

**Health Insurance Advisory Council**  
**May 17, 2011**  
**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, Gregg Allen, DO, Karen Fifer Ferry, Peter Quattromani, Ed Quinlan, Bill Schmiedeknicht,

Health Plans: Brian O' Malley, Gus Manocchia, Craig O'Connor

OHIC Staff: Herb Olson, Angela Sherwin

Not in Attendance: Rick Brooks, Phil Papoojian, Herb Gray, Linda Lulli, Jeff Swallow, Jack Spears and Paulette Thabuait

1. Introductions

- Members of the Council introduced themselves to guests in attendance.

2. Review of Minutes

- Minutes from the April 26, 2011 meeting were approved.

3. Updates

- Regulations out for comment

Chris Koller noted that OHIC has two significant sets of regulations which have been released in draft form. The "Small Group" rules detail the rate review process for the small group market as well as implementing the state underwriting laws. The "Affordability Regulations" put for the OHIC's Affordability Standards in regulation. The Affordability regulations had previously been reviewed with the Council. OHIC will review public comments and make changes as appropriate.

- Follow up on primary care definitions

Chris Koller reviewed the memo sent to plans refining the Primary Care spend guidelines after last month's Council meeting. In the memo, OHIC clarified that immunization clinics would not be considered eligible for primary care spend while under certain circumstances fund spend for primary care data reporting would.

- Pending Examinations

Herb Olson briefly reviewed the five pending market conduct examinations of insurers OHIC is conducting. These are performed under a carefully defined process which allows the regulator to investigate plan activities, and issue reports and orders as appropriate. In response to a question, Mr. Olson said most of these examinations were in response to complaints filed with

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the Office. Mr. Olson noted that when these are completed, the Office will develop a more formal examination agenda.

#### 4. New Business

##### A. Enrollment Trends

Chris Koller reviewed a report developed by OHIC analyzing commercial health insurance enrollment trends in Rhode Island, which showed a roughly 10 percent decline in the last five years and a shift to self insured programs. The implications are significant, particularly for BCBSRI, which has seen most of the decline. With Medicaid enrollment and state populations flat, presumably most of the enrollment is shifting to the ranks of the uninsured.

A question was asked about the effects of the health insurance mandate in 2014. Planning estimates are that 70-80,000 additional people would have health insurance, some going into Medicaid and some into the commercial market.

By comparison, Massachusetts' uninsured rate – post their health insurance reform – is at three percent.

The report has no information on the enrollment of RI residents in insurers other than Tufts, BCBSRI and United. The shift to self insured is significant because consumer protections for self insured are not governed by state law, that population leaves the commercial insurance risk pool, and contribution rates to a plan's administrative costs may be lower from the self insured market – resulting in cost shifting to a small fully insured pool.

In response to a question. Chris Koller said the Office has no way of tracking the precise effects of rate increases on enrollment rates. In the past, OHIC studies have indicated that employer eligibility rules and employment trends are greater drivers of uninsurance rates than "employee take up."

##### B. Rate Factor Submissions – Initial Review

After an introduction to the rate factor review process by Chris Koller, the Council reviewed initial data – the "rate factor template" – presented by Angela Sherwin from the plans on rate factors requested for 2012 renewals. Estimated rate increases range from 4.8% to 21%. Also included in the packet was letter to the Council from BCBSRI CEO Jim Purcell with background on the request. Because OHIC had just received the information the previous week, it had no analyses of the justifications of the requests. Council discussion focused on the following areas:

- Rate increases should be evaluated in light of overall premiums – "the base". If United's base is lower than the others', shouldn't this effect consideration of their larger increase? Chris Koller noted that this would have to take into account differences in benefit levels on products.
- With or without the affordability standards, how aggressively are the insurers pursuing systemic cost reductions? There is not much indication of urgency in their activities.

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There also is no indication of OHIC affordability efforts having an effect; other Council members said it was far too early to expect this.

- Consider the BCBSRI letter. Are the \$15 million in administrative cost reductions real? What is the Council and OHIC to make of BCBSRI's claim that premium increases have not kept pace with medical cost increases.
- OHIC's analysis of required reserves will also be important.
- United is asking for a significant additions on top of medical trends because of "rate insufficiency". This reflects an actuarial model that keeps adding current year trend to past years' and matches it to premium revenue. Premium trend is expected to match – or catch up to – medical trend. (This is a different way of making Mr. Purcell's point)
- The experience reported by the plans in utilization in hospitals in contrary to what the hospitals report. They continue to see decline in inpatient utilization. Reconciliation to plans is hard because hospitals don't report experience by carrier.
- It would be helpful to compare past predictions against actual performance for some of these trends. Ultimately though, the numbers reconcile to insurer profitability. This is especially true for BCBSRI – which is a single corporate entity. (It is possible that United can move money between corporate entities "above the line). Since BCBSRI is losing money – is it a revenue problem or an expense problem?
- What would be the system effect of capping rate increases to carriers – would it change utilization or prices to providers?

Public comments were then taken.

Comments focused on effects of Affordable Care Act, the difficulty of changing utilization and provider pricing, and the importance of not pushing BCBSRI to the financial brink.

Bill Martin concluded that while it is no one's interest to put carriers out of business, he was not sure the filings reflected any sort of changed business model. Businesses can not support these rate increases. It is not clear how the system would react if rates were suppressed, but there seem to be few other ways to change behavior of carriers and providers.

### Next Meetings

June 8, 2011 – additional public meeting of OHIC to solicit and review public comment on rate factor increases.

4:30 pm – DLT, Cranston, RI

Agenda:

- Public Comment
- Analysis of benchmarks and administrative cost trends
- Reconcile previous requests to actual.

June 21, 2011 – Regular HIAC meeting

Warwick Public Library

Agenda – Rate Factor Review – surveys; follow up analysis

Review of 2011 and plan for next year

The meeting then adjourned.