



PRESS RELEASE

Embargo until 1:30PM

CONTACT: Matthew Stark, Principal Policy Associate
(401) 222-5424

OHIC issues innovative health insurance product requirements to Blue Cross and United

Emphasis on wellness and qualified networks to cut costs up to 20%

Against backdrop of rising health insurance costs and an increasing number of Rhode Islanders going without health insurance, the Office of the Health Insurance Commissioner (OHIC) has issued product requirements for a “wellness health benefit plan” to be offered to businesses with fewer than fifty employees and individuals who purchase health care insurance directly from Blue Cross (Direct Pay subscribers).

"Today, we are taking the next step forward in our efforts to implement my five-point health care agenda. This step is designed to provide our small businesses and consumers with immediate relief from the spiraling costs of health care while we tackle the underlying causes of those cost increases," Governor Donald L. Carcieri said. "By reducing the costs of health care for small businesses, we hope we can help slow the rate of growth in the number of Rhode Islanders without health insurance. The new plan will also emphasize primary care and preventative medicine."

The plan, which insurers are required by law to offer by May 2007, achieves comprehensive benefits and lower premium costs by giving incentives to enrollees who are actively engaged in managing their own health care.

As directed by legislation passed this spring, the health insurance plan requirements were developed by the WellCare Advisory Committee (WCAC). This is a representative group of small employers, Direct Pay subscribers, employer organizations, health insurance brokers, consumer advocates and labor unions. The committee was formed in early September and held bi-weekly public meetings to fulfill its obligation to provide small businesses and Direct Pay subscribers with the kind of negotiating leverage enjoyed by larger businesses. The committee received timely information from both Blue Cross Blue Shield of Rhode Island and UnitedHealthcare of New England, who had representatives available at all of the committee's meetings. "Small businesses and individuals haven't had any clout to negotiate with health insurers. The legislation gave us the clout of a big business, and this process gave us a way to use it." said John Gregory, co-chair of the WCAC and president/CEO of the Northern Rhode Island Chamber of Commerce.

The committee was required by law to set forth requirements for a plan with an average premium of less than 10% of average wages – or approximately \$314 per month for individual coverage. This compares to typical small group premiums exceeding \$400 per month. The committee was charged with the difficult task of balancing the desire for comprehensive coverage and the need for a lower price. "What we quickly realized is that the insurance we are used to having is expensive. As costs continue to rise, we need to set priorities to try and keep costs affordable," said John Robitaille, WCAC member and CEO of Perspective Communications Group, Inc.

Recently, efforts by insurers to offer lower premiums have relied primarily on cost shifting through higher deductibles, co-pays or co-insurance. "Cost shifting

to enrollees is not a sustainable solution. We need to get at the real cost drivers – how people use medical care and how health care providers do business,” said Anthony Gemma, WCAC member and President of Gem Plumbing & Heating.

To that end, the committee relied heavily on the Affordability Principles established in the law, which require the committee to create incentives for:

- Emphasis on primary care, prevention and wellness
- Use of least cost most effective setting for care
- Use of evidence-based medicine
- Active management of the chronically ill

As a result of the committee’s work, Blue Cross Blue Shield of Rhode Island and United Healthcare of New England will be required to offer what will be a truly innovative plan. The plan proposes to achieve significant cost savings through financial incentives to enrollees to improve and maintain their health with five key wellness initiatives:

- Selection of a primary care physician;
- Completion of a health risk appraisal;
- Pledge to either remain at a healthy weight or participate in weight management programs if morbidly obese;
- Pledge to either remain smoke free or participate in smoking cessation programs; and
- Pledge to participate in disease and case management programs if applicable.

For enrollees who choose to participate in the wellness programs, it is proposed that deductibles, co-pays and co-insurance will be reduced to amounts normally seen in plans with much higher premiums. For example, in the committee’s proposed plan, an enrollee opting for the wellness programs would benefit from a

\$500 deductible and \$3,000 maximum out of pocket expense versus \$3,000 and \$6,000 respectively for an enrollee opting out of the wellness programs.

“The lion’s share of premium increases are being driven by enrollee and provider choices. It’s not what folks like to hear. But we have to come to grips with the real cost drivers in health insurance. It’s easy to vilify the insurers, but at some point we have to face facts: 79-88 cents of every premium dollar is spent on medical expenses. And that is rising three times cost of living every year,” said WCAC member Phil Papoojian, President of Mereco Technologies.

In the proposal to insurers, enrollees opting for the plan’s financial incentives must sign a pledge committing to active participation in specified wellness programs as needed. “We understand that health is often not a matter of personal choice - but how you choose to address it is – and that has real cost consequences for everyone,” said Laurie White, WCAC member and President of the Greater Providence Chamber of Commerce.

Further cost reductions for the proposed wellness health benefit plan will be achieved through the development of tiered provider networks. The plan will encourage enrollees to select providers who have demonstrated cost effective, high quality practice patterns. “The proposal we established requires all parties to work together. Providers need to embrace standards of care. Insurers need to invest in value-added services for smaller employer groups. Enrollees have financial incentives to commit to healthier choices,” said Christopher F. Koller, Health Insurance Commissioner.

In response to the committee’s requirements, insurers must provide detailed plan designs by January 2, 2007. These responses will confirm insurers’ ability to meet the program requirements, including price, cost-sharing levels, and details for implementation. By law, the wellness health benefit plan must be available by May 1, 2007 as a choice for small employers and individuals in Direct Pay.

Senate President Montalbano conveyed his support for this effort and said, “We have worked in a bi-partisan manner on the issue of health care. This wellness health benefit plan is a result of the efforts of the state Senate, House of Representatives, Lieutenant Governor, and Governor. We share a commitment to bring down the cost of health insurance in Rhode Island. The only way we will accomplish that is by working together.”

“The news here,” said Commissioner Koller, “is that a broad stakeholder group followed through on the legislature’s direction. They wrestled with how to get comprehensive benefits, but acknowledge that patient and provider treatment choices are driving medical care costs. The results aren’t perfect, and it remains to be seen what the plans can deliver when they respond in January, but we believe we are creating a medical insurance benefit that creates a real partnership and shared responsibility between insurers, providers and patients. It can be the basis for future work: the alternatives – of cost shifting to individuals and of more people being uninsured – are not acceptable.”