



As Health Care Costs Rise, Employee Wage Growth Declines

The Problem

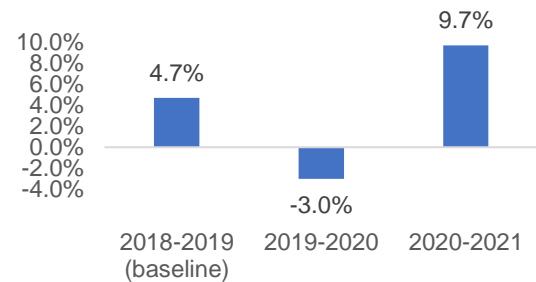
Consumers and employers face growing health care costs in Rhode Island.

- In 2019, the state established its annual cost growth target of 3.2%.
- Commercial health care spending growth has exceeded the target two out of three years since it was established.
- Commercial spending per person grew nearly 10% from 2020 to 2021.¹
- When Rhode Island met its target for commercial spending growth in 2020, it was only because of reduced health care utilization and spending due to the pandemic.²

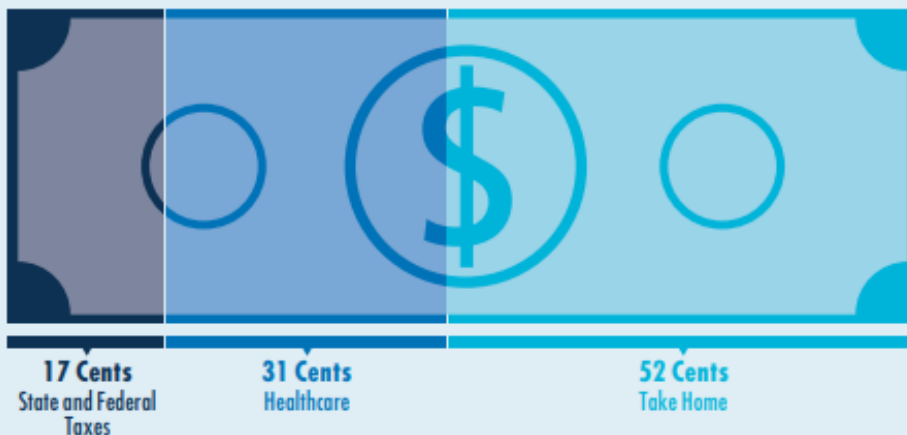
Health care in Rhode Island is very expensive.

- In 2022, the average health insurance premium for a family plan was \$22,955 in Rhode Island³ – nearly the average cost of a new compact car (\$23,839).⁴

Commercial per person spending growth in Rhode Island



According to a household survey from 2022, too many Rhode Island families reported problems paying their medical bills, being unable to pay for necessities like food or rent and using up savings to pay for medical bills.⁵



An estimated 31 cents of each additional dollar earned by Rhode Island families between 2017 and 2019 went to health care.

This includes the employer's share of the premium, the employee's share of the premium, and estimates of out of pocket payments for deductibles, copays, and coinsurance.

Why This Matters

High and rising commercial health care costs reduce employee wage growth.

- Employers and employees split the cost of health insurance.
- Employers have a finite pool of money to fund both health insurance and wages.
- As health care spending goes up, there is less money available for cash compensation increases.⁶

High and rising health care costs reduce available income for household use.

- As a result of rising premiums and cost sharing, an estimated 31 cents of each additional dollar earned by RI families between 2017 and 2019 went to health care costs.⁷
- The average family deductible has quadrupled in the last 20 years.⁸
- Rising health care costs take money out of Rhode Islander's paychecks and pocketbooks.

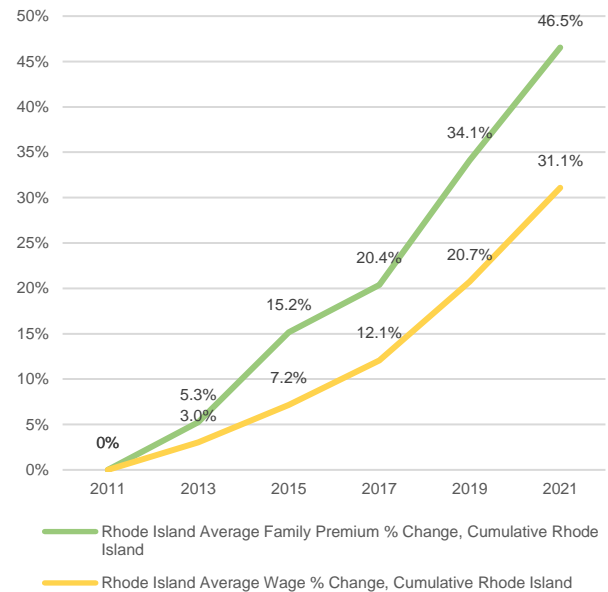
Rhode Islanders are unable to access necessary care.

- Many state residents cannot afford large out-of-pocket medical expenses, so they defer, or worse, avoid necessary care.

OHIC Tracks Spending Growth

We cannot improve what we cannot measure. In 2022, the Rhode Island Office of the Health Insurance Commissioner established the Health Spending Accountability and Transparency Program to improve affordability and facilitate access to high-quality care for all Rhode Islanders. OHIC measures health care spending against the state's cost growth target and is currently analyzing data for the 2021-2022 reporting cycle. OHIC will report its findings and policy recommendations in the spring of 2024.

Cumulative Average Family Premium and Wage Growth⁹ in Rhode Island, 2011 - 2021



Health insurance premiums have outpaced wage growth over the last decade.

Rhode Islanders rely on wages to fund housing, food, utilities, childcare, transportation, and build their personal wealth.

Recent research shows that rising health care costs reduce employee wage growth and push greater cost sharing onto workers.¹⁰

References

1. [Annual Report: Health Care Spending and Quality in Rhode Island. Office of the Health Insurance Commissioner \(2023\).](#)
2. [Rhode Island Health Care Cost Trends Steering Committee. March 29, 2022.](#)
3. <https://data.ahrq.gov/meps-ic/?tab=private-sector-state&dash=26>
4. <https://www.iasecars.com/affordable/affordable-small-cars#:~:text=The%20average%20starting%20price%20for,the%20ranking%20of%20each%20vehicle>
5. <https://healthsourceri.com/surveys-and-reports/>
6. [Congressional Budget Office \(2022\), p.9 and https://www.rand.org/pubs/working_papers/WRA621-2.html](#)
7. Allocation of the increase in monthly compensation between 2017 and 2019 for a median income Rhode Island family with employer-sponsored insurance. See Exhibit 1.2, p. 6 of the [Annual Report: Health Care Spending and Quality in Rhode Island](#).
8. <https://data.ahrq.gov/meps-ic/?tab=private-sector-state&dash=27>
9. Average Annual Wages (All Occupations) by State. Data from Occupational Employment and Wage Statistics (OEWS) Survey Data, State XLSX Files
10. See footnote 6.

Learn More about OHIC at www.ohic.ri.gov



STATE OF RHODE ISLAND

Office of The Health Insurance Commissioner

Department of Business Regulation

The Rhode Island Office of the Health Insurance Commissioner (OHIC) was established through legislation in 2004 to broaden the accountability of health insurers operating in Rhode Island. The Office is dedicated to: protecting consumers, encouraging fair treatment of medical service providers, ensuring solvency of health insurers, and improving the health care system's quality, accessibility, and affordability.