The Affordability Problem: Healthcare Spending in Connecticut

March 24, 2021

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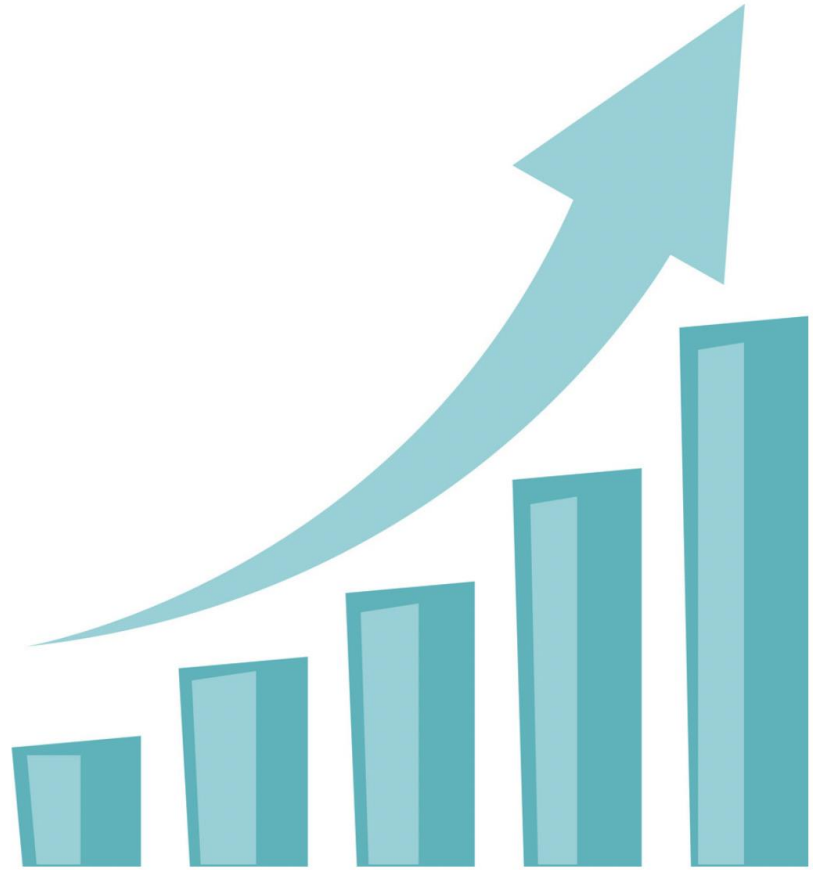
Healthcare Affordability is a Major Problem in Connecticut for Two Simple Reasons

1. Healthcare costs are among the **highest** in the country.
2. Healthcare costs are growing **much faster** than personal income.



It's a bad problem - and it gets worse *year after year after year*.

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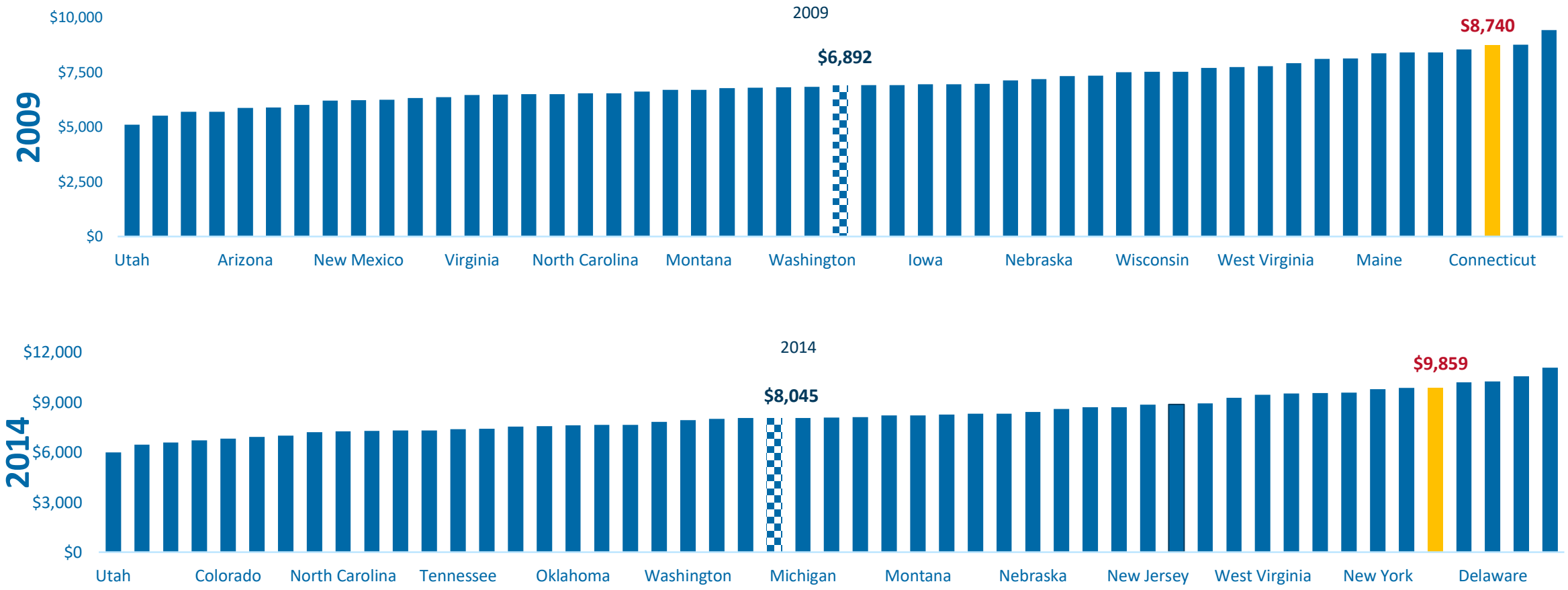
Connecticut spends more on healthcare than almost any state

Personal healthcare spending, per capita, by state, 2009 and 2014



Source: Centers for Medicare and Medicaid Services, State Health Expenditure Accounts, 2009 and 2014

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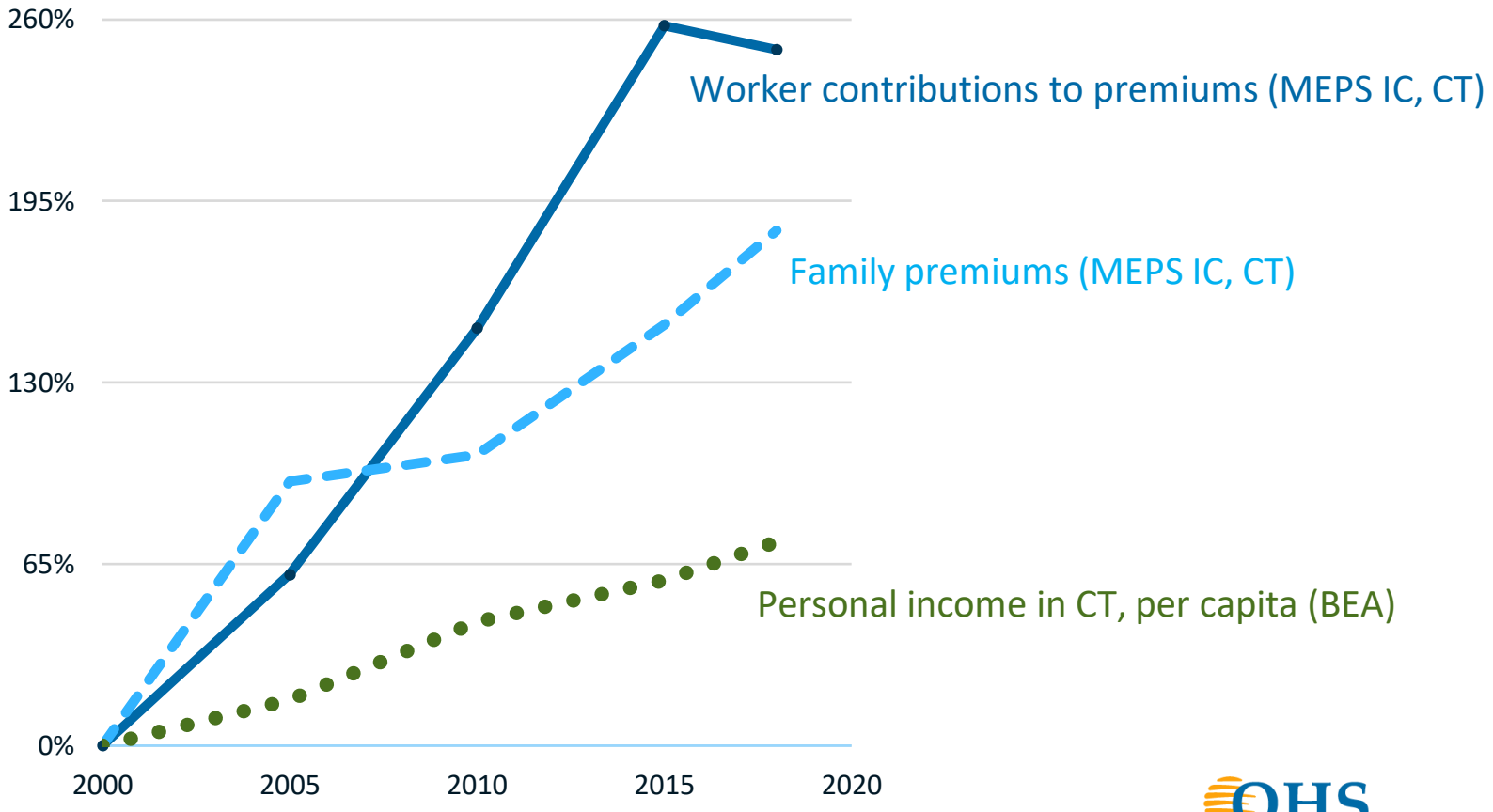
Healthcare cost growth is exorbitant

Since 2000, Connecticut employer-sponsored insurance premiums have grown...

...two and a half times
faster than personal income



Source: Medical Expenditure Survey, Tables D.1 and D.2 for various years

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Commercial medical spending per member per month increased 15% from 2015 to 2018

- Spending grew **4.9%** per year, excluding retail pharmacy (retail pharmacy spending growth rates in other states have been high).

	Spending per member per month (PMPM)				Annual change (%)			Total change
Payer	2015	2016	2017	2018	2016	2017	2018	(%)
All payer	$377.66	$408.23	$421.97	$435.55	8.1	3.4	3.2	15.3

Notes:

1 - Includes CT fully insured population and state employee health plan
2 - Limited to CT residents under age 65
3 - Spending includes patient cost sharing
4 - Much higher trend in first year than next two
5 - From 2015-18, PMPM spending increased for every large commercial payer and state employees
6 – Average annual wage growth in CT during this period was **1.47%**

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Out-of-pocket (OOP) spending increased much faster than total spending

- From 2015 to 2018, OOP spending increased **26%** compared to overall spending which increased 15.3%
- This reflects changes in a) employer decisions on plan design, and b) employee plan selection, as employers and employees try to cope with high costs.

Payer	OOP Spending for covered medical services (PMPM)				Annual OOP change (%)			Annual PMPM change (%)			Total change (%)	
	2015	2016	2017	2018	2016	2017	2018	2016	2017	2018	OOP	PMPM
All payer	$44.21	$47.75	$53.94	$55.70	8.0	13.0	3.3	8.1	3.4	3.2	26.0	15.3

Notes:

1. OOP PMPM is calculated as sum(copays + deductibles + coinsurance)/sum(member months).
2. Percentage change in "PMPM" columns is calculated as the change in total PMPM, including insurance payments and out-of-pocket payments.

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Office of Health Strategy Efforts to Improve Affordability

What is Affordable Healthcare?

Healthcare is affordable in Connecticut if a family can reliably secure it to maintain good health and treat illnesses and injuries when they occur without sacrificing the ability to meet all other basic needs including housing, food, transportation, childcare, taxes, and personal expenses or without sinking into debilitating debt.

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Connecticut's Executive Order #5

1 **Cost Growth Benchmark**

Recommendations for a cost growth benchmark that covers all payers and all populations for 2021-2025.

2 **Primary Care Spend Target**

Recommendations for getting to a 10% primary care spend as a share of total healthcare expenditures by CY 2025, applied to all payers and populations.

3 **Data Use Strategy**

A complementary strategy that leverages the state's APCD, and potentially other sources, to analyze cost and cost growth drivers, and more.

4 **Quality Benchmarks**

Recommendations for quality benchmarks applied to all public and private payers, effective 2022.

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Selected Cost Drivers and Cost Growth Drivers in Connecticut

Understanding is a Prerequisite to Correcting

- The Healthcare Cost Growth Benchmark is intended to serve as a **beacon** towards which all parties which have some measure of influence on spending – the state, payers, employers and providers – can strive.
- Concrete corrective action, however, requires understanding of why health care spending is high, how it varies across the state, and what is driving spending growth.

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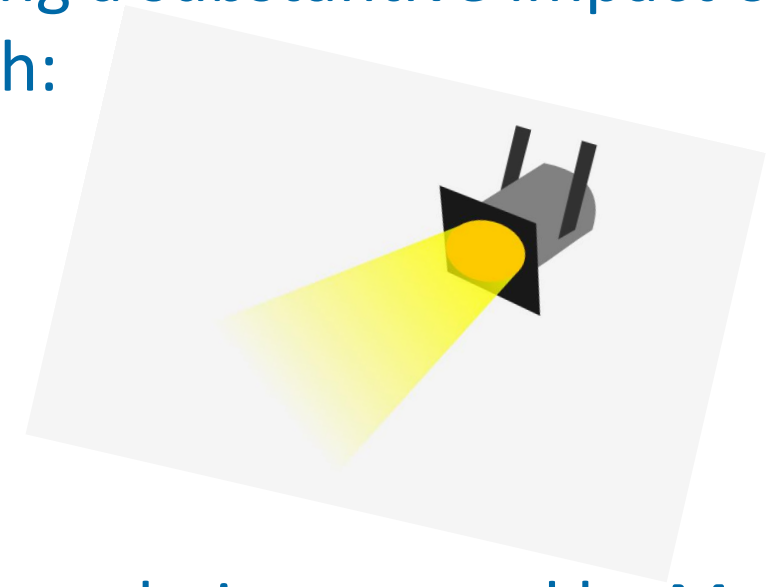
The Centrality of the Data Use Strategy

- Understanding healthcare spending requires data analysis. CT's All-Payer Claims Database, combined with other data resources, can be utilized to gain necessary insight.
  - Armed with this insight, OHS can convene stakeholders to collaborate on strategies to address spending growth to meet the benchmark.
- During the fall and winter of 2020 OHS directed a contractor to perform an initial analysis. While much more analytic work remains to be performed in 2021 and beyond, we currently have insight into a few factors that have been driving spending and spending growth.

Spotlight on Three Cost & Cost Growth Drivers

While there is still much to learn through additional analysis, it is clear that at least three factors are having a substantive impact on commercial healthcare spending and its growth:

1. Retail pharmacy spending
2. Hospital spending
3. Chronic illness prevalence



OHS lacks comparable insight for populations served by Medicaid and Medicare but plans to obtain it in the future.

2021 Retail Pharmacy Impact on Commercial Health Insurance Rates

- Retail pharmacy represents almost 25% of total commercial health insurance premium
- Annual trend of 10% - 12%
- P.A. 18-41 data

Commercial Hospital Spending Grew 6.9% Per Year on Average, 2015-2018

Service Category	2015 PMPM	2015 %	2018 PMPM	2018 %	Average annual change (%)	Total change (%)	Change in category as percent of total change
All services	$377.65	100.0	$435.55	100.0	4.9	15.3	100.0
Professional	$170.03	45.0	$184.24	42.3	2.7	8.4	24.5
Inpatient acute	$77.58	20.5	$94.34	21.7	6.8	21.6	29.0
Outpatient - not ER	$73.86	19.6	$90.41	20.8	7.0	22.4	28.6
Outpatient – ER	$50.62	13.4	$61.77	14.2	7.0	22.0	19.2
Other	$5.55	1.5	$4.79	1.1	-4.7	-13.7	-1.3

Notes:

1. Categories of services derived from the CT APCD Data Dictionary claim type detail. Results are not age/gender-adjusted
2. ER = emergency room; PMPM = per member per month

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Spending Per Unit Drove Spending Growth; Service Utilization Declined or Grew Slightly

Service Category	2018 Volume	2018 Spending per unit	Percent change in spending per unit				3-year percent change in volume
			2016	2017	2018	Total 3-year	
Inpatient acute stay	36,164	$25,636	9.8	7.4	7.2	26.4	-4.1
Outpatient – ER	356,647	$1,702	9.4	5.5	6.7	23.1	-1.1
Outpatient – not ER	688,207	$1,291	3.7	4.6	10.5	19.8	1.9
Professional	8,471,604	$214	0.8	1.7	1.0	3.6	4.4

Notes:

1. Changes in spending per unit are affected by both changes in service mix and changes in service-level prices.
2. Categories of services derived from the CT APCD Data Dictionary claim type detail.
3. Includes CT residents under age 65.
4. Results are not age/gender-adjusted.
5. Inpatient stay units defined as discharges, which can include multiple claims. Other category of service units defined as individual claims.
6. ER = emergency room; PMPM = per member per month

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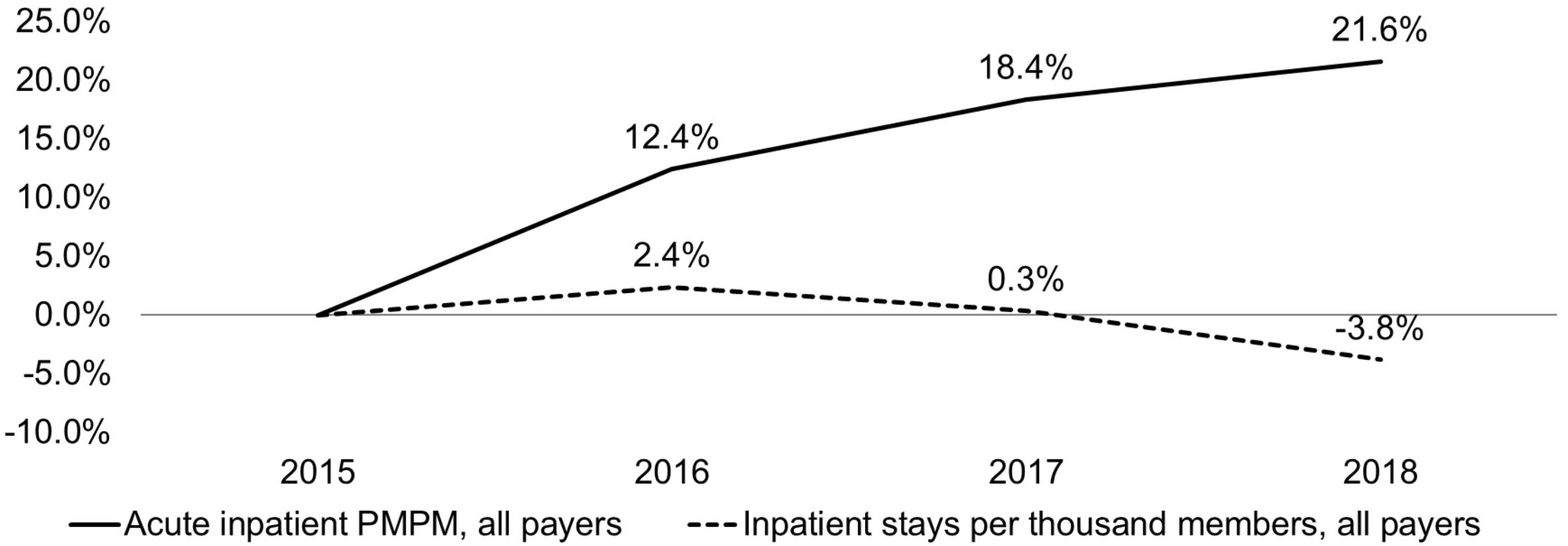
Acute Inpatient PMPM Spending Grew 22 Percent While Hospital Admissions Declined



Note: Percentage change for all years is relative to 2015.

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Chronic Illnesses Were Common and Associated with Far-Above-Average Spending

	2018		
Condition	Members with condition	%	PMPY for members with this condition
All members	455,780	100.0	$6,151
Hyperlipidemia	73,081	16.0	$11,842
Hypertension	70,419	15.5	$13,739
Rheumatoid Arthritis/Osteoarthritis	67,943	14.9	$13,866
Depression	50,979	11.2	$13,501
Diabetes	28,608	6.3	$14,197
Anemia	26,723	5.9	$25,355
Acquired Hypothyroidism	25,918	5.7	$12,911
Glaucoma	18,035	4.0	$9,004
Chronic Kidney Disease	17,732	3.9	$24,029
Asthma	17,500	3.8	$16,887
One or more of 27 chronic conditions	218,598	48.0	$10,336
Two or more of 27 chronic conditions	115,855	25.4	$14,379

Notes: This slide shows the 10 most common conditions. PMPY calculated as total costs for members with the condition divided by all members continuously enrolled from January 1, 2017 through December 31, 2018.

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People with One Chronic Condition Often Had One or More Additional Conditions

Condition A (Rank)	Condition B (Rank)	Percent of Total Population with A & B	Percent of People with Condition A who had Condition B
Hyperlipidimia (1)	Hypertension (2)	8.2	51.1
Hyperlipidimia (1)	Rheumatoid Arthritis (3)	4.6	28.5
Hyperlipidimia (1)	Depression (4)	2.5	15.7
Hyperlipidimia (1)	Diabetes (6)	3.7	23.3
Hypertension (2)	Rheumatoid Arthritis (3)	4.7	30.2
Hypertension (2)	Depression (4)	2.3	15.2
Hypertension (2)	Diabetes (6)	3.8	24.3
Hypertension (2)	Chronic Kidney Disease (9)	2.2	14.5
Rheumatoid Arthritis (3)	Depression (4)	2.6	17.7
Diabetes (6)	Chronic Kidney Disease (9)	2.4	37.8
Any chronic condition	Any other chronic condition	25.4	53.0

Notes: This slide shows the 10 most common pairs of 25 chronic conditions. Rank indicates the relative prevalence of the condition with 1 being most common.

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Make Your Voice Heard!

- You are invited to submit **questions** about today's forum.
- You are invited to submit **suggestions** regarding how efforts to improve healthcare affordability should proceed.

- To do so, please email OHS at Krista.Moore@ct.gov

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