



**State of Rhode Island Office of the Health Insurance Commissioner
Health Insurance Advisory Council
Meeting Minutes**

March 27, 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), Gregory Allen, Hub Brennan, Howard Dulude, Herb Gray, Al Kurose, Linda Lulli, Tim Melia, Peter Quattromani, Ed Quinlan, Bill Schmiedeknecht, Jeffrey Swallow

Issuers

Lauren Conway, Edward Hanley, Gus Manocchia, Brian O'Malley, Juan Lopera, Craig O'Connor, Patrick Ross

State of Rhode Island Office of the Health Insurance Commissioner Staff

Maria Casale, Adrienne Evans, Angela Sherwin, Patrick Tighe

Not in Attendance

Karen Fifer Ferry, Pat Mattingly, Phil Papoojian, Jack Spears

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. In particular, they thanked representatives from the issuers for attending to discuss the council's work on evaluating whether to direct the Office of the Health Insurance Commissioner (OHIC) to set a medical expense trend target as part of the annual small and large employer group rate factor review process for commercial health insurance issuers in Rhode Island.

2. Review of Minutes

The minutes from the February 28, 2012 HIAC meeting were reviewed and approved with no changes.

3. Office Updates

Commissioner Koller introduced Patrick M. Tigue, the office's new Principal Policy Associate, to the council.

4. New Business

The council continued its discussion from previous meetings concerning the setting of a medical expense trend target.

- **Draft Model of Medical Expense Trend Target:** The council began this discussion with a presentation by Michael Bailit of a draft medical expense target model. Mr. Bailit emphasized at the outset that this model was meant to be the basis for a discussion and would need further refining as the council's work on this issue moves forward. The draft model presented by Mr. Bailit had the following components:
 1. Define an 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 United States Bureau of Labor Statistics Consumer Price Index (All Urban Consumers All Items Less Food and Energy) as the market basket of practices (excluding food and energy to reduce volatility and including the medical component)
 3. Allow for possible adjustments by OHIC to the target to produce a carrier-specific target using one of two possible approaches: (1) OHIC determines medical expense levels are inappropriately high or low compared to regional benchmarks using an analytic methodology or (2) OHIC determines that rates relative to median wages are higher than regional benchmarks.
 4. Phase in the transition to the CPI-based target 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 three
 5. The consequence of filing a medical expense trend above target would be an administrative rate hearing, including a full review of provider contracts. Previous rates will continue until the hearing ruling is issued.

Additional detail on these components is available in the document shared by Mr. Bailit at the meeting.

- **Issuer Reaction to Medical Expense Trend Target:** Dr. Manocchia responded first to the draft model for Blue Cross & Blue Shield of Rhode Island (BCBSRI) followed by Mr. Lopera for Tufts Health Plan (Tufts), and Ms. Conway for United Healthcare of New England (UHCNE).

- **BCBSRI:** Dr. Manocchia first noted that BCBSRI has a limited ability to make an impact on medical expense trend because some factors that drive trend are out of the company's control such as government assessments/taxes, coverage mandates, and price/utilization of out-of-state medical services. He then outlined the types of steps that BCBSRI could take in order to be able to comply with a target such as: reducing utilization of specialists where appropriate, moving to more limited provider networks, engaging in more robust prior authorization activities, moving to more limited prescription drug formularies, and working to lower hospital fees. Dr. Manocchia noted that the Rhode Island health insurance market has traditionally demonstrated a preference for rich benefit designs which presents a challenge to making an impact on trend as well. He also emphasized the importance of consumer and purchaser support for the types of activities issuers would need to take—particularly related to restructuring provider contracts—to comply with a target in order to make such actions sustainable.
- **Tufts:** Mr. Lopera began by noting that Tufts shares the council's concerns about making an impact on trend to support delivery system reform. He also spoke favorably of the experience of Tufts in Massachusetts related to delivery system reform. He emphasized that bringing all stakeholders together is key in this process and can create what Tufts feels is most essential in the field of cost containment—shared accountability. Mr. Lopera also raised the question of how a target would interact with the hospital contracting condition standard of OHIC's Affordability Standards.
- **UHCNE:** Ms. Conway began by asking if the target under consideration by council referred to pricing trend or medical expense trend. Commissioner Koller confirmed that the council was discussing a medical expense trend target. Ms. Conway explained that UHCNE is actively exploring contracting to create accountable care organizations and developing additional limited network products.
- **Question and Answer:** The council and the issuer representatives then engaged in a conversation around the target and its implications. A consistent point of emphasis during the discussion was the need for broad state government support for a target in order to make it successful. There was broad agreement among members of the council on this point. Additionally, Mr. Quinlan suggested a presentation to the council on the role of government in the cost and delivery of health care in Rhode Island be scheduled.

The discussion also included a conversation about the appropriate timeline that providers require to transition to contracts that include shared risk. There was a sense expressed that this needed to be phased in over time but that setting an aggressive timeline in the two to three year range would have the advantage of creating pressure on the system to prioritize change. Additionally, the need to solicit support for the target from self-insured entities was noted.

5. Other Business

Protecting Consumers • Assuring Solvency • Engaging Providers • Improving the System
 State of Rhode Island Office of the Health Insurance Commissioner
 1511 Pontiac Avenue, Building 69-1
 Cranston, RI 02920-4407
 (401) 462-9640
 (401) 462-9645 (Fax)
www.ohic.ri.gov

Public comments were then solicited by the council. No comments were offered.

6. Next Meeting

Mr. Martin closed by noting that the council's next meeting will take place on April 17, 2012 from 4:30 P.M. to 6:00 P.M. in the same location. He thanked everyone for their attendance and the meeting was then adjourned by Mr. Martin and Commissioner Koller.