



# A Case Example: Delaware's Journey Towards Health and Quality Benchmarks

*US Health Care Expenditures: Cost, Lessons, and Opportunities*

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March 15, 2021

**Nemours**® Children's Health System

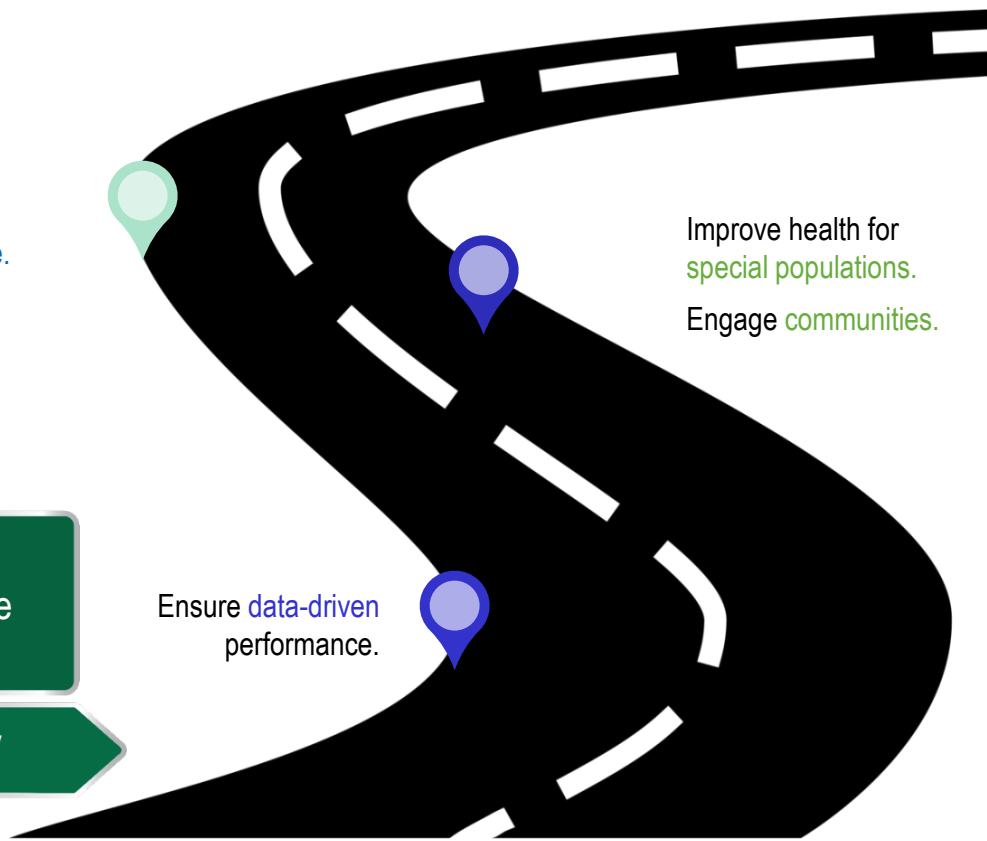
# Delaware's Road to Value

Support **patient-centered, coordinated care.**  
Prepare the health provider **workforce and infrastructure.**

Improve health for **special populations.**  
Engage **communities.**



Ensure **data-driven** performance.



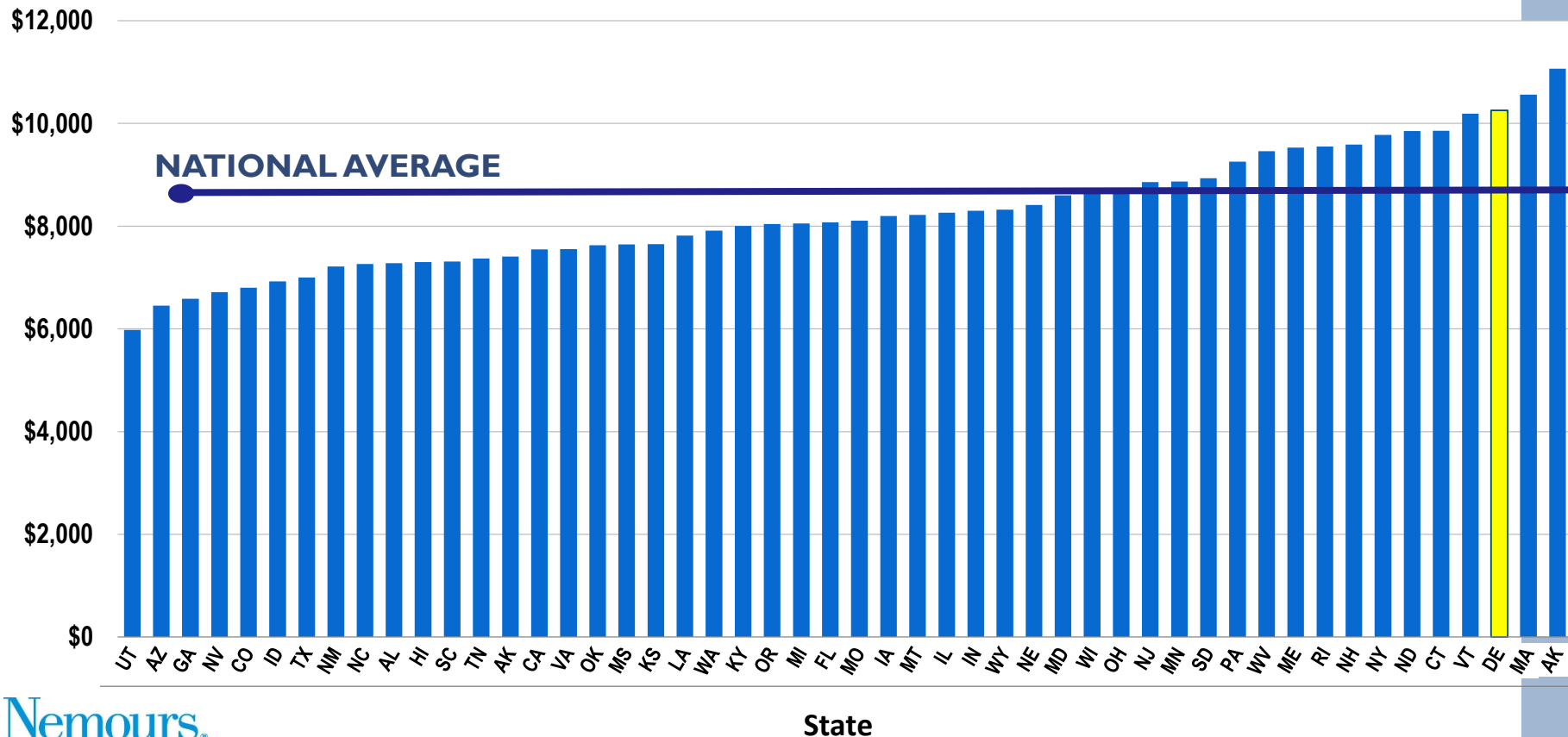
# Delaware's Landscape

- Delaware spends more on health care than most other states
- Delaware's overall health is poor
  - ❖ Our population is older and aging faster. We are sicker than the average state.
  - ❖ Large investments have yielded marginal improvements –
  - ❖ Delaware ranked 30th for overall health in America's Health Rankings.
- Delaware's total health spending will double from 2014 to 2025
  - ❖ 2007 \$6.7 billion
  - ❖ 2025 \$21.5 billion (projected)
- Delaware's increasing Health Care Costs
  - ❖ Health care costs now account for about 30% of the state's budget
  - ❖ General Fund revenue collection has grown by just 7.6%
  - ❖ Crowds out necessary investments in education, public safety, infrastructure, and salaries



# Delaware Spends More on Health Care Than Most Other States

## PER CAPITA PERSONAL HEALTH CARE EXPENDITURES, 2014

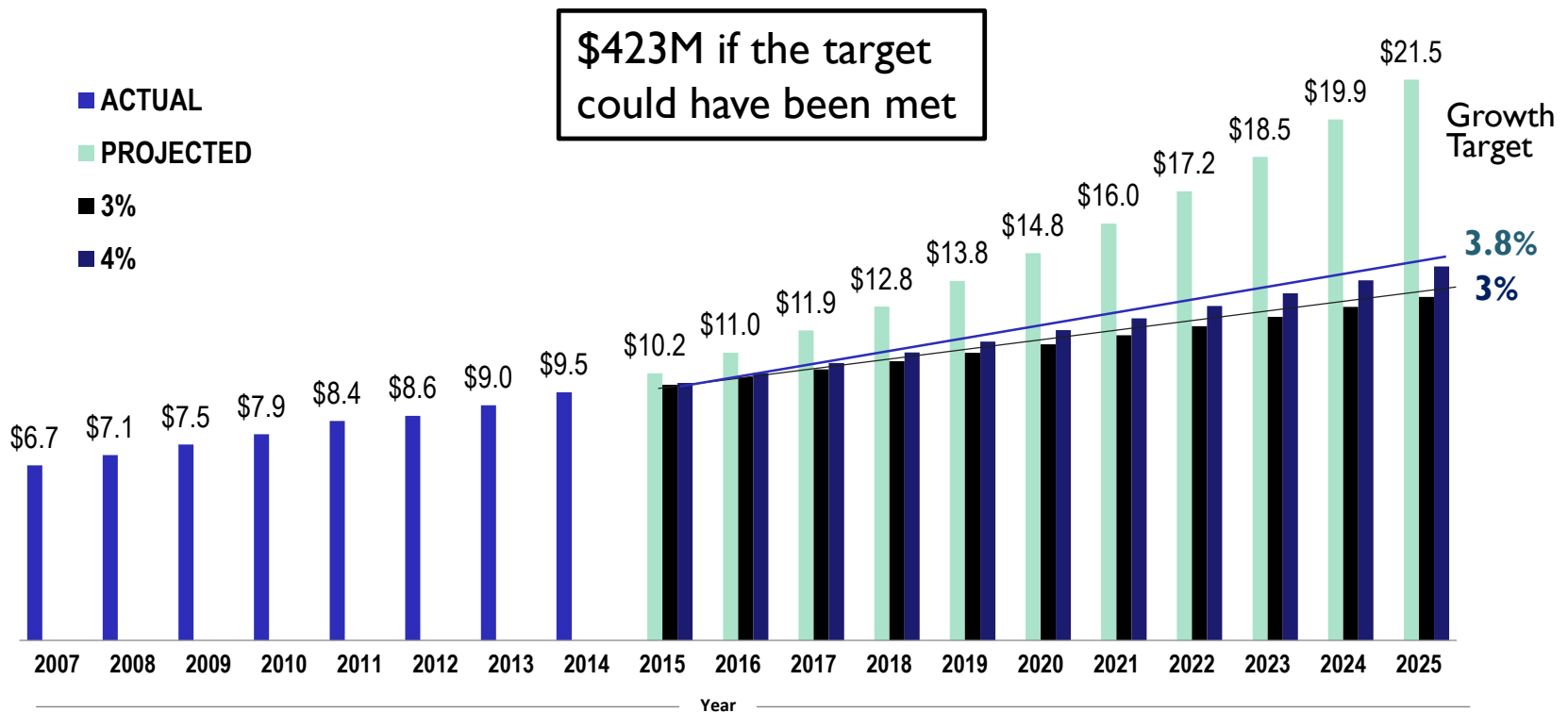


NOTE: District of Columbia is not included.

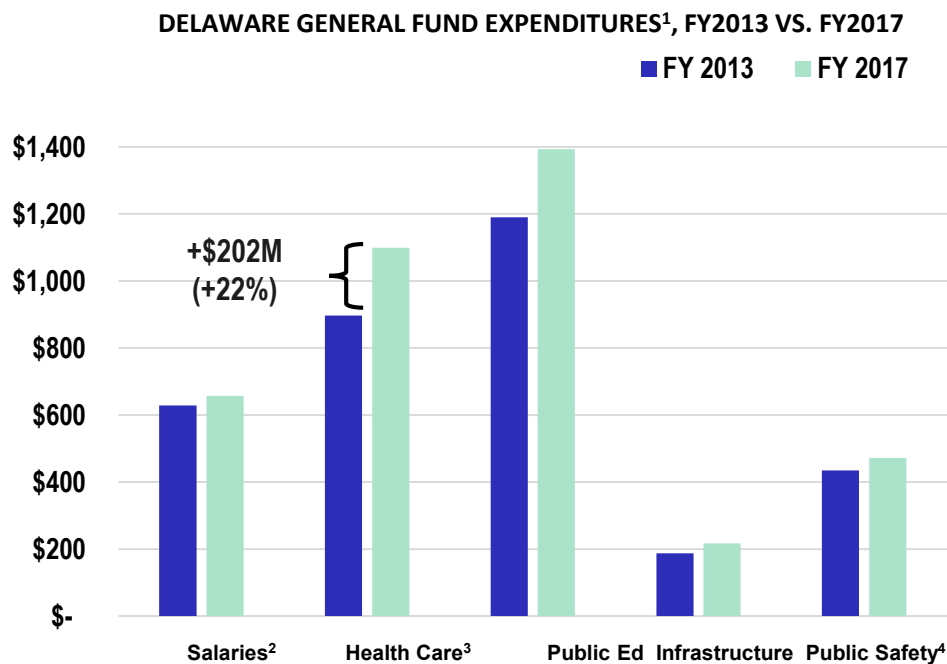
SOURCE: Centers for Medicare & Medicaid Services, [Health Expenditures by State of Residence](#), CMS, 2017.

# Delaware's Total Health Spending Will Double from 2014 to 2025

## DELAWARE'S ACTUAL AND PROJECTED PERSONAL HEALTH CARE EXPENDITURES, 2007-2025 (BILLIONS OF DOLLARS)



# State Budget Impact with Increased Health Care Costs



SOURCE: Delaware Office of Management and Budget; DEFAC Expenditure Reports.

1- Infrastructure funds reported from Transportation Trust Fund expenditures, not General Fund.

2- Salaries are not inclusive of public education salaries.

3- Healthcare includes employee health benefit expenditures and Medicaid expenditures.

4- Public safety expenditures include expenditures by DSHS, DOC, and Youth Rehabilitative Services (DSCYF)

- During this same time frame, General Fund revenue collection has grown by just 7.6%.

- **Crowds out necessary investments in:**
  - Education
  - Public Safety
  - Infrastructure
  - Salaries

# Delaware's Benchmark Timeline

**Summits (Fall 2017)**

**6**



To explore the benchmark concept with stakeholders

**Advisory Council Meetings (early 2018)**

**7**

To discuss parameters for spending and quality benchmarks

**Governor's Executive Order (November 2018)**

**#25**

Sets 8 quality benchmarks for 2019 and authorizes state financial council to set spending benchmark

**Spending Benchmark Set (December 2018)**

**3.8%**

Delaware Financial and Advisory Council sets spending benchmark for 2019 at 3.8%



**Monitoring/Review (2020-2023)**

Delaware Health Care Commission tracks spending and quality benchmarks

# History of the Health Care Spending Benchmark

- **The spending benchmark, effective January 1, 2019, is a target value for the change from the prior year in Statewide per capita health care spending.**
  - The benchmark which is equal to the potential gross state product - is based on the long-term outlook for population change, inflation, labor force. A temporary transitional adjustment factor was added for the first three years.
- **EO 25 set the spending benchmarks for CYs 2019 – 2023 as follows:**

■ CY 2019: 3.80%	■ CY 2022: 3.00%
■ CY 2020: 3.50%	■ CY 2023: 3.00%
■ CY 2021: 3.25%	



# PGSP Methodology – Source Data

A. National labor force productivity – CBO

B. DE civilian labor force – DPC

C. National inflation (Personal Consumption Expenditures)– CBO

D. DE population growth – DPC

Calculation:

A	+	B	+	C	–	D	= PGSP Per Capita
1.4%	+	0.1%	+	2.0%	-	0.5%	= 3.0%

Notes:

CBO -- Congressional Budget Office

DPC -- Delaware Population Consortium

# Health Care Quality Benchmarks



**#1**

**Ambulatory care-sensitive  
condition (ACSC)  
emergency department  
visits**



**#2**

**Opioid-related overdose  
deaths and co-prescribed  
opioid and  
benzodiazepine  
prescriptions**



**#3**

**Cardiovascular  
disease prevention  
and treatment**

# Health Care Quality Benchmarks

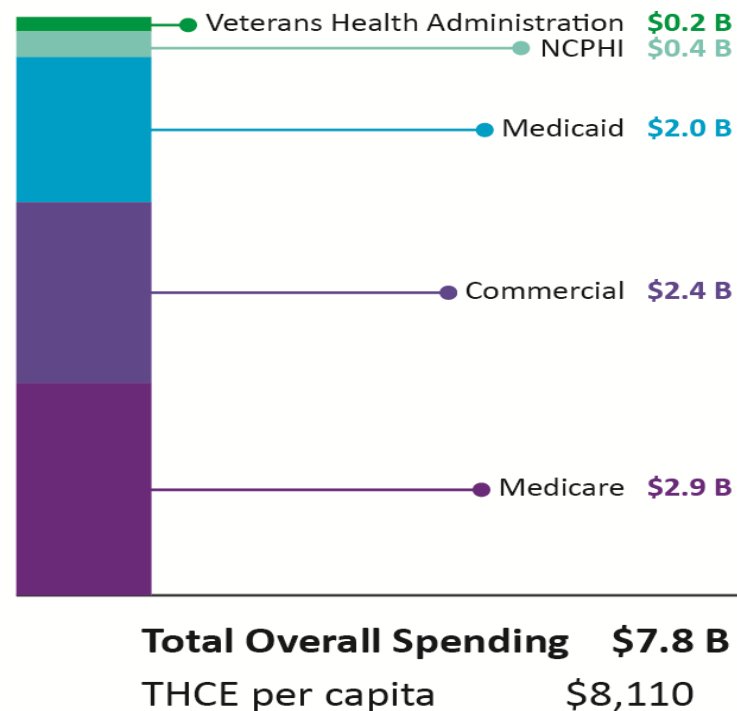
- **The health care quality benchmarks span two categories:**
  - **Health status measures**, which quantify certain population-level characteristics of Delaware residents.
    - *Four measures:* Adult obesity, High school students who were physically active, Opioid-related overdose deaths, and Tobacco Use
  - **Health care measures**, which quantify performance on health care processes or outcomes and are assessed at the State, market, insurer and provider levels.
    - *Four measures:* Opioid-related measure (TBD), Emergency department utilization, Persistence of a beta-blocker treatment after a heart attack, and Statin therapy for patients with cardiovascular disease – statin adherence 80%

# Delaware overall health care spending CY 2018

## Preliminary Data

- **Total Health Care Expenditures were approximately \$7.8 billion or \$8,110 per Delawarean. Values are rounded.**
- **By market and component:**
  - Medicare (FFS and managed care): 36.8% of spending
  - Commercial (fully and self-insured): 31.2% of spending
  - Medicaid (FFS and managed care): 25.1% of spending
  - Net Cost of Private Health Insurance (NCPHI): 4.5% of spending\*
  - Veterans Health Administration: 2.5% of spending

**Figure 1: State Total Health Care Expenditures**  
Aggregate and Per Capita



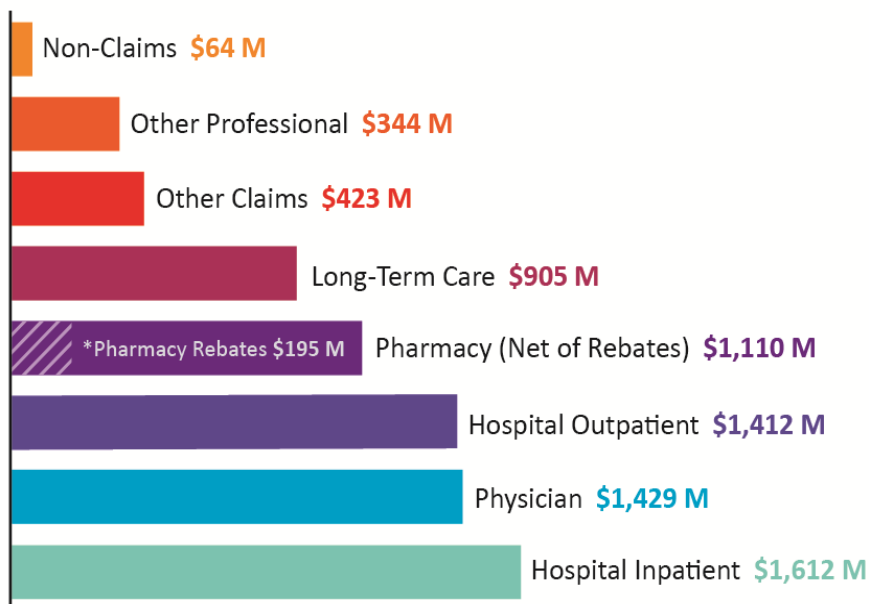
\* Medicare FFS, Medicaid FFS and Veterans Health Administration does not have NCPHI, so expressed as a percentage of THCE, NCPHI is relatively low.

# Delaware spending by service category CY 2018

## Preliminary Data

- **Total Medical Expense by service category\*:**
  - Hospital (inpatient and outpatient): 41.4% of spending
  - Physicians (regardless of specialty): 19.6% of spending
  - Pharmacy (net of rebates): 15.2% of spending
- **Insurer and Medicaid reported pharmacy rebates were approximately \$195 million.**
  - Medicare FFS rebates not provided by CMS

**Figure 2:** Delaware Spending on Medical Services by Service Category



\* VA data was not available on a service category basis and is thus excluded. NCPHI is excluded.

# Collection of preliminary CY 2018 benchmark spending data

- The process was an informative and important exercise for Delaware. Preliminary data may still contain methodological inconsistencies across payers.
- To strengthen future data collection and analysis, DHCC will:
  - Revise data collection specifications to improve consistency
  - Re-collect CY 2018 data as part of the CY 2019 data collection process to ensure better year-over-year comparisons
  - Perform additional analyses, including at the insurer and/or provider level if practical.
- **Note: Due to methodological differences, this data should not be compared to other sources of Delaware spending.**

# Additional Strategies to Move to Value

- The **State Employee Benefits** can use these benchmarks as guidelines
- Explore **hospital global budgeting** for rural hospitals
- Included value-based and quality thresholds in our **MCO contracts**
- Negotiated a 1332 waiver for Reinsurance and **reduced Market-place premiums**
- Released an **RFI for Medicaid ACO and adult dental coverage**
- Work with **Federally Qualified Health Centers** on alternative payment arrangement model
- Explore **pediatric ACO models** and alternative payment arrangements
- Update **substance abuse payment** to include value-based payment
- Support **primary care investments** and monitor primary care spend



# THANK YOU!

For more information about the health care spending benchmark:

<https://dhss.delaware.gov/dhcc/global.html>

Please contact me with any questions:  
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