Driving Change with the Health Care Spending Benchmark

Delaware’s Road to Value

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Cabinet Secretary

Delaware Chronic Disease Collaborative, November 7, 2017
Delaware’s Road to Value

Support patient-centered, coordinated care.

Prepare the health provider workforce and infrastructure.

Improve health for special populations.

Engage communities.

Pay for Value

Ensure data-driven performance.

Improved Quality and Cost

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Why the Benchmark Is Important

- Delaware’s per-capita health care costs are more than 25% above the U.S. average.
- Delaware’s health care spending is expected to more than double by 2025.
- Health care costs consume at least 30 percent of Delaware’s budget.
Delaware’s Overall Health Is Poor

• Our population is older and aging faster.
• We are sicker than the average state.
• Our investments have not led to better outcomes — we are ranked 31st in America’s Health Rankings.
Increasing Health Care Costs

During this same time frame, General Fund revenue collection has grown by just 7.6%.

Health care costs now account for about 30% of the state’s budget.

Crowds out necessary investments in:
- Salaries
- Education
- Infrastructure
- Public Safety

SOURCE: Delaware Office of Management and Budget; DEFAC Expenditure Reports.
1- Infrastructure funds reported from Transportation Trust Fund expenditures, not General Fund.
2- Salaries are not inclusive of public education salaries.
3- Healthcare includes employee health benefit expenditures and Medicaid expenditures.
4- Public safety expenditures include expenditures by DSHS, DOC, and Youth Rehabilitative Services (DSCYF)

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Delaware Spends More on Health Care Than Most Other States

Per Capita Personal Health Care Expenditures, 2014

Note: District of Columbia is not included.
Delaware’s Total Health Spending Will Double from 2009 to 2020

DELAWARE’S ACTUAL AND PROJECTED PERSONAL HEALTH CARE EXPENDITURES, 2007—2025
(BILLIONS OF DOLLARS)

SOURCES: Centers for Medicare & Medicaid Services, Health Expenditures by State of Residence, CMS, 2017;
Per Person Spending in Delaware Is Higher Than the National Average in Every Category of Service

UNITED STATES AND DELAWARE PER CAPITA SPENDING BY SERVICE, 2014


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Medicare and Medicaid Account for Nearly 40% of Delaware’s Health Spending

TOTAL PERSONAL HEALTH EXPENDITURES BY PAYER IN DELAWARE, 2009
(MILLIONS OF DOLLARS)

- Medicaid: $1.51
- Medicare: $2.0
- Private/Other: $6.1

SOURCE: Centers for Medicare & Medicaid Services, Health Expenditures by State of Residence, CMS, 2017

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All Payers in Delaware Have Experienced Significant Spending Growth

TOTAL PERSONAL HEALTH EXPENDITURES BY PAYER IN DELAWARE, 1991-2014
(THOUSANDS OF DOLLARS)

These numbers reflect total increases in spending, resulting from both increasing enrollment due to the expansion and higher per capita spending.

Total Growth Rates in Private Insurance Plans Have Slowed Since 1991

Though private spending accounts for the majority of health care costs in Delaware, all types of payers had similar growth rates from 1991 to 2014:

- **Private/Other** average annual growth rate, 1991-2014: 4.5%
- **Medicare** average annual growth rate, 1991-2014: 7.9%
- **Medicaid** average annual growth rate, 1991-2014: 9.2%

ACA Health Reform Did Not Escalate the Trend in Health Care Cost Growth

FAMILY HEALTH INSURANCE PREMIUMS DELAWARE AND THE U.S., 2000-2010

Delaware health insurance premiums have long been higher than the national average. Private premiums have actually grown more slowly than the national average.

With wages stagnant, health care costs consume more of workers’ budgets.
Distribution of Total Spending by Type of Service Is Similar for Delaware and U.S. as a Whole

Delaware has more physicians per capita, and also more specialists per capita, than many other states. Research finds that regions with more total physicians tend to spend more on health care than other regions, and that states with a higher proportion of specialists also tend to spend more on health care.

NOTE: Physician counts are estimated from rates and population and are not exact. DC is excluded.

UTILIZATION: Delaware Residents Use the Emergency Room Slightly More Than U.S. Residents Overall

HOSPITAL EMERGENCY ROOM VISITS PER CAPITA IN DELAWARE AND IN THE U.S. OVERALL, 2009
(ADMISSIONS PER 1,000 RESIDENTS)

Delaware: 491
U.S.: 440

DIFFERENCE: 11%

sources: Kaiser State Health Facts, with data from the American Hospital Association Annual Survey and U.S. Census.

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Affordability & Quality Target

An on-ramp to improved patient-centered care, quality and cost

Key Measures

A. All payer claims data
B. Quality
C. Integration
D. Affordability

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Delaware’s Total Health Spending Will Double from 2009 to 2020

DELAWARE’S ACTUAL AND PROJECTED PERSONAL HEALTH CARE EXPENDITURES, 2007—2025
(BILLIONS OF DOLLARS)

ACTUAL
PROJECTED
2%
3%
5%

2007 $6.7
2008 $7.1
2009 $7.5
2010 $7.9
2011 $8.4
2012 $8.6
2013 $9.0
2014 $9.5
2015 $10.2
2016 $11.0
2017 $11.9
2018 $12.8
2019 $13.8
2020 $14.8
2021 $16.0
2022 $17.2
2023 $18.5
2024 $19.9
2025 $21.5

Sources: Centers for Medicare & Medicaid Services, Health Expenditures by State of Residence, CMS, 2017;
Opportunities and Threats to Better Health

• We purchase health care for a greater share of the population than most other states.
• We have made progress on moving to value-based payment models.
• The current pace of adoption of downside risk may not be sufficient to achieve our goals.
Our Objectives: Improved Choice and Better Delivery

• Give Delawareans **choices and information** to help them make better health care decisions.

• Reinforce **healthy choices** via institution and neighborhood design.

• **Support primary care** infrastructure that allows for improvements.
Strategy One

Improve Health Care Quality and Cost

• Establish a value-based framework.
• Create systems of care centered on quality, patient experience and costs.
• Reduce unnecessary and inappropriate care.
Strategy Two

Pay for Value

• Establish a health care spending benchmark.
• Reorient data-driven monitoring of cost toward value.
• Require thresholds in Medicaid Managed Care Organization contracts.
Strategy Three

Support Patient-Centered, Coordinated Care

• Create all-payer ACOs to facilitate integration of services and patient-centered medical homes.
• Create reimbursement approaches for safety-net services.
Strategy Four

Support the Health Care Provider Workforce and Health Care Infrastructure Needs

• Support primary care workforce, dental, behavioral health, and health-professions education.

• Increase racial and ethnic diversity of workforce.

• Prepare for safety-net providers’ increased needs.

• Invest in telehealth and coordination of services for at-risk populations.

• Invest in provider-readiness infrastructure.
Strategy Five

Improve Health Care for Special Populations

• Strengthen capacity to promote health equity for people with disabilities.
• Continue to focus on maternal-child health.
• Establish a trauma-informed system of care.
• Use patient-centered medical homes for prison-reentry population.
Strategy Six

Engage Communities

• Improve community-based wellness initiatives.
• Create population-health metrics and community data-driven approaches.
Strategy **Seven**

**Ensure Data-Driven Performance**

- Use public-private collaboration to establish quality and cost targets.
- Create methodology for ACOs to interpret quality and cost goals.
- Align all payers with total-cost-of-care models.
- Use a multipronged approach to strengthen the exchange and Medicare ACO strategies.
What’s Included in the Benchmark

Based on Affordability, Quality and Total Cost of Health Care

- Value-Based Payments
- Bundled Payments
- Episodic Payments
- Managed Care Per Member Per Month (PMPM)
- All-Inclusive Population-Based Payments
- Integrated Delivery Reform
- Managed Care Organizations
- Patient-Centered Medical Homes
- Accountable Care Organizations
Success Relies on Everyone’s Involvement

Outreach groups

Key constituents
- Hospitals
- Payers
- Providers
- State employees & retirees
- Patients & consumers

Data informatics and quality

General town hall meetings

Leadership assets
- Delaware Center for Health Innovation
- Delaware Academy of Medicine
- Delaware Healthcare Association
- Medical Society of Delaware
- Delaware Academy of Family Physicians

- Health Care Commission
- Health Resources Board
- DIMER/ DIDER
- Delaware Health Information Network
- State Employee Benefits Committee

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How It All Connects

**Policy agenda**
Develop legislative and policy approach that includes key recommendations

**Timing**
Align with upcoming legislative session, Medicaid waiver planning and MCO contract process

**Ongoing stakeholder events and town halls**
Ongoing stakeholder and expert town halls with Governor’s participation at key events

**Building data systems and methods**
Need expert econometric modeling to build and test total cost of care, benchmark, and growth markers

**Stakeholder input**
Transparent, open hearings to adjust and monitor health care cost growth

**Shared feedback**
Ongoing input through data-driven quality and cost discussions

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Implementation Plan

PHASED APPROACH TO HEALTH CARE SPENDING BENCHMARK

Y1
PLANNING YEAR
ESTABLISH LEGISLATION FOR HEALTH CARE SPENDING BENCHMARK

Y2
DEMO TEST YEAR
FOCUS ON PLANNING YEAR TO DETERMINE MODELS ACROSS MEDICAID, STATE EMPLOYEES/RETIREES AND FULLY INSURED
ESTABLISH THE AUTHORITY AND PERFORMANCE MANAGEMENT APPROACH

Y3
IMPLEMENT
ALL ASPECTS OF THE IMPLEMENTATION ARE IN EFFECT
Summit Dates

Prior Presentations:

- **Sept. 7**: Establishing Benchmark/Signing of HJR7
- **Sept. 22**: Provider/Hospital Leadership
- **Sept. 25**: Legal/Regulatory Issues
- **Oct. 18**: Data Analytics/Total-Cost-of-Care Methodology
- **Nov. 2**: Governance/Authority

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We Need Your Help

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<tr>
<th>Use Emergency Rooms Only for Emergencies</th>
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<tbody>
<tr>
<td><strong>Average cost per visit</strong></td>
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<tr>
<td>ER: $1,359</td>
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<td>Urgent Care Center: $125</td>
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<tr>
<th>Have Lab (Blood) Work Done at Non-Hospital Affiliated Freestanding Facilities</th>
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<tr>
<td><strong>Average cost per visit</strong></td>
</tr>
<tr>
<td>Hospital Affiliated: $140</td>
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<tr>
<td>Non-Hospital Affiliated: $72</td>
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<th>Know Your Plan – Coverage, Network and Costs</th>
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| Use Your Preventive Care Benefits |

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<tr>
<th>Get Imaging Services Done at Non-Hospital Affiliated Freestanding Facilities</th>
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<tr>
<td><strong>Average cost per visit for High Tech Imaging (MRI, CT Scan)</strong></td>
</tr>
<tr>
<td>Hospital Affiliated: $1,146</td>
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<tr>
<td>Non-Hospital Affiliated: $439</td>
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<th>Fill Prescriptions With Generics</th>
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<tr>
<td>Every 1% increase in the number of generic prescriptions filled leads to plan cost savings of 2.8% (Approx. $6.5 million)</td>
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| Find Providers and Compare Costs of Care |

| Use Your Wellness Benefits |

| Use Your Disease Management Benefits |

*Delaware Health and Social Services*
How You Can Get Involved

• Read more at the Delaware Health Care Commission website: http://dhss.delaware.gov/dhcc/global.html

• Watch archived Facebook Live videos of benchmark summits: Facebook.com/DelawareDHSS or youtube.com/DelDHSS

• To view the “Delaware’s Road to Value” white paper, visit: http://dhss.delaware.gov/dhss/dhcc/global.html

• Public comments on the white paper can be submitted via email, to: OurHealthDE@state.de.us

Comment period will close on November 13, 2017.