Thank you for the opportunity to provide comments on the draft Report "Delaware's Road to Value"

Highmark Inc. ("Highmark") is one of America's leading health insurance organizations and an independent licensee of the Blue Cross and Blue Shield Association. Highmark, together with its Blue-branded affiliates, collectively comprises the fourth-largest Blue Cross and Blue Shield-affiliated organization and one of the nation's 10 largest health insurance organizations. Highmark and its affiliated health plans work passionately to deliver high-quality, accessible, understandable, and affordable experiences, outcomes, and solutions to customers. Highmark and its Blue-branded affiliates proudly cover the insurance needs of nearly 5 million members in Pennsylvania, Delaware, and West Virginia.

Highmark Delaware is appreciative of the process utilized by the Delaware Department of Health and Social Services (Department) over the last several months to engage stakeholders and proactively solicit input. We strongly believe a broad and inclusive process is necessary to achieve consensus and, ultimately, a favorable outcome. We encourage Secretary Walker and the Department to continue this approach going forward in order to ensure that stakeholder input is considered and reflected in the final recommendations.

Highmark Delaware currently insures or administers benefits for thousands of customers, including the State of Delaware, businesses and organizations that are located in Delaware and Delawareans who buy coverage directly. We are focused on providing our customers access to high quality, cost-effective care. Highmark provides access to health care services through a robust network of hospitals, physicians and other clinicians. Our role as a health insurer is to provide peace of mind to our customers by enabling them to afford the medical care they need now and in the future. On behalf of our customers, we have a strong interest in reducing the growth in health care costs, improving quality of care outcomes and enhancing member satisfaction. The rising cost of health care continues to be the number one concern among our customers, whether the customer is an individual buying coverage on the exchange, a small business or a large, multi-national organization.

Although not specifically referenced in the current version of the Road to Value Report, there has been progress made recently in slowing the growth in costs. Specifically, with regard to the State of Delaware Employees Group Health Insurance Program, actual cost increases have been below projected trends the last two fiscal years. Additionally, the cost trends for Medicaid, on a per enrollee basis, have been at or below inflation the last three years. While the progress is encouraging, we acknowledge much more needs to be done. Highmark is aggressively focused on transforming the payment model and has launched a statewide primary care physician incentive program, True Performance, which rewards primary care physicians for delivering high quality, cost-effective care. Additionally, we are in active discussions with several provider organizations to accelerate the implementation of risk contracts focused on total cost of care.

In general, we agree with and support the recommendations included in the Road to Value Report. Our specific comments/concerns relative to the Report are as follows:

Strategy II: Pay for Value
Highmark concurs that stakeholders need to continue to aggressively pursue and accelerate payment transformation. There has been significant investment in infrastructure, training and pilot programs over the last several years and the health care system is better positioned to operate and succeed under new payment models.

The Road to Value Report contains a recommendation "that a new entity create contracted health plans and/or accountable care organizations through total cost of care contracting." Highmark strongly believes that payers and providers should work directly together to negotiate risk models and other alternative payment models. It is both costly and redundant to create a separate organization to supplant what should be the role of providers and payers.

This strategy includes an implementation step around developing an aligned contracting strategy across the Medicaid and State employee populations. Highmark agrees with the recommendation to accelerate risk-based contracting strategies across both programs (Medicaid and State employees); however, these populations are very different and have unique needs. Pursuing a single ACO model for both programs would likely be challenging.

Delaware's Progress on Payment Reform
The Road to Value Report references that "in Medicaid and Commercial segments, payers have not made downside risk models available to providers." Highmark has made downside risk models available and administers them with providers in other markets. We have the platforms in place to quickly accelerate negotiations and implementation in Delaware for providers interested in downside risk models.

In addition to the specific comments on the Road to Value Report, Highmark has several recommendations/suggestions below regarding the establishment of a health care spending benchmark.

Oversight Authority / Governance
The transformation contemplated in the Benchmark Report is significant and will require a strong governance function. It will be imperative for the governance body to have representation from major stakeholders (State, Payers, Employers, Health Systems, Physicians, Behavioral Health, Long-Term Care, organizations focused on people with disabilities, etc.). We also believe that it is important for the organization to be structured as a public/private partnership, versus a State agency. We encourage the Department to review existing structures within the State as examples of potential models, including the Delaware Center for Health Innovation, Delaware Health Information Network and the Delaware Prosperity Partnership.

Transparency
Transparency is important to ensuring stakeholder engagement, public and private support and a fair oversight process. Prior to finalizing the Benchmark goal, it will be critical to identify the key cost drivers and how Delaware compares to regional and national averages. We also need to fully understand other factors impacting costs and quality, including social determinants, access, benefit plan designs, competition, etc. There should be regular communication to stakeholders and the public regarding the Benchmark goal, our progress towards achieving the goal, issues or

outliers that may be preventing Delaware from realizing the goal and the implications of not realizing the goal.

Benchmark

The Benchmark should be aspirational and achievable. We need to view this process as a long-term approach to achieving the Triple Aim versus an annual calculation tied to the State's operating budget. The Benchmark also needs to be measurable, understandable and flexible to accommodate the rapidly changing environment. Specific recommendations/concerns include:

- Highmark has concerns about tying the Benchmark directly to the State's economy, particularly given the State's relatively small size, unstable revenue infrastructure and the budget volatility that has occurred in recent years.
- Flexibility is particularly important given the recent and expected advancements in technology and pharmaceuticals. As an example, a report by AARP found retail prescription drug prices were increasing six times faster than inflation.[1]
- Flexibility is also required to address potential unforeseen factors such as a pandemic, new federal or state benefit mandates, changes in eligibility requirements for Medicare or Medicaid, etc.
- The Spending Benchmark should be accompanied by Quality and Access benchmarks. Achieving the Spending Benchmark without maintaining and/or improving quality and access is not sufficient progress. For instance, we note the three states cited in the Report (Massachusetts, Vermont, and Oregon) all have nurse-patient ratio laws, which Delaware does not. According to the American Nurses Association, "Numerous studies reveal an association between higher levels of experienced RN staffing and lower rates of adverse patient outcomes."[2] We believe the organization should consider ways to improve quality of care outcomes that are not tied to monetary goals only. (We would also caution that the approaches these three states took to address rising health care costs are fairly young and it may be premature to judge them a success after only a few years.)
- The Spending Benchmark calculation needs to consider the significant in-migration and out-migration of care that occurs given Delaware's relatively small size and close proximity to NJ, MD and PA.
- The Spending Benchmark should focus on payment methodologies that promote value and evolve away from the fee-for-service system.
- The Spending Benchmark should contribute to economic freedom and transparency. This ensures competitive markets. Consumers' voices are heard in that their decisions determine what products or services are in demand. Supply and demand create competition, which helps ensure that the best goods or services are provided to consumers at a lower price.
- The Spending Benchmark should take into consideration the costs of delivering quality health care. For example:
    - Understanding existing capacity and controlling unnecessary capacity
    - Understanding the impact of competition or lack of competition
    - Location of services provided; i.e. type of facility providing care

[1] (AARP Press Room, 2016)

[2] (www.nursingworld.org, 2015)

- Identifying the true costs of providing different health care services in different settings (site of care)
- Underlying population demographics, risk profile, and impact of social determinants
- Engaging consumers through the Choosing Wisely campaign

Implications of Not Achieving Spending Benchmark
As indicated previously, Highmark views this process as a long-term approach towards achieving the Triple Aim and it will be important to balance accountability with the State's long-term goals. While all stakeholders need to be accountable, it will also be important to provide the oversight, support and resources to facilitate success.

Other Important Considerations Impacting Costs and Quality

- **Independent Physicians and Other Clinicians**
  Across the country, studies have indicated that provider consolidation is one of the leading causes of the increase in health care costs. Catalyst for Payment Reform (CPR), an employer-led nonprofit organization, issued a report detailing the impact provider consolidation has had on health care spending in the U.S.[3] Most of Delaware's physicians and other caregivers tend to practice in small groups; however, it will be important to provide the necessary infrastructure and support to enable the clinicians to operate effectively in this new environment and remain independent to the extent they so desire.

- **Existing resources/infrastructure available within the State**
  We need to leverage existing assets, including the Delaware Health Information Network, Delaware Health Care Commission and Delaware Center for Health Information.

- **Mandates**
  Legislative and regulatory requirements should be adopted and enforced consistent with the goals of the benchmarking process. Certain requirements or mandates can inadvertently perpetuate a fee for service or non-value based environment and ultimately increase costs. Both providers and payers need regulatory and legislative systems that encourage value.

Highmark Delaware appreciates the opportunity to provide our comments and looks forward to continuing to partner with the Department and other stakeholders to transform Delaware's health care system and achieve the Triple Aim.

[3] https://www.catalyze.org/wp-content/uploads/2017/04/2014-State-Policies-on-Provider-Market-Power.pdf, https://www.catalyze.org/wp-content/uploads/2017/04/2014-Amicus-Curiae-Brief-on-Market-Power.pdf