

New Jersey Health Care Cost Growth Benchmark Program Health Care Affordability Advisory Group

Charter –June 9, 2021

I. Problem Statement

As articulated by the Governor’s [Executive Order No. 217](#), access to quality health care is critical to the physical, mental, and economic well-being of the State of New Jersey’s residents, families, communities, and businesses. The State has taken important recent steps to improve access to quality and more affordable health insurance under the Affordable Care Act. Foremost, New Jersey has established a State-based marketplace and a shared responsibility requirement, offering additional premium assistance (state subsidies), beyond the federal subsidies, for eligible residents who purchase coverage on the State-based marketplace. In addition, the State also developed a reinsurance program and implemented out-of-network reforms to curb costs. Despite these important efforts, health care and prescription drug cost growth continue to be a challenge for New Jersey residents, families, and businesses, and threaten to outpace the growth of the State’s economy and wages.

The rise in New Jersey’s health care costs is consuming an ever-larger share of state, employer and family budgets;¹ in fact, 29 percent of New Jersey families’ income goes to health care premiums.² The difficulty of affording health care is illustrated by the fact that growth in premiums and deductibles has significantly outpaced growth in median household income. From 2010 to 2016, median household income increased 10 percent while the average annual family deductible increased 26 percent and the average family premium increased 30 percent.³

These high and increasing health care costs are due to multiple factors. However, one of the leading drivers is growth in prices. The Health Care Cost Institute reports that from 2012 to 2016, New Jersey inpatient spending grew 12 percent. During this same time period, inpatient prices grew 38 percent while inpatient utilization decreased 19 percent. In that same period, pharmaceutical spending grew 27%, also driven by increases in price.⁴

¹ In this context, “health care costs” refers to the total amount spent to purchase health care, including the amount paid by government, employers and consumers.

² “The Burden of Health Care Costs for Working Families” Penn LDI, April 2019.

³ Ibid.

⁴ Health Care Cost Institute, Increasing Prices Drive NJ Spending: Graphs, Available at: https://www.njhcqi.org/wp-content/uploads/2018/10/NJ-HCCI-Charts_10.8.2018-1.pdf. Accessed on: June 4, 2021.

There are also opportunities to increase the value of care delivery. Approximately 25 percent of total health care spending⁵ is estimated to be due to uncoordinated, unnecessary or low-value care, high prices, fraud and abuse and administrative waste.⁶ Moreover, even with high levels of spending, there are disparities in health outcomes, with a need to ensure equitable and affordable access to quality health care services and treatment.

II. Vision and Mission

A. Vision

The vision of this initiative is to develop transparency around health care cost growth through the development of a statewide health care cost growth benchmark.⁷ This initiative will ensure increased oversight and accountability in our health care system and support efforts to stem the tide of rising health care costs.

B. Mission

The focus of the Advisory Group's work will be to provide feedback on the establishment of an annual health care cost growth benchmark in order to achieve the goal of higher quality and more equitable health care at reduced cost, and to ensure that the health care cost growth benchmark does not result in unintended consequences or exacerbate existing health inequities. In addition to informing the establishment of the benchmark, the Advisory Group will provide input into the design of a complementary effort to collect and use health care cost, quality, and outcome data to enable the State, and other stakeholders, to implement strategies to contain growth in health care costs and promote equitable, high quality health care and improved outcomes.

III. Advisory Group Charge

The Advisory Group is established under the direction of Executive Order #217. The Advisory Group's charge is to provide expertise and advisory and consultative guidance on the development and implementation of the health care cost growth benchmark and related activities of the Interagency Working Group.

IV. Areas of Activity

In its capacity providing feedback to the Interagency Working Group, the Advisory Group will focus on two key areas of activity. These two "work streams" address the

⁵ In this context, "health care spending" refers to the total dollars paid to a provider and costs of administering health benefits from a payer.

⁶ Shrank et al. "Waste in the US Health Care System: Estimated Costs and Potential for Savings" *JAMA* 2019; 322(15):1501-9.

⁷ A statewide health care cost growth benchmark is a target, set in advance, for annual per capita growth for total health care spending in a state.

objectives of the Advisory Group as outlined in Governor Murphy's [Executive Order 217](#).

1. Cost Growth Benchmark: These activities relate to the development and establishment of a cost growth benchmark, including a methodology to measure performance in order to foster accountability and contain health care costs.
2. Data Use Strategy: These activities relate to leveraging the State's existing data sources to identify cost drivers – as well as enhancing and integrating State data sources – to inform action to support cost growth benchmark attainment.

V. Advisory Group Duties and Responsibilities

A. Membership and Term

Advisory Group members are appointed by the Governor. Vacancies due to any circumstance will also be filled by gubernatorial appointment, and will be effective immediately.

The Advisory Group first convened on March 30, 2021, and will continue to meet for nine months to provide input to the Cost Growth Benchmark Blueprint expected December 2021. Unless the Governor requests that the Advisory Group continue to provide input, the Advisory Group's responsibilities will conclude at that time.

B. Advisory Group Member Responsibilities

Members of the Advisory Group agree to fulfill their responsibilities by attending and participating in Advisory Group meetings, reviewing and commenting on circulated documents, and actively providing feedback to the Working Group. Members agree to participate in good faith and to act in the best interests of the public, the Advisory Group and its charge. Members accept the responsibility to collaborate in developing potential feedback that is fair and constructive for the State. Members are expected to consider a range of issues and options to address those issues, explore the challenges and opportunities associated with each option, and provide feedback, with rationale, to the Working Group that reflects the "sense of the group." Members will have the opportunity to offer input on recommendations before they are finalized by the NJ Department of Banking and Insurance (DOBI) and the Working Group. Advisory Group members acknowledge that their role is to provide their expertise, and advisory and consultative guidance, and that final recommendations on cost growth benchmark development rest with DOBI and the Working Group. Specific Advisory Group member responsibilities include:

- Participate in Advisory Group meetings;
- Review background materials and analysis to understand the issues to be addressed in the review process;
- Share their expertise and advice in order to frame policy choices; and

- Work collaboratively with one another to explore issues.

VI. Operating Procedures

A. Protocols

All members agree to act in good faith in all aspects of the Advisory Group's deliberations. Expectations include:

- Members are requested to attend all meetings and contribute constructively to the work of the Advisory Group both within and outside the meetings. If members cannot attend a meeting, they are requested to advise the Office of Health Care Affordability and Transparency staff and communicate in advance of the meeting if a designee will attend in the place of a given member.
- Members agree to make every effort to bring all aspects of their concerns about these issues into this process to be addressed.
- Members agree to direct any additional requests for information to the Office of Health Care Affordability and Transparency staff. Responses to such requests will be limited to items that can be provided within a reasonable amount of time.

The Office of Health Care Affordability and Transparency staff will support the Advisory Group by facilitating meetings, including drafting agendas, and preparing content for consideration in such a way that will facilitate informed input by the Advisory Group. The Office of Health Care Affordability and Transparency and other staff supporting this initiative will provide the Advisory Group with well-informed policy options for their review and discussion.

B. Communications

Written comments from stakeholders received by individual members of the Advisory Group should be forwarded to the Office of Health Care Affordability and Transparency staff.

C. Meeting Operating Procedures

1. Advisory Group Meetings

The Advisory Group will meet at times and places proposed by the Office of Health Care Affordability and Transparency. Meetings will be convened in accordance with these operating procedures.

2. Process for Input

The Office of Health Care Affordability and Transparency will facilitate meetings to ensure that all members have opportunity to share their views, and to provide their input and expertise on key issues presented to the Advisory Group. The Office will document the

Advisory Group's input and share it with the Interagency Working Group. Members of the Advisory Group will have opportunity to review a written summary of each Advisory Group meeting, which will reflect the input that the Advisory Group has provided.

3. Documentation

The Office of Health Care Affordability and Transparency shall prepare a written summary of each Advisory Group meeting. Meeting agendas, summaries and supporting materials will be shared with members of the Advisory Group.