

Summaries of Commercial Market Cost Growth Mitigation and Affordability Strategies

10.7.22

[Implementing a cost growth target \(benchmark\) program.](#) A health care cost growth target is an expected rate of annual per capita growth of total health care spending in a state. A target forms the basis for accountability for health care spending growth at the state, insurer, and provider levels. States can implement a health care cost growth target to bring health care spending growth in line with economic indicators, such as gross state product and wage growth, and to make health care more affordable for individuals, families, and businesses. States analyze total health care spending and use the data to engage stakeholders, inform cost mitigation strategies, and hold payers and providers accountable to the target. **(PPC project since 2021, and is a PPC BDR for 2023 Session)**

[Capping provider prices paid by commercial insurers.](#) A provider price cap is a limit on the amount providers can charge in the commercial market. This strategy can be applied broadly to include in-network and out-of-network care, or more narrowly, such as only for out-of-network payments, for specific types of services, or for payments only within specific programs (such as state employee benefit programs). The price cap can be set according to market rates, Medicare prices or other indicator. **(PPC discussed: July and September, 2022)**

[Capping provider price growth in commercial insurer contracts.](#) A provider price growth cap limits how much provider prices can grow annually. A price growth cap can be applied broadly across all contracted providers, or to only certain classes of providers, for example hospitals. **(PPC discussed: July and September, 2022)**

[Implementing prescription drug affordability strategies.](#) State strategies to address prescription drug costs in the commercial market may include regulation of prescription drug payments and taxes on excess drug prices. States may establish “upper payment limits,” the maximum amount all purchasers and payers in the state would pay for a certain prescription drug. A second set of proposed strategies includes taxing pharmaceutical manufacturers if drug price increases are unsupported by new clinical evidence, or if increases exceed a target growth rate, such as inflation plus a specified amount. **(PPC discussed: September, 2022)**

[Promoting multi-payer value-based payment.](#) Value-based payment (VBP) models tie provider payment to quality and cost of care. VBP models aim to incentivize higher-quality, more cost-effective, and better-coordinated care. A “multi-payer VBP model” is when multiple payers use common VBP model elements, such as quality measures and payment structure. **(PPC to discuss: October 2022)**

[Strengthening health insurance rate review:](#) Rate review is a mechanism that allows state regulators the opportunity to review, and in some cases, disapprove or modify, proposed health insurance rate increases, which form the basis for premiums. While the Affordable Care Act mandates minimum requirements for review of proposed rate increases in the individual and small group market, states can take further steps to strengthen the rate review process. Such mechanisms include incorporating affordability standards into the criteria for rate review, increasing transparency through publicly disclosing proposed rate filings and allowing for public input opportunities, providing regulators with additional leverage to disapprove or modify proposed increases, and expanding review authority to the large group market. **(PPC to discuss: October 2022)**