Making Health Care More Affordable:
Implementing a State Cost Growth Target

Webinar
January 18, 2023

Peterson-Milbank
Program for Sustainable
Health Care Costs

Speakers

Moderator: Rachel Block, Program Officer, Milbank Memorial Fund, rblock@milbank.org

Introduction: Keanan Lane, Senior Manager, Peterson Center on Healthcare, klane@petersonhealthcare.org

Panelists:

- January Angeles, Senior Consultant, Bailit Health

- Cory King, Acting Health Insurance Commissioner, Rhode Island

- Yi-Shan Sung, Research Analyst, Oregon Health Authority

Peterson-Milbank
Program for Sustainable
Health Care Costs

Making Health Care More Affordable

A Playbook for Implementing a State Health Care Cost Growth Target

January 18, 2023

bailit
health

About the Playbook

Peterson-Milbank
Program for Sustainable
Health Care Costs

Making Health Care More Affordable

A Playbook for Implementing a
State Health Care Cost Growth Target

By January Angeles, Bailit Health
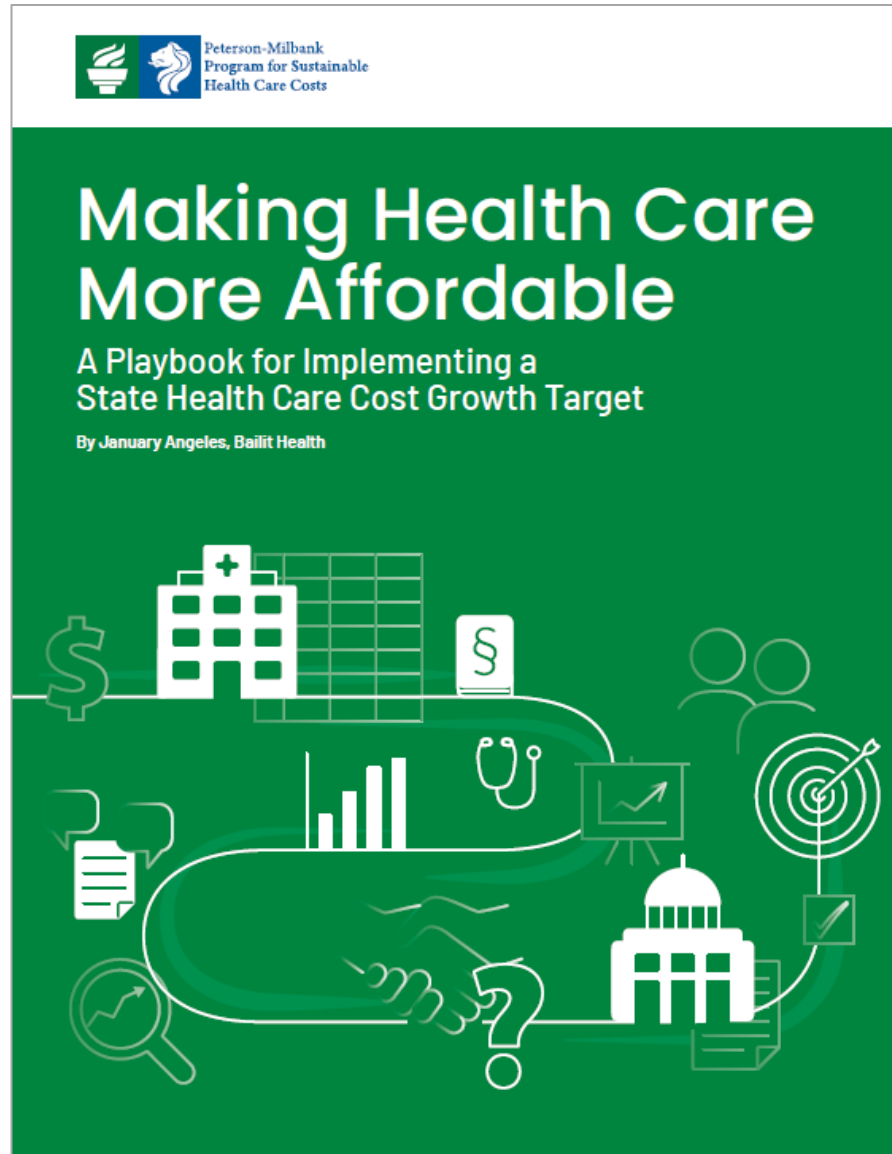
- Lays out the concrete steps that states must take to establish and sustain a cost growth target program.
- Outlines key considerations in designing program policies and processes.
- Compiles tools and resources developed by states.
- Provides useful tips and best practice strategies based on state experience.

Cost Growth Target Program Implementation Workstreams

Program Planning, Development & Sustainability

Pre-Implementation (Establishing the program)

1. Determine the appropriate vehicle for authorizing the program
2. Identify the governance model to guide policy and program administration

Implementation (0-12 months)

3. Build a core program management team

Ongoing (After year 1)

4. Lay the foundation for future sustainability

Public-Private Stakeholder Engagement

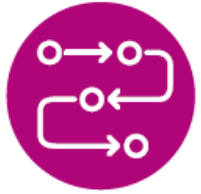**Pre-Implementation (Establishing the program)**

1. Socialize the concept of cost growth targets
2. Identify goals for stakeholder engagement

Implementation (0-12 months)

3. Develop a strategic communications plan

Ongoing (After year 1)

4. Conduct repeated outreach using strategic messaging

Establishing the Target Methodology & Value

Implementation (0-12 months)

1. Identify a target methodology and calculate the value
2. Determine the target duration and any adjustments to the methodology or value

Ongoing (After year 1)

3. Monitor for conditions that might call for revisiting the target methodology or value

Measuring Performance Against the Target

Implementation (0-12 months)

1. Define the approach to measuring cost growth
2. Identify the entities that will be held accountable to the target

Ongoing (After year 1)

3. Develop and implement a process and timeline for collecting, analyzing, and reporting data

Understanding the Drivers of Cost Growth

Implementation (0-12 months)

1. Establish a framework to guide the analyses

Ongoing (After year 1)

2. Identify opportunities to slow cost growth and set the stage for future policy action

Accountability & Action to Slow Cost Growth

Pre-Implementation (Establishing the program)

1. Consider accountability mechanisms for meeting the target

Implementation (0-12 months)

2. Build the structure to hold entities accountable

Ongoing (After year 1)

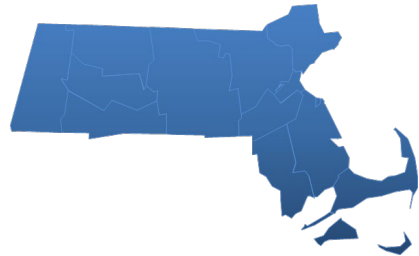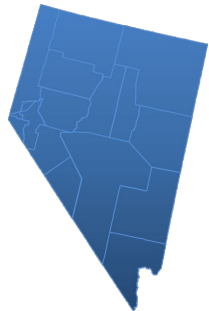3. Pursue strategies to mitigate spending growth and help meet the target

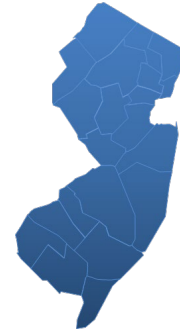# Contributing States

Connecticut

New Jersey

Delaware

Oregon

Massachusetts
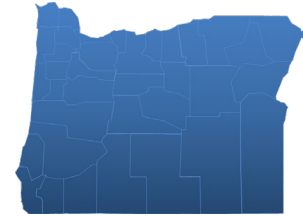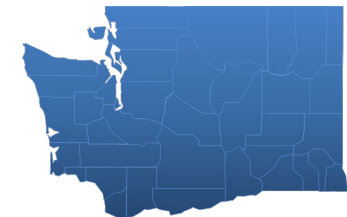
Rhode Island

Nevada

Washington

Governance and Accountability Lessons from Rhode Island

January 18, 2023

Public-Private Partnership
The Cost Trends Steering Committee

- Amica Mutual Insurance Company
- **Blue Cross Blue Shield of RI**
- Care New England
- Coastal Medical
- CVS Health
- Hope Health
- Hospital Association of RI
- **Lifespan**
- Neighborhood Health Plan of RI
- Point32Health

- **Office of the Health Insurance Commissioner**
- RI Parent Information Network (RIPIN)
- RI Business Group on Health
- RI EOHHS/Medicaid
- RI Medical Society
- RI Public Expenditure Council
- UnitedHealthcare of New England
- Rhode Island Foundation
- The Wilson Organization

Note: Organizations in **Bold** font are Co-Chairs

Accountability Within a Public-Private Partnership Framework

Agreement on common goals within a public-private partnership framework can be difficult. Achieving agreement on strategy even harder.

Some best practices:

- Governmental and industry accountability for health care costs is advanced by ensuring that problems are defined, and solutions are developed, in the light of day.

- Accountability measures should rely on data and information that is based on a credible methodology and is reviewed with accountable entities in advance.

- Public disclosure of performance against the cost growth target is necessary but not sufficient. Consider the structure and terms of contracts which shape incentives as a chassis for accountability.

- Be thoughtful and strategic about legislative initiatives to supplement actions.

Collaborative Actions to Address Cost Growth

Steering Committee Function
The Steering Committee provides a forum for leaders from public and private organizations to show their commitment to sustainable health care costs and to pair goals with actions.

Actions
- ✓ Developed a cost growth target methodology and process to measure performance against the target.
- ✓ Advised the development of a data use strategy to inform cost growth mitigation options.
- ✓ Committed through compact to address cost growth by accelerating the adoption of advanced value-based payment models.

Rhode Island's Compact to Accelerate Advanced VBP

- In April 2022 members of the Steering Committee or their designees signed a compact to accelerate adoption of advanced value-based payment models in the state.

- The compact specifically calls for adoption of three payment models:
  - **hospital global budgets** for facility and employed clinician professional services,
  - **prospective payment for high-volume and high-cost specialty care providers** who are not employed by hospitals, and
  - **prospective payment for primary care**.

- The document further outlines principles, action steps, targets and timelines.

1. Health Care Cost Trends Report

2. Price and Utilization Trends Report

Methodology

Data Source

Health Care Cost Per Person

Oregon uses the annual per person spending amounts in medical and pharmacy claims as an indicator to measure health care cost trend.

Includes: plan-paid amounts and member cost sharing such as patients' copays, deductible, and coinsurance payments
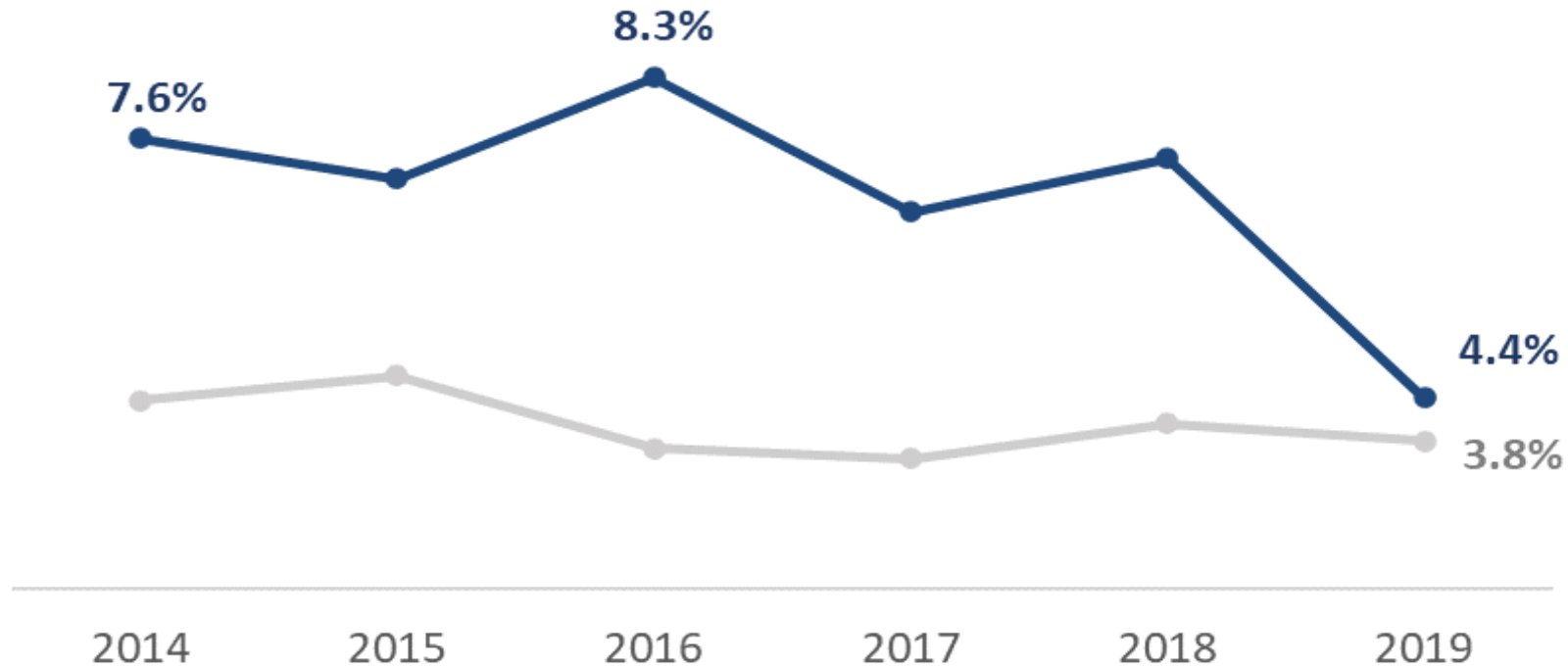
Excludes:
• administrative spending, profits, and non-claims spending such as value-based payments
• Claims payments from secondary payers

The dollar amounts are not adjusted for inflation or risk-adjusted in any way.
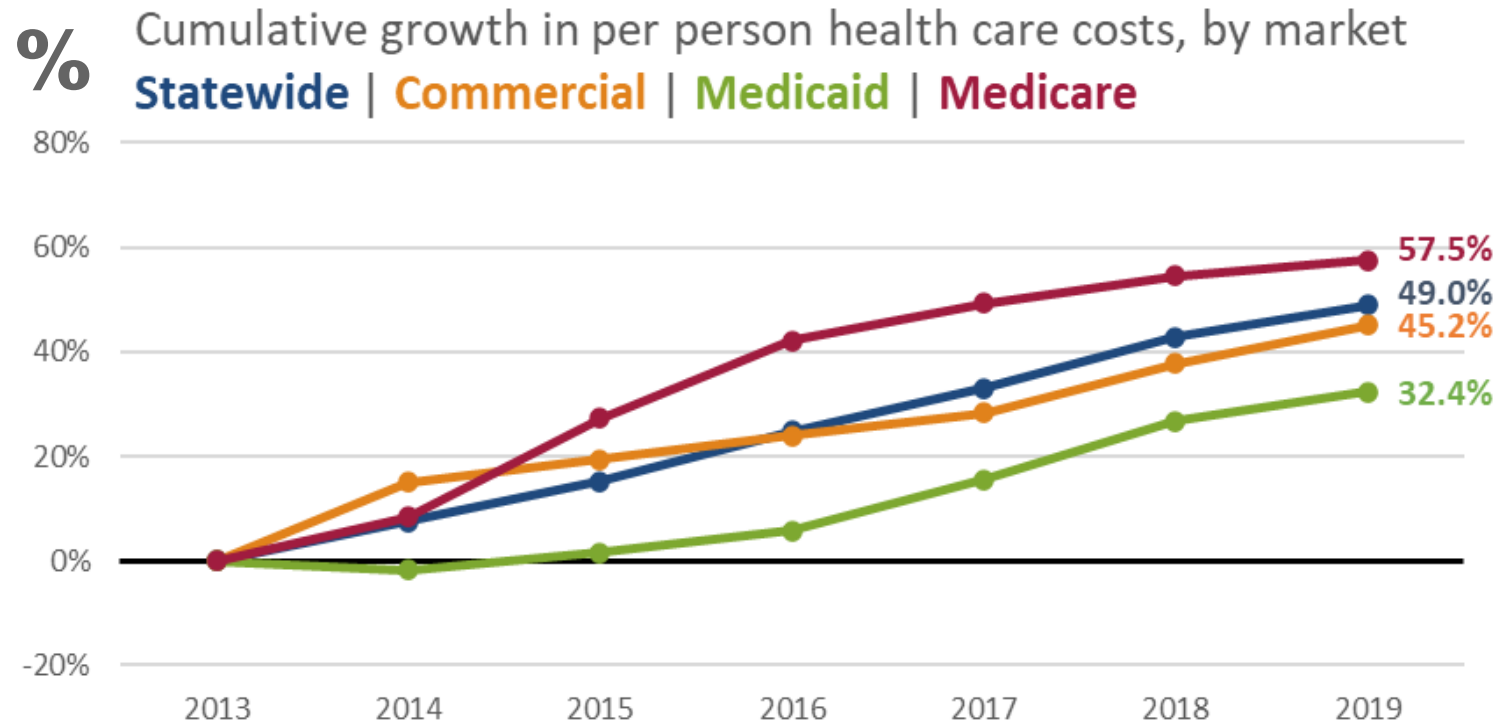
% Per person annual health care cost growth **in Oregon** is higher than the national average.

From 2013 to 2019 in Oregon, per person health care costs rose **an average of 6.9 percent annually**, faster than health care cost have grown nationally, which has average 4.0 percent annually[*].

* National Health Expenditure Data from CMS, Table 1, National Health Expenditures Per Capita. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical

Cost Growth Trends Statewide and by Market

Cumulative growth in per person health care costs, by market
Statewide | Commercial | Medicaid | Medicare

- 57.5% (Medicare)
- 49.0% (Statewide)
- 45.2% (Commercial)
- 32.4% (Medicaid)

Between 2013 and 2014, health care costs increased substantially in the commercial and Medicare markets. Nationally, this was driven by the expansion of health insurance coverage under the Affordable Care Act, including enrollment in commercial Marketplace plans.

Cost Growth Trends by Service Category

Oregon's six service categories are defined based on bill type, revenue code, and place of service.

Pharmacy per person costs grew the most at an annual average of **nearly 14 percent**.

3.4%	Health care cost growth target
3.5%	Inpatient
7.4%	Outpatient
8.0%	Professional Services
13.9%	Pharmacy
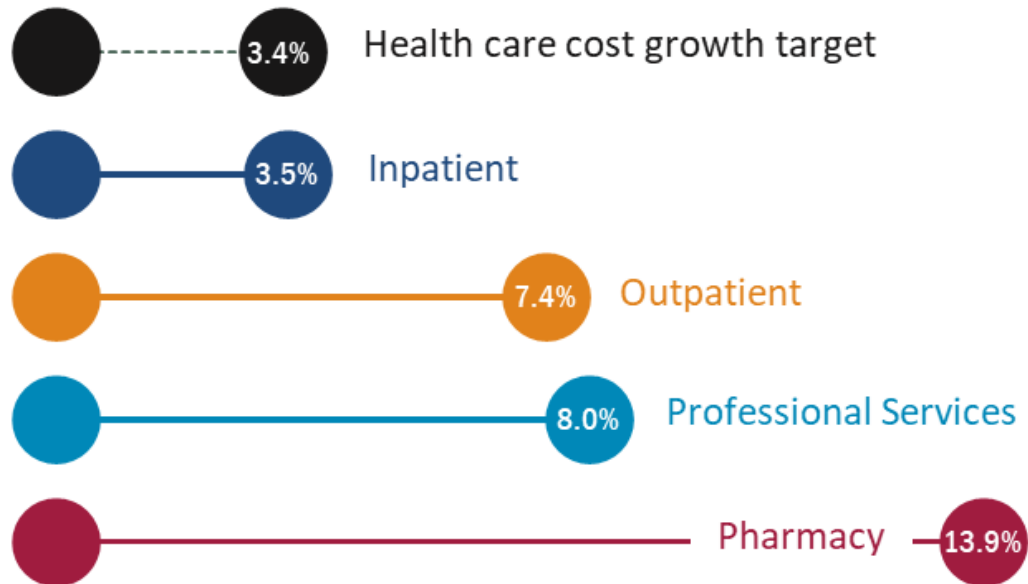
Price vs Utilization Analysis

Utilization: For a service category, the number of times the services were rendered to patients in that year.

- Inpatient: number of discharges

- Pharmacy: number of day supply

- All others: number of claims

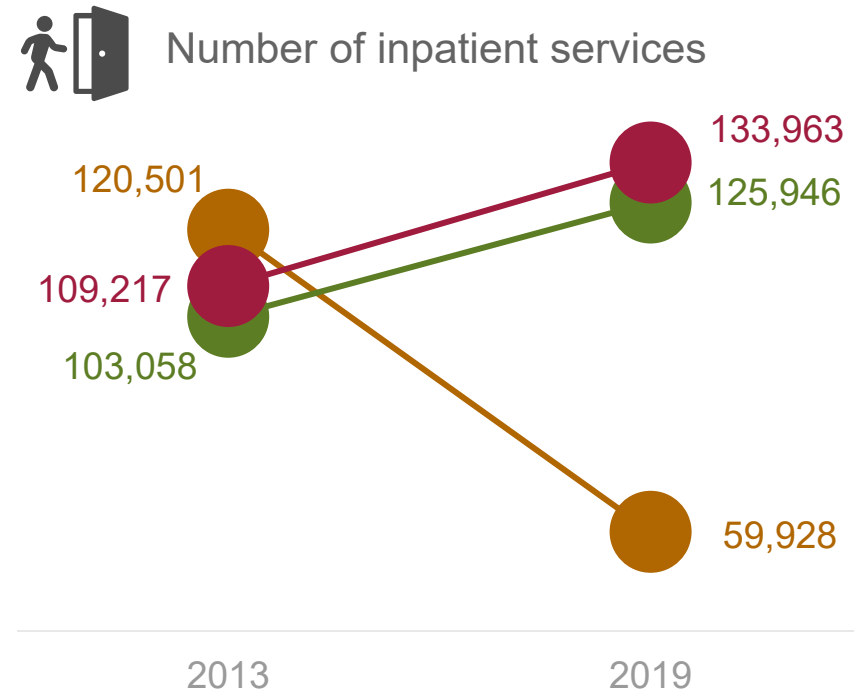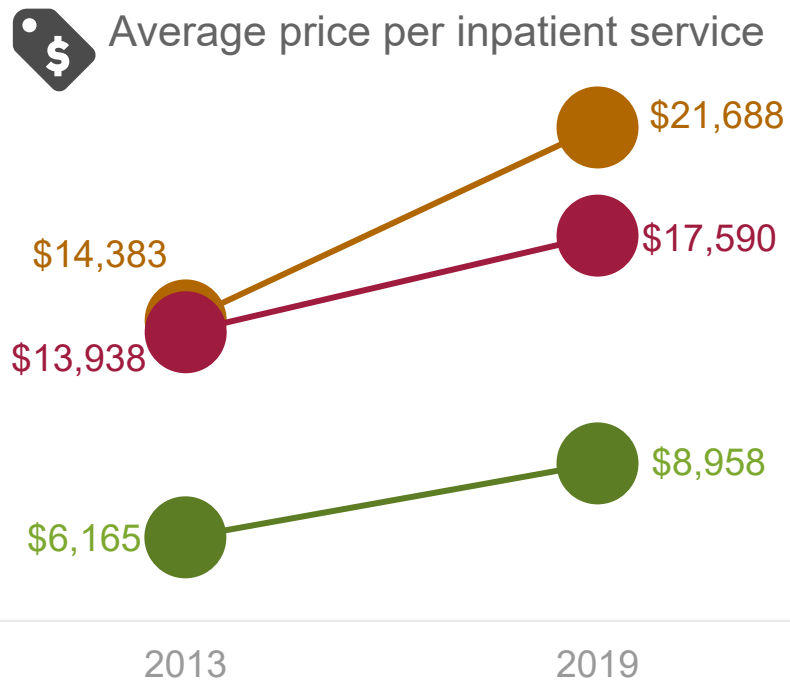**Price:** For a service category and a given year…

- First, sum up the total paid amount (plan paid and patient paid).

- Then the total paid amount is divided by the number of times the services were provided to patients.

- The price is the mean total paid amount for that year.
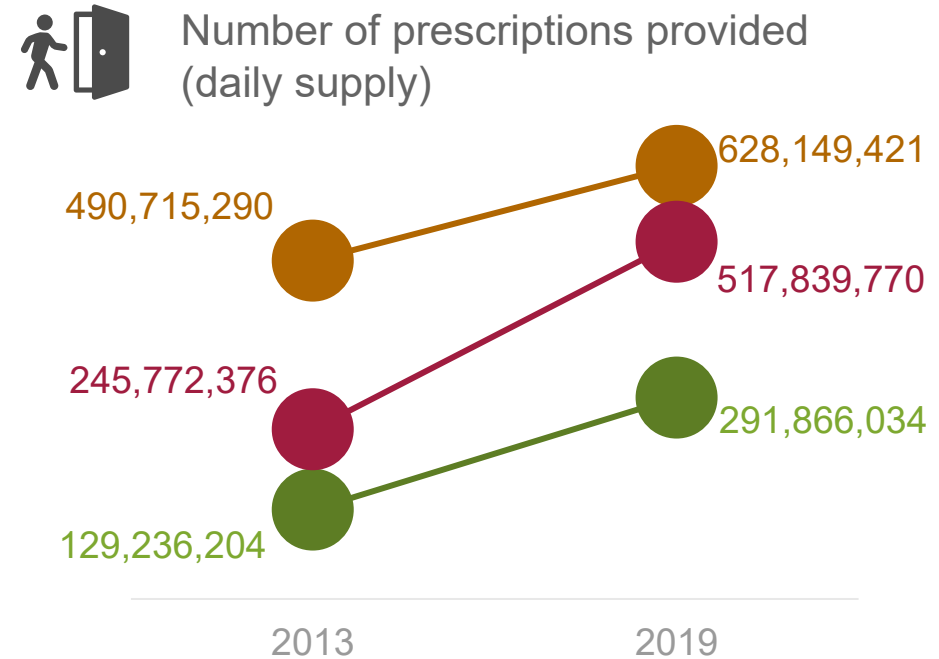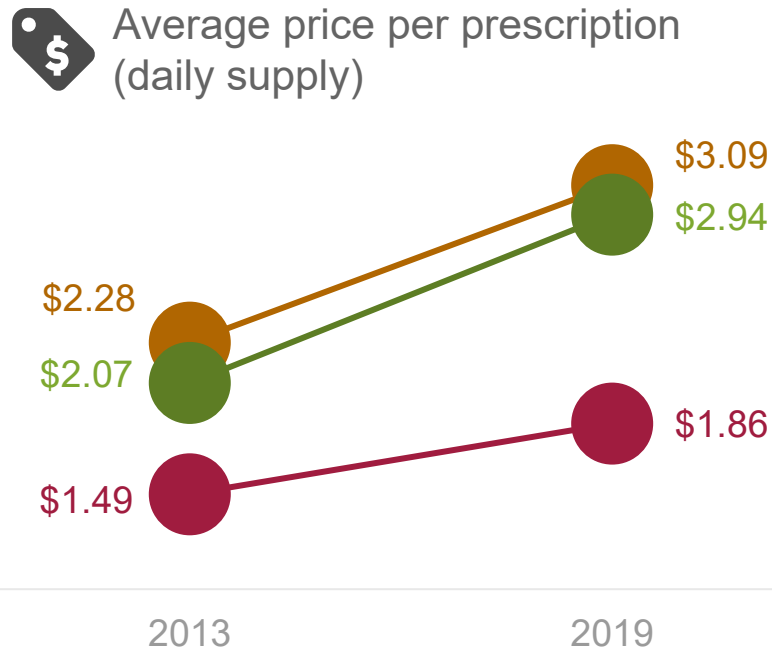
Price vs Utilization Analysis

Key Findings

- **Price increases** where the primary driver of cost growth in Oregon's **Commercial** health care market. The number of services provided either decreased or stayed approximately the same over time.

- Cost growth in Oregon's **Medicare** and **Medicaid** health care markets was mostly because **the number of services provided increased**.

For inpatient services, **commercial** prices grew the most while the number of services provided grew for **Medicare** and **Medicaid**.

Average price per inpatient service

$21,688
$17,590
$14,383
$13,938
$8,958
$6,165

2013   2019

Number of inpatient services

133,963
125,946
120,501
109,217
103,058
59,928

2013   2019

Prices for retail prescriptions grew similarly for commercial and Medicaid, while the number of prescriptions increased the most for Medicare.

Average price per prescription (daily supply)

$2.28

$2.07

$1.49

$3.09

$2.94

$1.86

2013

2019

Number of prescriptions provided (daily supply)

490,715,290

245,772,376

129,236,204

628,149,421

517,839,770

291,866,034

2013

2019

Oregon's Cost Trend Reports:

- [2013-2019 Total Spending Report](#)
- [Supplemental Analysis 2013-2019 Total Spending](#)
- [Supplemental Analysis 2013-2019 Price and Utilization Trends](#)

Contact Oregon's Sustainable Health Care Cost Growth Target Program at 503-385-5948 or email HealthCare.CostTarget@dhsoha.state.or.us.