Post-Briefing FACT SHEET

PANELISTS

Rachel Block
Milbank Memorial Fund
Program Officer

Michael Bailit
Bailit Health

Sarah Bartelmann
Oregon Health Authority

David Auerbach
Massachusetts State Policy
Commission

Milbank Memorial Fund
STATE LEADERSHIP NETWORK

State Leadership on Health Care Costs Reporting and Actions
November 14, 2022

Introduction

Rising health care costs are squeezing the budgets of states, employers, and households. This briefing focused on an approach for advancing sustainable health care cost growth. Pioneered by Massachusetts, state cost growth target programs are a way to create transparency and accountability for health care cost growth. The Peterson-Milbank Program for Sustainable Health Care Costs provides technical assistance through Bailit Health to six states with cost growth targets.

The Logic Model for a Health Care Cost Growth Target

Implement
Implement strategies to slow cost growth

Measure
Measure performance relative to the cost growth target

Cost Growth Target

Analyze
Analyze spending to understand cost trends and cost growth drivers

Identify
Identify opportunities and strategies to slow cost growth

Report
Publish performance against the target and analysis of cost growth drivers

A cost growth target is a per annum rate-of-growth target for health care costs for a given state. This logic model shows how states can develop cost growth targets to slow spending growth. Activities begin with measuring performance against the set cost growth target and end with implementing the identified strategies to slow cost growth.

"A critical goal of cost growth target programs is to shine a light on what is driving spending growth so that stakeholders and policymakers can begin to identify opportunities to address them."

— *Michael Bailit, Bailit Health*

What Are Cost Growth Targets?

Michael Bailit of Bailit Health began the discussion by defining cost growth targets, explaining how states set their targets, how health care costs are measured, and the logic model supporting cost growth target programs. Bailit presented data analysis from Delaware, Rhode Island, Connecticut, and Massachusetts that looked at spending by insurance market, provider, and service category. He went on to share cost growth mitigation strategies that can be informed by cost-driver analysis. These strategies include:

- Prescription drug affordability strategies
- Adoption of advanced multipayer value-based payment
- Restriction of market consolidation
- Provider price cap and/or price growth cap
- Strengthening and expanding health insurance rate review

Finally, Bailit previewed *Making Health Care More Affordable: A Playbook for Implementing a State Cost Growth Target*, a new Peterson-Milbank resource that will be released in early 2023 to provide a roadmap for interested state and other stakeholders.

Oregon's Legislative History to Address Health Costs

Sarah Bartelmann of the Oregon Health Authority described health care cost containment efforts in Oregon over the last decade. Prior to expanding its growth target to all insurance markets, Oregon had a 3.4% growth target and spending caps for Medicaid. She shared a state analysis showing that expanding cost growth targets to all markets could save Oregon $31 billion by 2030. Bartelmann described the 2017 legislative task force report that recommended a statewide cost growth target, the 2019 legislation to implement the cost growth target program, and the 2021 law establishing accountability mechanisms.

Key Data Sources for Cost Driver Analysis in Massachusetts

David Auerbach of the Massachusetts Health Policy Commission discussed the key data sources used to identify cost drivers in Massachusetts, the first state to implement a cost growth target program. Auerbach cited the following as important data sources:

- Hospital discharge data
- Massachusetts Health Interview Surveys
- National employer premium data
- Payer-reported spending breakdowns into cost, utilization, etc.
- Payer-reported aggregate total medical expenditures for HMO members by provider groups
- Spending category codes

Auerbach noted how using both aggregate and detailed data allowed Massachusetts to identify unit cost and spending per encounter as the key cost drivers in the state.

"While the issues of health care cost growth are complex and politically sensitive, it is possible for any state to start with health cost data analysis and present that information publicly. It will enable them to step back and say, 'What is going on for the state as a whole — and what are some of the best opportunities that we have to systematically address health care cost growth?'"

— *Rachel Block,*
Milbank Memorial Fund