Joint Task Force on Affordable, Accessible Health Care
October 28, 2021

Policy Option: Cost Growth Benchmark

Description

A cost-growth benchmark program is a cost-containment strategy that limits how much a state's health care spending can grow each year. The goal of the strategy is to contain costs for patients, providers, and payers. The intended outcome is for healthcare cost growth to be slowed to more closely align with wage and income growth so that healthcare can remain affordable for individuals, businesses and states.

Who Will it Affect, and How?

There is a theoretical possibility that implementing a cost-growth benchmark could have unintended consequences , e.g., restrictions on patients receiving medically necessary services, although there is not yet evidence to validate this concern. Impacts on payers and providers may vary from state to state depending on the actions states take in pursuit of the benchmark, as well as the accountability measures a given state chooses to document benchmark targets.

State Activities

A component of Vermont's All-Payer Accountable Care Organization (ACO) Model Agreement with the federal government, signed October 2016, set a goal for the All-Payer Total Cost of Care per Beneficiary growth rate at 3.5% (and not more than 4.3%) for the 5-year period between 2018-2022.[1] However, this does not constitute a state-wide effort that affects all covered residents. In addition, setting a public target for spending growth alone is not sufficient in slowing the rate of growth; a benchmark needs to be complemented by strategies designed to move the needle.

While Vermont has implemented a partial cost growth benchmark, other states have gone further – implementing statewide benchmarks with public reporting across state, market, insurer and large provider levels, as well as the potential for penalties or corrective action plans if the benchmark is not met.

- Massachusetts. As the first state to establish a cost growth benchmark in 2012 via Chapter 224. The benchmark was set equal to the Potential Gross State Product (PGSP) of 3.6% for 2013-2017 and then PGSP minus 0.5% (3.1%) for 2018-2022.[2] The Center for Health Information and Analysis was charged with analyzing and **reporting on payer and provider costs and cost trends** and to specifically compare growth rates relative to the benchmark.[3] The MA Health Policy Commission was also created and charged with monitoring performance of payers and providers relative to the benchmark to identify and implement strategies that would improve the ability of the state to meet its benchmark goals.[4] With regards to enforcement of the benchmark, the Health Policy Commission can **request performance improvement plans** from

[1] https://gmcboard.vermont.gov/sites/gmcb/files/documents/APM_Summary_20211001.pdf
[2] https://www.nashp.org/how-states-use-cost-growth-benchmark-programs-to-contain-health-care-costs/
[3] https://www.chiamass.gov/mission-and-history/
[4] https://www.mass.gov/about-the-health-policy-commission-hpc

those that exceed the benchmark, as well as **convene public hearings** where those that exceed the benchmark are asked to testify.[5]

- Delaware. Executive Order 25 in 2018 created a cost growth benchmark in Delaware. The growth rate was set at 3.8% for 2019, 3.5% for 2020, 3.25% for 2021, and 3.0% for 2022 and 2023 based on Delaware's per capita Potential Gross State Product (PGSP). Performance against the benchmark and related analyses are **publicly reported** by the Delaware Health Care Commission. There are not currently accountability measures outlined for those that exceed the benchmark.[6]

- Rhode Island: Executive Order 19-03 in 2019 created a benchmark program in Rhode Island. The benchmark was set at Rhode Island's per capita Gross State Product (GSP) of 3.2% for 2019-2022, with a plan to reassess the target for 2023 and beyond. Performance against the benchmark and related analyses are **publicly reported** by the Office of the Health Insurance Commissioner and the Executive Office for Health and Human Services. There are not currently accountability measures outlined for those that exceed the benchmark.[7]

- Oregon. Oregon created a benchmark program in 2019 via SB 889 that was implemented beginning January 1, 2021. The benchmark was set at 3.4% for 2021-2025 and 3.0% from 2026-2030 based on a review of various economic indicators as well as growth targets selected by other states.[8] The Oregon Health Authority reports publicly on performance and conducts analyses to understand drivers of cost growth and subsequently develop strategies to improve performance.[9] With regards to enforcement of the benchmark, **performance improvement plans are required** from any payer or provider that exceeds the benchmark, and those that that surpass the benchmark 3 out of 5 years **may be fined in proportion to their excessive spending**.[10]

- Connecticut. Connecticut created a benchmark via Executive Order No. 5 in 2020. Connecticut's benchmark was set at 2.9% using a 20/80 weighting of CT Potential Gross State Product (PGSP) and median income, though the rate was adjusted to 3.4% and then 3.2% for the first two years of implementation.[11] The CT Office of Health Strategy is currently establishing a baseline by analyzing pre-benchmark cost growth, and will **publicly report** on performance relative to the benchmark in the future.[12] Connecticut currently does not have established consequences for entities exceeding the benchmark.

[5] https://www.nashp.org/how-states-use-cost-growth-benchmark-programs-to-contain-health-care-costs/
[6] https://dhss.delaware.gov/dhss/files/benchmarksummary013119.pdf
[7] http://www.ohic.ri.gov/documents/cost%20trends%20project/Compact-to-Reduce-the-Growth-in-Health-Care-Costs-and-State-Health-Care-Spending-in-RI.pdf
[8] https://www.oregon.gov/oha/HPA/HP/HCCGBMeetingDocs/2.12.20%20Presentation%20Slides_updated.pdf
[9] https://www.oregon.gov/oha/HPA/HP/HCCGBDocs/Governor-Appontment-Letter-10-18-2019.pdf
[10] https://www.nashp.org/how-states-use-cost-growth-benchmark-programs-to-contain-health-care-costs/
[11] https://www.nashp.org/how-states-use-cost-growth-benchmark-programs-to-contain-health-care-costs/
[12] https://portal.ct.gov/-/media/OHS/Cost-Growth-Benchmark/Guidance-for-Payer-and-Provider-Groups/CT-OHS-Implementation-Manual_final-v-1_5.pdf

- Washington. With the passing of HB 2457 in 2020, Washington created the Health Care Cost Transparency Board. On September 14, 2021, the Board voted to set their benchmark at 3.2% for 2022-2023, 3.0% for 2024-2025, and 2.8% for 2026, based on a 30/70 blend of Washington's Potential Gross State Product(PGSP) and historical median wage.[13] To help achieve the benchmark's goals, the Board will also work towards identifying cost drivers and providing recommendations for reducing health care spending to the Legislature on an annual basis.[14]

- New Jersey. Executive Order 217 was signed on January 28, 2021 to create an Interagency Working Group to determine their benchmark value and strategy for implementation.[15] New Jersey intends to use 2022 as a transition year for their benchmark program before using a benchmark value of 3.5% for 2023, 3.2% for 2024, 3.0% for 2025, 2.8% for 2026, and 2.5% for 2027. New Jersey based its benchmark value on a 25/75 blend of Potential Gross State Product (PGSP) and projected median income.

- Nevada. Nevada is in the process of drafting an executive order to establish their cost-growth benchmark, with a goal of it taking effect at the start of 2022.

- The only federal government involvement in cost-growth benchmarks has been CMS agreements with Vermont and Maryland that set targets for cost-growth for all payers (Maryland's rate was set at 3.58%). Similarly to Vermont, however, Maryland's agreement with CMS sets a growth rate target as a goal for a separate program (namely an All-Payer Model) rather than the benchmark being its own central focus with strategies specifically designed for that purpose.[16]

[13] https://www.hca.wa.gov/assets/program/board-meeting-summary-20210914.pdf
[14] https://www.hca.wa.gov/about-hca/health-care-cost-transparency-board
[15] http://www.cshp.rutgers.edu/content/nj-benchmark-program
[16] https://hscrc.maryland.gov/Documents/Modernization/Total%20Cost%20of%20Care%20Model%20-%20Background%20and%20Summary_7_26_17.pdf