Rhode Island Health Care Cost Trends Steering Committee

April 19, 2024

Welcome

Agenda

1. Welcome
2. Approval of January Meeting Minutes
3. New Public Health and Health Equity Strategy Work Group
4. New Primary Care Spending Obligation
5. New Behavioral Health Spending Obligation
6. Effectiveness of Affordability Standards in Making Commercial Health Care More Affordable in Rhode Island
7. APCD Cost Driver Analyses: Understanding Inpatient Hospital Spending Trends
8. Public Comment
9. Next Steps and Wrap-up

Approval of Meeting Minutes

Approval of Meeting Minutes

- Project staff shared minutes from the January 19th Steering Committee meeting in advance.
- **Does the Steering Committee wish to approve the January meeting minutes?**

New Public Health and Health Equity Strategy Work Group

Public Health and Health Equity Measures & Targets

- In 2023, the Steering Committee recommended that OHIC select a set of public health and health equity accountability measures with associated targets, with the intention that results be reported publicly.

- OHIC consequently convened a Public Health and Health Equity Target Measures Work Group for this purpose. The Work Group recommended the inclusion of the six measures that span four domains:
  - childhood obesity
  - behavioral health
  - health care access
  - maternal and infant health

Public Health and Health Equity Measures & Targets (cont.)

- The Work Group recommended the following six measures for inclusion:

1. Adults without a Usual Source of Care
2. Childhood Obesity Rate
3. Fatal Overdoses
4. Inadequate Prenatal Care
5. Infant Mortality Rate
6. Severe Maternal Morbidity

- Each measure has either a total population target or a target focused on reducing a significant inequity in performance.
- **OHIC will report baseline performance** on the Public Health and Health Equity measures alongside results of the 2022 cost growth target and quality performance at the Cost Trends public forum on May 13th.

What's Next for PH and HE: Strategy Work Group

- At the Work Group's last meeting in February 2024, OHIC expressed a desire to convene a Public Health and Health Equity Strategy Work Group whose goal would be to recommend at least one actionable strategy to improve performance on each of the six public health and health equity targets. The strategies would be considered for implementation in 2025.
- The Public Health and Health Equity Strategies Work Group will meet monthly from April to December 2024.
- The new work group will largely be comprised of members of the predecessor work group that recommended measures and targets.
  - If you or your organization wishes to participate, or if you have a recommendation of someone else to participate, please email Jessica (jmar@bailit-health.com).

New Primary Care Spend Obligation

Primary Care Expenditure Obligation (1 of 2)

- Since 2010, OHIC has required that commercial insurers commit a minimum percentage of their medical service payments to primary care.
  - Rhode Island was the first state in the nation to take this step. Since then, many states have replicated Rhode Island's work.
- In 2024, OHIC will be updating its definition of "primary care expenditure" and recalibrating its target accordingly.
  - In addition, OHIC will be raising the financial commitment that insurers must make to primary care. It will do so to strengthen Rhode Island's primary care infrastructure.

Primary Care Expenditure Obligation (2 of 2)

- OHIC will release draft regulations this spring. The next slide details the differences between OHIC's old (2010) and draft new (2024 update) definitions of primary care.
- This change is occurring in concert with the recommendations contained in OHIC's December report, *Primary Care in Rhode Island*. That report's recommendations read:
  - "OHIC will amend the agency's primary care expenditure target in 2024 to better align the agency's legacy measurement methodology with emerging consensus definitions of primary care expenditures and establish new targets for commercial insurers that will support achievement of necessary increases in primary care payment."
  - "OHIC will publicly report primary care expenditure data using the new methodology and enforce compliance with the commercial expenditure requirements through prior approval health insurance rate review and other means."

Major Changes in Primary Care Spend Definitions for OHIC's Primary Care Expenditure Obligation

Category	Old Definition	New Definition
Payers required to report	Commercial payers only	Commercial payers for fully-insured lives only
Type of spending	Paid amounts	Allowed amounts
Secondary payer payments	Included	Excluded
Member residence	All members, regardless of location	RI residents only
Provider residence	RI health care providers and organizations only	RI health care providers and organizations only
Definition of primary care	General description of primary care spending and several categories of PCP types and professional credentials	Claims-level definition of primary care spending; taxonomy codes to define a PCP; primary care site of care definition
Definition of total medical expense	Includes spending for prescription drugs, behavioral health, laboratory and imaging services	Includes spending for prescription drugs, behavioral health, laboratory and imaging services. Excludes spending for dental, vision and long-term care

New Behavioral Health Spend Obligation

New Behavioral Health Spend Obligation

- In August 2023, the Rhode Island legislature amended 230-RICR-20-30-4 (the Powers and Duties of OHIC) to establish behavioral health (BH) expenditure targets for commercial insurers.
- OHIC's interest in monitoring behavioral health expenditures stems from the fact that this spending category comprises many vital services that meaningfully shape patient outcomes and improve population health.

New Behavioral Health Spend Obligation Specifications

- The draft updated regulation will include the following requirements of commercial insurers in Rhode Island:
  - By January 1, 2025, each licensed health insurer with at least 10,000 covered lives shall have a plan, to be implemented during 2025, to increase baseline per member per month (PMPM) expenditures on **community-based* behavioral health care** for fully insured **children and adolescents**, age 0-18, to **200%** of baseline expenditures (defined as calendar year 2022 spending).
  - After 2025, health insurers whose annual PMPM expenditures on community-based behavioral health care for children and adolescents, age 0-18, fall below the market average shall be required to i**ncrease PMPM expenditures by an amount necessary to equal the market average**.

*OHIC will define "community-based services" in a new Behavioral Health Spending Implementation Manual. These services include outpatient substance use and mental health clinics, psychiatric day programs, and others. OHIC will also include a list of codes to classify claims-based behavioral health spending.

Behavioral Health Implementation Manual and Reporting Template

- As OHIC has done with the Cost Growth Target and Primary Care Spend Obligation, it will release an Implementation Manual and an Excel submission template in the summer.
- The Implementation Manual will include:
  - reporting specifications to assist insurers in reporting and filing the appropriate data to enable OHIC to assess behavioral health spending, and
  - guidance for insurers to create plans to increase behavioral health spending.

Effectiveness of OHIC's Affordability Standards

Rhode Island:
Paving the Way for Affordable Health Care

- In 2010, OHIC established its Affordability Standards, which encouraged commercial insurers to **improve affordability for consumers** by **lowering health care costs without compromising the quality of their care**.
- Since the Affordability Standards went into effect, they have had tangible results. The following few slides showcase just a few of OHIC's successes in making health care more affordable for Rhode Island families and businesses.

The Successes of OHIC's Affordability Standards – Slowed Growth in Health Care Spending

- A 2019 published study performed by researchers at Harvard Medical School and Stanford* examined the effects of the Affordability Standards on health care spending for commercially insured adults.
  - Specifically, researchers were interested in examining the effects of inflation caps and diagnosis-based payments on contracts between insurers and providers, and the effects of requiring commercial insurers to increase their spending on primary care.
  - They compared spending among Rhode Island commercially-insured adults with spending by matched adults of other states over a nine-year period (2007-2016).

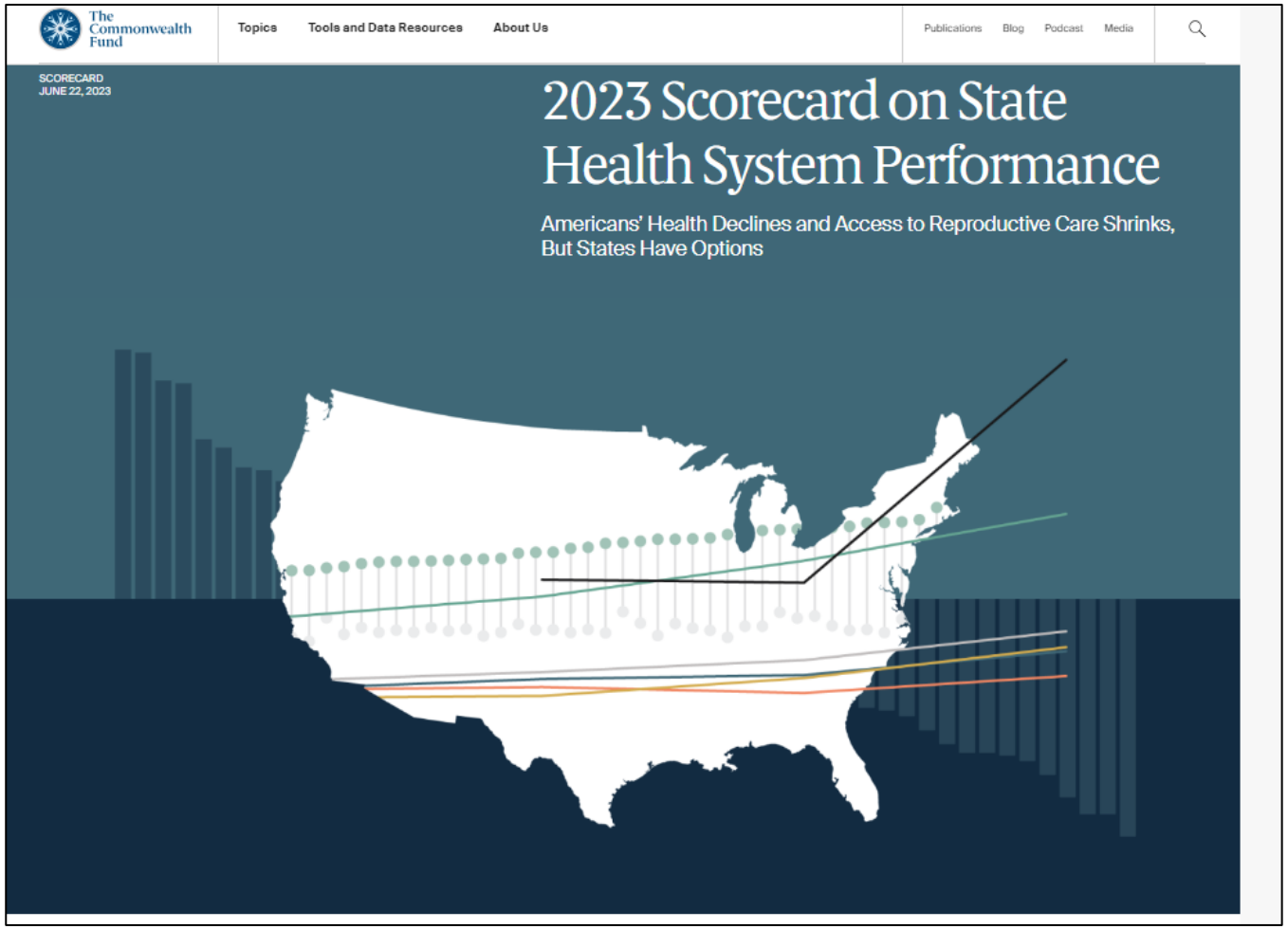
Baum et al. Health Care Spending Slowed After Rhode Island Applied Affordability Standards To Commercial Insurers. Health Aff (Millwood). 2019 Feb;38(2):237-245. https://www.healthaffairs.org/doi/10.1377/hlthaff.2018.05164.

The Successes of OHIC's Affordability Standards – Slowed Growth Health Care Spending (cont.)

- The study found that after the Affordability Standards were implemented, relative to the other states:
  - per-enrollee spending in Rhode Island decreased $76 (8.1 percent) from 2009 spending;
  - primary care spending in RI increased $21 per enrollee, and
  - the state's quality measure performance was unchanged.
- The study concluded, "**State regulators in RI achieved among the largest total health care spending changes observed from payment reforms to date.**"

The Successes of OHIC's Affordability Standards – RI Has Lowest Medical Cost Burden Ratio in the Nation

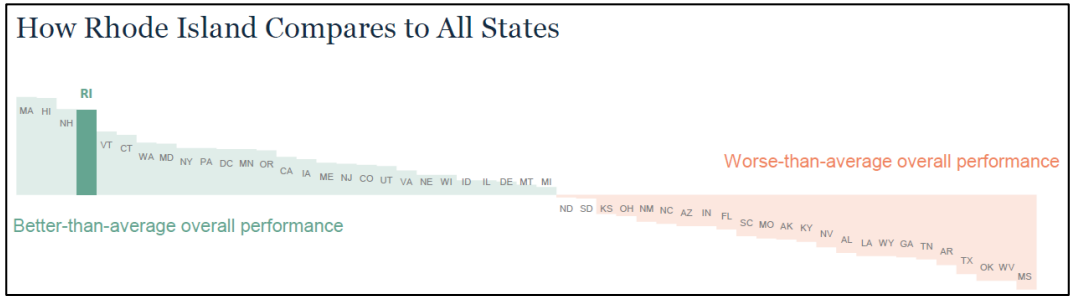
- The Commonwealth Fund, a reputable source for information on health care issues and policy, annually publishes its state-level Health System Scorecards that rank states' health systems on how well they provide high-quality, accessible, and equitable health care.*



*The Commonwealth Fund assesses states on five dimensions: Access & Affordability; Prevention & Treatment; Avoidable Hospital Use & Cost; "Healthy Lives" (includes measures of health status and health risk behaviors and factors; and Reproductive Care and Women's Health. State-specific .zip files can be downloaded from the hyperlink.

The Successes of OHIC's Affordability Standards – RI Has Lowest Medical Cost Burden Ratio in the Nation (cont.)

- In the Fund's most recent Scorecard, Rhode Island had the **lowest proportion of individuals** (under age 65) **with high out-of-pocket medical costs relative to their annual household income.**
  - Additionally, RI was ranked #4 nationally for its overall health system performance.
- Notably, the Scorecard also shows that Rhode Island's employer-sponsored insurance spending per enrollee ($5,476) is below the national average ($6,060).



Dimension and indicator	Data year	State rate	U.S. average	Best state rate	State rank
Access & Affordability		**2023 Scorecard**			
Individuals under age 65 with high out-of-pocket medical costs relative to their annual household income	2020–21	5%	7%	5%	1

The Successes of OHIC's Affordability Standards – Savings from Insurance Rate Review

- Every year, OHIC reviews the premiums that insurers set for the plans they offer to their fully insured lines of business (i.e., individual, small, and large group markets). This process is known as "rate review."
- Insurers submit requests for rate increases, and OHIC reviews the rates to ensure that they are fair to consumers and that they allow carriers to stay financially solvent.
- In 2024, as a result of OHIC's modifications to commercial insurance premiums, Rhode Islanders will save **$23.8 million** compared to what commercial insurers requested.*

*For more information on the 2024 commercial health insurance rates approved by OHIC, see: https://ohic.ri.gov/sites/g/files/xkgbur736/files/2023-09/2024%20Rate%20Review%20Process%20Press%20Release%20-%20Approved%20Rates.pdf

Summary: Rhode Island is A Model for Affordable Health Care Across the Nation

- Rhode Island has received national recognition on reigning in unsustainable health care cost growth through its Affordability Standards. Other states, including Massachusetts, have cited Rhode Island as a model for how they could bend the cost curve without compromising on health care quality.
- Through its Standards, OHIC has:
  - averted significant health care costs for state residents and businesses;
  - minimized the medical cost burden (in the form of out-of-pocket costs) for commercially-insured adults, and
  - ensured that health insurers' rates grow at a levels that support consumers receiving affordable health care.

APCD Cost Driver Analyses: Understanding Inpatient Hospital Spending Trends

OHIC Data Hub

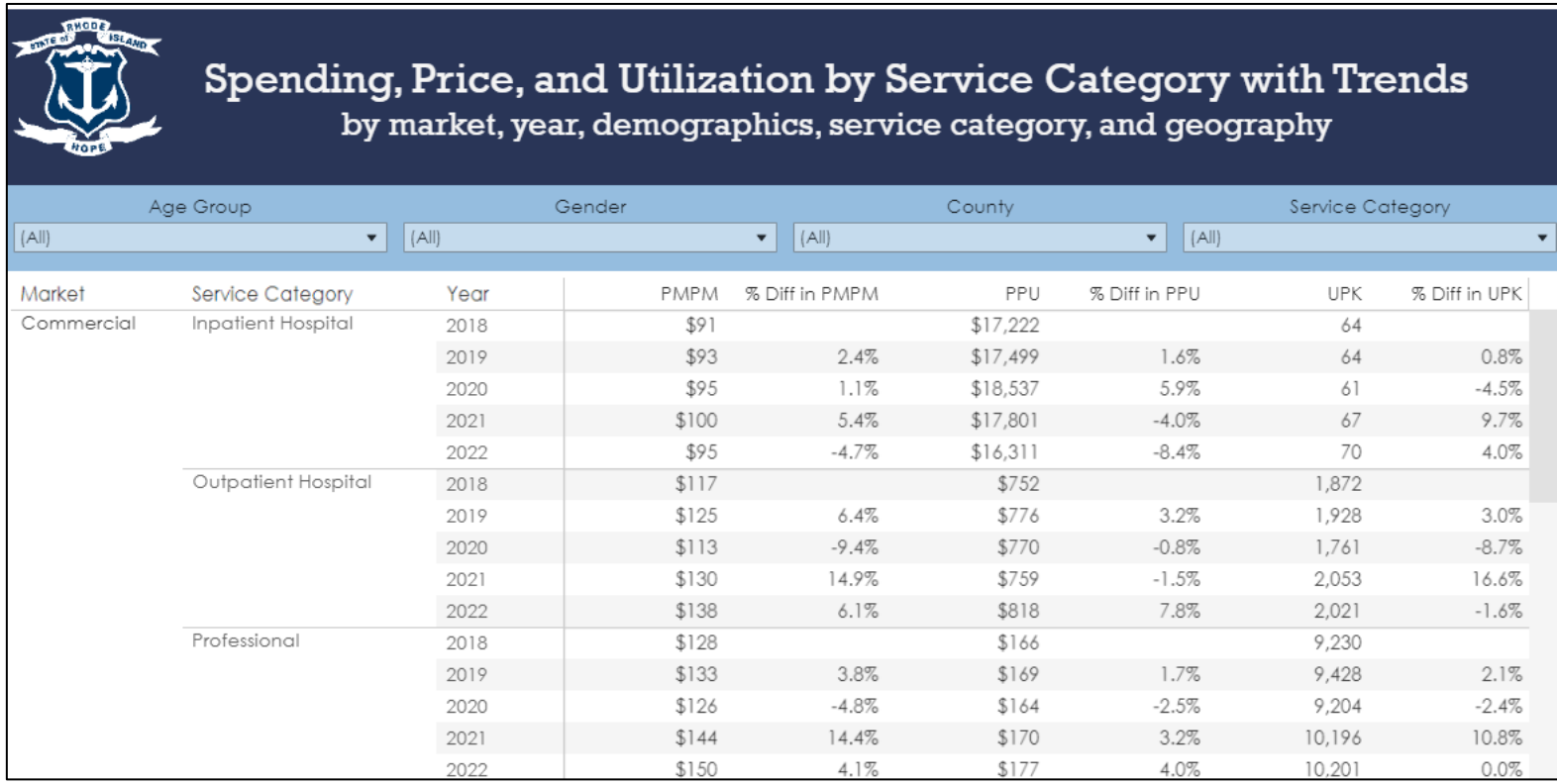
- During the 2023 spring public forum, OHIC first unveiled five publicly available, interactive dashboards that use data from the state's All-Payer Claims Database (APCD) and allow users to dig into health care spending patterns across markets and over time.
  - These dashboards are accessible from the OHIC Data Hub.
- Over the last year, OHIC has expanded its analysis of APCD data to understand cost growth and cost growth drivers.
- The following slides demonstrate the breadth of analysis that OHIC now has available to gain a deeper understanding of spending trends. We will focus on the commercial market for this demonstration.

Reminders about the APCD Data

- As a reminder, Rhode Island's APCD (like other states' ACPDs) does not contain all spending associated with residents with commercial market coverage due to the State's inability to require claims submissions from self-insured employers (although some do voluntarily submit data).
  - This is in contrast to the data submitted by payers as part of the Cost Growth Target data collection, which includes data for all state residents, including those covered by both fully insured plans and self-insured plans.
  - Based on OHIC's analysis, approximately 80 percent of total commercial spending, and 80 percent of commercially covered lives in the state are represented in the APCD.

Cost Trends Overview

- The first dashboard listed on the OHIC Data Hub is a 'Cost Trends Overview', which summarizes health care utilization and spending measures across Rhode Island.
- It displays spending per person (PMPM), payment per unit (PPU), and units per 1,000 members (UPK) by service category.



Spending, Price, and Utilization by Service Category with Trends
by market, year, demographics, service category, and geography

Age Group	Gender	County	Service Category
(All)	(All)	(All)	(All)

Market	Service Category	Year	PMPM	% Diff in PMPM	PPU	% Diff in PPU	UPK	% Diff in UPK
Commercial	Inpatient Hospital	2018	$91		$17,222		64	
		2019	$93	2.4%	$17,499	1.6%	64	0.8%
		2020	$95	1.1%	$18,537	5.9%	61	-4.5%
		2021	$100	5.4%	$17,801	-4.0%	67	9.7%
		2022	$95	-4.7%	$16,311	-8.4%	70	4.0%
	Outpatient Hospital	2018	$117		$752		1,872	
		2019	$125	6.4%	$776	3.2%	1,928	3.0%
		2020	$113	-9.4%	$770	-0.8%	1,761	-8.7%
		2021	$130	14.9%	$759	-1.5%	2,053	16.6%
		2022	$138	6.1%	$818	7.8%	2,021	-1.6%
	Professional	2018	$128		$166		9,230	
		2019	$133	3.8%	$169	1.7%	9,428	2.1%
		2020	$126	-4.8%	$164	-2.5%	9,204	-2.4%
		2021	$144	14.4%	$170	3.2%	10,196	10.8%
		2022	$150	4.1%	$177	4.0%	10,201	0.0%

Note: Long-Term Care, Other Claims, and Retail Pharmacy are also included in this dashboard view, but they have been omitted for this demonstration. Long-Term Care and Other Claims each represent a very small share of commercial spending.

What happened to Inpatient Hospital PPU?

- Looking closer, we see that unit payments for Inpatient Hospital **decreased** in 2021 and 2022.
  - This is very unusual - we expect PPU to increase every year across categories (which we see, for the most part, for Outpatient Hospital and Professional services).
- To better understand the contributing factors to this decrease in Inpatient Hospital unit payments, OHIC conducted a "deep dive" analyses using APCD data.

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by market, year, demographics, service category, and geography

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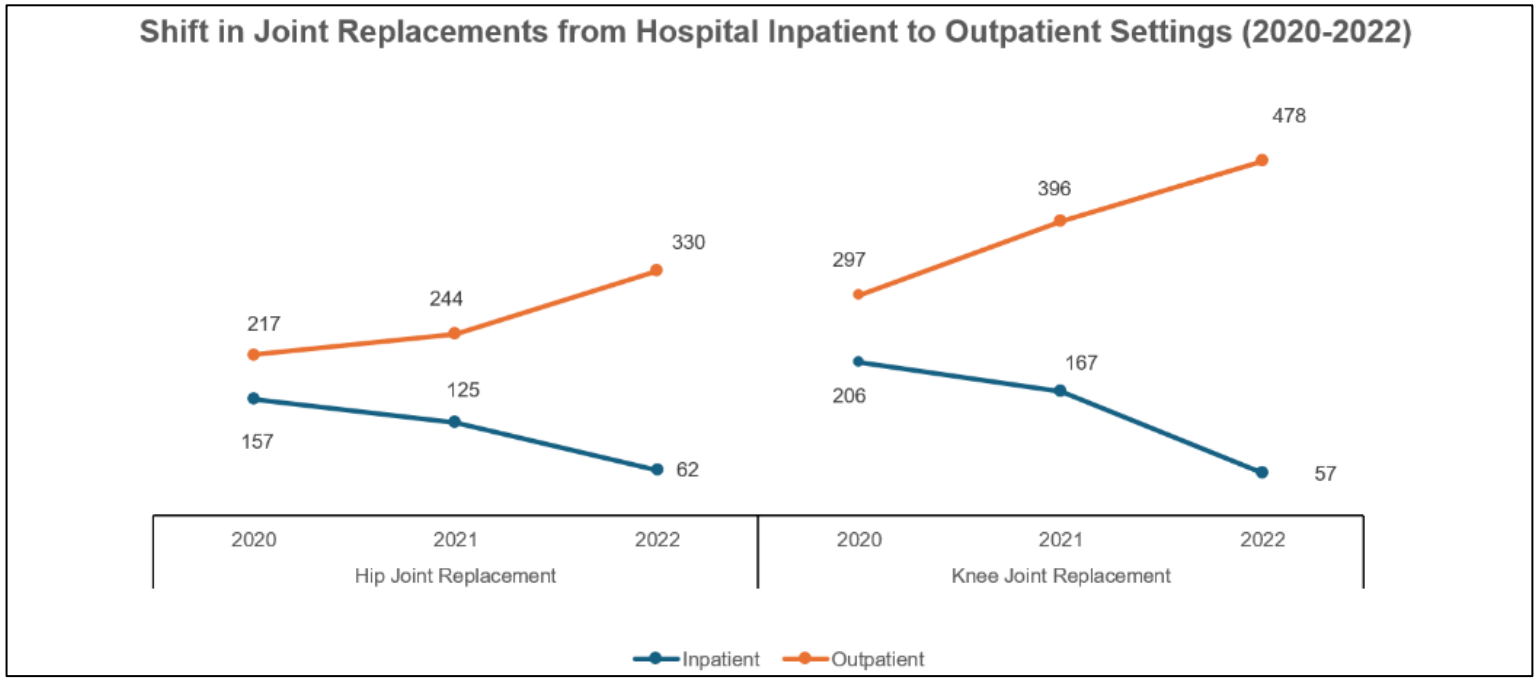
Three Factors Contributed to the Decrease

- OHIC has identified three factors contributing to the decreases in Inpatient Hospital PPU in both 2021 (-4.0 percent) and 2022 (-8.4 percent):
  1) the movement of joint replacement surgeries from an inpatient to outpatient setting,
  2) decreases in utilization of tracheostomies and transplants, and
  3) decreases in cases of major respiratory infections and inflammations.

- The following slides summarize OHIC's analysis on each of these drivers.
  - Note: The analyses shown here leverage data not found in the OHIC Data Hub.

Driver #1: Movement of Joint Replacements from Inpatient to Outpatient Settings (1 of 2)

- Data from the APCD show that in 2021 and 2022, knee and hip replacements transitioned from being primarily performed in an inpatient hospital setting to being performed mostly in an outpatient hospital setting.
  - This was, in part, due to technological advancements and CMS rule changes.*

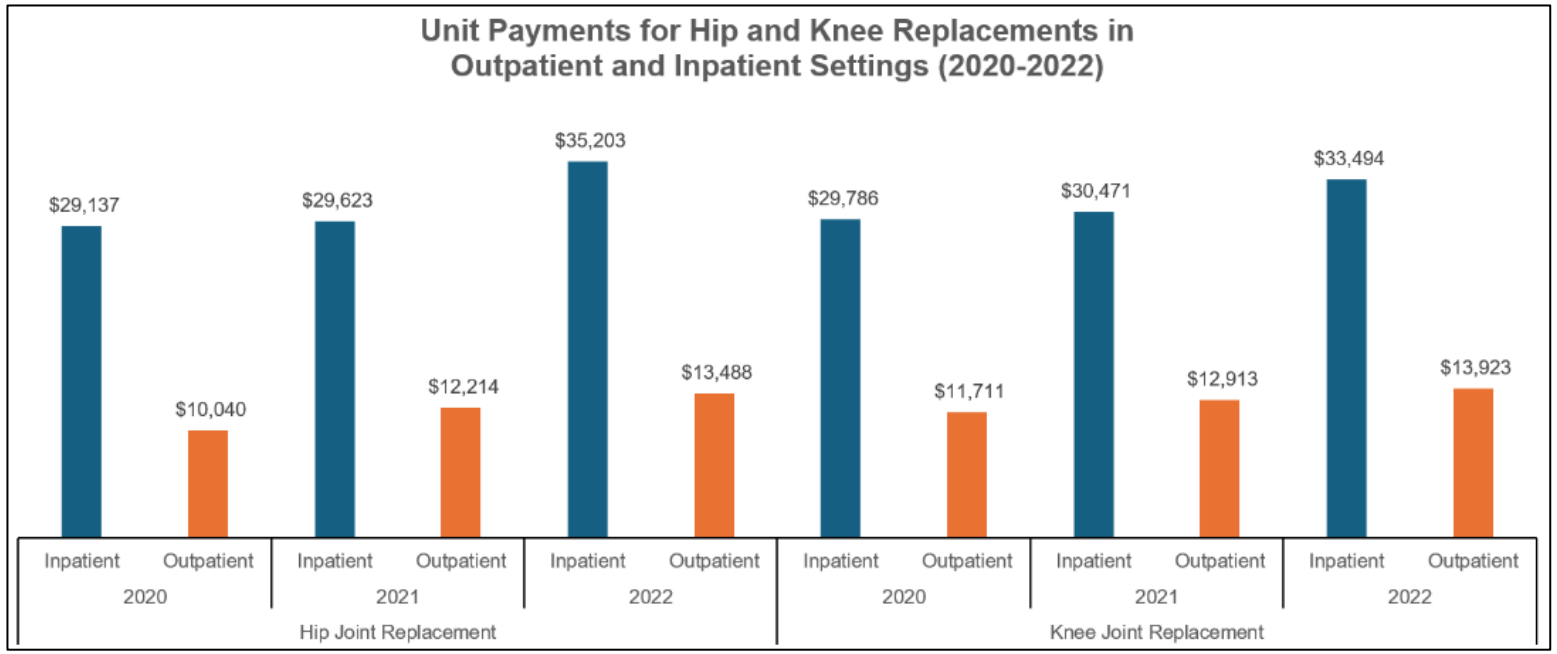


For both knee and hip replacements, the volume of inpatient units dropped dramatically from 2020 to 2022 (72 percent and 60 percent, respectively), and the volume of outpatient units increased substantially (60 percent and 52 percent, respectively).

*CMS removed total knee arthroplasty (TKA) from its inpatient-only list in early 2018, and total hip arthroplasty (THA) off this list in early 2020. These changes made these procedures reimbursable in hospital outpatient departments and ambulatory surgery centers. Although joint replacements had already been performed in outpatient settings prior to this change, this served as a signal from CMS that these procedures could be safely performed outside of a hospital inpatient room. For more information, see: https://www.arthroplastyjournal.org/action/showPdf?pii=S0883-5403%2823%2900070-0

Driver #1: Movement of Joint Replacements from Inpatient to Outpatient Settings (2 of 2)

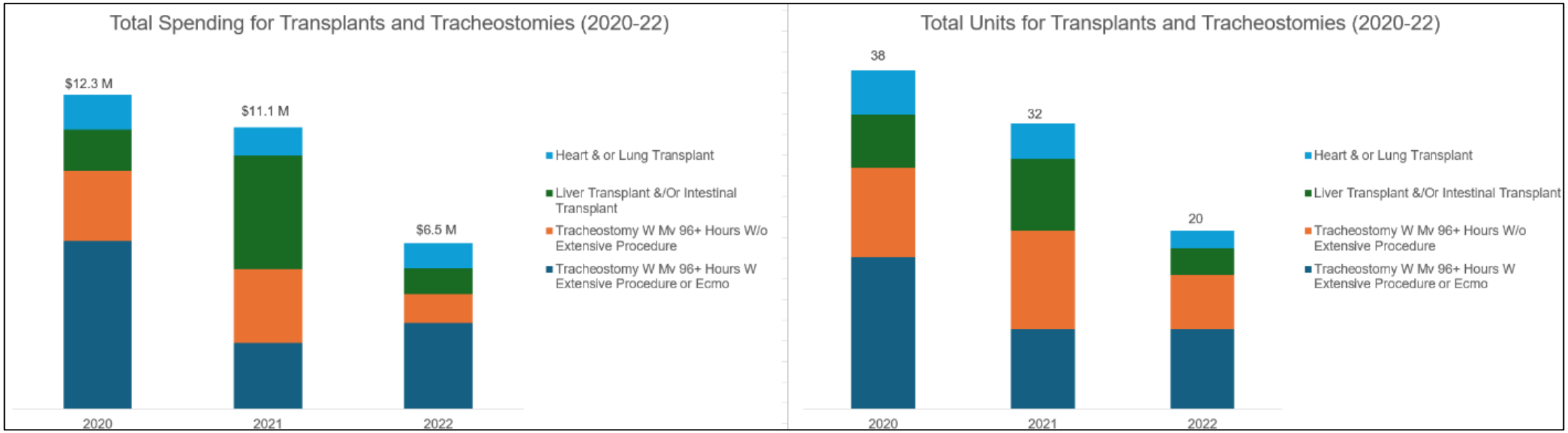
- The average unit payment for performing these surgeries in an outpatient setting is **significantly less** than performing them in an inpatient setting.



Unit payments for performing each of these procedures in an outpatient setting were about 40 percent that of their inpatient counterparts.

Driver #2: Decrease in Utilization of High-Cost Services: Organ Transplants and Tracheostomies

- Another contributing factor to the decrease in Inpatient Hospital PPU was the decrease in utilization of two high-cost services, organ transplants and tracheostomies*. Unit payments for these services **exceed $200,000** in Rhode Island.

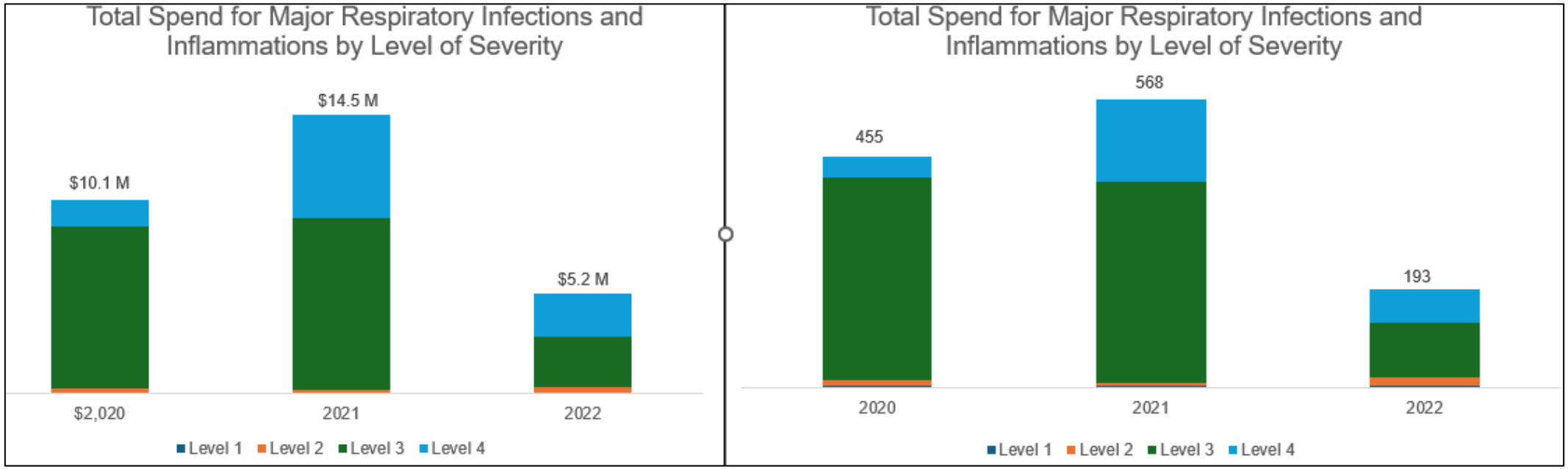


Spending and units decreased in 2021, then more dramatically so in 2022. The declines in spending and utilization for tracheostomies is likely associated in part with the decline in COVID-19 admissions.

*Some individuals who become seriously ill with COVID-19 may need help breathing using a ventilator. A tracheostomy, which is a procedure where a surgeon inserts a breathing tube directly into a patient's trachea, can be used when an individual needs a ventilator for an extended period. Similarly, severe cases of COVID-19 may result in serious conditions for which lung transplantation is the only viable treatment.

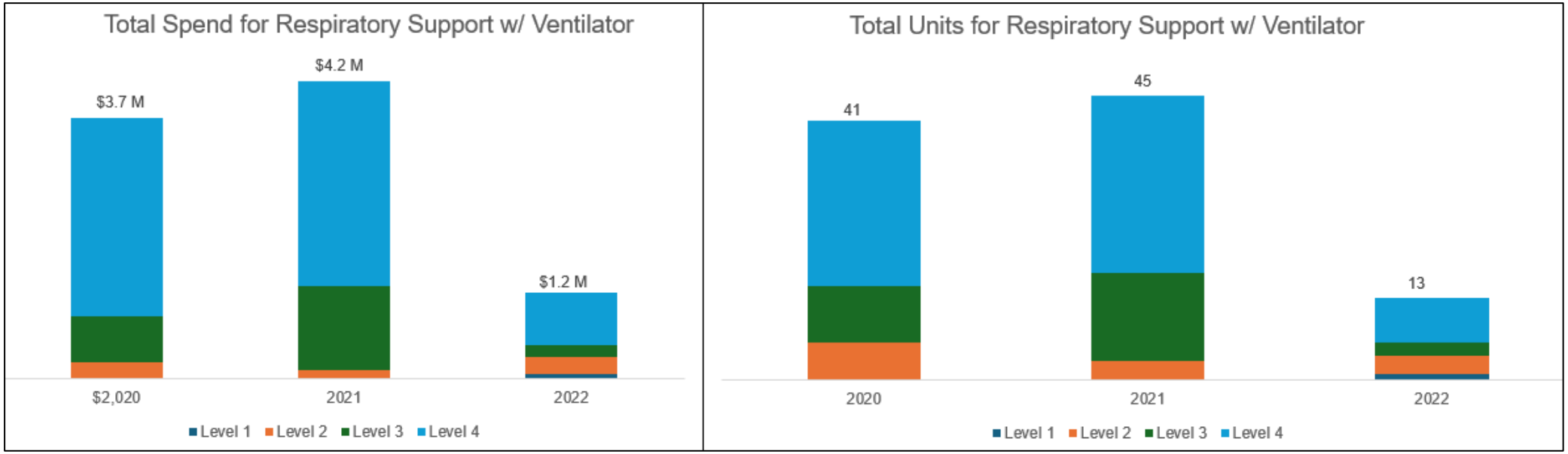
Driver #3: Decrease in Cases of Major Respiratory Infections and Inflammations

- A third factor that influenced the decrease in Inpatient Hospital PPU was the decrease in respiratory-related admissions.
  - Two conditions that that likely impacted overall inpatient hospital unit payments were major respiratory infections and inflammations (which include COVID-19 cases) (see below)….



Driver #3: Decrease in Cases of Major Respiratory Infections and Inflammations

- …and respiratory support with use of ventilators.



Unlike the prior two services, spending and units on these respiratory conditions increased in 2021, but then plummeted in 2022. This is expected, as it likely reflects lower prevalence of severe illness from COVID-19 (given that cases were less severe), as the population increasingly became vaccinated in 2022 or developed immunity to the coronavirus from prior infection.

Summary

- The three factors identified in the preceding slides influenced the decrease in Inpatient Hospital PPU in 2021 and 2022.
- OHIC can now perform these detailed analyses to identify contributors to trends observed at the higher-level service categories (e.g., Outpatient Hospital, Inpatient Hospital, and Professional services).
  - OHIC could also perform similar analyses to understand changes in utilization for each of the service categories, as it has already done using the publicly available "Mental Health" dashboard.*
- In the coming months, OHIC intends to publish more data on drivers of health care spending and spending growth, leveraging its capacity to analyze data and gain insight.

*OHIC recently published a data story that featured its analysis of professional spending related to mental health services. It found that utilization rates for mental health services increased substantially for children, adolescents, and young adults spanning the years leading up to and during the COVID-19. For more information, see: https://ohic.ri.gov/sites/g/files/xkgbur736/files/2024-03/RI%20OHIC%20March%20Data%20Story%20Mental%20Health.pdf

Next Steps and Wrap-up

Upcoming Meetings

- Our next meeting will be scheduled for July 2024.
- The annual Cost Trends public forum will be held on May 13th from 9 AM – 12 PM at the Crowne Plaza in Warwick.