



**Testimony of Victoria Veltri
Office of Health Strategy, Executive Director
Concerning
HB 5018 – An Act Concerning Health Care Cost Growth in Connecticut
March 5, 2020**

Good afternoon Senator Lesser, Representative Scanlon, Senator Kelly, Representative Pavalock-D’Amato and members of the Insurance and Real Estate Committee. I am Victoria Veltri, Executive Director of the Office of Health Strategy (“OHS”). OHS brings together current state efforts and staff to provide integrated leadership to implement comprehensive, data-driven strategies that promote equal access to high-quality health care, control costs and ensure better health for the people of Connecticut.

I appreciate the opportunity to submit testimony about HB 5018, “*An Act Concerning Health Care Cost Growth in Connecticut*”. This bill codifies the directives set forth in Governor Lamont’s Executive Order Number 5 by addressing the state’s unsustainable rate of growth of health care costs, the prioritization of primary care and the quality of health care.

HB 5018 requires the Executive Director of the Office of Health Strategy (OHS) to:

- develop an annual health care cost growth benchmark by December 2020 for calendar years 2021–2025;
- set targets for increased primary care spending as a percentage of total health care spending to reach 10% by 2025;
- develop quality benchmarks beginning in calendar year 2022 and including clinical quality measures, over/under utilization measures and patient safety measures;
- monitor and report annually on health care spending growth across all public and private payers;
- monitor accountable care organizations and the adoption of alternative payment models.

HB 5018 enhances OHS’ ability to facilitate meaningful policy change to promote a more transparent, accountable and innovative health care system in Connecticut. Health care costs represent nearly one-fifth of our national GDP, and the high prices of health services increasingly compromise consumers’ and employers’ ability to afford health care. OHS is cognizant of the stark reality that consumers are increasingly unable to absorb these cost

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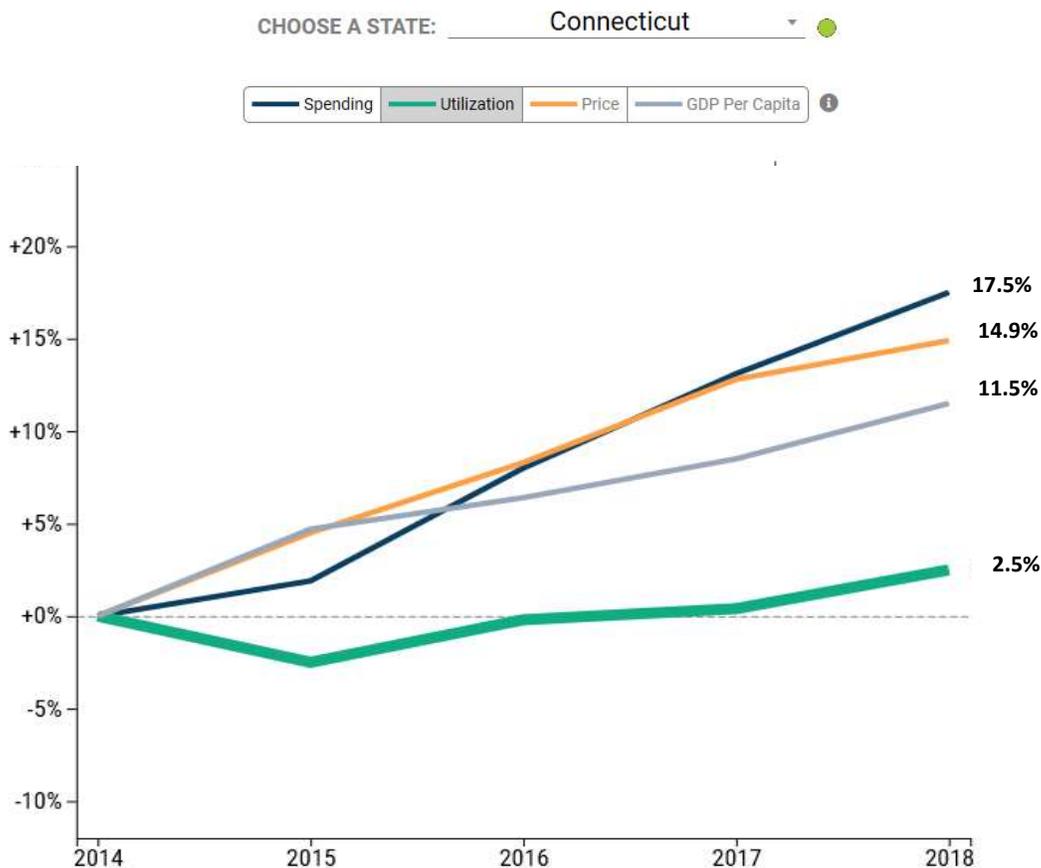
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increases. Nationwide, the average annual health care spending for individuals with employer-sponsored insurance (ESI) increased to \$5,892 in 2018 - 18.4% higher than in 2014.

In Connecticut, the rate at which people use health care services has been relatively flat or decreased among various health care services, while costs have continued to rise, suggesting that health care prices are responsible for rising costs. Between 2014 and 2018, [prices increased by 14.9%](#) while utilization only increased 2.5%.

Cumulative Growth in Spending per Person by State since 2014



¹ Health Care Cost Institute's 2018 Health Care Cost and Utilization Report, Section 2. <https://healthcostinstitute.org/interactive/2018-health-care-cost-and-utilization-report>

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And while the cost of outpatient, prescription drug and professional services grew at about the same rate as the national average, inpatient costs grew by 14.3%, higher than the national average over the same period.

Cumulative Spending Growth by Service Category in Each State since 2014

Selected States

Connecticut U.S. Average 3.
Reset Charts



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The Health Care Cost Institute’s [Health Care Cost and Utilization Report](#) concluded that price increases are the primary driver of increased spending in employer-sponsored health plans in the state. The growth in these prices and overall costs are leading employers to abandon the small-group insurance market in Connecticut for stop-loss coverage options or self-funded options with predictable costs and protections against high cost claims. And high costs of living in general have driven some large employers to relocate out of our state.

HB 5018 recognizes the need to bring health care spending growth in line with the growth of the state’s economy by requiring OHS to set statewide annual health care cost growth benchmarks to limit the rate of growth of health care expenditures. OHS will leverage the State’s All Payer Claims Database (APCD) and other data sources to analyze total health care expenditures.

² Health Care Cost Institute’s 2018 Health Care Cost and Utilization Report, Section 3. <https://healthcostinstitute.org/interactive/2018-health-care-cost-and-utilization-report>

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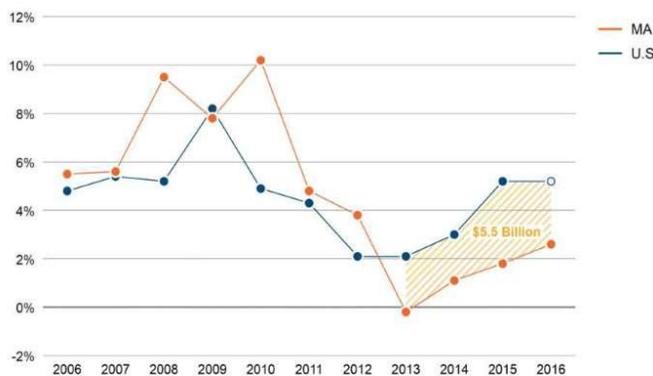


Several states, including Massachusetts, Delaware, Rhode Island, Oregon, Vermont and Maryland, have implemented systems of governance and authority to oversee total health care expenditures. Since the implementation of Massachusetts' cost growth benchmark in 2013, growth in health care costs has been consistently below national rates, resulting in \$5.5 billion in savings.

Massachusetts' Cost Growth Benchmark

In recent years, growth in spending on private health insurance in Massachusetts has been consistently lower than national rates

Annual growth in commercial health insurance premium spending from previous year, per enrollee, MA and the U.S.



The benchmark is set to MA's long-term economic growth rate

2013 – 2017 = 3.6%
2017 – 2018 = 3.1%

Courtesy of MA HPC



Notes: U.S. data includes Massachusetts. Center for Health Information and Analysis data are for the fully-insured market only. U.S. data for 2010 is partially reported.
Source: Centers for Medicare and Medicaid Services, State and National Healthcare Expenditure Accounts and Private Health Insurance Expenditures and Enrollment (62.5, and MA 2009-2014); Center for Health Information and Analysis Annual Reports (MA 2015-2016)

The Governor's bill includes oversight authority in the event that a healthcare organization exceeds the benchmark. OHS will work with that organization to identify challenges the organization has to meeting these measures and to collaboratively develop a performance improvement plan to help them meet the cost benchmarks.

HB 5018 also directs OHS to set a primary care target each year to ensure primary care spending as a percent of total health care expenditures reaches a goal of ten percent by January 1, 2025. Identifying meaningful opportunities to increase spending on primary care will help increase access to important preventive services, deter avoidable and more costly acute care, limit growth in expenditures and, most importantly, support the State's primary care workforce.

Approaches to improve primary care include payment reforms that invest in expanded and more diverse care teams, including community health workers, pharmacists and other

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providers. Over the past five years, Connecticut has been working toward improving its primary care investment, delivery and payment approaches as part of an effort to lower total health care spending and improve the quality of clinical care and care experience while addressing provider burden.

As part of its State Innovation Model, OHS supported the Department of Social Services' design of the State's first Medicaid shared savings model; dozens of practices' efforts to become advanced medical homes; and the development of alternative primary care delivery and payment models. OHS also worked with its partners to develop clinical and community integration approaches for embedding pharmacists in primary care practices, behavioral health integration, prevention services partnerships for asthma and diabetes screening and technical assistance to primary care provider networks for the collection of race, ethnicity, sexual orientation and gender identity patient data to better address patient health needs. OHS also actively promoted full stakeholder engagement in this work, hosting an advisory body in our office to develop certification and training standards for community health workers.

Data shows that the State's historical primary care spending accounts for approximately 5% of total medical expenses for all individuals enrolled in the state employee benefit plan. While, the State's Medicaid program spends a higher proportion on primary care for the 80% of our population covered by individual or group plans. This gross disparity in investment in primary care is unsustainable.

Rhode Island's experience supports the premise that primary care delivery system investment can pay off by improving outcomes such as hospital use over time. Rhode Island's initiative to increase primary care spending from 5.0 % to 10.7% resulted in a 250% return on investment. By implementing and supporting innovative care delivery and payment models, such as incentivizing the development of patient-centered medical homes, Rhode Island saw patients in these practices have a 16% reduction in hospital admissions and a 30% reduction in readmissions, compared to patients in other primary care practices.

HB 5018 also addresses growth in pharmaceutical spending by requiring the Department of Consumer Protection to establish a "Canadian legend drug importation program" to import safe and effective legend drugs from Canada that have the highest potential for cost savings in the state. Indeed, in 2018, Connecticut's average spending per person on prescription drugs was \$1,360 – 21.6% higher than the national average, pegging the state as the 3rd most expensive in the country. Leading the way to address pharmaceutical spending, Vermont became the first state to approve Rx drug importation from Canada and the data shows that insurers could save \$2.61 to \$2.82 per member, per month.

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OHS appreciates the Governor’s and legislators’ commitments to addressing these challenges, and your ongoing support of these important initiatives. HB 5018 enhances OHS’ ability to carry out its mission to promote affordability and access, reduce cost and improve quality in Connecticut’s healthcare system. We look forward to working with legislators, healthcare providers and facilities, insurers and other stakeholders to identify reasonable, sustainable and effective solutions.

Thank you for providing me the opportunity to deliver OHS’ testimony today. If you have any questions concerning my testimony, please feel free to contact me at victoria.veltri@ct.gov.

Prices for care vary significantly in Connecticut

Variations in amounts allowed for a normal delivery



STATE OF CONNECTICUT

BY HIS EXCELLENCY

NED LAMONT

EXECUTIVE ORDER NO. 5

WHEREAS, health care costs continue to grow in Connecticut at a rate that outpaces the growth of the Connecticut and regional economies; and

WHEREAS, the rate of growth of health care costs impacts the ability of individuals and consumers to afford needed health care services and other necessary expenses; and

WHEREAS, health care costs generally can affect the desirability of Connecticut as a business location; and

WHEREAS, the growth of health care expenditures affects the state's budget; and

WHEREAS, disparities in health care outcomes persist in Connecticut among people of color, LGBTQ+ individuals, and other demographic factors; and

WHEREAS, Connecticut must address the challenge posed by health care costs for all residents of Connecticut, regardless of payer and provider; and

WHEREAS, Connecticut needs to improve health outcomes while reducing the rate of growth of health care costs; and

WHEREAS, the state's Office of Health Strategy (OHS), pursuant to Section 19a-754a of the Connecticut General Statutes (CGS), is responsible for developing and implementing a comprehensive and cohesive health care vision for the state, including, but not limited to, a coordinated state health care cost containment strategy; and

WHEREAS, OHS is responsible for convening forums and meetings with state government and external stakeholders, including, but not limited to, the Connecticut Health Insurance Exchange, to discuss health care issues designed to develop effective health care cost and quality strategies; and

WHEREAS, the Department of Social Services is the single state agency charged with administering the Medicaid program for the State of Connecticut; and

WHEREAS, the Connecticut Insurance Department is charged with overseeing the regulation of fully-insured health plans in the State of Connecticut;

NOW, THEREFORE, I, NED LAMONT, Governor of the State of Connecticut, by virtue of the authority vested in me by the Constitution and the laws of the State of Connecticut, do hereby **ORDER AND DIRECT**:

1. The Executive Director of OHS, consistent with her statutory authority, shall monitor health care spending growth across all public and private payers and populations in Connecticut, report annually to the Governor on such growth, and, by December 2020, develop annual health care cost growth benchmarks.
2. The Executive Director of OHS shall develop such initial annual benchmarks for calendar years 2021 through 2025.
3. The Executive Director, pursuant to her statutory authority under CGS Section 4-8, shall convene a Connecticut Cost Benchmark Technical Advisory Board to assist her in developing such benchmarks. The members of such Technical Advisory Board shall be named within the next thirty days and include the Secretary of the Office of Policy and Management and the Commissioners of the Department of Social Services and the Insurance Department, or their designees, and representatives of health care stakeholders.
4. Such health care cost growth benchmarks shall be based on total health care expenditures, defined as the per capita sum of all health care expenditures in this state from public and private sources for a given calendar year.
5. Such health care cost growth benchmarks shall account for current primary care spending and set targets within each annual benchmark for increased primary care spending as a percentage of total health care expenditures to reach a target of 10% by calendar year 2025.
6. To ensure the maintenance and improvement of health care quality, the Executive Director of OHS, with the input and assistance of the Commissioners of the Social Services, Public Health, and Insurance, shall use the existing OHS Quality Council to assist in the development of quality benchmarks across all public and private payers beginning in calendar year 2022. Such quality benchmarks may include clinical quality measures, under- and over-utilization measures, and patient safety measures.
7. The Executive Director shall continue to monitor the development of accountable care organizations and the adoption of alternative payment methodologies in the State of Connecticut.

8. The Executive Director may make recommendations for legislation to fulfill the purposes of this order.

This order shall take effect immediately.

Dated at Middletown, Connecticut, this 22nd day of January, 2020.



Ned Lamont
Governor

By His Excellency's Command



Denise W. Merrill
Secretary of the State

