

Governor Carney Signs Legislation to Limit Growth in Health Care Spending

HJR 7 will establish health care spending benchmark linked to economic growth

WILMINGTON, Del. – Governor John Carney on Thursday signed House Joint Resolution 7 granting authority to the Department of Health and Social Services (DHSS) to establish a health care spending benchmark for Delaware with a growth rate linked to the overall economy of the state. The signing ceremony comes less than three months after a federal analysis found Delaware had the third-highest per capita level of health spending of all the states.

✘ [House Joint Resolution 7](#), sponsored by House Majority Leader Valerie Longhurst and Democratic leadership, and supported by both parties, authorizes DHSS Secretary Dr. Kara Odom Walker to establish the benchmark as a way to evaluate the total cost of care of health care in the state. The benchmark also will serve as a major step in transforming Delaware's health care system to a more outcome-driven system and away from a system that pays for care based solely on the number of room days, visits, procedures and tests. Co-sponsors of the resolution included Speaker Pete Schwartzkopf and Rep. John Viola, and Senate President Pro Tem David McBride and Sens. Margaret Rose Henry and Nicole Poore.

Delaware's per capita health care costs are more than 27 percent above the U.S. average, ranking the state third-highest in the country, behind only Alaska and Massachusetts, according to [spending data](#) released in June by the Centers for Medicare and Medicaid Services (CMS). The CMS analysis of all

insurance payers – Medicare, Medicaid and private – found that per capita spending in Delaware for 2014 was \$10,254, compared to the U.S. average of \$8,045. Without changes, the analysis estimates that Delaware’s total health care spending will more than double from \$9.5 billion in 2014 to \$21.5 billion in 2025.

“The health care spending path we are on is unsustainable,” said **Governor Carney**, who signed the resolution during a ceremony at Saint Francis LIFE in Wilmington, which provides all-inclusive care for more than 220 eligible seniors who continue to live in the community. “If these health care spending rates were to continue to increase at this pace, we would price too many Delawareans out of the health care system, put too high a financial burden on employers, and eat up larger and larger portions of the state government budget. We can’t afford any of those scenarios. The health care spending benchmark will provide us with the opportunity to transform the way we pay for health care and link that cost to the state’s overall economy. The two should go hand in hand.”

“Health care, both access to quality care and rising costs, is a priority and concern that affects all Delawareans,” said **Lt. Governor Bethany Hall-Long**. “With over 80 percent of the health care costs going to 20 percent of the population, we must invest more in outreach and prevention to make quality health care more affordable for everyone. It especially places an unfair burden on our senior population. As a nurse, I believe this benchmark is a crucial first step and I applaud the legislators, stakeholders, and Secretary Walker for working to provide affordable quality health care for all Delawareans.”

“Health care costs account for a significant chunk of Delaware’s total budget – about \$1 billion – and they continue to rise. It’s time to analyze those costs and find substantial ways to improve the overall health of Delawareans without such a burdensome price tag,” said **House Majority Leader Valerie**

Longhurst, prime sponsor of House Joint Resolution 7. “It’s my hope that this resolution will help bring a variety of health care stakeholders and perspectives together to create a benchmark that will improve the quality of health services in our state at a lower cost. We have the chance to change the trajectory of health care in Delaware, and support our residents in becoming healthier and more successful throughout their lives.”

“Saint Francis LIFE, a program of all-inclusive care for the elderly (PACE), is a strong example of how the state can provide quality care in the community, improve the patient experience and reduce cost,” said **David A. Ricci, President and CEO of Saint Francis Healthcare in Wilmington**. “We are proud to be a model of this ‘triple aim’ of health care in Delaware.”

The joint resolution sets up a planning year for the health care spending benchmark in Fiscal Year 2018 in which Secretary Walker will plan with health care stakeholders how to establish the benchmark, determine the sources of data and collect actuarial certification. The resolution details that benchmark planning will include an assessment of health care costs and payment reform efforts, and the development of processes to evaluate and implement the benchmark. The benchmark will allow the state to look at the growth of costs associated with hospitals, physicians, other health care providers, pharmaceuticals and insurers by comparing their growth rate to the growth rate of the state’s overall economy. This is the first step in providing transparency and accountability among payers and providers in health care.

DHSS Secretary Dr. Kara Odom Walker, who has been leading a statewide discussion on accelerating health care payment reform, said the increased demand for health care, as well as inefficiencies in the supply of that care, have led to the high per-capital spending in Delaware.

“Unfortunately, while we spend more on care, our investments have not led to better health or better outcomes for Delawareans,” she said. “The spending benchmark will improve the quality of health care in Delaware and reduce costs throughout the system by means of increased transparency, better efficiencies and system-wide innovation. I look forward to continuing my work with stakeholders to establish the benchmark.”

Delaware ranks 31st among states in America’s Health Rankings, exceeding the national average in cancer deaths per capita, cardiovascular deaths per capita, diabetes per capita, infant mortality and premature death.

“Now is the time for Delaware to embrace the concept of a benchmark for health care spending that will ultimately drive our efforts toward value-based care and better outcomes for our citizens and away from volume of care and high utilization,” Secretary Walker said.

Of the \$10,254 per capita figure in Delaware, the federal analysis found this breakdown of spending:

- \$4,078 for hospital care;
- \$2,259 for physician and clinical services;
- \$1,525 for drugs and other medical nondurables;
- \$1,438 for nursing home, home health and other personal care;
- \$757 for dental and other professional services;
- \$197 for medical durables.

In all six categories, spending in Delaware was higher than the national average, ranging from a high of 37 percent higher for drugs and other medical nondurables, to a low of 18 percent higher for nursing home, home health and other personal care.

In a health care spending benchmark, all of the costs in the health care system are measured – commercial health coverage,

Medicaid, Medicare and out-of-pocket spending by consumers. A rate of growth is set, usually by an independent government commission, to the growth of the overall state's economy.

Along with the leadership of the Delaware Center for Health Innovation (DCHI), Delaware has been moving toward a more integrated and coordinated health care system that is team-based, especially for people with the most complex chronic conditions, has strong primary care, integrated behavioral health care, and can share information across settings to reduce waste and avoidable health care utilization. In a value-based systems, consumers and employers are given information about price and quality so they can engage in more decisions about their own care.

"The philosophy of Saint Francis LIFE is that it's better for seniors to continue living in the community as long as medically possible," said **Amy Milligan, Executive Director** of the program which now serves 223 New Castle County seniors. "LIFE's team of health care experts provides coordinated, comprehensive care for this vulnerable population to help them achieve this goal."

LIFE, which stands for Living Independently for Elders, is one of more than 100 PACE programs in the United States that offer this unique model of care, and the only one in Delaware. In partnership with CMS and the DHSS' Division of Medicaid and Medical Assistance, the LIFE program serves individuals who are 55 or older; live in the New Castle County service area; are certified as needing long-term care services and supports; and can live safely at home with the support of the LIFE team. LIFE operates under the umbrella of Saint Francis Healthcare, which is a member of Trinity Health, the second largest faith-based health care ministry in the United States.

###