

Rhode Island Business Group on Health



Promoting a better
Healthcare delivery system
for all Rhode Islanders

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Christopher Koller
Rhode Island Health Insurance Commissioner
Office of the Health Insurance Commissioner
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02920

RE: Proposed Rate Factors Filed by Major Commercial Health Insurers Operating in Rhode Island

Dear Commissioner Koller:

On behalf of the Rhode Island Business Group on Health (RIBGH), a coalition of over 75 small and large employers in Rhode Island, we are providing you with our perspective on the proposed rate factors filed by Blue Cross and Blue Shield of Rhode Island (“BCBSRI”), United Healthcare of New England (“UHCNE”), and Tufts Health Plan (“Tufts”) to be used to calculate their health insurance premium rates for small groups effective May 2010 and for large groups effective July 2010.

With little change expected in the economic situation in Rhode Island for 2010, small and large firms alike are continuing to struggle to survive and sustain their businesses. The cost of providing health insurance to their employees is one of their top business expenses. The continuing trend of double digit increases in premium rates cannot be sustained by businesses that are strained to provide increasingly unaffordable health insurance to their employees. We believe the commercial insurers should share in the responsibility of preserving and stabilizing existing employer-based health insurance coverage in RI.

What we are experiencing in RI is a disturbing but recognizable business trend in the health insurance market. As rates continue to rise, fewer employers, especially among smaller firms, are able to afford the coverage. Since most employees share in the cost of coverage, individual uptake/participation, even in companies that maintain the benefit, continues to erode. Ultimately, the pool of the insured is becoming subject to adverse selection, sustaining what will become an irreversible cost spiral. To this point the insurers have sought to spread their administrative costs and profit goals onto a declining customer base rather than re-engineering their processes to achieve the efficiency needed to maintain market share. In that, they have clearly become part of the problem.

RIBGH recognizes and acknowledges that the 8-9% medical cost inflation trend for 2010 would necessitate some level of premium increase by the insurers to cover claims costs. We now realize that a portion of this increase represents a cost shift from public payers onto the private corporate market. RIBGH believes that the requested premium funding for administrative expenses and for reserves is unreasonable given current economic conditions in Rhode Island. There have also been questions among our members about whether they should be required to pay premiums to fund an increase in BCBSRI’s reserve when a sizeable portion of

the depletion of Blue Cross's reserves were a direct result of the company's settlement with the U.S. Attorney in 2008.

As we stated in our opposition to the rate filings in May 2009, RIBGH members have sought to understand, with your assistance along with many of our State's health system experts, the real cost drivers behind premium inflation. We recognize that the OHIC can have only a marginal effect on reducing the state's health care cost trend. More meaningful improvement must involve systemic changes to the delivery system, which at present is designed to maximize reimbursement from payers. While we commend the efforts that are underway by the commercial insurers to promote the use of health information technology and other initiatives focused on system-wide improvements in the State's healthcare system, we urge your office to continue to hold the commercial insurers accountable to take further steps to reduce the growth rate of health care costs and to control their own overhead.

It is the position of RIBGH that employers should only be charged rates that reflect the cost of care to our employees as an aggregate patient population. Correcting the idea that we can continue to absorb the social costs of underfunded public programs and ever increasing uncompensated care must become a policy priority for regulators and lawmakers. We recognize the hospitals ultimately must be reimbursed for all services they provide, but this mechanism is simply inequitable. Allowing it to continue to serve as a solution further complicates the issue of how we should fund healthcare in a manner that is both fair to providers and the insured population.

We appreciate your consideration of these comments. We urge you to work with the health insurance carriers to minimize rate increases given the economy. Continuing to pass on increased costs to employer groups through premium rate increases is no longer sustainable for businesses still facing decreasing revenues and a continuing recession in our state. It is endangering the very model of employer provided coverage on which the insurers' own businesses depend.

Sincerely,

J. Michael Vittoria
President



Linda S. Lulli
Director and Chair of the Legislative Affairs and Public Policy Committee