Healthcare Cost Growth Benchmark Steering Committee Meeting December 18, 2023

"We collaborate, out of a shared concern and responsibility for all Connecticut residents, to develop consensus models that advance equity and consumer affordability of healthcare in our state."

Welcome and Roll Call

Meeting Agenda

Time	Topic
3:00 p.m.	I. Welcome and Roll Call
3:05 p.m.	II. Public Comment
3:10 p.m.	III. Approval of September Meeting Minutes – Vote
3:15 p.m.	IV. Change in Commercial Hospital Payment per Service Unit 2016-21 – Michael Bailit
4:05 p.m.	V. Legislative Report Recommendations – Deidre Gifford
4:55 p.m.	VI. Wrap-Up
5:00 p.m.	VII. Adjournment

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Public Comment

Approval of September 28th Meeting Minutes - Vote

Commercial Hospital Payment per Service Unit 2016-2021

Hospital De-identified Data

- On December 12, OHS sent each hospital leader the variation in commercial payment per service trends for their independent hospital or hospital system.
- As this was the first time OHS presented this data, the intent was to share this data with the hospitals before presenting it to this committee.
- The data were de-identified by assigning each hospital a letter code. This letter code was included in the email to each hospital.

Variation in Hospital Payment Per Service Trends (1 of 2)

- We previously reviewed trends in Connecticut hospital payment per service and we observed that they have been the primary contributor to commercial market healthcare cost growth for the past several years.
- For the first time, we will now look at payment trends (2016-2021) at the individual hospital level using APCD data for the commercial market. Data are restricted to claims payments for residents ages 18-64.
- This analysis looks at inpatient spending, as well as outpatient spending categories with some of the most 2021 spending: emergency department, outpatient surgery, and radiology.
    - Identifiable claims for COVID vaccines and testing were excluded from the data in this analysis.

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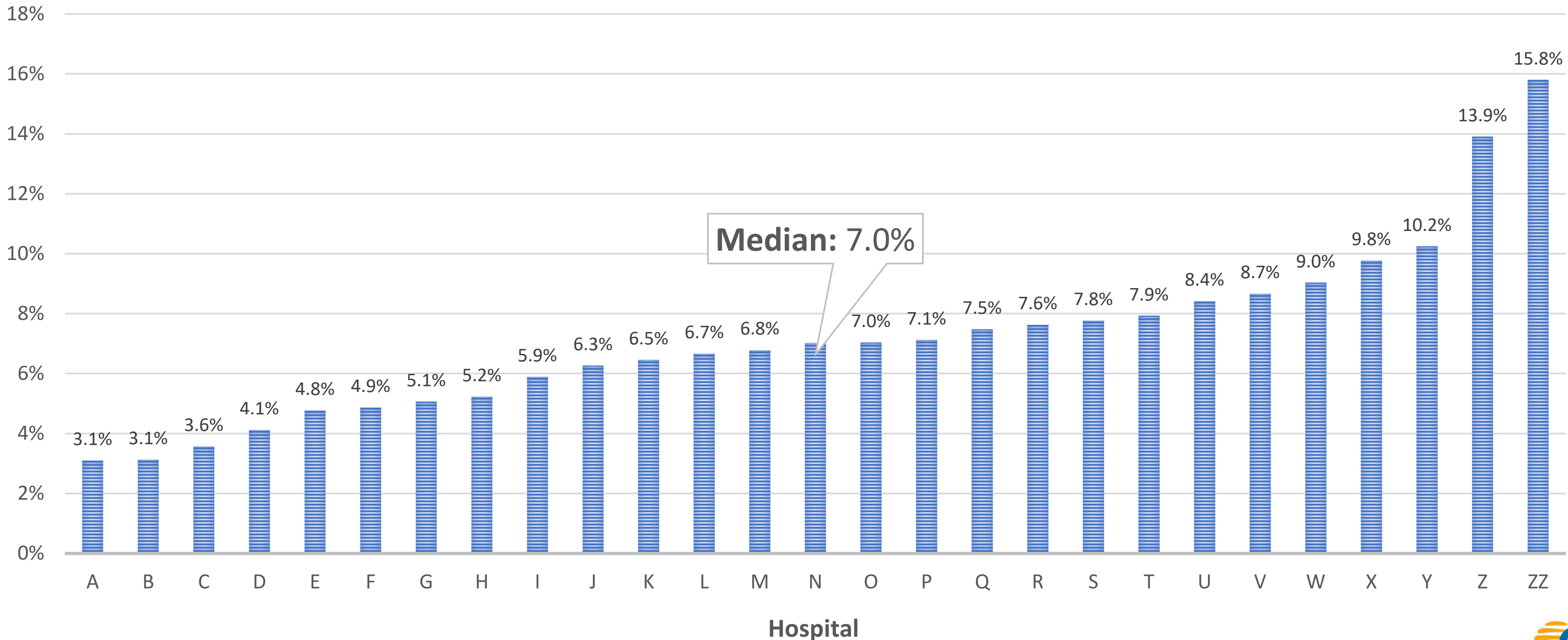
Variation in Hospital Payment Per Service Trends (2 of 2)

- Please note that the next four slides show trends in payment per service category unit, i.e., per inpatient discharge, ED service, outpatient surgery service, and per radiological image. *They reflect facility fees only*.
  - There is no adjustment made for changes in the mix of services within a category, e.g., for radiology, more or fewer x-rays and more or fewer MRIs.
- We will then share trends in payment per service unit within a service category, i.e., per diagnostic-related group (DRG) for hospital inpatient or current procedural terminology (CPT) for hospital outpatient.
- Today, we are only examining ***change over time*** (from 2016-2021) in payment per service unit, and not the actual payment values.

Inpatient Hospital Payment Trends



We have de-identified each of the hospitals in the analysis.

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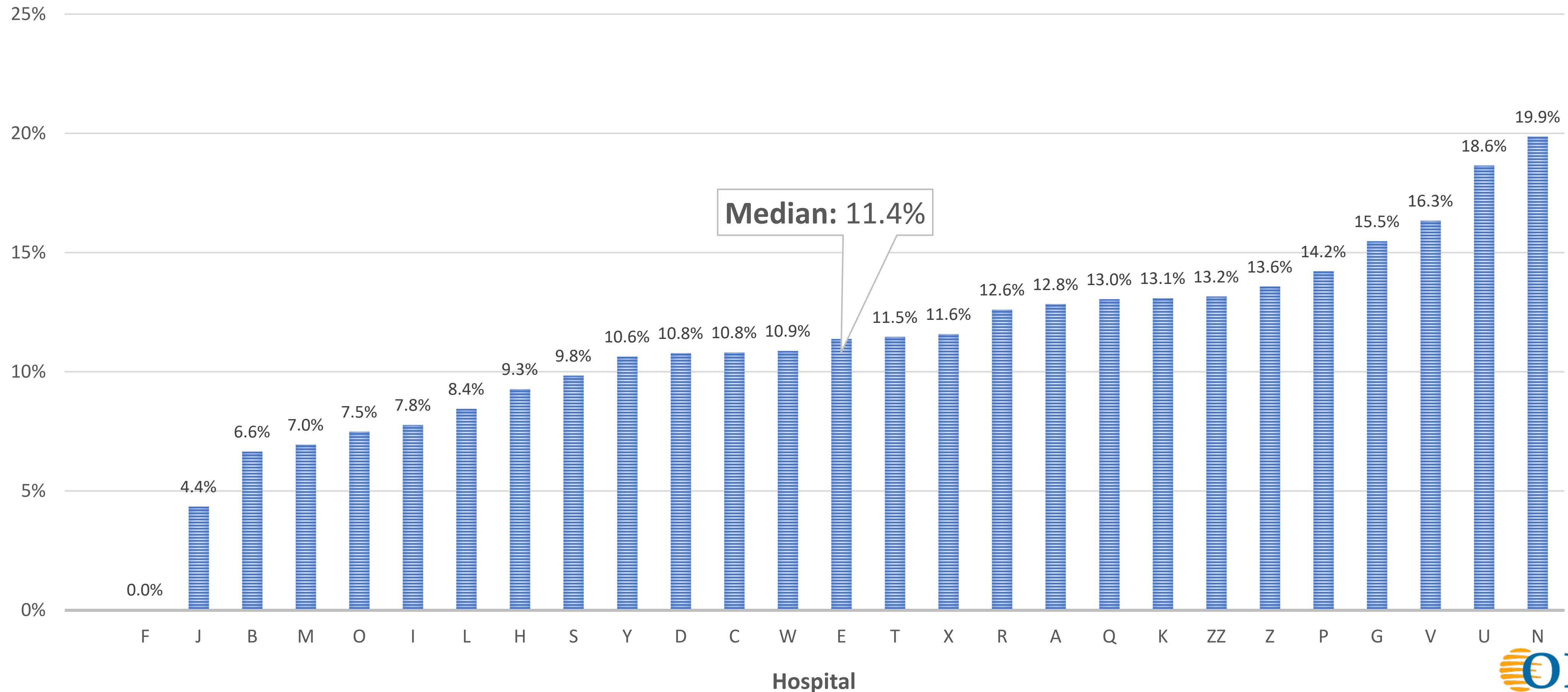
Emergency Department Payment Trends



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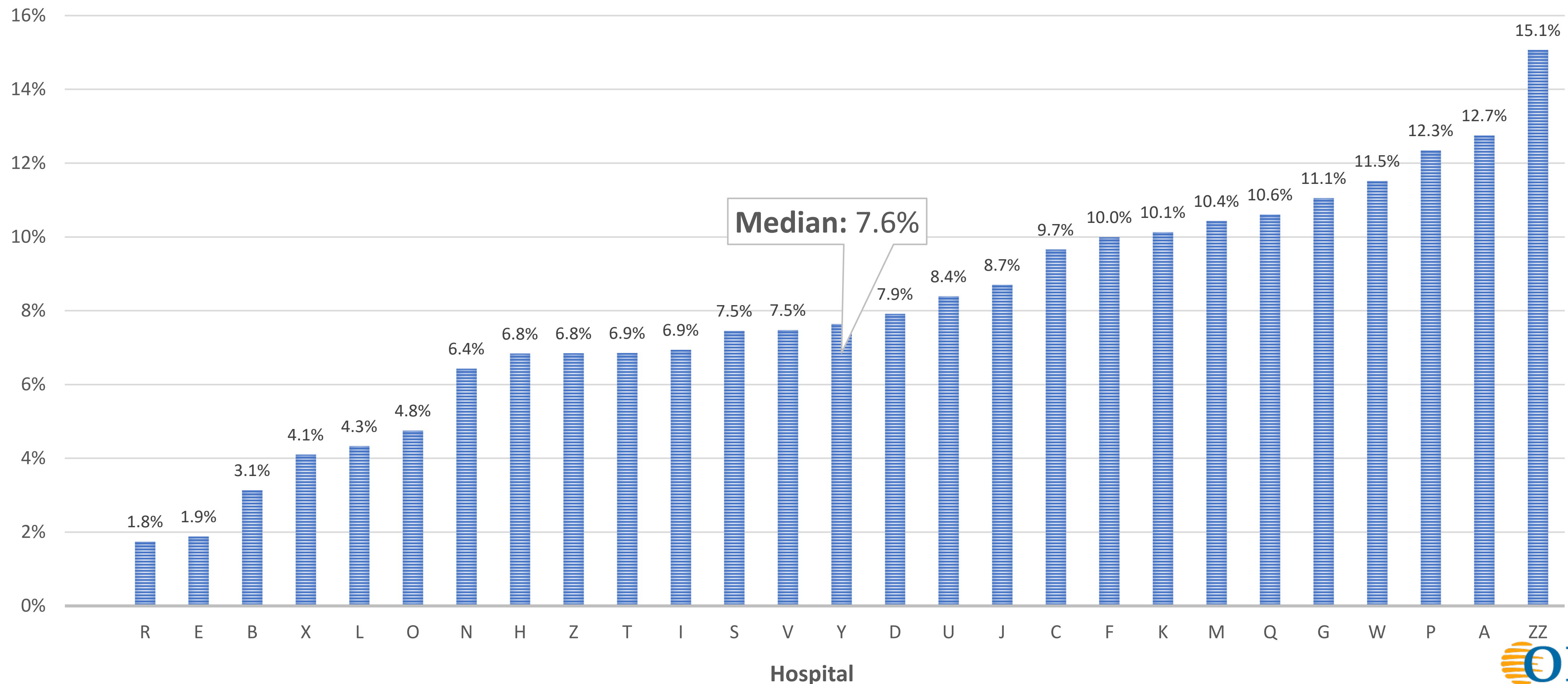
Outpatient Surgery Hospital Payment Trends



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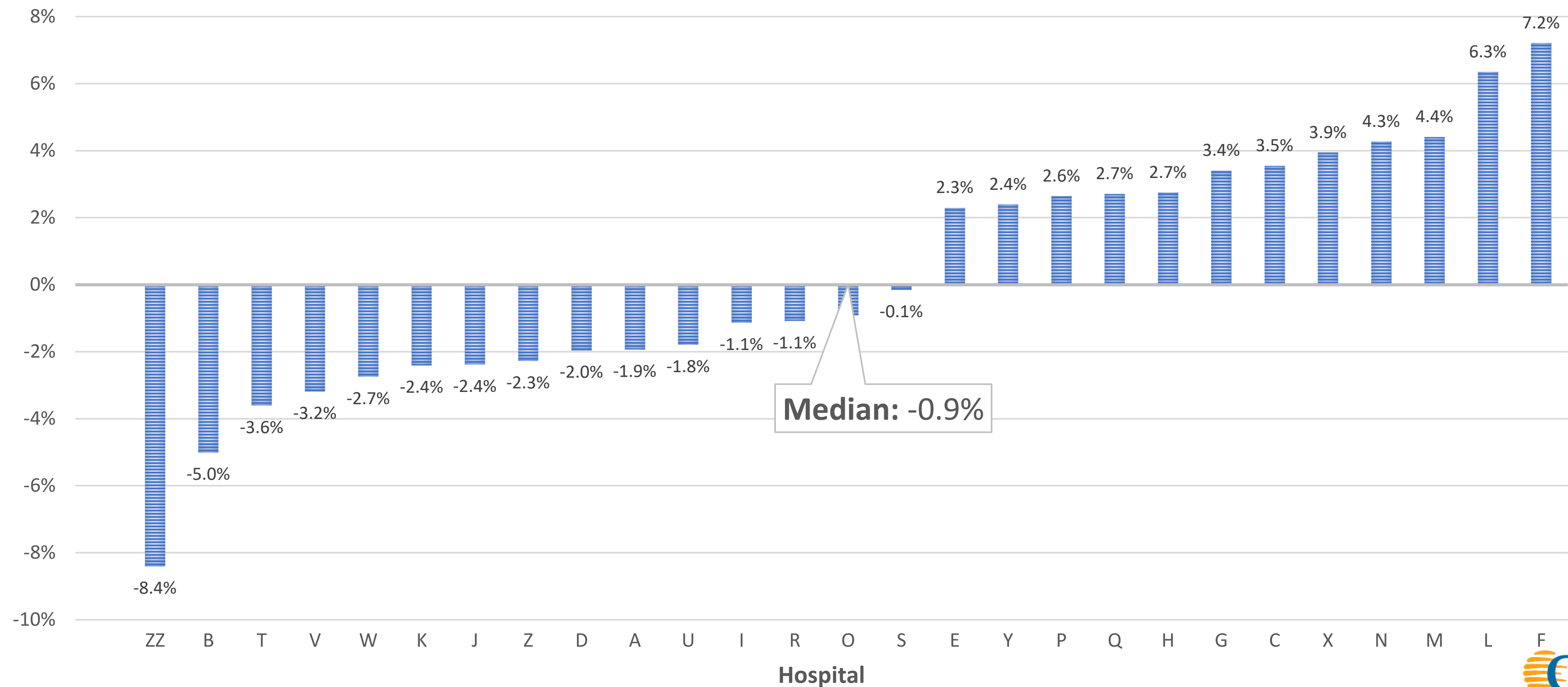
Radiology Hospital Payment Trends



Why Have Hospital Payments Per Service Been Rising So Quickly in CT?

- **During the June 2023 public hearing, hospital representatives reported that over time they have been delivering a *different mix of services* to a sicker cohort of patients, which gave the false impression of high payment growth.**
- We examined this by looking at changes for a fixed group of high spend services over time to control for any change in service mix.
- The following slides track statewide trend in payments for some of the inpatient and outpatient services associated with the most commercial market spending in recent years.

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What Happens with **Inpatient** Commercial Hospital Payments When We Control for Change in Service Mix? (1 of 2)

DRG	Inpatient Service	2017 payment	2022 payment	Avg Annual Increase
885	Psychoses	$15,658	$21,098	6.2%
871	Septicemia or Severe Sepsis (infection)	$32,365	$39,235	4.0%
621	Operating Room Procedures for Obesity w/o Complication	$23,028	$31,112	6.2%
455	Spinal Fusion w/o Complication	$81,219	$94,637	3.3%
454	Spinal Fusion with Complication	$103,051	$117,633	2.7%
25	Craniotomy and Endovascular Intracranial Procedures with Complication	$68,919	$94,807	6.7%
460	Spinal Fusion Except Cervical w/o Major Comp.	$57,277	$76,052	5.9%
330	Major Small and Large Bowel Procedures w Comp.	$38,426	$49,701	5.3%
247	Percutaneous Cardiovascular Procedures w/Stent	$34,760	$44,055	4.9%

What Happens with **Inpatient** Commercial Hospital Payments When We Control for Change in Service Mix? (2 of 2)

- The average annual payment increase for these nine highest spend hospital inpatient services between 2017 and 2022 was **5.0%**.
- This increase compares to the average annual payment increase for all inpatient hospital services between 2017 and 2022 of **6.5%**.
- The somewhat slower payment growth among the nine high spend inpatient services compared to all inpatient services does suggest *some* shifting to more expensive services, but also illustrates payment increases that exceeded average annual CT median household income growth over this same period (4.4%)*.

*Median income grew 1.3% per year from 2016-2021 but then (abnormally) grew 12% between 2021 and 2022.

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What Happens with **Outpatient** Commercial Hospital Payments When We Control for Change in Service Mix? (1 of 2)

CPT	Outpatient Service	2017 Payment	2022 Payment	Avg Annual Increase
99283	ED Visit – Low Medical Decision Making	$555	$1,085	14.5%
99284	ED Visit – Moderate Medical Decision Making	$750	$1,423	14.2%
99285	ED Visit – High Medical Decision Making	$974	$1,840	13.8%
74177	CT Scan Abdomen & Pelvis with Contrast Material	$1,170	$987	-3.3%
93306	Echocardiography, Transthoracic, Real-Time with Image Documentation	$962	$1,210	4.7%
45380	Colonoscopy with Biopsy Single/Multiple	$1,647	$2,080	4.8%
96413	Chemotherapy Administration w/ IV Administration	$646	$843	5.5%
43239	Endoscopy with Biopsy Single/Multiple	$1,524	$2,158	7.3%
97110	Physical Therapy Using Exercise, Each 15 Minutes	$127	$153	4.0%

What Happens with **Outpatient** Commercial Hospital Payments When We Control for Change in Service Mix? (2 of 2)

As with inpatient services, we observe high rates of commercial payment growth for these highest volume services.

- Only one service had a drop in payment - CT Scan Abdomen & Pelvis with Contrast Material
- ED visit payments grew annually on average at 14% each year.

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Discussion

- What should we make of the information presented today?
- What are appropriate next steps?
  - Analytic next steps?
  - Policy next steps?

Legislative Report Recommendations to Increase Efficiency of Connecticut's Healthcare System

Recommendations Overview

- The recommendations that follow were informed by:
  - The June 2023 **Cost Growth Benchmark Public Hearing**, as well as follow-up conversations with hearing participants
  - An August 2023 **Informational Hearing held by the Insurance Dept.**
  - Discussions with the Cost Growth Benchmark **Steering Committee** and its subgroup, the **Pharmacy Cost Mitigations Strategies Work Group**
  - Published literature and the experiences and recommendations of **other cost growth benchmark states**
  - Discussions with **stakeholders**, including community organizations, advocates, and members of the General Assembly

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Recommendation #1: Institute Enforcement Mechanisms for the Cost Growth Benchmark

- **1A. Adopt a requirement for Performance Improvement Plans for entities that exceed the Cost Growth Benchmark.**
  - Public transparency alone is unlikely to persuade payers and providers to achieve the Cost Growth Benchmark over the long term, as has been observed in Massachusetts.
- **1B. Consider formal incorporation of the Cost Growth Benchmark into the review of annual insurer rate filings by CID.**
  - The Cost Growth Benchmark could be applied as the “trend factor” in annual commercial insurer rate filings submitted to CID, increasing the impact of the benchmark in payer/provider negotiations.

Recommendation #2: Address Provider payment Growth

- **2A. Institute out-of-network price caps.**
  - An out-of-network rate cap would lessen providers' incentive to reject an insurer contract and "go out of network“, thereby reducing out-of-pocket costs for consumers and overall healthcare spending.
- **2B. Improve the utility of cost and market impact review (CMIR).**
  - Connecticut could expand the CMIR trigger criteria to include being identified as a significant contributor to the State exceeding the Cost Growth Benchmark.
- **2C. Increase transparency of group practice consolidation.**
  - Connecticut could require a certificate of need application for any large group practice acquisition, including by private equity.

Recommendation #3: Address Insurers' Role in Healthcare Cost Growth

- **3A. Adopt affordability standards.**
  - Connecticut could allow CID to consider "affordability" in the review of commercial insurer rate requests.
  - “Affordability standards” are state requirements that specify actions commercial health insurers must take to ensure that consumer costs do no grow at a rate that is unaffordable and deter access to necessary care.
  - Independent evaluation of Rhode Island's affordability standards has demonstrated that its standards slowed growth of the state’s commercial health insurance costs, as compared to other New England states.

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Recommendation #4: Pursue Strategies to Slow Pharmacy Price Growth

- **4A. Increase Pharmacy Benefit Manager (PBM) Price Transparency.**
  - Connecticut could expand the definition of rebates to capture the complexity of rebate relationships and how they are funneled through various entities, helping to capture the full scope of rebates that PBMs receive.
  - Connecticut could require PBMs to disclose drug-specific rebate data for drugs that have the highest total expenditures in the commercial market.
  - Connecticut could request data regarding PBM spread pricing.

Wrap-Up

Wrap-Up

- The next Steering Committee meeting may be held (tentatively)on Monday, **January 22, 2024** from 3–5:00 pm.

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