

Diamond State Hospital Cost Review Board

Herman Holloway Health and Social Services Campus
The Chapel
1901 North DuPont Highway
New Castle, Delaware 19720

June 10, 2025



Agenda

- I: WELCOME/CALL TO ORDER
- II: REVIEW/APPROVAL OF MAY 13, 2025, MEETING MINUTES
- III: DEFAC HEALTHCARE SPENDING BENCHMARK SUBCOMMITTEE UPDATE
- IV: DISCUSS STATUS OF DRAFT REGULATIONS
- V. SUBMISSION OF AUDITED FINANCIALS
- VI: STAFF UPDATES
 - a. Other Outreach
 - b. Consulting Engagement
 - c. Staffing
 - d. Technology
- VII: POSSIBLE EXECUTIVE SESSION UNDER **29 Del. C. § 10004(b)(4)** for the purpose of a strategy session regarding pending litigation, ***ChristianaCare Health Services, Inc., et al. v. Carney, et al.***, C.A. No. 2024-0802-LWW
- VIII: CLOSING REMARKS
- XI.: PUBLIC COMMENT
- X. ADJOURN





Welcome/Call to Order



Review/Approve May 13 Meeting Minutes



DEFAC Healthcare Spending Benchmark Subcommittee Update

Rick Geisenberger, Chair

PGSP Methodology

- The sum of:
 - expected growth in US labor force productivity
 - expected growth in DE's civilian labor force
 - expected US inflation
- Less DE's expected population growth
- Initially included 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 Data Sources

Component	Data Source	Forecast
Expected growth in US labor force productivity	Congressional Budget Office <i>Budget and Economic Outlook Report</i>	Utilize forecasts that project growth for 5 through 10 years in the future
+ Expected growth in DE's civilian labor force	Delaware Population Consortium <i>Population Projections by Single Year, Age, Race and Sex</i>	Calculate growth by averaging the forecasted increase of years 5 through 10 in the future
+ Expected national inflation	Congressional Budget Office <i>Budget and Economic Outlook Report</i>	Utilize the personal consumption expenditure growth for 5 through 10 years in the future
= Nominal PGSP growth		
– Expected population growth in DE	Delaware Population Consortium <i>Population Projections by Single Year, Age, Race and Sex</i>	Calculate growth by averaging the forecasted increase of years 5 through 10 in the future
= PGSP growth/Spending Benchmark		





Previously Approved Spending Benchmarks

Presentation from 5/28/25 Subcommittee Meeting

Benchmark History

Components	CY 19	CY 20	CY 21	CY 22	CY 23	CY 24	CY 25
Expected growth in US labor force productivity		1.4%	1.4%	1.4%	1.4%	1.4%	1.5%
+ Expected growth in DE's civilian labor force		0.1%	0.1%	0.1%	0.2%	0.1%	0.3%
+ Expected national inflation		2.0%	1.9%	2.0%	2.0%	2.0%	3.0%
= Nominal PGSP growth		3.5%	3.4%	3.5%	3.6%	3.5%	4.8%
– Expected population growth in Delaware		0.5%	0.4%	0.5%	0.5%	0.5%	0.6%
+ Transitional Market Adj.		0.5%	0.25%	0.0%	0.0%	n/a	n/a
= PGSP growth/Spending Benchmark	3.8%	3.5%	3.25%	3.0%	3.1%	3.0%	4.2%



CY 2025 Adjustment

Components	CY 2025
Expected growth in US labor force productivity	1.5%
+ Expected growth in Delaware's civilian labor force	0.3%
+ Expected national inflation (Average of 2023-2024)	3.0%
– Expected population growth in Delaware	0.6%
= PGSP growth	4.2%

- Adjusted inflation component to account for recent high inflation with lagged impact on healthcare expenditures
- Structure and remaining components unchanged
- Subcommittee agreed year-to-year *ad hoc* changes are undesirable



CY 2026 PGSP Benchmark

Components	CY 26
Expected growth in national labor force productivity	1.4%
+ Expected growth in Delaware's civilian labor force	0.3%
+ Expected national inflation	2.0%
= Nominal PGSP growth	3.7%
– Expected population growth in Delaware	0.6%
= PGSP growth	3.1%





Review of Fall 2024 Subcommittee Recommendations

Presentation from 5/28/25 Subcommittee Meeting

Background

- Required by House Substitute 2 to House Bill 350 with House Amendment 1 and Senate Amendment 1, a report on the recommendations relating to the healthcare spending benchmark methodology
- Report approved by the DEFAC Healthcare Spending Benchmark Subcommittee at its December 18, 2024, meeting.
- In 2024, Subcommittee met four times to review the spending benchmark methodology and consider incorporating healthcare and macroeconomic trends into the benchmark methodology.



Report Recommendations (continued)

- Subcommittee should convene in March 2025 for a report from Department of Health and Social Services and Department of Finance staff on the following:
 - 1) how the Bureau of Economic Analysis compiles and publishes healthcare PCE price index data and whether a readily available objective source can produce a one-year forecast
 - 2) whether and how to address “per capita” growth to ensure that the spending benchmark methodology is aligned with the methodology for how actual spending growth is or will be reported.

Pending satisfaction with such information, the Subcommittee and DEFAC should adopt the revised methodology for the 2026 benchmark and make corresponding adjustments to the 2025 benchmark calculation.



State Budget Benchmark Index

- During subcommittee discussions, a proposal was made to model the healthcare spending benchmark after the State budget benchmark index
- This index is intended to provide policy makers with an independent economic metric for sustainable budget growth
- Constructed as an equally-weighted, three-year rolling average of the growth rate of Delaware personal income and the sum of Delaware population growth and inflation (as measured by the implicit price deflator for state and local government purchases)
- Since the FY 2020 budget, GRB has adhered closely, but not perfectly, to the index



Custom Healthcare PCE Price Index

- Includes spending on goods (pharmaceutical and other medical supplies) and services (physician, paramedical, hospital)
- Excludes dental services and nursing homes
- National data only, not Delaware-specific
- Annual price index growth of each category is weighted by its respective share of total expenditures

Year	Price Index Annual Growth Rate				Share of Total Expenditures			
	Pharm.	Physician	Paramed.	Hospital	Pharm.	Physician	Paramed.	Hospital
2023	3.6%	0.5%	1.5%	2.7%	19%	22%	16%	42%

$$3.6(.19) + 0.5(.22) + 1.5(.16) + 2.7(.42) = 2.2\%$$



Custom Healthcare PCE Price Index

Data Year	Price Index Annual Growth Rate				Share of Total Expenditures				Index
	Pharm.	Phys.	Paramed	Hospital	Pharm.	Phys.	Paramed	Hospital	
2017	3.0%	0.5%	1.7%	1.7%	19%	23%	15%	43%	1.7%
2018	1.2%	0.8%	0.8%	2.4%	19%	23%	15%	43%	1.6%
2019	-0.1%	1.0%	1.2%	2.0%	19%	23%	15%	43%	1.3%
2020	0.6%	1.2%	1.7%	3.3%	20%	22%	15%	42%	2.0%
2021	-1.6%	3.7%	2.0%	3.1%	19%	22%	15%	43%	2.2%
2022	2.7%	0.5%	3.1%	2.8%	19%	22%	16%	43%	2.3%
2023	3.6%	0.5%	1.5%	2.7%	19%	22%	16%	42%	2.2%

Source: US Department of Commerce, Bureau of Economic Analysis

Presentation from 5/28/25 Subcommittee Meeting



Potential Benchmark Calculation

- Equal weightings of all the following:
 - a. Delaware personal income growth, and
 - b. Delaware population growth plus the growth in the relevant healthcare PCE price index weighted by total expenditures

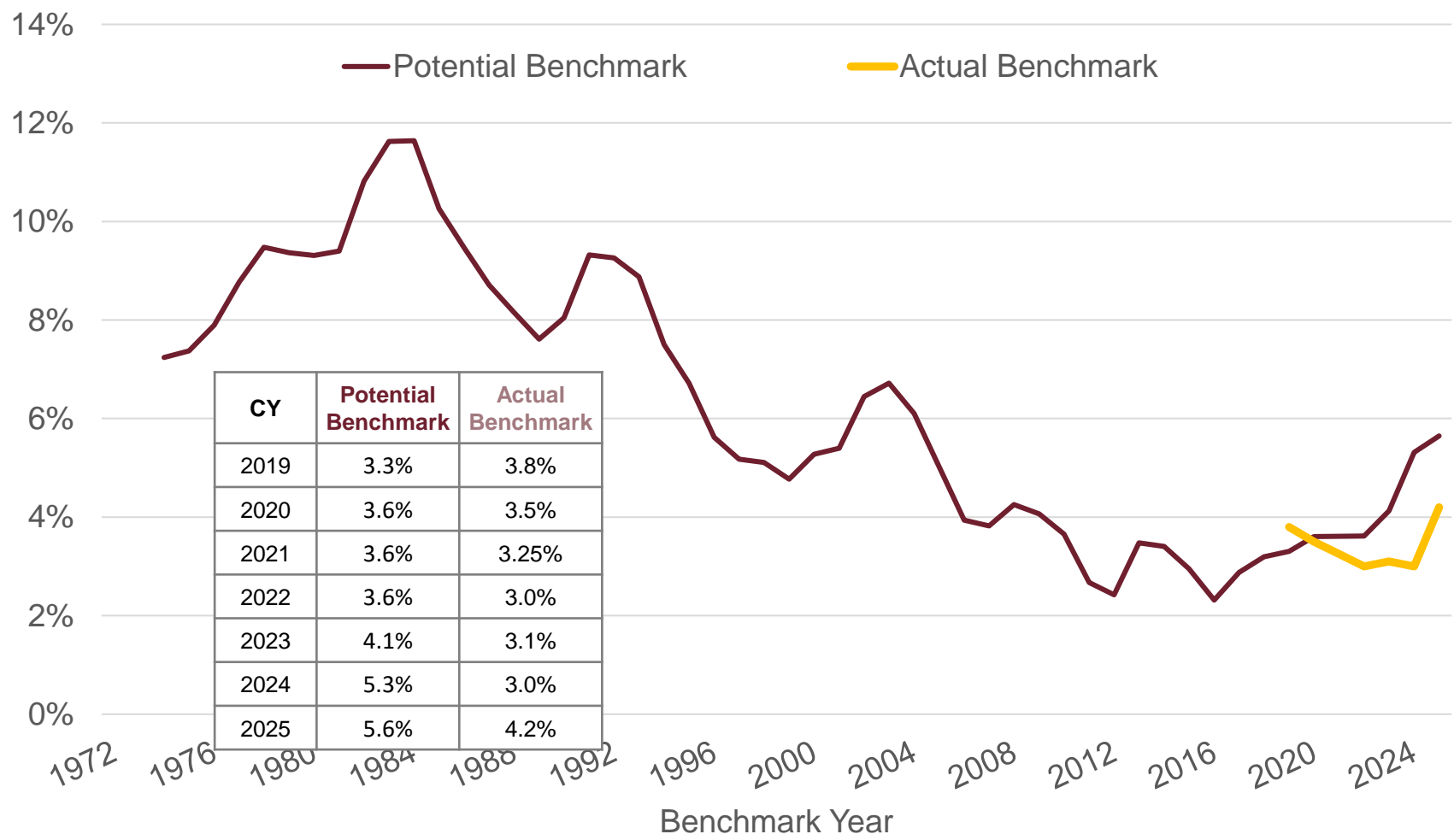
Data Year	Personal Income	Population	Healthcare PCE
2023	5.8%	1.4%	2.2%

$$(5.8 + (1.4 + 2.2))/2 = 4.7\%$$

- c. As discussed by the Subcommittee, this is not a per capita measure



Potential Benchmark Historical Calculations



Comparison of Proposed Methodology to PGSP (Current) Methodology

- Does not stray from current premise: *healthcare spending growth should not outpace objective measures of growth of the State's economy*
- Different measure of economic growth:
 - Historical/near-term forecast instead of long-term forecast
 - Healthcare-specific inflation measure
 - Personal income emphasizes consumer affordability
- Will be more volatile and difficult to project for out-years
- But more responsive to immediate conditions without straying from the concept of economic stability
- Not a per capita benchmark





Discuss Status of Draft Regulations



Submission of Audited Financial Information



Staff Updates

Other Outreach

- DHSS reached out to Oregon

Consulting Engagement

- RFP released June 3, 2025
- <https://mmp.delaware.gov/Bids/>
- Bid responses due July 29, 2025, 1:00 p.m. EST

Staffing

- DHCC reviewing certification list from the Department of Human Resources for the two Budget and Program Analyst positions.

Technology

- Board members have state issued laptops and email accounts.





Closing Remarks

Rick Geisenberger, Chair



Public Comment

Next Meetings

Board will meet the second Tuesday of the month.

Time:

10:00 a.m. – 12:30 p.m.

Dates:

- July 8, 2025
- August 12, 2025 (tentative)
- September 9, 2025
- October 14, 2025
- November 12, 2025
- December 9, 2025

Adjourn

