UnitedHealthcare®
A UnitedHealth Group Company

48 Monroe Turnpike
Trumbull, CT 06611

Philip N. Anderson
Associate General Counsel and Director
Legal, Compliance and Regulatory Affairs Northeast

direct dial: 203-459-6121
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VIA E-Mail

September 18, 2013

David Selz
Executive Director
Commonwealth of Massachusetts
Health Policy Commission
Two Boylston Street
Boston, MA 02116

Re: Testimony Regarding Health Care Cost Trends

Dear Mr. Selz,

In response to your request for written testimony by letter dated August 16, 2013, I am hereby submitting responses on behalf of UnitedHealthcare Insurance Company. We have provided our response on the Exhibit Forms set forth in your letter.

If you have any questions concerning our responses, please direct them to my attention.

Sincerely yours,

Philip N. Anderson

cc. Stephen J. Farrell, Health Plan CEO

The Commonwealth of Massachusetts
Health Policy Commission
Two Boylston Street
Boston, MA 02116

August 16, 2013

Philip Anderson, Associate General Counsel and Director
Legal, Compliance and Regulatory Affairs Northeast
UnitedHealthcare Insurance Company
48 Monroe Turnpike
Trumbull, CT 06611

Dear Mr. Anderson:

The Health Policy Commission (HPC), in collaboration with the Office of the Attorney General (OAG) and the Center for Health Information and Analysis (CHIA), is required by state law to hold annual public hearings concerning health care cost trends in the Commonwealth. (See the Notice of Public Hearing attached as "Exhibit A."). G.L. c. 6D §8 requires the HPC to identify a representative sample of health care providers and payers as witnesses for the hearing. In accordance with these provisions, UnitedHealthcare Insurance Company has been identified as a witness and is hereby requested to submit written testimony to the questions of the HPC in "Exhibit B", questions of the OAG in "Exhibit C", and questions of CHIA in "Exhibit D".

While this testimony must be in writing, **you may also be called for oral testimony** on one or more dates of the hearing scheduled for October 1 and 2, 2013. You will be notified regarding oral testimony in a separate letter.

Your assistance and active participation in this hearing process will assist the HPC to prepare its annual report on statewide spending trends, including underlying factors contributing to growth and strategies to increase the efficiency of the Commonwealth's health care system.

UnitedHealthcare Insurance Company is required to:

1. electronically submit to HPC written testimony, signed under the pains and penalties of perjury, responding to the areas of inquiry identified on the attached "Exhibit B", "Exhibit C", and "Exhibit D" on or before the close of business on Monday, September 16, 2013; and
2. be prepared to appear at a public hearing to provide oral testimony at some time on October 1 and 2, 2013.

The written testimony should be submitted to HPC-Testimony@state.ma.us. Any and all written testimony will be a public record and will be posted on the HPC's website.

Thank you for your attention to this important matter.

Sincerely,

David Seltz
Executive Director

cc: Thomas O'Brien, Chief, Health Care Division, Office of the Attorney General
cc: Áron Boros, Executive Director, Center for Health Information and Analysis

Enclosures:
Exhibit A: Notice of Hearing
Exhibit B: Instructions and HPC Questions for Written Testimony
Exhibit C: Instructions and OAG Questions for Written Testimony
Exhibit D: Instructions and CHIA Questions for Written Testimony

Exhibit A

NOTICE OF PUBLIC HEARING

Pursuant to M.G.L. c. 6D, §8, the Health Policy Commission, in collaboration with the Office of the Attorney General and the Center for Health Information and Analysis, will hold a public hearing on health care cost trends. The hearing will examine health care provider, provider organization and private and public health care payer costs, prices and cost trends, with particular attention to factors that contribute to cost growth within the Commonwealth's health care system.

Scheduled hearing dates and location:

Tuesday, October 1, 2013, 9:00 AM
Wednesday, October 2, 2013, 9:00 AM
University of Massachusetts Boston Campus Center
Third Floor, Ballrooms B and C
100 Morrissey Boulevard Boston, MA 02125

Time-permitting, the HPC will accept oral testimony from members of the public beginning at 4:00 PM on Wednesday, October 2. Any person who wishes to testify may sign up to offer brief comments on a first-come, first-served basis when the hearing commences on October 1.

Members of the public may also submit written testimony. Written comments will be accepted until October 11, 2013 and should be submitted electronically to HPC-Testimony@state.ma.us, or, if comments cannot be submitted electronically, sent by mail, post-marked no later than October 11, 2013, to the Health Policy Commission, 2 Boylston Street, 6th floor, Boston, MA 02116, attention Lois H. Johnson.

Please note that all written and oral testimony provided by witnesses or the public may be posted on the HPC's website: www.mass.gov/hpc.

The HPC encourages all interested parties to attend the hearing. For driving and public transportation directions, please visit: http://www.umb.edu/the_university/getting_here/directions. If you are driving, please park in the Bayside Lot, 200 Mt. Vernon Street at the former Bayside Expo site (cost: $6). Free shuttle service runs every 5-7 minutes from the Bayside Lot to the Campus Center. If you are taking public transportation, UMass Boston runs a free shuttle service from JFK/UMass Station (which serves both the Red Line and Old Colony Line) to the Campus Center. The trip normally takes less than 10 minutes.

If you require disability-related accommodations for this hearing, please contact Kelly Mercer at 617-979-1420 or by email Kelly.A.Mercer@state.ma.us a minimum of two weeks prior to the hearing so that we can accommodate your request.

For more information, including details about the agenda, expert and market participant panelists, testimony and presentations, please check the Annual Cost Trends Hearing section of the HPC's website, www.mass.gov/hpc. Materials will be posted regularly as the hearing dates approach.

Exhibit B: Instructions and HPC Questions for Written Testimony

Instructions:

On or before the close of business on September 16, 2013, electronically submit **in both PDF and Microsoft Word format** written testimony signed under the pains and penalties of perjury to: HPC-Testimony@state.ma.us. Please submit any data tables included in your response in **Microsoft Excel or Access format**.

Please begin all responses with a brief summary not to exceed 120 words. If necessary, please include supporting testimony or documentation in an Appendix. If your organization uses an 'other', 'miscellaneous', or similar category in any response, please explain what such a category includes.

The testimony must contain a statement that the signatory is legally authorized and empowered to represent the named organization for the purposes of this testimony, and that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission.

If you have any questions regarding this process or regarding the following questions, please contact: Lois Johnson at Lois.Johnson@state.ma.us or (617) 979-1405.

Questions:

1. C.224 sets a health care cost growth benchmark for the Commonwealth based on the long-term growth in the state's economy. The benchmark for growth between CY2012- CY2013 and CY2013-CY2014 is 3.6%.

    a. What are the actions your organization has undertaken to ensure the Commonwealth will meet the benchmark?

    UnitedHealthcare Response: United has worked to ensure that all negotiations and re-negotiations with hospital, physician, and ancillary providers have an eye toward rates that continually and consistently keeps the benchmark's indicated in C. 224.

    b. What are the biggest opportunities you have identified at your organization to improve the quality and efficiency of care? What current factors limit your ability to address these opportunities?

    UnitedHealthcare Response: United has initiated, shared, and distributed report cards with indicators with its physician and facility partners. These reports cards which are claims based, take into account quality and efficiency measures. As renegotiation opportunities are due, United and the various providers collaborate over these measures. We have also created and implemented various reimbursement methodologies tied to quality of care measures such as HEDIS, CMS measures, HCAHPS, Inpatient Readmission Rates, Hospital Acquired Infection rates and National Patient Safety measures.

c. What systematic or policy changes would help your organization operate more efficiently without reducing quality?

UnitedHealthcare Response: The recent ruling by the Attorney General's Office of the Commonwealth when approving the affiliation of Cooley Dickinson Hospital with Massachusetts General Hospital "….. prohibits the folding in of Cooley Dickinson managed care negotiations with the overall Partners managed care negotiations until 2018 or five years…" is a very positive step in assisting the managed care industry in not only complying with the intent of C. 224 but also in promoting efficiency and unit price mitigation. The adoption by the Commonwealth in replicating this provision in all future mergers and affiliations would be something that would be welcomed by United.

d. What steps have you taken to ensure that any reduction in health care spending is passed along to consumers and businesses?

UnitedHealthcare Response: United has kept its administrative and general overhead percentages at or below national industry standards and has consistently worked to keep its claims processing costs under industry standards. The savings associated with this efficiency are passed along to customers and plan sponsors.

2. The 2013 Examination of Health Care Cost Trends and Cost Drivers by the Attorney General's Office found that growth in prices for medical care continues to drive overall increases in medical spending. What are the actions your organization has undertaken to address the impact of growth in prices on medical trend and what have been the results of these actions?

UnitedHealthcare Response: United consistently works toward negotiating agreements with providers that drive value. United contracts utilizing case rates and episodic rates mitigate the individual prices of each service and trend. This method of contracting for services has had positive results in a lowering the rate of increases.

3. C.224 requires health plans, to the maximum extent feasible, to reduce the use of fee-for-service payment mechanisms in order to promote high quality, efficient care delivery. What actions has your organization undertaken to meet this expectation? What factors limit your ability to execute these strategies or limit their effectiveness?

UnitedHealthcare Response: See our response to question 2 above. Also, United primarily services "Administrative Services Only" clients in Massachusetts; as such, the opportunities to reduce fee-for-service are limited. Also, United's customers in many instances are branch offices of National Account plan sponsors. These plan sponsors strive to deliver a consistent plan throughout the country to ensure that a level playing field for ALL of their employees and their dependents. This reality tends to limit United's ability to tailor payment methodologies within individual states.

4. C.224 requires health plans, to the maximum extent feasible, to attribute all members to a primary care provider. Please describe, by product line, how your organization is meeting this expectation, including, as of July 1, 2013, the number of members attributed to PCPs, attribution

methodologies used, the purpose to which your organization makes such attribution (such as risk payments, care management, etc.), and limitations or barriers you face in meeting this expectation.

UnitedHealthcare Response: United utilizes an industry standard methodology in attributing members to primary care physicians. That said, United has many national plans and many national accounts plan sponsors where the requirement for choosing a primary care physician is optional. As the contracts and plans renew with these plan sponsors United plans to influence the migration to plans that require primary care designation.

5. Please describe programs you have implemented to engage consumers to use high value (high quality, low cost) providers. How effective have these efforts been? To what percentage of members and to which product lines does each program apply?

   UnitedHealthcare Response: United provides communications to its members on the beneficial cost differentials of accessing services from network providers versus accessing services from non-network providers. United also provides members with tools to better understand their provider choices and costs associated with those choices. See our response to question 7 below regarding our member healthcare cost estimator.

6. Please describe the impact on your medical trend over the last 3 years due to changes in provider relationships (including but not limited to mergers, acquisitions, network affiliations, and clinical affiliations). Please include any available documents providing quantitative or qualitative support for your response.

   UnitedHealthcare Response: The most significant medical trend impact as it relates to this question has occurred with physician group consolidation. Over the last three years, we have experienced many acquisitions or affiliations of smaller physician practices into larger IPA or hospital affiliated/owned groups that have had the negotiating power to command higher rates in the market. The direct trend impact is the services provided in these smaller practices ends up being paid at the higher IPA or hospital affiliated/owned groups' rate.

7. Please describe the actions that your organization has undertaken to provide consumers with cost information for health care services, including the allowed amount or charge and any facility fee, copayment, deductible, coinsurance or other out of pocket amount for any covered health care benefits as required under Chapter 224. Please describe the actions your organization has undertaken to inform and guide consumers to this cost information.

   UnitedHealthcare Response: United has implemented a member healthcare cost estimator tool on its member website. The application is known as myHealthcareCostEstimator and is accessible at myHCE.com. Members are also able to obtain cost estimates by calling the customer service telephone number provided on their ID cards. A customer service representative will assist the member in obtaining their requested information. United has sent communications to its members to educate them on the availability of the tool and how to obtain information through the web portal and customer service. The cost estimator tool covers members and providers in all parts of the state.

8. After reviewing the reports issued by the Attorney General (April 2013) and the Center for Health Information and Analysis (August 2013), please provide any commentary on the findings presented in light of your organization's experiences.

   UnitedHealthcare Response: We agree with the findings stated in the reports.

Exhibit C: Instructions and OAG Questions for Written Testimony

Instructions:

On or before the close of business on September 16, 2013, electronically submit **in both PDF and Microsoft Word format** written testimony signed under the pains and penalties of perjury to: HPC-Testimony@state.ma.us. Please submit any data tables included in your response in **Microsoft Excel or Access format**.

Please begin all responses with a brief summary not to exceed 120 words. If necessary, please include supporting testimony or documentation in an Appendix. If your organization uses an 'other', 'miscellaneous', or similar category in any response, please explain what such a category includes.

The testimony must contain a statement that the signatory is legally authorized and empowered to represent the named organization for the purposes of this testimony, and that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission.

If you have any questions regarding this process or regarding the following questions, please contact Courtney Aladro at Courtney.Aladro@state.ma.us or 617-963-2545:

Questions:

1. Please submit a summary table showing actual observed allowed medical expenditure trends in Massachusetts for CY 2010 to 2012, YE Q1 2012, and YE Q1 2013 according to the format and parameters provided and attached as AGO Exhibit C1 with all applicable fields completed. Please explain for each year 2010 to 2012 what portion of actual observed allowed claims trends is due to (a) demographics of your population; (b) benefit buy down; (c) change in health status of your population, and where any such trends would be reflected (e.g., utilization trend, payer mix trend).

   UnitedHealthcare Response: See the attached Exhibit C-1

2. Please submit a summary table showing your total membership for members living in Massachusetts as of December 31 of each year 2009 to 2012, broken out by:
   a. Market segment
      (Hereafter "market segment" shall mean Medicare, Medicaid, other government, commercial large group, commercial small group, and commercial individual)
   b. Membership whose care is reimbursed through a risk contract, by market segment (contracts that incorporate a per member per month budget against which claims costs are settled for purposes of determining the withhold returned, surplus paid, and/or deficit charged to a provider, including contracts that do not subject the provider to any "downside" risk; hereafter "risk contracts")
   c. Within your commercial large group, commercial small group, and commercial individual membership, by product line (fully-insured HMO/POS, self-insured HMO/POS, fully-insured PPO/indemnity, self-insured PPO/indemnity)
   d. Membership in a tiered network product by market segment
      (Hereafter "tiered network products" are those that include financial incentives for inpatient and

outpatient services (e.g., lower copayments or deductibles) for members to obtain in-network health care services from providers that are most cost effective.)

e. Membership in a limited network product by market segment
(Hereafter "limited network products" are those that feature a limited network of more cost-effective providers from whom members can obtain in-network health care services.)

f. Membership in a high deductible health plan by market segment ("high deductible health plans" as defined by IRS regulations)

UnitedHealthcare Response: Please see the attached Exhibit C-2

3. To the extent your membership in any of the categories reported in your response to the above Question 2 has changed from 2009 to 2012, please explain and submit supporting documents that show your understanding of the reasons underlying any such changes in membership.

   UnitedHealthcare Response: The competitive climate has changed significantly in MA and because of that we have experienced significant membership declines. This applies to both the merged small group and large group markets. Furthermore, we have introduced a new small group business strategy that drives our overall focus on certain geographic areas where we remain more competitive.

4. Please describe your models for risk contracting since 2009. Include, for example, the structure and elements of such contracts, the role of any non-claims based payments, the role of any trend factors or growth caps, the role of any adjustments to risk budgets, such as for changes in health status, unit price or benefits, the types of services carved out of your risk budgets, and insurance product populations to which your risk contracts apply (e.g., HMO, PPO, self-insured, fully insured).

   UnitedHealthcare Response: We do not currently have risk contracting arrangements in Massachusetts.

5. Please explain and submit supporting documents that show how you quantify, and adjust, the amount of risk being shifted to providers in your network, including risk on self-insured as well as fully-insured members. Include in your response any adjustments for changes in health status, individual or aggregate stop loss insurance, claims truncation thresholds, distinction you make between performance and insurance risk, adjustments for risk due to socioeconomic factors, and any other ways in which you mitigate the transfer of insurance risk to providers.

   UnitedHealthcare Response: We do not currently have risk contracting arrangements in Massachusetts.

6. Please explain and submit supporting documents that show how you evaluate the capacity of a provider to participate in a risk contract, including but not limited to factors such as the provider's size, solvency, organizational infrastructure, historic experience with risk contracts, and your approach to risk adjustment.

UnitedHealthcare Response: We do not currently have risk contracting arrangements in Massachusetts.

7. Please explain and submit supporting documents that show for each year from 2009 to 2013 the average difference in prices for (1) tiered network products as compared to non-tiered network products; and (2) limited network products as compared to non-limited network products. Include an explanation of assumptions around these price differences, such as, (a) for tiered network products, expected utilization shift to tier 1 providers, unit price differences between tier 1 and tier 2 providers, and benefit differences between tiered network and non-tiered network products, and (b) for limited network products, unit price differences between limited network and non-limited network providers, and differences in benefit and member health status between limited network and full network products. In addition, please summarize any analysis performed on these products that validates or disproves the assumptions used.

   UnitedHealthcare Response: We do not currently offer these products in Massachusetts.

8. Please describe and submit supporting documents regarding any programs you offer purchasers and/or members (including your employees) that promote health and wellness (hereinafter "wellness programs"). Include in your response any analyses you have performed regarding the cost benefit of such wellness programs.

   UnitedHealthcare Response: Please see the attached list of wellness programs UnitedHealthcare offers to its groups and members. We do not presently have an analysis of the cost benefit of such programs for our Massachusetts membership.

Exhibit D: Instructions and CHIA Questions for Written Testimony

Instructions:

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Please begin all responses with a brief summary not to exceed 120 words. If necessary, please include supporting testimony or documentation in an Appendix. If your organization uses an 'other', 'miscellaneous', or similar category in any response, please explain what such a category includes.

The testimony must contain a statement that the signatory is legally authorized and empowered to represent the named organization for the purposes of this testimony, and that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission.

If you have any questions regarding this process or regarding the following questions, please contact Steve McCabe at Steve.McCabe@state.ma.us or 617-988-3198:

Questions:

1. Do you analyze information on spending trends (e.g. TME) and clinical quality performance of the Massachusetts Medicare Pioneer Accountable Care Organizations and the providers that participate in the Patient Centered Medical Homes Initiative?
    a. If so, please provide such information on the performance of these entities compared to other Massachusetts provider entities. If available, please provide the information with and without health status adjustment, and the number of member months associated with the identified and comparative providers.

UnitedHealthcare Response: UnitedHealthcare does not analyze this data.

United Healthcare Wellness

UnitedHealthcare
A UnitedHealth Group Company

Health Fair Capabilities

Employers may choose two screenings per fair

- Dermascan Screening
- Blood Pressure Screening
- Body Fat Measurement Screening
- Grip Strength Screening
- Fatal Vision Screening
- Raffle Prizes and UHC Giveaways
- Healthy Snacks

Wellness Programs

Walking Program

- Provide pedometers to all participating employees
- Provide logs to track steps nightly
- Program can run 4-12 weeks
- Employees can have walking teams or individuals
- Employers can choose to walk to a "destination" of their choice – example, Hawaii, Mexico, Las Vegas. (Map is provided to keep track of walking distance for the program)

Lose & Win Challenge

- Monthly Weigh-ins to weigh body fat and weight
- Provide participants with encouraging documents and healthy recipes
- Provide participants with a before and after picture and one page summary of program results
- Program can be tailored to employers needs for 2 - 6 months

Care 24 Complimentary Training

- 6 hours free per year
- Pick topics surrounding weight loss, exercise, nutrition, etc.
- Schedule 30 days in advance & have signup sheet to guarantee at least 10 participants

Communications

- Communication Resource Center – Customizable Newsletters
- Post Flyers, email blasts, payroll stuffers, etc.

Health Allies

- Discount Programs
- Wellness examples – Provider searches near Pawtucket
- How to communicate to employees

Online Health Assessment

- 15 minutes to complete
- Provide you with immediate feedback on your results
- Responses are used to help create a personalized online experience specifically for you.
- Health Coach may recommend up to three health improvement programs to help you achieve your personal health goals, such as:
    - Weight Management
    - Exercise
    - Nutrition
    - Tobacco Cessation
    - Stress Management
    - Heart Healthy Lifestyle
    - Diabetes Lifestyle

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    - Stress Management
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    - Diabetes Lifestyle

The foregoing statements, opinions and data were compiled from responses provided to me by employees of UnitedHealthcare and are true and correct to the best of my knowledge and belief.

I affirm that I am legally authorized and empowered to represent UnitedHealthcare Insurance Company for the purposes of this testimony, and that the testimony is signed under the pains and penalties of perjury.

Dated this 18th day of September, 2013

UNITEDHEALTHCARE INSURANCE COMPANY

Signed:

Stephen J. Farrell
Health Plan CEO

Exhibit C-1

Actual Observed Total Allowed Medical Expenditure Trend by Year
Fully-insured and self-insured product lines

	Unit Cost	Utilization	Provider Mix	Service Mix	Total
CY 2010	1.4%	68.4%	N/A	N/A	70.7%
CY 2011	2.9%	-3.2%	N/A	N/A	-0.4%
CY2012	-4.9%	6.3%	N/A	N/A	1.0%
YE Q1 2012 (April 1, 2011 - March 31, 2012)	-1.2%	0.4%	N/A	N/A	-0.8%
YE Q1 2013 (April 1, 2012 - March 31, 2013)	-8.0%	6.3%	N/A	N/A	-2.3%

UHC does not separate observed trends by provider or service mix

Exhibit C-2

2. Please submit a summary table showing your total membership as of December 31 of each year 2009 to 2012, broken out by:

a) Market Segment (Medicare, Medicaid, other government, commercial large group, commercial small group, and commercial individual)

	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012
Medicare	11,745	11,541	18,518	22,622
Medicaid	4,437	5,309	6,968	8,430
Other Government	0	0	0	
Commercial Large Group	127,732	134,690	135,057	142,002
Commercial Small Group	14,683	15,508	14,582	12,562
Commercial Individual	0	0	0	0
Total	158,597	167,048	175,125	185,616

b) Membership whose care is reimbursed through a risk contract……..

NONE

c) Within your commercial large group, commercial small group, and commercial individual membership, by Product line (fully insured HMO/POS, self-insured HMO/POS, fully insured PPO/Indemnity, self-insured PPO/indemnity)

			December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012
Commercial Large Group	Fully Insured	HMO/POS	13,923	14,729	15,458	14,731
Commercial Large Group	Self Insured	HMO/POS	90,802	98,948	97,588	104,976
Commercial Large Group	Fully Insured	PPO/Indemnity	11,207	11,213	11,515	11,960
Commercial Large Group	Self Insured	PPO/Indemnity	11,800	9,800	10,496	10,335
Commercial Small Group	Fully Insured	HMO/POS	14,369	15,392	14,519	12,498
Commercial Small Group	Self Insured	HMO/POS	65	55	45	53
Commercial Small Group	Fully Insured	PPO/Indemnity	249	61	18	11
Commercial Small Group	Self Insured	PPO/Indemnity	0	0	0	0
Commercial Individual	Fully Insured	HMO/POS	0	0	0	0
Commercial Individual	Self Insured	HMO/POS	0	0	0	0
Commercial Individual	Fully Insured	PPO/Indemnity	0	0	0	0
Commercial Individual	Self Insured	PPO/Indemnity	0	0	0	0
Total			142,415	150,198	149,639	154,564