Minutes of the
Delaware Economic & Financial Advisory Council
Healthcare Spending Benchmark Subcommittee
October 24, 2024

Teams/DHSS Chapel 1901 N DuPont Highway, New Castle, DE 19720

Attendance:

Member	Present
N. Batta	Yes
K. Dwyer (Vice Chair)	Yes
R. Ford	Yes
R. Geisenberger	Yes
M. Houghton	Yes
J. Manning (Chair)	Yes
G. Siegelman	No
D. Tam	Yes

Members in Attendance: 7
Members Absent: 1

Others Present: M. Bailit, D. Bentz, C. Cardillo, S. Costantino, B. Frazee, B. Greenlee, C. Heiks, A. Jenkins, B. Khanal, B. Leshine, M. Marlin, S. Petrowich, D. Roose, M. Tweedie, J. Van Gorp, J. Villecco, and L. Wright.

Opening Business:

A quorum was established. Chair Manning called the meeting to order at 10:30 am. Members introduced themselves. The minutes from the October 2, 2024 meeting were approved.

Review of Other Benchmark State & Their Methodologies:

Michael Bailit provided an overview of the eight other states that currently have a healthcare spending benchmark, how those benchmarks are set, and which states have policies holding entities accountable to the benchmark. Subcommittee members discussed the financial penalties in Oregon and which healthcare entities were involved with the benchmark setting processes in other states. Mr. Bailit showed that there is not a large range across other states' benchmarks even though they use different methodology. For 2025, they range from 2.9% to 3.6%. Dr. Tam questioned whether these methodologies were realistic. Mr. Geisenberger asked why states who adopted benchmarks after Delaware and Massachusetts are now incorporating measures of household income. Mr. Bailit explained that there is rising sentiment that the benchmark needs to be more consumer-focused and account for affordability. Potential Gross State Produce (PGSP) methodology is focused on the state's economy which sometimes is doing better than the median household. Mr. Bailit did not have a specific recommendation for Delaware. He pointed to the variety of methodologies used in other states.

Healthcare and Macroeconomic Trends Submitted for Consideration:

Mr. Bentz began discussing healthcare trends by posing two considerations to the Subcommittee: (a) is the spending benchmark a goal of how much Delaware is aiming to have spending change from year-to-year, or (b) is the spending benchmark intended to be a predictor of growth in healthcare spending? He noted that inclusion of healthcare trends would move the original intention from the first intention to the second intention. He believes that a self-referencing benchmark that draws directly on wage, inflation, etc. growth experienced in prior years defeats the purpose of the healthcare spending benchmark, which is to slow the rate of healthcare cost growth. Mr. Batta believes the two intentions are not mutually exclusive; Mr. Geisenberger agreed. Mr. Costantino reiterated the importance of a healthcare benchmark noting that so many public and private budgets are being dominated by rising healthcare costs. He believes the benchmark is an aspirational north star so that we can impose policies that proactively and innovatively reduce healthcare costs. Ms. Ford expressed concerns that hospitals cannot control all of the healthcare spend within the hospital environment, but due to HB 350 only hospitals could potentially face penalties for exceeding the benchmark. She believes there needs to be more partnership at the table. Dr. Tam believes pharmacy, insurance companies, skilled nursing and other healthcare sectors need to be held accountable too if we want to reduce total healthcare expenditures. Ms. Manning wants the subcommittee to stay focused on setting the benchmark methodology, not HB 350. Mr. Bentz continued his presentation by discussing some of the healthcare trends submitted for consideration by Dr. Siegelman: healthcare inflation, healthcare workforce shortage, growth in prescription drug utilization and costs, rising behavioral health utilization and costs, and increased cancer severity and costs.

Ms. Marlin presented information about Delaware's aging population. Delaware has the 6th oldest median age, and the State is aging faster than other states. However, the growth of Delaware 65+ population is expected to grow less rapidly in the near future and be flat in the long-run. As the Baby Boomer population reaches age 65, the following generations are smaller and will not grow this subset of the population as dramatically. However, even as the population growth rate decreases, that population will still exist in Delaware and require significantly more healthcare services than younger age groups. To the extent population growth rates are used in the benchmark methodology, long-run forecasted growth rates might not reflect current healthcare activity.

Mr. Roose noted that the aging population puts a burden on the healthcare system, but they also tend to have more wealth with which to pay for their healthcare needs. Total personal income in Delaware has increased 4.6% annually from 1998 to 2021. Income predominately received by those over 65 has increased 6.3% annual during that same time. However, on a per capita basis, these types of income have grown more slowly than total personal income (3.0% compared to 3.3%). There are also forms of income received by this age group, such as Roth IRAs, that are not being tracked in personal income data. It would be difficult to incorporate this issue into the benchmark methodology and the per capita difference between age groups appears to be de minimis. Ms. Manning asked why elderly income should even be considered in the methodology. Mr. Geisenberger noted that there is public policy already that requires older adults to spend down their wealth before becoming eligible for Medicaid. He also noted

that the PGSP focuses on the civilian labor force and productivity, which may reflect the commercial market, but income measurers would prioritize affordability. Dr. Tam noted that Medicare does not cover the total healthcare expense of the elderly population, which results in a cost shifting to the younger populations.

Public Comment:

No one signed up for public comment.

Other Business:

There being no further business, Ms. Manning adjourned the meeting at 12:04 pm.

Respectfully submitted,
Melissa Marlin