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Correspondence Memorandum

Date: December 15, 2022

To: Group Insurance Board

From: Brian Stamm, Deputy Director
Office of Strategic Health Policy

Subject: New Rate Setting Timeline

This memo is for informational purposes only. No Board action is required.

Background

Historically, the Group Insurance Board (Board) has finalized rates for the health, pharmacy, and dental insurance programs during the Board meeting held in August of each year. Employee Trust Funds (ETF) staff believe that changing the timing of the rate setting process will better serve our customers' needs, meet the needs of the new insurance administration system (IAS), and provide more accurate information to our membership.

The current rate setting process timing is largely dependent on when claims data are available for creating projections for the coming year. Health insurance claims, unlike pharmacy and dental claims, are typically not generated the moment services are provided. Instead, health claims are submitted to health insurers by providers within 90 days from the date of service. This three-month claims lag is an industry standard, however, it does not mean that all claims come in exactly at the three-month mark. Roughly 80% of claims are received within 60 days and 99% within 90 days from the date of service. Considering claims can be generated within a plan year until 11:59 pm on December 31, a full year-end claims report cannot be generated until the claims lag expires at the end of March. Actuaries at health insurers then utilize these reports to develop projections for the next year, which in turn become rate bids.

Since the implementation of the Data Analytics and Insights (DAISI) data warehouse, ETF has ingested claims feeds from our health plan partners that now play a pivotal role in the rate setting process. Submission of claims data occurs on a monthly cadence as do quality checks on the incoming data prior to the data landing in the production environment. Between the claims lag and the data transfer, the earliest ETF staff and Segal (the Board's actuary) have access to the previous years' complete data set is the end of April. The two teams then utilize this data to develop the tiering structure for rate

Eileen K Mallow

Reviewed and approved by Eileen Mallow, Director, Office of Strategic Health Policy
Electronically Signed 01/31/2023

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negotiation with the health plans. Therefore, the current rate setting timing is dependent on the availability of final, full-year claims data based on the previous plan year's experience.

Local Employer Impacts of Current Process

The portion of the rate setting process the Board is likely most familiar with involves the presentation of potential rate options along with reserve draw recommendations provided in the August Board meeting. Unfortunately, the timing of when rates are finalized does not match well with the needs of many local employers who develop their budgets for the upcoming year in June. Employer insurance premium costs are a significant line item for local employers' budgets. Due to the lack of finalized rates, many employers have to estimate based on historical trends rather than actual premiums. ETF staff have heard through the years that local employers do not participate in the GHIP because of the timing in which rates are provided.

ETF Administrative Impacts of Current Process

The current timing for the rate setting process provides final premiums for employers that are shared roughly one week following the August Board meeting. These values are the public facing premium rates, which are the lynchpin for finalizing open enrollment documentation. In the six weeks or less following the August Board meeting, the final rates must be programmed into ETF's insurance administration system, adopted into all outbound education materials, including decision guides, and integrated into all training materials and benefit fair presentations. Due to GHIP's benefit structure and the variety of health plan offerings, ETF regularly has over 2,500 independent rate values that need to be incorporated into outbound materials. The short timeframe between the August Board meeting and the start of open enrollment limits ETF's ability to perform comprehensive quality checks on outbound materials, which has resulted in errors.

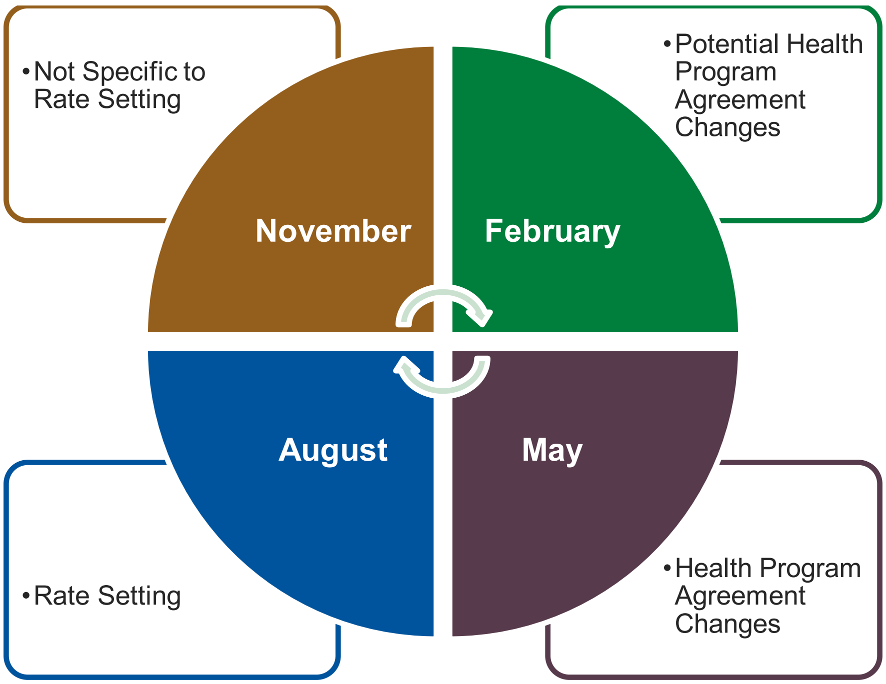
Insurance Administration System (IAS) Required Changes

ETF is working with Benefitfocus to develop the new insurance administration system, which is currently scheduled to go live in June of 2024. In discussions with Benefitfocus, ETF has learned that after implementation it may take as long as three months to configure, fully test, and push new plan offerings by existing health plans to production. Similarly, it may take as long as six months to onboard a new health plan and configure their plan offerings in the new system. Neither of these timelines provides enough time between the rate setting during the August GIB meeting and the start of open enrollment within the current rate setting timeline.

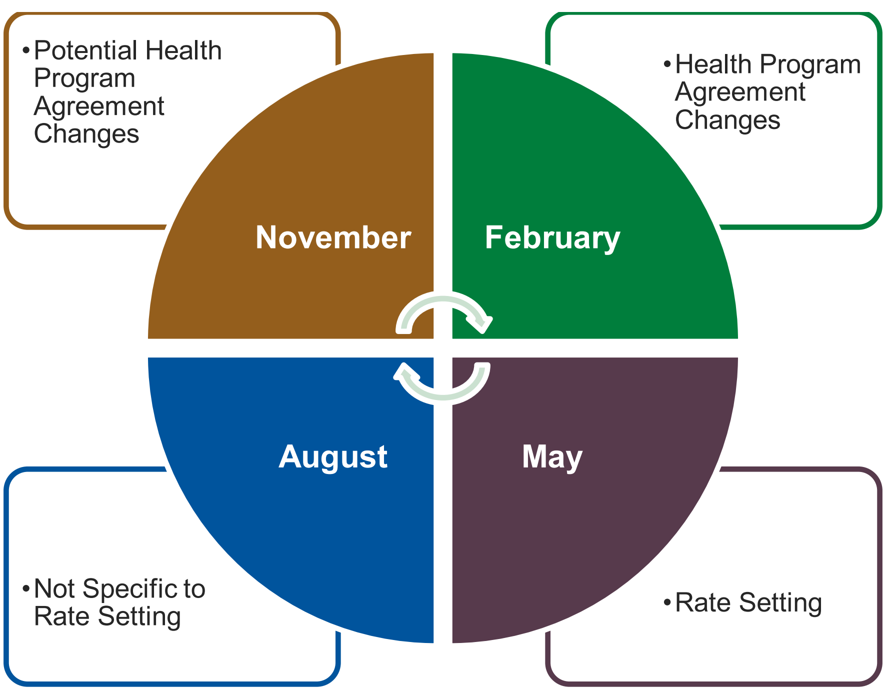
Recommendation

Rather than waiting for the full prior year's claims experience to be ready for evaluation, ETF and Segal can instead use a rolling year of data for the rate setting process. Using historical utilization trends, ETF and Segal will be able to estimate the total expected claims for the prior year and trend that forward into the future. This will allow for rate setting to occur earlier in the year and at a time of ETF's choice. ETF recommends shifting the rate setting activities currently handled during the August Board meeting to the May Board meeting. This requires shifting the entire cycle of Board meeting agenda topics related to the rate setting process up one meeting in the year, as illustrated in the graphics below.

Current Cycle:



Proposed Future Cycle:



To achieve a new cycle, the agenda for the November 2023 Board meeting will need to be extended to cover rate setting content that would otherwise have been covered the following February.

Expected Effects of Recommendation
Moving the rate setting process earlier in the year will allow for the annual publication of final rates by the end of May. This will significantly improve ETF's ability to meet the needs of our local employers for their budgeting purposes.

Adding more time between the end of the rate setting process and the open enrollment period will allow for an increased level of quality checks to be added for outbound open enrollment materials. ETF will have more time to develop education and training materials for employers and employees. The extra time will help ensure the material presented to our members and employers are of the highest quality and accuracy.

Having final rates available for publication by the end of May will provide enough time for Benefitfocus to configure the rate values into their system before open enrollment and allow for quality testing of those rates. This will also provide enough time for plan changes or new vendors to be onboarded before open enrollment.

Considerations
In discussions on this topic, Segal did note that there is a potential for a negative effect on the bids provided by health plans. Health plans as well as Segal will be making estimations on future healthcare utilization and costs farther out than the current process, which decreases the accuracy of those estimates. Segal expects the effect will be minimal, if any, and that this will bring ETF into a market norm. Currently, ETF is an anomaly with how late we set rates, and by moving our process up to May we would be in line with most of their other clients.

ETF is provided with financial stability information produced by the Office of the Commissioner of Insurance (OCI) annually as part of the annual rate setting process. These documents help validate the financial viability of the organizations the Board is contracting with for the future year as part of their fiduciary duty. In discussions with OCI, ETF confirmed that these reports cannot be produced earlier than June. ETF is developing contract language that will allow for contracts to be re-opened if the OCI financial stability report indicates that a contracted health plan is in danger of being financially stable.

Part of the annual rate setting process includes the calculation of the quality credit. This credit is an incentive for health plans to develop provider networks who provide the highest level of care possible to GHIP participants. The data utilized for the quality credit calculation is derived from Healthcare Effectiveness Data and Information Set (HEDIS) and Consumer Assessment of Healthcare Providers and Systems (CAHPS) results submitted to ETF by participating health plans. The HEDIS and CAHPS reports are not available until mid-June. ETF is developing alternative methods to calculate the quality credit for use during the rate setting process for plan year 2025.

ETF met with internal and external stakeholders involved in the rate setting process while developing this recommendation. The overwhelming response to the proposed recommendation was positive and supportive. No insurmountable barriers were identified that suggest an alternative route.

Staff will be available at the Board meeting to answer any questions.