

Peterson–Milbank Program for Sustainable Health Care Costs

Messaging Fact Sheet

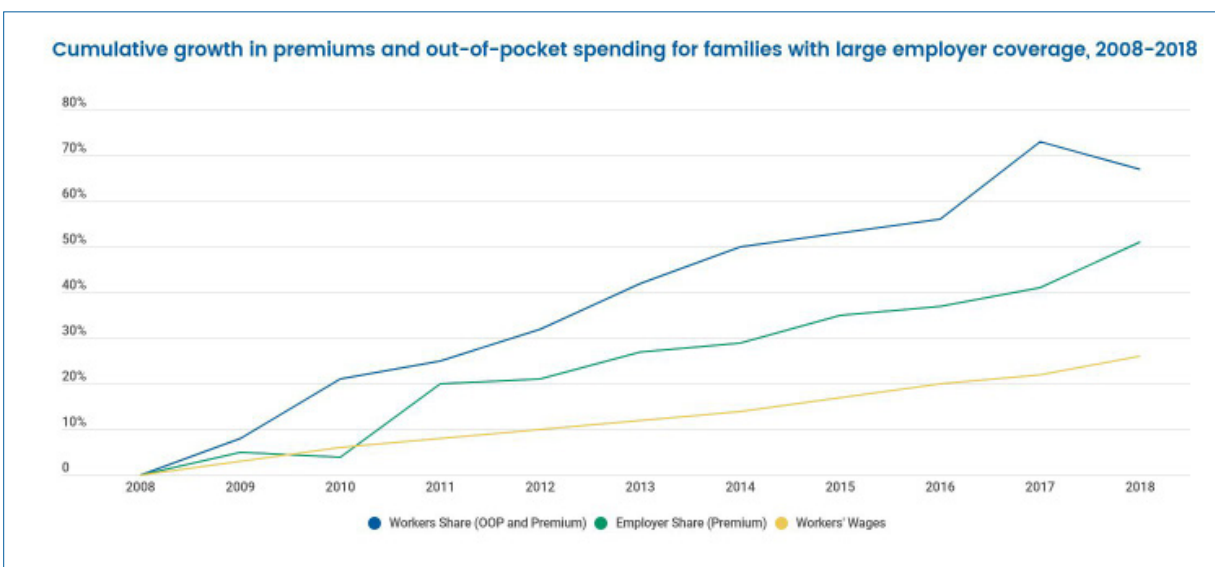
The rising cost of health care is burdening household, employer, and state budgets. For states, growing health care spending makes it harder to respond to public health crises, like the COVID-19 pandemic. It also means there are fewer dollars available for housing, nutrition, and income security, which are critical to the health of populations.

Yet states are uniquely positioned to address unsustainable health care costs. One approach is establishing state-specific health care cost growth targets, which offer insight into health care spending that can lead to policy or market-based actions designed to make health care more affordable. The following are a list of messages to emphasize in state communications about health care cost growth targets.

The Problem: Health Care Is Increasingly Unaffordable

Message: No American should have to choose between going to the doctor and putting food on the table for their family.

Health care costs are eating into household budgets, leading some individuals and families to skip care or forgo other household necessities. Out-of-pocket costs for consumers [rose 53.5% cumulatively](#) between 2006 and 2016, and employer and employee spending on premiums and out-of-pocket costs rose faster than wages from 2008 to 2018 (see chart).



Source: KFF Analysis of IBM MarketScan Commercial Claims and Encounters Database and KFF Employer Health Benefits Survey, 2018; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2017

Message: Rising health care costs affect everyone, even those with job-based insurance

Employer-sponsored health insurance covers more than half of people under age 65. Deductibles and premiums in employer health plans are comprising a growing percentage of median income across the country. (See chart.)

Message: COVID reinforces the need to rein in health care cost growth

The COVID-19 pandemic’s impact on the economy has stressed state, employer, and household budgets, underscoring the need to develop an understanding of statewide health care spending and what is driving unsustainable increases. Use of non-COVID medical care dropped in 2020 and 2021, but spending is projected to normalize through 2024.

Cost Growth Targets: A Step-by-Step Solution

A growing number of states have health care cost growth target programs. These states work with health insurers, health providers, consumers, and other stakeholders to

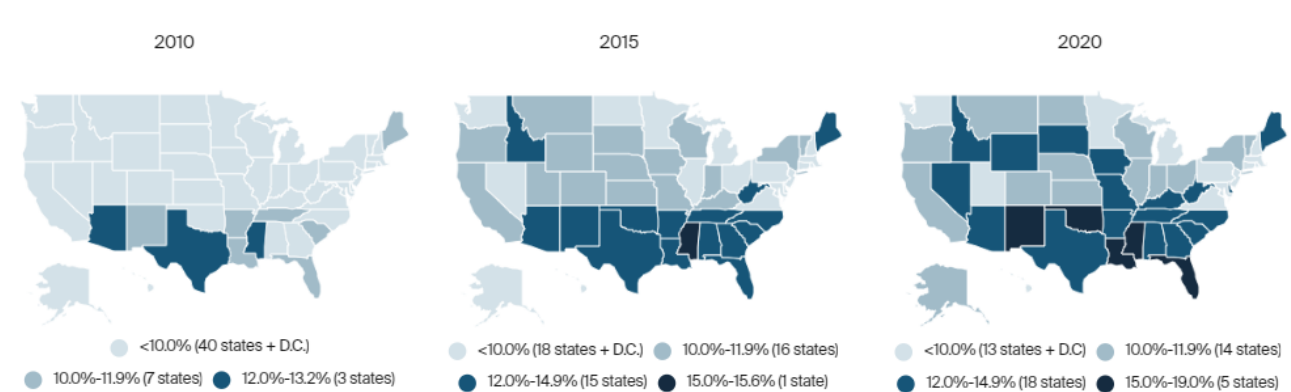
set annual targets for statewide health care cost growth to help ensure costs don’t rise faster than the economy, state revenues, or wages. States then collect and publish annual spending data and analyze it to identify cost drivers and develop accountability measures like penalties for payers or providers that do not meet the target.

Message: Cost growth targets can be an effective way to reduce health care spending

In Massachusetts, the first state to set a target, or a benchmark, stakeholders report that benchmark has helped constrain the rate of health care cost growth by creating a focal point for conversations about cost trends. According to a review of the program by Mathematica researchers, the benchmark reportedly influenced contract negotiations between payers and providers in its first few years. It also increased providers’ willingness to participate in accountable care organizations, which reward improved quality and lower costs. However, Mathematica researchers found that the target should be coupled with meaningful accountability measures that encourage sustained payer and provider compliance.

In a growing number of states, worker insurance premium contributions and deductibles make up 10 percent or more of median income.

Average employee share of premium plus average deductible as percent of median state income



Note: Combined estimates of single and family premium contributions and deductibles are weighted for the distribution of single-person and family households in the state.

Data: Premium contributions and deductibles – Medical Expenditure Panel Survey–Insurance Component (MEPS–IC), 2010–2020; Median household income and household distribution type – analysis of Current Population Survey (CPS), 2010–2021, by Mikaela Springsteen and Sherry Glied of New York University for the Commonwealth Fund.

Source: Sara R. Collins, David C. Radley, and Jesse C. Baumgartner, State Trends in Employer Premiums and Deductibles, 2010–2020 (Commonwealth Fund, Jan. 2022). <https://doi.org/10.26099/m5dt-5f70>



Message: More and more states are creating cost growth targets

Massachusetts and Delaware, the six states supported by Peterson–Milbank Program for Sustainable Health Care Costs—Connecticut, Nevada, New Jersey, Oregon, Rhode Island, and Washington—and most recently, California, all have cost growth target initiatives. Some initiatives have been codified in legislation while other programs operate under executive order. Governance structures and target methodology also vary by state.

Message: Cost growth targets can be used to track cost trends among people of color and other marginalized groups

States can measure health inequities as part of their cost growth target implementation process by:

1. Ensuring the governing and/or advisory bodies that develop recommendations on the cost growth target, review findings, and advise on public reports and policy initiatives are representative of the state's demographics.
2. Prioritizing cost driver analyses that focus on variation in utilization and cost by population.
3. Including additional populations--the Correctional Health System, the Veterans Health Administration, TRICARE, and the Indian Health Service--in benchmark analysis to better understand the costs associated with the inequitable health care the populations have historically received.

Message: Addressing health cost growth is a shared responsibility for government and industry

States, health insurers employees, and health providers are working together to set health care cost growth targets that will help ensure everyone can get high-quality health care at a price they can afford. This public-private partnership is reflected in their advisory committee structures and the growing use of compacts to set joint goals on payment approaches in health care.

Message: Cost growth targets are designed for long-term use and impact

Most states have tied their cost growth targets methodology to inflation and household income. The target needs to reflect a balance of those factors. Given the current rise in inflation, short-term increases in health care costs may be out of payer or provider control; states may consider these factors before taking enforcement actions.

Additional Resources

[Peterson–Milbank Program for Sustainable Health Care Costs: Resource Page](#)

[Rhode Island’s Cost Trends Project: A Case Study on State Cost Growth Targets, Milbank Memorial Fund](#)

[How the Massachusetts Health Policy Commission Is Fostering a Statewide Commitment to Contain Health Care Spending Growth, The Commonwealth Fund](#)

[State Health Care Cost Growth Benchmarking: New Strategies to Drive Transparency and Accountability, Manatt Webinar](#)

[The Manatt State Cost Containment Update, Manatt Newsletter](#)

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The Milbank Memorial Fund is an endowed operating foundation that works to improve the health of populations by connecting leaders and decision makers with the best available evidence and experience. Founded in 1905, the Fund engages in nonpartisan analysis, collaboration, and communication on significant issues in health policy. It does this work by publishing high-quality, evidence-based reports, books, and *The Milbank Quarterly*, a peer-reviewed journal of population health and health policy; convening state health policy decision makers on issues they identify as important to population health; and building communities of health policymakers to enhance their effectiveness.

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