

March 31, 2026

The Honorable Louis DiPalma, Chair, Senate Committee on Finance

Via email to: SenateFinance@rilegislature.gov

Re: House Bill 7127, Article 11, Section 12 (Budget – Cost Trend expansion)

Dear Chairman DiPalma and Members of the Committee:

On behalf of Blue Cross & Blue Shield of Rhode Island (Blue Cross), I am writing to share concerns with this legislation.

We share your deep concern about the rising cost of health care services and the resulting increases in health insurance premiums. These increases are not sustainable for employers, families, or the broader Rhode Island economy. We agree with much of the background information presented by the Commissioner and strongly support continued investment in primary care, as well as collaborative, system-wide efforts to improve access to care.

We hear directly from our customers every day about the increasing difficulty of paying for health insurance coverage. Reducing medical cost growth is a key priority. We are employing every tool available to us to manage rising costs while maintaining access to high-quality care. We are launching new programs and advancing initiatives designed to better support our members while reducing healthcare costs. For example:

- Expanding enhanced care management services for members with complex medical needs to help them access the right care at the right time and avoid unnecessary hospitalizations.
- Providing comprehensive, wraparound services for members with end-stage renal disease to support better disease management and prevent acute episodes.
- Undertaking a major initiative focused on cancer care, including intense collaboration with local providers, which will both improve care coordination and help keep care in Rhode Island.

We have been actively engaged in the Office of the Health Insurer Commissioner's (OHIC), cost trend efforts and have participated on the Steering Committee since its inception in 2018. We support the goals of that work as well as the underlying objectives of this proposed legislation.

However, we have significant concerns about the approach taken in this proposal to address these complex issues. While we share the goal, we do not believe this proposal is likely to achieve those objectives. In particular, it places a disproportionate burden and unrealistic expectations on insurers to solve broad health care system challenges.

Health care costs are driven by multiple factors, including underlying prices, the volume of services utilized, the types of care delivered, and the rapidly growing cost of prescription drugs. Demand for care continues to increase, driven by an aging population, a growing prevalence of chronic conditions, and the introduction of new treatment options. We have seen substantial increases in utilization across every category of care: inpatient, outpatient, and professional services. At the same time, prescription drug costs now account for nearly 20 percent of total medical spending and continue to rise with the introduction of new, high-cost specialty drugs.

Simultaneously, insurers' primary tools to manage utilization and ensure appropriate care have been increasingly limited by legislative and regulatory actions. For example, legislation enacted last session prohibits prior authorization reviews for services ordered by primary care providers, a change that is expected to add approximately \$5 million annually to premiums. In addition, a regulatory requirement mandating a broader 20% reduction in prior authorization further constrains our ability to manage utilization effectively.

Insurers are now required to spend more because of legislative and regulatory mandates. Recent regulatory action requires substantial increases in payment rates to primary care providers, which will also increase behavioral health spending under parity requirements. **As a result, primary care spending for members in the fully insured market is projected to increase from approximately \$80 million in 2024 to between \$120 and \$125 million in 2028, an increase of roughly 50%.** In addition, the Assembly enacted a new assessment last session adding \$30 million to the cost of coverage, and it continues to enact new benefit mandates and cost-sharing limits, such as caps on specialty drug cost sharing and coverage requirements for services like biomarker testing.

While many of these policy decisions may be worthwhile, they nonetheless add to the overall cost of health care. **We urge you to consider the inconsistency of simultaneously limiting insurers' ability to manage utilization, directing increases in payment rates and benefits, and then holding insurers accountable for exceeding aggressive cost trend targets.**

The cost trend targets themselves, while aspirational, are not realistic at their current levels. In 2024, our submitted trend exceeded 7% compared to a target of 5.1%. The targets then drop further—to 3.6% in 2025, and 3.3% in both 2026 and 2027. Achieving these targets is not feasible in the current environment and effectively sets insurers up for failure and potential penalties.

Moreover, setting cost targets five years in advance does not adequately account for the volatility and unpredictability of medical expenses, particularly in light of emerging technologies, drug therapies, shifts in utilization, consolidation in the provider community, and pressure from providers to fund needed investments.

We are also concerned that the additional regulatory and reporting burdens contemplated by this framework—particularly for insurers and self-funded plans—could discourage business growth in Rhode Island. This would further exacerbate the longstanding challenge of a shrinking commercial market being asked to subsidize inadequate Medicaid and Medicare reimbursement rates. The reporting requirements alone would require significantly more resources than we currently have staffed. Experience in other states where similar frameworks have been adopted demonstrates the need for extensive preparation for hearings and responses to wide-ranging information requests.

We appreciate the General Assembly's and the OHIC's constructive discussions and efforts on controlling the growth of health care costs. As more Rhode Islanders receive increasingly complex care—particularly with the growth of high-cost medications—controlling cost growth becomes even more challenging. However, we respectfully ask legislators to recognize that controlling premium growth becomes significantly more difficult when insurers face simultaneous restrictions on utilization management, mandated payment increases, richer benefit requirements and coverage mandates, and new assessments.

If the General Assembly is interested in developing a more effective and sustainable approach, we encourage directing the OHIC to work collaboratively with stakeholders through the existing

Cost Trend Committee to design a program that reflects shared accountability across the entire health care system and achieves broader, more uniform adoption.

Thank you for your consideration and for your engagement on these critical issues. We look forward to continuing collaboration with the Assembly and the Office of the Health Insurance Commissioner in pursuit of affordable, high-quality health care for all Rhode Islanders.

Sincerely,

Richard Glucksman

Assistant General Counsel