The Tennessee Advisory Commission on Intergovernmental Relations

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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard
Executive Director

DATE: 5 November 2020

SUBJECT: Public Chapter 407, Acts of 2019 (Right to Shop)—Draft Report for Review and Comment

The attached Commission report is submitted for your review and comment. It was prepared in response to Public Chapter 407, Acts of 2019, which directs the Commission to study any cost savings realized by enrollees of health insurance plans in other states that have adopted incentive program legislation or incentive programs that encourage enrollees to shop for and use lower-price healthcare services. The study is to include cost savings resulting from programs offered by both private health plans and state employee health plans. Tennessee's law also requires private insurers in the state to provide healthcare price and quality information to help enrollees shop for lower-price, high-quality services and providers within their insurer's network and authorizes the Tennessee State Insurance Committee and private insurers to implement incentive programs.

Incentive programs can help encourage enrollees to shop for and choose lower-cost health care services by rewarding them if they choose lower-cost providers. Enrollees in incentive programs can shop for lower-cost services by using their insurers' online price comparison tool or contacting their insurers by phone. The reward amounts often range from $25 to $500 per procedure.

Studies have found that incentive programs can result in savings. In its 2019 study, the Tennessee State Insurance Committee found that offering health care price comparison tools alone does not increase enrollee shopping and that pairing incentive programs with price tools works better. The Committee reported that the state employee health

plans with incentive programs achieved modest savings that were immediate and measurable in the short term. Another 2019 study of 29 employers that instituted incentive programs in 2017 found that prices paid for certain services decreased 2.1% in the first 12 months of the programs, saving employers a total of $2.3 million—approximately $8 per health plan enrollee—mostly resulting from MRIs and ultrasounds. Prices paid for surgical procedures included in the programs did not decrease.

Eight states—Florida, Kansas, Kentucky, Missouri, New Hampshire, Texas, Utah, and Virginia—have incentive programs as a part of their health plans for state or other public employees, such as city, county, and school district employees. Most of the programs are relatively new. The Commission staff received only limited data from the states. But based on the information received, depending on the state, anywhere from 1% to 62.2% of health plan enrollees have shopped for healthcare services while 1% to 43.7% of enrollees have received incentives. Enrollees—the employee with the health insurance policy—received rewards ranging from a total of $47,225 during the first year of Utah's program to $2.3 million during the seven years of Kentucky's program. The average amount saved per enrollee varies. For example, New Hampshire's program paid $674,000 in rewards in 2019, and the average amount paid in incentives was $58 per enrollee. Virginia's program, on the other hand, paid $82,625 in rewards in 2019, and the average incentive amount per enrollee was $1.

Two states—Maine and Virginia—require private insurers to offer incentive programs to their enrollees. In 2019, three of seven insurers in Maine paid $2,985 in incentives to a total of 82 enrollees—an average of $36 per person. In Virginia, insurers are required to offer incentive programs to small group plans by January 1, 2021. In addition to Tennessee, three states—Florida, Nebraska, and Utah—authorize private insurers to enact incentive programs. As of August 2020, no insurers have started programs in these states.

The draft report finds that shopping for healthcare services can result in some savings for consumers and insurers, and when price tools are combined with incentive programs, they have the potential to save more. But usage for both the tools and the incentive programs varies widely. A few states have implemented incentive programs for state employee health plans or have required private plans to implement them. The data show the programs produce cost savings, but there is not yet enough data to determine whether the savings are significant over the long term.