# Official Minutes

## Market Stability Workgroup

**Notice Posted:** April 20, 2018
**Date of Meeting:** April 25, 2018
**Meeting Time:** 2:00 pm
**Meeting Location:** Institute for the Study and Practice of Nonviolence
265 Oxford St
Providence, RI 02905

**Workgroup Members Present:** Cristina Amedeo, Steve Boyle (co-chair), David Burnett (on behalf of Peter Marino),Ralph Coppola, Gayle Goldin, Rosemarie Day, Jane Hayward, Peter Hollmann, Joshua Miller, Janet Raymond, Larry Warner, Rebecca Webber (on behalf of Kim Keck), Samuel Salganik, Susan Storti, Teresa Paiva Weed, Bill Wray (co-chair)

**Workgroup Members Absent:** Sue Pearlmutter,

## Minutes

I. **Meeting was called to order** at 2:06 pm by Co-Chair Stephen Boyle.

- Housekeeping
  Co-Chair Boyle reviewed the schedule for the remaining sessions, noting that they would be on Tuesday mornings going forward 8:00 – 10:00am.

II. **Introductions**

Workgroup members not present for the initial meeting introduced themselves:

- Senator Gayle Goldin -- Vice Chair of the Senate Committee on Health & Human Services
- Susan Storti, PhD, RN – President & CEO, The Substance Use and Mental Health Leadership Council of RI

**III. Review of Last Meeting/Feedback**

Co-Chair Wray opened the meeting by sharing some of the feedback that had been given in the last meeting; he reminded them of why the group was convened and reiterated the importance of the work that they were doing. He explained to the room that they would be given sets of facts off which they would be making their recommendation to the State and encouraged the group to flag any questions they may have as the presenters went through the information.

IV. **Introduction of Meeting Presenter**

Co-Chair Wray introduced the presenter for the afternoon, Deb Faulkner. Deb Faulkner shared that she manages the Faulkner Consulting Group, a healthcare consulting firm that has worked with the Rhode Island Health Benefits Exchange, the

Department of Health (DOH), and the Office of the Health Insurance Commissioner (OHIC). She then reviewed the afternoon's agenda; noting that she would be providing facts for the workgroup to interpret and assess. She noted that in order to understand where we are now we need to see where we started. She noted that her presentation would include: and overview of RI Insurance Markets (pre- and post-ACA), the current status of our market stability, recent federal actions, and a timeline of relevant dates/deadlines.

**V. Review and Discuss RI's Progress Through Relevant RI Data**

- **Rhode Island Insurance Market Overview**

  Ms. Faulkner presented graphics which illustrated a breakdown of the Rhode Island insurance market as a whole and the Rhode Island Private Insurance Market. She noted that the information being presented came from the 2016 Health Insurance Survey and from the OHIC.

  Ms. Faulkner further went on to demonstrate the impact the ACA had on enrollment trends as noted by carriers in their reporting to OHIC in April 2017.

  Sam Salganik asked if Medicare Advantage membership was included in this information and Ms. Faulkner confirmed that it was.

  Christina Amedeo asked if customers had moved from private insurance to Medicaid post-ACA, but it was explained generally, if eligible for employer coverage, they'd enroll in that coverage and potentially enroll in RIte Share.

  Theresa Paiva Weed inquired if 26 year-olds (who are still eligible to be covered by their parents) were included in these counts. It was explained that yes, they were but they were a part of the private insurance numbers.

  It was noted that although employer sponsored insurance moderated, it was due to a number of contributing factors not necessarily the ACA. When asked how this downturn impacted the economic market, Ms. Faulkner commented that it got a little bit worse, but even as the economy got better there was not a corresponding increase – and all that we have been able to do is steady the decline.

  Steve Boyle wanted to know if premium costs were considered a part of this, to which Ms. Faulkner explained that on average they have been in the 4-6% range – which is good compared to national trends which have been in the 6.5% range over the last few years.

Bill Wray stated that these rates masked the cost-sharing and out of pocket cost, which Ms. Faulkner agreed with.

- Ms. Faulkner went on to give the group information on the ACA's impact on individual market enrollment. She began with showing that pre-ACA the market was unusually stable with enrollments between 14,000-16,000 lives. She went on to tell that group that once Blue Cross Blue Shield was mandated into the market, breaking it into two pools, it created a combination of mandates and subsidies that worked. There was a discussion amongst the group about the constant balancing act pre-ACA around how much to raise rates on the direct-pay market given that you didn't want to lose healthier enrollees who helped to subsidize the pool of sicker enrollees.

- Deb Faulkner then showed the group a chart depicting how the enrollment rates grew with the introduction of multiple carriers. Steve Boyle asked a question regarding whether anyone receiving a subsidy on the exchange was enrolled in Medicaid, and it was clarified for him that in the individual market, those 133% of the federal poverty level (FPL) up to 400% are eligible for tax credits to purchase commercial coverage through the exchange.

- The group was then presented with information from Deb Faulkner that gave an overview of the market enrollment. It was noted that since the start of the Exchange, distribution of members has remained fairly consistent however, more recently, a drastic change from 2% to 51% was seen in Neighborhood Health Plan of Rhode Island (Neighborhood) market sahre. It was also noted that historically Neighborhood customers received more in subsidies.

- Rosemarie Day asked the group if any additional clarity was required for the information that they had seen thus far.

  Dr. Hollmann wanted to know what self-insurance did to market stability. Ms. Faulkner referred him to the slide which that there was generally a shift from large group into self-insured. She went on to explain that an increase in self-insured companies will leave the large group pool with fewer in it, and that any time this happens you are increasing the risk factor.

  Senator Miller inquired if the per-person expense has gone up or down post-ACA. Ms. Faulkner noted that the information would be interesting to see but it is currently unavailable.

Rosemarie Day referenced the slide previously shown that illustrated the individual market trend lines and asked if anyone needed clarification on the information shared. Director Sherman noted that the characteristics of the remaining uninsured were: single, males, and of Hispanic descent.

Ms. Paiva Weed inquired if the undocumented were included in the uninsured numbers. It was explained that in the Health Information Survey, participants were simply asked whether or not they were born in the United States, and the survey does oversample to try to get at that question.

**VI. Starting Point: Are the Markets Stable?**

- Ms. Faulkner began the next segment with showing how premiums and enrollments are indicators of the stability of the market but the driving forces are: members, employers, providers, and carriers.

- Ms. Faulkner showed the group information on what a 'moderate' and 'precarious' market looks like. She noted that although the two groups looked similar there were subtle differences that should be noted. The Small Group had premiums and enrollments that looked okay, and their decline was slow and steady over a number of years; however the enrollment is small and volatile to begin with. With the Individual Market thought it looked similar the premiums have gone up by 4% over the last few years, and even with higher enrollments there's turnover. In fact, it was noted the individual market churns at about a 30% rate – this makes it more important that their rates don't go up as they are more reactionary to any big changes.

  Ms. Paiva Weed asked how Rhode Island compared to other states -- citing the marketing and policy changes that have been made to incentivize choice and active selection each open enrollment period. Director Sherman commented that in 2015 the exchange went to an active renewal format and was the only state to do so. Since then HealthSource RI has tried to get everyone on auto renewal, but the 30% turnover is pretty consistent across the country.

  Mr. Salganik asked how turnover was defined. Olivia Burke (associate of Faulkner Consulting Group in the audience) explained that is was a percentage of unique users but not respective of continuous coverage but rather a partial year segment where coverage was on or off for some period. Ms. Faulkner also noted that these changes are what make the marketing so important, as you are attracting a new group each year.

  Dr. Hollmann commented that almost every newly insured person will be insured

at a Medicaid rate – which means new doctors and new patients will have lower income which make it difficult to break even – Ms. Paiva Weed noted hospitals are having the same issue. Someone else noted that the rates may be similar, but that they're not exactly the same across commercial and Medicaid plans.

Senator Miller posed a question to the group: if you have a churn of 30% that's 15,000 lives, there is a danger that they will go onto Medicaid or uninsured if we make bad decisions here. How big of an impact will this have on the rest of the market? How concerned should we be? Ms. Faulkner explained that we'd have to look at factors in terms of their options and where they go. Shen then further explained that us making a bad decision doesn't make someone eligible for employer coverage or Medicaid; she clarified that they're in that market because they're not eligible for those things.

- The group then went on to discuss carrier stability and it was explained by Director Sherman that having only two carriers makes us less strong than markets that have four. He noted that each year the Exchange reaches out to Tufts, who recently entered into the MCO market, but they noted upfront costs of entering a new market and uncertainty around the ACA as barriers to entering a new commercial market.

  Mr. Coppola commented that the problem appeared with the cost of care from providers – different rates based on carrier. Ms. Faulkner noted that setting provider rates in one of the most contentious areas to work in – because you either have to say there's one rate and it gets adjusted or you let the market set the rate. She went on to say that you have to find something somewhere in the middle; people try to apply business market rules to healthcare and it doesn't work.

  Ralph Coppola noted this is a not a normal business market so you can't let it dictate what happens. Deb Faulkner added that you have something in the middle – you have a more aggressive regulatory model but permit the market to do its thing, too. Applying financial discipline to the healthcare world – it doesn't work. She continued to say that the question is, given where we are, what can we do about it? The ACA is where we are, so where do we go to make it better?

  Steve Boyle suggested that we're spending time looking for more carriers and other things when we don't aggressively go after cost and alternatives. We know people are concerned about a mandate, but you're mandated to have auto-insurance. In the business community, he shared that there's concern about a mandate, but added that he hoped this group will look at alternatives to carrier and premium-driven solutions.

Bill Wray stated that there are things in scope for this group but that's not necessarily one of them. We're focused on stabilization. This is about rate, but its also about structure and incentives. There's a huge difference in what you get cars for and what they're good at. He concluded by saying that its complicated to think about doing that for rates, and while there might be something the state could do to make the provider not have to deal with 4-6 regiments for managing patient care, we need to focus on stability.

- Ms. Faulkner then showed a graphic that showed the effects of healthier people leaving the market; she noted a consequence of this being a rise in premiums causing more the young, healthier populations to leave the market first. She also gave the following breakdown on how premium dollars are spent: 80% on medical expenses, 20% on administrative costs.

- Ms. Faulkner showed a diagram that illustrated the breakdown of the 45,059 enrollments for 2018. She went on to explain that they 41% that are unsubsidized have no mechanism to protect them from rate increases.

  Mr. Salganik inquired as to what we knew about people who were going off market and buying directly. Ms. Faulkner explained that since they do not have to report on their income when enrolling we do not have access to this information.

  Director Sherman shared that the sense is that there is less churn and therefore it's a stable piece of the market, although carriers are good about reminding interested people that they may be eligible for tax credits if they go through the Exchange.

- The group was presented with a timeline which showed the short timeline they had to get rates filed and make any movements to apply for a 1332 Waiver, should they decide to.

  Mr. Salganik asked if there was anything that could be done administratively to restrict the sale of Short-Term Limited Duration (STLD) plans in Rhode Island.

  Dr. Ganim noted that these plans are held to a certain Medical Loss Ratio, but they're unable to achieve it. She also noted that these plans cannot be noted as prohibited in Rhode Island as there is no law against them.

  Dave Burnett asked about the timing for a 1332 waiver and if the state would need authority through legislation within this legislative session. Zach Sherman answered that we would want to do that this session. He added that there was a bill up later in the week that would get part of the way towards full authority to seek a waiver and implement a program under that waiver, and that HealthSource

RI would testify in support of it, but that some additional authority needed to be added to the language.

Sam Salganik referenced the syllabus and suggested that since the group wrapped up in June and the session ended in June, it may be worth considering an interim step for the Workgroup – something they could begin to discuss earlier than June, which may be too late.

Bill Wray concurred, adding that as early as next week, it would be wise to have a preliminary hypothetical of what the group might want to endorse.

Theresa Paiva Weed added that if that was the discussion, it would be smart to have information on what MA and CT have done so far. At this time of year, you want to present something within the context of what our neighbors are doing.

Zach Sherman offered that in the following week's session, the group would hear from Dan Meuse on just that.

- The group went on to discuss the limited amount of time in which they had to work and at the suggestion of Co-Chair Wray it was decided that they would be looking toward making a preliminary hypothesis by the next meeting.

**VII. Wrap Up Discussion**

- Rosemarie Day asked the group for their biggest concerns, and then asked the room if they would be able to take a position to share with the group.

- Steve Boyle stated the group needed to know what they could quickly implement to stabilize the market. He continued to say that a mandate disappearing in 2019 appeared to be low-hanging fruit that we know other states are looking at. He concluded that a penalty should be looked at.

- Bill Wray agreed but added that the group needed to know what type of 'teeth' the mandate would have to it, noting that a large fine like $2,500 was different than a slap on the wrist.

- Ralph Coppola said that he was note convinced that a mandate would be effective, but added he was not averse to doing something to get at that ultimate goal. The question would be how high to go and how to enforce it.

- Steve Boyle added that it could be a "carrot" instead of a "stick", and Ralph responded that stability is a big concern – you need to get at adverse selection.

- Theresa Paiva Weed said that from the hospital's point of view, encouraging people to maintain coverage is important – but added, "at what cost?" She noted that she'd want to look at a holistic approach and make sure that whatever the recommendations are, they don't have unintended consequences of cost-shifting to providers and consequently, quality of care. The two go hand in hand, she concluded.

- Janet Raymond said that from an employer perspective, and when she hears the word "incentivize," she tends to be more sympathetic to that term than "mandate." She doesn't advocate on behalf of additional mandates on employers, but obviously, anything destabilizing of the market would cause real concern for the members of the Chamber in terms of premium costs.

- Gail Goldin began by saying that if premium costs go up, people will leave because it's a not a cost-effective purchase. She added that she supports the mandate, but not divorced from things that will stabilize rates. If the penalty is $2,500, for example, and coverage costs more than that, people will roll the dice and go without. She also shared that she felt if the state didn't address costs long-term, the market won't be a place where all can participate – and that that was a tall order for a group meeting for just 8 weeks.

- Sam Salganik agreed with Senator Goldin,and mentioned that RIPIN is part of the Protect our Healthcare Coalition, which decided they could support a mandate under certain circumstances. Making sure what people buy is a good purchase is also a part of that. This must also be paired with real affordability. Generally, he added, reinsurance programs that exist in other states that bring down the cost of unsubsidized coverage are a good thing, but the lower income people who are subsidized must also be addressed by progressive reforms. Sam added that he hoped proposals would include that help as well. He also felt "Trump-proofing" the ACA in RI is important to think through what might happen if major changes continue at the federal level (e.g., subsidies no longer available).

- Dave Burnett said that protection from price and premium increases are a natural combination with a mandate. The timing, however, is a major issue if something must be done by end of session. He warned that that may not fly in the General Assembly this year, and said that the work of the group must be boiled down to actionable steps soon.

- Theresa Paiva Weed asked whether the state would need legislation for a 1332 waiver, and Sam Salganik pointed out that reinsurance would be a budget item.

Ms. Paiva Weed then said that if there are cost-savings policy proposals from other states, that would be one way to go about it.

- Peter Hollman asked about the rate filing in May and pointed out that that would show the state what kind of "deep water" they were in. If it's a less substantial hike, that would calm things. He added that you cannot have market stability without cost of care activities, too – particularly if the individual market is more volatile.

- Larry Werner said that he wanted to echo that the group should think about short and long-term solutions and not just stabilize for "today" but for "tomorrow" as well. He added that while we can look to MA, we should choose policies appropriate to RI – we should consider our size, our market conditions and our complexity. He reiterated Steve Boyle's comment about not fixating on the spending side of the equation but ultimately, being aware that what we pay for is price x quantity – so we would be wise to spend time on setting goals and thinking about how to get there.

- Rebecca Weber stated that BCBSRI was thinking about access as a function of affordability, and that value-based options and population health must also be goals, so BCBSRI is thinking comprehensively about those core tenants.

- Marie Ganim agreed with prior comments that timing is key. She pointed out that Senator Miller's bill has some of the language relative to reinsurance, but that the state would need a comprehensive reinsurance bill. She also pointed out that the bill did not have mandate language. She also shared that there is a member of the House interested in reinsurance legislation.

- Ralph Coppola asked whether reinsurance would be a separate bill, and Marie Ganim answered that that would be likely, but that the penalty legislation was one way to get those state dollars required to fund a reinsurance program.

- Rosemarie then asked the group whether they wanted any more information about any one policy option. Steve Boyle answered that waiver information would be helpful and Peter Hollman added key legislative fixes (for the short-term) from CT and MA would be of interest. Sam added that information about regulating STLD plans would be helpful because doing so would not be a budget item and perhaps a less political proposal.

- Director Sherman noted that a number of their questions would be answered by next week's speaker Dan Meuse.

VIII. Public Comment
- No public comment offered.

IX. Meeting was adjourned at 3:59pm