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Issue Brief: Estimating the Impact of Health Insurance Rate Review Decisions on All-Payer ACO Model Agreement Total Cost of Care

Green Mountain Care Board
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Background:

As part of Vermont's All-Payer ACO Model (APM) Agreement with the Centers for Medicare & Medicaid Services (CMS), Vermont has agreed that its per capita Total Cost of Care (TCOC) growth rate target will not exceed 3.5% annually (compounded) over the 5-year performance period of the Agreement.[1] The growth rate range was based on Vermont's past economic growth, with the goal of attempting to bring health care spending in line with state economic growth. All-Payer Model TCOC represents a subset of health care services, and includes costs from a subset of payers:

- Services included in TCOC are limited to Medicare Part A and B services and their equivalents, excluding retail pharmacy and some other services. This was negotiated to allow for higher growth in other sectors, such as mental health and substance abuse.
- The TCOC growth rate is measured using claims data submitted to Vermont's all-payer claims database, VHCURES, which does not currently include populations such as the uninsured, many members of non-governmental self-insured plans, members of federal employees and military plans.

Given the ambitious TCOC growth rate target imposed by the APM Agreement, GMCB engaged a contractor, Berry Dunn, to assess what impact commercial health insurance rate review decisions have on TCOC growth. Green Mountain Care Board (GMCB) policy, budget, and rate review staff worked in collaboration with Berry Dunn to develop a statistical model that projects TCOC growth proportionally based on the number of covered lives and PMPM cost increase in each specific insurance product reviewed by the GMCB, and each market segment. The model was developed with funding from the CMS Cycle IV Rate Review Grant to evaluate the rate review program and is part of the Board's efforts to better understand the impact of regulatory decisions across the health care system.

Methodology:

The model uses rate filings submitted by health insurers to the System for Electronic Rate and Form Filing (SERFF) to find the number of members in GMCB-regulated products and calculate medical claims expenses on an absolute and per-member per-month (PMPM) basis. The model uses the insurer's proposed medical trend, which combines unit cost trend (i.e. price) and utilization trend factors. Medical trend is a forecast of the future medical claim spending growth rate. Medical trend was identified as the best proxy measure for services covered in the TCOC calculation because the TCOC only includes medical claims spending as described above and does not include other factors

[1] The target growth rate is 3.5% compounded annually over the 5-year performance period; however, corrective action is not triggered unless the growth rate hits 4.3%.

that make up commercial premium rates. The trend is based on medical claims experience for that rate pool, and is used to project absolute and PMPM spend in the future period as follows:

$$\textit{Proposed PMPM Commercial Spend} = \frac{\textit{Medical Claims Expenses x Medical Trend}}{\textit{Member Months}}$$

The Commercial year over year growth rate is the weighted average of the medical trends used in all the Commercial rate filings.

The impact of the Board's orders may then be measured by subtracting the commercial cost growth based on the Board's orders from the insurer's proposed medical trend:

$$\textit{TCOC Impact} = \textit{Proposed PMPM Commercial Growth}_{\textit{Carrier}} - \textit{Commercial Growth}_{\textit{Board}}$$

By adjusting for the relative size of each major market segment (commercial, Medicaid, and Medicare), the model estimates the extent to which proposed commercial rate affects the overall TCOC. To give appropriate context and clarity to the results, the model is indexed as shown in *Figure 1: TCOC Index*.

Figure 1: TCOC Index

> %	$ (mil)	% Range	$ Range	
0.0%	$ -	by less than 0.2%	less than $6.0M	an immaterial impact
0.2%	$ 6.0	by a range of 0.2% to 0.3%	from $6.0M to $8.0M	a minimal growth rate impact
0.3%	$ 8.0	by a range of 0.3% to 0.6%	from $8.0M to $17.0M	a modest growth rate impact
0.6%	$ 17.0	greater than 0.6%	greater than $17.0M	a material growth rate impact

The model is not intended to be a decision-making tool and should be used for reporting only. Reductions made to filed health insurance rates may not actually result in lower cost of care and may only impact insurance carrier financials.

Growth in Medicaid spending is calculated similarly to growth in commercial spending using data from VHCURES and CMS's Medicaid Program Enrollment and Expenditures Report. Medicare data is derived from VHCURES and CMS's Medicare Enrollment Dashboard, which provides current information on the number of Medicare beneficiaries with hospital/medical coverage and prescription drug coverage for several geographical areas including national, state/territory, and county.

The GMCB does not have jurisdiction over commercial rates for self-insured groups. Assumptions for the self-insured market are based on VHCURES data and not all self-insured plans report to VHCURES. However, the VHCURES data is appropriate for use in this model because only data reported to VHCURES is used in the TCOC calculation.

Results:

As shown in *Figure 2: TCOC Population Distribution by Market Segment (2018)*, the Vermont individual and small group (Vermont Health Connect) market makes up 16.6% of the TCOC population. When you include the small group grandfathered and the large group, the subtotal of all GMCB-regulated plans is 20.6% of the TCOC population. Self-insured, Medicaid and Medicare make up 79.5% of the TCOC population.

Figure 2: TCOC Population Distribution by Market Segment (2018)

Market Segment	Distribution	Covered Lives
BCBSVT Individual and Small Group	11.2%	52,591
MVP Individual and Small Group	5.4%	25,223
Subtotal Individual and Small Group	**16.6%**	**77,814**
MVP Small Group Grandfathered	0.3%	1,338
MVP Large Group	0.5%	2,182
BCBSVT Large Group	3.0%	14,016
CIGNA Large Group	0.2%	730
Subtotal GMCB-Regulated	**20.6%**	**96,080**
Self-Insured*	20.8%	97,151
Subtotal Commercial	**41.3%**	**193,231**
Medicaid	29.2%	136,407
Medicare	29.5%	137,985
Grand Total	**100%**	**467,623**

* Number for the self-insured market is what is reported in VHCURES; we estimate there are ~85,000 self-insured lives that are not reported in VHCURES and therefore are not included in the TCOC calculation.

Figure 3: TCOC Population Distribution by Market Segment (2018) illustrates the relative size of the TCOC population subject to GMCB insurance rate review. The Board also regulates hospital budgets and Medicare ACO trends, but the impact of those decisions is not included in this analysis. The objective of this analysis is to specifically isolate the impact of commercial rate review decisions relative to the TCOC. Figures 2 and 3 provide an illustration of the proportion of lives included in the TCOC that are covered under plans regulated by the GMCB through rate review.

Figure 3: TCOC Population Distribution by Market Segment (2018)

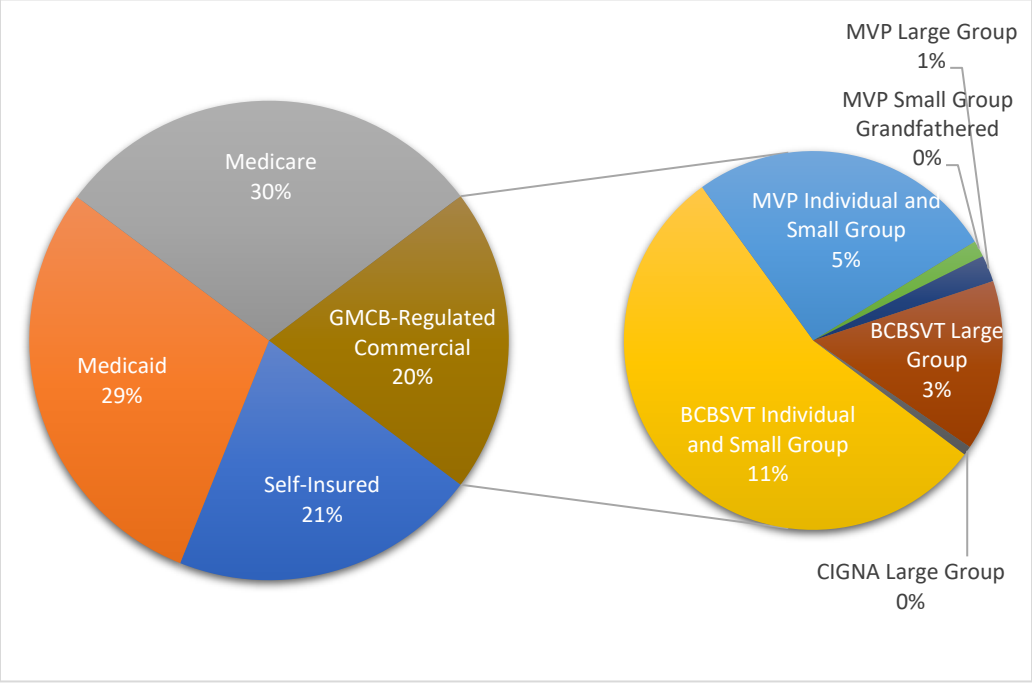

Figure 4: 2018-2019 TCOC Growth shows the model's estimated impact of GMCB rate filing decisions on growth in TCOC. The model predicts an annual TCOC growth of approximately $117 million based on the Board's commercial rate orders. Medicare and Medicaid growth account for $54.6 million or 46.6% of the increase. The commercial health insurance market accounts for the remaining $62.6 million or 53.4% of TCOC growth; nearly half of that is a result of projected growth in self-insured plans not regulated by the GMCB. *The percent impact of GMCB rate review on TCOC growth for regulated plans (i.e., individual/small group and large group) is 27.7% and the percent impact of self-insured, Medicaid, and Medicare is 72.3%.*

The model uses medical trends from the commercial rate filings, and medical claims growth rate assumptions based on VHCURES data (for Medicare, Medicaid, and self-insured plans), to estimate TCOC growth. The model then estimates the percentage that each insurance product or payer impacts that growth.

Figure 4: 2018-2019 TCOC Growth

	Total Lives	Attributed Lives	2018 PMPM	Medical Trend	Other Trend Impacts	2019 PMPM	Annual $ Change (In Millions)	% Impact
BCBS Health Connect Lives	52,591	18,250	$499.02	3.65%	3.09%	$533.23	$21.6	18.4%
Place Holder BCBS Associations	0	0	$0.00	0.00%	0.00%	$0.00	$0.0	0.0%
MVP Health Connect	25,223	0	$377.25	3.68%	1.03%	$395.16	$5.4	4.6%
MVP SG GF	1,338	0	$419.58	2.90%	0.00%	$431.74	$0.2	0.2%
MVP Large GP	2,182	0	$431.83	2.59%	0.00%	$443.01	$0.3	0.3%
BCBSVT Large GP	14,016	0	$474.69	5.90%	0.00%	$502.70	$4.7	4.0%
CIGNA Large GP	730	0	$455.68	6.80%	0.00%	$486.66	$0.3	0.2%
Self Insured	97,151	9,962	$468.35	5.51%	0.00%	$494.16	$30.1	25.7%
Sub total Commercial Mkt	193,231	28,212	$464.47	4.76%	1.00%	$491.45	$62.6	53.4%
Medicaid	136,407	42,342	$221.45	0.50%	0.00%	$222.56	$1.8	1.5%
Medicare	137,985	39,702	$838.16	3.80%	0.00%	$870.01	$52.7	45.0%
Total	467,623	110,256	$503.85	3.74%	0.39%	$524.72	$117.1	100.0%

Next, the model calculates the impact on TCOC growth based on the difference between the carriers' medical trend assumptions and the Board's medical trend assumptions.

The relatively small cost-growth in market segments subject to GMCB regulation is reflected in *Figure 5: TCOC Impact Analysis of GMCB Rate Decisions*, which shows the impact of the Board-ordered rate reductions.

Based on the model, *the reductions ordered by the Board in the individual and small group market reduce TCOC growth by $1.1 million out of a projected total increase of $117 million for all Vermonters.* While insurance rate reductions result in premium reductions for Vermonters in the individual, small and large group markets, the overall impact on TCOC growth is limited because most of the covered lives and health care spending is for the populations covered by Medicare, Medicaid, or self-insured employers. ***Assuming that claims spending does not exceed the trend ordered by the Board, the model estimates that GMCB rate filing decisions, for all lives, decreases TCOC growth by 0.04% ($1.1 million) and has an immaterial impact on the overall TCOC growth rate.***

Figure 5: TCOC Impact Analysis of GMCB Rate Decisions

Impact Analysis assuming GMCB rate filing decisions impact all lives

	Change				
	Medical Trend	Other Adjustment	Total	2019 PMPM	Annual $ Change (Millions)
BCBS Health Connect Lives	0.00%	-0.23%	-0.22%	-$1.18	-$0.7
Place Holder BCBS Associations	0.00%	0.00%	0.00%	$0.00	$0.0
MVP Health Connect	0.00%	-0.33%	-0.33%	-$1.29	-$0.4
MVP SG GF	0.00%	0.00%	0.00%	$0.00	$0.0
MVP Large GP	0.00%	0.00%	0.00%	$0.00	$0.0
BCBSVT Large GP	0.00%	0.00%	0.00%	$0.00	$0.0
CIGNA Large GP	0.00%	0.00%	0.00%	$0.00	$0.0
Self Insured*	0.00%	0.00%	0.00%	$0.00	$0.0
Sub total Commercial Market	0.00%	-0.10%	-0.10%	-$0.49	-$1.1
Medicaid	0.00%	0.00%	0.00%	$0.00	$0.0
Medicare	0.00%	0.00%	0.00%	$0.00	$0.0
Total	0.00%	-0.04%	-0.04%	-$0.20	-$1.1

Notes:

The impact analysis assuming GMCB rate decisions impact cost of care on all lives should be used for reporting only. Trend and other cost of care reductions made to filed rates may not actually lower cost of care and may only impact insurance carrier financials.

Key Findings:

Assuming that claims spending does not exceed the trend ordered by the Board, the model estimates that GMCB rate filing decisions, for all lives, decreases TCOC growth by 0.04% ($1.1 million) and has an immaterial impact on the overall TCOC growth rate. Reviewing medical trend rates should not be considered a meaningful lever for reducing TCOC growth. However, the rate review program's emphasis on increasing spending on programs that improve population health and its relationship to the benchmarks set between commercial insurers and Accountable Care Organizations may create effects on the delivery system that are not quantified in this analysis.

Rate review is an essential regulatory tool for evaluating whether proposed rates are "excessive, inadequate or unfairly discriminatory," and to ensure that rates "are affordable, promote quality care and access to health care, protect insurer solvency, and are not unjust, unfair, inequitable, misleading or contrary to [State] law."[2] This analysis was performed as an ad-hoc task under the Board's contract with Berry Dunn to evaluate the rate review program through the Cycle IV grant. The "Cycle IV Rate Review Grant Evaluation," which will be completed in December, provides an analysis and summary statistics of the rate review program.

The question was posed, *what impacts do commercial health insurance rate review decisions have on TCOC growth?* This analysis is an attempt to answer that question and concludes that adjusting medical trend in rate filings is not an effective lever for reducing TCOC growth; however, rate review is an important tool for overseeing insurer rate development, influencing insurer priorities, and protecting consumers. This analysis is also part of the Board's efforts to better understand the impact of regulatory decisions across the health care system.

Limitations and Next Steps:

Limitations with this analysis include:

- This model is intended to calculate a rough estimate. The numbers are directional and are not intended to be precise. This is not intended to be a decision-making tool.
- The model is based upon medical claims only and excludes pharmacy, dental and vision claims. The model uses medical trend as a proxy for spending included in the TCOC calculation. This is as consistent as possible with the TCOC calculation for simplicity but is not intended to be precise.
- The impact analysis, with its assumption that GMCB rate decisions impact cost of care on all lives, should be used for illustrative purposes only. Trend and other cost of care reductions made to filed rates may not actually lower cost of care and may only impact insurance carrier financials.
- Caution should be used when using the "other adjustment." Carriers will include claims adjustments, such as a morbidity adjustment, in their rate filings. If these adjustments are agreed to because of anticipated population changes, ACO targets are assumed to be adjusted accordingly. Only reductions in such adjustments made by the GMCB are applicable to this model.

[2] Vt. Stat. Ann. tit. 8 §§ 4512(b); 4062(a)(2); GMCB Rule 2.000 (Rate Review) § 2.301(b).

- VHCURES includes only a subset of the self-insured population; however, VHCURES is the source for calculating the all-payer Total Cost of Care, so it is appropriate to use this subset of the population in the model calculations.
- The 2019 growth trend for Medicaid does not reflect the Governor's recommendations for the state fiscal year 2020 budget, which were not available at this time.
- Further research is needed on Medicare and Medicaid growth rates. 2019 growth trend for Medicare uses 3.8% based on federal projections. Growth trends are based on our best estimates and could be volatile.
- Population shifts were not accounted for. The reintroduction of Association Health Plans could move people from small group to large group plans; MVP picked up lives in 2018 and it is unclear what will happen in 2019.

Looking ahead, the Board could consider additional analyses to confirm the assumptions built into this analysis. The Board could also update the model as we get more information to understand how the assumptions play out. Finally, the Board should continue to explore the relationships between other Board-regulated processes and TCOC, such as hospital and ACO budget review and Medicare ACO trend development.