



New Hampshire Insurance Department



**NHID Annual Hearing
Health Insurance Premiums
and Cost Drivers
University of NH School of Law
Concord, NH**



**John Elias
Commissioner
New Hampshire Insurance Department**

October 30, 2018

New Hampshire Insurance Department Preliminary Report of the 2017 Health Care Premium and Claim Cost Drivers

OCTOBER 30, 2018

JENN SMAGULA FSA, MAAA

GORMAN ACTUARIAL, INC.



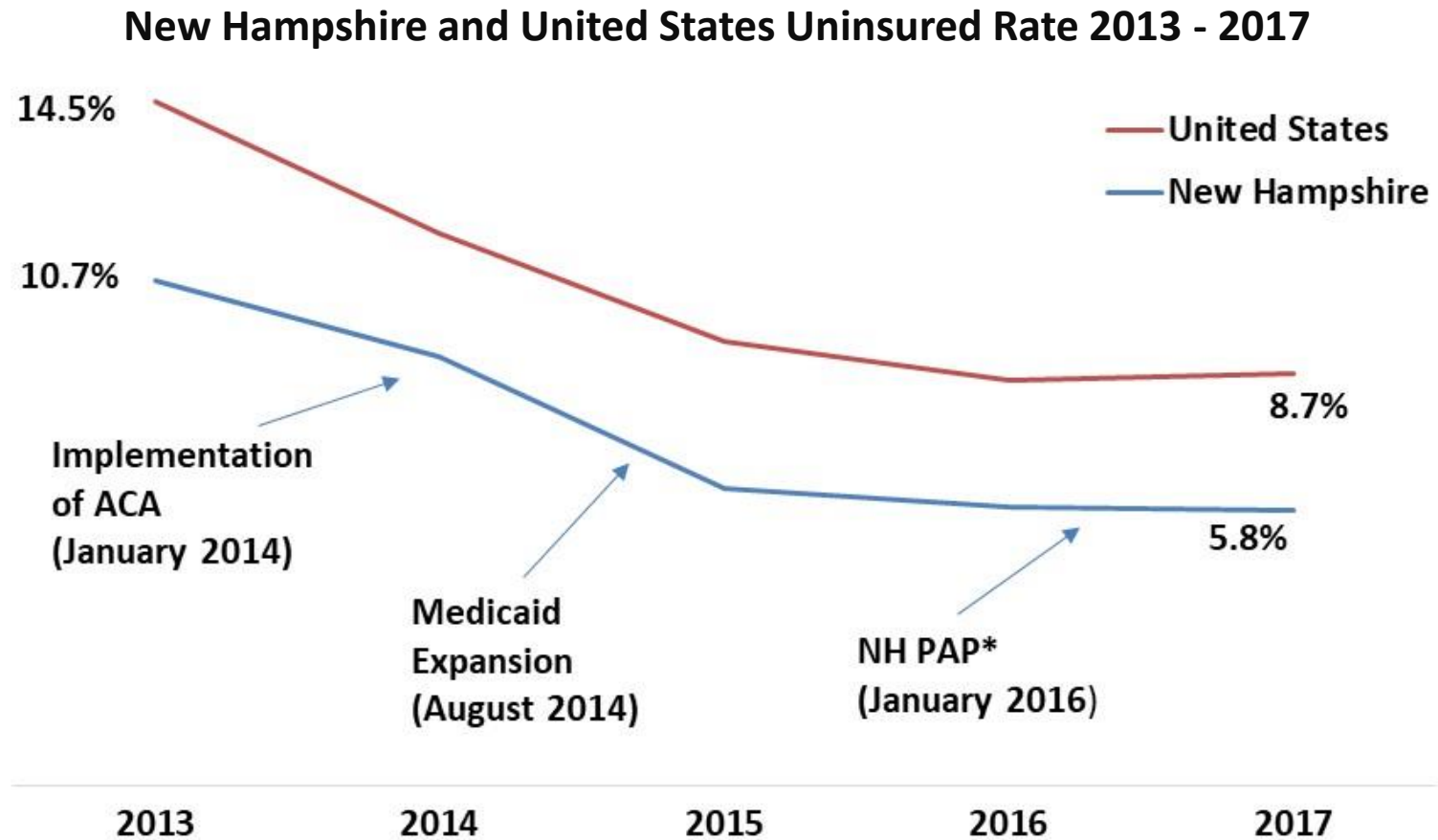
Goal of Annual Hearing & Report

In May 2010, New Hampshire passed RSA 420-G:14-a, V-VII (Chapter 240 of the laws of 2010, an act requiring public hearings concerning health insurance cost increases). In 2014, SB 345 amended Section VI: “The commissioner shall prepare an annual report concerning premium rates in the health insurance market and the factors that have contributed to rate increases during prior years.”

The report shall be based on the analysis of information and data, including items such as medical loss ratios, cost of medical care by payment type and insurance premiums by network, among other things.

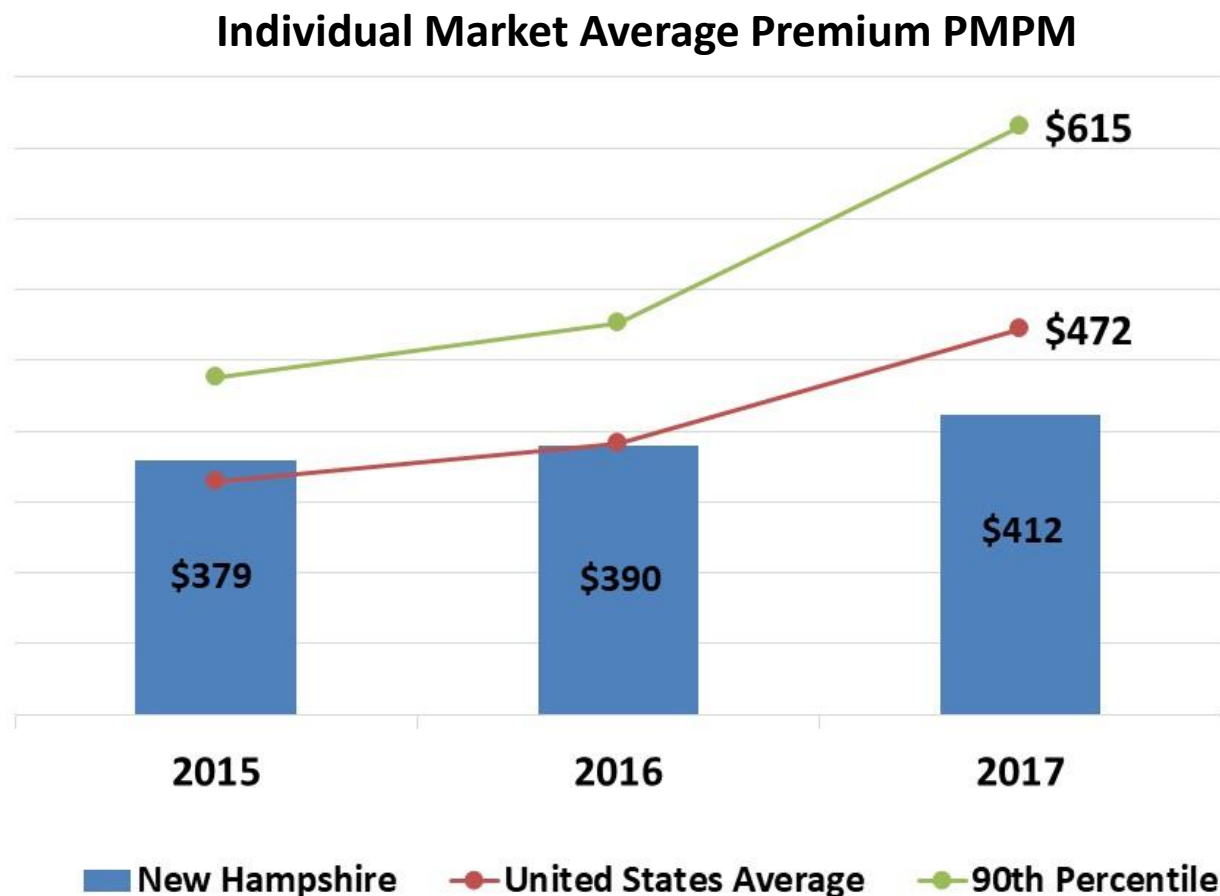
Overview of Markets and National Comparisons

The uninsured rate in NH decreased from 10.7% (pre 2014) to 5.8% in 2017. There was little change from 2016 to 2017.



Data Source: U.S. Census Bureau, American Community Survey 1-Year Estimate for 2013-2017

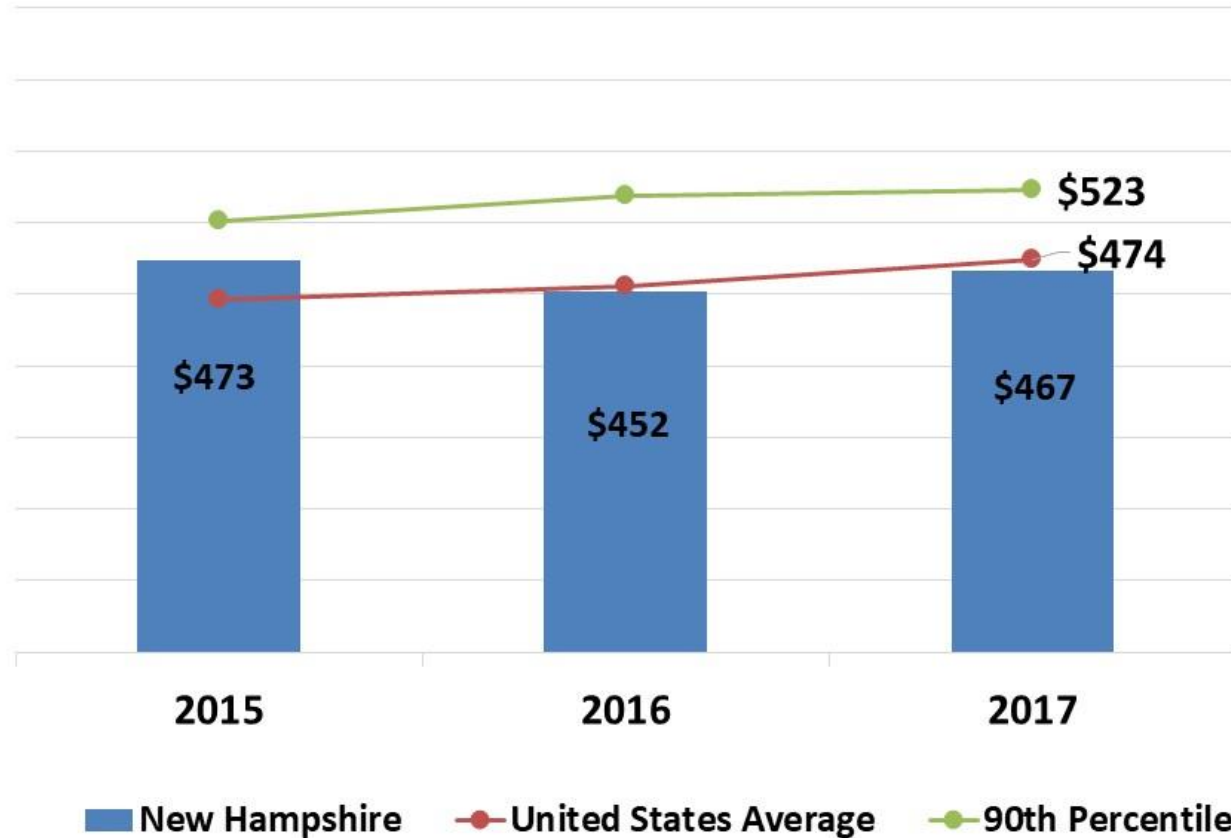
Average premiums in the NH Individual Market were lower than the US average by 13% in 2017.



Source: Centers for Medicare and Medicaid Services. Risk Adjustment Report. 2015, 2016, 2017 benefit years

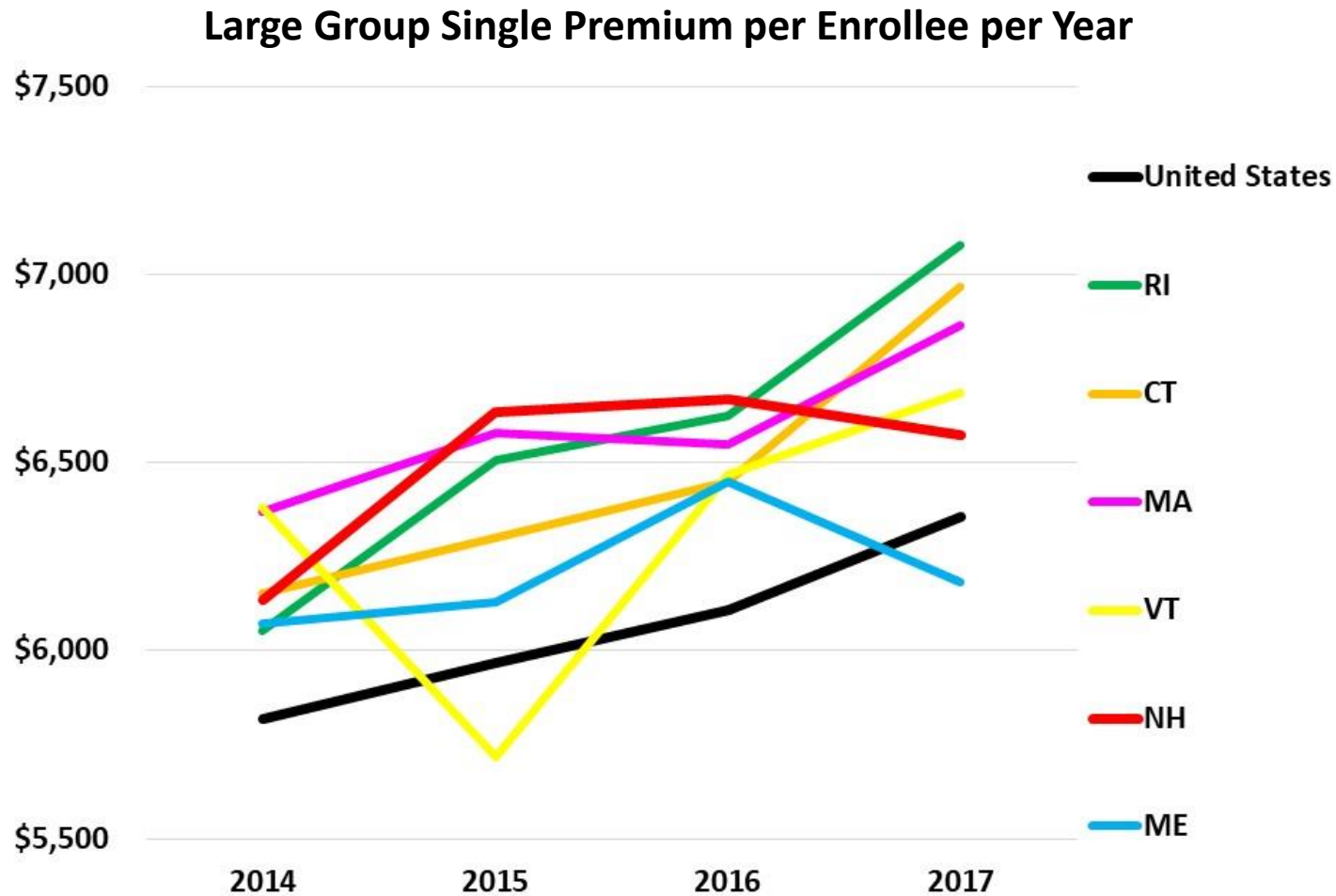
In the Small Group Market, NH average premiums were close to the US average in 2017.

Small Group Market Average Premium PMPM



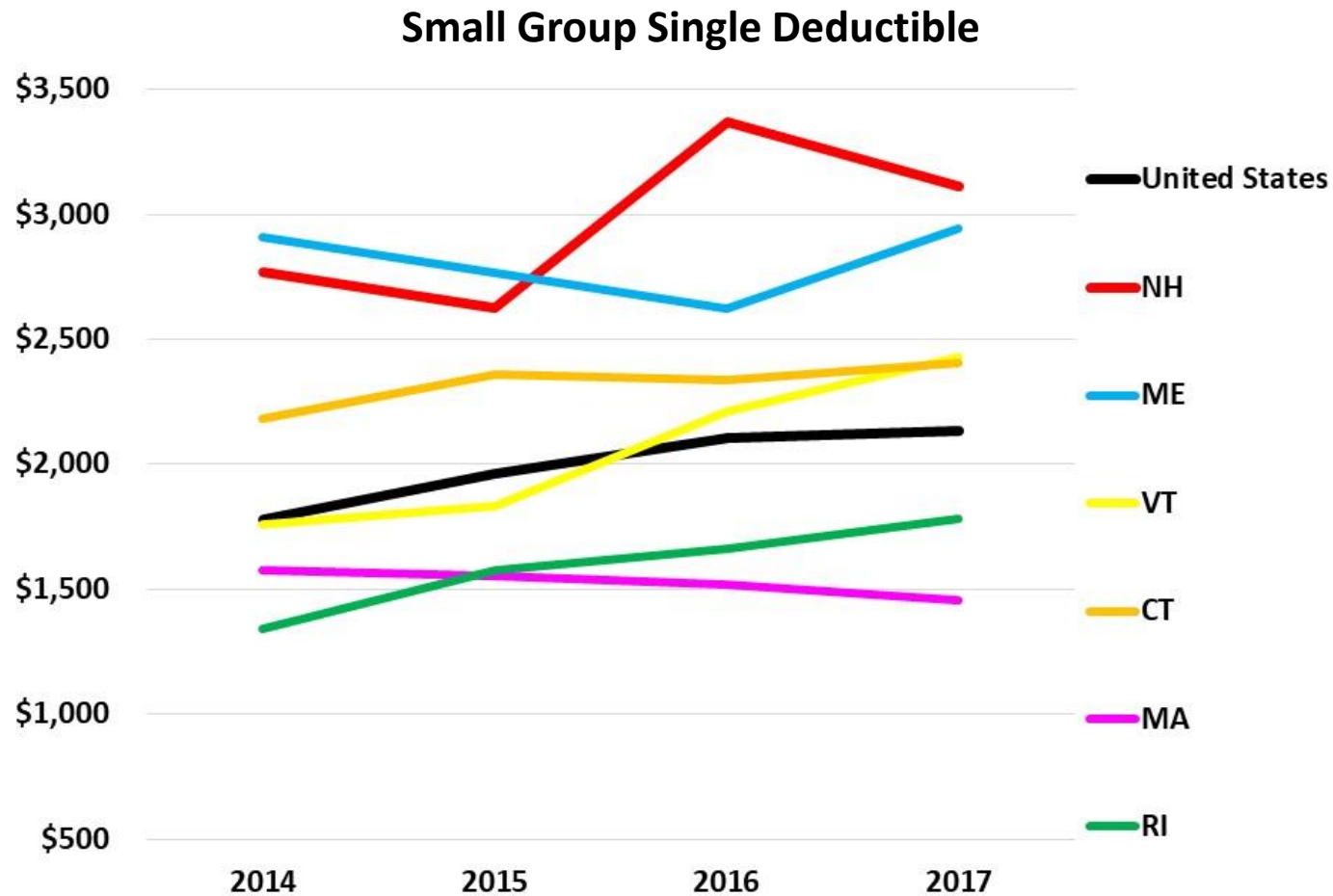
Source: Centers for Medicare and Medicaid Services. Risk Adjustment Report. 2015, 2016, 2017 benefit years

In the Large Group Market, NH premiums were about 3% more than the US average in 2017.



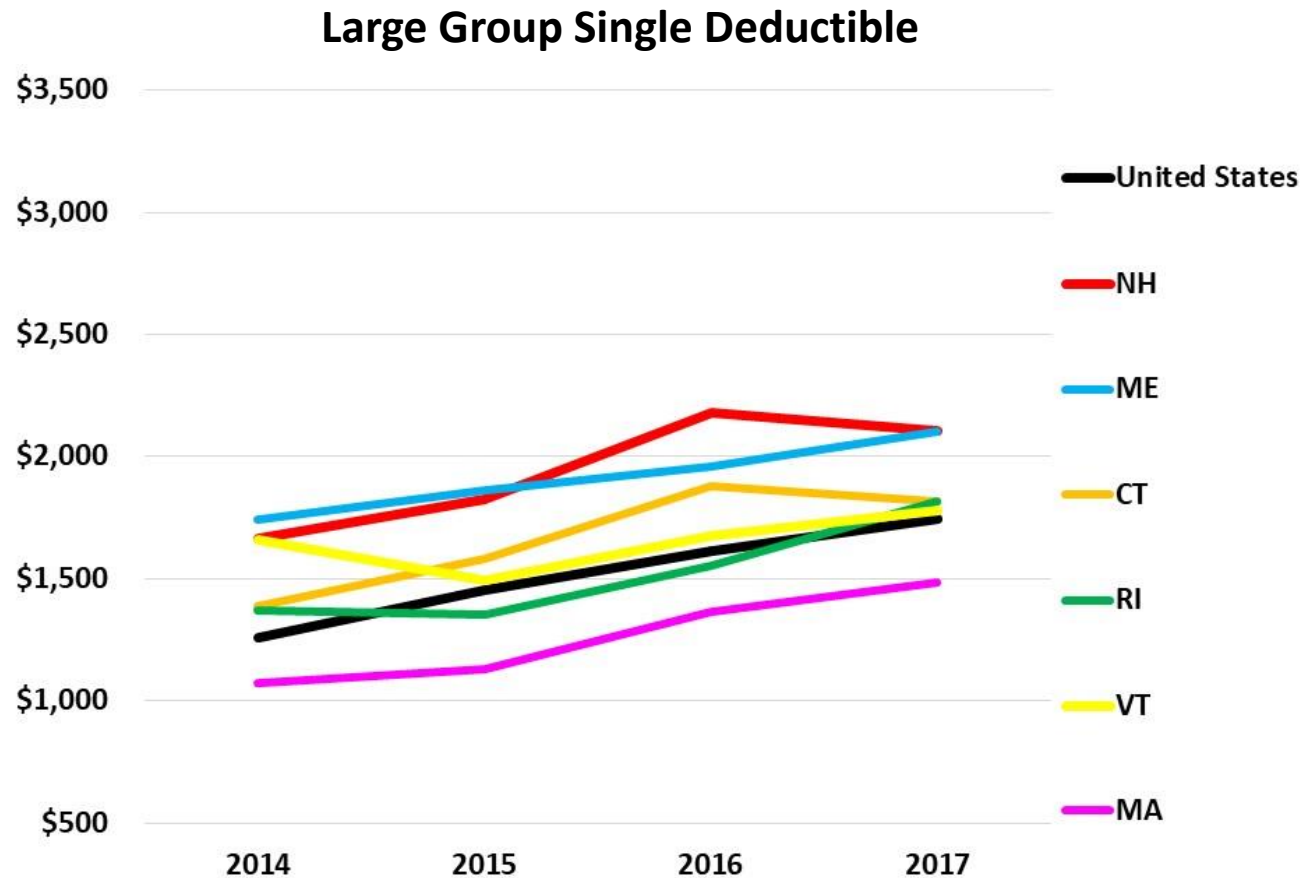
Source: 2014 – 2017 Medical Expenditure Panel Survey Insurance Component.

In the Small Group Market, NH deductibles were about 45% more than the US average in 2017.



Source: 2014 – 2017 Medical Expenditure Panel Survey- Insurance Component.

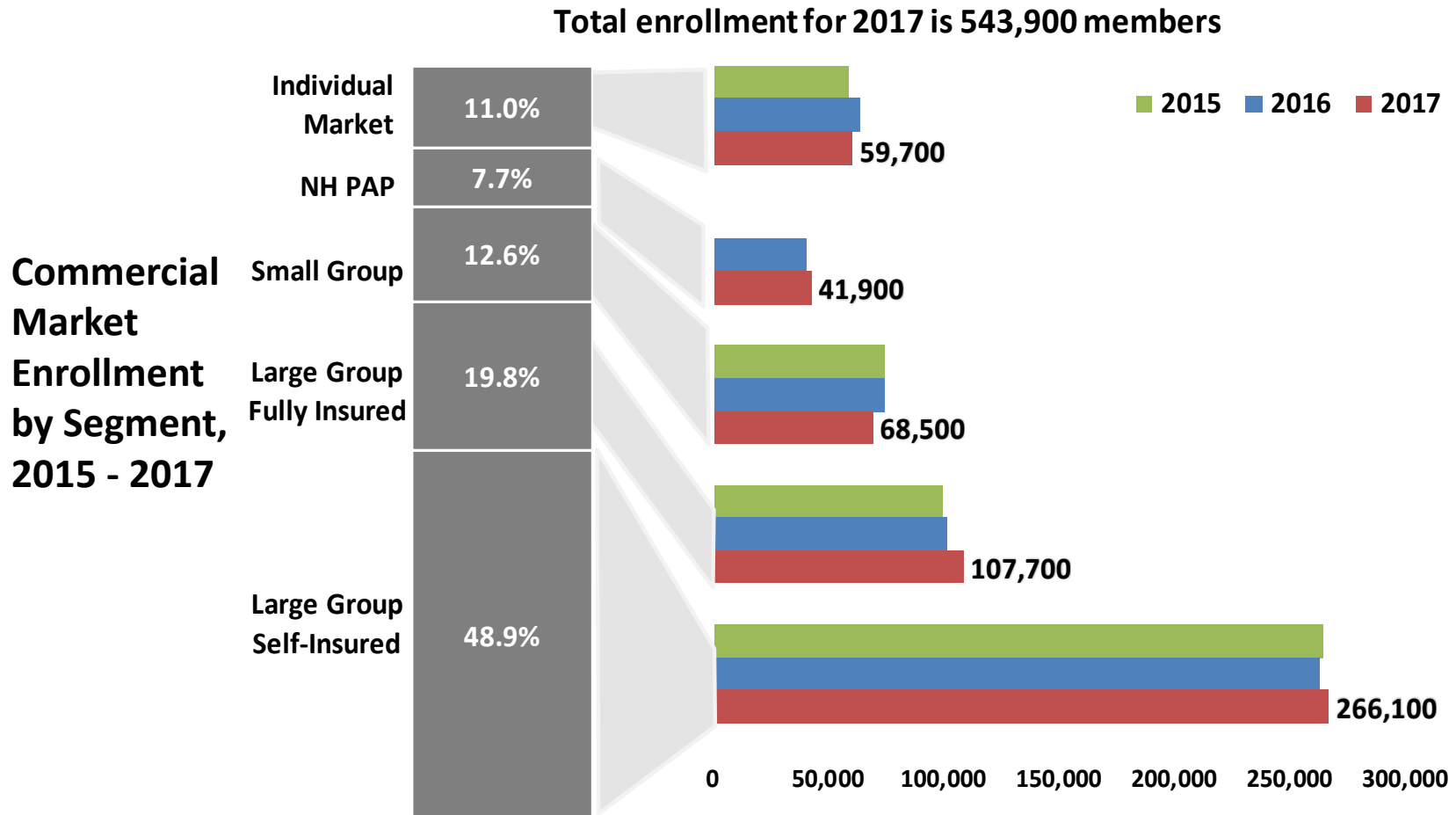
NH Large Group Market average deductibles were higher than the US average by approximately 20% in 2017.



Source: 2014 – 2017 Medical Expenditure Panel Survey- Insurance Component.

Coverage Shifts

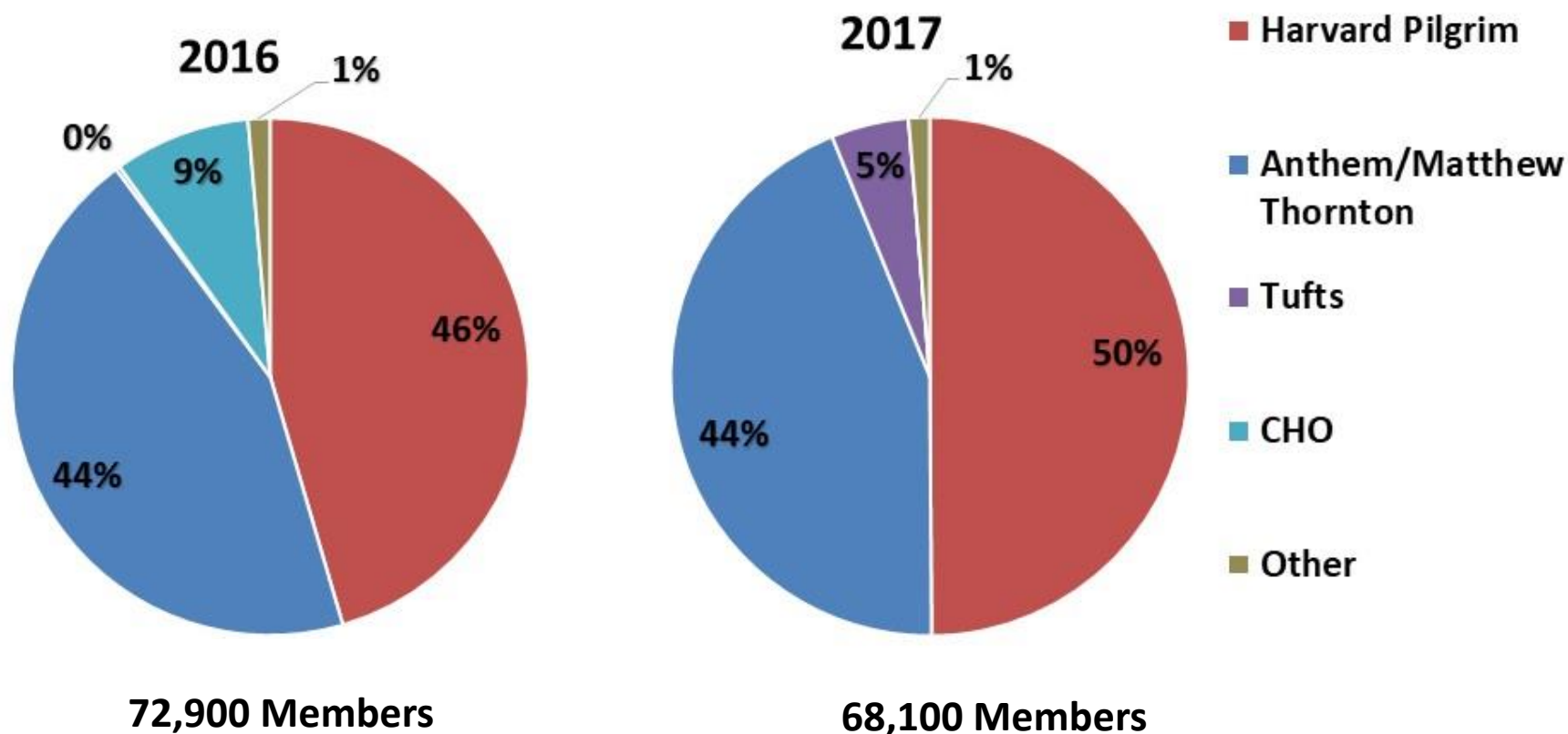
Employer-sponsored insurance plans continued to cover the vast majority of NH members with private insurance.



Source: NHID 2015 and 2017 Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population.

The Small Group Market membership decreased by 7%, or by approximately 5,000 members.

Distribution by Insurer of Small Group Situs and Fully-Insured

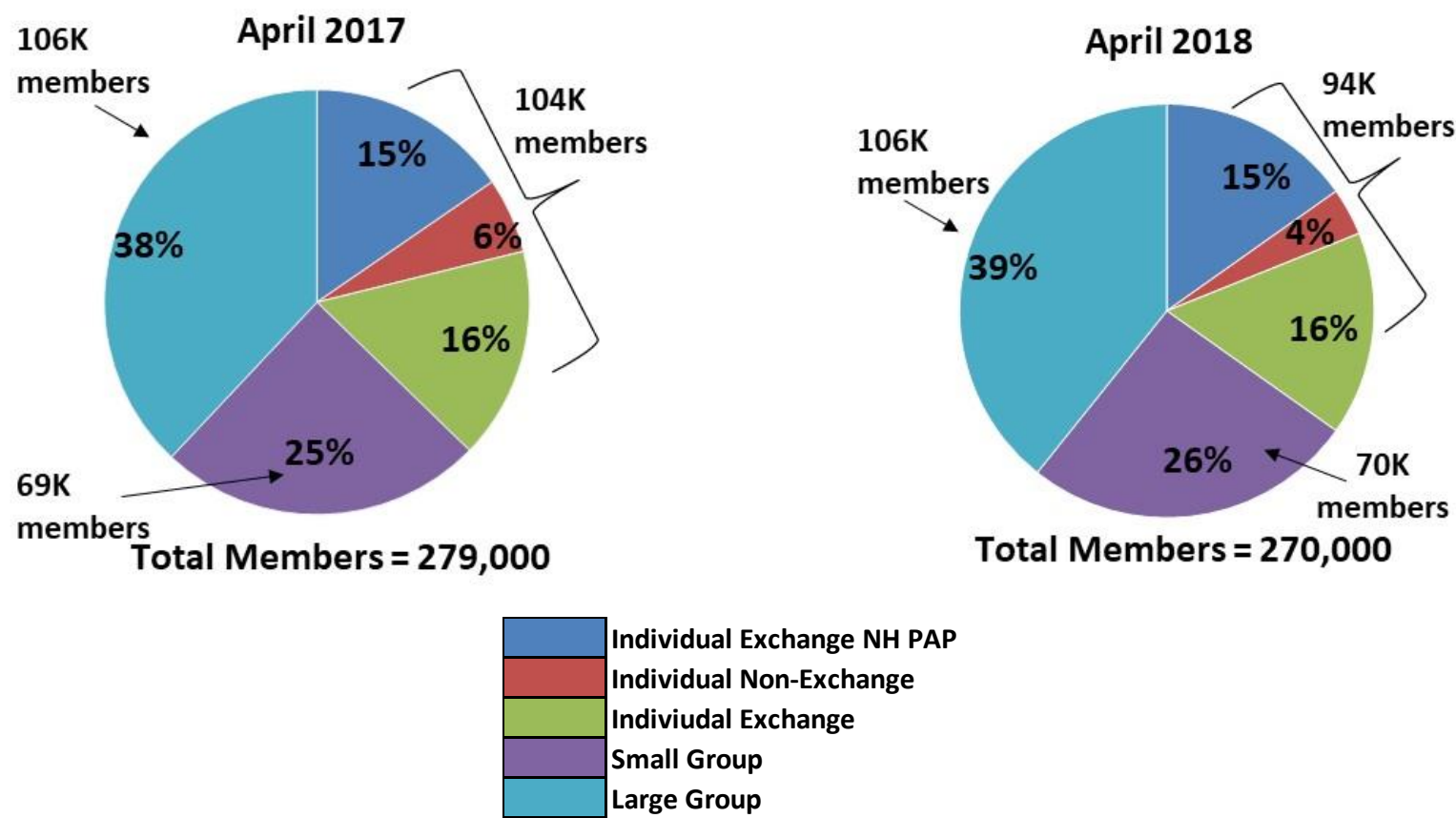


Note: Values may not total to 100% due to rounding.

Source: NHID 2015 and 2017 Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population.

A preview of 2018 indicates that the Individual Market membership dropped by 10%, or 10,000 members, driven by a loss in the Non-Exchange segment.

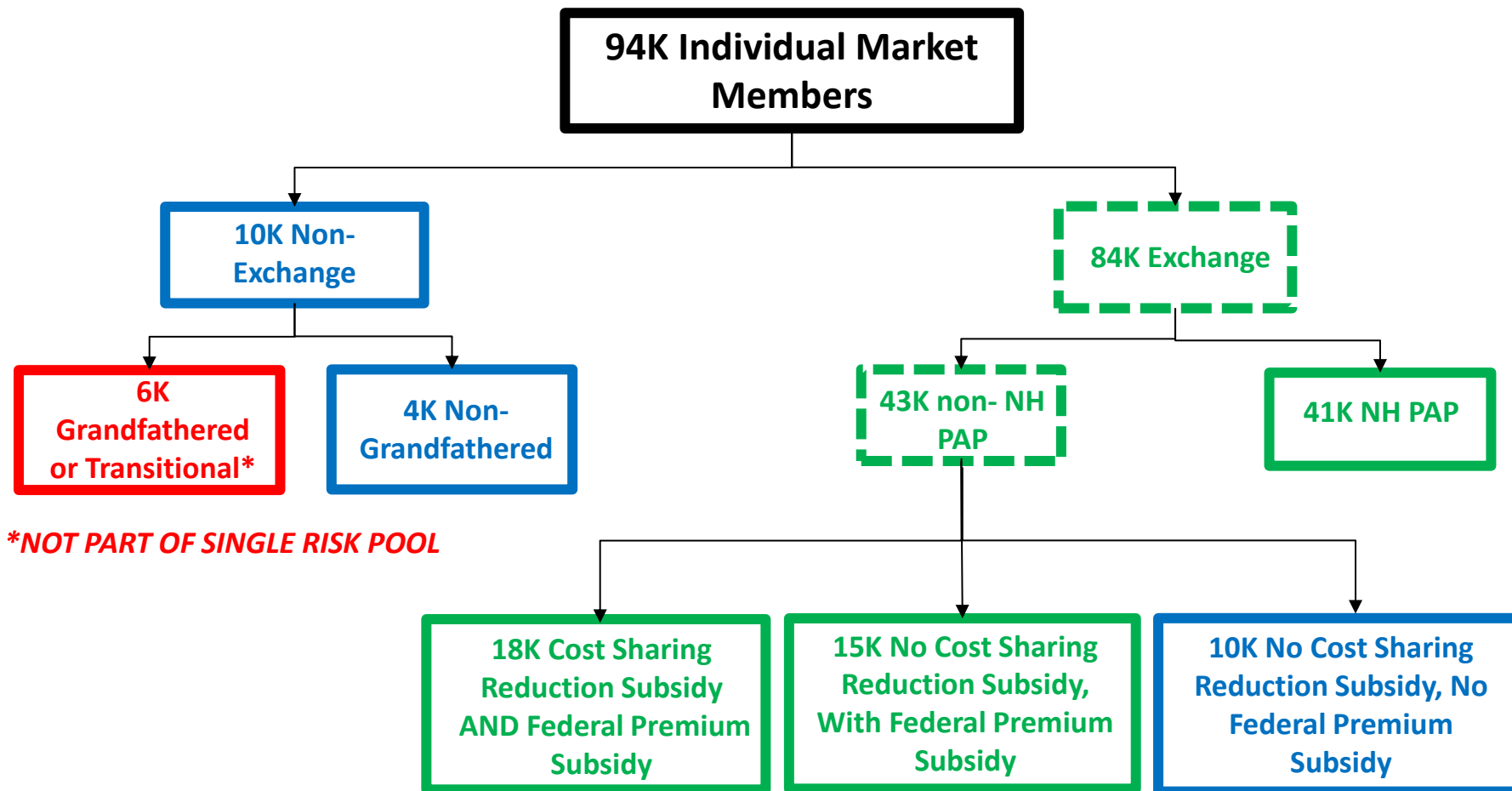
Fully-Insured Membership by Market Segment



Source: NHID Annual Hearing data 2017 and 2018; Excludes FEHBP.

The Individual Market is diverse.

2018 Individual Market Membership

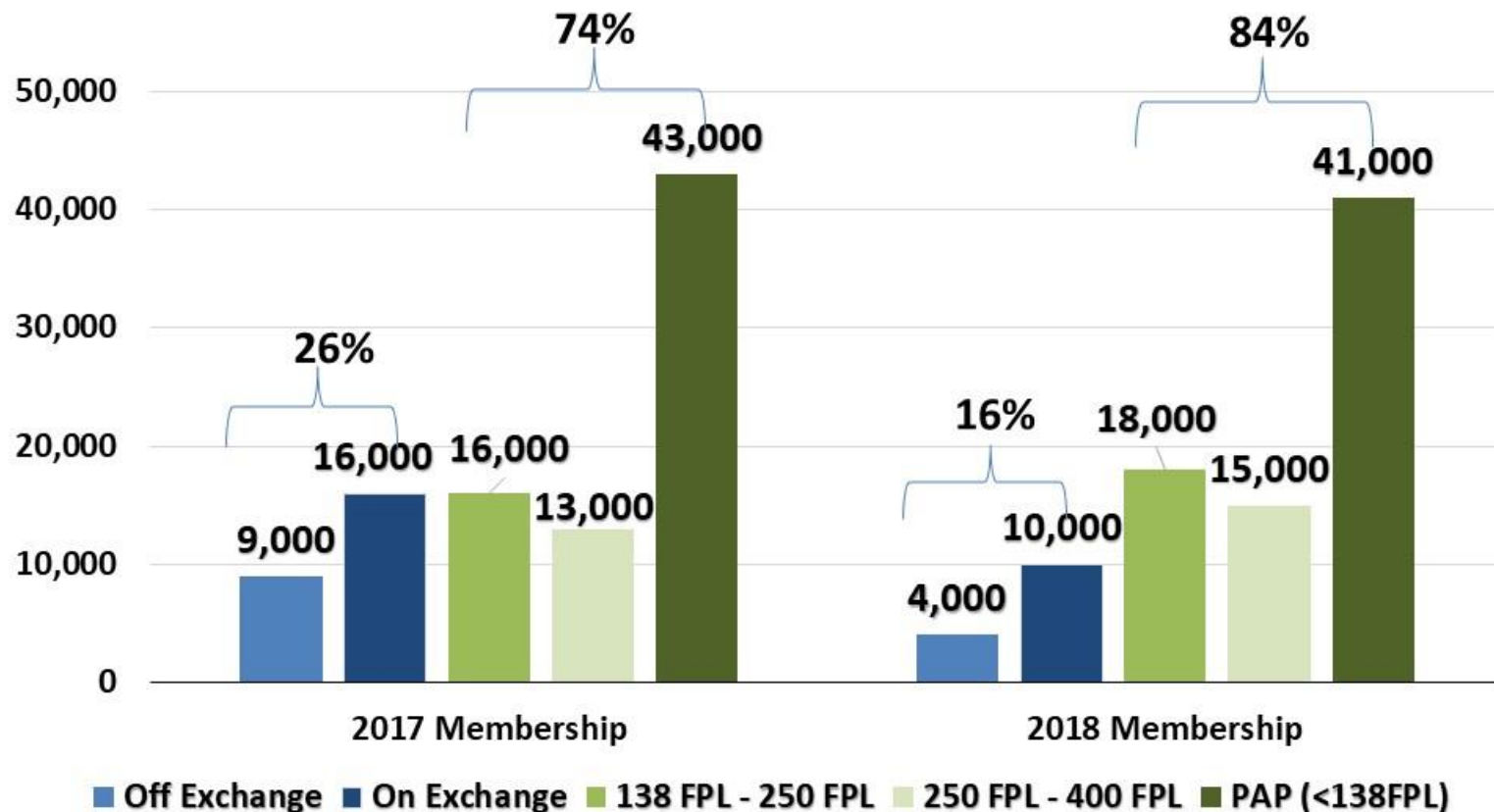


**NOT PART OF SINGLE RISK POOL*

Source: NHID Annual Hearing data 2018.

In 2018, 84% of the Individual Market received some form of subsidies towards health insurance, an increase from 74% in 2017.

2017 and 2018 Individual Market Single Risk Pool Membership

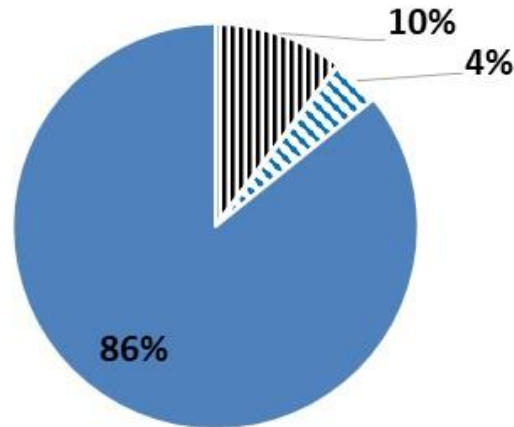


Source: NHID Annual Hearing data 2017 and 2018. Note this chart only represents the Single Risk Pool.

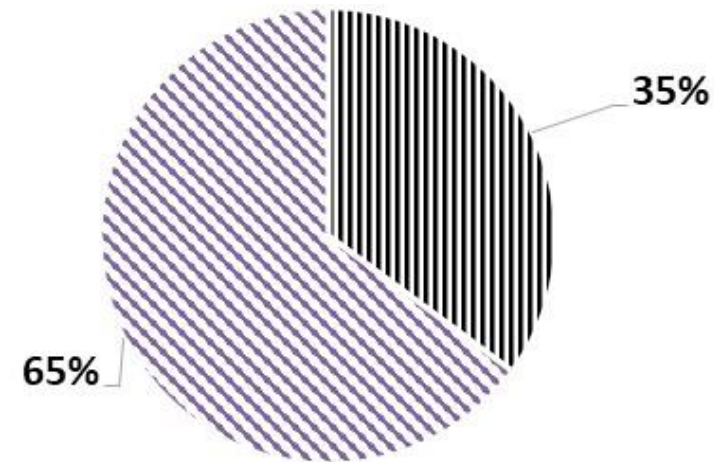
Within the Individual NH Non-PAP Market, 35% of Minuteman members exited the market in 2018.

Individual Market Non-PAP Membership Changes December 2017 to 1Q 2018

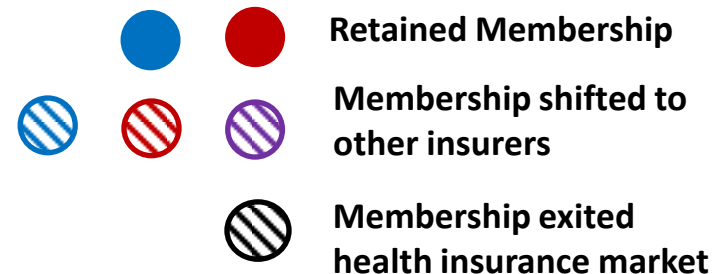
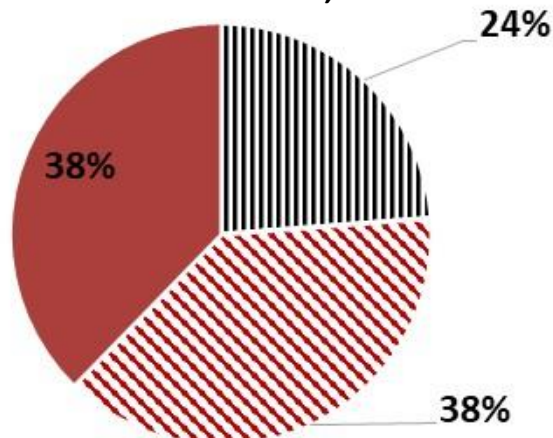
Dec 2017 Anthem/Matthew Thornton: 23,200



Dec 2017 Minuteman: 20,800



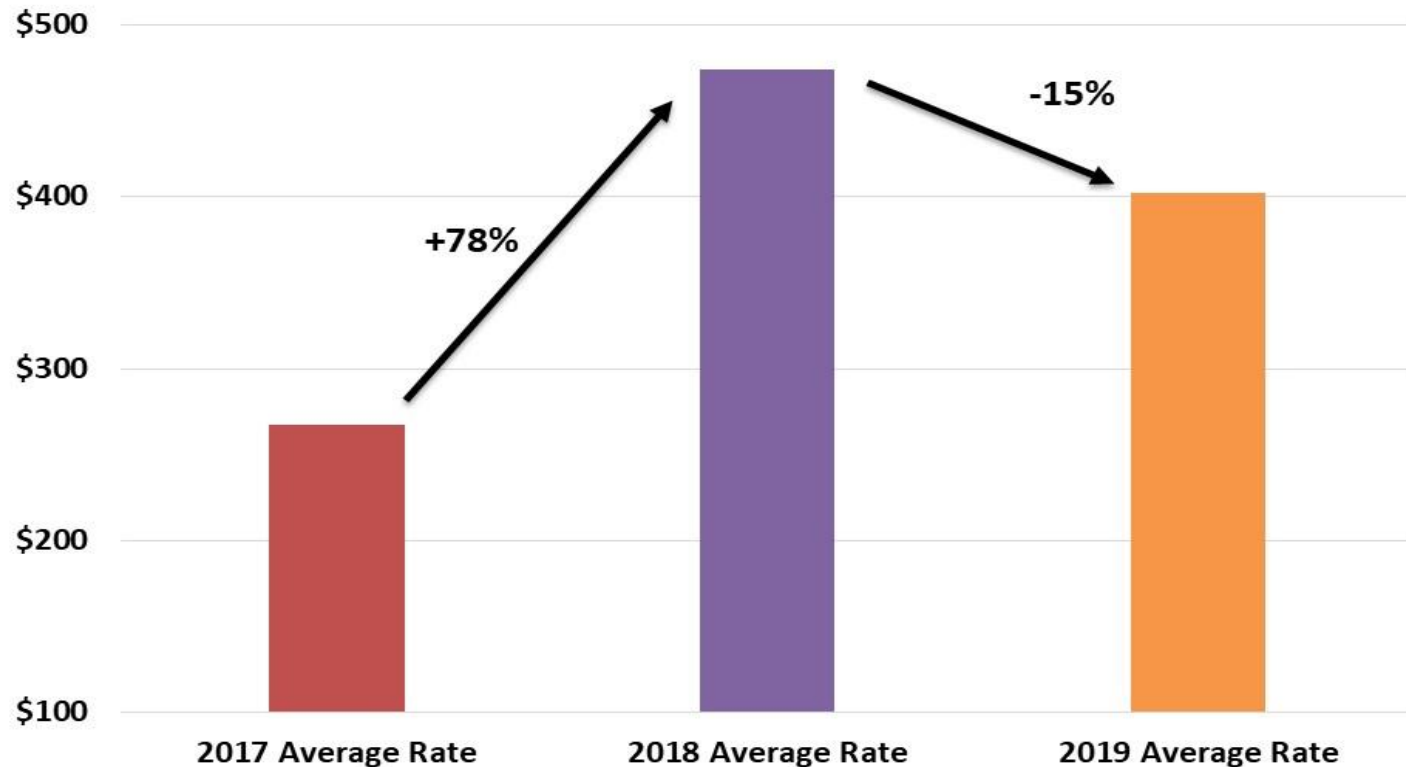
Dec 2017 HPHC: 12,200



Source: Based on information from NH CHIS received from the NHID and NHID Annual Hearing data 2018. Includes Grandfathered/Transitional members.

The 2019 rate change in the Individual Market's second lowest costing silver plan was favorable at -15%, but it does not negate the significant rate increase of 78% in 2018.

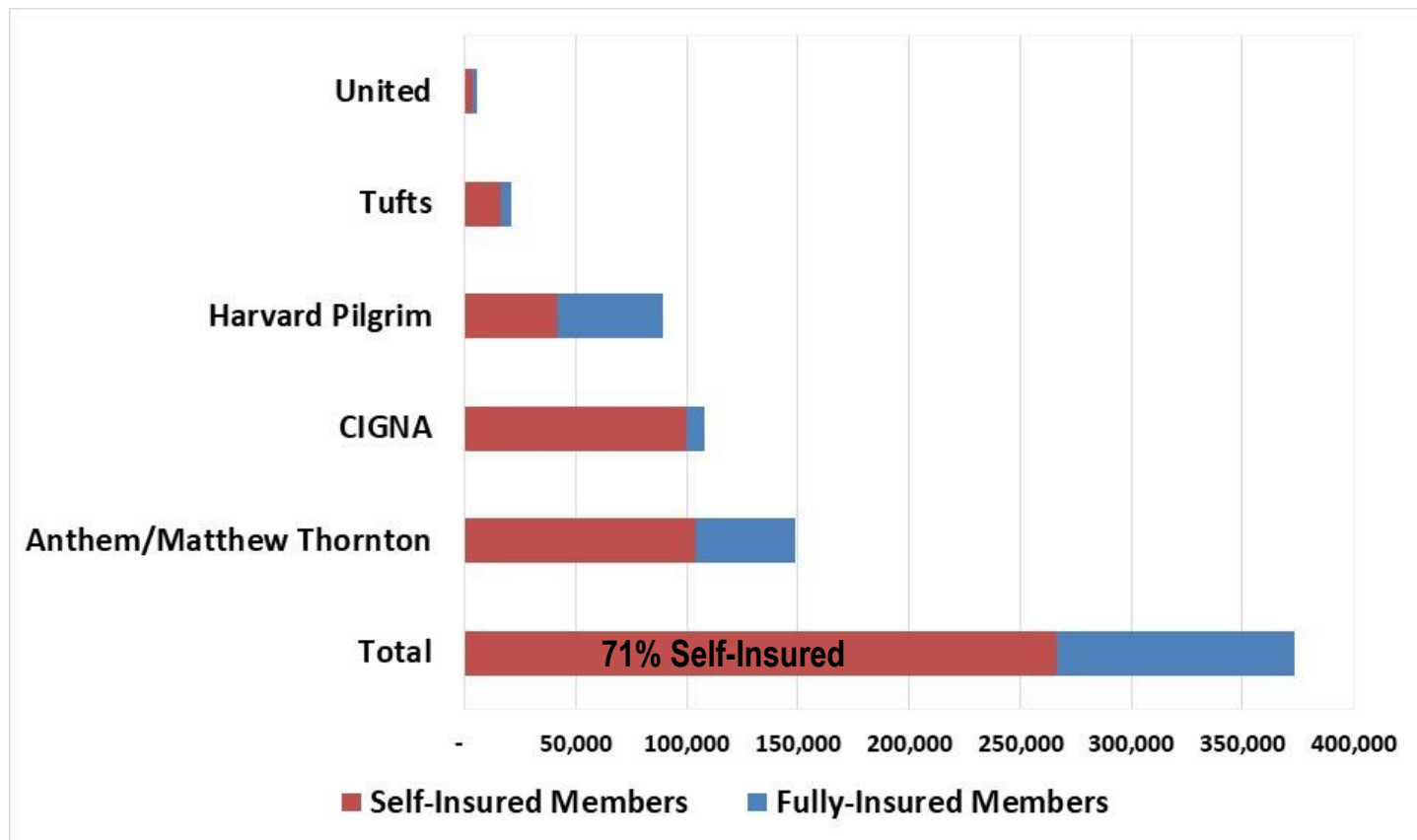
Individual Market Monthly Second Lowest Costing Silver Rate for 40 Year Old Non-Tobacco User



Source: Average Monthly Premiums for Second-Lowest Costing Silver Plan released by CMS 10/11/2018. Translated to represent 40 year old rather than 27 year old.

The self-insured market continued to dominate the Large Group Market. In 2017, 71% of the large group market was self insured, driven by enrollment in Anthem & CIGNA.

**Large Group
Membership
Distribution by
Self-Insured vs.
Fully-Insured for
2017**

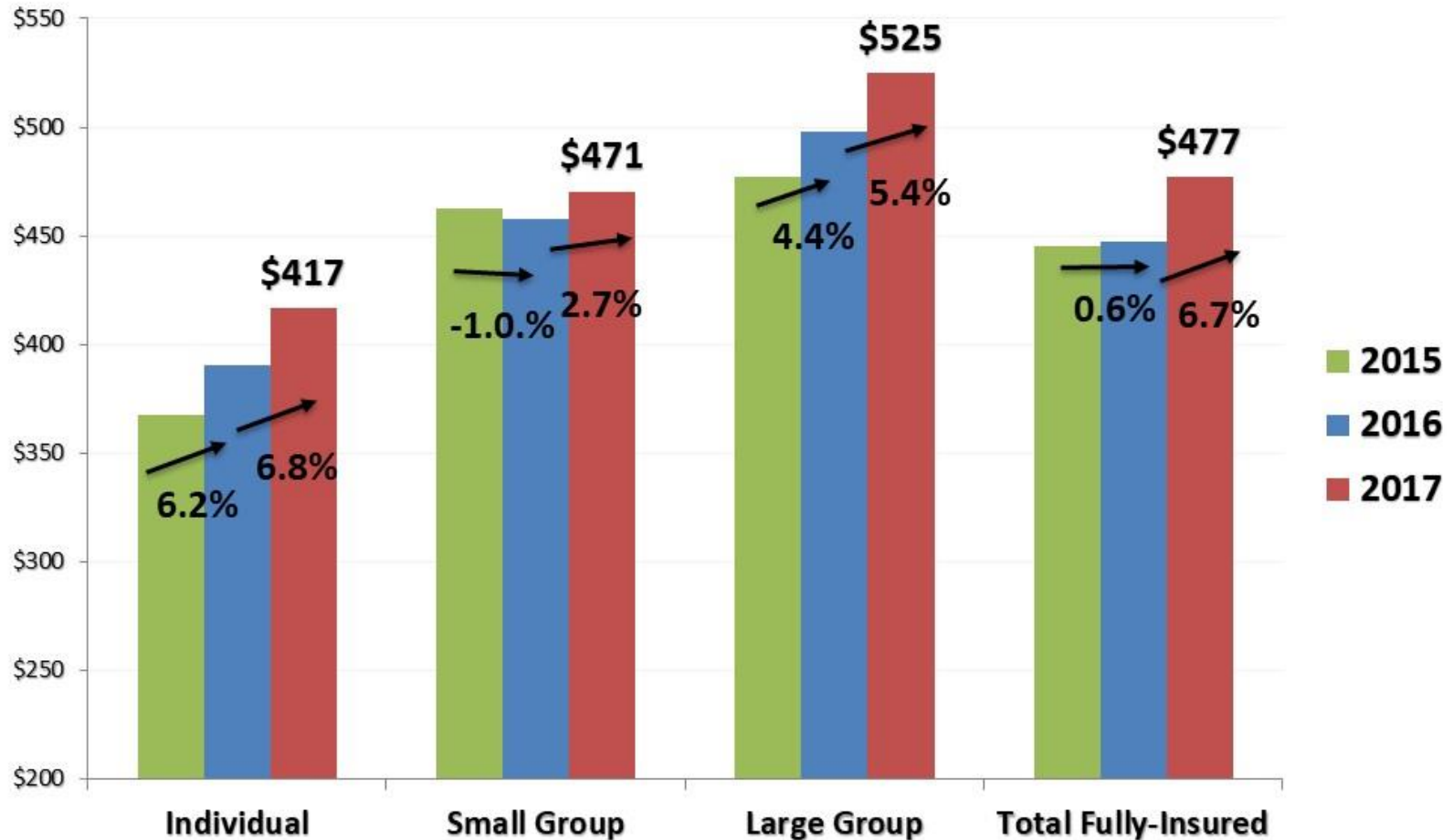


Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population.

Premium and Cost Sharing

Average premiums in the fully-insured market increased 6.7% from 2016 to 2017, led by increases in the Individual Market.

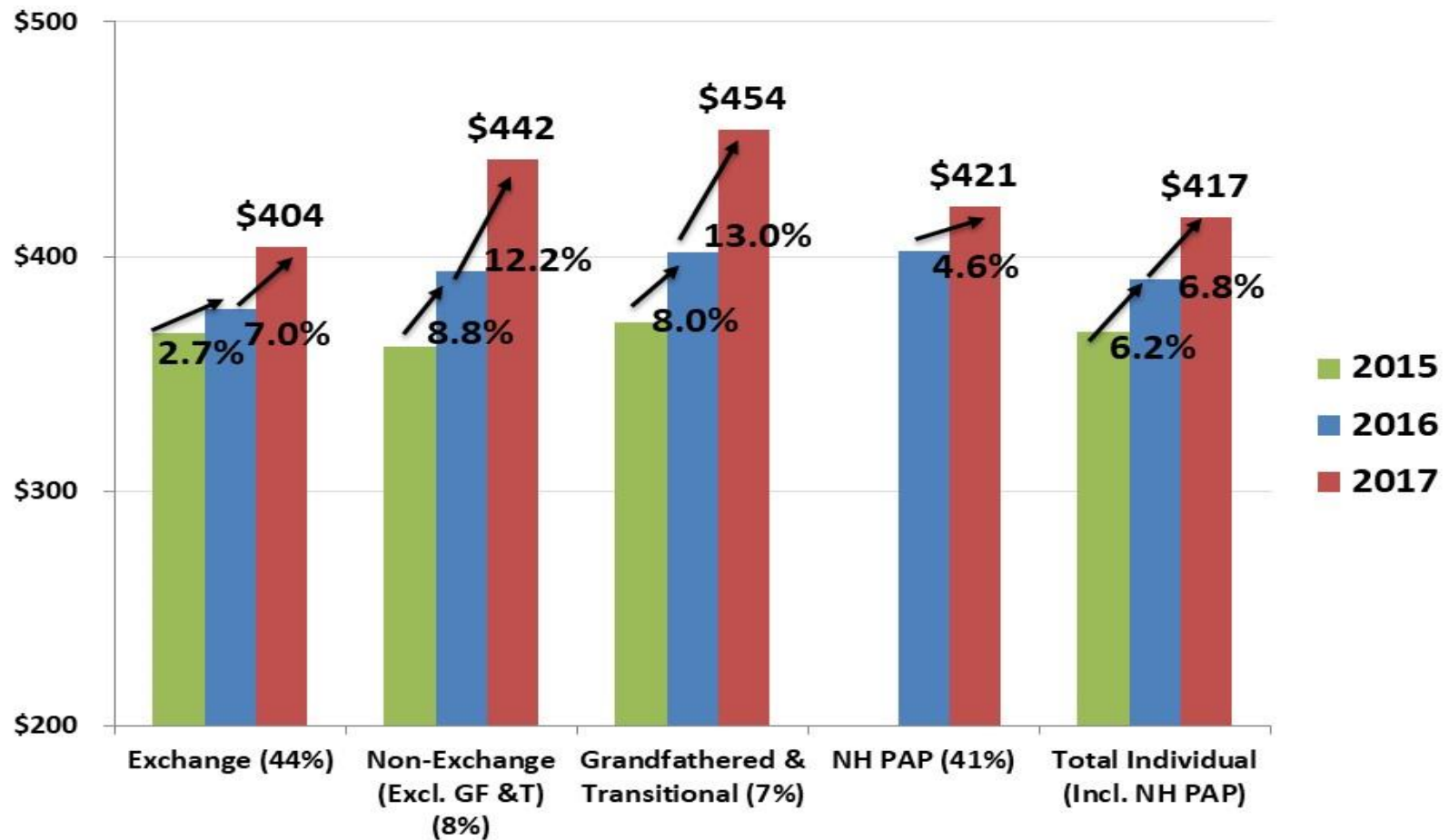
Fully-Insured Commercial Unadjusted Earned Premium PMPM by Market Segment



Source: NHID Supplemental Data Request; Commercial fully-insured population including New Hampshire situs membership only. Excludes FEHBP population.

Average premiums in the Individual Market increased 6.8% from 2016 to 2017, led by increases in the Non-Exchange and Grandfathered / Transitional Markets.

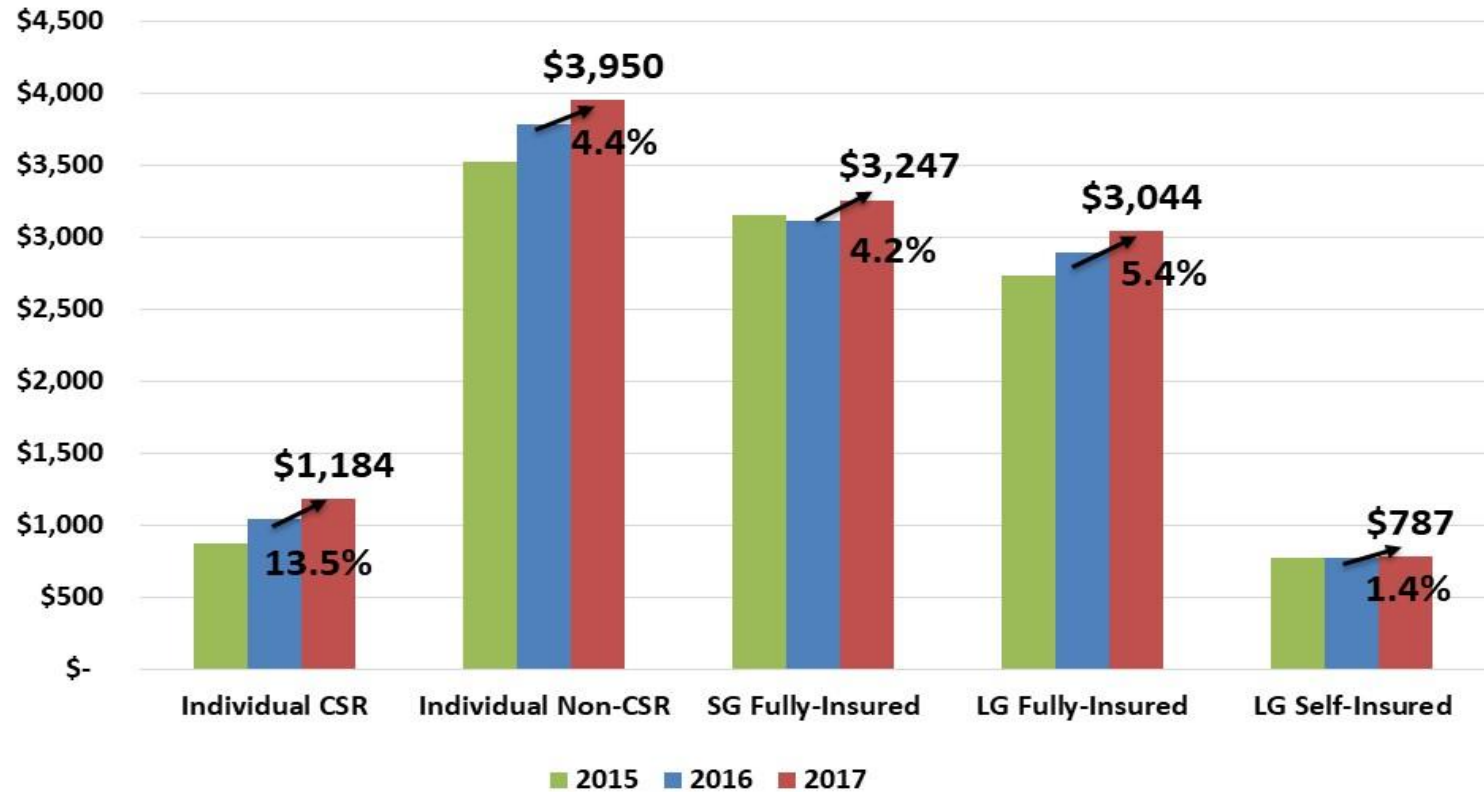
Individual Market Premiums PMPM Prior to Subsidies



Source: NHID Supplemental Data Request; Commercial fully-insured population including New Hampshire situs membership only.

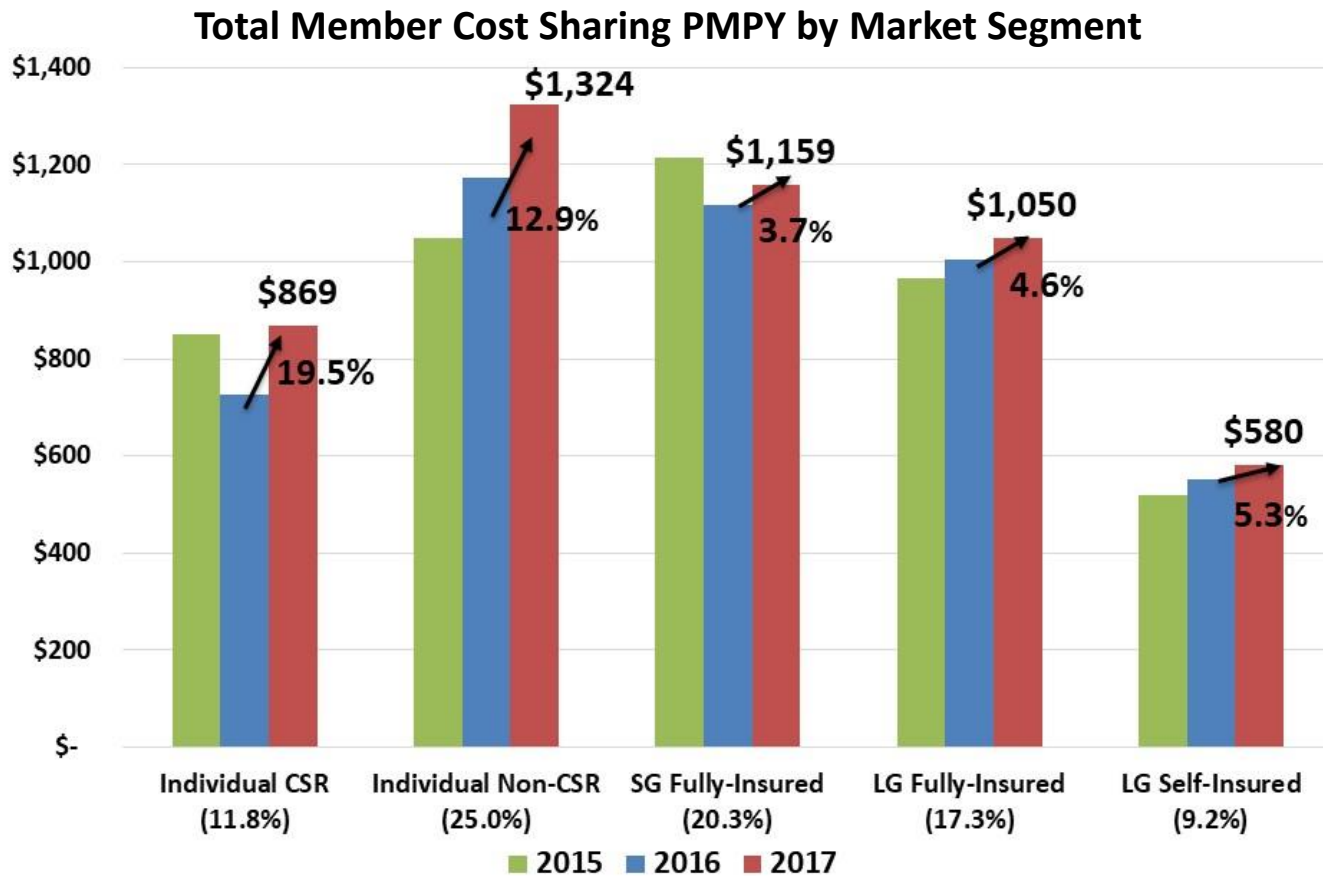
Average deductibles increased in all segments from 2016 to 2017. The Individual Market with no CSR subsidies had the highest average deductibles.

Comparison of Average Single Deductible by Market Segment



Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes NH PAP and FEHBP population. Data shown is for single, in-network coverage and includes zero dollar deductibles.

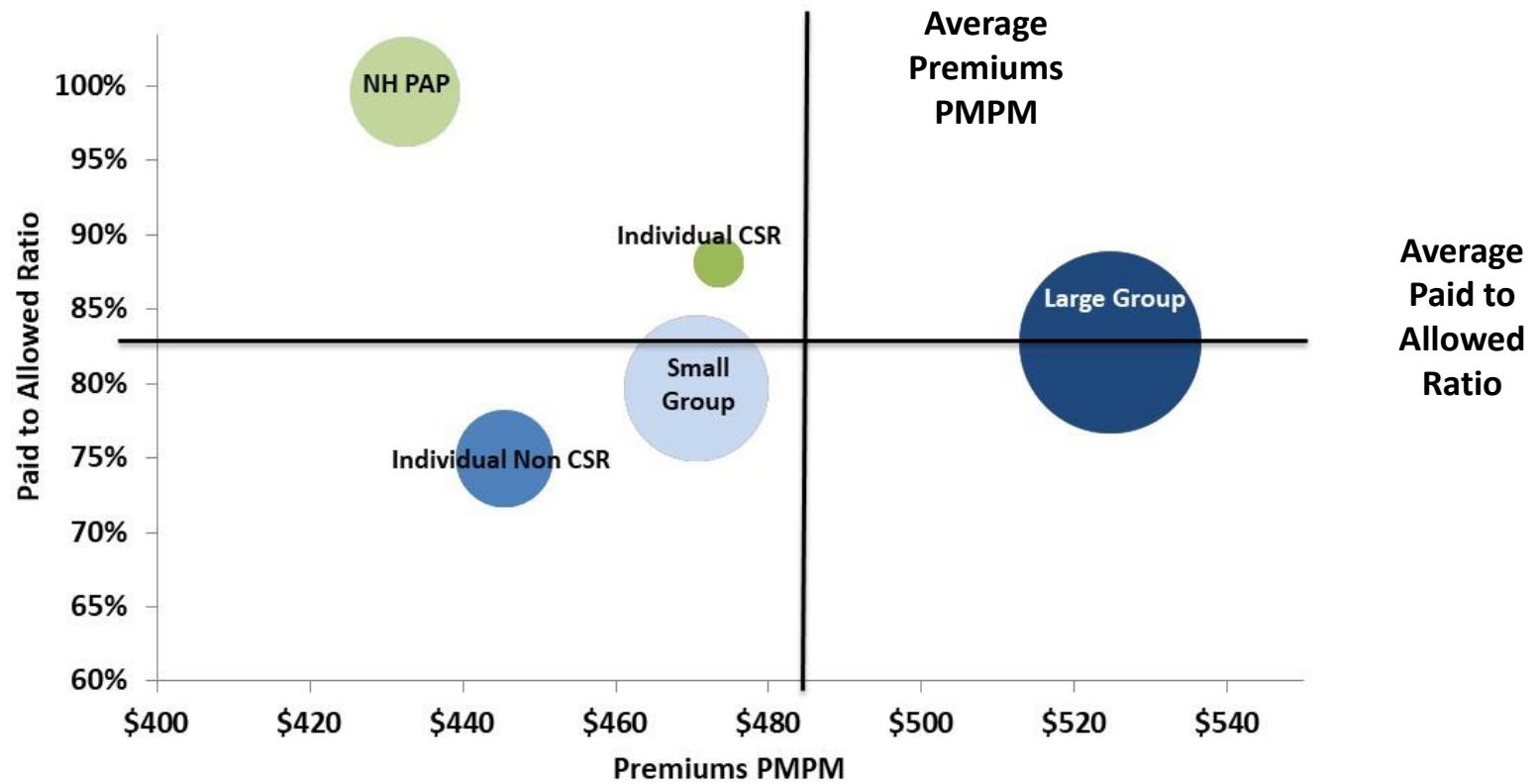
Total cost sharing paid by members increased in all segments from 2016 to 2017. Individual Market with no CSR subsidies paid \$1,324 per member per year.



Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes PAP and FEHBP population. Data shown is for single, in-network coverage and includes zero dollar deductibles.

Enrollees with subsidized insurance had the most comprehensive health insurance benefits. Premiums for enrollees without subsidized insurance increased as benefit richness increased.

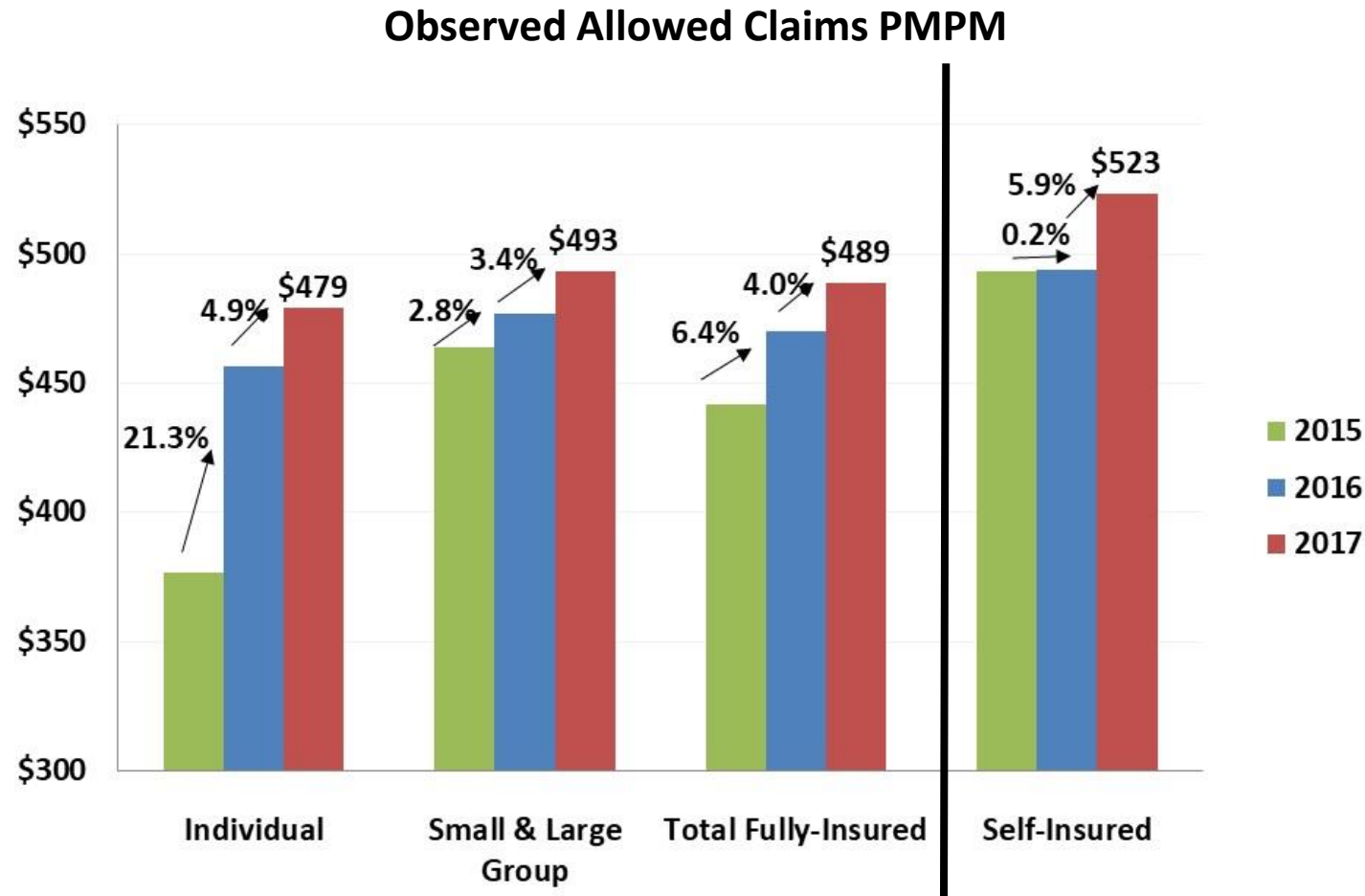
2017 Fully-Insured Premium Levels vs. Paid to Allowed Claims Ratio



Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP and Minuteman.

Claims Trend and Utilization

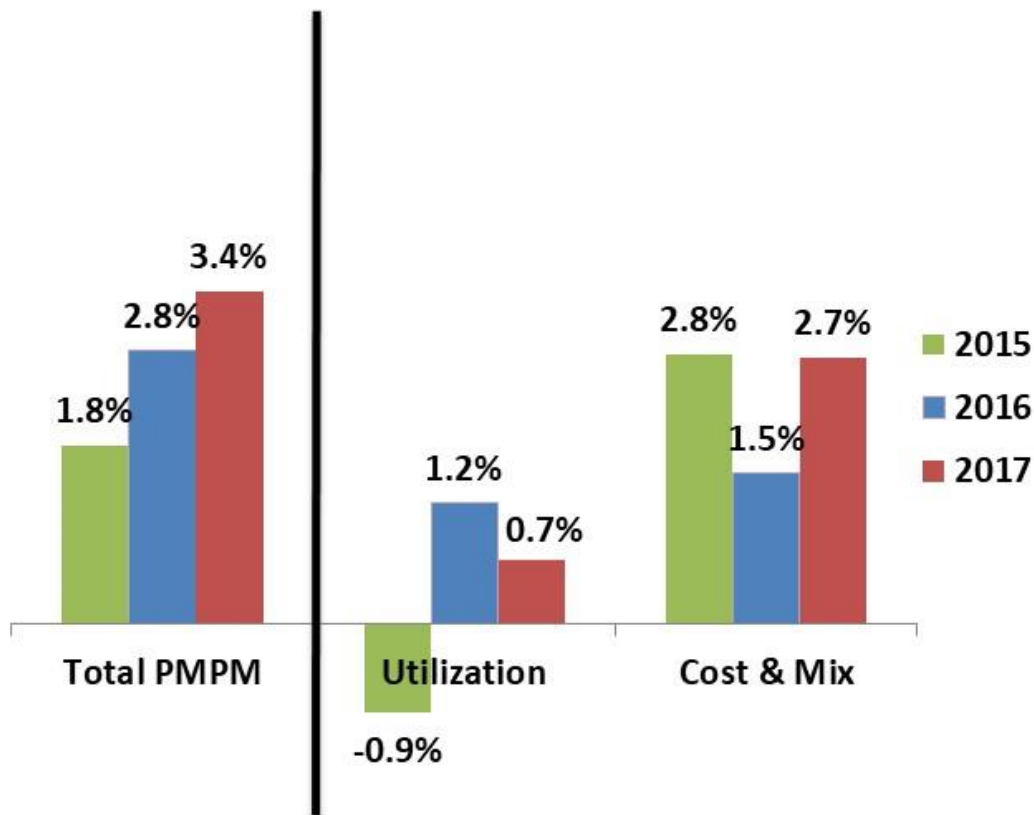
Overall trends in the fully-insured market were lower in 2017 compared to the trends in 2016.



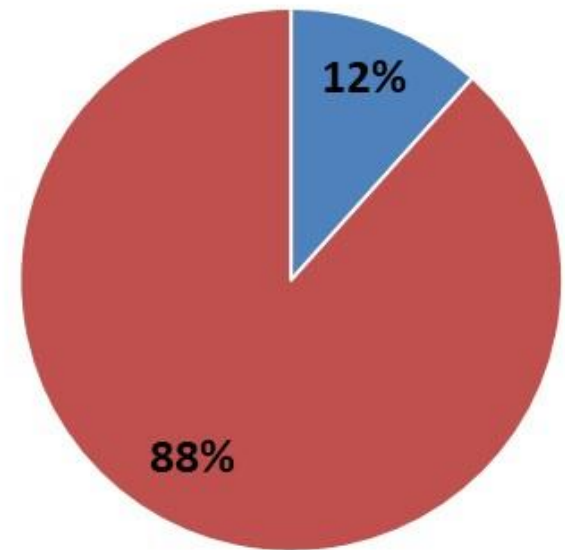
Source: NHID Annual Hearing data 2017 and 2018, including NH PAP. The 2017 values for Minuteman were based on limited data with adjustments from additional external sources.

2017 trends in the Group Markets were slightly higher than 2016 trends driven by increases in cost & mix and partially offset by a lower utilization trend.

Fully-Insured Allowed Claims Trend - Small and Large Group Markets



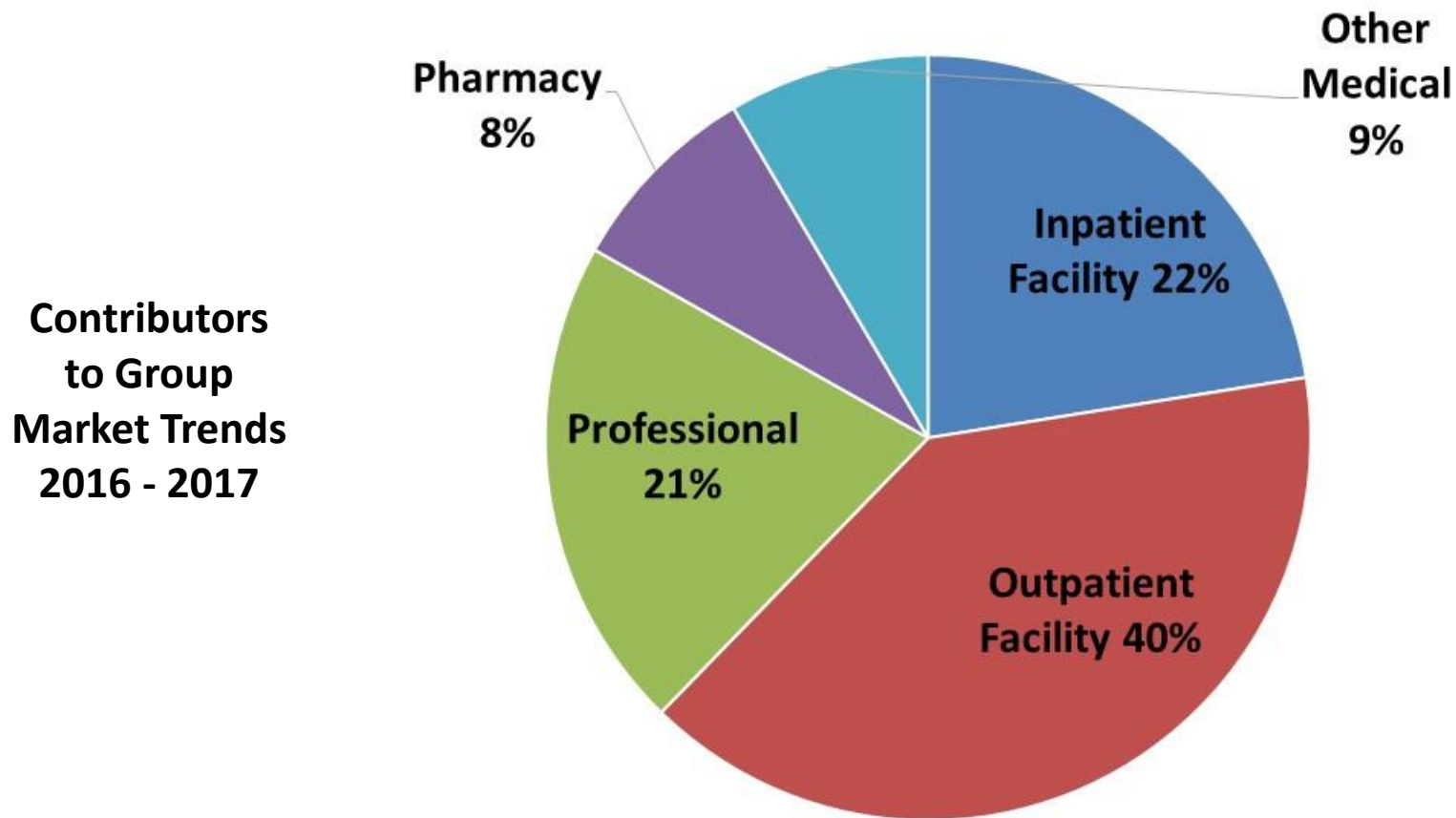
Utilization and Cost & Mix Trends over 3 years



■ Utilization ■ Cost & Mix

Source: NHID Annual Hearing data 2016, 2017 and 2018.

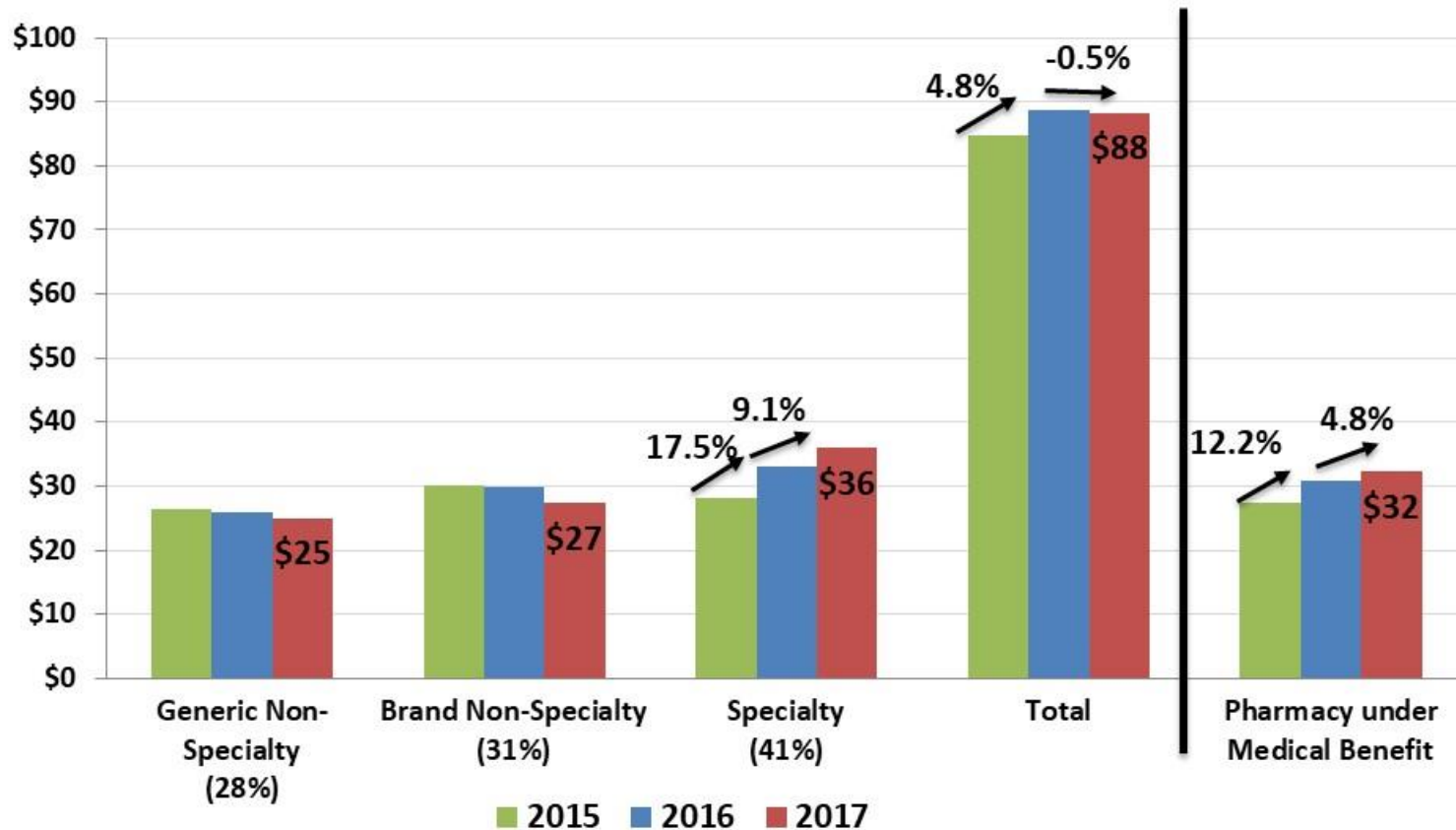
The largest contributors to trends from 2016 and 2017 in the Group Markets were Inpatient Facility, Outpatient Facility and Professional services.



Source: NHID Annual Hearing data 2018. FFS only.

Pharmacy trends in 2017 were -0.5%, lower than the previous year, driven by lower specialty pharmacy trends in 2017 compared to 2016.

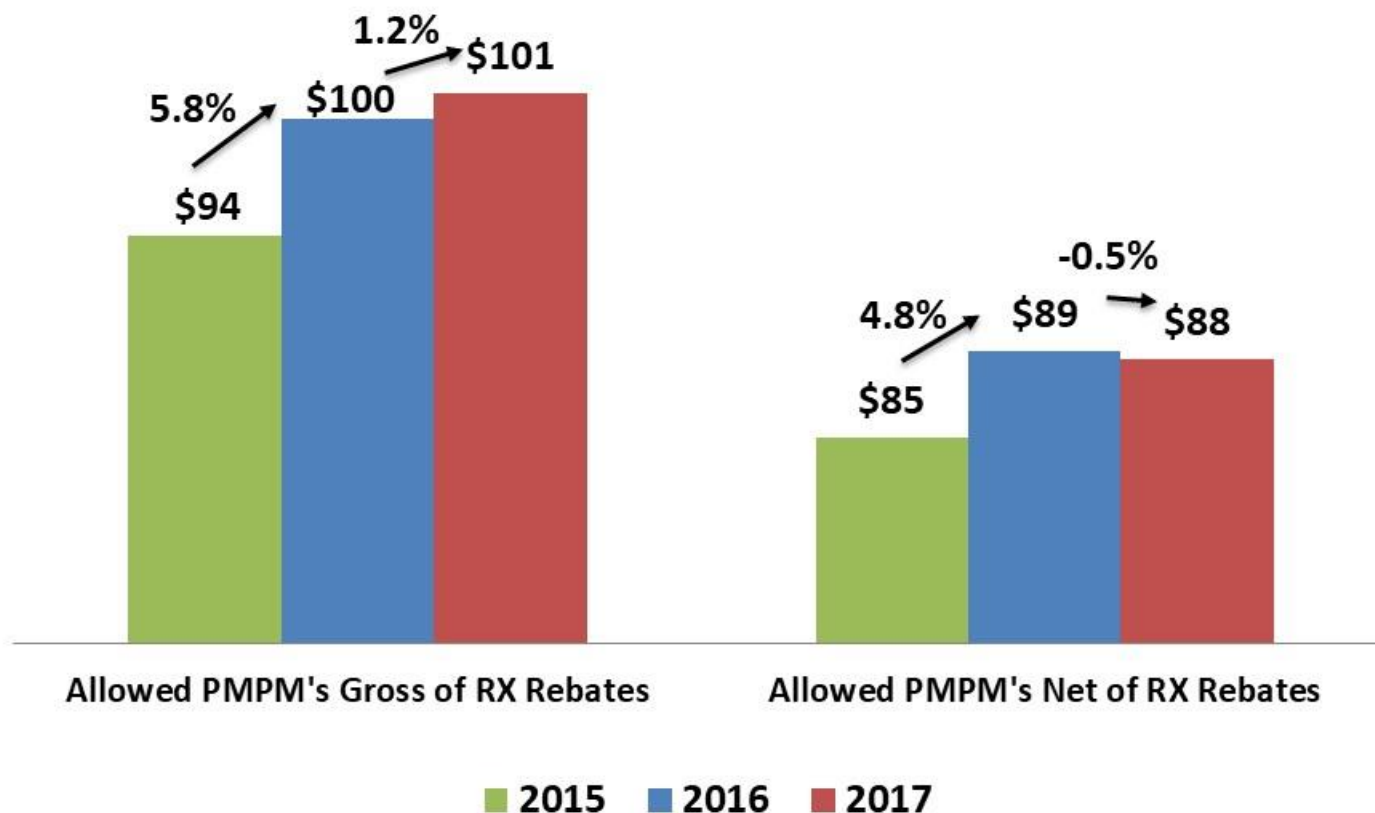
Pharmacy Allowed Claims PMPM - Small Group and Large Group



Source: NHID Annual Hearing data 2017 and 2018.

Prescription drug rebates increased at a faster rate than pharmacy costs, lowering overall pharmacy spend.

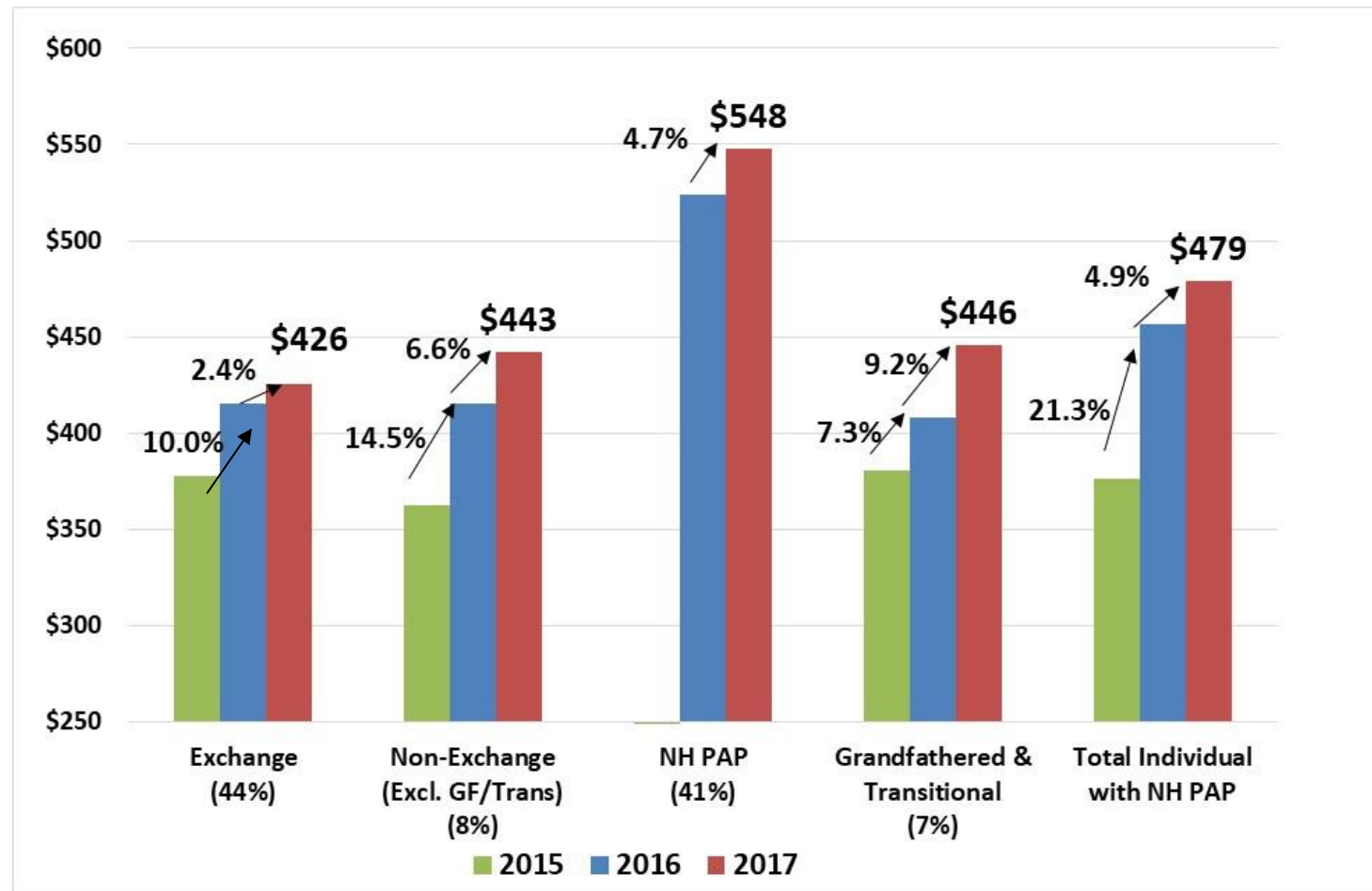
Pharmacy Allowed Claims PMPM Gross and Net of Rebates -



Source: NHID Annual Hearing data 2017 and 2018.

Overall claims trend in the Individual Market were lower in 2017 compared to 2016.

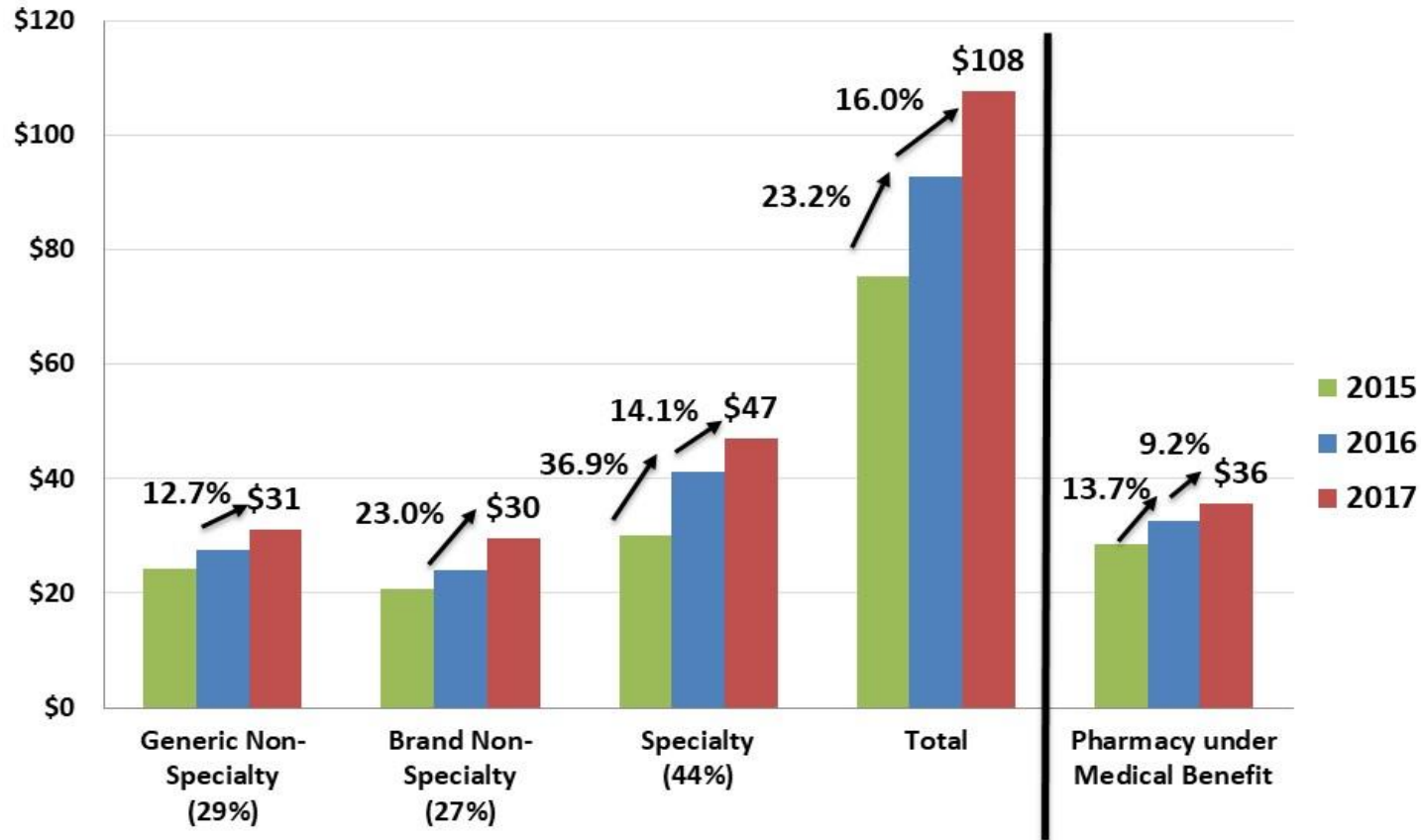
Individual Market - Total Allowed Claims PMPM



Source: NHID Annual Hearing data 2017 and 2018.

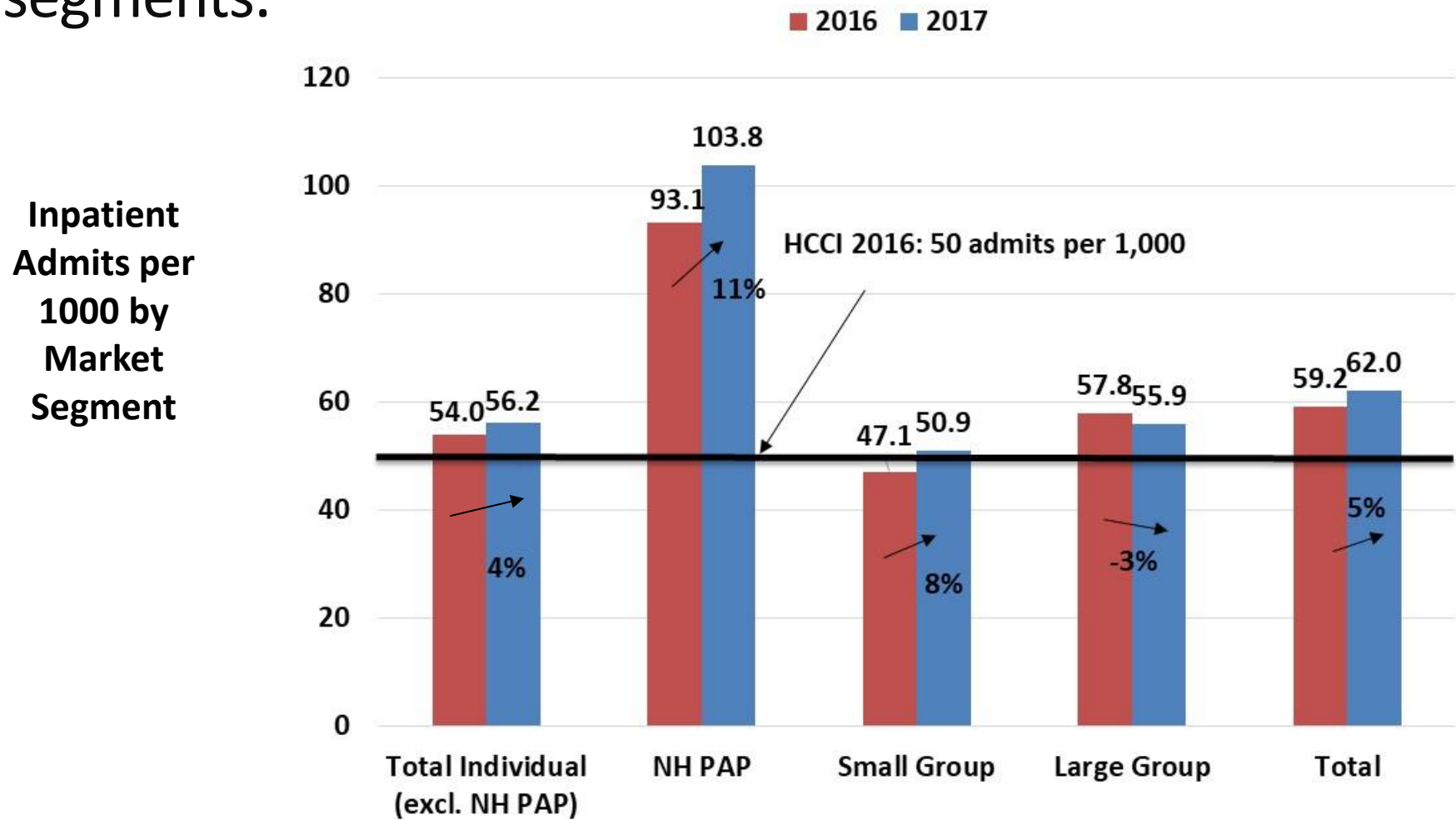
Within the Individual Market excluding NH PAP, the pharmacy allowed claims PMPM trend was 16%.

Pharmacy Allowed Claims PMPM - Individual Market excluding NH PAP



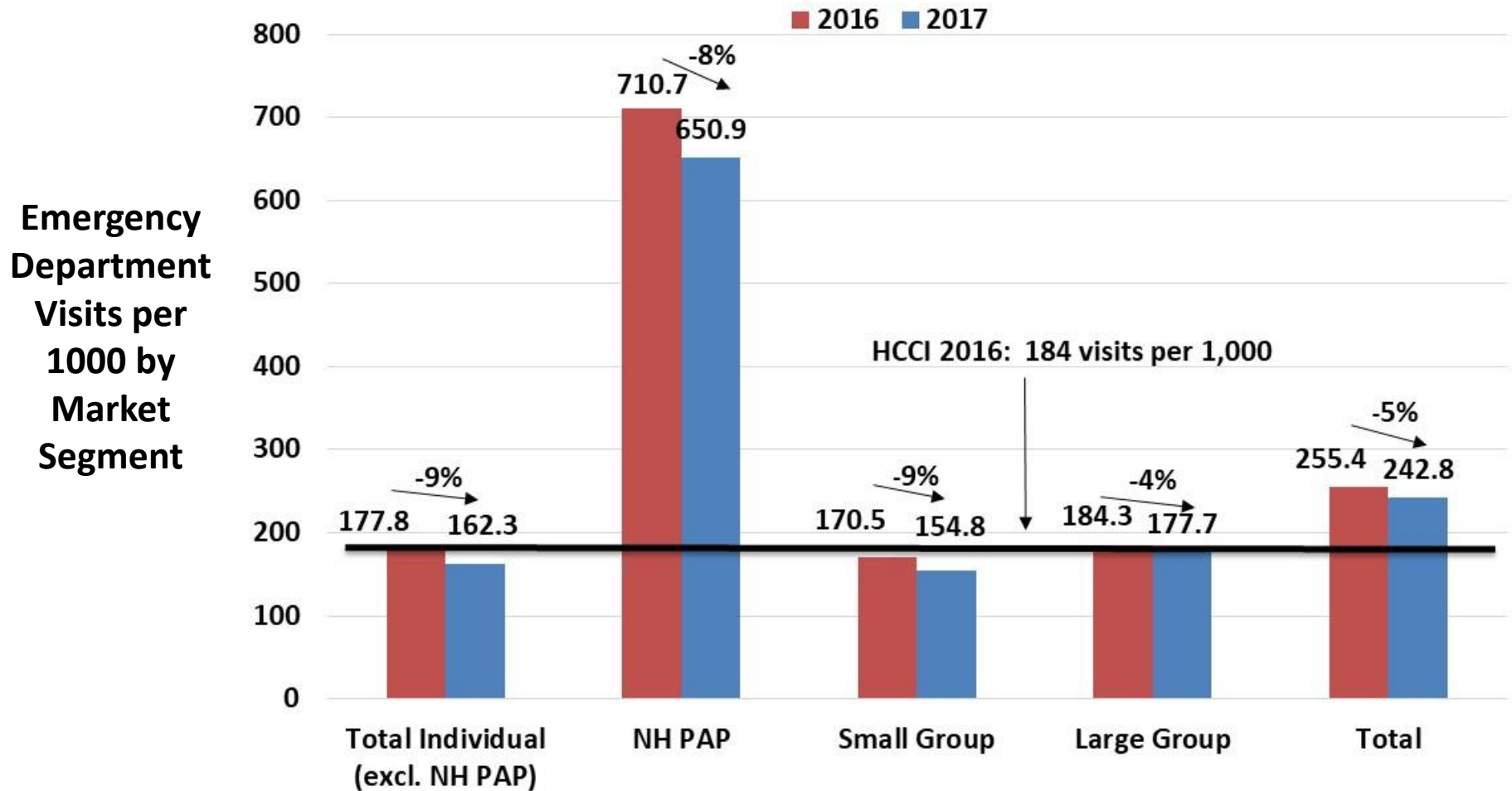
Note: The distribution % shown under each category is based on 2017 claims. Minuteman excluded as detailed pharmacy data not available all years.

Inpatient admissions continue to be significantly higher in the Individual NH PAP population compared to all other segments.



Source: NHID Annual Hearing data 2017 and 2018. Data was not available for Minuteman for 2017. Minuteman was excluded from the analysis for 2016. Exclusion of Minuteman was shown to have minimal impact on the totals shown here by segment.

Emergency Department utilization decreased in all segments in 2017.



Source: NHID Annual Hearing data 2017 and 2018. Data was not available for Minuteman for 2017. Minuteman was excluded from the analysis for 2016. Exclusion of Minuteman was shown to have minimal impact on the totals shown here by segment.

Medical Loss Ratios, Expenses, and Profits

In the Individual Market, Minuteman was assessed with a \$39M payment for 2017 Risk Adjustment.

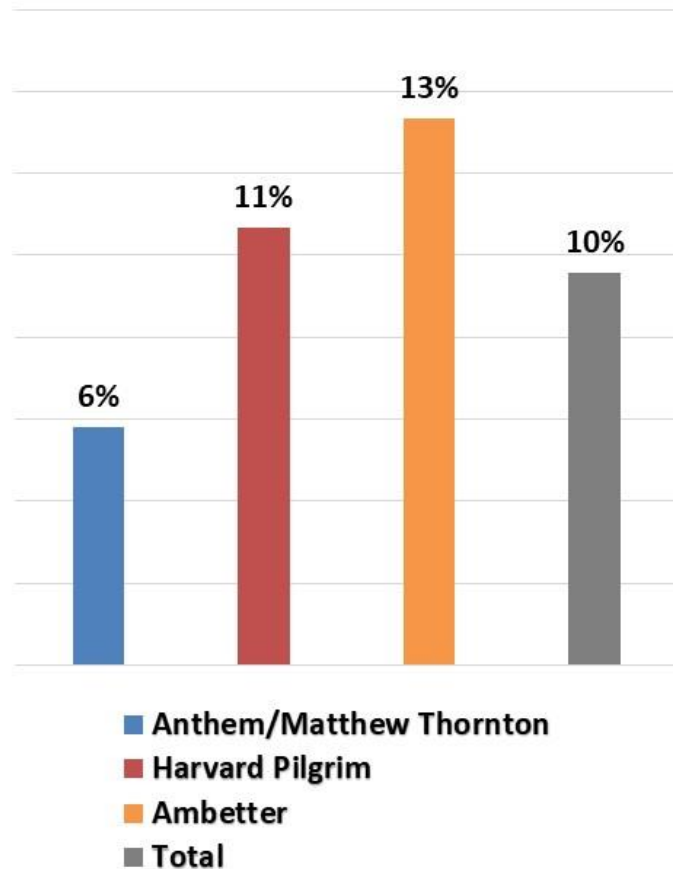
Individual Market - Federal Risk Adjustment Program

	2014 Risk Adjustment (\$ millions)	2015 Risk Adjustment (\$ millions)	2016 Risk Adjustment (\$ millions)	2017 Risk Adjustment (\$ millions)
Celtic Insurance Company	\$0.1	\$0.1	\$17.3	\$14.4
Harvard Pilgrim Health Care of NE	n/a	(\$1.2)	\$0.4	\$15.8
Maine Community Health Options	n/a	\$5.3	\$8.2	
Matthew Thornton Hlth Plan(Anthem BCBS)	(\$5.3)	\$0.2	(\$0.5)	\$8.9
Minuteman Health, Inc.	n/a	(\$10.5)	(\$25.4)	(\$39.1)
Time Insurance Company	\$5.2	\$6.2	n/a	n/a
Total	\$0.0	\$0.0	\$0.0	\$0.0
Total Amount Distributed	\$5.3	\$11.7	\$25.9	\$39.1

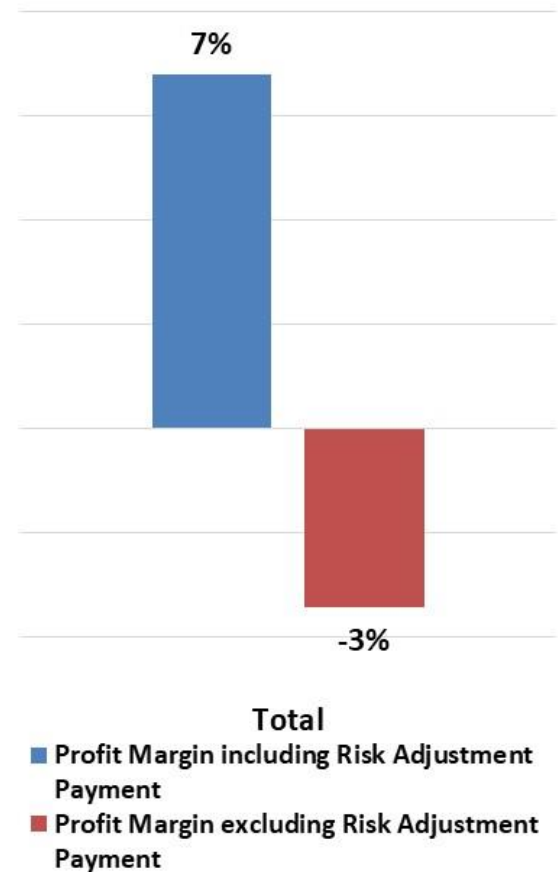
Source: CMS SUMMARY REPORT ON PERMANENT RISK ADJUSTMENT TRANSFERS FOR THE 2017 BENEFIT YEAR Released: July 9, 2018, <https://downloads.cms.gov/cciio/Summary-Report-Risk-Adjustment-2017.pdf>.

Due to Minuteman's closure at the end of 2017, risk adjustment payments from Minuteman to other insurers is not expected.

**2017 Risk Adjustment as Percentage of Premium-
Individual Market**



**2017 Profit Margins with and without
Risk Adjustment**



Source: 2017 federal MLR reports provided by carriers. MLR rebate payments deducted from premium to determine the profit margins shown here.

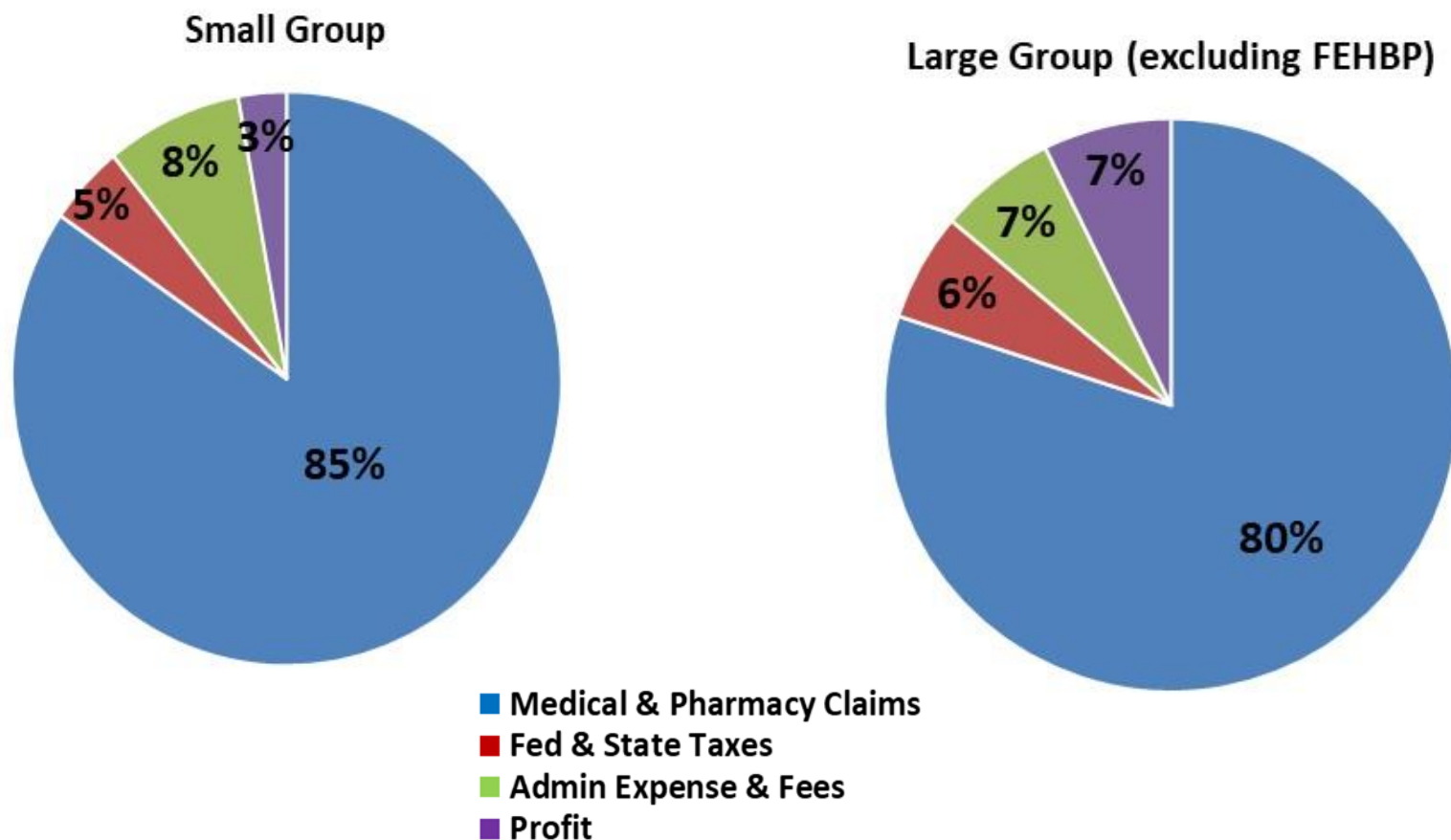
In the Small Group Market the new market entrant, Tufts, will pay more than 50% of the risk adjustment payments. HPHC is expected to receive 81% of all risk adjustment payments.

Small Group Market - Federal Risk Adjustment Program				
	2014 Risk Adjustment (\$ millions)	2015 Risk Adjustment (\$ millions)	2016 Risk Adjustment (\$ millions)	2017 Risk Adjustment (\$ millions)
Anthem Health Plans of NH(Anthem BCBS)	\$1.2	\$1.3	\$1.9	\$0.8
Harvard Pilgrim Health Care of NE	(\$3.0)	(\$0.8)	(\$2.6)	\$0.1
HPHC Insurance Company, Inc	\$1.5	\$1.9	\$1.9	\$5.1
Maine Community Health Options	n/a	(\$3.6)	(\$2.8)	(\$1.3)
Matthew Thornton Hlth Plan(Anthem BCBS)	\$0.2	\$1.5	\$2.4	(\$1.4)
Minuteman Health, Inc.	n/a	(\$0.0)	(\$0.0)	(\$0.3)
Tufts Health Freedom Insurance Company	n/a	n/a	(\$0.5)	(\$3.3)
UnitedHealthcare Insurance Company	\$0.0	(\$0.2)	(\$0.2)	\$0.4
Total	\$0.0	\$0.0	\$0.0	\$0.0
Total Amount Distributed	\$3.0	\$4.7	\$6.2	\$6.3

Source: CMS SUMMARY REPORT ON PERMANENT RISK ADJUSTMENT TRANSFERS FOR THE 2017 BENEFIT YEAR Released: July 9, 2018, <https://downloads.cms.gov/cciio/Summary-Report-Risk-Adjustment-2017.pdf>.

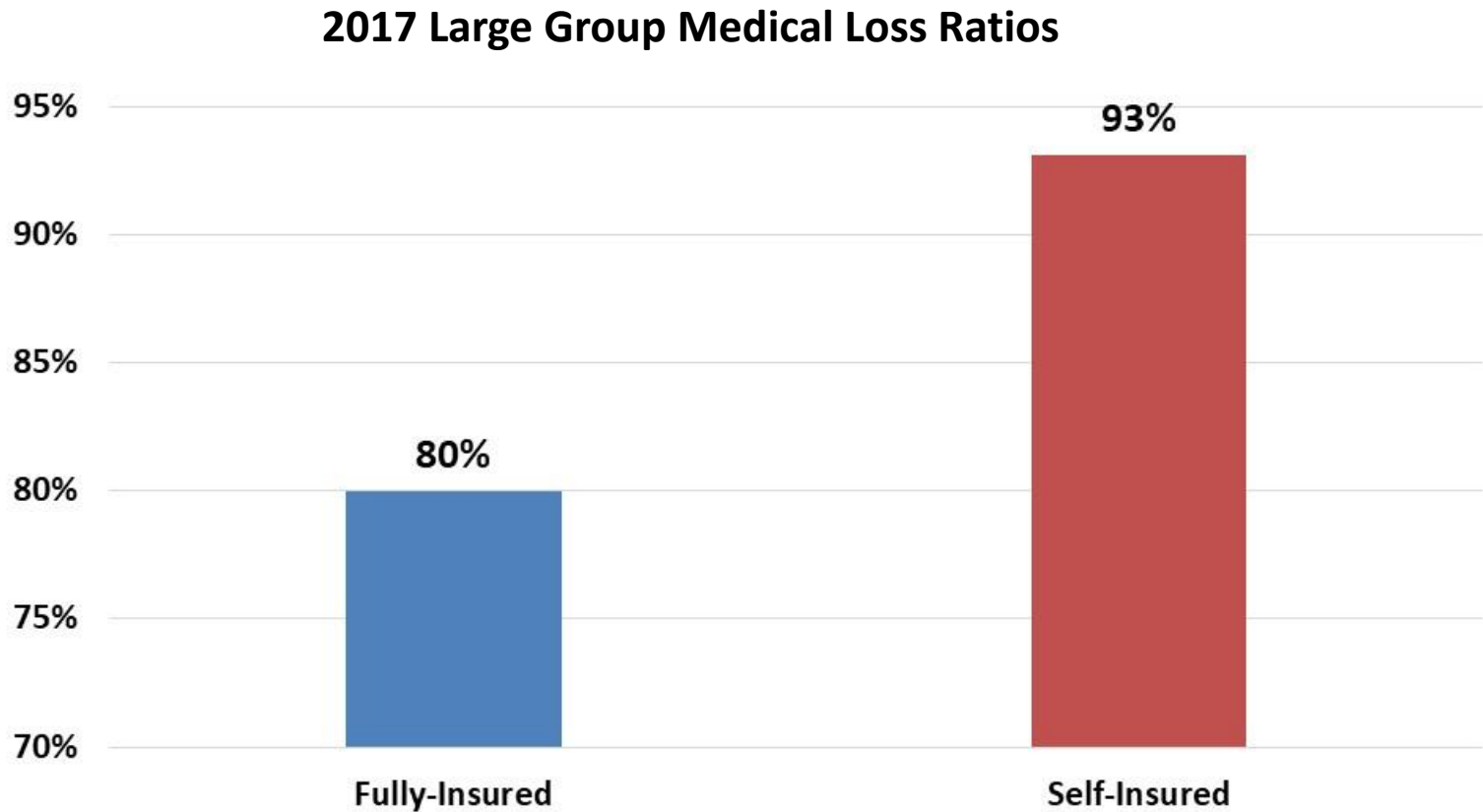
In 2017, 85% of premium in the Small Group Market and 80% of premium in the Large Group Market was spent on medical and pharmacy claims.

2017 Fully-Insured Distribution of Premium



Source: 2017 federal MLR reports provided by carriers. Anthem provided additional information for FEHBP to make necessary adjustments to exclude from Large Group. Fully-insured.

80% of premium in the fully-insured market was spent on health care claims, compared to 93% in the self-insured market.



Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population..

New Hampshire Key Findings

- Individual Market is shrinking in 2018
- Minuteman closure impacting insurers and the market in 2017 and beyond
- Individual Market rates decreasing in 2019, but still significantly higher than 2017 levels
- Individual Market members who do not receive subsidies have the highest deductibles and highest paid member cost sharing
- Group Market premium trends and claims trends are slightly higher in 2017 compared to 2016
- Large Group self-insured market represents close to 50% of the commercial market. They have much lower cost sharing and higher claims level than other segments
- Pharmacy trends lower than previous years driven lower specialty pharmacy trends. Individual Market pharmacy trends still high

NHID Annual Hearing

Break
10:10-10:25 am



New Hampshire Insurance Department




NHID Annual Hearing on Health Insurance Premiums and Cost Drivers Carrier Panel




**Moderator
Commissioner John Elias**

October 30, 2018




Generally, insurance is an industry that favors size and the associated economies of scale. Compared to a large national carrier, it would seem as though HPHC is disadvantaged. Please describe your relationship(s) with United Healthcare and how remaining as an independent regional carrier could result in lower costs overall.


Director of Health Economics




Is Anthem in opposition to most provider mergers? Can you identify examples or evidence of provider consolidation that would make it virtually impossible to sell health insurance without paying high prices demanded by a consolidated provider system?




Dartmouth Hitchcock is a large provider in the state with substantial integration. How do your negotiations with DH differ from those with other providers?




Have you faced unusual challenges from provider organizations that consider your relationship with the Granite Health providers favoring their competitors? Has that increased the price paid to those non-GH providers?




Pharmacy Benefit Manager business practices have received a lot of scrutiny lately. Does Cigna believe carriers need to take more control of these operations, including dispensing of medications?




What is unique about the potential Partners opportunity, and why would a relationship with a system seen as expensive result in lower costs overall? Wouldn't there be cost implications with more referrals going to Partners Hospitals?




Do you feel the Anthem business strategy is more or less focused on insurer-provider integration than your competitors, and why or why not?




Does Ambetter believe the integration of payer and pharmacy dispensing has the potential to increase drug costs or medical costs overall?



What kind of provider consolidation usually drives costs (price or utilization) the most – vertical or horizontal? Please give examples.



Cigna was quoted in a recent WSJ article describing negotiation strategies by large hospital delivery systems that prevented carriers from developing limited networks. Can you discuss this problem and how provider consolidation could make it worse?



Assuming you believe provider consolidation can drive up prices, do you pay the largest delivery systems the most for similar services?

NHID Annual Hearing

Questions



New Hampshire Insurance Department



**NHID Annual Hearing on Health
Insurance Premiums and Cost
Drivers
Carrier - Provider Discount
Analysis**



**Tyler Brannen
Director of Health Economics**

October 30, 2018

Purpose of the Analysis

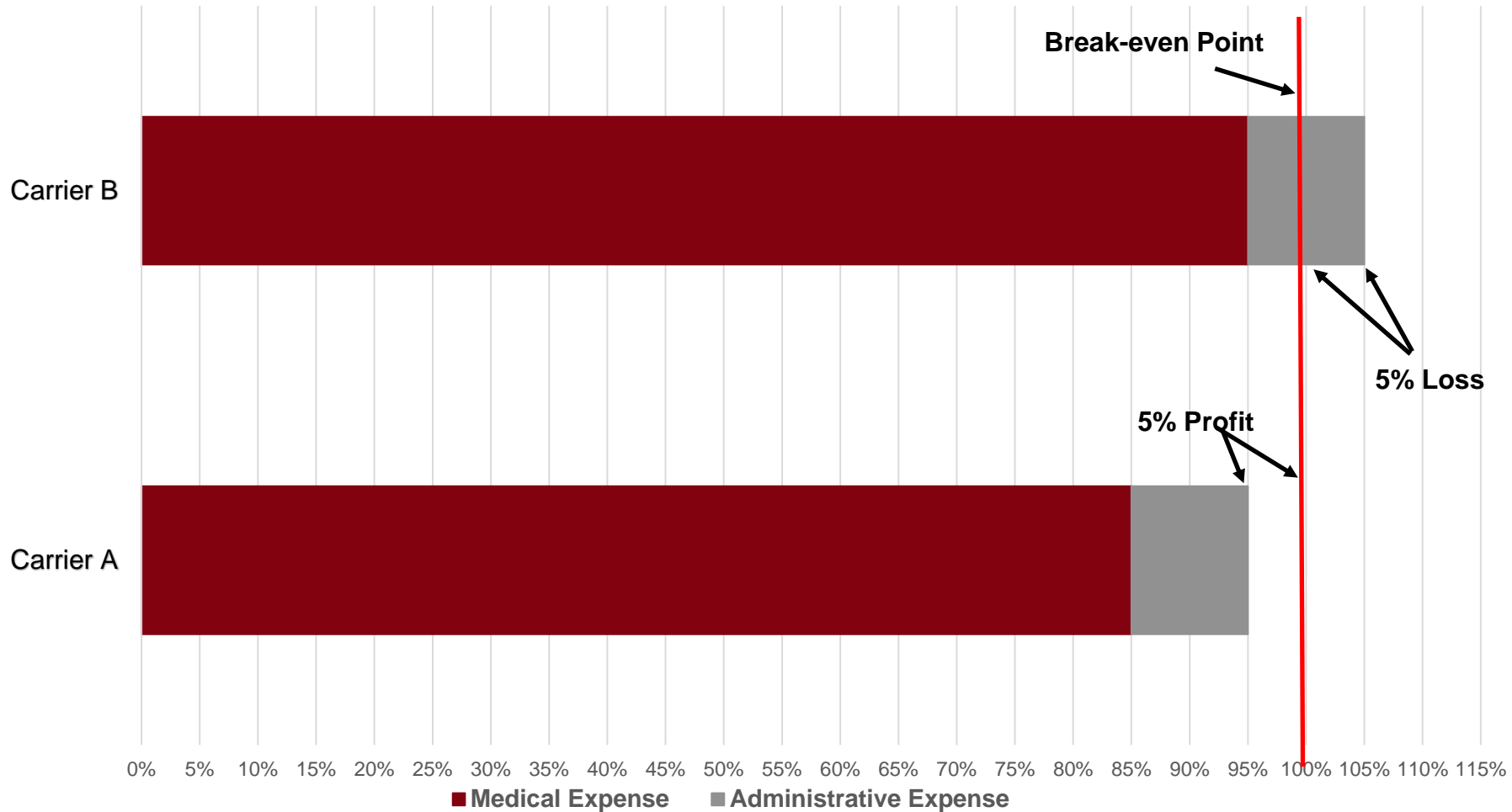
To gain insight about the competitiveness of our markets
and provide information that can be used to guide
policymakers

Director of Health Economics

Is this a new analysis?

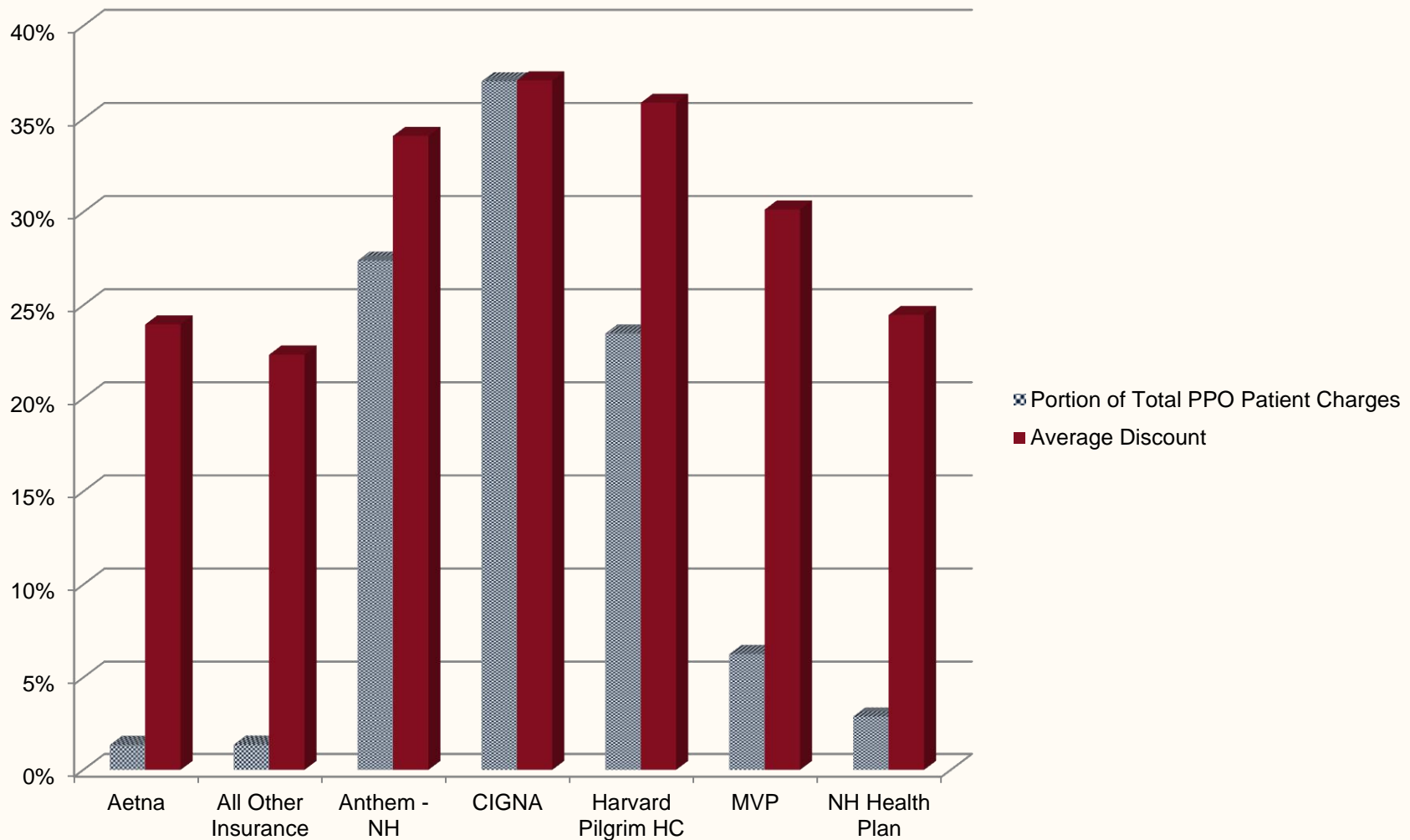
- Prior analyses and reports produced by the NHID in 2010 and 2012
 - Available on the NHID website
- Current analysis performed by BerryDunn under the direction of the NHID
- All three analyses were performed using the New Hampshire Comprehensive Health Information System (NHCHIS)

Why are discounts important?



An example of a twelve percent difference in payments to providers is a 40% discount vs. 33% discount.

What did we learn years ago?



Source: NHCHIS CY2011

How precise is the analysis?

- Limitations always exist:
 - Carrier market share by hospital varies
 - Different hospitals have different charges
 - Networks may vary
 - Provider contracts may differ in ways that cannot be detected by users of the claims data
 - Rx costs and incentive payments not included
 - Claims data are historical
 - Overall results will be influenced by deep discounts from large hospitals
 - Employer/patient experiences will differ from the analysis results

What was checked before the current analysis?

- Differences associated with:
 - Self-insured accounts
 - Product lines considered HMO, POS, and PPO
 - Substantial carrier market share variation by hospital
 - Reimbursement anomalies in the data

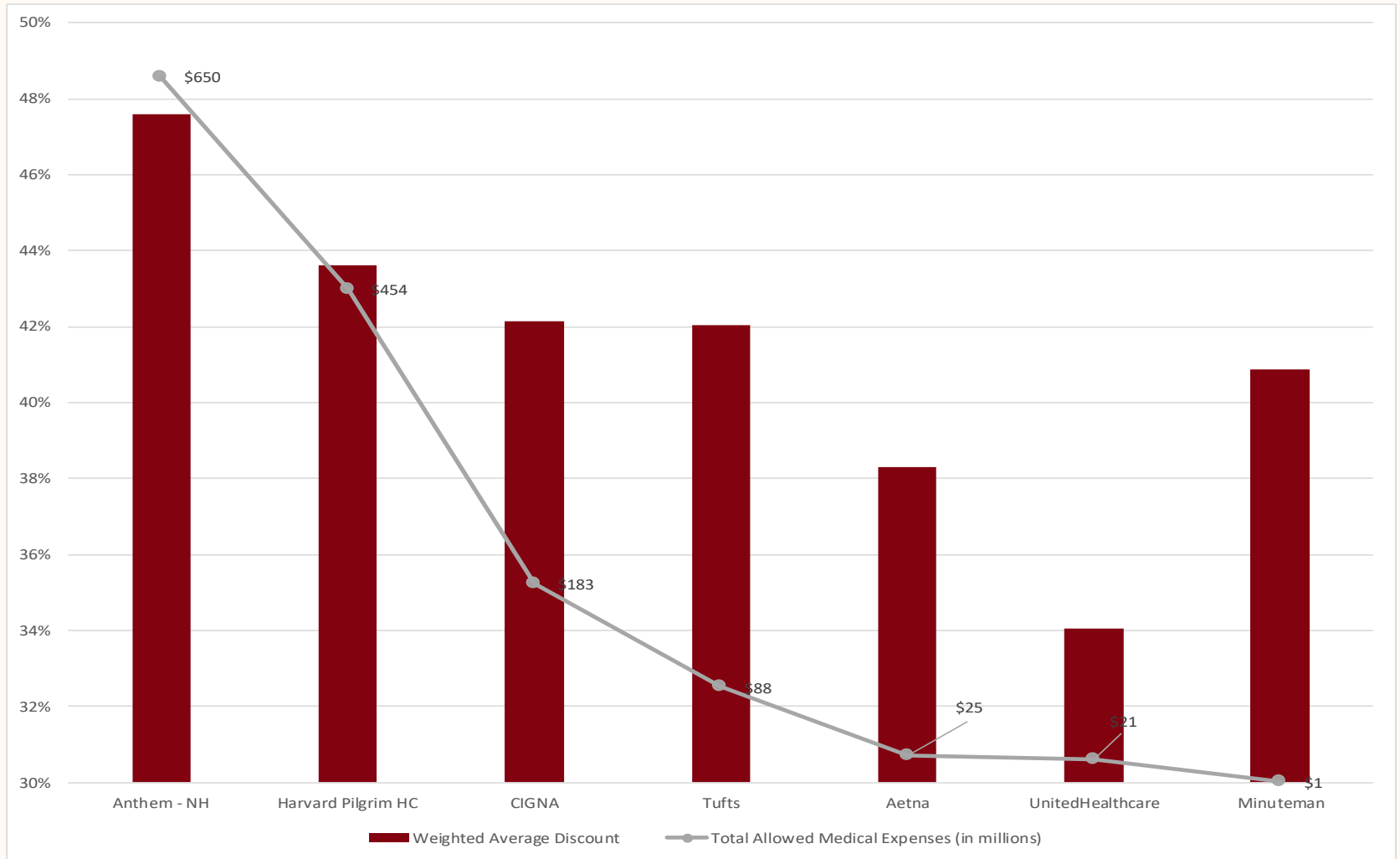
Strategy for current analysis

- Separate results by group and individual markets
- Include as many carriers as possible, including those who have left the market
- Look at 2015, 2016, and through October of 2017
- Break down type of service into broad categories

Group Market

Health Insurance Carrier	2015	2016	Jan-Oct 2017	Jan '15- Oct '17 Allowed \$
Anthem - NH	44%	47%	48%	\$ 2,547,072,507
Harvard Pilgrim HC	42%	43%	44%	\$ 2,041,303,395
CIGNA	42%	42%	42%	\$ 1,138,994,920
Tufts	37%	42%	42%	\$ 201,474,311
Aetna	36%	36%	38%	\$ 195,910,193
UnitedHealthcare	39%	34%	34%	\$ 166,606,819
CHO	34%	38%	N/A	\$ 38,683,979
Minuteman	43%	39%	41%	\$ 2,387,788
All Other Insurance	32%	32%	N/A	\$ 6,807,173
All Group Policies	42%	44%	45%	\$ 6,339,241,085

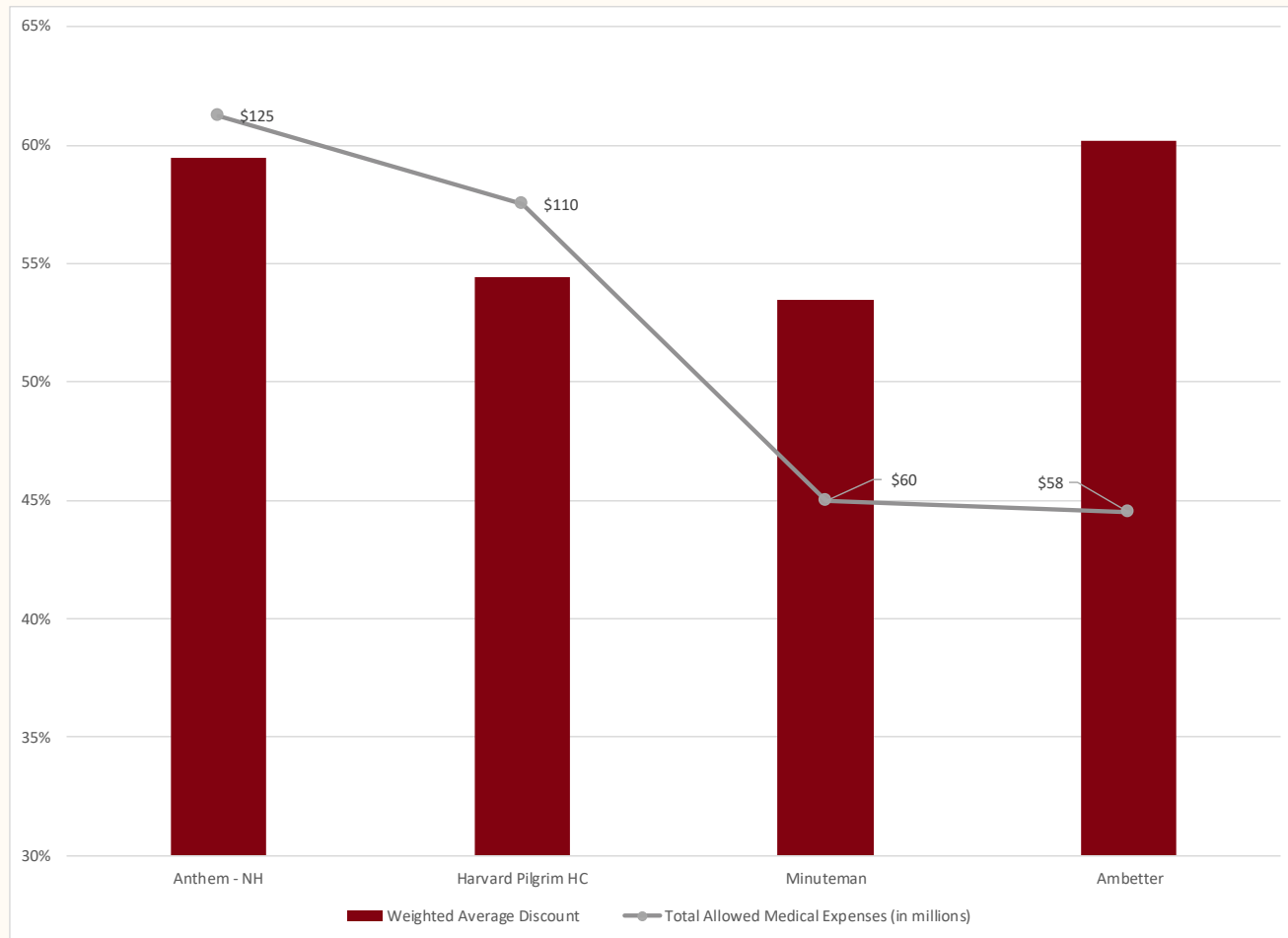
Group Market - 2017



Individual Market

Health Insurance Carrier	2015	2016	Jan-Oct 2017	Jan '15- Oct '17 Allowed \$
Anthem - NH	56%	59%	59%	\$ 446,488,376
Harvard Pilgrim HC	54%	52%	54%	\$ 241,838,062
Minuteman	49%	51%	53%	\$ 147,176,660
Ambetter	N/A	58%	60%	\$ 108,172,786
CHO	41%	42%	N/A	\$ 58,170,334
Time Insurance Company	31%	N/A	N/A	\$ 20,394,949
<i>All Individual Policies</i>	52%	55%	57%	\$ 1,022,241,166

Individual Market - 2017



2016 Group Market

Health Insurance Carrier	Professional	Hospital O/P	Hospital I/P	Other Facility	All Services, Group	2016 Allowed \$
Anthem - NH	51%	43%	43%	54%	47%	\$ 910,232,012
Harvard Pilgrim HC	45%	41%	39%	54%	43%	\$ 721,368,973
CIGNA	43%	39%	40%	59%	42%	\$ 283,297,260
Tufts	43%	42%	40%	47%	42%	\$ 75,201,381
Aetna	48%	27%	24%	44%	36%	\$ 28,221,043
CHO	44%	33%	38%	41%	38%	\$ 26,589,222
UnitedHealthcare	43%	26%	27%	49%	34%	\$ 24,407,606
Minuteman	47%	33%	32%	50%	39%	\$ 1,148,573
All Other Insurance	40%	26%	4%	28%	32%	\$ 532,149
All Carriers, Group Policies	48%	41%	41%	54%	44%	\$ 2,070,998,220

2016 Individual Market

Health Insurance Carrier	Professional	Hospital O/P	Hospital I/P	Other Facility	All Services, Individual	2016 Allowed \$
Anthem - NH	60%	60%	56%	65%	59%	\$ 179,309,881
Harvard Pilgrim HC	51%	54%	50%	58%	52%	\$ 124,243,015
Minuteman	52%	54%	41%	71%	51%	\$ 63,636,688
Ambetter	58%	64%	52%	50%	58%	\$ 50,539,553
CHO	48%	42%	37%	28%	42%	\$ 29,467,092
All Carriers, Individual Policies	56%	56%	51%	61%	55%	\$ 447,196,229

Next Steps

- Summary of findings will be included in the hearing/cost report
- Slides may be used during testimony and presentations with the legislature, policymakers, or the public, for the purpose of explaining insurance markets and negotiation leverage
- Analysis may be updated annually and included as part of the hearing and report

NHID Annual Hearing

Questions

Thank You



Contact Information

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NHID Annual Hearing

Public Comment

Thank You



Contact Information

**Public Comment accepted
until November 13th**

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