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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2023

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- THE RHODE ISLAND ALL-PAYER HEALTH CARE PAYMENT REFORM ACT

Introduced By: Senator Ryan W. Pearson

Date Introduced: May 15, 2023

Referred To: Senate Health & Human Services

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND
2 GOVERNMENT" is hereby amended by adding thereto the following chapters:

3 CHAPTER 14.7

4 THE RHODE ISLAND ALL-PAYER HEALTH CARE PAYMENT REFORM ACT

5 **42-14.7-1. Short title.**

6 This chapter shall be known and may be cited as "The Rhode Island All-Payer Health Care
7 Payment Reform Act."

8 **42-14.7-2. Legislative findings, intent, and purpose.**

9 The general assembly hereby finds and declares as follows:

10 (1) Health care providers are stewards of critical health care resources and deliver services
11 that are necessary to support the health and wellbeing of Rhode Islanders and the communities in
12 which they live.

13 (2) The structure and terms of health care payment significantly influences the allocation
14 of resources within the health care system by creating a system of incentives that influence the
15 behavior of health care providers and health care purchasers.

16 (3) The prevailing system of fee-for-service payment creates a financial incentive for
17 increasing the volume of health care services and acts as a barrier to meaningful systemic
18 transformations in health care delivery that would promote more affordable and predictable cost

1 growth, improved financial stability for health care providers, and technical innovation in care
2 delivery to support population health and quality excellence.

3 (4) The coronavirus disease 2019 public health emergency heightened the faults of the
4 prevailing system of fee-for-service payment. The sharp reduction in service volume caused by the
5 suspension of elective procedures, combined with increasing marginal costs borne by health care
6 providers to institute infection control measures, necessitated the appropriation and disbursement
7 of hundreds of millions of dollars by the State of Rhode Island and the federal government in the
8 form of economic stabilization and revenue replacement funds for health care providers. The
9 aggregate value of these economic stabilization and revenue replacement funds was largely
10 distributed to hospitals and hospital systems, which account for the highest share of total health
11 care spending.

12 (5) The fragmented organization of health care purchasing activity between multiple public
13 and private payers, acting principally through competing health insurance companies, precludes
14 meaningful efforts to align the structure and terms of health care payment in the absence of
15 government intervention and creates administrative burdens for health care providers.

16 (6) Government, as health care purchaser and regulator, possesses a unique role as a
17 convener and facilitator of discussions between health care providers and health insurers, acting on
18 behalf of health care purchasers, to reform the structure and terms of health care payment as a
19 means to improve operating efficiency, improve health care quality, reduce administrative burden,
20 and serve the public interest in healthy people and equitable health outcomes.

21 (7) Payment reform, defined as the restructuring of the terms of health care payment
22 through the development and implementation of advanced value-based payment models, is
23 necessary to achieve the goals of affordable and predictable cost growth, improved financial
24 stability for health care providers, and technical innovation in care delivery to support population
25 health and quality excellence.

26 (8) The general assembly recognizes that on April 13, 2022, Rhode Island health care
27 leaders entered into a compact to accelerate advanced value-based payment model adoption,
28 finding that transforming payment away from fee-for-service to a prospective budget-based model
29 can support improved health care affordability and reorient health care delivery to focus on how
30 best to organize health care resources to meet population needs, and improve access, equity, patient
31 experience, and quality.

32 (9) The benefits of payment reform are maximized when advanced value-based payment
33 models enjoy the participation of all payers, public and private. Rhode Island has a successful track
34 record of all-payer health care reforms, including the patient-centered medical home program for

1 primary care endorsed by the general assembly under chapter 14.6 of title 42, the ("Rhode Island
2 All-Payer Patient-Centered Medical Home Act").

3 (10) It is the intent of the general assembly to endorse and support the efforts of health care
4 providers and health insurers, acting on behalf of health care purchasers, to increase the adoption
5 of advanced value-based payment models in Rhode Island. Furthermore, the general assembly
6 endorses the findings and efforts articulated by health care leaders in the April 13, 2022, Compact
7 to Accelerate Advanced Value-Based Payment Model Adoption in Rhode Island. It is the purpose
8 of this chapter to provide policy direction and resources to support the development and
9 implementation of all-payer advanced value-based payment models in Rhode Island.

10 **42-14.7-3. Definitions.**

11 As used in this chapter, the following terms shall have the following meanings:

12 (1) "Advanced value-based payment model" means a prospective budget-based payment
13 model with quality-linked financial implications that is defined for a specific patient population
14 and/or set of services.

15 (2) "Health insurance plan" means any individual, general, blanket or group policy of
16 health, accident and sickness insurance issued by a health insurer. Health insurance plan shall not
17 include insurance coverage providing benefits for:

18 (i) Hospital confinement indemnity;

19 (ii) Disability income;

20 (iii) Accident only;

21 (iv) Long-term care;

22 (v) Medicare supplement;

23 (vi) Limited benefit health;

24 (vii) Specified disease indemnity;

25 (viii) Sickness or bodily injury or death by accident or both; and

26 (ix) Other limited benefit policies.

27 (3) "Health insurer" means all entities licensed, or required to be licensed, in this state that
28 offer health benefit plans in Rhode Island including, but not limited to, nonprofit hospital service
29 corporations and nonprofit medical-service corporations established pursuant to chapters 19 and 20
30 of title 27, and health maintenance organizations established pursuant to chapter 41 of title 27 or as
31 defined in chapter 62 of this title 42, a fraternal benefit society or any other entity subject to state
32 insurance regulation that provides medical care on the basis of a periodic premium, paid directly
33 or through an association, trust or other intermediary, and issued, renewed, or delivered within or
34 without Rhode Island.

1 **42-14.7-4. Promotion of all-payer health care payment reform.**

2 (a) All-payer payment reform convening and payment model development shall be
3 implemented as follows:

4 (1) The health insurance commissioner and the Medicaid director shall convene an all-
5 payer payment reform working group comprised of health care providers, including hospitals,
6 ambulatory care providers, and clinicians, health insurers, businesses, consumer advocates, and
7 other parties with relevant expertise and interest in all-payer adoption of advanced value-based
8 payment models. The health insurance commissioner and the Medicaid director, in consultation
9 with the working group, shall be charged with developing the structure and terms of advanced
10 value-based payment models for use by all-payers.

11 (2) The health insurance commissioner and the Medicaid director may exercise discretion
12 in the selection and sequencing of payment model development by provider type; however, at a
13 minimum, shall develop recommendations for the design of hospital global budgets for facility and
14 employed clinician professional services and prospective payment for at least two (2) professional
15 provider types.

16 (3) The health insurance commissioner and the Medicaid director may form subgroups of
17 the working group to develop recommendations for the design of specific all-payer advanced value-
18 based payment models.

19 (b) All-payer payment reform reports shall be provided as follows:

20 (1) The health insurance commissioner and the Medicaid director, in consultation with the
21 working group described under subsection (a) of this section, shall develop the following reports
22 to supply information necessary to develop and implement advanced value-based payment models.
23 These reports shall be submitted to the general assembly by the following dates indicated:

24 (i) By July 1, 2025, the health insurance commissioner and the Medicaid director shall
25 complete a report examining the cost structure and financial performance of hospitals licensed in
26 Rhode Island. The report shall examine, at a minimum, hospital operating costs, fixed costs and
27 variable costs, costs related to the provision of patient care, costs unrelated to the provision of
28 patient care, net patient revenues, the relative prices received by hospitals from different payers,
29 other income and operating expenses, profitability, and operating margins by payer type. The
30 hospitals included in the report may have up to thirty (30) days to review the draft report prior to it
31 being finalized;

32 (ii) By July 1, 2025, the health insurance commissioner and the Medicaid director shall
33 complete a report examining the cost-shifting phenomenon between payers. The report shall also
34 examine the fiscal and economic impact of changes to Medicaid reimbursement rates for hospital

1 services; and

2 (iii) By January 1, 2026, the health insurance commissioner and the Medicaid director shall
3 submit finished recommendations around payment model design for hospital global budgets for
4 facility and employed clinician professional services and prospective payment for at least two (2)
5 professional provider types.

6 (2) The health insurance commissioner and the Medicaid director shall procure necessary
7 technical assistance and consulting services to prepare the payment model recommendations under
8 subsection (a) of this section and the reports enumerated under subsection (b)(1) of this section.

9 (c) Engagement of the Centers for Medicare and Medicaid Services shall be undertaken as
10 follows:

11 (1) The health insurance commissioner, in consultation with the Medicaid director, shall
12 engage the federal Centers for Medicare and Medicaid Services to explore opportunities to secure
13 federal participation in advanced value-based payment models through the Medicare program.

14 (2) The health insurance commissioner, for commercial and Medicare, and the Medicaid
15 director, for Medicaid, are authorized to negotiate the terms of any necessary waivers under Section
16 1115(A) of the Social Security Act to secure federal participation in advanced value-based payment
17 models in Rhode Island.

18 **42-14.7-5. Annual reports on administration and implementation.**

19 The health insurance commissioner and the Medicaid director shall report to the general
20 assembly annually on or before March 1, commencing on March 1, 2024, on the implementation
21 of advanced value-based payment models and the work performed by the all-payer payment reform
22 working group described under § 42-14.7-4(a)(1). The annual report shall include
23 recommendations and draft legislative language for adoption by the general assembly, if necessary,
24 to ensure continued progress toward implementation of advanced value-based payment models in
25 Rhode Island.

26 **42-14.7-6. Regulations.**

27 The health insurance commissioner and the Medicaid director shall promulgate all
28 necessary and proper rules and regulations to implement this chapter.

29 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- THE RHODE ISLAND ALL-
PAYER HEALTH CARE PAYMENT REFORM ACT

1 This act would require that the health insurance commissioner and the Medicaid director
2 convene an all-payer payment reform working group which would be charged with developing the
3 structure and terms of advanced value-based payment models for use by all-payer healthcare
4 insurers. Annual reports would be provided annually commencing March 1, 2024, to the general
5 assembly.

6 This act would take effect upon passage.

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