



Welcome to:

# **PUSHING THE ENVELOPE: STATE INSURANCE REGULATOR AUTHORITY TO ADDRESS HEALTHCARE AFFORDABILITY**

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# Welcome and Introduction



**Lynn Quincy**

**Director, Healthcare Value Hub**

# Housekeeping



- Thank you for joining us today!
- All lines are muted until Q&A
- Webinar is being recorded
- Technical problems? Call Tad Lee at 202-776-5126

# Agenda



## ▲ Welcome & Introduction

- Lynn Quincy, Altarum's Healthcare Value Hub

## ▲ Leveraging Rate Review to Drive System Affordability

- Marie Ganim, Rhode Island Health Insurance Commissioner

## ▲ Applying Network Adequacy Standards in the Commercial Insurance Market

- Mike Kreidler, Washington State Health Insurance Commissioner

## ▲ Q & A



**National Association *of*  
Insurance Commissioners**

2018 President Julie McPeak (TN) has a yearlong initiative to see if regulators can better address the underlying cost of healthcare.

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**Rate Review is an annual opportunity to dispassionately examine the assumptions and cost factors that go into a premium rate.**

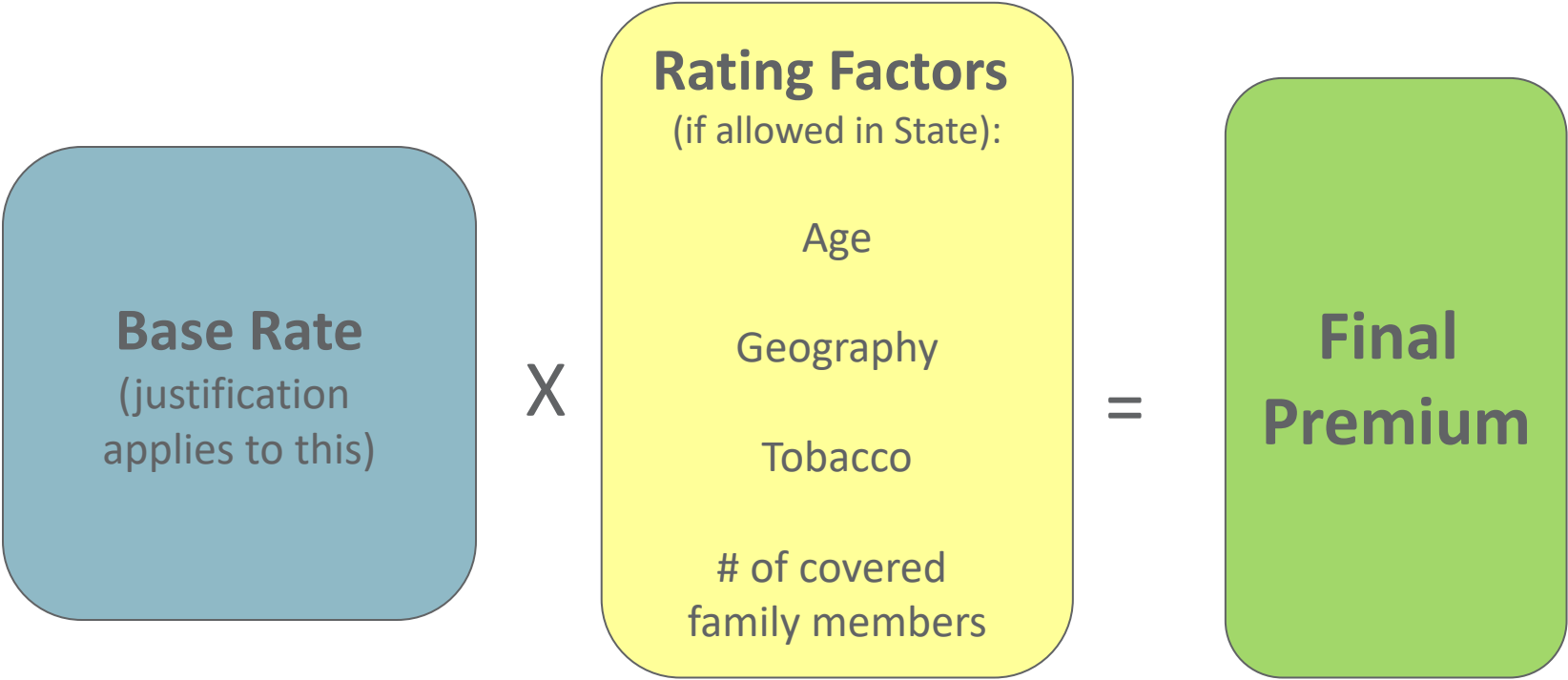


# What Is Rate Review?



- ▲ In most states, regulators and sometimes other experts evaluate whether the proposed health plan rate increases (for fully insured products) are based on reasonable cost assumptions and solid evidence.
- ▲ A rate filing contains the information justifying, or purporting to justify, the rates the health insurer seeks to charge.

# How is a Rate different from a Premium?



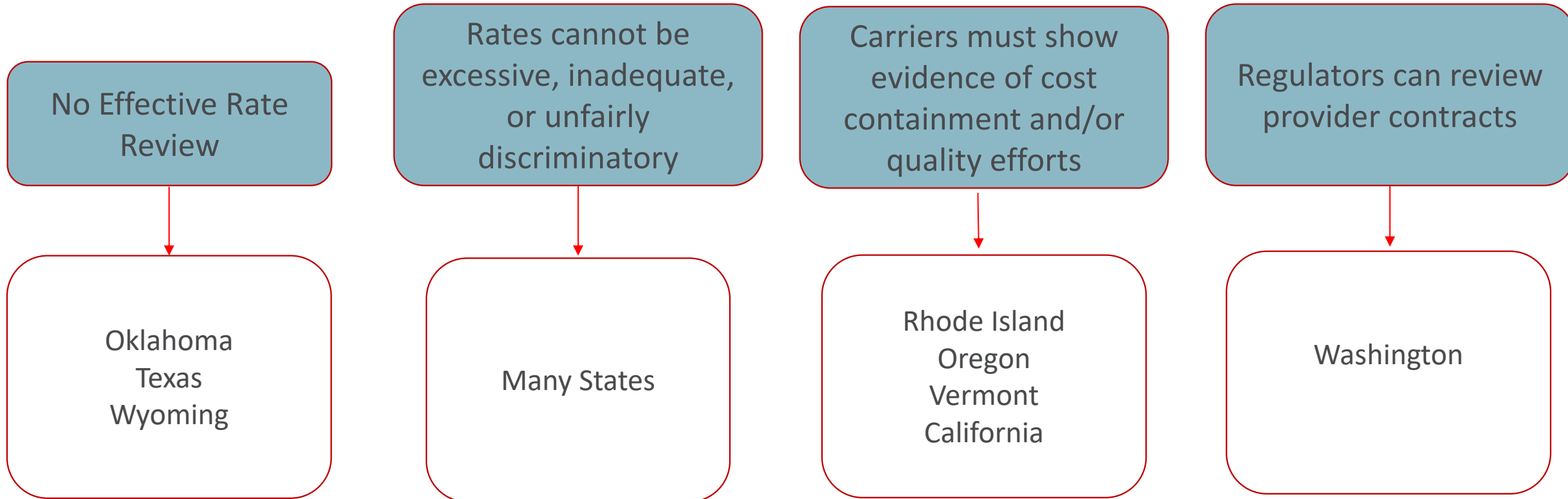


# How Can Rate Review Make Premiums More Affordable?



- ▲ In general, scrutiny of the filing can identify:
  - errors, double counting;
  - inappropriate assumptions; or
  - improper contributions to reserves or surplus  
*...all of which can lower rates for consumers.*
- ▲ A few states look “under the hood” during rate review, probing assumptions about medical trend and asking for evidence of cost containment and quality efforts.

# Rate Review Approaches Vary:



# Resources on Rate Review



**ALтарUM HEALTHCARE VALUE HUB**

### Factors Considered During Rate Review: States with Expanded Authority

| State         | Enhanced Factors Considered In Rate Review  | Evaluations?  | Special Considerations   |
|---------------|---|---|--|
| California    | Under both the California Insurance Code and the Health and Safety Code, health insurers and health plans are required to submit information to regulators on quality improvement initiatives and quality cost containment programming as part of their rate justifications. This information is evaluated as part of the regulator's determination that the proposed rate increase is both reasonable and justified.   | No independent evaluation of California's rate review process showed that insurance premium rate review conducted by both the Department of Insurance and the Department of Managed Health Care has saved Californians approximately \$417 million from rate hikes that were filed and subsequently reduced from 2011 to 2016. In addition, four rate hikes that were declared unreasonable were subsequently withdrawn.                  | California requires rate justification but neither regulator has prior approval authority. Although state regulators press issuers and carriers not to file rate increases between 2011 and 2016, 1,075,000 policyholders were subject to rate increases that were not implemented.  |
| Massachusetts | The DOI can require issuers to provide a detailed description of the basis on which they pay different rates of reimbursement to similarly situated providers.  | In 2017, a study by CSPIRG found that the state's program to contain rate hikes has saved more than \$280 million since 2012.   | The state's Consumer Review Program is a public and multidimensional review process that includes input from the public and consumer advocates. Rate review may lower costs for consumers directly, when lower rates are approved than initially proposed. It may also benefit consumers indirectly, particularly when the review includes information on cost containment and quality improvement efforts. A strong example of this is the explicit review of underlying provider costs (found in Oregon's rate review process but missing in most other states).   |
| Oregon        | A 2009 law gives the Division of Financial Regulation (DFR) authority to request data on insurance companies' cost containment and quality improvement efforts through rate filings. Oregon law provides that rate filings will be denied if the filings are deemed "prejudicial to the interests of the insured" or "unreasonable." If the filings contain provisions which are unjust, unfair, or inequitable, or most significantly, if the provisions are not reasonable in relation to the benefits "are not reasonable in relation to the premium charged." | In August 2013, the Oregon Health Division completed an evaluation of the effectiveness and efficiency of the Affordable Standards Inc care infrastructure transfer the rate review process.  | With close scrutiny, the rate review process can uncover duplication, faulty assumptions and outright errors in the rate filings, potentially lowering costs for consumers and making rate calculations more accurate. For example, in 2014 filings in Oregon, after calculation errors were identified, both Kaiser and Providence Health Plan proposed stable rate cuts (10% decrease for Kaiser and 15-20% for Providence), which the insurance regulator cut even further. In Washington state, for the 2015 plan year, rate increases were approximately 6 percent lower than proposed—reduced from around 8 percent to about 2 percent—in large part because the state required carriers to reevaluate their requests when a variable used in the carriers' calculation was modified by IHHS after initial filings were submitted. |
| Rhode Island  | In 2009, the Office of the Health Insurance Commissioner (OHIC) implemented "affordability standards" for insurers under which requests for premium rate increases would be approved if the insurer's efforts to improve primary care delivery, adopt a chronic care medical home model, standardize electronic medical records and working towards comprehensive payment reform.   | The OHIC adopted additional standards in 2016 that require a percentage of interest to direct a percentage of quality and medical payments through quality and efficiency-based payment models, and also increasing adoption of value-based payment plans with specialists to improve coordination with primary care providers. They also require commercial insurers to continue to grow the primary care patient-centered medical home. | The absence of laboratory conditions makes it hard to design a strong quantitative study to estimate the impact of rate review on health insurance premium growth. But theory and  |

For more resources on rate review [www.healthcarevaluehub.org/](http://www.healthcarevaluehub.org/)

**ALтарUM HEALTHCARE VALUE HUB**

RESEARCH BRIEF NO. 6 | June 2015

### Health Insurance Rate Review: A Powerful Tool for Addressing Consumer Health Costs

#### SUMMARY

Rate review is the process by which insurance regulators review health carriers' proposed insurance premiums to ensure they are based on accurate, verifiable data and realistic projections of health care costs and utilization. Rate review for fully insured products has historically been handled at the state level using a wide variety of approaches. The Affordable Care Act (ACA) sought to set minimum rate review standards by including a requirement that the U.S. Department of Health and Human Services (HHS), along with the states, establish processes for annual review of rates above a certain threshold to see if they are unreasonable or unjustified, before those plans are sold to consumers. Currently, federal regulations require a review whenever a carrier proposes an annual premium rate increase of 10 percent or greater, but states have the autonomy to adopt lower thresholds. Further, HHS is tasked with reviewing proposed rates of 10 percent or greater for states that fail to qualify as having an "effective rate review" program.

#### Evidence that Genuine Rate Review Results in Cost Savings for Consumers

The absence of laboratory conditions makes it hard to design a strong quantitative study to estimate the impact of rate review on health insurance premium growth. But theory and

- ▲ Primer on rate review
- ▲ Grid of states with expanded authority (CA, MA, OR, RI, VT, WA)
- ▲ Glossary of terms
- ▲ Studies and more on our resources page:

[www.healthcarevaluehub.org/Rate-Review](http://www.healthcarevaluehub.org/Rate-Review)



# MARIE GANIM, Ph.D.

Health Insurance Commissioner

Rhode Island Office of the Health Insurance Commissioner

# LEVERAGING RATE REVIEW TO DRIVE SYSTEM AFFORDABILITY

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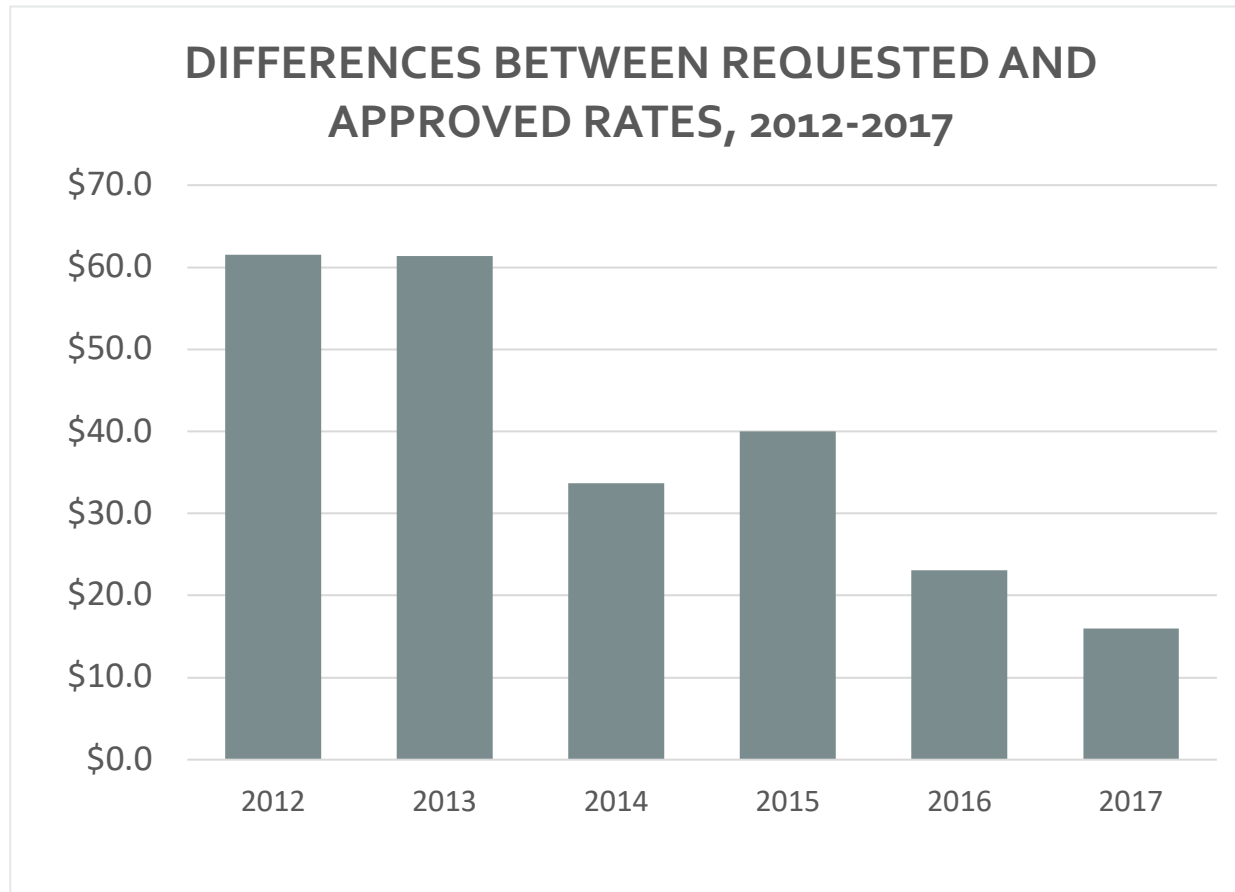
Presentation | March 16, 2018

Marie Ganim, PhD, Health Insurance Commissioner

State of Rhode Island



# Reviewing Commercial Health Insurance Rates



- The RI commercial market comprises about 220,000 enrollees.
- Since 2012, OHIC’s rate review has saved Rhode Island consumers \$235.7 million.
- Decreasing discrepancy between requested and approved rates could indicate successful policy by driving down underlying medical trend and insurers making “tighter” filings.

# Standards of Rate Review

Prior to 2005, RI evaluated whether proposed rates were “consistent with the public interest and the proper conduct of business”:

1. **Solvency and actuarial soundness** - are rates sufficient to ensure insurer solvency and based on sound actuarial principles?
2. **Consumer protection** - Would consumers receive adequate contractual benefit in exchange for the proposed premium?

# Standards of Rate Review

The 2005 enabling legislation for the Office of the Health Insurance Commissioner (OHIC) added two new criteria:

3. Fair treatment of providers
4. Health insurer policies to improve affordability, quality and accessibility of medical care.

Health Insurance Advisory Council created for OHIC.



# Rate Review to Drive Affordability

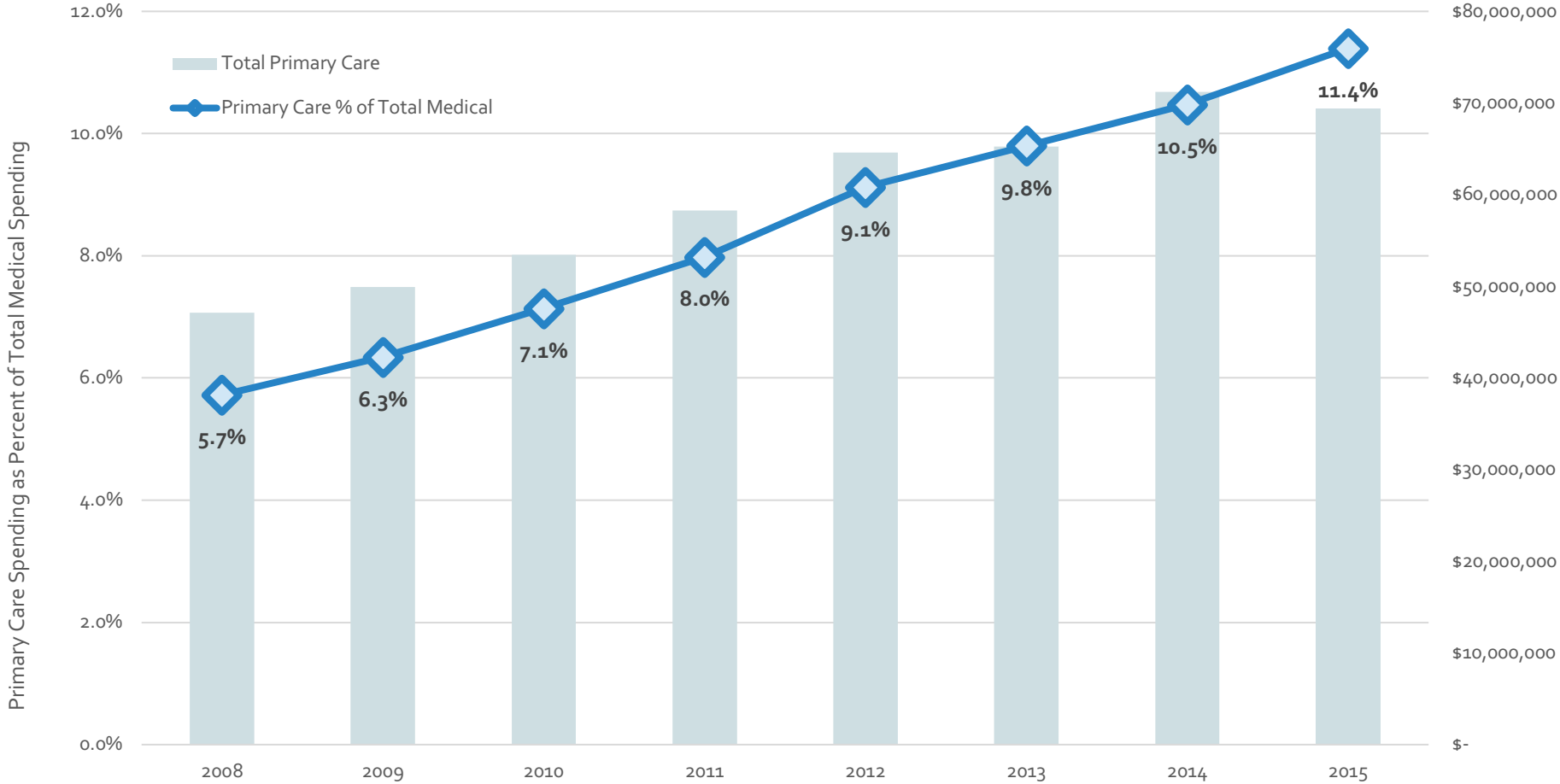
Must demonstrate efforts to improve affordability, quality, access:

OHIC has prescribed many of these efforts through rate approval conditions, and later through regulation, including:

1. Insurers increase primary care investments (without increasing premiums); and a multi-payer medical home initiative.
2. Prohibited from granting hospitals annual contractual price increases that exceed a cap (today  $\% \Delta \text{CPI-U} + 1\%$ ) and must tie half the rate increase to quality performance.

# Example: Supporting Primary Care

Primary Care Spending, Total and as Percent of Total Medical Spending  
2008 - 2015



# Rate Review to Drive System Affordability

In recent years, added system “affordability standards” to include:

1. Annual targets for % provider payments under alternative payment models (like TCOC);
2. Targets for % of lives attributed to TCOC contracts with downside risk; and,
3. Insurers prohibited from granting ACOs annual contractual budget increases that exceed a cap (today  $\% \Delta \text{CPI-U} + 2.5\%$ ), after the application of risk adjustment.

# Key Lessons Learned

1. Regulators can play a significant role in promoting system affordability through their oversight of health insurers.
2. Legislative initiatives to bolster the powers/duties of regulators may be necessary.
3. Bold administrative interpretations of existing statutory authority.
4. Collaboration with insurers, providers, and consumers is essential.

# THANK YOU

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# MIKE KREIDLER

Health Insurance Commissioner

Washington State Office of the Insurance  
Commissioner

# Questions for our Speakers?



- Use the chat box or to unmute, press \*6
- Please do not put us on hold!



# Thank you!



- Commissioners Marie Ganim & Mike Kreidler
- Robert Wood Johnson Foundation

Contact Lynn Quincy at [lynn.quincy@Altarum.org](mailto:lynn.quincy@Altarum.org) or any member of the Hub staff with your follow-up questions.

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Friday, April 20, 2 – 3 pm ET

Register at [HealthcareValueHub.org/events](https://HealthcareValueHub.org/events)