
ACCELERATING PAYMENT REFORM IN DELAWARE



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BACKGROUND ON HEALTH CARE SPENDING IN DELAWARE

- Health care spending per capita in Delaware is higher than the national average. Historically, health care spending has outpaced inflation and the state's economic growth. Health care costs consume 25% of Delaware's budget.
- Delaware's demographics and the percentage of our citizens with chronic conditions are key drivers of both spending and poor health outcomes.
- We are sicker than the average state, with higher rates of chronic disease.
- The provider landscape is more concentrated in Delaware than in most other markets, with just six acute care hospital systems across the state.
- Primary care and some other physician specialties remain fairly fragmented. Behavioral health care is in short supply in some parts of the state.



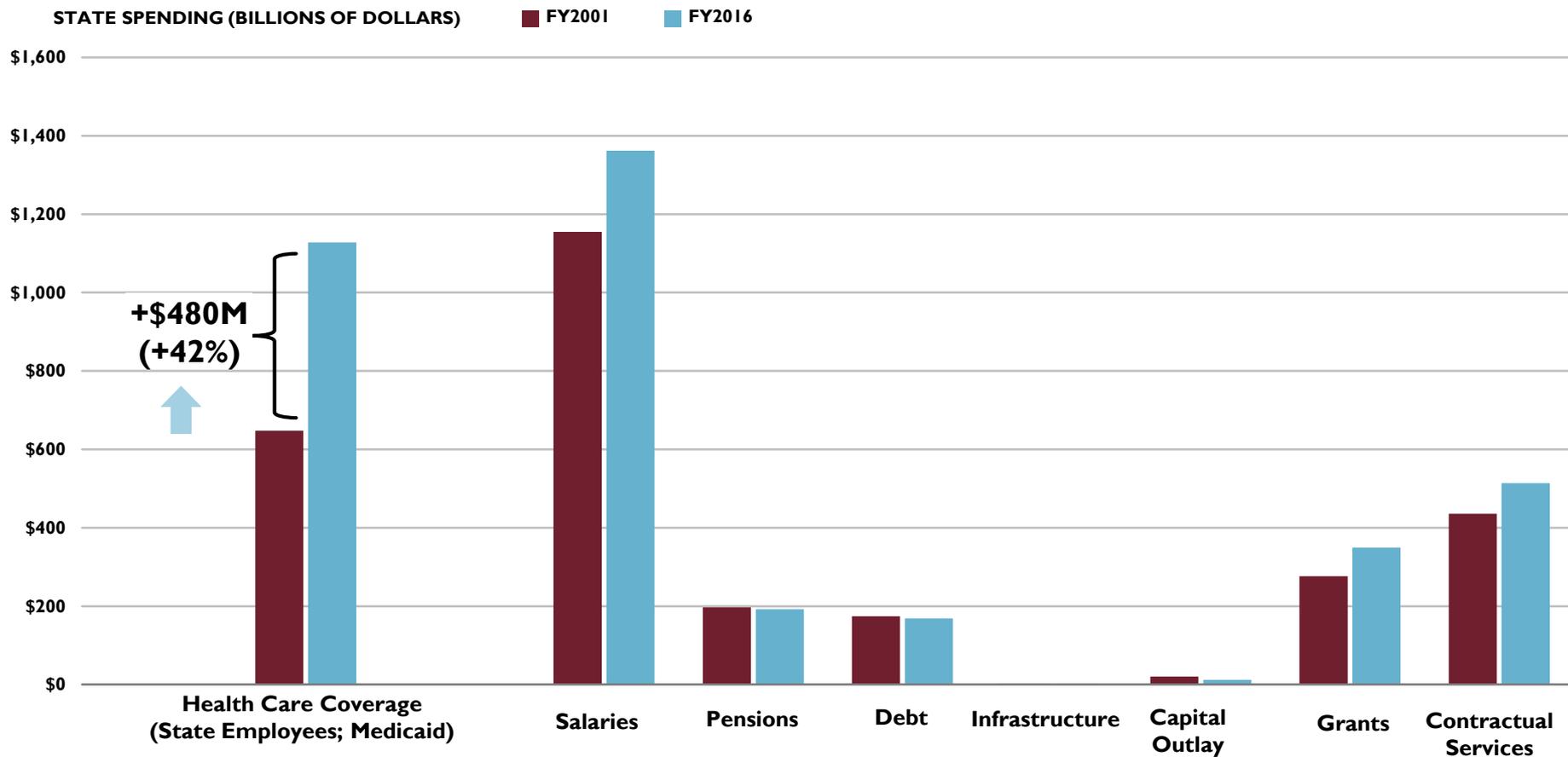
IMPACT OF RISING COSTS

- While we spend more on care, our investments have not led to better health or outcomes for Delawareans.
- We spend more than average, not to get better access or higher quality care, but simply to address the challenges of an older and sicker population.
- The result is that increasing costs of health care squeeze out other public spending priorities.



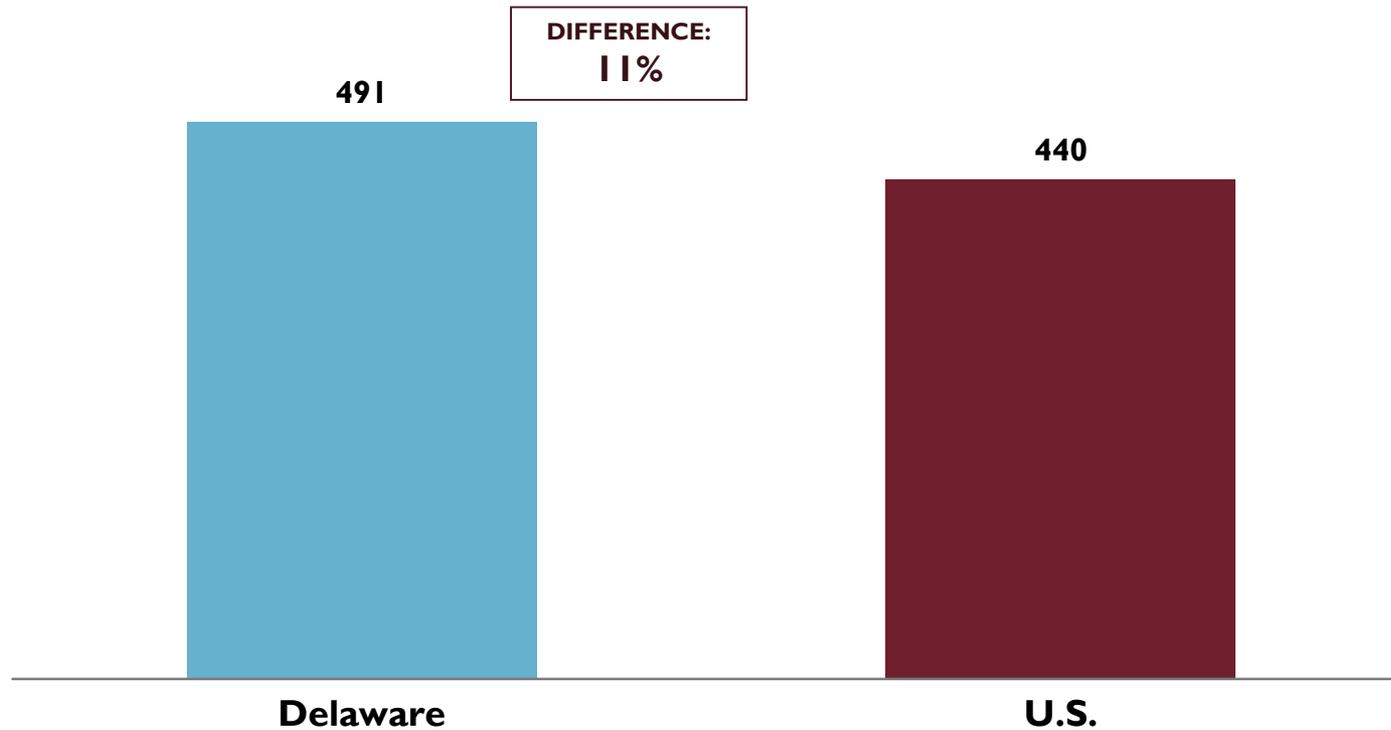
THE INCREASING COSTS OF HEALTH CARE SQUEEZE OUT OTHER PUBLIC SPENDING PRIORITIES

DELAWARE STATE BUDGET, FY2010 VS. FY2016



DRIVERS OF SPENDING GROWTH: ER USAGE

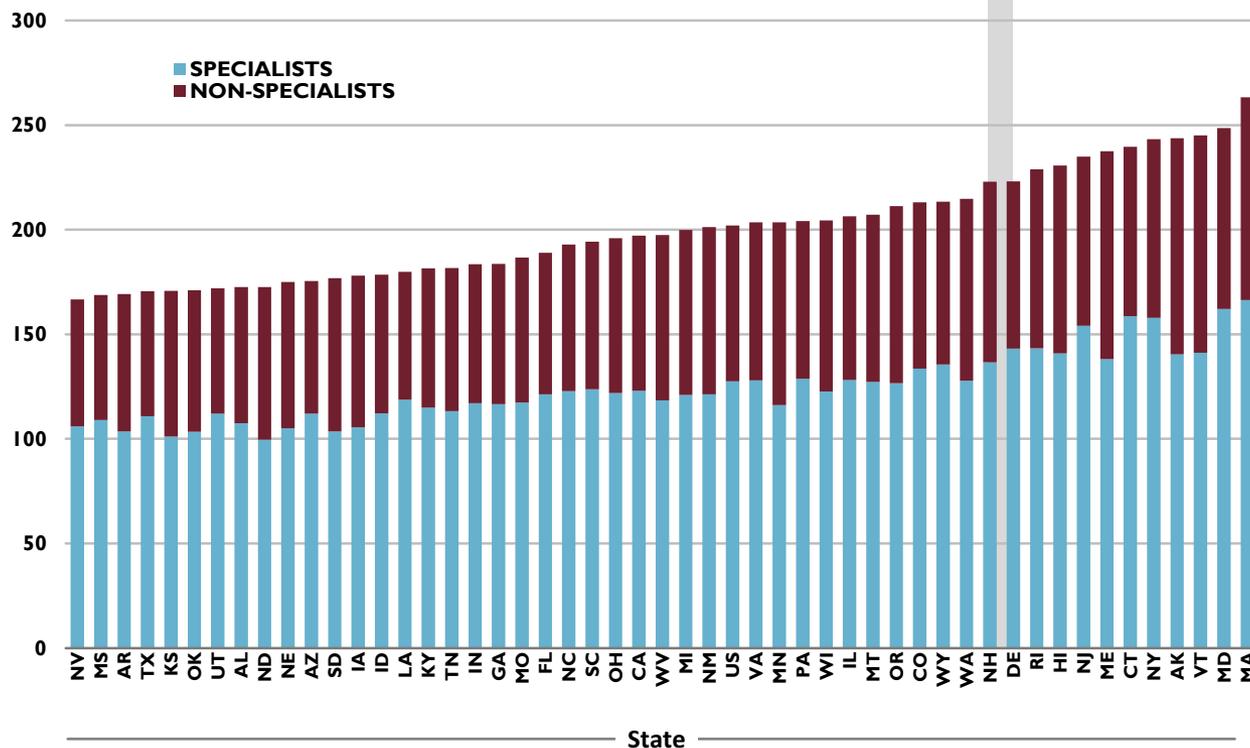
HOSPITAL EMERGENCY ROOM VISITS PER CAPITA IN DELAWARE AND IN THE U.S. OVERALL, 2009
(ADMISSIONS PER 1,000 RESIDENTS)



SOURCES: Kaiser State Health Facts, with data from the American Hospital Association Annual Survey and U.S. Census.

DRIVERS OF SPENDING GROWTH: PROVIDER AND SERVICE MIX

**SPECIALISTS AS A SHARE OF ALL PHYSICIANS BY STATE, 2006
(PHYSICIANS PER 100,000)**



Delaware has more physicians per capita, and also more specialists per capita, than many other states. Research finds that regions with more total physicians tend to spend more on health care than other regions, and that states with a higher proportion of specialists also tend to spend more on health care.



NOTE: Physician counts are estimated from rates and population and are not exact. DC is excluded.

SOURCES: Physicians per capita data from Dartmouth Atlas. Evidence for relationship between more physicians and higher spending from Fisher, E.S., et. al., "The Implications of Regional Variations in Medicare Spending. Part I: The Content, Quality, and Accessibility of Care," *Annals of Internal Medicine*, Feb. 18, 2003.

ACCELERATING PAYMENT REFORM

- Delaware has made a significant investment in transitioning to value-based payment models.
- Overall, 30% of Delawareans are attributed to providers participating in value-based payment models.
- However, we may already be seeing the limitations of a purely voluntary adoption model for payment reform.
- Costs continue to outpace our state's growth, and budget pressures persist. **Now is the time** to think about alternative strategies that will help to accelerate the progress we have been making.
- We are exploring the implementation of a global healthcare spending benchmark to provide a target that will encourage further adoption of delivery system and payment reform to help Delaware not only reduce costs, but most importantly, provide better care for our citizens.





THANK YOU