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Comments on the LifeWise Health Plan Proposal for Individual Health Rates Effective January 2016

Filing # PBCC-130006038

Health Insurance Rate Watch
A Project of OSPIRG Foundation

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The authors bear responsibility for any factual errors. The views expressed in this report are those of the authors, and do not necessarily reflect the views of our funders, advisory committee, or those who provided analysis and review.

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[1] Ms. Sobel has moved on from Consumers Union and we are currently seeking to replace her on the Advisory Committee with one of her colleagues.

Executive Summary

LifeWise Health Plan of Oregon's 26,405 members with individual health insurance plans will see rate hikes of 37.2%[2] on average, and as high as 45%, if the premium rate hike proposed by LifeWise goes forward.[3]

The main reason given for this increase is the insurer's claim that the health status of the customers it enrolled in 2014 was much worse than anticipated, leading to higher costs and financial losses for the insurer. The insurer also projects that medical costs will increase annually by 6.0%, comprised of a 4.9% increase in unit costs and a 1% increase in utilization.[4]

After analysis of LifeWise's initial filing and the supplemental information provided, we acknowledge some of the factors that concern the insurer and that have prompted the rate hike proposal. However, on balance, we are concerned that the insurer's specific proposal may be overreacting to short-term market fluctuations that are still playing themselves out, while also underestimating the company's ability to take a longer term approach, at significant cost for many Oregon families and individuals. This, plus our finding that the insurer has not provided sufficient evidence to justify some elements of the case for a rate hike, makes us concerned that the proposed rate increase is not entirely justified.

Key Findings:

- **A 37.2% increase would have a significant negative impact on affected Oregonians, representing thousands of dollars in additional premium costs per year for many LifeWise members and their families.** Such a large increase would be highly disruptive for consumers. Despite LifeWise's reported financial losses in 2014, the company's financial position remains strong enough to enable the company to moderate any rate increase to mitigate disruption for members and promote rate stability.

- **LifeWise has not adjusted its cost projections to reflect reductions in "bad debt" from the Affordable Care Act's expansion of coverage.** Recent public filings from Oregon hospitals demonstrate record-low levels of uncompensated care resulting in large hospital profit margins across the state, and these cost savings should be shared with consumers through lower hospital costs and lower premiums. LifeWise claims that health care providers in their networks deny that decreases in uncompensated care are occurring, but the contrary evidence is overwhelming. With many Oregon hospitals posting margins of 10% or more, the potential savings are dramatic, but consumers will not benefit unless the savings are appropriately incorporated into premium rates.

- **LifeWise's cost projections for covering their current members and future enrollees may be overestimated.** While the cost of covering the new members that enrolled in health coverage in 2014 may be higher than LifeWise initially projected, there are many reasons to believe that these costs will go down in future years. Many of the Oregonians who signed up for coverage in 2014 had

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[2] In its initial filing, the insurer requested a 38.5% increase, but this was later revised to reflect the lower figure.
[3] Since LifeWise is replacing its current plans with new plans, their proposed rates are not technically an increase; the increase amount discussed throughout the current analysis is the additional amount that customers will pay if they continue coverage with a comparable LifeWise plan.
[4] The unit cost trends are 6.0% for hospital, 3.6% for professional and 9.2% for pharmacy. (Exhibit 4 – Rating Trend Breakout)

been unable to access coverage in prior years due to pre-existing medical conditions. The cost of providing medical services to individuals who have been blocked from coverage for many years is likely to go down in future years as those conditions require fewer acute interventions and become more manageable with ongoing treatment. Instead of accounting for these potential reductions, LifeWise's filing includes a projection of a 1% annual cost increase due to projected increased utilization.

- **LifeWise does not adjust its rates to reflect the impact of Oregon's supplemental reinsurance program, which was meant to keep premium costs in check by lowering costs for insurers.** If this important program is not adequately reflected in LifeWise's rates, consumers will not reap the intended benefits.

- **When it comes to reducing costs and improving the quality of care, it is not clear that LifeWise is doing all it can**. Metrics submitted in the filing indicate that LifeWise's ER costs and utilization for 2014 are much higher than the previous year, and inpatient hospital utilization nearly quadrupled. While this is consistent with the insurer's claim that 2014 costs were higher than expected, it is unclear from the information submitted in the filing whether LifeWise is doing enough to keep its members healthy and out hospitals and emergency departments. Further inquiry should be made to ensure LifeWise is doing everything possible to cut waste and improve quality of care.

Before deciding to approve, deny or modify this rate request, we urge the Oregon Department of Consumer and Business Services (DCBS) to scrutinize the issues raised here, require LifeWise to provide all documentation necessary to evaluate their proposal, and to implement a concrete, achievable plan to contain costs for Oregon individuals and families.

Key Features & Insurer Information

Key features of the rate proposal	
State tracking # for this filing	PBCC-130006038
Name of health insurance company	LifeWise Health Plan of Oregon
Type of insurance	Individual

Proposed Rates*		
	Rate	Increase from 2015
Standard Bronze	$231	29%
Standard Silver	$318	43%
Standard Gold	$380	40%
% premium to be spent on medical costs		84.40%
% premium to be spent on administrative costs		15.60%
% premium to be spent on profits		0.00%

Insurer's history of rate increases		
	Requested	**Approved**
2011	9.00%	7.20%
2012	3.10%	2.80%
2013	N/A**	N/A**
2014	-13.80%	-11.30%

Enrollment	
Year	**Members**
2008	32,554
2009	29,675
2010	26,607
2011	22,766
2012	22,550
2013	19,749
2014	26,405

Basis for rate	
Hospital cost trend	6.00%
Physician services cost trend	3.60%
Rx cost trend	9.20%
Utilization trend	1.00%
Cost due to health status of 2014 customers	35.60%

Insurer information

Basic Information	
For profit or non-profit:	For-Profit
State domiciled in:	Oregon

Insurer's financial position	
Year	2014
Surplus	$40,800,000
Investment earnings	$3,274,634

Surplus History	
Year	**Amount in Surplus**
2008	$58,818,863
2009	$58,463,824
2010	$54,758,998
2011	$62,480,141
2012	$64,700,000
2013	$65,500,000

*"Proposed rates" are for a benchmark population--a 40-year old nonsmoker in the Portland area
A Bronze plan will pay about 60% of the average policyholder's medical costs in a year; a Silver plan will pay about 70%, and a Gold plan will pay about 80%. For more information about the Oregon Standard plans, see http://www.oregonhealthrates.org/files/plan_summary.pdf
**Due to new consumer protections and coverage standards in the ACA, it is not possible to make an apples-to-apples comparison between the rates filed in 2013 and the rates filed in previous years.

Introduction and Background

Oregon's health insurance rate review program, administered by the Insurance Division of the Oregon Department of Consumer and Business Services (DCBS), serves as a critical backstop to protect Oregon individuals and families purchasing coverage on their own from paying unreasonable premium rates.

When health insurers in Oregon wish to increase their rates on small businesses or people purchasing coverage on their own, they must submit a detailed proposal to DCBS laying out the justification for a rate hike. DCBS then determines whether the proposal is reasonable and approves, disapproves or modifies the proposed rate.

In 2011, DCBS created a formal process for a consumer organization to analyze and comment on rate filings from a consumer perspective, supported by a grant of federal funds. OSPIRG Foundation has been the contracted organization under that program since November of 2011.

As part of this ongoing project, OSPIRG Foundation worked with the actuarial firm AIS Risk Consultants to analyze LifeWise's rate filing. We examined the insurance company's justification for the proposed rates, the financial position of the insurer, and how the proposed rates would impact Oregonians if approved. Our staff and consulting actuary also reviewed additional information made available by LifeWise.[5]

Health care in Oregon is undergoing major changes. As of 2014, insurers are no longer allowed to deny coverage to people with pre-existing conditions, and many Oregonians are receiving financial assistance to help pay for coverage. Also starting that year, many Americans were required to have health coverage or pay a penalty; this penalty is scheduled to increase next year. These changes make it more urgent than ever to ensure that premium rates are justified, and that consumers receive good value for their premium dollar.

At the same time, studies consistently show that as much as a third of every dollar spent on health care is wasted on something that does not improve health.[6] With rising costs making health care unaffordable for many Oregonians, Oregon needs all insurance companies to redouble their efforts to contain costs by cutting waste and focusing on prevention and other proven strategies that keep patients healthier.

While health insurance rate review cannot solve the myriad problems facing our health care system on its own, rate review does provide an opportunity to strengthen accountability for insurance companies—to ensure that rates do not go up for consumers unless increases are fully justified, and unless insurers are putting in a meaningful effort to keep down costs and improve quality.

Discussion of rate filing

In each of the sections below, we discuss key questions about the rate filing and its impact on Oregonians.

In our detailed discussion of the rate filing, we provide analysis of information provided in the initial rate filing as well as supplemental information from the insurer in response to questions from DCBS and OSPIRG Foundation. All of this information is public record and is or will be available on the Oregon Insurance Division's rate review website, www.oregonhealthrates.org.

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[5] As part of this process, OSPIRG Foundation submitted questions to the insurer on May 26. LifeWise provided responses on June 2.

[6] Institute of Medicine, Best Care at Lower Cost: The Path to Continuously Learning Health Care in America (2012), available at http://iom.edu/Reports/2012/Best-Care-at-Lower-Cost-The-Path-to-Continuously-Learning-Health-Care-in-America.aspx

Examining the justification for the proposed premium rates

New member costs in 2014, 2015 and 2016

The main reason LifeWise provides for its proposed increase is the insurer's claim that the health status of the customers it enrolled in 2014 was much worse than anticipated, leading to higher costs and financial losses for the insurer. 35.6% of LifeWise's proposed rate hike is attributed to these unexpectedly large costs.[7]

We do not dispute that the cost of covering the new members that enrolled in health coverage in 2014 was higher than LifeWise initially projected. However, there are reasons to believe that these costs will go down in future years, and that LifeWise has not adequately taken this into account. More specifically, we are concerned that LifeWise may be overestimating the degree to which "pent-up demand" will continue to drive up utilization and costs, while possibly underestimating the number and degree to which younger, healthier people will sign up in the coming years.

We acknowledge that some degree of educated estimation is always inherent in making business decisions such as these when historical data is scarce. However, the aggressive approach to raising rates that LifeWise has chosen could have major negative consequences for consumers. Thus, we encourage DCBS to consider if a more moderate approach is also supported by the facts, and if the marketplace would be better served by a more moderate approach until market conditions stabilize

Regarding pent-up demand: Many of the Oregonians who signed up for coverage in 2014 had been unable to access coverage in prior years due to pre-existing medical conditions. The cost of providing medical services to individuals who have been blocked from coverage for many years is likely to go down in future years as those conditions require fewer acute interventions and become more manageable with ongoing treatment.

LifeWise's filing does not appear to account for pent-up demand. In the insurer's "Summary of Filed Rating Assumptions," pent-up demand is given a value of 0%. In response to OSPIRG Foundation questions, LifeWise clarified that pent-up demand is included in their overall morbidity projection of 35.6%, but did not provide additional detail about their projections in this area, making it hard to determine whether the insurer is accounting for this factor appropriately. Many of LifeWise's competitors are incorporating pent-up demand as an explicit rating factor, and have provided a range of estimates of the impact, and we urge DCBS to scrutinize this aspect of LifeWise's rate proposal closely.

LifeWise's rate hike proposal also includes a 1% increase due to projected increases in utilization of health care services. In response to OSPIRG Foundation questions about the basis of this projection, LifeWise states that it is in line with historical trends. While this may have been the historical trend prior to 2014, there is reason to believe that 2014 and future years will not follow that pattern; such an increase seems unlikely in the face of anticipated reductions in pent-up demand, as well as changes in health care practices and payment systems that discourage over-utilization.[8]

[7] This projection is significantly larger than some of LifeWise's competitors, for unclear reasons. For example, Regence BlueCross BlueShield and Moda Health Plan project 11.9% and 22.8% increases due to this factor, respectively.

[8] Lifewise cites a number of utilization management programs in the Cost Containment and Quality Improvement section of its filing.

LifeWise also does not adequately account for the lower cost of covering future enrollees. Many market experts expect that the mix of customers enrolling in health coverage in 2015 and 2016 will be younger and healthier than those who signed up for 2014, which may bring down costs. [9] This is especially true in Oregon, where the technological problems with the Cover Oregon web portal likely suppressed the enrollment of younger, healthier Oregonians. As a result, only the most motivated consumers—those with serious medical needs—were the most likely to enroll in 2014.

Following Oregon's switch to healthcare.gov, online enrollment became much easier, which, combined with other factors, is likely to lead to an influx of younger and healthier members in 2015 and 2016. The tax penalty for not having insurance is scheduled to increase significantly in coming years,[10] which is expected to motivate more young and healthy individuals to enroll.

Since the unexpectedly large costs LifeWise and other insurers experienced in 2014 are likely to be a one-time event due to the unique circumstance of the first year of implementation of the Affordable Care Act and Oregon's difficult experience with establishing a state-based health insurance exchange, it may not be appropriate for these costs to serve as the basis for premium rates for future years.

It is unclear whether LifeWise's rate request appropriately incorporates a reduction due to the improved health status of newly insured individuals post-2014. The insurer's filing does not provide a specific estimate of the impact, and the insurer did not provide additional quantitative detail in response to OSPIRG Foundation questions.

Uncompensated care

LifeWise has not adjusted its cost projections to reflect reductions in "bad debt" from the Affordable Care Act's expansion of coverage. The savings associated with these reductions are substantial, and should be passed along to consumers in the form of lower rates.

Among the outcomes of coverage expansion has been a reduction in uncompensated hospital care for uninsured individuals. Since the uninsured often cannot pay for their own care out of pocket, the cost of providing needed care in emergency situations is frequently shifted onto the rest of us and is reflected in the reimbursement rates insurers pay hospitals and doctors. This is the so-called "bad debt" factor, and the anticipated reduction in bad debt should exert substantial downward pressure on hospital rates.

Recent public filings from Oregon hospitals demonstrate record-low levels of uncompensated care resulting in large hospital profit margins across the state.[11] These cost savings should be shared with consumers through lower hospital costs and lower premiums.

[9] This is a generally recognized actuarial concept, as expressed by the American Academy of Actuaries: "In general, higher-cost individuals are more likely to enroll early during the open enrollment period and in the first year of the program. Lower-cost individuals are more likely to enroll later during the open enrollment period and perhaps in later years as the individual mandate penalty increases." - "Drivers of 2015 Health Insurance Premium Changes," available at http://www.actuary.org/content/actuaries-shed-light-2015-health-insurance-premium-changes

[10] https://www.healthcare.gov/fees-exemptions/fee-for-not-being-covered/

[11] https://www.thelundreport.org/content/first-quarter-reports-indicate-hospital-margins-continue-their-upswing

Last year, DCBS reduced LifeWise's requested rate to ensure that it appropriately incorporated these savings. This year, LifeWise has again failed to include this factor in its rate calculation, stating that "the rating trend does not reflect savings due to reduction in bad debt due to providers stating that their amount of uncompensated care has not gone down." In response to OSPIRG Foundation questions about the basis for this claim, LifeWise provided the text of a Portland Business Journal article from 2014 discussing the uncertain future for hospital margins under the ACA.[12]

With nearly a year's experience since the release of that story, trends in decreasing uncompensated care and increasing hospital margins are quite clear. With many Oregon hospitals posting margins of 10% or more, the potential savings are dramatic, but consumers will not benefit unless the savings are appropriately incorporated into premium rates.

By using the rate review process to ensure that premium rates accurately reflect reductions in uncompensated care across the board, DCBS can push the market to respond. If no health insurer in Oregon is able to raise rates without incorporating savings from reductions in uncompensated care, no providers or provider networks in the state can continue to expect reimbursement rates that fail to reflect the changes underway in health care in Oregon.

Insurer's financial position

Despite financial losses in 2014, LifeWise's financial position remains sound. LifeWise's risk-based capital ratio was at 694% in 2014, above many of their competitors and well above the threshold that would raise concerns about the insurer's solvency.

While it is reasonable for LifeWise to seek to avoid losses on the scale the insurer incurred in 2014, the insurer's sound financial position means that it could take a more moderate approach to increasing rates to avoid a large, disruptive rate increase in 2016. Since a 37.2% rate hike would represent a very large rate fluctuation, it would seem reasonable for the insurer to use its favorable capital position to mitigate the impact on consumers and the broader health insurance market, and implement a longer-term plan to mitigate losses.

Especially since there is reason to believe that a number of factors contributing to the high costs facing insurers in Oregon's individual market in 2014 were one-time occurrences, or will gradually decline in coming years, it would be appropriate for Oregon insurers to take advantage of their surpluses to smooth out rate increases over the next few years. Smoothing out unexpected cost spikes is one of the primary rationales for insurers to maintain large surpluses.

Reinsurance

LifeWise does not adjust its rates to reflect the impact of Oregon's supplemental reinsurance program, which was meant to keep premium costs in check by lowering costs for insurers.

This temporary program was meant to provide a cushion for insurers to help ease the transition as the ACA comes into full effect. The program lowers costs for insurers by picking up the tab for a portion of especially expensive insurance claims, such as costly surgeries. Unlike a similar federal program that

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[12] Available here: http://www.bizjournals.com/portland/blog/health-care-inc/2014/06/oregon-hospitals-spend-less-on-charity-care-in.html

pays for a portion of all large insurance claims, the Oregon program pays only for claims associated with individuals who entered the individual insurance market from the state's high-risk pool and other programs that provided coverage to Oregonians who were unable to purchase health insurance due to pre-existing health conditions.

Unlike many competitors, LifeWise does not include a rate adjustment to reflect the savings from Oregon's reinsurance program. In response to OSPIRG Foundation questions, LifeWise justifies this omission by stating that it only covered 49 individuals eligible for this program in 2014—a population too small to affect rates. LifeWise states that it does not anticipate this number increasing in future years, since "the carriers who had the highest enrollment in 2014 appear to have kept most of their 2014 members."

However, since LifeWise gained about 31,000 individual members from 2014 to 2015,[13] likely including at least some members who switched from other insurance companies, it seems unlikely that its current membership would only include 49 individuals eligible for this program.

In addition, LifeWise states in its Actuarial Memorandum that the insurer "is expecting its individual members will be representative of the overall market." If Lifewise's business will be representative of the overall market, then it is reasonable to believe that its recoveries from the Oregon reinsurance program will be similarly representative, meaning that its rates should reflect an expected marketwide average value for Oregon reinsurance recoveries.[14]

Cost impact of proposed rates

Total cost of LifeWise's plans

Taking into account premiums, deductibles, coinsurance and other forms of cost-sharing, the total cost of coverage for LifeWise's plans as proposed in the filing would be a dramatic increase from 2015.

A 37.2% increase would be approximately 21 times the rate of inflation in the broader economy and nearly 14 times the rate of inflation in the cost of medical services.[15] Although Oregon's economy appears to be improving, this increase would still take place against a backdrop of largely stagnant wage growth.

Such a large increase would be highly disruptive for consumers. While Oregon has a highly competitive health insurance marketplace and consumers have the option of shopping around, large year-to-year premium fluctuations can be highly disruptive for consumers and for the stability of the health insurance market as a whole.

[13] A change from an average of 4,100 in 2014 to more than 35,000 at end of the first quarter of 2015.
[14] In response to OSPIRG Foundation questions, LifeWise also argues that because it used a credibility adjustment, it has already reflected possible Oregon reinsurance recoveries. However, adjusting for credibility and reflecting large claim recoveries from reinsurance are separate issues. Credibility adjustments would move the indicated experience closer to overall marketwide results, and would therefore also support using an overall marketwide figure for Oregon reinsurance recoveries.
[15] Source: US Department of Labor, April 2015 CPI report, http://www.bls.gov/news.release/cpi.nr0.htm

Federal tax credits will help eligible individuals and families cover some of the cost of premiums and out-of-pocket expenses.[16] Since the amount of premium assistance available via tax credit is pegged to the second-cheapest Silver plan available in a state's Individual market, and Oregon premium rates for 2016 have not yet been approved, it is impossible to project the impact of financial assistance precisely at this time. However, it is worth noting that LifeWise customers who rely on tax credits may face an increase even larger than 37.2% on average. In many parts of the state, LifeWise is currently offering the second-cheapest Silver plan, but if all insurers' rates were approved as filed, LifeWise's plans would be much more expensive than the second-cheapest Silver plan, meaning that tax credits would cover much less of the cost.

If the premium for an individual's plan goes up faster than the premium of the second-cheapest Silver plan, the percent increase in the net cost to that individual, after the tax credit, can be much larger than the proposed rate increase, as the following chart illustrates:[17]

Monthly Amount	2015 Value	Increase in 2016	2016 Value
Premium Before Tax Credit	$ 343	37.20%	$ 471
Value of Tax Credit	$ 203	5%	$ 213
Premium After Tax Credit	$ 140	84.29%	$ 258

*A tax credit increase of 5% is an assumed value for illustrative purposes. Actual tax credit increases will not be available until 2016 premium rates are approved.

After consideration of the impact of tax credits, the net increase in premiums can be more than twice as much as the requested rate increase—premiums would nearly double for this hypothetical tax credit recipient, going up 84.29%. Such a large increase in effective premium could be highly disruptive for consumers and underlines the importance of scrutinizing proposed premium rates closely.

Regardless of the availability of tax credits, the cost of the proposed rates should be considered on its own merits. The role of rate review is to ensure that the rate is appropriate for the benefits offered, whether the cost is borne by the policyholder directly or by the taxpayer in the form of subsidies.

The following case studies illustrate the total potential costs that LifeWise policyholders may accrue in the event of serious illness or other medical need.

[16] For information about eligibility for these federal tax credits, see www.healthcare.gov, Oregon's health insurance marketplace.
[17] 2015 Values from "Health Insurance Marketplace 2015: Average Premiums After Advance Premium Tax Credits Through January 30 In 37 States Using The Healthcare.Gov Platform"; February 9, 2015; ASPE Research Brief.

Policyholders	Plan	Annual premium (Increase from 2015)	Out-of pocket max (deductible + coinsurance + copays)	Total potential cost
Sam, 33	Oregon Standard Bronze	$2,604 ($588)	$6,350	$8,954
Sarah and George, 50	Oregon Standard Silver	$10,680 ($3,240)	$12,700	$23,380
Eric and Cynthia, 45, and their two children	Oregon Standard Gold	$14,671 ($4,138)	$12,700	$27,371

These total potential cost calculations represent worst-case scenarios, but whether these costs are borne directly by policyholders or covered in part by taxpayers, they are substantial.

The case studies below illustrate the financial impact of a more likely, though still expensive, scenario: The total cost of an individual medical expense (such as childbirth or an inpatient hospitalization) costing $10,000.

Policyholders	Plan	Annual premium (Increase from 2015)	Deductible + Coinsurance	Total cost after premium and $10,000 claim
Sam, 32	Oregon Standard Bronze	$2,604 ($588)	$5,000 + $1,350	$8,954
Sarah and George, 50	Oregon Standard Silver	$10,680 ($3,240)	$5,000 + $1,500	$17,180
Eric and Cynthia, 45, and their two children	Oregon Standard Gold	$14,671 ($4,138)	$2,500 + $750	$17,921

As the chart above demonstrates, higher-value plans such as the Oregon Standard Gold[18] plan reduce out-of-pocket exposure to financial risk in the case of medical need, but total costs remain high and will be burdensome on Oregon families and federal budgets.

The out-of-pocket maximums above were established by the ACA and cannot be changed in the rate review process, but we urge DCBS to take these costs into account when evaluating whether the coverage provided by LifeWise's insurance products is worth the proposed premium cost.

The impact of this high rate of increase should also be considered when evaluating the impact of the rate. As detailed above, four could see an annual premium increase of over $4,000. To put this in perspective, this increase by itself is nearly 8% of Oregon median household income.[19]

[18] Gold plans can be expected to cover about 80% of the average person's medical cost in a year, which is higher than Silver (70%) or Bronze (60%).

Insurer's efforts to reduce medical costs while improving quality

Rising medical and prescription drug costs are far and away the most significant driver of rising health insurance costs. Health insurance companies have a significant role to play to help lower these underlying costs – not by cutting access to needed care – but by cutting waste and working with providers in their networks to focus on prevention and other proven strategies that keep patients healthier.

In this analysis, OSPIRG Foundation looks at two data sources: quantitative data reported by the insurer, which was required for the first time last year, and the insurer's qualitative description of its efforts to implement six strategies understood to be effective in reducing costs and improve quality. In future years, we hope that both types of data are integrated, and presented in detail sufficient to evaluate the effectiveness of insurers' broader cost containment strategies.

While it is difficult to evaluate insurers' progress toward cost containment when the costs of new members in 2014 proved to be higher than expected for many insurers, this only underscores the importance of tracking progress in this area on a year-to-year basis.

Now that insurers cannot discriminate against individuals with pre-existing medical conditions, insurers can no longer base their business models on managing risk and exposure to potentially unhealthy members. Instead, insurers must redouble their efforts to help their members manage their health. These efforts are especially important in light of unexpectedly high costs in 2014. LifeWise members will be expecting progress in bending the cost curve in coming years, and DCBS should take steps to hold them accountable for this.

Quantitative data on cost and quality

For the second time this year, every Oregon insurer submitted hard data on health care quality, cost and utilization as part of the rate filing process. These metrics represent a step forward for transparency and provide some helpful information to form a baseline to evaluate insurers' efforts to contain costs and improve quality of care.

In evaluating LifeWise performance in these areas, comparing trend lines year-over-year is critical. Some insurers may serve a less healthy customer base than others, and this may be reflected in their performance on some of these metrics, but if insurers implement adequate, comprehensive cost containment and quality improvement efforts, consumers should be able to expect continuous improvement on these metrics as insurers work to bend the cost curve for quality care.

The metrics submitted by LifeWise indicated that ER costs and utilization for 2014 are much higher than the previous year.[20] Inpatient hospital utilization also nearly quadrupled.[21]

In response to OSPIRG Foundation questions, LifeWise provided additional information about these measures that indicates that these increases are primarily attributable to their ACA-compliant individual

[19] $50,223, 2009-2013. Source: US Census Bureau http://quickfacts.census.gov/qfd/states/41000.html
[20] Utilization rose from 71 visits to 148.3 visits per 1,000 members per year, while related per member per month costs rose from $4 to $18.16.
[21] From 21 admissions to 79.9 admissions per 1,000 members per year.

market members, and that measures including members in non-ACA compliant individual plans are significantly lower, and below a benchmark for “well-managed utilization” defined by Milliman, the actuarial firm. While this provides helpful context for the metrics included in the filing, it does not demonstrate that LifeWise’s efforts to manage the health and the costs of medical services for its members in ACA-compliant plans are adequate.

It is clear from their qualitative description of their efforts (see below) that LifeWise has some constructive initiatives underway to contain costs and improve quality of care, and worsening cost and utilization metrics are consistent with the insurer’s claim that 2014 costs were higher than expected. However, for the insurer to demonstrate that it is doing all it can to contain costs for its members, it will need to redouble its efforts to make concrete progress on these metrics in coming years.

Qualitative reporting on cost and quality initiatives

Insurer's Cost and Quality Initiatives

Initiative	Description	Insurer's current efforts	Projected Savings
Quality pricing, also known as "payment reform"	In contrast with the fee-for-service payment model, this model rewards providers that use best practices to help keep patients as healthy as possible.	Medical Home incentive program	New program in 2015, no savings realized yet
"Medical Home" initiatives	Coordinated patient-centered care that focuses on prevention and keeping patients healthy and out of the ER.	"Total joint care" bundled payment program	Not specified
Value based benefits	Plans with lower co-pays for treatment proven to be effective, and higher cost sharing for unnecessary procedures.	No specific programs cited.	N/A
Chronic disease management	Case management and other tools to improve the health of patients with chronic disease. [22]	Utilization management programs in clinical areas including knee replacements, lumbar spine decompression and spinal fusion surgeries; prescription drug prior authorization programs; program to ensure members receive appropriate cancer medications	Knee surgery savings estimated at $2.7 million; lumbar spine at $1.8 million; Rx prior authorization at $10 million; cancer medication program at $2.7-$5 million; spinal fusion program at $2.8 million (all savings above are spread across LifeWise's family of companies)
Reducing hospital readmissions	Working with providers to ensure that discharged patients have adequate follow up care.	Adverse events reporting program; members held harmless for cost of medical errors	Not specified
Reducing errors, hospital-acquired infections and other adverse events.	This includes not reimbursing providers for "never events," and incentives to encourage provider safety practices.	Drug adherence program	New program, savings not specified

In its initial filing, LifeWise reported taking steps to reduce health care cost in ways that improve quality for patients in only two of the six key areas we track. In response to OSPIRG Foundation questions, LifeWise provided information about programs in three additional areas.

[22] Such as diabetes, asthma, depression, coronary artery disease, and congestive heart failure.

There do appear to be some encouraging efforts underway at LifeWise. However, the steps LifeWise reports to reduce health care cost in ways that improve quality for patients are not described in detail and their effectiveness is not demonstrated with data. Without more detailed savings and effectiveness data, it is difficult to evaluate the adequacy of the insurer's strategy, especially in a context in which the insurer's costs and utilization climbed steeply in 2014. For LifeWise to demonstrate success, the insurer will need to demonstrate that these initiatives are having an impact in cost, utilization and quality of care for LifeWise members.

Rate review provides an opportunity to hold insurers accountable for doing everything they can to contain costs; if an insurer is not first doing all it can to bring down costs for its members, a premium increase cannot be justified. We urge LifeWise to redouble their efforts, and we urge DCBS to continue taking steps to advance transparency and accountability in this critical area.