



DEFAC Healthcare Spending Benchmark Subcommittee

JANUARY 27, 2023

Agenda

1. Review June 10, 2022 Meeting's Minutes
2. Presentation on Healthcare Spending Benchmarks in Other States and Inflation
3. Discussion of Benchmark Methodology
4. Public Comment
5. Adjourn

Topics to Research

- What other states are doing? What economic indicators other states are using?
- How are the benchmarks used by other states' healthcare delivery and regulatory structures?
- Is 5-10 years out the appropriate time frame? State budget index uses a blend of historical and forecast components over the past, current and coming year.
- How responsive does the subcommittee want the benchmark to be to immediate term issues?

Objectives

- Sound, reasonable, predictable, easy-to-understand, and developed in an independent manner
- Provide a stable cost growth-constraining target against which providers and insurers can plan and contract
- State health care costs should not exceed the long-run average growth rate of the state's economy
- Potential Gross State Product: new economic activity less goods and services used as inputs to production

Current Methodology

Components set by 16 Del. C. §9902(k)(3)	Data Source set by implementation manual	Forecast set by implementation manual	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%
+ Expected growth in Delaware's civilian labor force	Delaware Population Consortium <i>Population Projections by Single Year, Age, Race and Sex</i>	Calculate growth by averaging the forecasted increase of Years 5 through 10 in the future	0.2%
+ 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%
= Nominal PGSP growth			3.6%
- Expected population growth in Delaware	Delaware Population Consortium <i>Population 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%
= PGSP growth			3.1%
+ Transitional market adjustment (from E.O. 25)			0.0%
= Spending Benchmark			3.1%

Expected National Inflation

	Personal Consumption Expenditure (PCE)	PCE, less food and energy	Consumer Price Index (CPI-U)	CPI-U, less food and energy
5-10 Years in the Future	2.0	2.1	2.4	2.4
3-8 Years in the Future	2.0	2.1	2.3	2.4
1-5 Years in the Future	2.2	2.3	2.5	2.6

Source: CBO Budget and Economic Outlook: 2022 to 2032, May 2022

Expected Labor Force Productivity

	Labor Force Productivity
5-10 Years in the Future	1.4
3-8 Years in the Future	1.4
1-5 Years in the Future	1.5

Source: CBO Budget and Economic Outlook: 2022 to 2032, May 2022

Expected Population

	Delaware's Civilian Labor Force	Delaware Population
5-10 Years in the Future	0.2	0.5
3-8 Years in the Future	0.2	0.5
1-5 Years in the Future	0.2	0.5

Source: Delaware Population Consortium 2021 Annual Report, October 2021

Public Comment

Thank you!

For more information about the health care spending benchmark:

<https://dhss.delaware.gov/dhcc/global.html>

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