

National Conference of State Legislatures

Health Costs Convening
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Georgetown University Center on Health Insurance Reforms (CHIR)

Nationally recognized team of private insurance experts

- Part of McCourt School of Public Policy
- Legal & policy analysis
 - Federal and state regulation
 - Market trends
- Published reports, studies, blog posts
- Technical assistance

Health Insurance Affordability: Unsustainable Trends

- Health insurance premiums are rising faster than inflation and earnings
- Average family premiums over \$22,000 in 2022
 - 60% of covered workers have a deductible of \$1000 or more
- Four in 10 adults report they or a family member put off or postponed needed health care due to cost.

Why?

RESEARCH ARTICLE

COSTS & SPENDING

HEALTH AFFAIRS > VOL. 38, NO. 1: SUBSTANCE USE, PAYMENT & MORE

It's Still The Prices, Stupid: Why The US Spends So Much On Health Care, And A Tribute To Uwe Reinhardt

Gerard F. Anderson, Peter Hussey, and Varduhi Petrosyan

Health Insurance Affordability: What Can States Do?

- Market-based approaches
 - Anti-trust
 - Purchaser strategies*
 - Transparency*
- Regulatory approaches
 - Price regulation*
 - “Enhanced” rate review*
 - Public option*

Health Insurance Affordability: State Policy Levers

- State Employee Health Plans
 - Often largest commercial purchaser in the state
 - Can act as stimulus for broader system changes
- State Departments of Insurance
 - Review proposed premium rates
 - Enforce federal and state insurance laws
- State-based Marketplaces
 - Can act as “active purchasers”
 - Mechanism to access premium/cost-sharing subsidies

State Employee Health Plans (SEHPs)

Health Insurance Affordability: State Employee Health Plans

- Georgetown survey of state employee health plans, with a focus on cost containment initiatives
 - Supported by the Arnold Foundation
- 2020 survey received 47 responses
- 2022 survey received 50 responses
- During COVID – utilization low, budgets flush
 - Little pressure to restrain cost growth
- But: many SEHPs are bracing for premium jumps for 2024

Single Highest Cost Driver Identified by Number of States

Cost Driver	2020	2022
Prices of prescription drugs	20	21
Prices of hospital services	22	20
Prices of physician or other ambulatory services	1	4
Excessive or inappropriate utilization	1	2
Other	1	1

45 states responded to this question in 2020
48 states responded to this question in 2022

Share of States Targeting Each Cost Driver

Cost Driver	2020	2022
Prices of prescription drugs	83%	78%
Excessive or inappropriate utilization	67%	58%
Prices of hospital services	57%	48%
Prices of physician or other ambulatory services	46%	32%

46 states answered question in 2020
 48 states answered the question in 2022
 States could select multiple answers

Top 10 Cost Containment Initiatives Implemented Over Last 5 Years

1. Disease management – 40 states
2. Case management – 38 states
3. Prior authorization – 34 states
4. Auditing of claims – 31 states
5. Center of Excellence programs – 27 states
6. Price transparency initiatives – 23 states
7. Value-based insurance design – 21 states
8. Primary care-based initiatives – 20 states
9. Risk-based contracts with health care providers – 19 states
10. Procurement strategies – 18 states

Key Definitions

Center of Excellence programs: When health plans incentivize the use of integrated medical systems that have demonstrated their ability to deliver superior patient outcomes at a lower cost for different groups of conditions

Value-based insurance design: Benefit design that provides incentives for policyholders to seek high-value, cost-effective services (i.e., primary care, generic drugs) through lower cost-sharing.

Risk-based contracting: Financial arrangements between insurers and providers in which providers take on financial risk through either rewards or penalties associated with lower costs, patient health outcomes, or performance on quality measures

Number of States Engaged in Provider Pricing and Network Negotiation Strategies

	2020	2022
Cost Containment Initiative	Number of States	Number of States
Centers of excellence	23	28
Tiered provider networks	9	14
Pegging provider payment to a reference price	5	9
Primary care-based initiatives	19	23
Narrow provider networks	12	16
Risk-based contracts with health care providers	18	19
Direct negotiation or contracting with providers	14	15

Share of States Identifying Barriers to Implementing Cost Containment Initiatives

Barrier	2020	2022
Resistance from stakeholders	59%	50%
Legislative mandates or requirements	48%	42%
Limited evidence of return on investment	41%	38%
Governance structure	35%	34%
Procurement policies and requirements	33%	22%
Terms of collective bargaining agreement	22%	26%

47 states responded to this question in 2020
 46 states responded to this question in 2022
 States could select multiple answers

The Role of Third-party Administrators in Cost Containment

- Most SEHPs (43) have access to claims data
 - 34 say they have analyzed data on claims and provider rates and use them to assess cost drivers
- In state RFPs for TPA vendors:
 - Most SEHPs (28) do not include new cost containment targets
 - 21 states do include new targets
- In current TPA contracts:
 - 32 states have accountability mechanisms for failure to meet specified cost containment goals

What's a TPA?

Third-party administrators (TPAs) handle claims processing and other administrative functions for self-funded employer plans. They also often design and manage provider networks for such plans. They do not bear any financial risk for covering medical claims.

The Use of Data to Inform Cost Containment

- 32 SEHPs have not attempted to access or analyze insurer data
 - 10 states lack the staff capacity to analyze insurer data, 6 think the benefit of undertaking an analysis is unclear, 6 found the data to be unusable
 - 7 states plan to use insurer price transparency data in contract negotiations with TPAs
 - 16 states have had conversations with their TPAs about making price data more accessible
- 29 SEHPs have not attempted to access or analyze hospital price data
 - Of the states that have attempted, only 1 has plans to have it inform cost containment initiatives or contract negotiations
 - 11 states said lack of capacity for data analysis is the reason for not attempting to access or analyze the data
- 9 states are using a hospital cost tool

As of July 1, 2022 federal rules require hospitals and health plans to post data on their negotiated rates for in-network providers and allowed amounts for out-of-network providers.

Documented Cost Savings

- 15 states report documented cost savings from their cost containment initiatives including:

Benefit Design

- Value based care program
- Right to shop
- Well-being program
- PCMH in primary care

Provider Pricing and Network Negotiation

- Tiered provider network
- Narrow provider network
- Site-neutral pricing
- On-site clinic
- Mandated use of centers of excellence
- Targeted provider pricing strategy

Utilization Management

- Disease management initiatives
- Prior authorization
- Case management
- Lab management program
- Academic detailing
- Physician administered specialty drug management

Other

- New RFP with medical and PBM Vendors
- Manufacturer assistance for prescription drugs
- Price transparency
- PBM initiatives
- Site of care program
- Auditing of claims
- Premium cap

Expanded and Discontinued Cost Containment Initiatives Due to ROI

Expanded

- Wellness
- Disease management
- On-site clinic
- Transparency
- PBM initiatives
- Site-neutral pricing
- Patient-centered medical home

Discontinued

- Wellness (5 states)
- Site of service cost share differentials for high cost radiology
- Digital diabetes prevention program
- Capitated primary care provider network
- 2nd surgical opinion
- On-site clinic

Promising Strategies

- Reference pricing
 - 9 SEHPs use reference pricing (up from 5 in 2020 survey)
 - Significant savings reported
 - Easy to administer
- Tiered networks
 - 14 SEHPs offer tiered networks (up from 9 in 2020)
 - Lower cost than traditional PPO networks
 - Less employee pushback than narrow network option
- Multi-payer initiatives
 - 3 SEHPs collaborate w/ other government purchaser (ie Medicaid)
 - 2 collaborate with other employers
 - Administrative challenges, but significant rewards

State Departments of Insurance (DOIs)

Rate Review

- “Traditional” rate review: are proposed rates
 - Adequate?
 - Not excessive?
 - Not discriminatory?
- Individual market
 - 43 states have prior approval authority
- Small-group market
 - 38 states have prior approval authority
- Large-group market
 - 12 states have prior approval authority
 - 13 states have prior approval authority over HMOs only
 - 7 states have prior approval authority over BCBS only

“Enhanced” Rate Review

- Empowering DOIs to:
 - Assess what issuers are paying for services at particular hospitals, physicians, Rx
 - Limit excessive, unreasonable provider price increases
- Rhode Island “Affordability” standard
 - Caps hospital rate increases
 - Requires implementation of quality incentives
 - Requires increase in primary care spend
 - ROI: 8.1% decrease in spending, with no decline in utilization
- Colorado Option (CO) plans
 - Sets premium reduction targets for CO plans
 - DOI can impose lower hospital rates to achieve premium targets
 - ROI: 2024 requested rates 30% lower than non-CO plans

Transparency: DOI Enforcement

- Transparency in Coverage & CAA '21 requirements
 - Plans and issuers must publicly post negotiated prices and allowed amounts for all health care goods and services
 - Gag clauses banned in provider-payer contracts
- Compliance & Enforcement
 - DOIs can enforce for state regulated individual, group issuers
 - Federal government enforces for self-funded plans
 - Collaborative enforcement agreements with CMS
 - Issuer compliance mixed
 - Data files challenging to access, use

Transparency: DOI Enforcement

- Options for DOIs include:
 - Market scanning: Provider-specific price data helps identify outliers, possible anti-trust issues
 - Support state-level cost initiatives: Data can inform implementation, oversight of cost-growth benchmarks, public option, reference pricing
 - Anti-trust enforcement: independent source of data for anti-trust regulators
 - Purchasing alliances: data could help employers directly negotiating with providers
 - Balance billing dispute resolution: data can inform payments for OON services
 - Rate review

State-Based Marketplaces (SBMs)

Affordability in the Health Insurance Marketplaces

- Federal-level policy
 - Benefit design
 - Enhanced premium tax credits through '25
 - 50% reduction in average premiums (~\$67 PMPM)
 - Marketplace enrollment at all time high (16.4M)
- State-level policies
 - Reinsurance (15 states)
 - State-level premium/cost-sharing subsidies (10 states)
 - Benefit design (10 states)
 - Basic Health Program (3 states)
 - Public option (3 states)

Key terms

Reinsurance: a program to reduce premium increases by offsetting some costs borne by insurers of covering enrollees with high medical expenses

Basic Health Program: a state-run program authorized under the ACA to provide coverage to people up to 200% of the federal poverty level.

Resources: Health Insurance Affordability

State employee health plans

<https://sehpcostcontainment.chir.georgetown.edu/>

Departments of Insurance

Rate review: <https://georgetown.app.box.com/v/looking-under-the-hood>

Transparency:

<https://www.healthaffairs.org/content/forefront/health-plan-price-transparency-data-files-mess-states-can-help-make-them-better>

State-based Marketplaces

<https://www.commonwealthfund.org/publications/maps-and-interactives/2021/oct/what-your-state-doing-affect-access-adequate-health>

Questions?

CHIR Publications

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