

## Driving Change with the Health Care Spending Benchmark:

### Delaware's Road to Value

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Write up of a presentation given by Kara Odom Walker, MD, MPH, MSHS, Cabinet Secretary, Delaware Department of Health and Social Services, Tuesday, November 7, 2017

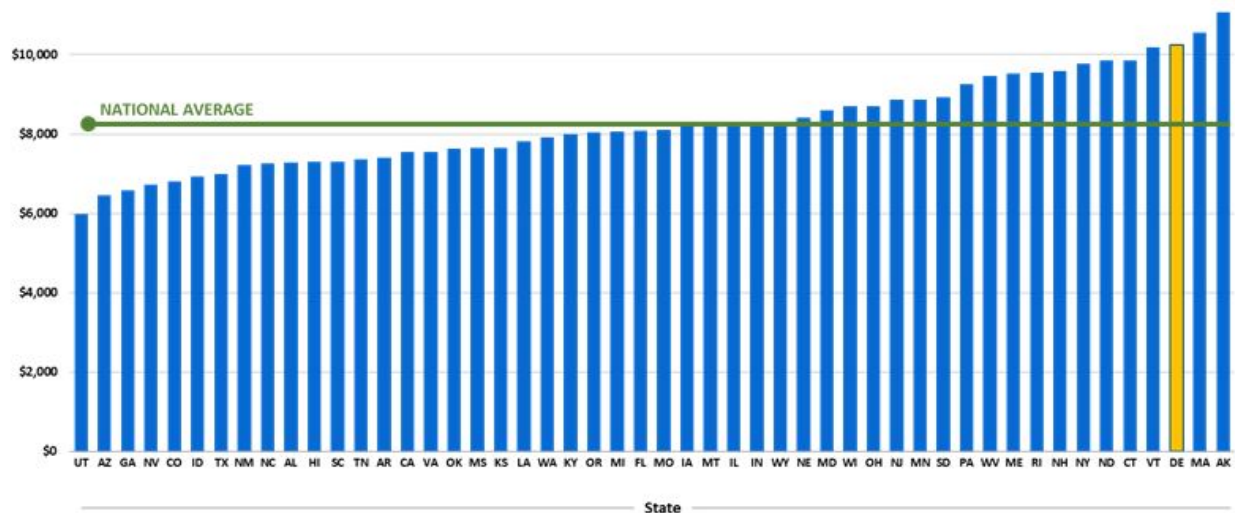
The Delaware Academy of Medicine/Delaware Public Health Association (Academy/DPHA) and the Delaware Chapter of the American Lung Association (ALA) hosted the Delaware Health Care Benchmark

Summit on Tuesday, November 7, 2017. At this summit, Dr. Kara Odom Walker, Secretary of Department of Health and Social Services (DHSS), discussed how the Health Care Spending Benchmark should be used to drive change and ultimately decrease health care costs in the state of Delaware.

### The Benchmark: Step One

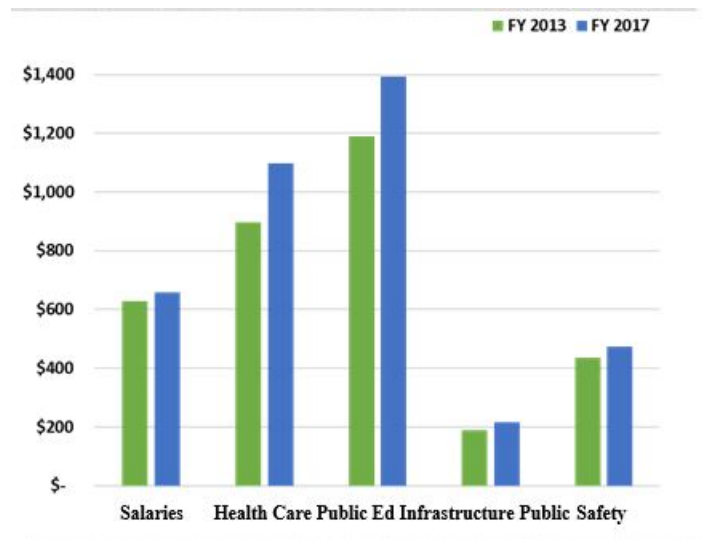
Delaware's health is poor. Our per capita health care costs are more than 25% above the national average, and account for at least 30% of our state government budget (see Figure 1).<sup>1</sup> Statewide, our health care spending is expected to more than double by 2025. Added to that, Delaware (and Sussex County, especially) is now seen as an excellent retirement destination. Our population is older, and aging faster than most of the nation. We are ranked 31st in America's Health Rankings, we are sicker than the average state, and our citizens are 11% more likely to visit the emergency room than the nation at large.

Figure 1. Per Capita Personal Health Care Expenditures, 2014



Between 2013 and 2017, Delaware's budget for health care increased by \$202 million (22%) (see Figure 2). In that same amount of time, the general fund revenue collection has grown by only 7.6%. This large increase in health care costs leads to the depletion of many other expenditures on salaries, education, infrastructure, and public safety.

Figure 2. Delaware General Fund Expenditures, FY2013 vs. FY2017



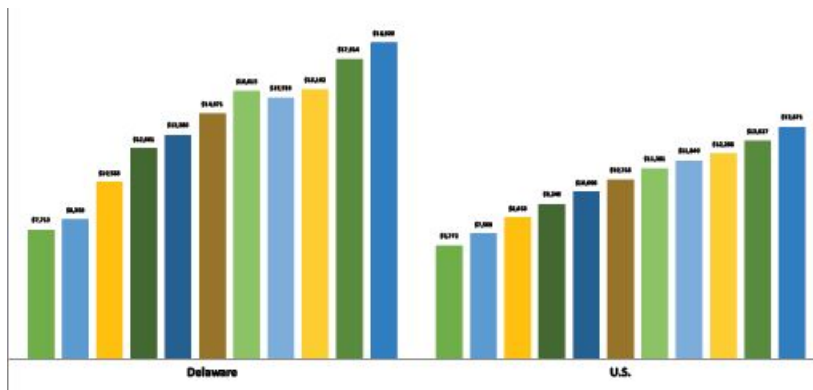
Nearly 40% of our health spending in 2009 was on Medicare and Medicaid, but even private insurance is reporting increases of thousands of dollars every year on health spending (see Table 1).

Table 1. Average Annual Health Care Costs Growth Rate, 1991 – 2014

Payer	Average Annual Growth Rate
Private/Other Insurance	4.5%
Medicare	7.9%
Medicaid	9.2%

The implementation of the Affordable Care Act (ACA) did not escalate the trend in health care cost growth. In fact, Delaware health insurance premiums have been higher than the national average for more than a decade (see Figure 3).

Figure 3. Family Health Insurance Premiums: Delaware and the U.S., 2000-2010<sup>2</sup>



Private insurance premiums in Delaware have grown more slowly than the national average, but they have grown (see Table 2). With wages held constant, health care costs are consuming more and more of workers’ personal and family budgets, leading to fewer dollars free to bolster the state and local economies.

Table 2. Insurance Premiums Average Annual Growth Rate

Year	Delaware	United States
2000 – 2006	13.2%	9.1%
2007 – 2010	4.4%	5.1%

Delaware has seen an increase in total health spending every year for the last decade, although the distribution of total spending by type of service is similar for Delaware and the United States as a whole. This trend will likely not stop: experts are projecting that Delaware’s total health spending will double by 2025. Not only do we have an older (and sicker) population than many states, we spend more per person in every category of service. In hospital care, physician and clinician services, personal care, and dental care, Delaware is paying more on average than the nation.

Delaware has multiple major health systems and hospitals: Bayhealth Medical Center, Beebe Medical Center, Christiana Care Health System, Nanticoke Health Services, Nemours/A.I. DuPont Hospital for Children, St. Francis Healthcare, and the Veterans Administration (VA). As such, we have more physicians (in both primary care and specialist care) than many other states. Research has shown 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.<sup>3</sup>

## A Starting Point

The health care benchmark will provide a starting point to improved patient-centered care, quality, and cost.

Its key measures include: all-payer claims data, quality, integration, and affordability. Using the benchmark will allow Delawareans to ask questions like:

- How fast is acceptable for health care costs to grow?
- Where is the economy and the revenue growing in the state?
- How can we develop and/or monitor health care spending?
- How do we plan for inevitable increases in health care needs and expenditures?

Delaware health care spending is higher than the nation in all categories. The state also purchases health care for a greater share of its population than most other states. As a state, we have made progress in moving towards value-based payment models, and this benchmark seeks to determine how we can give our citizens better quality health care for lower costs. It is a tool for state and legislative bodies to see which policies and procedures are working, and which ones are not. It sets a target for health care spending that can be adjusted if need-be, based on different policies (the Section 1115A Medicaid Waiver, cost versus quality improvements, site of care information, drug costs, etc.) being utilized. It allows for an open dialogue between the state and health care providers: Where are the issues and problems? Why do different institutions charge different prices for the same service?

Delaware needs to get healthier. To do this, we have to give Delawareans choices and information to help them make better health care decisions. We must recognize that the social

determinants of health play a major role in health care decision-making, and seek to bolster primary care infrastructure and make improvements in health care delivery in the First State.

The road map to better health in Delaware begins with creating the benchmark, and using it to inform strategies going forward.

**Improve Health Care Quality and Cost** by establishing a value-based framework; creating systems of care centered on quality, patient experience, and costs; and reducing unnecessary and inappropriate care.

**Pay for Value** by establishing the health care spending benchmark, reorienting data-driven monitoring of cost toward value, and requiring thresholds in Medicaid Managed Care Organization (MCO) contracts.

**Support Patient-Centered, Coordinated Care** by creating all-payer Accountable Care Organizations (ACO) to facilitate integration of services and patient-centered medical homes and creating reimbursement approaches for safety-net services.

**Support the Health Care Provider Workforce and Health Care Infrastructure Needs.** By giving support to the primary care workforce (including the dental and behavioral health professions, and health-professions education), we are recognizing the work these people do in caring for all the citizens of our state. Increasing racial and ethnic diversity, preparing for the increasing needs of so-called “safety net” providers, investing in telehealth and coordination of services for our at-risk populations, and investing in a provider readiness infrastructure all serve to support the workforce.

**Improve Health Care for Special Populations** by strengthening health equity for people with disabilities, focusing on maternal-child health, establishing a trauma-informed system of care, and using patient-centered medical homes for the prison re-entry population.

**Engage Communities** by improving community-based wellness initiatives and creating population-health metrics and community data-driven approaches.

**Ensure Data-Driven Performance** by using public-private collaborations to establish quality and cost targets, creating interpretation methodology for quality and cost goals, aligning payers with total-cost-of-care models, and strengthening the exchange and Medicare ACO strategies.

## Summary

The benchmark is the first step to improved health in Delaware. It is based on affordability, quality, and the total cost of healthcare. It depends on payment reform (value-based payments, bundled payments, episodic payments, managed care per member per month (PMPM), and all-inclusive population-based payments) and integrated delivery reform (MCOs, Patient-Centered Medical Homes, ACOs). It is a compromise based on the idea that spending more for primary care leads to decreased overall health care spending. Its success requires everyone in Delaware to agree that we cannot stay as we are, and that every Delawarean deserves the best chance at living a long and healthy life.

To find out more please follow #ourhealthDE on social media. To view Dr. Walker’s power point and an archived video of this and all other summit meetings, please go to [http://dechronicdiseasecoalition.org/?page\\_id=475](http://dechronicdiseasecoalition.org/?page_id=475).

## References:

1. Centers for Medicare & Medicaid Services. (2017). Health Expenditures by State of Residence. Retrieved from: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsStateHealthAccountsResidence.html>
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