Rhode Island Health Care Cost Trends Project
Steering Committee Meeting Minutes
EOHHS – Virks Building – 3 West Road, Cranston
July 27, 2022
12:30-2:00pm

Steering Committee Attendees:
Patrick Tigue, Office of the Health Insurance Commissioner
Michele Lederberg, Blue Cross Blue Shield Rhode Island
Al Kurose, Coastal Medical - Lifespan
Larry Wilson, The Wilson Organization
Stephanie de Abreu (on behalf of Tim Archer), UnitedHealthcare
Teresa Paiva-Weed, Hospital Association of Rhode Island
Al Charbonneau, Rhode Island Business Group on Health
Dan Moynihan (on behalf of Arthur Sampson), Lifespan
Peter Hollmann, Rhode Island Medical Society
Paul Bartosic, Point32Health
Sam Salganik, Rhode Island Parent Information Network
Neil Steinberg, The Rhode Island Foundation
James Loring, Amica Mutual Insurance Company

Unable to Attend:
Tony Clapsis, CVS Health
Diana Franchitto, Hope Health
Peter Marino, Neighborhood Health Plan of Rhode Island
Betty Rambur, University of Rhode Island College of Nursing
Larry Warner, United Way of Rhode Island

I. Welcome

- Michele Lederberg welcomed Steering Committee members to the July meeting and reviewed the agenda.

II. Approve meeting minutes

- Michele asked if Steering Committee members had any comments on the June 23rd meeting minutes. The Steering Committee voted in favor of approving the June meeting minutes with no opposition or abstentions.

III. Setting cost growth target values for 2023 and beyond

Michael Bailit noted that following conversation during the June meeting about the cost growth methodology accounting for recent dramatic upturn in inflation and better reflect consumer financial experience, project staff created six options for discussion.

- Teresa Paiva Weed asked whether the Committee intended to move towards setting the target value in statute.
- Patrick Tigue explained that the present process would parallel that of the original compact, which meant there were no targets in statute and signing the compact would be voluntary. A codification of the target in statute was not part of the present conversation but could be a topic for discussion prior to the next legislative session. He also noted that he would release a bulletin explaining the interaction between what OHIC was funded for (the Health Spending Accountability & Transparency Program) and the work of the Cost Trends Steering Committee. The bulletin would be posted on August 1st and allow for public comment for 30 days.
- Michele added that the goal was to get Cost Trends funding on a long-term basis.

Options 1 and 1A: Michael noted Rhode Island was unique when compared to other cost growth states because the result of blending long-term forecasts of median household income and PGSP was higher than PGSP alone.

- Erin Boles Welsh asked how these options correlated to utilization and spending.
    - Michael answered that they did not. These spending targets were not created based on current health care spending trends but instead linked to measures of the economy.
    - Patrick Tigue added that the cost growth target would not have utility if it was simply a projection of what everyone thought health care spending growth would be.

Options 2 and 2A: Michael explained that previous research showed that general inflation has a two-year lagged impact on health care spending. These two options account for that lagged impact, using federal projections of the personal consumption expenditure (PCE) index. Options 3 and 3A mirrored this methodology.

- Neil Steinberg said these options just assumed that spending continued to increase.
    - Michael explained that the options reflected the anticipation of a direct impact of heightened inflation on health care spending and household income for a short time.
- Peter Hollmann highlighted that the target values were relative measures – they were relative to the growing (or shrinking) of the economy and the growing (or shrinking) of household income. It did not make sense to look at these values as absolutes.
    - Al Charbonneau responded that thinking of this in relative terms also required the understanding of the efficiency of the delivery system. The Steering Committee never incorporated inflation into costs, so he was concerned with this methodology. For him, payment reform was where OHIC and other stakeholders could push more on affordability.
- Sam Salganik asked whether Options 2 and 2A called for reassessment of the values for 2024 and 2025 once updated inflation estimates (or actual values) were available for 2022 and 2023. He added that he thought it likely that 2022 inflation will be higher than 2021 inflation.

    - Michael said that Sam's question was up for discussion. It would be possible to utilize preliminary values based on 2022 and 2023 inflation forecasts first and then finalize values later. He agreed that the current inflation projection for 2022 was optimistic.
- Al Kurose highlighted that January 1, 2026 was the 'go-live' date for the implementation of global budgets, according to the signed VBP compact. He noted that 2A accounted for payment reform (with the lower targets in 2026 and 2027).
- Patrick Tigue summarized that everyone agreed there needed to be some allowance for inflation in the targets.
- Stephanie de Abreu asked about the logic of creating targets for five years when the current target was only set for three.
    - Michael clarified that the current compact set values for four years (2018-2022). The reasoning for setting the target for more years was the heavy work necessary to redo targets, and to align with practice in the other cost growth target states.
    - Patrick added that setting longer-term targets helped market participants know what the targets would be.

Financial Impact: Michael explained that slides 15 and 16 show the differential impact of the options across 2023-27 on total Rhode Island health care spending and for the commercial market alone.

- Neil Steinberg thought several of the options acknowledged inflation but also stated that nothing could be done about it.
    - Sam Salganik responded that health care cost growth has far exceeded inflation, so the Committee acknowledged inflation but also made a commitment to not exceed these inflated values.
    - Michael added that historically, health care spending growth has been two to three times higher than inflation.
- Al Charbonneau emphasized the need to understand how Rhode Island's delivery system has operated over the last 15-20 years, especially because the data showed that home office costs and non-reimbursable costs were much higher now. He was unsure of how much of that came from an inflationary factor.
    - Teresa Paiva Weed replied that hospitals were pressured to rein in costs but the issue of the increased labor costs made this difficult.
- Peter Hollmann clarified that PGSP and inflation did not neatly correlate with each other and that there were other metrics included in the PGSP calculation. Michael Bailit confirmed the accuracy of Peter's statement.

Discussion: Michael invited members' thoughts on whether these proposed values served the purpose of reducing future growth in health care spending, as was the stated intent in the original compact.

- Neil Steinberg shared that the only option he thought that did so was Option 1.
- Sam Salganik said that while he did not advocate for one method over another, it was interesting that all six options were built on the same logic. He offered that one question for consideration was how much the values would account for actual vs. future changes to the inputs of the economic values.

    - Patrick Tigue replied that the underlying construct of the options was the same, but each option had a different impact on affordability, as shown in slides 15-16.
- Teresa Paiva Weed commented that she wanted to have realistic goals because of the potential administration of performance improvement plans (should the cost growth target be put into statute in the future). She voiced that she would advocate for the most flexible option.
- Dan Moynihan noted that the chosen option had to be credible. He agreed there could be some aspirational level to the targets but they had to be based in reality. He recommended the option should consider the current realities of inflation and said he supported Option 2 or 2A.
    - Michele Lederberg agreed and suggested that the values should include median household income as a component to be mindful of costs to the consumer.
- Larry Wilson said he did not have confidence that inflation would return to normal levels in two years. Even if inflation returned to those rates, those who found many things to be unaffordable now would continue to feel that way.
    - Michael responded that most projections say inflation will return to normal (2%). If it did not, however, and members felt that the values needed to be revisited, Michael reminded members that a tenet of the original compact was that members could revisit the target values should there be a substantial change in the economy.
    - Paul Bartosic said he would also be open to a conversation if the reverse happened (i.e., if inflation fell dramatically).
- Al Kurose commented that Option 2 or 2A made sense to him – the desire for a high-performing delivery system, to him, justified the unfortunate rise in trend that the group contemplated allowing for three years in these two options.
- Al Charbonneau asked how Patrick Tigue intended to get legislative support with a 6.9% target when OHIC had just secured $500K in state funding.
    - Patrick replied that the targets needed to have credibility. He noted that Rhode Island was in the unique position of resetting targets presently; other states already set their targets and planned to contextualize their performance results in the high-inflation years. He expressed that he was supportive of some allowance for inflation and liked Options 2A and 3A. In his opinion, Options 2 and 3 allowed too much of an adjustment.
- Paul Bartosic said he liked Option 1A because it accounted for household income and was mindful of the effect on the consumer.

Michael asked members to show their support for accounting for the short-term impact of higher inflation in the immediate years. There was slightly more support than opposition. As a result, he said he would temporarily remove Options 1 and 1A for discussion purposes.

- Sam Salganik shared he did not want this decided by majority vote, as he was the only consumer voice in the group. Michael observed that Sam did not appear to be the only voice advocating for consumer interests during the meeting.
- Neil Steinberg asked if the Committee intended to track the changes in the economy and update these options, given that projections were constantly being revised.

    - Michael replied that it was unlikely that there would be any major swings between now and September that would greatly impact the value for 2023, but project staff will continue to track projections.
- Cory King suggested that prior to the September meeting, it would be helpful to provide more materials to the Steering Committee on inflation and forecasts, such as the subcomponents of the inflation indices. He noted that members should consider that those making the federal projections made it clear in their reports that they were uncertain about the estimates.
- Michael asked members for their thoughts on securing values for 2022 and 2023 using forecasts now or restating the targets after the end of 2022 and/or 2023.
- Erin Boles Welsh said she was concerned about accounting for short-term changes (i.e., inflation) in a long-term policy decision.
    - Michael said he generally agreed, but the current circumstances were extraordinary. He also clarified that the intended use of the cost growth targets was to inform the contractual terms between payers and providers.

IV. New Cost Trends Compact for 2023-27

Due to time constraints, the Steering Committee was unable to discuss this agenda topic.

V. Public comment

- Michele asked for public comment. There were no public comments.

VI. Next steps and wrap-up

- Patrick noted he would review all comments with the other co-chairs and that project staff would distribute additional background materials on inflation, as Cory mentioned. The co-chairs would also take into consideration written comments submitted by Sam Salganik prior to the meeting on broadening the scope of the draft compact to include equity and population health.
- The next meeting will be on September 23rd from 3:00 to 4:30pm.