

Executive Order 25
Establishing Delaware Health Care Spending and Quality Benchmarks

Health Care Spending Benchmark

Health Care Commission Meeting
January 3, 2019



Executive Order 25

- Results from work of the Health Care Delivery and Cost Advisory Group established by Governor Carney under Executive Order 19
- The group was directed to advise on
 - a health care spending benchmark, a nonbinding target for the growth of total health care costs in the State, and
 - the development of quality measures to establish accountability for the goal of improved health care

New DEFAC Subcommittee

- Executive Order 25 establishes a Health Care Spending Benchmark Subcommittee of the Delaware Economic and Financial Advisory Council (DEFAC):
 - Chair and Vice-Chair are DEFAC members with health care expertise (a)
 - Three additional members of DEFAC (a)
 - Two members representing health economists (b)
 - Two members representing quality improvement experts from Delaware health care systems or hospitals (b)

(a) Appointed by DEFAC Chair

(b) Appointed by Governor

Health Care Spending Benchmark

- Provides guidance to restrain growth in health care costs to growth of the State's economy
- Equal to the budget Benchmark Index for CY 2019 established under Executive Order 21 (*based on near term measures of growth in DE personal income, DE population, and inflation in state and local government expenditures*). Now 3.8%
- Thereafter, set by Executive Order 25 at:

2020	2021	2022	2023
3.50%	3.25%	3.00%	3.00%

- Based on the growth of potential gross state product (PGSP) per capita, the long-term sustainable growth rate of the State's economy

PGSP Methodology

- Per capita Potential Gross State Product (PGSP) is calculated based on average annual long-term expected growth rates (*) as follows:
 - National labor force productivity + Delaware's civilian labor force + National inflation
 - Minus: Delaware's expected population growth
 - Plus: A transitional market adjustment of:
 - 0.5% (2020)
 - 0.25% (2021)
 - 0.0% (2022 and beyond)

() Forecast Years 6 through 10 (CY2024 to CY 2028)*

PGSP Methodology – Source Data

- A. National labor force productivity – CBO
- B. DE civilian labor force – DPC
- C. National inflation (Personal Consumption Expenditures)– CBO
- D. DE population growth – DPC

Calculation:

A	+	B	+	C	-	D	=	PGSP Per Capita
1.4%	+	0.1%	+	2.0%	-	0.5%	=	3.0%

Notes:

CBO -- Congressional Budget Office

DPC -- Delaware Population Consortium

Subcommittee's Role

- The Subcommittee sets the benchmark
- Each year through 2023, the Subcommittee must review all components of the fixed PGSP methodology, monitor for any material changes, and determine if the fixed PGSP benchmark is appropriate
 - If not, must determine any appropriate modifications and recommend any changes to DEFAC.
- For performance years starting in 2024 (so no later than March 2023), the Subcommittee must evaluate the overall Spending Benchmark methodology and recommend, for DEFAC's approval, any appropriate changes.

Subcommittee's Role

- Provide opportunities for public and interested stakeholder input and consider their recommendations.
- Advise the Governor and DEFAC on current and projected trends in health care and the health care industry, particularly as they affect expenditures and revenues of the State, its citizens, and its major industries.

Questions / Discussion

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