

# Advisory Committee of Health Care Providers and Carriers

May 25, 2021

## Advisory Committee of Health Care Providers and Carriers Meeting Materials Book

May 25, 2021  
1:30 p.m. – 3:30 p.m.

(Zoom Attendance Only)

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# Agenda and Meeting Minutes

## TAB 1

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## Advisory Committee of the Health Care Providers and Carriers

May 25, 2021  
1:30 p.m. – 3:30 p.m.  
Zoom Meeting

### AGENDA

#### Committee Members:

<input type="checkbox"/>	Patricia Auerbach	<input type="checkbox"/>	Louise Kaplan	<input type="checkbox"/>	Natalia Martinez-Kohler
<input type="checkbox"/>	Mark Barnhart	<input type="checkbox"/>	Stacy Kessel	<input type="checkbox"/>	Megan McIntyre
<input type="checkbox"/>	Bob Crittenden	<input type="checkbox"/>	Ross Laursen	<input type="checkbox"/>	Byron Okutsu
<input type="checkbox"/>	Bill Ely	<input type="checkbox"/>	Todd Lovshin	<input type="checkbox"/>	Mika Sinanan
<input type="checkbox"/>	Paul Fishman	<input type="checkbox"/>	Vicki Lowe	<input type="checkbox"/>	Dorothy Teeter
<input type="checkbox"/>	Jodi Joyce	<input type="checkbox"/>	Mike Marsh	<input type="checkbox"/>	Wes Waters

#### Committee Facilitator:

AnnaLisa Gellermann

Time	Agenda Items	Tab	Lead
1:30-1:35 (5 min)	Welcome, call to order, agenda review, and approval of meeting minutes	1	AnnaLisa Gellerman, Board Manager Health Care Authority
1:35-1:45 (10 min)	Committee Appointments	2	AnnaLisa Gellerman, Board Manager Health Care Authority
1:45-1:55 (10 min)	Recap and Overview of Reccomendations to Review	3	January Angeles and Michael Bailit Bailit Health
1:55-2:15 (20 min)	Defining Total Health Care Expenditures	4	January Angeles and Michael Bailit Bailit Health
2:15-2:35 (20 min)	Determining Whose Total Medical Expense to Measure	5	January Angeles and Michael Bailit Bailit Health
2:35-2:55 (20 min)	Economic Indicators Considered for the Cost Growth Benchmark Methodology	6	January Angeles and Michael Bailit Bailit Health
2:55-3:15 (20 min)	Calculating an Indicator to Derive a Cost Growth Benchmark: Historic vs. Forecasted Data	7	January Angeles and Michael Bailit Bailit Health
3:15-3:20 (5 minutes)	Wrap-up and next steps	8	AnnaLisa Gellerman, Board Manager Health Care Authority
3:20-3:30 (10 min)	Public comments and adjournment		AnnaLisa Gellerman, Board Manager Health Care Authority

*In accordance with Governor Inslee's Proclamation 20-28 et seq amending requirements of the Open Public Meeting Act (Chapter 42.30 RCW) during the COVID-19 public health emergency, and out of an abundance of caution for the health and welfare of the Board and the public, this meeting of the Advisory Committee of Providers and Carriers will be conducted virtually.*

# Advisory Committee of Health Care Providers and Carriers meeting minutes

April 27, 2021  
Health Care Authority  
Meeting held electronically (Zoom) and telephonically  
1:00 p.m. –3:00 p.m.

**Note:** this meeting was video recorded in its entirety. The recording and all materials provided to and considered by the board is available on the [Health Care Cost Transparency Board webpage](#).

## Members present

Patricia Auebach  
Mark Barnhart  
Bob Crittendon  
Bill Ely  
Jody Joyce  
Louise Kaplan  
Ross Laursen  
Todd Lovshin  
Vicki Lowe  
Mike Marsh  
Natalia Martinez-Kohler  
Megan McIntyre  
Byron Okutsu  
Mike Sinan

## Welcome, call to order and agenda review

AnnaLisa Gellermann, committee facilitator, called the meeting to order at 1:02 p.m.

## Agenda items

### Welcoming remarks

Sue Birch, Health Cost Transparency Board, Chair

Ms. Birch welcomed the group. Ms. Birch reminded the Committee that they had been selected to represent the diverse participants in the health care market and asked them to have thorough discussions and provide frank insight and feedback. Ms. Birch also sought interested Committee members to serve as a non-voting member of the HCCT Board.

### Committee member and staff introductions



## Open public meetings training

Katy Hatfield, AAG  
PowerPoint presentation

## Introduction to Health Care Cost Growth Benchmark Legislation

Michael Bailit, Bailit Health  
PowerPoint presentation

## Washington's Health Care Cost Growth Benchmark Legislation

Mich'l Needham, Chief Policy Officer, Health Care Authority  
PowerPoint presentation

## Role of the Advisory Committee of Health Care Providers and Carriers

January Angeles, Bailit Health  
PowerPoint presentation

## Massachusetts' Cost Growth Benchmark Program Experience

January Angeles and Michael Bailit, Bailit Health  
PowerPoint presentation

## Public Comment

There was no public comment.

## Next meeting

Tuesday, May 25, 2021  
Meeting to be held on Zoom  
1:30 p.m. – 3:30 p.m.

Meeting adjourned at 3:00 p.m.

# Committee Appointments

## TAB 2

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# Advisory Committee on Data Issues

Name	Title	Place of Business
Megan Atkinson	Chief Financial Officer	Health Care Authority
Amanda Avalos	Deputy, Enterprise Analytics, Research, and Reporting	Health Care Authority
Allison Bailey	Executive Director, Revenue Strategy and Analysis	MultiCare Health System
Jonathan Bennett	Vice President, Data Analytics, and IT Services	Washington State Hospital Association
Purav Bhatt	Regional VP Operations, Management, and Innovation	OptumCare Washington
Bruce Brazier	Administrative Services Director	Peninsula Community Health Services
Jason Brown	Budget Assistant	Office of Financial Management
Jerome Dugan	Assistant Professor, Department of Health Services	University of Washington
Leah Hole-Marshall	General Counsel and Chief Strategist	Health Benefit Exchange
Karen Johnson	Director, Performance Improvement, and Innovation	Washington Health Alliance
Scott Juergens	Division Director, Payer Analytics and Economics	Virginia Mason Franciscan Health
Lichiou Lee	Chief Actuary	Office of the Insurance Commissioner
Josh Liao	Medical Director of Payment Strategy	University of Washington
Dave Mancuso	Director, Research and Data Analysis Division	DSHS, Research and Data Analysis
Ana Morales	National Director, APM Program	United Healthcare
Thea Mounts	Senior Forecast Coordinator	Office of Financial Management
Hunter Plumer	Senior Consultant	HealthTrends
Mark Pregler	Director, Data Management and Analytics	Washington Health Alliance



# Recap and Overview of Recommendations to Review

## TAB 3

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# Recap and Overview of Recommendations to Review

Advisory Committee of Health Care Providers and Carriers

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# Recap from April meeting: legislative charge – HB 2457

House Bill 2457 (2020) directed the Health Care Authority to establish the Health Care Cost Transparency Board (the Board) with the following tasks:

1. Establishing a health care cost growth **benchmark** or target percentage for growth
2. Analyzing total **health care expenditures**
3. Identifying **trends** in health care cost growth
4. Identifying **entities** that exceed the health care cost growth benchmark

## Recap from April meeting: role of the advisory committee

- The Board is the primary body charged with developing a cost growth benchmark, supported by HCA.
- To date, the Board has met four times, and established two advisory committees to provide input and recommendations on relevant topics.
- The Board has selected Jodi Joyce to serve as the non-voting member representing the Advisory Committee of Health Care Providers and Carriers.

# Board recommendations to review today

1. What spending should be included in the measurement of health care cost growth?
2. Whose health care costs to measure?
  - Residence of individual and location of rendering provider
  - Sources of coverage
3. Criteria for choosing an economic indicator to inform the value
4. Economic indicator options
5. Using historical vs. forecasted data to calculate the benchmark value

# Defining Total Health Care Expenditures

## TAB 4

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# Defining Total Health Care Expenditures

Advisory Committee of Health Care Providers and Carriers

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# 1. Defining Total Health Care Expenditures

- State cost growth benchmark programs measure Total Health Care Expenditures (THCE), which represent health care spending by and for state residents from public and private sources.
- The Board agreed that consistent with HB 2457 and other states' definition, THCE should consist of:
  - Total Medical Expense (TME) spending on all medical services, including non-claims-based payments to providers.
  - Patient cost-sharing (e.g., copays, deductibles, co-insurance)
  - Net Cost of Private Health Insurance (NCPHI), a measure of the costs associated with the administration of private health insurance.



# Preliminary recommendations on defining Total Health Care Expenditures

Specifically, the Board recommended that:

1. THCE should be defined as the allowed amount of claims-based spending from payer to provider, all non-claims-based spending from payer to provider, and the net cost of private health insurance.
2. TME should be reported as net of pharmacy rebates.
3. TME should only include dental or vision services covered under a comprehensive medical benefit.

# Preliminary recommendations on defining Total Health Care Expenditures

3. Project staff should ensure Medicaid waiver services are appropriately captured in the claims and non-claims-based spending categories used by other states.
4. The final recommendations report should reflect the Board's desire to be as comprehensive as possible in defining THCE.
  - The Board may in the future add standalone dental plan payments to the definition of THCE as data that allow for measurement of spending become accessible.



What input does the advisory committee want to give the Board on the definition of THCE?

# Determining whose Total Medical Expense to Measure

## TAB 5

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# Determining whose Total Medical Expense to Measure

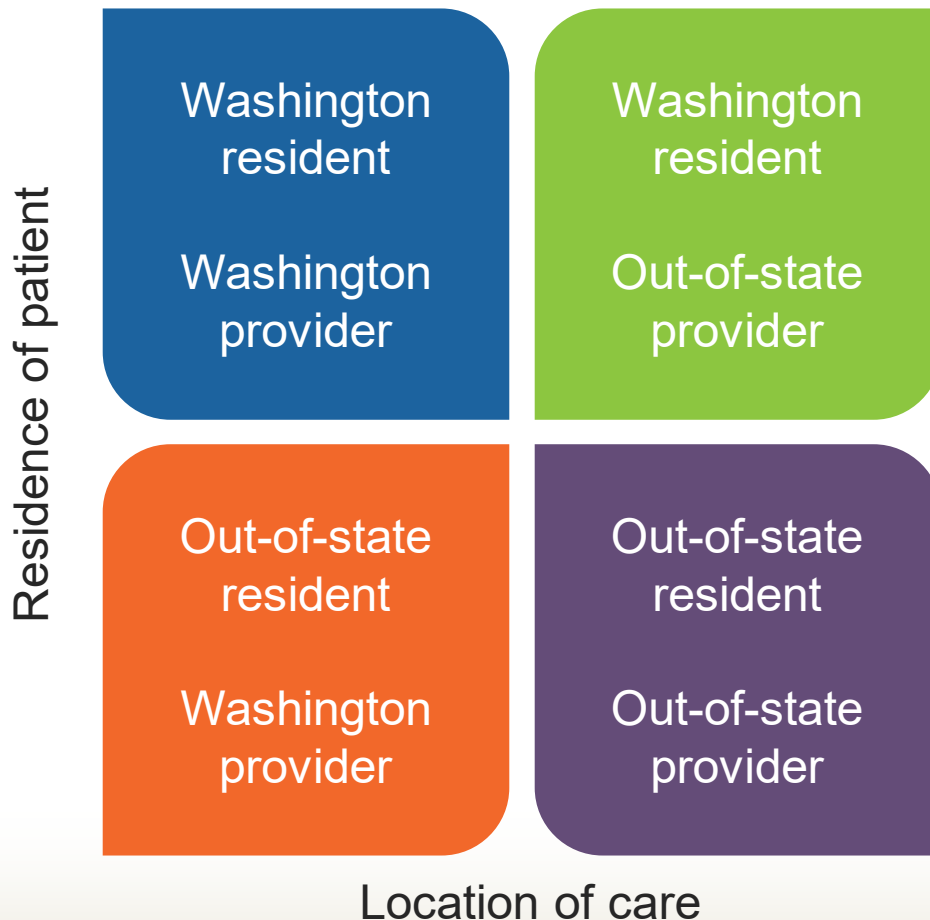
Advisory Committee of Health Care Providers and Carriers

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## 2. Determining whose Total Medical Expense to Measure

- HB 2457 does not provide highly specific guidance on whose costs to measure. It states only that TME include “all health care expenditures in this state by public and private sources.”
- Therefore, the Board made recommendations on:
  - The population whose TME should be measured; and
  - The sources of insurance coverage for that population.

# State of residence and care location



- The Board considered individuals' state of residence and providers' location in terms of determining whose spending to include in the definition of TME.

## Preliminary recommendations on defining whose costs to measure

- The Board recommended including spending for all Washington residents, regardless of where they received their care.
- One member noted that while it makes sense to exclude spending on non-state residents who receive their care from out-of-state providers, the recommendations report should reflect that this would leave out costs incurred by the state for the health care of retirees and worker's compensation recipients who live out-of-state.



# Preliminary recommendations on defining whose costs to measure

- HB 2457 requires all public and private sources of coverage to be included. The Board agreed that this is assumed to include:
  - Medicare (fee-for-service (FFS) and Medicare Advantage)
  - Medicaid (FFS and managed care)
  - Commercial (fully and self-insured)
- The Board recommended including spending by the Veteran's Health Administration for care delivered in Washington through the VA.

# Preliminary recommendations on defining whose costs to measure

- The Board also recommended including the following sources of health spending, should the data be accessible:
  - State correctional health system
  - Indian Health Service
  - Public health spending on personal health services
  - Worker's compensation medical spending



What input does the advisory committee want to give on:

- The population whose TME to measure?
- The sources of coverage for that population?

# Use of economic indicators as a basis for the benchmark methodology

- The primary reason for establishing a health care cost growth benchmark is that high and rising health care costs have been having a harmful impact on consumers and the non-health care economy.
- Using an economic indicator as the basis for the benchmark would link health care spending growth to consumer or state economic wellbeing.
- HB 2457 requires the Board to “select an appropriate economic indicator to use when establishing the health care cost growth benchmark.”

### 3. Preliminary recommendations on criteria for selecting an economic indicator

Before considering specific economic indicators, the Board recommended selecting an economic indicator that would meet the following criteria:

1. Provide a stable, and therefore, predictable benchmark.
2. Rely on independent, objective data sources with transparent calculations.
3. Lower health care spending growth.

# Economic Indicators Considered for the Cost Growth Benchmark Methodology

## TAB 6

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# Economic Indicators Considered for the Cost Growth Benchmark Methodology

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## 4. Economic indicators considered for the cost growth benchmark methodology

- The Board considered five economic indicators to which to tie the benchmark.
- Each of the indicators has a different meaning and would convey a different message if used to set the benchmark value.



# Options for the cost growth benchmark

- Annual growth in Washington's Gross State Product
- Annual growth in the personal income of Washington residents
- Annual growth in average wages of Washington workers
- Annual inflation rate, as measured by the Consumer Price Index
- Annual inflation rate, as measured by the Implicit Price Deflator for Personal Consumption Expenditures

# Option 1: Rate of growth in Washington's Gross State Product

- **Gross State Product (GSP)** is the total value of goods produced and services provided in a state during a defined time period.
- This is the state counterpart to Gross Domestic Product (GDP), which is measured at the national level, with a few methodological differences in how the figures are calculated.

# What it means to use the rate of growth in Washington's economy



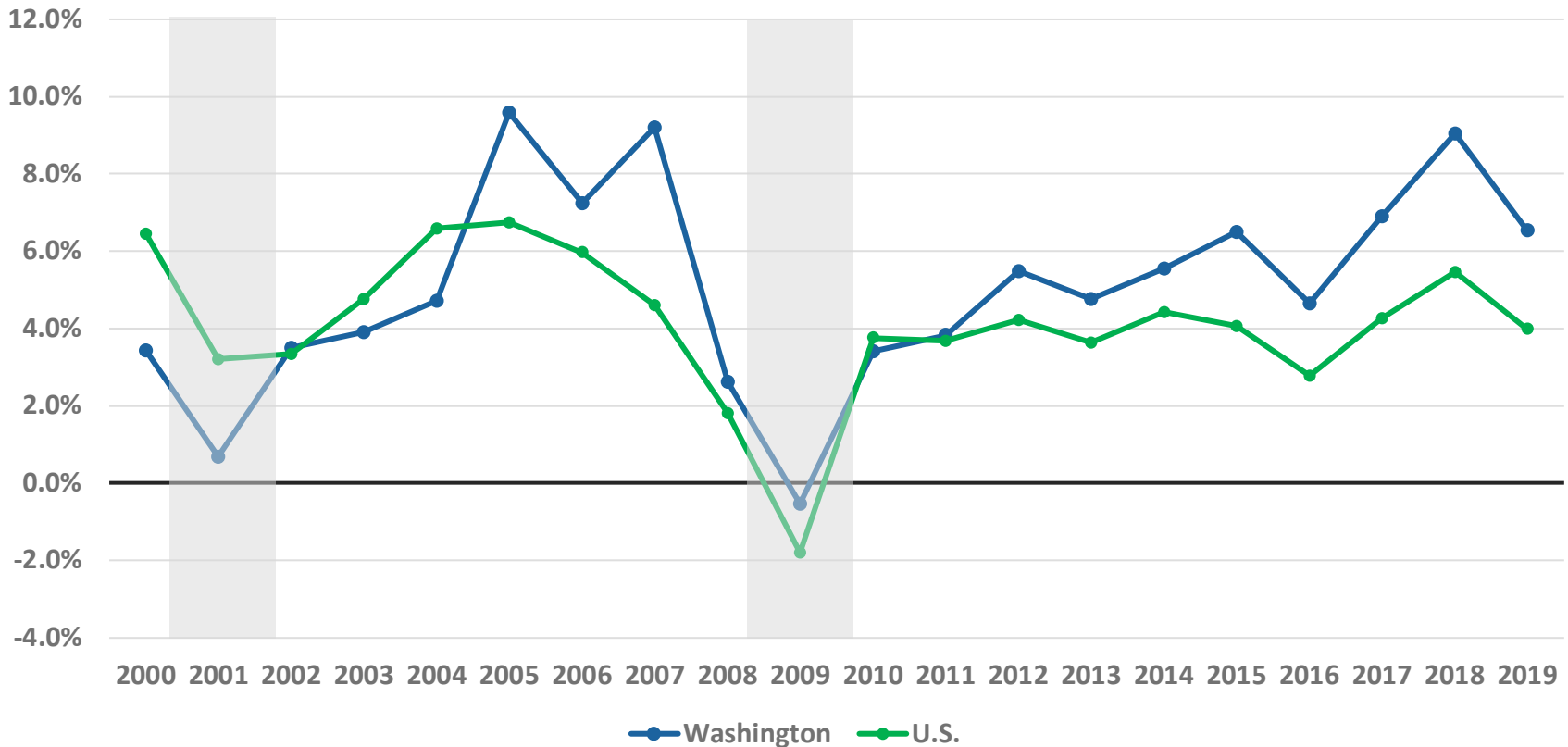
GSP is often considered the main measure and key target of economic policy at all levels of government. The growth in GSP tells us how fast the state's economy is growing.



By tying the benchmark to GSP, we would be recommending an expectation that health care spending should not grow faster than the economy.



# Growth in the Washington and U.S. gross state/domestic product, 2000-2019



Shaded areas indicate U.S. recessions.

SOURCE: U.S. Bureau of Economic Analysis, Gross Domestic Product [GDP], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDP>, March 22, 2020.

## Option 2: Rate of growth in personal income of Washington residents

- **Personal income** is the sum of all payments received by individuals within the state.
- It includes:
  - Earnings such as wages and salaries, proprietor's income (farm and non-farm), and other income (employee benefits).
  - Property income (dividends, rent ,and interest).
  - Transfer payments (pensions, Social Security, and other government benefits).
- It does not include some other sources of income, such as capital gains.

# What it means to use rate of growth in Washington residents' personal income

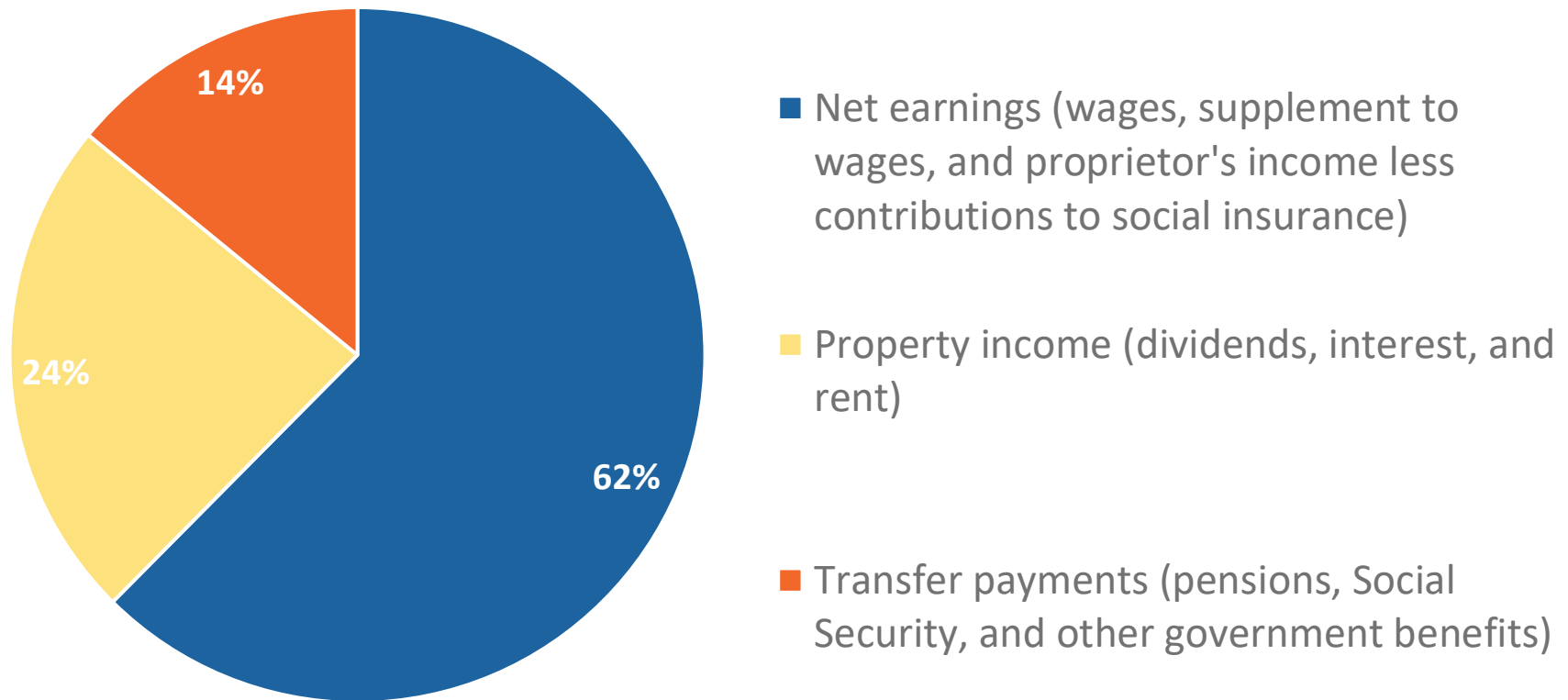


State revenue and spending on government assistance programs depends on personal income. Personal income growth can offer clues to the financial health of Washington residents and future consumer spending.



By tying the benchmark to personal income growth, we would be recommending that health care spending not grow faster than growth of a measure of consumer financial wellbeing.

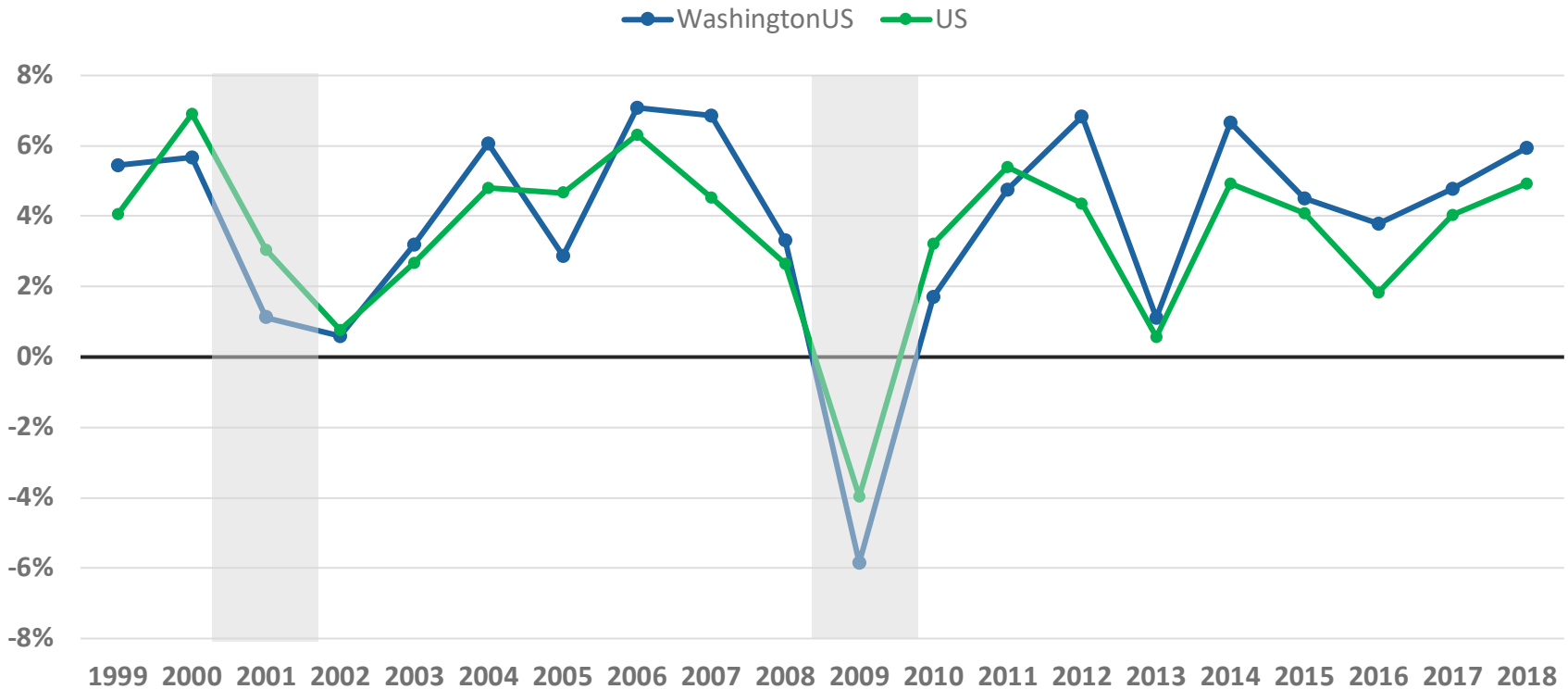
# Personal income in Washington by type



SOURCE: Washington State Office of Financial Management, "Personal Income by Component," <https://www.ofm.wa.gov/washington-data-research/statewide-data/washington-state-data-book>, accessed March 22, 2020.



# Growth in per capita personal income in Washington and the U.S., 1999-2018



Shaded areas indicate U.S. recessions.

SOURCE: Washington State Office of Financial Management, Per Capita Personal Income in Washington using nominal dollars, Table CT02, <https://www.ofm.wa.gov/washington-data-research/statewide-data/washington-state-data-book>, March 22, 2020



## Option 3: Rate of growth in wages of Washington residents

- **Wages and salaries (wages)** is compensation received by individuals for work as an employee or as a contractor with an employer.
- It does not capture income that typically accrues to higher income earners, such as capital gains, dividends, rents and interest.
- Wages have grown slower than personal income due to the boost in non-wage income, including the value of health insurance benefits, in the recent past.

# What it means to use rate of growth in Washington residents' average wage



Wage growth is a more tangible indicator for most individuals than personal income growth as it more closely represents “take-home pay.”

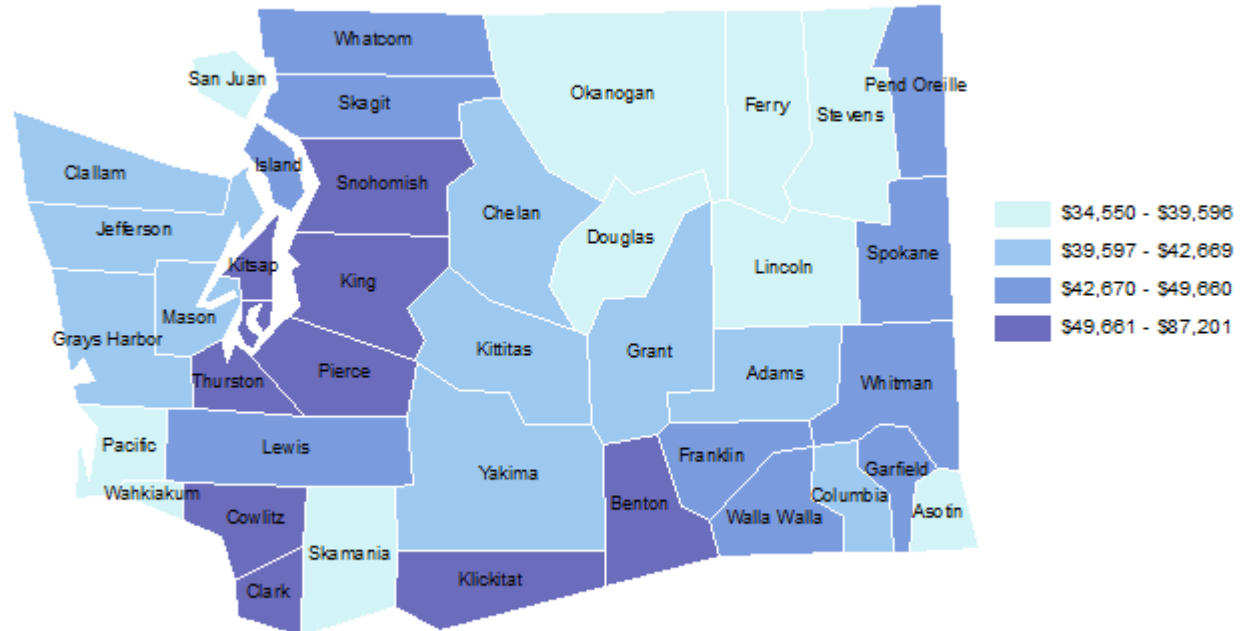


Setting the benchmark to the growth in Washington residents' wages implies that health care should not grow faster than Washington residents' “paychecks.”

# Average wage by county, 2018

In 2018, average wage in Washington was **\$65,640**.

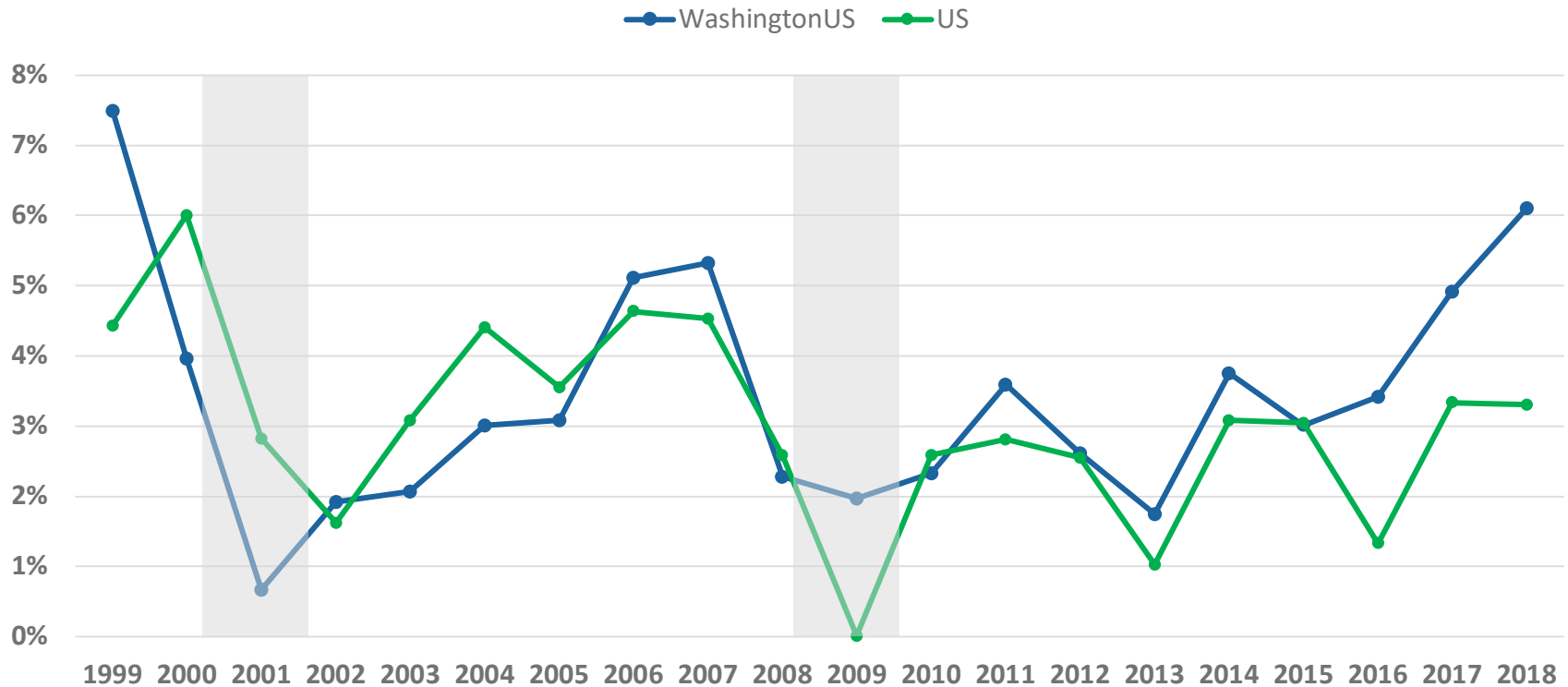
Washington ranked **6<sup>th</sup>** highest among the states in average wage.



SOURCE: Washington State Office of Financial Management, "Average Wages, 2018," <https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/economic-trends/washington-and-us-average-wages/average-wages-county-map>, March 22, 2020.



# Average per worker wage growth in Washington and the U.S., 1999-2018



Shaded areas indicate U.S. recessions.

SOURCE: Washington State Office of Financial Management, Average Wages, using nominal dollars, Table CT09, <https://www.ofm.wa.gov/washington-data-research/statewide-data/washington-state-data-book>, March 22, 2020

## Options 4 and 5: Rate of inflation

- Inflation is the process of rising prices that causes the buying power of a dollar to decrease over time.
- Various indices exist to measure different aspects of inflation. Two commonly used indexes are the:
  - Consumer Price Index (CPI)
  - U.S. Implicit Price Deflator for personal consumption (IPD)

# What is the Consumer Price Index?

- The **Consumer Price Index (CPI)** measures price changes for a “market basket” of retail goods and services purchased out of pocket by consumers.
  - It is most often measured using “CPI All Urban or CPI-U,” which captures the experience of 94% of Americans.
- CPI measures inflation as experienced by consumers in their day-to-day living expenses.

# What is the Implicit Price Deflator for Personal Consumption?

- The **Implicit Price Deflator (IPD)** measures personal consumption of goods and services measured in today's prices compared to current personal consumption at prices from a base year.
  - It is the ratio of the nominal and real value personal consumption expenditures, multiplied by 100.
- The IPD measures the prices of a much wider group of goods and services than the CPI.
- Washington's state expenditure limit and inflation adjustments in the biennial budget are based on the IPD.

## What it means to use inflation



Measures of inflation give a sense of how prices have risen over time, and of consumers' purchasing power.

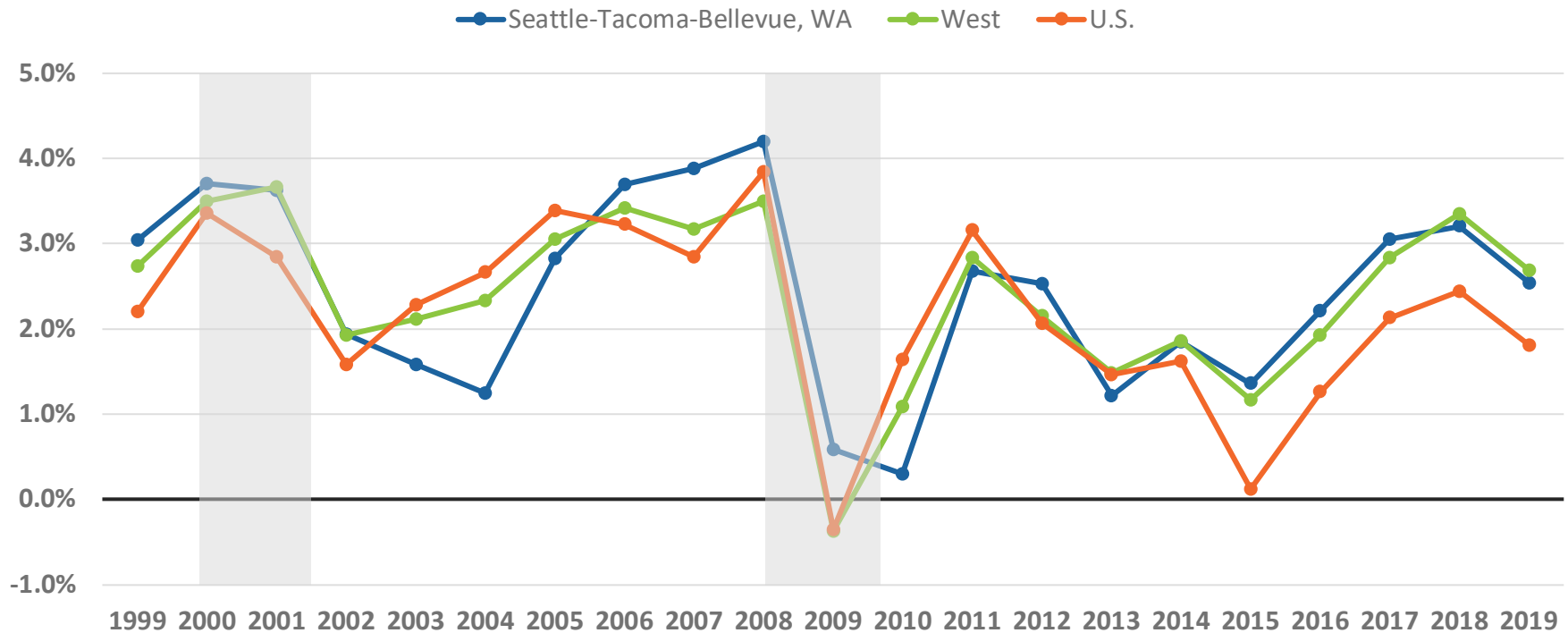


Setting the benchmark to the rate of inflation signals that health care should not grow faster than the rise in consumer prices.





# Annual Growth in CPI-U, 2000-2019

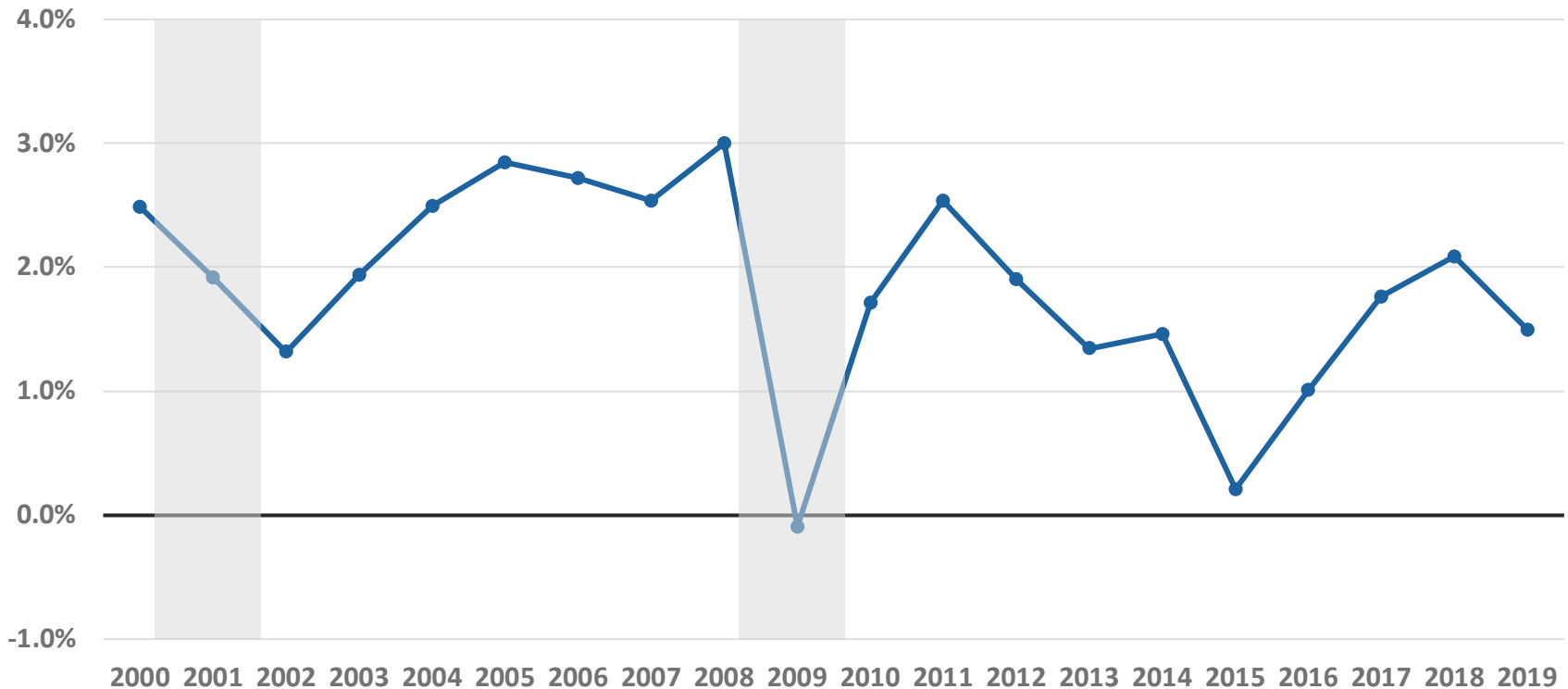


Shaded areas indicate U.S. recessions.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, Retrieved from:  
[https://www.bls.gov/regions/west/data/cpi\\_tables.pdf](https://www.bls.gov/regions/west/data/cpi_tables.pdf), March 22, 2021.



# Growth in the Implicit Price Deflator for Personal Consumption, 2000-2019

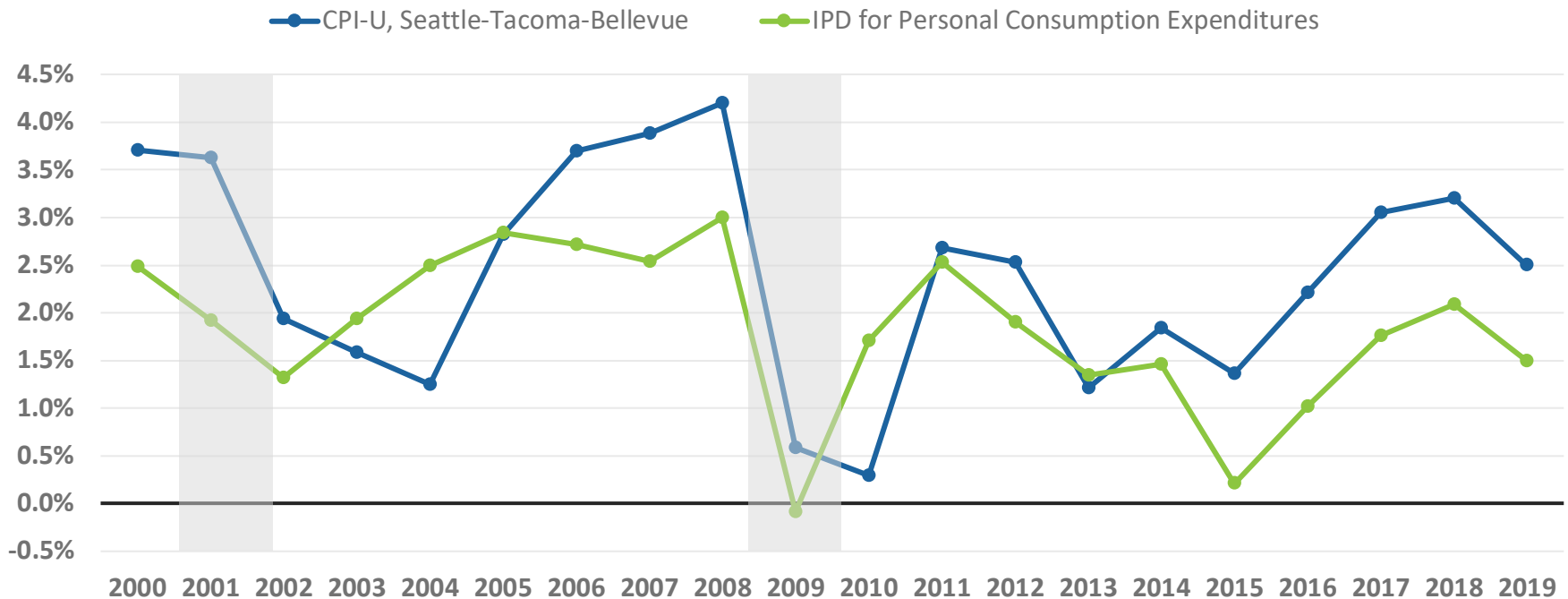


Shaded areas indicate U.S. recessions.

SOURCE: Washington Office of Financial Management, 2019 Data Book, <https://ofm.wa.gov/washington-data-research/statewide-data/washington-state-data-book>, accessed March 22, 2021.



# Annual Growth in the CPI-U, Seattle vs IPD, 2000-2019



Shaded areas indicate U.S. recessions.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, and U.S. Bureau of Economic Analysis, accessed March 22, 2021.

# Economic indicators considered for the cost growth benchmark methodology

	Advantages	Disadvantages
<b>1. Gross State Product</b>	Used by most other states with cost growth targets; there is value to having consistent policies.	Abstract economic concept that may not resonate with citizens.
<b>2. Personal Income</b>	Recognizes that income is more than just wages.	Measure grows faster than wages because it accounts for higher earner non-wage income.
<b>3. Average Wage</b>	More consumer-oriented reference to “take-home pay.”	Does not reflect relationship of health care spending growth vis-a-vis the larger economy.
<b>4. Inflation – Consumer Price Index-Urban, Seattle</b>	Treats health care as another consumer household expense, much as consumers do.	There is no longer a Washington-specific measure of CPI-U so may not be reflective of Washington’s experience. Captures only price & not volume.
<b>5. Inflation – Implicit Price Deflator for Personal Consumption</b>	Methodology used to adjust the State’s economic and revenue data.	Not well-known among the broader public. No Washington-specific measure so may not be reflective of Washington’s experience.

## Other state approaches to developing a benchmark methodology

- DE, MA and RI tied their health care cost growth targets to Potential Gross State Product (PGSP).
- OR based its decision on historical Gross State Product and median wage data, and in consideration of the growth cap in OR's Medicaid and publicly purchased programs – but did not specifically “tie” the target to an indicator.
- CT based its benchmark on a 20/80 blend of PGSP and median income.

# Summary of Board discussions on economic indicator options

- The Board has not yet come to a recommendation on which economic indicator(s) to use.
- There was support voiced for most of the indicators.
- Some Board members expressed a desire for using a measure of median wage, as opposed to average wage.
- Many members preferred a hybrid approach based on a blend of:
  - Median wage and inflation; or
  - Median wage, Gross State Product and inflation



What input does the advisory committee want to give on the benchmark methodology:

- What criteria should the Board consider in selecting an economic indicator for the benchmark?
- Which economic indicators resonate with you for the purposes of tying it to the benchmark?

# Calculating an Indicator to Derive a Cost Growth Benchmark

## TAB 7

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# Calculating an Indicator to Derive a Cost Growth Benchmark

Advisory Committee of Health Care Providers and Carriers

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## 5. Calculating an indicator to derive a cost growth benchmark

- The Board briefly discussed how to calculate an economic indicator to derive a cost growth benchmark.
- There are two ways to calculate an economic indicator:
  - Based on historical experience.
  - Based on a forecasted projection.

## Calculating a benchmark based on historical experience

- A benchmark figure could be calculated based on the historical experience of a given economic indicator.
  - 5 years, 10 years, 20 years, etc.
- Using historical data would reflect, to varying degrees, the volatility of year-over-year changes, including booms and busts.
- Historical figures are a relatively easy mathematical calculation (straight average of growth over prior time periods).

## Calculating a benchmark based on a forecast

- A benchmark figure could also be calculated based on forecasts, which are designed to predict stable future figures.
- There are government forecasts (e.g., Washington Office of Financial Management, Congressional Budget Office) and private forecasts (e.g., Moody's, HIS Markit).
  - The figures and methods of calculation vary.
  - Typically, private forecast methodologies are not available for scrutiny and can vary by the philosophy and outlook of the chief economists at each organization.

# Advantages and disadvantages of using historical vs. forecasted values

	Historical	Forecasted
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Easy to calculate.</li> <li>• Reflects actual experience.</li> </ul>	<ul style="list-style-type: none"> <li>• Smooths out historical variability and provides more stability and predictability.</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Highly variable, reflecting economic booms and busts.</li> <li>• Unclear rationale for which time period to choose.</li> </ul>	<ul style="list-style-type: none"> <li>• Forecasts are predictions and may be incorrect.</li> <li>• WA state forecasts are only available through 5 years out.</li> <li>• Longer-term forecasts will need to rely on data from forecasting organizations whose methodologies are opaque.</li> </ul>
<b>State Use</b>	<ul style="list-style-type: none"> <li>• OR</li> </ul>	<ul style="list-style-type: none"> <li>• CT, DE, MA and RI</li> </ul>

# Summary of Board discussions on using historical vs. forecasted values

- Due to time constraints, the Board was not able to thoroughly discuss the use of historical vs. forecasted values.
- Consequently, the Board has not yet made a recommendation on using historical vs. forecasted values.
- Some Board members expressed interest in the technical details for how estimates are derived.
- One Board member was interested in a blended approach involving both historical and forecasted values.



What input does the advisory committee want to give on using historical vs. forecasted data to calculate the cost growth benchmark value?

# Wrap-up and Next Steps

## TAB 8

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## Next Steps

- Project staff will summarize these discussions and bring them to the next Board meeting on June 16.
- During the June 29 advisory committee meeting, we will present and discuss potential benchmark values and potential adjustments to the benchmark.