Attorney General Addendum: Revised Neighborhood Filing Due to Rhode Island Insurance Subsidies

In response to cuts to federal health insurance subsidies, Rhode Island implemented a subsidy program designed to partially offset the impact of federal subsidy expiration. Starting in 2027, Rhode Island has allocated approximately $22 million in enhanced insurance subsidies, administered through the Rhode Island Marketplace Affordability Program (RIMAP) program. Of this fund, $19 million is applied as direct subsidies to Rhode Island consumers purchasing insurance. These subsidies are targeted towards individuals with incomes less than 200% of federal poverty level (FPL). In Rhode Island, 200% of FPL corresponds to a 2026 income of $31,920 for a single individual and $66,000 for a household of four.[1]

Due to the disproportionately lower-income enrollment of NHPRI among the Rhode Island insurance market, over 90% of eligible Rhode Island enrollees with incomes under 200% of FPL, and thus eligible for state subsidies, are NHPRI enrollees.[2] The subsidies are not restricted to enrollment in specific metal tiers. However, the subsidies are expected to decrease bronze-tier enrollment and increase higher-tier enrollment.[3] Increased enrollment in higher tiers will increase NHPRI premium revenue.

As a result of the RIMAP subsidies, NHPRI's revised requested rate is lowered by 2.6 percentage points to 22.4%. NHPRI's revised filing assumes a statewide increase of approximately 3,500 enrollees, with an additional 2,400 enrollees enrolled in NHPRI. This estimate is lower than the RIMAP estimate of 4,250 statewide enrollees (85% re-

[1] Source: https://eohhs.ri.gov/consumer/federal-poverty-level-and-eligibility-information
[2] Source: Rhode Island Marketplace Affordability Program Act of 2026. Summary and Assumptions Relevant to the Rate Review Process. Page 2.
[3] *Ibid*

enrollment of the 5,000 reduction in enrollment among the less than 200% FPL).[4] Because 90% of the subsidy funds are projected to apply to the NHPRI population, a more reasonable estimate is a 3,825 enrollee increase in NHPRI plans as a result of the RIMAP subsidies. This increase in enrollment will further reduce the required rate.

Additionally, because the subsidies are targeted towards the NHPRI population, who HealthsourceRI projects to receive over 90% of subsidies, the direct subsidy impact is approximately $17.1 million. These subsidy dollars can be used to both purchase insurance, as well as purchase more generous (e.g., higher-tier) coverage. Higher-tier coverage will lead to increased premium revenue for NHPRI. Applying this $17.1 million subsidy value to the initial NHPRI index rate of $621 and the projected 457,447 member months implies a 6.0% rate reduction impact. Applying this rate impact alone will reduce premium increases to 19%.

This analysis is inherently conservative because it does not account for the composition of the approximately 4,000 estimated new enrollees as a result of the RIMAP subsidies. It also does not account for further migration of enrollees from BCBSRI, of which only approximately 10% of aggregate RIMAP subsidy income-based eligibility requirements are expected to apply, to NHPRI. This projection also does not account for additional enrollment or differential selection into metal tiers. NHPRI's initial filing notes that both enrollment mix and enrollment were negatively impacted by the expiration of federal premiums subsidies.[5] These factors will both lead to a lower required rate than is currently requested.

[4] *Ibid*
[5] Source: Actuarial Memorandum, Table 4.3.2

Consistent with economic models of insurance selection, I assume that the enrollees who left NHPRI as a result of higher premium increases and subsidy expiration were healthier than average, and this contributed to an increase in risk pool morbidity.[6] Conversely, the enrollees who select back into NHPRI as a result of the introduction of state subsidies are likely to be healthier than average. In such a scenario, the reduction in required premiums could be even smaller. NHPRI's initial filing notes a 3.6% increase in morbidity "related to EPTCs ending."[7] Thus, it likewise applies that an increase in enrollment due to the state subsidies that will largely replace the EPTCs will have improved impacts on morbidity (e.g., mean population health improves). Because an estimated 85% of the dis-enrolled population is projected to re-enroll following the RIMAP subsidies, and 90% of the re-enrollment is projected to apply to NHPRI, a reasonable increase in morbidity is 0.49% (3.6% * 15% * 90%) vs. the 3.6% assumed by NHPRI. Applying this difference to the $621 index rate results in a $19.3, equivalent to 3.1% reduction in rates.

While a modest decrease from the initial filing, this requested rate still represents a two-year increase of approximately 47%. Even if the suggested reductions of 6% and 3.1% are both applied, the two-year cumulative rate is approximately 40%. In my opinion, these increases are harmful to Rhode Island consumers and threatens the stability of the Rhode Island insurance market, and NHPRI's future viability. Consistent with my initial report, this increase far exceeds medical inflation and places many Rhode Island consumers in financial harm.

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[6] Cutler, David M., and Richard J. Zeckhauser. 2000. "Chapter 11 The Anatomy of Health Insurance." In *Handbook of Health Economics*, edited by Anthony J. Culyer and Joseph P. Newhouse, 1, Part A:563–643. Elsevier. http://www.sciencedirect.com/science/article/pii/S1574006400801705.
[7] Source: Actuarial Memorandum, Section 4.4.3.2.1.

These cumulative increases are particularly impactful to Rhode Island consumers given the financial status of NHPRI. In part due to the rate received for plan year 2026, NHPRI is on pace for $30 million in annual profits in 2027, despite decreased 2026 enrollment.[8] Given this financial situation, it is unreasonable to ask lower-income Rhode Islanders to pay such high rates for a product that they are legally required to purchase. At the same time, granting the large and two-year cumulative rate increase approaching 50% threatens the financial stability and viability of NHPRI. Rather than pass costs that far exceed medical inflation growth, NHPRI and Rhode Island policymakers should consider the purchasing strategies and approaches adopted by other innovators and outlined in my initial report.

[8] Source: OHIC Exhibit 55. NHPRI Q12026 Key Pages. Page 4.