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# DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS)



## DELAWARE HEALTH CARE COMMISSION

REVIEW OF PRELIMINARY CALENDAR YEAR (CY) 2018  
BENCHMARK SPENDING DATA

# HISTORY OF THE HEALTH CARE SPENDING BENCHMARK

- In November 2018, Governor Carney signed Executive Order (EO) 25, which laid out a vision for improving the transparency and public health awareness of health care spending and quality.
- The spending benchmark, effective January 1, 2019, is a target value for the change from the prior year in Statewide per capita health care spending.
  - Formula based on the long-term outlook for population change, inflation, labor force as well as a temporary transitional adjustment factor
- EO 25 set the spending benchmarks for CYs 2019 – 2023 as follows:

■ CY 2019: 3.80%	■ CY 2022: 3.00%
■ CY 2020: 3.50%	■ CY 2023: 3.00%
■ CY 2021: 3.25%	



# HISTORY OF THE HEALTH CARE QUALITY BENCHMARKS

- The health care quality benchmarks are divided into two categories:
  - Health status measures, which quantify certain population-level characteristics of Delaware residents.
    - Four measures: Adult obesity, High school students who were physically active, Opioid-related overdose deaths, and Tobacco Use
  - Health care measures, which quantify performance on health care processes or outcomes and are assessed at the State, market, insurer and provider levels.
    - Four measures: Opioid-related measure (TBD), Emergency department utilization, Persistence of a beta-blocker treatment after a heart attack, and Statin therapy for patients with cardiovascular disease – statin adherence 80%
- Preliminary data for the quality benchmarks were not required and therefore will not be discussed today.

# COLLECTION OF PRELIMINARY CY 2018 BENCHMARK SPENDING DATA

- Collecting preliminary CY 2018 benchmark spending data enabled DHCC and insurers to gain experience with the data collection process and identify opportunities for process improvement. Data sources:

Market/Spending Component	Data Source	Data Collected
Medicare	CMS and Insurers	FFS and managed care including drug spending and limited pharmacy rebate data (from Insurers only)
Medicaid	DMMA and Insurers	FFS and managed care including pharmacy rebate data
Commercial	Insurers	Medical/service expenditures including pharmacy rebate data
Veterans Health Administration	VA website	Summarized data from the US Department of Veterans Affairs
Net Cost of Private Health Insurance	Insurer or public reports	Summary level data on revenues and expenses

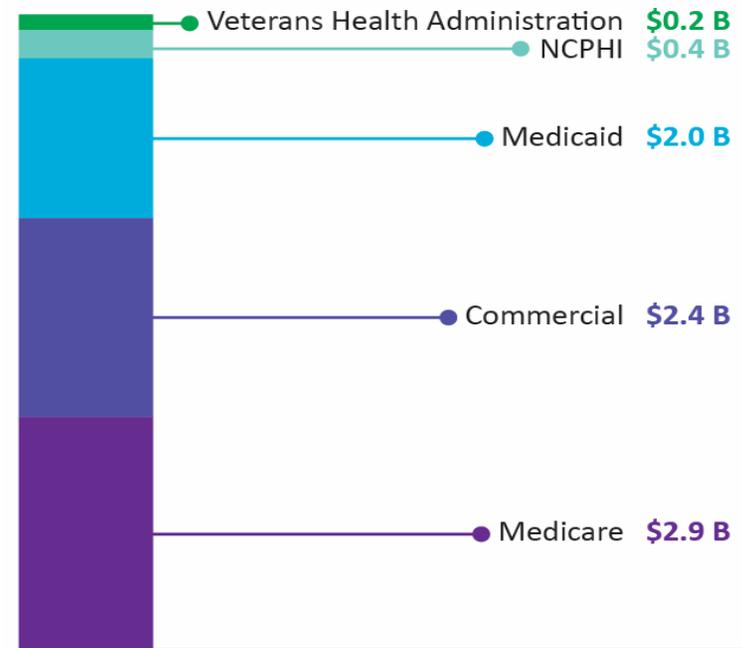
## COLLECTION OF PRELIMINARY CY 2018 BENCHMARK SPENDING DATA (CONT'D)

- The process was an informative and important exercise for DHCC, insurers and DMMA. Preliminary data may still contain methodological inconsistencies across payers.
- To strengthen future data collection and analysis, DHCC will:
  - Revise data collection specifications to improve consistency
  - Re-collect CY 2018 data as part of the CY 2019 data collection process to ensure better year-over-year comparisons
  - Perform additional analyses, including at the insurer and/or provider level if practical.
- Note: Due to methodological differences, this data should not be compared to other sources of Delaware spending.

# DELAWARE OVERALL HEALTH CARE SPENDING – CY 2018 PRELIMINARY DATA

- Total Health Care Expenditures were approximately \$7.8 billion or \$8,110 per Delawarean. Values are rounded.
- By market and component:
  - Medicare (FFS and managed care): 36.8% of spending
  - Commercial (fully and self-insured): 31.2% of spending
  - Medicaid (FFS and managed care): 25.1% of spending
  - Net Cost of Private Health Insurance (NCPHI): 4.5% of spending\*
  - Veterans Health Administration: 2.5% of spending

**Figure 1: State Total Health Care Expenditures**  
Aggregate and Per Capita



**Total Overall Spending \$7.8 B**

**THCE per capita \$8,110**

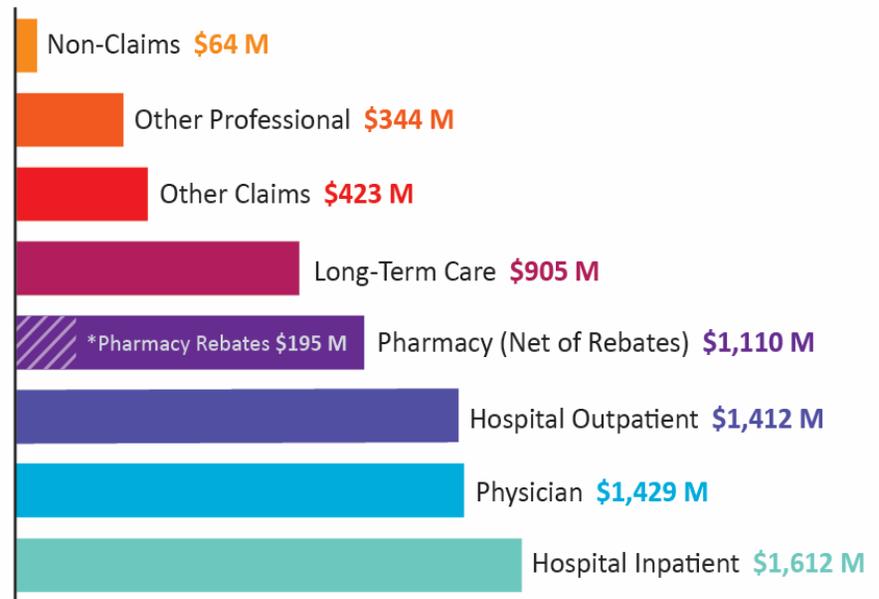
DHCC PRESENTATION ON HEALTH CARE SPENDING BENCHMARK

\* Medicare FFS, Medicaid FFS and Veterans Health Administration does not have NCPHI, so expressed as a percentage of THCE, NCPHI is relatively low.

# DELAWARE SPENDING BY SERVICE CATEGORY – CY 2018 PRELIMINARY DATA

- Total Medical Expense by service category\*:
  - Hospital (inpatient and outpatient): 41.4% of spending
  - Physicians (regardless of specialty): 19.6% of spending
  - Pharmacy (net of rebates): 15.2% of spending
- Insurer and Medicaid reported pharmacy rebates were approximately \$195 million.
  - Medicare FFS rebates not provided by CMS

**Figure 2:** Delaware Spending on Medical Services by Service Category

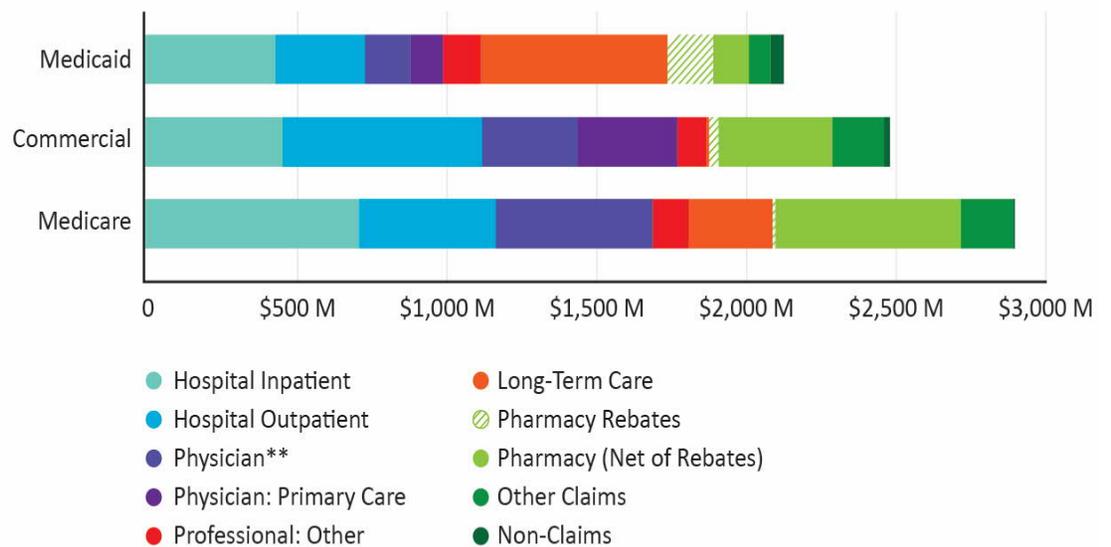


\* VA data was not available on a service category basis and is thus excluded. NCPHI is excluded.

# DELAWARE SPENDING BY SERVICE CATEGORY AND MARKET – CY 2018 PRELIMINARY DATA

- Hospital spending represented the largest proportion of dollars across market, ranging from 37% - 46% of total spending.
- Population differences across markets impact spending by service category (e.g., more long term care spending in Medicaid).

**Figure 3:** Service Category Spending by Market



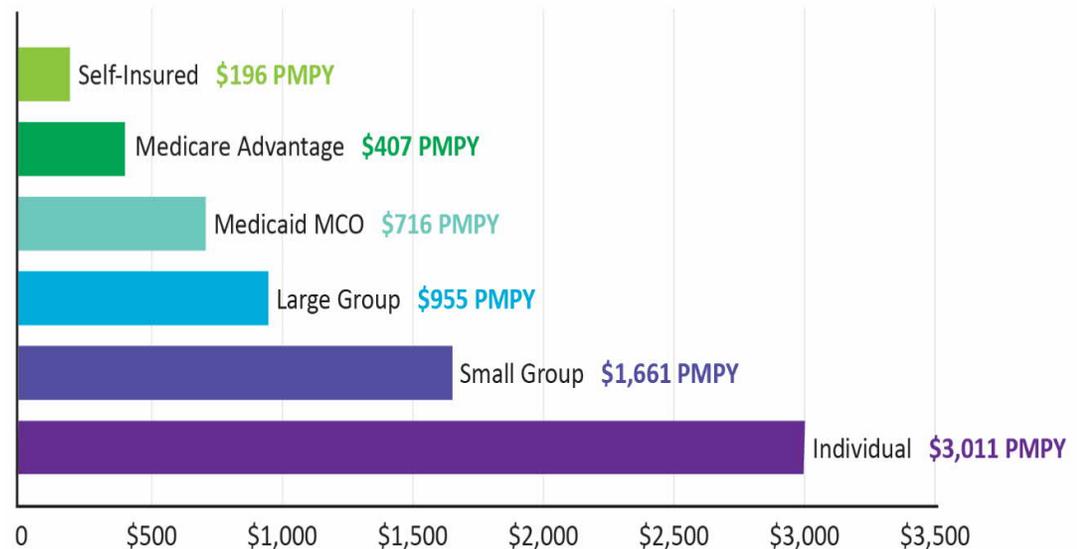
\*\*For Medicare, "Physician" is inclusive of primary care and specialty care physician spending because CMS did not separately report these two categories of physician spending.

\*There are likely methodological differences among insurer reporting that are leading to spending data being under-reported. DHCC is working to resolve this issue in subsequent data submissions. NCPHI is excluded.

# DELAWARE SPENDING ON THE NET COST OF PRIVATE HEALTH INSURANCE (NCPHI)\*

- Total NCPHI was approximately \$351 million.
- The weighted average per member per year (PMPY) NCPHI amount across markets was \$635.
- PMPY differs by market segment, from \$3,011 for the commercial individual market to \$196 for the self-insured market.

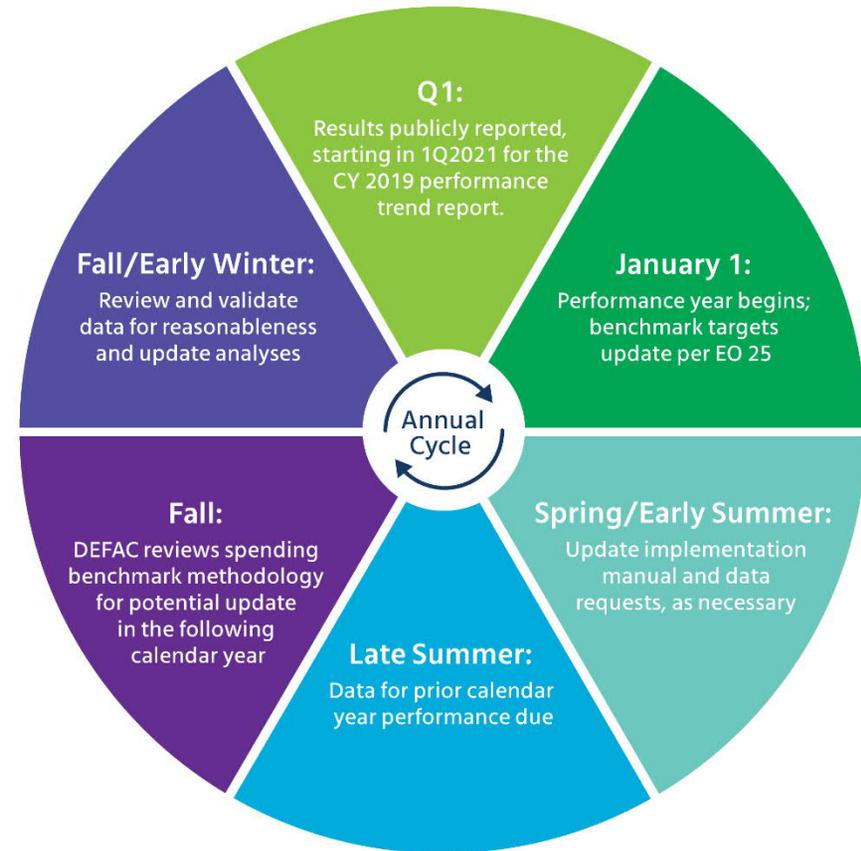
Figure 5: Net Cost of Private Health Insurance



\*NCPHI is the cost to DE residents associated with the administration of private health insurance (e.g., insurer overhead, staff salaries, advertising, sales commissions, other administrative costs, premium taxes, profits/losses, etc.). It is the difference between health premiums earned and benefits incurred.

# NEXT STEPS

- In the coming weeks, DHCC will issue a data request and announcement of webinar(s) to support this year's data collection process.
- CY 2018 data will be collected again along with CY 2019 data based on updated specifications.
- DEFAC will be reviewing the CY 2021 spending benchmark target percentage later this year.
- CY 2019 report on the spending and quality benchmarks is targeted for release in 1Q2021.



# THANK YOU!

For more information about the health care spending benchmark, visit: <https://dhss.delaware.gov/dhcc/global.html>.





# APPENDIX

# GLOSSARY OF KEY TERMS

- Net Cost of Private Health Insurance (NCPHI): Measures the costs to Delaware residents associated with the administration of private health insurance (including Medicare Advantage and Medicaid Managed Care). It is defined as the difference between health premiums earned and benefits incurred, and consists of insurers' costs of paying bills, advertising, sales commissions and other administrative costs, premium taxes and profits (or contributions to reserves) or losses. NCPHI is reported as a component of THCE at the State, market and insurer levels. NCPHI will not be reported at the provider level.
- Total Health Care Expenditures (THCE): The total medical expense incurred by Delaware residents for all health care benefits/services by all payers reporting to the DHCC plus insurers' NCPHI.
- Total Health Care Expenditures Per Capita: Total health care expenditures (as defined above) divided by Delaware's total state population. The annual change in THCE per capita is compared to the Spending Benchmark at the State, market and insurer levels. THCE will not be reported at the large provider level.
- Total Medical Expense (TME): The total medical expense incurred by Delaware residents for all health care benefits/services by all payers reporting to the DHCC. Payers report TME by insurance category code (e.g., Medicare & Medicare Managed Care, Commercial – Full Claims, etc.) and at the provider level whenever possible. TME excludes Medigap members and claims and also excludes NCPHI.

# PRIMARY CARE

- Medicare FFS data received from the federal government did not separate “primary care”; only one aggregate “physician” service category was provided.
- Research estimates of spending on primary care in commercially insured population is 8% (see source below)\*.
- The specifications developed for 2018 allowed insurers to use their own logic to report “primary care” spending which can be open for interpretation. An insurer may have only counted professional claims from individuals identified as primary care providers, while another could have used professional and facility claims for all internal medicine physicians.
- DHCC intends to update the insurer specifications to include a standard code-level definition of “primary care” that is being refined via collaboration with the Department of Insurance and Freedman. This will result in a restatement of the percentage of TME attributed to “primary care” when the next set of data is collected and reported.

DHCC PRESENTATION ON HEALTH CARE SPENDING BENCHMARK

\*Source: Reiff, J and Biniek J. “Primary care spending in the commercially insured population.” Health Care Cost Institute. [https://healthcostinstitute.org/images/pdfs/Academy\\_Health\\_Poster\\_05102019.pdf](https://healthcostinstitute.org/images/pdfs/Academy_Health_Poster_05102019.pdf)