CONNECTICUT

Healthcare Cost Growth Benchmark
Technical Team Meeting #6
February 18, 2025

I. Welcome

Meeting Agenda

Time	Topic
1:00 p.m.	I. Welcome
1:05–1:40 p.m.	II. Cost Growth Benchmark Recommendations
1:40–2:15 p.m.	III. Primary Care Spending Target
2:15–2:45 p.m.	IV. Inflation Review Methodology
2:45-2:55 p.m.	V. Public Comment
2:55-3:00 p.m.	VI. Wrap-Up and Next Steps
3:00 p.m.	VII. Adjournment

II. Healthcare Cost Growth Benchmark Recommendations

Healthcare Cost Growth Benchmark

1. Steering Committee feedback
2. Adjustments for primary care spending
3. Final cost growth benchmark recommendations

1. Feedback from Steering Committee (1 of 2)

- OHS meets on a regular basis with a large, diverse stakeholder body for the purposes of seeking input on the Healthcare Benchmark Initiative, and especially, strategies to meet the Cost Growth Benchmark.
  - Francois de Brantes, Paul Grady, Chris Manzi and Josh Wojcik are members of the Steering Committee. Deidre serves as its chair.
- Last month, OHS provided an update on Technical Team activity during a Cost Growth Benchmark Steering Committee meeting. The following slide summarizes the offered feedback.
- OHS welcomes any Technical Team responses to the feedback.

1. Feedback from Steering Committee (2 of 2)

- The Technical Team does not appear to be accounting for continuing high inflation that hospitals are facing. *(hospital executive)*
- The Technical Team's recommendation against using clinical risk adjustment is concerning given increases in acuity. *(hospital executive)*
- Commercial spending has to be considered in the context of Medicaid and Medicare spending. *(hospital executive)*
- Where does the Technical Team believe there are opportunities to reduce excess costs? *(physician group executive)*

2. Adjustments for Primary Care Spending (1 of 2)

- Technical Team members previously discussed whether to adjust the benchmark for primary care spending allocation.
  - Some members favored removing primary care spending when assessing payer performance so there would be no penalty for increasing primary care spending.
  - One member suggested removing primary care spending up until the point at which a payer has met the primary care spending target.
  - One member cautioned that an adjustment may increase complexity in messaging.
- Alternatively, OHS could establish that primary care spending is an acceptable reason for entities to exceed the cost growth benchmark.

2. Adjustments for Primary Care Spending (2 of 2)

- OHS modeled healthcare cost growth trend with and without primary care spending using 2022 and 2023 data. It found that there was a very small increase in cost growth trend when excluding primary care spending.
  - +0.1% impact on trend at the commercial market level and +0.7% impact on trend for Medicare Advantage without primary care spending
  - -0.1% to +0.2% at the commercial payer/market level without primary care spending, and 0.0% to +1.2% for Medicare Advantage

» Does the Technical Team recommend any type of adjustment for primary care spending?

3. 2026-2030 Benchmark Recommendation (1 of 2)

- During the January 10, 2025 meeting, the Technical Team discussed its recommendations for the 2026-2030 healthcare cost growth benchmarks, including:
  - Tethering the benchmark to **forecasted median household income** to establish that healthcare costs should not rise faster than income.
  - Setting the benchmark **equal to the value of forecasted median household income in the initial years**.
  - **Adjusting the value downward in later years** to account for high – and excess – costs built into the system and for which savings can be realized.
  - **Continuing to truncate high spending**. Many members expressed strong support for OHS's efforts to examine the current truncation levels to determine if they should be increased.
  - Continuing to report payer and provider entity performance **using confidence intervals**.

3. 2026-2030 Benchmark Recommendation (2 of 2)

- Forecasted median household income: **2.7%**

Calendar Year	Benchmark
2026	2.7%
2027	2.7%
2028	2.5%
2029	2.5%
2030	2.2%

» Does the Technical Team confirm these values as the benchmarks for 2026-2030 as its final recommendation to OHS?

III. Primary Care Spending Target Recommendations

Primary Care Spending Target

1. Recap of Meeting #5 discussion
2. Risk adjusting payer primary care spending
3. Health equity considerations for primary care spending target

1. Recap of Meeting #5 discussion (1 of 3)

- During the last Technical Team meeting, members conveyed the following:
  - **The primary care spending target has not resulted in a re-allocation of spending** away from specialty, hospital and drug spending to primary care, which is the desired outcome. Members added that it is clear a target alone is unlikely to achieve this outcome.
  - **Significant spending for primary care is in urgent care and ED settings, not traditional primary care**, which is the policy intent.
  - **OHS should specify primary care investment outcome goals** (e.g., improved care coordination and management, increased primary care use, increased workforce, quality outcomes, etc.) and identify measures to track progress towards those goals.

1. Recap of Meeting #5 Discussion (2 of 3)

The Technical Team discussed the following questions pertaining to the definition of primary care:

1. Whether to include services delivered by OB/GYNs
   - Some members recommended that OHS add spending with OB/GYNs (and midwives) for routine primary care and non-specialty gynecological services because of the degree to which women use OB/GYNs for primary care.
   - Others thought the current approach of excluding such spending from the target calculation but collecting and analyzing primary care spending that includes OB/GYNs was sufficient.

1. Recap of Meeting #5 Discussion (3 of 3)

The Technical Team discussed the following regarding the definition of primary care:

2. Whether to continue excluding long-term care service spending from the denominator to improve cross-market performance comparability
   - One member voiced agreement with excluding long-term care services from total spending.
3. Whether to truncate high-cost outliers in the denominator
   - One member suggested truncate high-cost outliers in the denominator. (OHS currently does so at the insurer level, but not at the market and state levels.)

2. Risk Adjusting Payer Primary Care Spending (1 of 3)

- An insurer has proposed that OHS use clinical risk adjustment when assessing payer primary care spending percentage.
  - It asserted that comparisons between insurers are skewed based on varying clinical needs of payer patient populations
- OHS's practice has been to apply age / sex adjustment to the calculation of primary care spending as a percentage of overall spending.
- Does the Technical Team recommend consideration of clinical risk adjustment for the primary care spending target?
  - As a reminder, clinical risk adjustment is not used for the cost growth benchmark trend calculation.

3. Health Equity Considerations for Primary Care Spending Target

- The Technical Team is charged with centering health equity in its recommendations.

» Do Technical Team members have recommendations for how OHS should consider equity in the context of the primary care spending target?

For example:

- Analyze and report on primary care spending PMPM and as a percentage of TME, by geography, by Social Vulnerability Index, by income group, and/or by race?

IV. Inflation Review Methodology

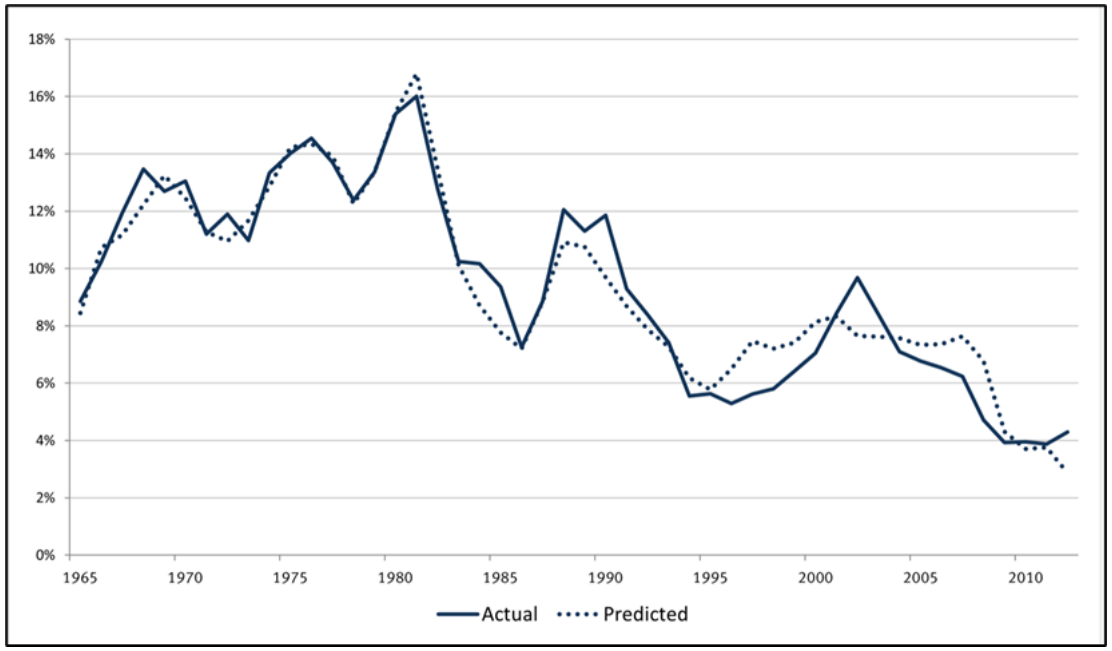
Connecticut General Statute, Inflation, and the Benchmark

- 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.
- As a reminder, the 2021-2025 cost growth benchmark values were set using 20% PGSP and 80% forecasted median household income growth. PCE is a component of PGSP.
- For this reason, OHS' inflation review process has involved an assessment of fluctuations in PCE. The next few slides describe OHS findings about the role of inflation and healthcare spend.

Statistical Relationship Between Inflation and Healthcare Spending (1 of 2)

- Finding #1: Inflation and growth in real GDP are highly predictive of growth in healthcare spending.

Growth in Healthcare Spending, Actual and Predicted
by Changes in Inflation and GDP



Source: Analysis by the Kaiser Family Foundation and the Altarum Center for Sustainable Health Spending, 2013

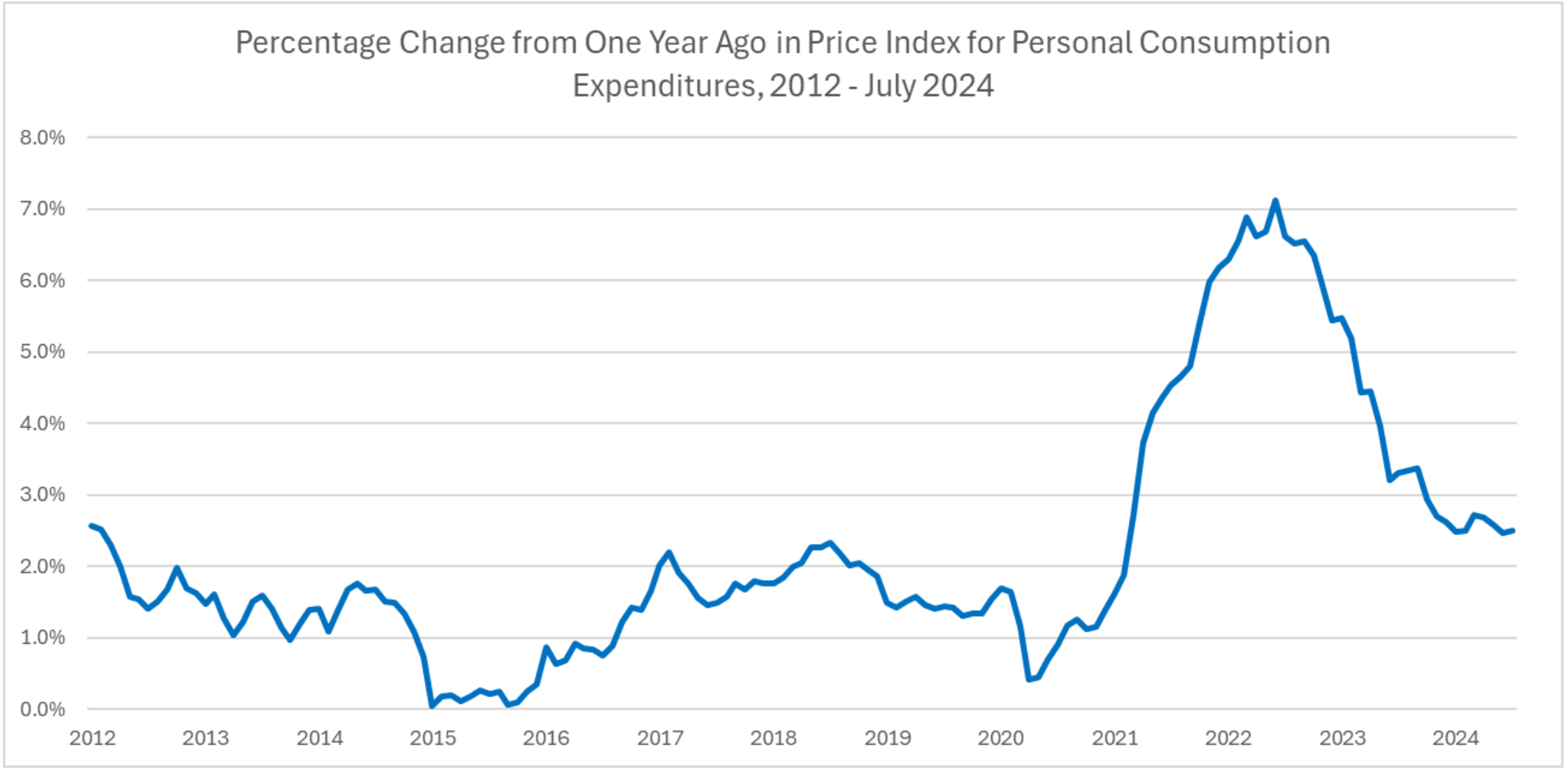
Statistical Relationship Between Inflation and Healthcare Spending (2 of 2)

- Finding #2: While there is a close relationship between inflation and healthcare spending, the effects aren't seen in healthcare spending immediately.
- Rather, the effect of inflation on healthcare spending lags over two years. This is due to the prospective nature by which prices are set for healthcare services.
  - Commercial payer prices are often established in multi-year contracts.
  - Public payers set prices prospectively and, for Medicaid, don't change them frequently.

OHS' Annual Inflation Review Process (1 of 2)

- OHS' annual inflation review process to date has involved looking at PCE for the period of time approximately two years preceding the upcoming benchmark year.
- On the next slide, we present a graph displaying the annual percentage changes in the PCE Price Index nationally, based on data from the Bureau of Economic Analysis.
  - OHS previously used these data to make prior determinations about whether to adjust the cost growth benchmark for a given year.
  - OHS decided to adjust the 2024 cost growth benchmark value due to unusually elevated PCE in 2022, but decided *not* to adjust the 2025 cost growth benchmark value the following year due to dropping PCE in 2023.

OHS' Annual Inflation Review Process (2 of 2)



Source: Bureau of Economic Analysis

Discussion

- Do members support OHS' practice of examining the inflation rate of two years prior to assess whether the rate of inflation requires an adjustment to the Benchmark value?

- OHS wishes to explore the establishment of a quantitative threshold for when inflation should trigger an adjustment to the cost growth benchmark value, e.g., if PCE two years prior to the upcoming benchmark year was one percentage point above or below the long-term PCE forecast.
  - What do Technical Team members think of this idea? Is there a threshold you recommend?

V. Public Comment

VI. Wrap-Up and Next Steps

Wrap-Up and Next Steps

- Our next (and last!) meeting is scheduled for Tuesday, March 4th, from 1:00-3:00 p.m. EST.
- During the next meeting we will discuss:
  - final primary care spending target recommendations;
  - cost growth benchmark unintended consequences measures;
  - what constitutes a “significant contributor” to the state exceeding the Cost Growth Benchmark, and
  - how much an entity must exceed the Cost Growth Benchmark to warrant being called to the public hearing.

VII. Adjourn