

# Healthcare Cost Growth Benchmark Steering Committee Meeting February 26, 2024

**"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

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# Meeting Agenda

<u>Time</u>	<u>Topic</u>
3:00 p.m.	I. Welcome and Roll Call
3:05 p.m.	II. Approval of January Meeting Minutes – Vote
3:10 pm.	III. OHS’ Annual Inflation Review Recommendation – Deidre Gifford
3:25 p.m.	IV. Updated 2024 OHS Goals – Deidre Gifford
3:40 p.m.	V. Overview of the Governor's Legislative Proposals – Cindy Dubuque-Gallo
4:05 p.m.	VI. Summary Discussion of Hospital Payment Trends Analyses – Michael Bailit
4:50 p.m.	VII. Public Comment
4:55 p.m.	VIII. Wrap-Up
5:00 p.m.	IX. Adjournment

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# Approval of January 29th Meeting Minutes - Vote

# OHS' Annual Inflation Review Recommendation

# OHS' Annual Inflation Review

- As a reminder, § 219 of Public Act 22-118 (now codified as new section [19a-754g](#)) requires OHS to *annually review the current and projected rate of inflation and determine whether the rate of inflation requires modification of the Healthcare Cost Growth Benchmark.*
- The following slides briefly summarize OHS' annual inflation review, and its associated policy recommendation.

# Summary of OHS' Inflation Review

1. Research shows that inflation impacts healthcare spending growth. The impact is not immediate, but is delayed or “lagged.”
2. General inflation in the U.S., as measured using Personal Consumption Expenditures\* (PCE), has decreased following last year's peak, but remains above average inflation of the past two decades, and above the Fed's PCE target of 2.0%.
3. Healthcare prices in the U.S. have grown at slightly elevated rates in 2023. It is reasonable to anticipate elevated growth in 2024 in response to the impact of inflation growth in 2022.

\*PCE is the preferred inflation measure of the Federal Reserve Bank.

# OHS' Recommendation on Whether Inflation Warrants Modification to the 2024 Cost Growth Benchmark (1 of 2)

- OHS recommends that due to the unusually high inflation in 2022 and ~2-year lag in the impact of inflation on healthcare spending, the **2024 cost growth benchmark warrants adjusting**.
- To make this adjustment, OHS replaced the long-term forecast for Personal Consumption Expenditures (PCE) in the calculation of potential gross state product (PGSP) that was initially used to set the cost growth benchmark with actual PCE inflation for 2022.
- OHS also used the most up-to-date projections for 2023-2024 median household income growth because of inflation's impact on income, while retaining the 20/80 weighting of PGSP to median income from the original methodology.



# OHS' Recommendation on Whether Inflation Warrants Modification to the 2024 Cost Growth Benchmark (2 of 2)

- These adjustments result in a 2024 cost growth benchmark value of **4.0%** (up from 2.9%).
- In light of its recommendation to adjust the 2024 cost growth benchmark, OHS believes it is necessary to determine specific criteria for when inflation is sufficiently atypical as to warrant an adjustment to the cost growth benchmark.
  - This topic will be brought to the newly proposed Benchmark Oversight Commission, assuming the Governor's bill passes. Otherwise, the Steering Committee will return to this topic later in the year.

# Discussion

- What reactions do members have to OHS' recommendation to adjust the 2024 cost growth benchmark due to inflation?

# Updated 2024 OHS Goals

# Updated 2024 OHS Goals

- OHS is seeking Steering Committee feedback on the following draft OHS goals for 2024:
  1. Develop a cost growth driver measure set for annual public reporting.
  2. Apply for and enter the CMMI AHEAD Model to advance affordability, quality, equity, and primary care.
  3. Analyze and understand hospital cost, financial status, and **quality** relative to external benchmarks.
  4. Develop legislative proposals for 2025:
    - to study the implications, including related to equity, of high costs on patients;
    - to study the costs associated with building primary care physician and community health worker capacity, and
    - to substantively slow commercial market spending growth.
  5. Focus on messaging the need for long-term **equitable** and affordable healthcare for Connecticut residents.

# Overview of the Governor's 2024 Legislative Proposals

# Governor's Bill 5054

## HB 5054 AN ACT ADDRESSING HEALTH CARE AFFORDABILITY. (@INS)

- **§ 1** Creates a Prescription Drug Affordability Board (PDAB)
- **§ 2** Defines FDA Breakthrough Drug and Orphan Drug
- **§ 3** Outlines the PDAB powers
- **§ 4** Establishes Cost Growth Benchmark Oversight Commission
- **§ 5** Adds Performance Improvement Plan (PIP) to the CGB—includes timelines and process. Allows OHS civil penalty as last resort.
- **§ 6** Allows OHS to conduct Cost Market Impact Review (CMIR) for entities exceeding the CGB
- **§ 7** Provides subpoena power to compel those who don't attend CGB hearing and can go to the Superior Court
- **§ 8** Allows OHS to establish P&P while regulations are developed
- **§ 9** Establishes affordability rate review process for OHS in consort with CID –OHS conducts compliance review of insurance prior to rate review which OHS will send to CID. CID may consider in their rate review process.

# Summary Discussion of Hospital Payment Trends Analyses

# Summary Discussion of Hospital Payment Trends Analyses (1 of 2)

- Since the Steering Committee's first meeting in October 2021, we have regularly reviewed analyses of cost driver analyses to understand why commercial health care spending grows so rapidly in Connecticut.
- These presentations have identified hospital spending, and specifically hospital payments per service unit, as the #1 driver of commercial market spending growth.



# Summary Discussion of Hospital Payment Trends Analyses (2 of 2)

- It has become apparent that there is no one best way to study change in payment per service unit. Prior presentations have looked at:
  - payments per inpatient service and per outpatient service,
  - payments per outpatient service category, and
  - payments for individual high-volume inpatient and outpatient services.
- OHS is now exploring optimal use of “market basket” measures to hold constant for change in service mix over time to add even more insight.
- Today we summarize what we have learned over the past few years so that we can begin to focus on policy solutions.

# Commercial Hospital Payment Trend Analyses Recap (1 of 3)

- 1. Hospital service spending represented 58% of commercial spending growth between 2017 and 2022** (*APCD data, Jan. 2024 meeting*)
- 2. Growth in payment per service unit, not number of units,** has been driving both inpatient and outpatient commercial hospital spending in Connecticut (*2015-19 APCD data, Oct. 2021 meeting; 2017-2022 APCD data, Jan. 2024 meeting*)
- 3. Average annual increases in payment per service unit** were 9.8% for hospital inpatient and 7.0% for hospital outpatient between 2017 and 2022. (*APCD data, Jan. 2024 meeting*)

## Commercial Hospital Payment Trend Analyses Recap (2 of 3)

- 4. Commercial inpatient hospital and emergency department payments per service unit increased 46% and 59% respectively from 2017-2021** *(APCD data, Feb. 2023 meeting)*
- 5. Not all hospital outpatient services had fast growing payments per service unit** between 2018 and 2022; in fact, a few categories averaged decreases (e.g., radiology). *(APCD data, Jan. 2024 meeting)*
- 6. Not all hospitals have been experiencing the same rate of increase in payments per service.** Annual percentage increases in payment-per-service-unit at the individual hospital level ranged from 3% to 16% for inpatient hospital services, 4% to 20% for ED visits, and 2% to 15% for outpatient surgeries *(2016-21 APCD data, Dec. 2023 meeting)*

## Commercial Hospital Payment Trend Analyses Recap (3 of 3)

7. Average payment per discharge for the individual inpatient **services associated with the most statewide spending** increased an average of 5% per year while the average payment for equivalent outpatient services increased an average of 7% per year, including 14% per year for ED visits. *(2017-22 APCD data, Dec. 2023 meeting)*

# What does this mean for Connecticut families?

- While average annual increases in payment per service unit were 9.8% for hospital inpatient and 7.0% for hospital outpatient between 2017 and 2022, the average increase in median income growth for Connecticut households over this period was 4.6% (which was also abnormally high - the average increase in median income growth over the last 20 years [2002-22] was just 2.5%).
- A survey of more than 1,300 Connecticut adults conducted in July and August of 2022 found that:
  - More than half (**55%**) of Connecticut respondents experienced one or more **healthcare affordability burdens** in the previous 12 months.
  - Nearly half of respondents (**46%**) reported **delaying or going without care** in the previous 12 months.
  - **33%** of Black/African-American respondents and **30%** of Hispanic/Latinx respondents reported **rationing their medication** due to cost in the previous 12 months.

# The Path Forward

- In 2022 we adopted the following language:
  - **"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."**
- Let's now develop those models in 2024 and take collective action to solve the problem for Connecticut residents.

# Public Comment

# Wrap-Up



# Wrap-Up

- The next Steering Committee meeting will be held **in person** on Monday, **March 25, 2024** from 3–5:00 pm at 450 Capitol Avenue in Hartford.