeffrey Swallow

Minutes

1. Introduction and Welcome

Mr. Martin and Commissioner Koller called the meeting to order and welcomed all Health Insurance Advisory Council (HIAC) members and others in attendance.

2. Review of Minutes

The minutes from the March 27, 2012 HIAC meeting were reviewed and approved with two changes. Mr. Quinlan requested that his comment concerning a possible presentation to HIAC about the role of government in the cost and delivery of health care in Rhode Island, including but not limited to the State of Rhode Island Office of the Health Insurance Commissioner (OHIC), be added and Ms. Conway requested that her question about the medical expense trend target be revised to reflect that she was inquiring about its relationship to pricing trend.

3. Office Updates

Commissioner Koller introduced Ms. Paull, the office's new Director of Analytics and Ms. Renzulli, the office's new Administrative Officer, to the council.

4. New Business

The council continued its discussion from previous meetings concerning the setting of a target as well as reviewed the timeline for the 2012 small and large employer group rate factor review process for commercial health insurance issuers.

- **Recommendations Presented on Medical Expense Trend Target Technical Issues:** The council began this discussion with a presentation by Michael Bailit, President, Bailit Health Purchasing, that outlined his recommendations to the council on five technical issues related to the target under consideration. Mr. Bailit noted that the recommendations ultimately adopted by the council may not be embraced by all because efforts to make health insurance more affordable through regulation of medical expense trend will generate a negative response from those who believe they might be harmed by such action. However, he also emphasized that policy initiatives such as this one can prove successful despite opposition as long as there is a diverse base of strong support for the change within and outside of government and that those who believe they might be adversely affected by the change think some form of change is inevitable.
- **Council Discussion and Decisions Related to Recommendations:** Mr. Bailit presented recommendations for the council to consider adopting related to the target.
 - **Index to Employ to Set a Medical Expense Trend Target:** Mr. Bailit recommended that the target be tied the United States Bureau of Labor Statistics Consumer Price Index (All Urban Consumers All Items Less Food and Energy) or CPI. While some members of the council expressed the view that using Real Gross State Product (GSP) might be a strong alternative choice, given that it would signal that the target will not allow medical costs to grow faster than the state's economy, the final consensus of the council was in favor of using CPI over GSP because it is less volatile than GSP and easier for the general public to understand.
 - **Index to Take into Account Most Recent Experience or Forecasts:** Mr. Bailit recommended that the index chosen should take into forecasts and not the most recent experience. The council agreed with this recommendation but emphasized that forecasts should be evaluated critically when creating a composite to use as a part of the target.
 - **Additional Modifiers to Apply to the Index Rate:** Mr. Bailit recommended OHIC have the authority to modify the CPI-based target if OHIC finds that an issuer'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. The council decided not to adopt this recommendation and, instead, recommend that OHIC not make any modifications to the CPI-based target in order to avoid setting a precedent that could allow future commissioners to make modifications for political reasons.

- **Time Period for Phase-in of a Medical Expense Trend Target:** Mr. Bailit recommended that the target be phased in over a three year period. The council agreed with this recommendation and endorsed a phase-in. The details of the phase-in were left as a topic for future discussion by the council.
- **Consequence for Issuers Submitting a Medical Expense Trend above the Medical Expense Trend Target:** Mr. Bailit recommended that an administrative rate hearing, including a full review of provider contracts, should be the consequence for issuers submitting above the target. The council agreed with this recommendation and noted that it would provide a meaningful consequence without being unnecessarily punitive toward issuers.
- **Overview of the 2012 Rate Review Process:** Commissioner Koller outlined this year's review process for the council. He highlighted the fact that he intends to place particular importance during this year's review process on the expectation that he has previously conveyed to issuers in a guidance letter dated December 1, 2011 to submit aggregate predicted medical trends that do not exceed four percent for either small group or large group business.

At the request of HIAC, Mr. Bailit agreed to do further research on the issue of which forecasts would be most appropriate to use create a composite forecast for use in setting the target.

5. Other Business

Public comments were then solicited by the council. Marti Rosenberg announced the upcoming meeting dates for the Health Insurance Small Employer Task Force. Ms. Rosenberg noted that April 27, 2012 meeting would be a member meeting, the May 8, 2012 meeting would feature Elizabeth Mitchell, Chief Executive Officer of the Maine Health Management Coalition, and May 22, 2012 would provide an opportunity for small employers to discuss the path forward on making health insurance more affordable in the state.

6. Next Meeting

Mr. Martin closed by noting that the council's next meeting will take place on May 15, 2012 from 4:30 P.M. to 6:00 P.M. at the State of Rhode Island Department of Labor and Training, located at 1511 Pontiac Avenue, Building 73-1 in Cranston. He thanked everyone for their attendance and the meeting was then adjourned by Mr. Martin and Commissioner Koller.