

**Minutes of the
Delaware Economic & Financial Advisory Council
Health Care Spending Benchmark Subcommittee**

WebEx Event – April 1, 2021

Attendance:

Member	Present
N. Batta	No
C. Bo	Yes
K. Dwyer	Yes
R. Geisenberger	Yes
M. Jack	Yes
A. Sen	Yes
G. Siegelman	Yes
K. Walker	Yes
Z. Zhang	Yes

Members in Attendance: 8

Members Absent: 1

Others Present: C. Crooks Bryan, S. Costantino, C. Davis, F. Gibison, A. Harrison, L. Ledigar, E. Lewis, L. Lopez, K. Macklin, M. Marlin, E. Massa, D. Roose, W. Smith

Opening Business: Ms. Magarik called the meeting to order at 11:02 am.

The minutes from the October 10, 2020 meeting were approved and submitted.

Continued Discussion of 2018/2019 Health Care Expenditures and Performance to Benchmark:

Ms. Magarik gave a summary of the trendline report released at the Delaware Health Care Commission (DHCC) meeting just before this meeting. Based on data from calendar years 2018 and 2019, the actual health care expenditure growth was 7.8%. The benchmark for calendar year 2019 was set at 3.8%. There were increases in spending across all areas. The only decrease was in net cost of private health insurance, which are costs not directly related to caring for patients or paying claims on health care benefits. Ms. Magarik emphasized one of the big takeaways from the DHCC meeting is that it's exciting to have Delaware-specific data to dive into instead of extrapolating from national data.

Mr. Siegelman asked how to better understand the 7.8% growth to see where there might

be areas for improvement. Ms. Magarik explained that the trendline report is segmented, but not to a detailed, clinical level. The data used in the report is aggregate data, not individual claims or clinical data, so there are limitations to the report.

Mr. Geisenberger asked if there would be health care costs not captured in 2020 from delayed care and, so called, fee health care in the form of vaccines, testing and contact tracing that would impact the 2020 measure. Mr. Constantino noted about \$450 million of federal funds went to the state for the provider relief fund and they are trying to figure out how to account for that money in the process. There will probably be several pandemic-related caveats in the next report that address Mr. Geisenberger's question. Ms. Magarik reminded the group that there is no penalty associated with exceeding the benchmark, but by capturing the same data year after year the process does allow for longitudinal analysis. Those one-time events, such as the provider relief fund, will need to be called out in the report. Ms. Bo added that the benchmark provides the trend mechanism and allows for additional exploration with other data sources.

Ms. Magarik will make sure everyone knows where to find the 2019 trendline report.

Calendar Year 2022 Benchmark Calculation:

Ms. Marlin reviewed the Potential Gross State Product methodology used to determine the health care spending benchmark. Executive Order 25 set the calendar year 2022 benchmark at 3.0%. Based on the February 2021 Congressional Budget Office's Budget and Economic Outlook Report and the Delaware Population Consortium's 2020 Annual Report, the calendar year 2022 health care spending benchmark is calculated as 3.2%. There were no changes to the expected growth in national labor force participation or Delaware's civilian labor force. However, the CBO's forecast for national inflation did increase from 2.0% to 2.1% for the years 2026-2031. Delaware's expected annual population growth is also updated from 0.5% to 0.4% for 2026-2031.

Mr. Geisenberger noted that this updated calculation of 3.2% is still below a 10% differential from the Executive Order benchmark of 3.0%, which he does not consider material. He cautioned that the inflation component should be watched closely in the coming years for a more significant change. Ms. Bo thinks we should continue to monitor ongoing national events, but that this deviation is not significant enough to warrant changing the benchmark for calendar year 2022. The subcommittee should let the current methodology play out for a few more years before they make changes. Mr. Siegelman also thinks it makes sense to move forward with the benchmark as set by the Executive Order 25. Ms. Sen wanted to hear public comment before voting.

Mr. Sen requested additional information on the increase in expected national inflation from 2.0% to 2.1%. Ms. Marlin explained that the expected national inflation is higher because of the pandemic and actions taken by the Federal Reserve. Mr. Roose added that the figure is for expected national inflation five to ten years out. So it would not directly take into account immediate issues in the economy, but immediate issues might affect what's going to happen down the road. Mr. Geisenberger explained that the intent of using

forecasts for five to ten years into the future was to provide a level of predictability for the health care community. This differs from the State's budget benchmark which uses the average of a mix of historical and future forecast data for three years. The health care spending benchmark's long-term view provides a more stable benchmark. Mr. Geisenberger and Mr. Roose confirmed that expected national inflation would be the most likely component to change in future data updates.

Mr. Siegelman wanted clarity as to whether the recommendation is to keep the calendar year 2022 benchmark at 3.0% or change it to 3.2% to reflect the updated data. Ms. Magarik explained that Executive Order 22 tasks the subcommittee with making the choice between the 3.0% set in the executive order or, if the differences from the most recently available data are material enough, the updated 3.2%.

Ms. Magarik open it up for public comment, but there was none.

A motion was made by Mr. Geisenberger to recommend to DEFAC to maintain the CY 2022 benchmark at 3.0%, as set in Executive Order 25. The motion was seconded by Ms. Dwyer. Mr. Siegelman reiterated that this in an ongoing conversation and current national and state events will need to be considered in coming years, but it's a minor difference between the two numbers presented today.

The motion was approved to recommend to DEFAC 3.0% as the health care spending benchmark for CY 2022.

Other Business:

Ms. Magarik reiterated that she would send out the 2019 trendline report to subcommittee members. Mr. Geisenberger asked if the subcommittee could be invited to any meetings the DHCC might have where they discuss what is or is not included in the 2020 data.

Mr. Constantino presented a few slides that provide a preliminary look at the impact of the pandemic on state employee health benefits. He cautioned that it is still too early to know anything for certain. In fiscal year 2021, medical and prescription expenses were \$11.2 million under budget in the first quarter, but \$8.3 million over budget in the second quarter. December was under budget it, but that might have been related to the holidays and the post-Thanksgiving surge of COVID-19 cases. Telehealth had a large increase and has maintained itself. Mr. Constantino reiterated that it's too early to jump to any conclusions at this point.

There being no further business, Ms. Magarik adjourned the meeting at 11:46 am.

Respectfully submitted,
Melissa Marlin