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March 4, 2026

The Honorable Marvin L. Abney
Of the House Committee on Finance
Rhode Island State House
Providence, RI 02903

RE: AHIP Comments on H.7127, An Act Making Appropriations for the Support of the State for the Fiscal Year Ending June 30, 2027 -- CONCERNS

To Chairman Abney and Members of the House Finance Committee,

AHIP appreciates the opportunity to provide comments on H.7127, a bill making appropriations for the Rhode Island state budget for Fiscal Year 2027. We write to provide feedback on Article 11 Section 12, which proposes cost-growth and all-payer primary care investment targets, along with data submission and remediation protocols for non-compliant health plans.

Across the country, families and employers continue to struggle under the weight of rising health care costs. Health insurance premiums directly reflect the underlying cost of medical care, and health plans are doing everything in their power to protect consumers from the full impact of the high and rising prices charged by drugmakers, hospitals and other providers.

AHIP shares your concerns about health care affordability, and we appreciate the intent of Section 12 in Article 11 of H.7127 in its attempt to control costs. However, while well intended, the cost-growth target programs in Section 12 in Article 11 of H. 7127 may have the unintended consequence of increasing health care costs for Rhode Islanders. Because of this, we urge the Committee to consider alternative policy measures to achieve its goals by focusing on the true drivers of rising health care costs.

Cost Growth Benchmarking and All-Payer Primary Care Investment Targets. Section 12 of Article 11, 42-14.5-3.2 establishes a cost growth benchmarking program and requires the Office of Health Insurance Commissioner (OHIC) to set annual all-payer primary care investment targets through rulemaking.

If adopted, a cost growth benchmark program should be one component of a broader affordability strategy. At a micro-level, such a program can help regulators assess systemwide cost trends, understand interactions among market participants, identify outliers, and inform targeted oversight. To be effective, the program should apply to all entities that influence health care costs, including insurers, hospitals, providers, and drug manufacturers.

However, the proposed language imposes data submission requirements solely on insurers, with no corresponding obligations for providers or drug manufacturers. Requiring data submission from all stakeholders – not just health plans – is essential to achieving a comprehensive, systemwide understanding of cost drivers and performance, enabling policymakers to accurately identify outliers and target meaningful improvements. We are also concerned that the costs of these programs may ultimately be passed to consumers, undermining their intended purpose.

For these reasons, AHIP opposes Section 12 of Article 11 as a standalone provision. AHIP and our member plans remain committed to working with the Committee to advance policies that reduce costs, improve affordability, and strengthen access to high-quality care, while supporting healthier markets for Rhode Islanders via commonsense solutions.

Health insurance premiums directly reflect the cost of medical care. Nearly 85 percent of Americans' premium dollars directly going to cover the cost of hospital-based services, prescription drugs, physician fees and other medical services.[1] When prices for these treatments and services go up, the premium consumers pay for their coverage must rise to keep pace. By focusing on addressing the root causes of higher health care costs and corresponding premiums, policymakers can take meaningful steps to make coverage and care more affordable for Americans.

Hospital and Provider Costs Are Major Drivers of Premium Increases. Hospital based care – including inpatient, outpatient, and emergency department services—accounts for more than 40 cents of every premium dollar. National spending on hospital care exceeded $1.6 trillion in 2024, and consolidation across hospital systems has enabled dominant providers to demand higher prices without corresponding improvements in quality. Research shows that when hospitals merge, prices increase consistently - sometimes dramatically - while patient outcomes do not improve. Additionally, opaque billing practices, expanding facility fees, and wide price variation between sites of care mean patients often face higher costs for identical services. These market trends directly translate into higher premiums, year after year.

Prescription Drug Prices Continue to Rise at an Unsustainable Pace. Nearly a quarter of every premium dollar goes toward prescription drugs, and drug prices continue rising largely unchecked. Patent gaming, exclusivity extensions, and delayed entry of lower cost alternatives - such as generics and biosimilars - contribute directly to rising premiums for consumers. Addressing these pharmaceutical cost drivers is essential to improving affordability.

A More Competitive Marketplace Will Bring Down Costs. AHIP's *Healthier Markets, Healthier People* framework outlines a set of common sense, pro competition reforms that can reduce underlying costs while improving care. These include:

- Fostering pro patient competition by breaking down barriers to innovative care models, expanding homebased care, and supporting high quality telehealth options.
- Stopping anticompetitive provider pricing by strengthening oversight of hospital mergers, preventing monopolistic practices, and reducing provider leverage that drives up prices without improving care.
- Bringing down monopoly drug prices by advancing patent reform, curbing anticompetitive behavior in the pharmaceutical market, and accelerating access to biosimilars.

When competition is balanced with strong patient protections, market driven innovation reduces costs and improves health outcomes. Strategic but targeted action can help rebalance markets that have become dominated by a small number of powerful actors.

AHIP supports policies and reforms that promote healthier markets for healthier people. If we want to make health care and coverage more affordable for every American, we must confront the underlying cost drivers —high hospital prices, unchecked drug costs, and provider consolidation that diminishes competition and raises prices. Health plans stand ready to work with you to enact reforms that:

- Promote healthy, competitive markets.
- Deliver greater affordability for families and employers.
- Improve transparency and accountability across the system; and
- Ensure patients have access to high quality, innovative care.

[1] Where Does Your Health Care Dollar Go? - AHIP

Recommendations: AHIP urges the Committee not to pass Section 12 of Article 11 as a standalone measure.

AHIP looks forward to partnering with you to advance policies that directly address health care cost drivers, strengthen market competition, and ultimately deliver better health and better value for the people we all serve. If you have any questions or concerns regarding our comments and would like to discuss these matters further, please contact Sarah Lynn Geiger at slgeiger@ahip.org or by phone (609) 605-0748.

Sincerely,

Sarah Lynn Geiger, MPA
Regional Director, State Affairs

cc: Members, House Finance Committee

ABOUT AHIP

AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit www.ahip.org to learn how working together, we are **Guiding Greater Health**.