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Comments on the Regence BlueCross BlueShield of Oregon Proposal for Individual Health Rates Effective January 2016

Filing # RGOR-130040702

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

Regence BlueCross BlueShield's membership of more than 24,000 Oregonians with individual health insurance plans will see rate hikes of 12.3% on average, if the premium rate hike proposed by Regence goes forward. Some Regence members in transitional plans that will be discontinued at the end of the current year, which do not include the consumer protections of the federal health reform law, may see increases of up to 235% if they stick with Regence.[2]

The main reason given for this increase is the insurer's claim that the health status of the customers it enrolled in 2014 was worse than anticipated, leading to higher costs for the insurer. The insurer also projects that medical and prescription drug costs will rise by 8.8%.

After analysis of Regence's initial filing and the supplemental information provided, we acknowledge some of the factors that concern Regence and that have prompted the rate hike proposal. However, the insurer has, in some instances, not provided sufficient evidence to justify elements of the case for a rate hike, making us concerned that the proposed increase is not entirely justified.

Key Findings:

- **Regence did not adjust its cost projections to reflect a reduction 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. Regence has not included these savings in its proposed rates.

- **Regence's projections of trends in medical costs are higher than many of their competitors, as well as trends reported by independent sources, and may be overstated.** With studies continuing to show slow healthcare cost growth, Regence's projections merit close scrutiny.

- **Regence'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 Regence initially projected, there are many reasons to believe that these costs will go down in future years. Regence acknowledges this to some degree, but it is possible that Regence is prematurely overcorrecting before it is widely understood how the market will 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. Regence's rate hike does not clearly account for these reductions.

- **Regence may be overestimating the cost of new health benefits.** The insurer's projection that a new Applied Behavioral Analysis (ABA) therapy benefit will cost $3.00 per member per month is significantly higher than estimates from competitors and inadequately supported. The insurer also includes costs for a new telehealth benefit without including any potential savings.

[2] According to Regence's response to DCBS questions posted on May 22.

- **Regence's financial position improved from 2013 to 2014 despite unexpectedly high claims costs, which should mitigate the need for a large rate increase.** The insurer grew its surplus by $7.9 million in 2014, to over $635 million total. In this context, Regence has not provided adequate support for their claim that a 12.3% rate increase is "necessary to maintain rate stability and guard against excessive increases for the line of business in the future."

- **When it comes to reducing costs and improving the quality of care, it is not clear that Regence is doing all it can**. Health care quality, cost and utilization metrics submitted in the rate filing show that Regence's costs and utilization for some expensive health services such as emergency room visit and inpatient hospital stays are up from last year. Regence has also failed, for the second year, to provide data for a key measure of developmental screening. Further inquiry should be made into the causes of these metrics to ensure Regence 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 Regence 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	RGOR-130040702
Name of health insurance company	Regence BlueCross BlueShield of Oregon
Type of insurance	Individual

Proposed Rate	Rate	Increase from 2015
Standard Bronze	$231	8%
Standard Silver	$279	8%
Standard Gold	N/A	N/A
% premium to be spent on medical costs		83.40%
% premium to be spent on administrative costs		14.00%
% premium to be spent on contribution to surplus		2.60%

Basis for rate	
Medical cost trend	2.80%
Rx cost trend	8.30%
Total rating trend	8.80%
Cost due to health status of 2014 customers	11.90%

Insurer's history of rate increases	**Requested**	**Approved**
2010	23.60%	16.00%
2011	22.10%	12.80%
2012	9.60%	8.90%
2013	N/A**	N/A**
2014	3.20%	1.40%

Enrollment	
Year	**Members**
2009	79,054
2010	65,483
2011	59,447
2012	52,516
2013	47,741
2014	31,661

Insurer information

Basic Information (BridgeSpan)	
For profit or non-profit:	Non-profit
State domiciled in:	Oregon

Insurer's financial position	
Year	2014
Surplus	$635,259,622
Investment earnings	$68,012,076

Surplus History (Regence)	
Year	**Amount in Surplus**
2008	$486,124,238
2009	$565,197,607
2010	$544,200,000
2011	$522,000,538
2012	$564,960,398
2013	$627,309,807

*"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 Regence'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 Regence.[3]

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.[4] 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.

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

[4] 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

Uncompensated care

Regence has not adjusted its cost projections to reflect reductions in "bad debt" from the Affordable Care Act's expansion of coverage. The cost 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.[5] These cost savings should be shared with consumers through lower hospital costs and lower premiums.

Last year, DCBS reduced Regence's requested rate to ensure that it appropriately incorporated these savings. This year, Regence has again failed to include this factor in its rate calculation. In its filing, Regence states that this issue has been discussed as part of its contract negotiations with hospitals, but that its hospital contracts are multi-year, and "because of this, any effort to impact these contracts and our member costs is a longer-term approach." In response to OSPIRG Foundation questions, Regence also states that "providers are resistant to revenue reductions and concessions" in response to widely-observed reductions in uncompensated care, and estimates that uncompensated care accounts for only 0-0.5% of its costs.

With a number of Oregon insurers including substantial reductions due to uncompensated care in their rate development, it is unclear why Regence has not done so, or why providers would be more resistant to reductions and concessions for Regence than for other insurers. 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.

New member costs in 2014, 2015 and 2016

The main reason Regence provides for its proposed increase is the insurer's claim that the health status of the customers it enrolled in 2014 was worse than anticipated, leading to higher costs for the insurer. Regence attributes an 11.9% increase to these unexpectedly large costs.

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

We do not dispute that the cost of covering the new members that enrolled in health coverage in 2014 was higher than Regence initially projected. However, there are reasons to believe that these costs will go down in future years. More specifically, we are concerned that Regence may be overestimating the degree to which "pent-up demand" will continue to drive up utilization and costs.

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. This phenomenon is referred to as "pent-up demand."

Unlike a number of its competitors, Regence does not include reductions in pent-up demand in its rate filing, for unclear reasons, and did not respond to OSPIRG Foundation questions with additional explanation or documentation to support the decision not to include this factor.

If the unexpectedly large costs Regence 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, it is not appropriate for these costs to serve as the basis for premium rates for future 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 Regence has chosen could have serious 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

Insurer's financial position

Unlike many of their competitors, Regence's financial position improved in 2014, and remains strong. Regence's surplus grew by $7.9 million, to over $635 million total. [6] This strong financial position means that the insurer could take a more moderate approach to increasing rates to avoid a disruptive, double-digit rate increase in 2016.

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 necessary and appropriate for Regence to include a 2% contribution to its large and growing surplus in the context of a large rate increase proposal. Regence has increased the provision included in the rates for underwriting profit from 1% in the filing for 2015 rates to 2% in the current filing. In the absence of a 2% margin from underwriting, Regence could still

[6] As Regence's surplus grew during 2014, its Authorized Control Level Risk-Based Capital decreased, thereby resulting in an improved RBC level. Regence's RBC at the end of 2014 was over 1,000%, much higher than many of their competitors.

expect surplus to increase from investment gains. During 2013 and 2014, Regence had investment gains of $38.3 million and $68.0 million, respectively.[7]

Medical and prescription drug cost trends

Regence's projection of an 8.8% annual trend in combined medical and prescription drug costs is higher than many of their competitors, and may be overstated.

While 2014 may have seen a significant increase in health care spending in some sectors due to increased access to coverage, prices for health care services appear to be rising slowly. Aside from fast-rising specialty drug costs, which have received significant nationwide attention, studies continue to show a slowdown in healthcare cost growth. The medical Producer Price Index, a key measure Oregon regulators use to compare healthcare cost growth to growth in insurer administrative costs, indicates that physician's office and hospital prices are up less than 1% overall from 2013 to 2014.[8]

In response to OSPIRG Foundation questions, Regence stated that its trend projections may be higher than some of their competitors because of leverage.[9] However, this does not appear to be supported by the rate filings of Regence's competitors. For example:

- PacificSource's 7.0% annual trend projection includes the impact of leverage. The 1.8% higher trend used by Regence translates into an increase in rates of 3.4%, since trend is applied for a two year period.[10]
- Moda's 5.2% annual trend projection excludes the impact of leverage. The Regence trend excluding leverage is 7.2%. The 2.0% higher trend used by Regence, both on the same basis without leverage, translates into an increase in rates of 3.8%.[11,12]
- Lifewise's 6.0% annual trend projection includes the impact of leverage.[13] The 2.8% higher trend used by Regence translates into an increase in rates of 5.4%.[14]

After considering the issue of leverage, the Regence trend projection is still higher than that used by many other insurers.

Furthermore, independent sources indicate that the trend used by Regence is unusually high. Altarum Institute has stated "Health care prices in March 2015 were 1.3% higher than in March 2014,"[15] and

[7] These values reflect both investment income and realized capital gains (losses). These investments gains, as a percent of surplus, were 6.8% in 2013 and 10.8% in 2014.
[8] PPI for "Offices of physicians, except mental health"—December 2013: 143.8; December 2014: 144.7. PPI for "General medical and surgical hospitals"—December 2013: 187.6; December 2014: 188.2. Source: US Bureau of Labor Statistics, available via http://www.bls.gov/ppi/data.htm
[9] Leverage is a measure of the cost increases an insurance company experiences due to health care cost inflation outpacing growth in the cost of care borne by the consumer, e.g. in the form of deductibles.
[10] 1.034 = (1.088 / 1.070) ^2
[11] 1.034 = (1.072 / 1.052) ^2
[12] In addition, the separate deductible leverage adjustment used by Moda is less than the 3.2% value used by Regence (1.6% per year for leverage over a two year period).
[13] The filing is not explicit about including the impact of leveraging in the trend, but the filing does not indicate that leveraging is reflected elsewhere. Even if leverage was not reflected in the trend, the Regence trend excluding leverage is still significantly higher
[14] 1.054 = (1.088 / 1.060) ^2

Towers Watson has stated "Health care cost increases for active employees remain at historically low levels. After plan changes, 2015 health care costs are projected to increase by 4%, compared to the 4.5% employers previously projected for 2014. Without changes to medical and pharmacy plan designs, vendors, provider networks or other features, the increase would have been 5.2%."[16]

Benefit changes

Regence's projection that a new benefit to cover an autism therapy for its members will cost $3.00 per member per month is significantly higher than estimates from competitors and independent sources. This Applied Behavioral Analysis (ABA) therapy benefit, detailed in a recent bulletin from DCBS clarifying Oregon's mental health parity law,[17] is not included as a factor in 2016 rate filings for many of Regence's competitors, suggesting that these insurers may not think it will have a significant impact on claims cost.

Where the cost impact of an ABA benefit has been measured or included in an approved rate filing, it has generally been much lower than $3.00 PMPM. For example, the Missouri Department of Insurance found that ABA benefits cost approximately $0.27 PMPM in 2014.[18] When Kaiser included ABA therapy as a new benefit in an Oregon small group filing approved by DCBS in February 2013, the insurer estimated a $1.00 PMPM cost, and has not since had to increase its estimate of this cost.

Regence also includes costs for a new telehealth benefit without including any potential savings. Although the costs for the program are estimated at less than $1 per member per month, the savings could be significant, since telehealth access could enable less reliance on more expensive health care services, especially in rural Oregon where consumers are likely to take advantage of these services to avoid long drives to hospitals and clinics. There is a general industry consensus that telehealth can cut costs substantially.[19] Regence acknowledges the potential savings in response to questions from OSPIRG Foundation but does not provide a dollar estimate.

Cost impact of proposed rates

Total cost of Regence's plans

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

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[15] Price Brief #15-5: March 2015 Data; http://altarum.org/our-work/cshs-health-sector-economic-indicators-briefs

[16] 2015 Emerging Trends in Health Care Survey; http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2015/04/2015-emerging-trends-in-health-care-survey?webSyncID=97c3de08-1119-4c83-acbd-904b6db47202&sessionGUID=51d3ab18-7363-cddc-c98e-909e138e40de

[17] Oregon Insurance Division Bulletin INS 2014-2, available at http://www.oregon.gov/DCBS/insurance/legal/bulletins/Documents/bulletin2014-02.pdf

[18] http://insurance.mo.gov/consumers/autismFAQ/documents/2015AutismReport.pdf

[19] Here are some independent analyses of the cost impact of telehealth access: http://www.americantelemed.org/docs/default-source/policy/examples-of-research-outcomes---telemedicine's-impact-on-healthcare-cost-and-quality.pdf; http://www.towerswatson.com/en-US/Press/2014/08/current-telemedicine-technology-could-mean-big-savings; http://www.ucdmc.ucdavis.edu/publish/news/newsroom/10039l; http://www.connectwithcare.org/wp-content/uploads/2014/12/Medicare-Acute-Care-Telehealth-Feasibility.pdf

Since Regence does not participate in Oregon's health insurance exchange, members that choose to renew coverage will pay the entire cost of their premiums. Federal tax credits will be available through the exchange to help eligible consumers who wish to switch coverage, and consumers will have a number of other options available in Oregon's highly competitive health insurance market. Regardless, if approved, Regence's double-digit increase will be disruptive and burdensome for tens of thousands of Oregonians.

A 12.3% increase would be nearly seven times the rate of inflation in the broader economy and nearly five times the rate of inflation in the cost of medical services.[20] Although Oregon's economy appears to be improving, this increase would still take place against a backdrop of largely stagnant wage growth.

The following case studies illustrate the total potential costs that Regence 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	$2,603 ($116)	$6,350	$8,953
Sarah and George, 50	Oregon Standard Silver	$9,364 ($384)	$12,700	$22,064
Eric and Cynthia, 45, and their two children	Gold 750 Value PPO (Oregon Direct Gold+ in 2015)[21]	$15,212 ($2,723)	$12,700	$27,912

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.

[20] Source: US Department of Labor, April 2015 CPI report, http://www.bls.gov/news.release/cpi.nr0.htm
[21] Regence does not offer the Oregon Standard Gold plan. Current members of Regence's Oregon Direct Gold+ plan will be mapped to the Gold 750 Value PPO plan in 2016

Policyholders	**Plan**	**Annual premium (Increase from 2015)**	**Deductible + Coinsurance**	**Total cost after premium and $10,000 claim**
Sam, 32	Oregon Standard Bronze	$2,603 ($116)	$5,000 + $1,350	$8,953
Sarah and George, 50	Oregon Standard Silver	$9,364 ($384)	$5,000 + $1,500	$15,864
Eric and Cynthia, 45, and their two children	Gold 750 Value PPO (Oregon Direct Gold+ in 2015)	$15,212 ($2,723)	$2,500 + $750	$18,462

As the chart above demonstrates, higher-value plans such as Gold plans reduce out-of-pocket exposure to financial risk in the case of medical need,[22] 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 Regence'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.[23]

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.

[22] 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%).
[23] $50,223, 2009-2013. Source: US Census Bureau http://quickfacts.census.gov/qfd/states/41000.html

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. Regence 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 Regence'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.

These metrics show that Regence's costs and utilization for some expensive health services such as emergency room visits and inpatient hospital stays are up from last year. For example, ER visits are up from 115 to 120.5 per 1,000 members per year. While none of the measures of high-cost utilization are skyrocketing, they are not declining, which suggests that Regence has yet to see measurable success in bending the cost curve for these high-cost services. In addition, the insurer's performance on a measure of mental health follow-up care is below statewide benchmarks.

Regence has also failed, for the second year, to provide data for a key measure of developmental screening. In response to OSPIRG Foundation questions about this measure, Regence stated that they do not provide this data because developmental screening is a measure for Oregon's Medicaid Coordinated Care Organizations (CCOs), and Regence does not participate in any of the state's CCOs. However, this measure has been required by DCBS as part of the rate review process since 2014. We urge DCBS to take steps to ensure that the key quality measures required in rate filings are available for all insurers to encourage transparency and enable meaningful evaluation of insurers' performance on quality improvement as part of the rate review process.

It is clear from their qualitative description of their efforts (see below) that Regence 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.	Hospital incentive pay-for-performance program; accountable health network partnership program	Not specified
"Medical Home" initiatives	Coordinated patient-centered care that focuses on prevention and keeping patients healthy and out of the ER.	Comprehensive primary care initiative	Not specified
Value based benefits	Plans with lower co-pays for treatment proven to be effective, and higher cost sharing for unnecessary procedures.	Evidence-based formulary	Not specified
Chronic disease management	Case management and other tools to improve the health of patients with chronic disease. [24]	Surgery site-of-care management initiative	Not specified
Reducing hospital readmissions	Working with providers to ensure that discharged patients have adequate follow up care.	No specific programs outlined in the filing	N/A
Reducing errors, hospital-acquired infections and other adverse events.	This includes not reimbursing providers for "never events," and incentives to encourage provider safety practices.	Claims audit programs	Not specified

In its initial filing, Regence 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, Regence described a number of additional programs that appear to represent constructive efforts to contain costs and improve quality. However, these initiatives are not described in detail and their effectiveness is not demonstrated with data.

Regence states that the impact of its cost containment programs on costs for the Oregon individual market is "estimated to be in the range of $3 - $4 PMPM." While we appreciate the insurer's effort to measure the impact of its efforts on the population affected by health insurance rate review, which some of its competitors have not done, it is difficult to evaluate the adequacy of the insurer's strategy without more detailed savings and effectiveness data. For Regence to demonstrate success, the insurer will need to demonstrate that these initiatives are having an impact in cost, utilization and quality of care for Regence members.

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

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