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**Latest Research from Rhode Island Business Group on Health finds  
Hospital Inefficiency a Significant Cost Driver**

*Price transparency and efficiency measures can reduce expenses for businesses and working families*

**WAKEFIELD, RI – July 22, 2024 –** As hospital overhead costs continue to rise, increasing prices are passed on to health plans, employers and other health care purchasers and consumers. A new issue [brief](https://www.ribgh.org/media/ribgh-second-brief-final-6-31-2024-3.pdf) from the [Rhode Island Business Group on Health](https://www.ribgh.org/) (RIBGH) examines the lack of efficiency driving many of these increases, emphasizing the need to identify and evaluate the value of hospital services to address overhead expenses.

The issue brief examined data from the federal [Medicare Cost Report](https://www.cms.gov/data-research/statistics-trends-and-reports/cost-reports), identifying the important factors underlying rising hospital prices. During the 27-year period in the Report, total hospital expenses for facilities in Rhode Islande increased by $2.7 billion. The overhead expense category consumed 51% of this total expense increase, substantially more than the national percentage of 41% for the same period.

This high overhead expense ratio meant Rhode Island ranked second among all states in 2022 when overhead is expressed as a percentage of total expenses.

**“**Fifteen years after the Affordable Care Act, commercial health insurance premiums remain unaffordable and we cannot expect this to improve without significant changes in the way that hospitals are managed,” said Al Charbonneau, RIBGH executive director. “We must focus on the cost drivers of commercial health insurance due in large part to systemwide inefficiencies and this requires a multi-faceted approach centered on transparency and measurement.” The definition of hospital value must measure the quality and price of services efficiently produced.”

For all hospitals, higher overhead erodes their ability to generate operating margins. As overhead grows as a percentage of total expenses every year, it becomes increasingly difficult for hospitals to achieve profitability and creates pressure to raise prices continually and seek higher reimbursement rates.

This is the second report in a series of analyses conducted by RIBGH. The [first issue brief](https://www.ribgh.org/media/ribgh-first-brief-final-no-watermark-for-website.pdf) was released earlier this year finding Rhode Island costs for commercial health insurance premiums paid by families, employers and other purchasers are among the highest in the nation. The four major drivers of high commercial health insurance costs: hospital expenses, pharmaceuticals, specialty physician costs, and taxes/fees.

RIBGH gratefully acknowledges support of its hospital transparency and payment reform initiative from [Arnold Ventures LLC](https://www.arnoldventures.org/), a philanthropy dedicated to tackling some of the most pressing problems in the United States including high health care costs.

**About Rhode Island Business Group on Health:**

Rhode Island Business Group on Health (RIBGH) is a nonprofit association that is the leading voice of business on health care in Rhode Island. RIBGH advocates on behalf of its membership and the community for a more affordable, efficient, and higher quality health care system serving the state. Learn more: [ribgh.org](https://www.ribgh.org/)

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