RI Health Care Cost Trends Project
2020 Cost Growth Target Performance

April 27, 2022

Presentation Overview

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2. Performance Against the Cost Growth Target
   - State
   - Market
   - Net Cost of Private Health Insurance
   - Insurer
   - ACO and AE

Cost Growth Target Background

Rhode Island's Cost Growth Target

- Established in December 2018 through a compact signed by a coalition of employers, provider organizations, insurers, consumer representatives, and state agencies.
- Supported by former Governor Raimondo's subsequent Executive Order (Feb. 2019).
- An advisory Steering Committee has continued to meet.

Rhode Island's Cost Growth Target

- Set a state per capita annual cost growth target of 3.2% growth for 2019-22.
  - Data were to be calculated and reported from Medicare, Medicaid and all major insurers to assess performance at the state, insurance market, insurer and large provider levels.
- Rhode Island was the third state to establish such a program after MA and DE. Since that time, OR, WA, CT, NV and NJ have followed, and bills are currently pending in CA and MN.
- The target was adopted to focus increased attention and activity on improving health care affordability.

What Is Being Measured Against the Target

Total Medical Expense (TME) + **Net Cost of Private Health Insurance (NCPHI)** = **Total Health Care Expenditures (THCE)**

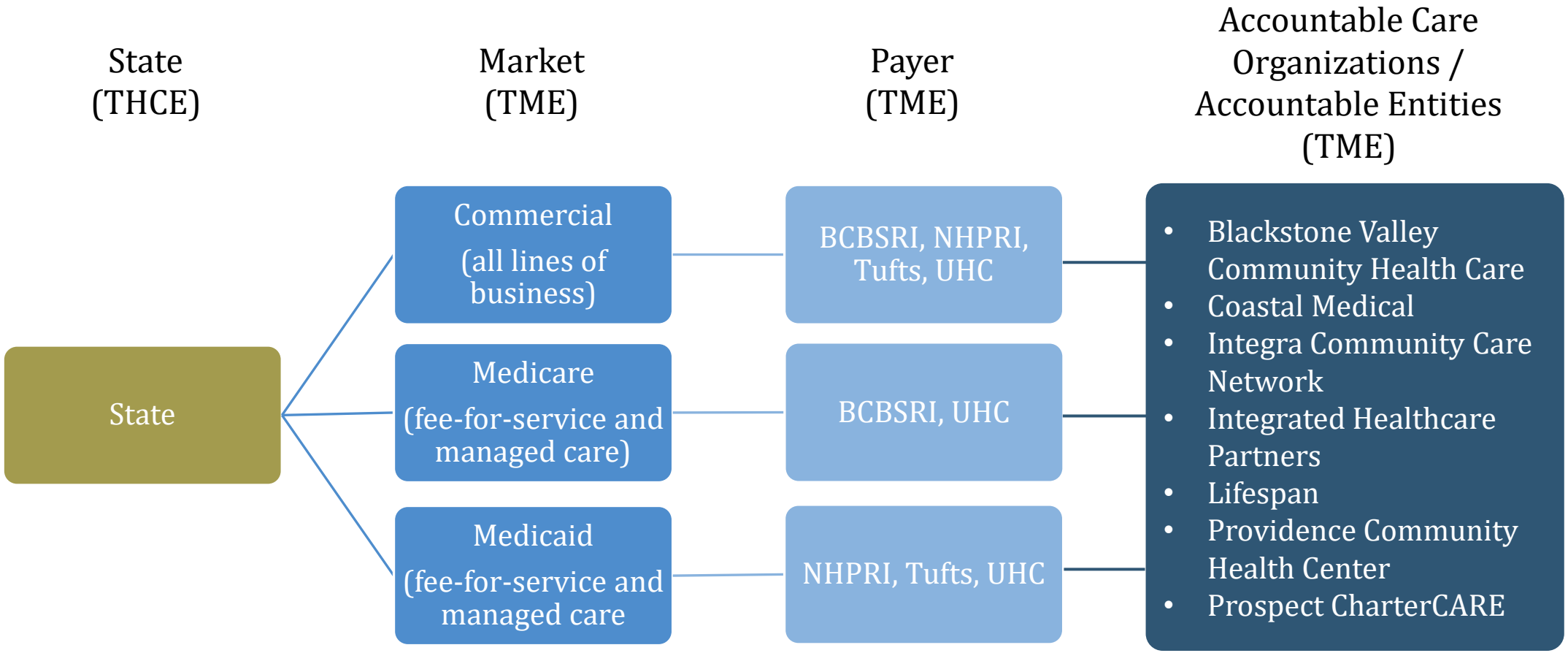
All incurred expenses for RI residents for all health care services, regardless of where the care was delivered and regardless of the situs of the member's plan.

The **costs to RI residents associated with the administration of private health insurance.**

Data Sources for Calculating THCE

THCE Component	Data Source
Commercial spending	TME reported by insurers
Medicare managed care spending	TME reported by insurers
Medicare FFS spending	Centers for Medicare & Medicaid Services
Medicaid managed care spending	TME reported by insurers
Medicaid FFS spending	TME reported by EOHHS
NCPHI	Calculated from regulatory reports submitted by insurers or obtained through public sources

Four Levels of Performance Measurement Against the Target



Methodology Changes this Year

Based on the Steering Committee's recommendations last year, OHIC implemented three new methodologies to strengthen target performance assessment:

1. truncation of high-cost outlier spending;
2. adjustment of spending using standard age-sex risk factors, and
3. statistical testing to assess insurers' and ACOs/AEs' performance against the cost growth target.

Since the Steering Committee adopted these changes, several other states have also done so. This was RI's first time applying them.

Important Notes About the Results

Performance results are not comparable to results from analysis of All-Payer Claims Database (APCD) data because of differences in inclusion or exclusion of:

- non-claims payments;
- spending on the self-insured population, and
- pharmacy rebates.

These performance results are also not comparable to other publicly available measurements of health spending for similar reasons.

COVID-19 Pandemic Spending

The 2020 reporting year was unique because of aberrant health care utilization and spending due to the global COVID-19 pandemic.

- For example, telehealth visits skyrocketed nationally. In Rhode Island, EOHHS and OHIC required plans to pay for telehealth visits for certain service codes with no cost-sharing requirements. They also mandated the equivalency of payment between telehealth and office visits.
- Even with the dramatic increase in telehealth visits, there were significant reductions in health care service utilization due to the postponement of elective procedures and patient reluctance to access care.

Additionally, there was significant spending during the 2020 performance year that could not be captured in the Cost Trends data collection.

- A *Health Affairs* paper reported that US health care spending increased 9.7% in 2020. This was largely influenced by a 36% increase in federal health care expenditures in response to COVID-19, much of which OHIC could not incorporate into this analysis.

M. Hartman et. al., "National Health Care Spending in 2020: Growth Driven By Federal Spending In Response to the COVID-19 Pandemic," *Health Affairs,* Vol 41, No 1, December 15, 2021.

Rhode Island Providers Received at Least $580 Million in COVID Funds

Funding Source	Data Source	Payments
Title VIII CARES Act (as amended by HR 266) The Provider Relief Fund	HHS Provider Relief Fund	$463,358,463
	Provider Relief Fund COVID-19 High-Impact Payments	$91,137,299
	Payments for Treating Uninsured	$6,765,058
	Subtotal	**$561,260,820**
Title VIII CARES Act for other services	Ryan White HIV/AIDS Program	$421,781
	Telehealth and Rural Critical Access Hospital Awards	$0
	Total	$421,781
Title VIII Cares Act for behavioral health services	SAMHSA	$6,800,000
	Subtotal	**$6,800,000**
Section 3211 CARES Act for Supplemental Funding for Community Health Centers	FY2020 Coronavirus (COVID-19) Awards, Coronavirus Preparedness and Response Supplemental Funding	$539,250
	FY2020 CARES Supplemental Funding Awards, Coronavirus Aid, Relief, and Economic Security Act Supplemental Funding	$7,252,705
	FY2020 Expanding Capacity for Coronavirus Testing Awards	$3,658,712
	FY 2020 Health Center Program Look-Alikes: Expanding Capacity for Coronavirus Testing (LAL ECT) Awards	$0
	FY 2019 Health Center Controlled Networks COVID-19 Awards	$0
	Subtotal	**$11,450,667**
	Grand Total	**$579,933,268**

Data are as of July 6, 2021. Spending identified cannot all be attributed to 2020 due to how the Department of Health and Human Services tracks payments.

EOHHS Reported Disbursing Nearly $275 Million in COVID-Related Payments in 2020

EOHHS separately reported nearly $275 million in COVID-19 payments disbursed in 2020. Unfortunately, it is not possible to determine to what extent there is overlap between EOHHS and HHS reported payments.

Program	Payments
CARES Act Payments to Providers	$34,659,805
Workforce Stabilization Loan Program	$14,519,279
DCYF COVID Intake Centers	$464,235
Hospital Assistance Partnership Program	$220,364,087
Total	**$274,485,646**

Data reported by EOHHS.

Performance Against the Cost Growth Target

Cost Trends in Prior Years

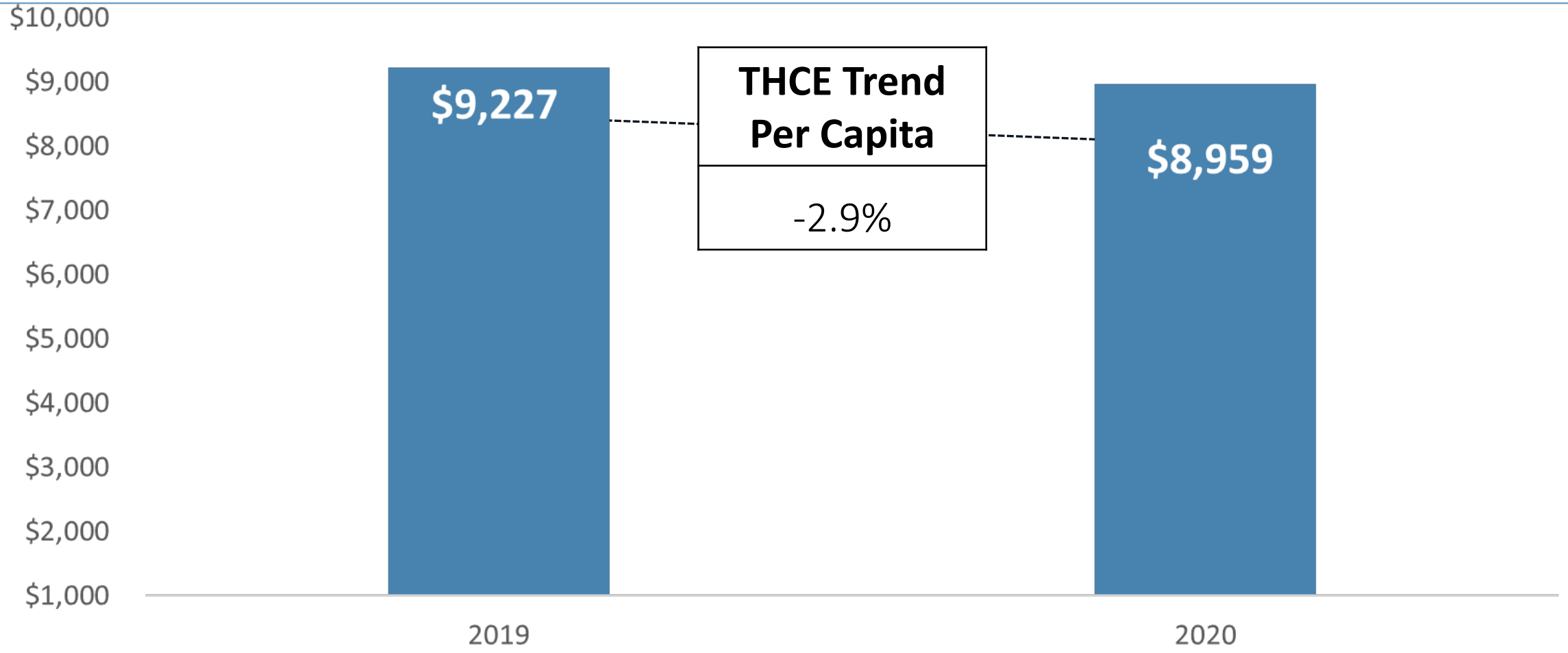
2020 marked the third year of measuring per capita cost growth since the Cost Trends Project began.

- 2018 baseline spending: 4.4%
- 2019 spending: 4.1%

Spending exceeded the 3.2% in the year prior to the target's effective date, and again in the first year of the target.

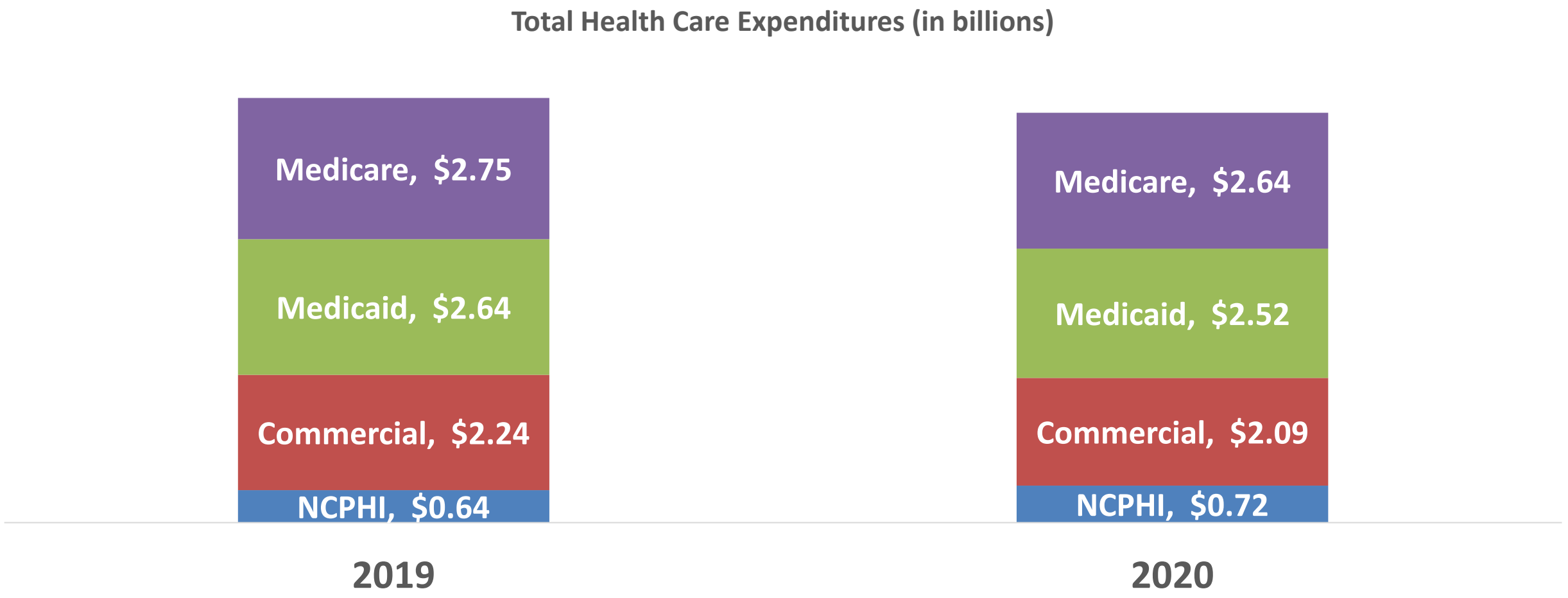
- For 2019, this spending above the target equated to $66M of "excess spending."
  - About half of that amount fell on employers and employees
  - The balance was largely assumed by state and federal payers.

Health Care Spending in RI Decreased by 2.9%



Data are not risk-adjusted, and are reported net of pharmacy rebates.
Total reported membership was 890,769 in 2020. The RI Census reported 1,057,124 individuals in 2020.

Total Health Care Spending in Rhode Island was $7.98 Billion in 2020



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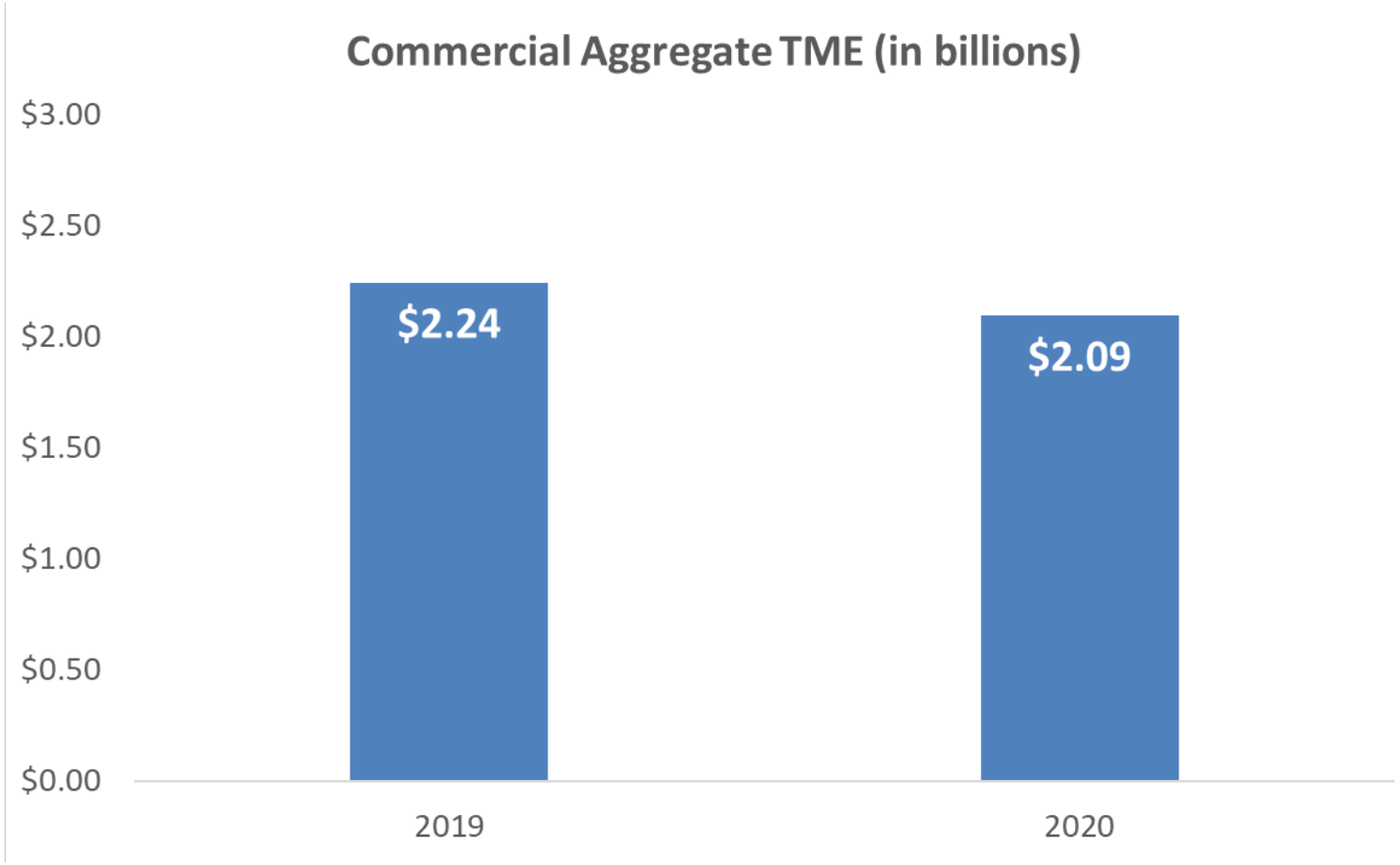
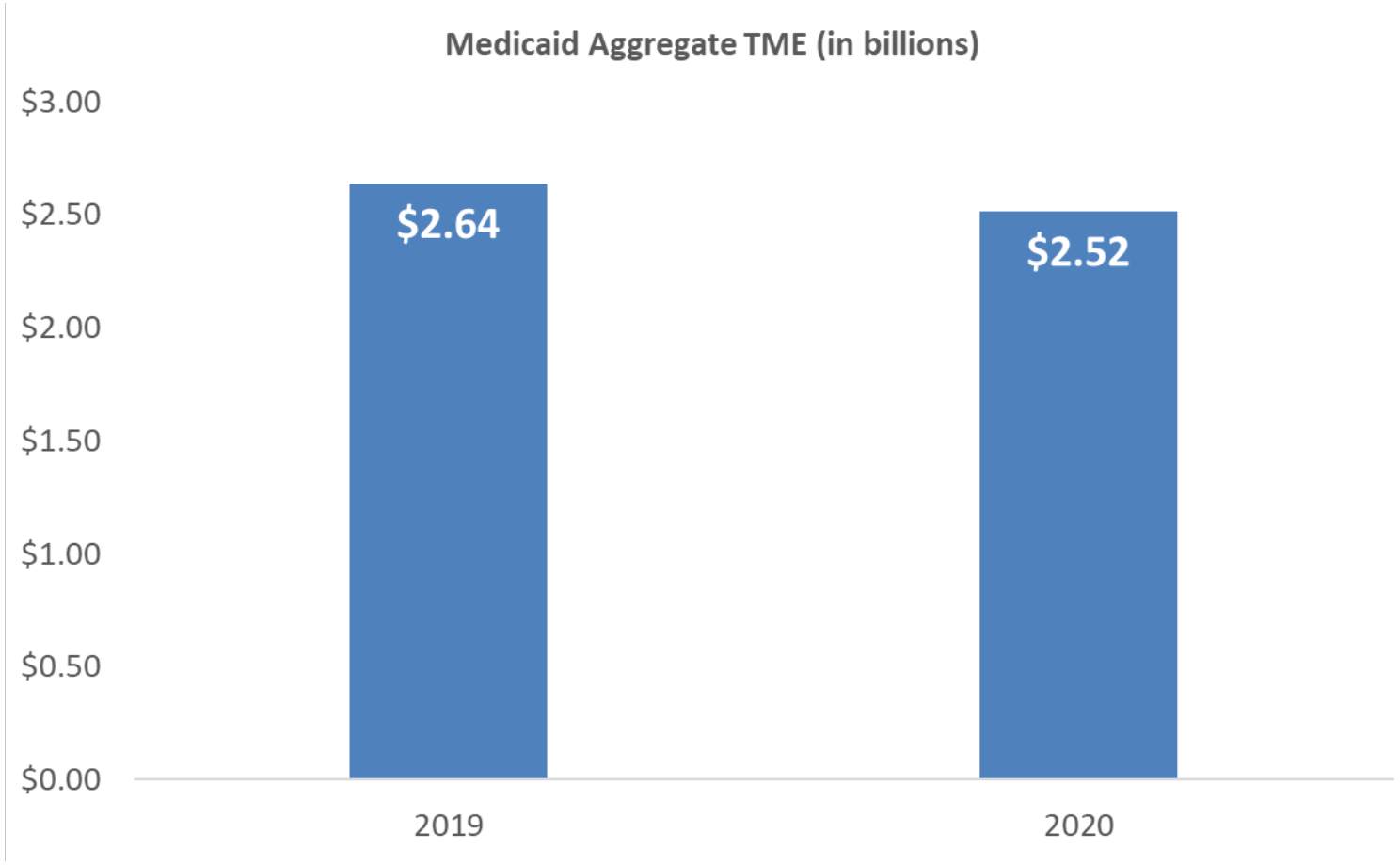
Commercial Per Capita Spending Decreased by 3.0%



Year	TME Per Capita	TME Trend Per Capita
2019	$5,947	-3.0%
2020	$5,767	

Data are unadjusted, and are reported net of pharmacy rebates.
Data do not include the Net Cost of Private Health Insurance (NCPHI).

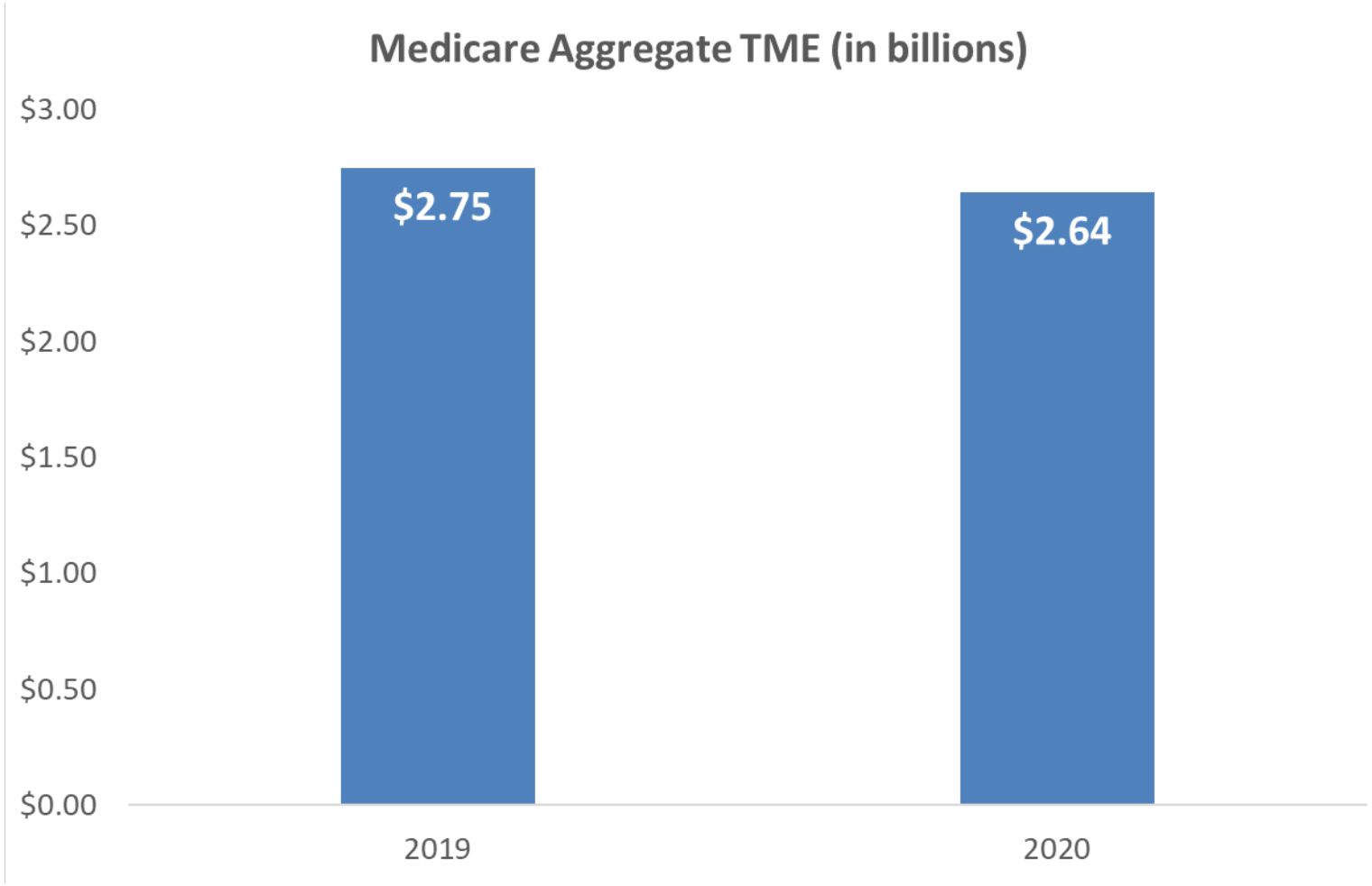
Medicaid Per Capita Spending Decreased by 6.1%



Year	TME Per Capita	TME Trend Per Capita
2019	$7,637	-6.1%
2020	$7,172	

Data are unadjusted, and are reported net of pharmacy rebates.
Data do not include the Net Cost of Private Health Insurance (NCPHI).

Medicare Per Capita Spending Decreased by 5.0%



Year	TME Per Capita	TME Trend Per Capita
2019	$12,658	-5.0%
2020	$12,025	

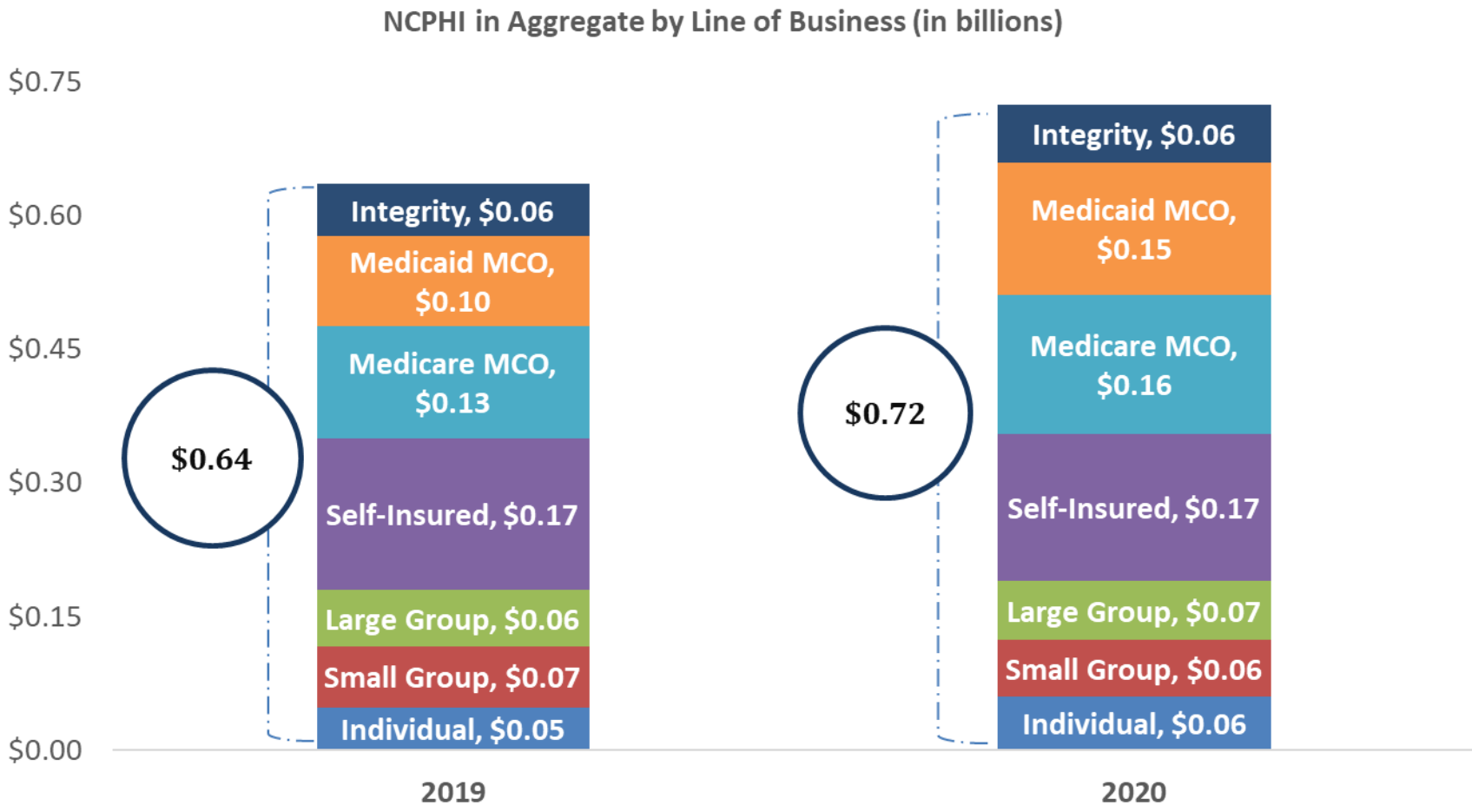
Data are unadjusted, and are reported net of pharmacy rebates.
Data do not include the Net Cost of Private Health Insurance (NCPHI).

The Net Cost of Private Health Insurance

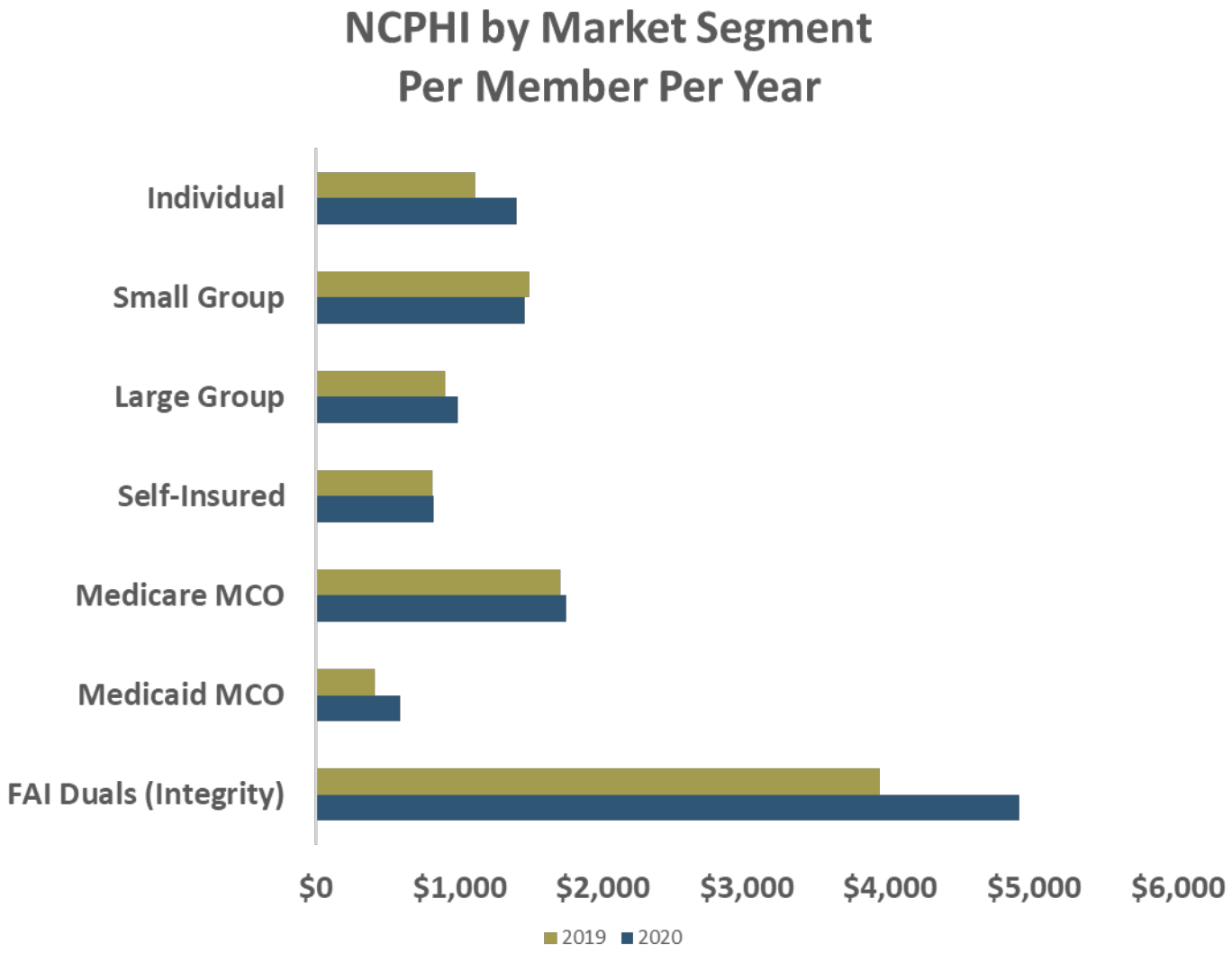
As a reminder, NCPHI is defined as the costs to RI residents associated with the administration of private health insurance. While it represents a meaningful amount of spending, we need to approach it with some caution.

1. Experience the past few years has shown it to be volatile, e.g., there is a large swing when an insurer experiences a loss one year and a positive margin the next.
2. Some NCPHI can be gleaned from state insurance filings and insurer direct report, but sometimes OHIC needs to make estimates using insurer financial statements.
3. Some retrospective state NCPHI recoupments from Medicaid MCOs are not reflected in the data.

Net Cost of Private Health Insurance Grew 13.9% and Contributed $0.72 Billion to State THCE



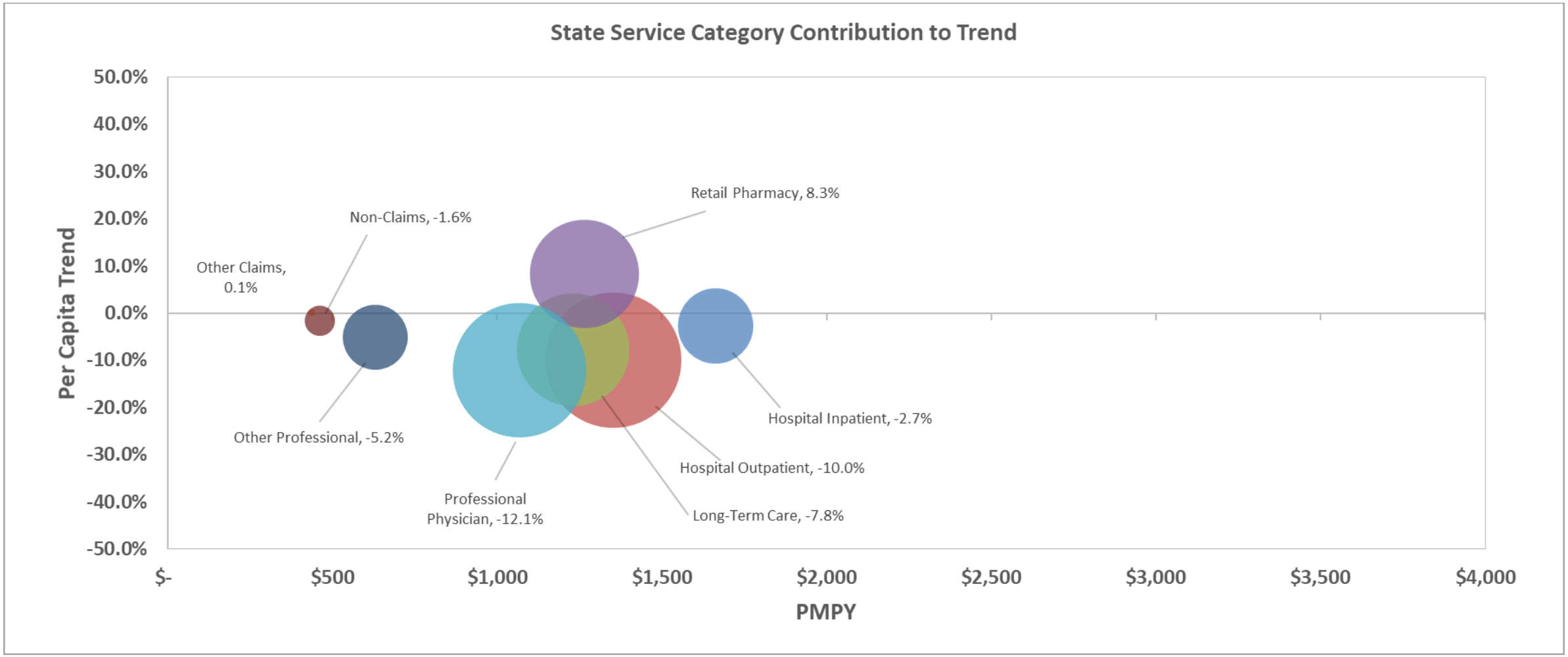
Year	NCPHI Per Capita	NCPHI Trend Per Capita
2019	$709	13.9%
2020	$808	



Aggregate NCPHI
2019: $635M
2020: $724M

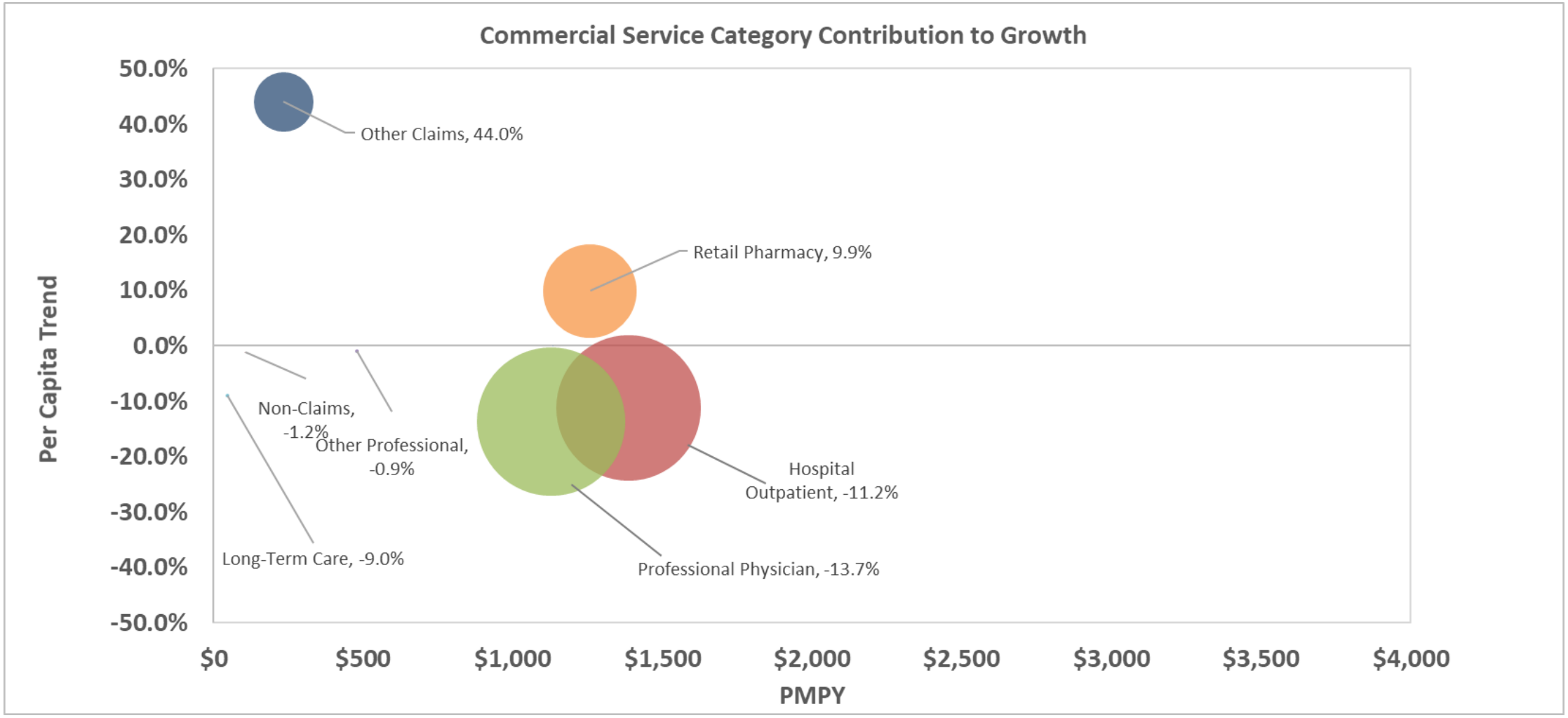
Category	2019-2020 Trend
Individual	26%
Small Group	-2%
Large Group	9%
Self-Insured	1%
Medicare MCO	3%
Medicaid MCO	41%
FAI Duals (Integrity)	25%

Retail Pharmacy Drove Rhode Island's State-Level Spending in 2020



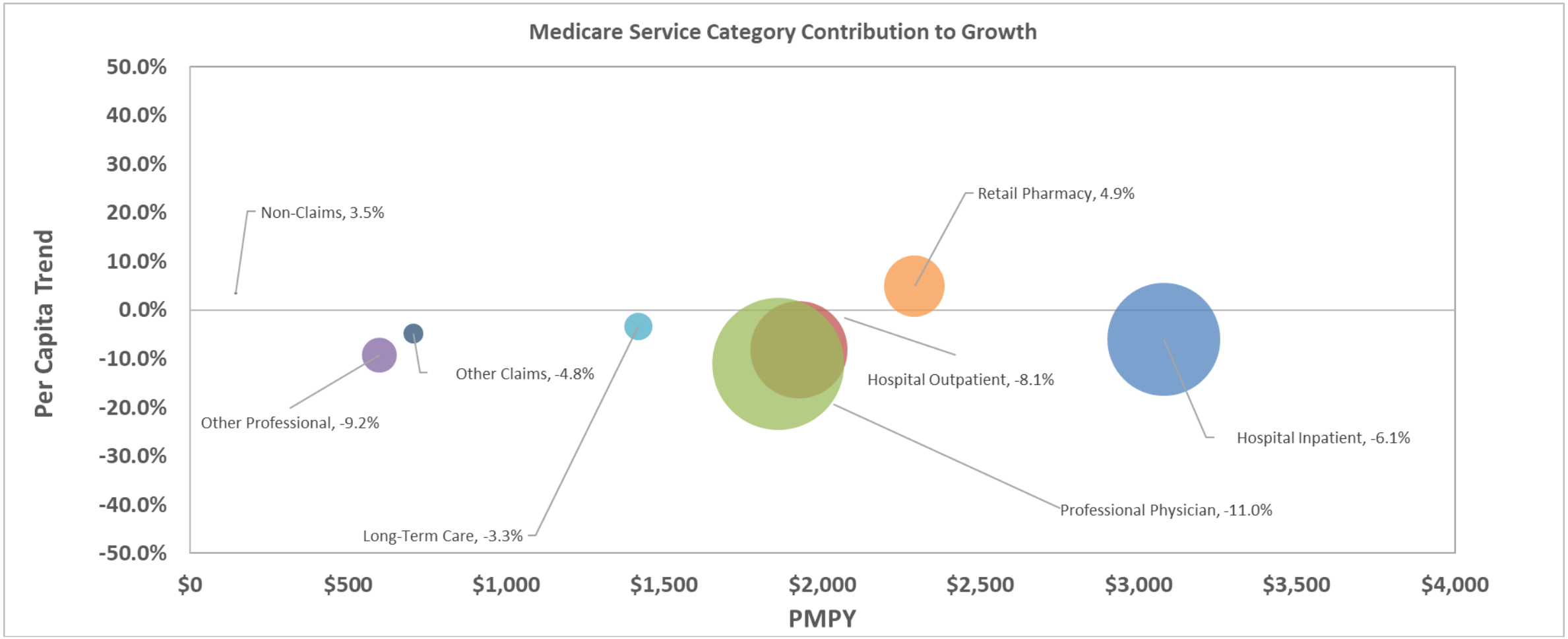
Data are not risk-adjusted. They are reported net of pharmacy rebates.
The width of the bubbles represents contribution to trend.

Retail Pharmacy was the Primary Cost Growth Driver in the Commercial Market in 2020



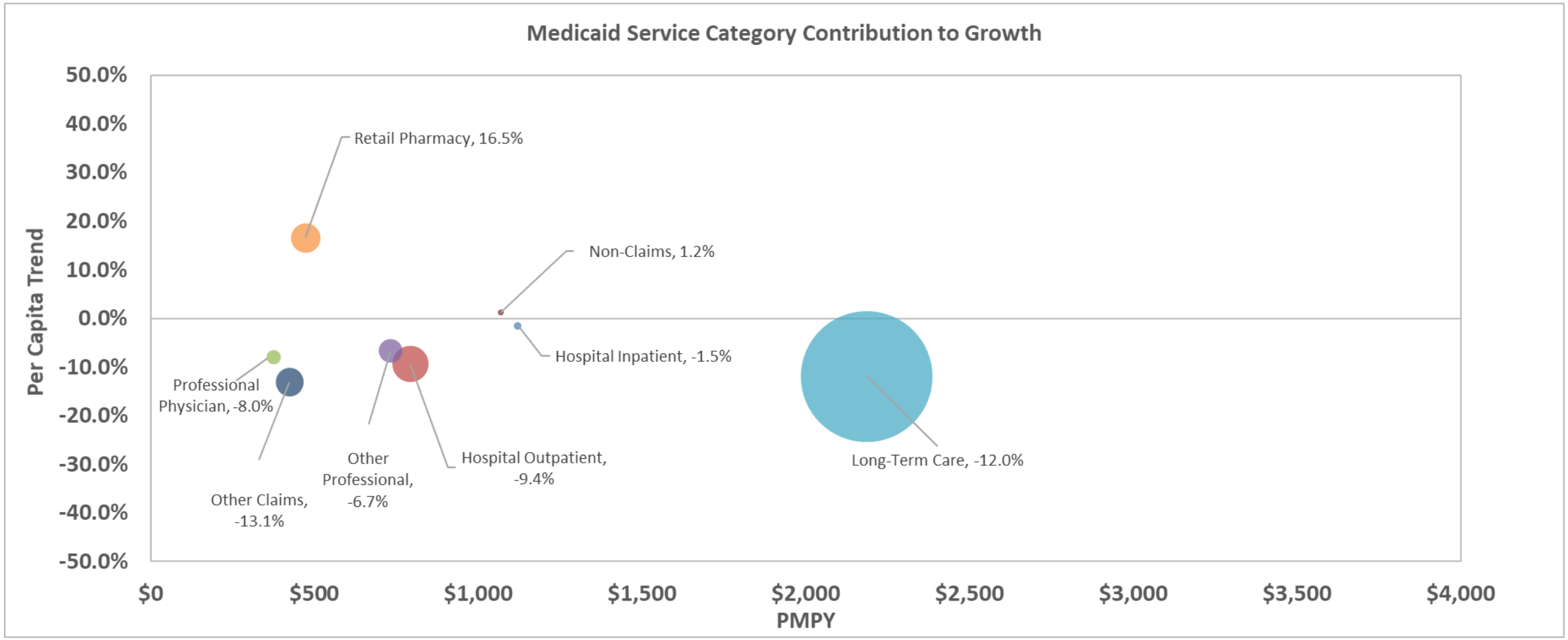
Data are unadjusted. They are reported net of pharmacy rebates. The width of the bubbles represents contribution to trend.
'Other Claims' includes, but is not limited to: durable medical equipment, freestanding fees of CHC services, hospice facility, etc. Does not include non-health care services.
Note: Hospital Inpatient had a 0% trend in the Commercial market, so it is not visible here. Also, expanded use of 90-day refills in 2020 could have contributed to pharmacy trend.

Retail Pharmacy was the Primary Cost Growth Driver in the Medicare Market in 2020



Data are unadjusted. They are reported net of pharmacy rebates. Data do not include NCPHI.
The width of the bubbles represents contribution to trend.

Retail Pharmacy was the Primary Cost Growth Driver in the Medicaid Market in 2020



Data are unadjusted. They are reported net of pharmacy rebates. Data do not include NCPHI.
The width of the bubbles represents contribution to trend.

Pharmacy Cost Growth: A Recurring Problem

High per capita growth in retail pharmacy spending has been a recurrent problem: 2019 retail pharmacy per capita spending growth was +6.9%.

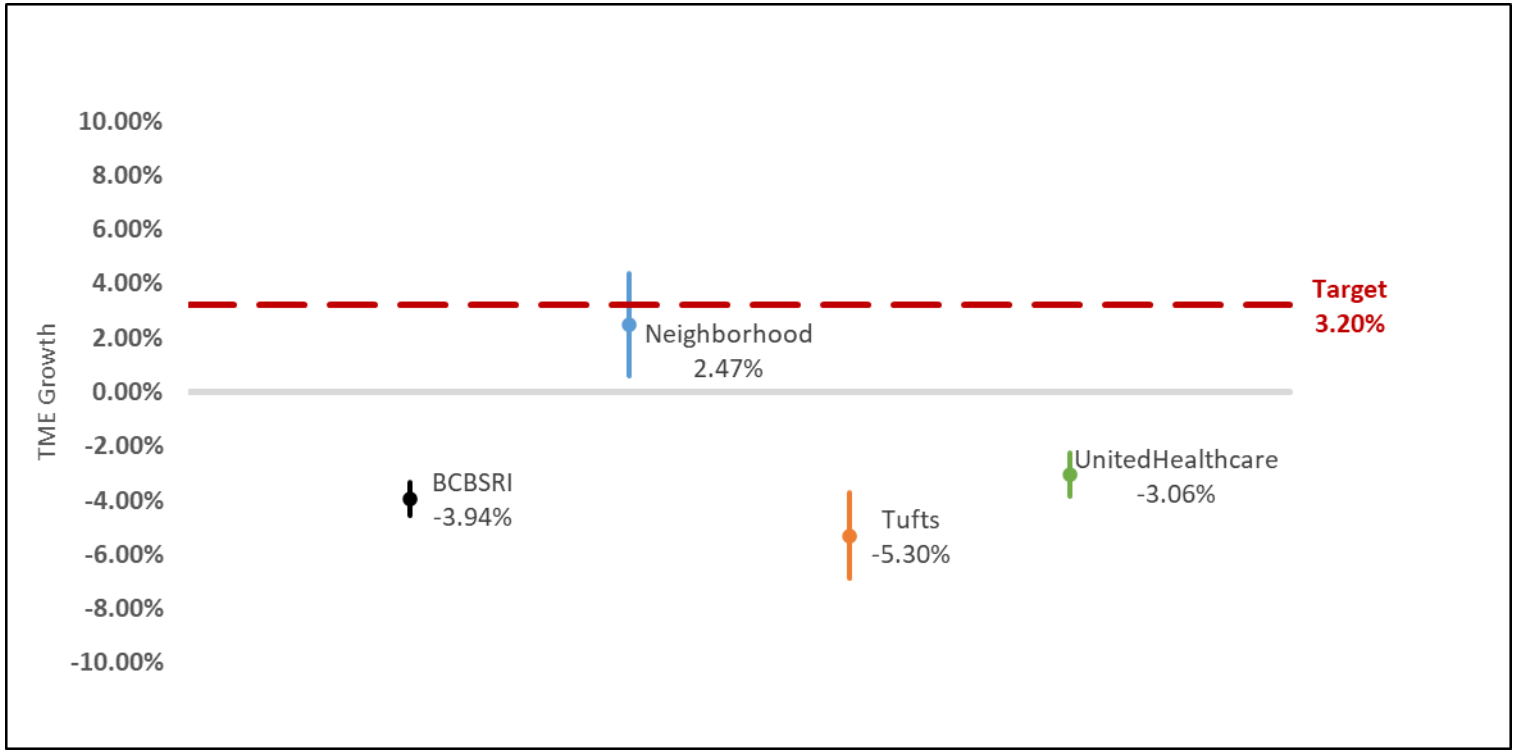
Prior Brown analysis of retail and medical (physician-administered) pharmacy during 2016-18 found the following:

Commercial Market	Medicaid Market
53% of total cost growth was associated with pharmacy spend	41% of total cost growth was associated with pharmacy spend
Cost growth was *completely* due to increased price per prescription (utilization declined)	Cost growth was *mostly* due to increased price per prescription

Commercial Insurers' Performance Against the Target

Target performance is calculated using Total Medical Expense data, after applying truncation and age/sex risk-adjustment.

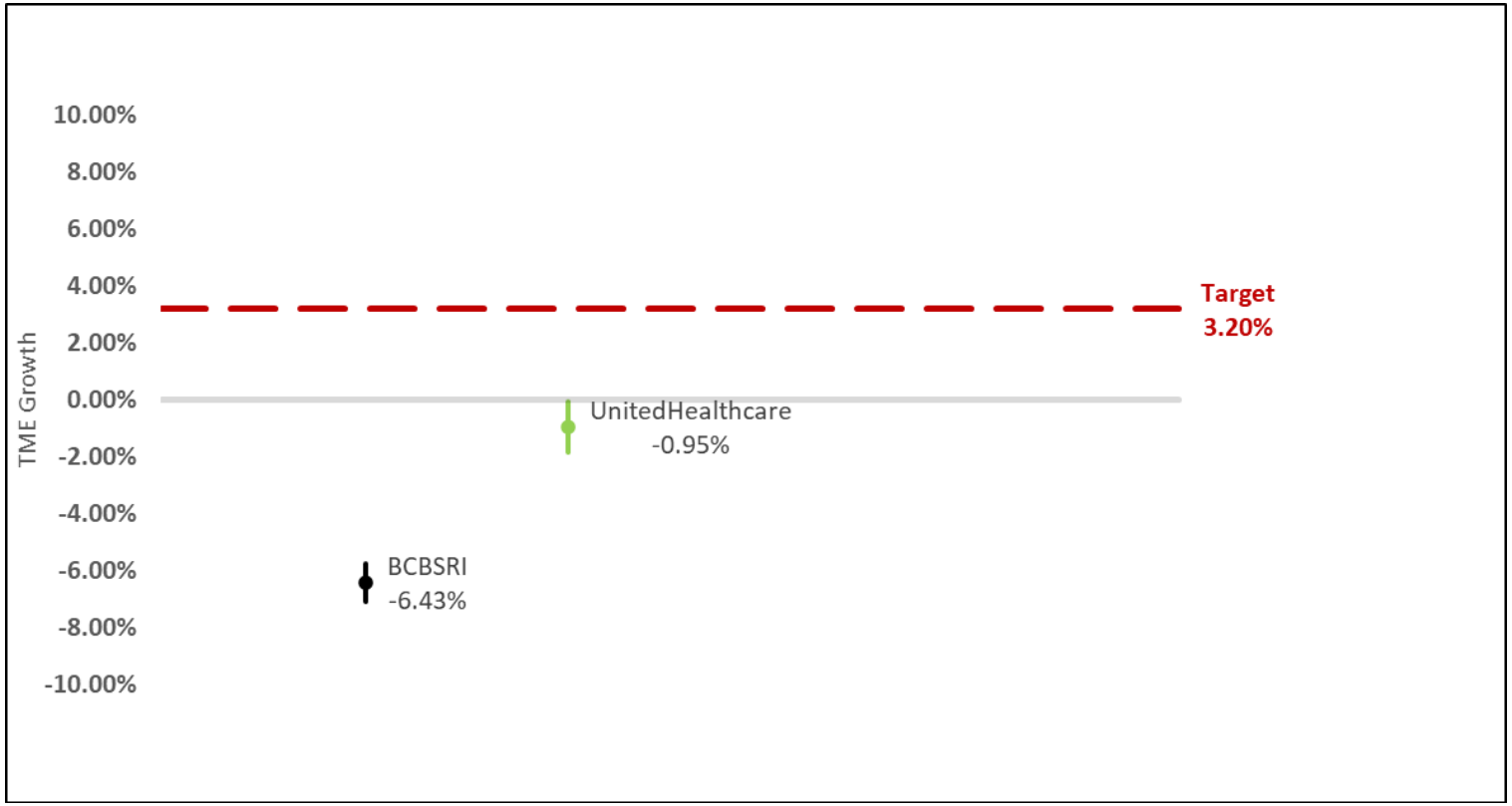
Data represent spending on fully-insured and self-insured products, including the Federal Health Employee Benefits Program and the state employee health benefits plan.



Payer	Target Performance
Blue Cross Blue Shield of RI	Met the target
Neighborhood Health Plan of RI	Unable to determine
Tufts Health Plan	Met the target
UnitedHealthcare	Met the target

Medicare Insurers' Performance Against the Target

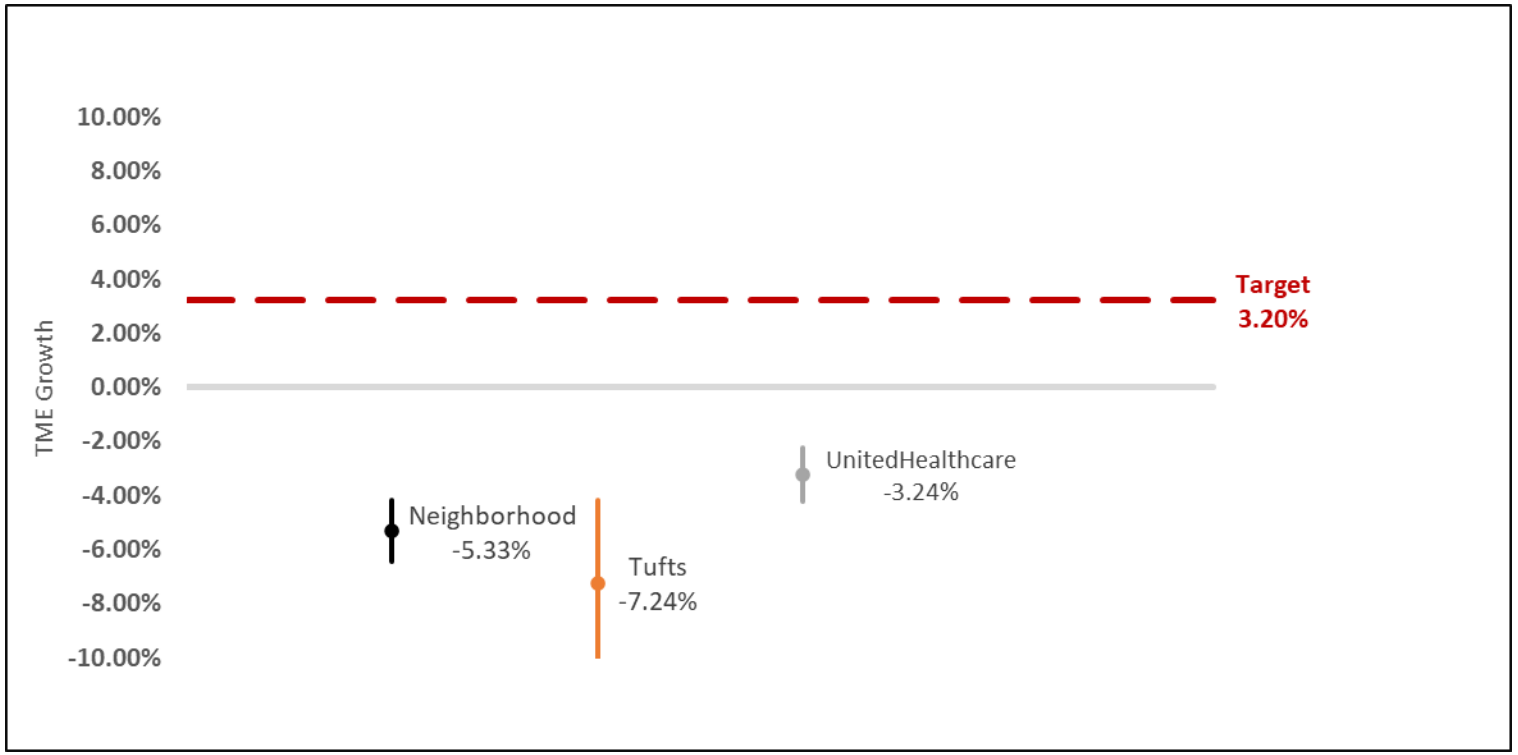
Target performance is calculated using Total Medical Expense data, after applying truncation and age/sex risk-adjustment.



Payer	Target Performance
Blue Cross Blue Shield of RI	Met the target
UnitedHealthcare	Met the target

Medicaid Insurers' Performance Against the Target

Target performance is calculated using Total Medical Expense data, after applying truncation and age/sex risk-adjustment.

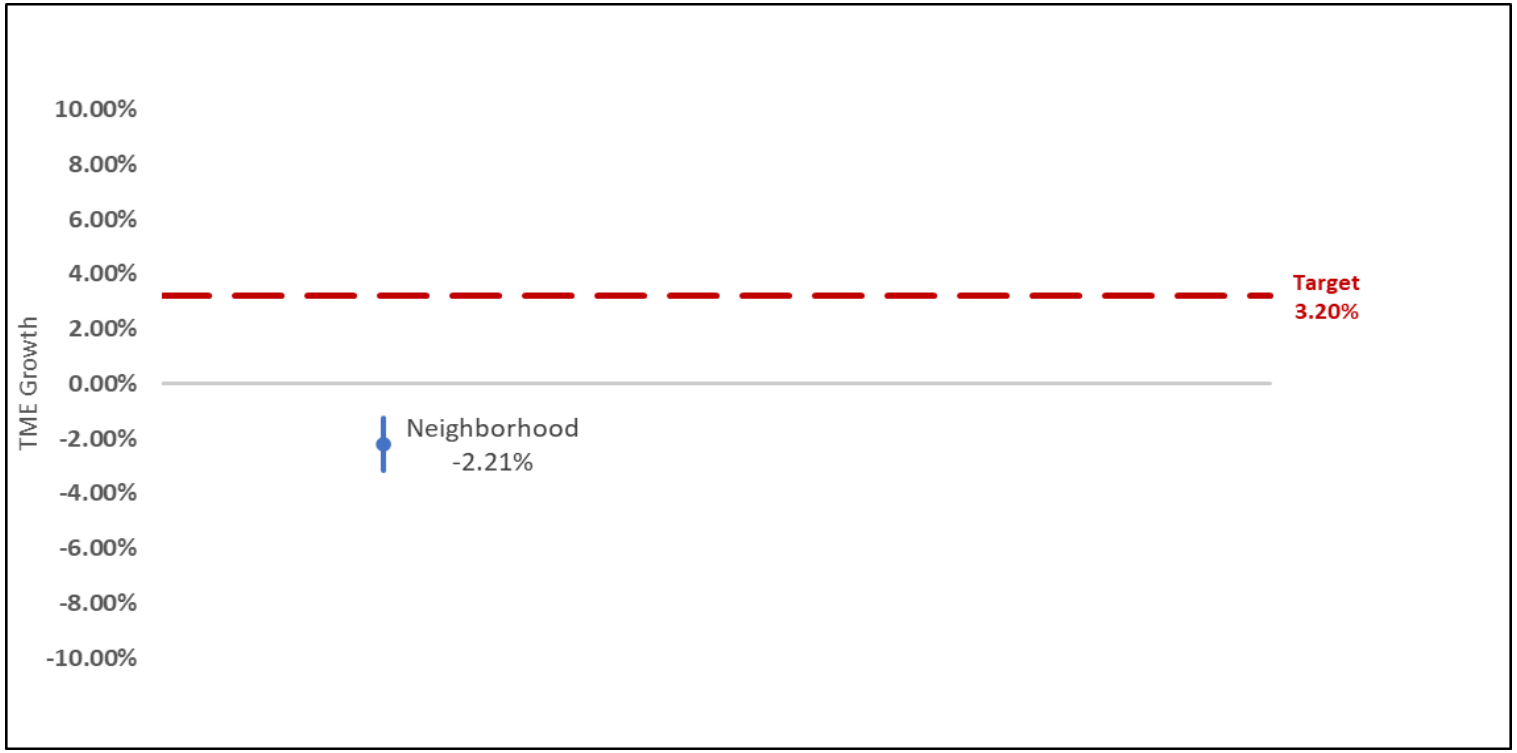


Payer	Target Performance
Neighborhood Health Plan of RI	Met the target
Tufts Health Plan	Met the target
UnitedHealthcare	Met the target

Neighborhood's Integrity Performance Against the Target

Target performance is calculated using Total Medical Expense data, after applying truncation.

Spending is not risk-adjusted since Neighborhood's population represents the entire population of individuals enrolled in the financial alignment initiative.

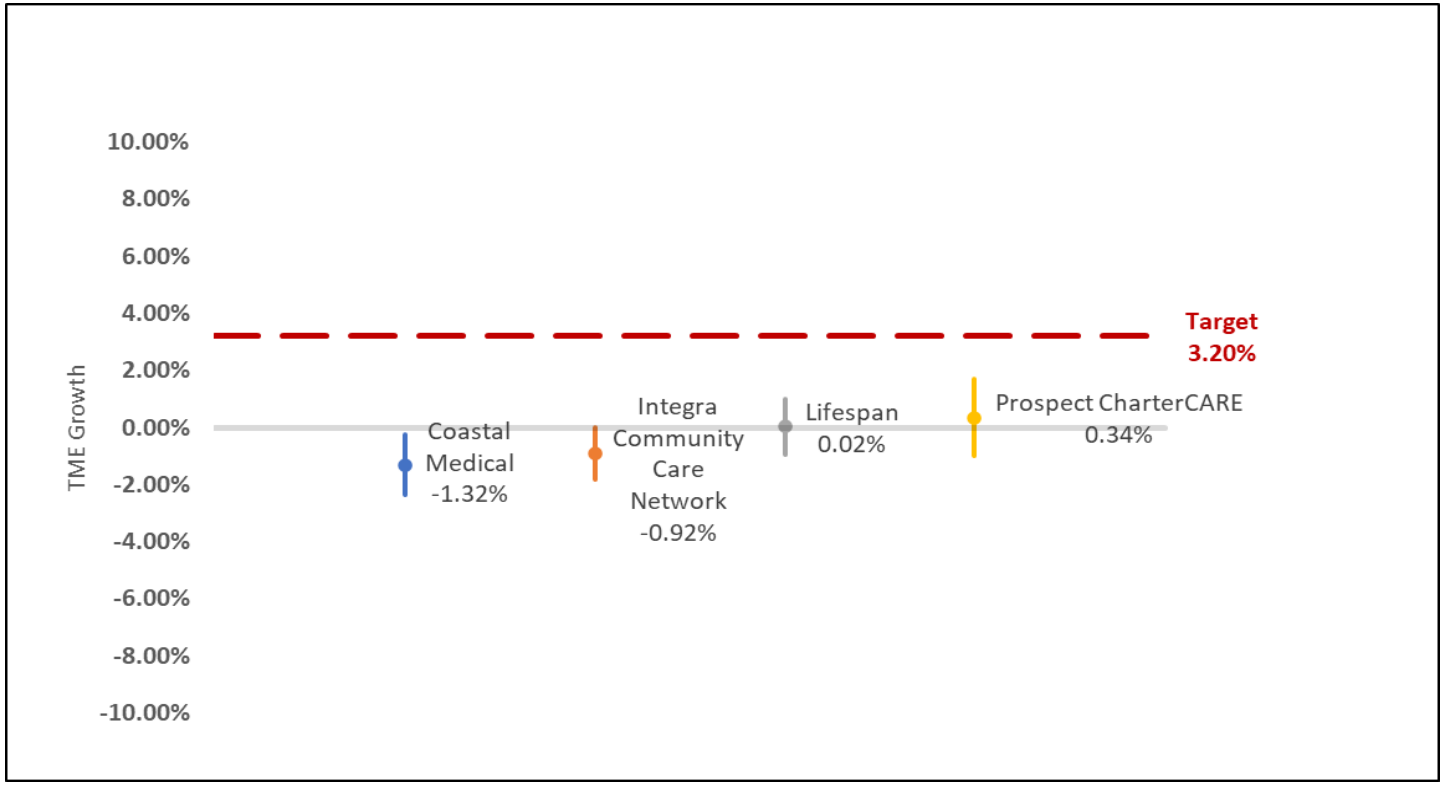


Payer	Target Performance
Neighborhood Health Plan of RI	Met the target

ACOs' Commercial Performance

Target performance is calculated using truncated and age/sex risk-adjusted spending.

2019-2020 commercial spending growth is not published for Blackstone Valley Community Health Care, Integrated Healthcare Partners and Providence Community Health Centers because they did not have enough commercial attributed lives to meet the minimum required for public reporting.

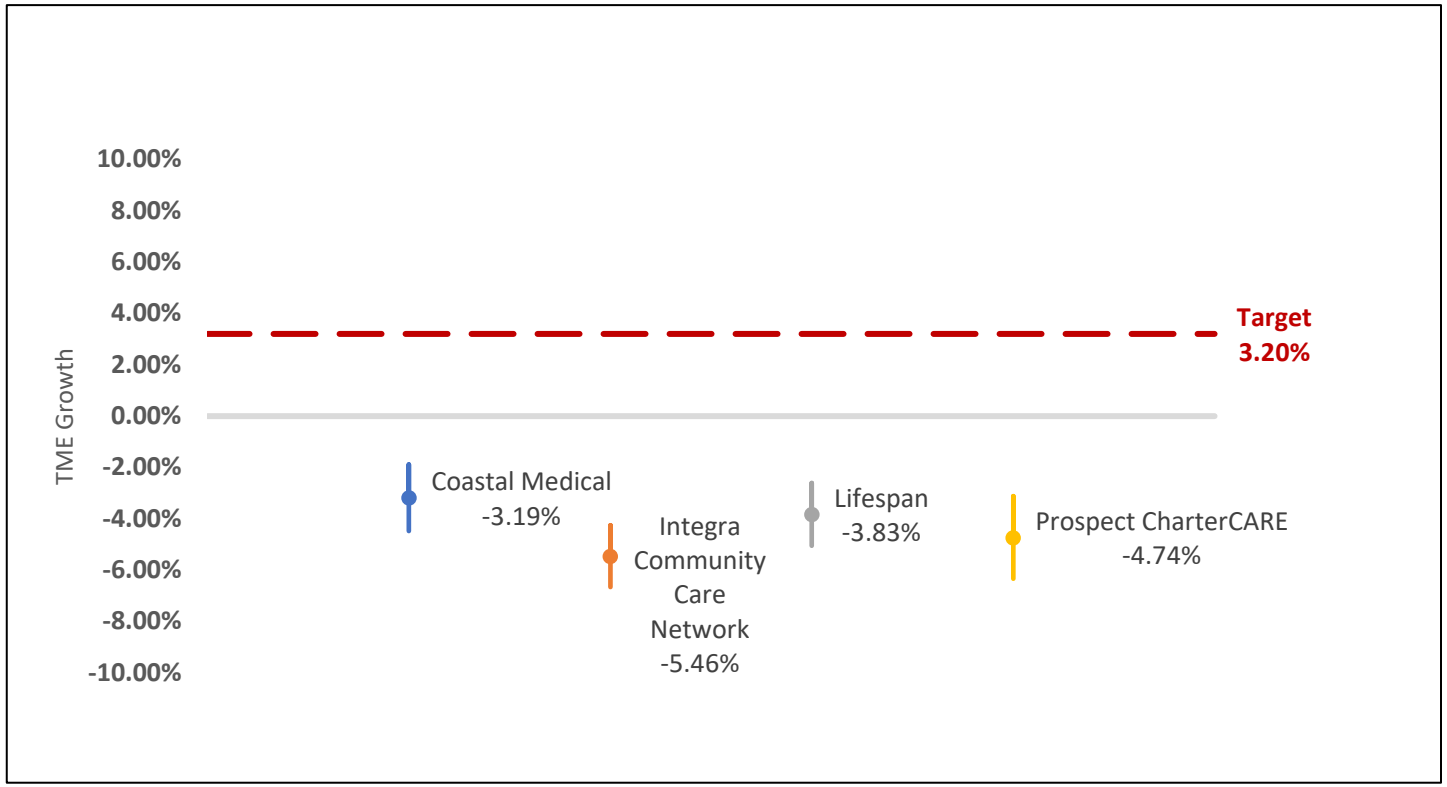


ACO/AE	Target Performance
Coastal Medical	Met the target
Integra	Met the target
Lifespan	Met the target
Prospect CharterCARE	Met the target

ACOs' Medicare Performance

Target performance is calculated using truncated and age/sex risk-adjusted spending.

2019-2020 Medicare spending growth is not published for Blackstone Valley Community Health Care, Integrated Healthcare Partners and Providence Community Health Centers because they did not have enough Medicare attributed lives to meet the minimum required for public reporting.

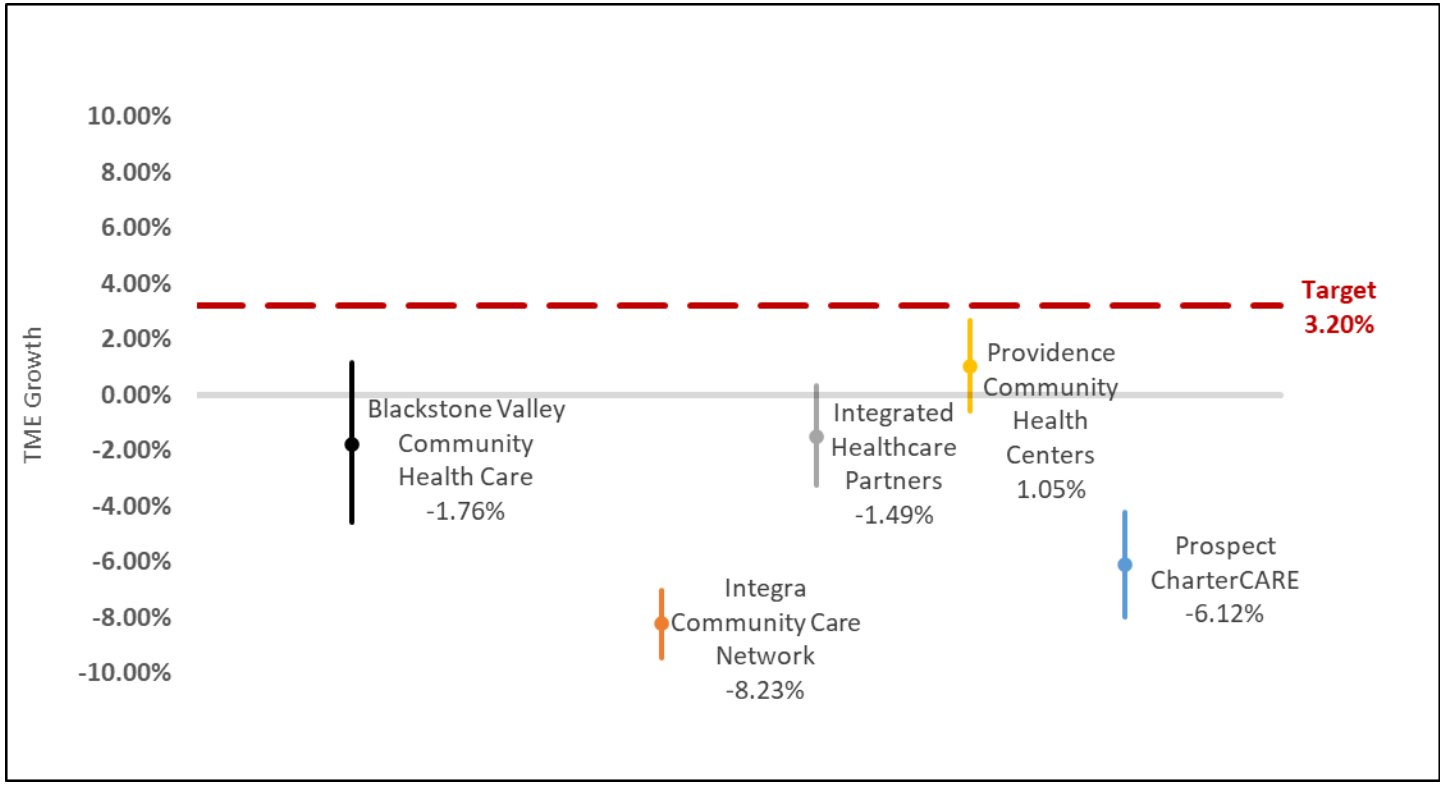


ACO/AE	Target Performance
Coastal Medical	Met the target
Integra	Met the target
Lifespan	Met the target
Prospect CharterCARE	Met the target

AEs' Medicaid Performance

Target performance is calculated using truncated and age/sex risk-adjusted spending.

2019-2020 Medicaid spending growth is not presented for Lifespan because it does not have a Medicaid total cost of care contract with any Medicaid insurers.



ACO/AE	Target Performance
Blackstone Valley	Met the target
Integra	Met the target
Integrated Healthcare Partners	Met the target
Providence CHCs	Met the target
Prospect CharterCARE	Met the target

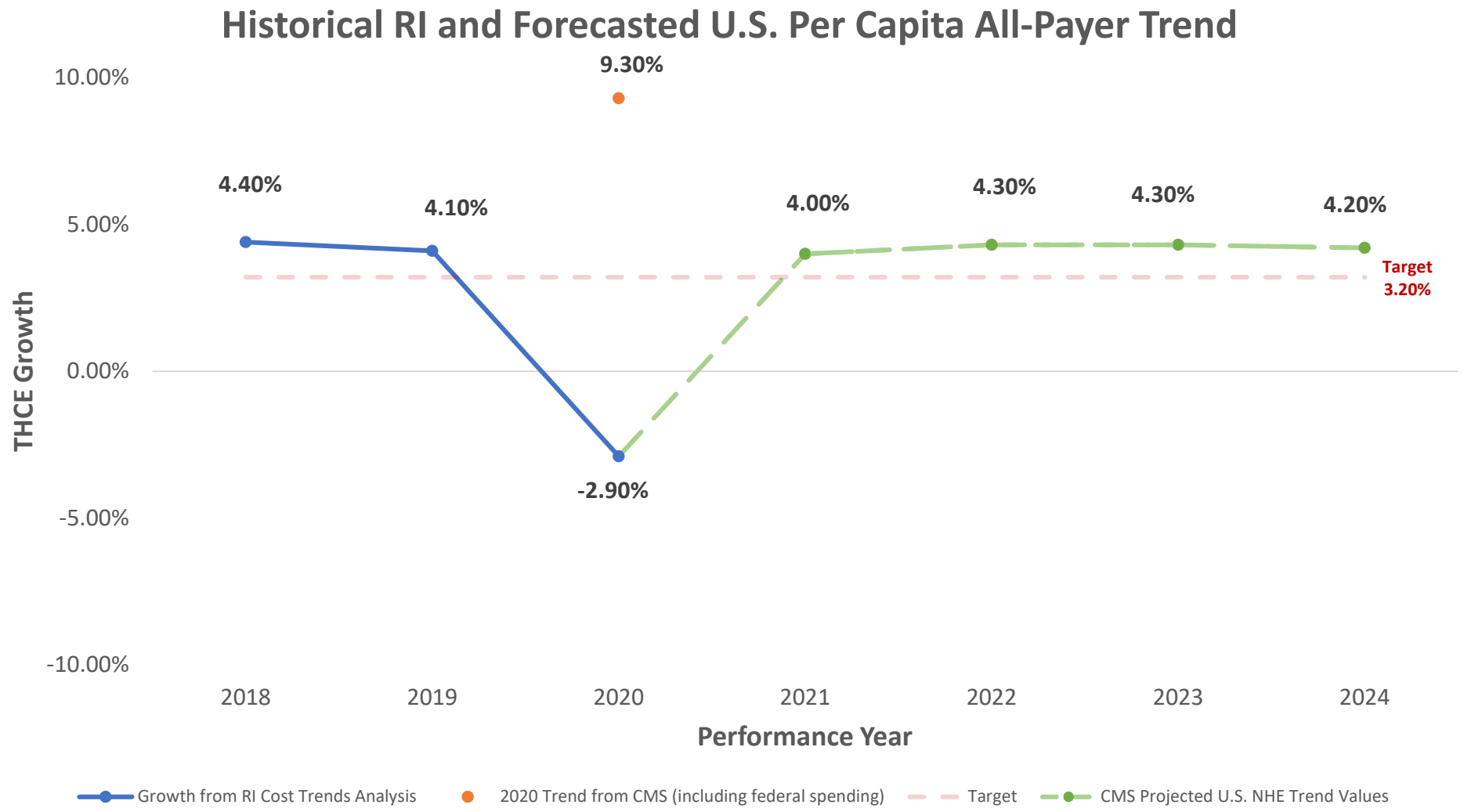
Summary

Three key takeaways from these analyses are:

- OHIC confirmed its ability to implement the three new methodologies to assess cost growth target performance: statistical testing, high-cost outlier truncation, and age /sex risk adjustment.
- While the analysis found that per capita spending went down, the large volume of federal spending for which we could not account in our calculations brings into question the accuracy of this finding.
- Retail pharmacy spending continues to be a significant cost growth driver in Rhode Island and a threat to the state's future cost growth target attainment.

Looking to the Future: U.S. Cost Growth Estimates

National Per Capita Cost Trend Forecast Equals Pre-COVID RI Trend



National *Commercial* Per Capita Cost Trend Forecast Far Exceeds Pre-COVID RI Trend