

Health Care Spending Benchmark Subcommittee



March 18, 2019

Introductions

- Kara Walker, Chair
- Cindy Bo, Vice Chair
- Neeraj Batta
- Kristin Dwyer
- Rick Geisenberger
- Marcy Jack
- Aditi Sen
- Gary Siegelman
- Zugui Zhang

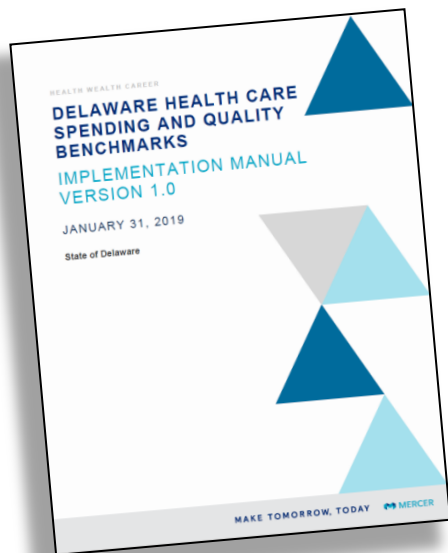
Review of Executive Order 25

- Results from work of the Health Care Delivery and Cost Advisory Group established by Governor Carney under Executive Order 19
- Set initial spending and quality benchmarks for CY 2019 through CY 2023
- Established the DEFAC Health Care Spending Benchmark Subcommittee
- Tasked the Delaware Health Care Commission with setting the quality benchmarks, reporting on performance relative to both benchmarks, and engaging providers and community partners

Implementation Manual

Per E.O. 25, the Secretary of DHSS published a technical manual with methodology for the spending and quality benchmarks

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



Purpose of the Subcommittee

- The Subcommittee sets the benchmark
 - 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
 - After 2023, Subcommittee must evaluate results of PGSP benchmark and PGSP methodology, and recommend any appropriate changes
- 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

Subcommittee 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 Methodology

- The sum of:
 - the expected growth in national labor force productivity
 - plus the expected growth in Delaware’s civilian labor force
 - plus the expected national inflation
- Minus Delaware’s expected population growth
- Plus a transitional market adjustment set at 0.5% for calendar year 2020, 0.25% for calendar year 2021, and 0% for calendar year 2022 and beyond

PGSP Source and Forecast*

Components	Data Source	CY 2020	CY 2021	CY 2022	CY 2023
Expected growth in national labor force productivity	<i>Budget and Economic Outlook Report, CBO</i>	1.40%	1.40%	1.40%	1.40%
+ Expected growth in Delaware's civilian labor force	<i>Projections by Single Year, Age, Race and Sex, DPC</i>	0.10%	0.10%	0.10%	0.10%
+ Expected national inflation	<i>Budget and Economic Outlook Report, CBO</i>	2.00%	2.00%	2.00%	2.00%
= Nominal PGSP growth		3.50%	3.50%	3.50%	3.50%
- Expected population growth in Delaware	Delaware Population Consortium <i>Population Projections by Single Year, Age, Race and Sex</i>	0.50%	0.50%	0.50%	0.50%
= PGSP growth		3.00%	3.00%	3.00%	3.00%
+ Transitional market adjustment		0.50%	0.25%	0.00%	0.00%
= Spending Benchmark		3.50%	3.25%	3.00%	3.00%

*As set in E.O. 25 on November 20, 2018

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

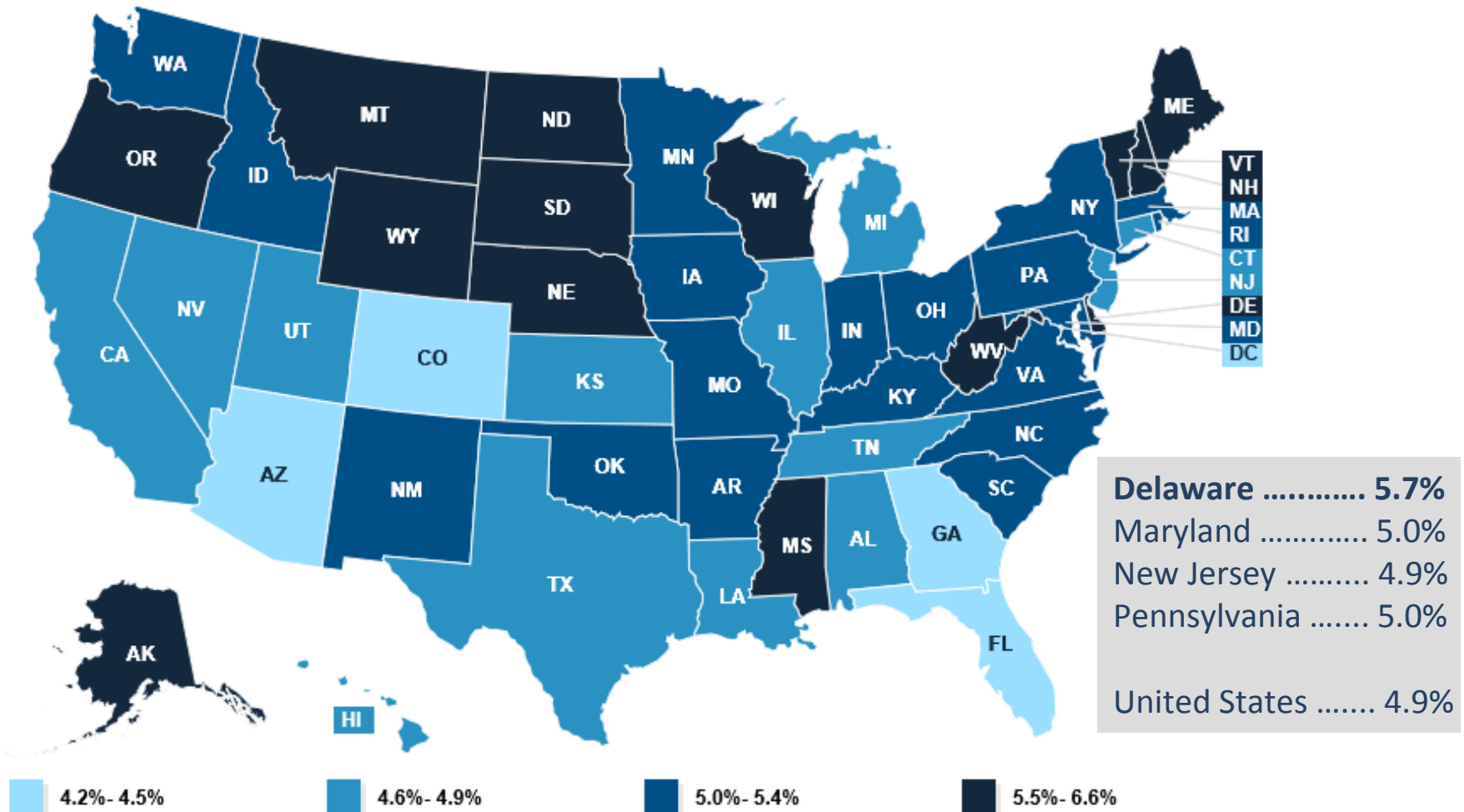
Health Care Spending Benchmark Subcommittee

Current Economic and Fiscal Environment of Health Care Spending in Delaware

Major Health Care Demographics in Delaware

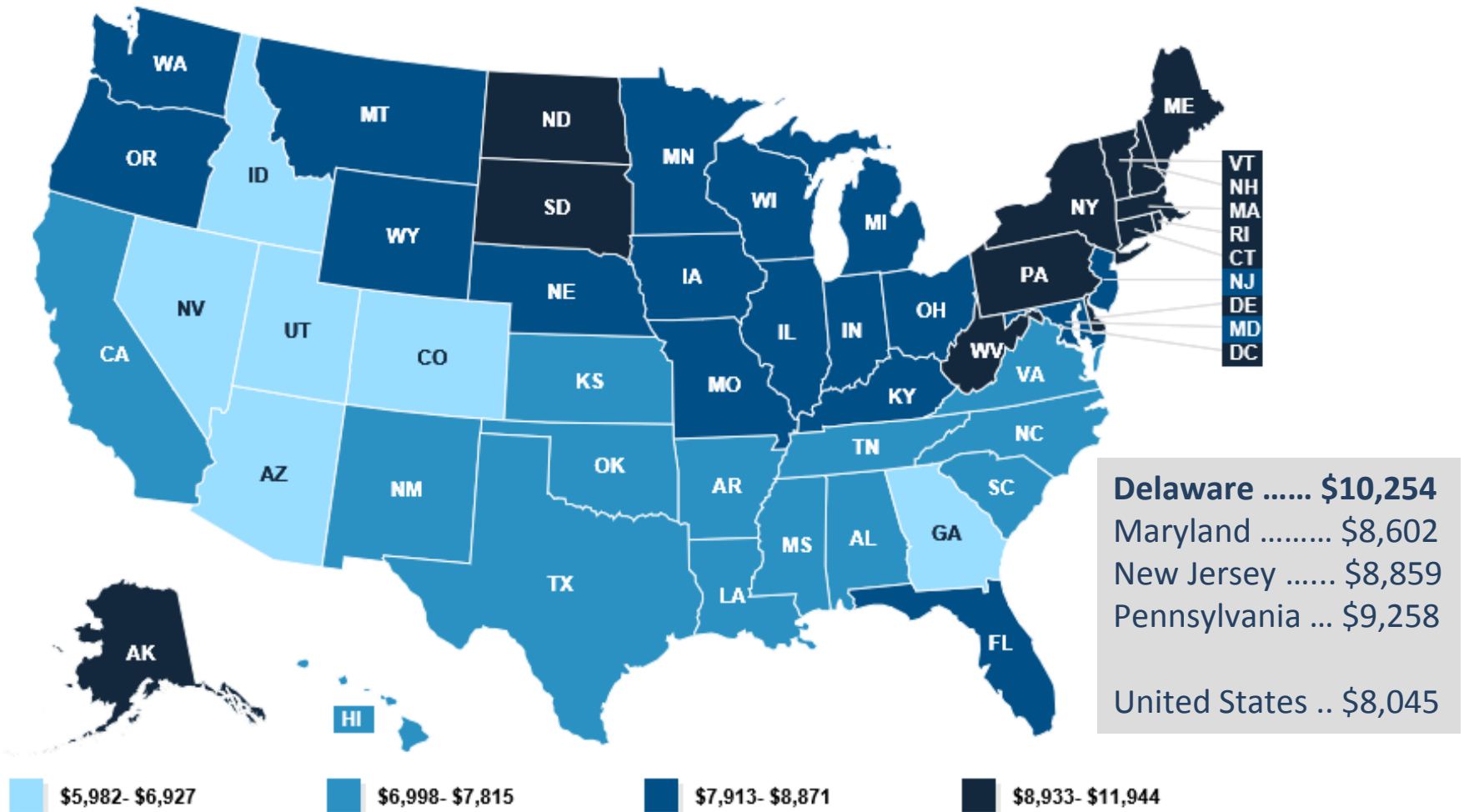
- Delaware's demographics and the percentage of residents with chronic conditions are drivers of both spending and poor health outcomes
- Like other east coast states, Delaware's population is older and aging faster than the US average – projected to be the 10th oldest state by 2025
- The population is also sicker than the average state, with higher rates of chronic disease, in part driven by social determinants including poverty, food scarcity, and violence

Growth in Health Care Expenditures per Capita 1991 - 2014



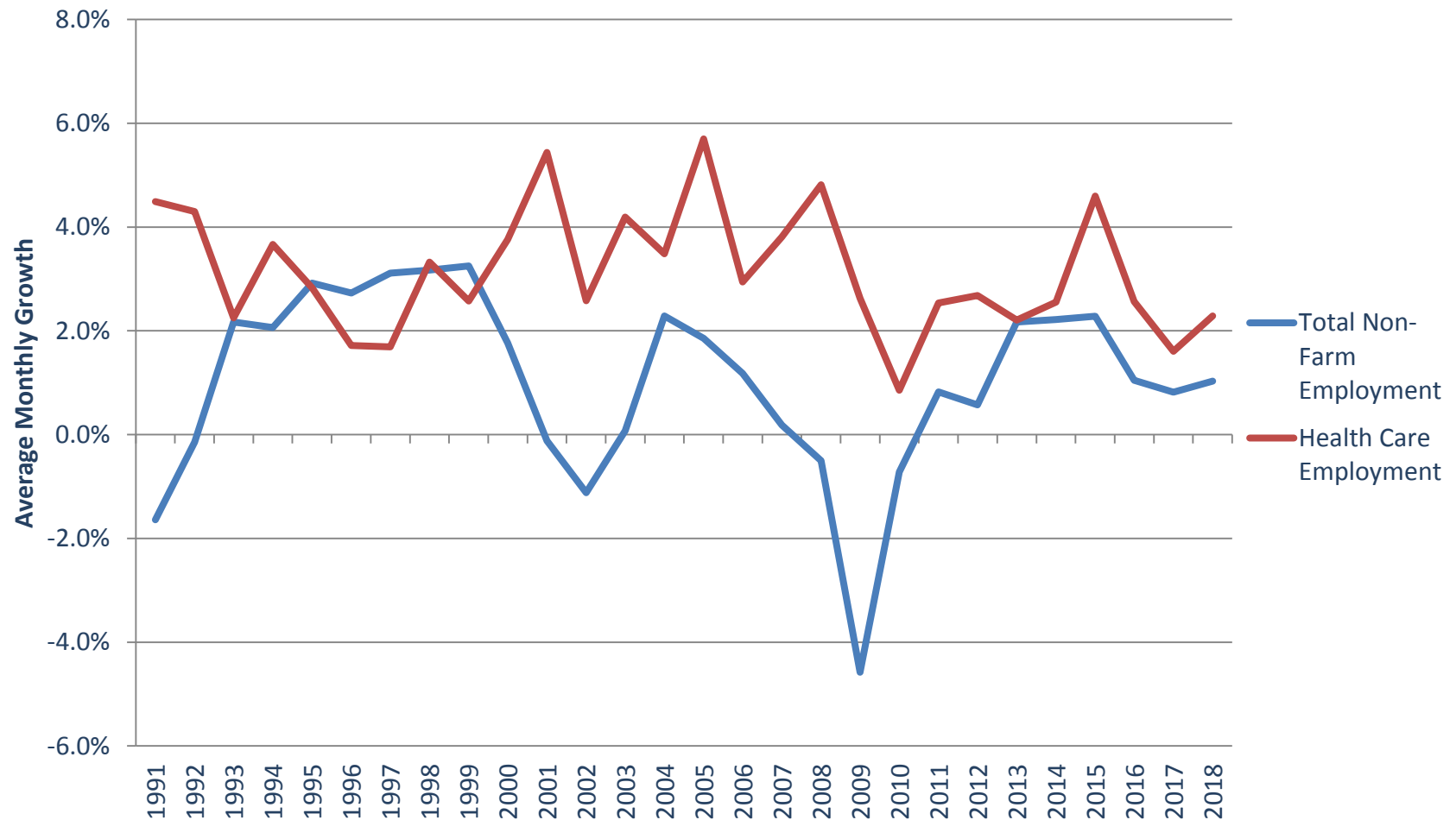
Source: Centers for Medicare & Medicaid Services, Health Expenditures by State of Residence, 1991-2014, via Kaiser Family Foundation, State Health Facts

Health Care Expenditures per Capita 2014



Source: Centers for Medicare & Medicaid Services, Health Expenditures by State of Residence, 1991-2014, via Kaiser Family Foundation, State Health Facts

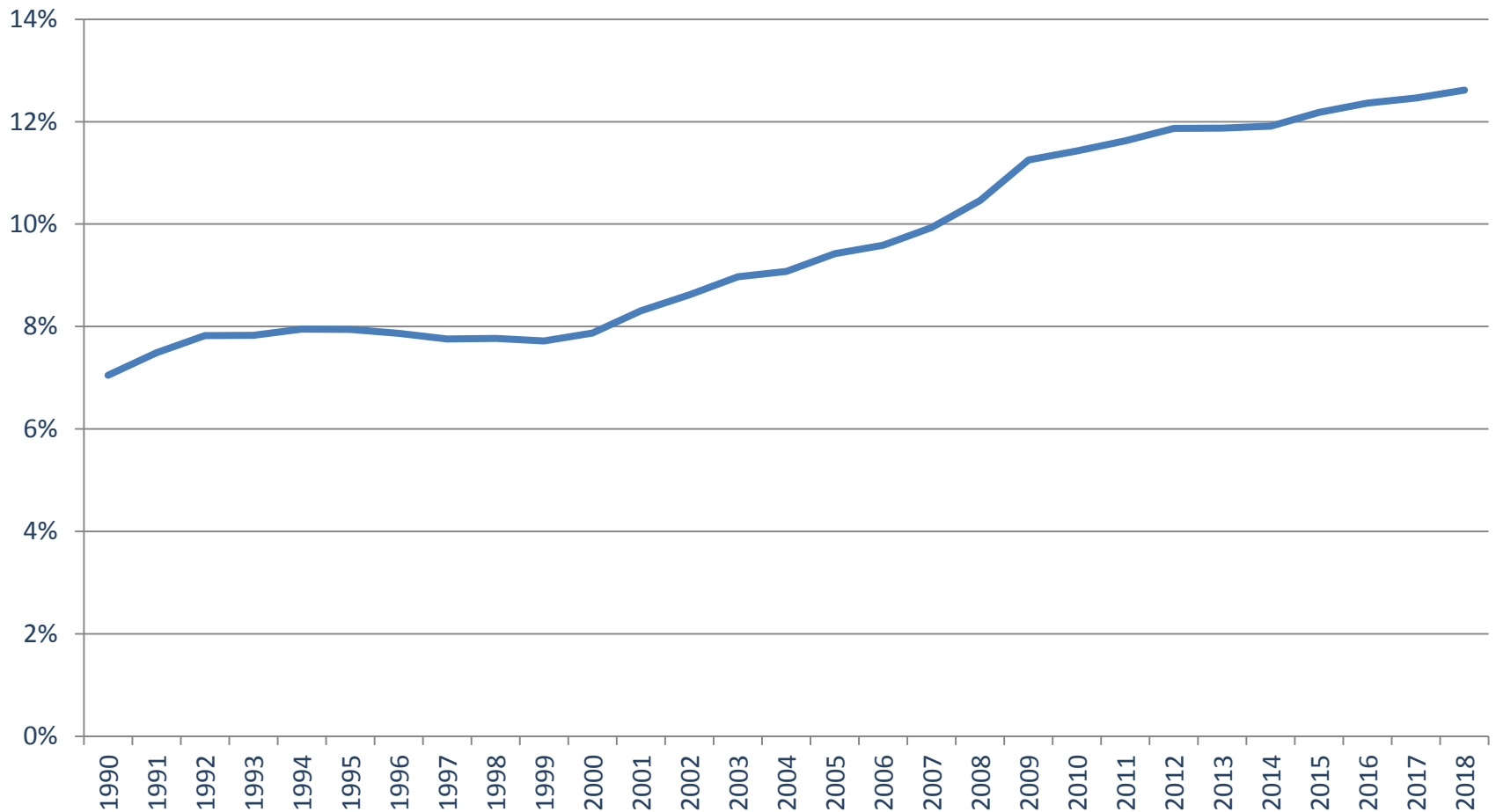
Employment Growth in Delaware



Not seasonally adjusted

Source: U.S. Bureau of Labor Statistics, State and Metro Area Employment, Hours, and Earnings

Health Care Employment as a Share of Total Non-Farm Employment in Delaware

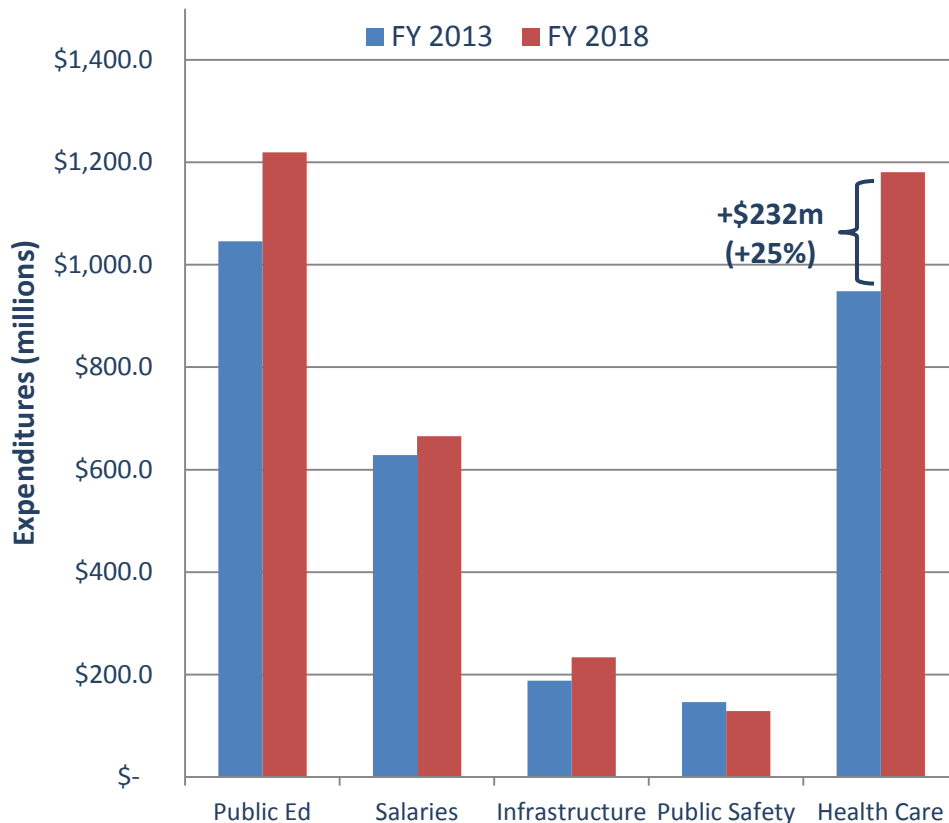


Not seasonally adjusted

Source: U.S. Bureau of Labor Statistics, State and Metro Area Employment, Hours, and Earnings

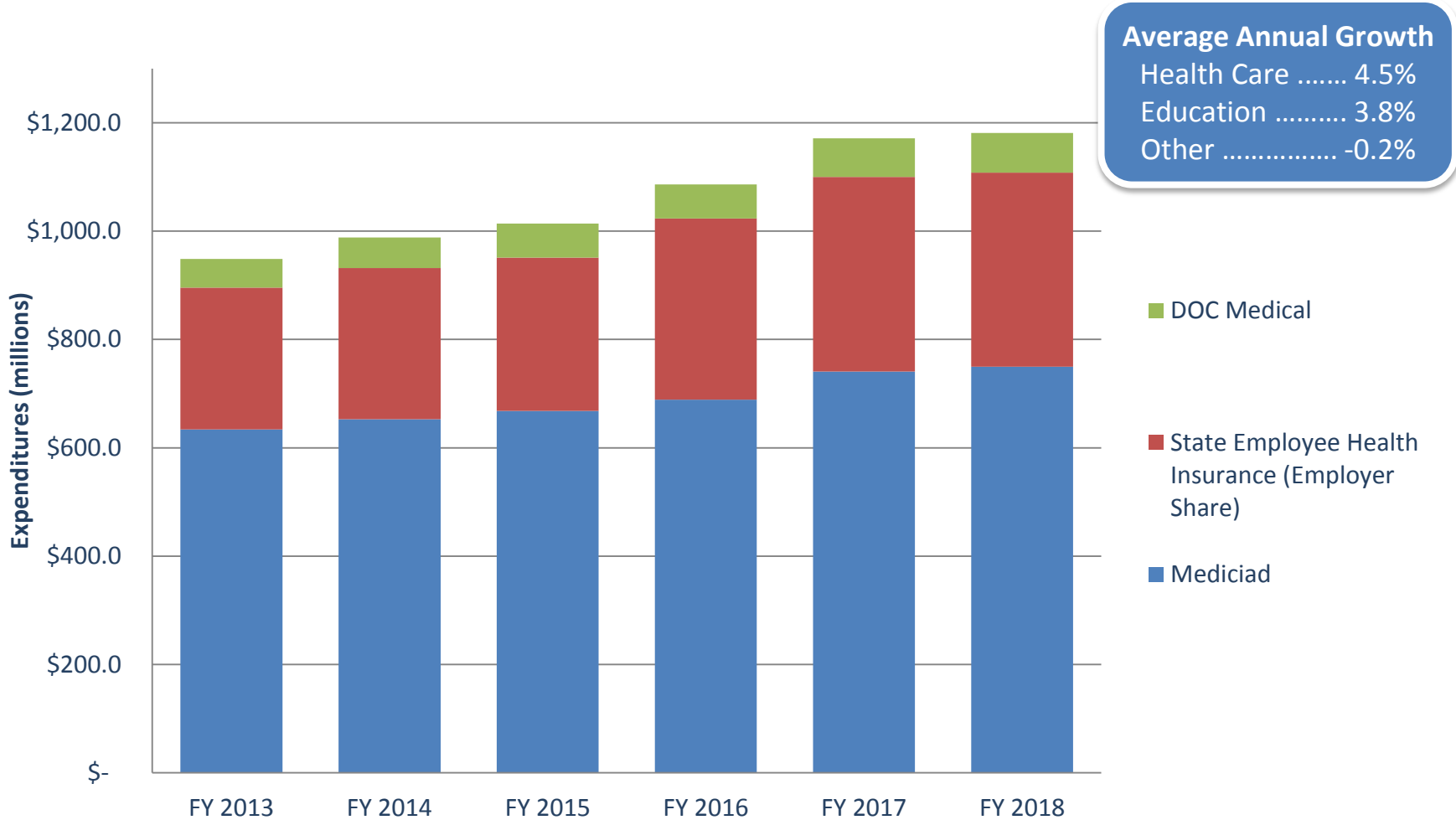
State Government's Increasing Health Care Costs

Delaware General Fund Expenditures



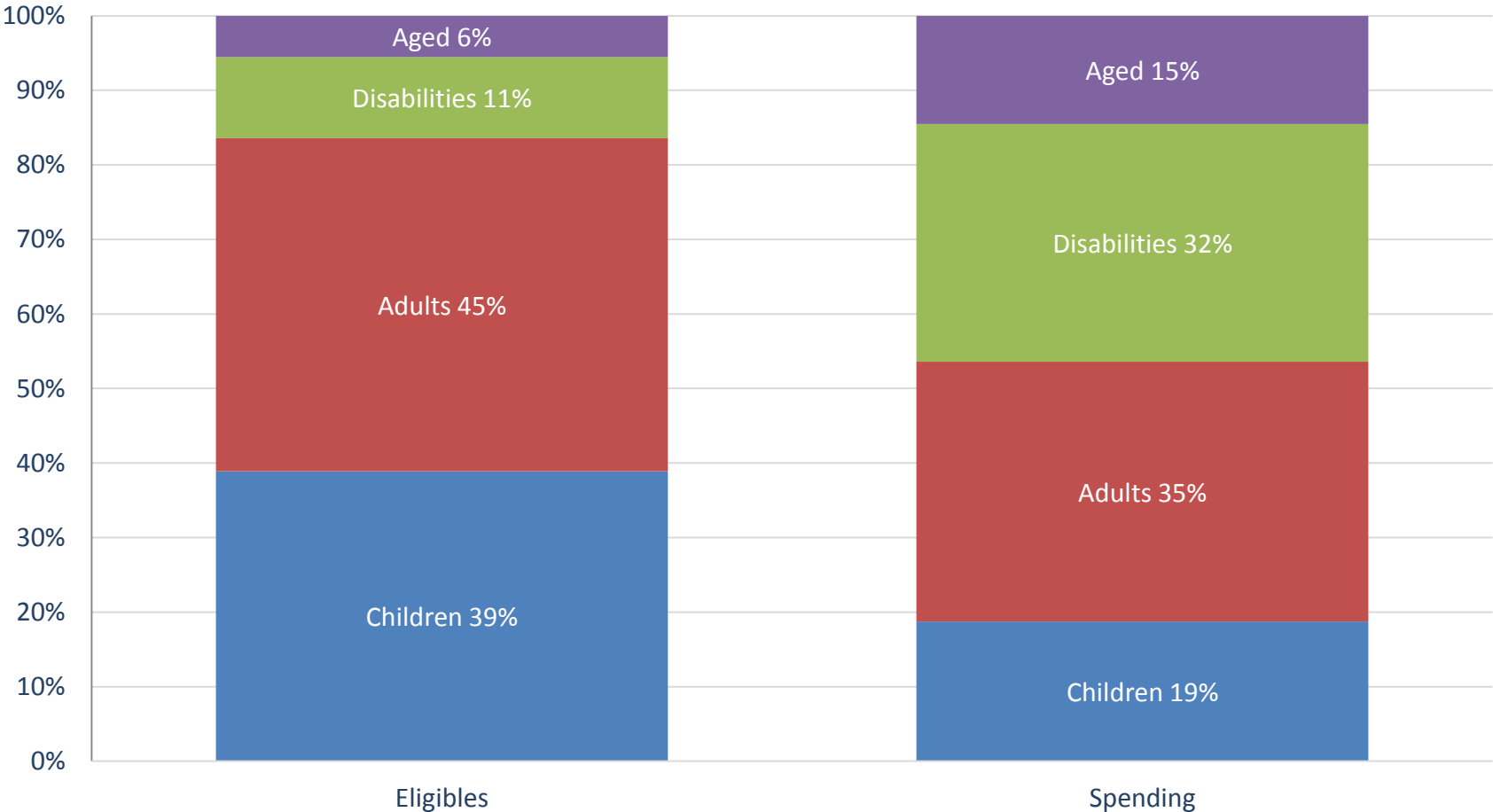
- During this same time frame, General Fund revenue collection has grown by just 18%.
- Health care costs now account for almost **30% of the state's budget**.
- **Crowds out necessary investments in:**
 - Public Education
 - Salaries
 - Infrastructure
 - Public Safety

General Fund Health Care Expenditures

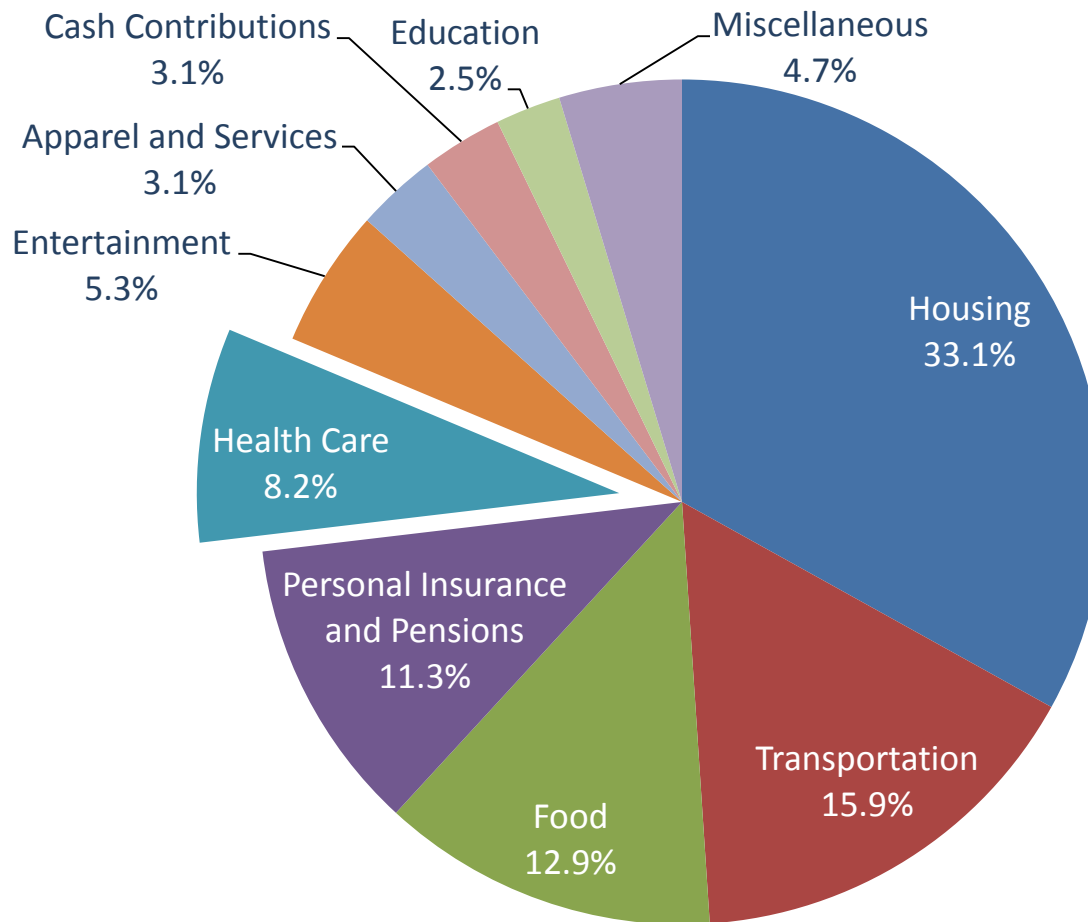


Medicaid Enrollment and Spending

FY 2018



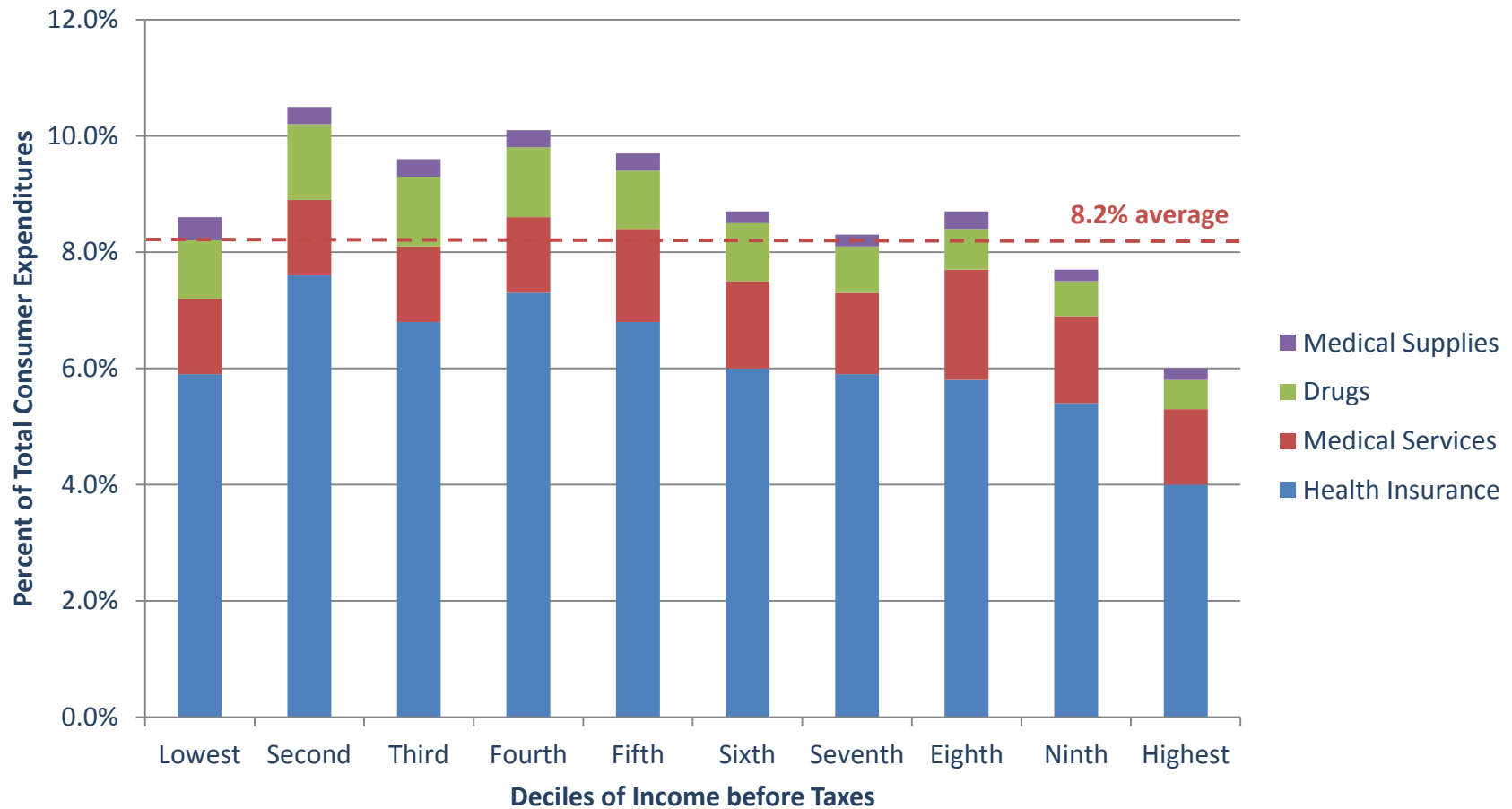
Share of Average Annual Consumer Expenditures 2017



Nationwide, all consumer units

Source: U.S. Bureau of Economic Analysis, Consumer Expenditure Survey, 2017

Share of Average Annual Consumer Expenditures: Health Care



Nationwide, all consumer units

Source: U.S. Bureau of Economic Analysis, Consumer Expenditure Survey, 2017

Agenda Con't

- Subcommittee Discussion
- Next Steps
- Public Comment
- Adjourn