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Victoria Veltri
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State of Connecticut Office of Health Strategy
P.O. Box 340308
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**Re:** Preliminary Recommendations of the Healthcare Cost Growth Benchmark Technical Team

Dear Ms. Veltri:

Anthem, Inc. (Anthem) appreciates this opportunity to comment on the Connecticut Office of Health Strategy (OHS) Preliminary Recommendations of the Healthcare Cost Growth Benchmark Technical Team, released on September 29, 2020.

Anthem is one of the nation's leading health benefits companies, serving over 106 million people through its affiliated companies, including more than 42 million within its family of health plans. Anthem continues to participate in Connecticut's Individual and Small Group markets as one of only two carriers offering plans on and off Connecticut's Affordable Care Act Exchange, Access Health CT. As a committed partner in the Commercial and Medicare Advantage markets in Connecticut, we look forward to working with the Office of Health Strategy to finalize the requirements under Governor Lamont's Executive Order 5 (EO 5).

## Executive Summary

As described in our key priorities below, Anthem supports and applauds the State's commitment to improving healthcare outcomes for all Connecticut residents while reducing the rate of growth of healthcare costs. We also support measures to increase transparency in the healthcare system and look forward to working with OHS and other key stakeholders to develop healthcare cost and quality strategies to address affordability concerns while ensuring equitable quality care for all. Increasing transparency of price and quality information can promote the use of higher value, more appropriate services. With these goals in mind, Anthem makes the following key recommendations:

- **Impact of the novel Coronavirus-2019 (COVID-19) pandemic and Public Health Emergency (PHE):** While recognizing the requirements of EO 5, which Governor Lamont established in January 2020, it is important to also recognize the monumental impact COVID-19 and the PHE have had, and will continue to have, on healthcare spending in 2020 and 2021. As such, Anthem supports the Technical Team's recommendation to collect baseline data from 2018 and 2019 to identify healthcare spending trends prior to the pandemic. It is impossible to overemphasize the caution OHS must use when setting benchmarks which depend on healthcare cost data from 2020 and/or 2021. Delay of care in 2020 combined with COVID testing and significant healthcare costs for COVID-19 patients could render cost benchmarks volatile and meaningless.
- **Include a mechanism to review the methodology for calculating the healthcare cost benchmark:** Anthem supports the Technical Team's recommendation to revisit the methodology and calculation of the healthcare cost benchmark if there is a sharp rise in inflation in the years 2021-2025. We further recommend that OHS include a mechanism to automatically review the methodology periodically to ensure the benchmark continues to be appropriate, especially given the possibility of a lingering significant economic impact from COVID-19. Anthem supports the Technical Team's review of existing State healthcare cost benchmarks and makes note here of Rhone Island's provision stating, "only highly significant changes in the economy will trigger re-visiting of the target methodology." There can be no argument that COVID-19 caused highly significant changes in the economy.
- **Utilize existing data, processes, and reporting, to the extent possible, to minimize the administrative burden to stakeholders:** Anthem supports ensuring that the State has access to the data reasonably necessary to establish and periodically measure performance against benchmarks. We ask OHS to initially consider utilizing currently available data while also identifying any gaps in the available data. Should OHS' analysis reveal additional data or reporting requirements, we encourage the agency to perform a cost-benefit analysis to determine how to optimize the ability of the State to conduct this important work while minimizing the administrative burden to stakeholders.
- **Review the weighting of the components of the healthcare cost benchmark:** The Technical Team has recommended the healthcare cost growth benchmark be calculated as a blend of 20 percent of the per capita Potential State Gross Product (PSGP) and 80 percent of the projected growth in median income. While Anthem appreciates the Team's focus on the challenges facing Connecticut residents when healthcare costs as a percentage of income continues to increase, we recommend that OHS conduct further analysis using prior years' data to determine if the recommended weighting is likely to be appropriate for the initial years of the program. The four states with existing or proposed healthcare cost benchmarks all use PSGP alone to calculate the cost benchmark in their respective states, and we believe a recommendation inconsistent with other states' best practices bears additional analyses.
- **Conduct cost and market impact reviews related to any material change in the structure of providers or provider organizations**: Provider markets have become extremely concentrated and studies have shown that provider mergers and acquisitions often increase rather than decrease

healthcare costs in many markets. An analysis of healthcare cost growth should include assessing and then addressing the impact of provider consolidations. Anthem encourages OHS to review the provider mergers and consolidations requirements under Massachusetts' healthcare cost benchmark program and implement similar measures in Connecticut as appropriate.

- **Release final policies and procedures as soon as possible:** Given the fact payers will likely need to revise or establish internal processes and reporting capabilities in order to comply with EO 5, we strongly urge OHS when it finalizes the requirements, there needs to be sufficient time for the carriers to implement final provisions. Anthem also encourages OHS' flexibility and understanding as providers, payers, and other stakeholders put forth good faith efforts to meet OHS' requirements while continuing to address challenges and uncertainties created by the pandemic.
- **Prioritize consistency across program years:** Anthem anticipates that the initial development and testing of new internal processes as well as ongoing operations to fulfill the State's requirements will be resource intensive. Through external discussions with our cohorts in states with similar programs and internal discussions with teams responsible for providing similar data to other states, we have knowledge of the significant resources necessary to meet the requirements of cost growth benchmark reporting. While we are committed to partnering with the State and OHS to meet the program's goals, we ask the State to avoid large-scale changes in requirements from year to year to minimize participants' administrative burden.
- **Consider establishing an ongoing collaboration forum between OHS and stakeholders:** As the State moves toward developing detailed data element and reporting requirements, we recommend OHS establish a collaboration forum with key stakeholders to address technical issues and share best practices related to business implementation.

Below we provide additional comments on the Technical Team's recommendations.

<u>Healthcare Cost Growth Target</u>

- The Technical Team defines the Total Health Care Expenditures (THCE) defined as:
    1. Allowed amount of claims-based spending from an insurer to a provider, net of pharmacy rebates;
    2. All patient cost-sharing amounts, including, but not limited to deductibles and copayments; and,
    3. Net Cost of Private Health Insurance (NCPHI).

    Anthem recommends that the first component be changed from allowed claims to paid claims because allowed claims will include the cost-sharing amounts payable by individuals included in the second component above. For reference, Massachusetts calculates the THCE as:

    1. All medical expenses paid to providers by private and public payers, including Medicare and Medicaid (MassHealth);
    2. All patient cost-sharing amounts (for example, deductibles and co-payments); and,

3. The net cost of private insurance (for example, administrative expenses and operating margins for commercial payers).[1]

In addition, under the current All-Payer Claims Database (APCD) process, premium data is not collected from payers. Anthem recommends OSH clarify and provide detail on how they intend to calculate the NCPHI.

- To obtain THCE data, the Technical Team agreed that payers should be asked to submit data for their commercial and Medicare product lines. The Team intends for OHS to collect these data using consistent specifications developed by OHS. The recommendations further state the specifications will allow for each payer to utilize its own clinical risk-adjustment software. We look forward to a discussion about risk-adjustment software. We would also note that the existing APCD data does not have risk scores but does have a Yes/No indicator for whether risk scores are available.

- The Technical Team recommends THCE include spending on behalf of Connecticut residents who obtain coverage from self-insured employers. The Supreme Court ruled, in the case of *Gobeille v. Liberty Mutual Insurance Co.,*[2] that states cannot require self-insured employee health benefit plans governed by the federal Employee Retirement Income Security Act (ERISA) to submit data to state APCDs. We recognize the importance of including data from this segment that accounts for approximately 70 percent of Connecticut's commercial market. Anthem urges OHS to request self-insured ERISA plans submit data on a voluntary basis through their Third-Party Administrators (TPAs). This is the approach used in Massachusetts' healthcare cost growth benchmark program and there is a relatively high level of voluntary participation from self-insured employers in Massachusetts[3]. We encourage OHS to collaborate with employers and TPAs to establish data requests acceptable to all parties.

- The Technical Team recommends OHS gather social risk data and analyze the relationship between social risk variables and healthcare spending using APCD data to inform future social risk adjustment of cost growth relative to the cost growth benchmark. Anthem also recognizes the importance of accounting for social risk variables in risk adjustment and supports the Technical Team's recommendation to explore this emerging focus on social risk data. Anthem is willing to share our experience and expertise to help shape future rules and requirements related to social risk data.

- The Technical Team recommends the cost growth target be calculated at the state, payer, market, and large provider entity level. Anthem encourages OHS to consider, if data is readily available, also calculating and reporting targets by service category including, but not limited to, hospital inpatient, hospital outpatient, physician primary care, physician specialty care, and pharmacy. As discussed in the Priorities section above, OSH should also perform a cost-benefit analysis to balance the benefits

[1] https://www.mass.gov/info-details/health-care-cost-growth-benchmark. Accessed October 12, 2020.
[2] *Gobeille v. Liberty Mutual Insurance Co.,* No. 14-181, 577 U.S. ___ (2016)
[3] https://www.commonwealthfund.org/publications/case-study/2020/mar/massachusetts-health-policy-commission-spending-growth. Accessed on October 12, 2020.

of service category reporting with the costs and administrative burden of attaining the necessary data. This is a critical step given Pharmacy Benefit Manager (PBM) data has historically been difficult for payers to obtain. We caution OHS against underestimating the lead time necessary to obtain meaningful PBM data.

Primary Care Spending Target

- The Technical Team recommends by 2025 primary care spending in Connecticut, as a percentage of total healthcare expenditures, should reach a target of 10 percent. Anthem recognizes the value of primary care services and supports OHS' commitment to increasing primary care spending as a percentage of total healthcare spending. Primary care physicians provide preventive care, encourage healthy lifestyle choices, identify and treat medical conditions, and make referrals to specialists. An increase in primary care spending can lead to a significant decrease in total healthcare spending, and Anthem supports this goal. Anthem understands the current challenges in setting a primary care spending target in 2020 and supports the Team's recommendation for a target of 5 percent for 2021. We look forward to collaborating with OHS to develop recommendations for the methodology to incrementally increase the target from its initial level of 5 percent to its ultimate level of 10 percent.

- The Technical Team offered two definitions of primary care spending to calculate primary care services as a percentage of total healthcare expenditures – a narrow definition that excluded OB/GYN and midwifery services and a broad definition that includes these services. Anthem seeks clarity on how the calculation of the primary care spending percentage accounts for the separate definitions. Furthermore, we recommend OHS expand both definitions to include more services and more providers (e.g., care delivered at retail health clinics, vaccines such as flu and shingles administered at pharmacies, community health workers, telehealth provided by telehealth companies [not just the member's primary care provider], and certain services provided by disease management vendors for diabetes and other chronic conditions). Anthem encourages OHS to reach out to stakeholders for assistance in developing a definition that includes all the services and providers that contribute to an individual's primary care.

- The Technical Team notes similar programs in Oregon and Rhode Island to strengthen primary care delivery. Neither Oregon nor Rhode Island include primary care data from self-insured ERISA plans, but the recommendations do not state whether OHS should exclude self-insured ERISA plan data when calculating targets and actual primary care spending. As discussed in the above section, Anthem urges OHS to request self-insured ERISA plans submit data on a voluntary basis through their TPAs.

- The Technical Team recommends efforts to increase primary care spending:
  a) Align with existing statewide initiatives and policies;
  b) Increase utilization of value-based incentives;
  c) Provide value; and

d) Reward performance.

Anthem agrees with these principles and supports the promotion of value-based care and movement toward new, lower cost payment models. Increasingly moving away from paying for specific services and incentivizing providers to take on more responsibility for patients' overall care will help to reduce healthcare costs.

Data Use Strategy

- The Technical Team made preliminary recommendations on four priority audiences because of their ability to utilize analysis insights to safely lower healthcare spending growth: (1) provider organizations, (2) policymakers, (3) employers, and (4) the public. While we agree with the inclusion of these important stakeholders, we recommend that OHS include payers as a fifth priority audience. Payers are uniquely qualified to examine demographic, claims, and provider data to identify trends and opportunities for improvement. Given that NCPHI data is a key component of the cost growth target, OSH should include payers as a priority audience.

- The Technical Team recommended analyses should be stratified by sub-populations of interest to stakeholders, including by the presence of chronic conditions. Anthem supports this recommendation and encourages OSH to specifically define "chronic conditions" to ensure data submissions across all carriers are based on a consistent definition. It is also important for payers and the State to be mindful that the presence of a diagnosis code does not necessarily mean the patient has the condition since, in some cases, the provider is testing for the condition.

- The Technical Team also recommended analyses, to the extent possible, by race, ethnicity, language, and disability status. While Anthem supports analyses which seek to ensure equitable and quality healthcare for marginalized populations, we also recognize the potential for incomplete or inaccurate data since the data is voluntarily self-reported and could exclude data for members who are not the subscriber.

- The Technical Team advised OSH to assess differentiated services (e.g., colonoscopy, MRI, joint replacement, OB care) when looking at utilization, price, and cost, and recommended OHS identify the timeframe for publishing these analyses. As with chronic conditions above, it is imperative the analyses of differentiated services are based on a consistent definition which includes a detailed list of relevant Diagnosis-Related Group (DRG) and Current Procedural Terminology (CPT) codes.

- To ensure consistency across all data submissions, OSH should provide detailed and complete descriptions of all intended analyses and reports. The State should also provide the required format for all data elements in each submission. A more specific and consistent understanding of the data submission requirements across all stakeholders submitting data will result in more meaningful analyses the State can utilize to further its goal of making healthcare more affordable for the citizens of Connecticut.

Next Steps

OHS intends to pursue a fall 2020 hearing to review these recommendations to inform their finalization and steps to implement them in the months ahead. Once OHS finalizes policies and procedures, Anthem encourages that ample time be provided to the carriers for implementation.

Appendix D: Data Use Strategy Analyses

The Technical Team also expressed interest in several issues as part of a second wave of analyses. One of the recommended future analyses was the study of spending by chronic condition and Social Determinants of Health (SDOH). Anthem fully supports this analysis and believes addressing SDOH is the foundation to improving health outcomes. While there is increasing attention on SDOH, Anthem has always focused on social determinants as a critical component of integrated care and healthy communities.

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Anthem appreciates this opportunity to provide feedback and input related to the Connecticut OHS Preliminary Recommendations of the Healthcare Cost Growth Benchmark Technical Team. Should you have any questions or wish to discuss our comments further, please contact Christine Cappiello at (203) 677-8318 or Christine.Cappiello@anthem.com.

Sincerely,

Jill Rubin Hummel

President, Anthem BCBS of Connecticut