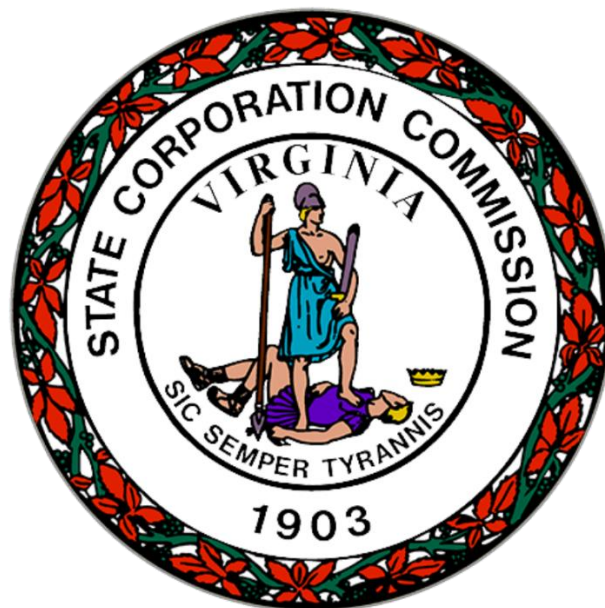


# Comparable Health Care Service Incentive Program

*A Report Submitted to the Chairs of the Senate Committee on Commerce and Labor  
and the House of Delegates Committee on Commerce and Energy,  
pursuant to § 38.2-3462 K of the Code of Virginia*



November 1, 2023

# COMMONWEALTH OF VIRGINIA

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November 1, 2023

The Honorable Richard L. Saslaw  
Chair, Commerce and Labor Committee  
Senate of Virginia

The Honorable Terry G. Kilgore  
Vice Chair, Commerce and Energy Committee  
Virginia House of Delegates

Dear Senator Saslaw and Delegate Kilgore:

On behalf of the State Corporation Commission, the Bureau of Insurance hereby submits the annual aggregate report of all health carriers filing the Comparable Health Care Service Incentive Program information required pursuant to § 38.2-3462 K of the Code of Virginia.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White  
Commissioner of Insurance

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## Executive Summary

Pursuant to [§ 38.2-3462](#) of the Code of Virginia ("Code"), beginning with health benefit plans offered or renewed on or after January 1, 2021, each health carrier offering a small group health benefit plan in Virginia must develop and implement a Comparable Health Care Service Incentive Program (referred to in this report as the "Shared Savings Program") providing incentives for covered persons<sup>1</sup> (referred to as "enrollees" in this report) to shop for comparable health care services from health care providers that are paid less than the average in-network allowed amounts for that service.

In 2022, eight Virginia health carriers participated in the program. These health carriers reduced their paid costs by \$607,072, of which \$87,675 was paid in incentives to participating enrollees, for a net savings of \$519,397. On average, participating enrollees received \$32 in incentives, or 14.4 cents in incentives for every \$1 reduction in carrier-paid costs.

## Background

Pursuant to [§ 38.2-3462.A.](#) of the Code, beginning with health benefit plans offered or renewed on or after January 1, 2021, each health carrier offering a small group health benefit plan in Virginia must develop and implement a Shared Savings Program providing incentives for enrollees to shop for comparable health care services from health care providers that are paid less than the average in-network allowed amounts for that service. As defined in [§ 38.2-3461](#) of the Code, a "Comparable health care service" means any of the following:

- (i) physical and occupational therapy service,
- (ii) radiology and imaging service,
- (iii) laboratory service,
- (iv) infusion therapy service, and
- (v) at the discretion of the health carrier, other health care service,

provided, that the service (a) is a covered non-emergency health care service or bundle of health care services provided by a network provider and (b) is a service for which the health carrier has not demonstrated that the allowed amount variation among participating providers is less than \$50.

The Shared Savings Program is administered by the Bureau of Insurance ("Bureau") on behalf of the State Corporation Commission. It is designed to reduce health care costs while incentivizing enrollees to comparison shop for comparable health care services from health care providers that are paid less than the average in-network allowed amounts for that service. Eighteen health carriers were subject to the Shared Savings

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<sup>1</sup> "Covered person" means a policyholder, subscriber, participant, or other individual covered by a health benefit plan. See [§ 38.2-3461](#) of the Code.

Program requirement in calendar year 2022. They collected \$2.029 billion in earned premium from 304,385 covered persons.

A health carrier may petition the Bureau to be excluded from program participation.<sup>2</sup> The Bureau must exempt a health plan with a limited provider network that demonstrates that the network is incompatible with a shared savings program. The Bureau may also consider program cost effectiveness in approving an exemption. Ten of the eighteen carriers subject to the program requirement received an exemption from the Bureau.

By April 1 of each year, participating health carriers must file the following information with the Bureau for the prior calendar year:

1. The total number of comparable health care service incentive payments made;
2. The use of comparable health care services by category of service for which comparable health care service incentives are made;
3. The total payments made to covered persons;
4. The average amount of incentive payments made by service for such transactions;
5. The total savings achieved below the average allowed amount by service for such transactions; and
6. The total number and percentage of a health carrier's covered persons in small group health benefit plans that participated in such transactions.<sup>3</sup>

In [Administrative Letter 2020-01](#), the Bureau indicated that when all of a health carrier's plans are exempt from program participation, the carrier is not required to file a report.<sup>4</sup>

The Bureau is required to file an aggregate report of all health carrier submissions by November 1 of each year.

## **Program Results for 2022**

### *Carrier Savings and Enrollee Incentives*

In 2022, eight health carriers participated in the Shared Savings Program. In the aggregate, as shown in Table 1, they reported a \$607,072 reduction in paid costs, from \$1,390,128 in provider payments based on the average allowed in-network amounts, to \$783,056 based on the below average payment amounts for comparable shopped services. After paying incentives of \$87,675 to participating enrollees, health carriers realized an aggregate savings of \$519,397. On average, participating enrollees received \$32 in incentives, or 14.4 cents in incentives for every \$1 reduction in carrier-paid costs.

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<sup>2</sup> See [§ 38.2-3462 I](#) of the Code.

<sup>3</sup> Va. Code [§ 38.2-3462 J](#).

<sup>4</sup> [Administrative Letter 2020-01](#), revised March 10, 2020, Bureau of Insurance, State Corporation Commission.

<b>Table 1. Participating Carrier Savings and Enrollee Incentive Payments, 2022</b>					
<b>Service Category</b>	<b>Aggregate Paid Costs</b>		<b>Incentive Payments</b>		<b>Carrier Savings</b>
	<b>Average Allowed In-network Amounts</b>	<b>Amounts for Comparable Shopped Services</b>	<b>Aggregate</b>	<b>Average</b>	
<b>PT/OT</b>	\$77,204	\$37,791	\$6,515	\$31	\$32,898
<b>Radiology/Imaging</b>	\$299,428	\$198,689	\$14,985	\$40	\$85,754
<b>Laboratory</b>	\$175,005	\$69,243	\$26,385	\$23	\$79,377
<b>Infusion Therapy</b>	\$3,360	\$3,248	\$40	\$10	\$72
<b>Other Services</b>	\$835,131	\$474,085	\$39,750	\$40	\$321,296
<b>Totals</b>	\$1,390,128	\$783,056	\$87,675	\$32	\$519,397

*Incentive Payment Detail*

As Table 2 shows, carriers made 2,717 incentive payments to participating enrollees in 2022. More than 75%, or 2,134, of these payments were made for the "Other Services" and "Laboratory" service categories. The average incentive payment by service category ranged from a low of \$10 for infusion therapy to a high of \$40 for radiology/imaging. Across all service categories, the average incentive payment per participating enrollee was \$32 (see Table 1).

<b>Table 2. Number of Service Encounters and Incentive Payments, 2022</b>		
<b>Service Category</b>	<b>Service Encounters*</b>	<b>Incentive Payments</b>
<b>PT/OT</b>	1,178	207
<b>Radiology/Imaging</b>	2,356	372
<b>Laboratory</b>	1,802	1,134
<b>Infusion Therapy</b>	4	4
<b>Other Services</b>	3,447	1,000
<b>Totals</b>	8,787	2,717

\* "Encounters" is used as a generic reference to include "visits," "units," or other similar terms commonly associated with a specific service category.

### *Participating Enrollees*

In the aggregate, the eight health carriers reported a total of 208,354 enrollees in their small group markets, with 15,873 (7.62%) participating in their Shared Savings Programs.

### **Conclusion**

The early data from the Shared Savings Program shows cost savings for both participating carriers and enrollees. However, the Bureau will require several additional years of data reporting before it can conduct a trend analysis.