Healthcare Cost Growth Benchmark Steering Committee Meeting January 29, 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."

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Welcome and Roll Call

Meeting Agenda

Time	Topic
3:00 p.m.	I. Welcome and Roll Call
3:05 p.m.	II. Approval of December Meeting Minutes – Vote
3:10 pm.	III. 2024 Meeting Schedule
3:15 p.m.	IV. Update on OHS' Annual Inflation Review – Deidre Gifford
3:25 p.m.	V. 2023 Goals Review and 2024 Goal Setting – Deidre Gifford
3:55 p.m.	VI. Updated Commercial Market Spending Trends – Michael Bailit
4:35 p.m.	VIII. CMMI AHEAD Model – Cindy Dubuque-Gallo
4:50 p.m.	IX. Public Comment
4:55 p.m.	X. Wrap-Up
5:00 p.m.	XI. Adjournment

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Approval of December 18th Meeting Minutes - Vote

2024 Meeting Schedule

2024 Steering Committee Meeting Schedule

Each meeting will be held on a Monday from 3-5 pm ET.

- January 29th
- February 26th
- March 25th
- April 29th
- May 20th
- June 24th
- July 22nd
- August 26th
- September 23rd
- October 28th
- November 18th
- December 16th

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OHS' Annual Inflation Review

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 review is nearly complete and will be discussed at the February meeting.

2023 Goals Review and 2024 Goal Setting

2023 Steering Committee Goals

- In early 2023, the Steering Committee set out to focus on recommending practical, implementable cost growth mitigation strategies to OHS by year's end, with an emphasis on strategies to address the two primary drivers of commercial market spending growth: **hospital spending** and **pharmacy spending**.
  - With support from the Pharmacy Cost Mitigation Strategies Work Group, the Steering Committee succeeded in recommending several strategies for OHS to advance to address pharmacy spending growth.
    - While OHS did not include all of these recommendations in its October report to the General Assembly, it will continue to consider doing so in its 2024 report.
  - The Steering Committee did not achieve consensus on any strategies for OHS to take to address hospital spending growth.

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 and financial status relative to external benchmarks.
4. Develop legislative proposals for 2025 that will substantively slow commercial market spending growth.
5. Focus on messaging the need for long-term affordable healthcare for Connecticut residents.

Updated Commercial Market Spending Trends

Cost Growth Benchmark Analysis vs. APCD Analysis

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

Benchmark Analysis

- **What is this?** A calculation of healthcare 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
- **What's missing?** Claim-level detail to drill down into cost drivers

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

APCD Analysis

- **What is this?** A study of cost drivers to help identify promising opportunities for reducing cost growth and inform policy decisions.
- **Data Type:** Granular data (claims and/or encounters)
- **Data Source:** All-Payer Claims Database (APCD)
- **What's missing?** Most self-insured commercial claims, non-claims payments, drug rebates from drug manufacturers, insurer administration costs and profit

Cost Growth in the Commercial Market

- As a reminder, we regularly analyze APCD data to give us insight into cost drivers that is not afforded to us through analysis of the summary level benchmark data.
- The data we will review now track spending through 2022 for the commercial market. We focus on the commercial market because that is where spending has been growing fastest year after year.
- The analysis looks at trends and patterns in:
  1. Per member per month (PMPM) spending
  2. The relative roles of changes in payment rates and utilization
     - Detecting changes in service mix requires additional analysis.

Measured Population

- Connecticut residents, 2017-2022
- Commercial (fully insured, and State employees and retirees)
  - Self-insured not included
- Exclusions
  - Non-Connecticut residents
  - Secondary payers
  - Denied, reversed, and non-primary claim lines
  - Claim lines with negative payment or cost-sharing
  - Payments made six months or longer after the service year
- Reminder: non-claims-based payments and pharmacy rebates are not in the APCD

Commercial Medical and Retail Pharmacy Spending, 2017-2022

Payer	Commercial Medical PMPM						Average annual change (%)	2021 – 2022 change (%)	Total change (%)
	2017	2018	2019	2020	2021	2022			
All-payer	$369	$397	$418	$381	$460	$489	**6.2%**	**6.5%**	32.7%

Payer	Commercial Retail Pharmacy PMPM						Average annual change (%)	2021 – 2022 change (%)	Total change (%)
	2017	2018	2019	2020	2021	2022			
All-payer	$78	$78	$77	$78	$85	$96	**4.4%**	**13.2%**	23.1%

Source: APCD

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Commercial Spending Breakdown by Service Category, 2017-2022

Service Category	Percentage of Spending					
	2017	2018	2019	2020	2021	2022
Total PMPM	**$447**	**$475**	**$495**	**$459**	**$545**	**$585**
Inpatient	18.1%	18.4%	18.6%	19.0%	17.9%	17.3%
Outpatient*	27.9%	28.8%	30.1%	29.5%	30.5%	31.4%
Outpatient hospital	*26.1%*	*27.0%*	*28.1%*	*27.5%*	*28.1%*	*28.9%*
Outpatient ASC	*1.8%*	*1.9%*	*2.0%*	*2.0%*	*2.3%*	*2.5%*
Professional	33.3%	33.2%	32.7%	31.3%	32.1%	31.4%
Retail Pharmacy**	17.5%	16.4%	15.6%	17.0%	15.6%	16.4%
Other***	2.8%	2.8%	2.8%	3.0%	3.7%	3.2%

* Outpatient includes outpatient hospital and ambulatory surgical center (ASC) spending.
** Retail pharmacy includes all members with pharmacy coverage, with or without medical coverage.
*** "Other" services include DME, home health, hospice, ICF and SNF claims.

Source: APCD

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Service Category Contributions to Spending Growth, 2017-2022

Payer	Total Commercial PMPM						Cumulative change
	2017	2018	2019	2020	2021	2022	
All-payer	$447	$475	$495	$459	$545	$585	+$139

Contribution to Cumulative Commercial PMPM Growth by Service Category				
Inpatient	**Outpatient**	**Professional**	**Retail Pharmacy**	**Other**
15%	**43%**	25%	13%	4%

Source: APCD

Impact of Price vs Utilization on Spending Growth: Commercial Medical and Retail Pharmacy

Commercial Medical							
Measure	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Avg. Annual Change (%)**
Spending (PMPM)	$369	$397	$418	$381	$460	$489	**6.2%**
Price (PPU)	$365	$399	$417	$405	$386	$433	**3.7%**
Utilization (UPK)	12114	11936	12043	11315	14280	13560	**2.9%**

Commercial Retail Pharmacy							
Measure	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Avg. Annual Change (%)**
Spending (PMPM)	$78	$78	$77	$78	$85	$96	**4.4%**
Price (PPU)	$77	$77	$77	$85	$90	$98	**4.9%**
Utilization (UPK)	12985	13027	13055	12869	13397	14159	**1.8%**

Source: APCD

Impact of Price vs Utilization on Spending Growth: Commercial Inpatient and Outpatient Hospital

Commercial Inpatient Hospital							
Measure	2017	2018	2019	2020	2021	2022	Avg. Annual Change (%)
Spending (PMPM)	$81	$87	$92	$87	$97	$101	**4.8%**
Price (PPU)	$20,784	$25,102	$27,853	$29,879	$31,341	$32,957	**9.8%**
Utilization (UPK)	47	42	40	35	37	37	**-4.4%**

Commercial Outpatient Hospital							
Measure	2017	2018	2019	2020	2021	2022	Avg. Annual Change (%)
Spending (PMPM)	$117	$128	$139	$126	$153	$169	**8.2%**
Price (PPU)	$1086	$1259	$1369	$1213	$949	$1361	**7.0%**
Utilization (UPK)	1288	1221	1218	1250	1935	1492	**5.8%**

Source: APCD

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Impact of Price vs Utilization on Spending Growth: Commercial Professional

Commercial Professional							
Measure	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Avg. Annual Change (%)**
Spending (PMPM)	$149	$158	$162	$144	$175	$184	**4.8%**
Price (PPU)	$179	$192	$197	$193	$201	$211	**3.4%**
Utilization (UPK)	10018	9871	9875	8919	10462	10476	**1.3%**

Source: APCD

Impact of Price vs Utilization on Spending Growth: Commercial ED and Radiology

Commercial Emergency Department							
Measure	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Avg. Annual Change (%)**
Spending (per member)	$173	$199	$239	$202	$245	$290	**11.9%**
Price (PPU)	$778	$978	$1183	$1272	$1283	$1299	**11.3%**
Utilization (UPK)	7.2	6.6	6.5	5.3	6.4	7.4	**1.8%**

Commercial Radiology							
Measure	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Avg. Annual Change (%)**
Spending (per member)	$262	$260	$257	$220	$261	$277	**1.7%**
Price (PPU)	$446	$425	$407	$402	$383	$384	**-2.9%**
Utilization (UPK)	18	19	20	18	22	24	**6.1%**

Source: APCD

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Impact of Price vs Utilization on Spending Growth: Commercial Administered Drugs and Lab/Pathology

Commercial Administered Drugs							
Measure	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Avg. Annual Change (%)**
Spending (per member)	$113	$136	$155	$157	$158	$177	**9.6%**
Price (PPU)	$188	$227	$242	$275	$213	$220	**4.3%**
Utilization (UPK)	19	19	21	19	25	27	**7.3%**

Commercial Lab/Pathology							
Measure	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Avg. Annual Change (%)**
Spending (per member)	$121	$120	$119	$98	$131	$131	**2.8%**
Price (PPU)	$40	$43	$42	$43	$42	$42	**1.0%**
Utilization (UPK)	97	91	88	77	105	103	**2.5%**

Source: APCD

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CMMI AHEAD Model

CMMI AHEAD Model

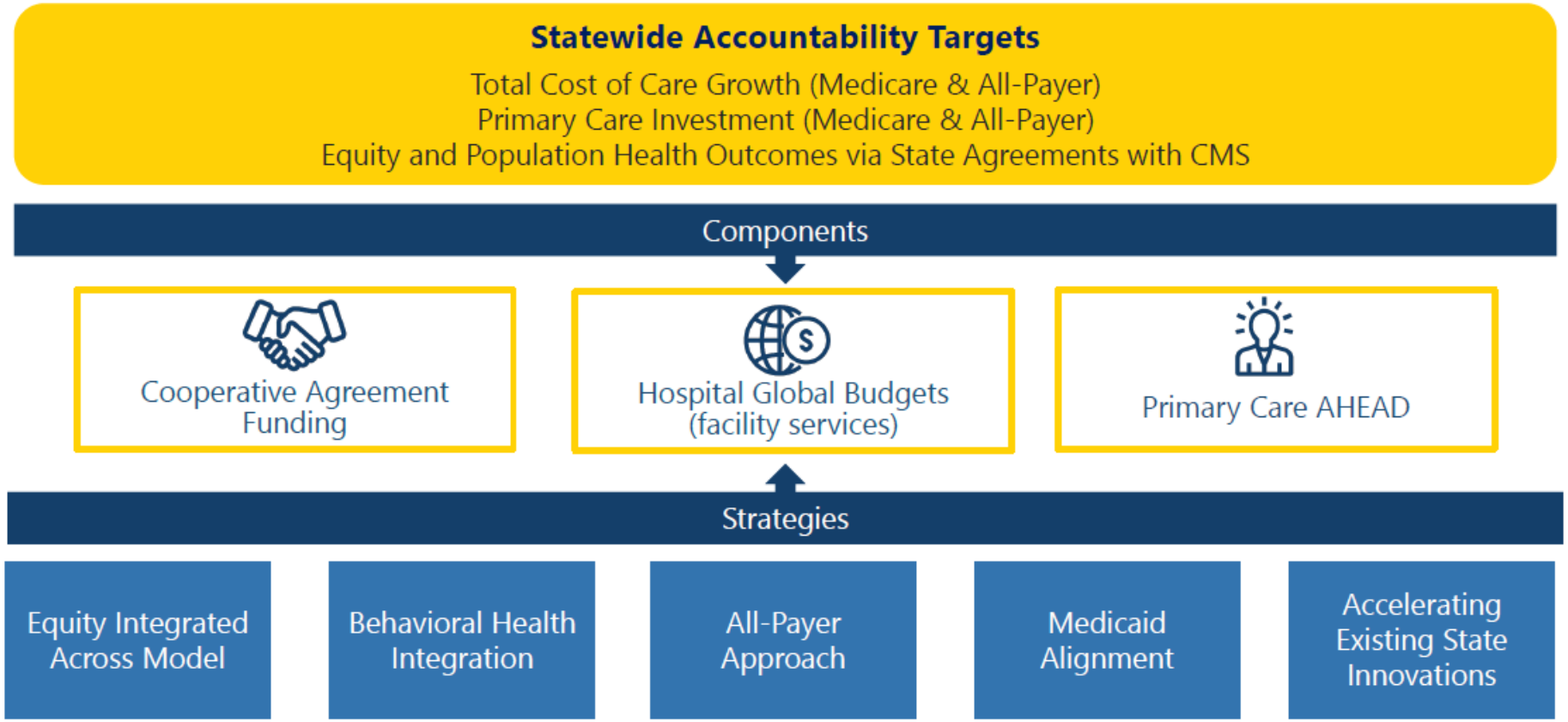
- Connecticut is planning to apply for the CMS Center for Medicare and Medicaid Innovation (CMMI) States Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model.
- The following slides provide an overview of the AHEAD model, details on why Connecticut is a strong candidate for consideration and how Connecticut could benefit from participating.
- Should Connecticut be selected to participate in the AHEAD model, OHS will likely engage the Steering Committee in some of the model activities.

Model Purpose & Goals

- AHEAD is a state total cost of care model that seeks to drive state and regional health care transformation and multi-payer alignment, with the goal of improving the total health of a state population and lowering costs.
- A participating state is to use its authority to assume responsibility for managing health care quality and costs across all payers. States are also to assume responsibility for ensuring providers in their state deliver high-quality care, improve population health, offer greater care coordination, and advance health equity by supporting underserved patients.
- CMS' goal is to collaborate with states to **improve population health**; **advance health equity** by reducing disparities in health outcomes; and **curb health care cost growth**.

Model At-A-Glance (1 of 3)

The States Advancing All-Payer Health Equity Approaches and Development, or the AHEAD Model, is a flexible framework designed to improve health outcomes across multiple states.



Source: CMS Presentation from September 18, 2023 AHEAD Model Overview Webinar

Model At-A-Glance (2 of 3)

- All-Payer and Medicare FFS **primary care investment targets** will be set by measuring primary care expenditures for beneficiaries residing in the state as a percentage of state TCOC for those beneficiaries.
  - The Medicare FFS primary care investment targets will be set by CMS. CMS anticipates each state's target will be between 6-7% of Medicare TCOC.
  - States will have flexibility to set all-payer targets, subject to CMS approval.
- States set **all-payer cost growth targets** which include Medicare FFS, Medicare Advantage, Medicaid, commercial, state employee health plans, and Marketplace-qualified health plans.
- The model will include quality measures across these components: **statewide quality measures, primary care measures, and hospital quality programs**.

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Model At-A-Glance (3 of 3)

- There are three Model components to assist states in meeting accountability targets.
  - **Cooperative Agreement Funding**: Funding provided by CMS to support initial investments for states to begin planning activities during the Model's pre-implementation period and the initial performance years of the model.
  - **Hospital Global Budgets**: Provide hospitals with a pre-determined, fixed annual budget for a specific patient population or program to encourage hospitals to eliminate avoidable hospitalizations and improve care coordination between hospitals, primary care providers, and specialists. Increased investments in primary care under the Model can be offset over time by statewide savings generated by hospital global budgets.
  - **Primary Care AHEAD**: Eligible primary care practices can participate in Primary Care AHEAD, the primary care program component of the model. Primary Care AHEAD will align with ongoing Medicaid transformation efforts within each participating state and aims to increase Medicare investment in primary care.

Key Stakeholder Roles

States

- Establish model governance
- Set all-payer cost growth targets
- Increase primary care investment
- Implement statewide health equity plan
- Design Medicaid hospital global budgets and primary care transformation
- Facilitate multi-payer alignment and can engage State Employee Health Plans and Marketplace Plans

Hospitals

- Can participate in hospital global budgets, transform care, and improve population health
- Pursue opportunities for quality improvement (e.g., CMS hospital quality programs and other metrics) and identify other efficiencies
- Create hospital health equity plans to reduce disparities in care and outcomes within the hospital and community

Primary Care Practices

- Can participate in Medicaid transformation efforts and Primary Care AHEAD for Medicare FFS
- Meet care transformation requirements for person-centered care
- Pursue opportunities for quality improvement and improved care coordination

Payers

- Contribute to the All-Payer Cost Growth Target and All-Payer Primary Care Investment Targets
- Participate as an aligned payer in hospital global budgets and primary care transformation

Source: CMS Presentation from September 18, 2023 AHEAD Model Overview Webinar

Hospital Global Budgets – Value Proposition

- The AHEAD Model aims to rebalance health care spending across the system, shifting utilization from acute care settings to primary care and community-based settings.

Incentives for Hospital Participation

- Initial investment to support transformation in early years of the model
- Increased financial stability and predictability
- Ability to share in savings from reduced potentially avoidable utilization and more efficient care delivery
- Opportunity to earn upside dollars for improving health equity and quality while contributing to population health in their community
- Potential use of waivers to support care delivery transformation
- Opportunity to participate in system learning opportunities when moving to a population-based payment

Source: CMS Presentation from September 18, 2023 AHEAD Model Overview Webinar

Hospital Global Budgets

- Hospital global budgets are the primary mechanism for achieving all-payer and Medicare FFS TCOC targets, improving hospital quality, and helping to curb cost growth. Each participating payer provides a global budget, determined prospectively, to the participating hospital for facility services.
  - Medicare FFS: States with statewide rate setting or hospital global budget authority and experience in value-based care can develop their own hospital global budget methodology. States without these authorities will use a CMS-designed methodology. (*RI falls into the latter group*.)
  - Medicaid: States will be required to implement an aligned Medicaid hospital global budget payment by Performance Year 1. The state Medicaid agency will be responsible for developing its Medicaid-specific hospital global budget methodology with alignment principles outlined by CMS.
  - Commercial: Participation is voluntary; however, states must recruit at least one payer to participate in hospital global budgets by Performance Year 2. States will develop a methodology with high-level alignment principles outlined by CMS. Commercial payers include state employee health plans, Basic Health Plans, Qualified Health Plans, and Medicare Advantage plans (including Dual Eligible Special Needs Plans).

Hospital Participation in Global Budgets

- States must have participation from hospitals representing a minimum of 10% of Medicare FFS volume in the state in Year 1, and 30% of Medicare FFS volume by Year 4.
- CMMI does not require states to have formal commitment from hospitals at the time of state application to CMMI. OHIC and EOHHS, however, would seek indications of serious interest from individual hospitals prior to proceeding.

Funding Opportunity

- Eligible applicants are state agencies with the authority and capacity to enter into an agreement on behalf of their state and accept funding. The State Medicaid agency must be included on the Cooperative Agreement and receive funding as a sub-recipient if not the award recipient.
- AHEAD Model agreements include: (1) a **Cooperative Agreement** for which the NOFO is soliciting applications, (2) a **State Agreement** to memorialize the negotiated accountability targets and other Model requirements, and (3) **Participation Agreements** that participating hospitals and primary care providers will execute with CMS.
- CMS expects to award cooperative agreements to up to eight states, including up to five awards for cohorts 1 and 2. CMS will provide funding for up to six years with a maximum award of $12 million dollars to support planning and implementation activities.

Application & Implementation Timeline

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Model Year			MY1	MY2	MY3	MY4	MY5	MY6	MY7	MY8	MY9	MY10	MY11
1st NOFO Period	Cohort 1	NOFO	Pre- Implementation (18 mos)		PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8	PY9
	Cohort 2		Pre-Implementation (30 mos)			PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8
2nd NOFO Period	Cohort 3		NOFO	Pre-Implementation (24 mos)		PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8

Source: CMS AHEAD Model Website

- CMMI created three cohorts to accommodate variation in readiness among participating states and providers. The first cohort pre-implementation period is scheduled to begin in summer 2024 with a performance period scheduled to begin as soon as January 2026.
- The Model is scheduled to operate for a total of 11 years, from 2024 through 2034.

Connecticut is a Strong Candidate

Connecticut is well-positioned to apply for the AHEAD Model:

- Existing statewide cost growth target, quality benchmarks and primary care spend target, with a mechanism for annually measuring performance against all three targets.
- Commitment to primary care transformation through DSS' PCMH program and through OSC programs.
- Commitment to, and activities in place, to advance health equity, e.g., *Health Equity* and SDOH measure development through the Connecticut Aligned Measure Set.

Benefits of AHEAD to Connecticut

- **Extensive funding for the state to aid implementation** and to help advance the state's priorities and ongoing efforts related to affordability, primary care transformation, and health equity and align these efforts across payers.
- **Medicare participation** in multi-payer hospital and primary care payment models.
- **Stable and predictable funding for hospitals** using hospital global budgets, potential savings generated from reductions in avoidable utilization, and gains in care delivery efficiency. Hospitals can also use benefit enhancements available under the Model to support care redesign.
- **Increased investments for primary care practices**, for which Connecticut residents will benefit from strengthened primary care, including whole-person care and improved supports and connections to community resources to address unmet health-related social needs.

Public Comment

Wrap-Up

Wrap-Up

- The next Steering Committee meeting will be held on Monday, **February 26, 2024** from 3–5:00 pm.
- OHS is planning for an *in-person* meeting for **March 25, 2024** at our office.