



STATE OF RHODE ISLAND

Office of The Health Insurance Commissioner

Department of Business Regulation

# Measuring Total Health Care Expenditures in Rhode Island

OCTOBER 25, 2024

CORY KING, HEALTH INSURANCE COMMISSIONER

# Office of the Health Insurance Commissioner Overview

The State of Rhode Island Office of the Health Insurance Commissioner (OHIC) is Rhode Island's commercial health insurance policy reform and regulatory enforcement agency. OHIC seeks to improve health care access, affordability, and quality. The office does so as it:

- Protects the interests of consumers of commercial health insurance,
- Encourages fair treatment of health care providers by commercial health insurers,
- Improves the health care system as a whole, and
- Guards the solvency of commercial health insurers.

# OHIC Powers & Duties

Solvency

Rate  
Review

Form  
Review

Market  
Conduct

Other  
Powers

# OHIC Powers & Duties

“With respect to health insurance as defined in § 42-14-5, the health insurance commissioner shall discharge the powers and duties of office to: ...

... View the health care system as a comprehensive entity and encourage and direct insurers towards policies that advance the welfare of the public through overall efficiency, improved health care quality, and appropriate access.”

P.L. 2004, ch. 446, § 2; P.L. 2004, ch. 557, § 2.

# THCE & Cost Growth Target Background

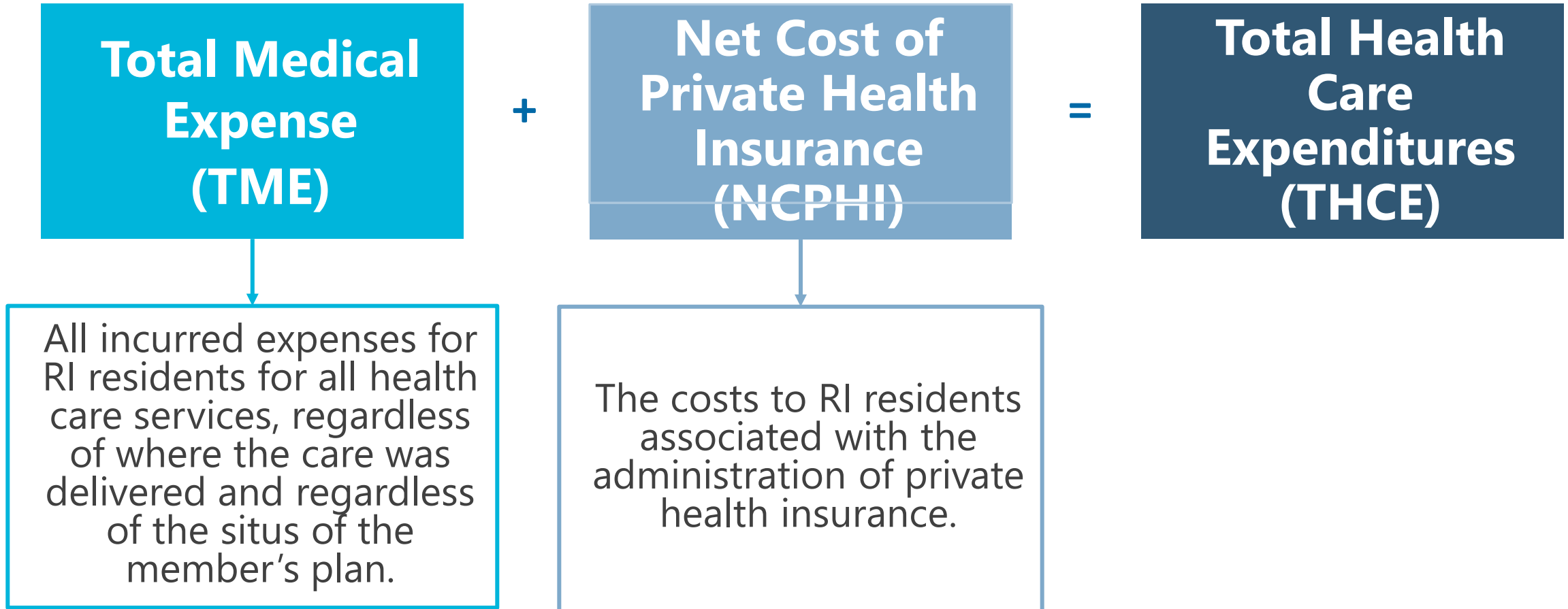
# Rhode Island's Cost Growth Target

In 2018, OHIC convened the Rhode Island Cost Trends Steering Committee which set out to restrain health care spending growth and improve affordability of health care by establishing a cost growth target.

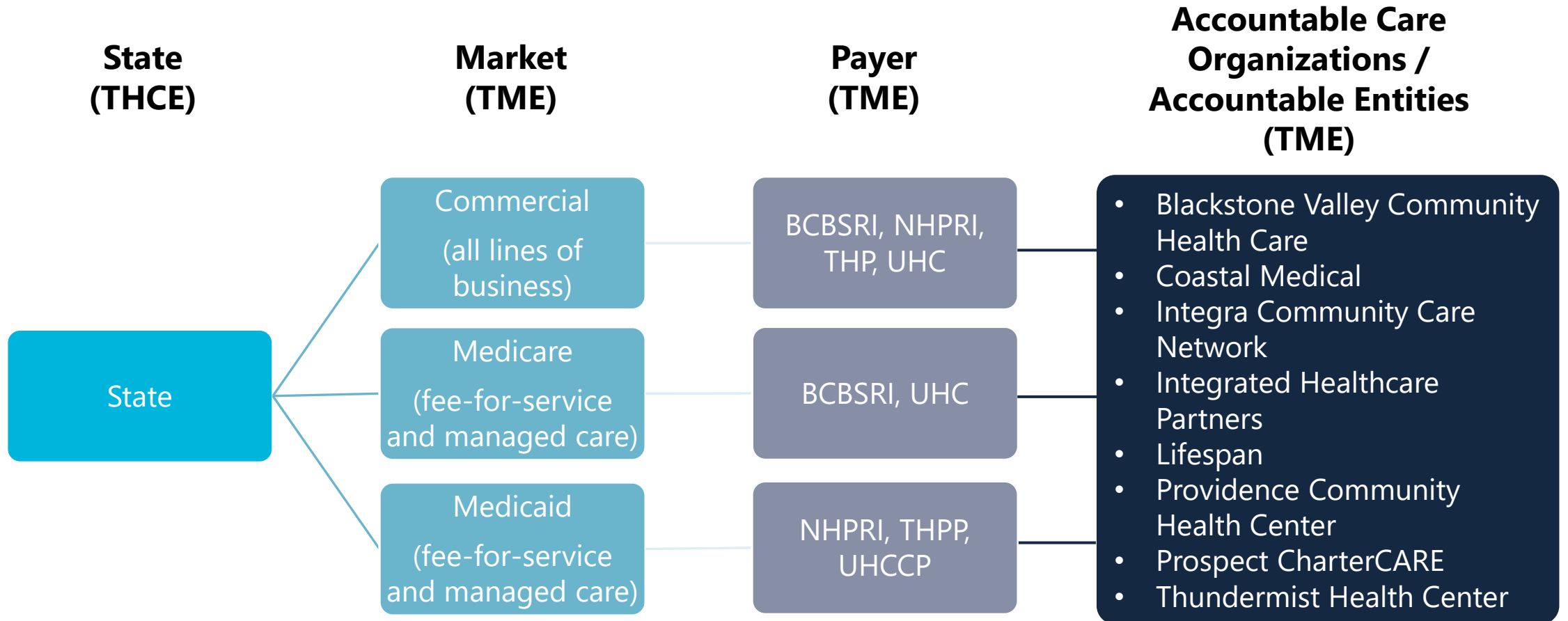
- The Committee established a statewide per person annual cost growth target of 3.2%, equivalent to long-term projections of the State's economic growth. This target was applicable for the 2019 through 2022 performance years.
- In 2023, the Committee selected a set of new targets for 2023 through 2027 (memorialized in an updated voluntary Compact) that consider both projected state economic and median household income growth. Inclusion of the latter was in recognition that consumer impact needed to be reflected in the targets.

Besides Rhode Island, there are now seven other states (CA, CT, DE, MA, NJ, OR, and WA) that have cost growth target programs.

# What Is Being Measured Against the Target



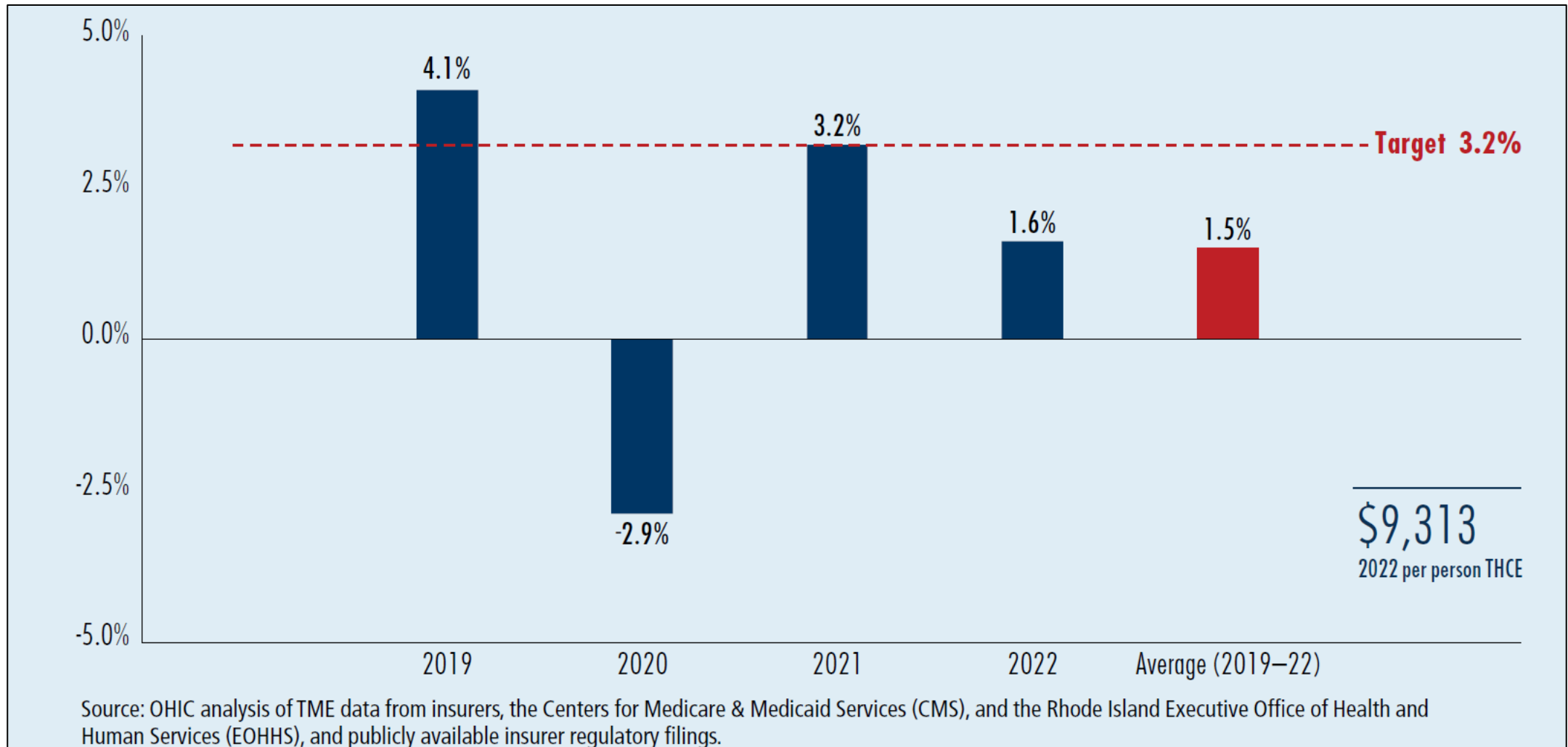
# Four Levels of Performance Measurement Against the Target





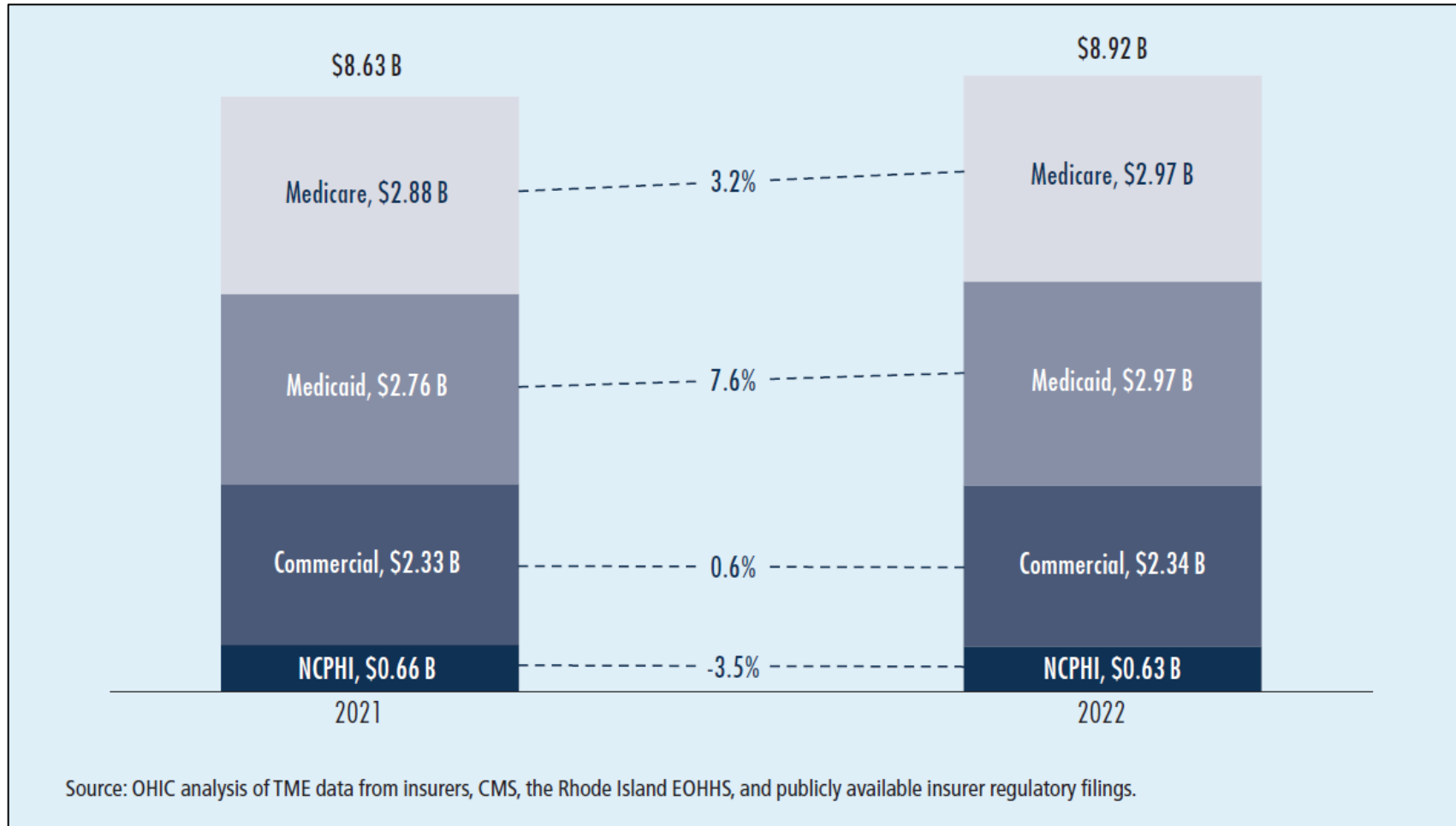
# State & Market Performance Against the Cost Growth Target

# Rhode Island Met its Cost Growth Target in 2022



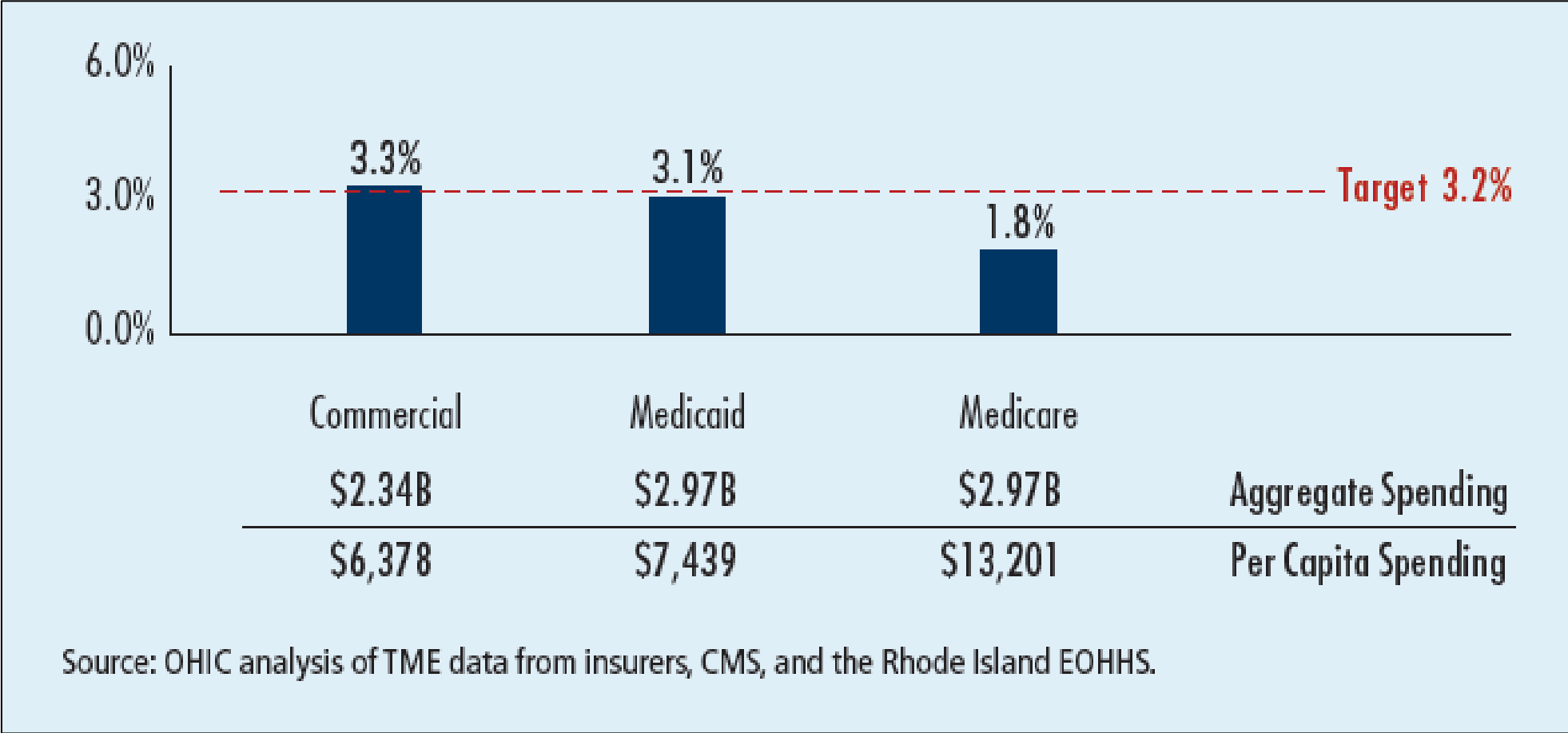
Data are not risk-adjusted and are reported net of pharmacy rebates.

# Total Health Care Spending in Rhode Island Was \$8.92 Billion in 2022



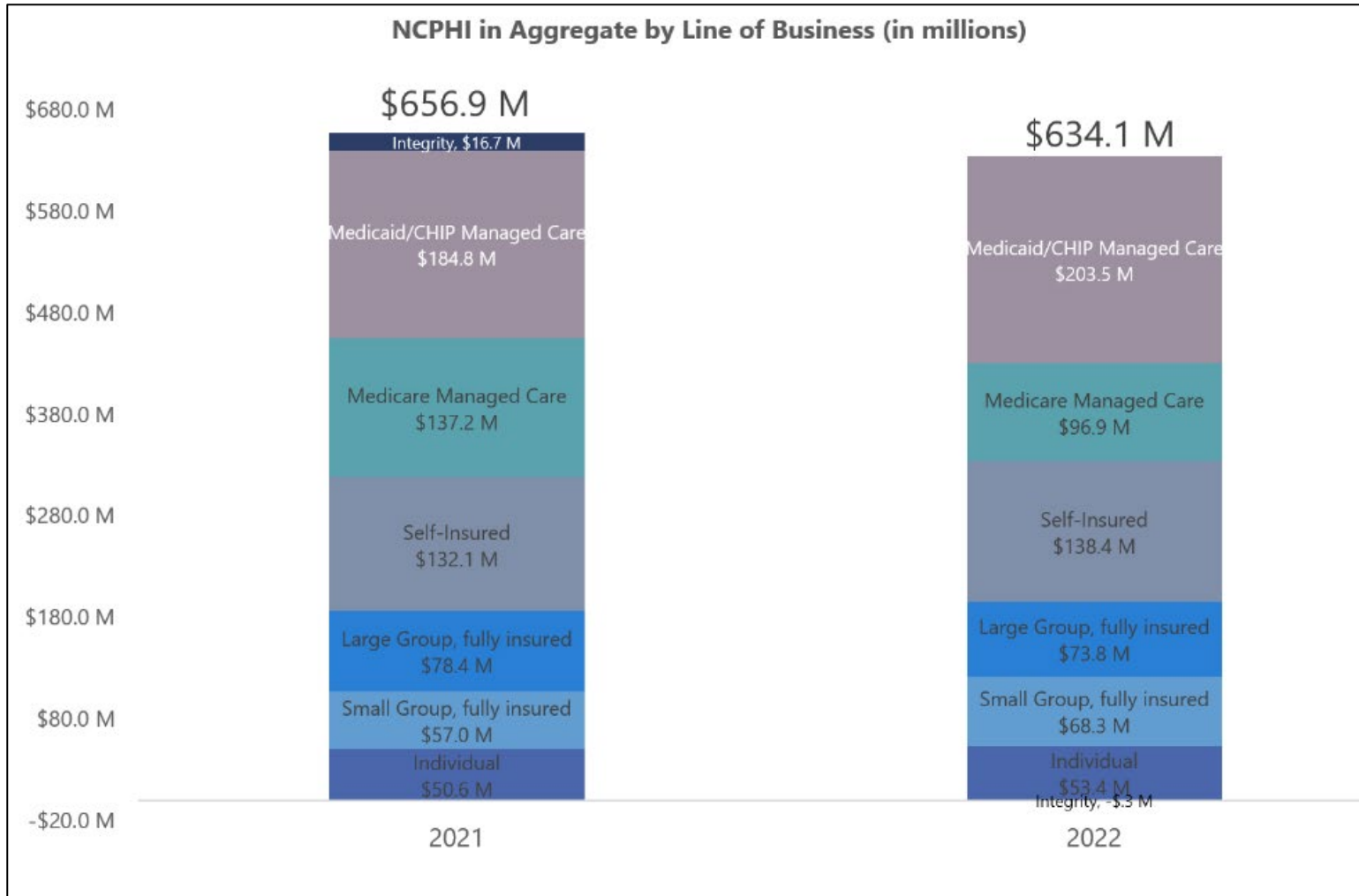
Data are not risk-adjusted and are reported net of pharmacy rebates. "NCPHI" is the Net Cost of Private Health Insurance.

# Growth in the Commercial Market Slightly Exceeded the Cost Growth Target; Growth in Medicaid was Just Under



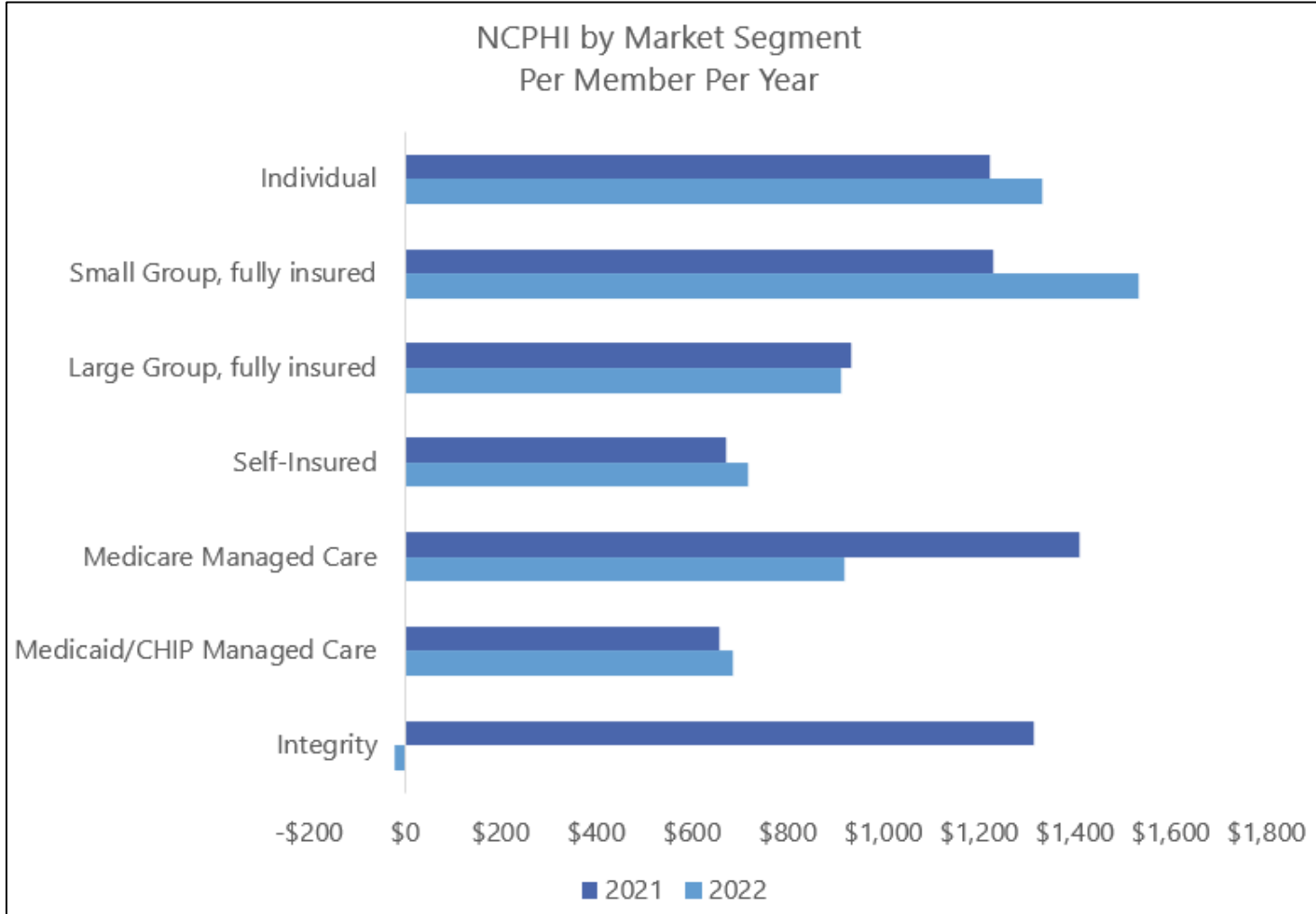
Note: Statewide THCE trend in 2022 was 1.6%, which is below that of each of the three markets shown here. THCE includes NCPHI, which decreased on a per capita basis by 5%. Additionally, in both 2021 and 2022, per capita spending for Medicare was nearly equal to the sum of per capita spending in the commercial and Medicaid markets. Medicare’s low growth brought overall statewide trend down.

# In 2022, NCPHI Decreased 3.5% and Contributed \$634 Million to State THCE



Year	NCPHI Per Capita	NCPHI Trend Per Capita
2021	\$698	-5.1%
2022	\$662	

# NCPHI by Market Segment

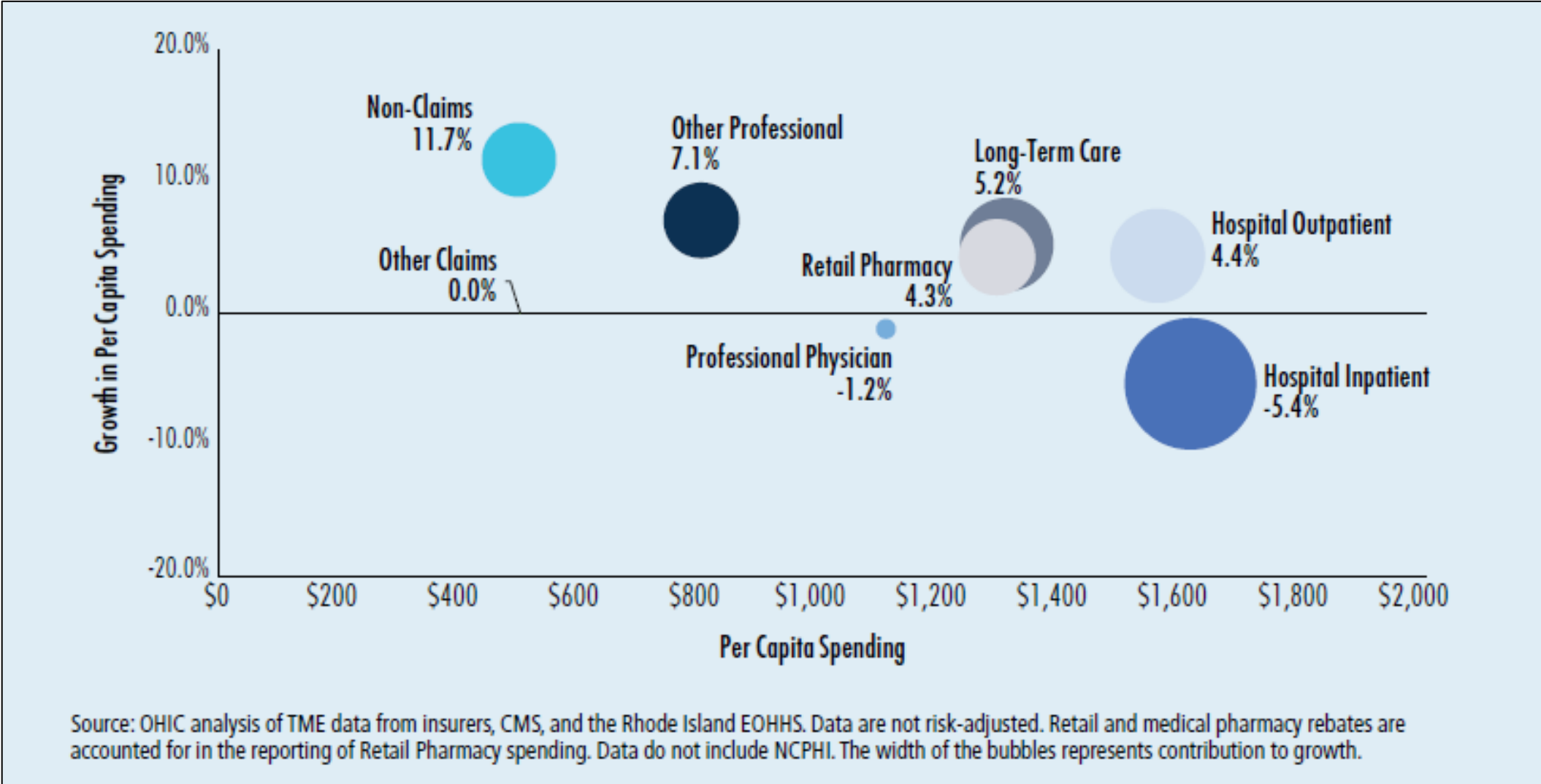


**Aggregate NCPHI**  
**2021: \$657M**  
**2022: \$634M**

<u>Category</u>	<u>2021-2022 Trend</u>
Individual	9%
Small Group	25%
Large Group	-2%
Self-Insured	7%
Medicare MCO	-35%
Medicaid MCO	4%
FAI Duals (Integrity)	-102%

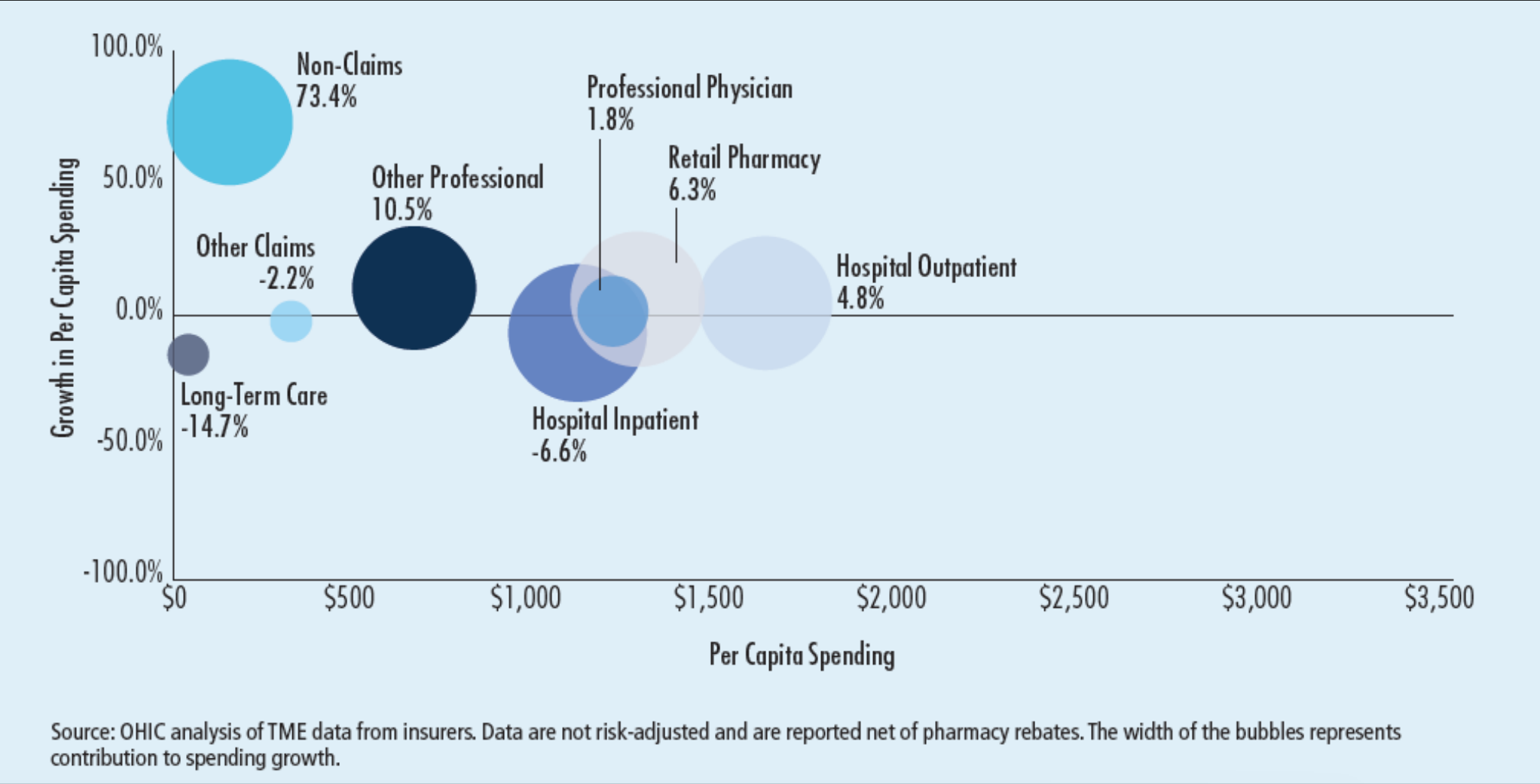
# Service Category Trends

# 2022 State-Level Spending Growth Was Driven by Hospital Outpatient and Long-Term Care





# Hospital Outpatient and Retail Pharmacy Drove Cost Growth in the Commercial Market in 2022

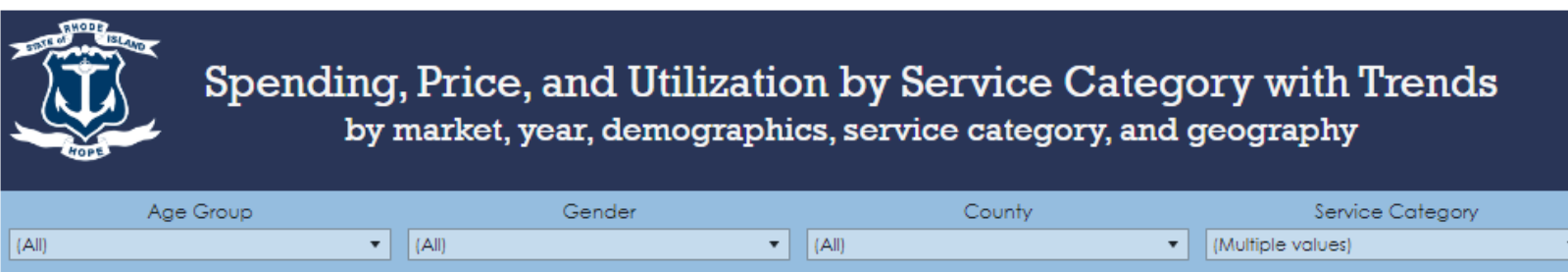


# Cost Driver Analyses using the All-Payer Claims Database

# Cost Growth Drivers for Outpatient Hospital and Retail Pharmacy

■ Focusing on Outpatient Hospital and Retail Pharmacy, we see that **increases in payment per unit** was the driver of the spending growth for these categories in 2022.

- Outpatient Hospital **PPU increased** nearly 8% while **UPK decreased** about 2%.
- Retail Pharmacy **PPU increased** over 12% while **UPK increased** just 1%.



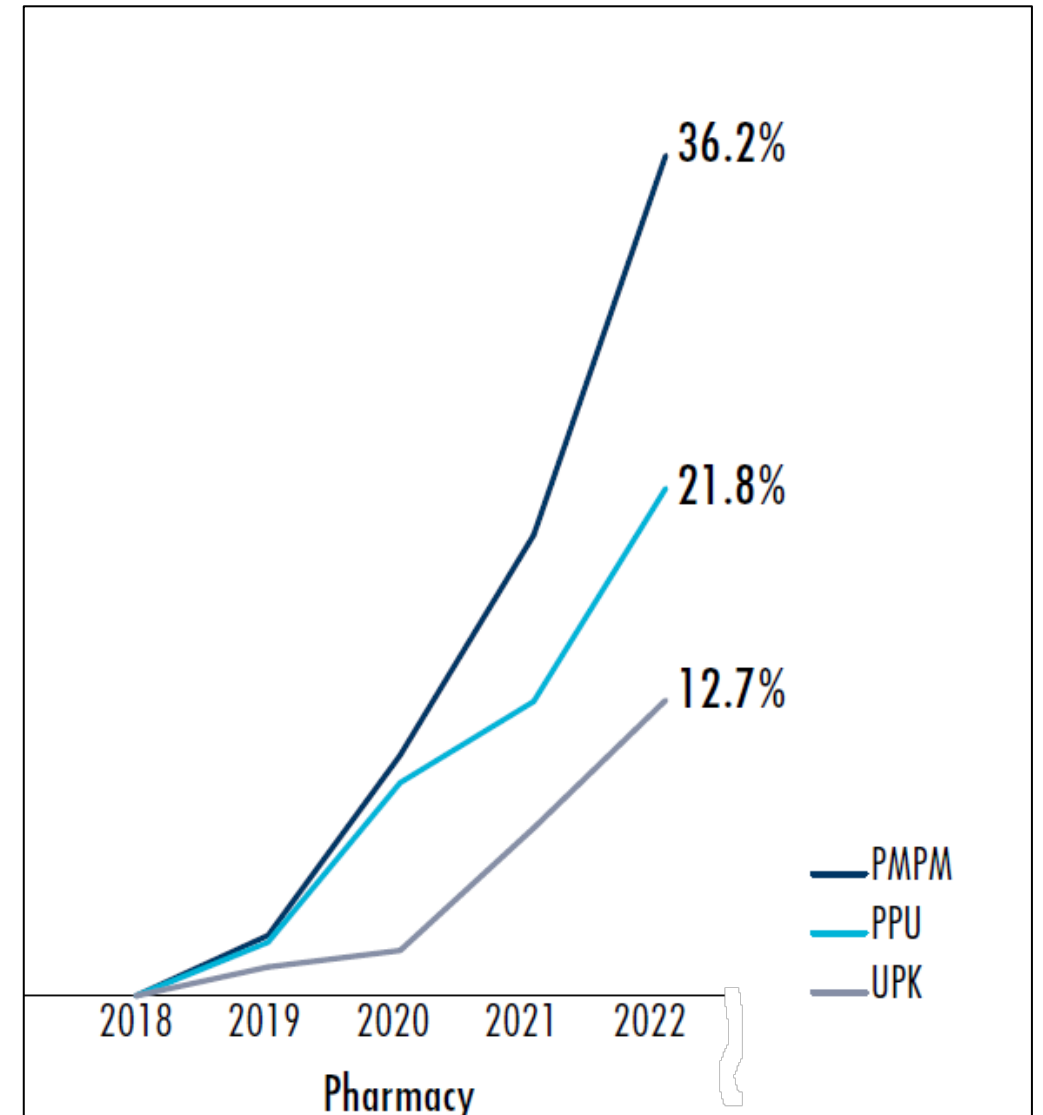
Market	Service Category	Year	PMPM	% Diff in PMPM	PPU	% Diff in PPU	UPK	% Diff in UPK
Commercial	Inpatient Hospital	2018	\$91		\$17,222		64	
		2019	\$93	2.4%	\$17,499	1.6%	64	0.8%
		2020	\$95	1.1%	\$18,537	5.9%	61	-4.5%
		2021	\$100	5.4%	\$17,801	-4.0%	67	9.7%
		2022	\$95	-4.7%	\$16,311	-8.4%	70	4.0%
	Outpatient Hospital	2018	\$117		\$752		1,872	
		2019	\$125	6.4%	\$776	3.2%	1,928	3.0%
		2020	\$113	-9.4%	\$770	-0.8%	1,761	-8.7%
		2021	\$130	14.9%	\$759	-1.5%	2,053	16.6%
		2022	\$138	6.1%	\$818	7.8%	2,021	-1.6%
	Rx	2018	\$116		\$106		13,126	
		2019	\$119	2.9%	\$117	10.4%	12,228	-6.8%
2020		\$128	8.0%	\$134	15.2%	11,462	-6.3%	
2021		\$139	8.5%	\$145	8.2%	11,491	0.3%	
2022		\$158	13.4%	\$163	12.2%	11,618	1.1%	

Note: Long-Term Care, Other Claims, and Professional services are also included in this dashboard view, but they have been omitted for this demonstration. Long-Term Care and Other Claims each represent a very small share of commercial spending. A unit for Retail Pharmacy is a 30-day equivalent prescription.

# Retail Pharmacy: A Persistent Threat to Health Care Affordability

- The increase in unit payments for Retail Pharmacy services is not unique to 2022.
- Between 2018 and 2022, the growth in Retail Pharmacy spending was primarily driven by increases in unit payments.
  - Over this five-year period, Retail Pharmacy unit payments grew over 20 percent, at **an average of over five percent per year**.
  - Utilization, on the other hand, grew just under 13 percent in this time.

The introduction of costly drugs and gene therapies in the market will pose a challenge for the state to meet its cost growth target in the future.



# Key Takeaways

- You can't improve what you can't measure.
- Transparency lays the groundwork for action.
- A cost growth target furnishes a unifying logic and key performance indicator for interventions to improve affordability.
- This work requires collaboration with industry and good faith engagement.



STATE OF RHODE ISLAND

Office of The Health Insurance Commissioner

Department of Business Regulation

# Thank You

Contact info:

Cory King, Health Insurance Commissioner

[Cory.King@ohic.ri.gov](mailto:Cory.King@ohic.ri.gov)