New Jersey Health Care Affordability Advisory Group

June 23, 2021 Meeting Summary

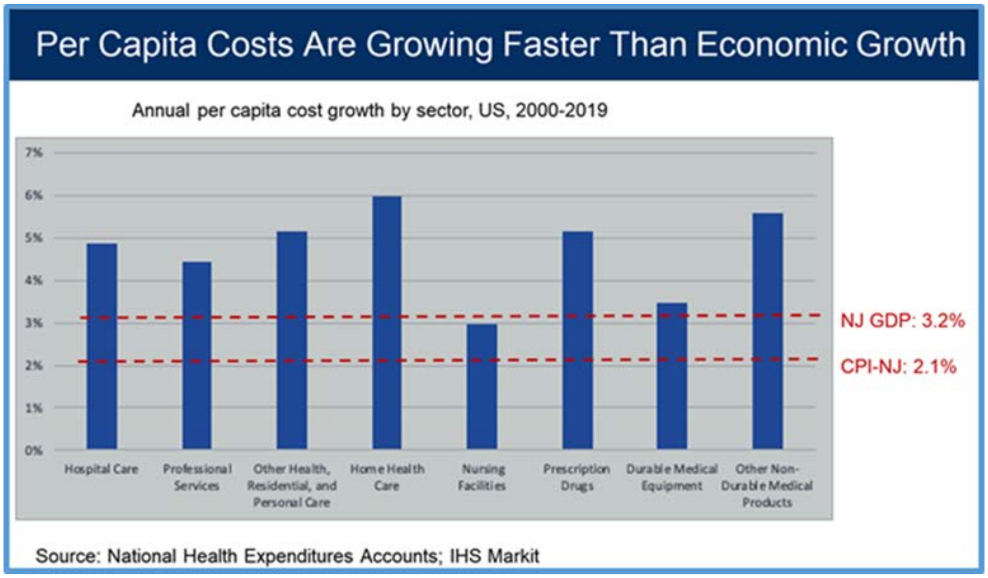
This summary presents highlights from the June 23, 2021 virtual meeting of New Jersey's Health Care Affordability Advisory Group, which was created pursuant to Executive Order #217 to provide expertise, input and guidance around development and implementation of a health care cost benchmark. At the fourth meeting, two members of the Advisory Group shared their firsthand experiences as employers in the state, each facing rising health care costs and struggling to maintain benefits for their employees. Their accounts underscored the importance of what Shabnam Salih (Director of the New Jersey Governor's Office of Health Care Affordability and Transparency) calls the shared "goal of more affordable care for all in New Jersey" at the heart of the Group's work. The bulk of the meeting focused on the underlying methodology for establishing a benchmark for New Jersey, including: reviewing benchmarks from other states, discussing economic indicators to which New Jersey's spending growth target could be tied, as well as what the resulting values would mean in terms of a future spending target for the state.

Hearing the Effects of Costs on New Jersey Businesses and their Workers

To help in setting the context for the "whys" behind the group's work, Shabnam Salih, (Director of the New Jersey Governor's Office of Health Care Affordability and Transparency) called on two Advisory Group members to discuss their experience as employers in the state. Mitch Livingston, President and CEO of the 108 year-old New Jersey Manufacturers Insurance Company, talked about his company's long history of being a top tier benefit provider within the state. However, in 2012, NJM was no longer able to pay as large a share of its employees' premiums, needing to cut back, as well as increase employee co-pays and deductibles. As costs in the state go up, he noted, it is difficult for employers to keep up, affecting pay and, ultimately, consumers across the state. Tony Sandkamp, CEO of Sandkamp Woodworks, discussed his experience as a small employer within New Jersey, noting, that every year there is a struggle to find a plan that meets the needs of his business and team. He has found health care costs growing faster than other prices. While Sandkamp Woodworks pays a substantial portion of premium costs, he noted, even those workers earning more than double the minimum wage still find it hard to pay, with some opting out of the coverage offered. He underscored the importance of this group's work and its potential to make a difference.

Setting the Stage for Benchmark Development Decisions

Joel Cantor (Director, Rutgers Center for State Health Policy) then shared data to provide additional context relating to establishing a benchmark, noting that the benchmark is a tool to come together in a collaborative process to work toward a target (not a cap) to reduce health care spending and help address the state's growing "affordability gap." Joel then shared a snapshot of health care spending components compared to the state's GDP and CPI growth. Some wondered about a similar comparison to NJ wage growth, while others questioned the relative impact each component had on rising costs. Megan Burns from Bailit Health noted that she could not remark on the relative contribution to trend. However, once New Jersey has access to the data through a benchmarking program, it could better understand how health care service categories (e.g., hospital, prescription drugs, long term care, etc.) were affecting the overall trend.



Review of Other State Benchmark Ranges and Selected Indicators/Indicator Blends for NJ

Megan then underlined the charge of this group to advise on creating a New Jersey-specific benchmark. She referenced approaches other states have taken, noting that some states tied their benchmark to the Potential Gross State Product (PGSP), others to a blend of PGSP and wage growth, or public program growth, with values ranging from 2.9% to 3.8%. Generally, states started at 60-70% of their 20-year growth rate and moved toward 54-61% over time. For New Jersey, this would result in a range between 2.5% and 3.3%. While substantially lower than the states projected growth (4.7-4.9%), New Jersey's previous 2010-2014 growth rate averaged 2.8% (though this period reflected an unusually low growth rate following The Great Recession). Megan then shared the modeling that Bailit Health performed of blended values of PGSP and median income (resulting in values ranging from 2.3-3.5%), which the group generally agreed fit the criteria of being: 1) stable and predictable; 2) derived from objective sources; 3) reflective of the real-world pocketbook experiences of New Jerseyans; and 4) able to help curb the rate of spending growth for the state. Some Advisory Group members questioned why other states' benchmarks had been lowered over time. Megan noted that some states opted to reach the intended target by increasing it in the first few years and slowly decreasing it, recognizing that health care spending is large and complex, sometimes requiring a longer transition period. Some Advisory Group members worried whether tying the benchmark to median income would continue to leave consumers falling behind on affordability, while others noted that rising wages consumed a large share of costs. Some questioned the relationships of the economic indicators to the final benchmark values and others wished for more recent data before finalizing a decision. Finally, some noted with recent premium increases in their own workplaces topping 7%, all the options discussed would be an improvement to the status quo.

More Discussion to Come

Some asked for more time to work through the options presented before recommending one. Following the meeting, members were asked to email additional feedback, which will be shared with the Interagency Working Group. The meeting closed with Megan noting continued discussions at July's Advisory Group meeting on both the value and on data required to track underlying spending.