OHS CONNECTICUT Office of Health Strategy

Cost Growth Benchmark Technical Team Meeting

Meeting Date	Meeting Time	Location
June 4, 2020	1:00 pm – 3:00 pm	Webinar/Zoom

Participant Name and Attendance

Cost Growth Benchmark Technical Team		
Vicki Veltri	Paul Grady	Kate McEvoy
Patricia Baker	Angela Harris	Rae-Ellen Roy
Luis Perez	Zack Cooper	
Judy Dowd for Melissa McCaw	Paul Lombardo	
Technical Team Staff		
Michael Bailit, Bailit Health	January Angeles, Bailit Health	Olga Armah, OHS
Megan Burns, Bailit Health	Margaret Trinity, Bailit Health	Jason Prignoli, OHS
Members Absent		
Rebecca Andrews		

Meeting Information is located at: https://portal.ct.gov/OHS/Services/Cost-Growth-Benchmark/Technical-Team

	Agenda	Responsible Person(s)
1.	**Welcome and Introductions**	**Victoria Veltri, OHS**
	Victoria (Vicki) Veltri called the meeting to order at 1:03 PM. Vicki introduced Olga Armah and Jason Prignoli as with the Office of Health Strategy.	
2.	**Approval of the Technical Team Meeting Minutes**	**Victoria Veltri, OHS**
	Pat Baker made a motion to approve the May 19, 2020 Technical Team meeting minutes. The motion was seconded by Luis Perez.	
3.	**Name of Project**	**Victoria Veltri, OHS**
	Vicki Veltri asked Technical Team members if they wished to name the OHS cost growth benchmark, primary care target and quality benchmarks project for ease of reference. She shared with the Technical Team the name suggested by Stakeholder Advisory Board member Reggie Eadie: "Improving Connecticut's Healthcare Value Proposition." Zack Cooper expressed caution at using the terms "efficiency" or "value" in the project name as these terms are open to varying interpretations. Pat Baker stated that she would like a more expansive name for the project that conveys the meaning of the project. Kate McEvoy stated that the intentions signaled by a project name are important and should convey transparency and accountability. She would like to give the name further thought. Vicki asked Technical Team members to consider options for a project name and email suggestions to her. Vicki promised to ask the Stakeholder Advisory Board members for their suggestions as well.	
4.	**Public Comment**	**Victoria Veltri, OHS**
	There was no public comment.	
5.	**Feedback from Stakeholder Advisory Board**	**Michael Bailit, Bailit Health**
	Michael Bailit reminded the Technical Team that the Stakeholder Advisory Board's purpose is to provide the Technical Team with input as it deliberates. He noted that OHS will be seeking feedback from the Board during its upcoming June 11th meeting. He shared with the Technical Team feedback provided by the Stakeholder Advisory Board during its May 14th meeting, including questions and concerns regarding the impact of the COVID-19 pandemic on development of the cost growth benchmark and the timeline for its development. He stated that several Stakeholder Advisory Board members expressed concerns about the delay of implementation of quality benchmarks until 2022. Vicki Veltri noted that development of the quality benchmarks will begin later this year.	

DRAFT

	Michael Bailit also noted that one member of the Stakeholder Advisory Board expressed interest in inclusion of dental spending in the development of the benchmark. He reported that in follow-up to this concern, Megan Burns had conducted research with Paul Lombardo on the topic and will continue to examine this issue. Finally, Michael said that the Stakeholder Advisory Board had provided suggestions for additional stakeholder outreach for OHS to conduct. Pat Baker stated that the Technical Team would like an update on the stakeholder groups that are being contacted as part of the stakeholder engagement outreach. Michael Bailit clarified that the Stakeholder Advisory Board is the primary avenue for stakeholder engagement, and there will be some limited additional contact beyond the Board. Michael Bailit explained the process by which the Technical Team would be informed of the Stakeholder Advisory Board's feedback moving forward. He stated that OHS was not asking for the Technical Team to make decisions during the June 4th meeting as OHS wanted to share feedback from the Stakeholder Advisory Board on these topics at the next Technical Team meeting. After the Technical Team has had opportunity to consider the input of the Stakeholder Advisory Board, OHS will then ask for the Technical Team's recommendations. Pat Baker stated that this represented a thoughtful approach and that she appreciated the process. Pat requested that OHS inform the Technical Team of its meetings with stakeholders. Vicki Veltri noted that there will be a future public hearing on the cost growth benchmark, primary care spending target and quality benchmarks, and that this will provide an additional opportunity for stakeholder input.	
6.	**Cost Growth Benchmark Methodology**	**Michael Bailit, Bailit Health**
	Michael Bailit noted that during its May 19th meeting, Technical Team members agreed a healthcare cost growth benchmark should meet the following three criteria: 1. Provide a stable and therefore predictable target, 2. Rely on independent, objective data sources with transparent calculations, and 3. Achieve lower growth in the spending The Technical Team affirmed that it supported these criteria. Michael Bailit introduced four economic indicators as options to inform the cost growth benchmark value. He noted that these four indicators represented sound options for the Technical Team's consideration, and that the options have resonated with other states that have implemented a cost growth benchmark. **Option #1: Connecticut's Gross State Domestic Product (GSP).** GSP is the total value of goods produced and services provided in a state during a defined time period. Michael stated that by tying the benchmark to GSP, the Technical Team would be recommending an expectation that health care spending should not grow faster than the economy. He noted that Connecticut's economy has been running below the growth rate of the overall U.S. economy since the Great Recession. **Option #2: Median Household Income**. Household income is the sum of all payments received by individuals 15 years old and above within one household, even if those individuals are unrelated. Michael Bailit explained that sources of household income constitute all payments received by individuals in a household, ranging from investment returns to public assistance. As such, household income is a very inclusive way of measuring income, he said. Michael noted that if the Technical Team were to tie the benchmark to median household income growth, it would be recommending that healthcare not grow faster than household income growth. He noted that in some other states, median household income has resonated because it does not get distorted by growth of very high income earners. He stated that the annual rate of growth of median household income in Connecticut is close to that of the United States overall.	

DRAFT

Option #3: Average Wage. Michael Bailit defined wage and salaries as compensation received by individuals for work as an employee or as a contractor with an employer. He noted that when the incomes of high earners increase, it can distort the average wage indicator. Average wages are currently rising during a period of high unemployment due to COVID-19 because lower income workers have lost their jobs more than higher income workers. He stated that an indicator of median wage is not available. He noted that setting the cost growth target to the growth of Connecticut residents' wage growth implies that health care should not grow faster than the "take-home pay" of Connecticut residents.

Option #4: Inflation as Measured by Consumer Price Index (CPI). Michael Bailit defined CPI as prices paid by consumers for a market basket of retail goods and services. When measuring inflation there is a version of CPI that removes food and energy and that this creates a more stable measure of CPI. He noted that if the cost growth target is tied to inflation, then the target would imply that healthcare should not grow faster than the average rise in consumer prices. He noted that one issue with using CPI is that the Bureau of Labor Statistics only calculates CPI for the region and does not calculate a separate CPI for Connecticut alone.

Zack Cooper clarified that the CPI represents the prices of goods purchased in Connecticut but produced anywhere. He noted that one criticism of CPI is that it does not take into account improvements in technology that may result in higher prices. For example, cars have become more expensive, but they have also become safer.

Michael Bailit noted that the United States is in a sustained period of very low inflation, only 2 percent or less.

Zack Cooper asked to what extent Michael would use a smoothing function if using historical inflation. Michael replied that of the states that have developed cost growth benchmarks, none of them have explicitly tied their benchmark to historical growth, but the Technical Team could if it wishes.

Michael Bailit asked if the Technical Team wished to tie the healthcare cost growth benchmark to any of the economic indicators, and if yes, which one, and why? Michael said that the Technical Team would walk through the options theoretically, and then discuss ways in which the benchmark value could be adjusted should a chosen economic indicator yield a problematic value. He noted that Delaware, Massachusetts, and Rhode Island tied their cost growth targets to Potential Gross State Product (PGSP), which is a prospective, forecasted value. He stated that Oregon took a different approach, and chose to avoid a forecasted indicator, and instead loosely used historical GSP and median wage data. Michael noted that Oregon has a growth cap on Oregon's Medicaid and publicly purchased programs. Oregon decided upon a 10-year cost growth benchmark with separate values for the first and second five years. Michael said that there are no states that have explicitly linked their cost growth benchmark solely to historical data.

Michael Bailit reviewed the advantages and disadvantages of each of the four indicators under discussion.

- Gross state product/potential gross state product: Michael stated that the advantage of this indicator is that most other states use it and there might be benefit in having a consistent approach. The disadvantage is that it is an abstract economic concept that may not resonate with citizens.
- Median household income: Michael noted that this option recognizes that income is more than just wages, but it lacks any link to the price of goods.
- Average wage: Michael stated that this option would resonate a bit more with consumers, but it does not include income other than wages. As a result, it misses some important dollars coming into a household. This option is also skewed by high income earners, he noted.
- Inflation: Michael noted that this indicator treats health care spending as another consumer household expense, much as consumers do. However, using inflation would assess health care on price without taking into account service volume.

DRAFT

Michael Bailit noted that median household income, average wage, and inflation are indicators that are more consumer-focused than GSP.

Pat Baker asked about the unintended consequences to choosing one indicator over another. Michael Bailit replied that the choice of indicator will not have a differential impact on lives of citizens as much as the general concept of slowing health care cost growth. In response to a question from one of the Technical Team members, Michael stated that there is no available forecast of median wages.

Zack Cooper noted that this is not a dramatic decision for the Technical Team because there are not big differences across these options; he observed that the values of the four indicators are both correlated and the values themselves are fairly close.

Michael Bailit noted that a benchmark figure can be calculated based on the historical experience of a given economic indicator, and you need to decide how far back to look, whether 5, 10, or 20 years. He pointed out that calculating a target based on historical experience will reflect varying degrees of volatility year over year. Michael stated that a benchmark figure can also be calculated based on forecasts, which are designed to predict stable future figures. Either government or private forecasts are available for this purpose. Delaware, Massachusetts and Rhode Island utilize forecasted model that look at year 5 and out, because it provides stability. This does not mean that it is accurate, but the forecast is stable. He noted there is some value in stability. He noted that Connecticut post-COVID economic forecasts have dropped, but not significantly.

Michael Bailit noted that potential gross state product (PGSP), which is a publicly available forecasted calculation, is not forecasted Gross State Product, per se. Michael reviewed the difference between GSP and PGSP, emphasizing that these are different measures and therefore forecasts for these will be different. He said that the PGSP is attractive because the data sources to run this calculation are publicly available and it is easy to share the underlying calculations.

Michael Bailit discussed the advantages and disadvantages of using a historical versus forecasted option. The advantage of calculating a benchmark based on historical experience is that it is easy to calculate and reflects actual experience. However, historical calculations are highly variable as they reflect ups and downs in the economy and there is no clear rationale for choosing a time period for a historical option. Michael noted that when calculating a benchmark using a forecast, the advantage is that it provides stability and predictability, especially in years 5 and beyond. He noted, however, there is no reason to believe that a forecast will be accurate.

Zack Cooper suggested that the Technical Team consider what it would mean if it recommended a historical benchmark for 2021 versus a forecasted benchmark for 2021.

In response to a question from Pat Baker, Michael Bailit stated that PGSP accounts for inflation, although it is forecasted inflation. Pat asked Michael to rate the PGSP versus the median income indicator using a consumer lens. Zack Cooper said that in “numbers sense” there is not much of a difference, but qualitatively the upside of using median household income is that it will be a little closer to what citizens are experiencing.

Paul Lombardo said selecting an indicator that provides a stable benchmark value was important to him. As a result, he might lean towards calculating a target based on historical experience because it is based on actual data, however the forecast includes an important piece for consumers, which is inflation. As a result, Paul said he was at more ease with forecasted option and also with PGSP. Paul Lombardo stated that he would like to include consumer input as much as possible, and that he was convinced that using a forecasted value was way to go.

DRAFT

	Paul Grady noted the higher proportion that consumers have been paying for premiums, and if the Technical Team can use a measure of wage growth in the benchmark value, that would be good. Zack Cooper asked if any states have created a composite value, in order to avoid some of the tradeoffs that Michael Bailit described. Megan Burns stated that Delaware considered combining several measures, but discarded the idea. Luis Perez wondered if a combined indicator might address some of the downsides of the median household indicator. Michael Bailit said the Technical Team could pursue the option of a composite value. Vicki Veltri added that when the Technical Team got input from the Stakeholder Advisory Board and other stakeholder organizations, the perception of it not being tied to consumer experience would be difficult. Vicki Veltri said that combining this with the predictability that Paul Lombardo mentioned was also important. Megan Burns noted that tying the benchmark to a consumer index did not necessarily mean it would be predictive of future consumer experience. Zack Cooper said that in practice, these measures were going to be so highly correlated, it was hard to debate which was perfect. Michael shared with the Technical Team recent spending trends in Connecticut, noting that these historical trends offer important context. He said that from 2013 to 2019, the annual growth in per capita total Medicaid expenditures had been relatively flat or negative except for two years. He said that this was not the case for commercial spending, where from 2016 to 2018, annual growth in total spending was 3.9 percent and growth in the consumer portion, out-of-pocket spending was much higher, at 6.4 percent. He observed that as a result, the cost growth benchmark will have more impact on those covered by commercial insurers than other payers because the highest annual growth has been for the commercially insured. Michael stated that Medicare annual growth in per capita spending has risen faster in Connecticut compared to the nation as a whole; from 2015 to 2018, growth in Connecticut's Medicare spending averaged 3.5 percent per year. Michael Bailit reviewed the values for the four considered indicators, offering a comparison of the historical and forecasted values for each. Zack Cooper noted that for median household income, Connecticut has the highest levels of inequality of any state in the country.	
7.	**Adjusting the Benchmark Value**	**January Angeles, Bailit Health**
	January Angeles stated that there are two ways to adjust the healthcare cost growth benchmark: adjust the absolute value or adjust the means of calculating the value. January reviewed the approach of other states to adjusting the benchmark value. She stated that Massachusetts planned 10 years' worth of cost growth target values; in the 11th year the Massachusetts Health Policy Commission can choose to modify the value. She noted that in Delaware the benchmark is set for five years, and that its cost growth target is based on the State's PGSP with a "transitional market adjustment" for the first three years. The State's Finance Committee reviews the target methodology on an annual basis. If the Committee determines that there has been a material change in the PGSP forecast, they can decide to modify the value. Megan noted that this is unlikely to yield a different value, however. January Angeles stated that Rhode Island set its health care cost growth target at PGSP for four years. If there are significant changes in economy, the State may revisit its target methodology. January stated that in Oregon, the governing body set a benchmark for 10 years, with different values for the first five years and the second five years. Oregon is scheduled to automatically reevaluate the methodology in 2024. Pat Baker said that she did not wish to reestablish the benchmark each year, as it is difficult enough to do once.	

DRAFT

	Luis Perez said that the forecasted indicators are stable enough that they do not need annual review; he suggested review following the two-year mark. Rae-Ellen Roy said there needed to be a review in case of significant occurrences, but the Technical Team needed to establish a stable value. Rae-Ellen said that an exceptional year is different from a turn in the economy. Paul Lombardo said he liked the stability of forecasted indicators and did not wish to recalculate the benchmark value each year. He said he would like ability to revisit the benchmark if there was some type of sustained change. Michael Bailit asked the Team for their inclinations with regard to setting the benchmark so that OHS might share the Technical Team's views with the Stakeholder Advisory Board. He invited members of the Technical Team to share their initial thoughts on historical versus forecasted indicators and the values for each of the indicators, as presented on slide 45. Michael emphasized that the Technical Team would not be making any decisions during the current meeting. Paul Lombardo stated that the average per worker wage index was consistent with the PGSP forecast. He observed that commercial and Medicare spending growth were both between 3.5 and 4.5 percent, which suggested to him a preference for a value that started with GSP or average per worker wage index and then graded down after a period of time. Paul Grady agreed with Paul Lombardo's view and stated his preference for a composite benchmark value that would combine PGSP with one of the income indexes such as median household income, weighted at 20 percent. He supported Paul Lombardo's preference for a value that could be ratcheted down over time. Zack Cooper stated that he was reticent to divorce the benchmark value from median household income, for purposes of public support of the benchmark. He stated that the Technical Team was developing the benchmark for public welfare and the GSP does not capture consumer experience well. Zack stated that he would not exclusively rely on GSP, preferring either median household income or median household income and CPI. In a state with high income inequality, GSP does not capture what the average resident experiences every day, he said. Pat Baker agreed and stated her preference for a forecasted index over a historical one. Zack Cooper suggested preparing several weighting configurations for the Technical Team's consideration. Vicki Veltri said she would like to know the relative rate of growth in spending compared to benchmark value for each of the four states that have developed a benchmark (DE, MA, RI, OR).
8.	**Wrap-up and Next Steps**
	Michael welcomed questions and suggestions from the Technical Team in follow-up to the June 4th meeting. He stated that topics for the Technical Team's next meeting agenda included how to measure performance relative to the cost growth benchmark. He said that the Technical Team would begin discussion of the primary care target at the Team's next meeting if time permitted.
9.	**Adjourn**
	Pat Baker made a motion to adjourn. Angela Harris seconded the motion to adjourn. The Technical Team adjourned at 3:00pm.

DRAFT