

Commercial Health Insurance Rate Review: A Key Affordability Strategy

Christopher F. Koller
President, Milbank Memorial Fund

National Conference of Insurance Legislators
July 14, 2022

Presentation Overview

1. Health Insurance is different
2. Commercial health insurance affordability is a problem
3. Assessing the scope of health insurance rate review
4. Comprehensive rate review as part of a broad health care affordability strategy

About The Milbank Memorial Fund

The Milbank Memorial Fund is an endowed operating foundation that works to improve population health and health equity by collaborating with leaders and decision-makers and connecting them with experience and sound evidence.

We advance our mission by:

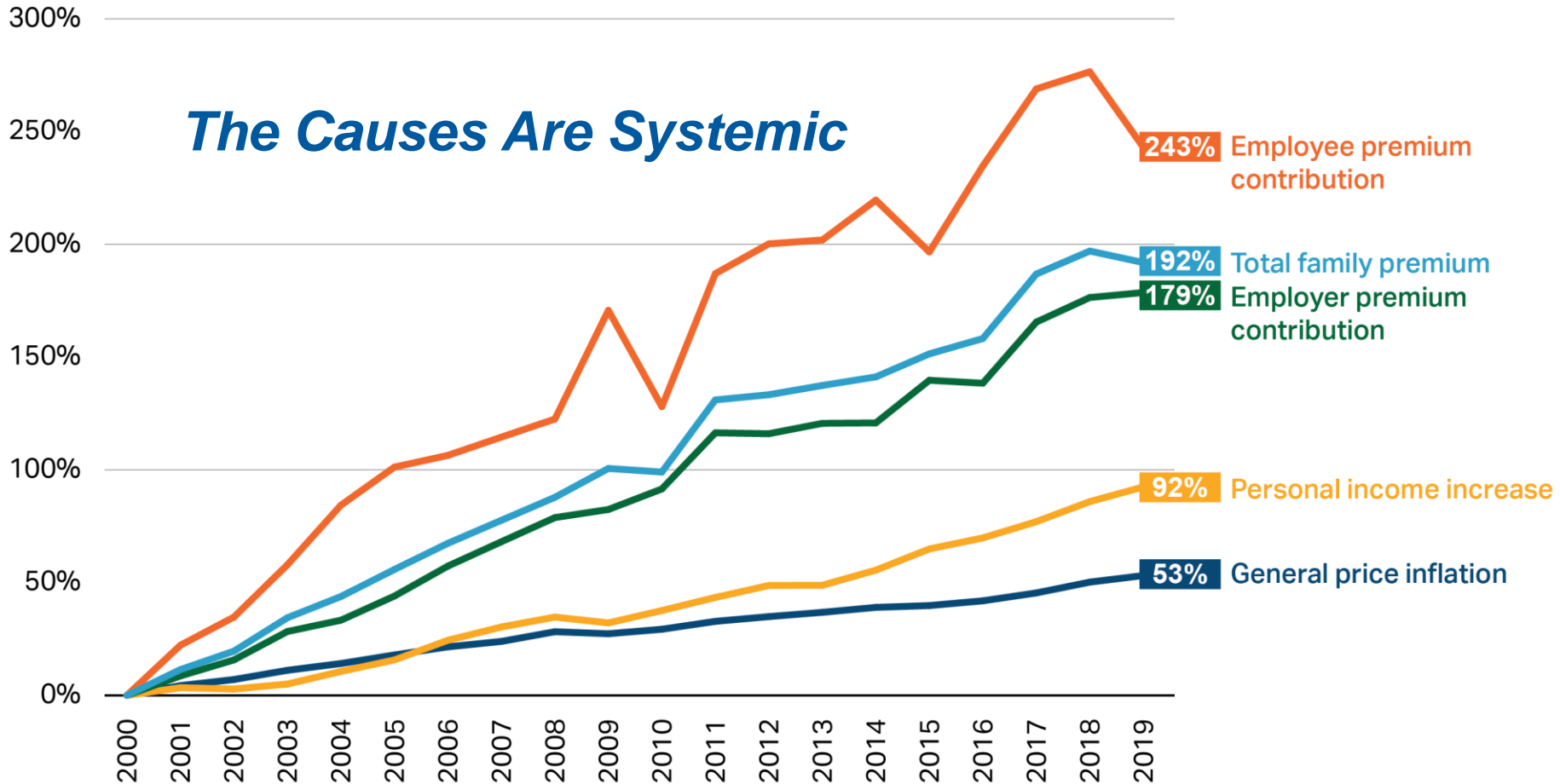
- Identifying, informing, and inspiring current and future state health policy leaders to enhance their effectiveness;
- Working with state health policy decision makers on issues they identify as important, particularly in areas related to primary care transformation, sustainable health care costs, and healthy aging, and
- Publishing high-quality, evidence-based publications and *The Milbank Quarterly*, a peer-reviewed journal of population health and health policy.

Health Insurance Is Different



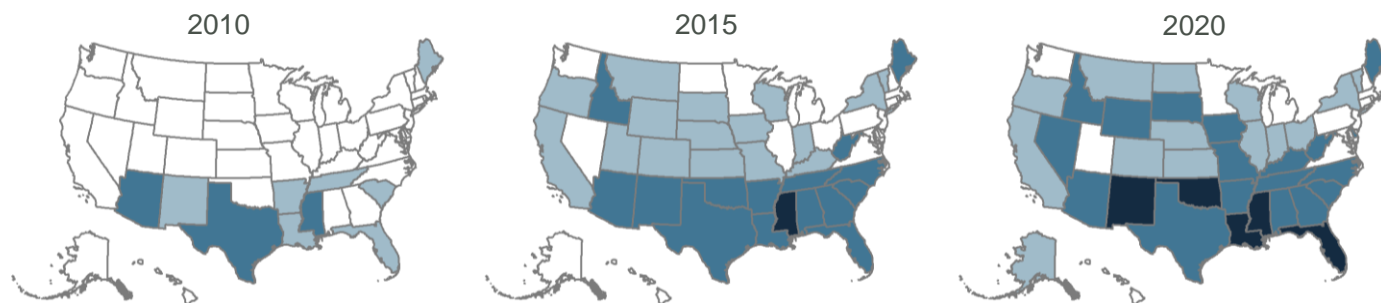
- No insurance coverage for oil changes
- No EMTALA for body shops
- No mandated parity coverage for roofing

Health Care Affordability Is a Problem

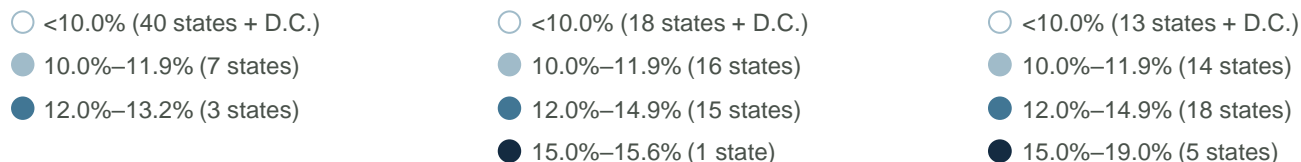


Source: Bailit Health Strategies.

In growing number of states, worker insurance premium contributions and deductibles in employer plans make up 10 percent or more of median income



Average employee share of premium plus average deductible as percent of median state income

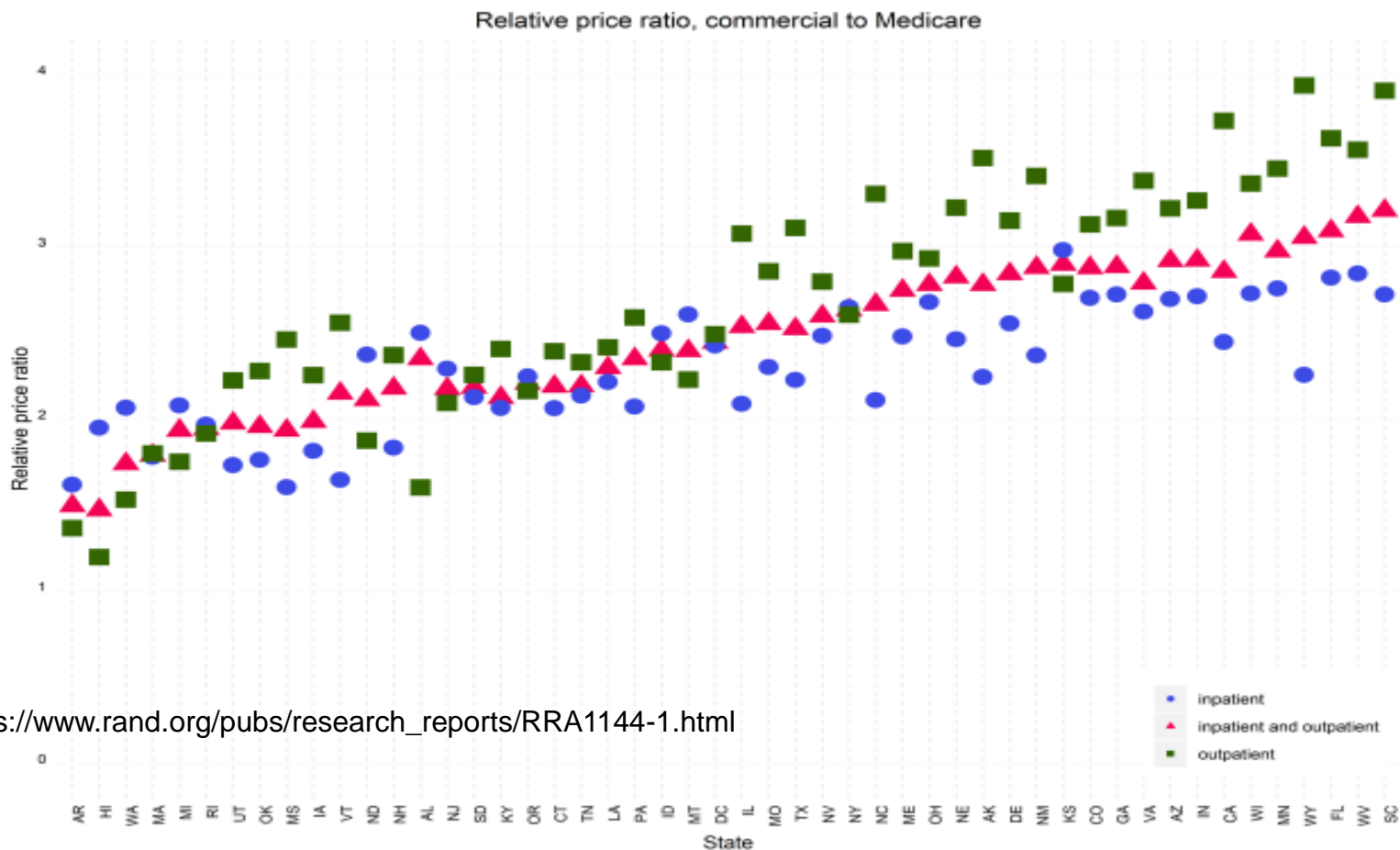


Note: Combined estimates of single and family premium contributions and deductibles are weighted for the distribution of single-person and family households in the state.
 Data: Premium contributions and deductibles — Medical Expenditure Panel Survey—Insurance Component (MEPS-IC), 2010–2020; Median household income and household distribution type — analysis of Current Population Survey (CPS), 2010–2021, by Mikaela Springsteen and Sherry Glied of New York University for the Commonwealth Fund.

Source: Sara R. Collins, David C. Radley, and Jesse C. Baumgartner, *State Trends in Employer Premiums and Deductibles, 2010–2020* (Commonwealth Fund, Jan. 2022). <https://doi.org/10.26099/m5dt-5f70>

Consolidated Providers Are Feasting on the Commercial Insurance Market

Figure 3.2. Relative Prices by State, 2020

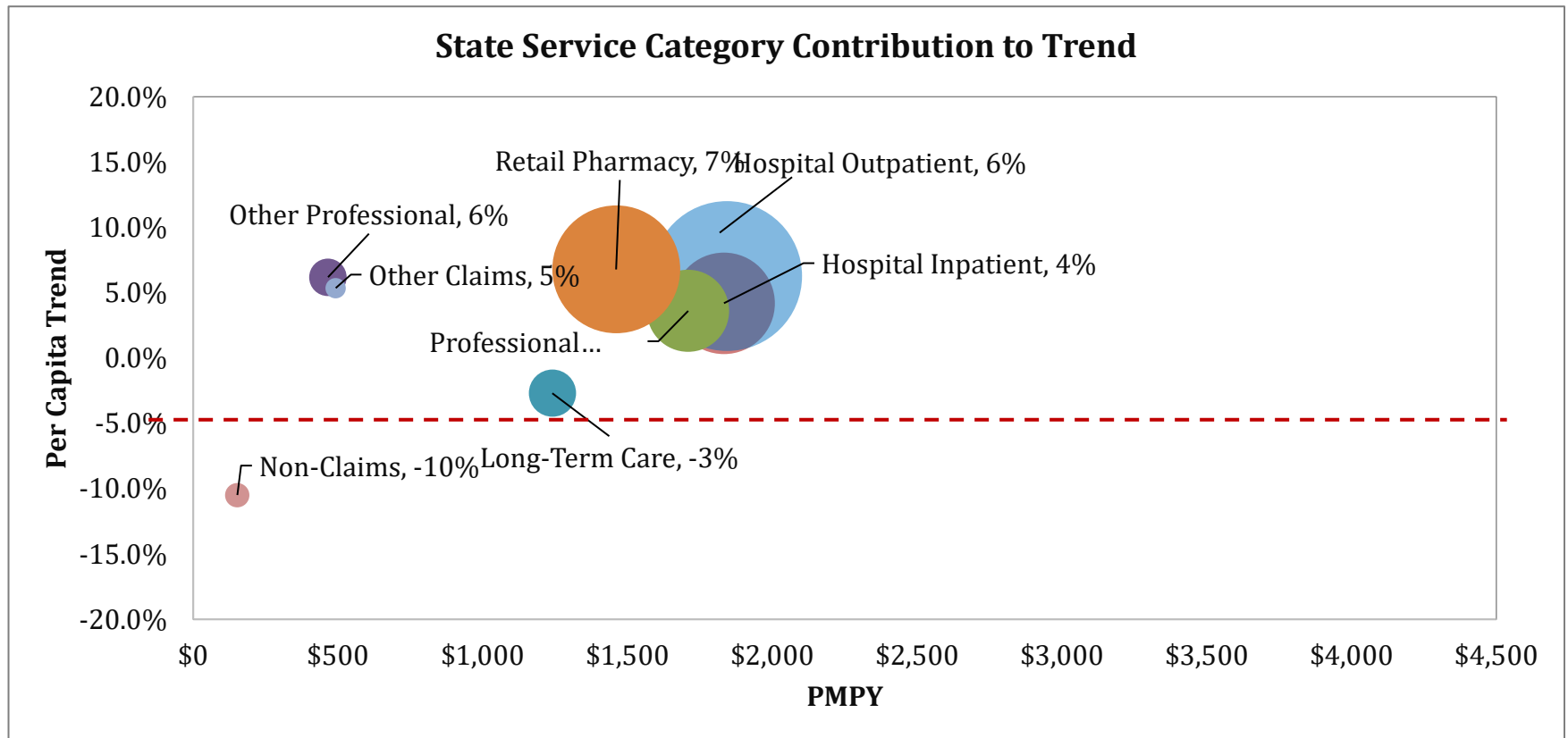


https://www.rand.org/pubs/research_reports/RRA1144-1.html

NOTE: Relative prices are the ratio of the amounts actually paid divided by the amounts that would have been paid—for the same services provided by the same hospitals—using Medicare’s price-setting formulas.

Retail Pharmacy Is Another Culprit

Connecticut's State Level Spending Growth in 2019



Data are not risk-adjusted. They are reported net of pharmacy rebates.
The width of the bubbles represents contribution to trend.

Health Care Is “Confiscatory” (D. Berwick) (Not Economic Development)

Figure 1.1: State budgets for health care coverage and other priorities, FY2004- FY2014
Total budget (dollars in billions) and total real growth percentage, FY2004 – FY2014



NOTE: Figures all adjusted for Gross Domestic Product (GDP) growth; GIC = Group Insurance Commission

SOURCE: Massachusetts Budget and Policy Center

Three Broad Categories of Affordability Strategies



Systemic Problems Require Systemic Solutions

1. Good data-→ Common view of reality
2. Alignment of policies across payers (Medicare, Medicaid, and commercial)
3. “Bounded” competition among payers and among providers

...Commercial Health Insurance Rate Review can be part of the solution

The System Needs a Sheriff



Time to Broaden Statutory Standards for Health Insurance Regulation

Model Standards (Based on RI)

With respect to health insurance as defined in [code section], the Commissioner shall discharge the powers and duties of office to:

- Guard the solvency of insurers
- Protect the public interest and the interests of consumers;
- *Encourage the fair treatment of providers;*
- *View the health care system as a comprehensive entity and encourage and direct insurers towards policies that advance the welfare of the public through overall efficiency, affordability, improved health care quality, and appropriate access.*

What is the status of health insurance rate review in your state?

- **Type of rate review:** Does your state require prior approval or file-and-use for health insurance rates? Does the type of rate review authority vary by market segment?
- **Scope of rate review:** Does your state insurance rate review authority extend to the fully insured large group market or does it only cover the small group and individual markets?
- **Consumer protection authority:** Do your state insurance rate review laws include as one of the purposes or duties protecting consumers, promoting the public interest or welfare, or improving affordability?

Statutory language can make sure rate review process balances solvency and affordability

Model Language

- In discharging the duties of the Office, including but not limited to the Commissioner's decisions to approve, disapprove, modify or take any other action authorized by law with respect to a health insurer's filing of health insurance rates or rate formulas, the Commissioner may consider whether the health insurer's products are affordable and whether the carrier has implemented effective strategies to enhance the affordability of its products.
- The Insurance Commissioner may promulgate regulations to carry out the powers and duties of this Section, including without limitation, to implement rate filing requirements, establish affordability standards, impose penalties, and ensure compliance with this section.

Rate Review Implementation (from Colorado): Meet Needs of Different Parties

- **Balancing transparency and proprietary information**
 - Ensure all parties have the information they need throughout the process to be responsive
 - Reduce information asymmetry and level playing field for all parties
 - Leverage new and existing tools to engage consumers
 - Make information meaningful and easily understandable for consumers
 - Outline what information, if any, will be determined confidential or proprietary

Comprehensive Rate Review as Part of a Broader Affordability Strategy

- Prior Approval (for all groups-RI)
- Public analysis of submissions, trend and driver analysis and broad stakeholder input. (CO, PA, RI)
- Review/Approval based on compliance with “affordability standards” such as
 - Promotion of primary care (DE RI)
 - Provider rate growth caps (RI, DE)
 - Advancing provider payment reforms (OR, WA, RI)
 - Participation in state-based exchange
 - Public option products (CO, WA)
- Statewide per-person cost growth target setting (DE, MA, RI, CT, WA, OR, NJ, NV, CA)

Implementing Comprehensive Rate Review: Delaware

2019: Office of Value Based Health Care Delivery launched

2020: Office recommends “Affordability Standards” 1) limit non-professional price growth; 2) increase primary care investment; 3) expand APM adoption

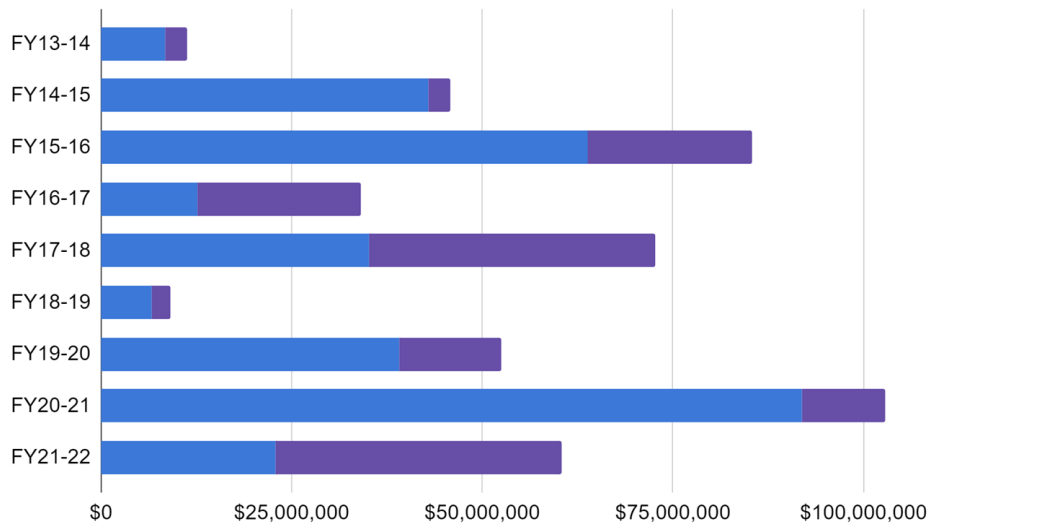
Rate Review criteria – “excessive, inadequate or unfairly discriminatory” – too vague to enforce affordability standards

2021: DOI receives new statutory authority to enforce affordability standards via rate review

2022: Enforcement begins for 2023 plan year

Rate Review Results in Colorado

Consumer Savings from Rate Review (Health plans)



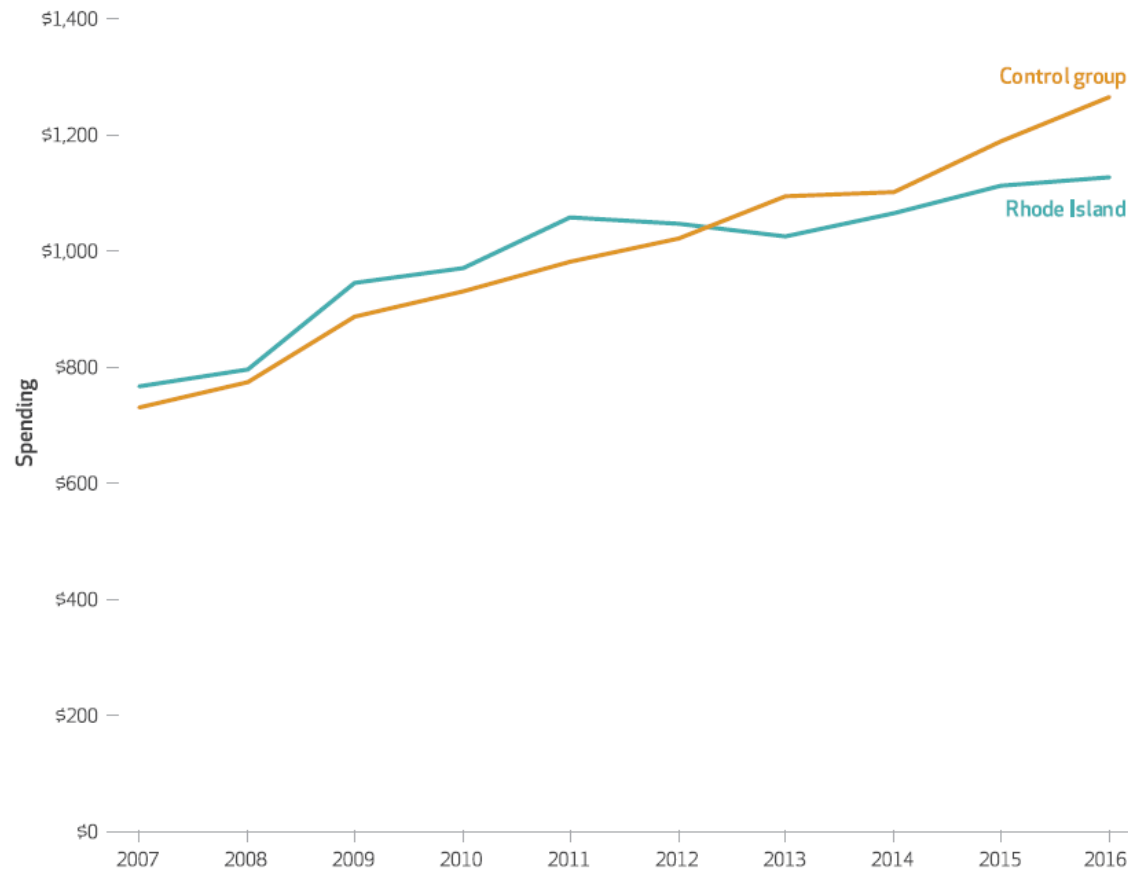
*Legend: Blue = ACA plans; Purple = non-ACA

- Nearly \$0.5 billion saved over 9 years
- 3 million Colorado consumers saved money

Rate Review Bent the Curve in Rhode Island: Savings for Employers and Employees

EXHIBIT 2

Quarterly per enrollee fee-for-service spending in the Rhode Island and control-group cohorts, 2007-16



Source: 10.1377/hlthaff.2018.05164 HEALTH AFFAIRS 38, NO. 2 (2019): 237-245

Limitations of Health Insurance Rate Review Strategies

- Requires administrative leadership and legislative support and accountability
 - Health insurers will resist. Perhaps larger providers.
- Not a silver bullet. Will not solve for:
 - Monopoly providers
 - Risk of regulatory capture
 - Self insured employers (over half of commercial insurance)
 - Everything else that voters don't like about their health care

Employers, Employees and the Community Need You to Take on Health Care Affordability

Money for health care is money not available for other sectors



“How come my health insurance is so expensive?”

“And how come my provider says she does not get paid enough?”