

**SHBP PDC RESOLUTION #2022-9: RESOLUTION OF THE STATE HEALTH BENEFITS PROGRAM
PLAN DESIGN COMMITTEE TO EXPLORE BROAD-BASED REFERENCE BASED PRICING METHODS
FOR UTILIZATION BY THE SHBP**

WHEREAS the State Health Benefit Plan faces an unprecedented crisis of unanticipated cost and a trajectory of unsustainable spending if costs continue to rise, as is anticipated in the absence of swift and decisive action;

WHEREAS, the State Health Benefits Plan Design Committee has a statutory right and responsibility to understand and demand fair prices for services provided to SHBP Plan beneficiaries, and as such, must act quickly and decisively, using all relevant data and information at the SHBP's disposal to explore options to the SHBP to pay reasonable prices;

WHEREAS, the RAND 4.0^[1] study, which reports on 2018–2020 medical claims data from a large population of privately insured individuals, including the SHBP plan, and shows that in 2020, across all hospital inpatient and outpatient services (including both facility and related professional charges), employers and private insurers in New Jersey, including the SHBP/SEHBP, paid 235% of what Medicare would have paid for the same services at the same facilities (total facility, inpatient and outpatient, not including physician and professional fees);

WHEREAS, reviewing prices paid by the SHBP as a percentage relative to Medicare is important because: (i) rates set by Medicare Payment Advisory Commission (MedPAC) are intended to fully cover providers' costs and MedPAC data have shown that reasonably efficient hospitals can break even across all their business at or around Medicare prices^[2]; (ii) even where providers may need to charge more than Medicare rates for other lines of business (SHBP, commercial, etc.) to make up for losses on Medicaid and any charity care, it is necessary to review, on a provider by provider basis, other relevant information to determine whether the SHBP is paying fair and reasonable prices including the hospital/provider operating costs (including overhead), shortfall from public health programs, charity care and uninsured hospital costs, disallowed costs, other hospital income (e.g., COVID funds) and other hospital expenses (joint ventures, capital expenditures, etc.), all of which is available in public filings of the hospitals annual Medicare Cost Reports.

WHEREAS other states including Montana and Oregon have successfully implemented efforts to restrain hospital prices and hospital price growth (the leading cause of increasing healthcare prices and therefore rates) by tying hospital reimbursements to a percentage of Medicare;

WHEREAS legislative leaders have indicated significant interest in investigating reference base pricing initiatives in order to ensure equitable, affordable and accessible healthcare coverage to SHBP plan members while paying New Jersey providers and hospital systems a fair and reasonable price given their specific set of circumstances;

WHEREAS other private and public sector New Jersey based health plans are similarly seeking solutions to ever rising prices and costs related to healthcare, that seem to have been exacerbated by the unprecedented COVID19 pandemic;

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WHEREAS counties and municipalities are reeling from the impact of proposed 20 plus percent health benefit rate hikes and are without the time or resources to adequately prepare for this looming crisis that threatens local budgets; and

WHEREAS these rate hikes, if not interrupted or mitigated, will impose additional burdens on taxpayers;

Therefore, let it be resolved that the New Jersey State Health Benefits Plan Design Committee explore methods of broad-based reference base pricing that are of sufficient scope to meet the current crisis. Such exploration should include communicating with other government qualified health plans that have adopted and/or are considering adoption of reference based pricing, engaging in discovery discussions with public and private sector leaders that have led reference based pricing initiatives with reference based pricing, including Montana and Oregon, as well as other non-profits, think tanks, and policy leaders that have broad health policy expertise, as well as New Jersey specific health policy and state government expertise.

And let it be further resolved that the SHBP Plan Design Committee may engage experts, which shall be completely independent of major insurers, third party administrators, pharmacy benefit managers, and providers and without any business ties such entities in any manner, whatsoever.

And finally , let it be resolved that a Final Report, including recommendations to implement a reference base pricing strategy will be delivered to the SHBP Plan Design Committee no later than December 1, 2022, which plan shall, at a minimum, reduce plan costs by no less than 10% of total medical claim spend of the SHBP.

[1] https://www.rand.org/pubs/research_reports/RRA1144-1.html

[2] https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/reports/mar20_medpac_ch3_sec.pdf