Milbank Memorial Fund

Using evidence to improve population health

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Sustainable Health Care Costs Newsletter: State Legislative Updates on Commercial Affordability

Dear Colleagues:

With many 2026 state legislative sessions wrapping up, it is a natural time to reflect on the recent flurry of activity surrounding health care affordability.

Connecticut: A new Connecticut law significantly changes the state's Healthcare Benchmark Initiative, moving oversight from the Office of Health Strategy to the Office of Policy and Management. The legislation also codifies the cost growth benchmark at 3.9% for 2028-2032. After 2033, the benchmark is based on median household income and economic growth metrics. Notably, it establishes a first-in-the-nation hospital payment growth benchmark starting in 2028 and allows the state to require performance improvement plans. Market-specific primary care spending targets start in 2031.

Delaware: A new law introduces price caps tied to Medicare payment rates for emergency, inpatient, and outpatient hospital services. Rates will be capped at 250% of Medicare by 2033 for fully insured plans and by 2034 for state employee plans. Exemptions apply to rural, children's, and safety-net hospitals. Starting in 2026, individual and group plans must allocate at least 11.5% of their total medical costs to primary care, with a portion for prospective management payments.

Rhode Island: Rhode Island's cost growth target program, which had been operating under an executive order and a voluntary compact since 2018, is now codified in statute. The new law directs the health insurance commissioner to set cost growth targets and all-payer primary care investment targets. The commissioner can require performance improvement plans and impose financial penalties for large provider entities or insurers that exceed spending growth targets in two out of three performance years.

Hospital Costs Gain Attention in Other States: Legislative debates in states where comprehensive affordability bills failed or are pending highlight a growing interest in tackling costs. Maine considered capping commercial hospital prices, and Michigan proposed a hospital cost review board with price reduction requirements to maintain nonprofit status. New York considered capping routine health care service prices to establish site-neutral payments.

New Jersey lawmakers are still considering legislation to codify the state's cost growth target and create a hospital price growth benchmark enforced by civil penalties.

Here are a few resources with roundups of state legislative activity on health care costs:

- Bailit Health gave a recent Peterson-Milbank Program office hour presentation on legislative action to improve commercial market health care affordability.

- Georgetown's Center on Health Insurance Reforms (CHIR) published a roundup of state actions promoting competition and regulating prices.

- United States of Care released its 2026 legislative wrap-up report on state trends in affordability and access.

- The State Health and Value Strategies team published a comprehensive issue brief detailing recently enacted state affordability efforts and revenue generation initiatives.

Sincerely,

Jeremy Vandehey
Consultant
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Worth a Click

To Profit or Not-to-Profit

New research from Brookings highlights that tax-exempt non-profit hospitals often hold far more cash, invest more heavily in real estate, and have higher administrative costs than their for-profit peers. Strong state oversight — such as attorney general reviews of transactions, board rules, and enhanced community-benefit reporting — can ensure tax exemptions translate into public value.

Marketplace Enrollment Reductions

Recent federal data reported by PBS and analysis by Georgetown's CHIR reveals a dramatic drop in Affordable Care Act marketplace enrollment across several states following the expiration of enhanced federal premium subsidies, with states like Ohio and Oklahoma losing nearly one-third of their enrollees.

State Benchmarking Impacts on Costs

A recent study published in JAMA Network Open found that state cost growth benchmark programs are associated with a 2% reduction in per capita health care spending growth. The research notes that these reductions were most prominent when benchmark programs were paired with enforcement mechanisms or delivery system reforms.

Voters Still Really Care About Health Care

The polling data keeps coming in, and the support for action on health care costs just keeps growing. New polling data from The Century Foundation shows 71% of Democrats, 66% of Republicans and 75% of rural voters agree that reigning in hospital costs should be a top priority for lawmakers. New polling from Ipsos and Axios breaks down voter sentiment across a variety of health care issues, including costs, drugs, subsidies, mental health, and public health.

Our Mission

The Milbank Memorial Fund is an endowed operating foundation that works to improve population health and health equity by collaborating with leaders and decision makers and connecting them with experience and sound evidence.