

Rhode Island Health Care Cost Trends Steering Committee

April 29, 2021



Agenda

1. Welcome
2. Approval of meeting minutes
3. Subcommittee to develop a value-based payment strategy
4. Performance against the 2019 cost growth target
5. Informational updates
6. Public comment
7. Next steps and wrap-up

Welcome

Approval of Meeting Minutes

Approval of Meeting Minutes

- In advance of the meeting, project staff shared minutes from the March 22nd Steering Committee meeting.
- **Does the Steering Committee wish to approve the March meeting minutes?**

Subcommittee to Develop a Value-based Payment (VBP) Strategy

VBP Subcommittee

- During the March 22nd meeting, the Steering Committee agreed to a proposal to convene a subcommittee of Steering Committee members, designees, and external subject matter experts to:
 - establish a set of principles governing the transition to advanced VBP by market participants and state agencies;
 - recommend aggressive targets for adoption of advanced VBP models, and
 - develop a plan of action to accelerate the adoption of advanced VBP in the state with specific recommended actions by payers, providers, and the State.

VBP Subcommittee (cont'd)

- Proposed subcommittee composition
 - Steering Committee members who would like to participate on this subcommittee (or designate someone from your organization to participate)
 - Outside subject matter experts to be selected by the co-chairs. Examples of potential participating organizations include:
 - Employers, including municipal/other public group purchasers
 - Organizations representing the interests of consumers
 - Provider groups not represented on the Steering Committee
 - Academics or industry experts
 - Philanthropic organizations

Performance Against the 2019 Cost Growth Target

2019 Cost Growth Target State and Market Performance

RESULTS OF ANALYSIS OF 2018-2019 DATA

APRIL 2021

Overview

1. Background
2. Performance Against the Cost Growth Target
 - State
 - Commercial
 - Medicaid
 - Medicare
3. Net Cost of Private Health Insurance

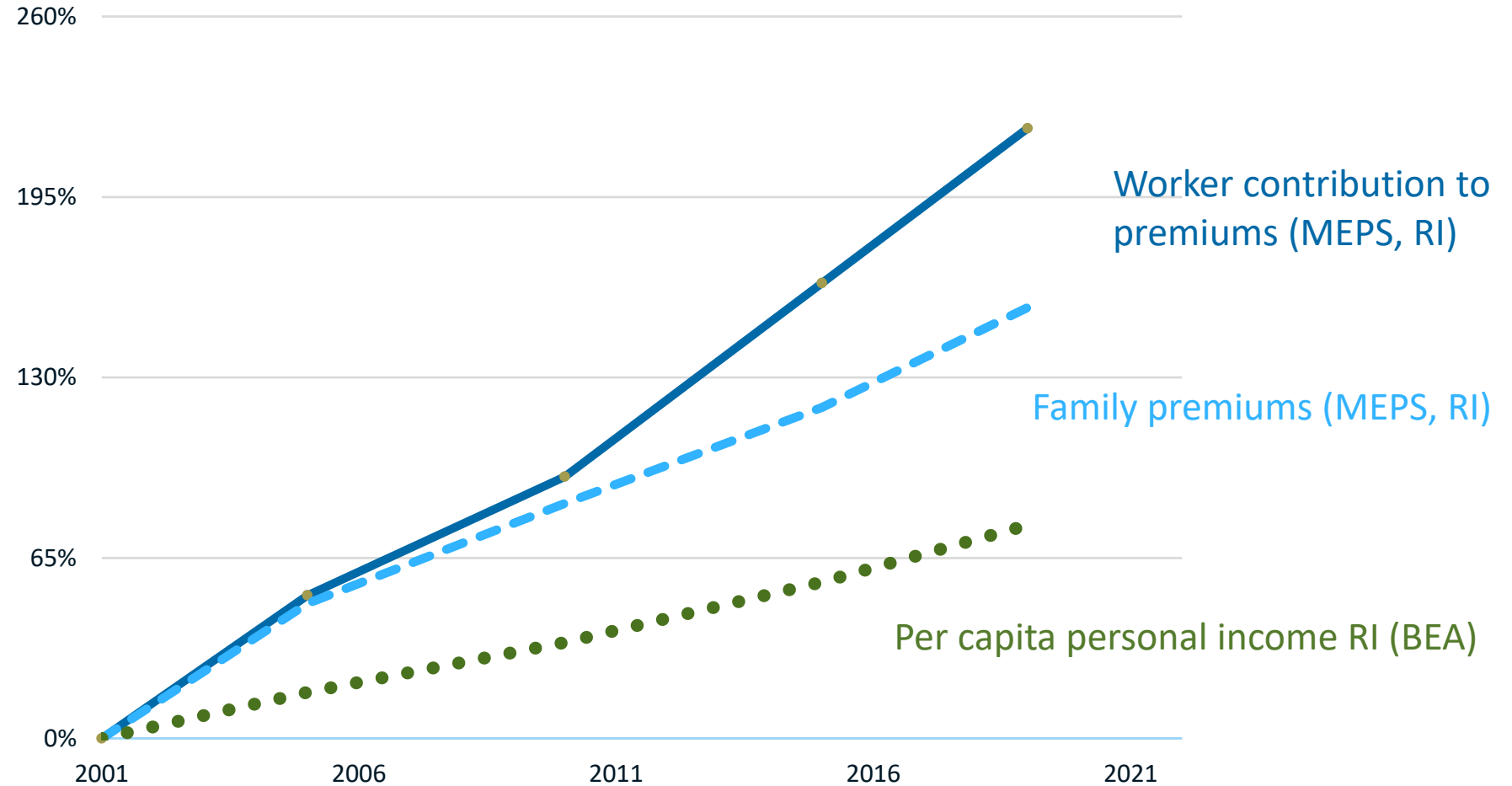
Background

Why Measure Health Care Cost Growth?

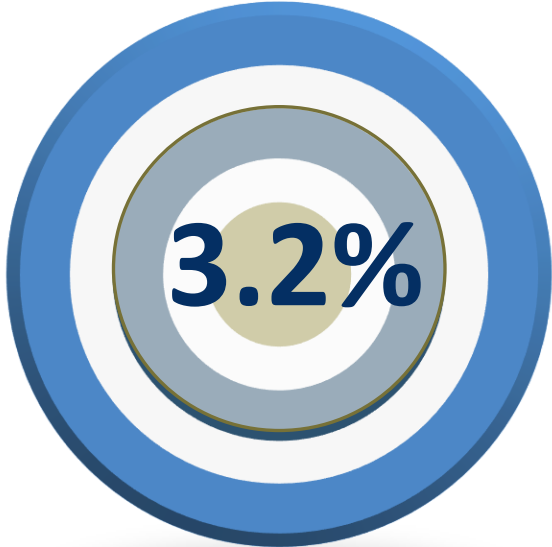
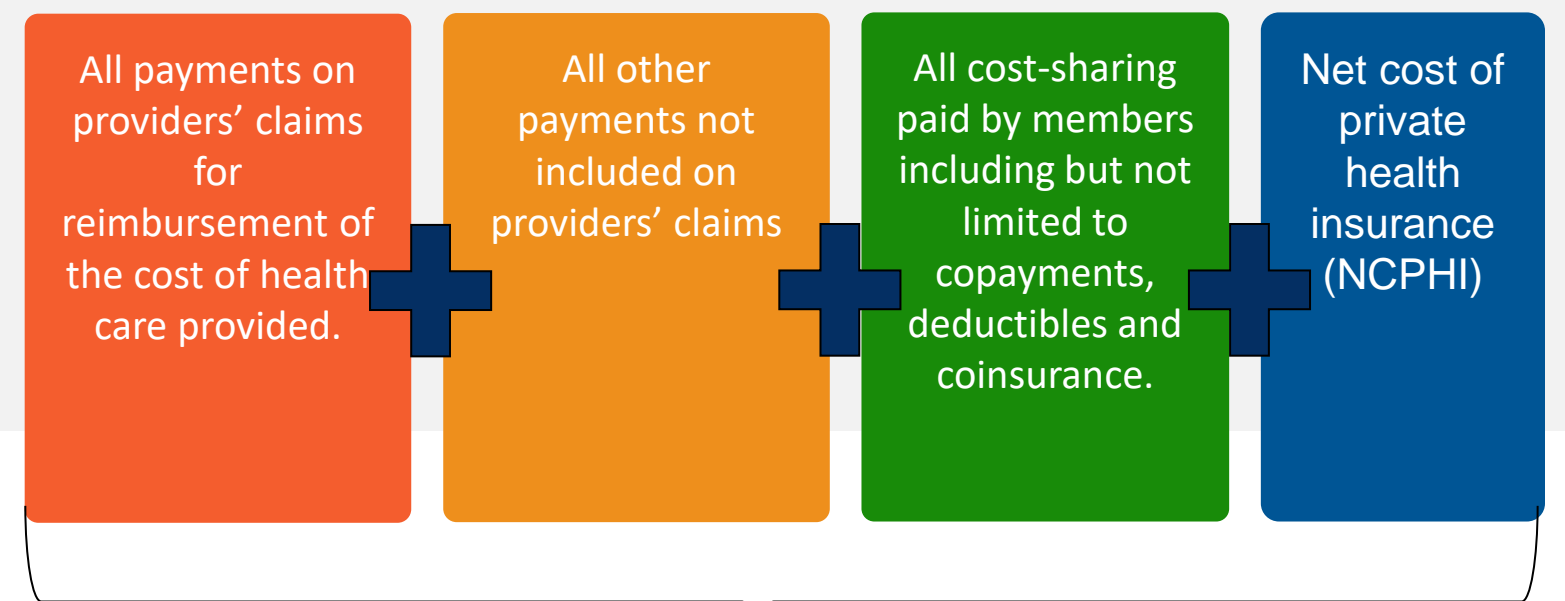
Health care is unaffordable for many Rhode Islanders.

Health Care Spending is Outpacing Income

Since 2001, RI worker contributions to employer-sponsored insurance premiums have grown nearly **3x faster** than personal income.

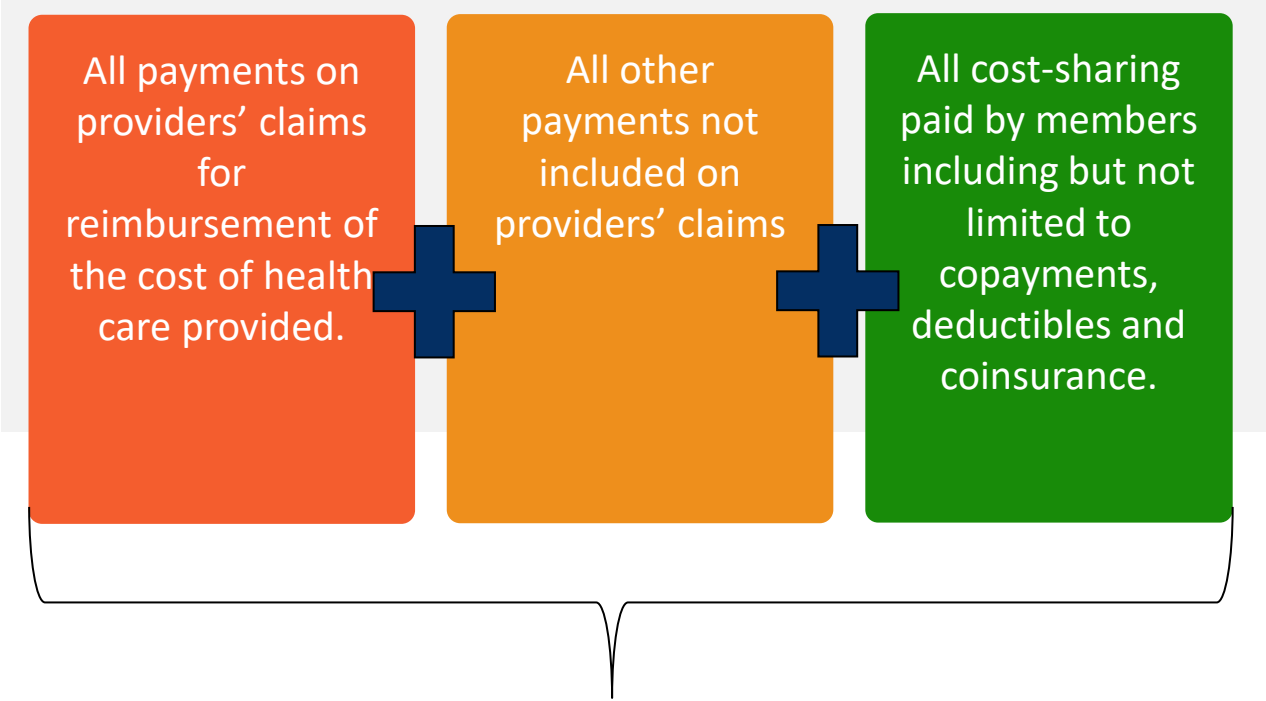


Rhode Island's Per Capita Cost Growth Target (2019-2022)

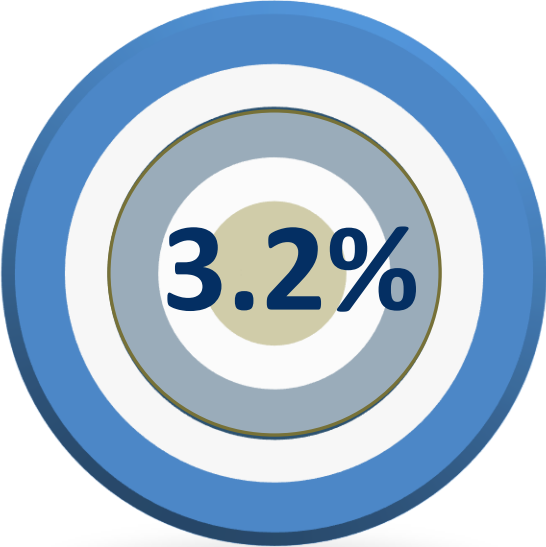


Total Health Care Expenditures

Rhode Island's Per Capita Cost Growth Target (2019-2022)



Total Medical Expense



Sources of Total Medical Expense Data



	Commercial	Medicaid	Medicare
Blue Cross Blue Shield of Rhode Island	✓		✓
Neighborhood Health Plan OF RHODE ISLAND™	✓	✓	
TUFTS Health Plan	✓	✓	
United Healthcare	✓	✓	✓
EXECUTIVE OFFICE OF HEALTH & HUMAN SERVICES STATE OF RHODE ISLAND		✓ All non-MCO Medicaid spending	
CMS CENTERS FOR MEDICARE & MEDICAID SERVICES			✓ Original Medicare and all Part D spending

Net Cost of Private Health Insurance (NCPHI)

NCPHI: Measures the cost to Rhode Island residents associated with the administration of private health insurance (including Medicare Advantage and Medicaid managed care). It is defined as the **difference between health premiums earned and “claims paid”***, and consists of insurers’ cost of paying bills, advertising, sales commissions and other administrative costs, premium taxes and profits (or contributions to reserves) or losses.

*Claims paid include certain non-claims-based spending in accordance with the financial form reporting instructions.

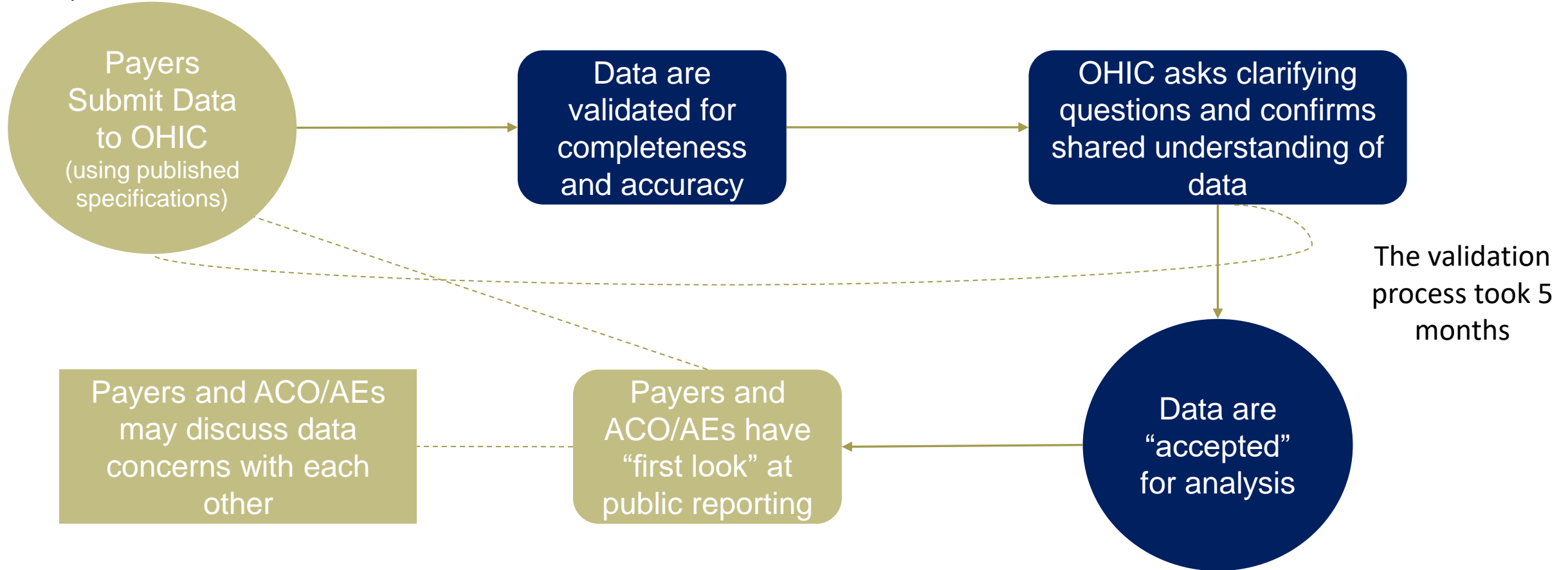
Data Sources: Multiple data sources were used to obtain the most accurate information by market segment.



State of Rhode Island
Department of Business Regulation
Insurance Division

Validation of Total Medical Expense Data: An Iterative Process

Data were initially due
September 1, 2020



Important Notes About the Results

The performance results cannot be compared to analysis of All-Payer Claims Database (APCD) data. Insurer-submitted data include the following, which are not found in APCD data:

- Non-claims payments
- The entire self-insured population
- Pharmacy rebates

These performance results cannot be compared to other publicly available measurements of health spending for similar reasons.

Important Notes About the Results

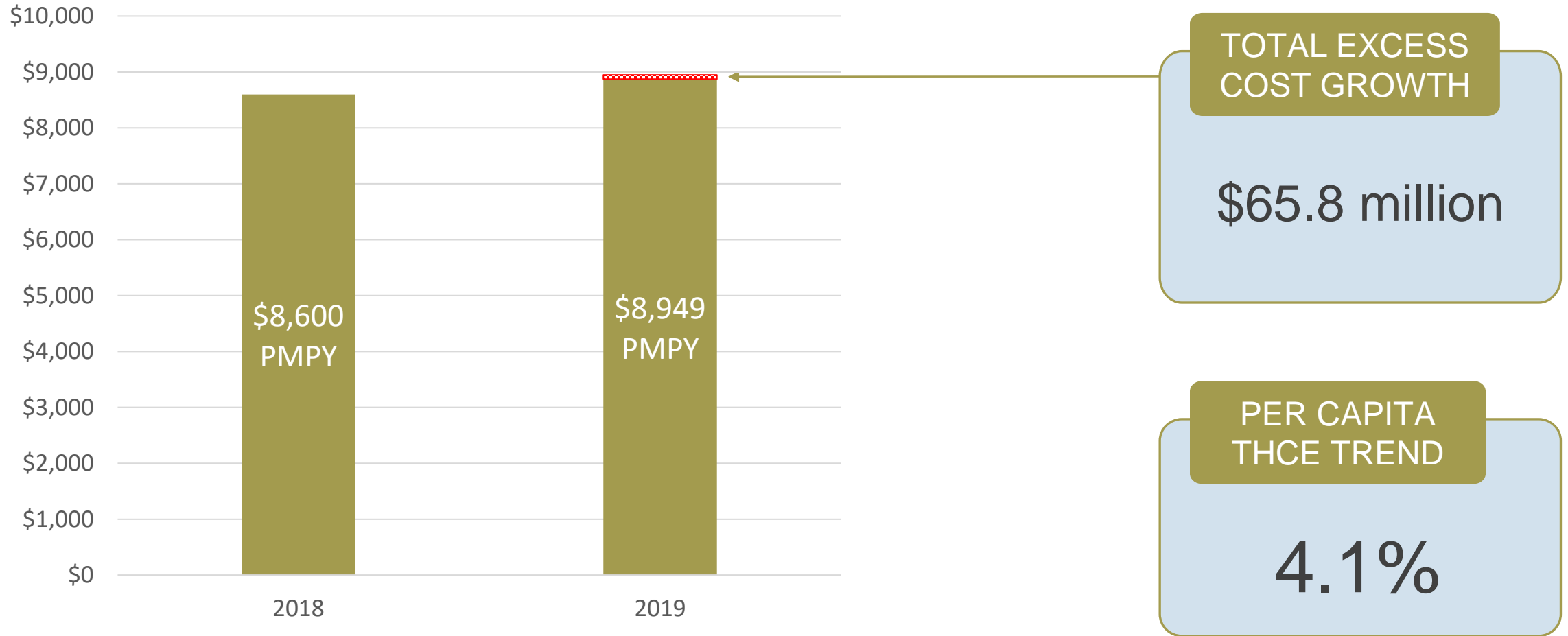
Payer data submissions were validated, but not audited. We cannot be certain that each payer performed the calculations correctly, but the validation process was extensive, and the payers put forth a good faith effort.

These data are not comparable to the 2017-2018 baseline due to:

- Improved insurer submissions of data
- The inclusion of Medicare-Medicaid dual eligibles

Overall State Performance

Rhode Island Exceeded the 3.2% Target in 2019



Data are not risk-adjusted. They are reported net of pharmacy rebates.
Data include the Net Cost of Private Health Insurance.

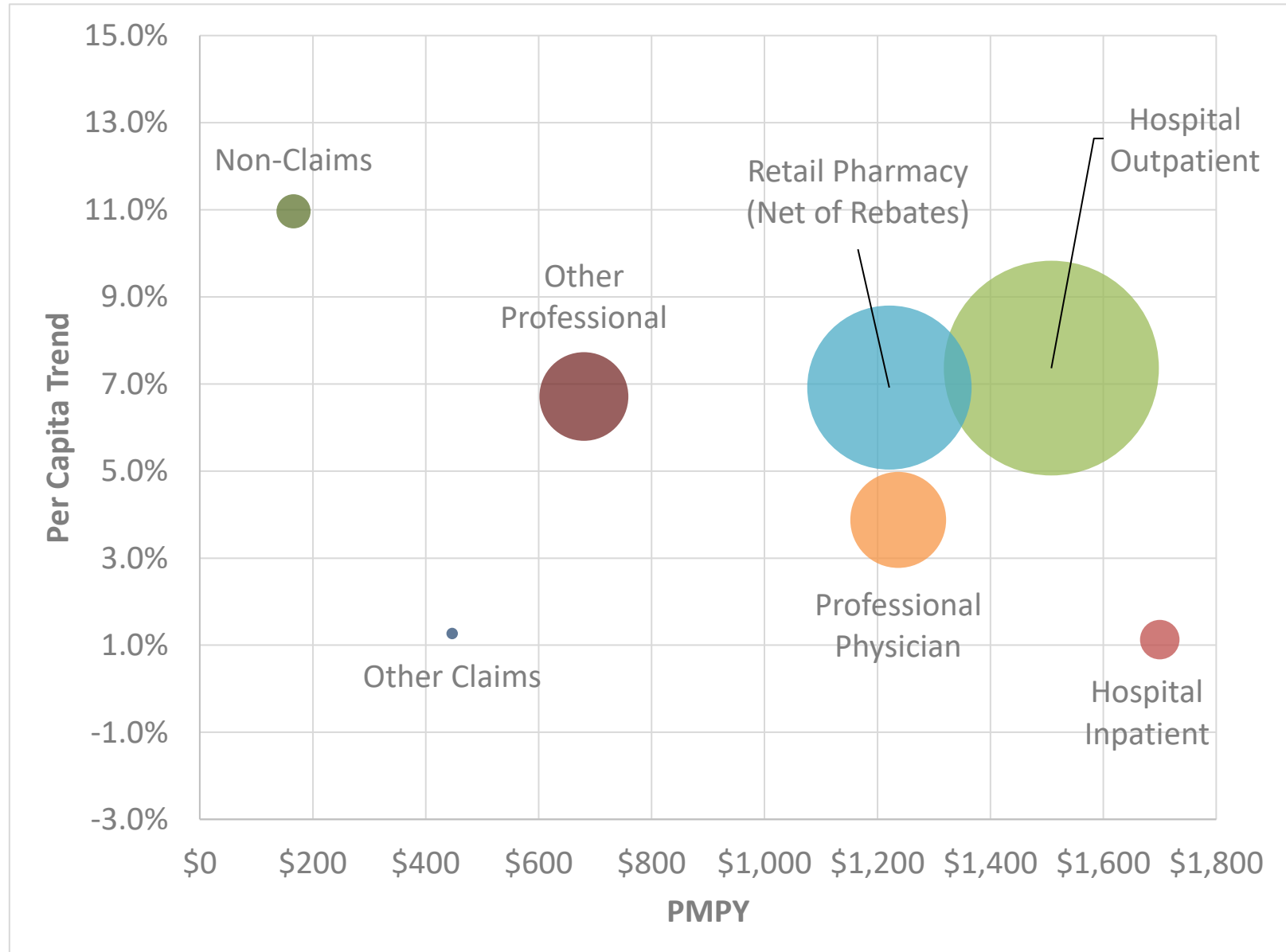
Hospital Outpatient and Retail Pharmacy are Driving Spending Growth in Rhode Island at State Level

This bubble chart shows:

- Unadjusted per capita trend on state level spending, net of pharmacy rebates*
- PMPY spending for each category of service.

Width of bubble represents the contribution to trend.

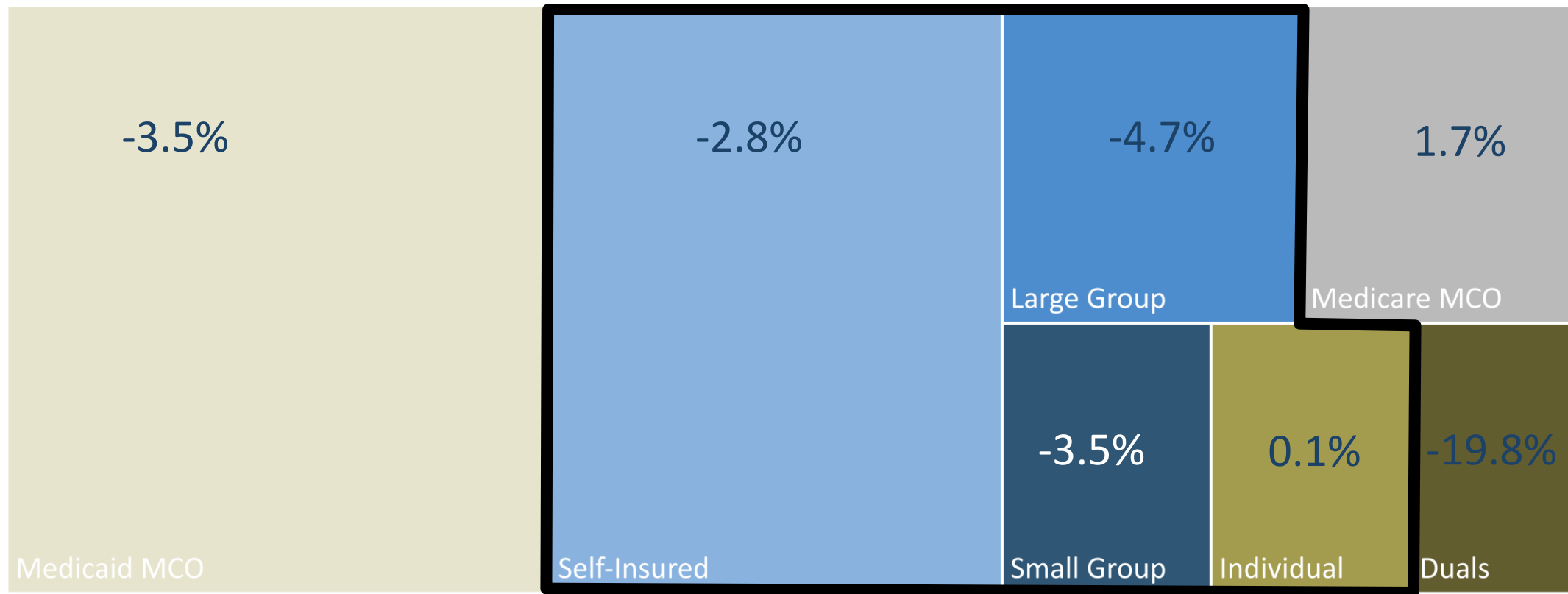
Service Category Contribution to Trend



*Due to data availability pharmacy rebates are included for all market segments, except Original Medicare.

Market Performance

Membership Changes Vary by Market

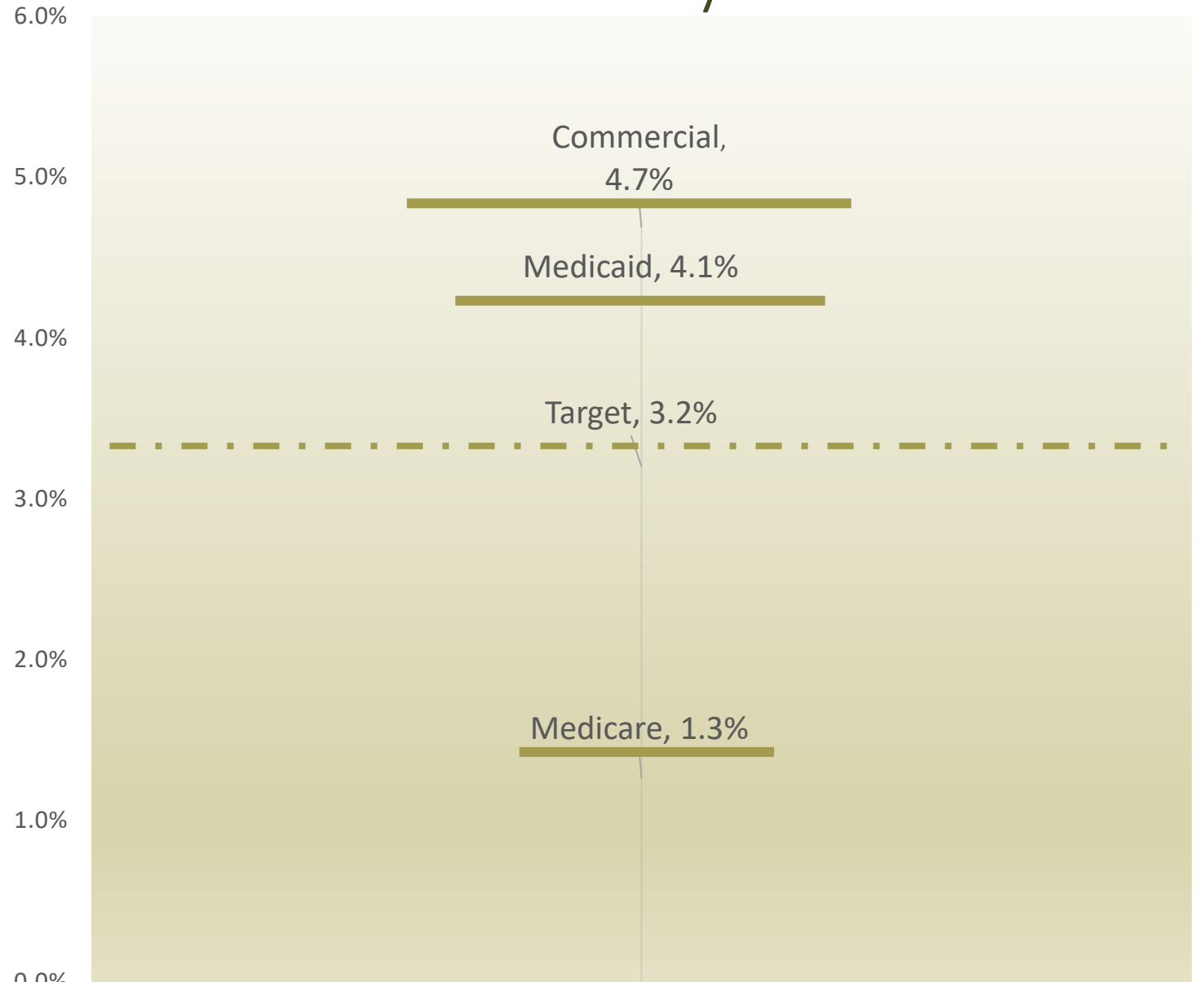


The size of the box correlates to the overall size of the market segment.

Data represent only Rhode Island residents who were members of BCBSRI, NHPRI, Tufts and UHC. Original Medicare-only members and Medicaid FFS-only members are not reported here.

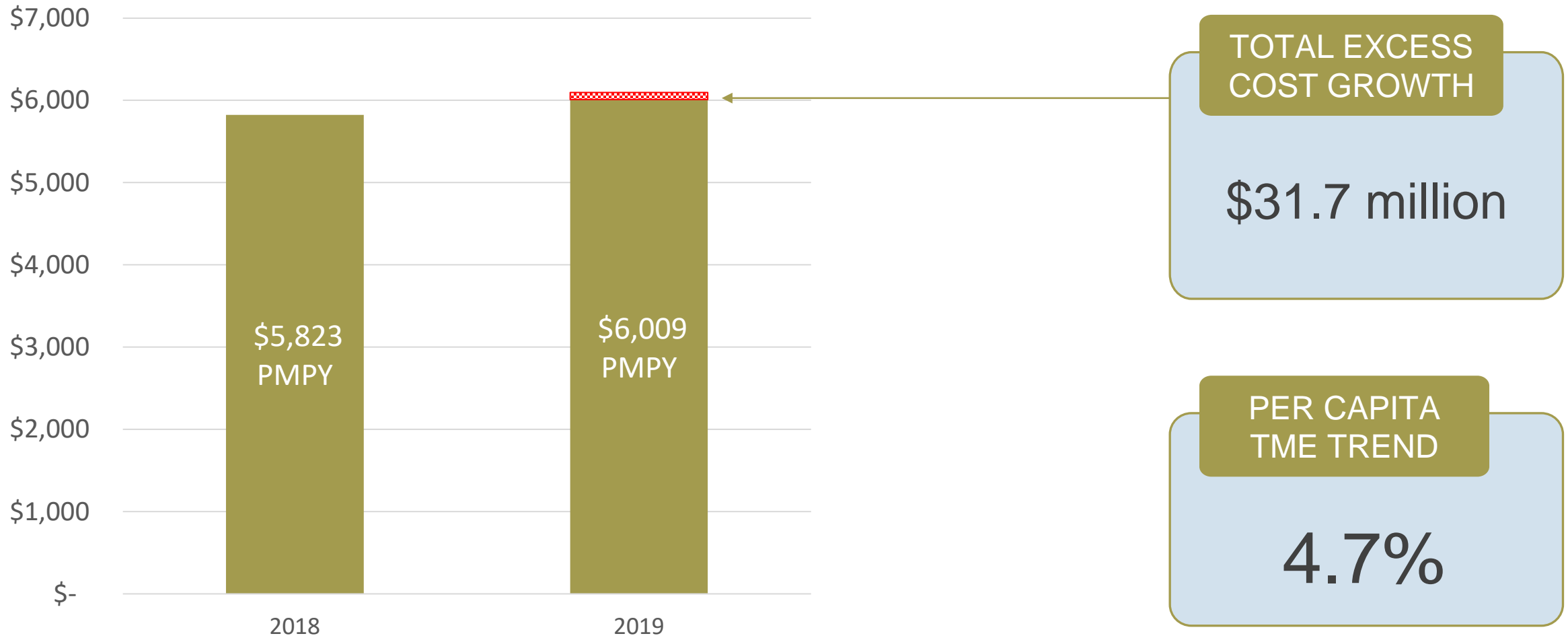
2018-2019 Per Capita TME Trend by Market

Market	2019 PMPY
Commercial	\$6,096
Medicaid	\$7,785
Medicare	\$12,625



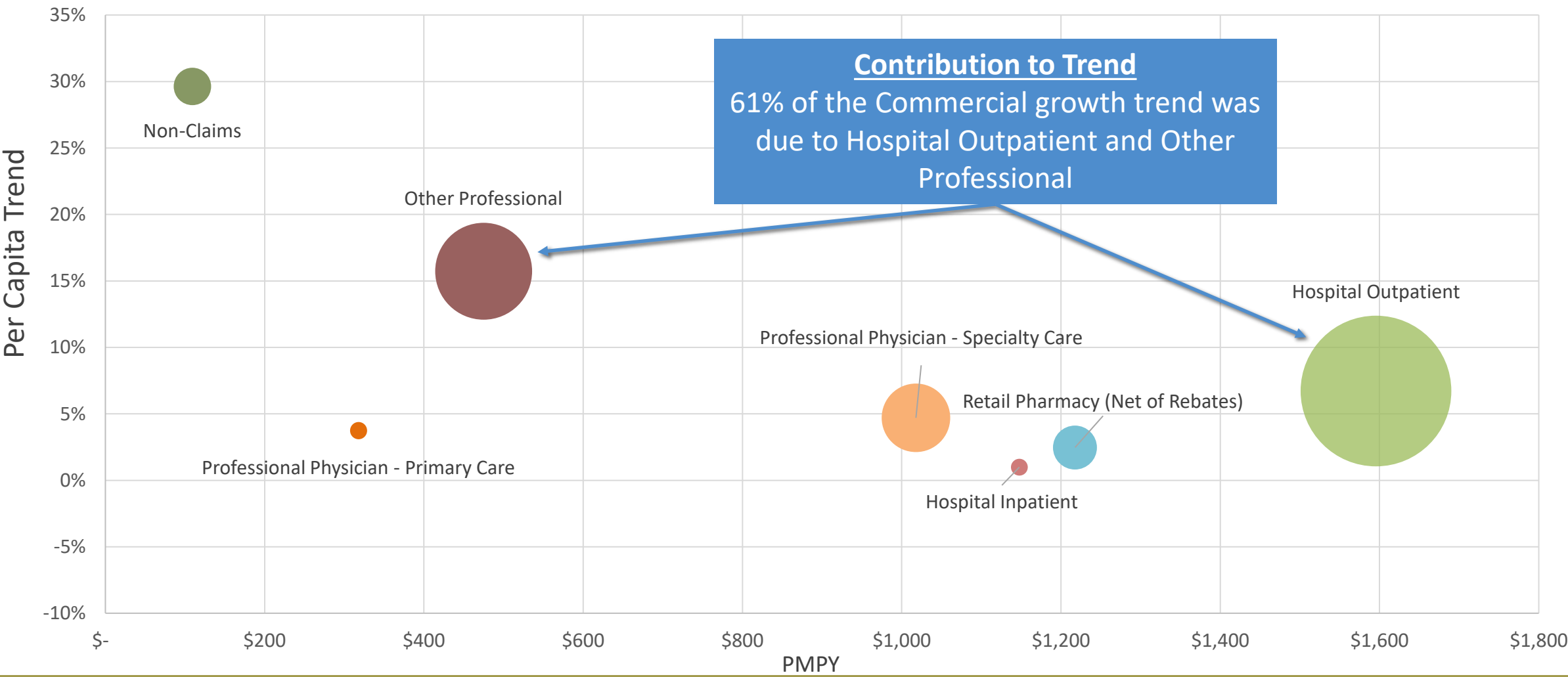
Commercial Performance

Commercial Market Exceeded the 3.2% Target in 2019



Data are not risk-adjusted. They are reported net of pharmacy rebates.
Data do not include the Net Cost of Private Health Insurance.

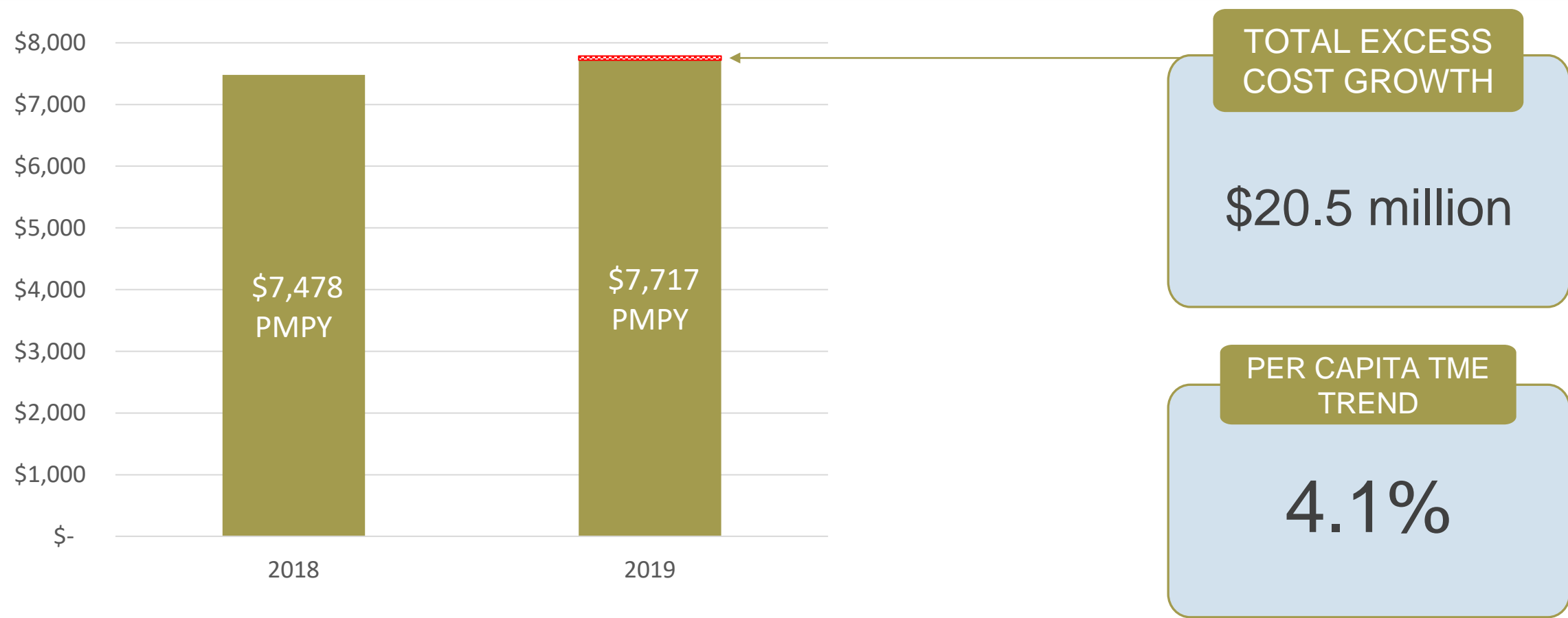
Hospital Outpatient and Other Professional Drove Commercial Cost Growth



Notes: "Other claims" and long-term care had negative growth rates and are not represented on this chart.

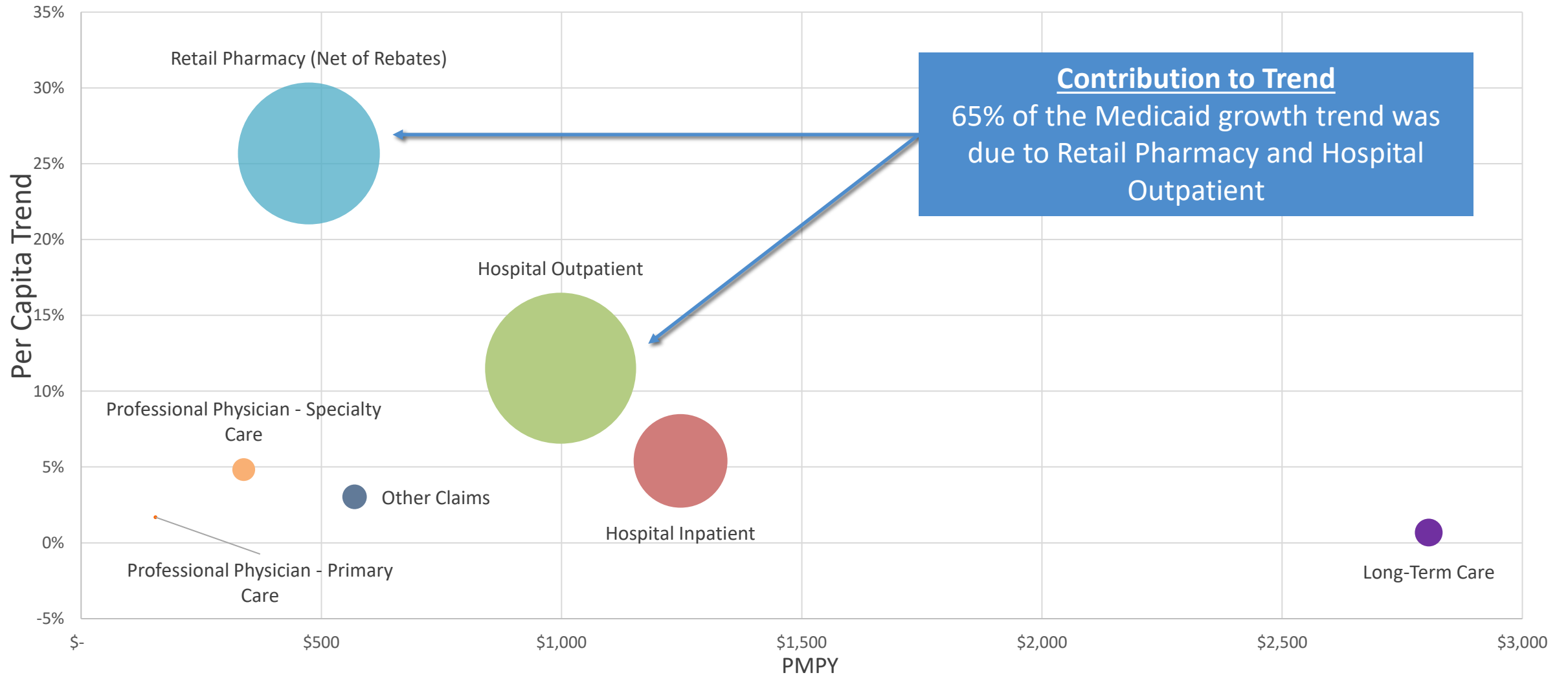
Medicaid Performance

Medicaid Exceeded the Cost Growth Target of 3.2% in 2019



Data are not risk-adjusted. They are reported net of pharmacy rebates.
Data do not include the Net Cost of Private Health Insurance.
Data are inclusive of the dually eligible population.
Spending on behalf of FAI duals have been proportionally allocated to Medicaid and Medicare based on NHPRI estimates.

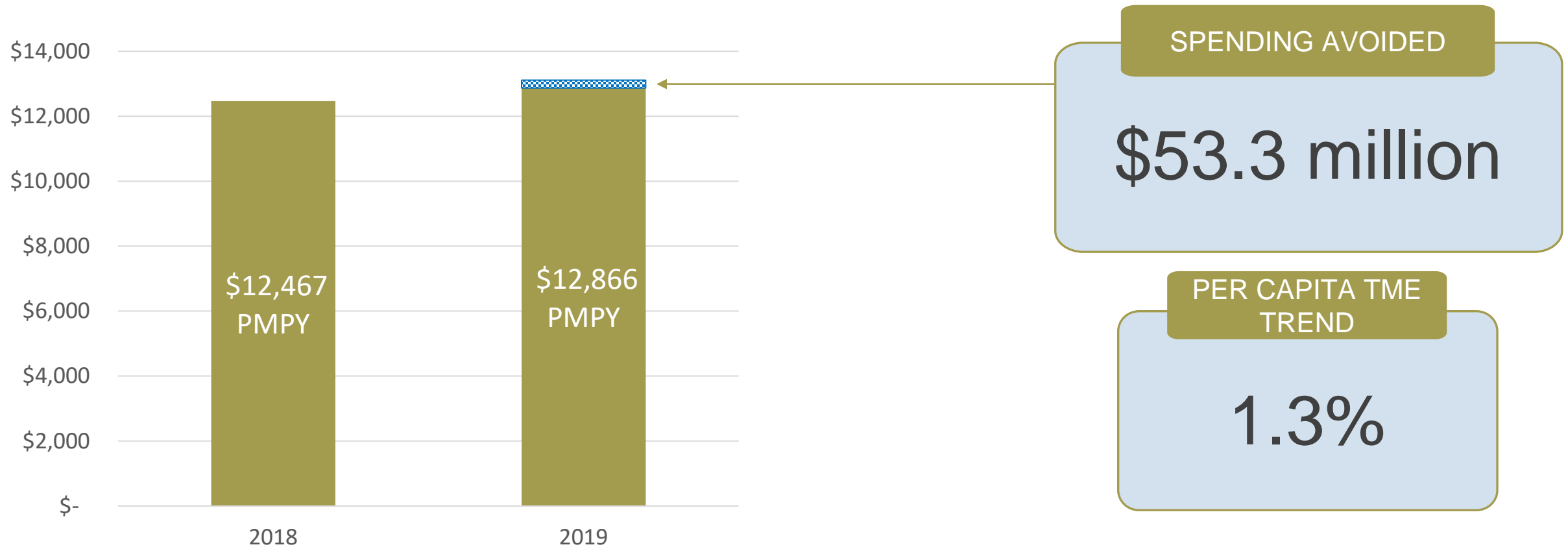
Hospital Outpatient and Retail Pharmacy (Net of Rebates) Drove Medicaid Cost Growth



Notes: Other professional and non-claims had negative growth rates and are not represented on this chart.

Medicare Performance

Medicare Market Per Capita TME Trend was Lower than the Target of 3.2% in 2019



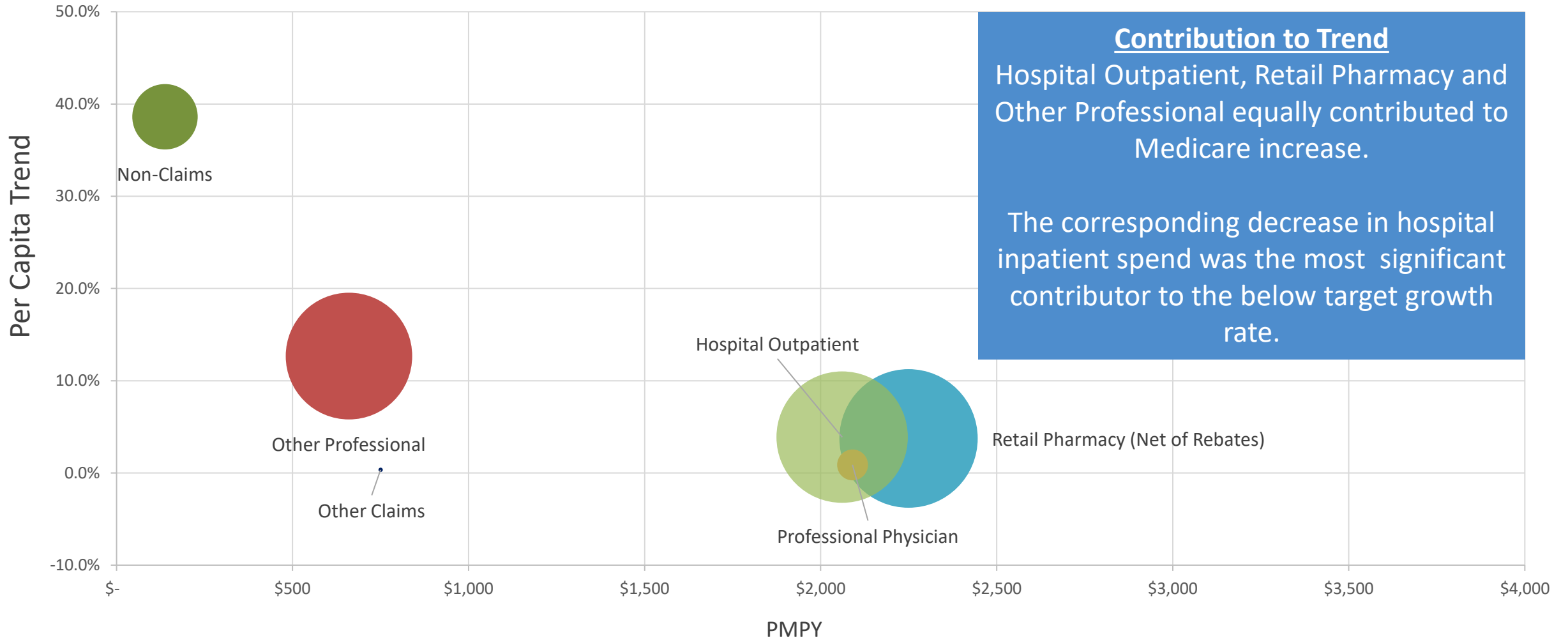
Medicare spending is inclusive of all MCO reported spending, Original Medicare spending and Part D pharmacy, regardless of how Part D was administered.

Data are not risk-adjusted.

Data are reported net of pharmacy rebates. OHIC did not receive pharmacy rebate information from CMS for its Original Medicare population.

Data are inclusive of the dually eligible population. Spending on behalf of FAI duals have been proportionally allocated to Medicaid and Medicare based on NHPRI estimates.

Hospital Outpatient, Retail Pharmacy and Other Professional Were the Leading Causes of Medicare Cost Growth



Notes: Hospital inpatient and long-term care had negative growth rates and are not represented on this chart.

What Drove TME Growth in 2019?

Three service categories drove TME cost growth across all markets

	Hospital Outpatient	Retail Pharmacy (Net of Rebates)	Other Professional
State	✓	✓	
Commercial	✓		✓
Medicaid	✓	✓	
Medicare	✓	✓	✓

Net Cost of Private Health Insurance

Important Notes About the Net Cost of Private Health Insurance

We used financial statements and proxy data to calculate NCPHI.

- We used financial forms completed by the payers to estimate premium (revenue) from claims (expense) on a market segment basis.
- “Claims” on financial forms reported to NAIC include some “non-claims” expenses, such as shared savings, which we already capture in TME.
- These financial forms are good proxy data and require some additional estimations (e.g., situs-based reporting vs. resident-based reporting).

Trends in NCPHI are hard to interpret because the financial forms do not give insight into the contributors to the trend.

- We have no insight into whether increased NCPHI was due to increased marketing, quality improvement programs, or losses incurred from the previous year.

Important Notes About the Net Cost of Private Health Insurance

These limitations do not mean there is no value in calculating or reporting NCPHI; we urge caution, however, in interpreting results.

- It is helpful to have a general sense of relative costs of providing health insurance to different markets (e.g., Medicare Managed care NCPHI far exceeds commercial NCPHI because (in part) Medicare Advantage plans market to beneficiaries on an individual basis).

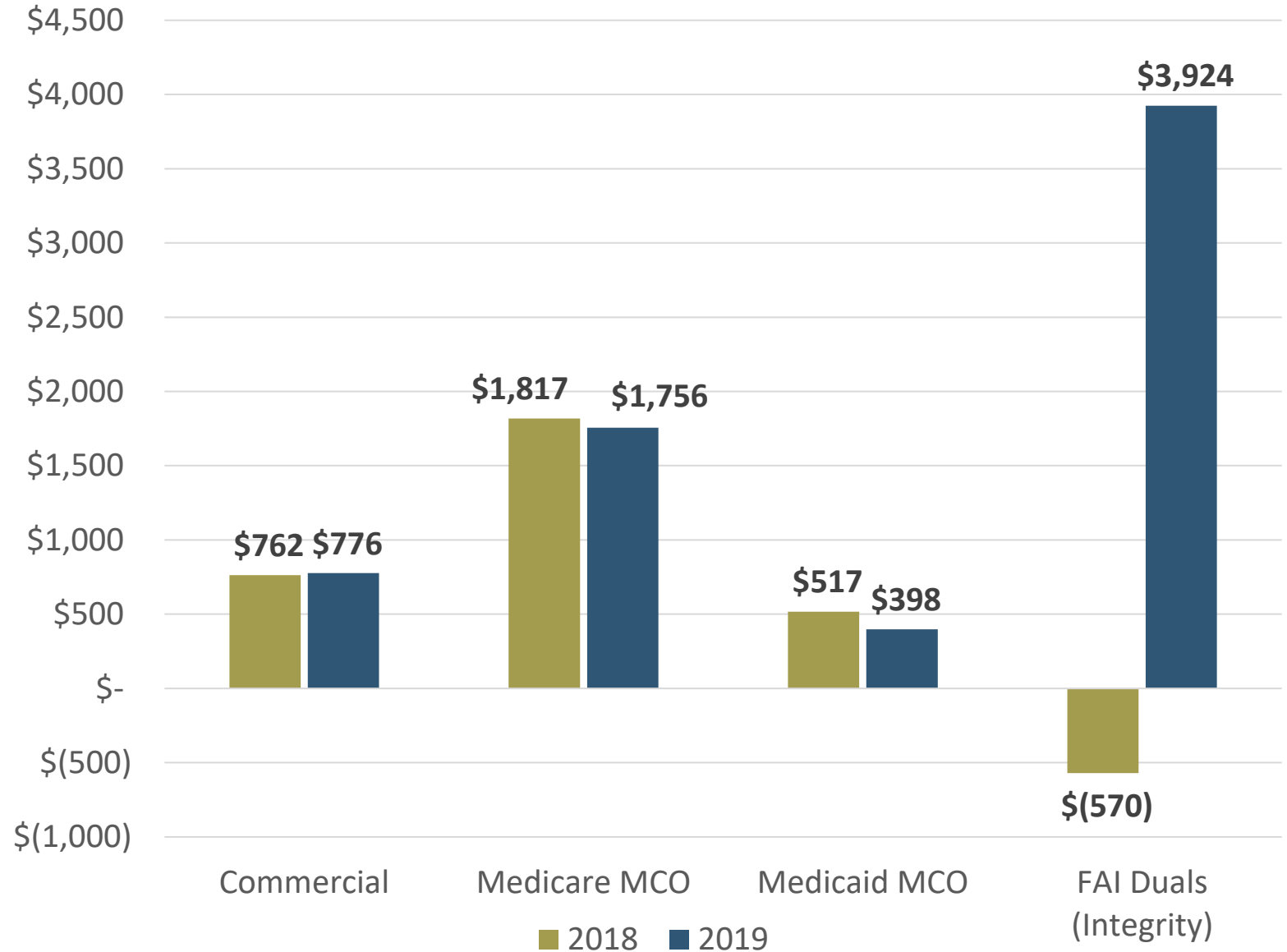
NCPHI represented about 7% of all spending in Rhode Island in 2019. Transparency about this spending is important.

THCE Trends – Net Cost of Private Health Insurance

NCPHI is defined as the difference between health premiums earned and claims* paid, and consists of insurers' costs of paying bills, advertising, sales commission and other administrative costs, premium taxes and profits (or contributions to reserves) or losses.

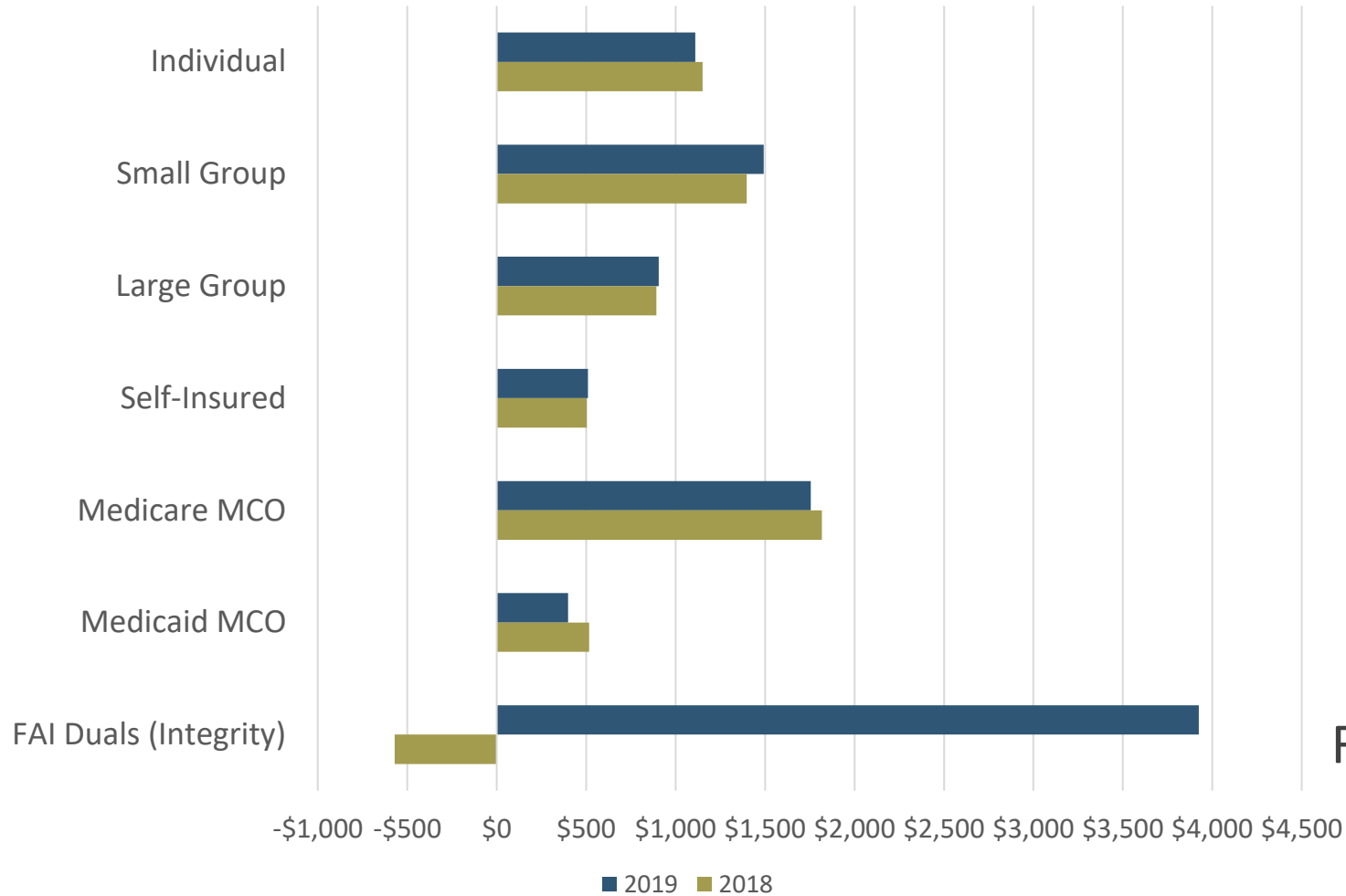
*"Claims" also includes non-claims expenses, e.g., shared savings, quality incentive, and care management and infrastructure payments.

NCPHI by Market Per Member Per Year



Weighted average based on member months reported by insurers.

NCPHI by Market Segment Per Member Per Year



Aggregate NCPHI
2018: \$562M
2019: \$584M

<u>Category</u>	<u>2018-2019 Trend</u>
Individual	-3%
Small Group	7%
Large Group	1%
Self-Insured	1%
Medicare MCO	-3%
Medicaid MCO	-23%
FAI Duals (Integrity)	N/A

Why Take Action on Cost Growth?

Health care is unaffordable for many Rhode Islanders.

Next Steps

This analysis gives us insight into the key cost growth drivers in 2018-2019:

- **Growth in hospital outpatient spending**
- **Growth in retail pharmacy**
- **Growth in spending from medical professionals other than PCPs or physicians.**

To develop strategies, we need to better understand some detail behind these cost growth drivers. For example:

- *Did hospital outpatient spending grow due to utilization? If so, of what services?*
- *Is growth in non-physician spending offsetting inpatient care?*

Next Steps

Based on this analysis....

- What are the areas of analytic inquiry the Steering Committee thinks need to be explored further?
- How would the Steering Committee recommend that the VBP subcommittee's work be informed by it?
- Are there specific new cost mitigation strategies the Steering Committee should consider to reduce cost growth in addition to VBP?

Informational Updates

Governor's Office Follow-Up

- The letter to the Governor McKee describing this project and expressing support from the Steering Committee for continuation of this work as well as the pharmacy strategy recommendation to introduce, or if already introduced, support the passage of legislation substantially similar to the unsupported prescription drug price increase legislation currently pending in both Connecticut and Massachusetts were transmitted.

Pharmacy Spotlight

- A second spotlight on pharmaceutical spending will be included in OHIC's April 2021 newsletter. It underscores that price is the primary driver of pharmaceutical spending growth, showing that even as utilization of pharmaceuticals decreased or remained flat, prices increased, driving up total spending.

Health Care Spending Transparency and Containment Assessment Status Update

- The State of Rhode Island House of Representatives Committee on Finance heard article 15, section 8 of the state fiscal year 2022 Governor's budget that contains the health care spending transparency and containment assessment on April 15th.

May Community Meeting Agenda

- On March 5th, we sent out the formal invitation and agenda for the May 7th community meeting, which will be from 2-4pm.

Start	Topic
2:00pm	Welcome and Opening Remarks
2:05pm	2018-2019 Performance Against the Cost Growth Target
2:35pm	Respondent Panel: Consideration of Trends by Market and Service Category and Opportunities for Action
3:00pm	Public Discussion and Questions from the Audience
3:15pm	Share Steering Committee Recommended Strategies to Address Cost Growth
3:35pm	Public Discussion and Questions from the Audience
3:55pm	Closing Remarks

Public Comment

Next Steps and Wrap-up

Upcoming Steering Committee Meetings

- May 17th from 9:30-11:00am
- June 28th from 9:00-10:30am
- July 26th from 9:00-10:30am
- August 23rd from 9:00-10:30am
- September 14th from 12:00-1:30pm