



Healthcare Cost Growth Benchmark
Steering Committee Meeting

October 28, 2024

"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."

Welcome and Roll Call

Meeting Agenda

<u>Time</u>	<u>Topic</u>
3:00 p.m.	I. Welcome, Roll Call, and Agenda Review
3:05 p.m.	II. Approval of August Meeting Minutes – Vote
3:10 p.m.	III. Update on the Technical Team
3:15 p.m.	IV. OHS' Annual Inflation Review
3:30 p.m.	V. Legislative Report Recommendations
4:20 p.m.	VI. Public Comment
4:25 p.m.	VII. Wrap-Up and Next Steps
4:30 p.m.	VIII. Adjournment

Approval of August 26th Meeting Minutes – Vote

Update on the Technical Team

Update on the Technical Team

- During our last meeting in August, we shared OHS' intention to convene a new Technical Team of non-insurer and provider-affiliated experts to advise OHS on the development of new cost growth benchmark and primary care spending target values for 2026–2030.
 - OHS is required to determine the values by July 1, 2025.
- OHS has since assembled a ten-member Technical Team, which will begin meeting in November and complete its work by February.
 - OHS will report to the Steering Committee on the Technical Team's progress and solicit feedback on draft recommendations during the December and/or January Steering Committee meetings.

Technical Team Members

- **Loren Adler**, Brookings Institute
- **Don Berwick**, Institute for Healthcare Improvement
- **Francois de Brantes**, XO Health
- **Sabrina Corlette**, Georgetown Center on Health Insurance Reforms
- **Stefan Gildemeister**, Minnesota Department of Health
- **Paul Grady**, CT Business Group on Health
- **Jason Hockenberry**, Yale School of Public Health
- **Chris Manzi**, Pequot Healthcare
- **Roslyn Murray**, Brown University Center for Advancing Health Policy through Research
- **Josh Wojcik**, Connecticut Office of the State Comptroller

OHS' Annual Inflation Review

Connecticut General Statute, Inflation, and the Benchmark

- As a reminder, C.G.S. 19a-754g(b)(1)(C)(iii) requires the following of OHS:
 1. Conduct an annual review of the current and projected rate of inflation.
 2. Determine whether the rate of inflation requires modification of the Healthcare Cost Growth Benchmark.
- The following slides briefly summarize OHS' 2024 inflation review.

What is Inflation?

- Inflation measures how prices of goods and services increased from a prior time period. There are several indices that measure inflation. Examples include the Consumer Price Index (CPI), Personal Consumption Expenditures (PCE), and Gross Domestic Product Deflator (GDPD).
- The methodology employed to set the benchmark values uses **Personal Consumption Expenditures** to measure inflation. It is derived from a survey of businesses and what they sell. PCE is the Federal Reserve Bank's preferred measure when setting monetary policy.

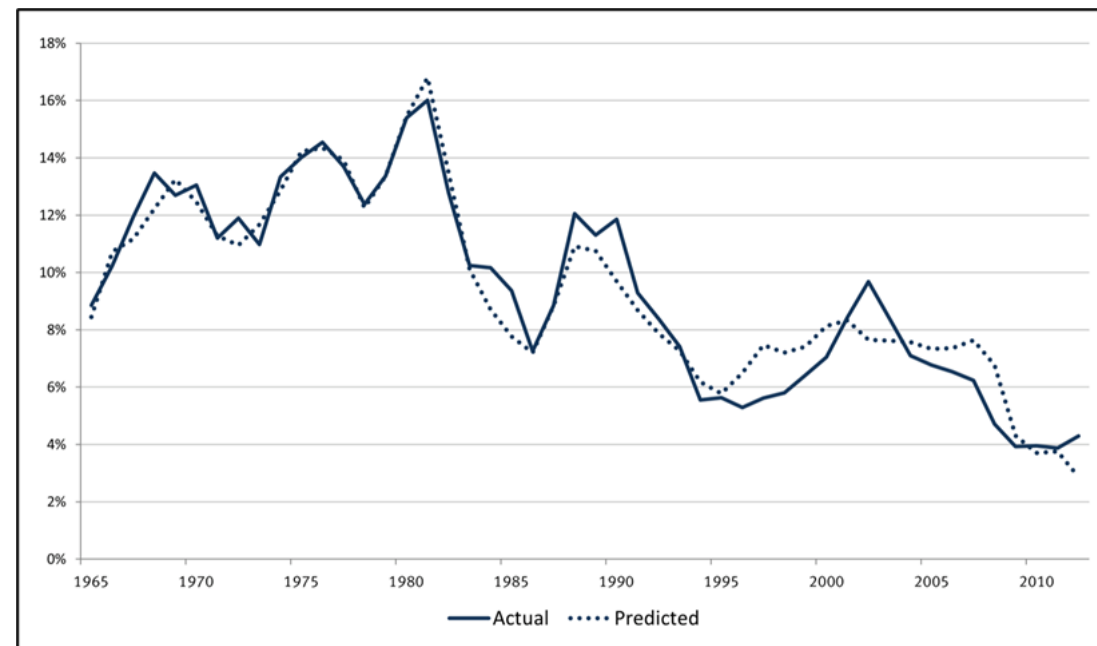
Inflation in the Benchmark

- Forecasted inflation is a small direct factor of the overall calculation of the Healthcare Cost Growth Benchmark.
- The Benchmark gives the greatest weight to the experience of wage earners, with 80% of the value being tied to the forecasted median household income.
 - Inflation may cause wages to rise. It appears that this did, in fact, occur, following the rise in inflation in late 2021 and in 2022.

Statistical Relationship Between Inflation and Healthcare Spending

- Inflation and growth in real GDP have historically been highly predictive of growth in healthcare spending.

Growth in Healthcare Spending, Actual and Predicted

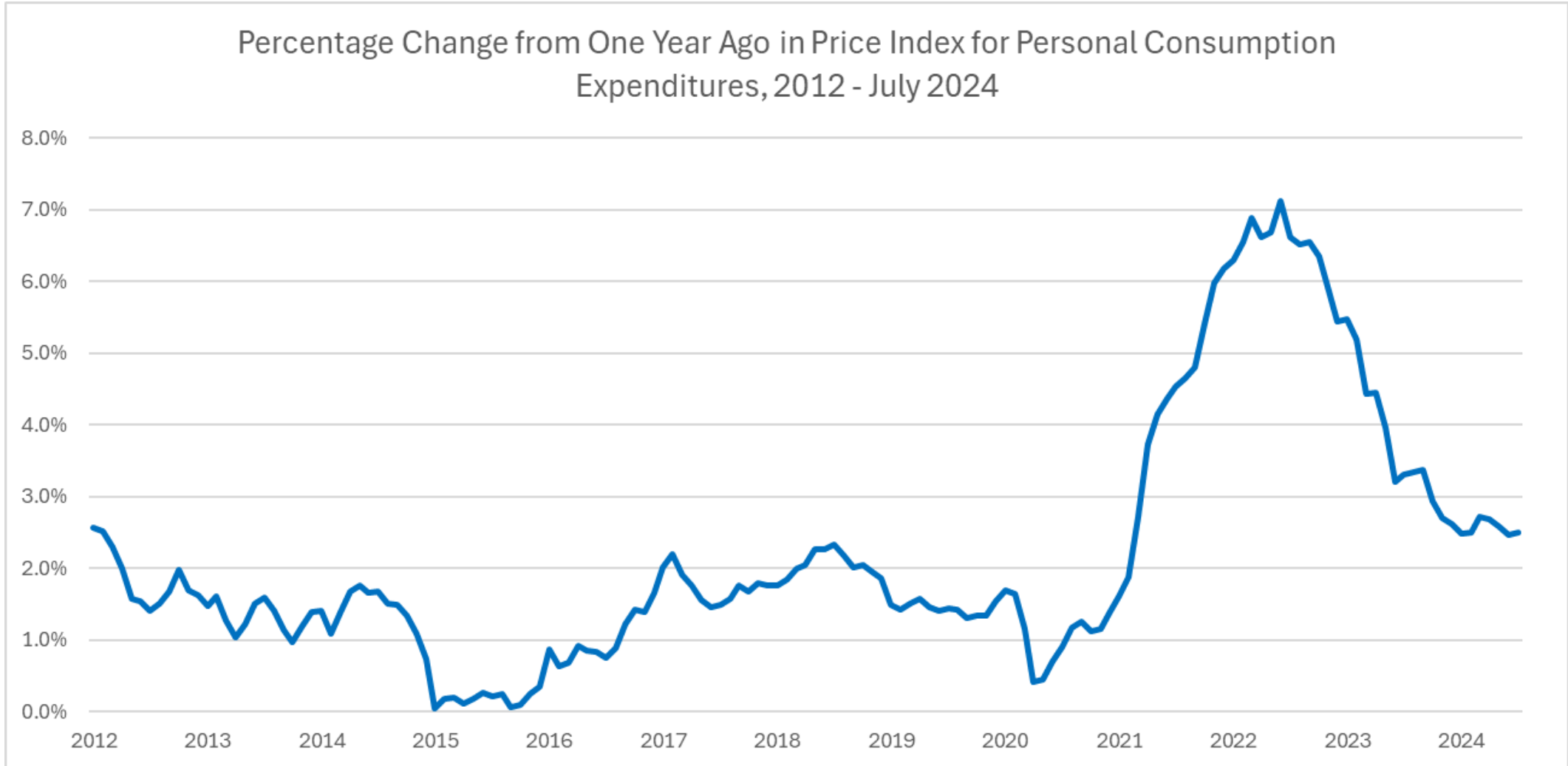


Source: Analysis by the Kaiser Family Foundation and the Altarum Center for Sustainable Health Spending, 2013

Statistical Relationship Between Inflation and Healthcare Spending

- While there is a close relationship, the effects of inflation and real GDP aren't seen in healthcare spending immediately.
- The effect of inflation on healthcare spending has historically lagged over two years. This is due to the prospective nature by which healthcare prices are set.
 - Commercial payer prices are often established in multi-year contracts.
 - Public payers set prices prospectively and don't always change them frequently.

Inflation in the U.S., 2012–July 2024



Source: Bureau of Economic Analysis

Healthcare Prices in the U.S., Aug 2021–Aug 2024

- Healthcare prices started rising slightly in the summer of 2022 and have remained modestly elevated through 2024, running less than 1% above inflation.

HCPI = Health Care Price Index
GDPD = Gross Domestic Product Deflator
BLS = Bureau of Labor Statistics

Exhibit 1. Year-over-Year Growth in HCPI & GDPD

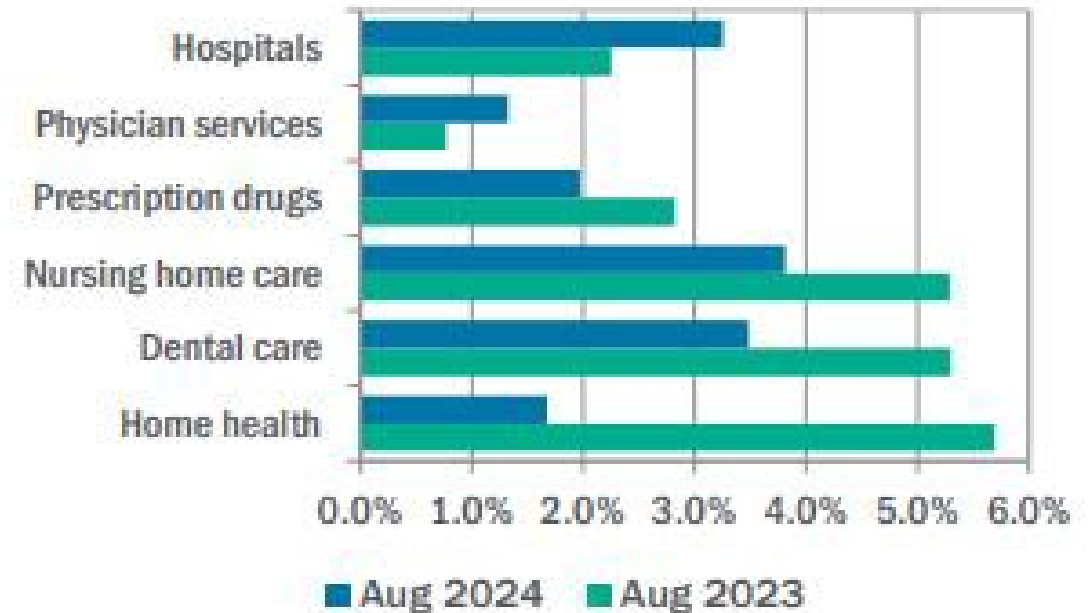


Source: Altarum analysis of monthly BLS price data.

Healthcare Price Growth by Category

- Hospital prices have grown slightly faster in 2024 as compared to 2023, but at a rate comparable to overall healthcare price growth.
- Prescription drug prices have actually grown slower than overall healthcare prices in 2024.

Exhibit 2. Year-over-Year Price Growth for Selected Categories



Source: Altarum analysis of monthly BLS price data.

In Summary

1. Research shows that inflation impacts healthcare spending growth. The impact is not immediate, but delayed or “lagged”.
2. General inflation in the U.S., as measured using Personal Consumption Expenditures (PCE), started near 6% in 2023 and then dropped. It has been between 2% and 3% in 2024, approaching the Fed's PCE target of 2.0%.
3. Healthcare prices in the U.S. have continued to grow at only slightly elevated rates above inflation in 2024.
 - This holds true for hospital and prescription drug prices.

Discussion

- What feedback / reactions do members have to the data presented?
- Is there anything else that you think OHS should consider when determining whether to modify the 2025 cost growth benchmark value due to inflation?

Legislative Report Recommendations

Legislative Report Background

- As a reminder, C.G.S. 19a-754j(a)(4) requires OHS to annually submit a report to the General Assembly that:
 1. Describes health care **spending** trends in the state;
 2. Describes the findings from OHS' monitoring for unintended adverse consequences of the benchmark program, and
 3. Discloses OHS' recommendations for strategies to increase the **efficiency** of the state's health care system.
- New this year, pursuant to C.G.S. 19a-754j(b)(3), the report must also:
 1. Describe health care **quality** trends in the state, and
 2. Disclose OHS' recommendations for strategies to improve the **quality** of the state's health care system.

Results of OHS' Monitoring for Unintended Consequences of the Benchmark Program

- OHS monitors for potential negative effectives of the benchmark across three domains: underutilization, impact on underserved populations, and out-of-pocket spending.
 - Commercial and Medicaid performance on underutilization measures have improved more than they have declined. Where performance has declined, these dips are mirrored in the rest of New England and nationally.
 - Medicaid member grievances have declined since benchmark implementation.
 - Analyses of out-of-pocket spending paint a mixed picture and changes are unlikely to be related to the cost growth benchmark.
 - **Summary:** OHS' analyses do not suggest that the cost growth benchmark has created unintended adverse consequences to date.
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Legislative Report Recommendations (1 of 4)

1. Institute a stronger system of accountability for entities called by OHS to participate in the annual public hearing and who fail to appear.

- A few stakeholders have declined to participate in OHS' first two public hearings, leaving their important voices and expertise out of the conversation on solutions.

2. Improve collection of data on drug rebates at the National Drug Code (NDC) level.

- OHS analyses have repeatedly identified retail pharmacy as a primary driver of healthcare cost growth, but OHS' analyses into which drugs are driving spending growth are limited by the lack of drug-specific rebate data.

Legislative Report Recommendations (2 of 4)

3. Institute a prescription drug affordability board (PDAB) to review the cost drivers of prescription drugs and make recommendations to reduce costs.

- 11 states have formed PDABs and 13 others have considered or are currently considering PDAB legislation. Connecticut could tailor its PDAB to reflect drug value and innovation.

4. Increase oversight of transfers of ownership and consolidation of healthcare provider entities.

- Research shows that consolidation can lead to higher health care prices. In addition, a prominent health care system recently faced bankruptcy as a result of harmful financial practices carried out after an acquisition.

Legislative Report Recommendations (3 of 4)

5. Study policy options and analyze efforts across states to implement additional affordability programs such as reference-based pricing, out-of-network caps, hospital global budgets, and regulatory review of payer-provider contracts.

- OHS analyses have consistently identified hospital prices as a key driver of healthcare cost growth, and payers argue that hospital prices are a primary reason that commercial plans continue to request double-digit premium increases.

6. Examine the use of Performance Improvement Plans (PIPs) in other states as a means of managing cost growth and consider adopting PIPs in Connecticut.

- Studying PIPs in other states will assist Connecticut in understanding their use and effectiveness in reducing cost growth.

Legislative Report Recommendations (4 of 4)

7. **Work with industry stakeholders to better understand and reduce administrative burdens for primary care.**

- The administrative burden associated with delivering primary care poses a challenge for current practitioners and for attracting future providers. Connecticut could address administrative burdens associated with prior authorization, and/or require adoption of its Aligned Measure Set to reduce disparate reporting requirements across insurers.

Public Comment

Wrap-Up and Next Steps

Wrap-Up and Next Steps

- The next meeting is scheduled for **Monday, November 18th from 3–5 pm.**