

Cost Growth Benchmark Value

Nevada Patient Protection Commission Advisory Subcommittee

October 1, 2021

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Recap of Prior Work and Updates Since Last Meeting

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Recap of Patient Protection Commission (PPC) Charge (1 of 3)

- The PPC was created in 2019 by SB 544 and charged with:
 - “systematically [reviewing] issues related to the health care needs of residents of this State and the quality, accessibility and affordability of health care, including, without limitation, prescription drugs...”
 - “making recommendations to the Governor, the Legislature, the Department of Health and Human Services, local health authorities and any other person or governmental entity to increase the quality, accessibility and affordability of health care in this State”

Recap of Patient Protection Commission (PPC) Charge (2 of 3)

- Governor Sisolak's March 8, 2021 letter to the PPC requested:
 - “the assistance of this commission to join Director Cholhagian in our state's participation in [the Peterson-Milbank Program for Sustainable Health Care Costs] and seek your recommendations to:
 - 1) Develop a statewide health care cost growth benchmark;
 - 2) Calculate and analyze statewide health care cost growth; and
 - 3) Analyze drivers of health care cost growth.”

Recap of Patient Protection Commission (PPC) Charge (3 of 3)

- The PPC's charge was modified in 2021 by AB 328, adding the following:
 - “designates the Patient Protection Commission as the sole state agency responsible for administering and coordinating matters relating to the participation of this State in the [Peterson-Milbank] Program.”
 - Requires the Commission to:
 - 1) establish a plan to increase access by patients to their medical records and provide for the interoperability of medical records between providers of health care; and
 - 2) make certain recommendations to the Director and the Legislature concerning the use and availability of data relating to health care.

Recap of Preliminary PPC Recommendations (1 of 4)

1. **Total Health Care Expenditures (THCE)** should be defined as the allowed amount of claims-based spending from payer to provider, all non-claims-based spending from payer to provider, all member cost-sharing, and the net cost of private health insurance.
2. **Total Medical Expenses (TME)** should be:
 - defined as THCE, less the net cost of private health insurance
 - reported net of pharmacy rebates

Recap of Preliminary PPC Recommendations (2 of 4)

3. The following sources of coverage should be included:

- Medicare (Traditional and Medicare Advantage)
- Medicaid (fee-for-service and managed care)
- Commercial (fully- and self-insured)
- Veterans Health Administration
- State Correctional Health System
- Indian Health Service

Feedback from the Advisory Subcommittee:

- *One member noted that many correctional facilities are not state facilities, so they recommended that if the PPC is to include correctional health spending it should incorporate state and local government health care spend in correctional jail systems, including both adults and juveniles.*
- *One member recommended that if the non-Medicaid Indian Health Service spending makes up a small percentage of spending, it may not be worth the administrative overhead to capture.*
- *One member reminded the PPC about O'Callaghan, the military base hospital that plans to begin serving the general population.*

Recap of Preliminary PPC Recommendations (3 of 4)

4. Spending incurred for the following people should be included:
 - State residents with in-state providers
 - State residents with out-of-state providers
 - Out-of-state residents with in-state providers

Feedback from Advisory Subcommittee:

- *There was general agreement to NOT include spending for out-of-state residents with in-state providers.*

5. The health care cost growth benchmark should be tied to Gross State Product (GSP) and Median Wage.

Feedback from Advisory Subcommittee:

- *Two members recommended considering CPI as an indicator because the state budget is linked to CPI.*

Recap of Preliminary PPC Recommendations (4 of 4)

- As of its last meeting the PPC was undecided on the use of historical or forecasted values of selected economic indicators to derive benchmark values.

Feedback from Advisory Subcommittee:

- *One member recommended using historical rather than forecasted values, because forecasted values take into account historical values.*
- *One member recommended looking into whether Nevada has forecasted values available and determining how confident the statisticians who are producing them are in the forecasted values.*

Updates Since the Last Advisory Subcommittee Meeting (7/21)

- Through passage of Nevada Assembly Bill 348 (signed by Governor Sisolak on May 28), the PPC's membership was immediately modified and required new gubernatorial appointments.
- There has not been a PPC meeting since May 19th.
- Governor Sisolak remains committed to addressing the rising costs of health care for Nevada residents and is preparing to issue an Executive Order establishing a cost growth benchmark value that will help address this issue.

Recommendations for the PPC to Make Prior to and After the Governor's Executive Order

Recommendations to Make Prior to Executive Order

1. Benchmark value(s)
2. Number of years for which the benchmark value(s) will be set

Recommendations to Make After Executive Order is Issued

1. How to report performance against the benchmark value, including:
 - Statistical testing & use of confidence intervals
 - Treatment of high-cost outliers
 - Risk adjustment
2. How the data use strategy should be used to identify cost growth drivers
3. How to identify and prioritize cost growth mitigation strategies

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Cost Growth Benchmark Values in Other States

State	Cost Growth Benchmark
Massachusetts	3.6% for 2013-2017 3.1% for 2018-2022
Delaware	3.8% for 2019 3.5% for 2020 3.25% for 2021 3.0% for 2022-2023
Rhode Island	3.2% for 2019-2022
Oregon	3.4% for 2021-2025 3.0% for 2026-2030
Connecticut	3.4% for 2021 3.2% for 2022 2.9% for 2023-2025
Washington	3.2% for 2022-2023 3.0% for 2024-2025 2.8% for 2026

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Modeled Values for Nevada

The PPC and Advisory Subcommittee expressed interest in using the following economic indicators to calculate a benchmark value:

1. Gross State Product (GSP)
2. Median Wage
3. Consumer Price Index (CPI-U)

	Weighted Economic Indicators: Three Scenarios	Resulting Value*
1	Median Wage (weighted 80%) + GSP (weighted 20%)	2.37%
2	Median Wage (weighted 50%) + GSP (weighted 50%)	2.78%
3	Median Wage (weighted 20%) + GSP (weighted 80%)	3.19%
4	Median Wage (weighted 50%) + CPI-U, West (weighted 50%)	2.16%

* Values calculated with forecasted data

Discussion: Nevada's Cost Growth Benchmark Value



1. What should be the benchmark value(s) and for how many years should the cost growth benchmark(s) be set?
2. What is the supporting rationale for your recommendation?

Please note that we are not asking for a consensus recommendation. We will summarize the feedback and/or range of opinions we receive.

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- The newly reconfigured PPC will meet once membership is finalized and a quorum can be established, likely in the next few weeks to discuss Nevada's cost growth benchmark value. We will convey your input to the PPC at that time.
- PPC recommendations will subsequently be shared with the Governor prior to the issuance of an Executive Order.
- The PPC and Advisory Subcommittee will continue to meet over the coming months and provide recommendations on:
 - Measuring & reporting performance against the benchmark
 - Implementing a data use strategy to identify drivers of cost growth
 - How to identify and prioritize cost growth mitigation strategies