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

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?

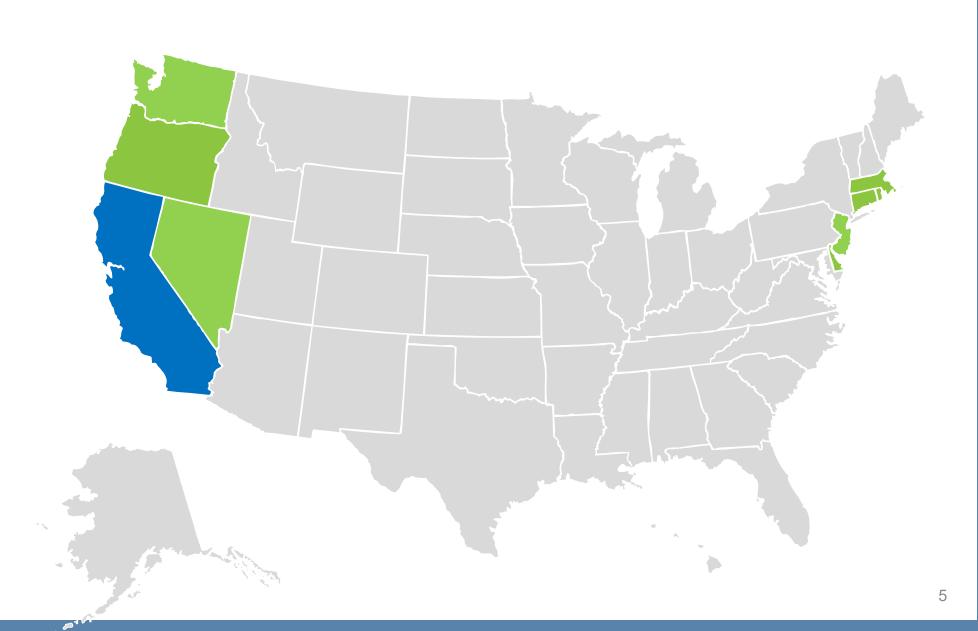
- A healthcare cost growth benchmark is a per annum rate-of-growth target for healthcare costs for a state.
- The benchmark serves as an anchor, establishing an expectation that can serve as the basis for transparency at the state, payer and provider levels.
- Connecticut is one of a growing number of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



#### Eight states have now established cost growth benchmarks



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

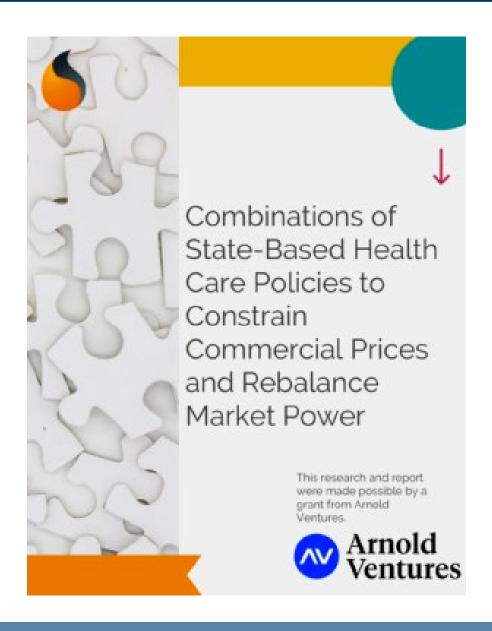
#### Strategies being pursued in other states to address cost growth

- 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

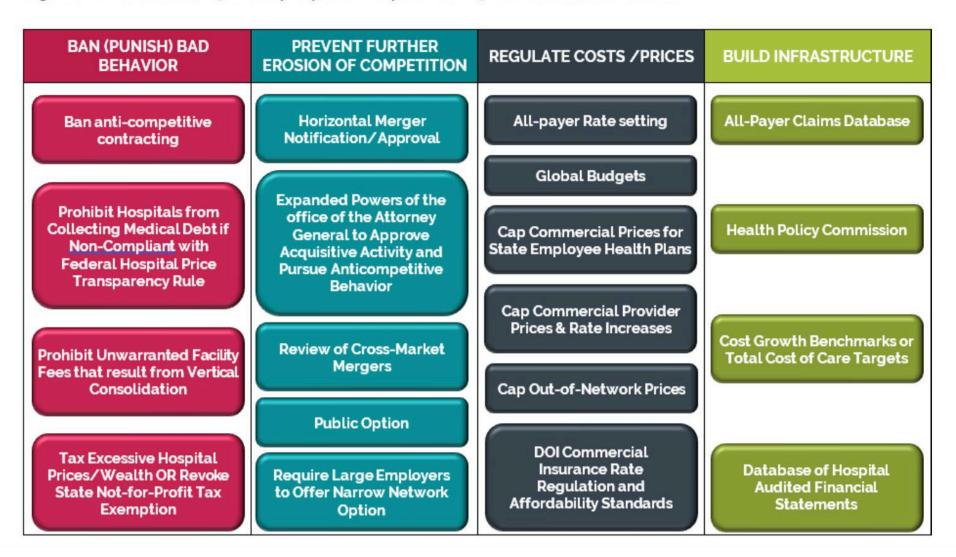
#### Catalyst for Payment Reform State Policy Menu



- 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



#### 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/20 23/jan/state-strategies-controlling-health-carecosts-implementation-guides State Strategies for Controlling Health Care Costs IMPLEMENTATION GUIDE



#### Adopting Multipayer Value-Based Payment Models

Michael H. Ballit, Grace Flaherty, and Ann Hwang

Value-based payment (VBP) is a health care purchasing strategy used to hold health care providers accountable for the quality and cost of care they deliver to patients. In contrast to fee for service models, which increativize provision of a higher volume of services, VBP models can promote higher-quality, more equitable, more contribute, and better-coordinated care. Moreover, these models can potentially slow the rate of health care out growth by applying a hudorting mechanism to payment.

VBP models are most effective and sustainable when multiple payers align around a common VBP model, such as one featuring similar quality measures and payment structure. As discussed later in this guide, such multipayer VBP models can involve different degrees of alignment, from natury full to-quite loose.

States have tested a suriety of multipaper VIIF models, including hospital global budgeting, episode-based payment, and total-cost-of-care contracting. This guide lays out concrete steps for states to plan and implement multipaper VIIF models to dow spending growth in the commercial market and potentially improve the overall quality of care.

The following steps present a sequence of important decisions for states to work through, States should be prepared for a process that is both invative, where questions may need to be revisited over time, and Jynamic, to account for new questions and new answers that may emerge.

Step 1. Determine goals for adopting a multipayer VBP model and confern readings to proceed.

Step 2. Select payment modeloù.

Step 3. Determine who should convene, facilitate, and manage the multipayer VEP arrangement(s).

Step 4. Determine how to engage stakeholders during the VEP model design process.

Step 3. Reach consensus on VEP model goals with stakeholders.

Step 6. Design the VBF model.

Step 7. Incorporate bealth equity into the model design, implementation, and evaluation.

Step 8. Determine whether to make participation soluntary or mandatory.

Step 9. Determine how aligned the multipayer model will be

Step 10. Identify opportunities for alignment with federal efforts

Step 11. Decide how the state will support providers to succeed in their VBP model.

Step 12. Create a supportive health information infrastructure.

Step 13. Create a plan for how the state will monitor progress toward its goals and use those results to inform any design modifications.

Step 14. Anticipate negative consequences in the model design and create a plan for monitoring and correcting them during model implementation.

We describe these steps in detail below.

#### 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.