1 Program Planning, Development, & Sustainability

States interested in establishing targets need to engage in planning well in advance of program authorization to facilitate support among a wide array of stakeholders and pave the way for statutory codification to ensure continued success of the program.

This section describes considerations for obtaining the necessary authority to establish the program, identifying a governance structure, and ensuring program sustainability. For all these activities, states should have program champions to help secure support for the target initiative. Executive branch buy-in is especially important since agency staff will need to develop the policies and infrastructure to implement and manage the program on an ongoing basis.[1]

Determine the Appropriate Vehicle for Authorizing the Program

Ideally, targets should be established in law so that they endure through election cycles and are appropriately resourced. Codifying the program in statute is important for sustainability as it affirms and institutionalizes specific activities by making them part of a state agency's core mission and responsibilities.

EXHIBIT 2. **Approaches to Authorizing a Cost Growth Target Program**

Voluntary Compact	Executive Order	Statute
✓ May facilitate earlier buy-in from stakeholders	✓ Can be executed quickly ✓ Allows greater flexibility in implementation	✓ More difficult to overturn than an executive order ✓ Can include accountability and enforcement mechanisms ✓ Can be accompanied by authorization of state funding
× Vulnerable to shifting organizational priorities × Cannot compel action in ways that other approaches can × Does not authorize state funding to support program design and operations	× Vulnerable to changes in administrations and can be rescinded × Limited in scope and enforcement mechanisms × Does not authorize state funding to support program design and operations	× Legislative negotiation process can take more time and result in changes to the original policy intent

However, states can take incremental approaches to establishing authority (Exhibit 2) as they build support. For example, Rhode Island developed its target program in 2018 through a voluntary compact signed by public and private stakeholders that included payers, providers, and business and community leaders, which was quickly followed by an executive order. In 2022, the state included budget language to fund the program and is now pursuing legislation to establish it on a permanent basis. Similarly, Connecticut began with an executive order and subsequently adopted legislation that made the program permanent and further strengthened it by establishing public hearings to focus attention on health care cost growth target performance.

Regardless of the governance structure, a critical consideration for states is how to ensure representation of key stakeholder groups and obtain the needed technical expertise, while protecting against undue influence of groups that might have a financial interest in maintaining the status quo.

Identify the Governance Model to Guide Policy and Program Administration

A program governance model defines the structure and processes that guide program administration, decision-making, and accountability. There is no "one-size-fits-all" approach to governance, and states' approaches vary based on available resources and the local cultural and political norms.

Massachusetts, Washington, and most recently California have set up a formal governing board comprising external stakeholders and ex-officio or state agency staff to direct the agency implementing the target. Program staff present options and recommendations to these boards that in turn make binding decisions on critical policies, such as the target methodology and value and the use of available tools to compel entities to meet the target. Board discussions and deliberations are subject to open public meeting laws, which ensures transparency in policy development and decision-making and helps build trust across stakeholders.

Instead of having a formal governing board, other states have stakeholder committees that advise the implementing state agency. The agency retains formal decision-making authority but uses the stakeholder committee to obtain critical subject-matter expertise, stakeholder input, and buy-in.

Regardless of the governance structure, a critical consideration for states is how to ensure representation of key stakeholder groups and obtain the needed technical expertise, while protecting against undue influence of groups that might have a financial interest in maintaining the status quo. To protect policy decisions against the influence of special interests, states could fill their board or advisory committee with appointees who have expertise in health care purchasing, delivery, financing, and/or administration but who do not represent organizations such as insurers, pharmaceutical manufacturers, or providers that could be held accountable to the target or contribute to cost growth. States could also include employer purchasers, consumers, and consumer advocates to ensure a focus on affordability.

The board or stakeholder committee could then appoint technical subcommittees to advise on specific issues. These committees offer a way for providers and insurers that may be held accountable to the target to provide input and an important perspective on how the target might impact their operations and ultimately patient care. For example, in Washington, the Health Care Authority administers its program under the oversight of the Health Care Cost Transparency Board (HCCTB), which has formal decision-making authority. Members of the HCCTB include state agency

officials, large and small employer representatives, health care economics and financing experts, and consumer representatives. Two committees — one including a diverse group of health care providers and payers, and another including experts in data collection, analysis, and reporting — advise the HCCTB on issues related to the HCCTB's work.

Another important consideration for states is which entity or entities should be responsible for developing and implementing the program, collecting spending data, reporting performance against the target, and analyzing drivers of cost growth. Massachusetts and California established new agencies focused on solely on implementing the target. In a dedicated agency, all staff have the same priorities and can concentrate exclusively on the target. However, this approach requires significant resources and is not always feasible, particularly in smaller states where it is difficult to achieve economies of scale.

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Other states rely on existing agencies with broader responsibilities. For example, Rhode Island's target program is housed in the Office of the Health Insurance Commissioner, which is the state's commercial health insurance policy reform and regulatory enforcement agency. In New Jersey, the Department of Banking and Insurance implements the program in coordination with an interagency working group chaired by the Governor's Office of Health Care Affordability and Transparency. While the scope of these agencies is much broader than the target program itself, health care affordability is a critical part of their mission.

Build a Core Program Management Team

Regardless of where administration of the program resides, having strong leadership and management is essential for the program's successful launch and long-term sustainability. A strong team can sustain momentum and program activities during political and other transitions. Leadership and expertise on cost growth targets cannot depend solely on one individual. Instead, states need to "build the bench" and develop capacity among career agency staff.

Staffing needs and structure may change over time as the program matures, but at a minimum, states need a team to perform the following core functions:

- Ensuring the program's goals align with the state's overall strategy, and working with state agencies, legislators, industry leaders, and the other stakeholders to prioritize health care affordability
- Performing ongoing strategy development and implementing the program's day-to-day operations, including planning, directing, coordinating, and executing the program's essential functions
- Conducting research to inform policy solutions, preparing written reports, and presenting information to targeted audiences or the public
- Performing administrative tasks such as managing contracts and coordinating meetings
- Supporting the development of a communications strategy and executing the communications plan, including ongoing messaging related to the state's health care affordability goals

- Shaping the analytic strategy and agenda, overseeing data collection, analyzing the data, interpreting findings, validating data with payers and providers, and preparing reports and other work products for internal review and public dissemination

Larger states with more resources may dedicate one or more staff members to each of these functions. However, smaller states may consolidate these responsibilities among a smaller staff and leverage expertise in other parts of the agency or other agencies for some functions, such as communications and analytics. States that take this approach will need to monitor for shifting priorities and competing demands and ensure that a core team is available to sustain, and potentially expand, the cost growth target program.

Many factors and conditions influence state decisions on staffing, and states will vary in how they define and fill the staff structure to implement the program. Some states may not be able to hire full-time staff to run a cost growth target program and must procure expertise from outside vendors. While procuring the required expertise is a more costly option, a vendor can fill gaps in knowledge and skill sets that occur in the event of state staff vacancies or turnover. Still, contracting will require a core state team to effectively manage the vendor and ensure knowledge transfer over time to avoid long-term dependence on vendors.

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Lay the Foundation for Future Sustainability

At every point in the planning, development, and implementation of a cost growth target, states should consider how to navigate the program through changes in leadership, personnel, and political and health system contexts. Sustained focus from state executive leadership is critical to advancing the program and ensuring its long-term sustainability.

States that establish targets through a voluntary compact or executive order should begin planning for future legislation to codify the cost growth target program in statute. Even those states that already have legislation authorizing the program should consider potential improvements based on lessons learned from the first few years of implementation. For example, states could strengthen data collection requirements to improve compliance. Or, if stakeholders neglect to take action to address persistent and excessive cost growth, states could consider new or additional enforcement mechanisms, such as performance improvement plans and penalties.

In addition, after a few years, states that rely on vendor support to establish processes and perform key program activities should think about whether and how to develop expertise within the implementing state agency to assume these critical functions.

Resources

Executive Orders on Health Care Cost Growth Targets

- Delaware's **Executive Order 25** to establish state health care spending and quality benchmarks
- Nevada's **Executive Order 2021-29** to establish a health care cost growth benchmark
- New Jersey **Executive Order 217** to establish an Interagency Health Care Affordability Working Group to develop proposals for the development and implementation of an annual health care cost growth benchmark and health insurance affordability standards
- New Jersey **Executive Order 277** to launch the cost growth benchmark
- Rhode Island **Executive Order 19-03** to establish a health care cost growth target

Legislation on Health Care Cost Growth Targets

- California's **legislation** to establish the Office of Health Care Affordability
- Delaware's **House Bill 442** to codify health care spending and quality benchmarks established through Executive Order 25
- Massachusetts' **legislation** on health care cost containment, which included establishment of health care cost growth benchmarks
- Nevada's **Assembly Bill 348** designating the Patient Protection Commission as the governing body for the state's cost growth benchmark program
- Oregon's **Senate Bill 889** and **House Bill 2081** to establish the Sustainable Health Care Cost Growth Target Program within the Oregon Health Authority
- Washington's **legislation** to establish the Health Care Cost Transparency Board

Voluntary Compacts on Health Care Cost Growth Targets

- New Jersey's Health Care Affordability, Responsibility, and Transparency Program **Blueprint**, including language for a stakeholder compact to reduce the rate of health care cost growth in the state
- Rhode Island's **Voluntary Compact** to reduce the growth in health care costs and state health care spending

Reports and Publications

- **Rhode Island's Cost Trends Project: A Case Study on State Cost Growth Targets**

To read the complete playbook, visit **https://www.milbank.org/publications/making-health-care-more-affordable-a-playbook-for-implementing-a-state-cost-growth-target**.

1 Boxall AM. What Does the State Innovation Model Experiment Tell Us About States' Capacity to Implement Complex Health Reforms? Milbank Quarterly, March 29, 2020. **https://doi.org/10.1111/146 8-0009.12559**