

# Healthcare Cost Drivers in Connecticut: Solutions and Policies in Other States

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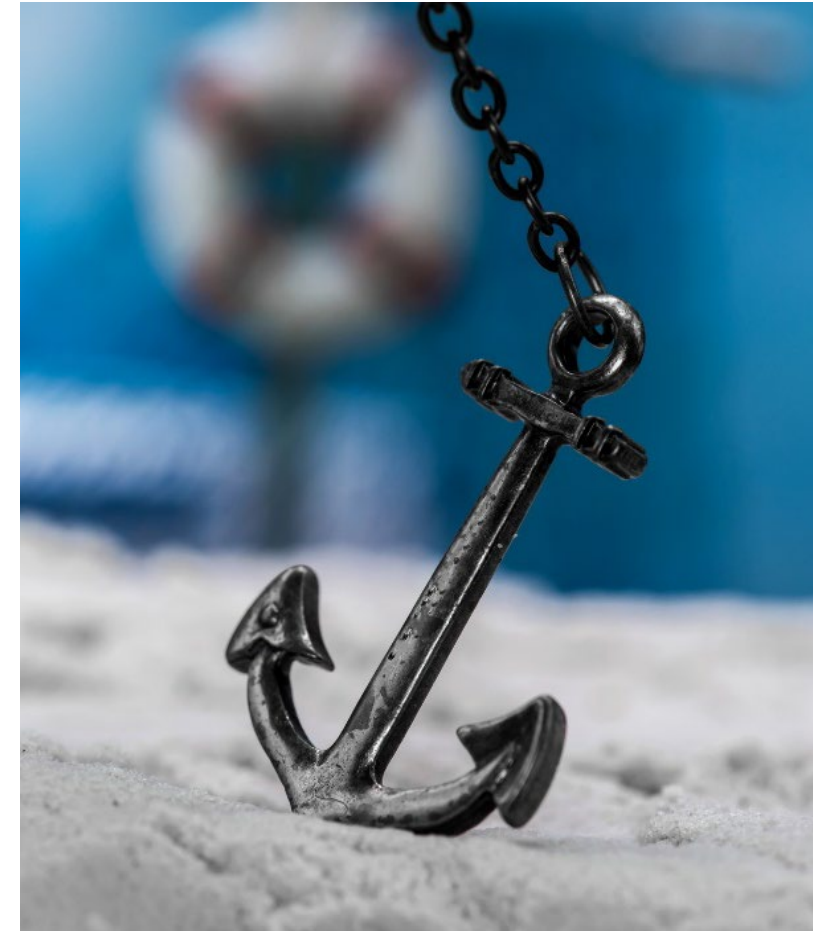
February 3, 2023

1. Healthcare Cost Growth Benchmarks in Other States
2. Complementary State Strategies to Advance Affordability

# HEALTHCARE COST GROWTH BENCHMARKS IN OTHER STATES

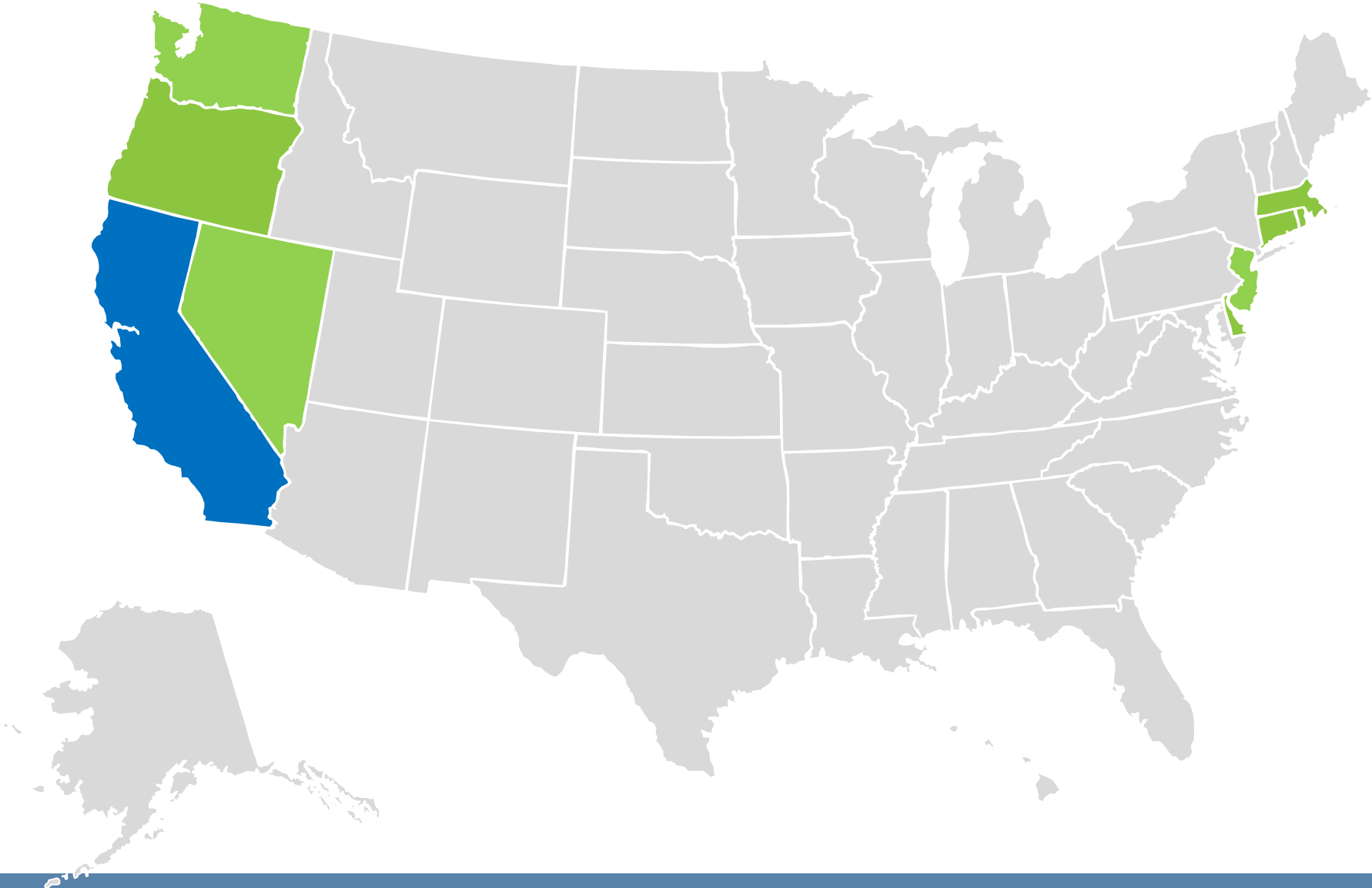
# What is a cost growth benchmark and why pursue one?

- A healthcare cost growth benchmark is a per annum rate-of-growth target for healthcare costs for a state.
- The benchmark serves as an **anchor**, establishing an expectation that can serve as the basis for transparency at the state, payer and provider levels.
- Connecticut is one of a growing number of states that has adopted a cost growth benchmark.



# Eight states have now established cost growth benchmarks

- Established (CT, DE, MA, NJ, NV, OR, RI, WA)
- In progress (CA)



# Connecticut's Cost Growth Benchmark

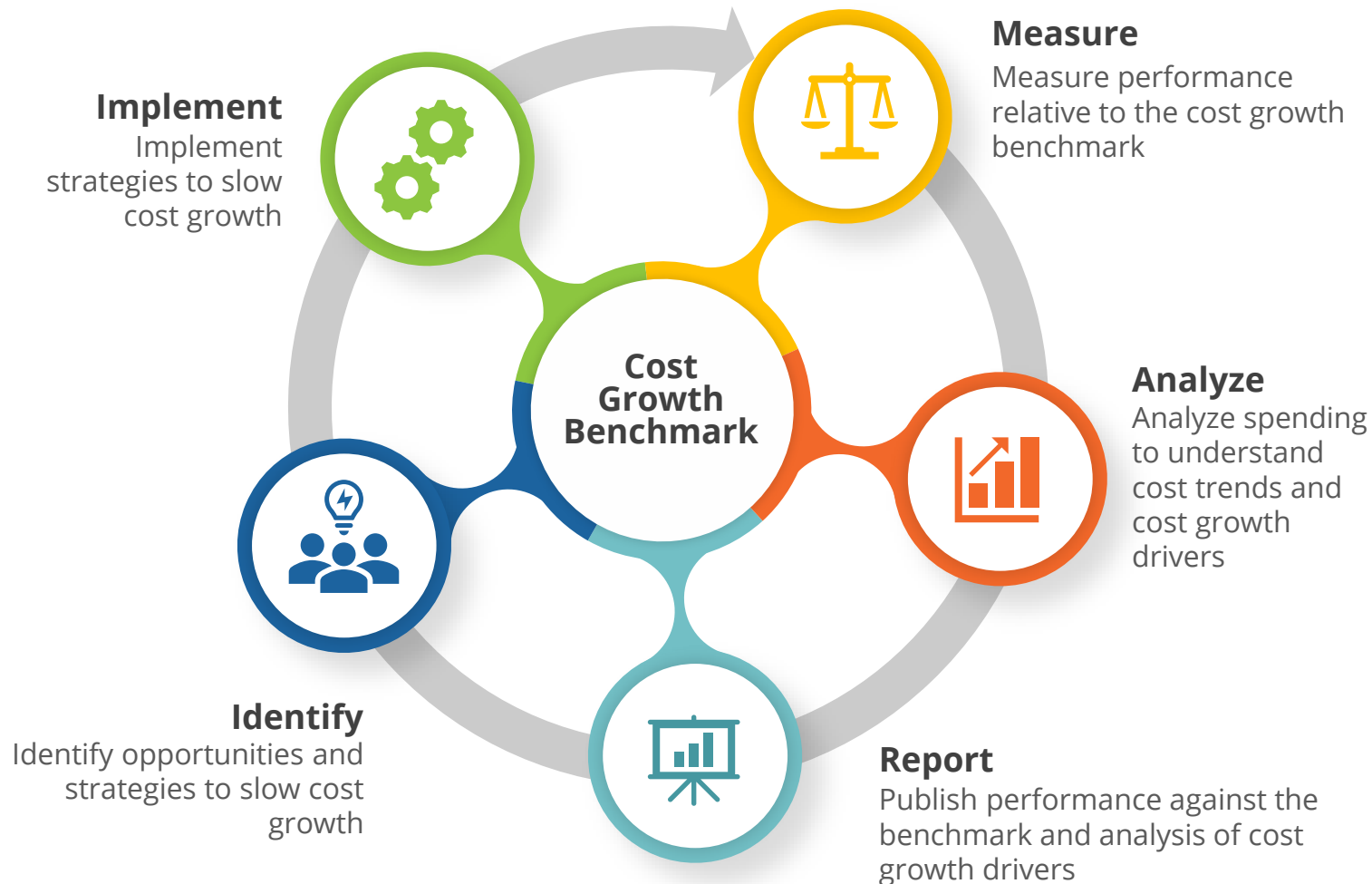
An advisory body recommended that the cost growth benchmark be set using **20/80 weighting of the growth in CT Potential Gross State Product and growth in CT Median Household Income.**

The resulting benchmark value was **2.9%**. OHS adopted this recommendation and set benchmark values for 5 years.

**The advisory body recommended increasing the benchmark value for the first two years, before settling at 2.9% for the latter years.**

2021 (Base Value + 0.5%)	3.4%
2022 (Base Value + 0.3%)	3.2%
2023–2025 (Base Value)	2.9%

# The logic model for a cost growth benchmark



- The benchmark is **not an end, but a means** to advance improved health care affordability through reduced rates of spending growth.
- Complementary actions are required to attain that goal.

# **COMPLEMENTARY STATE STRATEGIES TO ADVANCE AFFORDABILITY**



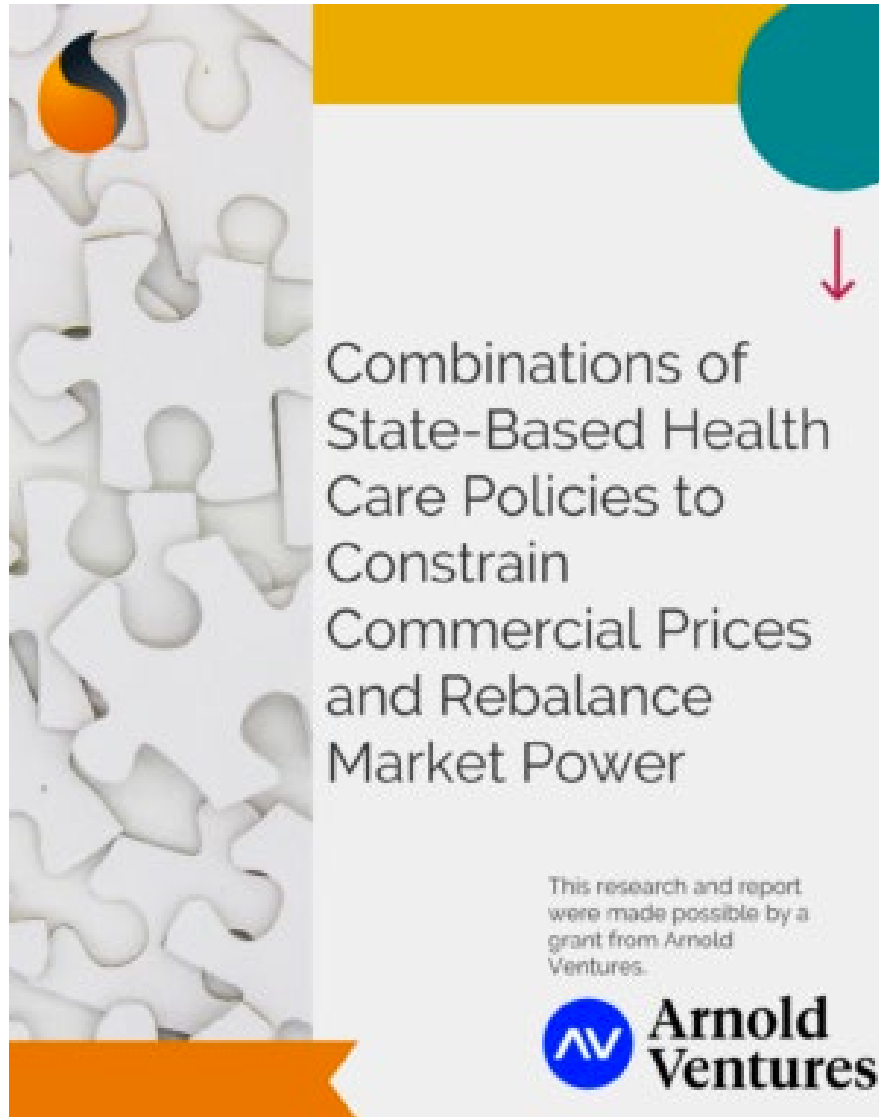
# Strategies being pursued in other states to address cost growth

- Strategies used by other cost growth benchmark states to address cost growth generally fall under the following categories:
  1. **Market consolidation oversight** (MA, OR, WA)
  2. **Multi-payer adoption of advanced value-based payment** (OR, RI)
    - Includes multi-payer hospital global budgets
  3. **Prescription drug pricing legislation** (MA, RI - CT too)
  4. **Provider price caps** (OR, WA)
  5. **Provider price growth caps** (DE, RI)
  6. **Strengthened insurer rate review authority** (CO, MA, NY, OR, RI, WA)

# Resources available to support Connecticut

- Catalyst for Payment Reform State Policy Menus
- Commonwealth Fund State Strategy Implementation Guides for Controlling Health Care Costs

# Catalyst for Payment Reform State Policy Menu



- *Focus on price:* Price, not utilization, is the main driver of spending growth in the commercial market
- Incorporated input from an Advisory Committee
- Excluded the following areas of focus:
  - Pharmaceutical prices
  - Single payer
  - Care delivery
  - Federal policies

# Catalyst for Payment Reform State Policy Menu

Figure 1: Universe of Policy Options by Lever of Government Power

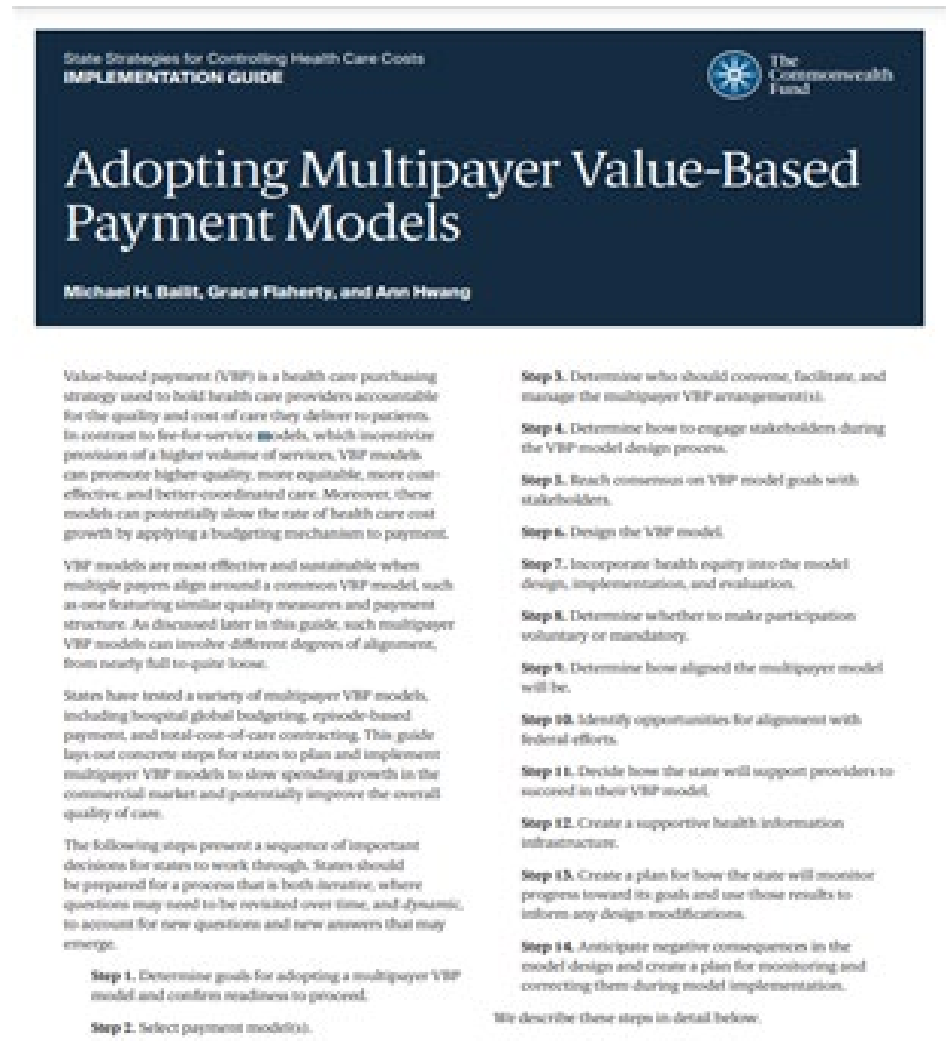
BAN (PUNISH) BAD BEHAVIOR	PREVENT FURTHER EROSION OF COMPETITION	REGULATE COSTS /PRICES	BUILD INFRASTRUCTURE
Ban anti-competitive contracting	Horizontal Merger Notification/Approval	All-payer Rate setting	All-Payer Claims Database
Prohibit Hospitals from Collecting Medical Debt if Non-Compliant with Federal Hospital Price Transparency Rule	Expanded Powers of the office of the Attorney General to Approve Acquisitive Activity and Pursue Anticompetitive Behavior	Global Budgets	
Prohibit Unwarranted Facility Fees that result from Vertical Consolidation	Review of Cross-Market Mergers	Cap Commercial Prices for State Employee Health Plans	Health Policy Commission
	Public Option	Cap Commercial Provider Prices & Rate Increases	Cost Growth Benchmarks or Total Cost of Care Targets
Tax Excessive Hospital Prices/Wealth OR Revoke State Not-for-Profit Tax Exemption	Require Large Employers to Offer Narrow Network Option	Cap Out-of-Network Prices	Database of Hospital Audited Financial Statements
		DOI Commercial Insurance Rate Regulation and Affordability Standards	

# Commonwealth Fund Implementation Guides

- Step-by-step guidance for designing five different cost containment strategies:
  1. Provider price growth caps
  2. Provider price caps
  3. Insurance rate review
  4. Multi-payer value-based payment
  5. Multi-payer hospital global budgets
- Chosen to reflect areas where there is some promising activity and significant potential to constrain costs in the commercial market
- Do not cover pharmaceutical cost strategies because are extensive resources on this elsewhere

# Implementation Guides

- Cover key design considerations for each of these strategies, including topics such as:
  - Defining goals
  - Establishing oversight
  - Making key design decisions
- Use state examples where available to illustrate different design choices
- Available at:  
<https://www.commonwealthfund.org/publications/2023/jan/state-strategies-controlling-health-care-costs-implementation-guides>



# In summary...

- There is ever-increasing focus on the inability of the commercial market to constrain health care spending growth for consumers and employers.
- Rising prices, eroding competition and the absence of other viable options are making direct regulatory approaches more appealing to state policymakers.