

Health Care Spending Benchmark Recommendation for CY 2020



April 22, 2019

Timeline

Continuous

Advise on trends in health care and health care industry

March/April

Annual review of the components of PGSP for the following calendar year

May

Report changes, if any, by May 31 to the Governor and the DHCC

July

Announce spending benchmark for following calendar year by July 1

Per E.O. 25, no later than March 2023, and each March thereafter, the DEFAC Subcommittee is to review the full methodology for defining the spending benchmark.

PGSP Source and Forecast

Components	Data Source	Forecast	CY 19*	CY 20	CY 21	CY 22	CY 23
Expected growth in national labor force productivity	Congressional Budget Office <i>Budget and Economic Outlook Report</i>	Utilize forecasts that project growth for 5 through 10 years in the future		1.4%	1.4%	1.4%	1.4%
+ Expected growth in Delaware's civilian labor force	Delaware Population Consortium Population <i>Projections by Single Year, Age, Race and Sex</i>	Calculate growth by averaging the forecasted increase of Years 5 through 10 in the future		0.1%	0.1%	0.1%	0.1%
+ Expected national inflation	Congressional Budget Office <i>Budget and Economic Outlook Report</i>	Utilize the personal consumption expenditure growth for 5 through 10 years in the future		2.0%	2.0%	2.0%	2.0%
= Nominal PGSP growth				3.5%	3.5%	3.5%	3.5%
- Expected population growth in Delaware	Delaware Population Consortium Population <i>Projections by Single Year, Age, Race and Sex</i>	Calculate growth by averaging the forecasted increase of Years 5 through 10 in the future		0.5%	0.5%	0.5%	0.5%
= PGSP growth				2.9%	3.0%	3.1%	3.1%
+ Transitional market adjustment				0.5%	0.25%	0.0%	0.0%
= Spending Benchmark as set by E.O. 25			3.8%	3.5%	3.25%	3.0%	3.0%

* Set at Fiscal Year 2020 Budget Benchmark as of December 2018 (3.8%)

Expected Growth in National Labor Force Productivity

Projected Average Annual Growth

Data Release	5-10 Years in the Future
	CY 2024-2029
August 2018	1.4
January 2019	1.3
<i>Change</i>	<i>-0.1</i>

Source: Congressional Budget Office, Budget and Economic Outlook Report

Expected Growth in Delaware's Civilian Labor Force

Projected Average Annual Growth

Data Release	5-10 Years in the Future
	CY 2024-2029
October 2017	0.1
November 2018	0.1
<i>Change</i>	<i>0.0</i>

Source: Delaware Population Consortium, Population Projections by Single Year, Age, Race and Sex

Expected National Inflation

PCE Price Index

Projected Average Annual Growth

Data Release	5-10 Years in the Future
	CY 2024-2029
August 2018	2.0
January 2019	2.0
<i>Change</i>	<i>0.0</i>

Source: Congressional Budget Office, Budget and Economic Outlook Report

Expected Population Growth in Delaware

Projected Average Annual Growth

Data Release	5-10 Years in the Future
	CY 2024-2029
October 2017	0.5
November 2018	0.5
<i>Change</i>	<i>0.0</i>

Source: Delaware Population Consortium, Population Projections by Single Year, Age, Race and Sex

Health Care Spending Benchmark CY 2020

Components	CY 2020 as set by E.O. 25	CY 2020 based on most recent data	Change
Expected growth in national labor force productivity	1.4%	1.3%	-0.1%
+ Expected growth in Delaware's civilian labor force	0.1%	0.1%	-
+ Expected national inflation	2.0%	2.0%	-
= Nominal PGSP growth	3.5%	3.4%	-0.1%
- Expected population growth in Delaware	0.5%	0.5%	-
= PGSP growth	3.0%	2.9%	-0.1%
+ Transitional market adjustment	0.5%	0.5%	-
= Spending Benchmark	3.5%	3.4%	-0.1%

CY 2020 Benchmark

- Subcommittee to vote on recommendation to DEFAC for DEFAC's approval as to whether the forecasted PGSP growth rate has changed in such a material way that it warrants a change in the spending benchmark

Purpose of the Subcommittee

Executive Order 25, Section 3

- a. Each year through 2023, review and recommend whether the forecasted PGSP growth rate has changed in such a material way that it warrants a change in the spending benchmark
- b. After 2023, evaluate the results of PGSP benchmark and methodology, and recommend any appropriate changes
- c. Provide the public and interested stakeholders an opportunity to provide input and consider their recommendations
- d. *Advise the Governor and DEFAC on current and projected trends in health care and the health care industry, as they affect the expenditures and revenues of the State, its citizens, and industries*