

DEFAC
Healthcare Spending
Benchmark
Subcommittee

October 24, 2024

Agenda

- Approval of October 2, 2024 Minutes
- Review of Other Benchmark States & Their Methodologies
- Healthcare and Macroeconomic Trends Submitted for Consideration
- Subcommittee Discussion
- Public Comment

Benchmark Methodologies

- Eight states currently have healthcare spending benchmarks
 - California, Connecticut, Delaware, Massachusetts, New Jersey, Oregon, Rhode Island, Washington.
- All rely on economic factors (PGSP, median wage, inflation)
 - None currently incorporate healthcare spending components
 - All fall within 2.9-3.6% for 2025
- Four states have policies holding entities accountable to their benchmark
 - Delaware, California, Massachusetts, Oregon

Macroeconomic Adjustments

- Inflation Adjustments
 - Connecticut and Rhode Island included one-time inflation adjustments.
- Age Adjustments
 - No states have included age adjustments to the spending benchmark target.
 - Most states include age-related adjustments to their trend reports.
- Population Adjustments
 - Since all benchmarks are reported on a per-capita basis, no states have included population growth adjustments.

State	Benchmark Methodology	Benchmark Value
California	Average annual rate of change in historical median household income from 2002-2022. Add-on factors: +0.5% for CY 2025-2026, +0.2% for CY 2027-2028, +0.0% for CY2029	3.5% for 2025-2026 3.2% for 2027-2028 3.0% for 2029
Connecticut	80/20 blend of forecasted median wage and PGSP Add-on factors: +0.5% for CY 2021, +0.3% for CY2022, +0.0% for CY 2023-2025	3.4% for 2021 3.2% for 2022 2.9% for 2023 4.0% for 2024* 2.9% for 2025
Massachusetts	2013-2017: PGSP 2018-2022: PGSP (3.6% in 2018) minus 0.5% 2023 and beyond: default rate of PGSP, per statute	3.6% for 2013-2017 3.1% for 2018-2022 3.6% for 2023-2025
New Jersey	75/25 blend of median projected household income and PGSP Add-on factors: +0.3% for 2023, +0.0% for 2024, -0.2% for 2025, -0.4% for CY2026-2027	3.5% for 2023 3.2% for 2024 3.0% for 2025 2.8% for 2026-2027
Oregon	Non-formulaic consideration of: historical GSP; historical median wage; CMS waiver & legislative growth caps applied to the state's Medicaid and publicly purchased programs	3.4% for 2021-2025 3.0% for 2026
Rhode Island	PGSP for 2019-2022. 75/25 blend of PGSP and forecasted median household income growth for 2023-2027. Values incorporate the lagged impact of inflation on health care prices by adjusting the PGSP inflation input with inflation experience on a two-year lagged basis for 2023-2025.	3.2% for 2019-2022 6.0% for 2023 5.1% for 2024 3.6% for 2025
Washington	70/30 blend of historical median wage and PGSP, with a downward adjustment starting in 2024	3.2% for 2022-2023 3.0% for 2024-2025 2.8% for 2026

Healthcare Trends

Considerations

- a) Is the spending benchmark a goal of how much Delaware is aiming to have spending change from year-to-year.
- b) Is the spending benchmark intended to be a predictor of growth in healthcare spending?

Inclusion of healthcare trends would move from the original intention (a) toward a new intention (b).

Healthcare Trends

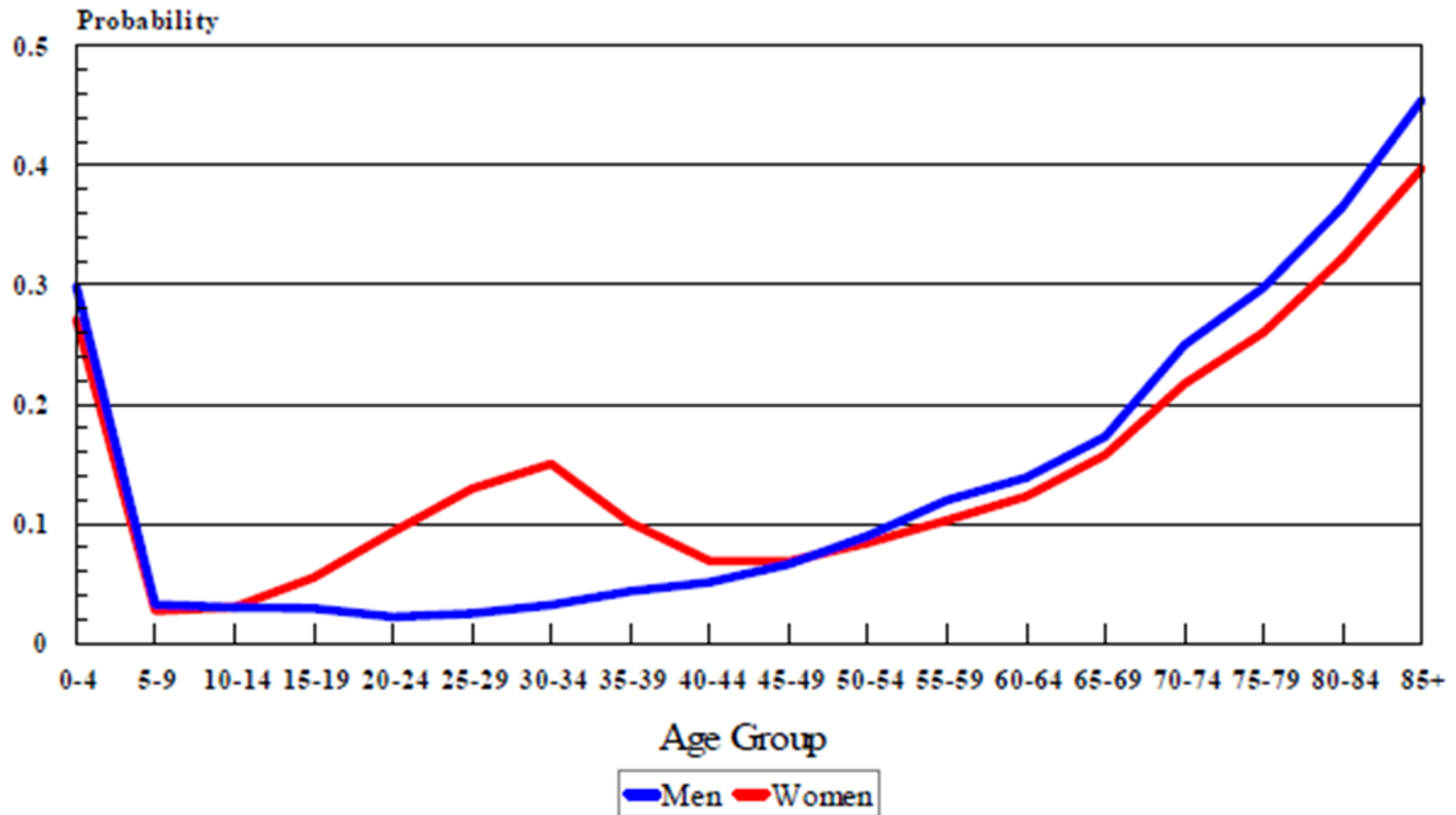
- Healthcare Inflation impacted by the increasing costs of supplies and staff.
 - Nationally, it is the case that healthcare sector labor costs grew faster than labor costs economy wide in 2023.
 - Considerations: Should there be a threshold at which an inflation adjustment is triggered? Should a downward adjustment be made if inflation falls below trends?
- Healthcare Workforce Shortage.
 - Healthcare workforce shortage is clearly supported by data and expected to worsen.
 - Considerations: How could this be quantified for Delaware and incorporated into a target spending growth benchmark?

Healthcare Trends

- Growth in prescription drug utilization and costs (including the GLP-1).
 - Well established by the benchmark trend report and other research that prescription drug prices are increasing well beyond inflation.
 - Considerations: How would we forecast this increase for inclusion in the spending benchmark target?
- Rising behavioral health utilization and costs/increased cancer costs and severity
 - Are costs for this growing more rapidly than costs for other services?
 - Considerations: How would we forecast these for inclusion in the spending benchmark target? Why factor in cost increases for this service as opposed to all others or in the aggregate?

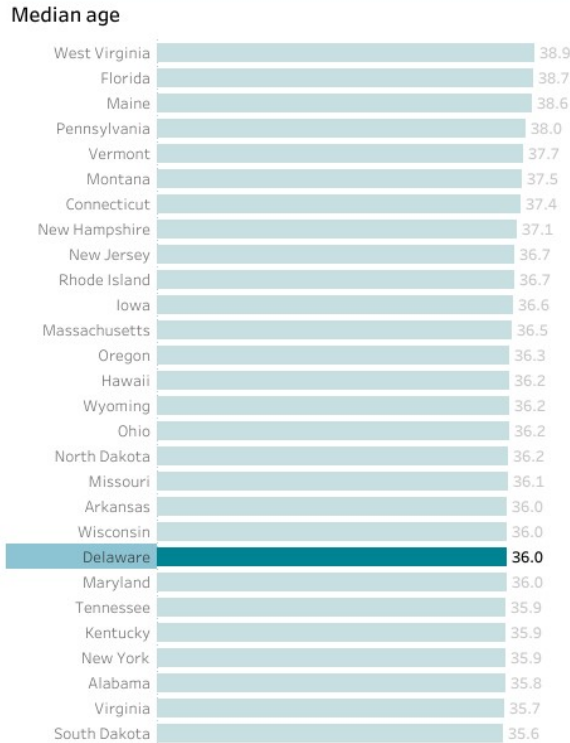
DE Hospitalization by Age & Gender

2017



DE is Aging Faster than Other States

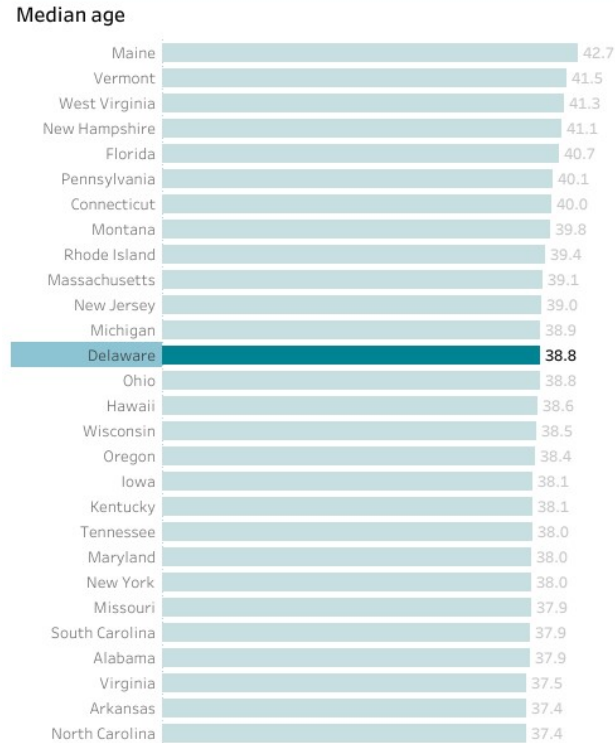
2000



Highest: West Virginia 38.9

Lowest: Utah 27.1

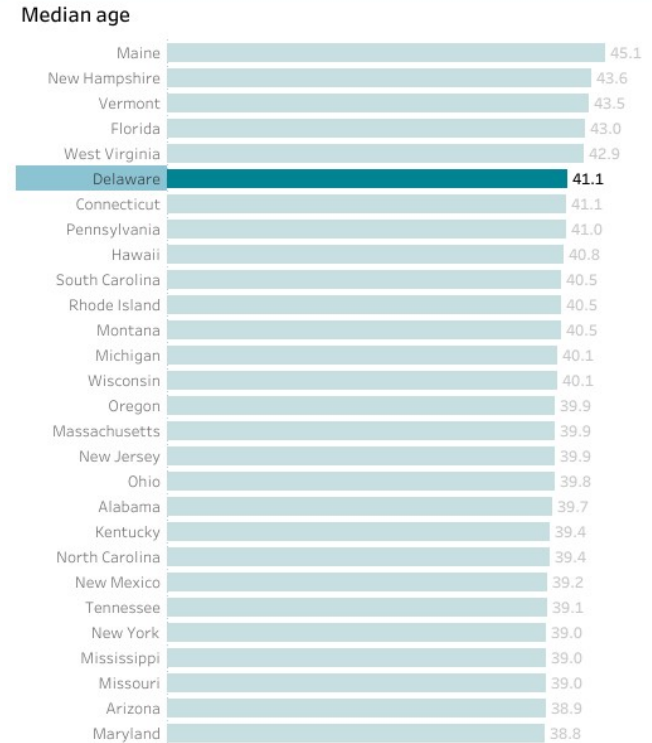
2010



Highest: Maine 42.7

Lowest: Utah 29.2

2020



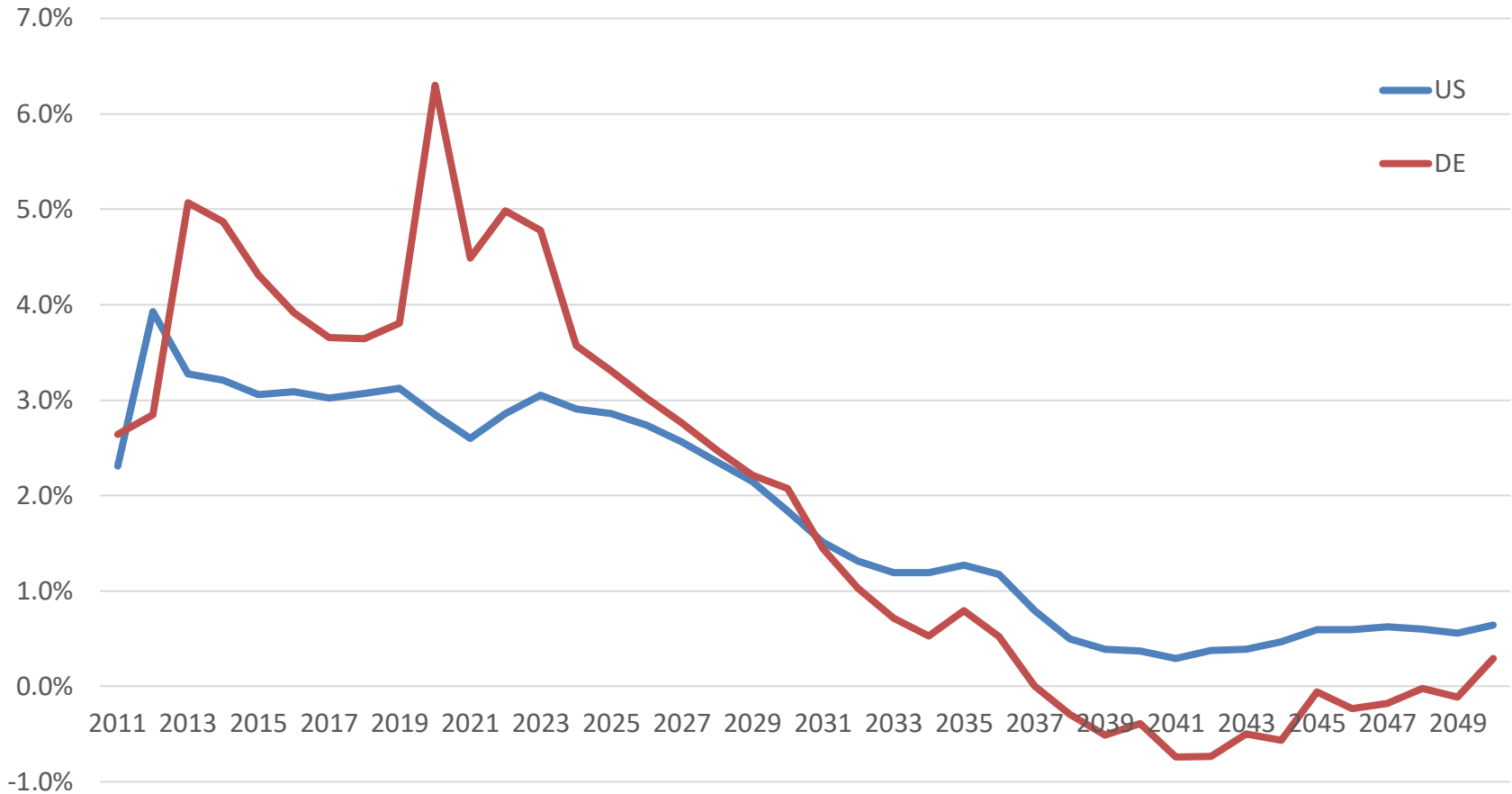
Highest: Maine 45.1

Lowest: Utah 31.3

DE median age went from 36.0 (21st highest) to 38.8 (13th highest) to 41.1 (6th highest)

DE 65+ Pop. Growth Converges to US Trends in Near Future

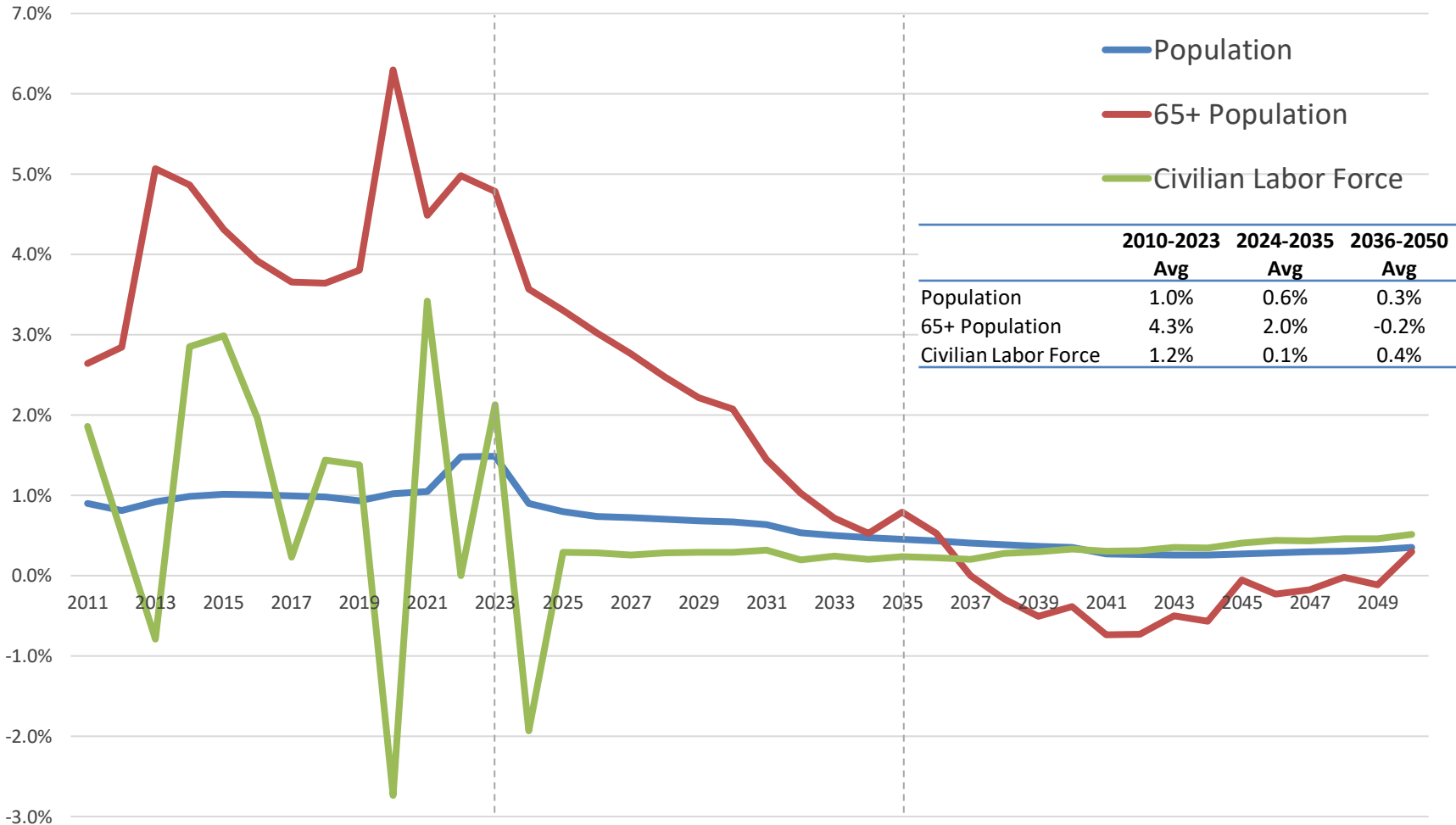
Annual Growth of 65+ Population



Source: S&P Global for US data; Delaware Population Consortium 2023 report for DE data

DE Trends Expected to Settle to Flat Growth in Long-term

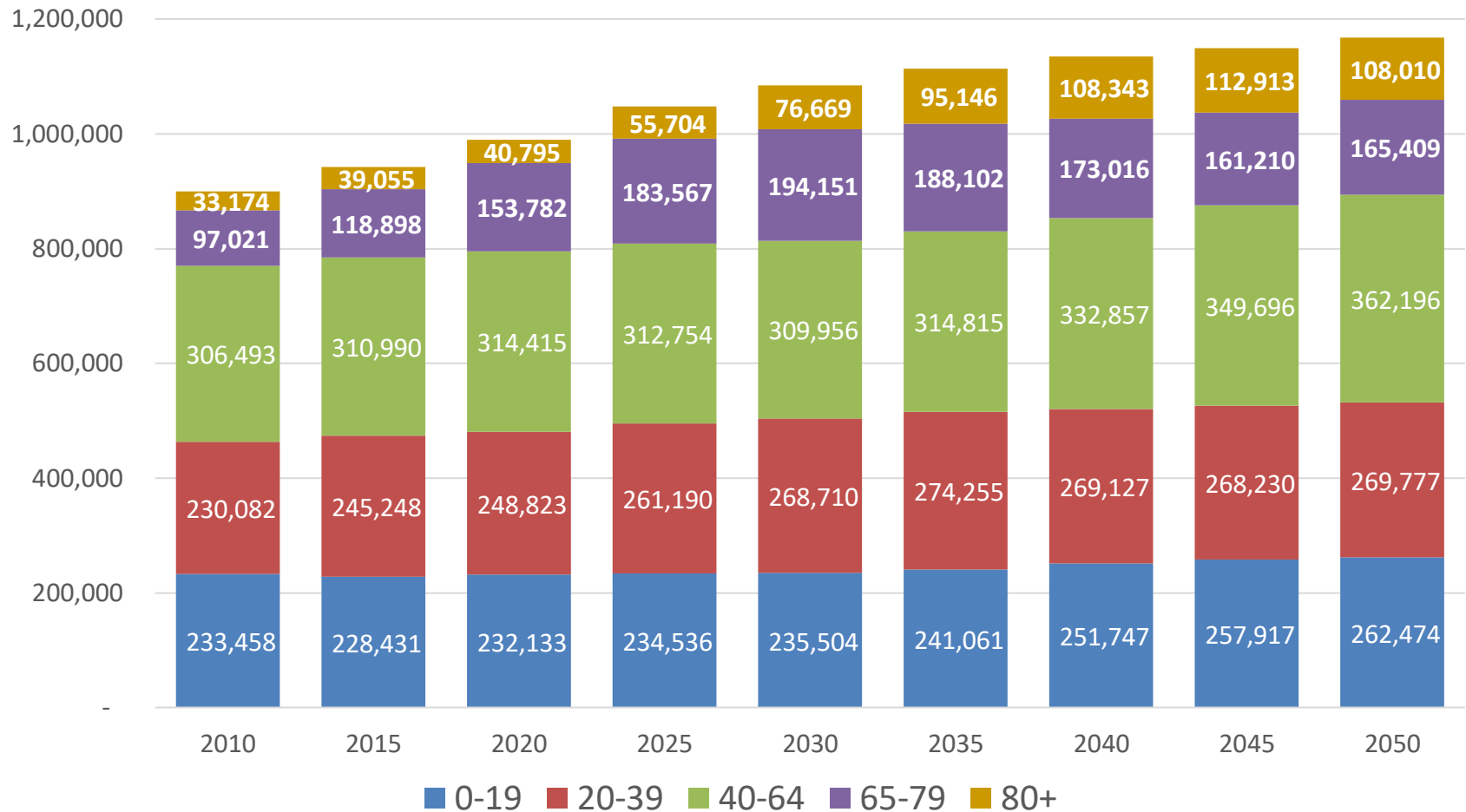
Delaware Population Growth



Source: Delaware Population Consortium, 2023 report

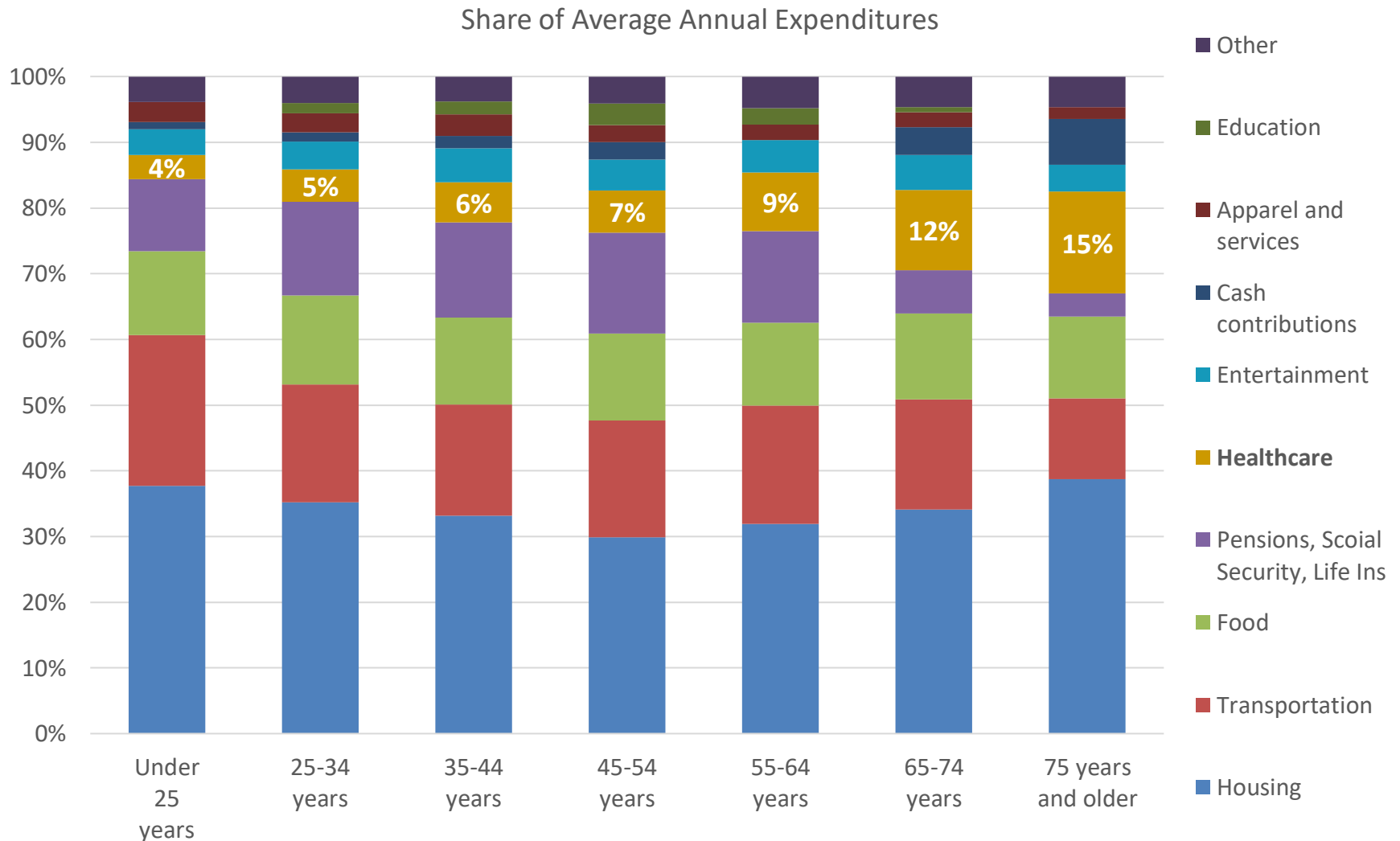
DE 65+ Population Peaks in 2037, but Total DE Population Continues to Grow

Delaware Population by Age Range



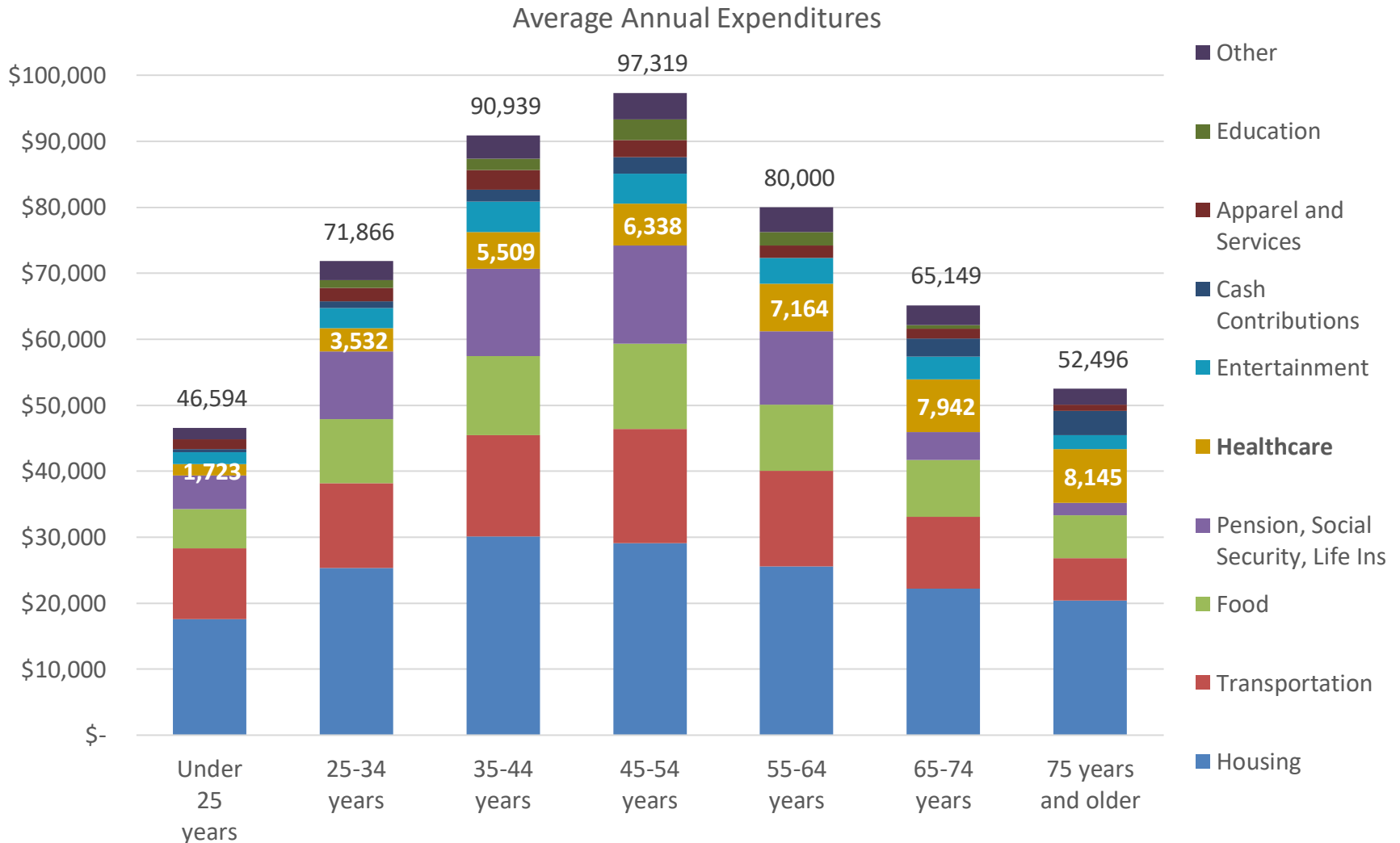
Source: Delaware Population Consortium, 2023 report

Proportion Spent On Healthcare Increases as a Person Ages



Source: BLS Consumer Expenditure Surveys, 2023

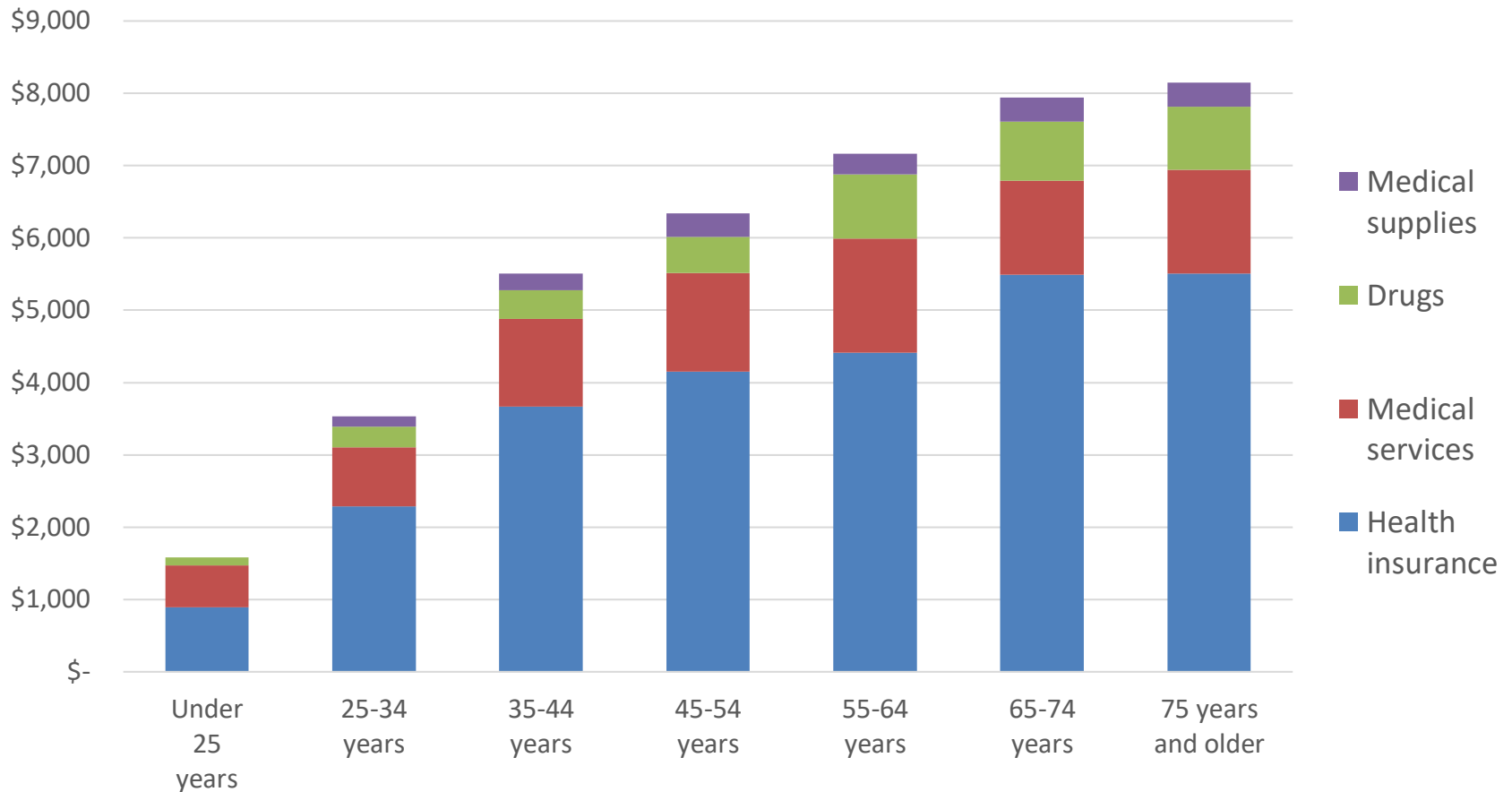
Amount Spent On Healthcare Increases as a Person Ages



Source: BLS Consumer Expenditure Surveys, 2023

Healthcare Expenditure Breakdown

Average Annual Expenditures, Healthcare



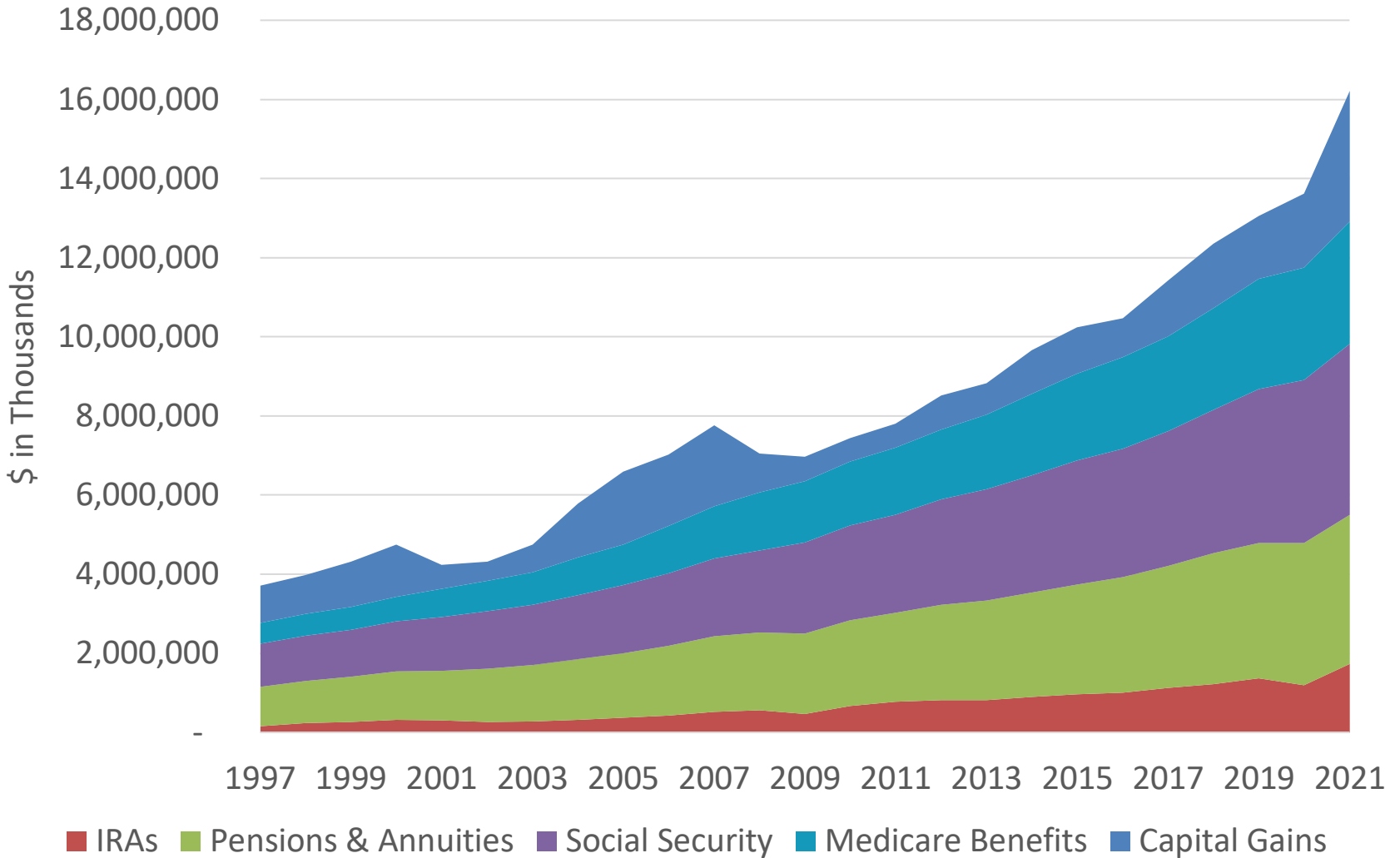
Impact of Aging Population

- With Delaware the sixth-oldest state in the nation, an aging population may put a disproportionately larger burden on the healthcare system here than elsewhere
- But an aging population also likely provides more assets/income to pay for healthcare
- Should these factors be accounted for in the benchmark?

Delaware Income Growth

- Total personal income in Delaware has increased 4.6% annually from 1998 to 2021
- Income predominantly received by those over 65 has increased 6.3% annually
 - IRA distributions, pensions and annuities (including 401(k)s and the like), Social Security, capital gains and Medicare benefits
- On a per capita basis, however, these types of income have grown more slowly than total personal income (3.0% compared to 3.3%)

“Older” Income Growing



Benchmark Considerations

- Does the existing benchmark (labor force growth, productivity and inflation) adequately address increased usage of healthcare by seniors and/or greater ability to pay?
- How could the benchmark address these issues, especially as per capita “older” income grows more slowly than personal income?
- No objective forecast
- Data could be refined (focusing on those only 65+), but may show the same result
- Any other approach?

PUBLIC COMMENT

Meeting Schedule

- November 18 from 1:00pm – 3:00pm
- December 18 from 2:00pm – 4:00pm