

About New Jersey's Health Care Cost Growth Benchmark Program: Provider-Focused Questions

1. What is a cost growth benchmark and how is it used?

A health care cost growth benchmark is an expected rate of annual per capita growth of total health care spending in a state. States, including Delaware, Massachusetts, and Rhode Island, have established cost growth benchmarks (also called cost growth targets) as part of their cost containment strategies. The cost growth benchmark is a mechanism to constrain total health care spending and motivate action to make health care more affordable. A benchmark establishes a goal for spending growth and forms the basis for accountability for health care spending growth at the state, insurer, and provider levels. States have implemented cost growth benchmarks to focus the collective attention of policymakers and private sector health care stakeholders on total health care spending in the state, across all payers for the entire population. A cost growth target that is implemented in parallel with strategies to analyze cost growth and cost growth drivers will identify factors that are contributing to health care spending growth and inform interventions and actions to curb growth.

2. Why is New Jersey pursuing a benchmarking program at this time?

The COVID-19 pandemic has underscored both the essential role of hospitals and providers in maintaining the health of New Jerseyans, as well as the importance of access to affordable health care for New Jerseyans. Health care is increasingly unaffordable for consumers and employers. Rising health care costs for state and local budgets leave fewer dollars for other investments. Inside New Jersey, throughout much of the last decade, health care premiums and deductibles have grown roughly three times faster than incomes for New Jerseyans. Recognizing the unsustainability of these trends, on January 28, 2021, Governor Murphy signed Executive Order 217, to improve health care quality and curb costs.

3. How can a benchmarking program help us better understand the drivers of health care cost growth?

The key components of New Jersey's health care cost growth benchmarking program are: a) a health care spending growth goal (i.e., cost growth benchmark) and b) data strategy to rigorously analyze costs and cost growth. Setting a cost growth benchmark will enable New Jersey to measure spending relative to a set goal, but does not show what is driving spending growth. Analyses must be done to identify specific categories of high spending (e.g., pharmacy spend) and drivers of growth to identify opportunities for targeted interventions to reduce growth. The data strategy will enable New Jersey to explore factors contributing to health care spending growth and direct action to address primary cost drivers.

4. How is a benchmark different from a spending cap?

A health care cost growth benchmark is a per capita spending target that state stakeholders commit to working toward achieving. The benchmark program emphasizes data, transparency, and collective action to make health care more affordable for New Jerseyans. It does not set a strict cap on spending for payers or providers above which they are not able to exceed or for which they are financially accountable.

5. As a health care provider, how will benchmarking affect me or my organization? At what level will benchmarking information be reported?

Benchmarking looks at health care cost growth holistically across the state. States generally report cost growth at the state level, at the market level (Commercial, Medicare and Medicaid) and at the payer level. Some states also report information for large provider entities. Benchmarking does not provide data about individual clinicians. New Jersey is currently in the process of developing its reporting strategy. Hospitals and other providers will be key partners not only in this development, but, as the program matures, in implementing strategies to help address cost drivers and deliver high quality care at sustainable costs.

6. Is cost benchmarking focused only on providers?

No, benchmarking is focused on measuring and tracking total health care spending statewide and across all populations. Across all state health care cost growth benchmark programs to date, total health care expenditures have been defined consistently and comprehensively as: claims-based spending, including for: hospital inpatient and outpatient care; primary and specialty and other professional care; pharmacy; long-term care; and other services; as well as other payments to providers outside of claims; patient cost sharing; and the cost of administering health insurance.

7. What happens if New Jersey exceeds the benchmark?

New Jersey is developing its benchmarking program through an [Interagency Health Care Affordability Working Group \(IWG\)](#) comprised of Departmental leaders with key roles in ensuring New Jersey's health. Providing input to the IWG is an [Advisory Group](#) of health care stakeholders throughout the state. The Advisory Group began meeting monthly in March 2021 to discuss benchmark development. Along with providing input on the benchmark itself, the Advisory Group will recommend both strategies the state should adopt to meet its benchmark, as well as possible mitigation measures to consider if it does not. Each state has approached these issues differently and it will be important to pursue home-grown strategies that work for New Jersey. Health care providers have valuable expertise that we hope to draw on developing these strategies as well.

8. How does this relate to increased areas of responsibility providers are taking on, like efforts to improve quality and address social determinants of health?

The State is very mindful of not wanting benchmarking to have the unintended consequence of backtracking on the progress made in important areas like improving quality or addressing social determinants of health and health equity. New Jersey too, recognizes the important role that investments in quality and social determinants of health have played in creating a healthier and more equitable New

Jersey and will ensure that progress on controlling costs isn't made at the expense of such investments.

9. How will the unique factors that drive costs in New Jersey be considered in this process?

New Jersey brings a unique set of assets and challenges to this effort. As it develops and implements its benchmarking program, the state will do so building from its own economic indicators, and analyzing its own cost drivers. Both the Interagency Working Group and Advisory Group are mindful of the factors, including geography, patterns of care, and population diversity, that need to be taken into consideration in the context of benchmark development, with a goal of creating a program that that makes sense both in and for New Jersey.

10. Where can I get more information?

We would like to hear from you about what you think is critical for achieving our shared goal of delivering higher quality, more equitable and more affordable care for all New Jerseyans. More information on New Jersey's Benchmarking Program can be found at the [Rutgers Center for State Health Policy](#) web site, including slides from informational webinars with stakeholders throughout the state, summaries of Advisory Group meetings, as well as background on benchmarking efforts within other states.