

Nevada's Health Care Cost Growth Benchmark Program

Information Brief – September 2022



Nevada Department of
Health and Human Services
PATIENT PROTECTION COMMISSION

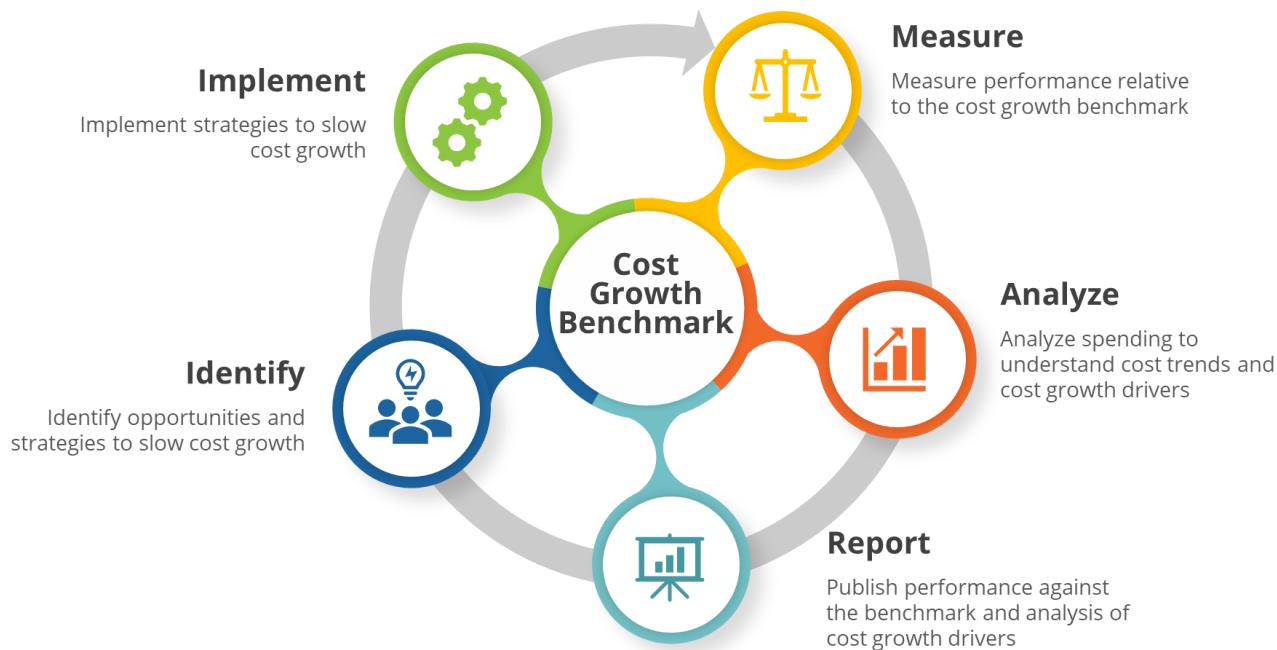
Introduction

Health care affordability is a pressing problem for Nevadans. Health care spending growth has been exceeding wage growth, meaning health care spending every year takes a larger chunk out of household income. According to the [2022 Commonwealth Fund State Scorecard](#), Nevada ranked 46th in the U.S. in 2020 for employee total potential out-of-pocket medical costs as a share of state median income. The state also ranked 39th for the percentage of residents with medical debt (19%). Just reported in [Nevada's Consumer Health Experience State Survey](#) (CHESS) conducted by the Altarum Healthcare Value Hub; of those who completed the survey, **nearly 2 in 3 respondents (65%)** worry about whether they can afford the cost of health care.

[Assembly Bill \(AB\) 348](#), approved during the 2021 Legislative Session, designated the [Patient Protection Commission](#) (PPC) as the sole state agency responsible for administering Nevada's participation in the [Peterson-Milbank Program for Sustainable Health Care Costs](#). Nevada was selected to participate this multi-state collaborative with five other states in February 2021. Governor Sisolak set a goal line to address health care affordability with the [Health Care Cost Growth Benchmark](#) Executive Order, signed in December 2021. The PPC is now proposing the Governor's Health Care Cost Growth Benchmark Executive Order be passed into state law during the 2023 Legislative Session. This initiative will help ensure Nevada continues to pursue long-term efforts to address health care affordability in our state.

Nevada has established its health care cost growth benchmark at 2.98% for the year 2023, with a goal of 2.37% by the year 2026, and has begun work to identify strategies that will help achieve these values. The Nevada health care cost growth benchmark is a state-led activity that engages cross-sector stakeholders, such as insurers, health providers, and employers, in designing, adopting, and implementing strategies to measure total health care costs – so health care costs don't outpace state economic or income growth. The end-goal is to stimulate data-driven systemwide action slow health care cost growth and improve affordability; and to improve quality, access, and transparency in Nevada's health care system.

As visually portrayed in the graphic that follows below, the Cost Growth Benchmark strategy has multiple components. The first two involve measurement of spending, including assessment of performance against the benchmark and deep analysis of claims data to understand what is causing spending to grow. The next component is public reporting and discussion of findings. This transparency is intended to promote understanding and accountability. The last two components involve identification of the leading cost and cost growth drivers, and adoption of strategies to mitigate future cost growth.



Data Strategy Plan

For health care cost growth benchmark initiatives, states must conduct three primary activities for data collection, analysis, and reporting:

1. Analyze baseline and performance period cost growth against the benchmark using **aggregate** data collected from insurers and public payers (i.e. the Benchmark Analysis);
2. Analyze cost drivers using **granular** data, primarily from claims and encounters, to identify promising opportunities to reduce cost growth and inform policy solutions (i.e. the Data Use Strategy); and
3. Implement specific plans (including any relevant data requirements) to mitigate health care cost growth.

Benchmark Analysis

This is Nevada’s work to analyze baseline and performance year data against the health care cost growth benchmark. The analysis includes an overview of the targeted benchmark year, baseline years, populations, and performance at the state, market, payer and large provider entity levels.

Data Use Strategy

States with health care cost growth benchmarks need to understand the factors driving health care spending levels and growth. Once doing so, they can identify and implement targeted strategies to mitigate cost growth. Nevada’s data use strategy involves **Phase 1 and Phase 2** granular data analyses, to use these analyses to inform strategic action to drive down health care costs.

Benchmark Analysis vs. Data Use Strategy



How will we determine the level of cost growth from one year to the next?

Benchmark Analysis

- **What is this?** A calculation of health care cost growth over a given time period using payer-collected aggregate data.
- **Data Type:** Aggregate data that allow assessment at four levels: 1) provider level, 2) insurer level, 3) market level, and 4) statewide.
- **Data Source:** Insurers and public payers.

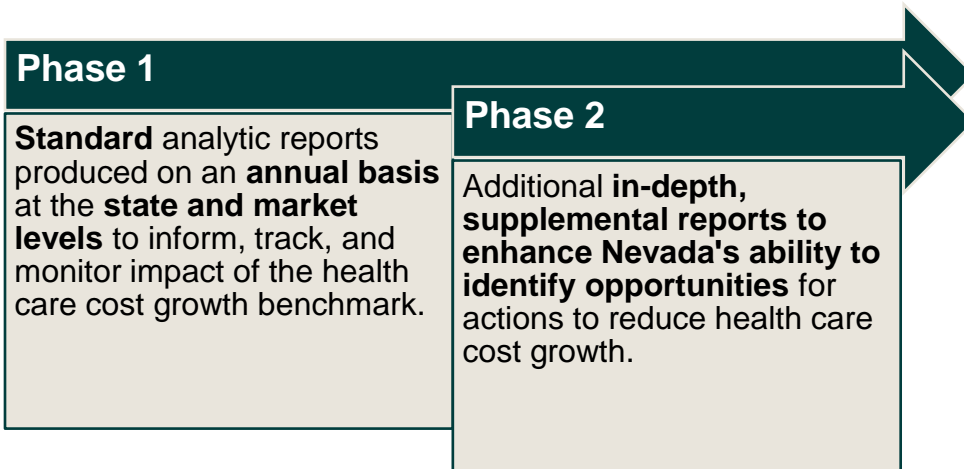


How will we determine the drivers of overall cost and cost growth? Where are there opportunities to contain spending?

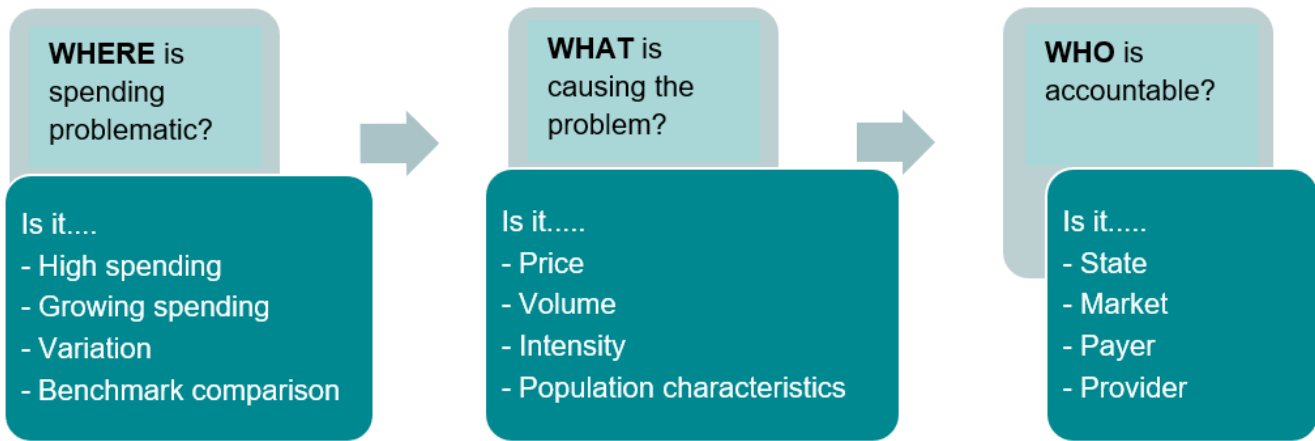
Data Use Strategy

- **What is this?** A plan to analyze cost drivers and identify promising opportunities for reducing cost growth and informing policy decisions.
- **Data Type:** Granular data (claims and/or encounters)
- **Data Source:** APCD, when available. Otherwise, private multi-payer claims databases, or state Medicaid and public employees claims databases.

Types of Analyses and Reports in the Data Use Strategy



The framework to help guide the construction of the more granular, Phase 2 analyses to inform efforts and potential policies to slow health care cost growth in Nevada is organized around **three major questions**:



To answer the question: **WHERE** is spending problematic, and help Nevada determine where the opportunity to achieve greatest impact lies, we must first analyze the “problematic” spending:

1. Spending that is **high at a point in time** and/or is **growing at a high rate** over time.
 - a. Spending by service category can identify where expenditures are the highest.
 - b. Spending by rates of growth can identify what is driving per capita (cost of health care per person) growth over time.
2. Spending that **varies greatly** across regions, payers, or providers.
 - a. Reflects the outcome of inconsistent practice patterns, variation in competitiveness and composition of provider markets, and patient population characteristics.
3. Spending that is **far above** benchmark measurements.
 - a. Sheds light on spending pattern differences that exist across states using data from CMS, Kaiser, HCCI, RAND, etc.

Then to help determine **WHAT** is causing the problem, we must analyze the five primary drivers of health care spending growth. This will help inform the design of the standard analytic reports in Phase 1.

1. Price
2. Volume
3. Intensity
4. Population Characteristics
5. Provider Supply

Finally, **WHO** is accountable? States, insurers, and provider organizations all take actions – intentionally or otherwise – that influence health care delivery and spending. Nevada must analyze data at four levels (State, Market, Payer, and Provider Entity) to help inform purposeful and coordinated action across these actors.

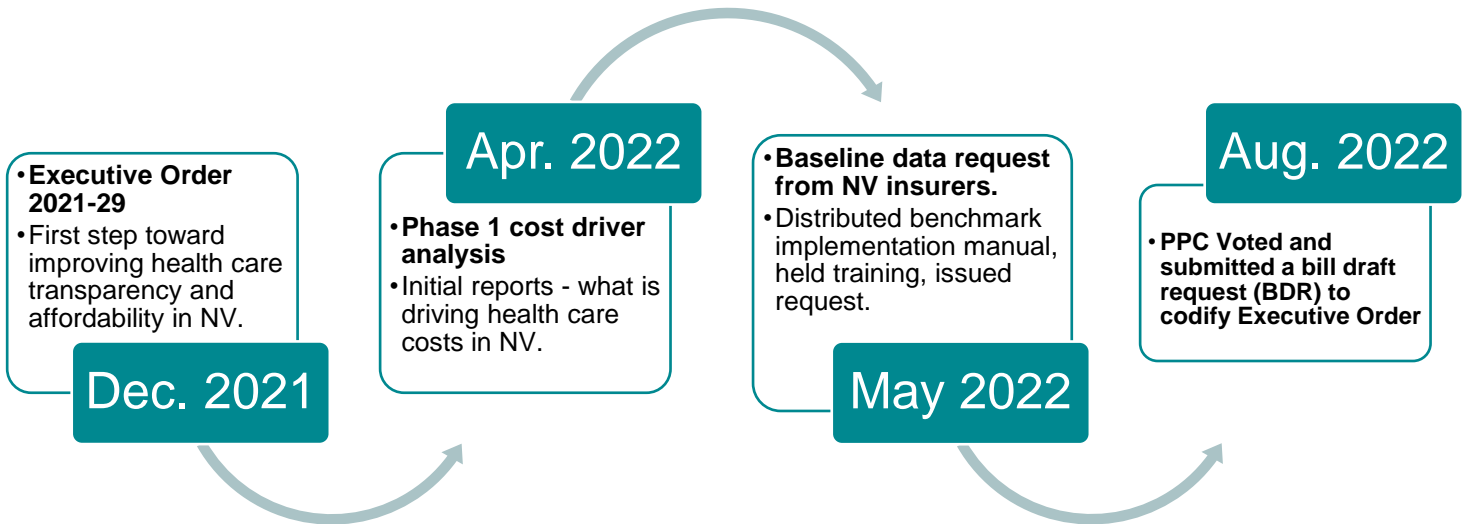
Nevada's Timeline

After being accepted into the Peterson-Milbank Program for Sustainable Health Care Costs in early 2021, the PPC began the process of designing and implementing a health care cost growth benchmark strategy in our state.

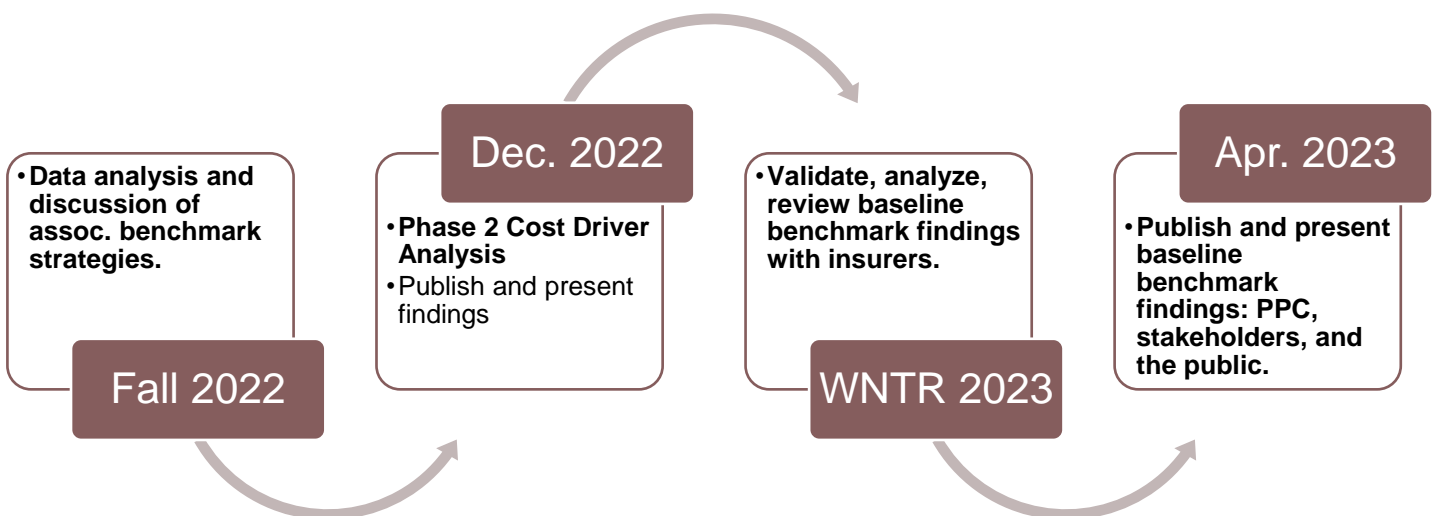
- Executive Order 2021-29, issued in late in **December 2021** established the Nevada Health Care Cost Growth Benchmark as a first step toward making health care spending more **transparent** and health care coverage more **affordable**.
 - The executive order set the benchmark for how much per capita (or the average cost per person) health care spending should grow in a year, and charges health care payers and providers to **work together** to strive to meet the benchmark.
- The Nevada Health Care Cost Growth Benchmark Executive Order established the following values for years 2022 through 2026:

Year	Median Wage Weight	Gross State Product Weight	Benchmark Value
2022	20%	80%	3.19%
2023	35%	65%	2.98%
2024	50%	50%	2.78%
2025	65%	35%	2.58%
2026	80%	20%	2.37%

- As of **April 2022**, the Nevada Department of Health and Human Services (DHHS), Office of Analytics and the Public Employees' Benefits Program (or PEBP) each completed and released a five-year **Phase 1 cost driver analysis report** for [Nevada Medicaid](#) and [PEBP](#), whose data was used as a proxy for the commercial market.
 - The Office of Analytics and PEBP and are currently working on **Phase 2 reports** to drill down into service category spend focusing primarily on **price and utilization** for specified categories of services.
- In **May of 2022**, the state requested all Nevada insurers to respond to a **baseline data request** for commercial, Medicaid, and Medicare cost growth benchmark data.
- In **August 2022**, the PPC voted to advance a bill draft request (BDR) to the Legislative Counsel Bureau (LCB) to codify the cost growth benchmark Executive Order into Nevada statute during the 2023 Legislative Session.



- **During Fall 2022**, the DHHS Office of Analytics and PEBP are working to complete their analysis of the Phase 2 cost drivers, i.e., the drill down into *why* costs are so high in certain areas; focusing on such factors as **price and utilization**. These data and findings will be presented to the Commission in December by state agency officials.
- **January through March of 2023** will be reserved to **validate analyze, and review** baseline benchmark findings with Nevada insurers who responded to the State’s request for the aggregated baseline benchmark data. Additionally, the Commission will be working to further develop cost growth mitigation strategies.
- Then in **April of 2023**, the **first** baseline health care cost growth benchmark findings will be presented to the PPC, stakeholders, and the public.



Resources

- All PPC Stakeholder Advisory Subcommittee meetings and corresponding materials from **June 2021 – May 2022** are archived [here](#) and may be viewed to gain additional insight and background to Nevada’s Health Care Cost Growth Benchmark Program.
- The PPC hosts a webpage dedicated to the [Nevada Health Care Cost Growth Benchmark](#), including news, infographics, associated meetings and published documents, and all reporting.
- [The Manatt State Cost Containment Update May 11, 2022](#): Manatt shares the latest updates on state cost growth benchmarking programs, and examines how benchmarking programs may be used to assess and redirect health care spending toward high-value service areas, such as primary care and behavioral health.
- [State Strategies for Slowing Health Care Cost Growth in the Commercial Market](#); The Commonwealth Fund, February 2022.

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