

Rate Review Program Evaluation

CMS/CCIIO Health Insurance Premium Review Grant, Cycle IV

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Overview: Rate Review Program Evaluation

- Funded through CMS/CCIIO Health Insurance Premium Review Grant, Cycle IV
- The Board engaged BerryDunn Health Analytics, Inc. to:
 - Identify appropriate measures to evaluate the rate review program
 - Assess the adequacy of the review process
 - Provide feedback for improvement of the process, including consumer experience
- January 2018-December 2018

Evaluation Measures

Summary Statistics

- Counts of filings
- Hearings
- Covered lives impacted
- Proposed and final premium dollars
- Premium dollars saved
- PMPM dollars saved
- Percent reduction in rates and premiums

Rating Factors

- Pricing trends
- Medical Loss Ratio (MLR)
- Retention
 - Administrative expense
 - Taxes and fees
 - Contribution to reserves (CTR)

Qualitative Interviews

- Actuarial consultant (L&E)
- Health Care Advocate

Summary Statistics

Table 3: Premium Dollars and Rate Review Savings

Year	Members	In Millions			% Savings	PMPM Savings
		Proposed Premium	Final Premium	Savings		
2013	132,912	\$725.2	\$702.0	\$23.2	3.2%	\$14.55
2014	120,436	\$541.3	\$519.2	\$22.1	4.1%	\$15.29
2015	80,452	\$426.9	\$416.8	\$10.1	2.4%	\$10.47
2016	90,896	\$497.8	\$487.2	\$10.5	2.1%	\$9.64
2017	88,452	\$554.3	\$548.4	\$5.9	1.1%	\$5.60
2018	85,730	\$573.2	\$556.5	\$16.7	2.9%	\$16.26
2019	93,542	<u>\$541.5</u>	<u>\$522.0</u>	<u>\$19.5</u>	3.6%	\$17.35
Total		\$3,860.2	\$3,752.2	\$108.1	2.8%	

Note: 2019 includes filings approved on or before August 9, 2018.

Pricing Trend

Pricing Trend = Change in claims cost over time. Measure of anticipated unit cost, utilization changes, impact of fixed cost-sharing (includes both medical and pharmacy).

- Total annual approved pricing trends 2013-2019 ranged from 3.9% to 7.9% (5.5% average)*
- Recent pricing trends 2017-2019 are close to long-term average*
- New England states with publicly available trend information (ME/CT) ranged from 5.7% to 11.4%
- Report attributes rate review and hospital budget oversight to keeping trends more stable over time and at the low end of the range in New England

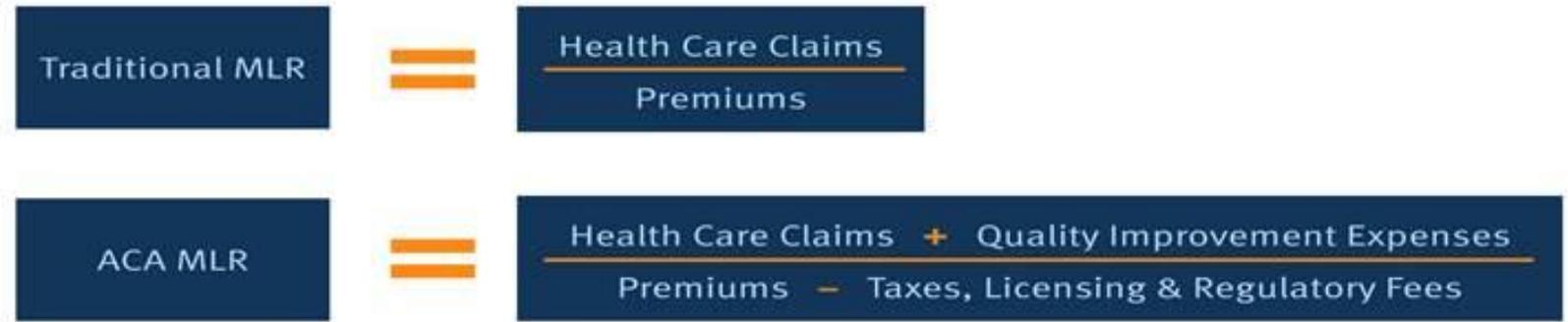
*See Table 4: Combined Medical and Pharmacy Approved Pricing Trends

Medical Loss Ratio

Medical Loss Ratio = Ratio of total claims expense to premium. Helps evaluate if the rate review process is fair & reasonable.

- Insurance carriers set premiums to obtain “proposed target loss ratio”*
- Proposed target loss ratio can be altered in rate review process by regulator adjustments, result is “approved target loss ratio”*
- “Realized loss ratio” is computed after the rating period is complete*

Medical Loss Ratio (MLR) Formulas: Traditional MLR and Affordable Care Act (ACA) MLR



Source: Kaiser Family Foundation



*See Table 8: Health Exchange Rate Review Premium Reduction & MLRs

Medical Loss Ratio

Medical Loss Ratio = Ratio of total claims expense to premium. Helps evaluate if the rate review process is fair & reasonable.

- Medical loss ratios are near carrier targets, though margins are thin
- For 2014-2017, average reduction (proposed to approved) in rates for ACA plans was 3.9% for MVP and 2.2% for BCBSVT
- For 2014-2017, actual MLR for exchange plans averaged 1.4% lower than projected for MVP and 0.5% higher than projected for BCBSVT
- Tracking MLR helps assess balance between affordability of rates to consumers and adequacy of rates to protect insurer solvency

Retention

Retention = administrative expenses, taxes and fees, contribution to reserves (CTR)

- **Administrative expenses:** Relatively stable since 2014. Exchange plans for BCBSVT range 6.3%-8.3% (2014-2019) and for MVP range 8.1%-10.1% (2014-2019).
- **Taxes and fees:** Premium tax, VT vaccine program, ACA insurer fee, VT billback. Taxes and fees have increased for both carriers due to ACA fees. Carriers included specific component for billback in 2017 (added 0.1%-0.3% to premium). ACA tax was suspended in 2017, reinstated in 2018, suspended in 2019, causing fluctuation. Higher taxes and fees result in lower target loss ratio.
- **Contribution to reserves:** Ensure adequate funds to pay for unexpected future claims costs. Range from 0%-3.0% (2013-2019)

Affordability: Premium and Cost Sharing (total cost)

Small group: Total cost increased 3.9% on average per year over six years, 2013-2019

Individual: Total cost increased 4.7% on average per year over six years, 2013-2019

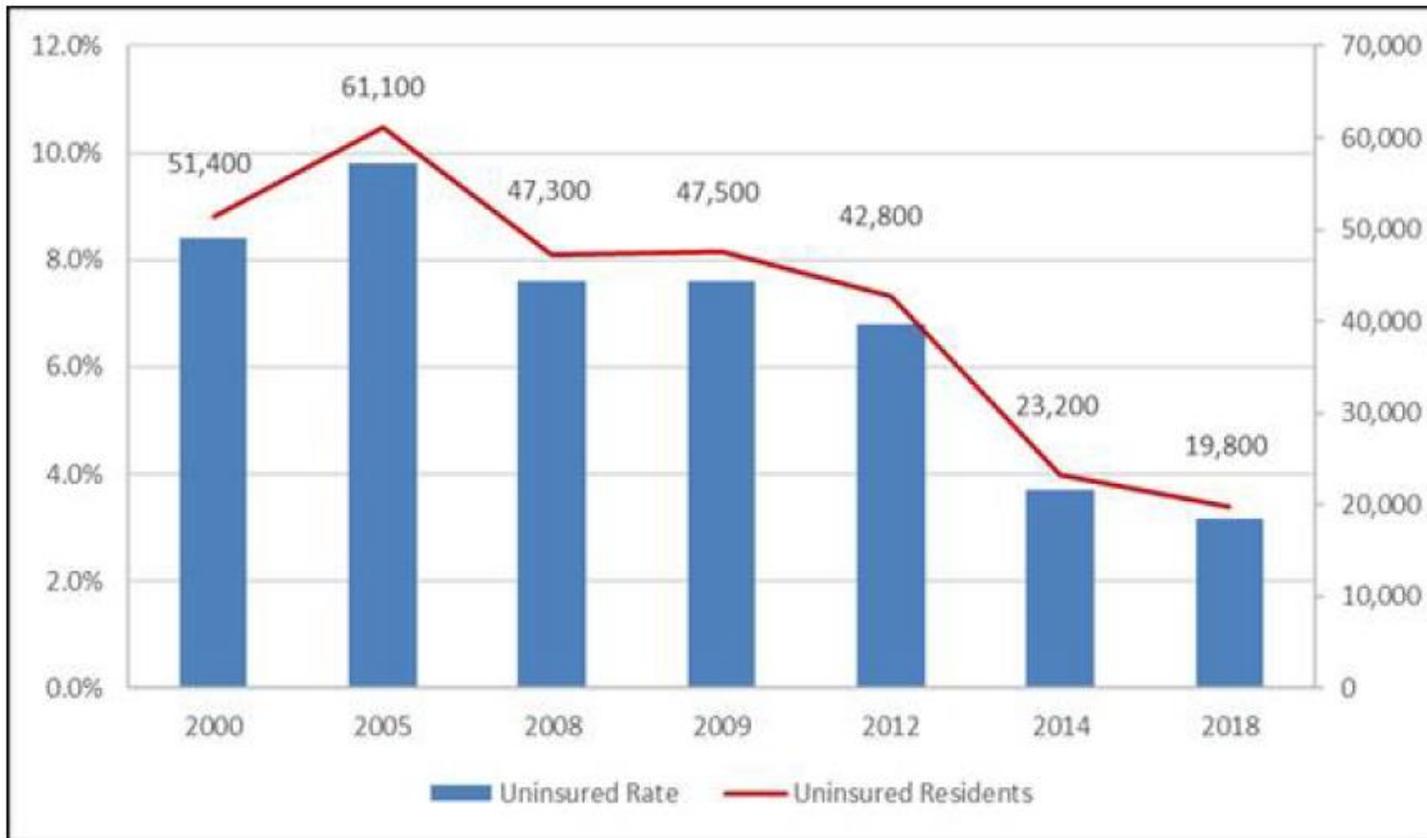
Table 11: Average Premium, Cost Sharing, and Total Cost of Health Care by Market Segment

<u>Small Group</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Avg Premium PMPM	\$435	\$383	\$440	\$466	\$496	\$543	\$558
Avg Cost Sharing PMPM	\$107	\$125	\$109	\$102	\$84	\$84	\$121
Avg Total Cost of Health Care	\$541	\$508	\$549	\$568	\$580	\$626	\$679
<u>Individual</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Avg Premium PMPM	\$422	\$349	\$421	\$438	\$471	\$503	\$543
Avg Cost Sharing PMPM	\$78	\$139	\$177	\$151	\$147	\$174	\$115
Avg Total Cost of Health Care	\$499	\$488	\$599	\$589	\$617	\$677	\$658

Note: This table does not include data on those receiving subsidies on Exchange plans

Affordability: Uninsured Rate

Figure 6: Vermont Uninsured Rate and Uninsured Vermont Residents by Year



Data Source: Comprehensive Report 2014 Vermont Household Health Insurance Survey and the Comprehensive Report 2018 Vermont Household Health Insurance Survey

- According to the 2018 VHHIS, there was a slight decrease in the uninsured rate from 2014 to 2018 (3.7% to 3.2%).
- National data shows uninsured rate creeping back up after low in 2016. Gallup (2019), U.S. Census American Community Surveys (2013-2017).

Process supports thorough, fair rate review

- **Process ensures proper documentation and review**
 - Actuarial justification
 - Standardized actuarial dataset
 - Improved population of NAIC SERFF
 - Health Care Advocate participates as a party to filings
- **Consumer experience is very good but improvable**
 - Strong process and robust consumer resources
 - All filing information is available to the public and posted to the rate review website (unless confidential under law): <https://ratereview.vermont.gov/>
 - Hearings are open to the public and recorded
 - 75-day public comment period
 - The Board received a range of 80-484 comments each year from 2014-2019 (average 222/yr)

Report Recommendations

*Some of the following recommendations will require additional resources to implement. Defining needed resources for implementation of the recommendations was outside of the scope of the report. Some recommendations require additional technical capability we do not currently have.

- Website offers an above-average opportunity for consumer education and participation as compared to other websites reviewed. The website could be improved to highlight information most important to the consumer.
- Encourage carriers to include in their Plain Language Summaries a discussion of the specific drivers of the premium increase requested in their rate.
- Develop brief, consumer-friendly summaries of all filings and plain language order summaries.
- Develop an interactive filing search tool.
- Develop a rate review dashboard with summary statistics.
- Maintain data collection tools going forward to continue to analyze and enhance the rate review process.

References

1. State Effective Rate Review Programs. Centers for Medicare & Medicaid Services, Center for Consumer Information & Insurance Oversight (CMS/CCIIO). Available at https://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/rate_review_fact_sheet.html.
2. Rate Review Grants. CMS/CCIIO. Available at: <https://www.cms.gov/CCIIO/Resources/Rate-Review-Grants/>.
3. Gallup National Health and Well-Being Index. Released 1/23/19. Available at: <https://news.gallup.com/poll/246134/uninsured-rate-rises-four-year-high.aspx>.
4. Health Insurance Coverage in the United States: 2017. Released 9/12/18. Available at: <https://www.census.gov/library/publications/2018/demo/p60-264.html>.

Table 4: Combined Medical and Pharmacy Approved Pricing Trends

Carrier	Market Segment	Filing Description	Effective Date	Combined Trend
BCBSVT	SG	Q1 Q2 2013 TVHP	1/1/2013	7.0%
BCBSVT	SG	Q1 -Q3 2013 BCBSVT	1/1/2013	6.6%
BCBSVT	SG	Assoc. of Chamber Execs	1/1/2013	5.2%
BCBSVT	SG	VT Health Services Gp	1/1/2013	5.0%
MVP	SG	PPO/EPO Q1 Q2 13	1/1/2013	5.2%
MVP	SG	HMO Q1 Q2 13	1/1/2013	5.0%
MVP	IND	Indemnity Q1 Q2 2013	1/1/2013	7.8%
BCBSVT	IND	Q3 13 Catamount	7/1/2013	3.9%
MVP	IND	Indemnity Q3 Q4 13	7/1/2013	5.9%
BCBSVT	Merged	Health Exchange 2014	1/1/2014	3.9%
MVP	Merged	Health Exchange 2014	1/1/2014	4.7%
MVP	SG	GF PPO/EPO Q1 Q2	1/1/2014	5.5%
MVP	IND	GF Q1 Q2 14	1/1/2014	5.4%
BCBSVT	Merged	Health Exchange 2015	1/1/2015	5.1%
MVP	Merged	Health Exchange 2015	1/1/2015	7.8%
MVP	SG	GF PPO Q1 Q2 2015	1/1/2015	7.9%
BCBSVT	Merged	Health Exchange 2016	1/1/2016	7.0%
MVP	Merged	Health Exchange 2016	1/1/2016	5.7%
BCBSVT	Merged	Health Exchange 2017	1/1/2017	4.9%
MVP	Merged	Health Exchange 2017	1/1/2017	3.9%
BCBSVT	Merged	Health Exchange 2018	1/1/2018	4.4%
MVP	Merged	Health Exchange 2018	1/1/2018	4.7%
BCBSVT	Merged	Health Exchange 2019	1/1/2019	5.2%
MVP	Merged	Health Exchange 2019	1/1/2019	5.2%

**Table 8: Health Exchange Rate Review
Premium Reduction and MLRs**

Carrier	Effective Date	Premium Reduction	Proposed Loss Ratio	Approved Loss Ratio	Realized Loss Ratio
BCBSVT	1/1/2014	4.3%	87.8%	88.0%	86.0%
MVP	1/1/2014	4.7%	84.8%	85.7%	86.7%
BCBSVT	1/1/2015	1.9%	89.1%	89.0%	87.9%
MVP	1/1/2015	4.1%	84.7%	85.2%	89.3%
BCBSVT	1/1/2016	2.3%	88.0%	89.0%	92.8%
MVP	1/1/2016	0.6%	87.1%	87.2%	88.5%
BCBSVT	1/1/2017	0.9%	89.9%	89.9%	91.2%
MVP	1/1/2017	4.6%	89.1%	88.6%	76.7%
BCBSVT	1/1/2018	3.1%	87.5%	88.8%	N/A
MVP	1/1/2018	3.1%	87.0%	86.4%	N/A
BCBSVT	1/1/2019	3.5%	90.2%	91.1%	N/A
MVP	1/1/2019	3.9%	88.7%	90.2%	N/A

Table 7: Carrier Retention

Carrier	Market Segment	Filing Description	Effective Date	Admin Expense PMPM	Admin Expense	CTR	Taxes	Total
BCBSVT	SG	Q1 Q2 2013 TVHP	1/1/2013	\$52.83	12.5%	0.0%	1.3%	13.7%
BCBSVT	SG	Q1 -Q3 2013 BCBSVT	1/1/2013	\$82.54	14.2%	0.0%	0.9%	15.1%
BCBSVT	SG	Assoc. of Chamber Execs	1/1/2013	\$33.83	9.8%	0.0%	1.2%	11.0%
BCBSVT	SG	VT Health Services Gp	1/1/2013	\$83.74	13.7%	0.0%	0.9%	14.6%
BCBSVT	IND	Q3 13 Catamount	7/1/2013	\$26.92	5.9%	0.0%	1.7%	7.7%
MVP	SG	PPO/EPO Q1 Q2 13	1/1/2013	\$57.44	14.3%	3.0%	3.1%	20.3%
MVP	SG	HMO Q1 Q2 13	1/1/2013	\$80.30	10.8%	3.0%	1.2%	14.9%
MVP	IND	Indemnity Q1 Q2 2013	1/1/2013	\$30.20	13.5%	3.0%	3.3%	19.8%
MVP	IND	Indemnity Q3 Q4 13	7/1/2013	\$53.22	13.5%	3.0%	4.3%	20.8%
BCBSVT	Merged	Health Exchange 2014	1/1/2014	\$30.25	8.3%	0.5%	3.2%	12.0%
MVP	Merged	Health Exchange 2014	1/1/2014	\$35.88	9.8%	0.5%	4.0%	14.3%
MVP	SG	GF PPO/EPO Q1 Q2	1/1/2014	\$38.13	9.8%	1.0%	5.5%	16.2%
MVP	IND	GF Q1 Q2 14	1/1/2014	\$21.42	11.0%	1.0%	5.3%	17.3%
BCBSVT	Merged	Health Exchange 2015	1/1/2015	\$27.31	6.3%	1.0%	3.7%	11.0%
MVP	Merged	Health Exchange 2015	1/1/2015	\$41.83	10.1%	1.0%	3.7%	14.8%
MVP	SG	GF PPO Q1 Q2 2015	1/1/2015	\$43.12	9.8%	1.0%	5.7%	16.4%
BCBSVT	Merged	Health Exchange 2016	1/1/2016	\$29.78	6.4%	1.0%	3.6%	11.0%
MVP	Merged	Health Exchange 2016	1/1/2016	\$38.26	9.2%	-0.2%	3.8%	12.8%
BCBSVT	Merged	Health Exchange 2017	1/1/2017	\$34.22	7.0%	2.3%	0.9%	10.1%
MVP	Merged	Health Exchange 2017	1/1/2017	\$38.38	8.6%	1.0%	1.8%	11.4%
BCBSVT	Merged	Health Exchange 2018	1/1/2018	\$36.06	6.7%	0.7%	3.8%	11.2%
MVP	Merged	Health Exchange 2018	1/1/2018	\$39.96	8.6%	2.0%	2.9%	13.6%
BCBSVT	Merged	Health Exchange 2019	1/1/2019	\$40.29	7.1%	0.6%	1.3%	8.9%
MVP	Merged	Health Exchange 2019	1/1/2019	\$41.40	8.1%	0.5%	1.1%	9.8%