Connecticut's Healthcare Benchmark Initiative: Data Analytics Workgroup - Initial Meeting

May 12, 2022

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Meeting Agenda

1. Welcome, Roll Call, and Introductions
2. Public Comment
3. Healthcare Affordability in Connecticut
4. Executive Order No. 5 and the Policy Development Process
5. Healthcare Cost Growth Benchmark
6. Review and Vote on Workgroup Charter and Bylaws
7. Healthcare Spending Trend Analyses
8. Upcoming Mathematica Analyses
9. Wrap-Up & Next Steps

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Welcome, Roll Call, and Introductions

Participating Members and Affiliations

- Dashni Sathasivam, Health Equity Solutions
- Frank Mata, ConnectiCare
- Joe Quaranta, Community Medical Group
- Josh Wojcik (Chair), Office of the State Comptroller
- Kathy Lefebvre / Alynne Mallory, Anthem
- Mary Lyon, Connecticut Hospital Association
- Michaela Dinan, Yale School of Public Health
- Olga Armah, Office of Health Strategy
- Susan Smith, Department of Social Services

Facilitator: Michael Bailit, Bailit Health

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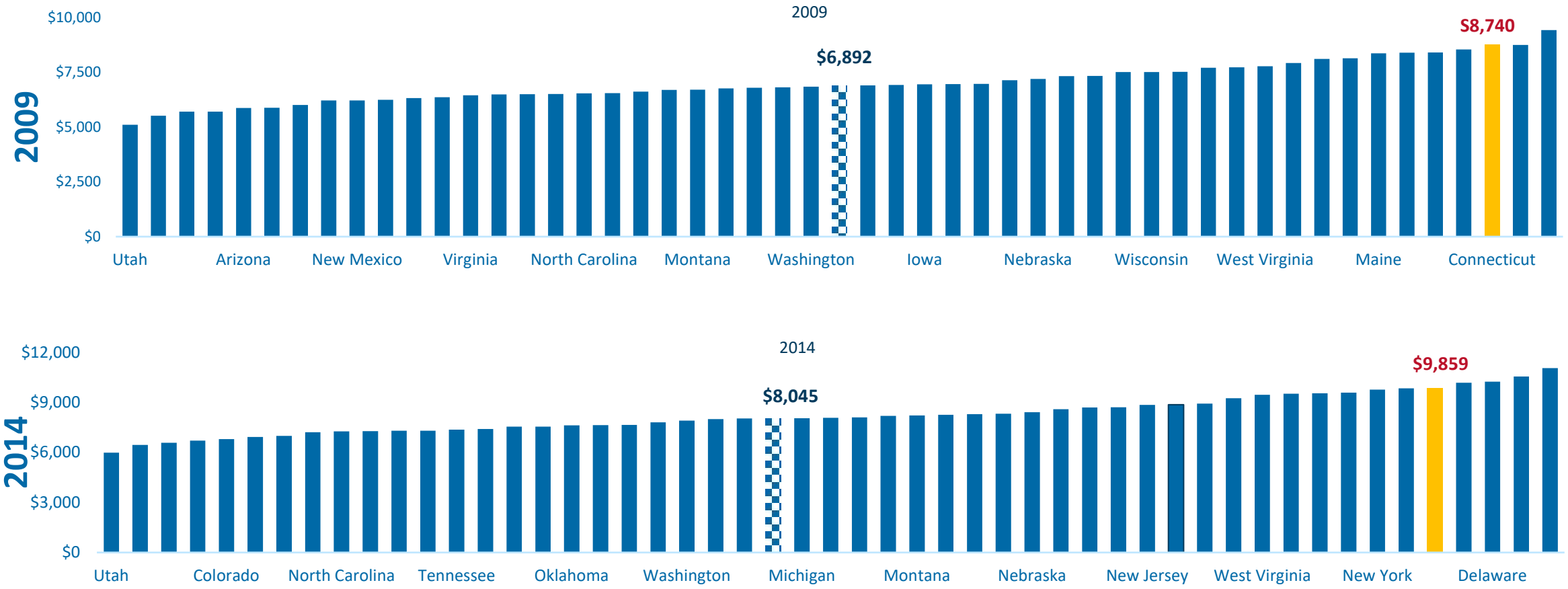
Public Comment

Healthcare Affordability in Connecticut

Connecticut spends more on healthcare than almost any state

Personal healthcare spending, per capita, by state, 2009 and 2014



Source: Centers for Medicare and Medicaid Services, State Health Expenditure Accounts, 2009 and 2014

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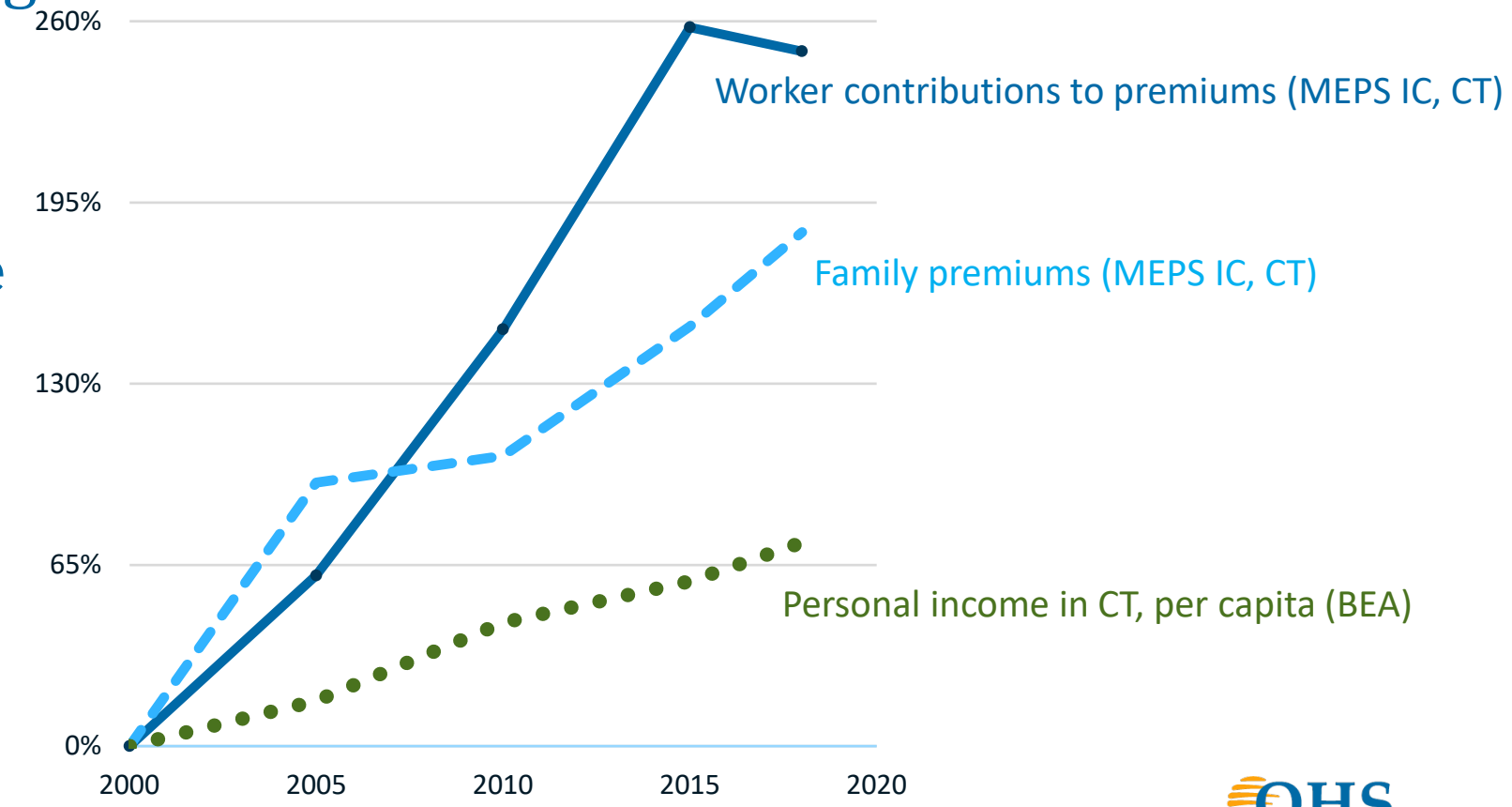
Healthcare cost growth is **exorbitant**

Since 2000, Connecticut worker contributions to employer-sponsored insurance premiums have grown...

...two and a half times faster than personal income



Source: Medical Expenditure Survey, Tables D.1 and D.2 for various years

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Executive Order No. 5 and the Policy Development Process

Connecticut's Executive Order No. 5

1	Cost Growth Benchmark	Recommendations for a cost growth benchmark that covers all payers and all populations for 2021-2025.
2	Primary Care Spend Target	Recommendations for getting to a 10% primary care spend as a share of total healthcare expenditures by CY 2025, applied to all payers and populations.
3	Data Use Strategy	A complementary strategy that leverages the state's APCD, and potentially other sources, to analyze cost and cost growth drivers, and more.
4	Quality Benchmarks	Recommendations for quality benchmarks applied to all public and private payers for 2022-2025.

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OHS Healthcare Benchmark Initiative Advisory Bodies

- A 20-member **Steering Committee,** consisting of state agency executives and external stakeholders, functions as the primary advisory body to OHS for the Healthcare Benchmark Initiative.

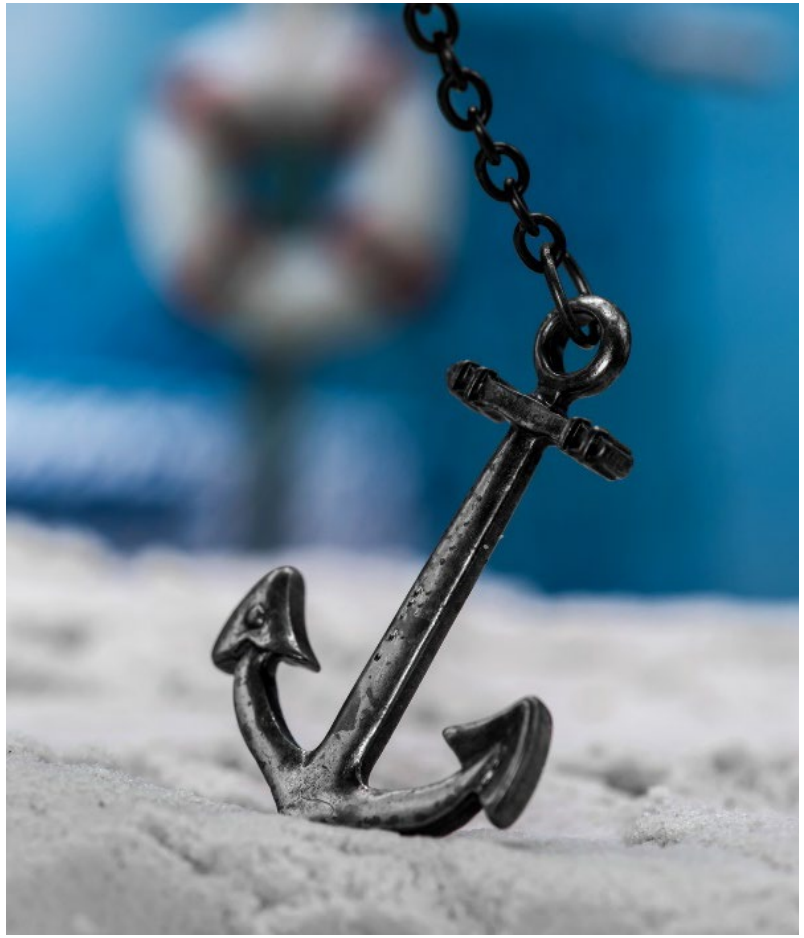
- A larger **Stakeholder Advisory Board** representing a broad range of stakeholders, including members representing consumers, employers, insurers, providers, labor, community funders and consumer advocates, is charged with providing input to the Steering Committee on matters relating to the Healthcare Benchmark Initiative.

- This **Data Analytics Workgroup** is charged with making recommendations to the Steering Committee regarding opportunities for reducing cost growth in the state. The Steering Committee will then develop recommendations for cost growth mitigation strategies targeted to the identified areas.

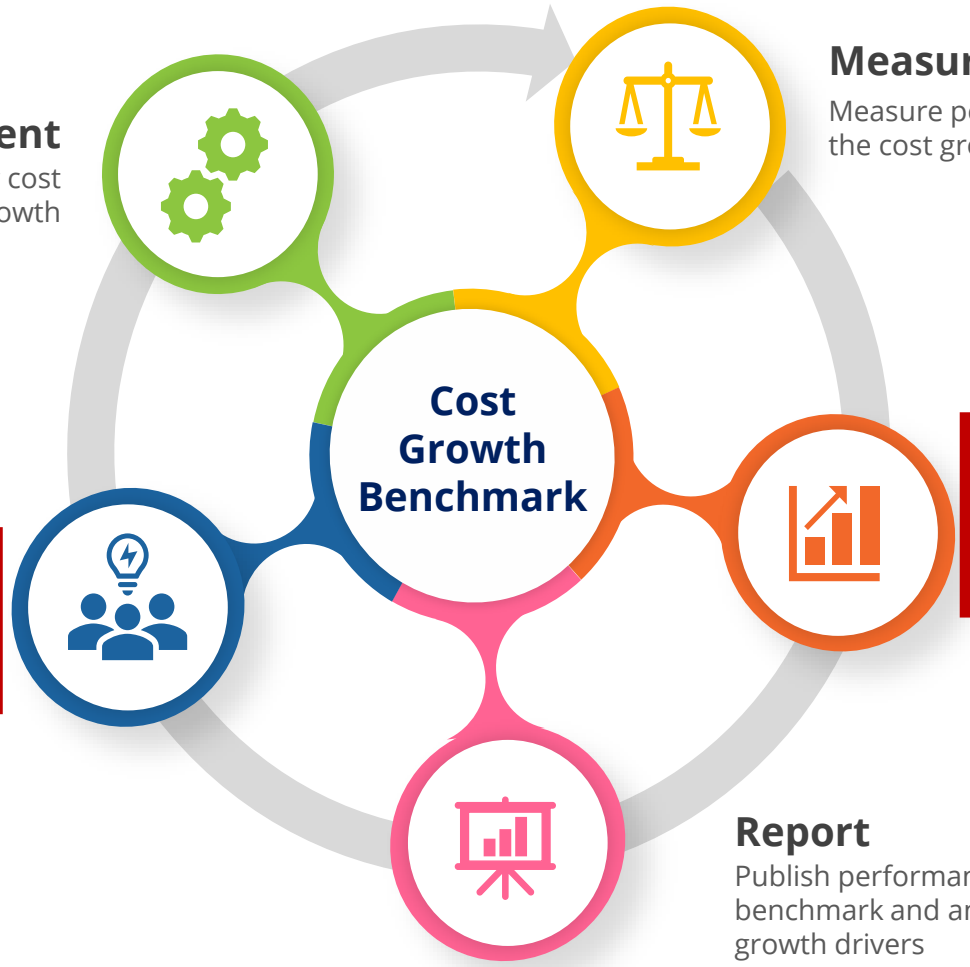
Connecticut's Healthcare Cost Growth Benchmark

What is a cost growth benchmark and why pursue one?

- A healthcare cost growth benchmark is a per annum rate-of-growth target for healthcare costs for a state.
- States pursue them as a mechanism to slow spending growth. However, setting a public target for healthcare spending growth alone will not slow rate of growth.
- A benchmark serves as an **anchor**, establishing an expectation that can serve as the basis for transparency at the state, payer and provider levels.
- To be effective, a benchmark must be complemented by supporting strategies.



The Logic Model for a Cost Growth Benchmark



Measure
Measure performance relative to the cost growth benchmark

Analyze
Analyze spending to understand cost trends and cost growth drivers

Report
Publish performance against the benchmark and analysis of cost growth drivers

Identify
Identify opportunities and strategies to slow cost growth

Implement
Implement strategies to slow cost growth

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Setting Connecticut's Cost Growth Benchmark

The Technical Team recommended that the cost growth benchmark use a **20/80 weighting of the growth in CT Potential Gross State Product and growth CT Median Income**.

The resulting benchmark value was **2.9%**. OHS adopted this recommendation.

The Technical Team recommended increasing the benchmark value for the first two years, before settling at 2.9% for the latter years.

2021 (Base Value + 0.5%)	3.4%
2022 (Base Value + 0.3%)	3.2%
2023–2025 (Base Value)	2.9%

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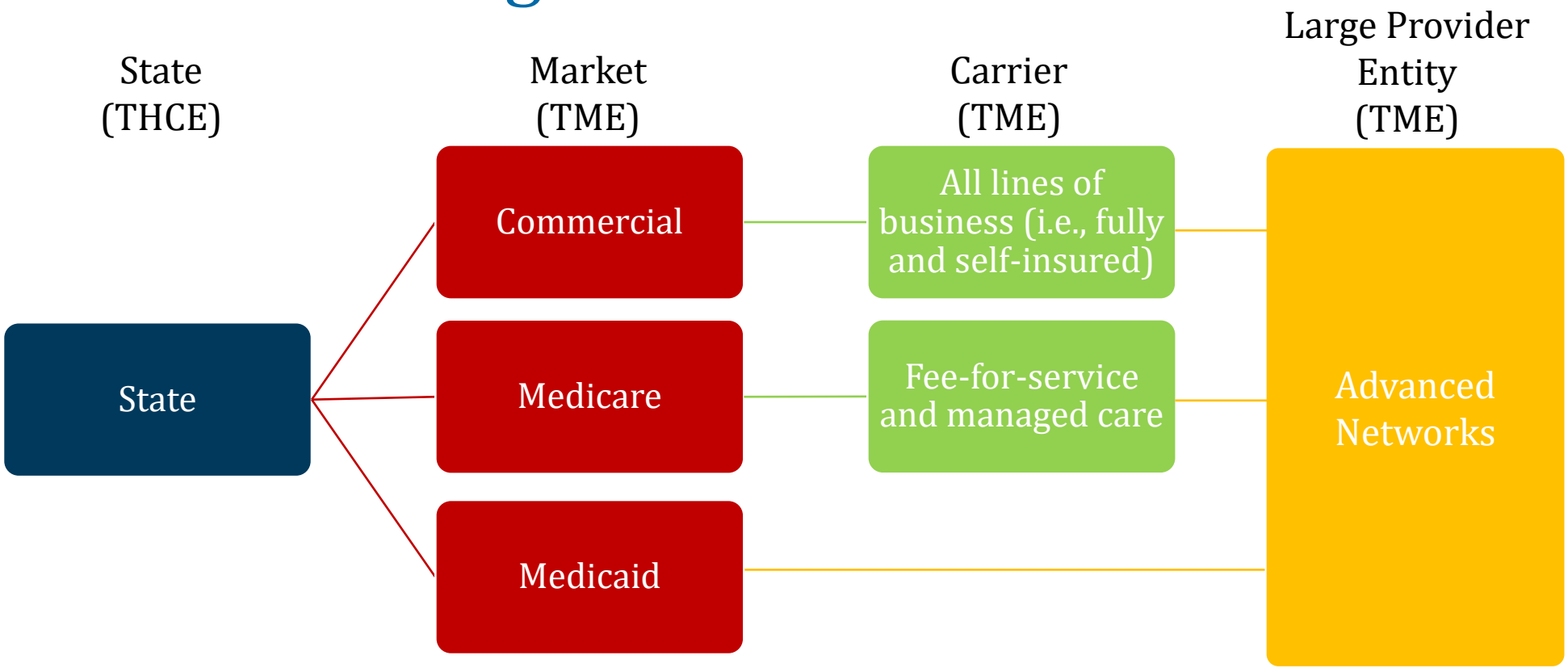
Four Levels of Performance Measurement Against the Benchmark and Target



OHS will report per capita change in spending from one calendar year to the next at each level. For 2018-2019 pre-benchmark measurement, cost growth was *only* reported at the state and market levels.

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Total Healthcare Expenditures

Total Medical Expense (TME) + **Net Cost of Private Health Insurance (NCPHI)** = **Total Healthcare Expenditures (THCE)**

All incurred expenses for CT residents for all healthcare services, regardless of where the care was delivered and regardless of the situs of the member's plan.

The **costs to CT residents associated with the administration of private health insurance.**

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Insurance Carriers

Insurance Carriers
1. Aetna Health & Life
2. Anthem
3. Cigna
4. ConnectiCare
5. Harvard Pilgrim Health Care*
6. UnitedHealthcare

*Harvard Pilgrim reported data for the pre-benchmark period but has since exited the CT market.

Review and Vote on Workgroup Charter and Bylaws

Data Analytics Workgroup Charter and Bylaws

- The Data Analytics Workgroup needs to adopt a charter and bylaws to outline its mission, goals, and objectives.
- Draft documents were sent out prior to the meeting for your review.
- The draft mission states that the Workgroup will aid the benchmark initiative "by **designing and reviewing** standard cost driver reports, cost *growth* driver reports, and ad hoc analyses using available APCD data, **identifying opportunities to reduce spending growth**, and **offering recommendation for areas of focus** to OHS' Healthcare Benchmark Initiative Steering Committee."

Data Analytics Workgroup Charter and Bylaws

- ***Do you have any feedback on the draft charter and bylaws?***
- ***Are you prepared to vote today on adopting the charter and bylaws?***

Healthcare Spending Trend Analyses

Cost Growth Benchmark Analysis vs. Data Use Strategy

How will we determine the level of cost growth from one year to the next?

Benchmark Analysis

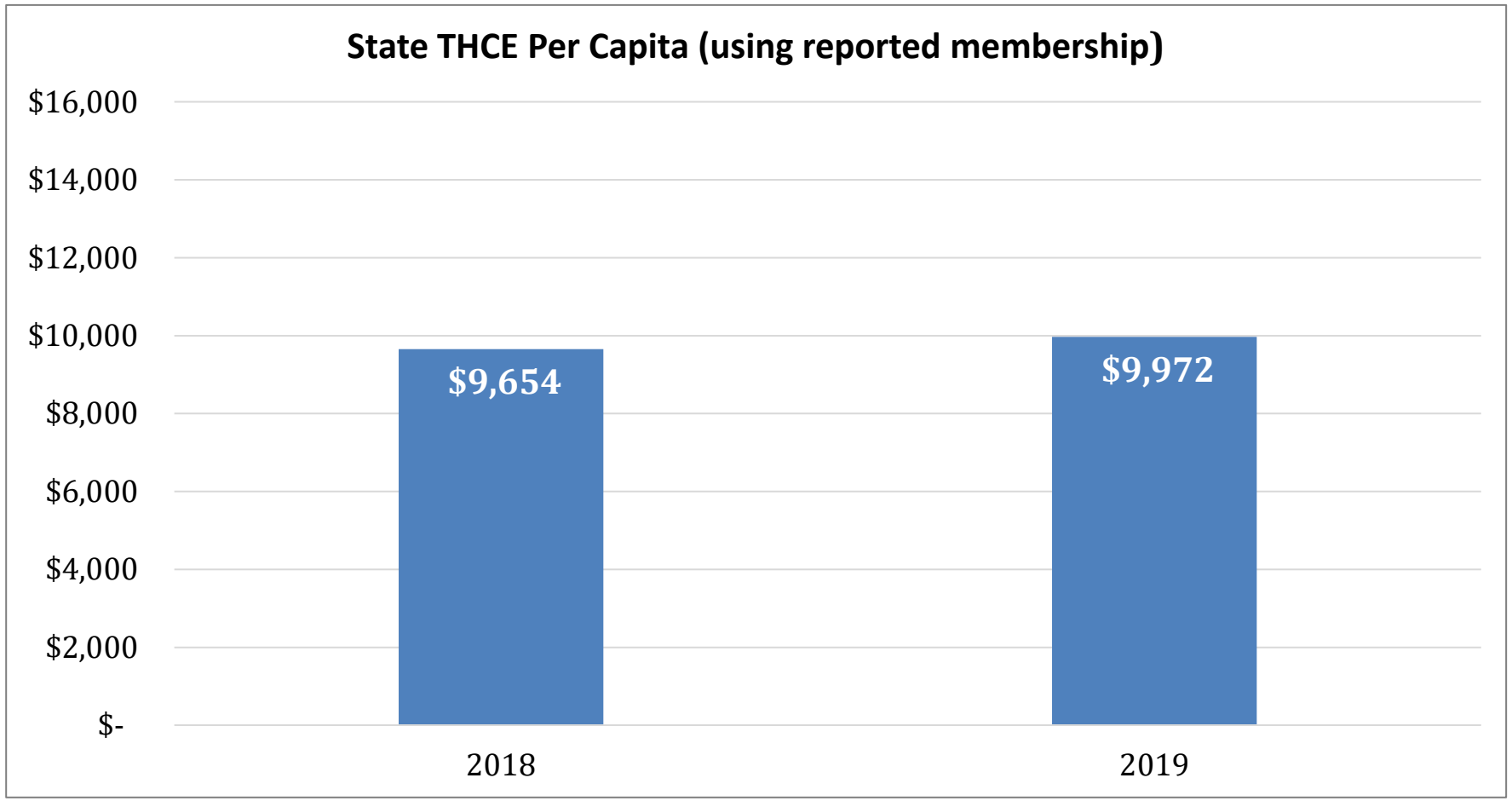
- **What is this?** A calculation of health care cost growth over a given time period using payer-collected aggregate data.
- **Data Type:** Aggregate data that allow assessment at four levels: 1) provider level, 2) insurer level, 3) market level, and 4) statewide.
- **Data Source:** Insurers and public payers
- **Resources to be Used:** Bailit Health performs analyses at OHS direction

How will we determine the drivers of overall cost and cost growth? Where are there opportunities to contain spending?

Data Use Strategy

- **What is this?** A plan to analyze cost drivers and identify promising opportunities for reducing cost growth and informing policy decisions.
- **Data Type:** Granular data (claims and/or encounters)
- **Data Source:** All-Payer Claims Database
- **Resources to be Used:** Mathematica performs the analyses at OHS direction

Pre-Benchmark State Per Capita THCE Growth



THCE Trend Per Capita
3.3%

Data are not risk-adjusted. They are reported net of pharmacy rebates.
Data include the Net Cost of Private Health Insurance (NCPHI).
Total reported membership was 3,252,773 in 2019. The CT Census reported 3,565,287 individuals in 2019.

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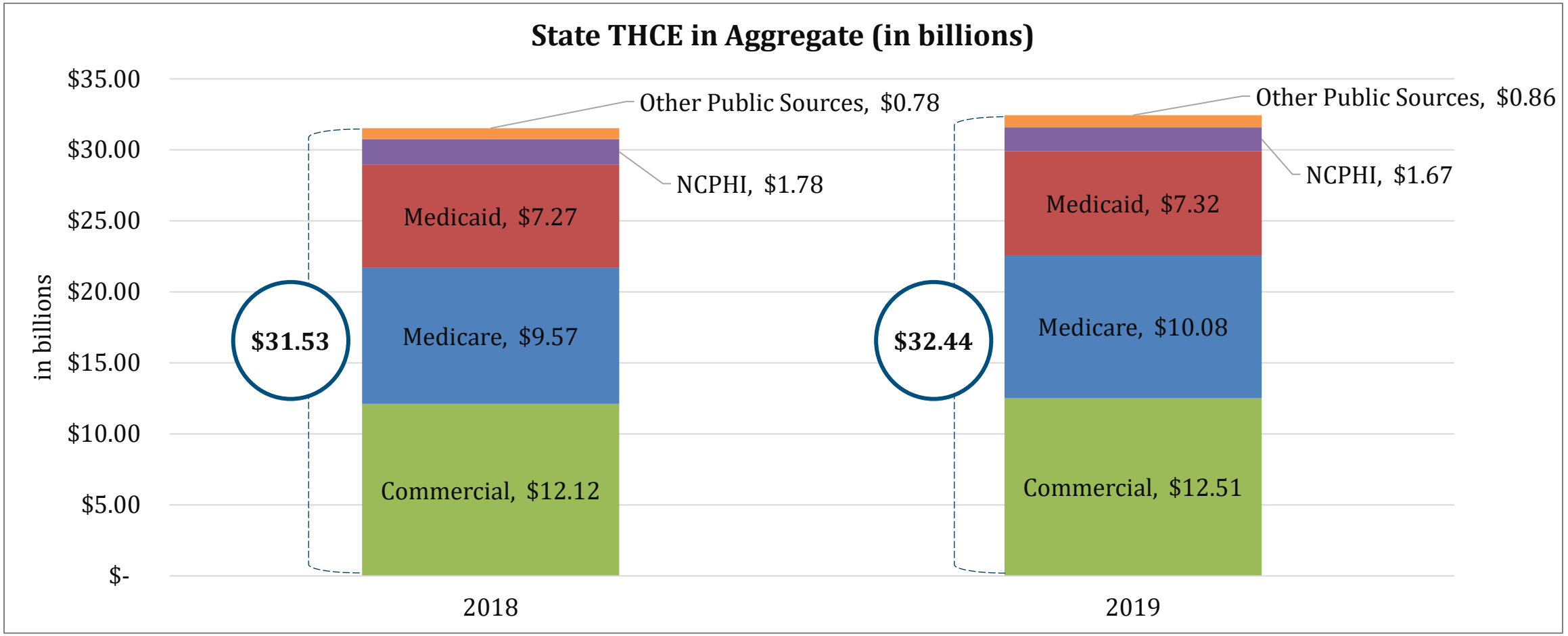
Connecticut's THCE was $32 billion in 2019



"Other Public Sources" includes CT Department of Correction and Veterans Health Administration spending.

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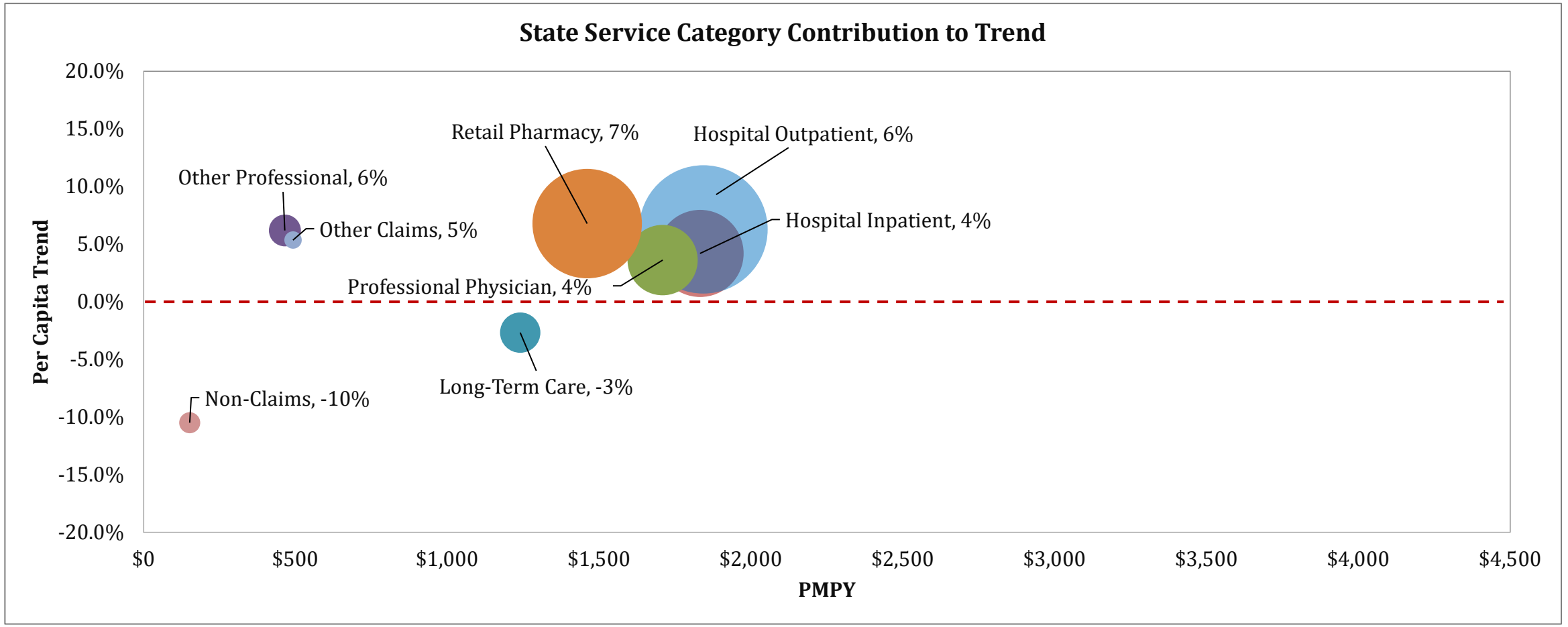
Retail Pharmacy and Hospital Outpatient Drove Connecticut's State Level Spending Growth in 2019



Data are not risk-adjusted. They are reported net of pharmacy rebates.
The width of the bubbles represents contribution to trend.

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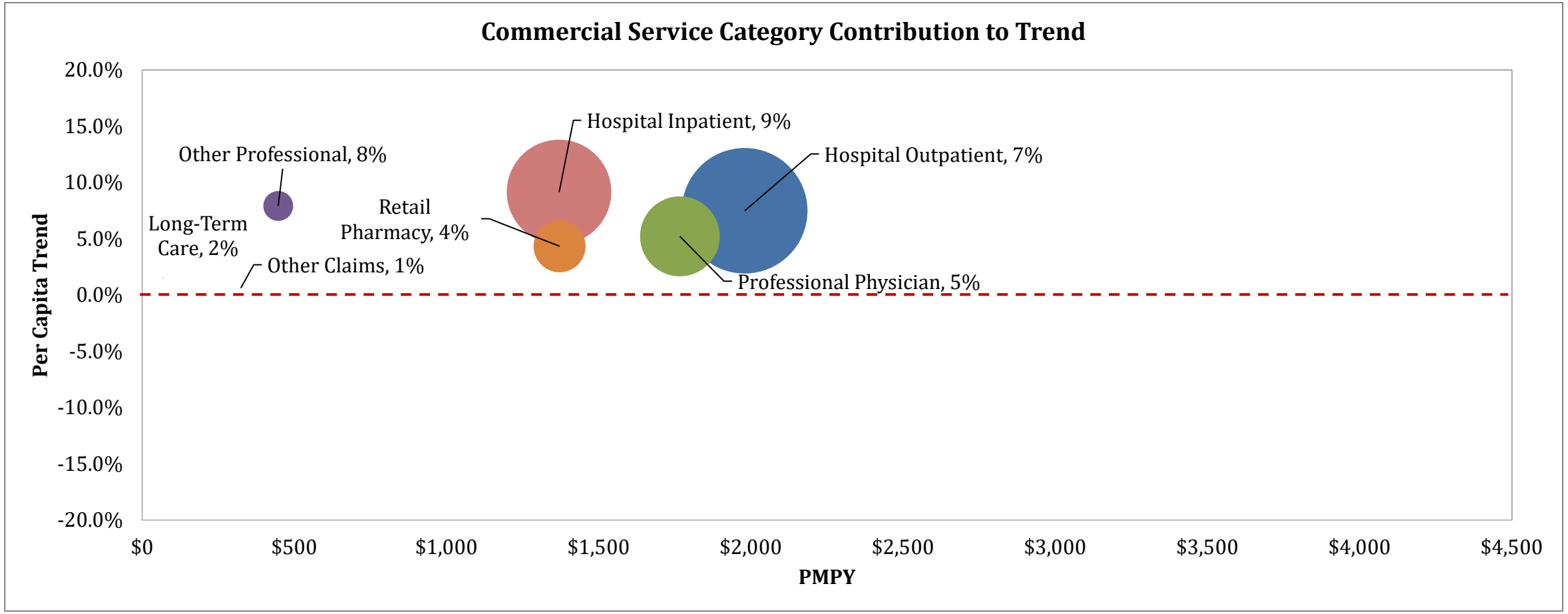
Hospital Outpatient and Hospital Inpatient Drove Connecticut's Commercial Market Spending Growth in 2019



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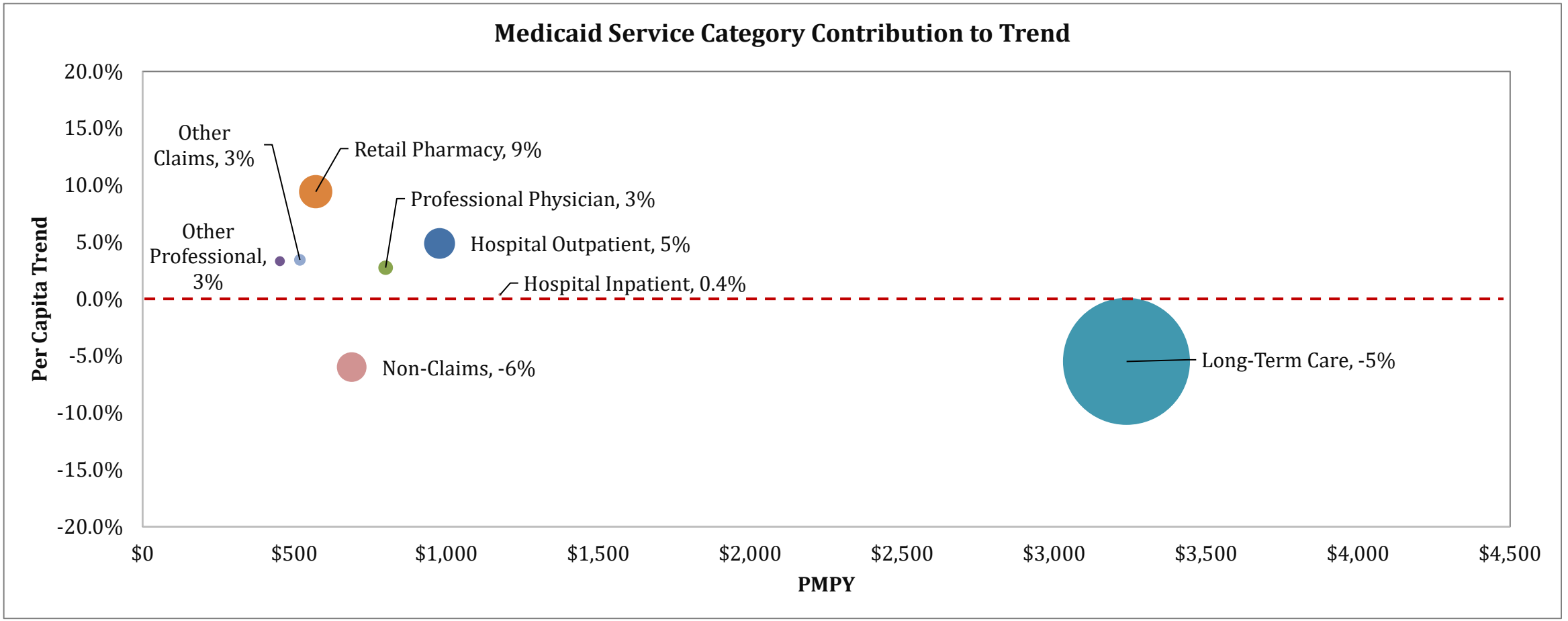
Retail Pharmacy and Hospital Outpatient Experienced the Largest Growth in the Medicaid Market in 2019



Data are not risk-adjusted. They are reported net of pharmacy rebates.
The width of the bubbles represents contribution to trend.

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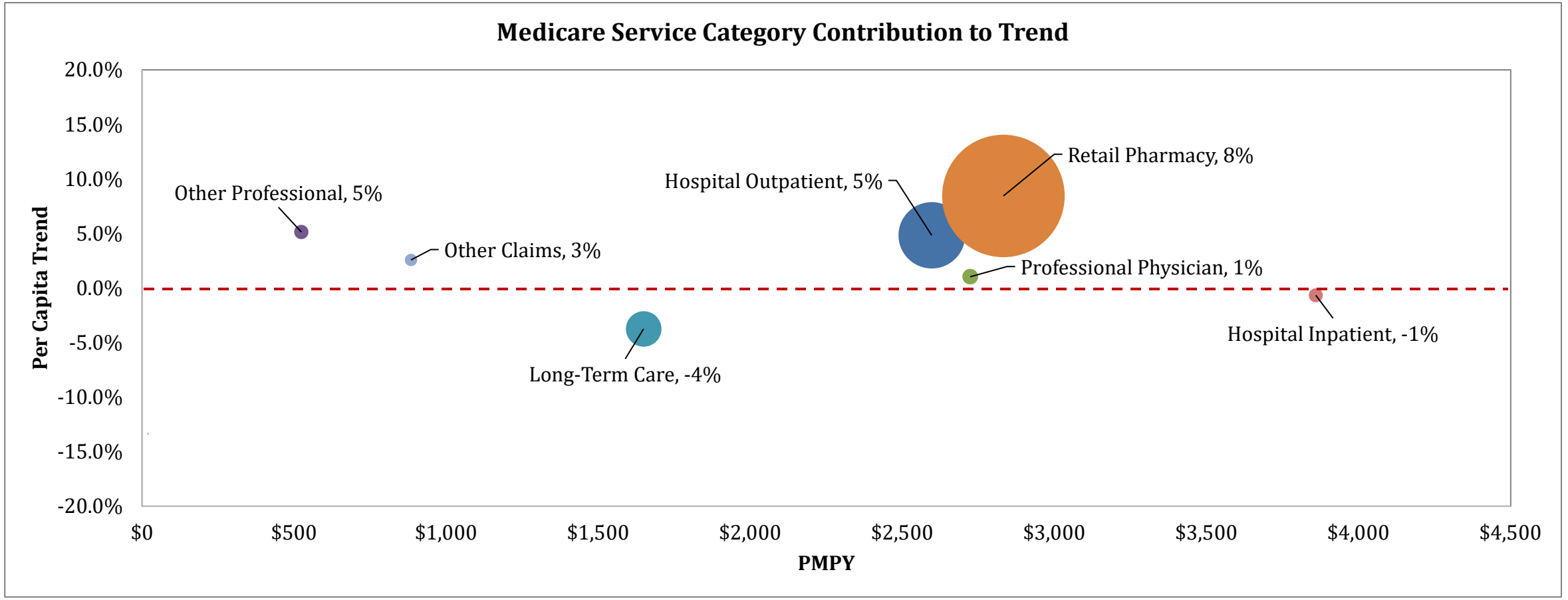
Retail Pharmacy and Hospital Outpatient Drove Connecticut's Medicare Market Spending Growth in 2019



Data are not risk-adjusted. They are reported net of pharmacy rebates.
The width of the bubbles represents contribution to trend.

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Three Service Categories Drove TME Cost Growth Across All Markets in 2019

	Hospital Inpatient	Hospital Outpatient	Retail Pharmacy (Net of Rebates)
State		✓	✓
Commercial	✓	✓	
Medicaid		✓	✓
Medicare		✓	✓

Mathematica's Cost Driver Analysis

- Understanding healthcare spending requires data analysis. OHS utilized the State's All-Payer Claims Database, combined with other data resources, to gain insight to healthcare spending in Connecticut.

- Analyses were conducted by OHS contractor Mathematica in 2020 and 2021. The analyses provided insight into a few factors that have been driving spending and spending growth and will inform strategies to be designed with stakeholders to meet the cost growth benchmark.
  - Additional analyses are being performed in 2022.

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Medical spending PMPM increased 21%, 2015-19

Payer	PMPM Spending					Annual Change (%)				Total change (%)
	2015	2016	2017	2018	2019	2016	2017	2018	2019	
All-payer (unadjusted)	$375.47	$407.64	$421.05	$431.19	$454.19	8.6%	3.3%	2.4%	5.3%	21.0%

Notes:
1) The average annual increase was 4.9%
2) Average wage growth in CT for the same time period was 2.6%.
3) Limited to CT residents under age 65.
4) Excludes retail pharmacy spend, a major contributor to spending growth in other states.

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Out-of-pocket spending increased much faster than total spending

Payer	OOP spending for insured medical services (PMPM)					Annual OOP change (%)				Average annual change (%)		Total change (%)	
	2015	2016	2017	2018	2019	2016	2017	2018	2019	OOP	PMPM	OOP	PMPM
All-payer (unadjusted)	$44.26	$47.82	$53.83	$55.25	$56.70	8.0%	12.6%	2.6%	2.6%	6.5%	4.9%	28.1%	21.0%

Note:

1) The average annual increase in out-of-pocket spending was 6.5%.
   - This includes patient co-insurance, deductible, and co-payment obligations. It does not include premium contributions.
2) This finding reflects changes in employer decisions on plan design, and employee plan selection.

Between 2015 and 2019 per capita spending growth varied significantly by service type

Service Category	2015		2018		2019		2018-2019 change (%)	Average annual change (%)	Total change (%)	Change in category as percent of total PMPM change
	PMPM	%	PMPM	%	PMPM	%				
All services	$480.24	100.0	$565.02	100.0	$589.13	100.0	4.3	5.3	22.7	100.0
Professional	$169.69	35.3	$183.77	32.5	$188.73	32.0	2.7	2.7	11.2	17.5
Inpatient acute	$78.57	16.4	$94.02	16.6	$98.71	16.8	5.0	**5.9**	25.6	18.5
Outpatient	$126.03	26.2	$151.53	26.8	$163.82	27.8	8.1	**6.8**	30.0	34.7
Other	$5.61	1.2	$4.87	0.9	$4.72	0.8	-2.9	-4.1	-15.8	-0.8
ED*	$27.10	5.6	$32.76	5.8	$35.74	6.1	9.1	**7.2**	31.9	7.9
Pharmacy	$100.34	20.9	$130.84	23.2	$133.14	22.6	1.8	**7.6**	32.7	30.1

* ED includes both professional and outpatient ED claims if delivered in an ED, and thus overlaps with Professional and Outpatient.

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Spending per unit, not number of units, drove growth in hospital spending

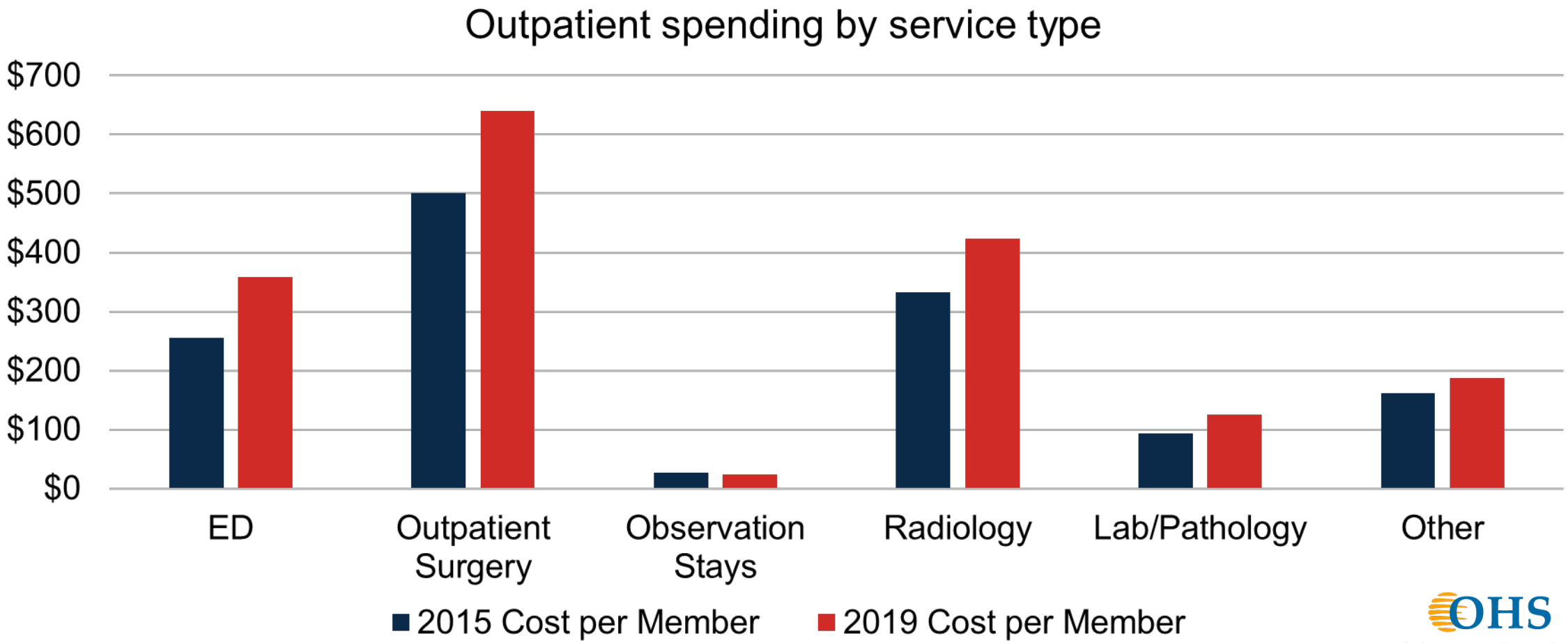
Category of Service	Volume (2019)	Spending (2019)	Spending per unit (2019)	Change (2015-2019)	
				Volume	Spending Per Unit
Inpatient Discharges	33,683	$943,616,109	$28,015	-10%	37%
Professional	8,270,885	$1,800,756,932	$218	2%	7%
Outpatient	1,011,124	$1,560,864,030	$1,544	-2%	31%
Other Services Combined	106,503	$44,882,590	$421	-12%	-7%
Emergency Department Visits	179,072	$340,982,098	$1,904	-10%	44%

- Changes in spending per unit may be affected by both changes in service mix and changes in service-level prices.
- Includes CT residents under age 65. Results are not age/gender-adjusted.
- Inpatient stay units defined as discharges, which can include multiple inpatient claims. ED units defined as visits which can include multiple outpatient and/or professional claims.
- "Other" category of service units defined as individual claims.

Hospitals with the highest inpatient costs grew fastest, while those with the lowest grew slowest

- Of the ten hospitals with the **highest rates of growth in payment** per CMAD, five hospitals also had the highest cost per CMAD in 2019. Four of five were affiliated with the largest systems.
- Of the ten hospitals with the **lowest rates of growth in payment** per CMAD, five hospitals also had the lowest cost per CMAD in 2019. Four of five were *unaffiliated* with the largest systems.

ED, outpatient surgery, and radiology make up the majority of outpatient facility spending.



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Across all major outpatient service types, changes in outpatient spending were driven by spending per unit not units per person

Service type	2015 – 2019 Percent Change			
	Spending per person	Units per member	Spending per unit	Interaction of both factors
ED	40.1%	-6.3%	49.5%	-3.1%
Outpatient surgery	28.1%	2.3%	25.2%	0.6%
Radiology	27.5%	0.0%	27.6%	0.0%
Lab/pathology	35.5%	-5.2%	42.8%	-2.2%

- For ED, spending per unit rose by almost 50 percent between 2015 and 2019.

Cost Growth Driver Analysis - Discussion

- ***What stands out to you from the data that we have shared?***
- ***What areas of further inquiry would you suggest?***

Upcoming Mathematica Analyses

Upcoming Mathematica Analyses

- OHS and Mathematica have discussed preparing the following analyses for future review:
  - A standard set of "dashboard" analyses to track spending patterns and trends across the commercial, Medicaid and Medicare markets
  - A detailed analysis of pharmacy trends
  - An updated commercial cost driver analysis with 2020 (and then 2021) data added
  - A methodology for detecting potential adverse consequences of the benchmark initiative
  - A follow-up ED utilization disparity analysis

Wrap-Up and Next Steps

Wrap-Up and Next Steps

- At our next meeting, we will review Mathematica's pharmacy trend analysis.
- Subsequent Workgroup meetings will be held on the third Tuesday of each month from 11 am – 12 pm via Zoom, unless otherwise noted.
  - Tuesday June 21, 2022
  - Tuesday July 19, 2022
  - Tuesday August 16, 2022
  - Tuesday September 20, 2022
  - Tuesday October 18, 2022
  - Tuesday November 15, 2022
  - Tuesday December 13, 2022 (second Tuesday)

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