

Rhode Island Business Group on Health



Promoting a better
Healthcare delivery system
for all Rhode Islanders

PO Box 1523
Providence, RI 02901-1523
info@ribah.org

September 14, 2009

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 Tufts Health Plan

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 revised rate factors proposed by Tufts Health Plan to be used to calculate their health insurance premium rates for small and large groups effective January 2010.

While RIBGH members continue to have concerns with the economic impact of escalating health insurance premiums as many are struggling to survive and sustain their businesses in this economy, we are aware that there are only a minimum number of employer group accounts with Tufts Health Plan. We also acknowledge that the requested rate increase by Tufts of 8.5% is in line with medical cost inflation and does not provide additional revenue for reserves or profits/surplus. While the national trend in the growth in total health benefit costs, as reported by Mercer, Towers Perrin, and Hewitt, is 6.4%., RIBGH recognizes that as a new entrant into the RI health insurance market, Tufts is foregoing associated startup costs in order to re-file rate factors equivalent to an 8.5% premium increase effective in 2010 to provide a viable health insurance alternative to RI businesses.

Since our founding several years ago, RIBGH members have sought to understand, with assistance from many of our State's health system experts such as yourself, the real cost drivers behind the premium inflation we are all seeing. We have come to realize that by merely reviewing rate requests prospectively, the OHIC can have only a marginal effect on this cost trend. More meaningful improvement must involve systemic changes to the delivery system, which at present is designed to maximize reimbursement from payers. We would therefore encourage your office to work with the payers on developing innovative reimbursement schemes that could encourage development of more efficient models for delivering care. For example, payment schedules could emphasize rewarding providers for the quality of the services they provide and for improved medical management of high-cost patient cases rather than merely the quantity of procedures they perform. Reorganization or consolidation of what is now a fragmented provider system into more integrated networks or "centers of excellence" could achieve economies of scale and improved quality may emerge. We know that through the excellent work of your Health Insurance Advisory Council, meaningful progress toward re-balancing current reimbursement protocols is already underway in the area of primary care.

Another serious concern of the RIBGH membership is the practice of cost shifting by hospitals particularly of reimbursement shortfalls from public programs and other charity care onto the commercial payers and by extension their customers. Cost shifting from the uninsured, Medicare, and Medicaid to private payers is expected to account for nearly one in every four dollars spent by private payers on hospital services in 2009, according to Pricewaterhouse Coopers' Health Research Institute. We recognize that hospitals ultimately must be reimbursed for all services they provide, but this mechanism is simply inequitable. Allowing it to serve as a solution, even in the short term, only 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, and to push for changes in the reimbursement and payment policies with providers and their impact on the cost, content and quality of care. Continuing to pass on increased costs to employer groups through premium rate increases is no longer sustainable for businesses that are struggling to reduce costs in the face of decreasing revenue and a continuing recession.

Sincerely,

J. Michael Vittoria
President



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