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Healthcare Cost Growth Benchmark Steering Committee Meeting

August 26, 2024

"We collaborate, out of a shared concern and responsibility for all Connecticut residents, to develop consensus models that advance equity and consumer affordability of healthcare in our state."

Welcome and Roll Call

Meeting Agenda

Time	Topic
3:00 p.m.	I. Welcome, Roll Call, and Agenda Review
3:05 p.m.	II. Approval of July Meeting Minutes – Vote
3:10 p.m.	III. Implications of High Costs for Patients
3:35 p.m.	IV. Technical Team
3:50 p.m.	V. Steering Committee Policies of Interest: State Examples
4:50 p.m.	VI. Public Comment
4:55 p.m.	VII. Wrap-Up and Next Steps
5:00 p.m.	VIII. Adjournment

Approval of July 22nd Meeting Minutes – Vote

Implications of High Costs for Patients

Implications of High Costs for Patients

- One of OHS' goals for 2024 has been to study the implications, including related to equity, of high costs on patients.
- One tool that OHS at its disposal to assess this is the **Connecticut Healthcare Affordability Index**, or “CHAI.”
  - OHS and the Office of the State Comptroller worked with researchers from the Center for Women's Welfare at the University of Washington School of Social Work to develop this tool.
  - Lisa Manzer from the University of Washington will review this tool to demonstrate how the CHAI speaks to the challenges that high healthcare costs pose for Connecticut residents.

Connecticut Healthcare Affordability Index

Technical Team

Technical Team (1 of 2)

- When OHS designed the cost growth benchmark program in 2020, OHS relied on a **Technical Team** of experts for guidance on the program design.
- The Technical Team, by design, did not include organizations that would be measured against program benchmarks and targets. The purpose was to foster impartial perspectives.
- With the initial five years of benchmarks and targets ending in 2025, OHS will convene a new Technical Team to advise OHS this fall.

Technical Team (2 of 2)

- OHS will ask the Steering Committee to react to draft ideas developed with the Technical Team and to provide feedback.
  - This is the same role that OHS' former Stakeholder Advisory Board played in 2020.
- OHS welcomes suggestions for members of this new body.
  - OHS is especially interested in economists, actuaries, benefits consultants, consumer advocates, and employer and labor union purchasers.
  - Suggestions may be submitted to Alexander.Reger@ct.gov.

Steering Committee Policies of Interest: State Examples

Policies of Interest: State Examples

- During our July meeting, OHS solicited input from the Steering Committee on which **policy strategies to include in this year's annual report to the General Assembly**.
- Some members expressed interest in learning about policy action in other states specific to:
  - Cost growth benchmark enforcement
  - Primary care spending target enforcement
  - Pharmacy cost mitigation strategies
- In response, OHS committed to share examples. Members received a summary document prior to today's meeting.

State Examples of Cost Growth Benchmark Enforcement Mechanisms: Summary

State	No Enforcement Mechanism	Performance Improvement Plans	Cost and Market Impact Review	Civil Penalties or Fine for Exceeding	Hospital Budget Review
California		X	X	X	
Connecticut	X				
Delaware		X			X
Massachusetts		X			
Oregon		X		X	
Rhode Island	X				
Washington	X				

State Examples of Cost Growth Benchmark Enforcement Mechanisms: California

- California's statute specifies a series of escalating actions that the state may take when an entity exceeds the benchmark.
  - **Step 1**: Provide **technical assistance** to the violating entity
  - **Step 2**: If necessary, compel **public testimony** regarding the entity's failure to meet the benchmark
  - **Step 3**: **Performance Improvement Plan**
  - **Step 4**: Administrative **penalties**

- California can also require a **cost and market impact review** be performed on any entity "if data indicate adverse impacts on cost, access, quality, equity, or workforce stability from consolidation, market power, or other market failures."

State Examples of Cost Growth Benchmark Enforcement Mechanisms: Delaware

- Delaware recently established the Diamond State Hospital Cost Review Board. **Beginning in 2026**, if the Board determines that a hospital's actual annual cost growth has exceeded the spending benchmark, the Board may require a **Performance Improvement Plan** (PIP).

- If the PIP is unsuccessful, the Board may require the hospital to participate in a **budget approval process** whereby the hospital budget must, for at least three consecutive years, adhere as closely to the health care spending benchmark "as is reasonable given the hospital's financial position and associated economic factors."

State Examples of Cost Growth Benchmark Enforcement Mechanisms: Massachusetts

- For entities that exceed the healthcare cost growth benchmark in any given year, the Health Policy Commission (HPC) can require a **Performance Improvement Plan** (PIP).
  - The HPC can assess a civil penalty if any entity neglects to submit an acceptable PIP or fails to implement the PIP in good faith.

State Examples of Cost Growth Benchmark Enforcement Mechanisms: Oregon

- For payers and providers that exceed the healthcare cost growth benchmark in a given year, Oregon can require a **Performance Improvement Plan** (PIP).
  - Oregon can issue civil penalties of up to $500 per day to any entity that fails to develop and implement a PIP.
- Oregon can also apply **financial penalties** to any entity that either does not participate in the program or exceeds the cost growth benchmark in **three out of five calendar years**.

State Examples of Primary Care Spending Target Enforcement Mechanisms: Colorado

- Colorado required carriers to increase the proportion of total medical expenditures allocated to primary are by 1 percentage point in each of 2022 and 2023.

- The Colorado Division of Insurance was given the authority to respond to non-compliance with "any of the sanctions made available in the Colorado statutes including **fines, cease-and-desist orders, and revocation of the health plan's license**."

State Examples of Primary Care Spending Target Enforcement Mechanisms: Delaware

- Delaware requires carriers to spend at least 7% on primary care in 2022, 8.5% in 2023, 10% in 2024 and 11.5% in 2025.

- Delaware's Department of Insurance developed regulations allowing the Department to report on carrier compliance, and carry out a market conduct exam, as necessary. In response to non-compliance, the Department can:
  - **Return a rate filing** for amendments and correction of deficiencies
  - Require a **corrective action plan**
  - Create **carrier-specific reporting and monitoring requirements** for two years
  - Impose **administrative penalties**

State Examples of Primary Care Spending Target Enforcement Mechanisms: Oregon

- Oregon required health plans to allocate at least 12% of health care expenditures to primary care by 2023.
- The Oregon Health Authority can require carriers that do not meet this target to submit with each rate filing a **plan to increase spending** on payments for primary care as a percentage of total medical expenditures by at least one percent each plan year.

State Examples of Primary Care Spending Target Enforcement Mechanisms: Rhode Island

- Rhode Island's affordability standards require each commercial health insurer's primary care expenses to make up at least 10.7% of its annual medical expenses for all insured lines of business.

- The Office of the Health Insurance Commissioner's enforcement powers include:
  - Approving or denying **any request or application**
  - Approving, denying, or modifying **any requested rate**
  - Approving or rejecting **any forms, trend factors, or other filings**
  - Issuing **any order, decision or ruling**
  - Initiating **any proceeding, hearing examination, or inquiry**
  - **Any other action** authorized or required by stature or regulation

State Examples of Prescription Drug Policies: Background

- In 2022, the Steering Committee created a Pharmacy Cost Mitigation Strategies Work Group.
  - Eleven volunteer members met 10 times between November 2022 and October 2023.
  - The group systematically reviewed a long list of potential strategies to slow pharmacy spending growth and made a series of recommendations.

State Examples of Prescription Drug Policies (1 of 9)

Workgroup Recommendation #1:

- Advance legislation to establish **reference-based payment limits**, which are caps on the amount that can be paid for a prescription drug based on prices paid by payers elsewhere.
  - There are no known examples of reference-based payment limits implemented at the statewide level.

State Examples of Prescription Drug Policies (2 of 9)

Workgroup Recommendation #2:

- Advance legislation to **penalize excessive pharmaceutical price increases**.
  - **Minnesota** prohibits price increases that, after adjusting for inflation, exceed 15% of the wholesale acquisition cost (WAC) from the year prior, 40% of the WAC from three years prior, or $30 for a 30-day supply or course of treatment lasting less than 30 days.
  - **Illinois** prohibits price increases that results in the WAC of a 30-day supply rising by 30% or more from the year prior, 50% or more from three years prior, 75% or more within 5 years prior, or is "otherwise excessive and unduly burdens consumers because of the importance of the essential off-patent or generic drug to their health and because of insufficient competition in the marketplace."

State Examples of Prescription Drug Policies (3 of 9)

Workgroup Recommendation #3:

- **Expand the current state law definition of drug rebates** to capture the complexity of rebate relationships.
  - The **Colorado** Center for Improving Value in Health Care, which is charged with maintaining the state's All-Payer Claims Database (APCD), outlines its comprehensive drug rebate data requirements through its APCD Data Submission Guide.

State Examples of Prescription Drug Policies (4 of 9)

Workgroup Recommendation #4:

- Advance legislation to **prohibit PBMs from engaging in the practice of spread pricing**.
    - At least 15 states have such legislation, including Arkansas, Florida, Delaware, Idaho, Louisiana, Michigan, New York, Pennsylvania, Vermont, Virginia, and Washington.

State Examples of Prescription Drug Policies (5 of 9)

Workgroup Recommendation #5:

- Explore **expanding PBM transparency** and reporting requirements to potentially include…
  - **drug-specific rebate information.**
    - New Jersey, Maine, and Minnesota have such legislation
  - **average PBM** per member per month **administrative fees**.
    - California, Louisiana, Michigan, New Jersey, Oregon, Utah, and Virginia all require reporting of PBM administrative fees
  - **conflicts of interest**.
    - New York requires PBMs to disclose any activity or policy that directly or indirectly presents any conflict of interests with the PBM's relationship with a health plan.
  - payments to **PBM-owned vs non-PBM-owned pharmacies**.
    - Minnesota has such legislation
  - **contract arrangements between PBMs and other parties** relating to services PBMs provide to health plans.
    - Florida has such legislation

State Examples of Prescription Drug Policies (6 of 9)

Workgroup Recommendation #5 (continued):

- Explore **requiring PBMs to be licensed** with the state.
  - At least 25 states require PBM licensure. Examples include Arkansas, Indiana, Kansas, Louisiana, Michigan, Minnesota, Montana, New Jersey, North Carolina, South Carolina, South Dakota, Tennessee, Utah, Vermont, Virginia, West Virginia and Wisconsin.

State Examples of Prescription Drug Policies (7 of 9)

Workgroup Recommendation #5 (continued):

- Explore establishing **upper payment limits for generic drugs**.
  - There are no known examples of upper payment limits for generic drugs implemented at the statewide level.

State Examples of Prescription Drug Policies (8 of 9)

Workgroup Recommendation #6:

- Explore opportunities for the state to provide capital investment to **fund the development, production, and/or distribution of generic drugs**.
  - After passing enabling legislation, **California** entered into a 10-year $50 million contract with nonprofit drugmaker Civica Rx to contribute funding to the development and production of interchangeable biosimilar insulin products.
  - **Washington** also passed legislation, but the work stalled due to a lack of funding.

State Examples of Prescription Drug Policies (9 of 9)

Workgroup Recommendation #7:

- Explore strategies related to **including pharmacy expenses in total cost of care risk sharing contracts** between insurers and provider organizations.
  - There are no known examples of this approach implemented at the statewide level.

Public Comment

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Wrap-Up and Next Steps

Wrap-Up and Next Steps

- The next meeting is scheduled for Monday, September 23rd from 3-5 pm.