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# Sustainable Health Care Cost Growth Target Advisory Committee

November 22, 2022



# Welcome

- Roll call
- September meeting summary review
- Agenda review
  - 2021 OHIS data – cost impacts to people in OR
  - 2013-2019 data – price and utilization
  - Accountability – reasonable cost growth
  - 2023 meeting schedule and workplan
  - Public comment (11:45 AM)

# Group Agreements

Group agreements outline behaviors and actions that we all agree to exhibit as we work together. Advisory Committee members will...

- Actively listen
- Share ideas and opinions
- Ask questions
- Be open
- Be respectful
- Be mindful of biases
- Check in regularly for consensus
- Trust intent and explore impact
- Review materials prior to meetings
- Start and end meetings on time

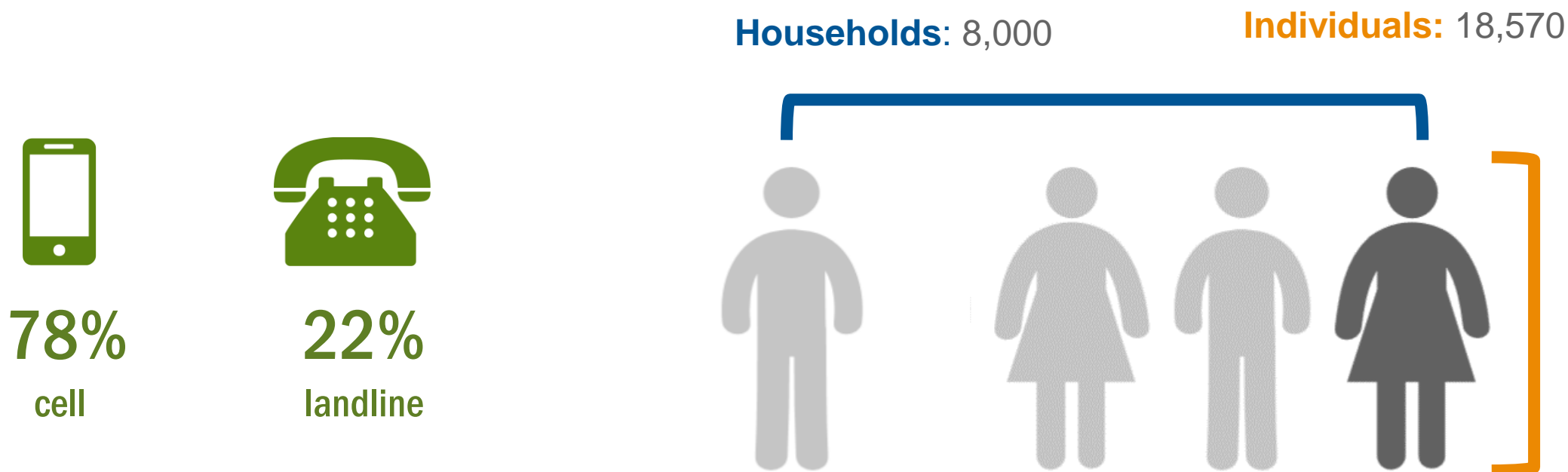
# Follow-Up Items

- See *Questions and Requests for Additional Information* for November updates.
- See *Evidence for VBP Memo*.

# 2021 Oregon Health Insurance Survey Data

Cost impacts to people in Oregon

The Oregon Health Insurance Survey (OHIS) provides detailed information about the impacts of health system reform efforts on health care coverage, access to care, and utilization. The survey was fielded Jan – Sept 2021 in English and Spanish.



# 2021 topics included health care costs & barriers

Topics	
Insurance Status	Health Status
Why Remain Uninsured	Program Eligibility
Coverage Changes	Underinsurance
Access to Care	Prescription Medications
Utilization	Dental and Vision Care
Health Care Costs and Barriers	Demographics

# Explore the OHIS data online



**INSURANCE  
COVERAGE**

Click here to explore the data



**THE  
UNINSURED**

Click here to explore the data



**COST &  
AFFORDABILITY**

Click here to explore the data

*Coming soon!*

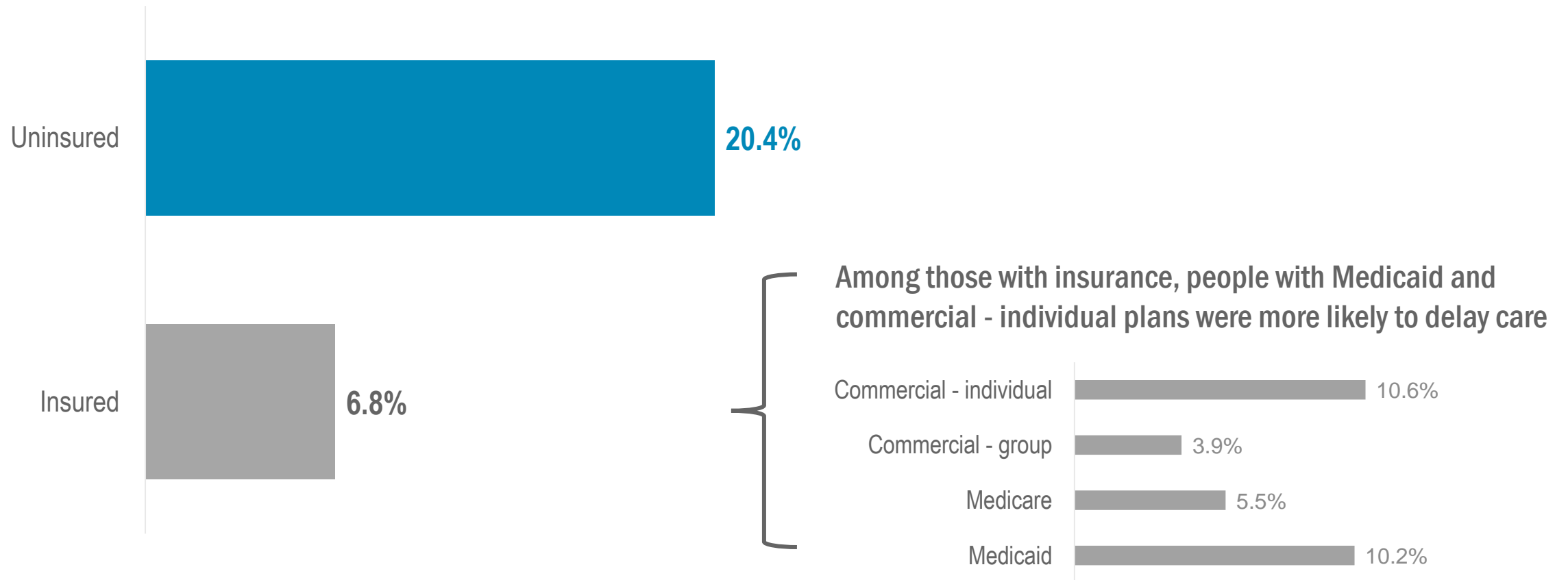
<https://www.oregon.gov/oha/hpa/analytics/pages/insurance-data.aspx>



**7.4% of people in Oregon report  
delaying care due to costs**

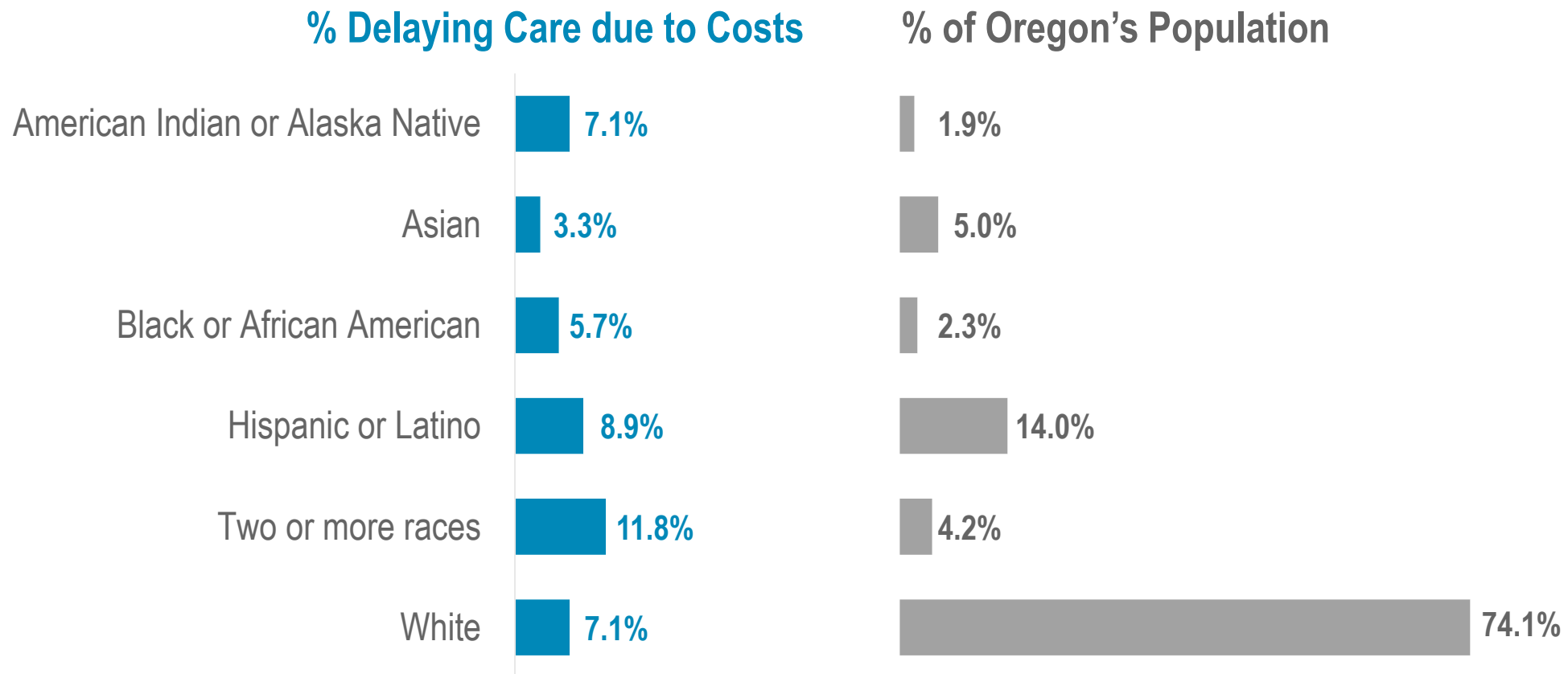
Delaying Care Due to Costs - 2021 OHIS

# Uninsured people in Oregon were more likely to delay care because of costs.



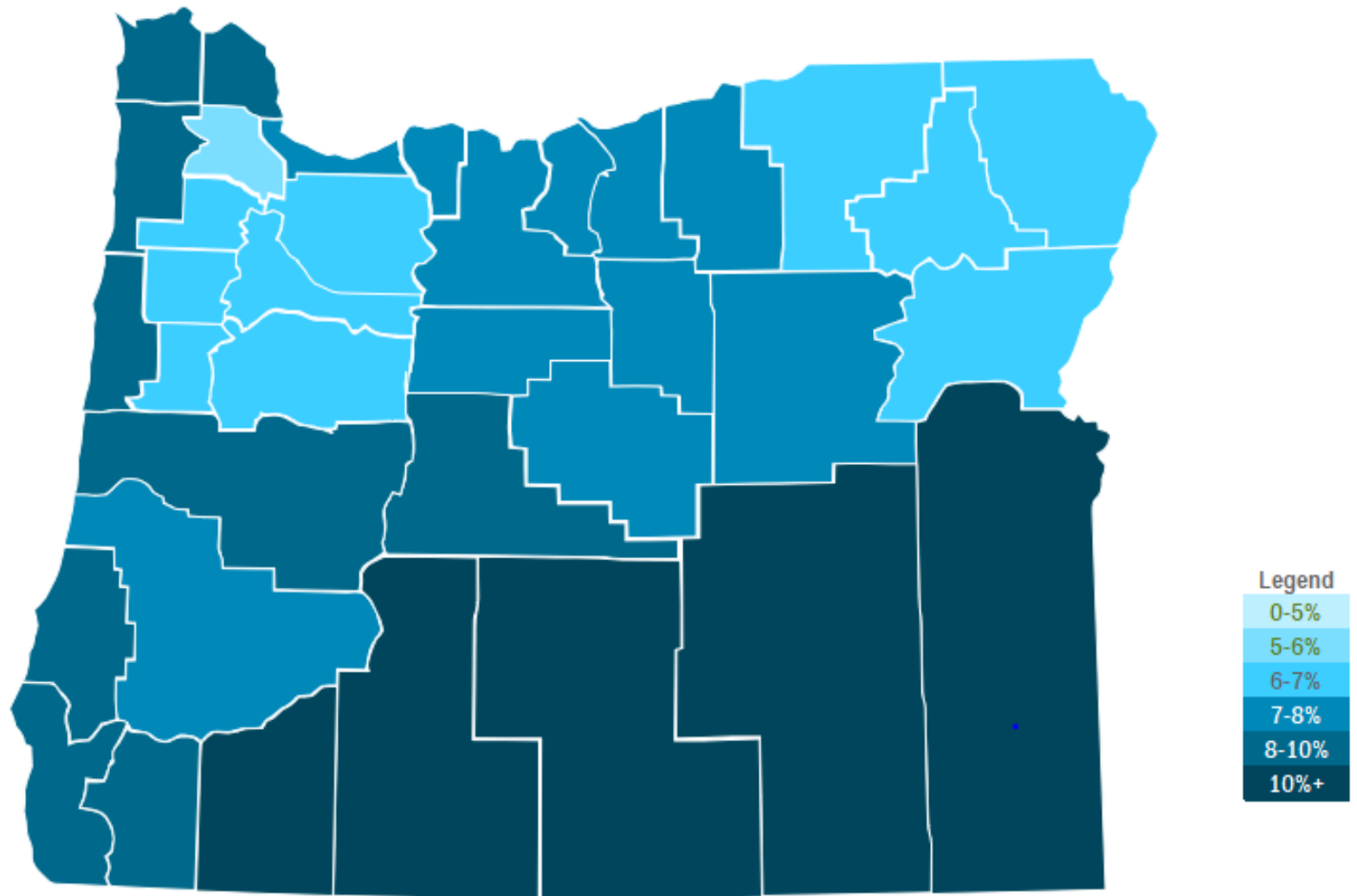
Data source: Oregon Health Insurance Survey, 2021

# Hispanic or Latino people in Oregon, and people with two or more races were more likely to report delaying care due to costs.



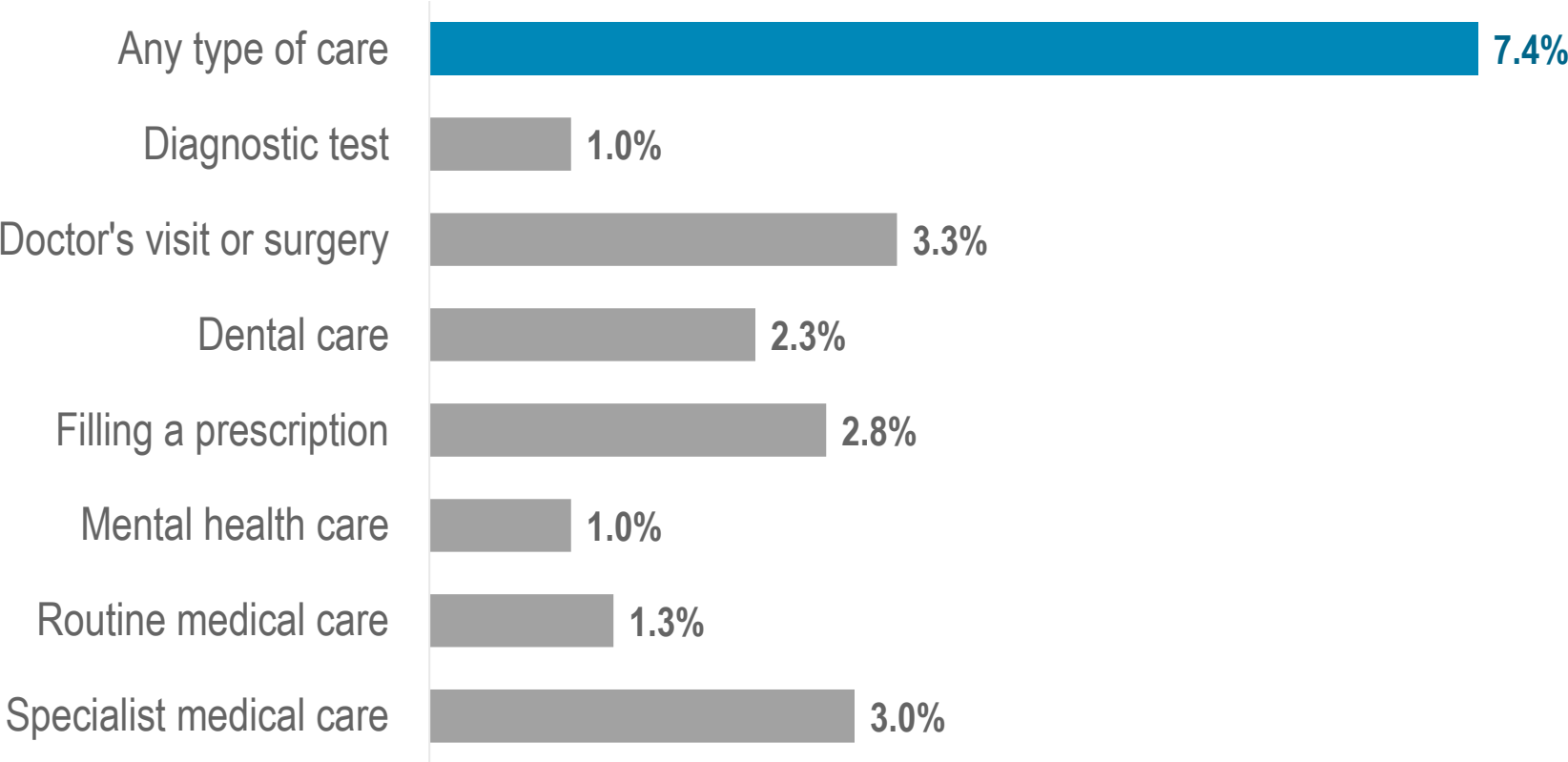
Data source: Oregon Health Insurance Survey, 2021; US Census QuickFacts 2021

**People in  
southeastern  
Oregon were  
more likely to  
report  
delaying care  
due to costs.**



Data source: Oregon Health Insurance Survey, 2021

% of people in Oregon reporting delaying care due to cost, by type of care



What kinds of care did people in Oregon delay due to costs?

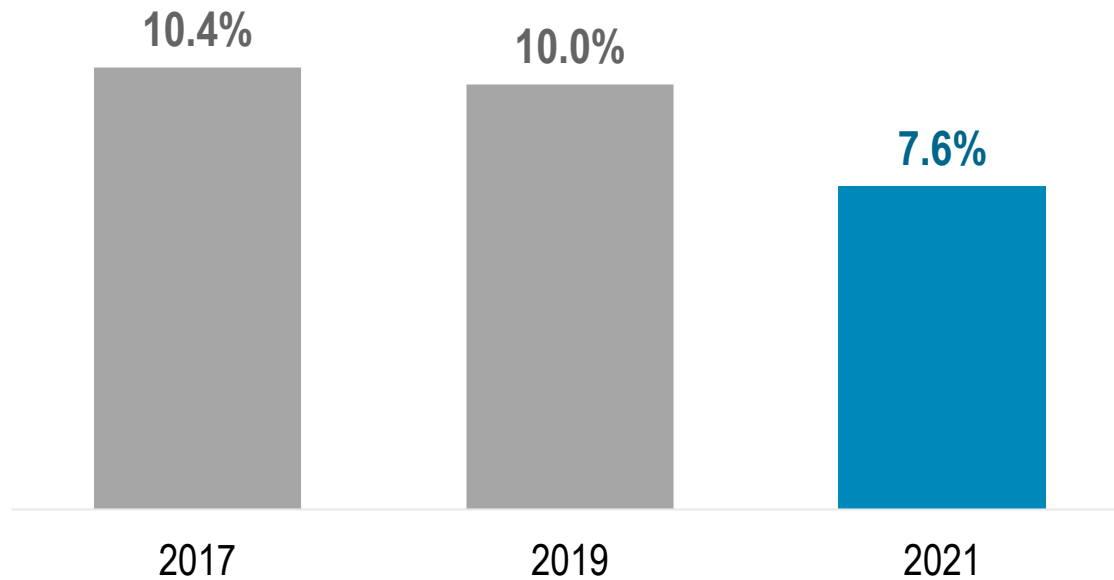
Data source: Oregon Health Insurance Survey, 2021

**7.6% of people in Oregon report  
trouble paying off medical bills over  
time**

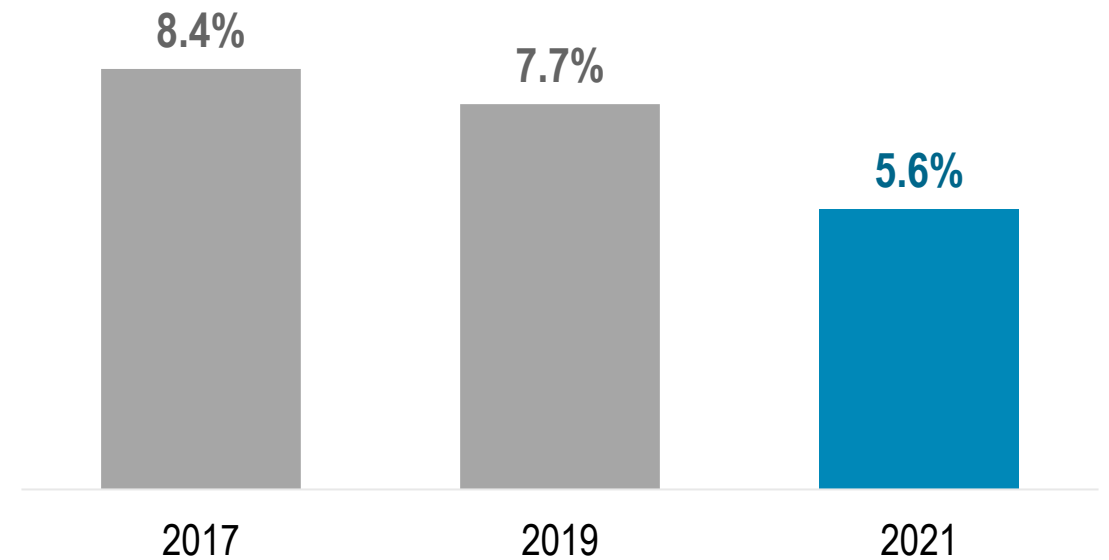
Medical Bills - 2021 OHIS

# Percent of people in Oregon who reported trouble paying off medical bills...

Over Time



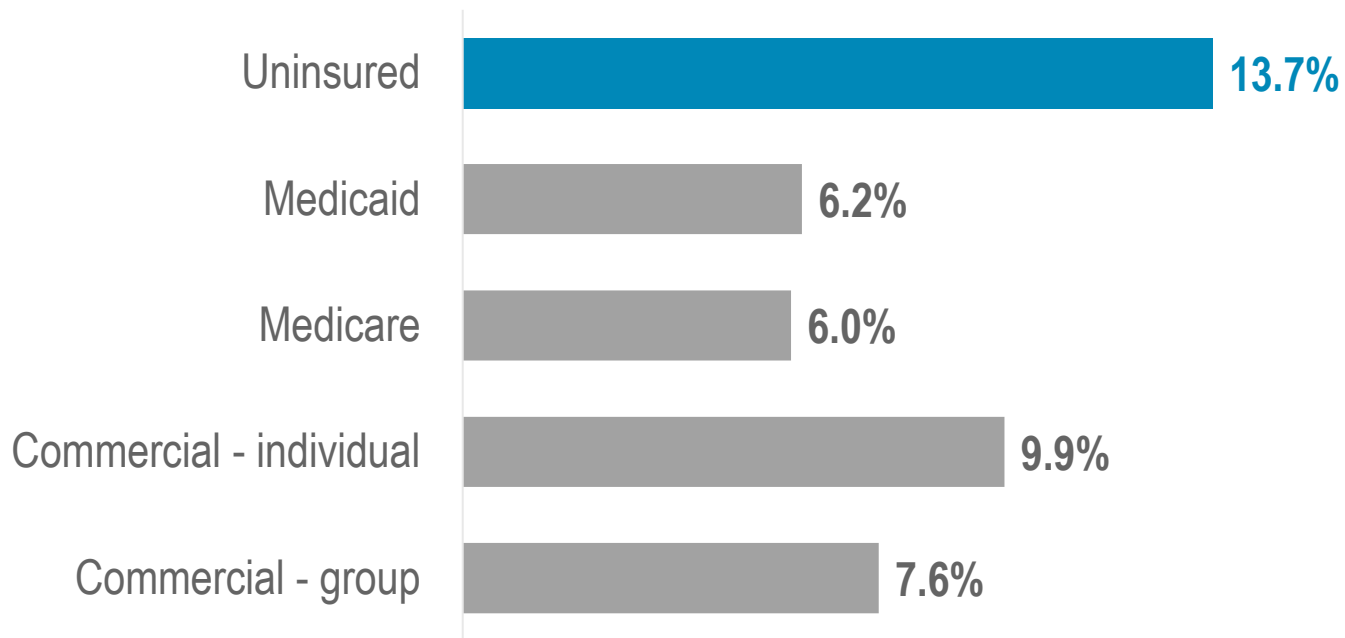
In the Past Year



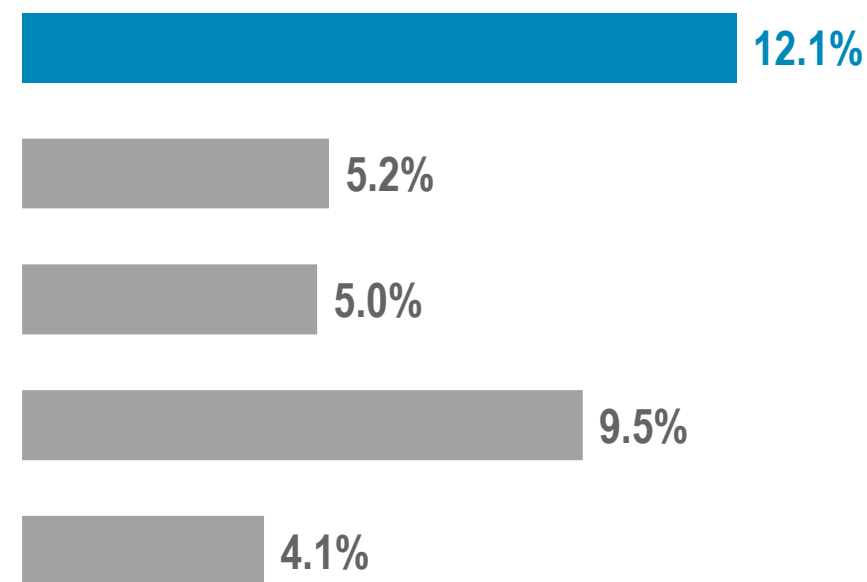
Data source: Oregon Health Insurance Survey, 2021

# Percent of people in Oregon who reported trouble paying off medical bills by insurance status...

## Over Time



## In the Past Year



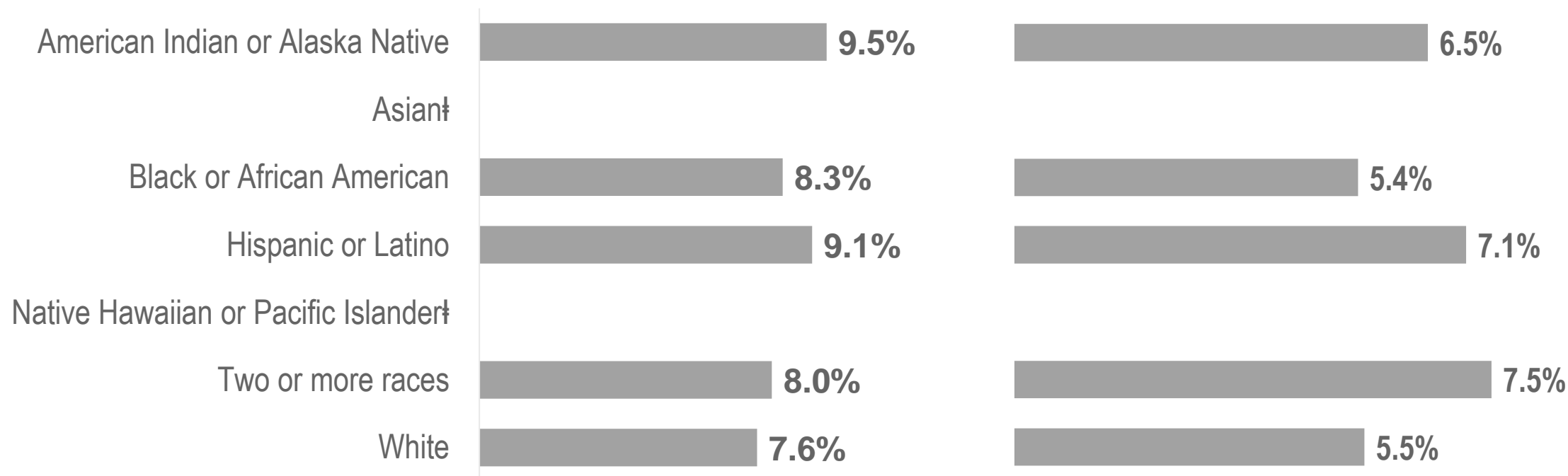
Data source: Oregon Health Insurance Survey, 2021



# People in Oregon reporting difficulty paying medical bills by race/ethnicity.

## Over Time

## In the Past Year

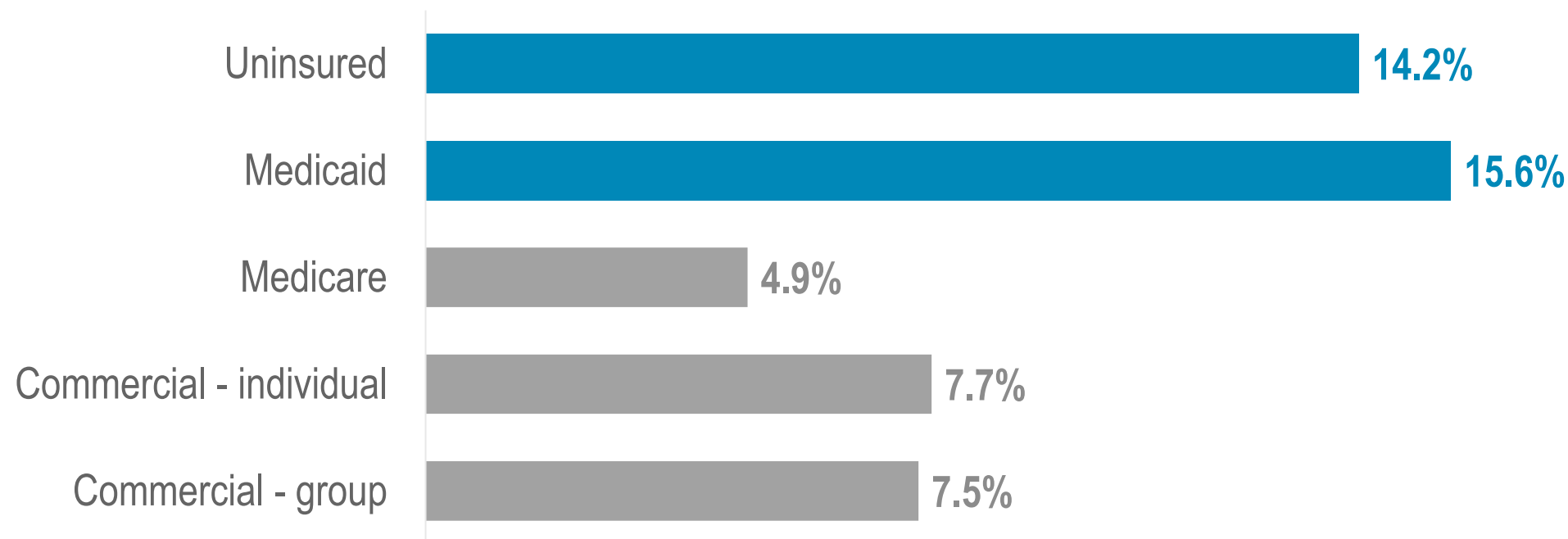


† Data suppressed due to small numbers  
Data source: Oregon Health Insurance Survey, 2021

**10.2% of people in Oregon report  
using up all or most of their savings  
on medical bills**

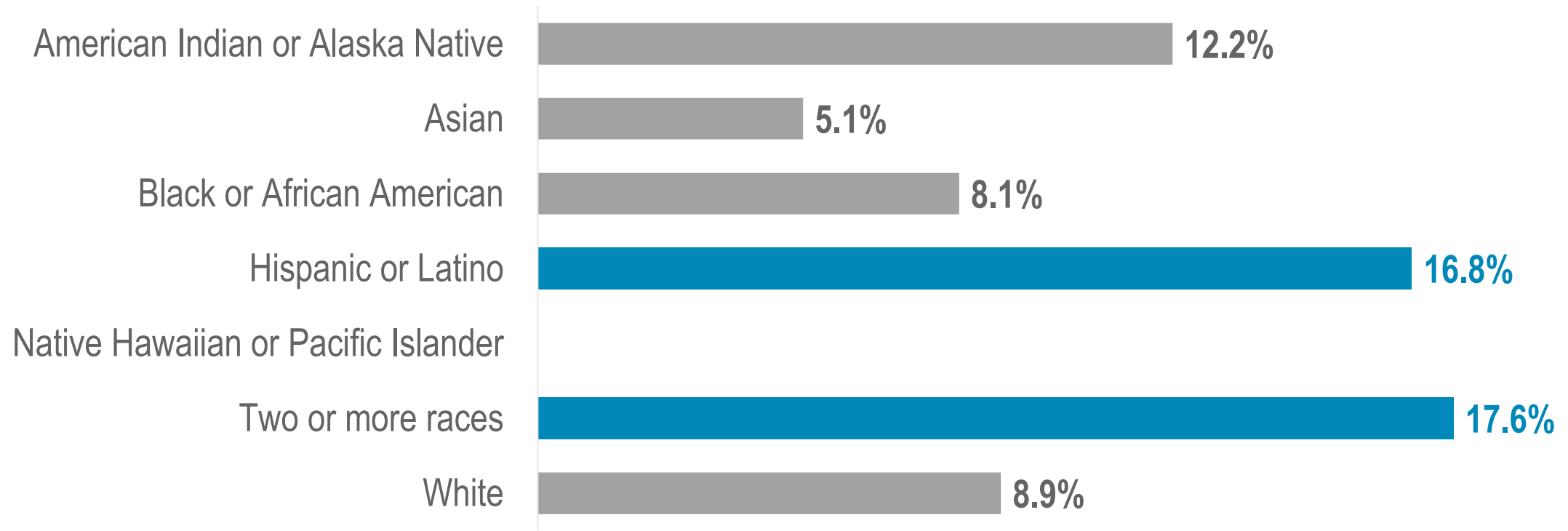
Medical Bills - 2021 OHIS

# Uninsured people in Oregon and those on Medicaid were more likely to report using up all or most of their savings on medical bills.



Data source: Oregon Health Insurance Survey, 2021

## Hispanic or Latino people in Oregon and those reporting two or more races were more likely to report using up all or most of their savings on medical bills.



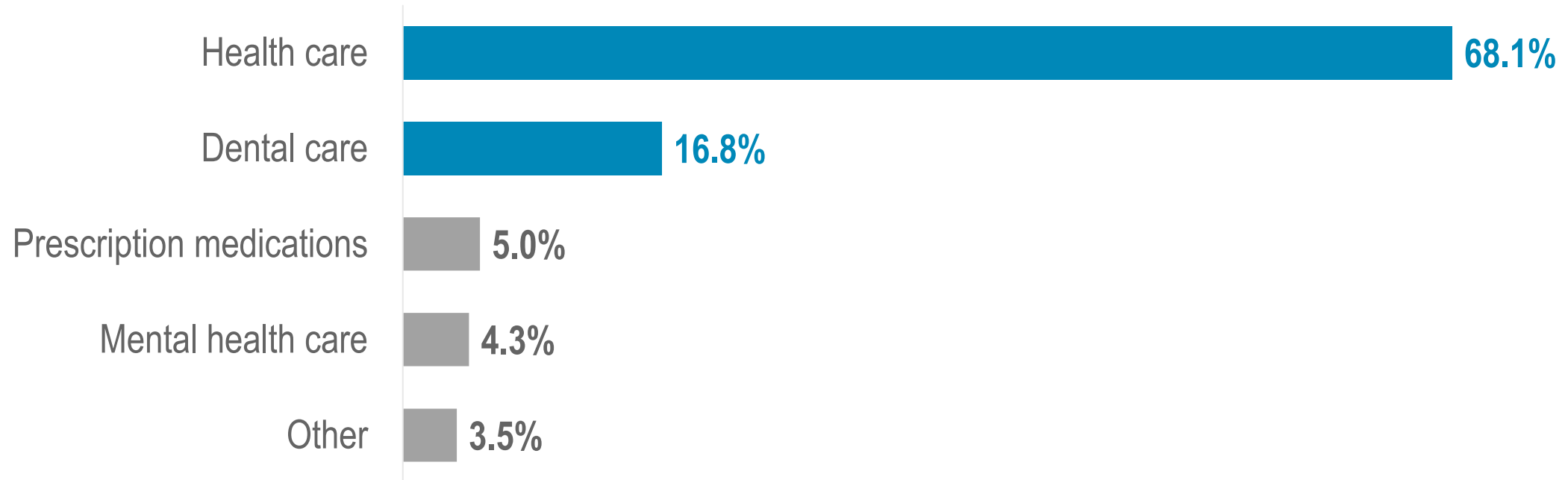
† Data suppressed due to small numbers  
Data source: Oregon Health Insurance Survey, 2021

**3.2%** of people in Oregon reported they were not able to pay for food, heat, or rent because of medical bills.

**5.1%** of people in Oregon reported taking on credit card debt, loans, or debt against their homes because of medical bills.

**0.3%** of people in Oregon reported medical bankruptcy due to medical bills.

# Health care and dental care were the top reported medical service categories that led to bills.



Substance abuse care, vision care, and general cost categories suppressed due to small numbers.

Data source: Oregon Health Insurance Survey, 2021

# Discussion

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# Health Care Cost Trends: Price & Utilization

## State and Market Level Data in Oregon, 2013-2019

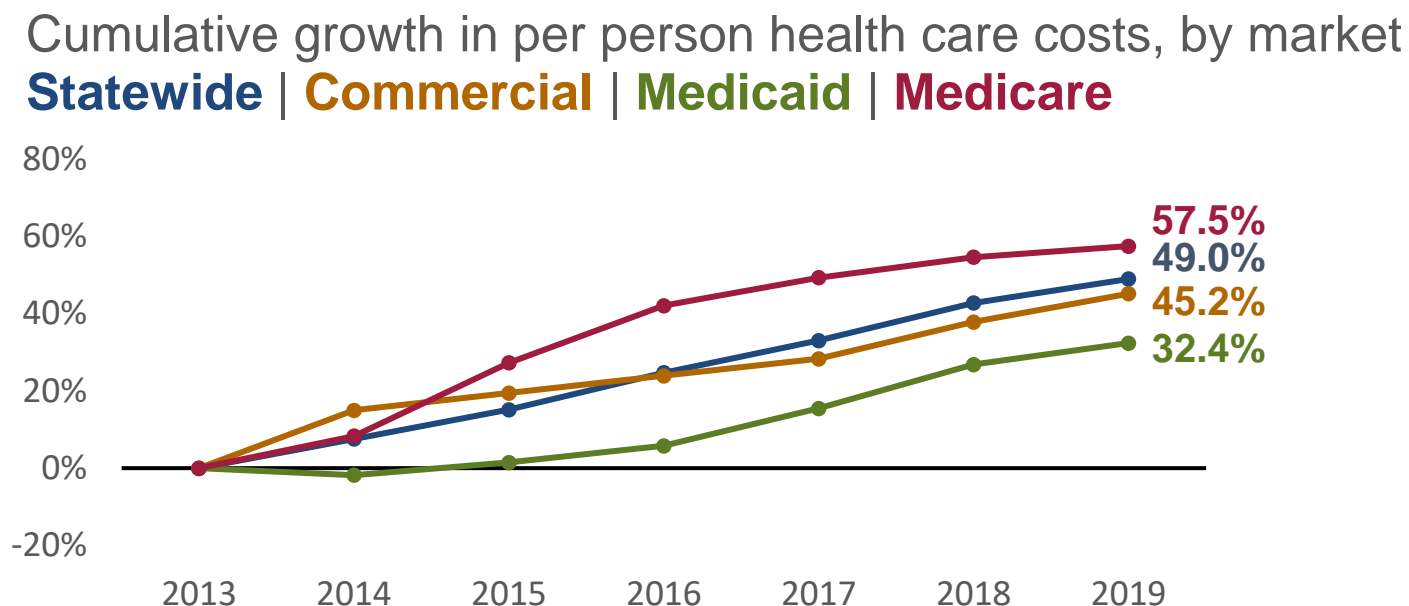
November 2022





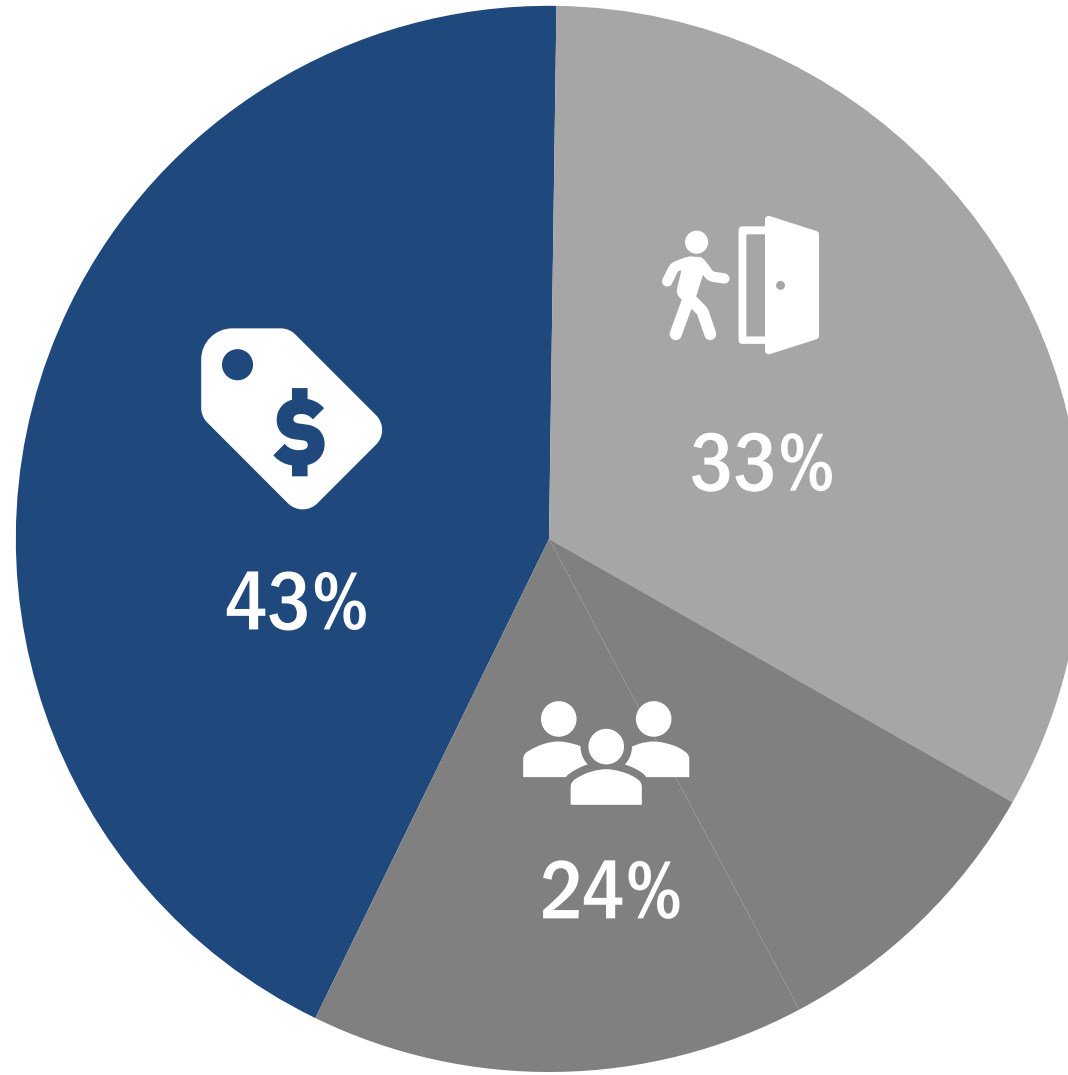
# Statewide per person health care costs in Oregon grew 49% from 2013 to 2019

From 2013 to 2019, per person costs in **Medicare** grew the most (57.5%), while **Commercial** and **Medicaid** grew 45.2% and 32.4%, respectively.



In July 2022, Oregon Health Authority used the All Payer All Claims (APAC) database to publish the first [Health Care Cost Trend Report \(2013-2019\)](#), which presented per person health care costs in Oregon for each market – Commercial, Medicaid, and Medicare.

**Nationally,  
rising prices  
are the  
largest driver  
of health care  
cost growth**



**43% Prices**  
(cost per service)

**33% Utilization**  
(number of services,  
type of services)

**24%**  
**Demographics**  
(aging population,  
population growth)

Source: National Health Expenditure Projections, 2019-2028. *Health Affairs*, 2020.  
Demographics includes both age/sex composition changes and population growth

# What's driving health care cost growth in Oregon?



Are costs increasing because the **price** for health care services is going up?



Or are costs increasing because there are more health care services being provided to people (also known as **higher utilization**)?

# Key Findings

# Takeaway



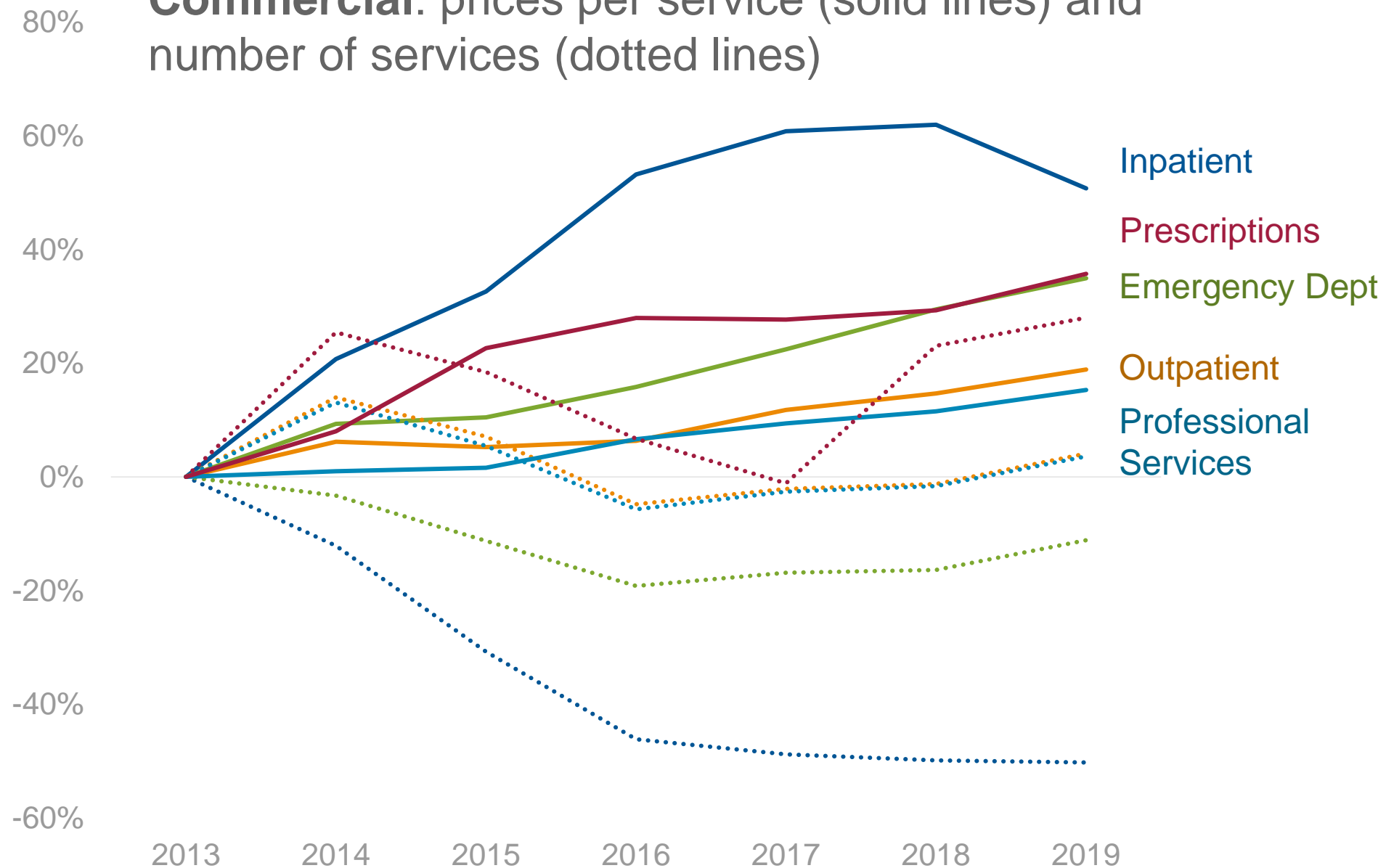
**Price increases were** the primary driver of cost growth in Oregon's **Commercial** health care market. The number of services provided either decreased or stayed approximately the same over time.



However, cost growth in Oregon's **Medicare Advantage** and **Medicaid** health care markets was mostly because the **number of services provided increased**.

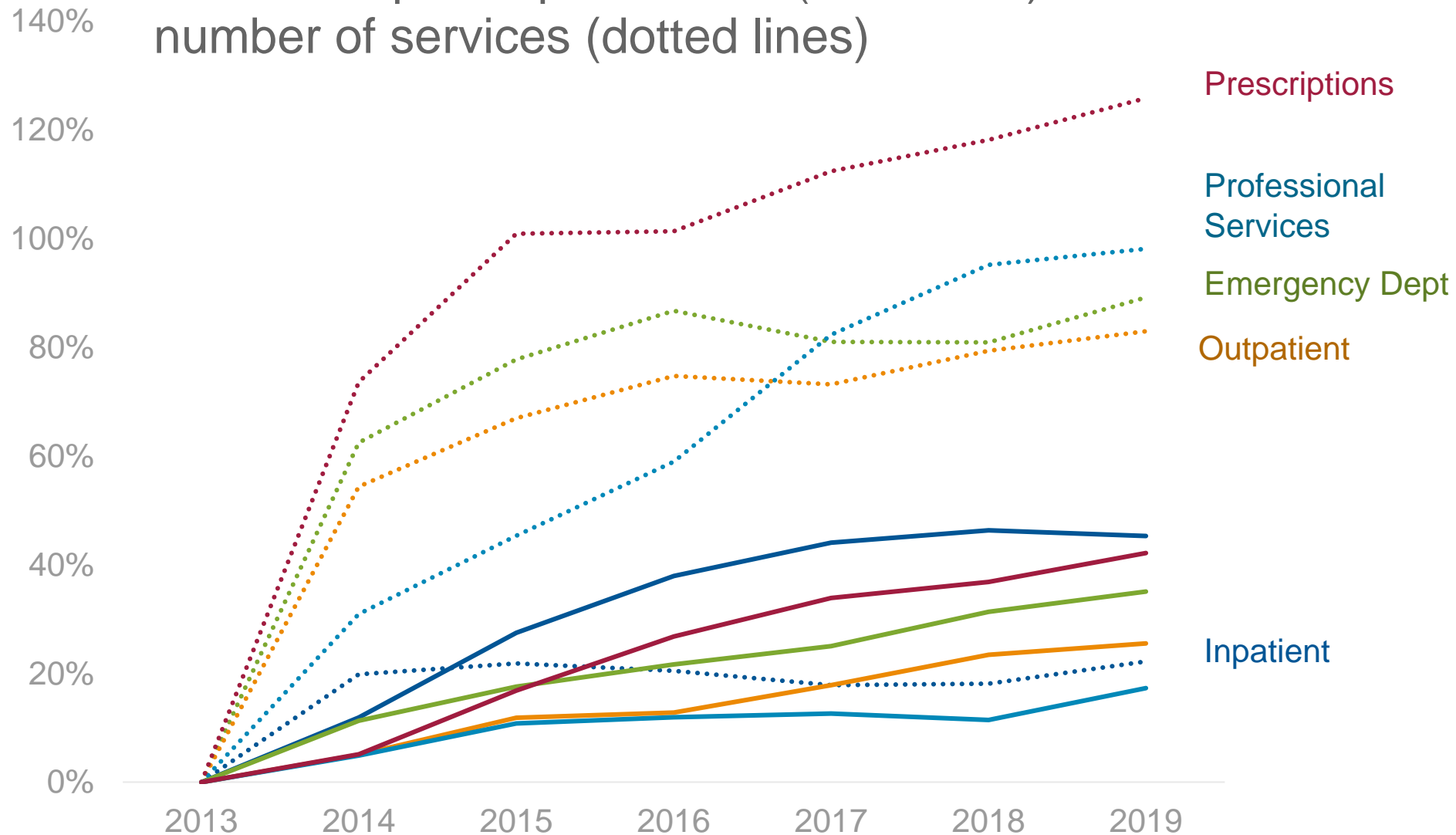
Note: The term **Medicare** in this report refers to **Medicare Advantage**

**Commercial:** prices per service (solid lines) and number of services (dotted lines)



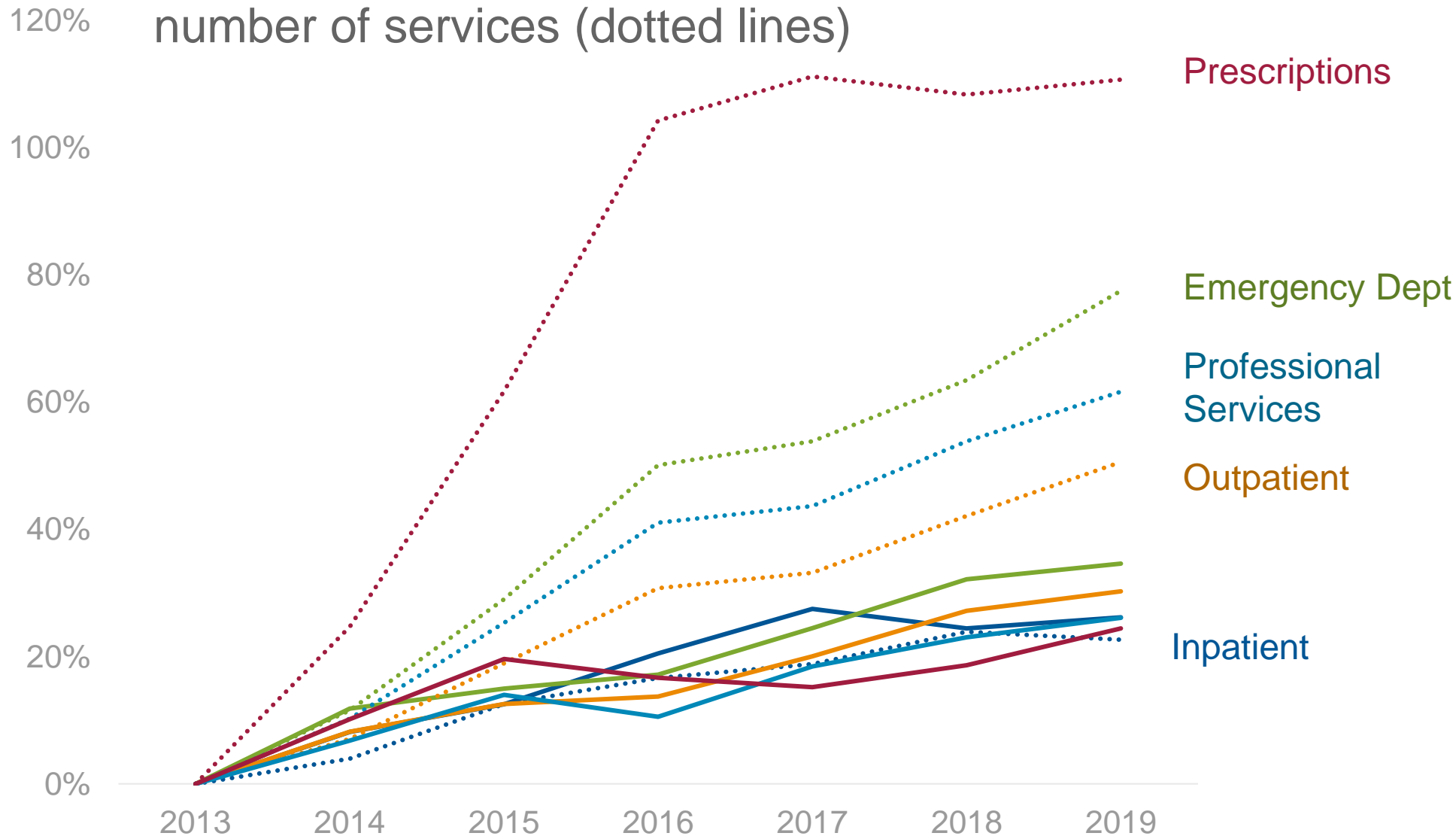
**In the commercial market, health care cost growth was driven by price growth, while the number of services decreased or was flat over time**

## Medicaid: prices per service (solid lines) and number of services (dotted lines)



**In the Medicaid market, health care cost growth was driven by an increase in the number of services; prices per service grew more slowly**

## Medicare: prices per service (solid lines) and number of services (dotted lines)




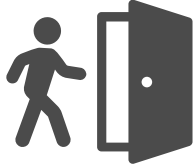





**In the Medicare market, health care cost growth was driven by an increase in the number of services; prices per service grew more slowly**



# Trends by Service Category

Prices & Utilization

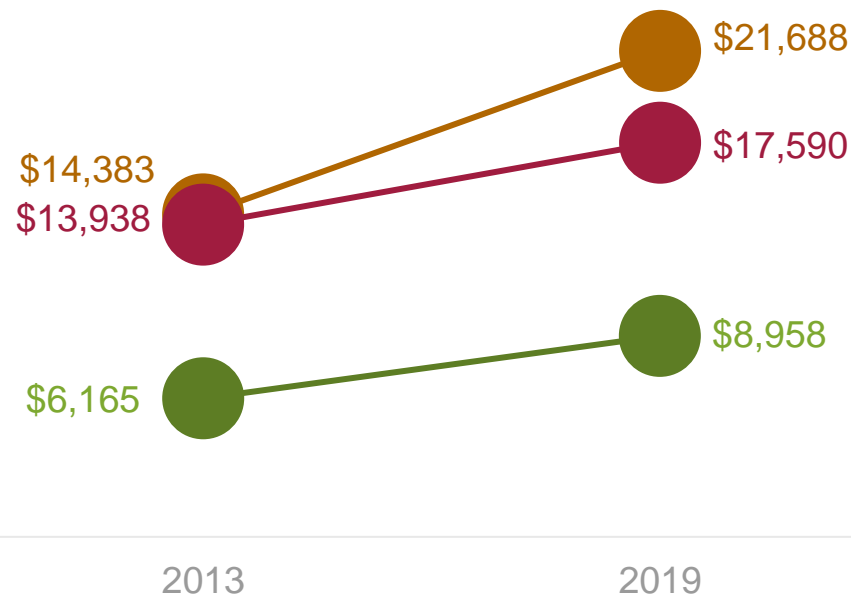
# Key Findings for Each Service Category

		
	<b>Inpatient</b> prices grew more than utilization for every market. Commercial prices grew the most.	Commercial utilization of inpatient services dropped by 50% while Medicare and Medicaid utilization increased.
	<b>Emergency department</b> prices grew similarly in every market	Emergency department utilization increased for Medicaid and Medicare but declined for commercial.
	<b>Outpatient</b> prices grew the most for Medicare and the least for commercial	Outpatient utilization increased for Medicaid and Medicare but remained flat for commercial.
	<b>Professional</b> prices grew the most for Medicare and the least for commercial	Utilization of professional services increased for Medicaid and Medicare but was flat for commercial.
	<b>Retail prescription</b> prices grew the most for Medicaid and the least for Medicare	Prescription utilization increased for Medicaid and Medicare, and less so for commercial.

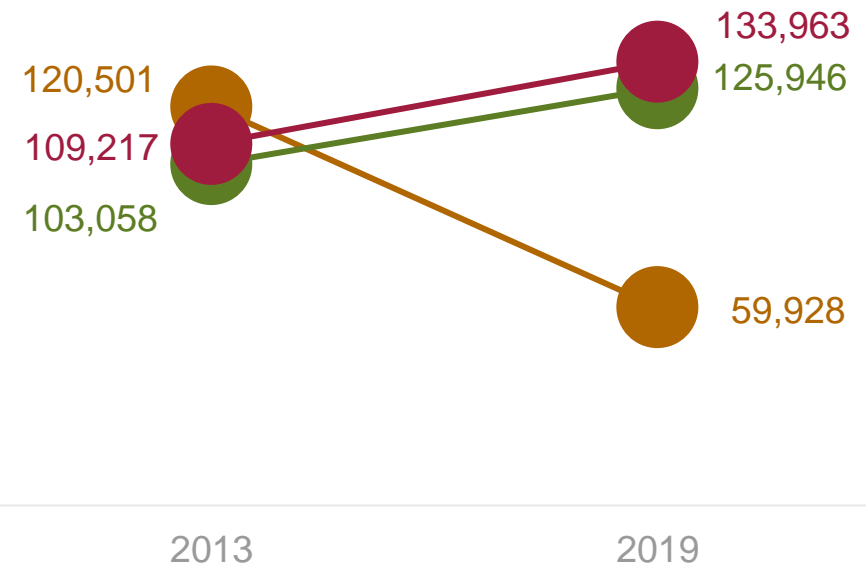
# For inpatient services, **commercial** prices grew the most while the number of services provided grew for **Medicare** and **Medicaid**.



Average price per inpatient service



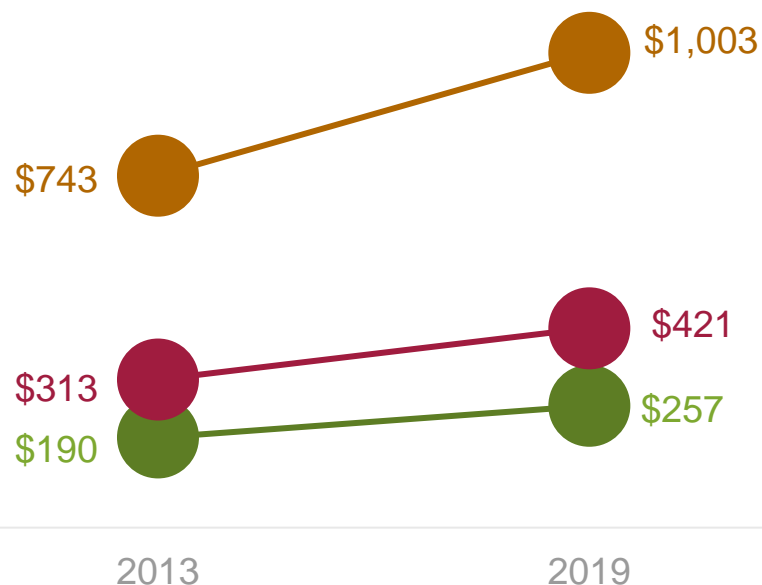
Number of inpatient services



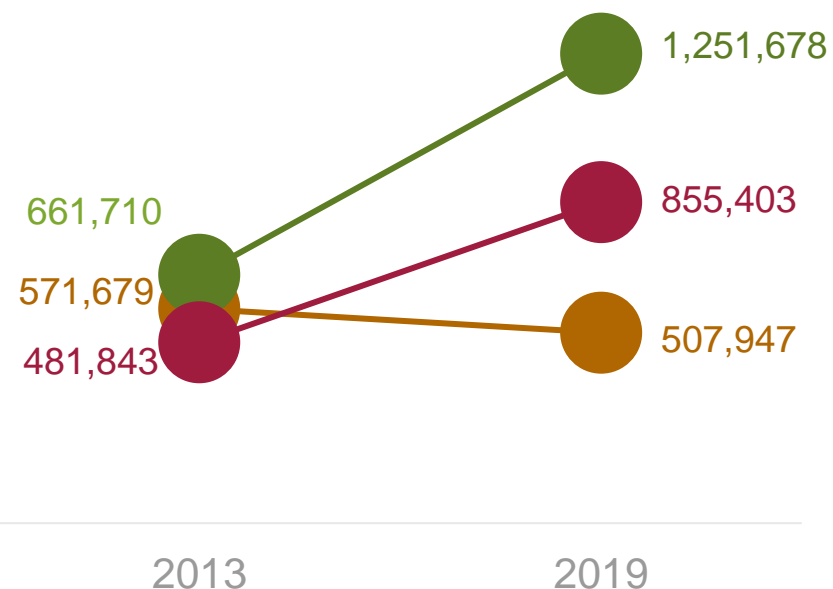
For Emergency Department services, **commercial** prices grew the most while the number of services provided grew for **Medicaid** and **Medicare**.



Average price per ED service



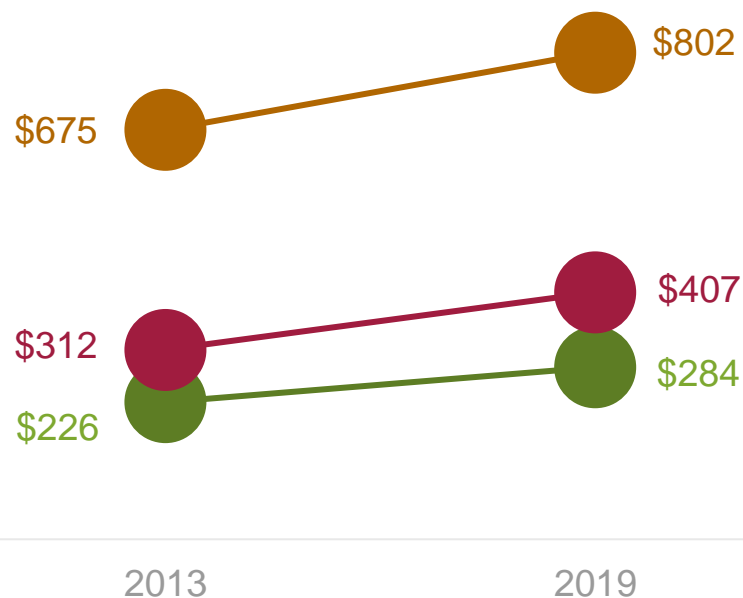
Number of ED services provided



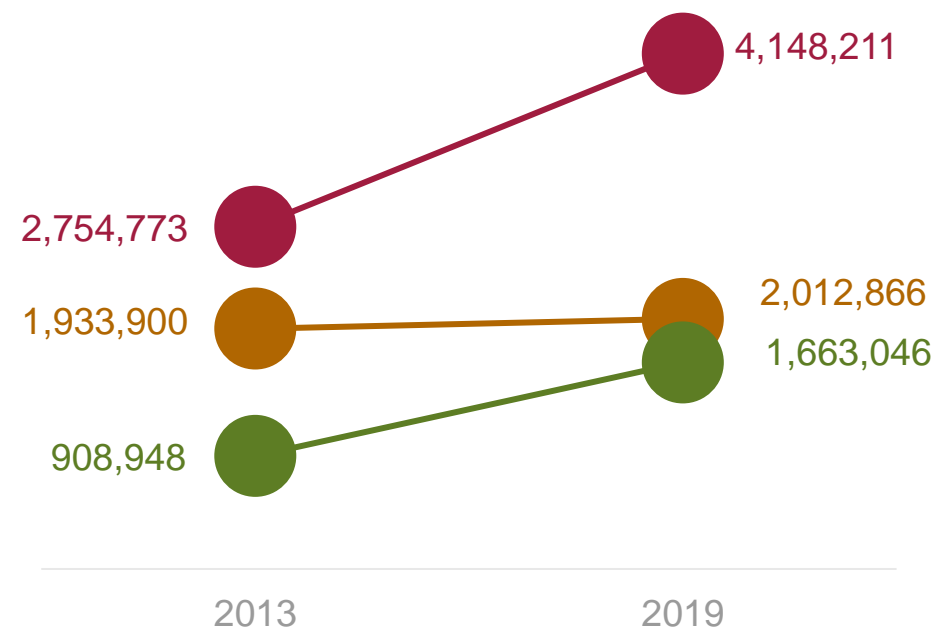
For outpatient services, **commercial** prices grew the most while **Medicare** and **Medicaid** saw more growth in the number of services provided.



Average price per outpatient service

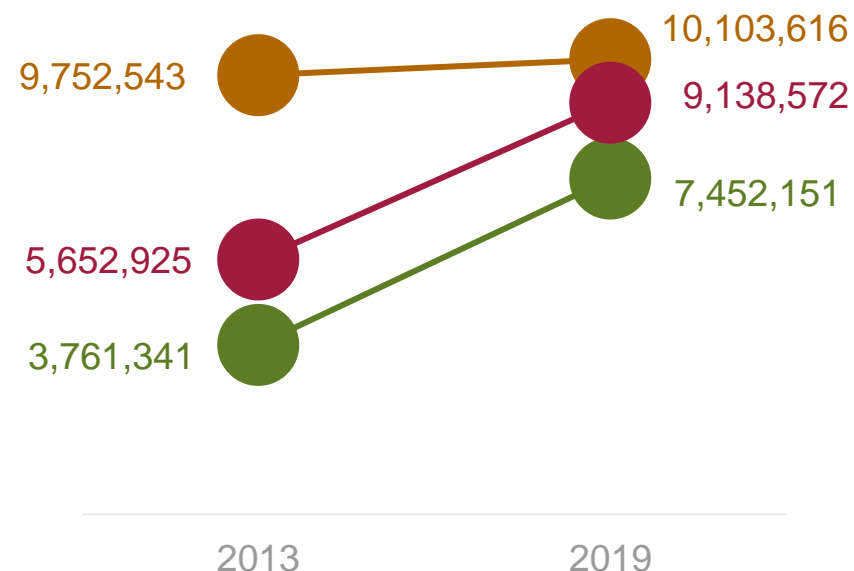
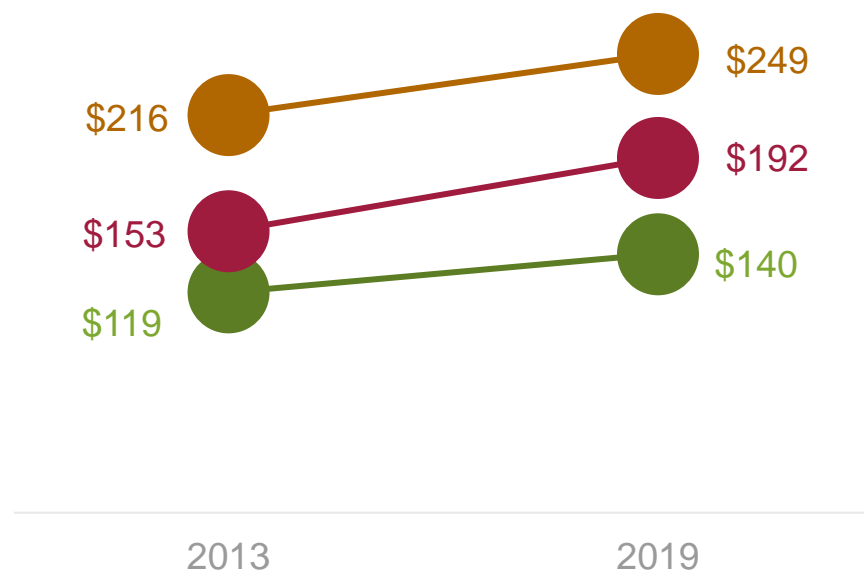


Number of outpatient services provided



For professional services, prices grew similarly in all three markets, but the number of services provided grew the most for **Medicare**. **Medicaid** services grew the second most and **commercial** services were flat.

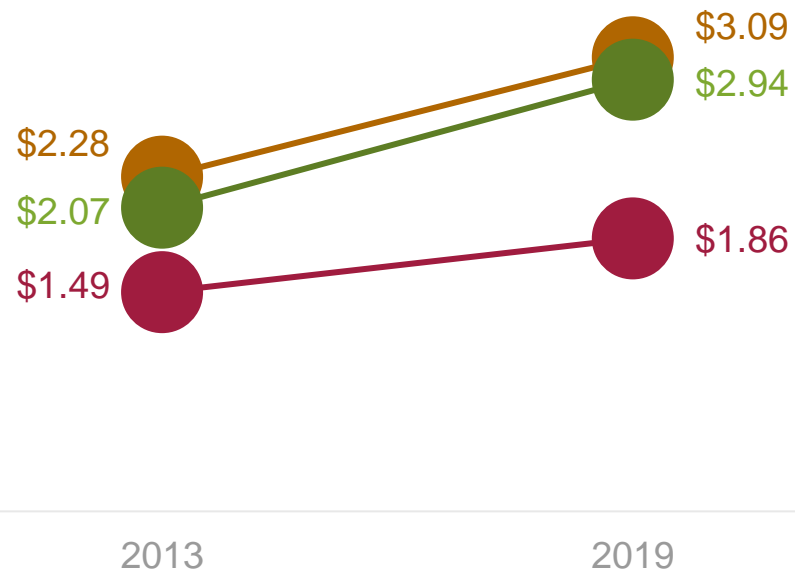
 Average price per professional service       Number of professional services provided



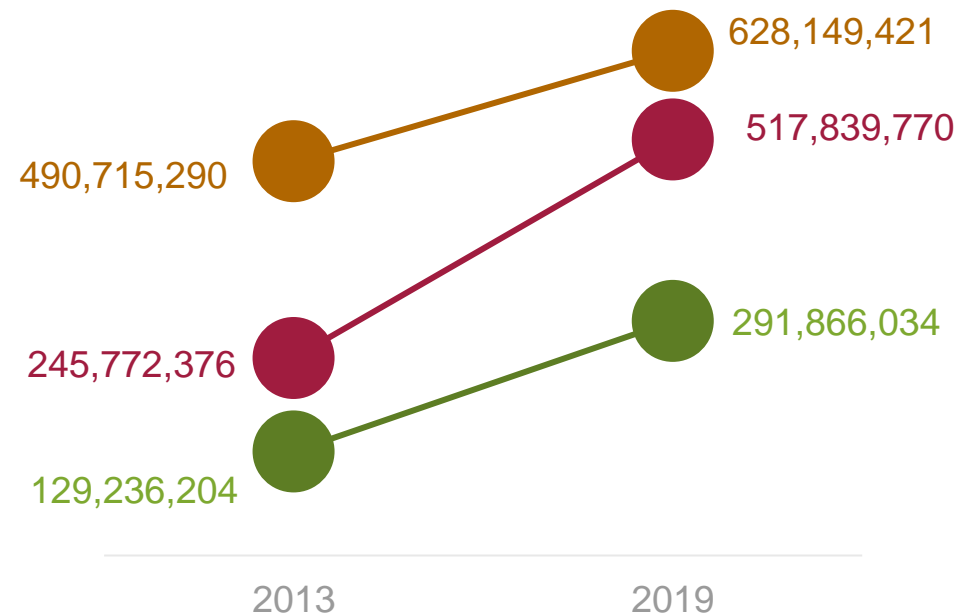
# Prices for retail prescriptions grew similarly for **commercial** and **Medicaid**, while the number of prescriptions increased the most for **Medicare**.



Average price per prescription  
(daily supply)



Number of prescriptions provided  
(daily supply)



# Discussion



# BREAK

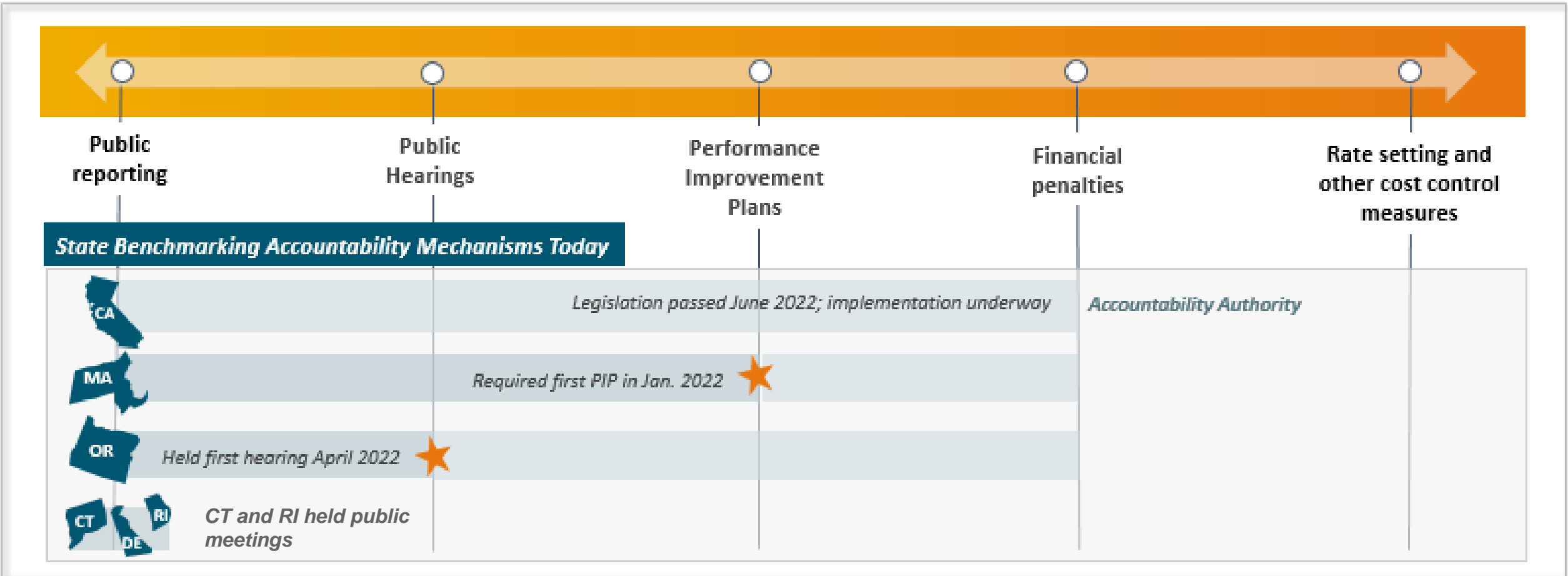
**Cost Growth Target Accountability**

# Today

- Summary of Cost Growth Target accountability in Oregon
- Determination of reasonableness process and criteria
- Macro-economic factors: inflation and labor trends
  - Oregon data
  - Approach in other CGT states
- Discussion

# Summary of Cost Growth Target Accountability in Oregon

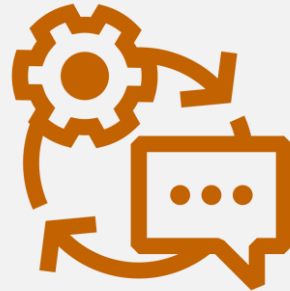
# States can use a continuum of mechanisms to hold entities accountable to a cost growth target



# Oregon's Approach to Accountability



Transparency



Performance Improvement Plans



Financial Penalties



Ongoing conversations to understand cost growth drivers and reasons for exceeding the cost growth target in a given year

# Legislative Path to Accountability



## Senate Bill 889 (2019)

“The Cost Growth Target Implementation Committee shall ... recommend accountability and enforcement processes, which may be phased in over time...”



## Implementation Committee (2020-21)

The Committee considered a range of options, including performance improvement plans, financial penalties, price caps, rate review, and more.



## House Bill 2081(2021)

Authorized performance improvement plans and financial penalties for providers and payers that exceed the cost growth target **without reasonable cause**

# Oregon's accountability measures are phased in

		We are here				
CGT Year	0	1	2	3	4	5
Cost growth between	2018 – 20	2020 – 21	2021 – 22	2022 – 23	2023 –24	2024 – 25
Data submitted in	2021	2022	2023	2024	2025	2026
Report published in	2022	2023	2024	2025	2026	2027
Are payers/providers publicly identified?	No	Yes	Yes	Yes	Yes	Yes
Do PIPs apply?	No	No	Yes	Yes	Yes	Yes
Does \$ penalty apply?	No	No	No	No	No	Yes



# Before any accountability measures are applied, Oregon will...



## **Ensure statistical confidence**

Only entities that exceed the cost growth target with statistical certainty may be held accountable



## **Determine reasonableness**

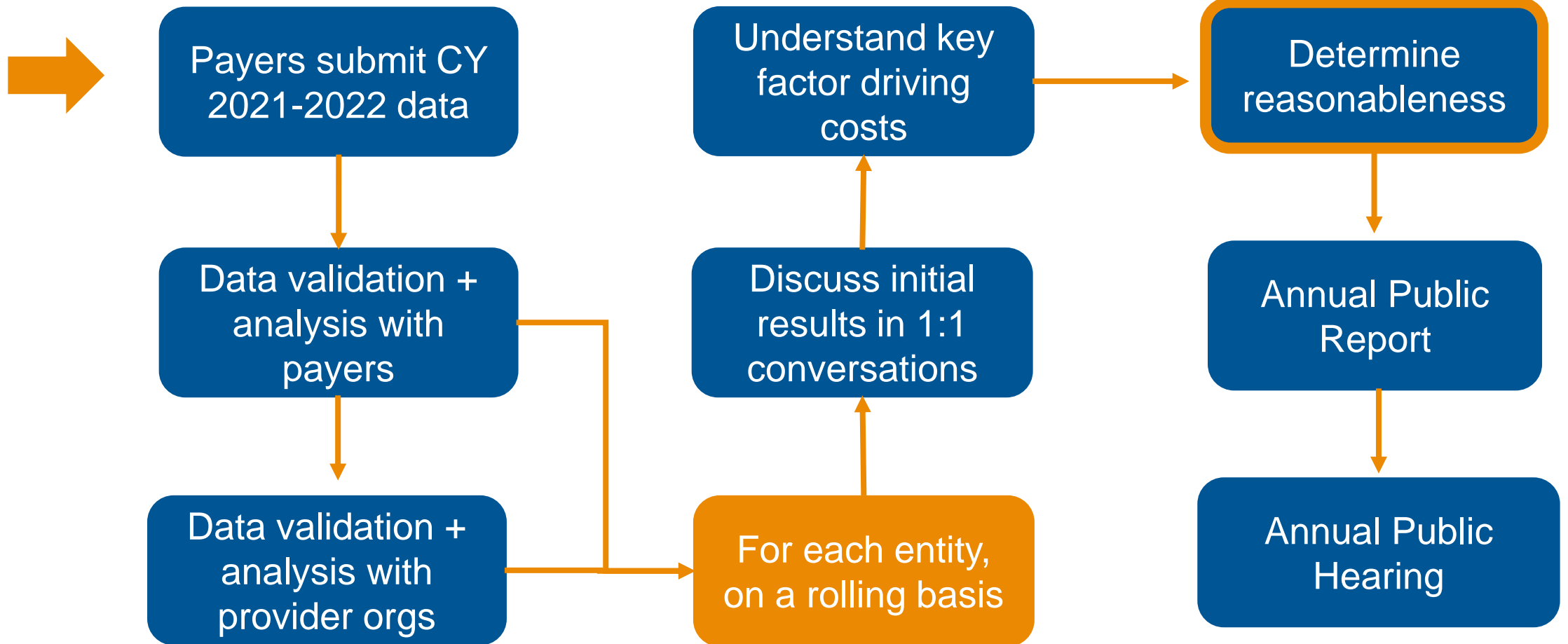
Only entities that exceed the cost growth target without good reason may be held accountable

# Determination of Reasonableness

Process and proposed criteria

Beginning Sept 2023

Reporting in 2024



The Cost Growth Target Implementation Committee identified potential factors that may cause an entity to reasonably exceed the cost growth target.

Changes in  
mandated benefits

New  
pharmaceuticals  
or treatments

Changes in taxes  
or other  
administrative  
factors

“Acts of God”

Changes in  
federal or state  
law

Investments to  
improve  
population health  
and/or address  
health equity

The Implementation Committee's list of factors was not exhaustive and may be amended to account for new factors that may reasonably drive cost growth.

Changes in  
mandated benefits

New pharmaceuticals  
or treatments

Changes in taxes  
or other  
administrative  
factors

“Acts of God”

Changes in federal  
or state law

Investments to  
improve population  
health and/or  
address health  
equity

Macro-economic  
factors

See handout #7

# Macro-economic factors

Inflation and Labor Market Trends in Oregon

**Historically High Inflation**

# What is Inflation?

Inflation measures how prices of goods and services increased from a prior time period. There are several indices that measure inflation.

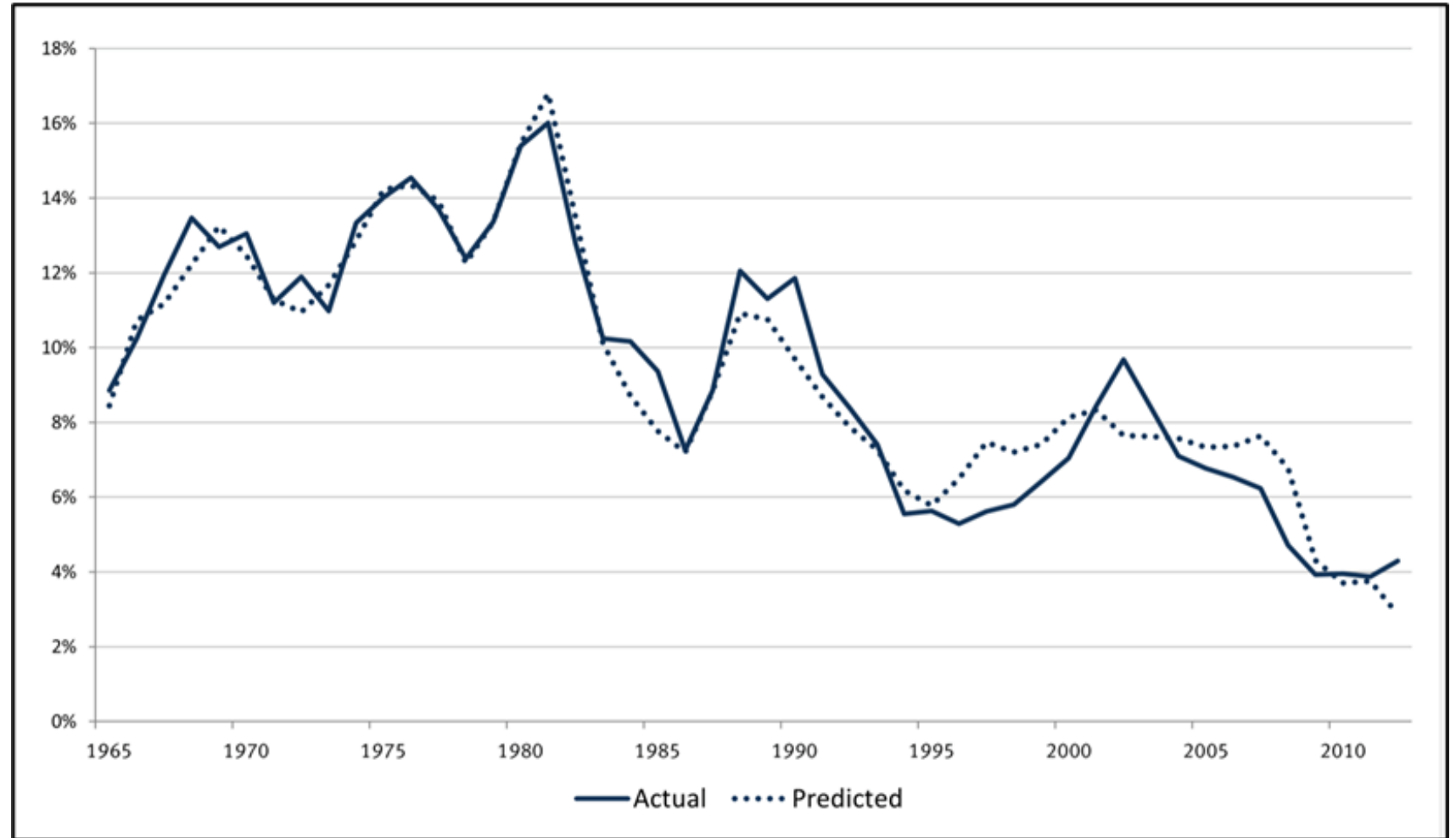
The Federal Reserve Bank measures inflation using **Personal Consumption Expenditures (PCE)**, which is defined as “*a measure of the prices that people living in the U.S. pay for goods and services.*”

The **Consumer Price Index (CPI)** is another measure of inflation. CPI is “*a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.*”



**Inflation  
and growth  
in real GDP  
are highly  
predictive  
of growth in  
health care  
spending**

**Growth in Health Care Spending, Actual and Predicted**

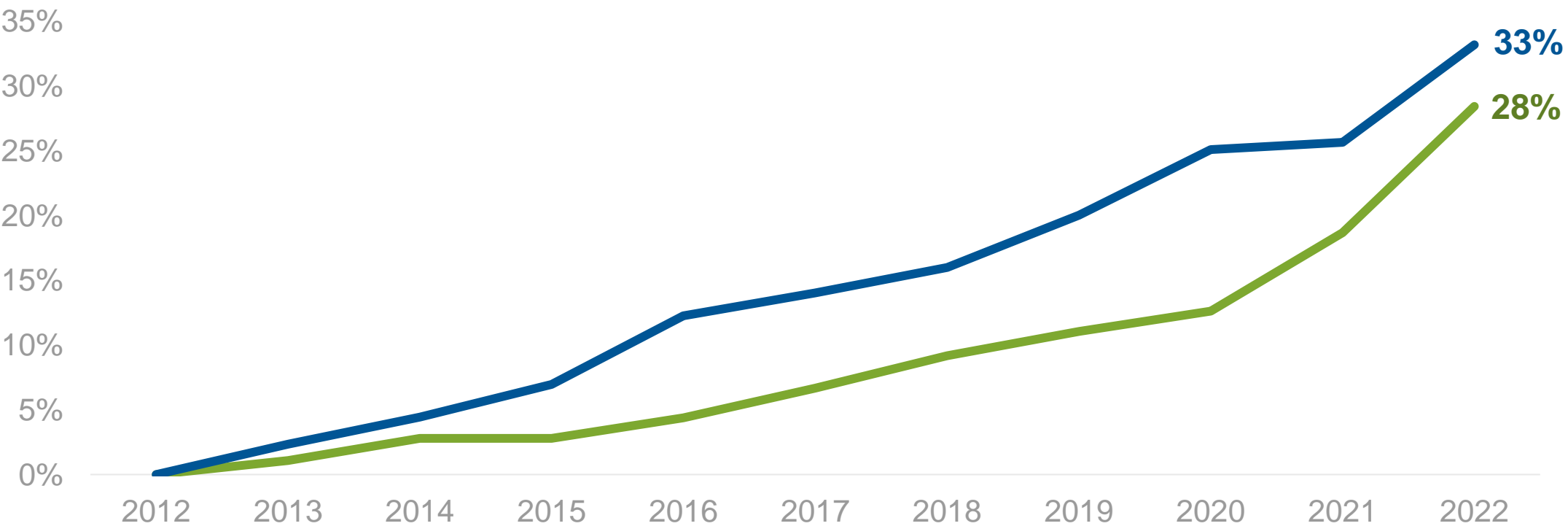


Source: Analysis by the Kaiser Family Foundation and the Altarum Center for Sustainable Health Spending, 2013. Compiled by Bailit Health

# Growth of medical prices typically exceeds overall consumer prices

Cumulative percent change in **Consumer Price Index (CPI)** and **CPI-Medical**

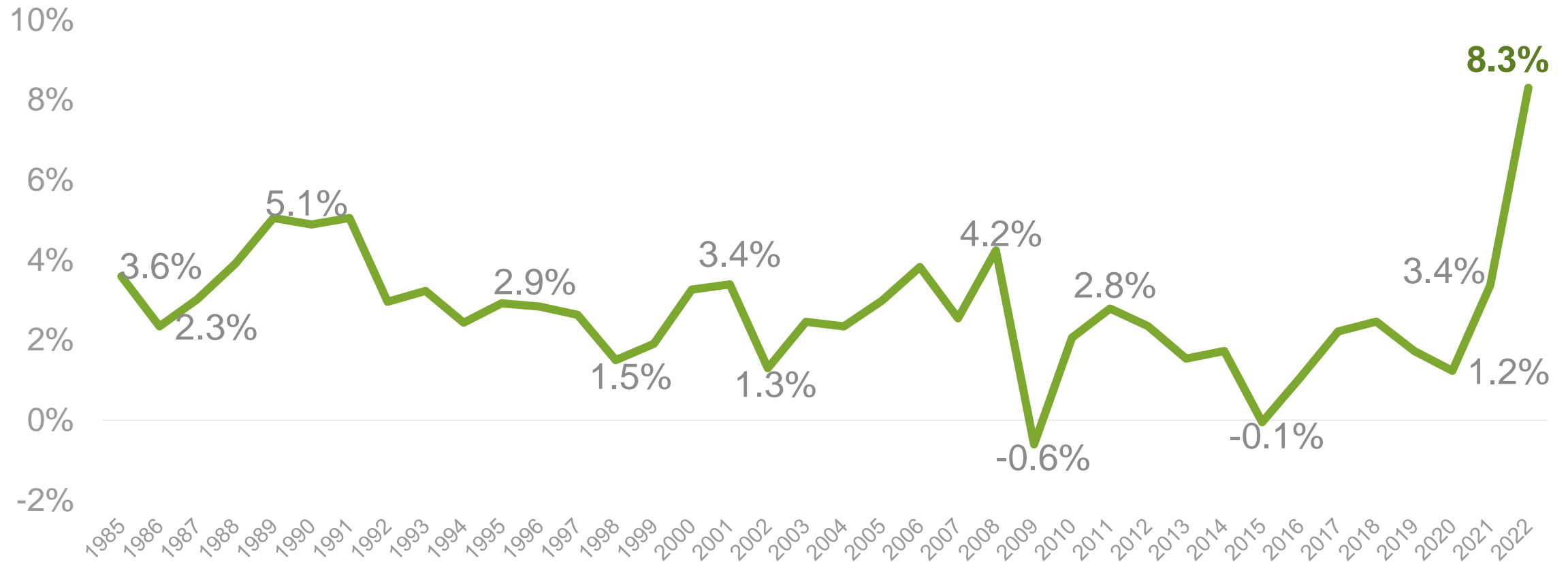
Sept 2012 – Sept 2022



CPI-Medical is a component of the consumer price index  
CPI-urban and CPI-Medical, not seasonally adjusted, September only. U.S. Census Bureau.

# Historic high inflation is straining household budgets nationally

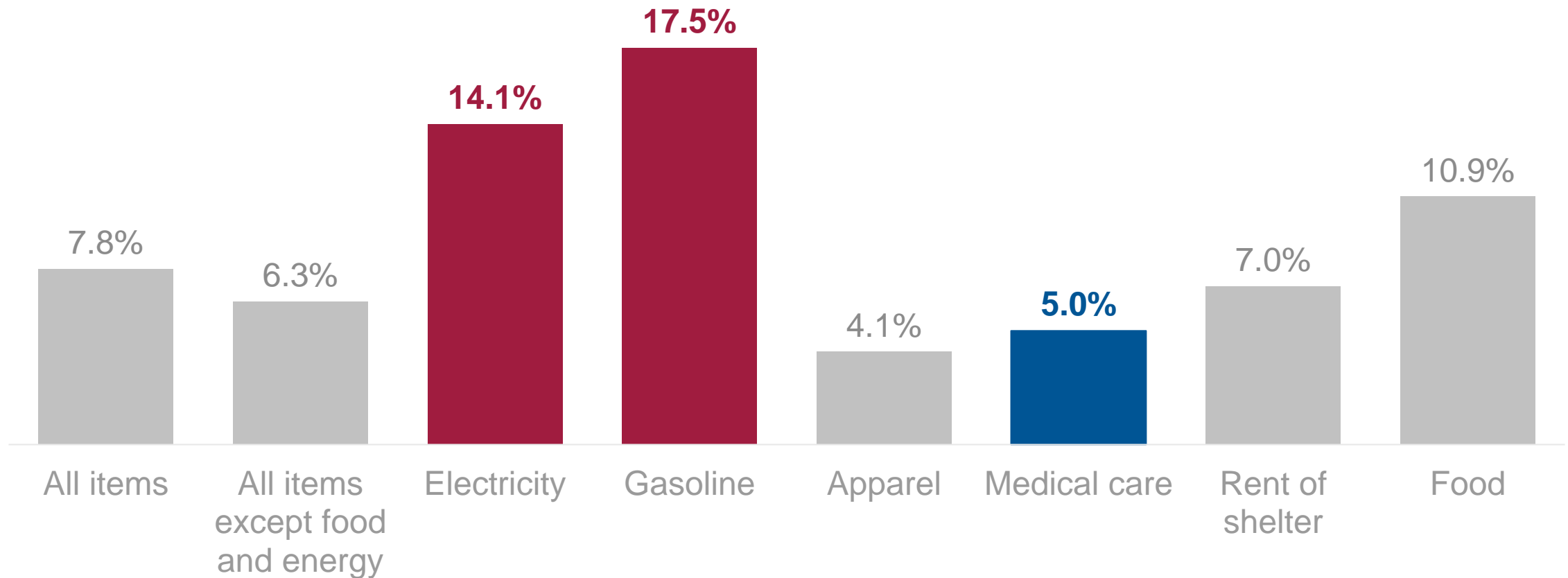
**Consumer Price Index (CPI)** – Percent change from previous year, 1985-2022



CPI-urban, not seasonally adjusted. These data are only the first half of every year in order to capture 2022 (Jan-June)  
U.S. Census Bureau, all items in U.S. city average, all urban consumers

# Inflation growth differs depending on the commodity or service

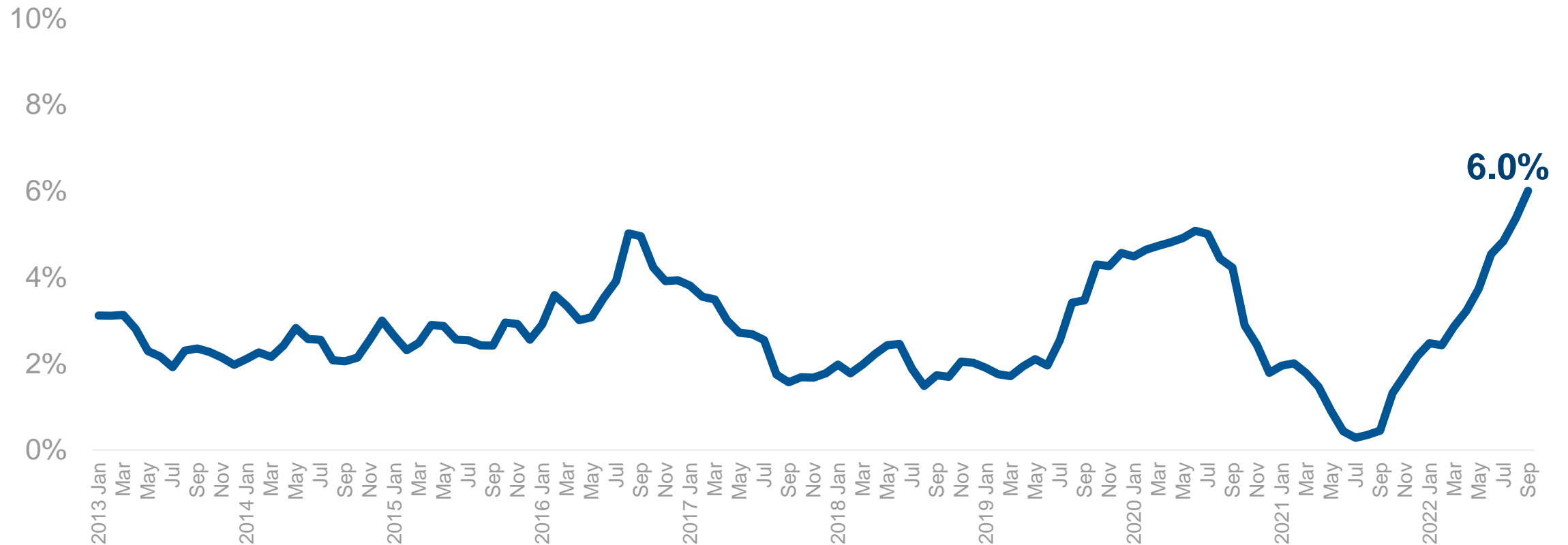
Consumer Price Index: Oct 2021 – Oct 2022



CPI-urban, seasonally adjusted, U.S. Census Bureau.

# Medical inflation nationally is increasing steeply

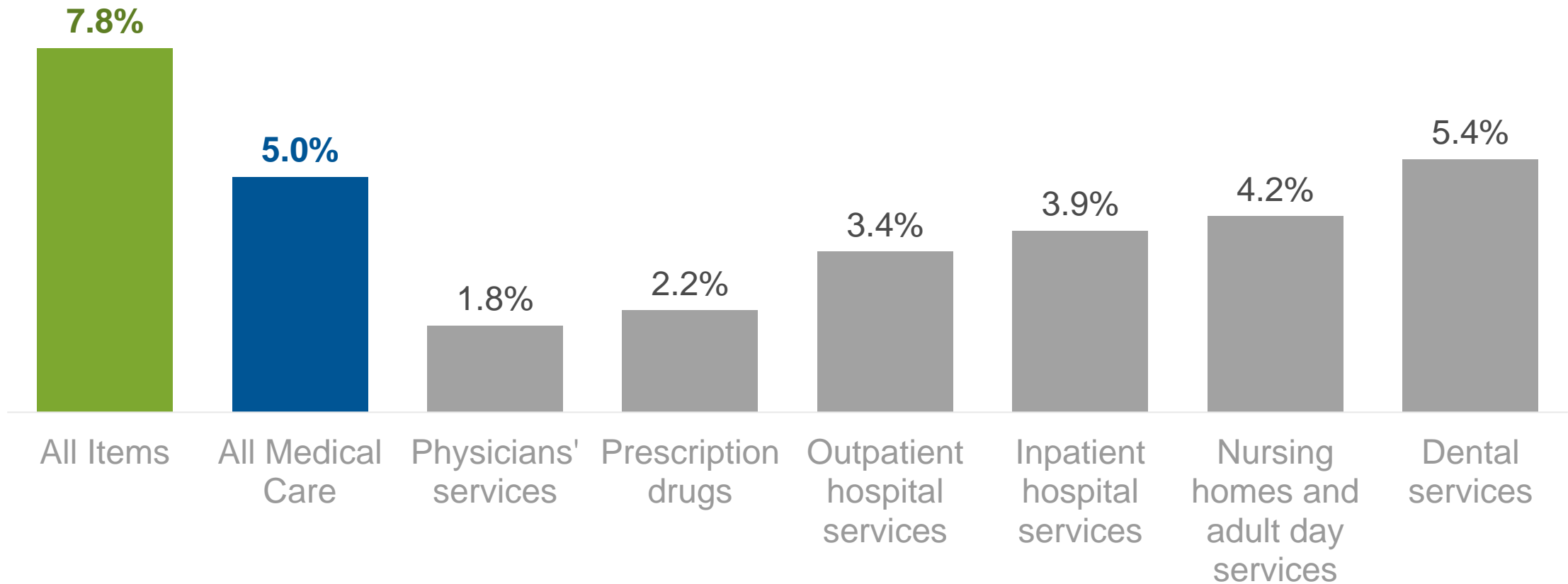
**CPI-Medical:** rolling percent growth from 12 months prior



CPI-urban, medical care, seasonally adjusted. Values in graph show inflation each month relative to the inflation value of the same month in the prior year. U.S. Census Bureau, medical care in U.S. city average, all urban consumers

# Inflation growth is not the same across the health care sector

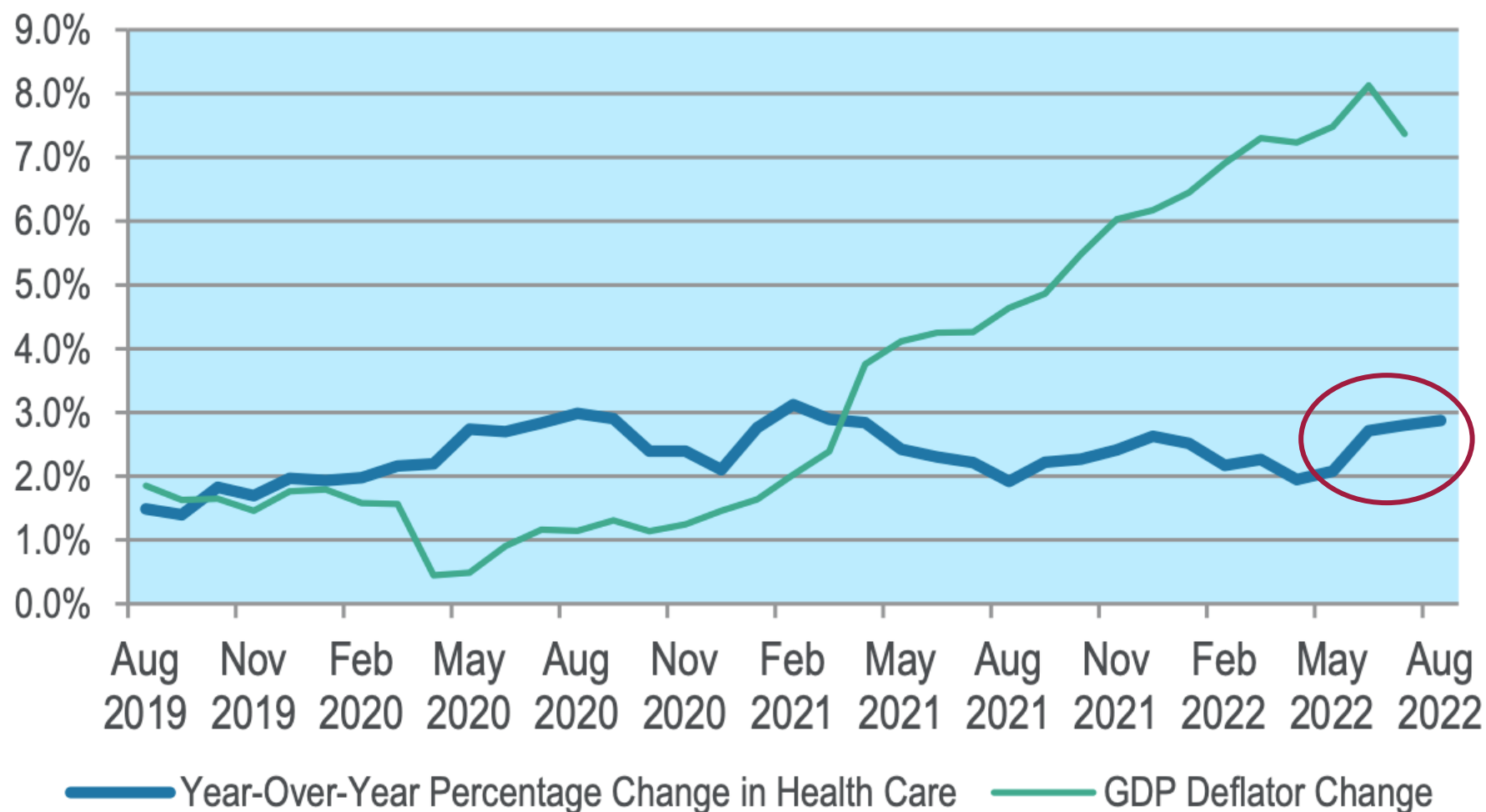
Consumer Price Index: October 2021 – October 2022



CPI-urban, seasonally adjusted, U.S. Census Bureau.

# Health care prices began to rise slightly in the summer of 2022

Health care prices in the U.S. from August 2019 – August 2022



Source: Altarum analysis of monthly BLS price data and monthly GDPD data published by Macroeconomic Advisors. Compiled by Bailit Health

# Statistical Relationship Between Inflation and Health Care Spending

- While there is a close relationship, the effects of inflation and real GDP aren't seen in health care spending immediately.
- The effect of inflation on health care spending lags over two years. This is due to the prospective nature by which prices are set for health care services.
  - Commercial payer prices are often established in multi-year contracts.
  - Public payers set prices prospectively and don't always change them frequently.



**Health Care Labor Markets are Tight**

**“About 55% of health care spending is related to salaries and wages.”**

- Ezekiel Emanuel M.D. and Bob Kocher M.D.

<https://www.statnews.com/2020/01/14/job-growth-health-care-high-costs/>

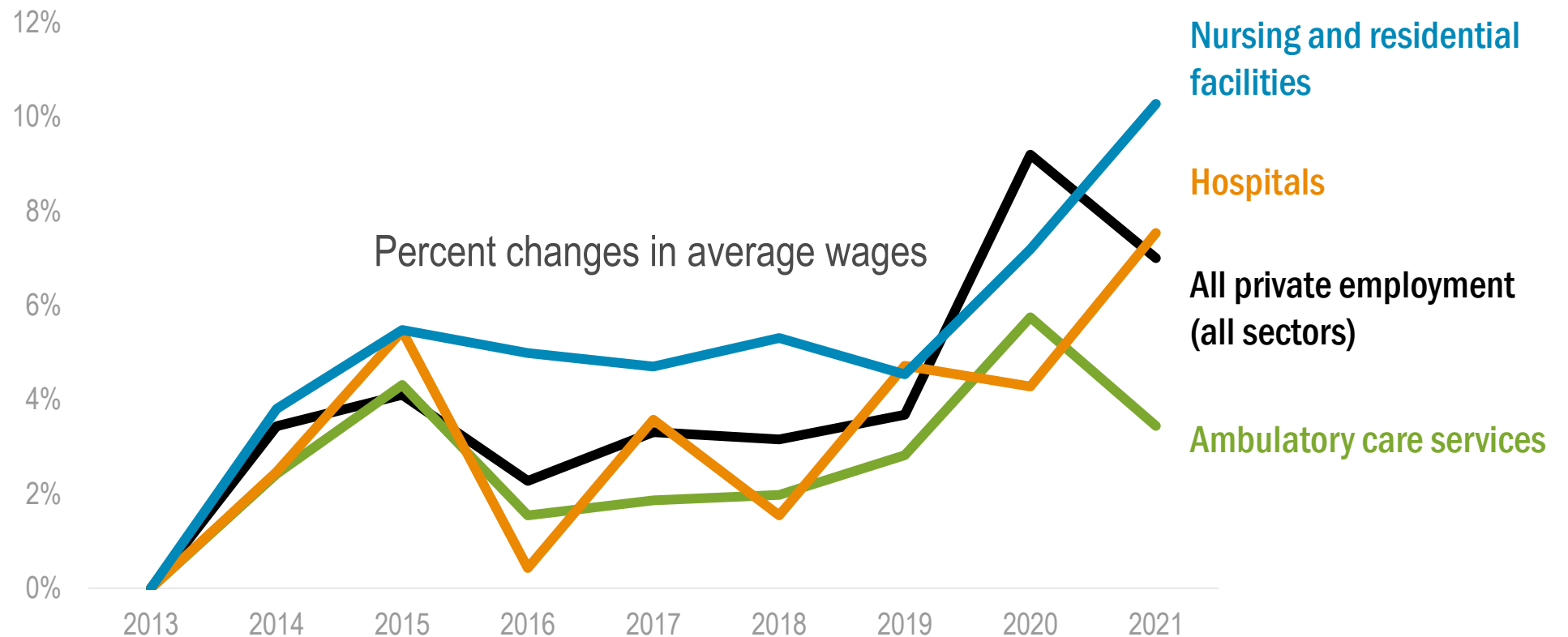


**Inflation  
and labor  
pressure  
are self-  
reinforcing**

# Average wages in Oregon increased in 2020 and 2021 in the **residential facilities** and **hospitals** sub-sectors

Wage growth for **clinic** staff decreased in 2021 while wages for **hospital** staff increased

There are different experiences for different parts of the health care system

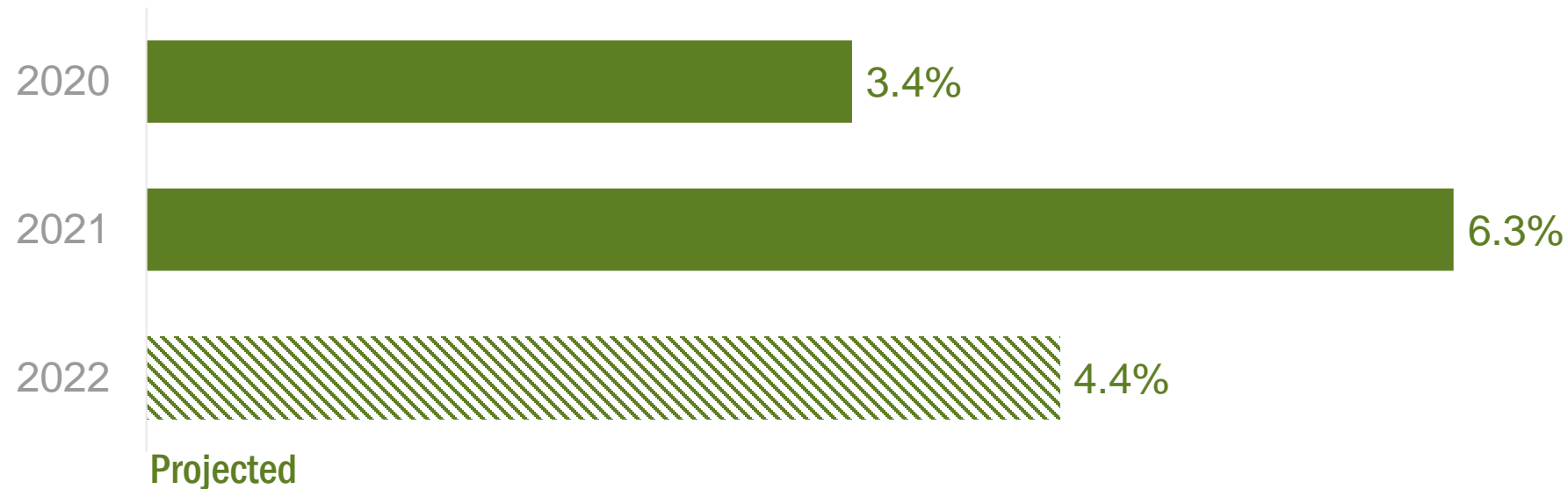


Oregon Employment Department, Employment and Wages by Industry (QCEW) data pulled October 18, 2022.

# Wage growth leads to increased prices; health insurance gets more expensive

## Average cost increase for employer-sponsored health insurance

Mercer survey of 1,700+ large employers



<https://www.mercer.us/what-we-do/health-and-benefits/strategy-and-transformation/mercero-national-survey-benefit-trends.html>

# Increased health care costs may be passed on to employees and families in multiple ways

- Increasing employee premium contributions
- Increasing deductibles or copayment amounts
- Reducing employment
- Increasing employer premium contributions which reducing or limiting wage growth accordingly
- Making benefits less generous

**How are other cost growth target states approaching this?**

# Impact of Inflation on State Cost Growth Targets

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*Cost Growth Target Advisory Committee*

*November 22, 2022*



# The Cost Growth Target and Inflation: Oregon Context

# Impact of Inflation: Oregon Context (1 of 3)

- Senate Bill 889 (2019) established Oregon's Sustainable Health Care Cost Growth Target Program and the Implementation Committee to select the cost growth target and design an implementation plan.
- OHA convened the Implementation Committee to advise the State on the development of the cost growth target methodology and values.
- To guide its work, the Implementation Committee adopted nine principles, one of which was to “*Recommend a stable target upon which payers, providers, and policymakers can rely for several years at a time.*”
- For this reason, the target values were recommended for a 10-year period: **3.4%** (2021-2025) and **3.0%** (2026-2030).

# Impact of Inflation: Oregon Context (2 of 3)

The Implementation Committee recommendations adopted by OHA were informed by a consideration of 20-year historical gross state product (GSP) and median wage growth, but *not* determined by a computational formula.

		Historic (1999-2019)	Forecast (2025-2029)
Economy	GSP/ PGSP	3.5% (GSP)	3.8% (PGSP)
Wage	Median	2.7% (2001-2018)	3.9%
Income	Median	3.1%	3.5%

# Impact of Inflation: Oregon Context (2 of 3)

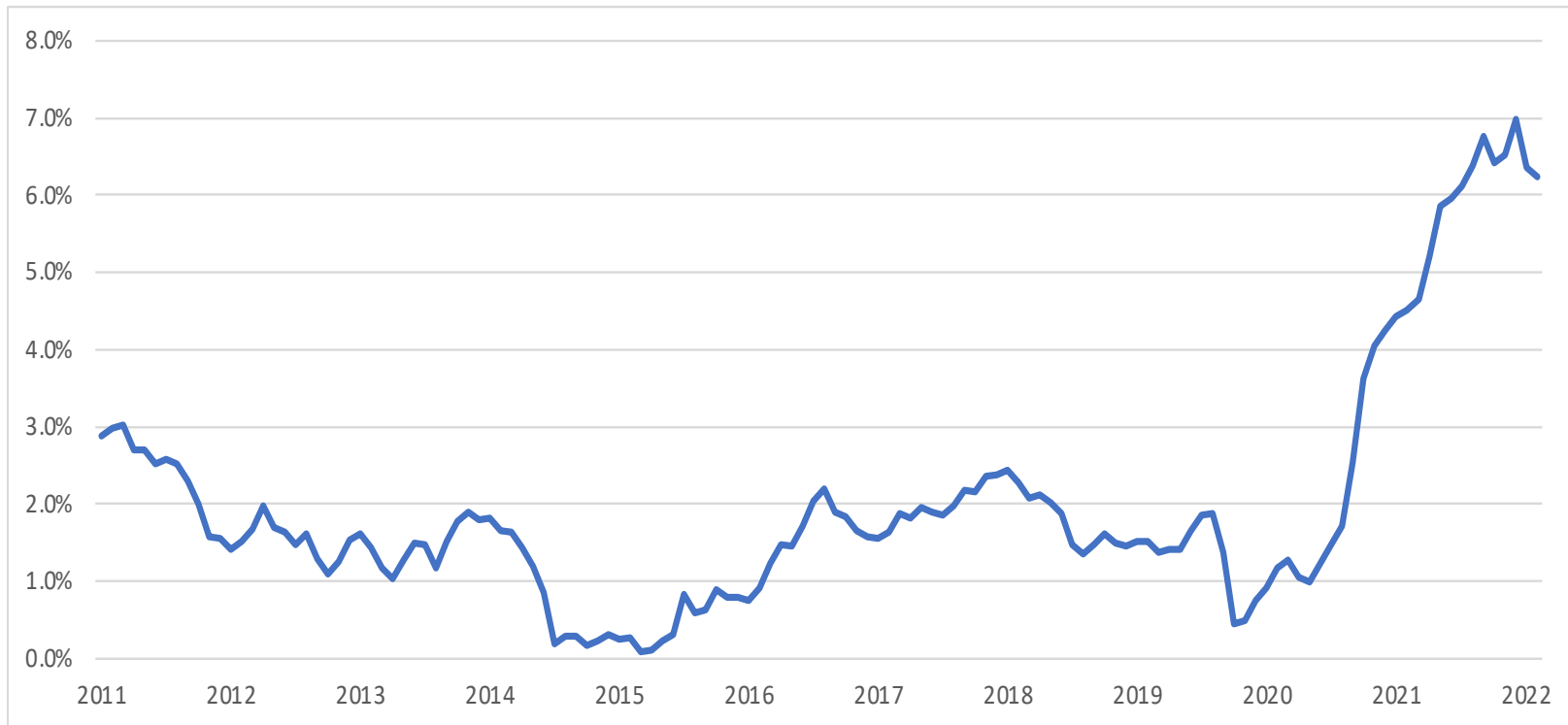
- The final recommendations to the Legislature (January 2021) included the following:
  - *“OHA should ensure that performance against the cost growth target for calendar years 2020 and 2021 (at a minimum) is **reported with enough context** for the public to understand the effect the pandemic had on spending.”*
- The recommendations did not anticipate a sharp increase in inflation, however, nor did they call for revisiting the cost growth target due to macro-economic changes or any other external factor (aside from COVID-19\*).

\* It can certainly be argued on sound grounds that current inflation is an indirect result of COVID-19.

# Inflation and Health Care Spending

# Inflation in the U.S., 2011-2022

- Inflation (PCE) has climbed dramatically since late 2021.



*Source: Bureau of Economic Analysis*

# Recap

1. Inflation impacts health care spending growth.
2. The impact is not immediate, but is delayed or “lagged.”
3. General inflation in the U.S., as measured using PCE, is dramatically higher than it has been for the past two decades.
4. Health care prices in the U.S. have grown at slightly elevated rates the last few months. We can anticipate elevated growth into 2023.

Finally, we note that general inflation is forecast to significantly drop in 2023, largely in response to rising interest rates.

# Inflation Response in Other States



# State Considerations

1. The topic of inflation in relationship to cost growth target values has arisen in the other cost growth target states.
2. To date, two states have decided on responses (MA, RI). The balance are still discussing the topic with their advisory bodies.
  - These two states both had expiring targets in 2022, so they felt compelled to establish new values for 2023 before the end of 2022.
3. The following slide describes general policy options considered by CT and RI, and then the approaches adopted by MA and RI.

# Responses to the Rise in Inflation Considered by CT and RI

Alternatives	Possible Rationale
1. Make no adjustments. Hold insurers and provider entities to current target values	With inflation high and a possible recession looming, consumers can't afford high rates of cost growth.
2. Make no adjustments. Commit to acknowledge the impact of inflation and labor shortages when interpreting results.	State can contextualize findings when they are reported publicly.
3. Create a specific allowance for exceeding the target on a time-limited basis for those years with very high inflation.	Retains the adopted target values while recognizing the impact on providers and payers of what is expected to be a time-limited period of elevated inflation.
4. Redefine the target values on a time-limited basis for those years with very high inflation.	Recognizes the impact on providers and payers of what is expected to be a time-limited period of elevated inflation.
5. Waive the targets during the period of high inflation.	Holds it is unreasonable for providers and payers to be accountable for cost control at the present time.

# Rhode Island's Adopted Approach

- Following consideration of the five preceding alternatives, Rhode Island decided that #3 (*“Create a specific allowance for exceeding the benchmark on a time-limited basis for those years with very high inflation”*) was the best course of action.
- This approach retained the policy intent and policy integrity of the statute while responding to recent inflation growth.
- Rhode Island is doing so by modifying its target values for 2023-2025 to reflect current (rather than long-term) forecasts of GSP and median income growth, with a two-year lag for inflation.
  - Rhode Island's target methodology, unlike Oregon's, is formula-driven.
  - The 2023 value will be finalized by 11/30. Current weighting options under consideration would yield a value of between 4.6% and 6.0%.

# Massachusetts' Adopted Approach

- Massachusetts' cost growth target values are defined in statute. For 2023, Massachusetts elected to increase its target value from 3.1% to the statutory default value of 3.6%

# Key Policy Considerations

When considering whether and, if so, how to modify target values due to the impact of inflation, CT and RI have considered the following:

1. How should the state balance protecting consumers who face slower income growth and a potential recession with being fair to provider organizations and insurers in light of greatly increased costs?
2. What precedent will be set if the state chooses to modify cost growth target values?
3. On what basis should any modification be made, and for what duration?

# Discussion

# Current approach: Oregon is following alternative #2

## Alternatives

2. Make no adjustments. Commit to acknowledging the impact of inflation and labor shortages when interpreting results.

The Advisory Committee is scheduled to revisit the cost growth target value in 2025.

1. How should Oregon balance protecting consumers who face slower income growth and a potential recession with being fair to provider organizations and insurers in light of greatly increased costs?
2. What precedent will be set if Oregon chooses to modify cost growth target values?
3. On what basis should any modification be made, and for what duration?



# **2023 Advisory Committee Meeting Schedule & Workplan**

# 2023 Meeting Schedule

Date	Time
January 18	All meetings held from 9 AM – Noon (pacific)
March 15	
May 17	
July 19	
September 20	
November 15	

*Calendar invitations have been sent out to all Advisory Committee members.  
Meeting details are also available online.*

# Key Activities in 2023

- Payer and provider organization level reporting begins
- Cost growth target public hearing
- Accountability rulemaking
- Identification & selection of cost growth mitigation strategies

# 2023 Public Hearing

- When?
  - Spring 2023 TBD
- Focused on?
  - Payer and provider organization cost growth?
  - Impact to consumers?
  - Specific cost and cost growth drivers?
  - Other?
- Advisory Committee role?

# 2023 Report

The Advisory Committee is not required to submit a report to the Policy Board or the Legislature.

However, it may be helpful to summarize Committee work and recommendations, especially focused on cost growth mitigation strategies.

Proposed: Committee recommendations report – submitted to OHPB in December (after approval in Nov Committee meeting)

# 2023 Meeting Topics

What topics, considerations, deliverables, etc... is the Committee interested in for 2023?

# Public Comment

11:45 AM

# Guidance for providing public comments

- If you signed up in advance to provide spoken public comments, we will call on you to share your comments
- You will have two minutes to provide your comments
- Please state your name and organization or affiliation (if any)



# PUBLIC COMMENT



# Wrap Up



**Our next meeting is Wednesday,  
January 18, 2023 at 9:00 AM**

### **Tentative Agenda**

- Goal setting for the year
- Prescription Drug Price Transparency Program Annual Report
- Prescription Drug Affordability Board - Annual Report & Recommendations
- Pharmacy cost containment strategies
- Multi-state pharmacy strategies