House Health Care and Wellness Committee Update on Health Care Cost Transparency Board

December 9, 2024

Washington State Health Care Authority

Agenda

- Brief background on the Cost Board
- Recent legislative changes
- 2024 activities
  - Data workstreams and new benchmark release
    - Thursday, December 12 public hearing: overall spending and benchmark performance
  - Recommendations in legislative report
  - Proposed legislation

Legislative charge – HB 2457

- House Bill 2457 (2020) established the Health Care Cost Transparency Board (Cost Board) and charged it with the following tasks:
  - Establish a health care **cost growth benchmark** or target percentage for growth
  - Analyze **total health care expenditures**
  - Identify **trends** in health care cost growth
  - Identify **entities** that exceed the health care cost growth benchmark
  - Provide **policy recommendations** to the Legislature

Additional legislative assignments

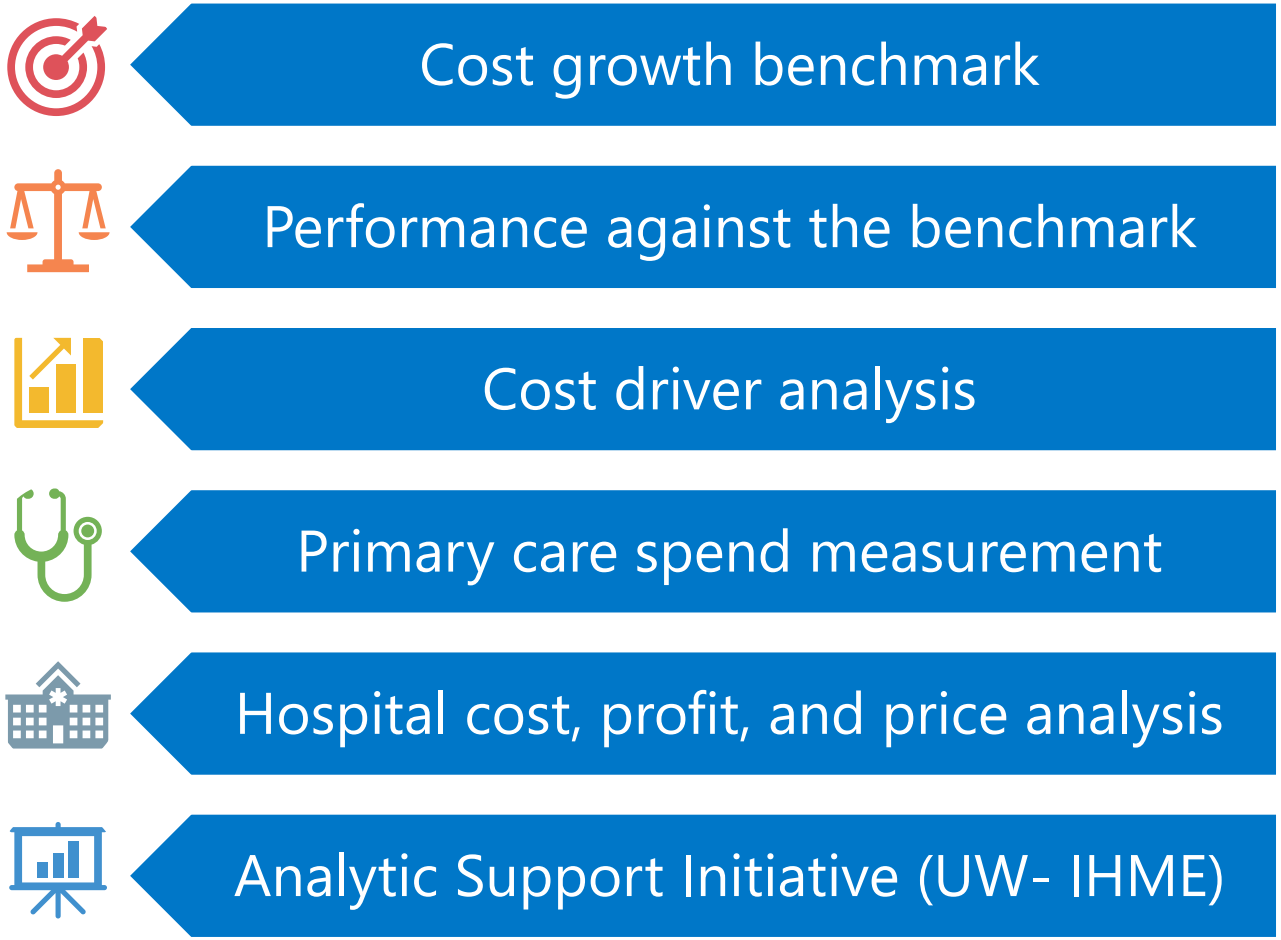
- Primary care expenditures (SB 5589, 2022)
  - Define primary care for purposes of calculating primary care expenditures as a proportion of total health care expenditures,
  - Identify methods to incentivize the achievement of desired levels of primary care to total expenditures (12 percent).
- Program changes (HB 1508, 2024)
  - Modified stakeholder committee (new name and additional participants)
  - New public hearing on cost growth
  - New study (2024 budget proviso): best practices from other cost growth states (delivered with annual legislative report)

Cost growth benchmark

- **What is a cost growth benchmark?**
  - A health care cost growth benchmark is a per annum rate -of-growth benchmark for health care costs for a given state.
- **Why pursue a cost growth benchmark?**
  - To establish a common goal to curb health care spending growth.
  - The benchmark is a specific target rate that carriers and providers should try to stay under to make health care more affordable.

Calendar Year	Cost Growth Benchmark Value
2022	3.2%
2023	3.2%
2024	3.0%
2025	3.0%
2026	2.8%

Cost Board data workstreams



- Data-focused in the start-up years, with multiple data projects to inform policy
- Benchmark and performance: Just released the first benchmark performance data, revealing growth rates for health care expenditures through 2022

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Key takeaways for benchmark measurement

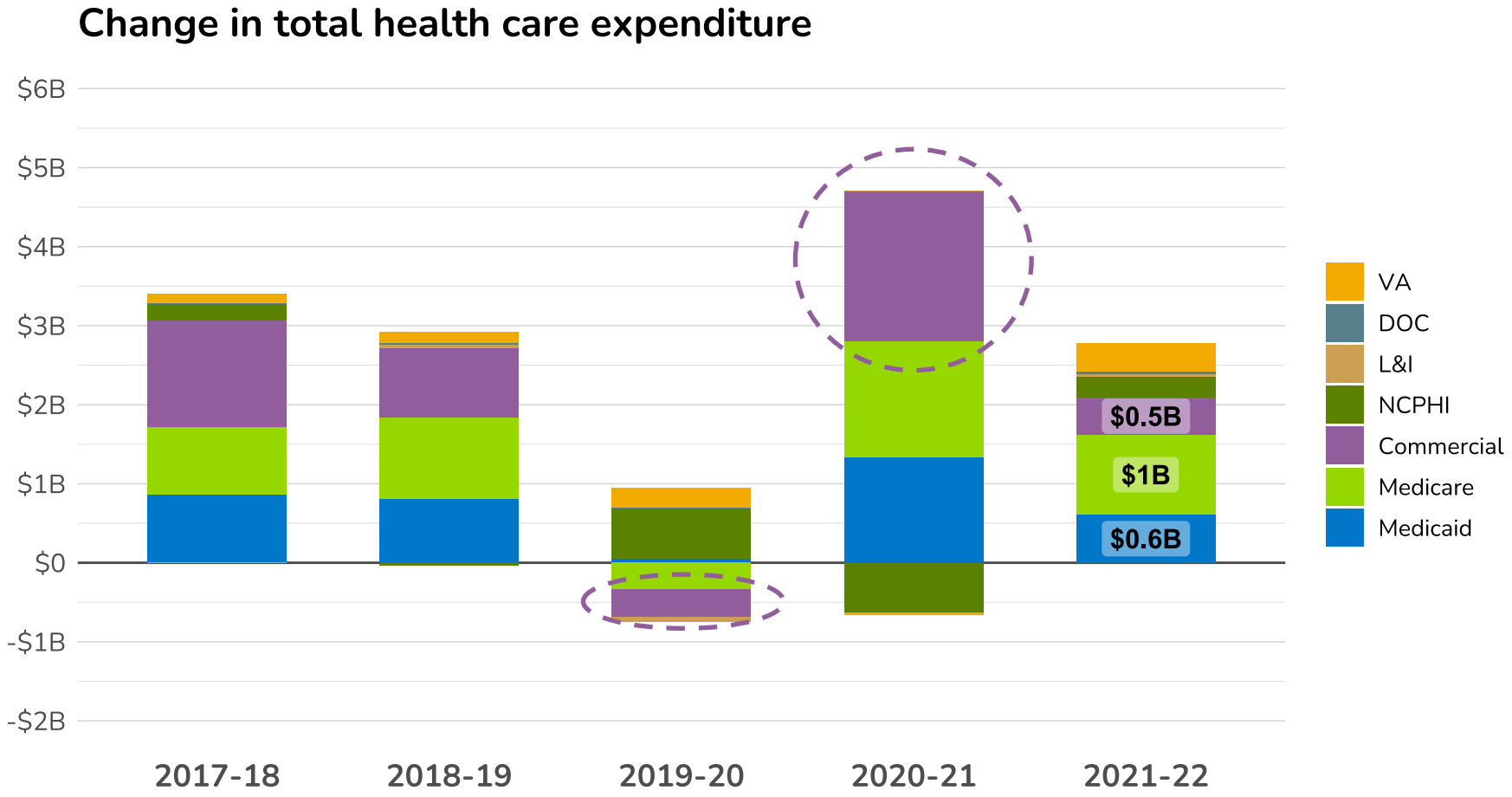
- Per-member spending growth from 2019–2022 is driven by growth in:
  - Commercial and Medicare markets
  - Veterans Affairs spending
- Per capita spending growth from 2019–2022 led by these top contributors to growth:

Category	Market sources
1. Prescription drugs	Medicare, Commercial
2. Non-claims	Medicare
3. Hospital outpatient	Medicare, Commercial

- Anticipate cost growth during measurement period was impacted by COVID

Change in total health care expenditure

- 2021 increases in commercial more than offset the 2020 decline.
- Medicare represented a larger portion of the $2.8B increase in overall health care spending in 2022



Source: WA Health Care Cost Transparency Board Data Calls

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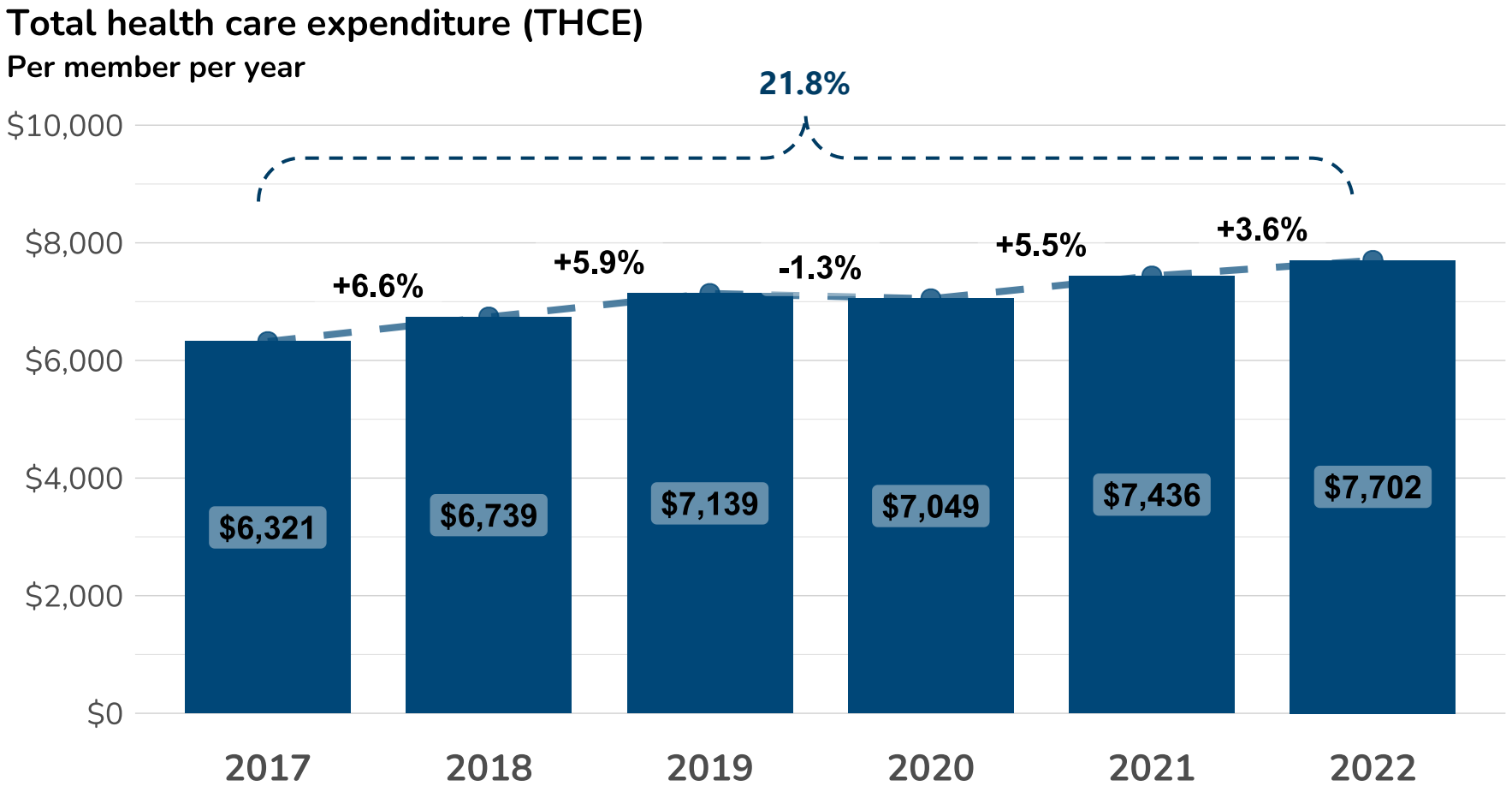
Statewide per-member spending



Source: WA Health Care Cost Transparency Board Data Calls

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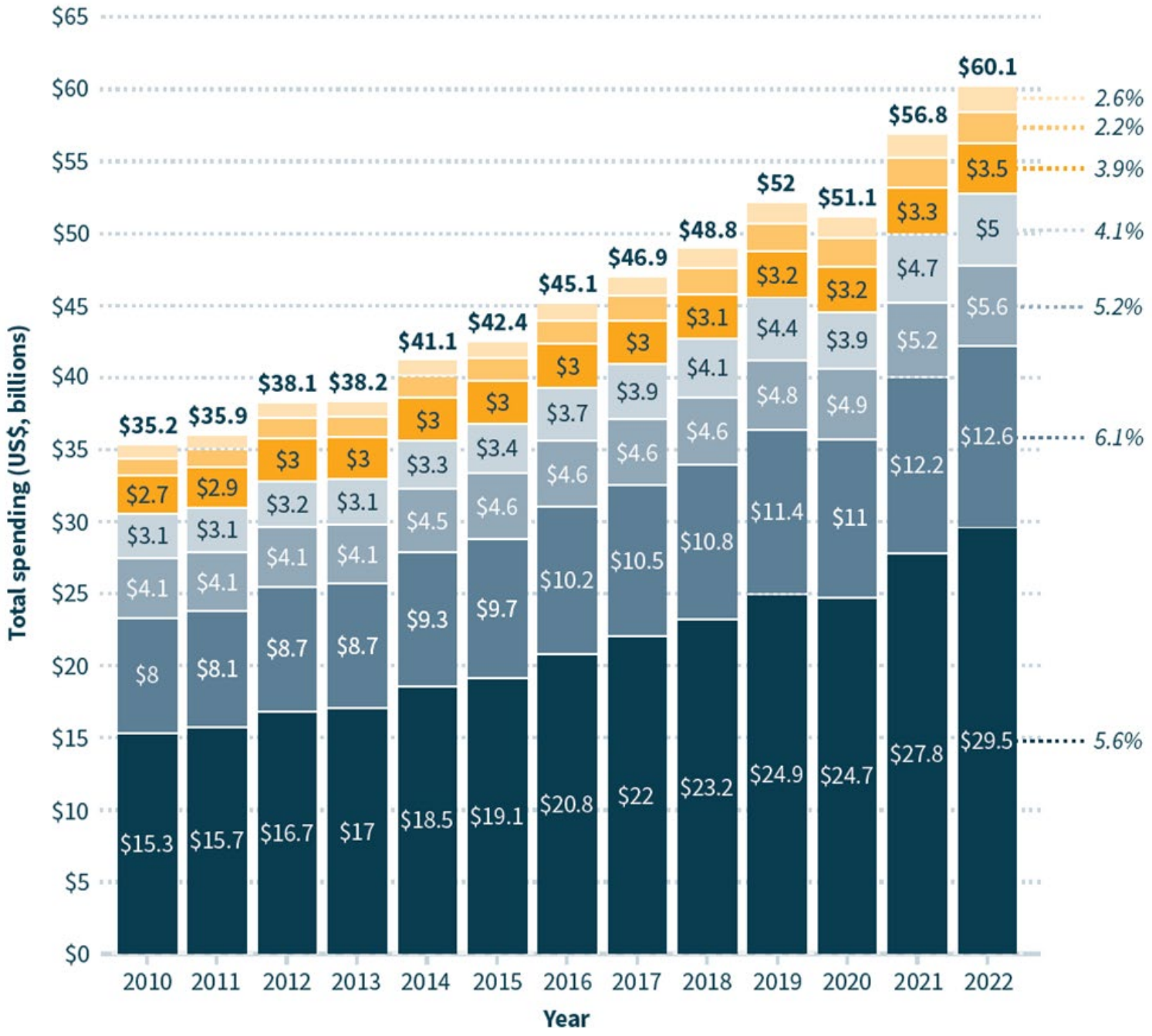
Total spending in Washington by type of care, 2010-2022

- Ambulatory
- Dental visits
- Emergency department
- Home health
- Inpatient
- Nursing facility
- Pharmaceutical

Compound annual growth rates by type of care

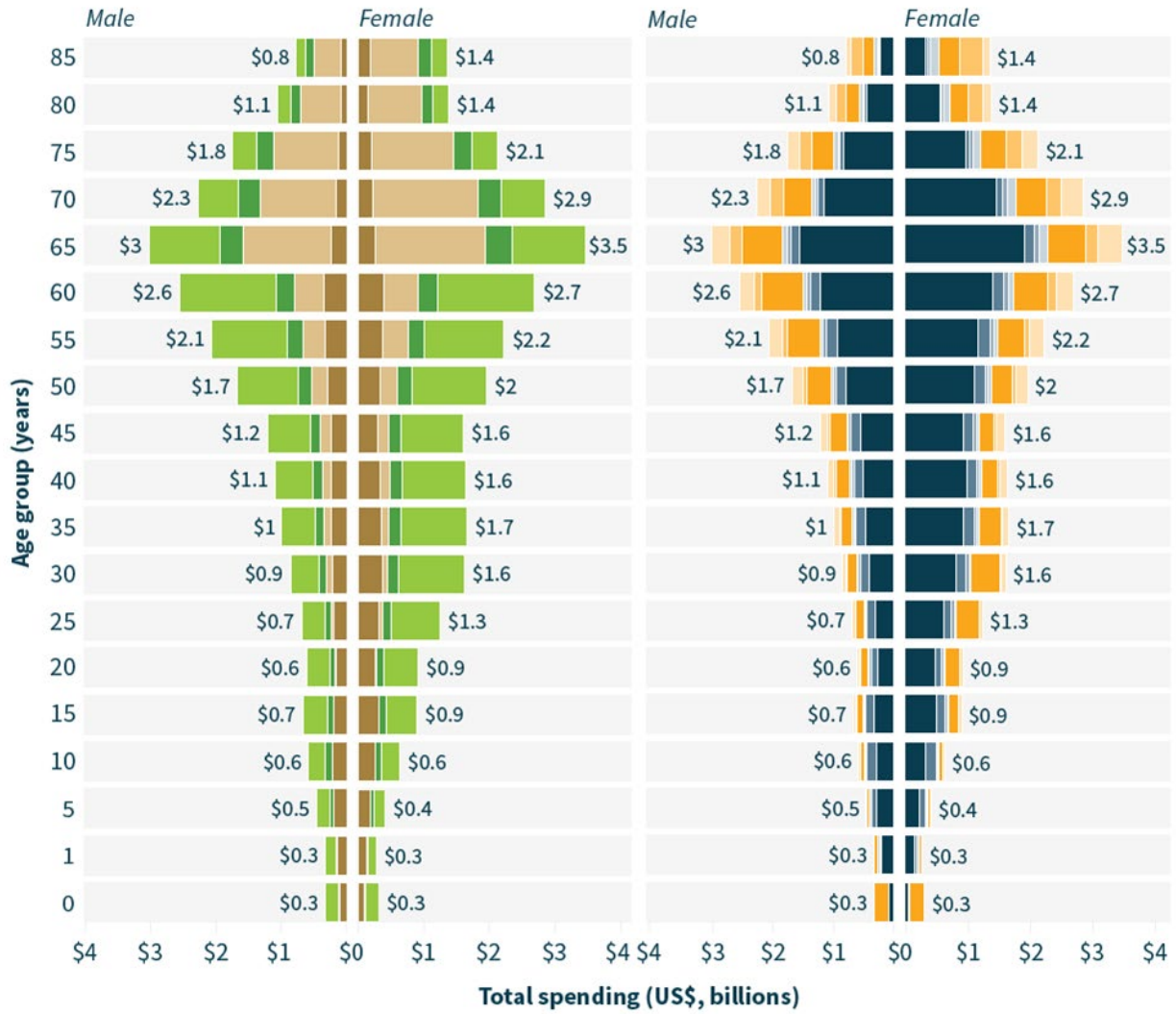


Source: IHME DEX Project

Health care spending amid age groups across payer and care type, 2022

By payer

- Medicaid
- Medicare
- Out-of-pocket
- Private insurance



By type of care

- Ambulatory
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- Emergency department
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- Nursing facility
- Pharmaceutical

Note: Pharmaceutical spending includes spending on pharmaceuticals in a retail setting, and drugs administered in a clinic or inpatient are included in the ambulatory care and inpatient care categories.

Source: IHME DEX Project

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Policy options and recommendations

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State options to address health costs

Cost Board examined policy levers to address costs

- ⊕ Some progress in WA
- ○ Not in progress in WA

Market competition

- ⊕ Price transparency
- ⊕ Evidence-based payment/value-based purchasing
- ⊕ Active purchasing/collaboratives
- ⊕ Reference pricing

High prices

- ⊕ Public option
- ⊕ Balance billing
- ⊕ Growth caps
- ○ Rate caps
- ○ Site neutral payments
- ○ All-payer rate setting
- ○ Global budgets
- ○ Spread pricing/rebate pass through

Anticompetitive practices

- ⊕ Antitrust/state merger enforcement
- ○ Address anticompetitive practices and contracts
- ○ Certificate of public advantage

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Legislative report: policy recommendations

Recommendation 1: Require outpatient facility fee reporting

Recommendation 2: Increase billing and ownership transparency

Recommendation 3: Require ownership structures and legal affiliations reporting

Recommendation 4: Increase Washington State's oversight of mergers and acquisitions

Recommendation 5: Set a target rate of primary care expenditure ratio increases

Recommendation 6: Increase Medicaid reimbursement for primary care services

Recommendation 7: Continue to explore reference-based pricing models

Best practices report

- Directed in 2024 Operating Budget to analyze best practices for measuring and containing cost growth deployed by other states.
- Analyses, completed by Health Management Associates, is included in full in the Cost Board's 2024 report – Submitted to Legislature on December 2nd
- **Best Practices**
  - Massachusetts Center for Health Information and Analysis (CHIA) has effectively centralized data collection, analysis, and reporting within a single entity. Best positioned to understand cost drivers and financial performance of providers and payers.
  - California, Massachusetts, and Oregon each have authority to enforce cost growth requirements
  - California, Massachusetts and Oregon each have rigorous oversight of mergers and acquisitions, with the Oregon Health Authority having the greatest authority to prohibit transactions under certain circumstances
  - Washington, Oregon and Rhode Island each have effective policies in place to directly control prices
- The report underscores that it is essential that any board structure have adequate funding and staff to accomplish its mission

PEBB/SEBB access & affordability bill

- Applies to all fully-insured and self-funded medical plans
- Requires hospitals to participate in-network upon good faith offer to contract from carrier/third-party administrator
- Caps reimbursement for inpatient/outpatient (IP/OP) hospital services at 200% of Medicare, beginning in 2027
  - Requires CAH/SCHs to be reimbursed at no less than 101% of allowable costs
  - Sets cap for children's hospitals at 350% of Medicare
- In 2029, reduces IP/OP hospital cap to 190% of Medicare and reduces children's hospitals cap to 300% of Medicare

Summary of bill, continued

- Requires primary care and non-facility behavioral health services be reimbursed at/above 150% of Medicare
- Requires all carriers take into account changes in reimbursement from this legislation in future rate development cycles
- Goals and expected outcomes:
  - Maintain access to critical hospital services
  - Increase access to behavioral health and primary care services
  - Contain costs for employees & the state

Questions?

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Contact

Mich'l Needham

- Chief Policy Officer
- Mich'l.Needham@hca.wa.gov

Evan Klein

- Special Assistant for Legislative and Policy Affairs
- Evan.Klein@hca.wa.gov

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