

TAMING THE TENSION



Health Insurance Rate Regulation and Rising Medical Expenditures

National Congress on Health Insurance Reform

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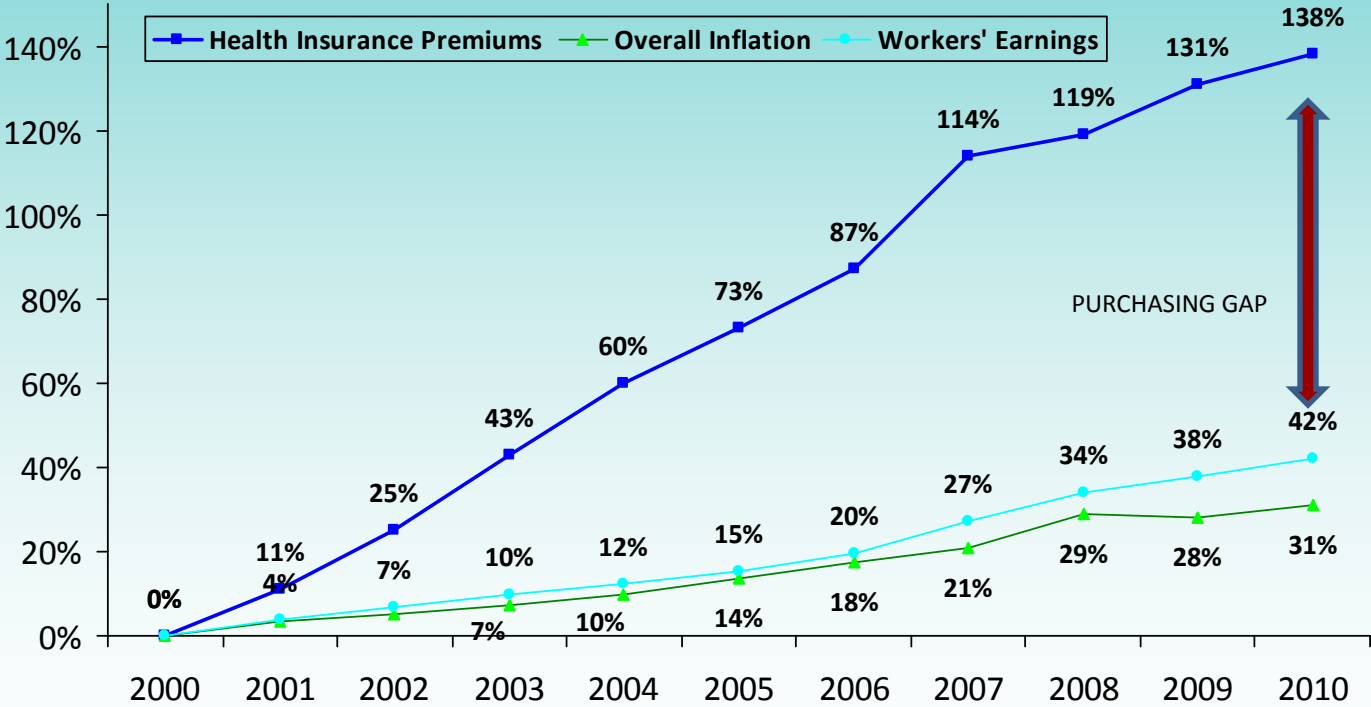
Health Reform and Insurance Rate Regulation



- ACA requires HHS to work in collaboration with states to conduct annual reviews of “unreasonable increases in premiums”
- ACA requires that plans submit justifications for any “unreasonable” rate increases to states and HHS
- Currently, 35 states have some authority over rate regulation but thoroughness and rigor varies across states depending upon motivation, resources, and staff capacity
- Many states use a subjective standard to assess rate increases and most do not open the process to consumers

Health Insurance premiums up 138% since 1999

CUMULATIVE CHANGES IN HEALTH INSURANCE PREMIUMS, OVERALL INFLATION, AND WORKERS' EARNINGS 2000 - 2010



Worker contribution to HI premium up 159% since 1999

Workers' earnings and overall inflation have increased b/t 31-42% since 1999

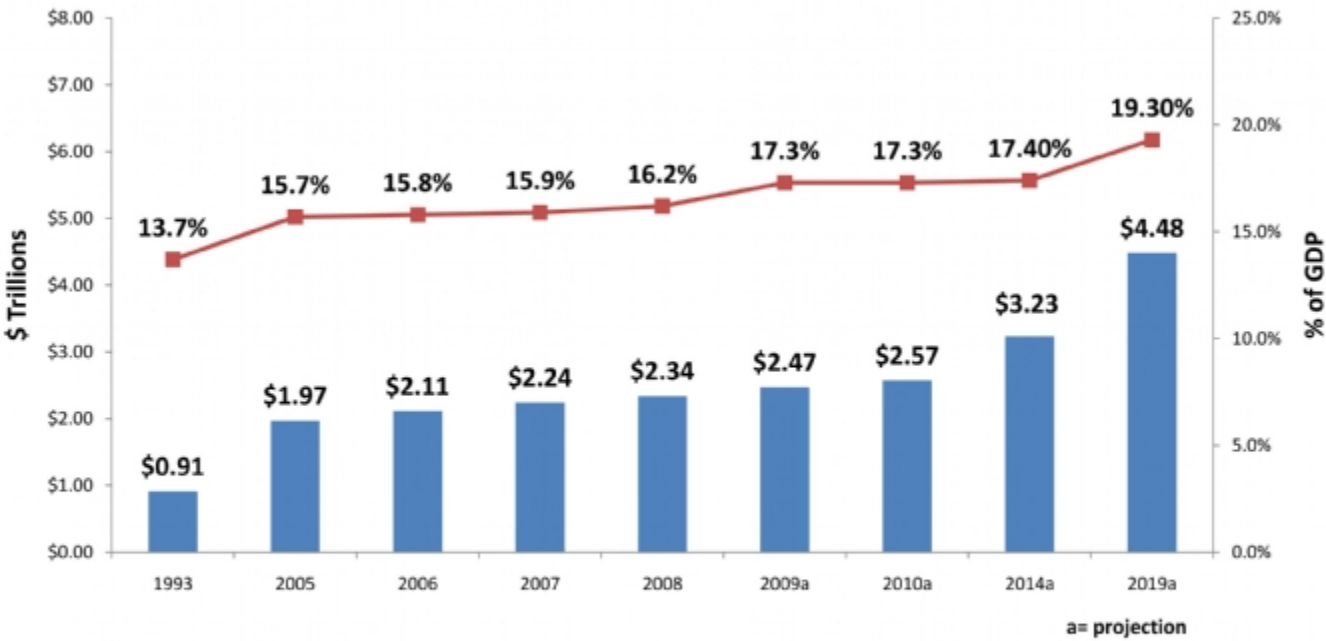
PURCHASING GAP



Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 2001-2010 Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2001-2006; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 2001-2006; extrapolated from Claxton et al Health Affairs 2008 26(5):1407+.

NATIONAL SPENDING on health care -- \$2.5T in 2009

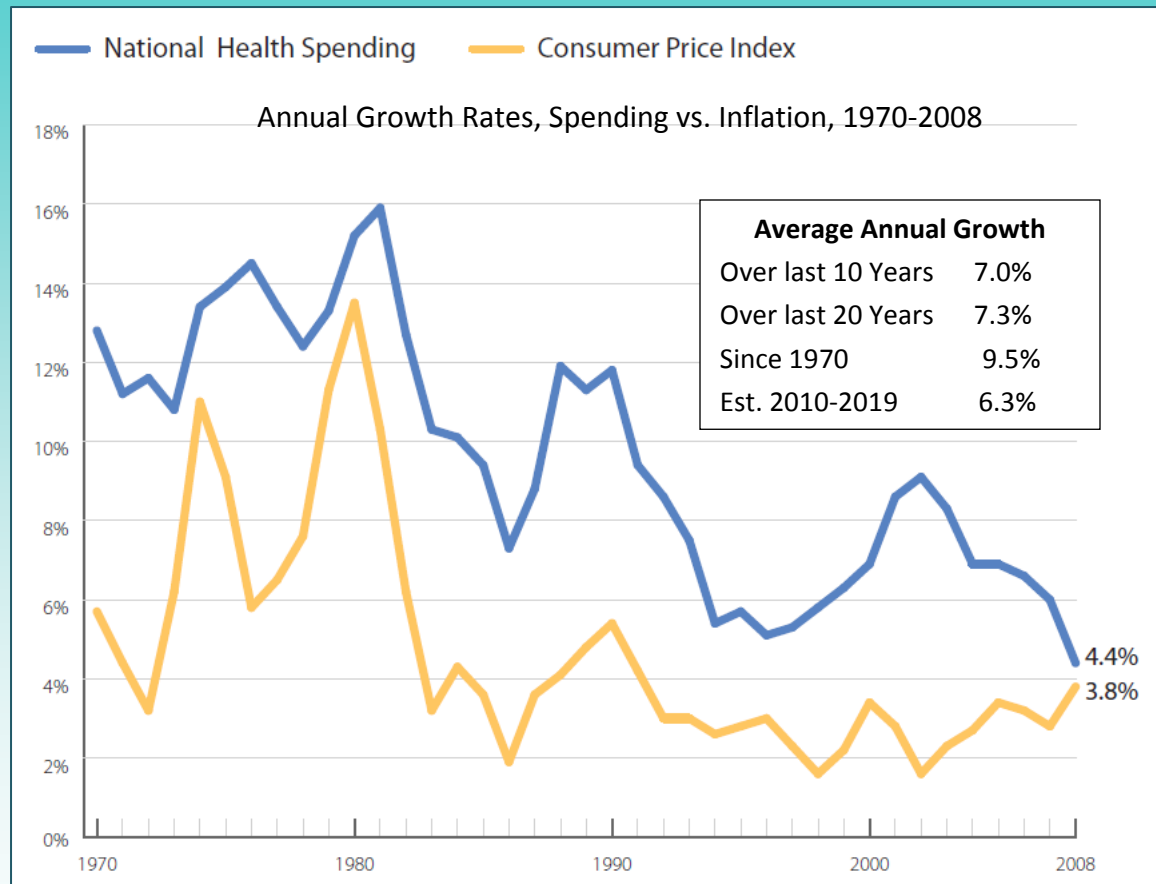
Actual and Projected Health Spending for Selected Years, 1993-2019



Sources:
 For 1970 – 2008:
 Micah Hartman, Anne Martin, Olivia Nuccio, Aaron Catlin and the National Health Expenditure Accounts Team (2010). Health Spending Growth At A Historic Low In 2008. Health Affairs, January. (www.healthaffairs.org)
 For 2009– 2019:
 Christopher J. Truffer, Sean Keehan, Sheila Smith, Jonathan Cylus, Andrea Sisko, John A. Poisal, Joseph Lizonitz, and M. Kent Clemens (2010). Health Spending Projections Through 2019: The Recession’s Impact Continues. Health Affairs, March, Exhibit 1. (www.healthaffairs.org)

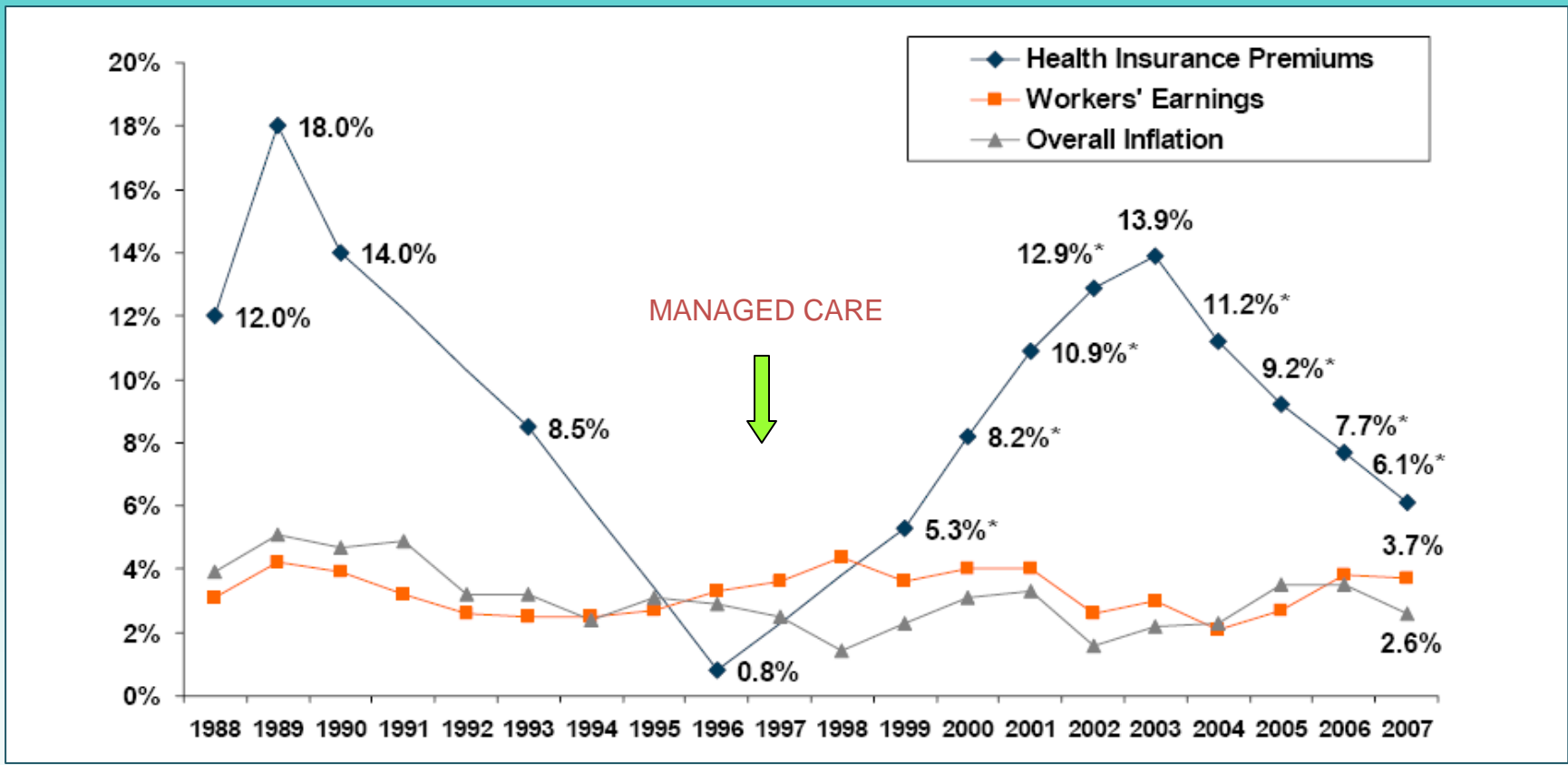
Health care spending, already rising rapidly, will be 1/5th of the U.S. economy in 9 years. Per person spending will nearly double, and half will come from public programs like Medicare.

The growth in health care spending over time, in context



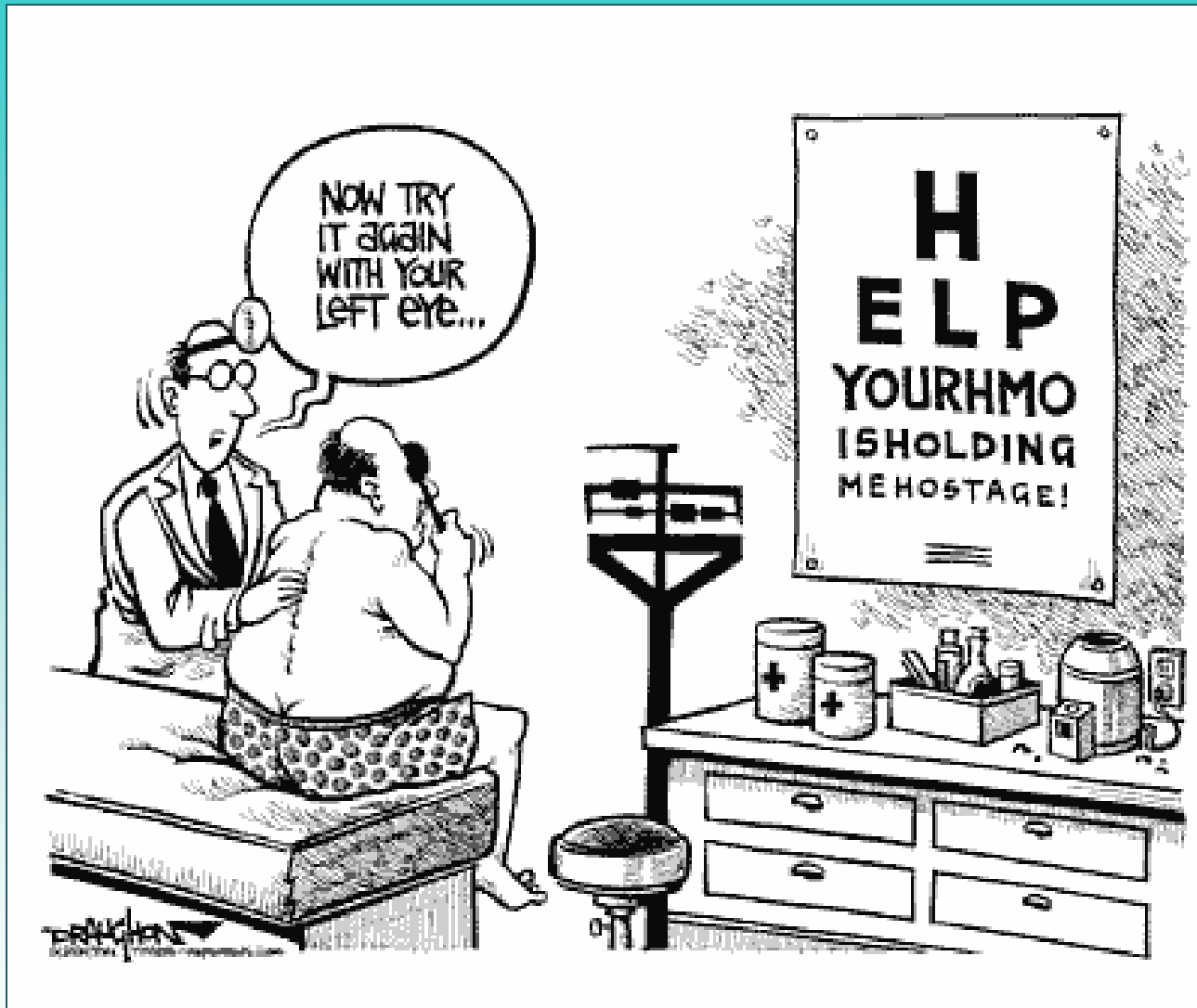
The growth in health spending has outpaced growth in the general economy for over 30 years

Back to the Future?



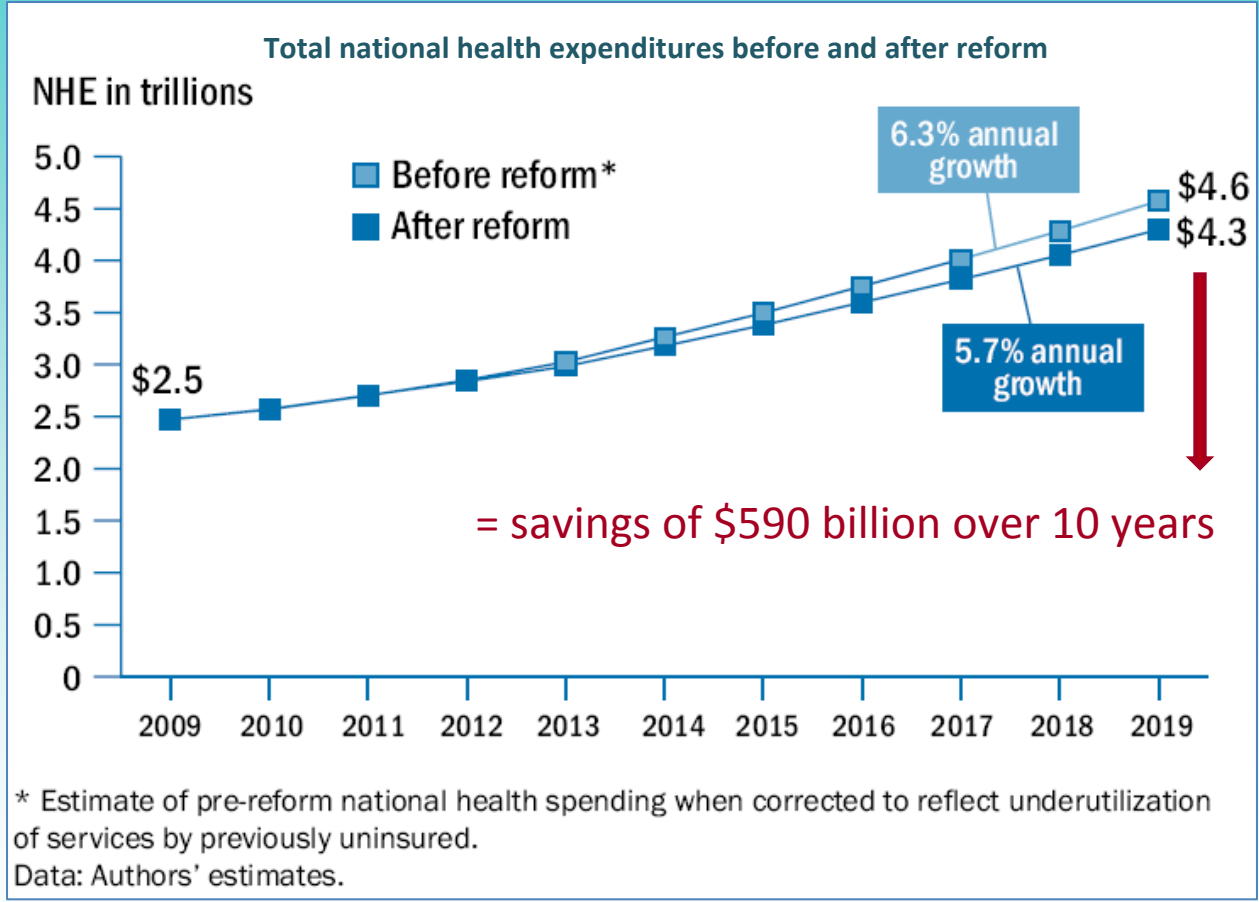
- ✓ Utilization controls reduced spending in the mid-1990s
- ✓ Rate regulation could bring back strict utilization controls in order to reduce spending

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2007



Strict utilization management in the 1990s disrupted the patient-physician relationship and led to a backlash

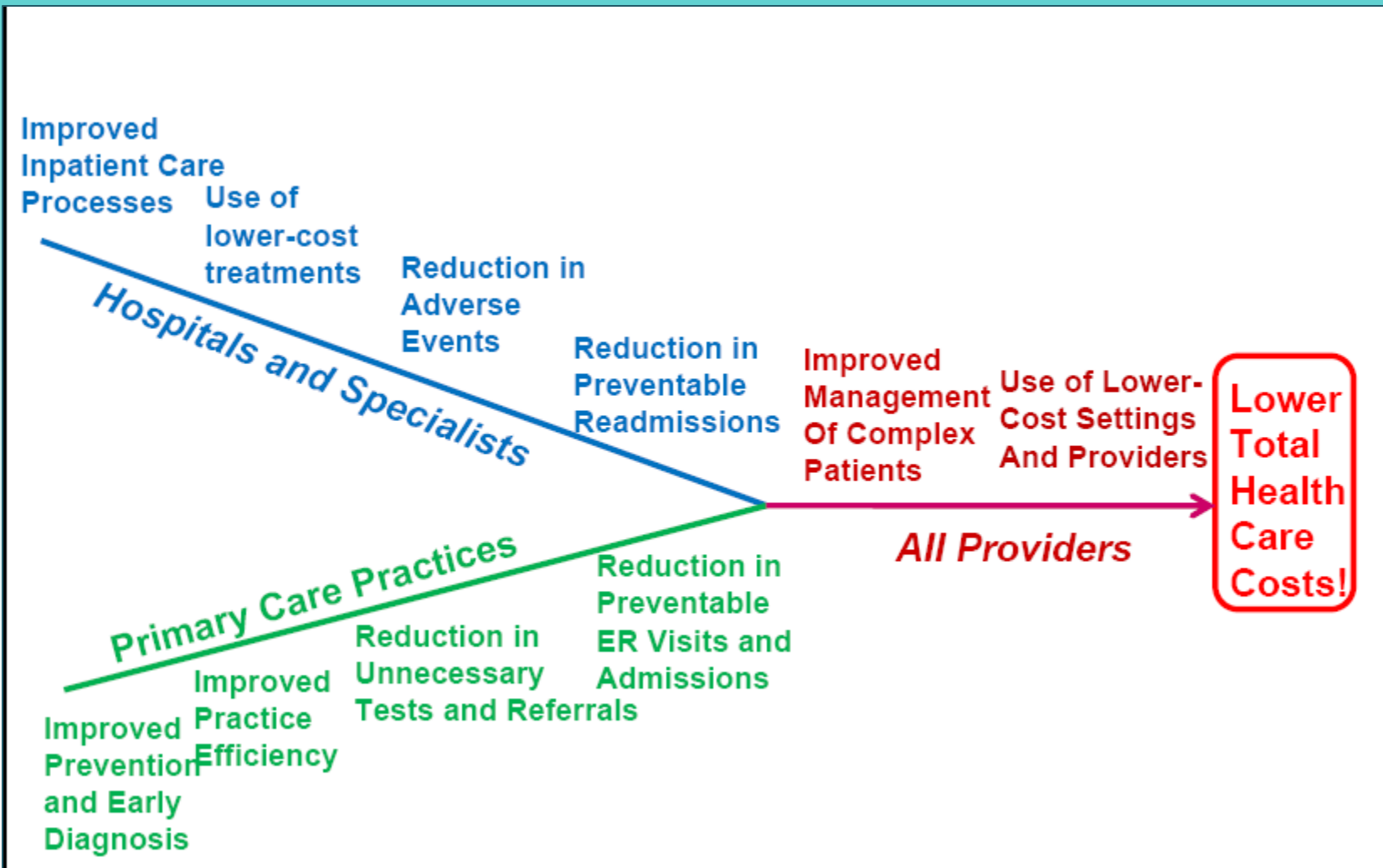
Effective rate regulation will require “bending the cost curve”



MAJOR SOURCES OF SAVINGS IN THE ACA

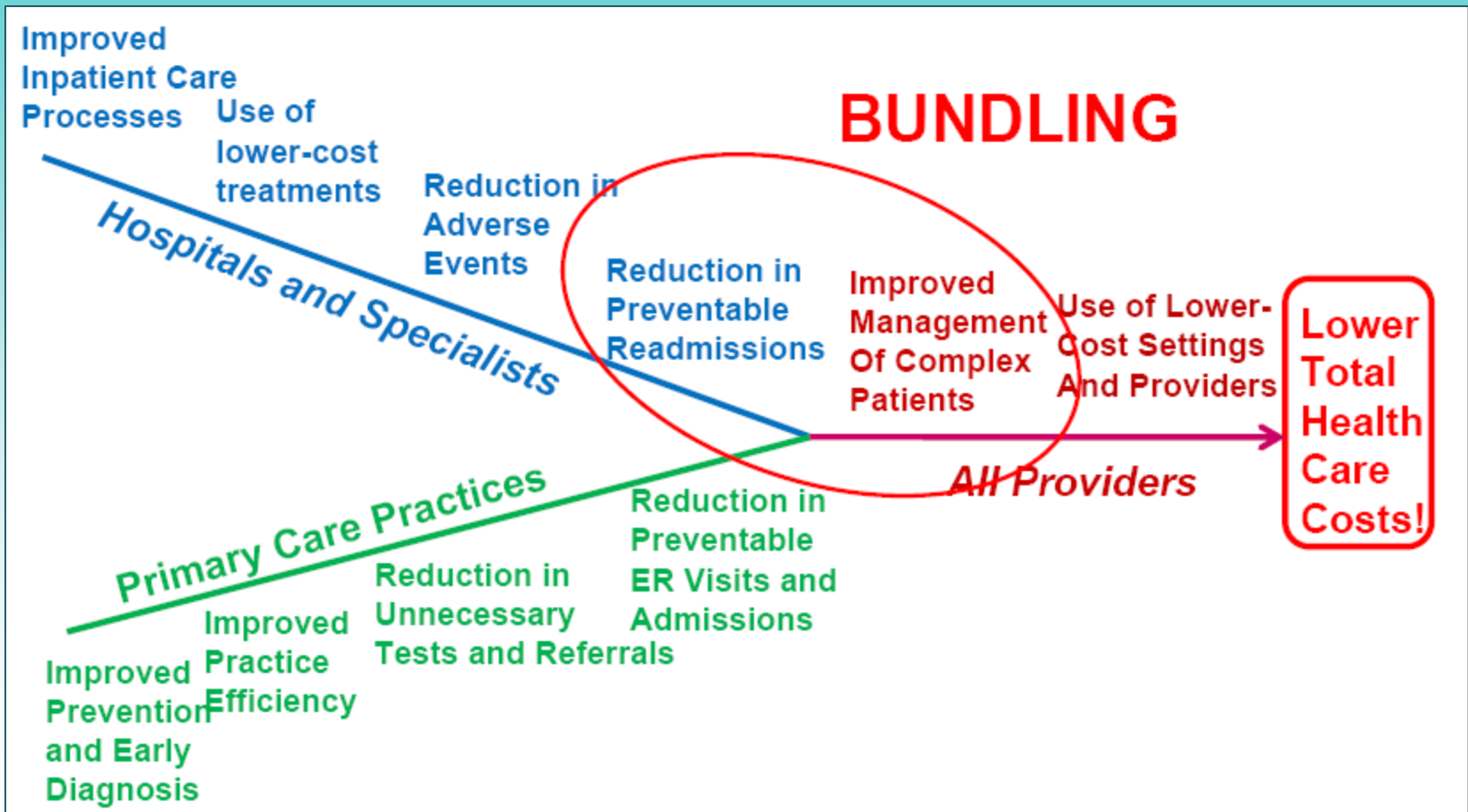
- ✓ Payment innovations moving from volume to value-based
- ✓ Reducing administrative costs
- ✓ IPAB to contain cost growth in Medicare
- ✓ Chronic disease management

HOW? The Epidemiology of Value

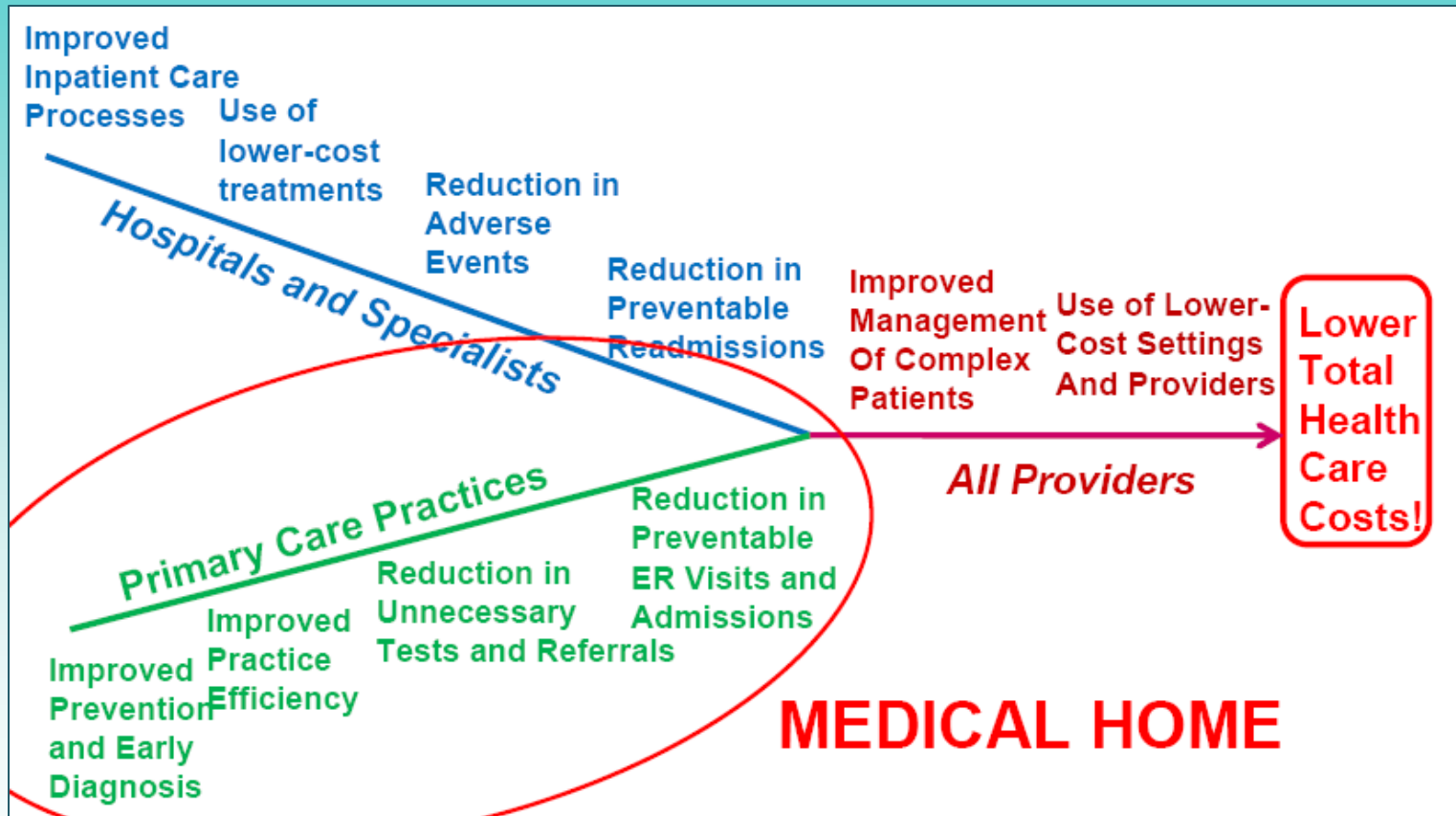


Source: Harold D. Miller, "How to Create Accountable Care Organizations," Center for Health Care Quality and Payment Reform, <http://www.chqpr.org/downloads/HowtoCreateAccountableCareOrganizationsExecutiveSummary.pdf>

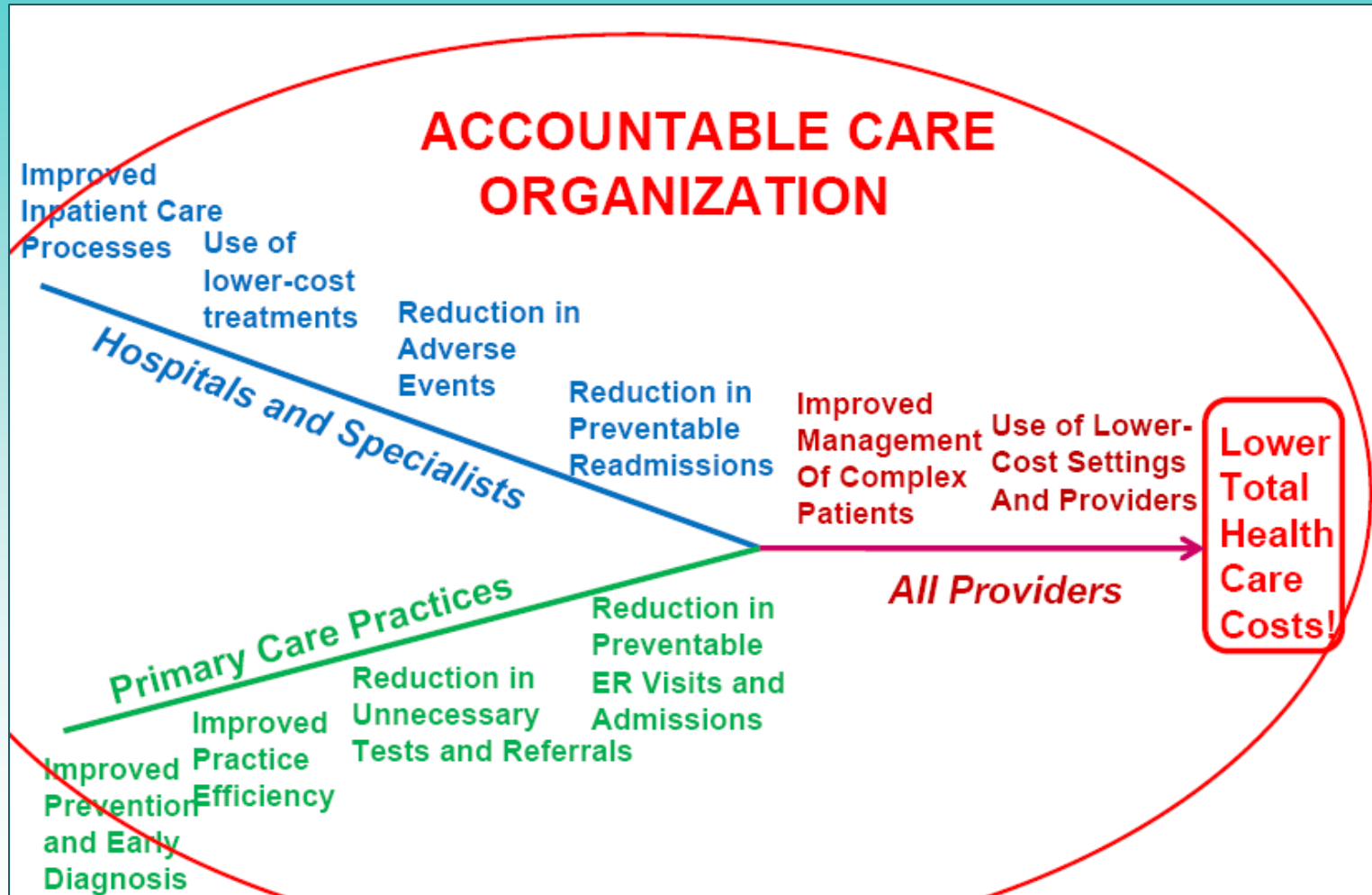
The Epidemiology of Value: Specialty Care



The Epidemiology of Value: Primary care



The Epidemiology of Value: A systems approach



Insurance Rate Regulation: Perils, challenges, and wild cards



- State willingness to commit staff and resources – having rules not the same as enforcing rules
- States are juggling fiscal problems and other ACA implementation mandates
- Private carriers increase rates to build reserves in anticipation of 2014
- 2012 elections and possibility of repealing or defunding ACA may slow compliance, particularly in states with Republican governors (29) and Republican controlled legislatures (25)