

## Market Stability Workgroup

Date of Meeting: October 29, 2019  
Meeting Time: 9:30 am  
Meeting Location: United Way of Rhode Island  
50 Valley St., Providence RI 02909

**Workgroup Members Present:** Co-Chair Marie Ganim, Co-Chair Lindsay Lang, Monica Auciello, Mike Ayotte, Marc Backon, Steve Boyle, Sarah Bratko, Dave Chenevert, Ralph Coppola, Shamus Durac, Dr. Peter Hollman, Dr. John Luo, Joyce Therrien, Scott Mathieu, Elizabeth McClaine, Jamie Moran, Susan Storti, Melissa Travis, Larry Warner, John Marcantonio

**Workgroup Members Absent:** Marcela Betancur, Erin Donovan-Boyle, Al Charbonneau

## Minutes

- I. **Meeting was called to order** at 9:33 am by Commissioner Ganim. Commissioner Ganim asked for any comments on the minutes, there was one edit to the attendance.
  - a. Commissioner Ganim introduced Chiquita Brooks-LaSure, Managing Director with Manatt Health who was present to help facilitate the meeting discussion and Sabrina Collette with Georgetown University who was on the phone and will be presenting at the next meeting.
  - b. Commissioner Ganim provided an updated on the small employer survey; the Rhode Island Foundation is in the process of reaching out to the experts at the University of Chicago NORAC to gather information about the survey, in addition to the department of labor and training for a list of businesses to send the survey too. The goal administer and aggregate results by mid-February. The scope of the survey was scaled back to due to costs.
  - c. Commissioner Ganim reviewed the agenda for the meeting, followed by the guiding principals.
  
- II. **Insurer Presentations on the Small Group Market**
  - a. Commissioner Ganim transitioned the meeting over to Jim Delisle with Tufts Health Plan (THP). Jim began his presentation providing an overview of Tuft's experience in the RI market. Tuft's joined the market in 2009 and since then have seen a consistent uptick in the number of members (804 in 2015 to 4,600+ as of April 2019).

For THP, the small group market membership distribution has remained consistent across size subsegments, additionally the top 20 industries have remained largely consistent since 2016. These industries represent 84% of THP's member months since 2016.

Jim commented that there is some concern due to changes in the small group market that suggest the total number of members in the pool are a concern.

Consistent with the small group cost trend, the THP small group risk experiences similar volatility. There is concern with the size of the small group market and volatility, increase in volatility will lead to less accurate financial and rate predictions. In terms of small group trends, THP has seen as costs increase, it becomes more difficult for employers to offer an employer sponsored plan and/or cost limits or changes the type of plan they can offer. Jim also noted that across all states in THP's block of business enrollment in large group is decreasing. Jim added that THP is seeing a lower uptake in total enrollees vs eligible employees, which could be due to a variety of reasons such as smaller contracts. Concluding his presentation, Jim stated given the small portion of the THP represents in RI the small group market limited data set, THP is not in position to comment on public policy to drive change.

- b. Commissioner Ganim welcomed Scott Mathieu from UnitedHealthcare (UHC) to present next. UHC has had a consistent decline in the small group market over time, however, there has been a slight uptick in 2019. There has also been an increase in small group membership. The biggest challenge for UHC is risk adjustment. Risk adjustment was well intended in theory however in practice it has resulted in UHC having to increase rates anywhere from 2-12% annually.

In regards to small group market trends, UHC is seeing customers choose richer plan designs and starting to use HRAs to purchase coverage. UHC is not tracking customer movement to different products but does track which carriers customers move to. UHC is also seeing more part time employees which is impacting overall FTE counts and contract size. More businesses are also requiring spousal waivers. Employers are looking for the opportunities to save dollars by encouraging or requiring employees to take other alternatives if available.

Potential policy considerations could include tax breaks or subsidies for small businesses to help them afford the cost of health insurance. Another option could include expanding small group to include 50-100 may not have the impact that it intends

- i. Steve Boyle asked if there is a correlation between low unemployment and challenges finding qualified employees and employers choosing richer plans to attract and maintain good employees?
  - ii. XX responded that UHC does believe there is a correlation between talent and benefits offered.
  - iii. Ralph Coppola asked about the Medicare for all movement and how this would impact insurance carriers.
  - iv. XX responded that UHC's solution is a public private relationship. Medicare for all already exists for anyone who is 65 or older which is currently managed by carriers. The government will likely do the same if Medicare for all is expanded. If need UHC would shift its business model to adapt to the need.
- c. Blue Cross Blue Shield of Rhode Island (BCBSRI)

Monica Auciello presented for BCBSRI. Monica stated BCBSRI enrollment is declining but the health of the pool overall has improved. BCBSRI has been losing sicker members and retaining the healthier. BCBSRI is a receiver of risk adjustment which helps to reduce premiums. This also means that BCBSRI's population uses more health care resources than customers of other carriers. While the health of BCBSRI's pool has improved, compared to other carriers its customers remain sicker.

BCBSRI is also seeing an increase in younger enrollees and it is the younger population that is utilizing more resources. For every premium dollar, 108% of that dollar goes to paying for healthcare for 0-5 year olds. It is important for BCBSRI to maintain the older population to continue to help subsidize the younger customers.

- i. Chiquita Brooks-LaSure asked if it is the youngest population costing the most or is more equally distributed across age?
- ii. Monica responded, that is distributed across the under 20s.
- iii. Ralph Copolla asked if adults 65 and older
- iv. Monica responded
- v. Jamie Moran asked if the deductible expense which are not calculated in the MLR have an impact on cost?
- vi. Monica responded they do not. She added that there is definitely more enrollment in BCBSRI's richer plans, which suggests that MLR is not impacted by deductibles.

Monica continued her presentation, stating that BCBS has a high concentration of customers in platinum plans, which is not the case for the other carriers. BCBSRI is also not seeing HRA or HSA use at the same rate Tufts and UHC.

- i. Steve Boyle commented that businesses are continuing to choose richer plans, yet the cost is the biggest reason why employers are dropping coverage.
- ii. Monica replied that anecdotally the individual making the decision about the level of coverage to offer is based on the level of coverage that individual needs. It could possible be less of traction or retention issue as it is a personal choice.
- iii. Peter Holman agreed that a lot of the decision making is relative. The employers dropping coverage are those in lower plans who are struggling with cost. Those that are not struggling as much are staying in richer plans that are relatively affordable.

BCBSRI's key observations included the following: (1) Enrollment is declining faster in RI than the national average, especially in recent years (2) In the past 5+ years, off-cycle terminations have far outpaced terminations at renewal. (3) Data is not available to explain the reasons for these off-cycle terminations, but it is unlikely they are going to other carriers as that would typically happen on renewal. (4) Despite the drastic reduction in population the overall health status and age is better than it was in 2013, however the most recent years show members that are leaving are younger and healthier. (5) Benefits continue to be extremely rich, lower cost options are available.

BCBSRI is still identifying potential options and does not have anything concrete to share at this time, however, anything that would result in more members leaving the pool would be bad overall.

d. Neighborhood Health Plan of Rhode Island (NHPRI)

Elizabeth McClain from NHPRI presented the organizations observations and trends. NHPRI entered the market in 2014, growth has been slow but steady over the last six ears. All of NHPRI's sales are through HSRI, which is important to note that 97% of employers who purchase health care through HSRI choose the full choice method. The average Small Group premium contribution is 63%, with an average group size of 4. The majority of plan selections are in Gold and Platinum tiers.

Liz noted that some of NHPRI's challenges are their small base and growth which affords less opportunities to control costs and create more beneficial products. Fees, taxes and other administration costs are also a challenge in managing premium increases.

NHPRI proposed several opportunities to stabilize the small group market. (1) Further explore the HealthSourceRI Full Choice Model: groups can offer member/family choice while still providing benefits to eligible employees, great option for groups with range of family demographics, if on-exchange business were to significantly grow, potential to reduce HSRI administrative fees. (2) Explore change to state definition of small group: increase small group size to 100 employees, expands risk pool, age-based rating may improve rates for some groups versus experience rating. (3) Explore education on new HSA rules.

- i. Commissioner Ganim asked if expanding knowledge on HSA rules is counter productive to expanding the risk pool
- ii. Liz responded, it is but it could be a viable option for helping small businesses continue to provide an avenue for health insurance for their employees.

### III. Discussion

a. Completing the presentation portion of the meeting, co-chair Lindsay Lang introduced Chiquita Brooks-Lasure. Chiquita has more than 15 years of experience in health policy. As deputy director for policy at the Center for Consumer Information and Insurance Oversight within the Centers for Medicare & Medicaid Services, and earlier at the Department of Health & Human Services as director of coverage policy, she led the agency's implementation of ACA coverage and insurance reform policy provisions. Chiquita is here today to provide insight to trends in other states and facilitate discussion about opportunities in Rhode Island.

Chiquita commented that the presentations were very thoughtful and commented that many of the presentations touched on the importance of small group stability. Chiquita recapped what was heard in the various presentations: Tufts has experienced growth but has concerns about volatility. UHC has seen declines and has real concerns about risk adjustment and those impacts. BCBSRI has seen declines but overall has a healthy risk pool and there are concerns about siphoning off parts of the risk pool. NHPRI has had small growth and emphasized the popularity with the full choice model.

Chiquita provide an overview of what is trending nationally in the small group market and why there should be a focus on stability:



- Many states are grappling with reforms to this market overall. Small group enrollment has been declining since at least the early 1990s
    - 13.6 million nationally in 2016, down 3.8 million, or 22%, from 2012
  - The Affordable Care Act (ACA) created more incentives for enrollment growth in the individual market than the small group, in part because of individual market is more subsidized than small group (e.g., reinsurance, subsidies)
  - Nationwide, substantially more small-business owners and employees now have coverage today than prior to the ACA; however many are enrolled and using subsidies in individual Marketplace plans
  - For those who remain in the small-group market, price increases have been similar to those in the large-group market.
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- i. Monica Auciello commented that RI has a much smaller HMO penetration than nationally.
  - ii. Jim Deslisle added that in RI there is a greater uptake in PPO plans and there is a real cost differential in the two types of plans. people in RI want the richer plans.
  - iii. Ralph Copolla asked if that could be because we are in one of the best medical areas in the world, and being close to Boston is a driving force for richer plans?
  - iv. Monica Auciello stated that the perception is if you pay more you get better quality and that is not true.
  - v. Jim Delisle added decisions around insurance is often driven by fear. People are often paying for something that 95% of the time they do not need. They think they may end up with a rare condition that would not be covered. There has to be a change in mindset
  - vi. Ralph Coppola commented that you are talking about a life or death mind set and that is hard to change.
  - vii. Monica Auciello used a knee replacement as an example, a significant number of surgeries are done in Boston and yet you could get the same quality in Mariam Hospital, but the cost differential is extremely different.
  - viii. Sue Storti commented that customer experience is the most important factor. If an individual has a bad experience in RI then they will decide next time to go to Boston.
  - ix. Ralph Coppola – I’ve had friends that could barely walk but terrified of having surgery, that it got to the point of where they couldn’t walk and had to get it. People focus on the small chance that they might die and which drives the decision making.
  - x. Monica Auciello added I think all of that is driving that choice. When you ask if there are affordable options available, there are put perceived quality is driving customer choice PPO vs HMO.
  - xi. Jamie Moran commented that there is a lack of consumerism in healthcare, if an individuals deductible is the same no matter where they go and they perceive Boston as better , they will likely go to Boston. If an individual has to decided between spending \$7,000 to stay in RI versus pay \$17,000 to got to Boston, they may make a different choice.
  - xii. Ralph Coppola asked if there could be a scenario where there are different costs to go to different hospitals, such as lower copay to go to RI hospital versus Boston hospital.
  - xiii. Commissioner Ganim stated that looking at plan design is and redesigning plans is something that should be considered.



- xiv. Chiquita added that some states are implementing market options for employers focused on premium. In some areas you are very focused on premium affordability and others on deductible.
- xv. Monica Auciello commented that RI is different than other states, there is not a coverage problem. Do we want to preserve small group at the size it is or do we want to grow it?
- xvi. Steve Boyle responded that yes people have coverage but we are not focusing on costs. We have hospitals on every corner. Your right its not coverage its cost.
- xvii. Monica Auciello added that the uninsured percentage as gone down even as the small group enrollment has gone down.
- xviii. Jamie Moran said it sounds like we are somewhat in tandem with what is happening nationally, so is there a certain element of this that the RI small group market will get to the right size of what it needs to be and by natural causes the decline will level off and stabilize naturally?
- xix. Chiquita Lasure-Brooks said that some states are still trying to improve their markets, for others it small but stable. You would want your market to be a certain size to maintain a health risk pool and stable. This is a tricky equilibrium to find and nationally there are concerns about association health plans pulling out healthy populations from the risk pool.

The administration just updated the HRA rules, where the employer can give a defined amount and the employees can use this to purchase coverage in the individual market. We could see some employers with sicker employees and say to their employees go purchase in the individual market.

Also at the national level a lot of businesses forming association health plans and pulling out of the small group. These trends are important in considering what is going on in the small group. The biggest trend is businesses becoming self funded through stop loss. Having a stable small group is important.

- xx. Commissioner Ganim commented that it is intriguing that association health plans and stop loss plans could pose a risk to the market by pulling out healthier people out but HRAs could have the opposite impact by pulling out the sicker population.
- xxi. Chiquita responded that is correct, the HRA has the potential to impact the individual market more from a risk perspective. An employer with a healthier group may offer an HRA to offer more choice, where as a businesses with employees that use more healthcare may do it to decrease costs. It is important to note that if an employee uses HRA funds to purchase in the individual market they cannot get APTCs.
- xxii. Jamie Moran asked if there has been any movement of sicker populations leaving the market due to HRA use?
- xxiii. Steve Boyle commented that the role of the broker should not be overlooked. Even if an HRA is better option for a business, there is no reason for the broker to promote it.
- xxiv. Monica Auciello added that the HRA is beneficial to large employers who are not offering coverage to part time employees. Or any employer that just can't afford to keep providing healthcare, at the risk of going insured versus providing an HRA. HRAs should not be taken off the table or prohibited but they should be monitored.
- xxv. Steve Boyle asked who would provide education for these employers about what is the best choice if brokers are no longer providing that education?



xxvi. Liz McClain add that broker education should be kept on the table because HSRI only serves a small portion of the marketplace.

Chiquita concluded the meeting with reviewing potential options for Rhode Island:

- Financial assistance to small businesses to encourage participation (e.g., small group reinsurance, increases to the small business tax credit)
- Merging markets (i.e., the small and individual markets or increasing small group from 50 to 100)
  - Additional analysis needed to determine pricing differences/impacts in the markets being merged
- Further restrictions on stop loss insurance
- Tying insurer participation to other markets
  - increased marketing to employers to encourage enrollment

#### **IV. Public Comment**

Lindsay Lang asked for any public comment, there was none.

#### **V. Adjourn**

Lindsay Lang adjourned the meeting at 11:03am.