**June
2015**

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

Filing # ODSV-129985748

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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For more about OSPIRG Foundation or for more copies of this report, please visit: http://www.ospirgfoundation.org

This publication was made possible by Grant Number IPRPR0057A from Department of Health and Human Services Center for Consumer Information and Insurance Oversight. Its contents are solely the responsibility of the authors and do not necessarily represent the official views of the Department of Health and Human Services Center for Consumer Information and Insurance Oversight.

[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

Moda Health Plan's membership of more than 102,000 Oregonians with individual health insurance plans will see rate hikes of 25.6% on average, and as high as 54.12%, if the premium rate hike proposed by Moda goes forward.

Moda currently has the largest market share in Oregon's Individual market. Moda's increase is the largest proposed by the dominant carrier in the individual market since 2010, when new rules heightening scrutiny of health insurance rates were implemented.

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 rise by 4.6%, and that prescription drug costs will rise by 10.5%, for a combined annual trend of 5.2%.[2]

After analysis of Moda's initial filing and the supplemental information provided, we acknowledge some of the factors that concern Moda and that have prompted the rate hike proposal. However, on balance, we are concerned that the insurer's specific proposal may be overcorrecting for market trends 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 25.6% rate hike from the dominant carrier in the individual market could have serious deleterious consequences for Oregon individuals and families.** The tens of thousands of Moda members currently receiving tax credits to help pay premiums will likely see increases far in excess of 25.6% due to the way tax credit levels are determined. While Moda members will likely have lower-cost options available due to Oregon's highly competitive health insurance market, these increases will create significant disruption for many Oregon families.

- **Despite financial losses in 2014, Moda's financial position remains sound.** Moda is also proposing to add to its surplus while proposing the largest increase by the market leader in Oregon's individual market since 2010. Moda's surplus remains well above the required risk-based capital level.[3] This means that the insurer could take a more moderate approach to increasing rates to avoid a large, disruptive rate increase in 2016.

- **Moda'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 Moda initially projected, there are many reasons to believe that these costs will go down in future years. Moda acknowledges this to some degree, but it is possible that the insurer is prematurely overcorrecting before it is widely understood how the market will

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[2] These values reflect both unit cost and utilization trends. The unit cost trend for medical and pharmacy are 4.5% and 10.0%, respectively, for an overall value of 5.0%. The utilization trend for medical and pharmacy are 0.1% and 0.5%, respectively, for an overall value of 0.2%. (see Exhibit 4.1 of Moda's filing)

[3] At year end 2014 Moda had an RBC ratio of 454%.

develop. 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. Moda's rate hike does not appear to account for these reductions adequately.

- **It is unclear from the information provided whether Moda is sufficiently adjusting 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. Moda has adjusted its rate 2% lower to reflect these reductions, but this may be insufficient. 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.

- **When it comes to reducing costs and improving the quality of care, it is not clear that Moda is doing all it can**. According to metrics submitted with the filing, Moda's utilization and cost for expensive emergency department visits and inpatient hospitalizations are up substantially, and prescription drug costs have more than doubled on a per member, per month basis. 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 the insurer is doing enough to keep its members healthy and out of hospitals and emergency departments. While Moda has a number of constructive cost containment and quality improvement initiatives underway, many of these remain unavailable to Moda's large individual market membership. Further inquiry should be made to ensure Moda is doing everything possible to cut waste and improve quality of care, and pass the savings on to their members.

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 Moda 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	ODSV-129985748
Name of health insurance company	Moda Health Plan
Type of insurance	Individual

Proposed Rates*	Rate	Increase from 2015
Standard Bronze	$251	36%
Standard Silver	$307	25%
Standard Gold	$367	24%
% premium to be spent on medical costs		84.10%
% premium to be spent on administrative costs		14.90%
% premium to be spent on profits		1.00%

Insurer's history of rate increases	**Requested**	**Approved**
2010	20.73%	17.54%
2011	9.94%	8.94%
2012	7.50%	3.80%
2013	N/A**	N/A**
2014	12.50%	10.60%

Basis for rate - Key factors	
Inpatient hospital trend*	5.40%
Physician trend*	2.00%
Other medical expenses trend*	6.20%
Rx cost trend*	10.50%
Cost due to health status of 2014 customers	22.80%

*Including both unit costs and utilization

Enrollment	
Year	**Members**
2007	5,354
2008	11,295
2009	18,903
2010	25,492
2011	26,333
2012	27,748
2013	32,894
2014	95,948
2015	102,393

Insurer information

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

Insurer's financial position	
Year	2014
Surplus	$121,000,000
Investment earnings	$7,500,000

Surplus History	
Year	**Amount in Surplus**
2008	$39,846,144
2009	$71,413,177
2010	$76,604,830
2011	$80,800,000
2012	$75,878,603
2013	$74,900,000

*"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 Moda'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 Moda.[4]

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.[5] 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.

[4] As part of this process, OSPIRG Foundation submitted questions to the insurer on May 26. PacificSource provided responses on June 2.
[5] 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 Moda 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. The majority of Moda's proposed rate hike (22.8% out of 25.6%) is attributed to these unexpectedly large costs.

We do not dispute that the cost of covering the new members that enrolled in health coverage in 2014 was higher than Moda initially projected. However, there are reasons to believe that these costs will go down in future years, and that Moda has not adequately taken this into account. More specifically, we are concerned that Moda 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 Moda 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. Moda's filing does not include an explicit adjustment for this factor, and the insurer did not provide information to account for excluding it in response to OSPIRG Foundation questions.

Moda also does not appear adequately account for the lower cost of covering future enrollees. Many market experts expect that the mix of customers enrolling in health coverage this year and next year will be younger and healthier than those who signed up for 2014, which may bring down costs.[6] 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.

If the unexpectedly large costs Moda 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 is not appropriate for these costs to serve as the basis for premium rates for future years.

[6] 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

Moda's filing incorporates a 6.4% reduction due to a projection that the health status of the ACA compliant individual market will improve. This value could be understated for at least two reasons.

First, while Moda evaluates the impact of non-ACA compliant "transitional" plans being phased out in 2016, it does not appear to include consideration for the reduction in overall morbidity due to the better than average health status of previously uninsured individuals newly entering the health insurance market post-2014. Tens of thousands of people newly entered the market in 2015, and tens of thousands can be expected to enter the market in 2016,[7] and it is likely that these individuals will be less expensive than new members in 2014.

Second, while Moda initially projected an improvement in the market morbidity of 8.6%, it used only 75% of that value.[8] In response to OSPIRG Foundation questions, the reasons given by Moda for not using the full value relate to issues of market churn, other new market entrants and the expectation that some of the lowest risk members will leave the market. This does not appear to take into account the larger penalties that will be applied to those that do not have health insurance in 2016.[9] Moda's assumption that many low risk members will leave the market, which was the basis for not using the full indicated morbidity reduction, merits close scrutiny.

Insurer's financial position

Despite financial losses in 2014, Moda's financial position remains sound. The insurer's risk-based capital, a key measure of solvency, remains well above the solvency danger zone despite reported net losses of $5.2 million last year.

This sound financial position means that the insurer could be well positioned to take a more moderate approach to increasing rates to avoid a large, disruptive rate increase in 2016. Since a 25.6% rate hike would represent a large rate fluctuation and could be highly disruptive for the over 100,000 Oregonians who count on Moda for their health coverage, it would seem reasonable for the insurer to use its capital position to mitigate the impact on consumers and the broader health insurance market.

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.

We also urge DCBS to consider whether it is appropriate for Moda to contribute to growing its surplus at this time. While a 1% profit margin would not be unreasonable in the context of a rate hike closer to the historical average, it merits closer scrutiny in the context of a 25.6% increase on over 100,000 Oregonians. Even in the absence of a 1% margin from underwriting, Moda could still expect surplus to

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[7] By comparison, Regence projects that the number of currently uninsured individuals entering the market between 2014 to 2016 will be 40% higher than those entering from transitional plans (70,000 compared to 50,000).
[8] Actuarial Memorandum, Page 4; 8.6% X 75% = 6.4%
[9] https://www.healthcare.gov/fees-exemptions/fee-for-not-being-covered/

increase from investment gains. During 2013 and 2014, Moda had investment gains of $5.0 million and $7.5 million, respectively.[10]

Uncompensated care

It is unclear whether Moda is sufficiently adjusting 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 be substantial, and should be passed along to consumers in the form of lower rates.

Among the outcomes of this 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.

Last year, DCBS reduced Moda's requested rate by 2% to ensure that it appropriately incorporated these savings. This year, Moda has included a -2% adjustment to its rate to reflect these reductions, and attributes the reduction to the introduction of its new Beacon network, which the filing claims "focuses on lowering costs to account for the estimated decline in bad debt from the reduction of uninsured Oregonians."

This is a positive development, but evidence suggests it may be insufficient, since many Oregon hospitals report posting margins of 10% or more, in large part due to reductions in uncompensated care. Moda could justify its decision to adjust for only 2% if it provided an explanation for how its Beacon network is designed to account for reductions in uncompensated care that demonstrated that the insurer is effectively pushing as hard as it can to share these savings with its customers, but as of this writing, the insurer has not done so. We are concerned that important savings for consumers may not be adequately passed along in this rate filing.

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.

Administrative costs and other expenses

In its filing, Moda states that "utilization of agents is assumed to be 57%," meaning that the insurer estimates that 57% of their enrollments will involve an insurance agent. This estimate may be

[10] These values reflect both investment income and realized capital gains (losses). These investments gains, as a percent of surplus, were 6.7% in 2013 and 10.0% in 2014.
[11] https://www.thelundreport.org/content/first-quarter-reports-indicate-hospital-margins-continue-their-upswing

overstated. Since a projection of the commissions paid to agents are built into the proposed premium rates, it is important to ensure that this estimate is appropriate.

In response to questions from OSPIRG Foundation, Moda explains that this estimate is equivalent to the utilization of insurance agents in 2014. In 2014, Oregonians seeking individual market coverage were especially likely to seek the help of an agent due to the difficulty of enrolling through the Cover Oregon health insurance exchange system. However, there is reason to believe that agent utilization may decline in 2015 and 2016, as Oregonians now have access to a functional online health insurance exchange enrollment portal at healthcare.gov.

In response to questions from OSPIRG Foundation, Moda explains that they are holding this projection constant because they "believe that despite the option of online enrollment, many members will still prefer to have assistance from an agent when choosing among the many plans available, especially as the plans and networks change." While it is surely true that some members will continue enrolling through agents, and the help of an agent can be invaluable in shopping for coverage, it seems plausible that agent utilization will decline to some degree, in which case it would be appropriate for Moda's rates to be adjusted to reflect this.

Cost impact of proposed rates

Total cost of Moda's plans

Taking into account premiums, deductibles, coinsurance and other forms of cost-sharing, the total cost of coverage for Moda's plans as proposed in the filing would be substantial.

A 25.6% increase would be over 14 times the rate of inflation in the broader economy and nearly 10 times the rate of inflation in the cost of medical services.[12] 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 a major burden on over 100,000 Oregonians. 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.

Federal tax credits will help eligible individuals and families cover some of the cost of premiums and out-of-pocket expenses. 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 Moda customers who rely on tax credits may face an increase even larger than 25.6% on average; if all insurers' rates were approved as filed, Moda's plans would be much more expensive relative to the second-cheapest Silver plan than they are today, meaning that tax credits would cover much less of the cost.

[12] Source: US Department of Labor, April 2015 CPI report, http://www.bls.gov/news.release/cpi.nr0.htm

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:[13]

Monthly Amount	2015 Value	Increase in 2016	2016 Value
Premium Before Tax Credit	$ 343	25.60%	$ 431
Value of Tax Credit	$ 203	5%	$ 213
Premium After Tax Credit	$ 140	55.71%	$ 218

*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 rise by more than 50% for this hypothetical tax credit recipient. 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 Moda policyholders may accrue in the event of serious illness or other medical need.

Policyholders	**Plan**	**Annual premium (Increase from 2015)**	**Out-of pocket max (deductible + coinsurance + copays)**	**Total potential cost**
Sam, 33	Oregon Standard Bronze	$2,832 ($732)	$6,350	$9,182
Sarah and George, 50	Oregon Standard Silver	$10,296 ($2,088)	$12,700	$22,996
Eric and Cynthia, 45, and their two children	Oregon Standard Gold	$14,193 ($2,736)	$12,700	$26,893

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.

[13] 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.

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	$2,832 ($732)	$5,000 + $1,350	$9,182
Sarah and George, 50	Oregon Standard Silver	$10,296 ($2,088)	$5,000 + $1,500	$16,796
Eric and Cynthia, 45, and their two children	Oregon Standard Gold	$14,193 ($2,736)	$2,500 + $750	$17,443

As the chart above demonstrates, higher-value plans such as the Oregon Standard Gold[14] 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 Moda'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, a family of four could see an annual premium increase of nearly $3,000. To put this in perspective, this increase by itself is over 5% of Oregon median household income.[15]

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.

[14] 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%).
[15] $50,223, 2009-2013. Source: US Census Bureau http://quickfacts.census.gov/qfd/states/41000.html

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. Moda 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 Moda's performance in these areas, comparing trend lines year-over-year will be 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.

Moda members sought emergency room care 46% more in 2014 than in 2013,[16] and ER costs per utilization are also up by nearly 20%.[17] Costly inpatient hospitalizations are also up substantially, and prescription drug costs have more than doubled on a per member, per month basis.[18]

It is clear from their qualitative description of their efforts (see below) that Moda has many 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.

[16] 117.1 visits per year per 1,000 members vs. 80 in 2013.
[17] $2,189.80 this year vs. $1,827 in 2013.
[18] $49.13 PMPM this year vs. $22 PMPM in 2013.

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.	A risk-sharing model based on Oregon's Coordinated Care Organizations is reportedly under development	Not specified
Coordinated care, including "Medical Home" initiatives	Coordinated patient-centered care that focuses on prevention and keeping patients healthy and out of the ER.	Inpatient care coordination RNs	Not specified
Value based benefits	Plans with lower co-pays for treatment proven to be effective, and higher cost sharing for unnecessary procedures.	Pharmacy and Therapeutics Committee develops evidence-based formulary guidelines	Not specified
Chronic disease management	Case management and other tools to improve the health of patients with chronic disease. [19]	Case management and care coordination programs; one-on-one disease management and health coaching	Not specified
Reducing hospital readmissions	Working with providers to ensure that discharged patients have adequate follow up care.	Readmissions prevention program; length of stay review program; post-hospitalization care management program	Length of stay program reduced hospitals stays 0.3%
Reducing errors, hospital-acquired infections and other adverse events.	This includes not reimbursing providers for "never events," and incentives to encourage provider safety practices.	Imaging review program to limit unnecessary and potentially harmful medical imaging	Advanced imaging utilization declined ~4%

In its initial filing, Moda reported taking steps to reduce health care cost in ways that improve quality for patients in five of the six key areas we track. In response to OSPIRG Foundation questions, Moda provided information about programs in all the areas listed above.

There do appear to be a number of encouraging efforts underway at Moda. However, the steps Moda 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. In response to OSPIRG Foundation questions, Moda states that it estimates the total savings from its cost containment program to be "$30,500,000 or 1.6% of claims for 2014" for all of Moda's lines of business, but the insurer did not provide data specific to the individual market or to its individual cost containment initiatives.

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

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

2014. For Moda to demonstrate success, the insurer will need to demonstrate that these initiatives are having an impact in cost, utilization and quality of care for Moda members.

Moda has acknowledged that its cost containment efforts in the individual market could be improved. In response to OSPIRG Foundation questions, the insurer stated that its medical home initiatives “are not yet incorporated into the individual market products offered by Moda, but once this line of business stabilizes within the next year or so, we anticipate expanding these initiatives from the small and large group markets to this market. The insurer also states that, “To improve claims results, we are focusing our current efforts on developing an individual specific network in addition to cost containment and quality improvement programs.”

While there can be unique administrative challenges to implementing some cost containment initiatives in the individual market, we are concerned that the insurer may be leaving substantial savings on the table for its individual membership of over 100,000 Oregonians.

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 Moda to redouble their efforts, and we urge DCBS to continue taking steps to advance transparency and accountability in this critical area.