Nevada Patient Protection Commission
Cost Growth Benchmark Decisions Made as of May 19, 2021

Purpose of document: The purpose of this document is to record the tentative decisions the Patient Protection Commission (PPC) made through its meeting on May 19, 2021. With significant legislatively directed changes to the composition of the Commission occurring this month, it is likely the newly configured Commission will reconsider these tentative decisions later this summer.

Cost Growth Benchmark Recommendations:

1. The State should define *total health care expenditures* (THCE) in a manner consistent with that adopted by other cost growth benchmark states:
    a. All payments on providers' claims for reimbursement of the cost of health care provided
    b. All other payments not included on providers' claims
    c. All cost-sharing paid by members, including, but not limited to, copayments, deductibles, and coinsurance
    d. Net cost of private health insurance (NCPHI)

2. The State should define *total medical expense* (TME) in a manner consistent with that adopted by other cost growth benchmark states:
    a. All payments on providers' claims for reimbursement of the cost of health care provided
    b. All other payments not included on providers' claims
    c. All cost-sharing paid by members, including, but not limited to, copayments, deductibles, and coinsurance

3. The State should define *claims-based spending* as all payments on providers' claims for reimbursement of the cost of health care provided for covered services. Examples of different types of claims-based payments include:
    a. Hospital Inpatient
    b. Hospital Outpatient
    c. Professional: Primary Care
    d. Professional: Specialty Care
    e. Professional: Other
    f. Long-Term Care
    g. Retail Pharmacy
    h. Other (e.g., durable medical equipment, transportation, etc.)

4. The State should define *non-claims-based spending* in a manner consistent with that adopted by other cost growth benchmark states:
    a. Prospective service payments (e.g., capitation, episode-based payments, case rates)
    b. Performance incentive payments (e.g., pay-for-reporting and pay-for-performance payments)
    c. Population health and practice infrastructure payments

d. Provider salaries
e. Recoveries (all payments recouped during the performance year as the result of a prior review, audit, or investigation, regardless of the time period of the initial payment)
f. Other payments (e.g., governmental payer shortfall payments, grants, or surplus payments)

5. The State should measure TME net of pharmacy rebates.

> Note: Rebates can be quite substantial; in Rhode Island, pharmacy rebates accounted for 15% of commercial retail pharmacy spending in 2019 and approximately 50% for Medicaid. Including pharmacy rebates provides a more accurate picture of actual pharmacy spending.

6. The State should define *cost-sharing spending* in a manner consistent with that used by other cost growth benchmark states, which:
    a. Includes out-of-pocket spending on copayments, deductibles, and coinsurance as dictated by insured individuals' insurance product's benefit design
    b. Excludes out-of-pocket spending on non-covered services, non-helath care services using discounts offered by an insurer (e.g., gym membership), and health care spending by individuals who are uninsured

7. The State should adopt the following definition of net cost of private health insurance (NCPHI) used by other cost growth benchmark states and include it in spending calculations:
    a. NCPHI is the difference between health premiums earned and benefits incurred, which captures the cost associated with the administration of private heath insurance. More specifically, NCPHI consists of insurer profits and/or losses as well as insurers' costs related to:
        i. Paying bills
        ii. Advertising
        iii. Sales commissions
        iv. Other administrative costs
        v. Premium taxes and other fees

> Note: All other cost growth benchmark states (MA, DE, RI, OR, and CT) collect information related to NCPHI from carriers on the self-insured market and through federally mandated reporting forms. NCPHI is calculated on a PMPM basis for each market segment (individual, fully insured small group, fully insured large group, student markets, Medicare Advantage, Medicaid MCO, and self-insured market).

8. The State should include the following sources of coverage in its calculation of Total Health Care Expenditures (THCE):
    a. Medicare (FFS and Medicare Advantage)
    b. Medicaid (FFS and managed care)
    c. Commercial (fully- and self-insured)
    d. Veterans Health Administration
    e. State Correctional Health System

f. Indian Health Service

9. The State should include health care spending on Nevada residents that were incurred out-of-state.

> Note: All other cost growth benchmark states (MA, DE, RI, OR, and CT) include spending for state residents who received care from out-of-state providers.

10. The State should include spending incurred for out-of-state residents with in-state providers.

> Note: All other cost growth benchmark states (MA, DE, RI, OR, and CT) do NOT include spending incurred for out-of-state residents with in-state providers.

11. The State should adopt the following criteria for choosing an economic indicator for the benchmark:
    a. Provide a stable, and therefore, predictable benchmark
    b. Rely on independent, objective data sources with transparent calculations
    c. Lower health care spending growth

12. The State should tie the health care cost growth benchmark to Gross State Product (GSP) and Median Wage.

> Note: The PPC observed that **GSP** is used by other states with cost growth targets, and there is value to having consistent policies; however, GSP is an abstract economic concept that may not resonate with citizens. It also observed that **median wage** is more consumer-oriented and references "take-home pay," but it does not reflect the relationship of health care spending growth vis-à-vis the larger economy.
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> The other economic indicators that were presented to the PPC for consideration include **personal income** and **consumer price index-urban (CPI-U), west.** All the other cost growth benchmark states have elected to utilize, at least in part, one or more economic indices when setting their benchmark values.

13. The PPC remains undecided on the use of historical or forecasted values of selected economic indicators to derive benchmark values.

During the Advisory Subcommittee meeting on July 21, 2021 from 1:00-2:30 pm PDT, we will review with you the most significant tentative decisions made by the PPC so that you can consider them and provide your feedback.