



STATE OF RHODE ISLAND

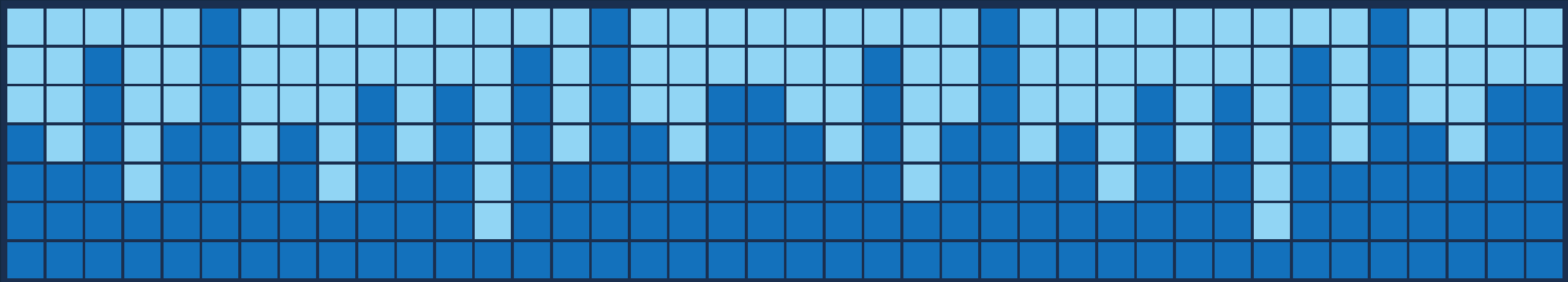
Office of The Health Insurance Commissioner

Department of Business Regulation

Commercial Health Insurance Oversight in Rhode Island

PREPARED FOR: SENATE HEALTH AND HUMAN SERVICES COMMITTEE

FEBRUARY 11, 2025

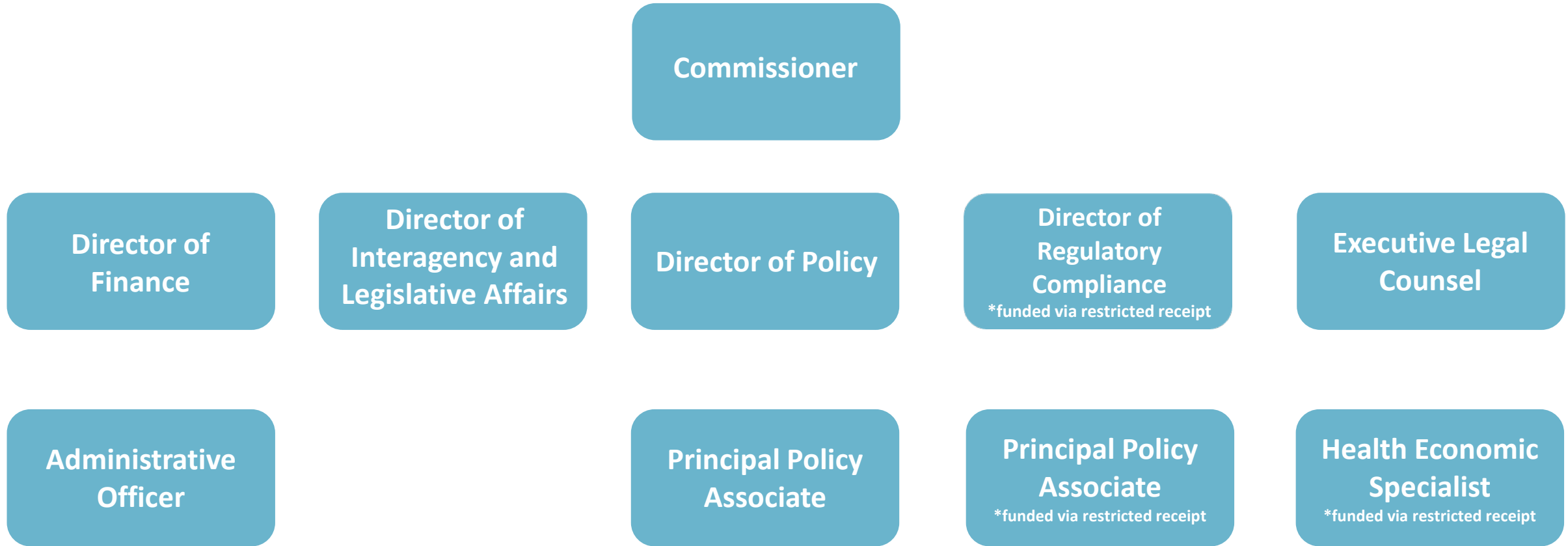


Office of the Health Insurance Commissioner Overview

The State of Rhode Island Office of the Health Insurance Commissioner (OHIC) is Rhode Island's commercial health insurance policy reform and regulatory enforcement agency. OHIC seeks to improve health care access, affordability, and quality. The office does so as it:

- Protects the interests of consumers of commercial health insurance,
- Encourages fair treatment of health care providers by commercial health insurers,
- Improves the health care system as a whole, and
- Guards the solvency of commercial health insurers.

OHIC Organizational Chart



OHIC Regulatory Authority

OHIC has regulatory authority over:

Individual market health insurance plans

Fully-insured large group market health insurance plans

Fully-insured small employer health insurance plans

Medicare supplemental insurance policies

Other fully-insured policies (e.g., dental, student health plans, stop loss policies, and other limited benefit plans)

OHIC does not have regulatory authority over:

Self-funded plans, or self-insured plans, received through an employer

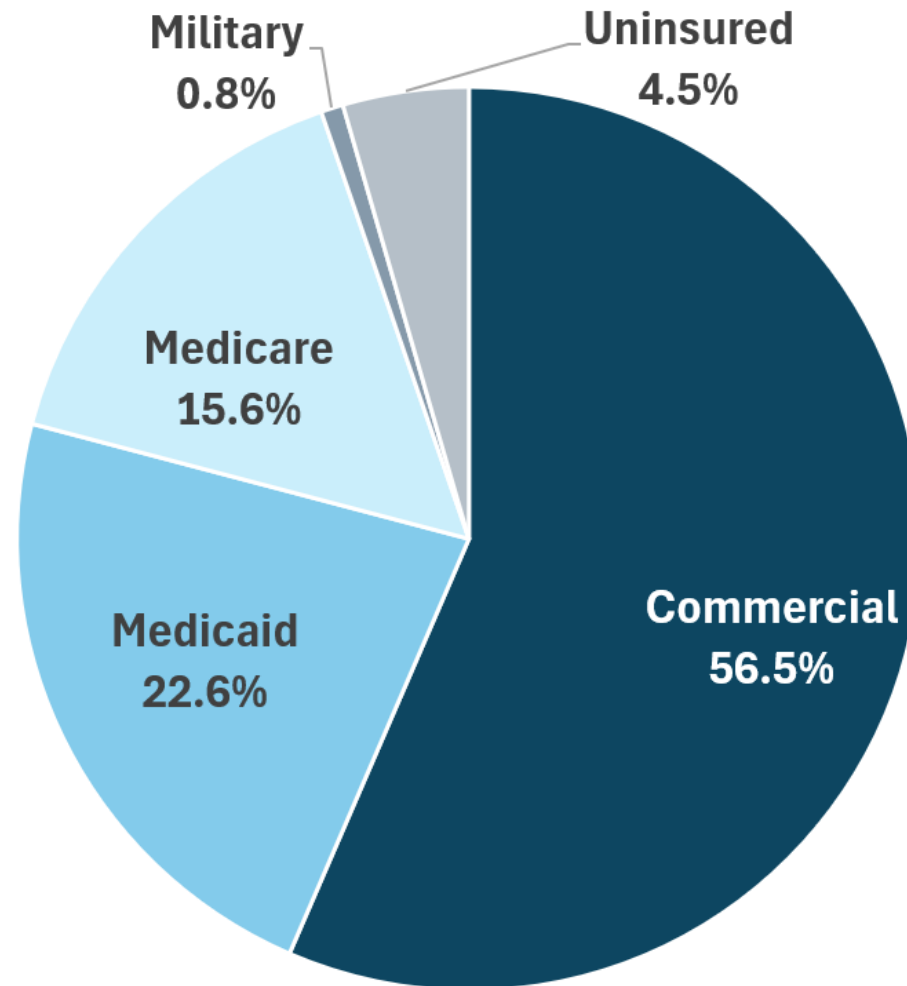
Self-funded, non-federal government plans

Traditional Medicare or Medicare Advantage plans

Medicaid plans

Out-of-state health insurance

Over half of Rhode Islanders have private health insurance, mostly from an employer (2023)



Note: The Census Bureau's American Community Survey (ACS) over-estimates RI's uninsured rate.

Dispersed Oversight of Employer-Sponsored Insurance

How RI Residents Obtain Employer-Sponsored Insurance (ESI)

Self-Insured (Private + Government Sponsored)

Regulated by federal DOL and CMS, respectively.

RI-based Fully Insured

Regulated by OHIC

Out-of-State Fully Insured

Regulated by state where plan is issued.

Powers & Duties of the Health Insurance Commissioner

Solvency

Rate Review

Form Review

Network Plans

Market Conduct

UR/BDR
Oversight

Social & Human
Service Provider
Rate Reviews

Other

Powers & Duties of the Health Insurance Commissioner

“With respect to health insurance as defined in § 42-14-5, the health insurance commissioner shall discharge the powers and duties of office to: ...

... View the health care system as a comprehensive entity and encourage and direct insurers towards policies that advance the welfare of the public through overall efficiency, improved health care quality, and appropriate access.”

P.L. 2004, ch. 446, § 2; P.L. 2004, ch. 557, § 2.

Consumer Assistance & Complaint Resolution

- OHIC funds the Rhode Island Insurance Resource, Education, and Consumer Helpline (RIREACH) through RIPIN.
- Any Rhode Islander with any type of health insurance can call RIREACH and speak with trained professionals who can help them navigate health care barriers and get what they need from their coverage.
- OHIC staff investigate consumer and provider complaints directly.
- In 2024 OHIC staff recovered \$272,806.09 of benefit for complainants.

Social and Human Service Programs Review

OHIC is charged with conducting a biennial comprehensive review of all "social and human service programs" having a contract with or licensed by the state as required by State of Rhode Island General Laws (RIGL) 42-14.5-3(t).

- **Subject areas specified as “social and human service programs” under RIGL § 42-14.5-2.1(5):** social, mental health, developmental disability, child welfare, juvenile justice, prevention services, habilitative, rehabilitative, substance use disorder treatment, residential care, adult or adolescent day services, vocational, employment training, aging

Reports Due January 1, 2025

Task 1: Social and human service program rates

Task 2: Eligibility standards

Task 3: Utilization trends

Task 4: Structure of state government

Task 5: Accountability standards

Reports Due April 1, 2025

Task 6: Personnel requirements for established rates

Task 7: Access to services

Task 8: National and regional Medicaid rate comparison

Task 9: Usual and customary rates paid by private pay for similar social and human service providers

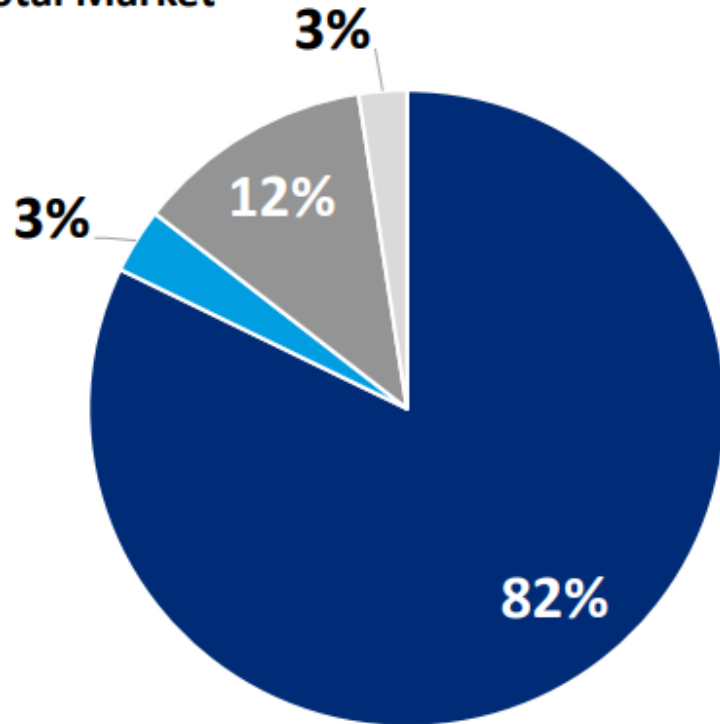
Report Due September 1, 2025

Task 10: Final report including recommended rate adjustments

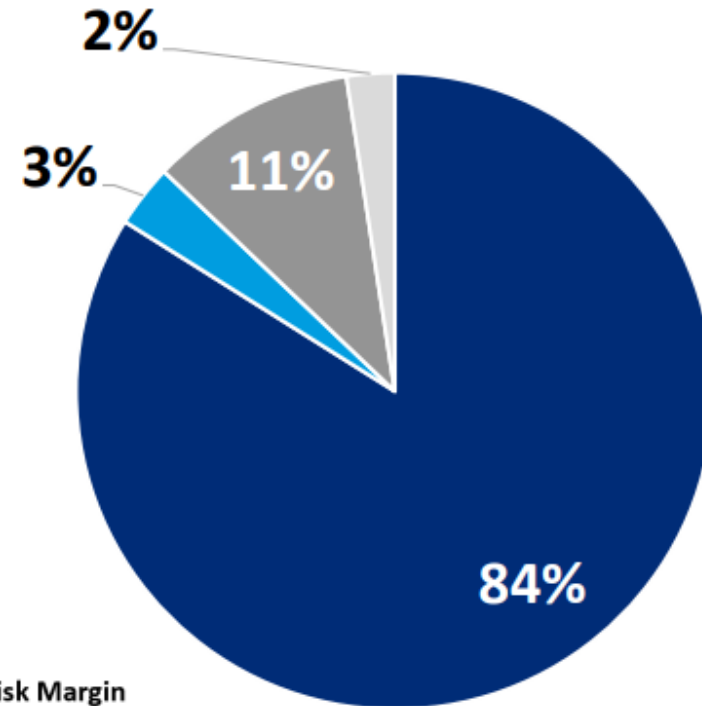
OHIC's Health Insurance Rate Review

Where Does My Premium Dollar Go?

2022 Total Market



2023 Total Market

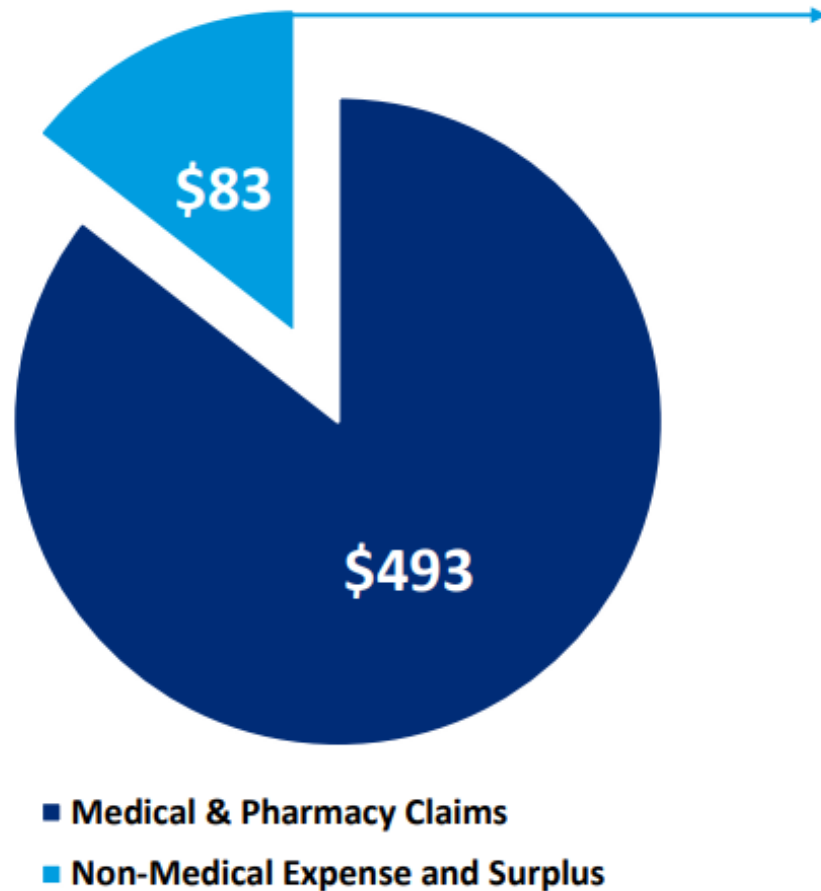


- Medical & Pharmacy Claims
- Federal & State Taxes
- Admin Expense & Fees
- Contribution to Reserve/Profit or Risk Margin

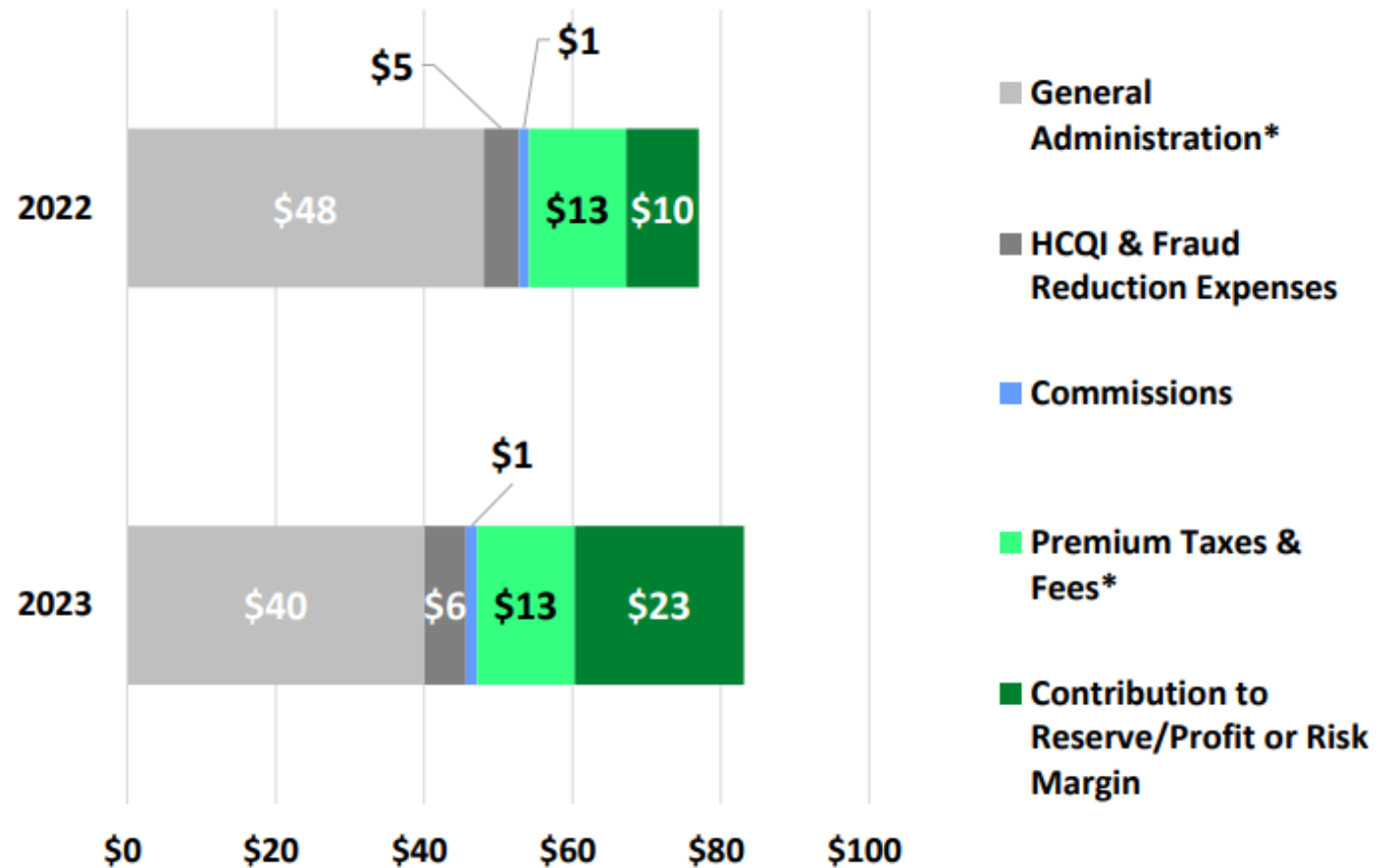
Source: [Rhode Island Market Summary – December 2024 - OHIC](#)

Further Breakdown of Premium

2023 Large Group Premiums PMPM

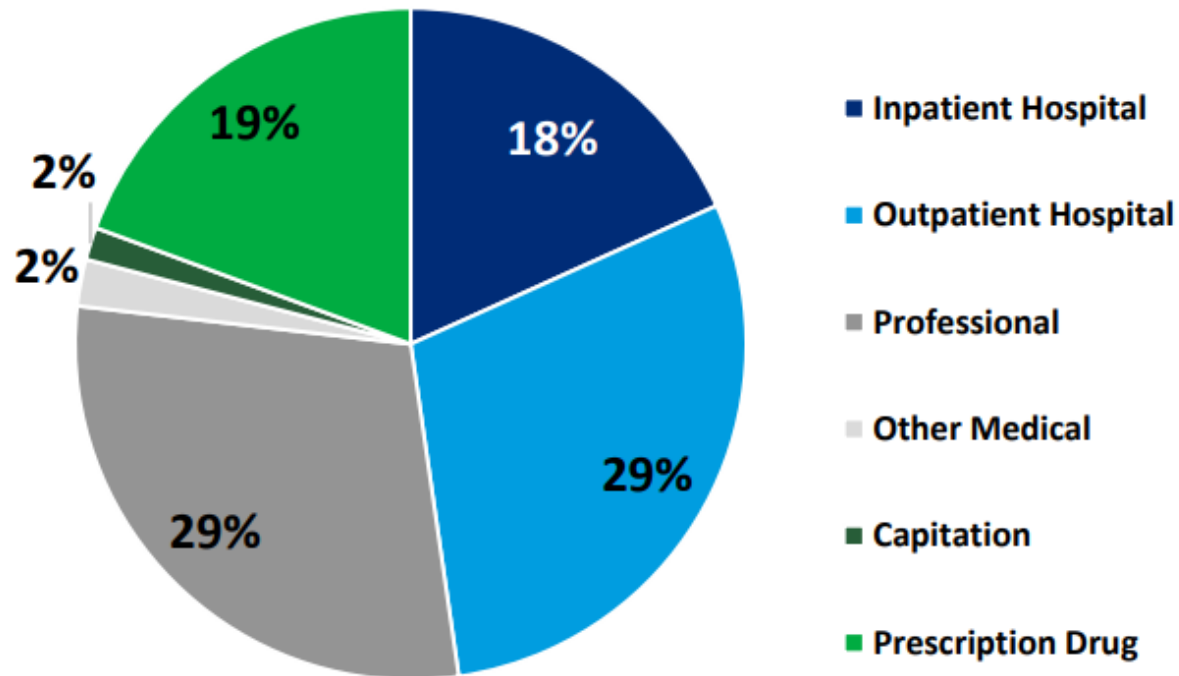


Non-Medical Expense and Surplus Detail



Distribution of Claims Expenditures

2023 Distribution of Allowed Claims by Service Category
Total Fully-Insured



- Professional services and Outpatient Hospital services contributed the same amount to the total Allowed Claims at 29%
- Inpatient and Prescription Drugs also comprised approximately the same amount of the total Allowed Claims at 18% and 19%, respectively
- The distribution in 2023 is relatively consistent with the distribution in 2022
- The percent distribution of Prescription Drugs, Professional services, and Other Medical decreased from 2022 to 2023 whereas Capitation increased slightly

Source: [Rhode Island Market Summary – December 2024 - OHIC](#)

Two Rate Review Standards Must Be Met

Rhode Island performs prior approval rate review for plans sold in the individual, small group, and large group markets.



The rates proposed to be charged must be consistent with the proper conduct of the insurer's business and with the interest of the public.

Rate Review Process & Decisions



OHIC staff and actuaries review rate filings annually.



The Commissioner may approve, modify, or reject rate filings.



Medical expense trends, administrative cost loads, and profit margins have been challenged and lowered.



In the last four years OHIC has reduced requested premium increases by a total of \$118 million.

OHIC's Affordability Standards

Rate Review is Necessary, But Not Sufficient

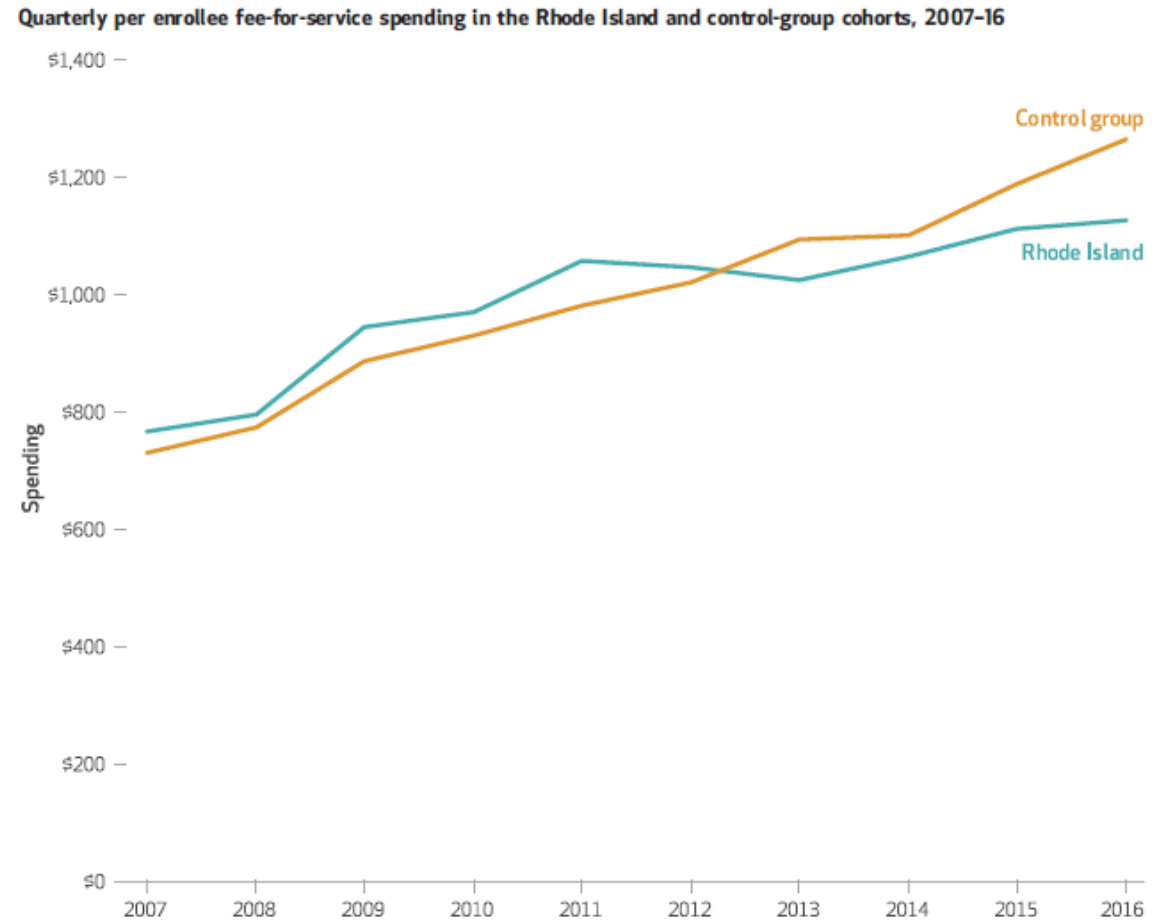
Actions are needed to address the systemic factors that drive of health care spending: market structure, prices, use of services, service mix, and population health.

- **Health Spending Accountability & Transparency Program**: Transparency into the absolute level and growth rate of health care expenditures.
- **Primary Care Investment Target**: Mandated investments in primary care (10% of TME).
- **Hospital Rate Caps**: Price growth caps governing hospital inpatient and outpatient facility prices (defined as CPI + 1%).
- **Payment Reform**: Mandated value-based payment models that reward efficiency and the right care in the right setting (50% of TME).
- OHIC provides a forum for collaboration between payers and providers.

Affordability Standards - Bending the Cost Curve

“State regulators in Rhode Island achieved among the largest total health care spending changes observed from payment reforms to date. Our analysis suggests that price inflation caps and diagnosis-based payments ... drove a broad and sustained reduction in commercially insured health care spending growth. Furthermore, combining price control measures with a requirement to markedly increase funding to primary care practices led to a redistribution of spending toward primary care without net losses to payers.”

Baum, A., Song, Z., Landon, B., Phillips, R., Bitton, A., Basu, S. (2019). Health Care Spending Slowed After Rhode Island Applied Affordability Standards To Commercial Insurers. *Health Affairs*, 38(2), 237-245. <https://doi.org/10.1377/hlthaff.2018.05164>



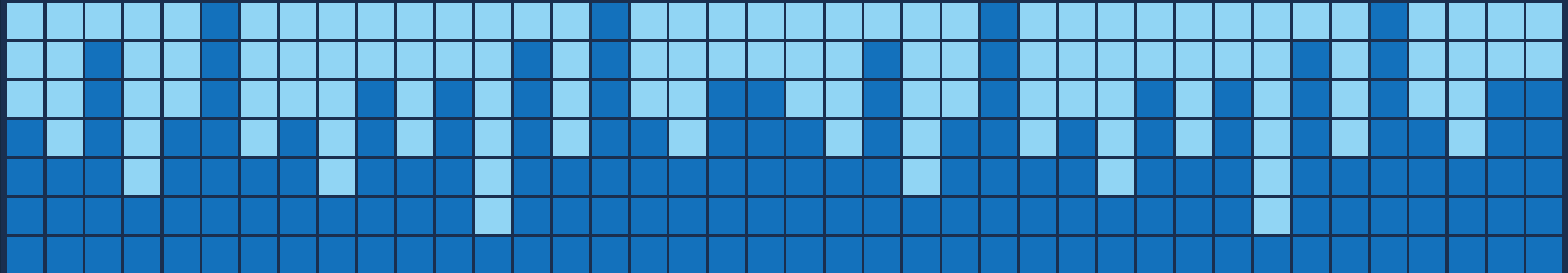


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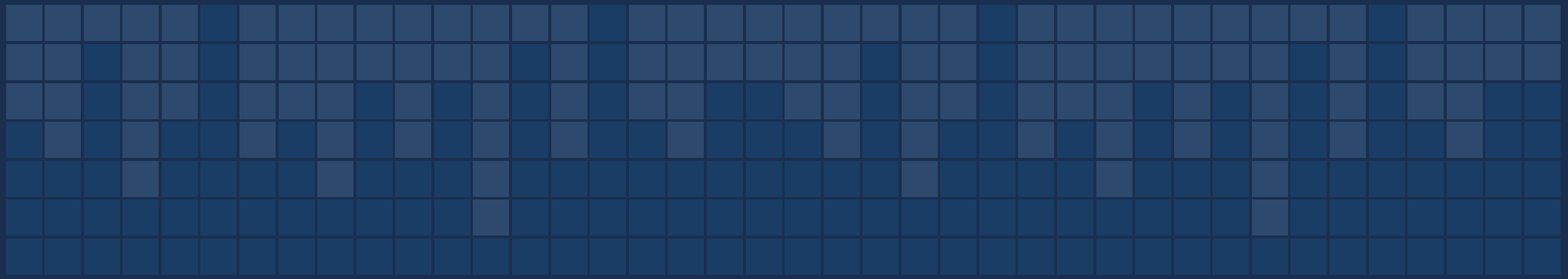
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Why Health Care Affordability Matters



Defining the problem



People who struggle to pay for basic needs tend to prioritize health care last.

- Many people cannot afford to pay for all their basic needs:



Rent



Electric and gas bills



Groceries



Transportation



Childcare



Health care

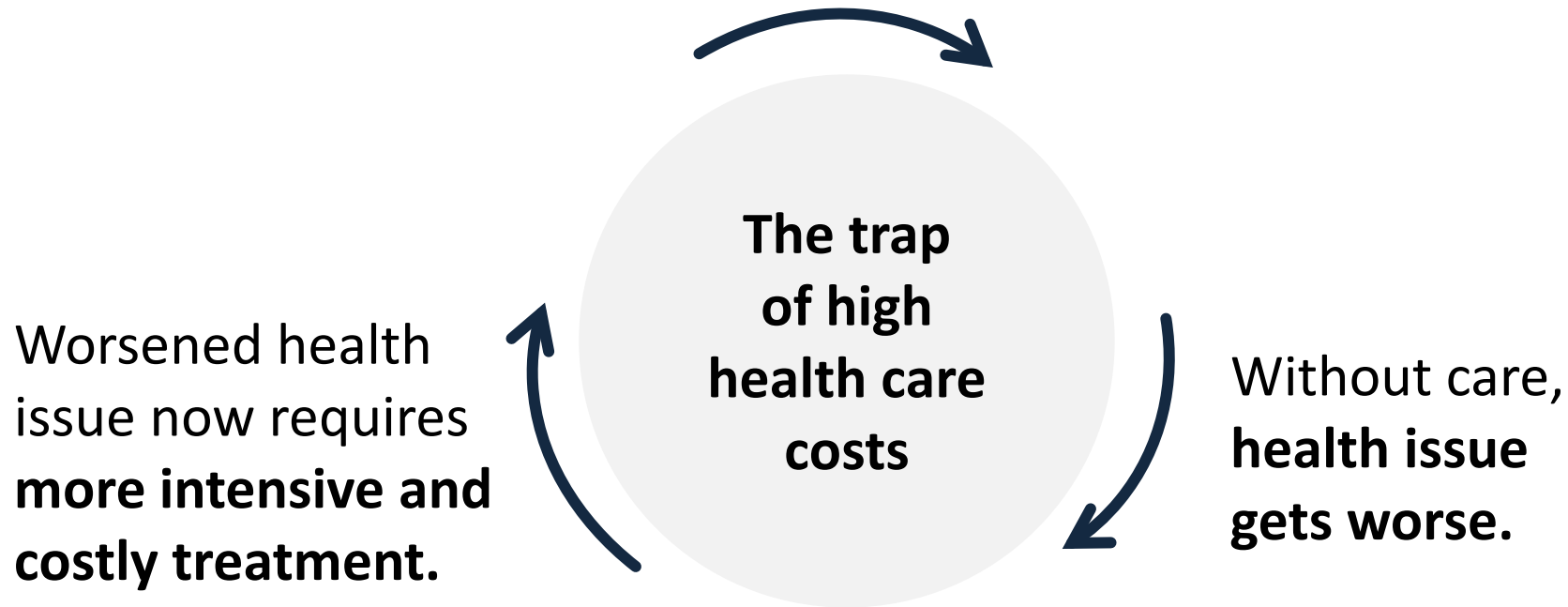
- In a 2024 survey of Rhode Islanders, **66% of respondents reported they delayed or went without health care due to cost** in the last twelve months.

Recent quote from a Rhode Island consumer

“Consider the average income of a married couple, cost of housing, automobiles that require insurance, food, clothing, basic necessities and then throw in your rate increase and where does it put people??”

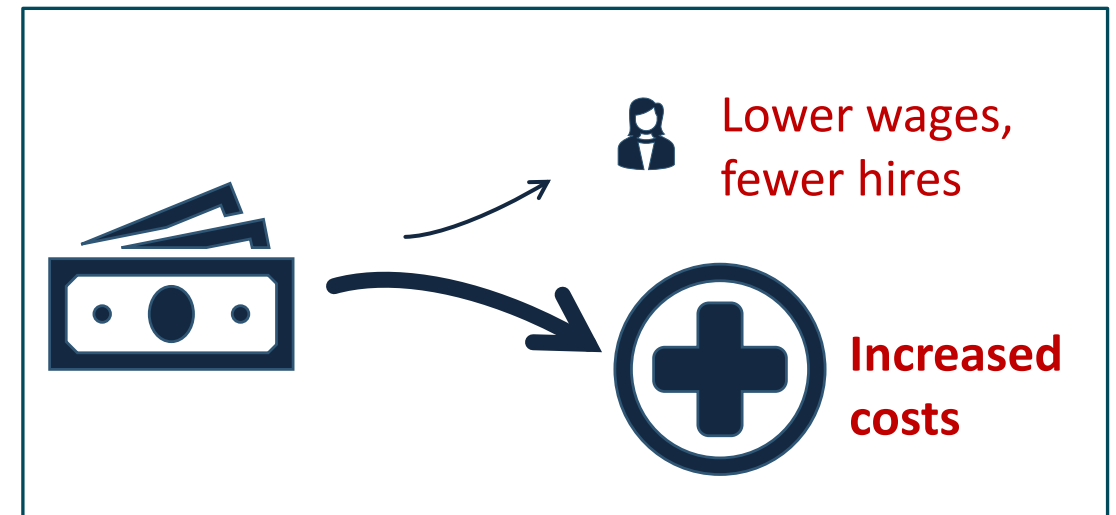
High health care costs make your constituents sicker.

Out-of-pocket costs to address health issue are too high. **Avoid care.**



How do high and growing health care costs impact Rhode Island employers and the economy?

- Employers have a limited pool of money.
- When health care costs increase, employers must divert money away from **hiring and wage growth** towards health care.



A national study found...

- A **one percent** increase in health care prices at the county level is associated with:



**0.27% reduction in
income per capita**



1% decrease in jobs



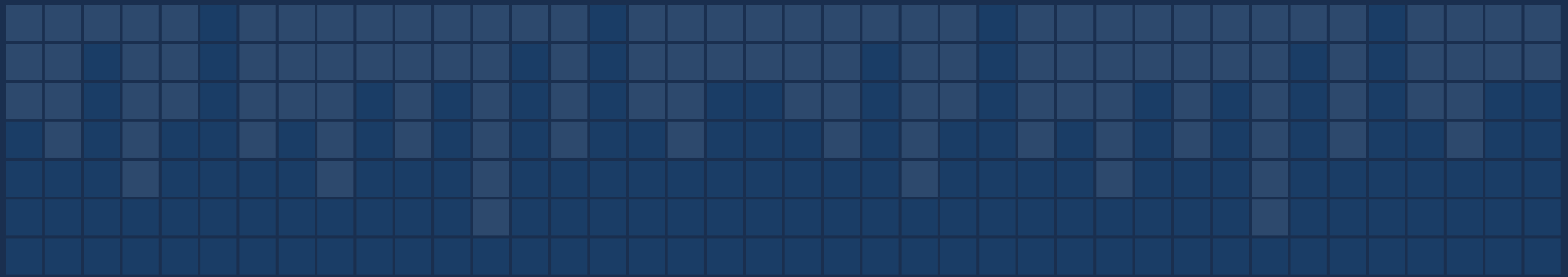
**0.40% reduction in
tax revenue**

The economic effects of high health care spending are worse for people of color.

Increases in health care premiums are associated with...

- Greater **income inequality** by race/ethnicity
- Decreased annual wages with a **larger effect for Black and Hispanic families** than for White families

The drivers



What contributes to spending?

$$\text{Spending} = \text{Price} \times \text{Utilization}$$

- In 2023, **increases in prices largely drove higher overall medical and retail pharmacy spending**, not utilization.

Which service categories drove spending growth in 2023?



Retail Pharmacy

Spending growth largely driven by increased **prices**



Inpatient Hospital

Spending growth largely driven by increased **utilization**



Outpatient Facility

Spending growth largely driven by increased **prices**



Professional Services

Spending growth largely driven by increased **prices**

Retail pharmacy: Price increases drove increased spending between 2019 and 2023.

Year	Spending (per member per month)	% Diff in Spending	Price (per unit)	% Diff in Price	Utilization (per 1,000)	% Diff in Utilization
2019	\$120		\$89		16,210	
2020	\$130	7.8%	\$95	7.2%	16,332	0.8%
2021	\$141	7.6%	\$98	3.2%	17,162	5.1%
2022	\$160	13.8%	\$106	7.7%	18,207	6.1%
2023	\$173	9.0%	\$117	10.9%	17,697	-2.8%

Cumulative percent
growth: **44%**

Average annual
percent growth: **6%**

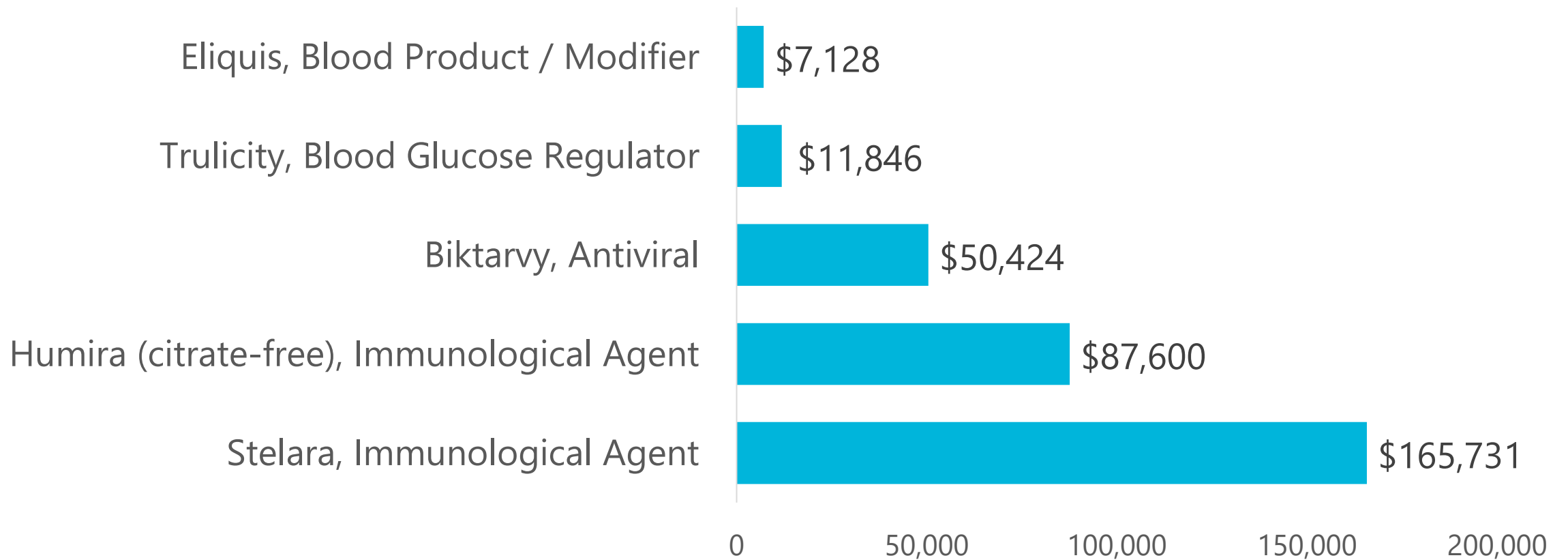
Average annual
percent growth: **2%**

Brand-name drugs, not generics, drove increases in retail pharmacy spending.

Average Annual Trend, 2019-2023	Per Member Per Month Spending	Payment per Unit	Utilization per Thousand
Generic Drugs	1.3%	0.1%	1.9%
Brand-Name Drugs	11.3%	6.9%	6.3%

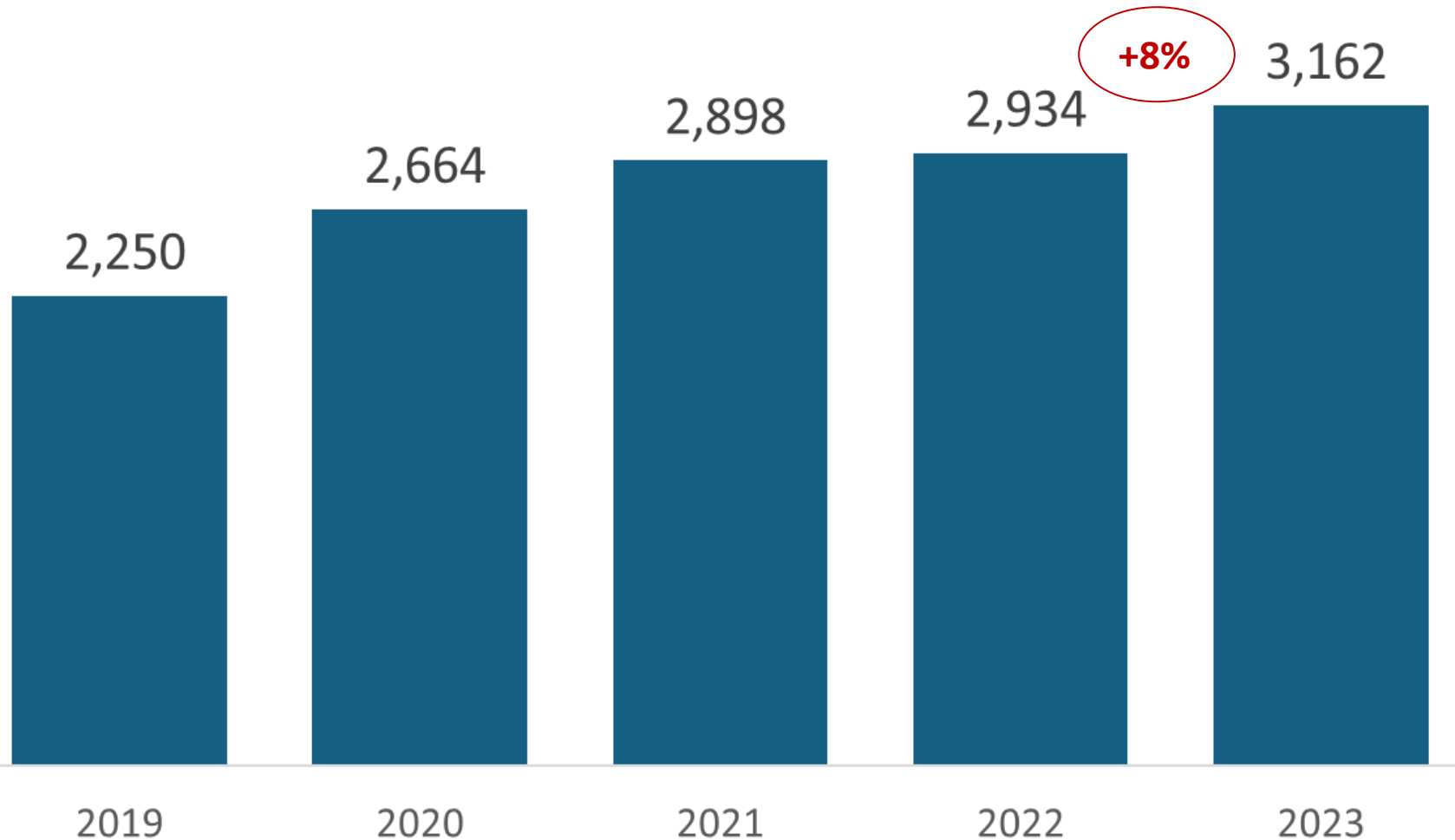
We spent the most on the following drugs in 2023.

National List Prices for an Annual Supply of Rhode Island's Five Top-Spend Drugs in the Commercial Market



However, not all increased spending is bad - mental health services saw increased utilization in the commercial market.

Units per 1,000 (UPK) of Mental Health Services (Commercial)



- The sustained increase in utilization is astounding.
- This likely reflects (in part) the lingering effects the COVID-19 pandemic on residents' mental health.

Why does all of this matter?

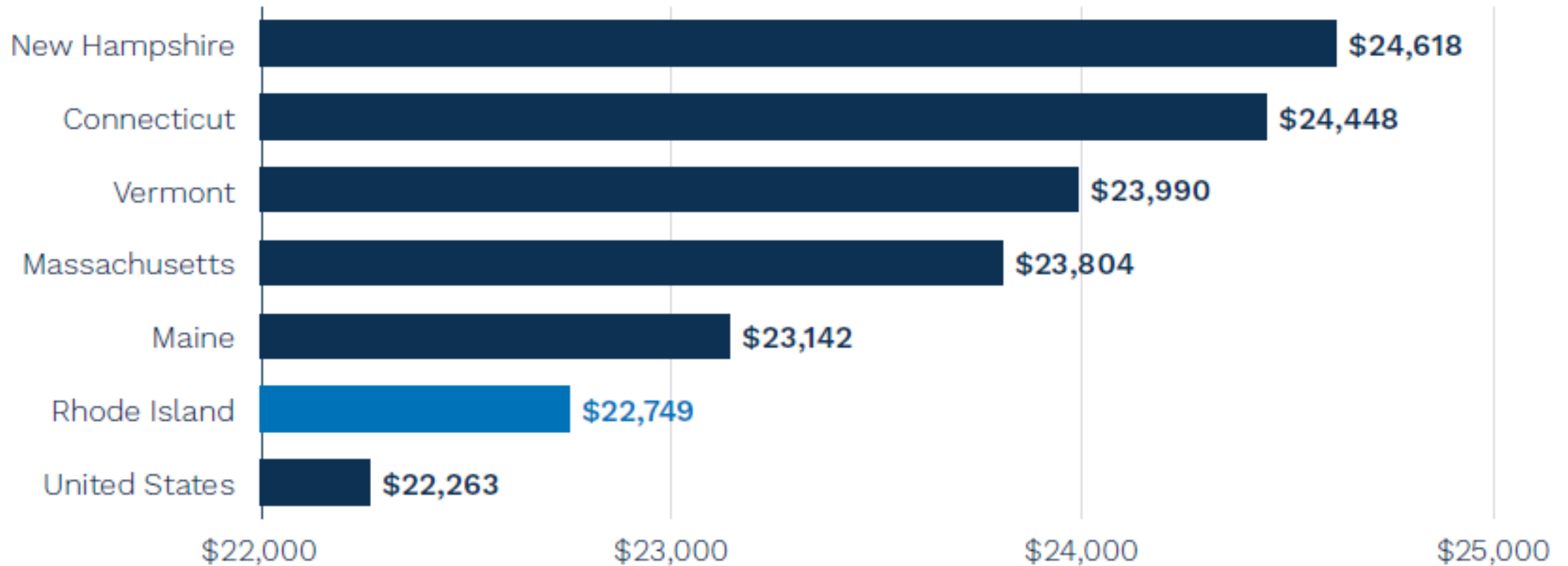
- Too often, your constituents are **delaying or avoiding health care due to cost**, thus putting their health, and perhaps their lives, at risk.
- For the most part, **increases in prices** are driving up health care spending.
 - Money spent on health care could be spent on other uses.
- **Health care affordability is a public health, equity, and economic problem.**

Rhode Island has had success controlling costs

Health Care Spending Trends for the Commercial Insurance Market <i>Includes employer-sponsored and private health plans</i>	2019	2020	2021	2022	Average
Connecticut	6.1%	-3.4%	18.8%	2.4%	6.0%
Delaware	12.3%	-2.3%	16.5%	8.3%	8.7%
Massachusetts	4.1%	-1.4%	11.6%	4.1%	4.6%
Oregon	4.5%	-1.6%	12.1%	1.5%	4.1%
Rhode Island	4.7%	-3.0%	9.7%	3.3%	3.7%

Rhode Island has had success controlling costs

Average Family Premium at Private-Sector Employers (2021-2023)



Source: OHIC analysis of Medical Expenditure Panel Survey – Insurance Component

But more progress is needed

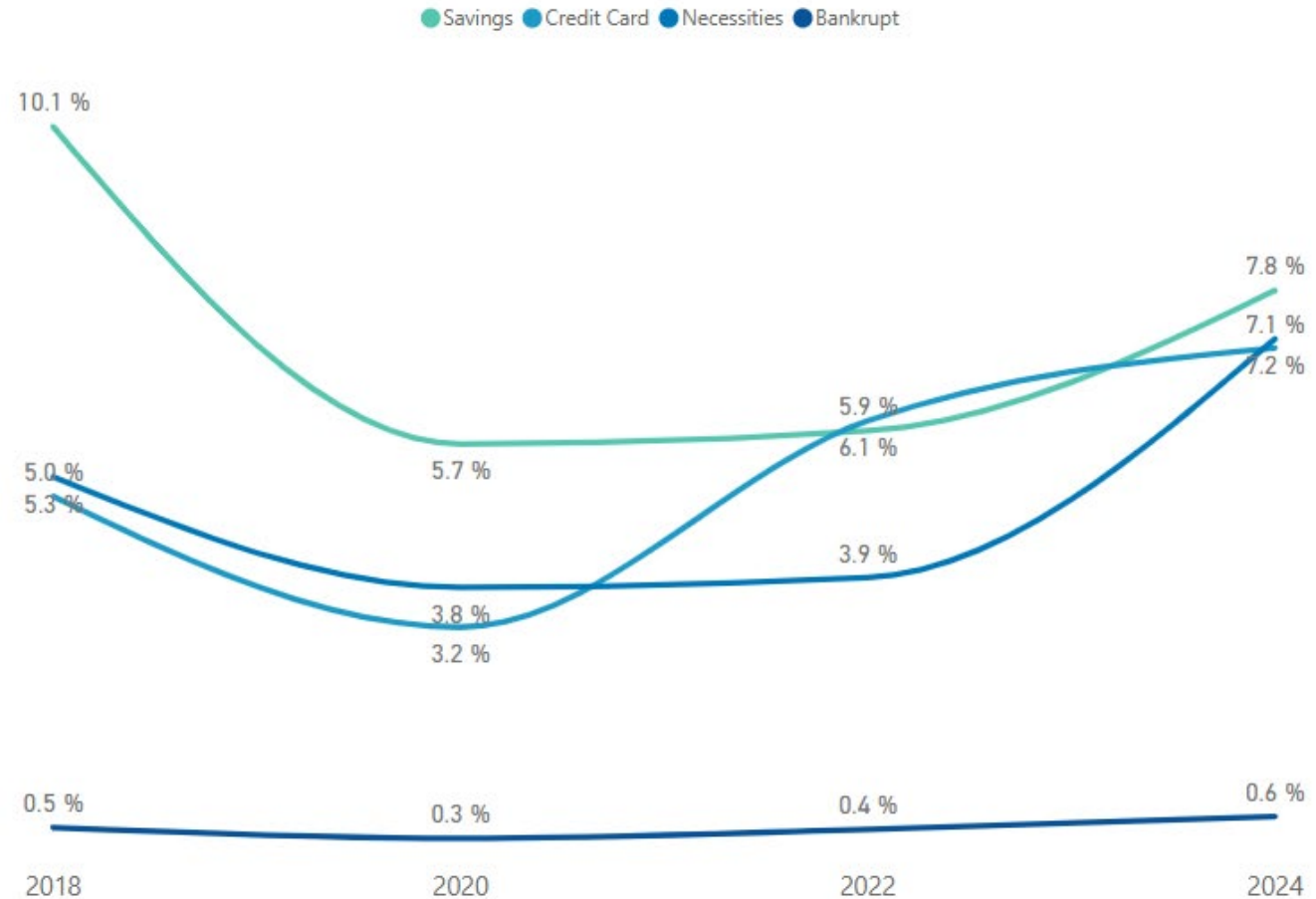
Because of medical bills, in the last 12 months our family has...

...used up all or most of savings

...had large credit card debt or had to take a loan or debt against the home

...been unable to pay for basic necessities like food, heat or rent

...filed for medical bankruptcy



Source: 2024 Health Information Survey - HealthSourceRI

Data Resources

- [Annual Report: Health Care Spending & Quality in Rhode Island 2024](#)
- [Health Care Spending Chartbook](#)
- [OHIC Data Hub – Analytic Dashboards Using All-Payer Claims Data](#)
- [Special Analytic Reports](#)
- [Rhode Island Market Summary – December 2024](#)



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Thank You

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