



**TESTIMONY PRESENTED TO THE INSURANCE COMMITTEE**  
**February 27, 2024**

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Supporting House Bill No. 5054 AN ACT ADDRESSING HEALTH CARE AFFORDABILITY

Regarding SB 210 AN ACT CONCERNING A STATE-OPERATED REINSURANCE PROGRAM, HEALTH CARE COST GROWTH AND SITE OF SERVICE BILLING REQUIREMENTS

Regarding HB 5248 AN ACT CONCERNING HEALTH BENEFIT REVIEW

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Good afternoon, Senator Cabrera, Representative Wood, Senator Anwar, Representative Barry, Senator Hwang, Representative Pavalock-D'Amato and distinguished members of the Insurance and Real Estate Committee. I am Deidre Gifford, Executive Director of the Office of Health Strategy (OHS), and I appreciate the opportunity to testify regarding the bills that would directly affect the core aspects of OHS's mission and the work we do. OHS's mission is to implement comprehensive data driven strategies that promote equal access to high-quality healthcare, control costs and ensure better health outcomes for the people of Connecticut.

**Testimony Supporting House Bill No. 5054**

First, I am pleased to offer testimony in support of the Governor's bill, an Act Addressing Health Care Affordability (House Bill 5054).

Health Care remains unaffordable for too many Connecticut residents. To counter rising health care costs, Connecticut established a Cost Growth Benchmark program in 2020 which sets targets for year-over-year increases in health care spending per person. OHS set Connecticut's benchmark with a growth target of 3.4% for 2021, 3.2% for 2022, and 2.9% for 2023, 2024 and 2025. The statewide per-person spending for 2021, the first year in which OHS reported, exceeded the 3.4% benchmark with a 6% increase in overall per-person spending. This spending growth was driven by an 18.8% increase in spending per person by commercial insurance plans as compared to increased spending per member of 1.4% in traditional Medicare and 0.8% in Medicaid. The next cost growth benchmark report for 2021-2022 performance will be available by the end of March.

The Governor's bill seeks to strengthen the **Cost Growth Benchmark** by:

- **Establishing a Performance Improvement Plan (PIP):** The Governor's bill allows for OHS to require health care entities that either exceeded the benchmark or that significantly

contributed to the state exceeding the healthcare benchmark to file **Performance Improvement Plans**. These PIPs would be designed to assist health care entities to identify strategies, expected outcomes, and implementation timelines for staying within the benchmark.

OHS hopes to work with the Committee on technical corrections to the first two subsections of Section 5 of the Bill at lines 330 to 356. The language is intended to state that PIPs may be imposed on any entity (1) that exceeds the benchmark, or (2) whose actions significantly contribute to the state exceeding the benchmark.

Massachusetts has implemented a Performance Improvement Plan initiative and is currently working with Mass General Brigham, who had \$293 million of commercial spending growth in excess of the benchmark between 2014-2019 – more than any other provider.<sup>1</sup> Since implementing a PIP, Mass General Brigham has reported \$45.3 million in cumulative savings at the close of the 2<sup>nd</sup> quarterly reporting period of the total 18-month PIP.<sup>2</sup> The total savings target under the 18-month PIP period is \$176.3M.

- **Conducting a Cost Market Impact Review (CMIR):** The bill would allow OHS, within available appropriations, to conduct **Cost Market Impact Reviews** of entities that either exceed the benchmark or whose actions significantly contribute to the state exceeding the benchmark. This CMIR process would provide an in-depth analysis of the health care entity's expenditures that would help OHS identify any financial factors that may be contributing to entities exceeding the benchmark.
- **Strengthening OHS' ability to Compel Participation by Entities that Exceed the Benchmark:** Under the statute, OHS holds an annual Cost Growth Benchmark hearing in June and may require entities who exceed, or significantly contribute to the state overall exceeding, the benchmark to testify. While entities are required to attend under statute, there is no penalty for their refusing to participate.<sup>3</sup> At OHS's first hearing in 2023, one entity (Abvie, a pharmaceutical manufacturer) refused to participate in the required hearing. This bill would allow OHS to subpoena witnesses and records, papers and documents related to the inquiry, as well as provide the authority to petition the Superior Court if the entity refuses to comply.
- **Establishing a Cost Growth Benchmark Oversight Commission:** This provision would strengthen the Benchmark program by adding a statutorily established oversight body to develop and vote on recommendations to be presented to the Executive Director of OHS. The new oversight commission would **provide additional expertise and input to the** OHS Executive Director. The Commission would consist of unbiased members who have the

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<sup>1</sup> Massachusetts Health Policy Commission, (2022, Sept. 27). HPC Board Meeting. Retrieved from <https://www.mass.gov/doc/extract-of-board-presentation-september-27-2022/download>

<sup>2</sup> Mass General Brigham, Performance Improvement Plan March 2023 Update, Retrieved from <https://www.mass.gov/doc/mass-general-brigham-pip-public-6-month-report/download>

<sup>3</sup> Sec. 19a-754j. Informational public hearings. Participation by significant contributors. Executive director's report. [https://www.cga.ct.gov/current/pub/chap\\_368dd.htm#sec\\_19a-754j](https://www.cga.ct.gov/current/pub/chap_368dd.htm#sec_19a-754j)

requisite knowledge and expertise across the health care sector to advise OHS on methodology and implementation of all aspects of the cost growth benchmark process including 1) setting the benchmark, 2) determining compliance with the benchmark, 3) analyzing the data and drivers of health care cost growth, 4) conducting annual inflation reviews and 5) establishing additional quality benchmarks and measure sets. Rather than have the OHS Executive Director have sole discretion, the oversight commission would provide recommendations that the Executive Director could accept or decline. The oversight commission would be able to vote on recommendations to be made to the Executive Director, which would be accepted or rejected, but any rejection would require a public written response describing in detail the rationale for not accepting the recommendation. Currently, there is no body with the statutory authority to make recommendations to the Executive Director so this bill would create that authority.

This proposed commission is different from the current Cost Growth Benchmark Steering Committee and would complement that body. It is envisioned that the members of the Oversight Commission would be removed from financial interests of the health care industry to which the cost growth benchmark applies thus providing unbiased recommendations while the members of the current steering committee would continue to provide valuable perspectives from the regulated entities impacted by the benchmarks.

As we work collaboratively to improve the benchmark as a way to evaluate when certain health care entities have cost growth that is significantly higher than their peers, it's important for the state to have as much expertise as possible helping to analyze what is "cost" in the health care space.

- **Permitting OHS to Establish "Affordability Standards" for the Connecticut Insurance Department (CID) Rate Review Process:** The bill provides authority to OHS to establish "Affordability Standards" against which insurance carrier performance would be measured for achieving affordable healthcare. These standards would look at year-over-year premium increases as compared to the Cost Growth Benchmark and look at other indicators of affordability efforts, including but not limited to primary care spending targets, alternative payment models, efforts to reduce unnecessary utilization, health related social needs, and incorporation of standards from Centers for Excellence<sup>4</sup>. Prior to any review of rate increase requests, OHS would develop and publish policies and procedures for such an affordability assessment, including opportunities for public and stakeholder input. Upon review, OHS would determine if an insurance carrier is compliant with the affordability standard and send a compliance report to the CID. OHS would put out regulations and policies by January 1, 2025 to specify criteria and application for the affordability standard.

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<sup>4</sup> Centers of Excellence program started under CT State Comptroller as part of value-based care payment program aimed at improving the quality, affordability, and experience of health care. Retrieved from [https://osc.ct.gov/public/pressrl/2022/CentersofExcellence\\_StateofCT.pdf](https://osc.ct.gov/public/pressrl/2022/CentersofExcellence_StateofCT.pdf)

The report generated by OHS could provide an additional, comprehensive view of insurance practices and expenditures and serve as a useful tool to CID in their rate review process.

The Governor's proposal also seeks to improve drug affordability through the establishment of a **Prescription Drug Affordability Board (PDAB)** which would evaluate ways to lower drug prices through the analysis of prescription drug cost data from multiple sources and offering of recommendations regarding drug affordability. This bill focuses on elements of the supply chain that add cost but not value to consumers, and on "me-too", "follow-on" or "copycat" drugs that lead to higher costs with little or no clinical innovation or novel benefit for patients. The PDAB would consist of non-industry members who have experience and expertise in drugs and biologics including health and pharmaceutical economics, pharmacology, medicine, and health services research.

### **Testimony on Senate Bill 210**

This bill seeks to include hospitals within the Cost Growth Benchmark and require hospitals that exceed the benchmark to participate in the annual benchmark hearing. The bill further seeks to include hospitals in the health care quality benchmarks reporting process.

OHS supports holding hospitals accountable for their role in instances where the state exceeds the cost growth benchmark, as our data indicate that the growth in hospital costs is a primary driver of healthcare cost growth. We note for the committee's information that the methodology for measuring compliance with the benchmark currently in statute, namely per capita Total Medical Expense (TME), is not currently tailored to apply to hospitals and will require additional modification. The Cost Growth Benchmark is the targeted annual per person growth rate for Connecticut's total healthcare spending, expressed as the percentage of growth from the prior year's spending. The annual percentage of growth is measured by the (TME) which are tied to payers [commercial, Medicare and Medicaid], and the Advanced Networks through their primary care physicians. Proposed changes to HB 5054, as described above, would allow OHS to impose a performance Improvement Plan when TMEs exceed the benchmark on any entity that *contributes* to exceeding the Benchmark. Given hospitals' role in influencing total medical expenses, they could be subjected to a PIP under that proposed legislation. Alternatively, under a revision to that bill, OHS could develop a benchmark specific to hospital prices (such as year over year changes in payment per service) that would provide a more accurate tool for accountability than the Total Medical Expenses.

Section 8 of this bill focuses on regulation of the site of service listed in hospital claims via the national provider identifier (NPI). OHS supports this legislation that would require any hospital-based facility located offsite from a hospital campus to list such facility's NPI on any submitted claim for payment. The NPI would distinguish the off-site facility from the hospital campus itself. This proposal would assist OHS in monitoring and evaluating Facility Fee Reporting as required by CGS 19a-508c, modified by the CGA in the 2023 regular session and build on legislation passed last session (PA 23-171) which OHS worked on with the Governor to

reduce facility fees for consumers by prohibiting a hospital or health system from collecting a facility fee for outpatient healthcare services that use current procedural terminology evaluation and management (CPT E/M) code or assessment and management (CPT A/M) code and are provided on the hospital campus with some exceptions.

### **Testimony on HB 5248**

This bill would add OHS to the review process for mandated health benefits in order to provide the General Assembly committees of cognizance with additional information on the quality and cost effects of such mandates. Currently, the reviews are completed exclusively by the Connecticut Insurance Department, and they are due August first each year. This legislation requires consultation with OHS and moves the deadline to “not later than the last joint favorable deadline.”

OHS generally supports the goal of considering the costs and benefits of any proposed health benefit mandate. However, the proposed deadline would be difficult to meet in actual practice. We understand from CID that the last time such a report was issued was 2014 and took months to complete as it required analysis by outside contractors and the contractors who completed the analysis were part of a University of Connecticut research center which no longer exists.

Further, the proposed additional consideration of marginal cost of each requirement for qualified health plans on the Exchange would require an actuarial assessment. Such assessments require significant time and resources. In addition to the actuarial assessment, the report would require determinations regarding defrayal of mandated health benefits costs under the Affordable Care Act and its implementing regulations. As there were no resources provided to OHS for this additional work in the Governor’s proposed budget, OHS cannot support this proposal.

### **Conclusion**

Thank you for providing OHS with the opportunity to testify on these important matters before the Committee. OHS respectfully requests support of the Governor’s bill, HB 5054, which will enhance OHS’ ability to further its benchmarking initiatives, and the state’s ability to address drug affordability for Connecticut residents. If you have any further questions, please do not hesitate to contact OHS through our legislative liaison, Cindy Dubuque-Gallo, at [cindy.dubuque-gallo@ct.gov](mailto:cindy.dubuque-gallo@ct.gov).