HEALTHCARE BENCHMARK INITIATIVE TECHNICAL TEAM
DRAFT Meeting Minutes
February 18, 2025 | 1 – 3:00 p.m. ET
Zoom Recording

ATTENDANCE:

By Electronic Device:
Loren Adler
Don Berwick
Francois de Brantes
Stefan Gildemeister
Paul Grady
Roz Murray

In Person:
N/A

Absent:
Sabrina Corlette
Jason Hockenberry
Chris Manzi
Joshua Wojcik

Other Participants:
Alex Reger, OHS
Patty Blodgett, OHS
Olga Armah, OHS
Lisa Sementilli, OHS
Michael Bailit, Bailit Health
Grace Flaherty, Bailit Health

WELCOME AND CALL TO ORDER

COST GROWTH BENCHMARK RECOMMENDATIONS
Michael Bailit shared feedback from OHS' Steering Committee on the Technical Team's work and invited the Technical Team's reaction.

- "The Technical team does not appear to be accounting for continuing high inflation that hospitals are facing."
    - Loren Adler said the Technical Team is accounting for inflation by building it into the benchmark calculation. Loren said he has not seen evidence that hospitals' inflation experience is higher than economy-wide inflation.
- "The Technical Team's recommendation against using clinical risk adjustment is concerning given increases in acuity."

    - Paul Grady said the health care system will never be happy with the chosen methodology. Paul said health systems are taking an unfair share of consumer and employer dollars. They need to re-engineer to find efficiencies in the system and reduce costs.
    - Don Berwick said changes in acuity are driven by the payment system and not by patient condition changes.
- "Commercial spending has to be considered in the context of Medicaid and Medicare spending."
    - Francois de Brantes said employers are being targeted because of what is perceived to be inadequate payments by public payers. Francois said commercial price increases by hospitals have been exorbitant and the burden has been borne by residents. He said there is no fundamental reason for the increases to continue.
- "Where does the Technical Team believe there are opportunities to reduce excess costs?"
    - Don Berwick said the research literature and recent National Academies of Medicine report include numerous suggestions, but the biggest single pot of excessive costs is administrative expenses. Michael Bailit noted that some but not all administrative expense is within provider control. Don Berwick responded that providers can exert pressure on payers when they are not in direct control of administrative costs.
    - Francois de Brantes said, in the commercial market, there has been low to no increase in utilization but a very significant increase in the price per unit of service.
    - Stefan Gildemeister said strategies should be specific to each health system, but all should be charged with avoiding waste and unproductive expenses.
    - Paul Grady said primary care investment is an opportunity to reduce costs. Paul noted Milbank's newly published primary care scorecard.

Michael Bailit said the Technical Team members previously discussed whether to adjust the cost growth benchmark for primary care spending allocation. Michael summarized prior Technical Team discussion on this topic. Michael said OHS modeled healthcare cost trends with and without primary care spending using 2022 and 2023 data, and found that there was a very small increase in cost growth when excluding primary care spending. Michael asked if the Technical Team wanted to recommend any type of adjustment for primary care spending.

- Don Berwick asked whether Medicare Advantage spending on primary care grew faster or slower than non-primary care spending? Michael clarified that Medicare Advantage non-primary care spending was growing faster than primary care spending.
- Loren Adler said he thought an adjustment would be too complicated and confuse messaging.
- Don Berwick agreed with Loren and said he thought an adjustment would invite games and distraction around what is primary care and what is not.

Michael Bailit reviewed the Technical Team's final cost growth benchmark recommendations and benchmark values and asked whether the recommendations and values seemed correct to the Technical Team.

- Roz Murray asked whether the values were for all market segments. Michael confirmed that they were.
- Loren Adler, Don Berwick, Francois de Brantes, Stefan Gildemeister, and Roz Murray expressed support for the recommendations.

PRIMARY CARE SPENDING TARGET

Michael Bailit recapped the Technical Team's discussion on the primary care spending target from Meeting #5.

- Don Berwick asked for further explanation about the additional collection and analysis of primary care spending that includes primary care from OB/GYNs. Michael said the data are collected and analyzed, but not included in the primary care spending target performance calculation.

Michael Bailit said one insurer had proposed that OHS use clinical risk adjustment when assessing payer primary care spending percentage. Michael said OHS' practice has been to apply age/sex adjustment to the calculation of primary care spending as a percentage of overall spending. Michael shared modeling with clinical risk adjustment, which had a small impact on primary care spending percentages. Michael noted that requiring clinical risk adjustment would require insurers to use the same clinical risk adjustment tool. Michael asked whether the Technical Team recommended consideration of clinical risk adjustment for the primary care spending target?

- Francois de Brantes asked for clarification on the purpose of clinical risk adjustment. Michael clarified that if an insurer has an older population than its competitor, the insurer's PMPM spending will be higher (the denominator) but primary care spending (numerator) might be the same as every other insurer.
- Don Berwick said, maybe in the future, social deprivation adjustment could be applied. However, given that age adjustment is already being applied and given the challenges with clinical risk adjustment gaming, he did not recommend applying clinical risk adjustment.

Michael Bailit asked whether the Technical Team had any suggestions for how OHS should consider equity in the context of the primary care spending target (e.g., analyze and report on primary care spending PMPM and as a percentage of Total Medical Expense, by geography, by Social Vulnerability Index, by income group, and/or by race)?

- Don Berwick asked whether the Social Vulnerability Index data were already available. Michael said it was cited as an example.
- Roz Murray said she thought it would be more interesting to see how overall cost growth varies by population; versus just primary care spending.

INFLATION REVIEW METHODOLOGY

Michael Bailit shared that Connecticut General Statute requires OHS to conduct an annual review of the current and projected rate of inflation and determine whether the rate of inflation requires modification of the cost growth benchmark. Michael shared the statistical relationship between inflation and healthcare spending (inflation impacts healthcare spending on a two-year delay).

Michael Bailit asked whether members supported OHS' practice of examining the inflation rate of two years prior to assess whether the rate of inflation requires an adjustment to the Benchmark value. Michael also asked whether the Technical Team supported the idea to establish a quantitative threshold for when inflation should trigger an adjustment to the cost growth benchmark value (e.g., if PCE two years prior to the upcoming benchmark year was one percentage point above or below the long-term PCE forecast)?

- Loren Adler supported OHS' practice of adjusting the benchmark two years after a jump in inflation. Loren said one percentage point seemed too small and recommended a higher value (e.g., five percentage points).
- Roz Murray agreed with Loren's suggestion that when inflation increases five percentage points it should trigger OHS' review and OHS should adjust the benchmark accordingly.
- Stefan Gildemeister suggested keeping the decision to adjust the benchmark value separate from the adjustment amount. Don Berwick agreed with Stefan.
- Loren Adler clarified that his five-percentage-point suggestion meant five percentage points total, i.e., inflation at 5%. Loren suggested that a three-percentage point increase over the benchmark was reasonable.
- Michael Bailit summarized the Technical Team's recommendation as a three-percentage-point increase in inflation over the target should trigger a benchmark adjustment, without an automatic adjustment to the value (i.e., the adjustment amount would not automatically equal the inflation increase).

PUBLIC COMMENT

None

NEXT STEPS & MEETING ADJOURNMENT

Alex Reger previewed the agenda items for the Technical Team's final meeting on March 4th.

UPCOMING MEETING:

March 4, 2025

Healthcare Cost Growth Benchmark Initiative Meeting Material