HEALTHpact

National Governors Association Center for Best Practices
State Defined Benefit Package Workshop
March 27-28, 2008

Matt Stark
Principal Policy Associate

OFFICE OF THE
HEALTH INSURANCE COMMISSIONER
STATE OF RHODE ISLAND
Overview

• OHIC
• Governor’s Agenda
• HEALTHpact
OHIC

- Office created in 2004 in response to BC scandals
  - Department of Business Regulation continues to regulate other lines of insurance; shares staff with OHIC
  - Health Insurance Commissioner as a cabinet position
  - Expanded role beyond traditional regulation, adding policy
    - Ensuring solvency
    - Protecting consumers
    - Encouraging fair treatment of providers
    - Improving the system: access, outcomes, quality, efficiency
Governor’s healthcare agenda

- Coordinate administration’s agenda
- Commissioner as chair of cabinet level Directors’ Healthcare Group
- HHS, DOH, DOA, DLT, EDC at the table
- Set agenda, objectives and measurable goals
Governor’s healthcare agenda

- **Wellness**
  - First well state, tobacco taxes, healthy vending
- **Balanced Healthcare Delivery**
  - CSI, community hospital task force, CON
- **Health Information Technology**
  - Pilot HIE underway, RHIO designated
- **Smart State Purchasing**
  - State employee savings, wellness, chronic care, Rx
- **Affordable Health Insurance**
  - HEALTHpact, Section 125, Merger Task Force
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Business Survey*: Hardest for Small Business

- Coverage offer is a competitive advantage
- Annual premium increases push cost shifting or dropping coverage
  - 1999 to 2005 employers covering full premium from 61% to 38%
  - 1999 to 2005, offer rate from 91% to 84%
- Small businesses pay 10% more than large for similar plans
- Employer-based financing and benefit design insulates users from costs of care

*In 2005, the state contracted with JSI Research and Training Institute to conduct survey
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GOAL
• A lower premium, lower deductible option that creates financial incentives for healthier choices and reduce medical costs

CONCEPT
• Use state leverage to negotiate for small employers: “as a condition of doing business in Rhode Island, carriers shall…”

EXPECTATIONS
• Slow the erosion of small group offer rate.
• Not cheap enough for an uninsured group.
• It will target small employers currently offering, but are considering dropping coverage or are facing high deductibles.
### HEALTHpact

<table>
<thead>
<tr>
<th>SMALL</th>
<th>NONAFA</th>
<th>BLUESOLUTIONS FOR HRA</th>
<th>$2,000/$4,000</th>
<th>80/60</th>
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<td>HEALTHMATE C2C HDHP Total</td>
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<td>340</td>
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<td>HMC2C COINSURANCE OPTIONS</td>
<td>$1,000/$2,000</td>
<td>100/80</td>
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<td>2,468</td>
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<td>80/80</td>
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<td>181</td>
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<td>4,535</td>
<td>617</td>
<td>5,152</td>
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<td>NONAFA Total</td>
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<td>5,812</td>
<td>797</td>
<td>6,609</td>
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<tr>
<td>SMALL Total</td>
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<td></td>
<td>5,812</td>
<td>797</td>
<td>6,609</td>
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</table>

Total Small Group Enrollment: 87,468 with 6.0% with 0.9% (7.6%) of BCBSRI small group plans are “high deductible” (June 2007)
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Components of the legislation – passed summer 2006

• Average individual premium capped at 10% of average wages in RI
• Plan designs must contain “Affordability Principles”
  – Emphasis on primary care prevention and wellness
  – Use of least cost, most effective setting
  – Use of evidence-based medicine
  – Active management of the chronically ill
• OHIC to convene advisory council to develop ‘RFP’ for insurers in small group and individual markets
• Product design and rate approval authority for OHIC
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Wellness Advisory Committee – convened fall 2006

• Staffed by Boston Benefits Partners and OHIC

• Small employers, employer groups, brokers, direct payers, unions
  – Insurers were present, but not “voting” members

• Educational process for many – coverage is expensive and medical costs are the main driver

• Wanted more skin in the game for enrollees

• Wanted accountability for unhealthy choices
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• “RFP” to BC and United – winter 2006
  – Average individual premium
  – Two tiered cost sharing
  – Tiered network requirements
  – Marketing requirements
• Plans and rates approved May 2007
• Effective October 2007
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- Alternative to high premiums, high deductibles or reduced coverage
- Comprehensive coverage that promotes health and wellness
## II. Why Choose HEALTHpact?

<table>
<thead>
<tr>
<th></th>
<th>HEALTHpact Advantage Level</th>
<th>United most comparable</th>
<th>Blue Cross most comparable</th>
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<tbody>
<tr>
<td>Avg. individual premium*</td>
<td>$310 United $321 BCBSRI</td>
<td>$374</td>
<td>$383</td>
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<tr>
<td>Deductible</td>
<td>$750</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Co-insurance**</td>
<td>10% up to $2,000</td>
<td>N/A</td>
<td>20% up to $3,000</td>
</tr>
<tr>
<td>Primary care/ specialist copay</td>
<td>$10/$50</td>
<td>$20/$20</td>
<td>$15/$25</td>
</tr>
<tr>
<td>Rx copay</td>
<td>$10/40/75</td>
<td>$10/30/50</td>
<td>$7/30/50</td>
</tr>
</tbody>
</table>

* Actual employer group premiums are dependant on small group rating factors. $322 and $310 are average individual premiums. Most comparable average rates are based on 10/7 enrollment.

** Coinsurance does not include deductibles or copays.
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– Where did the premium savings come from?

• Cost sharing mix
• Selection of primary care physician
• Completion of Health risk assessment
• Disease/case management requirements
• Tobacco cessation/weight loss? Not as much.
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- Employer case studies are in production
  - Breezy Knoll Child Care Center (13 employees)
    - existing coverage: $48,000 annual premium
    - Renewal of same coverage: $61,000
    - Renewing with United’s HEALTHpact plan: $42,000
    - Offered Pledge Plan as dual option – all employees took it up (owner did not)
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• How it works
  – Financial incentives for healthier choices and lower costs (advantage and basic)
  – Primary care, wellness and disease management take costs out
  – No penalty for preexisting condition
# Advantage and Basic Levels

<table>
<thead>
<tr>
<th></th>
<th>Advantage</th>
<th>Basic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductible (individual/family)</td>
<td>$750/$1,500</td>
<td>$5000/$10,000</td>
</tr>
<tr>
<td>Co-insurance</td>
<td>10% up to $2,000/$4,000</td>
<td>20-30% up to $5,000/$10,000</td>
</tr>
<tr>
<td>Primary care/ specialist copay</td>
<td>$10/$50</td>
<td>$30/$60</td>
</tr>
<tr>
<td>Rx copay</td>
<td>$10/40/75</td>
<td>$10/40/75 after $250/$500 deductible</td>
</tr>
</tbody>
</table>
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• 5 HEALTHpact Principles
  – Choose your doctor
  – Check up on your health
  – Maintain a healthy weight or take steps
  – Remain a non smoker or take steps
  – Cooperate with disease management
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• Year 1 Advantage Level Requirements
  – Complete the enrollment paperwork, and you are in advantage for a year.
    • Select primary care doc and make the pledge
    • Complete a Health Risk Assessment
  – Health status has no bearing on advantage level cost sharing
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• Year 2 Advantage Level Requirements
  – Get a checkup by 6th month of 1st year
  – Submit PCP checklist and Participation commitment form by 8th month of 1st year
  – Year 1 participation in disease/case management if it was applicable
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• Some key points
  – Average individual rate is not what every employer will see. RI uses adjusted community rating: age, gender, family size, health status with 4:1 compression
  – Employer group rate is not based on Advantage or Basic status
  – Preexisting conditions have NO bearing on Advantage level savings
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• Some key points continued
  – HEALTHpact can be paired up with other plans – “dual options” are available
  – Capped enrollment at 5,000 lives/insurer
  – Allowed employers to enroll any month regardless of annual renewal
  – Education and outreach are crucial
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- Education/outreach (no state budget)
  - Targeted advertising and promotion by BC and United at rollout
  - Earned media coverage in radio, TV, print and web
  - Over 25 seminars with employer and broker groups reaching over 850 attendees
  - [www.healthpactplan.com](http://www.healthpactplan.com) website launched with HTML newsletter.
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- Challenges – setting expectations
  - BC used a primary care gatekeeper
  - Both United and BC used local network only
  - Fear of getting “kicked” into basic w/ preexisting condition (fear of HRA)
  - Not a convenient plan – extra work for brokers and enrollees (no broker incentive)
  - Dual options were very limited with BC
  - Co-insurance
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• Update
  – 500 enrollees across 130 employer groups (18 in BASIC)
  – BC has expanded dual option offerings as of January 2008
  – BC changed BASIC policy as of January 2008
  – Rate/product approval on deck for Oct 2008
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• Update (continued)
  – Network proposals on deck for Jan 2009
  – 2 HEALTHpact review proposals pending
    • Brown
    • University of Michigan
  – Interest from VT and NH
  – Eye on MI Healthy Blue Living