

Rhode Island Business Group on Health

Promoting a better health care delivery system for all Rhode Islanders through high quality standards and fiscal integrity

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

RE: Proposed Rate Factors Filed by the Major Commercial Health Insurers Operating in RI

Dear Commissioner Koller:

On behalf of the Rhode Island Business Group on Health, a coalition of over 75 small and large employers in Rhode Island, we are notifying you of our opposition to the filings by the major commercial health insurers operating in Rhode Island that reflect rate factors to be used to calculate the health insurance premium rates for small and large groups in 2010. The majority of organizations in Rhode Island are already struggling to survive and sustain their businesses in this economy. Projecting trends that reflect the likelihood of health insurance premium increases in 2010 in the range of 11.6% - 16.3% for large groups and 13.2 – 13.9% for small groups is untenable on the part of United Health Care (“United”) and Blue Cross/Blue Shield of RI (“Blue Cross”). The national trend in the growth in total health benefit costs, as reported by Mercer, Towers Perrin, and Hewitt, is 6.4%

We have summarized below our specific concerns with the rate factors proposed and the impact of the proposed rate increases for businesses in RI.

Projected Cost Trends

We question the need for Blue Cross to more than double its projected portion of premium for reserves and profit – from 1.4% to 3.3% in this economy. Other organizations, including many large non-profits in RI, are having to find ways to reduce expenses to cover the value loss in their endowments/reserves and certainly are not in a position to recoup that loss through increased costs to users of their services. Employers are also not willing to replenish the depletion of Blue Cross’s reserves that were a direct result of their settlement with the U.S. Attorney last year. Why should Blue Cross be allowed to recoup their settlement cost or their investment loss likely incurred in their reserves through a substantial premium increase that large and small groups in RI are not in a position to absorb?

There appears to be no justification for an increase in the projected portion of premium for administrative costs by Blue Cross from 11.5% to 15.1%, which reflects a 32% increase. There is also no reasonable justification for the increase in the composite inflation rate proposed for hospital inpatient services, especially when inpatient services are being reported to have been decreasing over the past year due to factors such as families cutting back on care or are facing serious financial problems. A recent Kaiser Health survey reflected more than half of Americans say their family cut back on medical care in the past 12 months because of cost concerns and local hospitals have publicly reported that inpatient stays have substantially decreased in the past year.

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While the Kaiser Family Foundation and the National Health Expenditure Accounts (NHEA) have reported that national health expenditures for prescription drugs accounts for about 10.1% of total health expenditures, Mercer has reported in their results of their 2008 Health Benefits Survey that prescription drug cost growth is slowing - from 9% in 2007 to 7.8% in 2008 for employer groups with 500 – 4,999 employees, and from 6.3% in 2007 to 5.6% in 2008 for employer groups with 50 – 499 employees. Some of our RIBGH members who are self-insured are reporting projected trends for prescription drug costs in the range of 9 – 10%, while Blue Cross is projected a percentage rate of 10.8% and United has proposed 11.9% - above the reported national and local trends. Given the trend of decrease in the Consumer Price Index and rate of inflation (.7% decrease in the last twelve months), why is Blue Cross proposing an increase from 10.5% to 10.8% when United is reflecting a decrease from 12.5% to 11.9%?

Economic Reality in Rhode Island

RIBGH members are astounded that Blue Cross and United have indicated they are invested in improving the health of their members and reducing the growth rate of their health care costs and yet have filed proposed rate factors that will generate the aforementioned premium rate increases for large and small groups in Rhode Island. With Rhode Island unemployment at an all-time high of 11.1%, many of those same large and small insured groups are struggling to retain workers and keep employees insured. Numerous businesses are cutting back their work weeks or furloughing employees as a way to deal with the economic issues that they are going to continue to face in 2010.

RIBGH members have reported that health insurance is one of the top five expenses their businesses incur. If the cost of health care for employers with coverage through Blue Cross increases by 13.9-16.3% or 11.6 – 13.2% if covered by United, many employers will be forced to either reduce their workforce or the availability of health coverage for their employees, which will only exacerbate the growing number of uninsured in Rhode Island and ultimately the cost of health care overall. Many of our members will not be able to absorb the proposed premium cost increase in the middle of an economic recession.

Isn't it time for Blue Cross and United to reconsider trends and reflect their purported interest in reducing the growth rate of health care costs by recognizing that the current state of the economy in Rhode Island cannot sustain 11.6 – 16.3% health care premium rate increases? RIBGH members are not willing to pay for the cost of Blue Cross's new building and computer system or United's primary care spend requirement.

We appreciate your consideration of our concerns and urge you to oppose the rate factors that have been proposed by Blue Cross and United for 2010. We also would urge that additional public hearings be held so that interested parties can testify and provide their concerns directly.

Sincerely,

J. Michael Vittoria
President

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