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Healthcare Cost Growth Benchmark Steering Committee Meeting

December 16, 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

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Meeting Agenda

Time	Topic
3:00 p.m.	I. Welcome, Roll Call, and Agenda Review
3:05 p.m.	II. Approval of October Meeting Minutes – Vote
3:10 p.m.	III. Results of OHS' Annual Inflation Review
3:25 p.m.	IV. Technical Team Status Report
3:50 p.m.	V. Public Comment
3:55 p.m.	VI. Wrap-Up and Next Steps
4:00 p.m.	VII. Adjournment

Approval of October 28th Meeting Minutes – Vote

Results of OHS' Annual Inflation Review

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Connecticut General Statute, Inflation, and the Benchmark

- As a reminder, C.G.S. 19a-754g(b)(1)(C)(iii) requires the following of OHS:
    1. Conduct an annual review of the current and projected rate of inflation.
    2. Determine whether the rate of inflation requires modification of the Healthcare Cost Growth Benchmark.

Recap: Inflation Review Summary

1. Research shows that inflation impacts healthcare spending growth. The impact is not immediate, but "lagged."
2. General inflation in the U.S., as measured using Personal Consumption Expenditures (PCE), started near 6% in 2023 and then dropped. It has been between 2% and 3% in 2024, approaching the Fed's PCE target of 2.0%.
3. Healthcare prices in the U.S. have continued to grow at only slightly elevated rates above inflation in 2024.
    - This holds true for hospital and prescription drug prices.

OHS' Decision

- Based on its annual inflation review, OHS has decided **not** to adjust the 2025 cost growth benchmark value.
- OHS' decision last year to adjust the 2024 benchmark value was a result of historically high inflation in 2022. While inflation remained higher than usual in 2023, it was markedly lower than in 2022.
- OHS believes that the benchmark should only be adjusted under extraordinary circumstances, as the stability and predictability of the cost growth benchmark are key to its efficacy.

Update on the Technical Team

Update on the Technical Team

- OHS convened the Technical Team, a group of CT and national subject matter experts to recommend:
  1. Annual healthcare cost growth benchmarks across all payers and populations for CYs 2026-2030
  2. Primary care spending targets across all payers and populations as a share of total health care expenditures for CYs 2026-2030
  3. A methodology and threshold for informing OHS' annual decision of whether to adjust the next year's benchmark value due to inflation
  4. Whether to report Advanced Network spending growth by market only or overall, across markets
- The Technical Team has been charged with centering health equity in its recommendations.

Healthcare Benchmark Technical Team

Loren Adler, MS, Fellow and Associate Director, Center on Health Policy, Brookings Institution

Don Berwick, MD, MPP, Senior Fellow at the Institute for Healthcare Improvement

Sabrina Corlette, JD, Co-Director, Center of Health Insurance Reforms, Georgetown University's McCourt School of Public Policy

Francois de Brantes, MS, MBA, Senior Partner, High Value Care Incentives Advisory Group

Stefan Gildemeister, MA, State Health Economist and Director, Minnesota Department of Health

Paul Grady, Connecticut Business Group on Health

Jason Hockenberry, PhD, Associate Dean for Faculty Affairs, Department Chair and Professor of Public Health (Health Policy), Yale School of Public Health

Chris Manzi, MBA, President, Pequot Health Care

Roslyn Murray, PhD, MPP, Assistant Professor of Health Services, Policy and Practice, Brown University Affiliated Faculty, Center for Advancing Health Policy through Research

Josh Wojcik, Director, Health Policy and Benefits Services Division, Office of the State Comptroller

Technical Team Meetings

- Since first convening in November, the Technical Team has met three times, discussing the following:
  - the charge and objectives of the Technical Team and a plan for achieving them
  - background information about healthcare cost growth benchmarks and primary care spending targets in Connecticut and other states, including Connecticut's performance to date relative to the benchmarks
  - Connecticut's current total healthcare expenditure (THCE) measurement methodology
  - decision-making criteria for selecting an economic indicator(s) on which the benchmark is based
  - economic indicators to which to tie the benchmark, and whether to combine indicators and use historical and / or forecasted values
  - risk adjustment in benchmark programs and measurement

Criteria for Selecting an Economic Indicator

- The Technical Team recommended the following decision-making criteria for identifying an indicator to which to tie the benchmark:
  1. provide a stable and therefore predictable target;
  2. rely on independent, objective sources with transparent calculations; and
  3. produce a benchmark value such that spending growth will not exceed change in consumer, employer, and taxpayer ability to pay.
- The third criterion was modified from the 2020 criterion in response to member feedback that it should focus on "ability to pay.“
- Members noted that spending is already unaffordable, so continued growth will make it even more so.

Observations about Connecticut Spending Trends and Contributors to Growth

- Technical Team members observed the variation in spending growth by market and noted that the total spending growth rate masks the significant contribution of commercial market spending.
  - Lower trends in Medicare and Medicaid spending have brought down the overall rate of growth in THCE.
  - Technical Team members have considered the benefit of market-specific benchmarks and have emphasized reporting spending growth by market to ensure sufficient attention is drawn to the high rates of growth in commercial market spending.
- Technical Team member underscored the need for OHS to continue to analyze cost drivers and bring heightened attention to the role of prices.

Economic Indicator Options and Adjustments (1 of 3)

- Technical Team members considered several indicators to which to tie the benchmark, expressing special interest in tethering the benchmark to average annual changes in one or more of these four:
  - inflation (CPI-U or PCE)
  - median household income
  - average annual wage
  - Medicare spending

Economic Indicator Options and Adjustments (2 of 3)

- Most Technical Team members are favoring tying the benchmark to a consumer-centric measure.
- Technical Team members have thus far expressed a preference for using forecasted values.
- Members have been considering potential adjustments to the benchmark, but have not yet settled on an approach.
- Members discussed how investments, such as in primary care, might be considered when assessing compliance with the benchmark.

Economic Indicator Options and Adjustments (3 of 3)

- Technical Team members have recommended that OHS continue to report age and sex-adjusted spending performance for payer and provider entities.
- Some Technical Team members have emphasized to OHS the need for enforcement provisions if the benchmark is to serve its purpose and lower spending growth.
- The Technical Team will continue discussions of indicators, including modeling values and adjustments, in January.

Discussion: Technical Team

- What reactions do Steering Committee members have to the Technical Team meeting discussions so far?
- Do Steering Committee members wish to provide feedback to OHS to convey to the Technical Team during the next Technical Team meeting in January?

Public Comment

Wrap-Up and Next Steps

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- The next meeting is scheduled for **Monday, January 27th from 3 – 5 pm**.