

May 9, 2024

The Honorable Susan Donovan, Chair
House Committee on Health and Human Services
State House
Providence, Rhode Island

Via email to: HouseHealthandHumanServices@rilegislature.gov

RE: House Bill 8072 — The RI Health Care Reform Act of 2004 — Health Insurance Oversight

Dear Chair Donovan and Members of the Committee:

On behalf of Blue Cross & Blue Shield of Rhode Island (Blue Cross), I write to express opposition to this proposal, which would require that commercial payments to hospitals and providers be increased to a regional average of the rates paid to providers in Rhode Island, Connecticut and Massachusetts.

Mandating a blanket increase in payments to providers will result in an increase in the premiums paid by individuals, small business, municipalities and large employers, including the State of Rhode Island. The Office of the Health Insurance Commissioner notes that the average annual premium for a Rhode Island family of four now exceeds **\$22,900**. This bill is projected to add an additional **\$4,000** per year to the average family premium.

Raising provider payments by more than 24%, as the proponents advocate, would require a premium increase of more than **\$388,000,000** for Blue Cross subscribers alone, and **\$500,000,000** across all commercial carriers, according to estimates by South County Hospital. Any increase in medical costs is paid directly by self-funded employers, like the State of Rhode Island and its municipalities and passed through by health plans, like Blue Cross, to the businesses, mostly small businesses and individuals we insure, including provider practices and health systems. The Office of Management and Budget's Fiscal Note projects the cost to the State for its employees and their families will be **\$35,000,000**. Our estimate for the cost for the 67,000 Municipal workers and their families exceeds **\$67,000,000**.

There is a considerable difference, not only in the cost of living, but also in family incomes across Southern New England. According to the US Census Bureau, the Rhode Island median household income in 2022 was **\$81,370**, while it was **\$90,213** in Connecticut and **\$96,505** in Massachusetts. It is unrealistic and inequitable to expect Rhode Island residents to pay exponentially higher health insurance premiums in order to meet provider payment rates of neighboring states, including Fairfield and Suffolk Counties, encompassing wealthy New York City and Boston suburbs.

Mandating a blanket increase in provider fees is a departure from the decades-long effort to move the delivery system away from fee-for-service and toward quality based care. A series of Health Insurance Commissioners have directed insurers — and worked with them — to engage providers in quality-based arrangements that base compensation on the value of care rather than volume of services.

This proposed increase would undermine the progress that has been made in value-based care arrangements, which so importantly focus on patient health outcomes. The bill would also adversely affect local employers' ability to offer competitive salaries, adding to the challenges of building a thriving Rhode Island economy.

Payment increases are thoughtfully applied and targeted. Blue Cross considers patient access to care, network participation, quality of care, and affordability when determining payment levels. Today, in addition to general compensation levels, Blue Cross collaborates with providers on agreements that include higher per-service payments, annual infrastructure funding, and additional "per member" monthly payments based on patient health outcomes. With no provisions imposing any obligation on providers in return for the higher payments, this bill, statutorily mandating higher provider compensation, diminishes the ability for health plans to negotiate or fund increases based on improvements in access to care, quality of care, or health outcomes.

Payments to providers made by commercial health plans are already among the highest fees received by providers for the services they provide to patients. Medicaid is regularly and by far the lowest payer for the same healthcare services. Recent findings by OHIC have revealed that increases to the Medicaid fee schedule are needed, and legislation to expand OHIC's review of the adequacy of Medicaid fee schedule is pending before this Committee. OHIC's research, together with a Rhode Island Foundation commissioned study by Manatt on Rhode Island's healthcare system, which is due to be published in the coming weeks, will provide important data upon which policy makers can base appropriate actions to address a number of serious issues challenging our healthcare system.

We urge you to consider the cascading effects of an across-the-board increase in provider payments, without regard to the substantial premium increases that would be required to fund it. This bill would clearly make health insurance more unaffordable for Rhode Islanders struggling to continue to pay for their health coverage.

Sincerely,

A handwritten signature in blue ink that reads "Shawn R. Donahue". The signature is written in a cursive style with a clear, legible font.

Shawn R. Donahue, Esq. Managing Director,
Government Relations