



OFFICE OF THE  
HEALTH INSURANCE COMMISSIONER  
STATE OF RHODE ISLAND

April 1, 2025

The Honorable Susan R. Donovan  
Chairperson, House Committee on Health and Human Services  
Rhode Island State House  
82 Smith Street  
Providence, RI 02903

RE: Letter of Concern H-5832 – AN ACT RELATING TO STATE AFFAIRS AND GOVERNMENT – THE RHODE ISLAND HEALTH CARE REFORM ACT OF 2004 – HEALTH INSURANCE OVERSIGHT

Dear Chairperson Donovan:

I write on behalf of the State of Rhode Island Office of the Health Insurance Commissioner (OHIC) regarding [House Bill 5832](#). This legislation amends OHIC's enabling statute to legislatively increase existing regulatory caps governing hospital price growth and population-based contract budget growth through contracts between commercial health insurers and hospitals and accountable care organizations in Rhode Island, respectively.<sup>1</sup> The legislatively mandated increases would be effective for a three-year period. I would like to thank the bill sponsors for their commitment to improving health care for all Rhode Islanders. This is a commitment that I share. The following comments and concerns relate to the proposed increase to the hospital price growth cap.

As presently written, House Bill 5832 will further increase the health insurance premiums paid by individuals and small businesses in Rhode Island. It will also increase the cost of health care paid by self-funded employers for their employees' health care benefits, including Rhode Island's cities and towns and state government. At present, inflation and utilization growth are driving up health care spending in Rhode Island, forcing higher premiums and consumer cost sharing. This was evidenced in my difficult decision last year to raise health insurance premiums across the board, including double digit rate increases for small group and large group employers.<sup>2</sup> Health insurance premiums increase when health insurers' expenditures on claims, including hospital services, professional services, and prescription drugs increase.

To assist the Committee's review of this legislation I would like to offer a few facts and observations about the hospital price growth cap. Established regulations govern contracts between commercial

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<sup>1</sup> OHIC established hospital price growth caps in 2011 and population-based contract budget growth caps in 2015.

<sup>2</sup> Press Release, [2025 Commercial Health Insurance Rates Have Been Approved with Modifications](#).

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health insurers and hospitals in Rhode Island.<sup>3</sup> The hospital price growth cap is linked to the rate of inflation measured by the Consumer Price Index for All Urban Consumers (less food and energy), plus 1%. For example, pursuant to established regulations, in 2024 the hospital price growth cap was 5.3% (comprised of 4.3% CPI + 1%).<sup>4</sup> Any increase above 5.3% would require prior approval by OHIC.

Commercial reimbursement for hospital services tends to be the highest among all payers. The other payers are Medicare and Medicaid. According to the most recent analysis by RAND, on average, in 2022 commercial reimbursement for hospital inpatient facility services was 226% of the Medicare rate and hospital outpatient facility services was 184% of the Medicare rate.<sup>5</sup> In effect, commercial health insurers reimburse hospitals double what Medicare pays, on average. Working Rhode Islanders who obtain health insurance through their employers and residents who purchase their own coverage through the exchange ultimately bear these expenses.

Professional provider reimbursements, including, but not limited to primary care, emergency medicine physicians, and behavioral health **are not** governed by the regulations. Stated differently, there is no regulatory upper bound on reimbursement increases for most professional providers.

Hospital price growth caps are an important tool to protect consumers from excessive rate hikes and medical bills driven by hospital price increases. In the commercial market, hospital inpatient and outpatient spending accounts for over 40% of total medical spending, a major factor when determining health insurance premiums. Previous evaluations of OHIC's policies have shown that hospital price growth caps, along with other initiatives, have produced savings for Rhode Islanders.<sup>6</sup> In fact, even the Attorney General's Office has recognized the importance of this policy, stating on page 66 of the Attorney General's February 17<sup>th</sup>, 2022, Decision denying the merger of Lifespan and Care New England:

"The rate cap, along with other regulatory measures taken by OHIC, has had a positive effect on the health insurance market and made insurance more affordable and accessible to Rhode Islanders than it would otherwise be; the accolades that OHIC has received for accomplishing what other states' regulators could not are well deserved."<sup>7</sup>

Current OHIC regulations allow hospital reimbursement to increase annually. Senate Bill 0681 allows for higher hospital prices than current policy and does not ensure that hospitals take necessary actions to

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<sup>3</sup> 230-RICR-20-30-4.10(D)(6).

<sup>4</sup> OHIC Bulletin 2023-4: 2024 Consumer Price Index for All Urban Consumers: Less Food and Energy

<sup>5</sup> Whaley, et al. Prices Paid to Hospitals by Private Health Plans. Findings from Round 5.1 of an Employer-Led Transparency Initiative. RAND. [https://www.rand.org/pubs/research\\_reports/RRA1144-2-v2.html](https://www.rand.org/pubs/research_reports/RRA1144-2-v2.html)

<sup>6</sup> Baum A, Song Z, Landon BE, Phillips RS, Bitton A, Basu S. Health Care Spending Slowed After Rhode Island Applied Affordability Standards To Commercial Insurers. Health Aff (Millwood). 2019 Feb;38(2):237-245. doi: 10.1377/hlthaff.2018.05164. PMID: 30715981; PMCID: PMC6593124.

<sup>7</sup> See the link to the Decision here: <https://riag.ri.gov/press-releases/attorney-general-denies-application-merger-lifespan-and-care-new-england-health>

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slow spending growth for commercially insured Rhode Islanders or reduce costs. These higher prices will be passed on to businesses and consumers in the form of higher premiums.

I stand ready to work with the sponsors to discuss ways to address the concerns articulated above and to create a more targeted approach.

Sincerely,



Cory B. King  
Health Insurance Commissioner

CC: Honorable Members of the House Committee on Health and Human Services  
Honorable Teresa A. Tanzi  
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House