

# Cost Growth Benchmark Overview and Discussion

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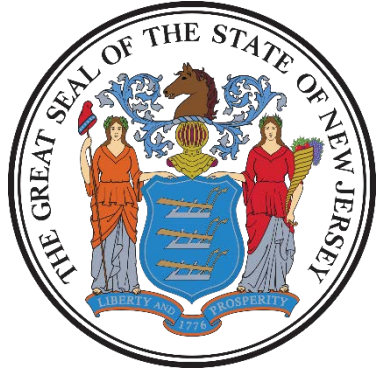
Informational Webinar for Employers and  
Health Benefit Purchasers



STATE OF NEW JERSEY  
DEPARTMENT OF BANKING & INSURANCE

July 13, 2021

# Project Staff



- **Shabnam Salih**, Director, Office of Health Care Affordability and Transparency
- **Justin Zimmerman**, Chief of Staff, Department of Banking and Insurance

- **The Peterson-Milbank Program for Sustainable Health Care Costs** is providing technical assistance to states developing cost growth benchmarks
- **Bailit Health** provides the Technical Assistance through **Megan Burns, Ann Hwang and Erin Taylor**



# RUTGERS

Center for State Health Policy

- **Rutgers Center for State Health Policy** is providing technical assistance and process facilitation on behalf of the Governor's Office
- **Joel Cantor**, Distinguished Professor & Director
- **Margaret Koller**, Executive Director
- **Maureen Michael**, Senior Policy Consultant

# Agenda

1. Why pursue health care cost growth reduction?
2. New Jersey's progress to establish a benchmark
  - Complementary strategies
    - Cost driver analyses
    - Strategies to reduce cost growth
3. Questions?
4. Resources

**Why pursue health care cost growth reduction?**

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

## What is a cost growth benchmark?

- A health care cost growth benchmark is annual per capita rate-of-growth benchmark for health care costs for a given state

## Why pursue a cost growth benchmark?

- To curb health care spending growth and make health care more affordable for individuals, families and businesses



# The burden of health care costs are high for New Jersey families and are outpacing income growth

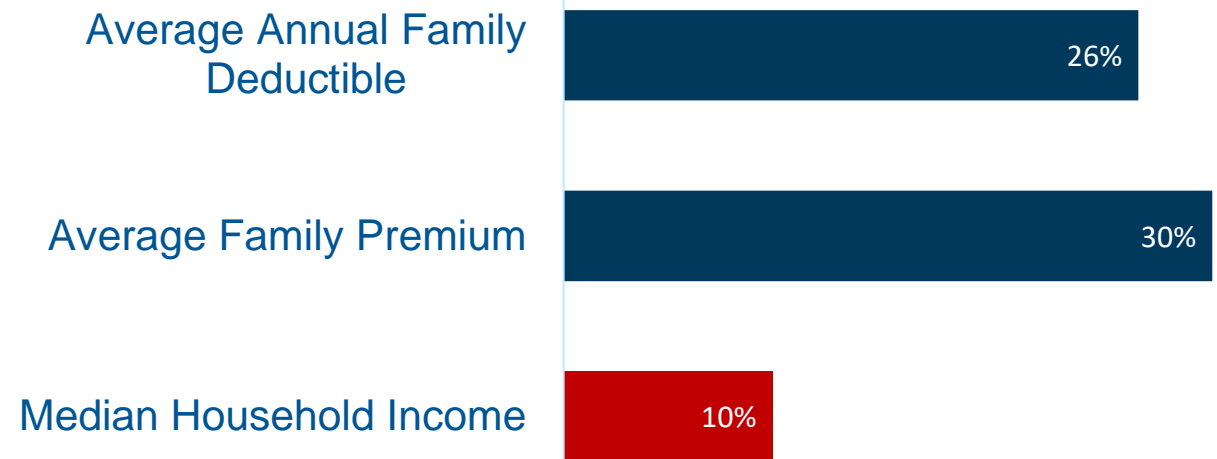
Premiums equal 30% of a New Jersey family's income



New Jersey had the 14<sup>th</sup> highest cost burden\* in the country for health care faced by working families in 2016.

Premiums and deductibles in New Jersey outpaced household income.

Percent change: 2010-2016



\*Cost burden" is expressed as the ratio of average family employer sponsored insurance (for both employer and employee contributions) to median household income, adjusted for cost-of-living differences across states.

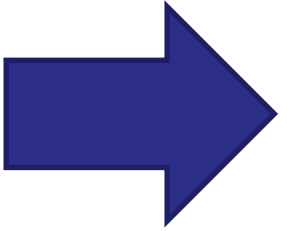
# National growth trends from '09-'19 are similar to NJ trends



**48% Growth in  
Healthcare Expenditures  
by Households**



**42% Growth in  
Spending on  
Healthcare by  
Private  
Businesses**



**24% Growth in  
Median Wage**

Employees are burdened with spending a larger proportion of their budget on health care.

Sources: National Health Expenditures Accounts: <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nationalhealthaccountshistorical> ; Bureau of Labor Statistics, Median Weekly Wages for Full-Time Wage and Salary Workers, Second Quarter 2019 vs. Second Quarter 2009

# High health care costs burden families and businesses

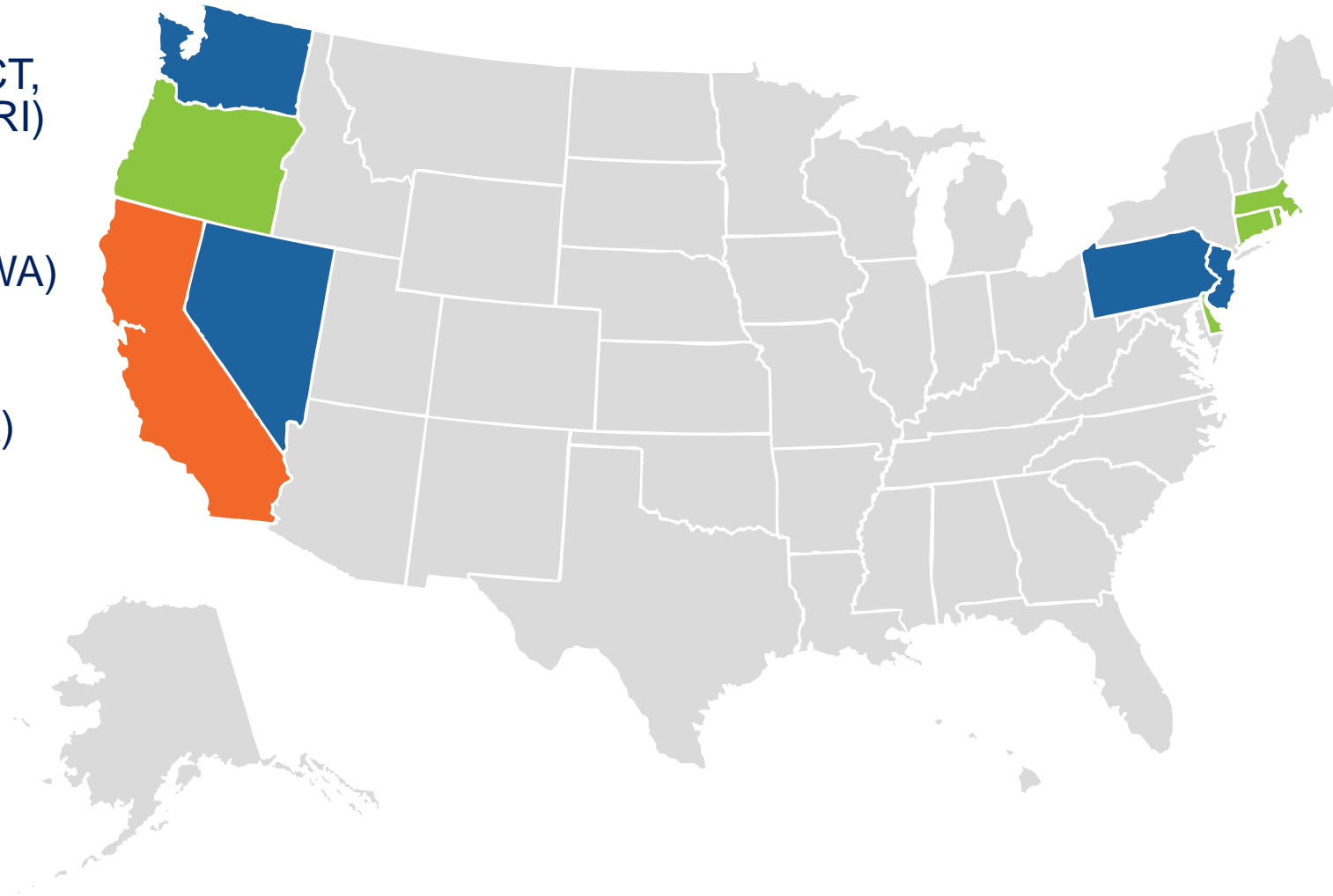
“Behind every data point is a face of a New Jerseyan dealing with a struggle.”

"Every year, [we are] scrambling to still find a plan that works... One employee asked, “When is this going to stop?”



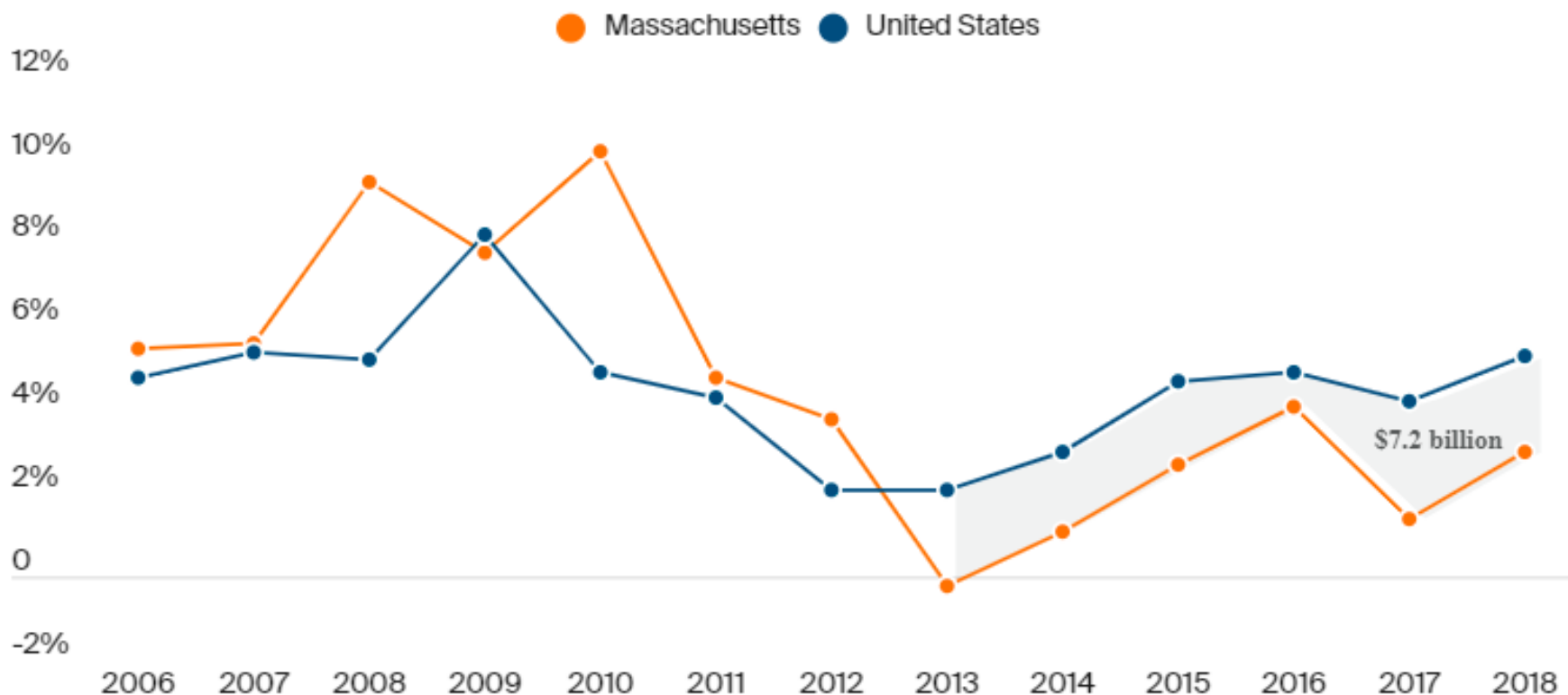
# State activity on health care cost growth benchmarks

- Established (CT, DE, MA, OR, RI)
- Committed to development (NJ, NV, PA, WA)
- Active discussions underway (CA)



# Massachusetts' Cost Growth Benchmark Experience

Annual growth in commercial medical spending per enrollee



Commercial spending growth in MA has been below the national rate every year since 2013.

SOURCE: Waugh, L and McCarthy D. "How the Massachusetts Health Policy Commission is Fostering a Statewide Commitment to Contain Health Care Spending Growth." The Commonwealth Fund. March 5 2020.

## New Jersey's progress to establish a benchmark

# Executive Order 217

Advancing Health Care Affordability Efforts



Interagency Working Group

Improve health care affordability, accessibility and transparency for all

01

Support health equity for all

02

Develop cost growth benchmarks to foster accountability

03

Cross departmental support for delivery system reforms, integrated care and cost-effective payment initiatives

04

# Executive Order 217

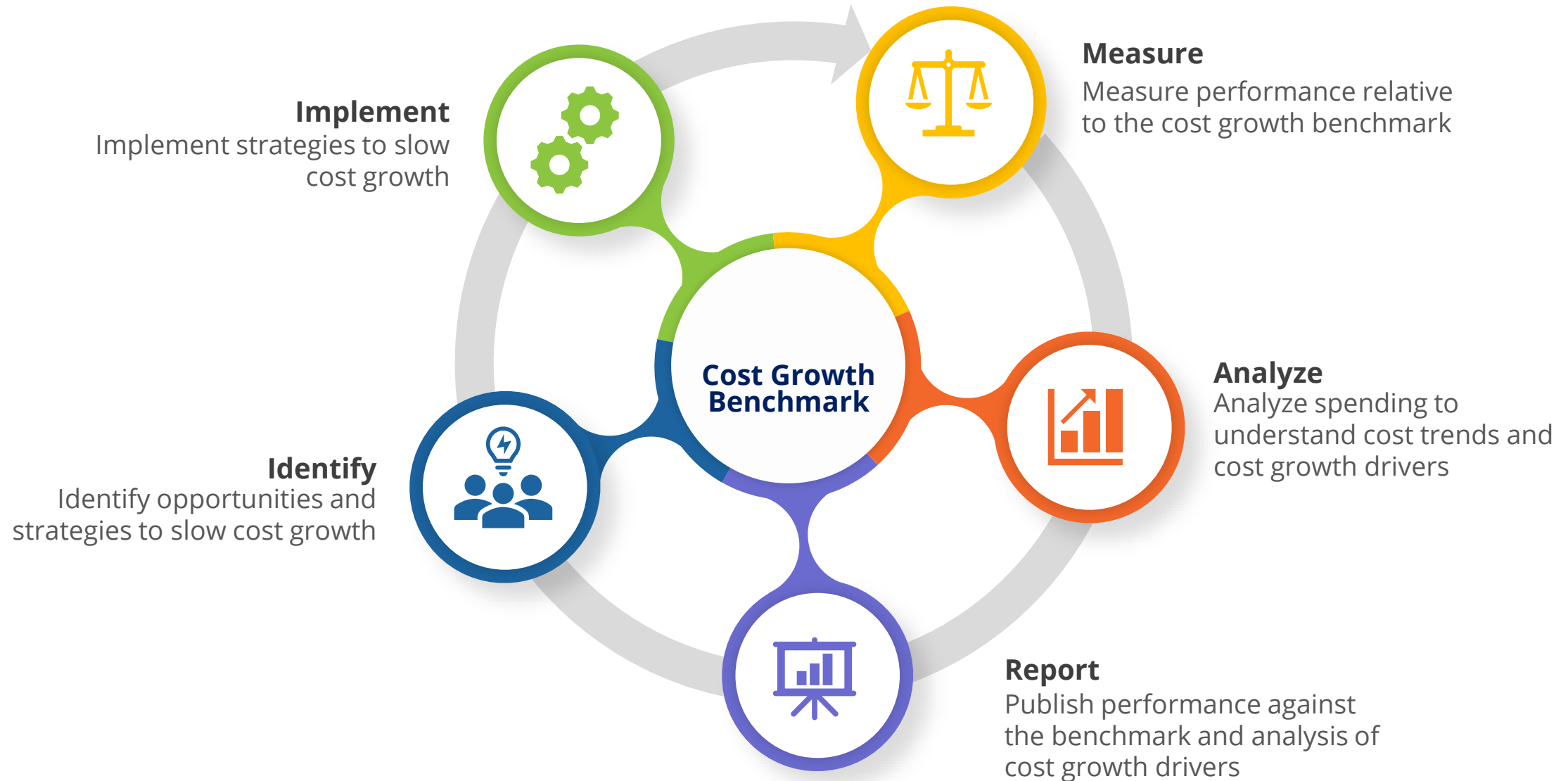
Advancing  
Health Care  
Affordability  
Efforts

- Establishes the Health Care Advisory Group to provide expertise, advice and consultation on:
  - the development and implementation of the health care cost growth benchmark;
  - complementary strategies to collect and use cost, quality and outcome data;
  - strategies for benchmark attainment.

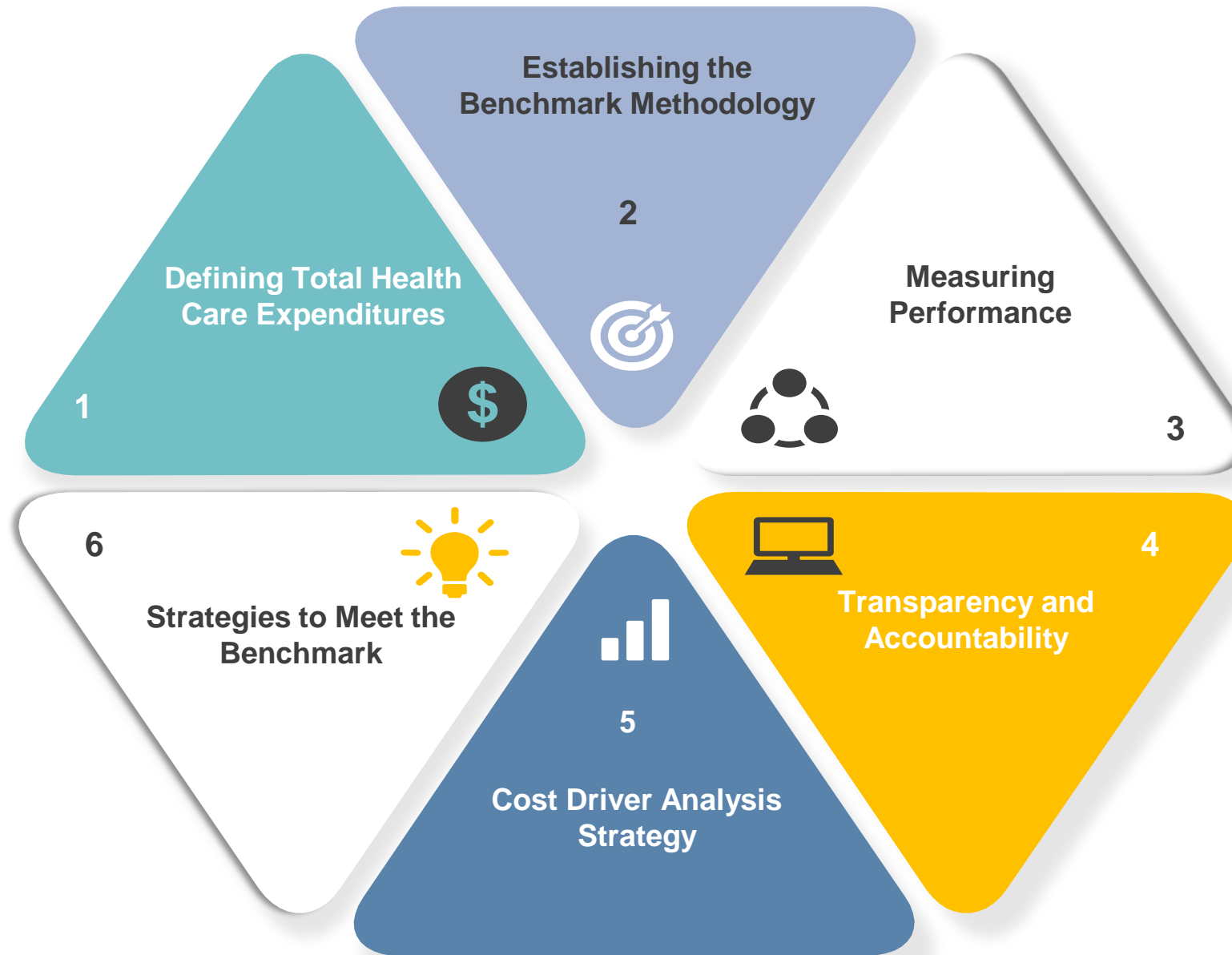
# Advisory Group Members

- **Cathy Bennett**, President and CEO, New Jersey Hospital Association
- **Dr. Gaurang “Raj” Brahmhatt**, CMO, Riverside Medical Group
- **Maura Collingsru**, Health Care Program Director, New Jersey Citizen Action
- **Patrick Davish**, Associate Vice President of Global Pricing & Reimbursement, Merck & Co., Inc
- **Robert C. Garrett**, CEO, Hackensack Meridian Health
- **Dr. John Kulin**, Representative for Medical Society of New Jersey
- **Dr. Jeffrey Le Benger**, CEO, Summit Medical Group
- **Mitchell Livingston**, President and CEO, New Jersey Manufacturers Insurance Company
- **Mike Munoz**, AmeriHealth New Jersey Market President
- **Victor Murray**, Director of Field Building and Resources, Camden Coalition of Healthcare Providers
- **Patrick Nowlan**, Executive Director Rutgers AAUP-AFT
- **Linda Nilsen**, Assistant Vice President for Human Resources, Princeton University
- **Kevin M. O’Dowd**, Co-Chief Executive Officer, Cooper University Health Care
- **Barry Ostrowsky**, President and CEO, RWJ Barnabas Health
- **Dennis Pullin**, President and CEO, Virtua Health
- **Ward Sanders**, President, New Jersey Association of Health Plans
- **Tony Sandkamp**, CEO, Sandkamp Wordworks, LLC
- **Linda Schwimmer**, President and CEO, New Jersey Health Care Quality Institute
- **Joe Sheridan**, President and COO, Wakefern Food Corp.
- **Kevin Slavin**, President and CEO, St. Joseph's Health
- **Gary St. Hilaire**, President of Horizon Blue Cross Blue Shield

# Logic Model for New Jersey's Cost Growth Benchmark

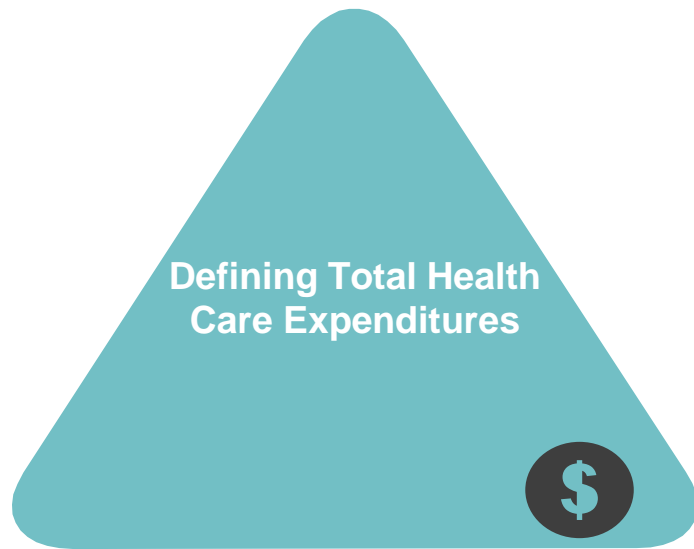


# Six Components to Establishing a Cost Growth Benchmark Program



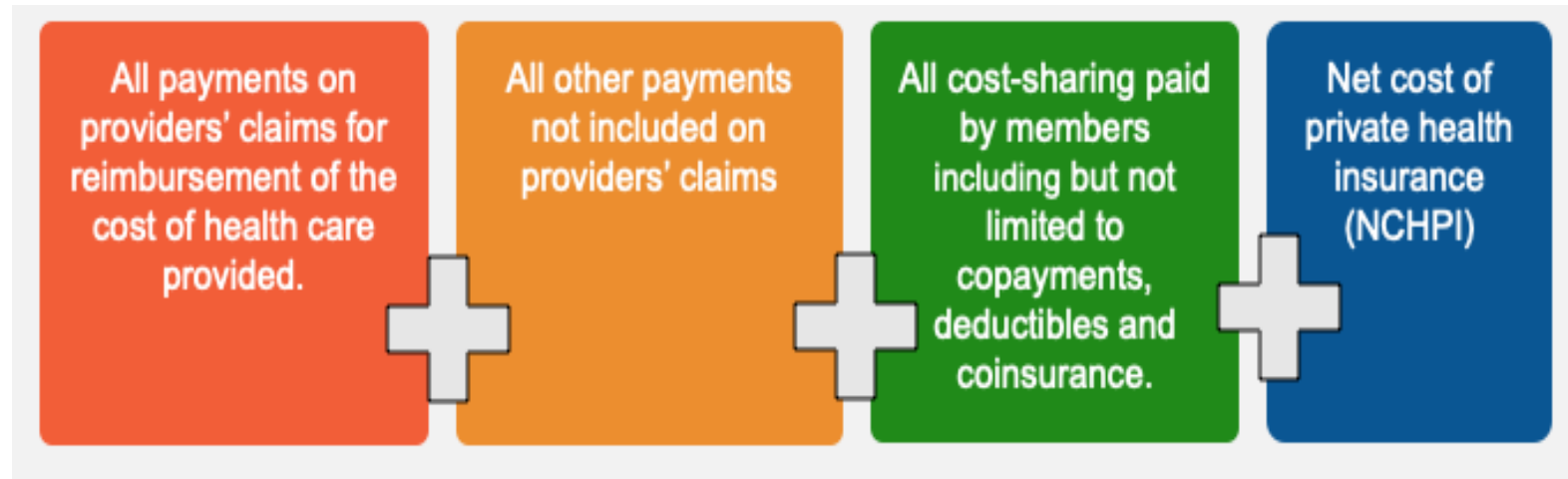


# Defining Total Health Care Expenditures



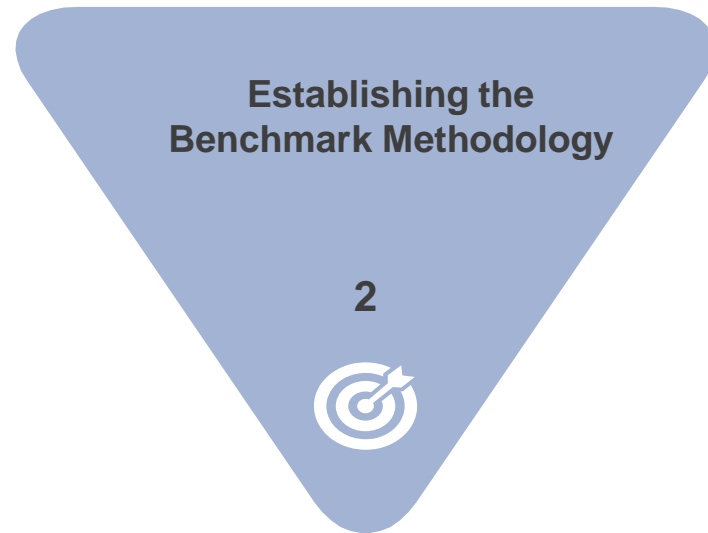
- Total Health Care Expenditures:
  - Definition largely consistent across states
  - Captures payments to providers that are tracked by insurers

# Defining Total Health Care Expenditures



- Claims-based payments are grouped into categories, such as:
  - Professional Services (Primary Care, Specialty Care, Other)
  - Hospital Inpatient
  - Hospital Outpatient
  - Pharmacy
  - Etc.

# Establishing the Benchmark Methodology



## ■ Benchmark Methodology:

- Pegged to an economic indicator (e.g. inflation, income, economic growth)
- Criteria developed to guide methodology

# Establishing the Benchmark Methodology

- **Criteria for Choosing an Economic Indicator for the Benchmark**
  1. Provide a stable and therefore predictable target.
  2. Rely on independent, objective data sources with transparent calculations.
  3. Capture the real world “pocketbook” experience of consumers through data that relies on median experience (not average experience).
  4. Lower health care spending growth.
  
- Discussion of the benchmark value will be continuing over the summer

# Looking Ahead: Cost Driver Analyses

- Uses claims data to:
  - 1) Understand the impact of the cost growth benchmark, and
  - 2) Identify the factors driving health care cost and cost growth.
- A Cost Driver Analysis Strategy may be used to institutionalize routine analyses that pinpoint opportunities to reduce health care spending at a state, market, insurer, or provider entity level.
- Initially, Medicaid and State Health Plan Benefit claims data may be used to explore cost drivers.
- These analyses can also inform recommended policy actions.

# Looking Ahead: Strategies to Reduce Cost Growth

- With the transparency of cost growth benchmark performance data and the cost driver analyses, we intend to work with stakeholders to develop strategies to reduce cost growth.
- These actions could be:
  - Policy actions led by the Governor or the legislature
  - Market-based ideas generated from and implemented by provider and payer stakeholders
- While it will take some time to collect data on performance, we expect to begin active discussions on strategies in the fall.

# Understanding is the Prerequisite to Improving



- The Healthcare Cost Growth Benchmark is intended to serve as a **beacon** towards which all parties which have some measure of influence on spending – the state, payers, employers and providers – can strive.
- Concrete solutions, however, require understanding of why health care spending is high, how it varies across the state, and what is driving spending growth.

## Discussion



# Discussion

- What would you like to see from the cost growth benchmark program?
- Are there considerations for your organization/industry that are important for us to be aware of?
- Given your experience as a health insurance purchaser, what advice do you have for us in developing this program?
- What strategies do you think might be effective in reducing cost growth?

# How you can help

- Share stories that help raise awareness about the challenges of health care cost growth
- Share your perspectives on the components of the benchmark program
- Inform our development of strategies to achieve the benchmark
- Sign up for updates from the benchmark program through our website: <http://www.cshp.rutgers.edu/content/nj-benchmark-program>

## Resources

# More Information

<http://www.csHP.rutgers.edu/content/nj-benchmark-program>

CSHP Home | Rutgers | Institute for Health, Health Care Policy and Aging Research

## RUTGERS Center for State Health Policy

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### New Jersey Health Care Cost Growth Benchmark Program

Access to quality health care is critical to the physical, mental, and economic well-being of the residents, families, communities, and businesses in New Jersey, and the State has taken another important step to make health care more affordable for everyone.

[Read More +](#)

 Analytic Support for Medicaid

 NJ IPHD Project

 Childhood Obesity

 NJ Cost Growth Benchmark Program

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# State Cost Growth Benchmarks

- Connecticut: <https://portal.ct.gov/OHS/Content/Cost-Growth-Benchmark>
- Delaware: <https://dhss.delaware.gov/dhcc/global.html>
- Massachusetts: <https://www.mass.gov/info-details/health-care-cost-growth-benchmark>
  - CHIA Annual Reports: <https://www.chiamass.gov/annual-report/>
  - HPC Annual Process for Monitoring Spending Growth: <https://www.mass.gov/service-details/hpc-datapoints-issue-10-health-care-cost-growth-benchmark>
- Oregon: <https://www.oregon.gov/oha/HPA/HP/Pages/Sustainable-Health-Care-Cost-Growth-Target.aspx>
- Rhode Island: <http://www.ohic.ri.gov/ohic-reformandpolicy-costtrends.php>

# Other Resources

- Cross-Agency Strategies to Curb Health Care Costs: Leveraging State Purchasing Power – NASHP: <https://nashp.org/wp-content/uploads/2019/04/States-Leverage-Purchasing-Power.pdf>
- Health Care Cost Growth Benchmarks in 5 States – *JAMA Forum* <https://jamanetwork.com/channels/health-forum/fullarticle/2767017>
- Implementing a Statewide Healthcare Cost Benchmark - Manatt: <https://www.manatt.com/insights/white-papers/2019/blueprint-for-building-an-effective-statewide-heal>
- Rhode Island's Cost Trends Project: A Case Study on State Cost Growth Targets: [https://www.milbank.org/wp-content/uploads/2021/01/Fund\\_Peterson\\_RI\\_case\\_study\\_v8.pdf](https://www.milbank.org/wp-content/uploads/2021/01/Fund_Peterson_RI_case_study_v8.pdf)

**Thank you!**