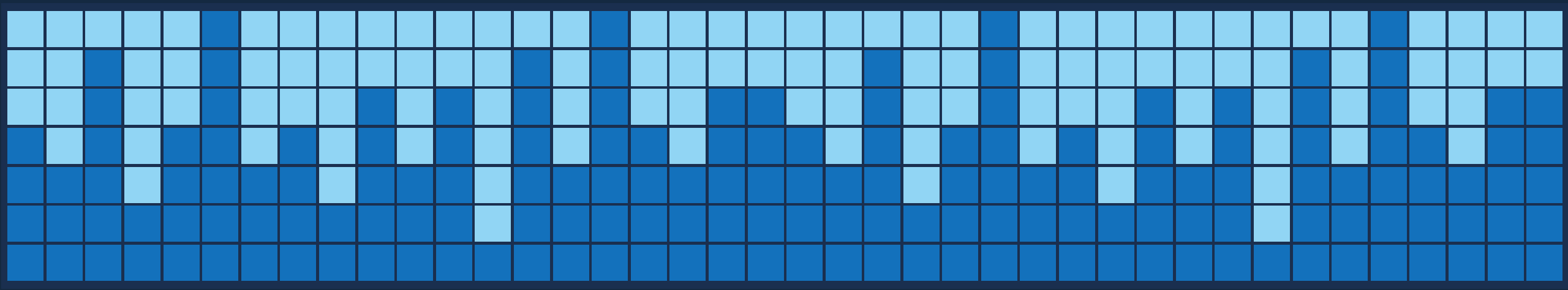
STATE OF RHODE ISLAND
Office of The Health Insurance Commissioner
Department of Business Regulation

2023 Health Care Spending and Quality in Rhode Island

2025



Agenda

1. Cost Growth Target Background
2. Performance Against the Cost Growth Target
   - State & Market
   - Service Category Trend
   - Insurer
   - ACO/AE
3. Deep Dive into GLP-1s
4. Commercial Price Variation by Site of Care
5. Statewide and Market-Level Quality Performance
6. Performance on Public Health and Health Equity Measures

Cost Growth Target Background

Rhode Island's Cost Growth Target

In 2018, the Cost Trends Steering Committee resolved to constrain health care spending growth and improve affordability of health care by instituting a cost growth target.

- The Committee set a statewide per person annual health care spending growth of 3.2%, which was in place for the 2019 through 2022 performance years.
- In 2023, the Committee selected new targets for 2023 through 2027 that accounted for both projected state economic and median household income growth. Members made a conscious effort to account for inflation and consumer impact in its establishment of the target. Rhode Island's health care cost growth target for 2023 was set at 6.0% in anticipation of the lagged impact of the 2021-22 inflation spike in the U.S.

Rhode Island is one of eight states (CA, CT, DE, MA, NJ, OR and WA) that have cost growth target programs. In addition, three other states (MN, NH, and UT) have health care affordability initiatives underway.

What Is Measured Against the Target

Total Medical Expense (TME)

All incurred expenses for RI residents for all health care services, regardless of where the care was delivered and regardless of the situs of the member's plan.

+

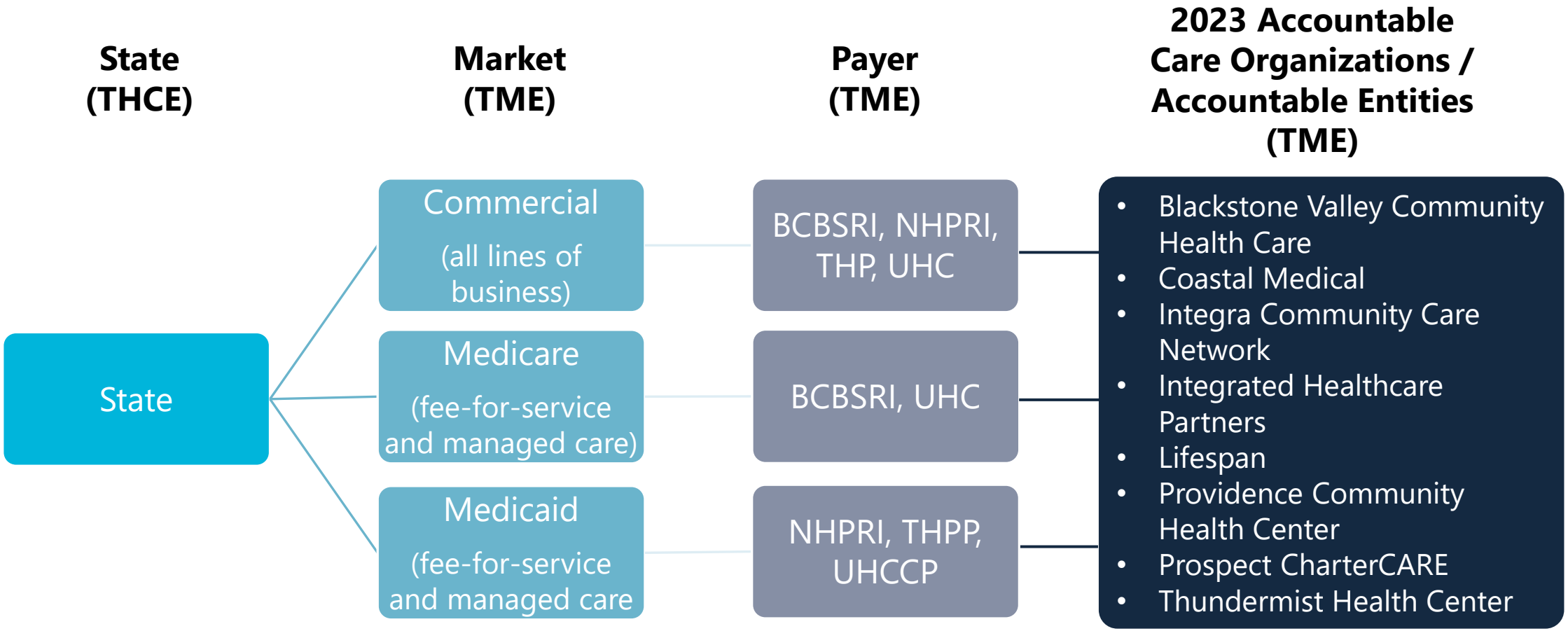
Net Cost of Private Health Insurance (NCPHI)

The costs to RI residents associated with the administration of private health insurance, including administrative costs and margin.

=

Total Health Care Expenditures (THCE)

Four Levels of Performance Measurement Against the Target



Important Notes for Today's Presentation (1 of 2)

Today's presentation includes analyses using data from both the cost growth target data collection and analyses using data from the All-Payer Claims Database (APCD).

Analyses using APCD data are not directly comparable with analyses using cost growth target data because of the inclusion or exclusion of:

- total spending for the self-insured population;
- non-claims payments, and
- pharmacy rebates.

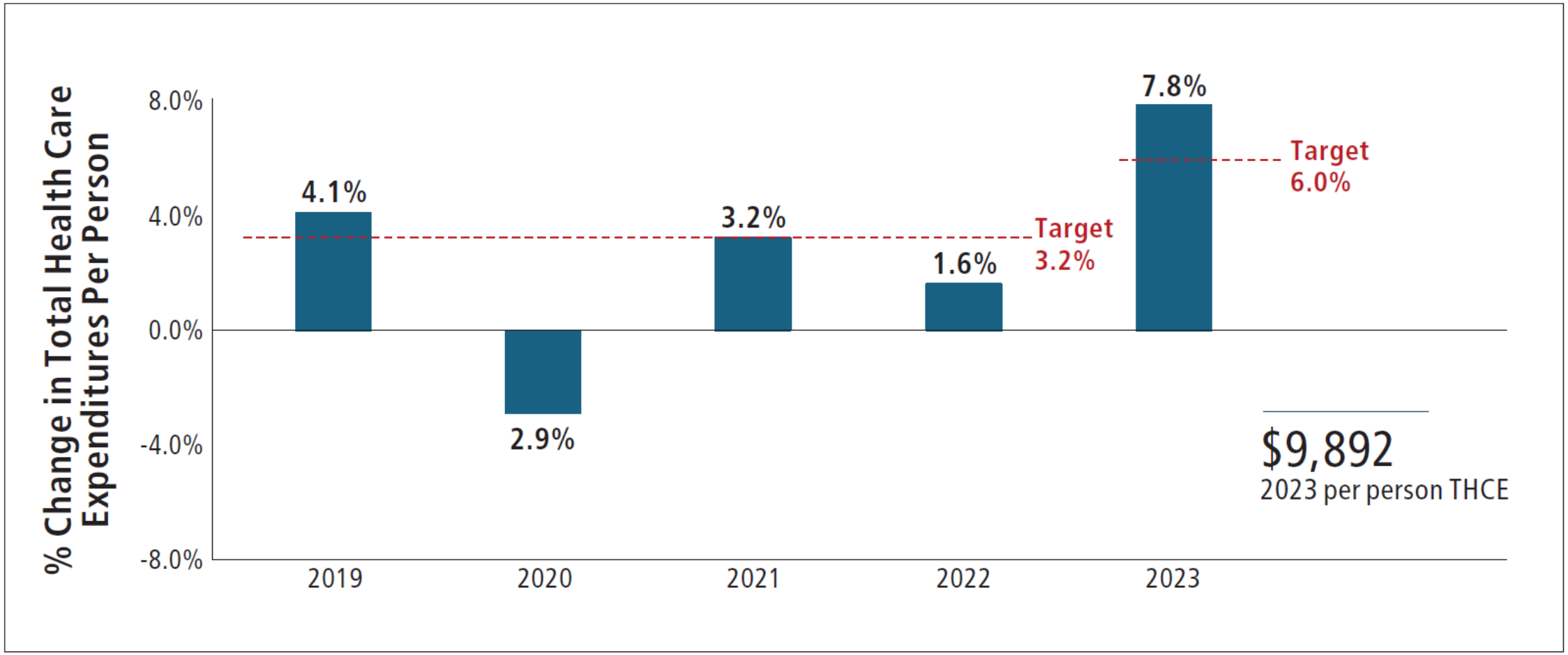
Important Notes for Today's Presentation (2 of 2)

Rhode Island's APCD does not include all spending for residents with commercial insurance due to the State's inability to require claims submissions from self-insured employers (although some do voluntarily submit data). This contrasts with the data received as part of the Cost Growth Target data collection, which includes data for residents covered by both fully insured and self-insured plans.

Based on OHIC's analysis, approximately 80 percent of total commercial spending for medical services and 80 percent of commercially covered lives in the state are represented in the APCD.

State & Market Performance Against the Cost Growth Target

Rhode Island Did Not Meet Its Cost Growth Target in 2023



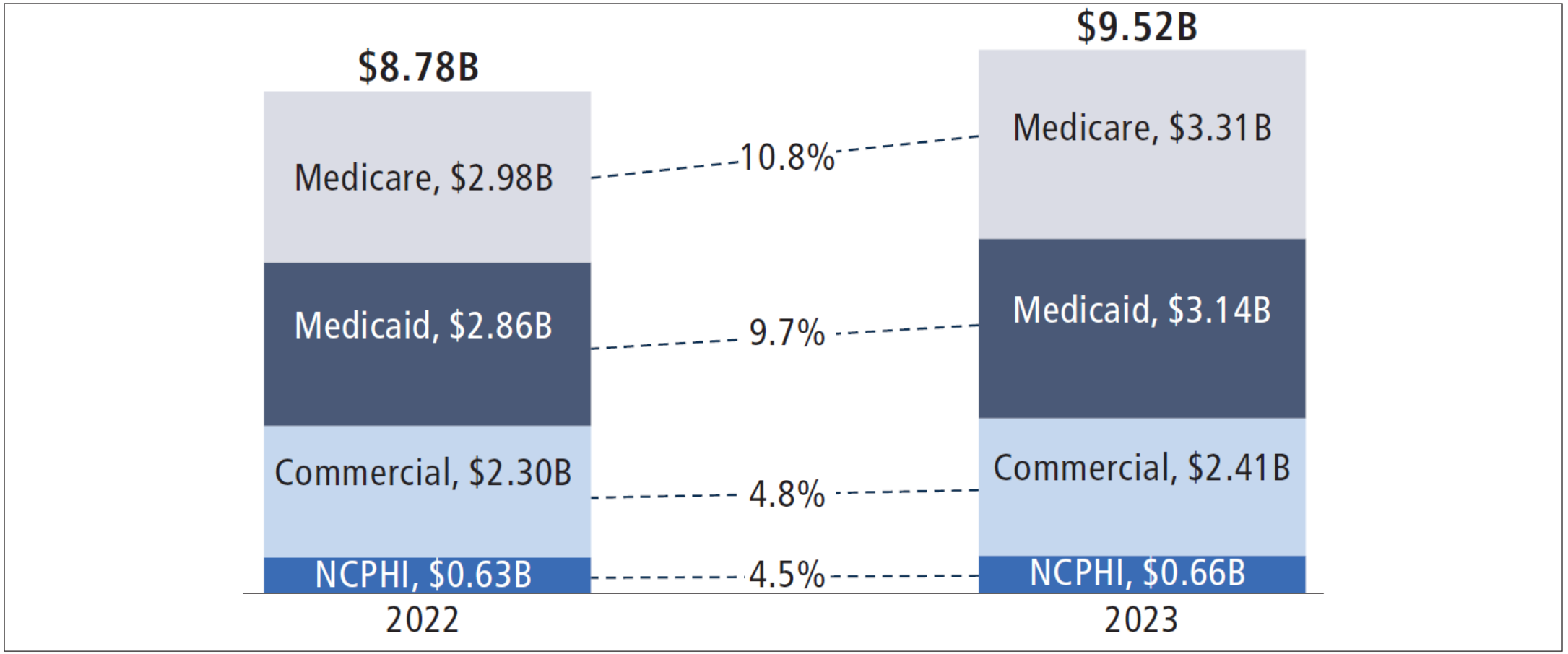
However, RI Was Not Alone In Having High Per Person Spending Growth Statewide in 2023

Other states that measure health care spending also experienced high statewide spending growth:

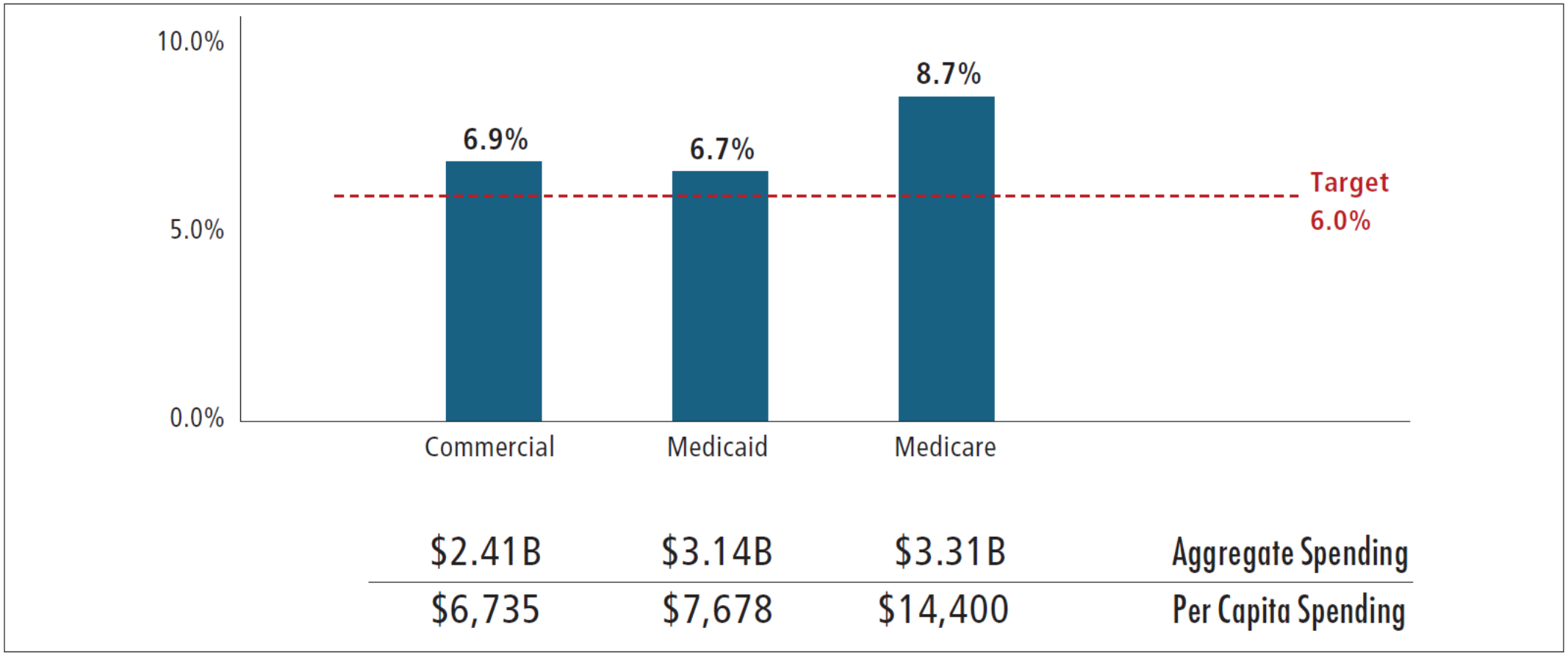
- Connecticut: **7.8%** (nearly three times its benchmark of 2.9 percent)
- Massachusetts: **8.6%** (more than double its benchmark of 3.6 percent)
- Delaware: **9.1%** (nearly three times its benchmark of 3.1 percent)

In CT and RI, spending growth was the highest it's been since the state began tracking the expenditures. Both MA and DE's growth in 2023 was eclipsed only by their growth of 9.0 percent and 11.2 percent (respectively), in 2021, the second year of the COVID-19 public health emergency.

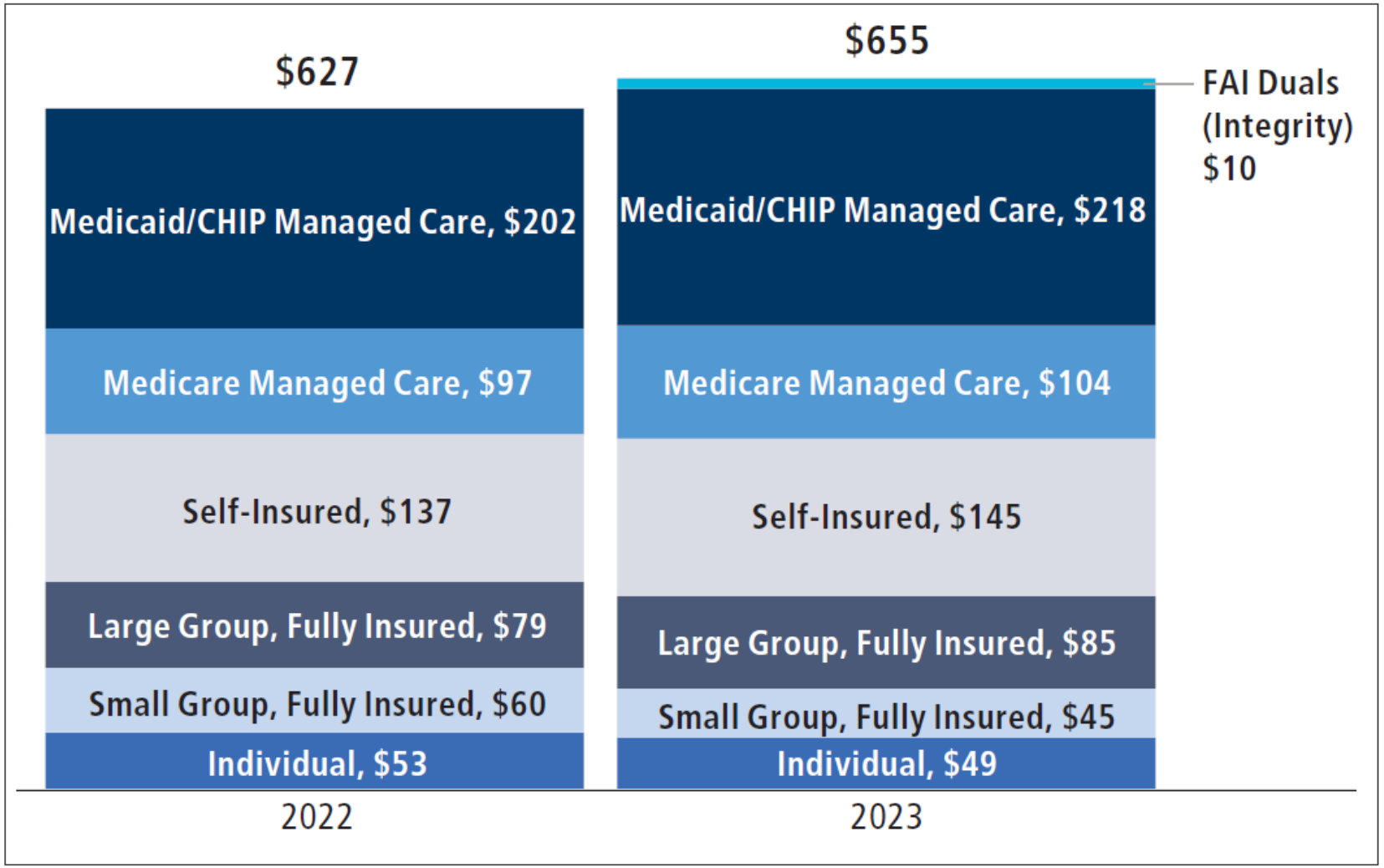
Total Health Care Spending in Rhode Island Was $9.52 Billion in 2023



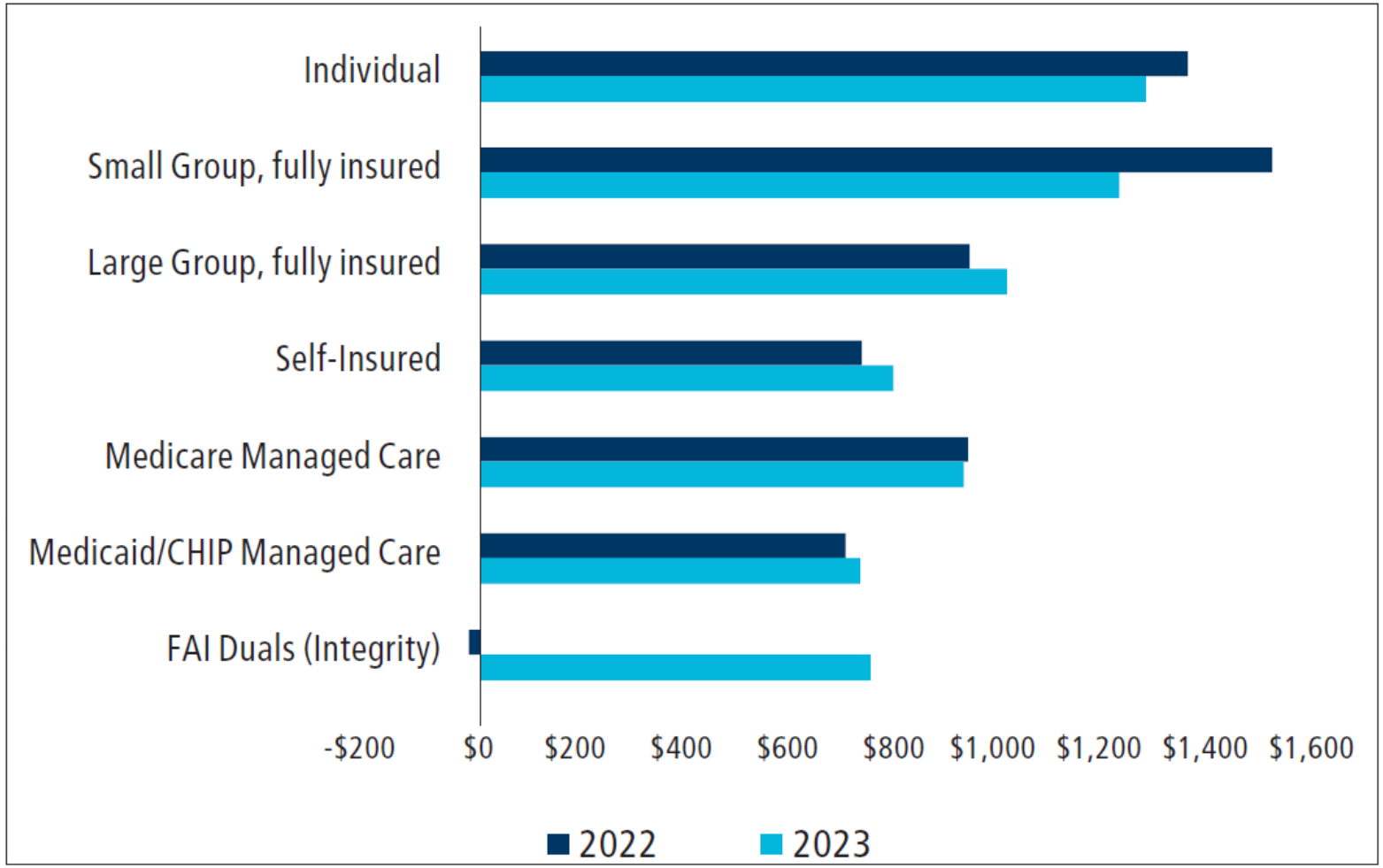
All Markets Experienced Substantial Growth



NCPHI increased to $655 Million in 2023



NCPHI by Market Segment

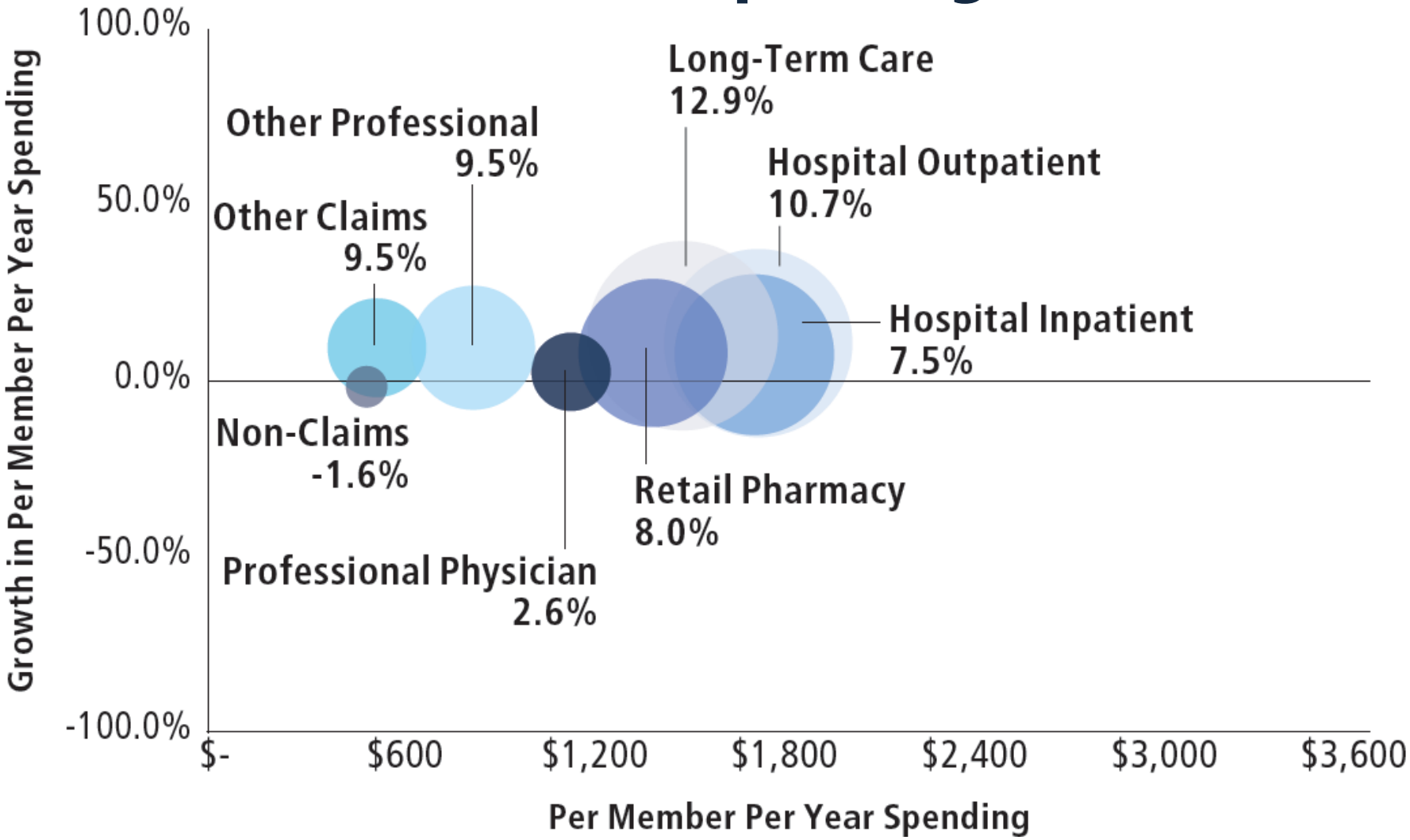


Aggregate NCPHI
2022: $627M
2023: $655M

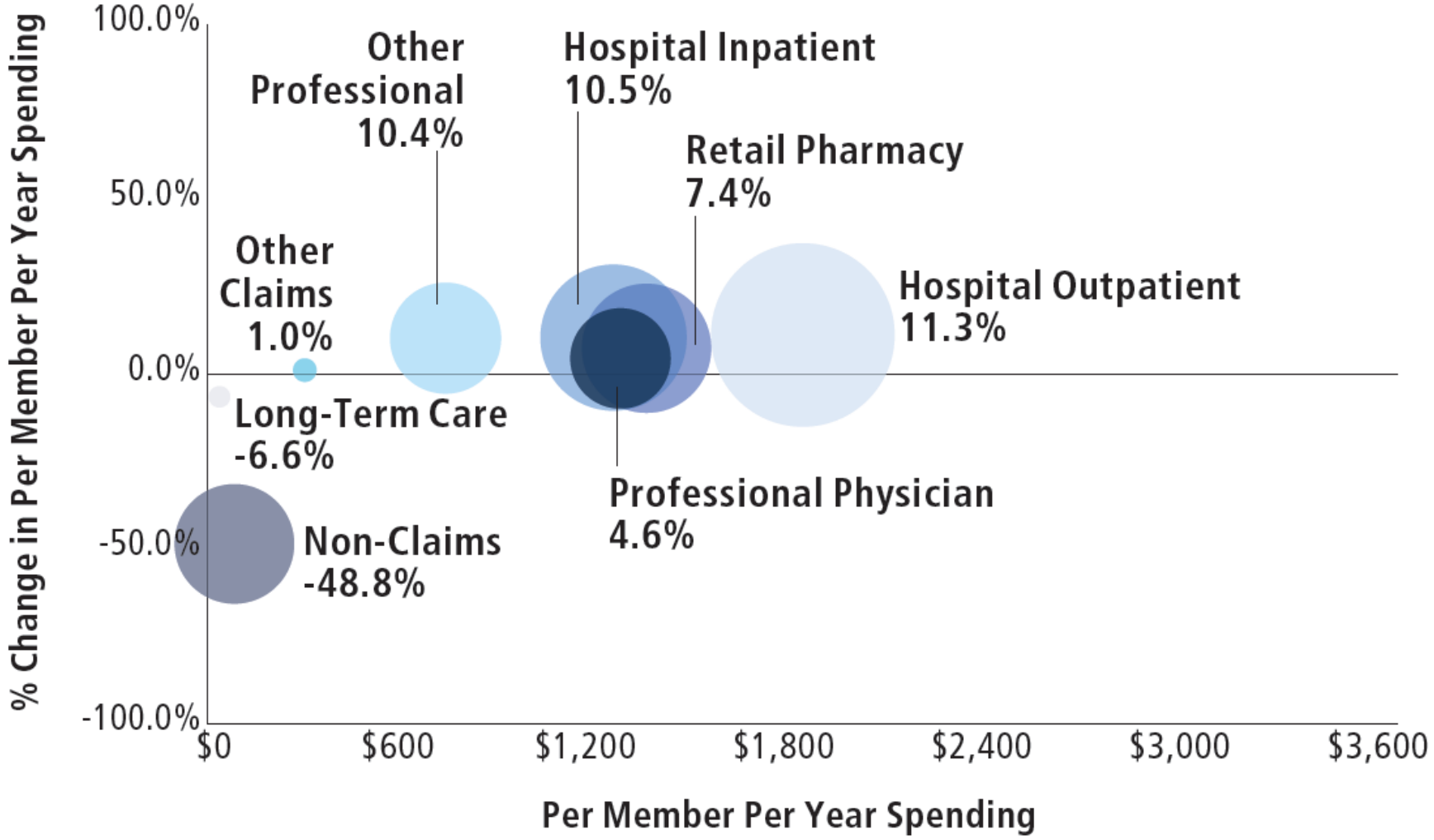
Category	2022-2023 Trend
Individual	-6%
Small Group	-19%
Large Group	8%
Self-Insured	8%
Medicare MCO	-1%
Medicaid MCO	4%
FAI Duals (Integrity)	3405%

Service Category Trends

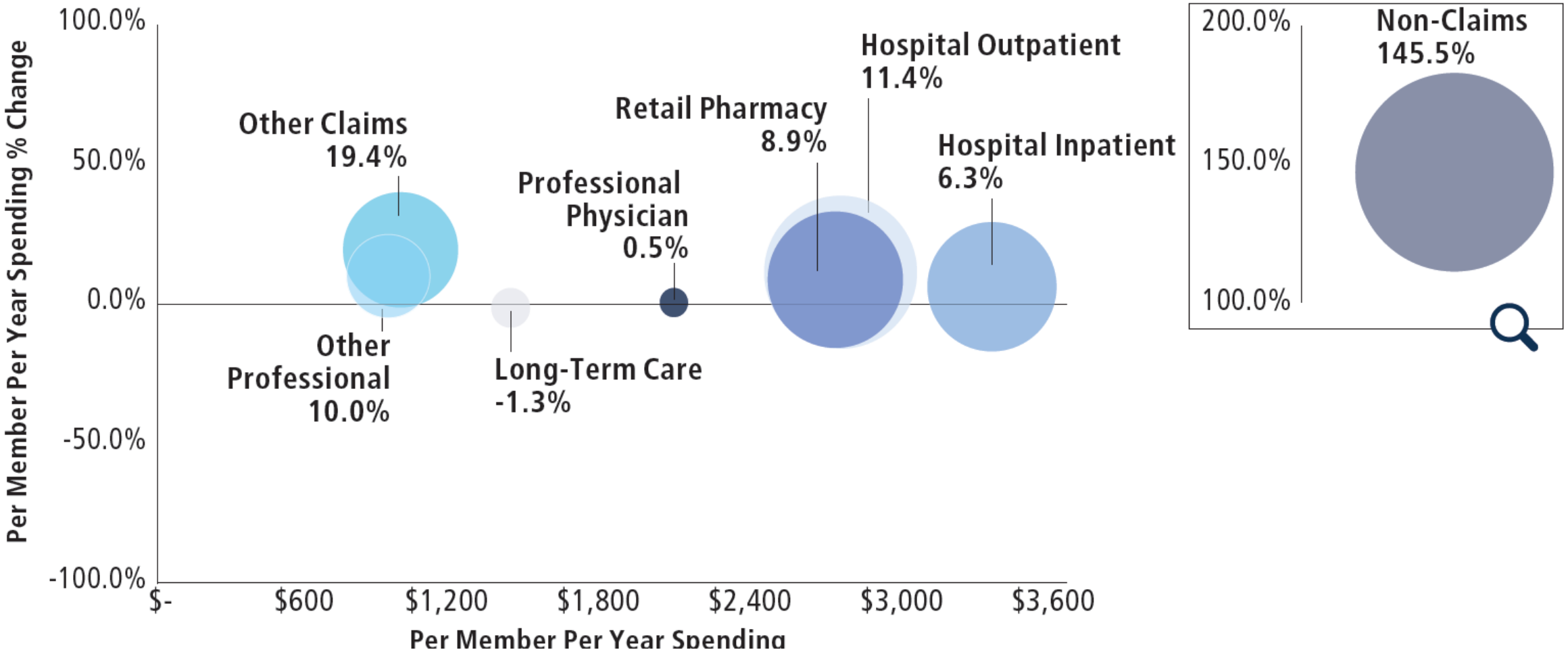
Hospital Outpatient and Long-Term Care Spending Drove Statewide Growth in Spending in 2023



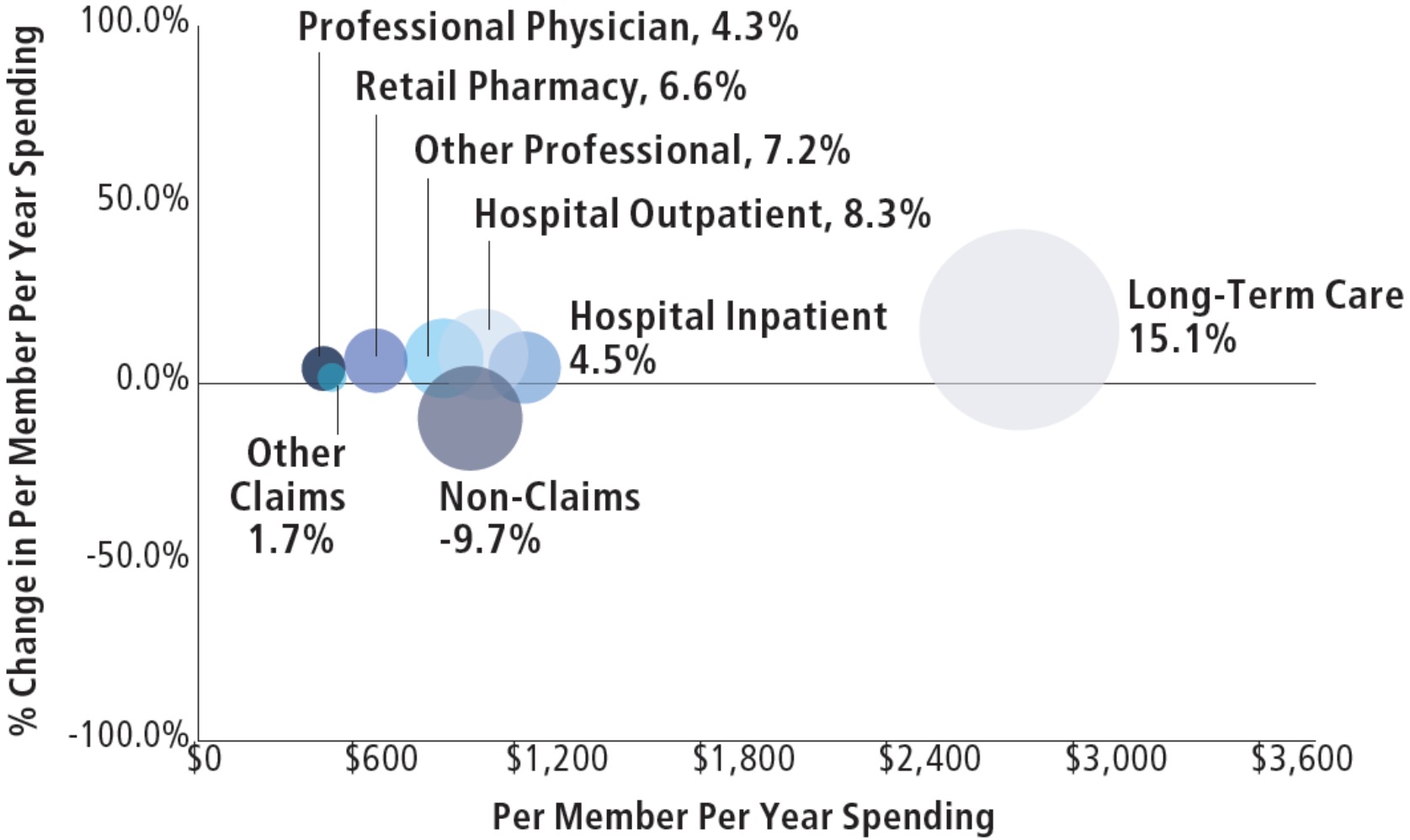
Hospital Outpatient Drove Spending Growth in the Commercial Market in 2023



In 2023, Non-Claims, Hospital Outpatient, Hospital Inpatient, and Retail Pharmacy All Drove Fueled Growth for Medicare



Long-Term Care Drove Cost Growth in the Medicaid Market in 2023



Key Takeaways

Below are a few key takeaways from examining spending growth in 2023 in the state:

1. Statewide spending growth was the highest it's been since RI established its target.
   - All claims categories experienced increases in spending.
2. Hospital Outpatient was the largest cost driver at the state level.
   - This marks the **third year in a row** where Hospital Outpatient has been identified as the most significant driver of health care spending growth in the state.
3. Non-Claims' status as a cost driver for the Medicare market is a new phenomenon.
   - One insurer explained that it adopted a capitation model with a provider group in 2023, leading to the spike in non-claims payments. OHIC will monitor this moving forward.
4. Even though inflation was accounted for in the establishment of the 2023 target, sharp increases in some utilization and prices caused spending to grow even faster. The following slide explores this in more detail.

How Did RI Exceed the CGT in 2023, Even After the Target Was Adjusted for Inflation?

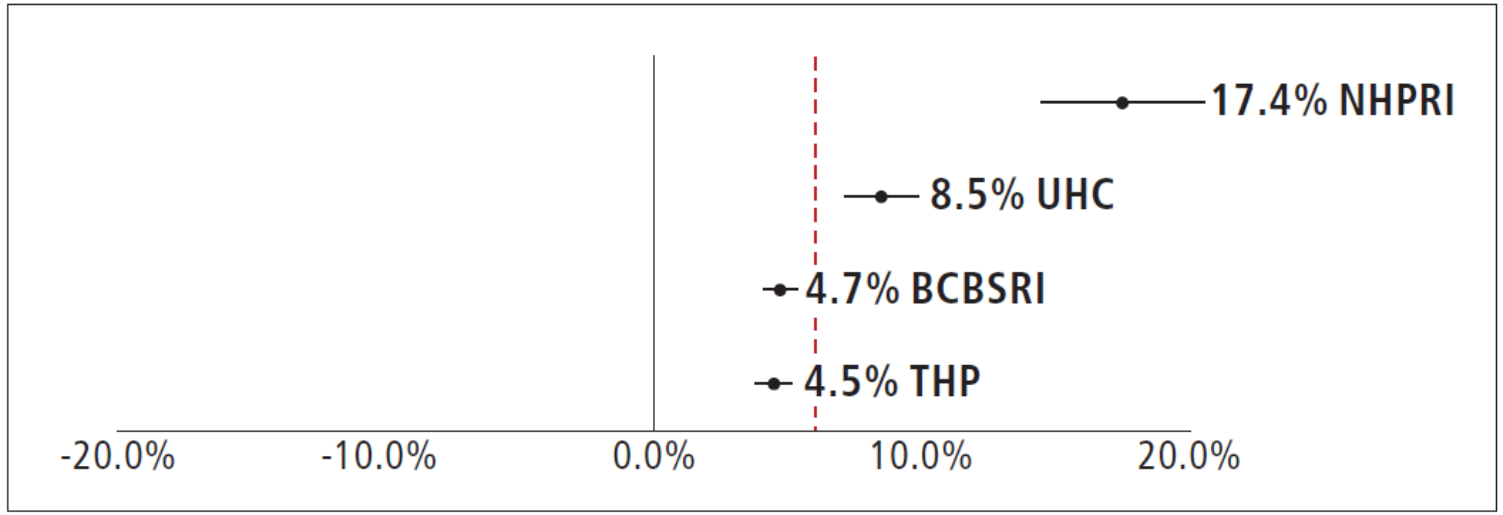
- The 2023 target was adjusted upward to account for the anticipated lagged impact of the sharp rise in general inflation that occurred during the height of the COVID-19 pandemic (in 2021).
- However, this adjustment **did not account** for the sharp rise in average unit payments for prescription medications, or in the increases in use of medical services in 2023.
  - The state's APCD showed that each of the major medical service categories (IP Hospital, OP Facility, and Professional) saw increases **between 4 and 8 percent in average unit payment**, and **utilization of OP Facility services increased 6 percent**.
  - Additionally, the average unit payment for retail prescription drugs spiked **11 percent.**
- Ultimately, the combined impact of raised prices and higher utilization drove spending growth beyond the state's established target. Regarding the growth in unit payments for prescription drugs, we will review an analysis of spending on GLP-1s in 2023 shortly. This group of medications exploded in use in 2023.

Insurer Performance Against the Target

Commercial Insurers' Performance Against The Target

Target performance is calculated using Total Medical Expense data, after applying truncation and age/sex risk adjustment.

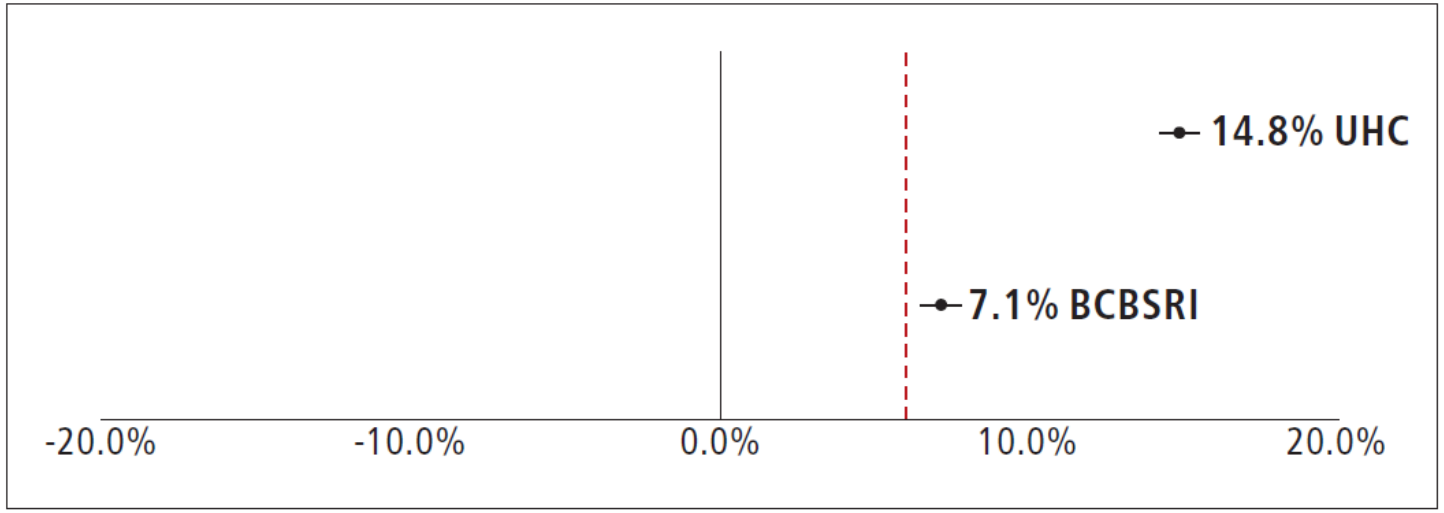
Data represent spending on fully insured and self-insured products, including the Federal Employee Health Benefits Program.



Payer	Target Performance
Blue Cross Blue Shield of RI	Met the target
Neighborhood Health Plan of RI	Did not meet the target
Tufts Health Plan	Met the target
UnitedHealthcare	Did not meet the target

Medicare Advantage Insurers' Performance Against the Target

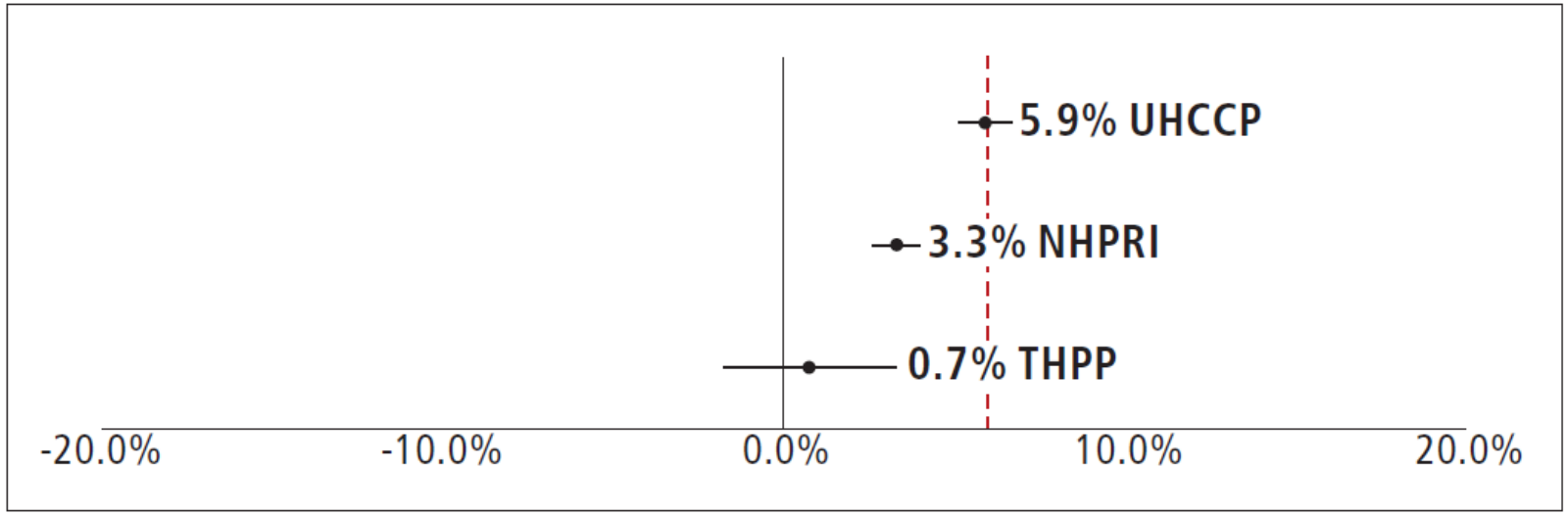
Target performance is calculated using Total Medical Expense data, after applying truncation and age/sex risk adjustment.



Payer	Target Performance
Blue Cross Blue Shield of RI	Did not meet the target
UnitedHealthcare	Did not meet the target

Medicaid Insurers' Performance Against the Target

Target performance is calculated using Total Medical Expense data, after applying truncation and age/sex risk adjustment.



Payer	Target Performance
Neighborhood Health Plan of RI	Met the target
Tufts Health Public Plans	Met the target
UnitedHealthcare Community Plan	Unable to determine

Medicare-Medicaid Plans' Performance Against the Target

Target performance is calculated using Total Medical Expense data, after applying truncation. Spending is not risk-adjusted, as risk adjustment is not performed at the market level and NHPRI's population represents the entire population of individuals enrolled in this market.

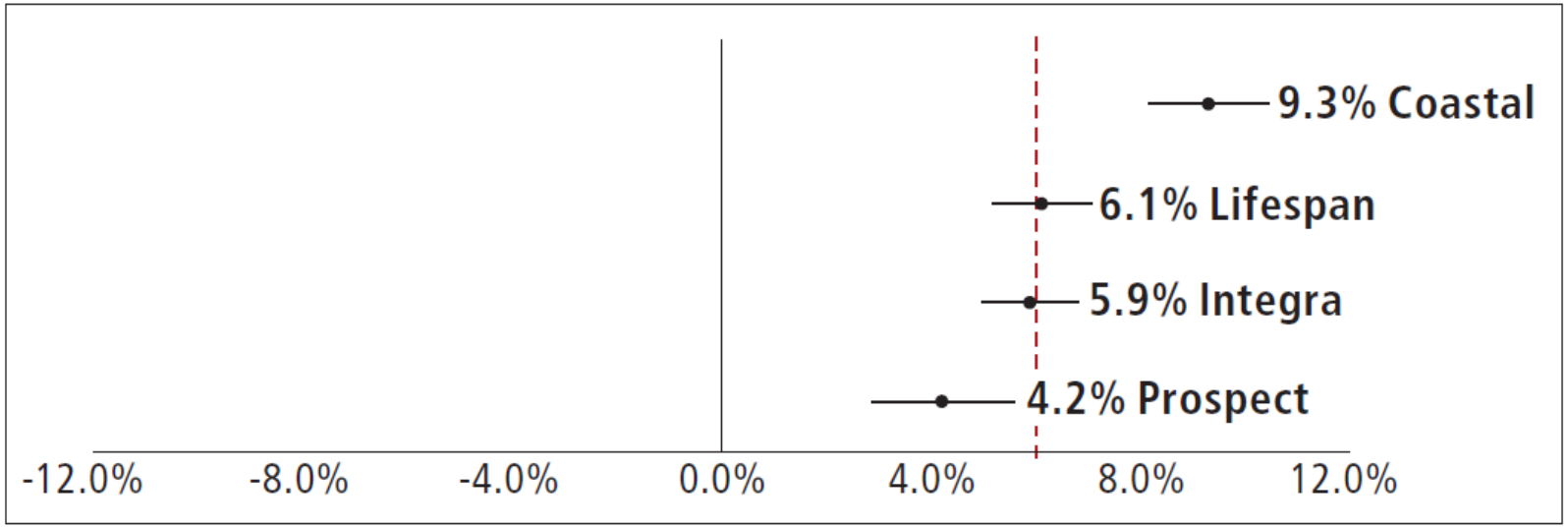
- Through CMS' Financial Alignment Initiative, EOHHS has provided coverage to individuals who are dually eligible for Medicare and Medicaid through a combined Medicare-Medicaid Plan (MMP).
- NHPRI was the only insurer to offer such a product in 2023. For the 2023 performance period, NHPRI's MMP spending growth was 6.5 percent, which exceeded the target.
- Enrollees in MMP often have more complex health needs and, as a result, higher health care spending levels. The increase in spending in 2023 for this group was primarily driven by growth long-term care services spending.

Provider Performance Against the Target

Commercial ACOs' Performance Against the Target

Target performance is calculated using truncated and age/sex risk-adjusted spending.

2023 performance is not published for Blackstone Valley Community Health Care, Integrated Healthcare Partners, Providence Community Health Centers and Thundermist Health Center because they lacked sufficient commercial attributed lives to meet the minimum required for public reporting.

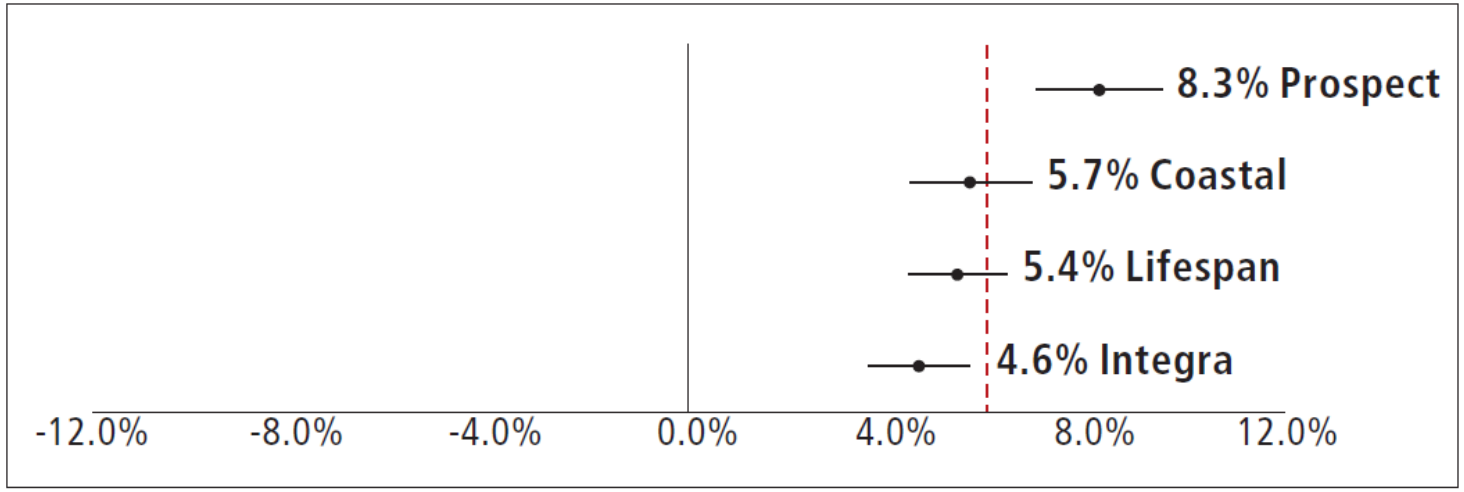


Payer	Target Performance
Coastal	Did not meet the target
Integra	Unable to determine
Lifespan	Unable to determine
Prospect	Met the target

Medicare ACOs' Performance Against the Target

Target performance is calculated using truncated and age/sex risk-adjusted spending.

2023 performance is not published for the same FQHCs as for the commercial market because they lacked sufficient commercial attributed lives to meet the minimum required for public reporting.

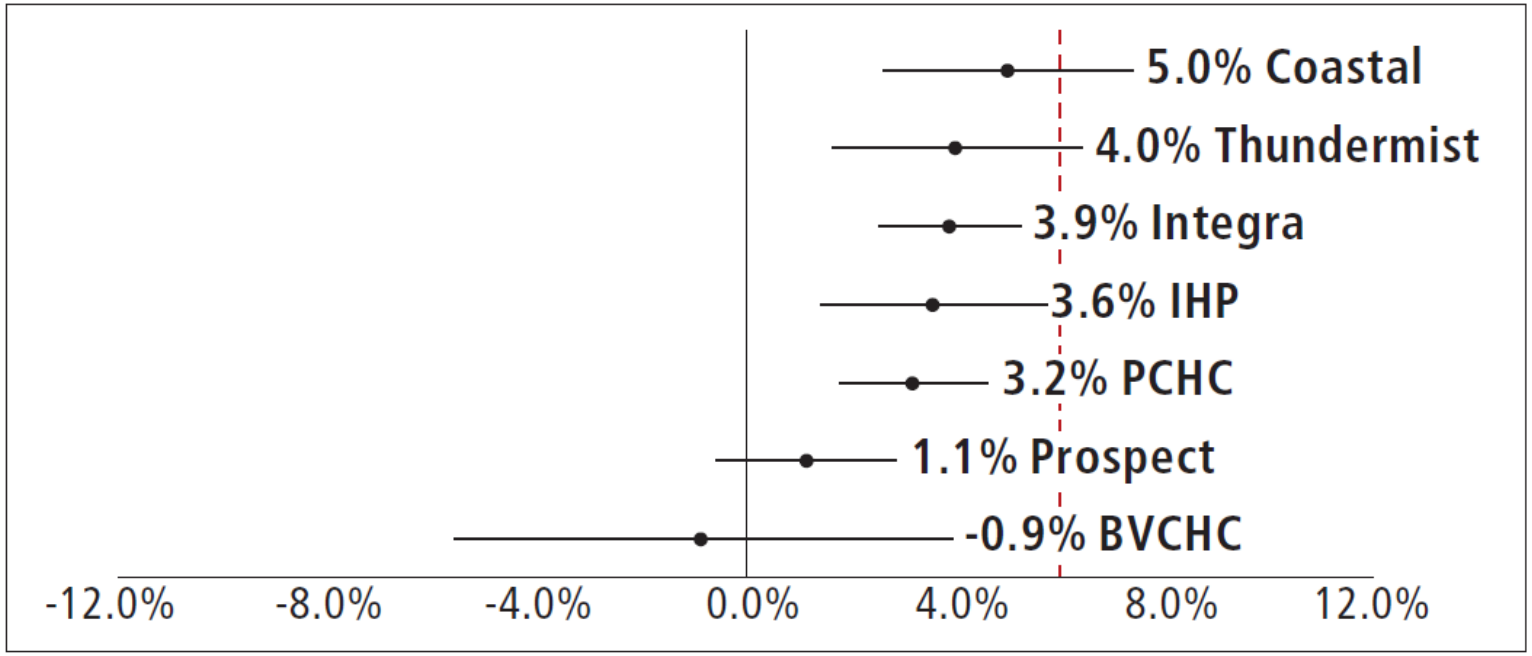


Payer	Target Performance
Coastal	Unable to determine
Integra	Met the target
Lifespan	Unable to determine
Prospect	Did not meet the target

Medicaid AEs' Performance Against the Target

Target performance is calculated using truncated and age/sex risk-adjusted spending.

2023 performance is not published for Lifespan because it did not hold a Medicaid total cost of care contract with any Medicaid insurers.



Payer	Target Performance
BVCHC	Met the target
Coastal	Unable to determine
Integra	Met the target
IHP	Met the target
Prospect	Met the target
Providence CHCs	Met the target
THC	Unable to determine

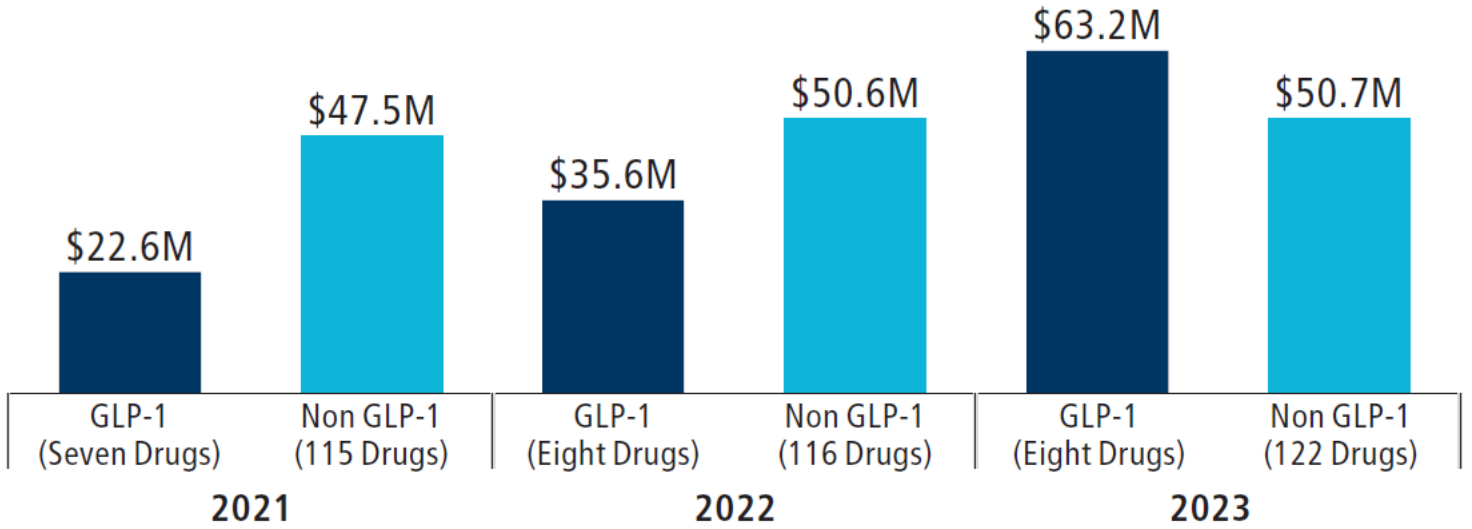
Deep Dive into GLP-1s

Introduction to GLP-1s

- Glucagon-like peptide 1 (GLP-1) agonists are medications that treat type 2 diabetes and obesity. They do so by mimicking the GLP-1 hormone that is naturally produced in the body, thereby stimulating insulin secretion and suppressing hunger.
- These medications were initially indicated for type 2 diabetes but have since boomed in popularity due to the "off-label" prescribing of these drugs for weight loss, and FDA approval for certain GLP-1s specifically for weight loss.
  - The potential for these medicines to benefit Rhode Islanders is immense, as nearly one in three residents was obese in 2023.
- The following slides present spending and utilization data for GLP-1s from 2021 to 2023, using data from the state's APCD.

Spending on GLP-1s and Non-GLP-1s

- According to data in the APCD, between 2021 and 2023, commercially insured residents in Rhode Island spent **over $120M** on GLP-1 drugs alone.
- In 2023, spending on the **eight** GLP-1 drugs included in this analysis outgrew spending on **more than 120** non-GLP-1 diabetes and weight loss medications.



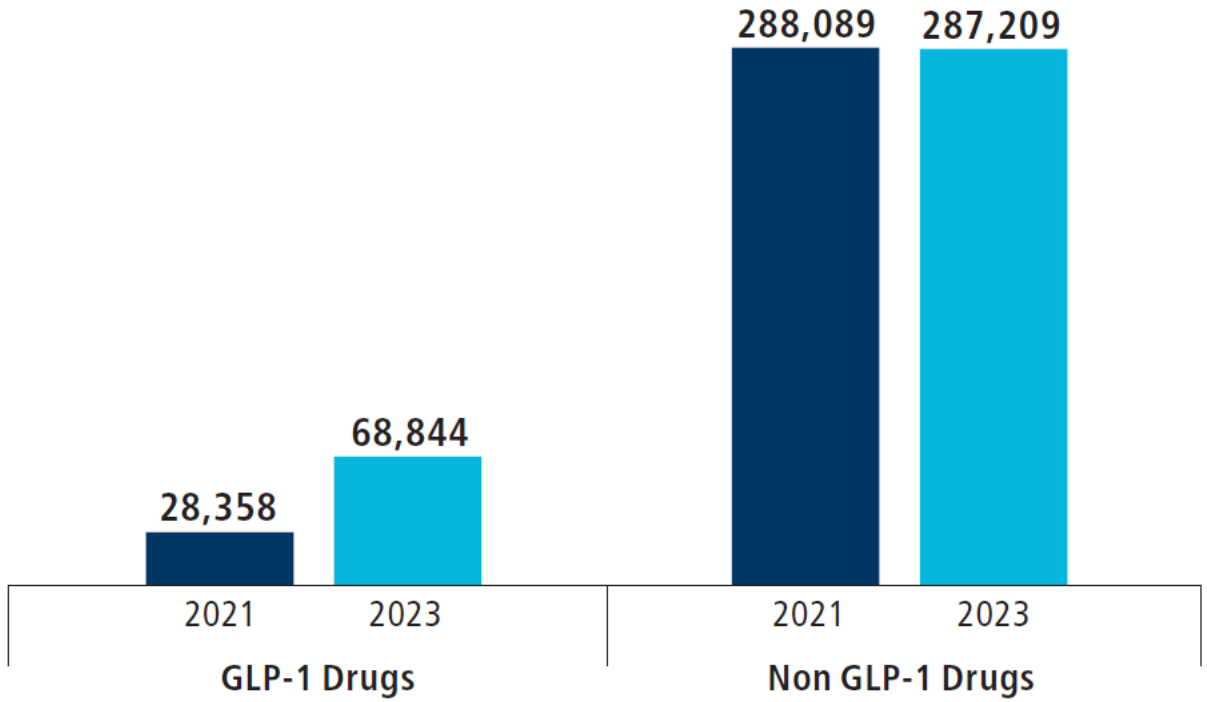
The eight GLP-1s included in this analysis are:

- Four anti-obesity agents (Ozempic, Rybelsus, Saxenda, and Wegovy), and
- Four diabetes medications (Mounjaro, Semaglutide, Trulicity, and Victoza)

Note: The amount of spending on these medications is understated, as the APCD does not contain all data on the commercially insured population. Additionally, there are other sources of spending that cannot be captured, in the instances that residents purchased these at compounding pharmacies or online.

Utilization (in 30-Day Equivalents) of GLP-1s and Non-GLP-1s

- From 2021 to 2023, utilization of GLP-1s more than doubled, while utilization of non-GLP-1 medications remained flat.
- OHIC will continue to monitor spending and utilization patterns for these medications in future years, given their rapidly growing use and extraordinarily high costs, which – if left unchecked – could place unsustainable pressure on the health care system.

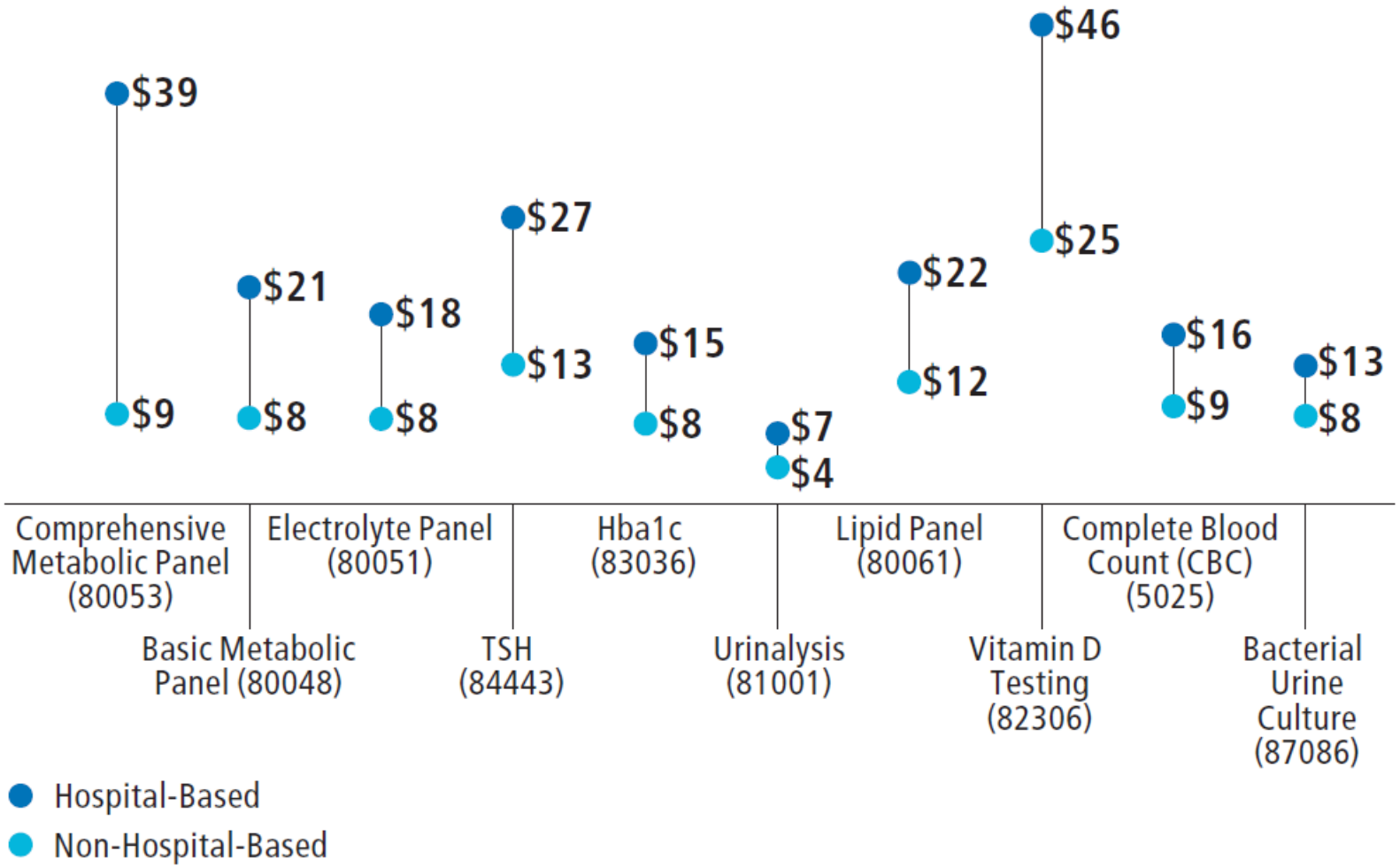


Commercial Price Variation by Site of Care

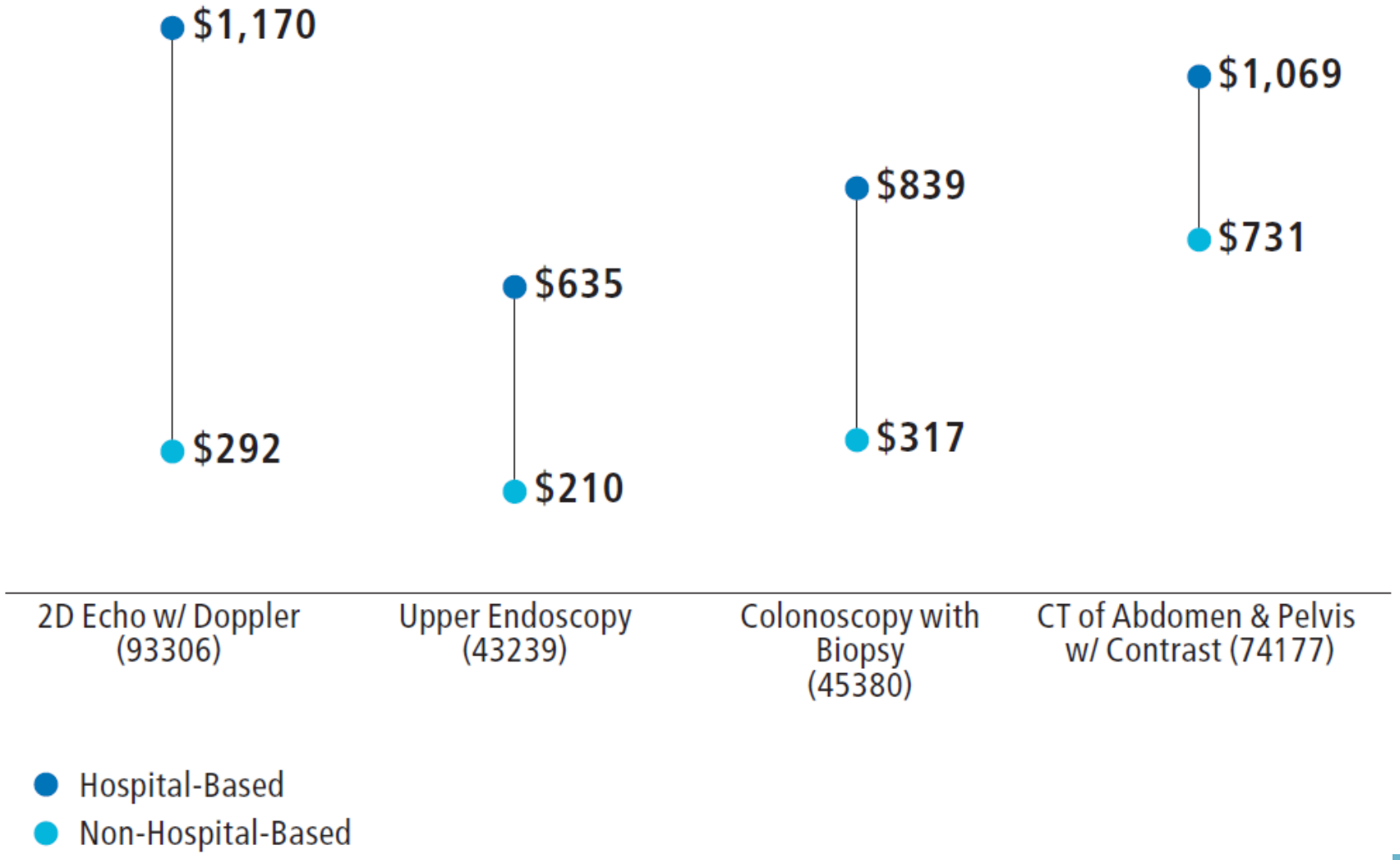
Payment Differentials by Site of Care

- Research has shown that many medical services, such as lab tests and imaging, can be safely provided in non-hospital-based settings.
- The same service can cost much, much more in a hospital-based setting due to facility fees and higher negotiated insurer rates.
- OHIC quantified the payment differentials for a sample of common services between Rhode Island hospital settings and non-hospital settings (e.g., physician's office or a freestanding lab). The following slides present the differences in payment.

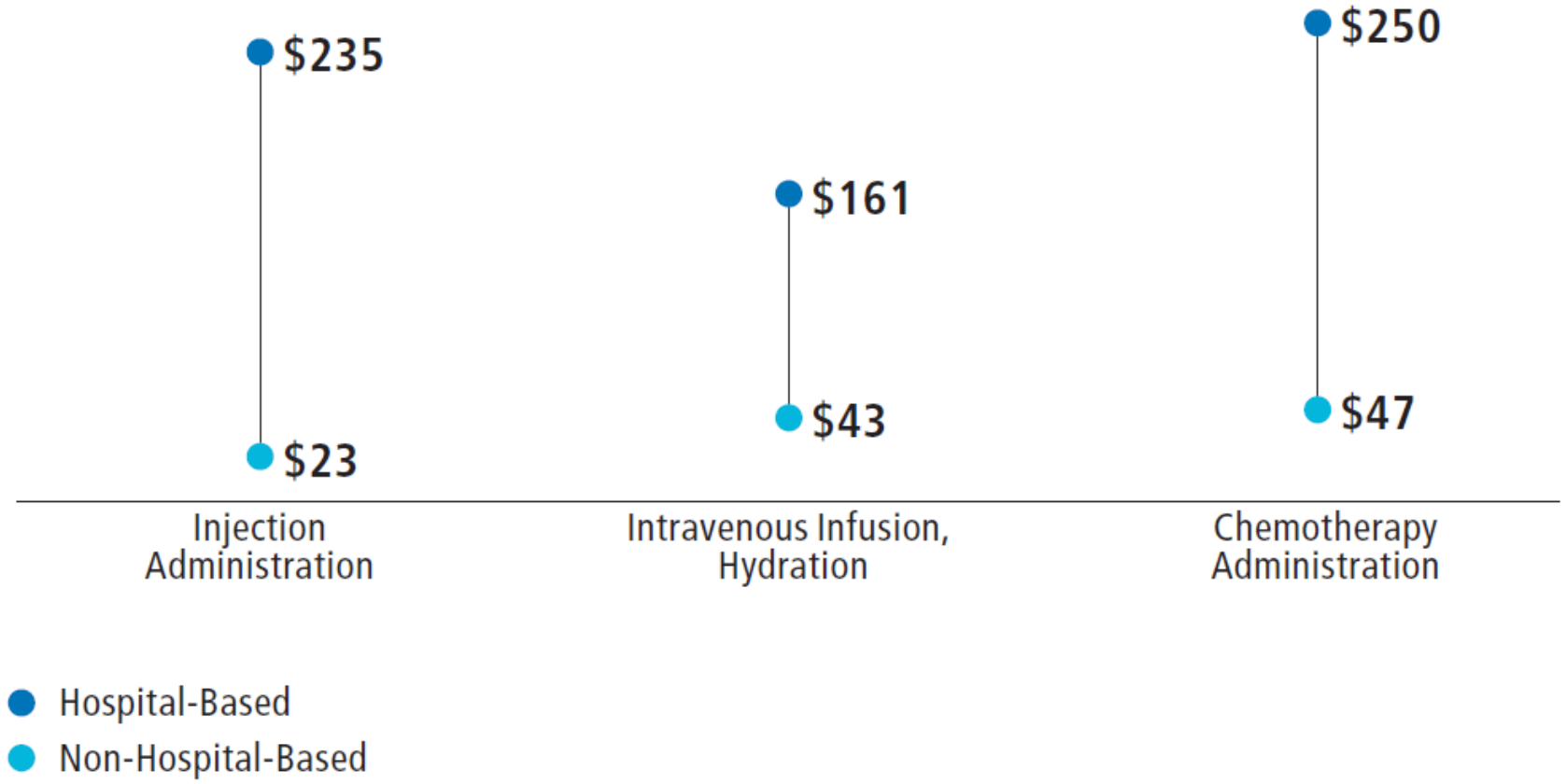
For Lab Tests Commonly Part of Annual Physical, Payments Were *Much* Higher for Services in a Hospital Setting



Payment for Imaging and Endoscopic Services Was 1.5 to 4 Times Higher for Services in a Hospital-Based Setting



…and Even Higher for Drug Administration (3 to 7 Times)



Conclusion

This variation in unit payments for the same services highlight the potential for cost savings, if some of these services were shifted to lower-cost, clinically appropriate care settings outside of hospitals.

However, OHIC notes the following:

- Patients would be unlikely to change the site of care without benefit design incentives to do so.
- For some patients, the hospital setting may be the most appropriate setting, e.g., patients with mobility limitations.
- Hospitals would pursue strategies to recoup lost margin.

Statewide and Market-Level Quality Performance

Quality Performance Background

- To complement public reporting of spending growth and provide a balanced perspective of health system performance, OHIC reports health care quality data.
- OHIC reports on commercial and Medicaid quality performance for the Core Measures in OHIC's ACO Aligned Measure Set. This year's report contains performance for CY 2023.

What is the ACO Aligned Measure Set?

OHIC maintains common sets of quality measures ("Aligned Measure Sets") for use in contracts between insurers and providers. OHIC requires commercial plans to adhere to these Aligned Measure Set for use in primary care, ACO, acute care hospital, and behavioral health hospital contracts. "Core Measures" refer to the measures in the Aligned Measure Set that insurers must use in applicable provider contracts (as opposed to Menu Measures and Developmental Measures, which are for optional use).

ACO Aligned Measure Set Measures

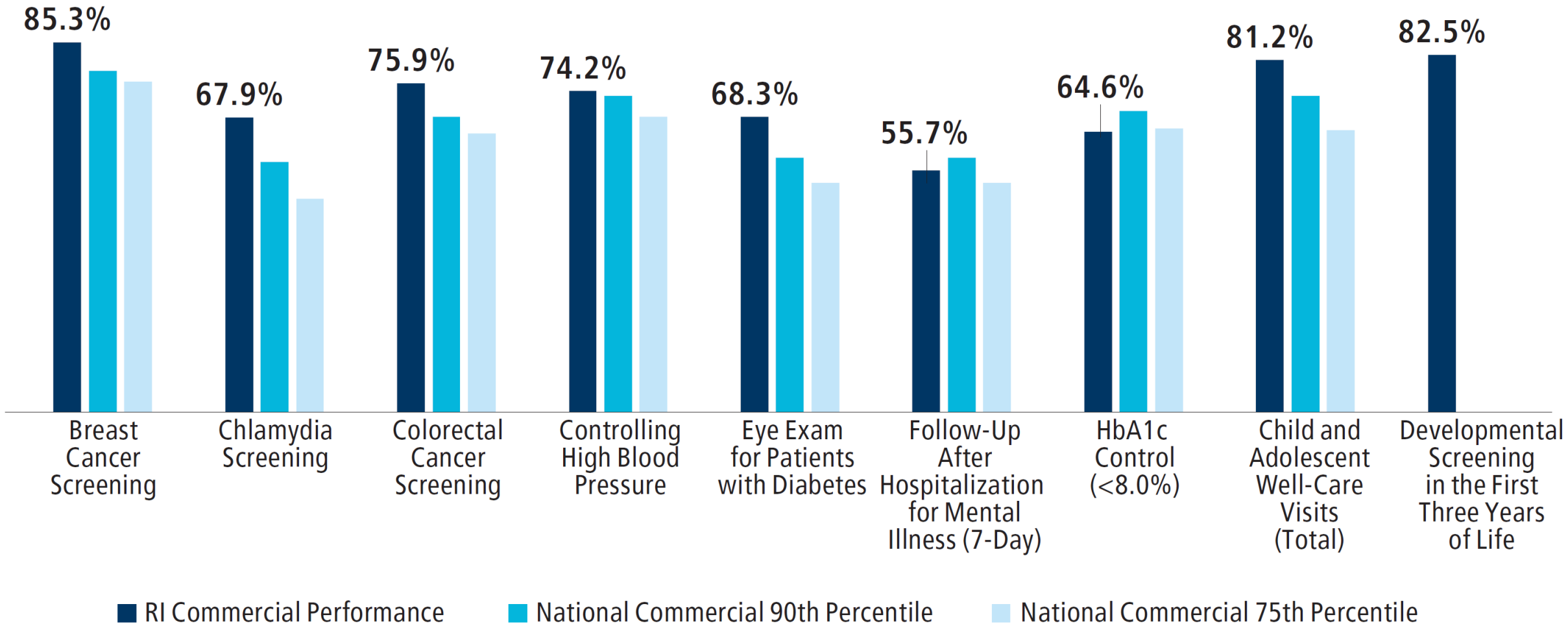
The 2023 ACO Core Measure Set contained nine measures addressing chronic disease management, behavioral health, prevention and screening, and pediatric care:

1. *Breast Cancer Screening*
2. *Child and Adolescent Well-Care Visits*
3. *Chlamydia Screening*
4. *Colorectal Cancer Screening*
5. *Controlling High Blood Pressure*
6. *Developmental Screening in the First Three Years of Life*
7. *Eye Exam for Patients with Diabetes*
8. *Follow-Up After Hospitalization for Mental Illness (7-Day)*
9. *HbA1c Control for Patients with Diabetes (<8.0 percent)*

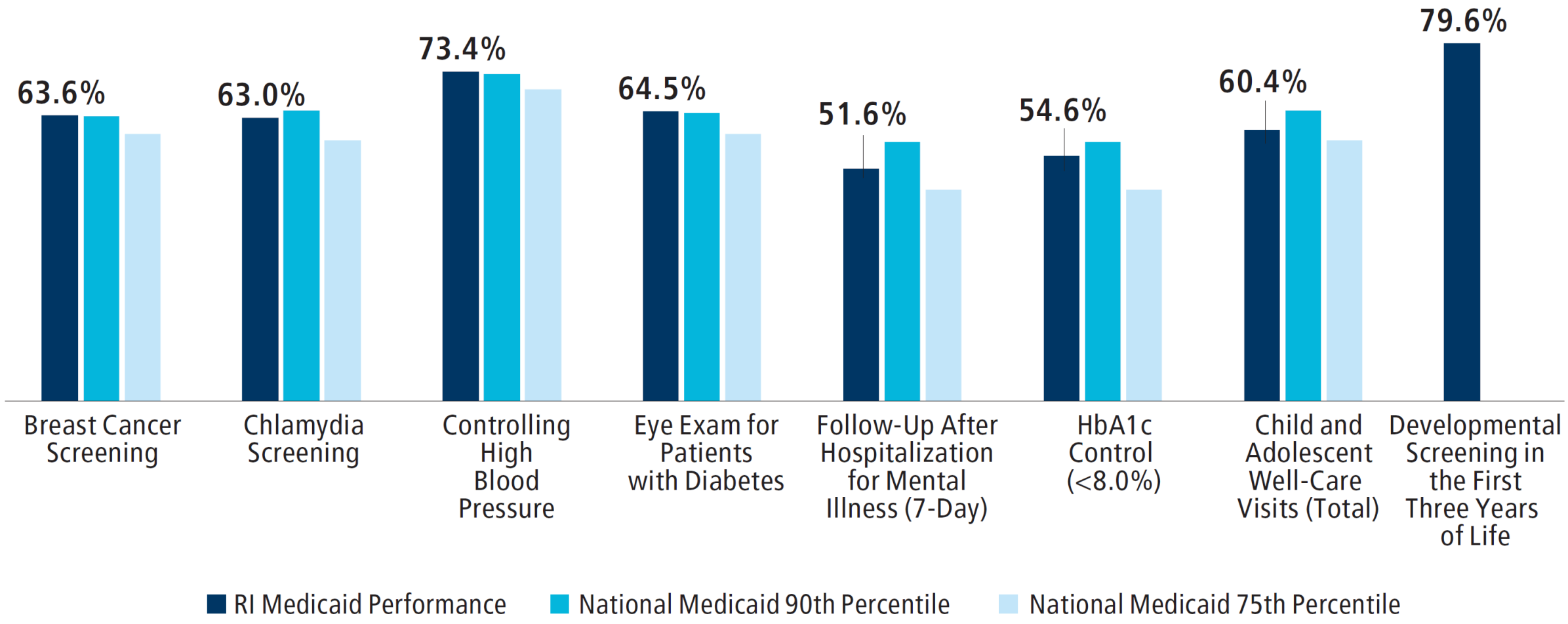
Data Collection and Analysis Methodology

Market	Data Source	Methodological Summary
Commercial	OHIC obtained commercial performance directly from insurers as part of the cost growth target data collection.	Statewide commercial performance is based on a weighted average of insurer performance because multiple insurers submitted measurement data using population samples.
Medicaid	EOHHS provided the data to calculate Medicaid performance, which it already collects as part of measurement and reporting of AE quality performance on the Medicaid AE Common Measure Slate.	Medicaid performance represents the full population for the measures because EOHHS requires that insurers submit performance data for their full population.

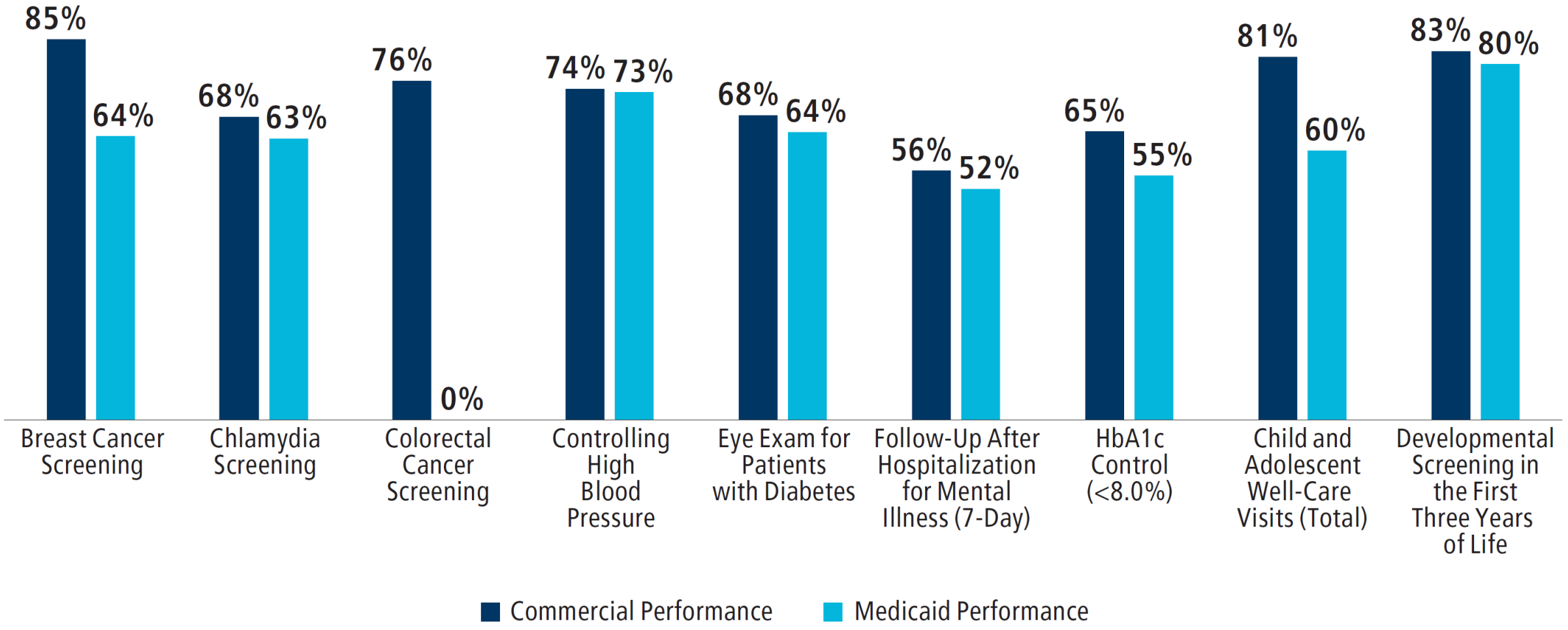
2023 Statewide Commercial Performance on the ACO Core Measure Set



2023 Statewide Medicaid Performance on the ACO Core Measure Set



2023 Statewide Medicaid and Commercial Performance on the ACO Core Measure Set



2023 Performance on Public Health and Health Equity Measures

Public Health and Health Equity Measures Background

- In 2023, the Cost Trends Steering Committee recommended that OHIC select a set of public health and health equity (PH & HE) accountability measures, with associated improvement goals, and report them publicly.
- In response, OHIC convened a PH & HE Target Measures Work Group which recommended six measures for inclusion. The Steering Committee and OHIC accepted the recommendation.
- Last year, OHIC reported baseline data for these measures. This year, for the first time, OHIC is publicly reporting performance on these measures.

PH & HE Measure Set: Six Measures in Four Domains

- The Public Health and Health Equity Measure Set contains six measures spanning four domains: childhood obesity, behavioral health, health care access, and maternal and infant health.

Measure Name	Data Source
Adults without a Usual Source of Care	Behavioral Health Risk Factor Surveillance System data, RI Foundation
Childhood Obesity Rate	BMI clinical and billing records, RI KIDS COUNT
Fatal Overdoses	CDC State Unintentional Drug Overdoses Reporting System
Inadequate Prenatal Care	Vital Records Birth Certificate data, RI Department of Health
Infant Mortality Rate	Vital Records Birth Certificate data, RI Department of Health
Severe Maternal Morbidity	Hospital Discharge Data, RI Department of Health

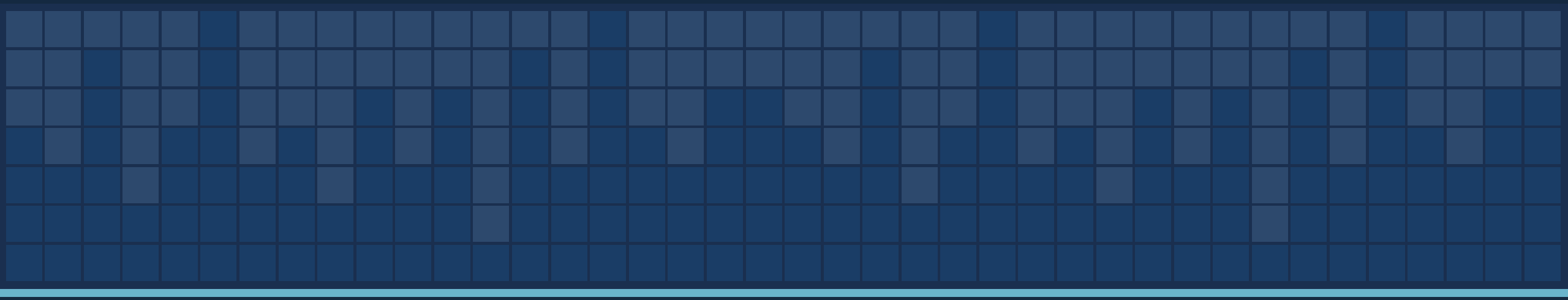
2023 Performance on the PH & HE Measure Set (1 of 2)

Measure	Population	Baseline Performance	2023 Performance	2027 Target
Adults without a Usual Source of Care	Hispanic adults	24% *Compared to 11.4% statewide*	30%	<17%
Childhood Obesity Rate	Separate targets or Black and Hispanic children	Black children: 29% Hispanic children: 33% *Compared to 23% statewide*	Black children: 28% Hispanic children: 32%	Black children: <23% Hispanic children: <27%
Fatal Overdoses	Total Population	39.8 deaths per 100,000 persons *Compared to 35.0 nationally*	37.6 deaths per 100,000 persons	<35.0 deaths per 100,000 persons

2023 Performance on the PH & HE Measure Set (2 of 2)

Measure	Population	Baseline Performance	2023 Performance	2027 Target
Inadequate Prenatal Care	Ages <20 Years	8.1% *Compared to 3.3% statewide*	8.8%	<4.0%
Infant Mortality Rate	Combined target for Black and Hispanic mortality rate	7.7 deaths per 1,000 live births *Compared to 5.5 statewide*	6.6 deaths per 1,000 live births	<5.5 deaths per 1,000 live births
Severe Maternal Morbidity	Total population	86.2 per 10,000 delivery hospitalizations	86.7 per 10,000 delivery hospitalizations	<75.0 per 10,000 delivery hospitalizations

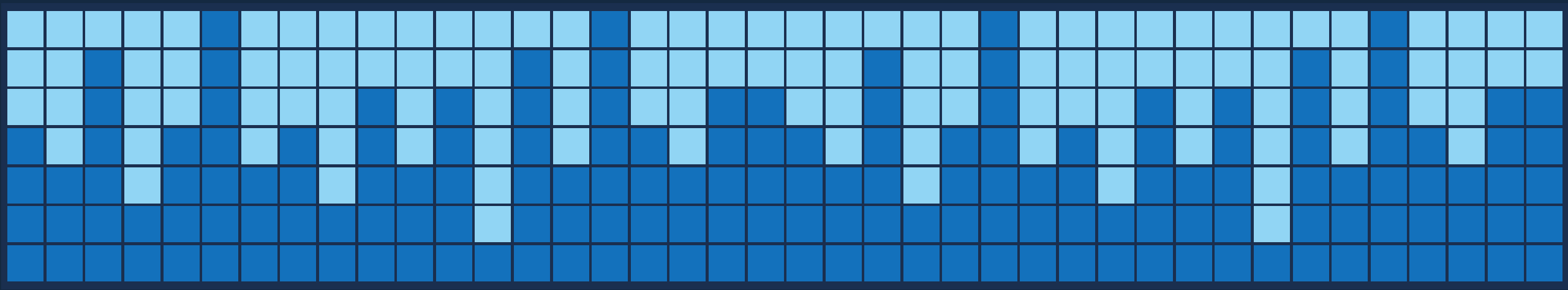
Q&A



STATE OF RHODE ISLAND
Office of The Health Insurance Commissioner
Department of Business Regulation

Recommendations from the Commissioner

2025



Accessible Primary Care is Necessary to Control Rising Health Care Costs

*"Absent access to high quality primary care, minor health problems can spiral into chronic disease, care management becomes difficult and uncoordinated, visits to emergency departments increase, preventive care lags, and the nation's health care spending soars to unsustainable levels."**

- On April 29th, Governor McKee announced a package of initiatives to strengthen primary care in Rhode Island.
- New OHIC regulations require commercial health insurers to increase primary care funding as a percentage of total medical expenses from approximately 6% to 10% by 2029 and to reduce prior authorization requirements.
- Payment reforms across all payers, including Medicaid and Medicare, will be necessary to support the sustainability of primary care.

* National Academies of Sciences, Engineering, and Medicine. 2021. Implementing High-Quality Primary Care: Rebuilding the Foundation of Health Care. Washington, DC: The National Academies Press. https://doi.org/10.17226/25983., p.3.

Recommendation 1: Accelerate Multi-Payer Investment in Primary Care

Create a Primary Care Rate Review Process

- OHIC recommends authority and funding for a rate review that will evaluate Medicaid payment for primary care services. This will involve benchmarking Medicaid to commercial and Medicare payments and working directly with primary care providers to understand the costs of running an advanced primary care practice to inform rate and payment development.
- Governor McKee has proposed legislation and funding for a primary care rate review in the FY 2026 budget.

Pursue Enhanced Medicare Payments for Primary Care through AHEAD

- Rhode Island was selected to participate in the AHEAD program and has negotiated an average monthly payment of $21, adjusted for inflation from 2028 through 2034.
- OHIC recommends stakeholders continue to collaborate on implementation of the AHEAD program.

Recommendation 1: Accelerate Multi-Payer Investment in Primary Care, cont.

Ensure Equitable Private Payer Financing of Primary Care

- Self-insured employers account for approximately 60% of Rhode Islanders with employer-sponsored insurance.
- OHIC recommends that all private insurers acting as third-party administrators for self-insured employers establish fee schedules and non-claims payments for primary care that are consistent with those paid for fully insured benefit plans.
- OHIC recommends that self-funded employers exercise their individual agency and purchasing power to select third-party administrators that support higher primary care funding aligned with OHIC regulations.

Explore Advanced Primary Care Management Payments Across All Payers

- The 2025 Medicare Physician Fee Schedule added three new HCPCS codes for advanced primary care management services.
- OHIC recommends other payers evaluate and consider adding these new HCPCS codes to their payment policies at reimbursement rates appropriate for the relevant insured population.

Market Oversight Requires Transparency into the Financial Performance and Operating Costs of Health Care Providers

- Information on the financial performance and operating costs of Rhode Island's health systems and hospitals is not consistently assembled or made available to the public. This data would be useful to policymakers and the public alike.
- In 2024, the Executive Office of Health and Human Services (EOHHS) led a health care system planning process that generated a host of recommendations to improve Rhode Island's health care system.
- Among the recommendations is a proposal to establish hospital/health system fiscal transparency, solvency & performance monitoring.

Recommendation 2: Improve State Oversight of the Health Care Delivery System

Improve Transparency into Hospital and Health System Finances

- OHIC recommends support for the EOHHS initiative to establish a system for hospital/health system fiscal transparency, solvency and performance monitoring. The state should explore federal match funding to support the creation of this system.
- Governor McKee's proposed Budget Amendment 13 establishes a statutory framework to improve transparency into provider financials.

Improve Oversight of Mergers and Acquisitions of Physician Practices

- OHIC recommends that Rhode Island's laws governing health care provider acquisitions and changes of ownership should be reviewed and potentially modified to require state notification and review of transactions involving physician practices and practice groups. This could include conducting cost and market impact reviews of transactions above a predefined market value threshold.

Thank You

For more information, see:

Cory King
Health Insurance Commissioner