

Rhode Island Health Care Cost Trends Collaborative Project Report to the Legislature

Submitted by the Office of the Health Insurance Commissioner and the
Executive Office of Health and Human Services
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Health care cost growth has had a crippling effect on consumers, private employers and state and local governments. Rhode Island took on the challenge of slowing cost growth when it became the third state to design and implement a **health care cost growth target** in 2019. (Massachusetts reports *over \$7B* in reduced spending for commercial coverage since implementing the strategy in 2013.) A cost growth target is an expected rate of annual per capita growth of total health care spending in the state. Rhode Island engaged leaders in the state's health care industry to develop the target, demonstrating their shared commitment to



providing Rhode Islanders with high-quality, affordable health care through greater cost transparency and increased accountability. Through a public-private partnership, and with funding from the Peterson Center on Healthcare, Governor Gina Raimondo established the Health Care Cost Trends

Collaborative Project (Cost Trends Project) to confront health care cost growth and the implications of State investment in other critical service areas.



The **Cost Trends Project Steering Committee**, comprising providers, employers, consumer representatives and insurers, was convened by the Governor and is chaired by RI Health Insurance Commissioner Marie Ganim, BCBSRI President Kim Keck and Coastal Medical CEO Al Kurose. The Committee set the target at 3.2% per capita for 2019-2022. This was equal to the rate of long-term projected state economic growth. The Steering Committee's work to develop a health care cost growth target for Rhode Island culminated in a [compact](#) signed by Committee members on December 18, 2018. The compact was subsequently supported by Governor Raimondo's [Executive Order](#), which was signed on February 6, 2019.

Health Care Cost Trends Collaborative Project Goals	
	Develop a methodology for a health care cost growth target
	Gain a deeper understanding of health care cost drivers and cost variation
	Provide transparent health care performance data to inform purchasing decisions and care delivery reforms

Following target establishment, the Steering Committee began discussion of complementary work to a) measure performance against the target, and b) analyze factors contributing to health care spending growth in the state to produce analyses that can inform cost growth-containing

efforts, thereby supporting cost growth target attainment. In doing so, the Steering Committee agreed that slowed cost growth should not compromise the state’s high-quality care. *(Steering Committee meetings are open to the public and held in accordance with the Open Meetings Act. Meeting materials and Steering Committee membership can be found [here](#).)*

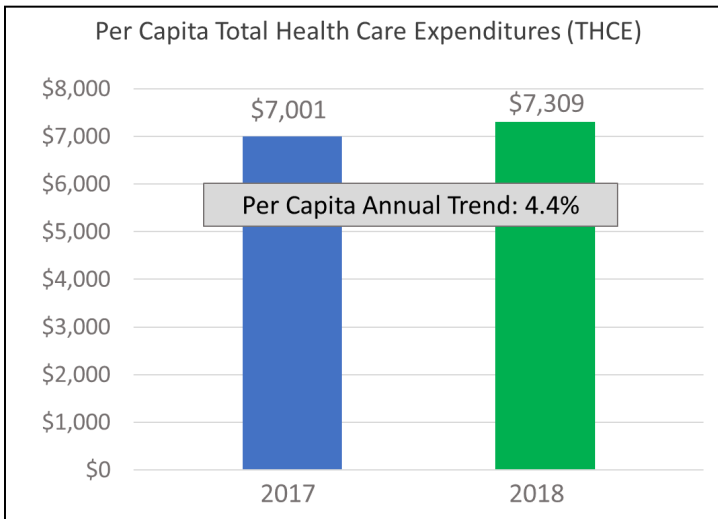
Cost Trends Project partner, the Brown University School of Public Health, has provided analytic expertise to conduct a thorough analysis of claims data in the state’s all-payer claims database, HealthFacts RI. Brown has also performed initial ad hoc analyses focused on pharmacy cost growth (as depicted on the last page) and the cost impact of low-value care on health care spending in Rhode Island. While this data source is invaluable for conducting insightful analysis, it has some limitations for cost growth target assessment, namely that it does not contain some claims for the self-insured population, non-claims provider payments, or pharmacy rebates. The Steering Committee therefore has used aggregate data collected directly from the state’s insurers, plus Medicaid and Medicare, to measure overall performance against the cost target. These data sources and their uses are described below.

PAYER-REPORTED AGGREGATE DATA	APCD ANALYZED DATA
<p>Primary purpose: assess performance against the cost growth target</p>	<p>Primary purpose: identify underlying cost and cost growth drivers</p>
<p>Payer-reported data are provided in aggregate and are limited in detail but do represent all health care spending in the state (including spending in self-insured employer benefit programs).</p>	<p>APCD data are more detailed than payer-reported aggregate data. Claims-level analyses can be performed. While not all state spending data are included, there is more than enough to understand underlying trends.</p>
 <p>How much did spending increase or decrease from one year to the next?</p>	 <p>What is driving overall cost and cost trends? Where are opportunities?</p>

Assessing Performance Relative to the Cost Growth Target

During 2020, the Office of the Health Insurance Commissioner (OHIC) analyzed per capita cost growth for the year prior to the target becoming effective, 2017-2018, to get a baseline year. OHIC also gathered data from the four largest insurers, Medicare, and fee-for-service Medicaid.

The following charts report the results of this analysis (with important caveats listed below). Total health care expenditures (THCE) were 1.2% above the cost growth target for the baseline period. THCE are the medical expenses incurred by Rhode Island residents for all health care services plus an estimated cost of the administration of private health insurance, net of pharmacy rebates received by private payers and Medicaid. The second chart shows total spending and trend (2017-2018) by service category.



Category	2018	
	(million)	Trend
Hospital Inpatient	\$ 1,433.31	-0.9%
Hospital Outpatient	\$ 1,254.31	7.2%
Retail Pharmacy (Net of Rebates)	\$ 1,155.01	9.8%
Professional Physician	\$ 1,101.02	2.9%
Other Professional	\$ 575.80	6.2%
Other Claims	\$ 350.24	2.7%
Non-Claims	\$ 162.27	6.5%

There are important disclaimers regarding this analysis of the baseline year.

- The baseline performance results cannot be compared to other publicly available measurements of health spending because those data also do not provide a complete picture of total health care spending (i.e., data are likely to exclude self-insured claims, non-claims payments to providers, and pharmacy rebates).
- Payer data submissions were validated, but not audited, meaning the preliminary analysis does not evaluate whether each payer performed data calculations consistently or in accordance with the data request. At least one payer is known to have submitted some erroneous data.

Leveraging HealthFacts RI to Identify Cost Growth Drivers

The Steering Committee adopted a “[data use strategy](#)” to guide analyses of health care system performance data and reporting. The data use strategy outlines a prioritized plan for the design and production of reports from HealthFacts RI that highlight cost drivers so that they can be strategically addressed.

OHIC and EOHHS plan to produce a series of routinely published, commonly structured analyses that will be distributed on a regular schedule. With guidance from the Steering Committee, input gathered through a public engagement process, and insight from national experts, the **Rhode Island Cost Trends Project reports** will focus initially on four broad types of analyses in those reports: cost drivers, cost growth drivers,

Strategic Uses of HealthFacts RI to Report Health Care System Performance

- Cost drivers, including
 - Utilization variation
 - Price and cost variation
 - Low value services
 - Potentially preventable services
- Cost growth drivers
- Population demographics, including social determinants of health
- Quality of care

population demographics, including social determinants of health, and quality of care. Reports will stratify findings by market (e.g., commercial Medicaid, Medicare), provider, and, when appropriate, by geography. Analyses will also display change over time. In addition, the data use strategy describes specific analyses that will combine HealthFacts RI data with other population demographic information to identify communities for which the social determinants of health contribute to a higher risk for worse health outcomes (such as racial and ethnic communities, and individuals with disabilities).

Sustaining the Momentum

The health care cost growth target and parallel work to identify primary drivers of cost growth will provide Rhode Island with a clearer picture of health care spending across all payers in the state. With that information, public officials and health care industry leaders can work together to implement targeted policies and interventions to curb spending, improve system performance, and further enhance the quality of care in Rhode Island, particularly among populations or geographic areas that experience worse health outcomes. Yet a standalone target – without complementary actions – will be insufficient to contain health care spending growth and improve performance of the health care system in Rhode Island.

The State has undertaken multiple other initiatives, including but not limited to a Medicaid accountable care program involving shared savings and risk contracting with large provider entities, regulation of commercial insurer hospital rate increases and accountable care organization budget target increases, accelerating alternative payment model adoption, support for broad-scale primary care transformation, and exploration of new payment models for behavioral health services. The work of the Cost Trends Steering Committee to identify cost drivers and develop strategies for mitigating cost growth is an important complement to these efforts.

Continuing the work of the Cost Growth Project will require **sustainable funding**. The Governor's FY21 budget proposed an annual assessment on commercial insurers, Medicaid, and self-funded businesses to continue to support the program and to codify the work in statute. In addition, the State has sought local foundation funding to support aspects of program operations.

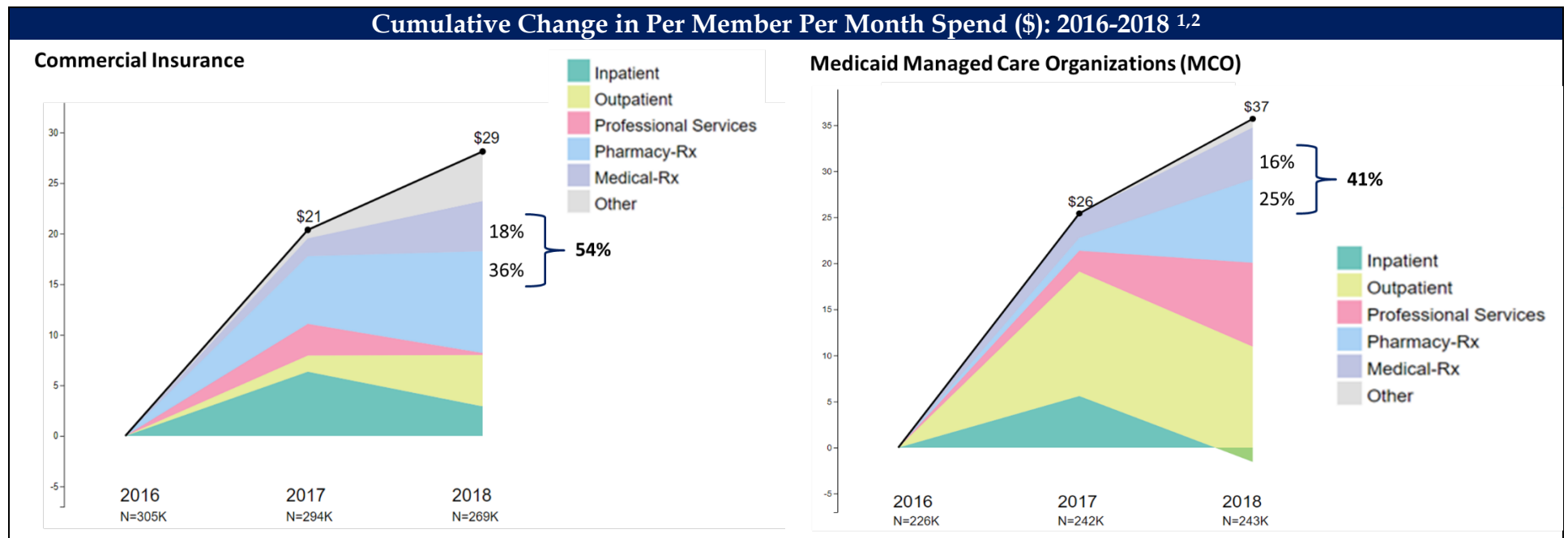
For more information, visit the Rhode Island Health Care Cost Trends Project [website](#) or contact or contact the Office of the Health Insurance Commissioner at 401-462-6428.

Spotlight on Pharmacy Costs and Spending



The Cost Trends Project performed a deep analysis of the impact of pharmacy price growth on overall health care spending growth in Rhode Island. **Pharmacy spend is a significant and growing fraction of total per capita health care costs in Rhode Island.** The analysis found that **pharmacy price increases, not number of prescriptions, is driving spending** in the state, showing more than half (54%) of the increase in total commercial medical spending was driven by growth in pharmacy costs. In Medicaid managed care, pharmacy cost growth accounted for nearly half (41%) of total medical spend. The charts show the cumulative change in per member per month spend from 2016-2018, with important footnotes about the data.

The Steering Committee is now working to recommend **potential strategies** to dampen price growth.



¹ Notes regarding the data: Commercial data does not include claims from some self-insured employers that do not submit claims or from BCBSMA. Total cost data excludes non-claims-based payments, such as provider incentive payments or payments to support investment in population health or provider practice infrastructure (e.g., care management). Data excludes manufacturer rebates, which vary in magnitude from 10% to 20% of total pharmacy costs.

² "Pharmacy-Rx" represents spending attributed to prescription medicines purchased in retail pharmacies. "Medical-Rx" represents spending attributed to prescriptions administered in providers' offices and hospitals.