Health Insurance Advisory Council
January 17, 2012
4:30-6:00 PM – Department of Labor and Training; Cranston, RI

Minutes

Attendance:

Members:	Bill Martin (Co-Chair), Chris Koller (Co-Chair), Howard Dulude, Pat Mattingly, Hub Brennan, DO, Karen Fifer Ferry, Bill Schmiedeknicht, , Pat Mattingly, MD, Phil Papoojian, Al Kurose MD, Herb Gray, Al Kurose, MD, Ed Quinlan, Peter Quattromani, Jeff Swallow
Health Plans:	Brian O'Malley, Shawn Donahue, Lauren Conway, Craig O' Connor, Patrick Ross
OHIC Staff:	Herb Olson, Angela Sherwin, Adrienne Evans, Maria Casale
Not in Attendance:	Linda Lulli, Jack Spears, Gregg Allen

1. Introductions
    1. Members of the Council introduced themselves to guests in attendance.

2. Minutes
- Minutes of the November 25, 2011 meeting were approved with no corrections.

3. Office Updates.
   Chris Koller updated the Council on following items:
    1. Staffing; Four positions have been posted for the Office – three of them federally funded. Interviews will start in January. This will get the Office more capacity for affordability standards work, analysis and consumer protection
    2. OHIC is participating in discussions with state officials and the Rhode island Quality Institute regarding funding strategies for Currentcare, the health information exchange being developed by RIQI for the state. Of particular interest for OHIC is the participation of self insured companies in any funding mechanism.
    3. CSI project (Affordability Standard Number Two). New funding has been secured and project management staff have been hired. The plans have been supportive of this process.
    4. Affordable Care Act Compliance: OHIC is preparing comprehensive legislation to bring RI health insurance laws into compliance with the Affordable care Act. Passage would allow for state enforcement. Separately, the Office is preparing modifications to small group and individual market underwriting laws – some of which are required under ACA and some of which are optional. The Office will review these with the Council once they have been submitted.

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4. New Business : Medical Expense Trends Target Project: Methodology Options (Michael Bailit)

Goals of Project :

1. To develop a common understanding of how OHIC could define, set and enforce a maximum medical expense trend factor(s) to be used as part of an annual commercial health insurance rate factor review process.
2. To recommend whether such a methodology should be implemented by OHIC as part of its rate review process.

A. Methodology Considerations

1. What is our objective for the target?
2. What should be the nature of the target?
3. How should the target be set?
4. Is the target a goal or a requirement?
5. What are implications if an insurer proposes a rate that exceeds the target?
6. What state resources (e.g., data, staff) are needed to successfully implement the approach?
7. What help (if any) will insurers need to meet the targets?
8. What are the risks to each approach for setting the target (e.g., medical expense reported as admin expense), and what steps might be taken to mitigate them?

The goal of tonight's meeting was to focus on the first three questions

1. What is our objective for the target?

   The Council agreed that the target should both define (or at least outline) an affordable rate of increase (does not define affordable and does not necessarily accept all current costs) and force more serious actions by insurers and providers to change price and utilization patterns to achieve that target.
2. What should be the nature of the target?

   The Council had already said that the target would be projected overall medical expense trends that are:
   - insurer-specific
   - business-line specific
   - taking into account base rates – relative to one another and external benchmarks
3. How should the target be set?

   The bulk of the discussion was spent on this issue. (See presentation). Mr. Bailit outlined two options: a forecast, or an index.

- Forecasts are forward looking, used by health plans currently and self fulfilling – unless one makes an adjustment downward for avoidable care. This is difficult to determine. There are public and private sources for this forecasting.

- Indices are retrospective. There are many available that attempt to measure different economic trends. In general, indexes are thought to be more objective than forecasts but not always tied to local environmental characteristics Three options were presented:
    1. Consumer price index (less food and energy, less medical, or for Northeast only)
    2. Producer Price Index
    3. Nominal gross domestic product (perhaps with an adjuster – this was proposed in recent Medicare voucher plan by Rep Ryan and Sen. Wyden). .
- Mr. Bailit clarified that price indices refer to the price of the good or service (in this case, health insurance) and should not be seen as equivalent to the price component of the "price and utilization" when talking about health insurance cost drivers.
- Observations about CPI:
    - The CPI including all items and the CPI excluding medical expense tend to move in the same direction
    - The CPI excluding food and energy is much less volatile that the two other indexes
    - The Northeast CPI is generally higher than the national all urban consumers CPI
    - Howard Dulude commented that a price index may be more appropriately considered an input for producers, not a market measure.
- Mr. Bailit concluded his presentation and Bill Martin and Chris Koller asked for council recommendations:
    1. Use index or forecast? Mr. Bailit said an index was simpler but cruder than a forecast. Several council members spoke up that a forecast was focused on accurately projecting the status quo. One of the goals of the target would be to change the status quo. The sense of the group was that one of the indices would be more appropriate.
    2. The Council did not make a recommendation on which index.
    3. The sense of the Council was that any index would be starting point, to be adjusted by RI and plan-specific factors including relative affordability. Chris Koller cautioned against over-engineering the calculation.

5. Other Business

- OHIC's small business task force meets for the first time on February 2nd. The goal is to develop and educate small business leadership on health insurance cost drivers with a goal of having more informed engagement in rate review decisions.
- Future Planning – March and April meetings may need to be extended.
- One of the Council members talked about the changes in their small group product options and the general shift to greater cost sharing as a way to keep premiums down. Chris Koller reviewed OHIC product ("forms") review and approval process.
- Can OHIC ensure access for late comers? People got locked out.

6. Public Comments were solicited
    - The Council should consider if an adjustment factor to an index should be compensation for underpayments by public payers or bad debt and charity care.

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Next Meeting

February 28, 2012 (moved)
4:30 pm – Public Utilities Commission, Jefferson Road, Warwick.

Agenda: Medical Expense Trends Targets: Continue with Methodology Questions:

1. What is our objective for the target?
2. What should be the nature of the target?
3. How should the target be set?
4. Is the target a goal or a requirement?
5. What are implications if an insurer proposes a rate that exceeds the target?
6. What state resources (e.g., data, staff) are needed to successfully implement the approach?
7. What help (if any) will insurers need to meet the targets?
8. What are the risks to each approach for setting the target (e.g., medical expense reported as admin expense), and what steps might be taken to mitigate them?

The meeting then adjourned.