

About New Jersey's Health Care Cost Growth Benchmark Program

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

A benchmark is a prospective targeted annual rate of growth for total health spending within the state. States have adopted benchmarking to help track overall health spending, understand the drivers of spending growth, foster accountability around spending increases and develop strategies to address those increases to make health care more affordable.

2. Why is New Jersey pursuing benchmarking?

CMS projects health spending to grow faster than the economy, rising to account for 19.7% of GDP by 2028. 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 and New Jersey has been ranked among the top 15 worst states in terms of “cost burden” for working families. Recognizing the unsustainability of these trends, on January 28, 2021, Governor Murphy signed Executive Order 217, aimed at developing a plan for improving health care quality while curbing costs. Benchmarking, along with accompanying savings and affordability strategies, will help deliver on that goal.

3. How will New Jersey's benchmark be set?

Executive Order 217 created an Interagency Health Care Affordability Working Group comprised of Departmental leaders with key roles in ensuring New Jersey's health, including: The Office of Health Care Affordability and Transparency (Chair); The Department of Banking and Insurance; The Department of Human Services; The Department of Health; The Division of Consumer Affairs; and The Department of the Treasury. The Working Group will create a health care growth benchmark based on input from an Advisory Group of health care stakeholders throughout the

state. The Advisory Group began meeting monthly in March 2021 to discuss benchmark development strategies.

4. What spending is included in a benchmark?

Benchmarking is aimed at capturing Total Health Care Expenditures throughout the state. In creating their benchmarks, other states have included spending on hospitals, primary and specialty physicians and other providers, long-term care, pharmacy, as well as other services, like hospice, durable medical equipment and dental and vision care. The specific components of New Jersey's calculation will be determined by the Interagency Working Group based on guidance and input from the Advisory Group.

5. Is there evidence that benchmarking works?

While New Jersey will be among the "early adopter" benchmarking states, Massachusetts, which established a benchmark in 2012 to control costs, has been able to hold its spending consistently below the national average, resulting in an estimated \$7 billion in savings in commercial spending compared to if the state had followed national trends.

6. What rate is typical for a benchmark?

States usually link their spending growth rate targets to other economic indicators, such as growth in the state's economy, average income growth, growth in the cost of other goods and services--or some combination of these measures.

7. What if growth exceeds the benchmark?

With input from the Advisory Group, The Interagency Working Group will also recommend options for holding insurers or providers that exceed the benchmark accountable, with other states experimenting with a range of accountability strategies.

8. When is benchmarking set to begin and end?

New Jersey is targeting 2022 to implement its cost growth benchmark. A benchmark timeframe will also need to be set, with some states focusing on targets over a decade.

9. How will benchmarking affect consumers?

The aim of benchmarking is to get NJ's health system spending aligned with the pocketbooks of New Jersey residents, all with an eye on improving access to affordable, equitable, quality and transparent health services.

10. How is this work supported?

New Jersey is taking part in the Peterson-Milbank Program for Sustainable Health Care Costs, launched by the Peterson Center on Healthcare and the Milbank Memorial Fund. The program supports state-led activities that engage cross-sector stakeholders in designing, adopting, and implementing policies to measure health care costs and set state-wide health care cost growth rate benchmarks. Bailit Health and Rutgers Center for State Health Policy are providing technical and strategic guidance in support of the State's efforts.