



February 25, 2025

The Honorable Joseph J. Solomon, Jr.  
Chairperson, House Corporations Committee  
Rhode Island State House  
82 Smith Street  
Providence, RI 02903

RE: Letter of Education H-5418 – AN ACT RELATING TO INSURANCE – SMALL EMPLOYER HEALTH INSURANCE AVAILABILITY ACT

Dear Chairperson Solomon:

I write on behalf of the State of Rhode Island Office of the Health Insurance Commissioner (OHIC) regarding [House Bill 5418](#). This legislation proposes an amendment to the definition of “small employer” under the Small Employer Health Insurance Availability Act. The bill would change the definition of small employer, for the small group insurance market, from an employer with no more than 50 employees to an employer with no more than 100 employees.

Other states have adopted an expanded definition of the small employer market up to 100 employees. Before following this path, it will be important for the state to account for market dynamics specific to Rhode Island and the existing small employers and large employers who would be affected by this policy change. Whether this policy change would lower small employer premiums and improve the market is an open question. This is because the small group market is rated (i.e. premiums are determined), pursuant to federal and state law, using an adjusted community rating approach. In effect, everyone in the small group risk pool shares in the cost of the whole. Large groups (employers with 51 or more employees) are rated differently. For large groups with sufficient volume, the group’s claims experience may be employed in determining the group’s premium. Shifting large employer groups (51 – 100 employees) into an expanded small group market will have distributional impacts to the current small group market and the large employers between 51-100. Some large employers in the 51-100 range could see their total health plan benefit costs go up from the shift, and some could see their costs go down, due to the change in rating approach. Likewise, there may be positive or negative impacts on small employer health insurance costs.

There are also behavioral dynamics that can influence the final outcome of changing the small group market structure. Large employer groups with healthier enrollees and lower claims expenses may face higher premiums based on small group rating practices and choose to shift to a self-insured funding arrangement. This would take the group out of the risk pool and mitigate any positive impact from shifting healthier members into the small group risk pool.

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Before moving forward with this proposal, I recommend that an actuarial study is conducted to assess the impact of changing the definition of small employer from an employer with no more than 50 employees to an employer with no more than 100 employees. With the appropriate resources, OHIC could conduct such a study. This study would analyze the claims experience of the current large group employers with 51-100 employees, relative to the claims experience of the current small group market, to understand how shifting the large employer risk to the current small employer risk pool would affect total costs, and ultimately premiums.

Thank you for your continued leadership and hard work on all matters related to the health of Rhode Islanders.

Sincerely,



Cory B. King  
Health Insurance Commissioner

CC: Honorable Members of the House Corporations Committee  
Honorable George A. Nardone  
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House