



STATE OF RHODE ISLAND

Office of The Health Insurance Commissioner
Department of Business Regulation

New Research: More Evidence That Rising Health Care Costs Crowd Out Wage Growth

The Research

A recent study published in [JAMA Network Open](#) examined the association of increasing health care premium costs with earnings inequality and wage stagnation among US families with employer sponsored health insurance (ESI).

Key Findings¹

- “Our analysis suggests that increasing health insurance premium costs were associated with decreased annual wages and increased earnings inequality by race and ethnicity and wage level and were likely associated with meaningful wage stagnation among US families receiving [employer-sponsored insurance] ESI.”
- “Black and Hispanic families with ESI lost a higher percentage of their wages than White families with ESI to increasing health care premiums. By 2019, health care premiums as a percentage of compensation were 19.2% for Black families and 19.8% for Hispanic families, while they were only 13.8% for White families.”
- “Our results depict the hidden costs of increasing health insurance premiums for the US worker: less opportunity for wage growth and a heavier burden of health insurance premiums on lower-paid workers and on Black and Hispanic workers.”
- “Our analysis does not account for increasing personal deductibles and other out-of-pocket medical expenses; thus, our findings likely underestimate the full negative association of increasing health care costs with economic disparities by race and ethnicity and wage level.”

Original Investigation | Health Policy

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Employer-Sponsored Health Insurance Premium Cost Growth and Its Association With Earnings Inequality Among US Families

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Why Do Premiums Increase?

The key driver of premium increases is the **cost of health care**: the **quantity** of health care goods and services provided and the **prices** of those goods and services.

Why This Research Matters

ESI is the predominant form of insurance coverage in Rhode Island.

- Over 50% of Rhode Islanders are insured through their employer.²
- Most Rhode Islanders with ESI are covered by a self-insured employer. These typically include large private firms and state and municipal government plans.³
- The balance of Rhode Islanders with ESI are covered through fully insured small employer and large employer plans.

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

- As a result of rising premiums and cost sharing Rhode Islanders have less income to spend on housing, education, and necessities.
- Rising health care costs may worsen inequities in society.

Key Takeaways from OHIC

Rising commercial health care costs, and rising premiums, pose significant tradeoffs for employers, families, and policymakers.

- Rhode Island must remain committed to strategies that control health care cost growth, while supporting needed investments in primary care and behavioral health care.
- Rhode Island has strengths that other states lack, including an all-payer cost growth target and robust policies to protect consumers from rapidly escalating prices in a *highly concentrated* market for inpatient general acute care services.⁴
- Transparency into the drivers of health care spending growth and accountability for spending growth are critical to ensure access to affordable health care.

What is the difference between self-insured employer coverage and fully insured employer coverage?

A self-insured employer bears the risk of paying the medical and pharmacy claims of their employees. This is different than a fully insured employer, who transfers this risk to a health insurance company in exchange for paying a premium. While self-insurance is commonly associated with large private employers, self-insured plans also cover most of Rhode Island's public servants, including teachers, firefighters, and other municipal and state government workers. Self-insured employer plans are not subject to state insurance regulation even though they cover the majority of Rhode Islanders with employer-sponsored health insurance coverage. This means that OHIC does not conduct rate review for self-insured plans and does not review their plan designs. Self-insured employers commonly utilize private health insurers to administer their plans, which includes processing claims, managing utilization review, contracting with provider networks, and negotiating reimbursement rates with providers on the employer's behalf. Reimbursement rates, or "prices," are key drivers of total health care expenditures. As prices increase, health care costs increase, and these increases affect self-insured employers and their employees as much as they affect fully insured employers and their employees.

References

1. [Hager K, Emanuel E, Mozaffarian D. Employer-Sponsored Health Insurance Premium Cost Growth and Its Association with Earnings Inequality Among US Families. JAMA Netw Open. 2024;7\(1\):e2351644. doi:10.1001/jamanetworkopen.2023.51644](#)
2. <https://www.kff.org/other/state-indicator/total-population/?currentTimeframe=0&sortModel=%7B%22colld%22:%22Location%22,%22sort%22:%22asc%22%7D>
3. OHIC estimates that approximately 60% of Rhode Islanders with ESI are covered through self-insured employers. This is based on reporting from Rhode Islands four largest health insurers.
4. [Plum, Kevin. Competitive Effects Analysis of Lifespan's Proposed Acquisition of Care New England. February 13, 2022., p. 57.](#) Dr. Plum's structural analysis of the market for inpatient general acute care concluded that the Rhode Island market is highly concentrated.

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



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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.