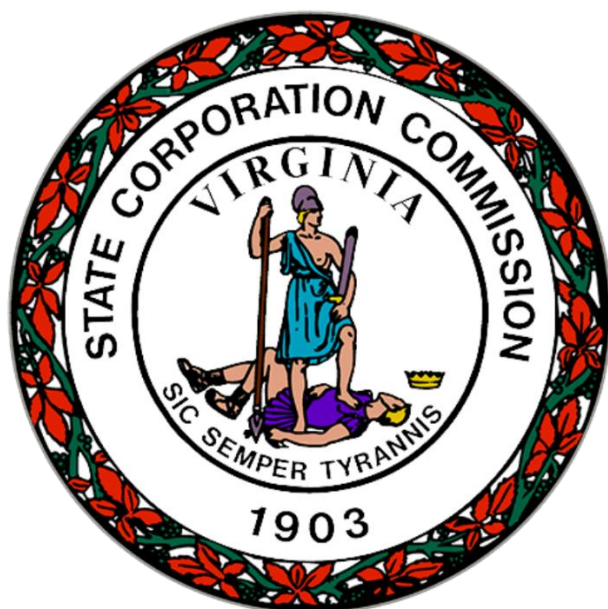


Comparable Health Care Service Incentive Program

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



State Corporation Commission
Bureau of Insurance

November 1, 2024

COMMONWEALTH OF VIRGINIA



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November 1, 2024

The Honorable R. Creigh Deeds
Chair, Commerce and Labor Committee
Senate of Virginia

The Honorable Jeion A. Ward
Chair, Labor and Commerce Committee
Virginia House of Delegates

Dear Senator Deeds and Delegate Ward:

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 on or after January 1, 2021, each health carrier offering or renewing a health benefit plan in the small group market 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 persons¹ (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 2023, eight Virginia health carriers participated in the program. These health carriers reduced their allowed costs of \$1,099,492 to paid costs of \$485,556, for a reduction of \$613,936. They paid \$68,280 in incentives to participating enrollees, for a net savings of \$545,646. On average, participating enrollees received \$38 in incentives, or 11 cents in incentives for every \$1 reduction in carrier-paid costs.

When viewed over a 3-year period, carrier savings have increased steadily, reaching 56% of the original allowed in-network amounts before incentive payments in 2023. Participant benefits have declined, with savings passed to participants dropping from 21% to 11%. Participation has fluctuated significantly over the 3-year period, with a sharp decrease in 2022 followed by a rebound in 2023. The program’s penetration averaged 23% of covered persons in the small group market.

Overall, the data from the Shared Savings Program continues to show cost savings for both participating carriers and enrollees, albeit not as much for the enrollees in the most recent year as compared to the previous year.

Background

In 2019, the Virginia General Assembly enacted the Shared Savings Program (§38.2-3461 *et seq.* of the Code). The program, administered by the Bureau of Insurance (Bureau) on behalf of the State Corporation Commission, is designed to reduce health care costs by 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.

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

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

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.

Eighteen health carriers were subject to the Shared Savings Program requirement in calendar year 2023. They collected \$2.033 billion in earned premium from 289,996 covered persons.

A health carrier may petition the Bureau to be excluded from program participation.² 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 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.³

According to the Bureau, when all of a health carrier's plans are exempt from program participation, the carrier is not required to file a report.⁴

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

² See [§ 38.2-3462 I](#) of the Code.

³ See [§ 38.2-3462 J](#) of the Code.

⁴ [Administrative Letter 2020-01](#), Virginia Bureau of Insurance, State Corporation Commission.

Program Results for 2023

Carrier Savings and Enrollee Incentives

In 2023, four of eight carriers participating in the Shared Savings Program provided incomplete numbers for all but the savings and incentives categories. According to these four carriers, this was due to having hired a new third-party administrator. Nevertheless, the Bureau included the numbers they did report – where possible, presented in the overall aggregates – and denoted any of the categories that contain these numbers with an asterisk (*).

Carriers in the aggregate reported a \$613,936 reduction in paid costs, from \$1,099,492 in provider payments based on the average allowed in-network amounts, to \$485,556 based on the below average payment amounts for comparable shopped services. After paying incentives of \$68,280* to participating enrollees, health carriers realized \$545,646* in aggregate savings. On average, participating enrollees received \$38* in incentives, or 11 cents in incentives for every \$1 reduction in carrier-paid costs. Both of these metrics are down compared to the amounts reported for 2022. (See Table 1.)

Service Category	Aggregate Paid Costs		Incentive Payments		Aggregate Carrier Savings
	Average Allowed In-network Amounts	Amounts for Comparable Shopped Services	Aggregate	Average	
PT/OT	\$44,964	\$18,832	\$3,650	\$58	\$22,482
Radiology/Imaging	\$133,276	\$52,238	\$14,400	\$61	\$66,638
Laboratory	\$530,892	\$242,271	\$26,385	\$28	\$262,236
Infusion Therapy	\$0	\$0	\$0	\$0	\$0
Other Services	\$390,360	\$172,215	\$22,965	\$141	\$195,180
Totals	\$1,099,492	\$485,556	\$68,280*	\$38*	\$545,646*

Incentive Payment Detail

As Table 2 shows, carriers made 1,391 incentive payments to participating enrollees in 2023. More than 66% of these payments were made for the “Laboratory” service category. The average incentive payment by service category ranged from a low of \$28 for “Laboratory” to a high of \$141 for “Other Services.” Across all service categories, the average incentive payment per participating enrollee as shown in Table 1 was \$38*.

Table 2. Number of Service Encounters and Incentive Payments, 2023		
Service Category	Service Encounters**	Incentive Payments
PT/OT	872	63
Radiology/Imaging	2,469	238
Laboratory	1,407	927
Infusion Therapy	0	0
Other Services	2,322	163
Totals	7,070	1,391
** "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 156,131 enrollees in their small group markets (down from 208,354 in 2022), with 50,521 or 32.4% participating in their Shared Savings Programs (up from 7.62% reported in 2022).

Overall Program 3-Year Comparison

As shown in Table 3, the following patterns can be seen:

1. Fluctuating Participation: Sharp decrease from 2021 to 2022 (about 73%), followed by a substantial increase in 2023, but not reaching 2021 levels.
2. Increasing Carrier Savings: Upward trend in carriers' aggregate savings, both before and after incentive payments.
3. Decreasing Participant Benefits: Percentage of savings passed to participants steadily decreased from 21% (2021) to 11% (2023).
4. Consistent Incentive Payment Impact: Difference between carriers' savings before and after incentive payments remained fairly consistent (6 to 8 percentage points).

The program appears to be growing more financially advantageous for carriers, while participants see diminishing returns. Because this program applies only to the small group market, the pool of potential enrollees can change from year to year. This is because employees can move between small employers, large employers, self-insured employers, government employers, government programs (e.g., Medicare, Medicaid), and the individual market. These enrollment changes lead to potential variability in service utilization and could explain the differences observed from year to year in the data.

Table 3. 3-Year Program Comparison, 2021-2023				
	2021	2022	2023	3-Year Average
Number of Participants Reported by the 8 Carriers	59,082	15,873	50,521	41,825
Total Number of Covered Persons in the Small Group Market Reported by the 8 Carriers	179,972	208,354	156,131	181,486
Percentage of Covered Persons in the Program	33%	8%	32%	23%*
Carriers' Aggregate Savings Before Incentive Payments	47%	44%	56%	49%*
Carriers' Aggregate Savings After Incentive Payments	39%	37%	50%	42%*
Aggregate Percentage of Carriers' Savings Passed on to Covered Participants	21%	14%	11%	14%*
*The percentages shown in the 3-Year Average column are weighted averages of the underlying years' information rather than a straight average of the information shown for each year in the table.				

Conclusion

The data from the Shared Savings Program continues to show cost savings for both participating carriers and enrollees. While there are variations in the numbers reported between 2021, 2022 and 2023, there are not yet enough years of data available to determine if some of the observed trends will continue, especially when viewed with the fluid nature of the small group market. The Bureau will continue to monitor the trend of lower savings passed to covered participants as more years of data become available.