

Jeremiah W. (Jay) Nixon
Governor
State of Missouri



Department of Insurance
Financial Institutions
and Professional Registration
John M. Huff, Director

Office of the Director

March 28, 2013

The Honorable Kathleen Sebelius, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Re: State Rating Requirements Disclosure Form

Dear Madam Secretary:

Thank you for the opportunity to submit comments and suggestions to you regarding the Geographic Rating Areas portion of the State Rating Requirements Disclosure Form for the State of Missouri.

The enclosed materials set forth and support Missouri's request to establish 10 geographic rating areas in Missouri, in a manner **other** than the default of Metropolitan Statistical Areas (MSAs) + 1. The default method established in 45 CFR 147.102(b)(3) would result in 10 geographic areas in Missouri, but those areas are not reflective of healthcare utilization patterns we have identified in our state. Additionally, the areas identified in the proposed default are not reflective of current geographic divisions utilized by Missouri issuers for rating purposes. The result of implementing a change as significant as would result from the proposed default may contribute to rate shock and volatility for Missouri consumers. For these reasons, we request consideration of the enclosed alternative proposal for 10 geographic rating areas defined by what we refer to as "expanded MSAs".

By way of background information on our evaluation process, the Missouri Department of Insurance, Financial Institutions and Professional Registration (the DIFP) solicited feedback from a variety of stakeholders and the public in Missouri on the question of geographic rating areas. The DIFP provided a copy of the proposed default, as well as three other options representing less than 10 geographic areas. These options reflected other potential geographic divisions within our state - two based upon our state Medicaid program geographic service areas, and another based upon the Dartmouth Atlas of Healthcare's data related to Medicare payments. The DIFP also invited stakeholders to provide alternative geographic division proposals for review and consideration.

We did receive a number of stakeholder responses to our solicitation. While the stakeholders who responded generally indicated support of a geographic division resulting in 10 geographic rating areas within the state, there were some significant concerns noted. All of the health issuers who responded expressed concern that an MSA on its own is too small an area for rating purposes and combining all non-MSA parts of the state into one rating area would be too large an area. Therefore, there was consensus among those responding that dividing the state up by MSAs and non-MSAs would be disruptive to consumers in terms of rate volatility.

In particular, our issuers noted that:

- Stakeholders strongly encouraged the DIFP to consider alternatives to the default geographic rating areas proposed by HHS. It was recommended that the DIFP consider a hybrid of the main issuers' rating areas in the state.
- County lines are long established as rating boundaries, and are better understood by the public than are three-digit zip codes or MSAs.
- Issuers uniformly expressed concern with the "+1" rating area comprising all non-MSA counties in Missouri, because this would inappropriately blend the lower cost structure of southwest Missouri, (counties just outside of Joplin and Springfield metro areas) with the higher cost structure of the rest of southern Missouri, including the "Bootheel", and with the northern part of Missouri that typically has a separate provider network.
- A vast rating area with significant claim variability throughout will disadvantage a carrier with a large portion of membership in the high cost counties. Refining the rating areas to group counties with similar levels of claims together will avoid this issue.
- The key purpose in developing rating regions is to align health plan enrollees regionally with the health care facilities and services they will likely use. The proposed alternative minimizes disruption to Missouri residents by attempting to link them regionally with the health care facilities they are most likely to use, instead of to a new statewide Non-MSA average. This will help create rating region stability, which is critical amidst so many rating changes.
- If the MSA map is used, members within higher cost MSAs will pay more because of these health care facilities and subsidize members who reside in adjoining counties but utilize the same facilities. The enclosed state proposal captures the advantages of the MSA map while overcoming the key weakness by expanding the MSA regions to encompass surrounding counties whose residents are likely to seek services within the MSA itself, as opposed to lumping all of these residents into a single rating territory.
- Expanding the regions around the MSAs not only aligns the members with the health care services and facilities they will use, but also minimizes disruption by maintaining consistency between current and future regions.
- Limiting the number of rating areas increases the barriers for new entrants to the Missouri market and may force some regional issuers to exit the marketplace entirely.

Commentary by Region

Following is commentary specific to the key regional recommendations in our proposed geographic rating area.

St. Louis Metro:

- A majority of Missouri members reside in the St. Louis Metro service area. The proposed map includes three key counties the MSA map excludes (Washington, St. Francois, and Ste. Genevieve), whose residents are more likely to receive services in St. Louis than in Cape Girardeau or elsewhere.
- Two key hospital relationships also exist. BJC Health Care, a large St. Louis provider, has a facility in St. Francois County, and Ste. Genevieve County Memorial Hospital has relationships with the specialists at BJC's Missouri Baptist Medical Center. Both of these relationships will direct specialty and tertiary care to other BJC facilities in St. Louis.

Cape Girardeau:

- The two major facilities in Cape Girardeau are Saint Francis Medical Center and Southeast Health. Both of these facilities have developed relationships with facilities in surrounding counties, including Butler County where Saint Francis Medical Center has a relationship with Black River Medical Center. The proposed region is intended to capture MO residents who are most likely to be referred to a Cape Girardeau facility.

Springfield:

- The two major facilities in Springfield are Cox Health and Mercy Hospital, which are referral centers providing hospitals, outpatient centers, clinics, and physician offices to surrounding counties.
- The relationships and referral patterns reach as far as Laclede County to the northeast and Barry and Taney counties to the south.

Joplin:

- Freeman Health System and Mercy Hospital Joplin are regional referral centers with affiliated hospitals and physicians that serve Barton, Jasper, Newton and McDonald counties. Freeman Neosho Hospital and Freeman Ambulance Service covers southern Newton and McDonald counties. After the 2011 tornado in Joplin, Mercy affiliated with McCune-Brooks Regional Hospital in Carthage to provide care for residents in the surrounding counties.

Central:

- University of Missouri Health System in Boone County is a regional referral center with affiliated hospitals and clinics serving the counties of Cooper, Howard, Cole, Audrain, Callaway as well as surrounding counties.

Outstate:

- The remainder of the state includes numerous counties in the northeast as well as south-central. These counties are generally of a rural nature and have similar utilization patterns for primary care, yet will likely seek specialty and tertiary care in more populated areas.
- Given the similarity in utilization patterns, we believe these geographically separate sections of the state appropriately group together for rating purposes.

Based on the alternatives suggested by the major issuers in Missouri, including our largest issuer by market share, we are proposing 10 geographic rating areas that reflect "expanded" MSAs. We believe our proposed alternative more accurately reflects rating and healthcare utilization patterns in our state. Finally and most importantly, we believe our proposal will result in less rate disruption in the Missouri marketplace than what the default proposal would create.

Should there be any questions relating to this request or the information contained in the supporting documentation, please feel free to contact Angela Nelson (angela.nelson@insurance.mo.gov) or Amy Hoyt (amy.hoyt@insurance.mo.gov) in my office.

Thank you for consideration of this request.

Regards,


John M. Huff

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Enclosures

Missouri Proposal – “Expanded” MSAs

