
New Jersey Health Care Affordability, Responsibility, and Transparency (HART) Program Blueprint

A benchmark program setting a path for more affordable, quality health care for New Jerseyans

March 2022

Making Health Care More Affordable for New Jersey, Together

My fellow New Jerseyans:

I am pleased to share the blueprint for our Health Care Affordability, Responsibility, and Transparency (HART) Program, a program aimed at building a stronger and fairer New Jersey by helping to curb health care spending growth inside our state. Put simply, the program aims to ensure that health care costs do not grow faster than our state's economy or the median family income.

Our two-year battle with COVID-19 has underscored the importance of ensuring access to affordable, quality health care for all New Jerseyans. For too long, affordable health care has been out of reach for too many.

While we have worked over the past four years to implement a series of reforms to make sure that high quality, affordable health care is in reach for all New Jerseyans in every corner of the state, we know that more still needs to be done.

In January 2021, I signed Executive Order 217 to launch the creation of our benchmark program. In December 2021, the program implementation plan was outlined in Executive Order 277.

The program was affirmed through an accompanying compact signed by health care stakeholders throughout the state—including hospitals and health care providers, insurers, employers, consumer and union groups, and policy organizations—all committing to rolling up their sleeves and working to meet a series of targets to curb health care spending growth over the next six years and provide data to help monitor progress in meeting these targets. Better data will not only help track progress toward meeting our goals but will also enable us to get “under the hood” to understand what’s driving cost increases, so we can work together to address them.

Within this blueprint, you will find more details about the program and why we chose this as the next step in our affordability journey. Ensuring affordable, equitable, and high-quality health care is more than a key component of our COVID-19 recovery strategy, it is part of our overall strategy to make our state more affordable.

We look forward to working with you in implementing this ambitious but attainable plan. We can do this together. Let's move forward in making New Jersey a more affordable and healthier place to call home.



Governor Philip D. Murphy

Executive Summary

As part of ongoing efforts to build a stronger and fairer New Jersey, on January 28, 2021, Governor Murphy signed Executive Order 217, setting the framework for building a health care cost growth benchmark program to further improve access to affordable, equitable, high-quality health care within the state. The state's experience with the COVID-19 pandemic has underscored, not only the critical role of health in our lives, but also the importance of ensuring that equitable, affordable health care is in reach for all New Jerseyans. Working towards more affordable health care for New Jerseyans is an important part of our COVID-19 recovery strategy.

The Health Care Affordability, Responsibility, and Transparency (HART) Program establishes a target rate of growth for health care spending within New Jersey, collects data to track and report on progress in meeting that target, helps to understand factors driving costs, and points toward strategies that can help curb cost growth and align spending with target goals. The HART program takes a comprehensive approach to addressing the rate of health care cost growth that encompasses insurance, hospital and provider, and pharmaceutical spending. It sets a strong foundation for affordability, not only through working to meet cost growth targets over the next six years, but through establishing a data analytics and public reporting infrastructure to support smart, focused policymaking in the future. This program is another critical step by the Administration to address challenges of health care affordability and access without sacrificing quality.

Last year, in Executive Order 217, the Governor charged the Interagency Working Group—led by the Governor's Office of Health Care Affordability and Transparency and comprised of department leaders and experts throughout the state responsible for health programs—to develop plans to launch New Jersey's own cost growth benchmark program, now set forth in Executive Order 277. While tailored for New Jersey, the program design benefitted from experience gained from other states that have adopted similar benchmarking programs. The program was built through strong collaboration, including with guidance from a Health Care Affordability Advisory Group of health care leaders and stakeholders throughout the state, many of whom signed onto a compact committing to working to meet the program spending target and data transparency goals.

The program plan, described in more detail in the following pages, sets a common goal for New Jersey to pursue in a collaborative, market-based, data-driven and -informed way, to help slow the unsustainable rate of health care cost growth. It helps ensure that health care costs do not grow faster than the state's economy nor the incomes of its residents. The program targets, accompanying data collection, transparent reporting and the strategies stemming from each, will help drive more affordable, quality care for our families and businesses. The state looks forward to continuing to work with partners throughout New Jersey to meet the program goals over the coming years, making the health care system stronger, more sustainable and within the reach of all who rely on it.

Introduction

This blueprint—developed by the Administration pursuant to Governor Murphy’s Executive Order 217—provides a roadmap for New Jersey’s Health Care Affordability, Responsibility, and Transparency (HART) Program. The program advances a benchmarking effort, which focuses on increasing access to more affordable, quality care by working collaboratively toward achieving a statewide target aimed at slowing the rate of health care spending growth and collecting data to better understand progress and opportunities in achieving that aim.

This blueprint highlights the “why, what, when, how and who” of New Jersey’s planned benchmarking efforts through the HART program. Technical implementation documents, specifying the details underlying New Jersey’s upcoming data collection and reporting efforts, will be forthcoming.

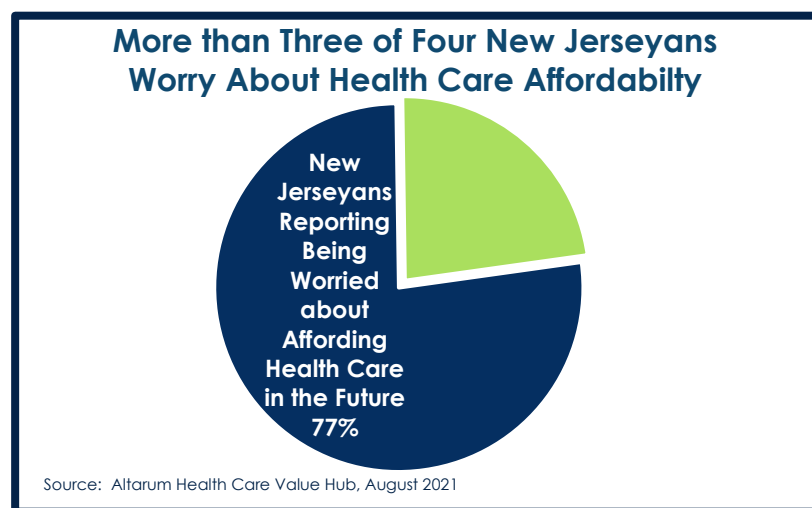
The outlines of the HART program described within this document are the result of nearly a year’s worth of work by an Interagency Working Group with expert advice and feedback from a Health Care Affordability Advisory Group. This work culminated in Executive Order 277 and an accompanying compact endorsed by stakeholders throughout the state, including hospitals and health care providers, insurers, employers, consumer groups, unions and policy organizations—each committing to do their part toward helping ensure successful program implementation and achievement of the HART program benchmark goals.

Continuing work with these and other partners throughout the state in curbing cost growth will enable more New Jerseyans to access more affordable, quality health care.

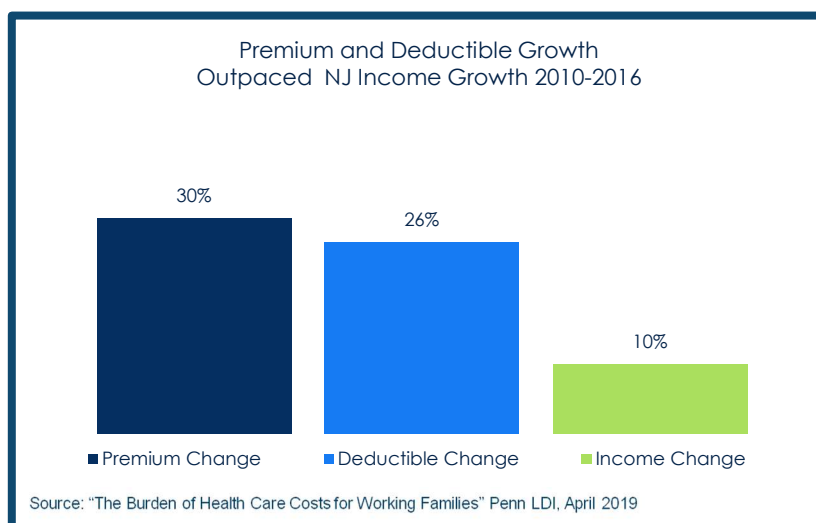
HART Program Aims to Create More Sustainable Spending for New Jersey

New Jersey's rate of health care spending growth is simply unsustainable, placing a heavy burden on the state, its employers and its residents.

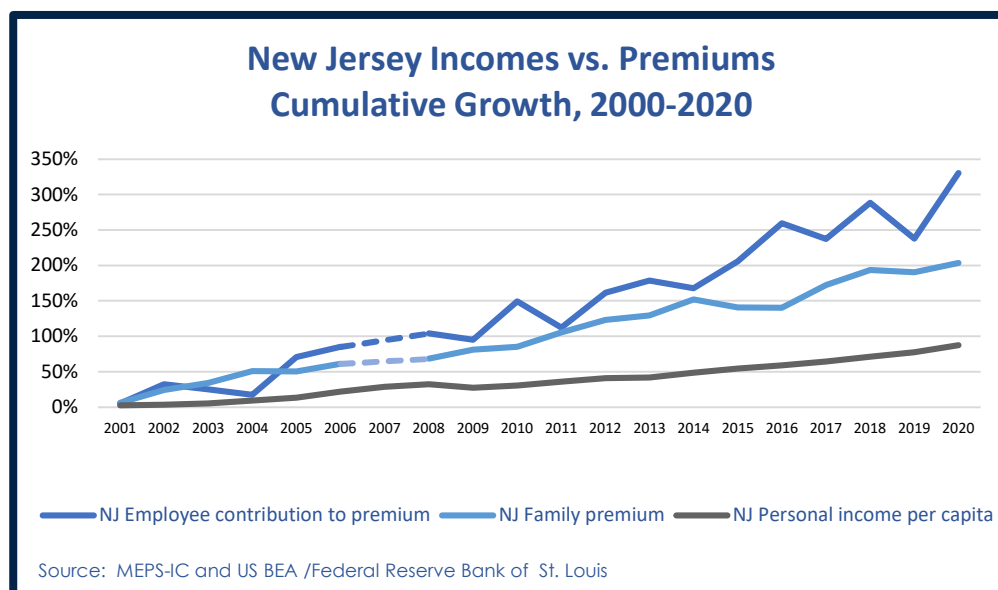
A 2020 Altarum survey found that half of New Jerseyans reported experiencing healthcare affordability burdens in the past year. More than three-quarters (77%) reported worrying about affording health care in the future, including 63% worrying about affording health insurance, a daunting fact within the context of a pandemic.¹ In fact, New Jersey is ranked among the worst 15 states in terms of “cost burden” for working families.²



Premiums and deductibles amount to over a third of New Jersey family incomes, and have exceeded income growth over time. In fact, throughout much of the last decade, health care premiums and deductibles grew roughly three times faster than incomes.³



Examining trends over the past two decades, growth in worker contributions and family premiums have far outpaced income growth in New Jersey.



These pressures are being felt by nearly all New Jerseyans. According to a 2021 ALG Research/Bully Pulpit Interactive Poll of over 600 New Jersey voters, 78% agree that the amount they pay for health care seems to be going up every year, with more than 70% saying health care costs are rising faster than their incomes.

High and increasing health care costs are due to multiple factors. However, one of the leading causes has been rising prices. For example, an analysis by the Health Care Cost Institute shows that from 2012 to 2016, New Jersey's cumulative inpatient spending grew by 12%, with underlying prices rising 38%, while utilization was shrinking by 19%. Over the same period, cumulative spending on prescription drugs grew by 27%, fueled by prices growing by 28%, while utilization was dropping by 1%.⁴

There are also opportunities to increase the value of care delivery, with some estimates attributing 25% of health care spending to uncoordinated, unnecessary or low-value care, high prices, fraud and abuse, along with administrative waste.⁵

Moreover, even with high levels of spending, there are disparities in health outcomes, pointing to a need to ensure equitable and affordable access to quality health care services and treatments.

New Jersey residents deserve and need more affordable access to quality health care—care that is critical to keeping residents, families, businesses and communities healthy and thriving. Over the past four years, the Administration has worked to deliver on this aim.

HART Program Benchmarking Offers a Critical Step in NJ's Affordability Efforts

The Murphy Administration has prioritized making health care more affordable and accessible for residents and businesses, implementing significant policies and program reforms over the last four years to advance these goals.

These programs include initiatives led by the Department of Banking & Insurance through: launching *Get Covered New Jersey*, the state's official health insurance marketplace offering a range of affordable plans tailored to New Jersey; creating a shared-responsibility requirement and reinsurance program to stabilize health care plan costs; as well as creating and offering expanded state subsidies—*New Jersey Health Plan Savings*—in addition to the federal APTC to help lower costs for more marketplace consumers. Because of these actions, New Jerseyans are now benefitting from record levels of financial help through enhanced state subsidies and increased federal assistance through the American Rescue Plan—with 9 in 10 consumers enrolling in the marketplace able to qualify for financial help and many of those able to find plans for \$10 a month or less.⁶

Major cost savings initiatives in administering health benefits for public employees and retirees further underscore this Administration's commitment to improving the quality, efficiency, and long-term sustainability of health care. Over the past four years, substantial savings have been generated for employee members, as well as for the state and local governments. These efforts were developed in close partnership with labor unions and other stakeholders, including through a holistic review of cost drivers in the State Health Benefit Program (SHBP) and the School Employees' Health Benefits Program (SEHBP). Critical efficiencies have been advanced through improved procurement practices and re-negotiated State medical and pharmacy benefit manager (PBM) contracts, among other initiatives. These actions help reduce state and local costs while improving the quality of care delivery. The Administration has also worked to enact cost saving reforms regarding prescription drug benefits and the reimbursement of out-of-network costs for the SHBP, resulting in more than \$380 million in savings over the past two years.

NJ's Medicaid program has also implemented critical value-focused reforms including: developing and launching a new perinatal episode-of-care pilot, set to begin in April 2022, focused on improving care outcomes and patient experience in a fiscally sustainable way; developing a Managed Care Organization (MCO) Performance Accountability process ("360 reviews") to highlight strengths and address deficiencies; building-in expected reductions in unnecessary hospitalizations and emergency department visits when setting premiums for MCOs; and implementing electronic visit verification to comply with federal law and ensure access to needed personal care services.

Despite the substantial gains stemming from these collective reforms, the Administration acknowledges that there is more to be done.

While COVID-19 has taken a great toll on the state economy and the institutions and workforces so integral to our health, it has also underscored how critical access to more affordable, quality health care is for New Jerseyans and to the continued health, wellbeing and prosperity of our state.

“The COVID-19 pandemic and economic fallout in its wake have laid bare socio-economic disparities and underscored the importance of more equitable, affordable access to health care services, coverage, and prescription medicines,” Governor Murphy noted upon signing Executive Order 217, to help continue progress toward improving health care affordability for New Jersey residents.

The Executive Order created an Interagency Health Care Working Group (led by The Office of Health Care Affordability and Transparency, and including leaders and experts from the Departments of Banking and Insurance, Human Services, Health, Treasury and the Division of Consumer Affairs), working collaboratively with a diverse Health Care Affordability Advisory Group of stakeholders throughout the state, to develop a proposal for implementing the HART program, New Jersey’s cost growth benchmarking program.

The pillars of New Jersey’s HART Program include:

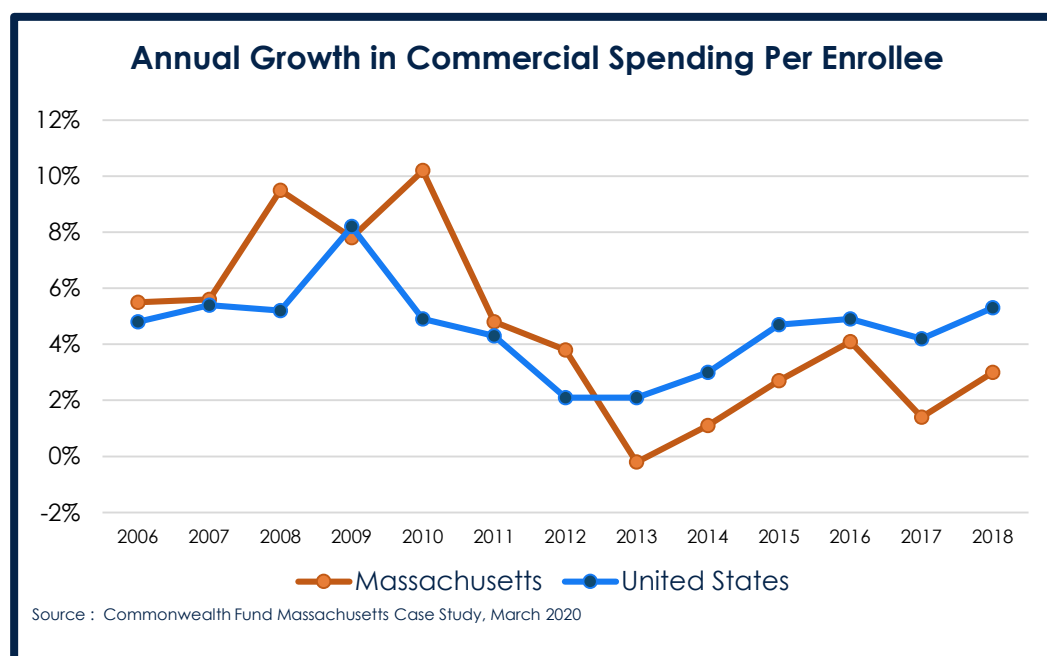
	Bringing stakeholders together to work toward a shared goal of delivering accessible, affordable, equitable, high-quality health care within a target rate of growth that ensures a sustainable system that remains in reach for all;
	Helping align health care cost growth with growth of the state’s economy and with the incomes of its residents;
	Emphasizing transparency through collecting, analyzing and publicly reporting data to track progress on meeting growth targets and enabling better understanding of factors driving costs;
	Identifying promising opportunities to address affordability through market-based strategies and solutions; and
	Allowing New Jersey to build, customize and iterate its program over time, as well as compare progress to, and learn from, the experience of other benchmarking states pursuing these goals.

Several other states throughout the country have also adopted benchmarking programs, including: Connecticut (2020), Delaware (2019), Massachusetts (2012), Nevada (2021), Oregon (2021), Rhode Island (2019) and Washington (2021). Below are some highlights from implementation efforts in other states. While benefitting from experience of these states, the HART program has been specifically designed, developed and tailored to meet the unique needs of New Jersey.

Connecticut built its benchmark through tying its target growth to a blend of economic indicators important to the state, including potential growth of the state's economy and median income, and also allowed a transition period before reaching its ultimate benchmark target. Connecticut is also tracking and aiming to boost primary care spending to improve care and help lower overall costs.⁷

Delaware has collected, through its benchmarking program, along with spending data, important companion metrics related to quality and population health, which the state will track over time.⁸

Massachusetts, the state with the longest track record in benchmarking, has held spending increases below national averages and was able to avoid over \$7 billion in health care costs over the first five years after launching its program. Each year, the state engages stakeholders in reviewing benchmark program findings and helping to develop related policy solutions.⁹



Oregon plans to review a series of economic trends with an eye on any need to adjust its targets over time.^{10 11} Oregon is also examining quality metrics and differences in health care cost and use across populations as part of its cost driver analysis, ensuring cost growth is not gained by “cutting access, benefits” or exacerbating existing health

inequities. Oregon's cost driver analyses also track any possible negative workforce-related consequences of benchmarking.^{12 13}

Rhode Island, like New Jersey, pursued a compact signed by health care stakeholders throughout the state to memorialize support for its benchmark program.¹⁴

Through the HART program, New Jersey joins this group of states in being an “early adopter” of implementing the cost growth benchmark program model. This model will be iterated and improved over time in a way that best serves New Jerseyans and New Jersey state goals.

About New Jersey's HART Program Benchmark

The HART Program establishes a target rate of per capita annual spending growth for health care in the state. Working in collaboration with its Health Care Affordability Advisory Group, New Jersey's Interagency Working Group established criteria for building the state's benchmark, including ensuring that the target is: predictable over time, built from objective data sources, reflective of the real world incomes of New Jersey residents and effective in bending the state's cost curve.

New Jersey Benchmark Criteria

The Interagency Working Group in collaboration with the Health Care Affordability Advisory Group recommended that New Jersey's Benchmark should:

- 1. Provide a stable and predictable target;**
- 2. Rely on independent, objective data sources;**
- 3. Reflect the real world incomes of New Jerseyans (not income outliers); and**
- 4. Result in lower spending growth for the state.**

Based on these criteria, after reviewing a range of options for economic indicators from which New Jersey's benchmark should be built, the Interagency Working Group opted for a benchmark that was calculated from a blend of 25% Potential Gross State Product (PGSP) (or the expected growth rate of New Jersey's economy) and 75% forecasted Median Household Income.

This blended value ties the target goal to *both* the underlying strength of NJ's economy and what NJ workers earn within it—thereby reflecting the real world incomes of New Jerseyans.

Simply put, the goal is to ensure that the state's health care spending does not grow faster than its economy or the incomes of its residents.

This blended value translates to a target growth rate of 3.2%.

An Ambitious and Attainable Path

As mentioned above, while learning from other benchmarking states, the HART program is “home grown” and customized for New Jersey, especially given its launch amidst the backdrop of ongoing challenges with COVID-19. While COVID-19 has taken a tremendous toll on families, businesses, health care providers and organizations across New Jersey, it has also underscored the importance of ensuring everyone in the state has access to high-quality routine, urgent and emergency care. Establishing this benchmark now will allow the state to emerge from COVID-19 on a path toward high-quality health care that is affordable for New Jerseyans.

To move forward with the important work of curbing cost growth in New Jersey, while recognizing the unprecedented time and circumstances surrounding these efforts, New Jersey’s proposed benchmark plan includes a “transition period” prior to moving toward (and eventually below) the aforementioned 3.2% PGSP/Median Income blend.

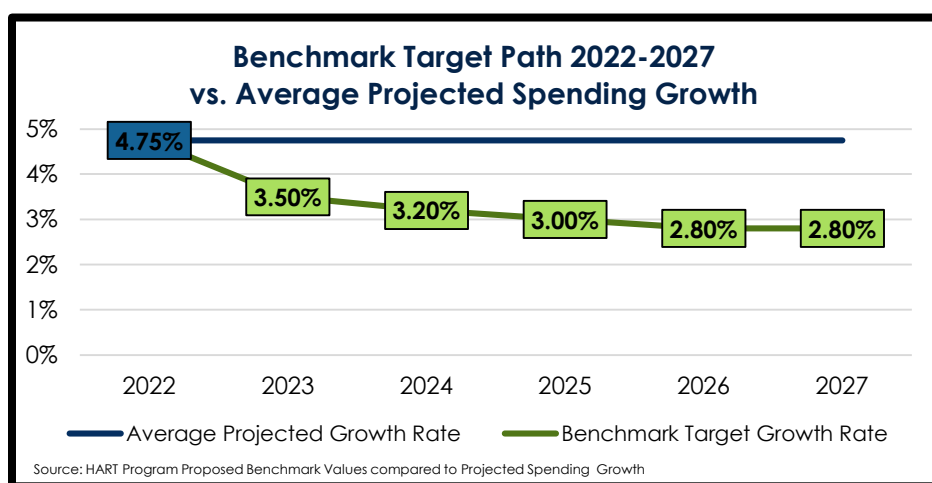
The trajectory of the proposed path, outlined below, balances achieving meaningful reductions in cost growth with avoiding disruptions to the health care market.

In 2022, to start the program, New Jersey, for the first time, will begin collecting and publicly reporting aggregate health care spending data. In light of the aforementioned COVID-19 considerations, the program launch year will not include a specific target. For 2023, the Interagency Working Group also decided to set the initial target at 3.5%, offering an additional “buffer” to the initial 3.2% goal given recent unprecedented demands on the health care system.

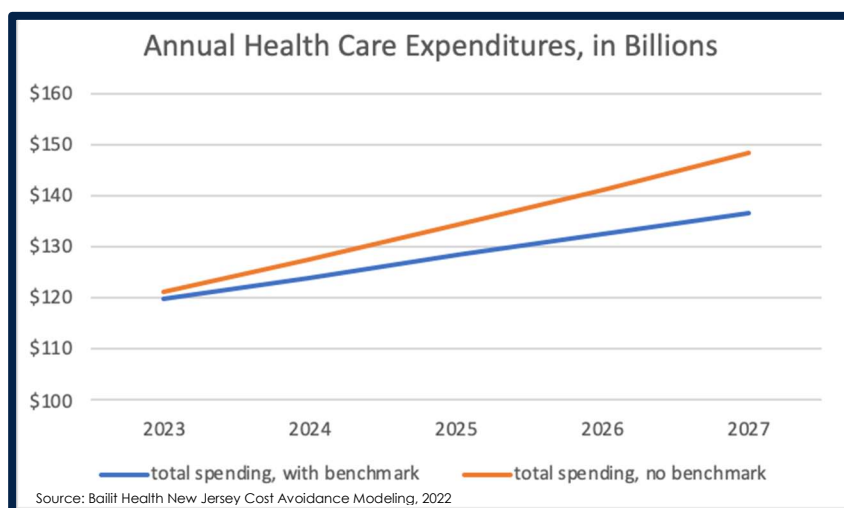
NJ Health Care Affordability, Responsibility, and Transparency Program Proposed Path	
Calendar Year	Benchmark Value
2022	Transition year: Initiate data collection and reporting to inform discussions and collaborate on care delivery changes to meet benchmark goals
2023	3.5% (3.2% + 0.3% transition)
2024	3.2%
2025	3.0% (3.2% - 0.2%)
2026	2.8% (3.2% - 0.4%)
2027	2.8% (3.2% - 0.4%)
3.2% value = Blended Potential Gross State Product (25%) and forecasted Median Income (75%)	

The HART program proposal recognizes that recovery from COVID-19 brings continued uncertainties affecting health care demand, overall population health, and the health care system itself, including those stemming from economic pressures, inflation, supply chain instability and workforce shortages. With that in mind, the program compact also calls for reviewing economic and other factors that might prompt revisiting the benchmark targets over time.

Historically, New Jersey's health care cost growth has tracked very closely to national health care cost growth rates. Forecasted U.S. Per Capita Health Care Costs have been projected to grow on average by 4.75% annually over the coming decade (2019-2028). While currently in a period of great uncertainty, over the long run, New Jersey costs, absent a benchmark, would likely continue to track national growth rates.



The proposed benchmark plan can put New Jersey on the path toward significantly reducing its rate of health care spending. In fact, over time, if the state is able to achieve the proposed path of gradually lowered benchmark targets, New Jersey can avoid significant costs for residents and employers over the benchmark period (compared to spending's predicted trajectory absent a benchmark target).



A Focus on Measuring and Tracking Progress

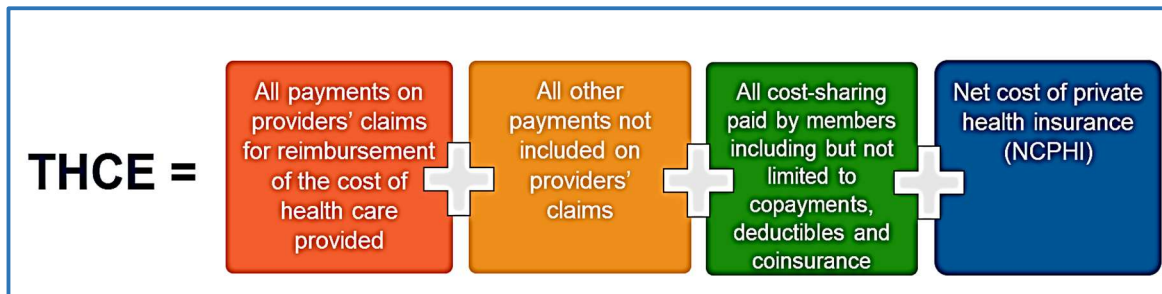
The HART program's annual process, starting in 2022, focuses on: collecting information to track total health care spending throughout New Jersey; reporting this information publicly to allow for greater transparency around health care costs and greater understanding of New Jersey's health care cost landscape; and considering strategies to curb cost growth while increasing value over time.

The HART program is underpinned by two major reporting efforts:

- 1) Benchmark Performance Reporting, which focuses on measuring total health care expenditures and tracking how costs are growing annually compared to the program benchmark target; and
- 2) Cost Driver Analysis, which focuses on understanding key drivers of cost growth and opportunities to reduce cost growth, as well as tracking other outcomes of interest by examining more detailed data from claims and other sources.

Benchmark Performance Reporting

The state will capture data on health care spending, defined as Total Health Care Expenditures (THCE). THCE includes the following components:



Expenditures include claims for: hospital inpatient and outpatient spending; primary care; specialty care and other professional spending; long-term care; pharmacy; and all other claims-based spending. Also included are non-claims payments (like incentive and value-based payments to providers), patient cost-sharing, and the cost of administering health insurance. Consistent with the methods used in other states, data will be collected for residents covered by Medicare, Medicaid, individual and employer-sponsored health insurance, whether care is provided within or outside New Jersey. This approach will capture health care spending for the vast majority of New Jersey residents and provide a reflection of costs that are ultimately borne by consumers, businesses and public payers.

Performance against the benchmark can be reported at four levels: state, market, payer, and large provider entity level. In the HART program's first year, New Jersey plans to analyze historical data (2018-2019) and report cost growth performance at the state and market levels (Medicare, Medicaid, individual and employer-sponsored health insurance), while working closely with payers and providers to prepare for reporting of payer and provider performance in subsequent years.

New Jersey plans to begin reporting at the payer and provider level starting with 2022 performance. Benchmark performance reporting at the provider level is limited to those provider entities that are sufficiently large such that performance can be accurately and reliably measured and that engage in total-cost-of-care-type contracts for a significant share of patients served.

Forthcoming HART program technical guides will provide additional specifications for the data collection process.

Cost Driver Analysis

Cost driver analysis uses more granular claims data and other data sources to explore the factors contributing to health care cost growth in the state.

Cost driver analyses help point to the “whys” behind cost increases and specific areas driving spending growth. There are standard Cost Driver Reports that will be released annually in New Jersey focusing on overall trends and spending, as well as geographic, service category, health condition and demographic analyses.

There may also be additional information and analysis to help identify opportunities for reducing cost growth, as well as focus on key areas of interest (like, for example, trends related to inflation, labor markets and workforce, supply chain and outmigration of care outside of New Jersey's borders).

In addition to examining factors driving key trends, New Jersey's Cost Driver Analysis reporting includes plans to examine and track core measures related to health care access, affordability, equity and quality. This tracking will help answer key questions, like: Were New Jerseyans able to get needed care or was care postponed due to costs? Are more people receiving recommended preventive services? What are trends in out-of-pocket spending for New Jerseyans? And, does performance across these measures vary by race/ethnicity socioeconomic status, income level, geography, or other social factors? As cost growth is slowed, attention to these important domains will ensure that this reduction in cost growth does not come at the expense of quality or other important investments aimed at improving the care or health of New Jerseyans.



Looking Forward

The coming months mark the start of several efforts aimed at ensuring a successful inaugural benchmarking year, including: identifying an Implementation Advisory Group and a Technical Subgroup to work through details of data collection and reporting; convening an Expert Panel to advise the state on economic and other factors influencing benchmark attainment; beginning data collection for benchmark and cost driver analyses; validating this data with stakeholders; analyzing and reporting on the final data; introducing the program and communicating key findings from the first round of work; and preparing for the 2023 cycle.



Together, this work will set a strong foundation, through data, analysis and shared understanding of costs, to support smart policy making around curbing rising costs.

Executive Order 277 specifies benchmark targets through 2027. One of the key features of the state establishing a benchmarking program is the opportunity to shape and improve the program, adding to it, and refining it, over time.

As some stakeholders reminded during development of the benchmark plan, “A target alone doesn’t control costs.” Rather, additional efforts will be needed to identify and implement strategies to slow costs in order to meet those targets. Other benchmarking states have pursued strategies including shifting toward increased value-based payments or boosting investments in primary care.

With sights set on a bright post-COVID-19 future in New Jersey, the path forward will not be without challenges. However, this program, along with other efforts to curb spending, will help ensure health care grows at rates that are sustainable and affordable for New Jersey’s individuals, families and businesses, leading to the ultimate goal of a healthier, stronger and fairer New Jersey.

Appendix and Acknowledgements

New Jersey is grateful to the expertise and leadership of its Health Care Affordability Interagency Working Group, the partners in its Health Care Affordability Advisory Group and their representatives, the technical and policy guidance from the Bailit Health team, Rutgers Center for State Health Policy team and the Peterson-Milbank Program for Sustainable Health Care Costs for supporting this work.

New Jersey Health Care Affordability Interagency Working Group

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New Jersey HART Program Stakeholder Compact

Compact to Reduce the Rate of Health Care Spending Growth in New Jersey

In January 2021, Governor Phil Murphy issued [Executive Order No. 217](#) (E.O. #217), directing the Office of Health Care Affordability and Transparency to identify opportunities across private and public sectors to advance the shared goals of improved health care affordability, accessibility, and transparency. E.O. #217 envisions and enables the development of policy solutions that address affordability challenges facing NJ residents across multiple sectors, including the important areas of health care provider, health insurance and prescription drug cost.

E.O.#217 specifically directs the Department of Banking and Insurance, with partner agencies, (collectively the Interagency Working Group) to develop plans for implementing a health care cost growth benchmark that will promote increased accountability for health care spending and slow the rate of health care spending growth to make it more affordable and sustainable for families, individuals, employers, and the State. To that end, the administration has developed the New Jersey cost growth benchmark program which establishes a target for per capita health care cost growth. The target is not a mandatory cap or index but reflects a shared goal for stakeholders and the State to work toward constraining the growth of health care costs.

A Health Care Affordability Advisory Group, created within E.O. #217, includes health care providers, health plans, employers, consumer advocates, and health care policy leaders who are advising the State on the development of a cost growth benchmark and related activities to ensure access to high-quality, affordable, and equitable health care for all New Jerseyans.

The State is pursuing implementation of a health care cost growth benchmark in parallel with a strategy to rigorously analyze drivers of cost and cost growth, which includes, for example, inflation, labor costs, prescription drugs, medical devices, supply costs, out-of-state health care migration, changes to payer mix, and price variation. Together, the benchmark and cost driver analysis will focus attention on health care costs and cost drivers and spur innovative action to reduce cost growth.

The State acknowledges the tremendous toll that the COVID-19 pandemic has had on families, businesses and health care providers and organizations across the State. The State embarks on the process of implementing a cost growth benchmark in full recognition that recovery from the pandemic is on-going and there continues to be much uncertainty around the impact of COVID-19 on health care demand, overall population health, and wellness of New Jerseyans, and on the various sectors of the health care system. It is more important than ever to ensure New Jerseyans can continuously access high-quality routine, urgent, and emergency care. Establishing this cost growth benchmark now will create opportunities as we emerge from the COVID-19 pandemic for a path forward together that makes high quality health care affordable for all New Jerseyans, including families and businesses.

While the Murphy administration and NJ health care stakeholders have made significant progress over the years in advancing consumer affordability and accessibility, we recognize there is more to be done. The State is committed to the success of this program and to containing the costs of health care throughout the system. The State is continuing related efforts

to expand coverage and reduce the number of people who are uninsured or underinsured. The State will continue to support program development and implementation and recognizes the necessity of ensuring an implementation process that is inclusive and engages broad stakeholder input. The State looks forward to significant stakeholder involvement as data is collected, validated, analyzed, and reported to facilitate better understanding of health care costs to assess the impact on health care quality, access, affordability, and equity.

The State recognizes the critically important role of health care providers, health plans, employers, unions, policy experts, pharmaceutical and technology companies, and consumers in contributing to a strong and vibrant health care infrastructure in the State. New Jersey is fortunate to be home to health care systems and health professionals that strive for excellence and who provide care to all New Jerseyans, including those who are uninsured and underinsured. These institutions invest in robust information technology infrastructure; provide continuing clinical education; support broad access to care; build strong community relationships and partner on payment models that focus on quality improvement.

New Jersey's health care provider institutions are vital members in their communities, and as employers, are committed to providing fair and market wages and benefits to their healthcare workforce. Together with forward-thinking employers, health plans and health care innovators, New Jersey's institutions are contributing to achieving better and more equitable health services for New Jersey residents.

This compact reflects the collective leadership and aspirations of these stakeholders in defining a bold vision of high-quality and more affordable health care for all New Jerseyans.

Through this compact, and in collaboration with the State as outlined above, we, the undersigned, are committing to working together in good faith to take actions that make health care more affordable and assisting the State in its efforts to do so. The compact is an important demonstration of the commitment of the diverse Advisory Group members, chosen for their expertise and leadership. We recognize the importance of engaging with all health care stakeholders to ensure the success of this effort, and we encourage others to add their support to this compact.

We recognize the importance of affordable health care to families and businesses in New Jersey, and we support the benchmark program as a cost containment strategy that will also promote transparency of health care spending and drivers of spending growth. We recognize that the benchmark program is in its formative stage with many requisite factors impacting costs and the approaches to address them continuing to be examined.

We support the State's cost growth benchmark values and methodology, as updated periodically to reflect new information and methods. We commit to doing our part by continuing to lead and support efforts to promote value in health care and to taking reasonable steps to annually keep health care cost growth below the benchmark target, to the extent such commitment does not compromise health care quality, access, equity, and community investments.

The State established a cost growth benchmark target based on the value of a blend of New Jersey's Projected Gross State Product (PGSP) and forecasted Median Income.

Key understandings reached with the State, include:

- The cost growth benchmark will be implemented on January 1, 2022, for a duration of six years. The benchmark targets are as follows:
 - Calendar Year (CY) 2022: Transition year*
 - CY2023: 3.5%
 - CY2024: 3.2%
 - CY2025: 3.0%
 - CY2026: 2.8%
 - CY2027: 2.8%

* During this transition year, the State will initiate data collection and coordinate with stakeholders on analyzing and understanding the data before reporting health care spending and spending growth in aggregate form to promote transparency and facilitate discussion of strategies to make health care more affordable. The State has calculated initial benchmark targets, which will be further refined based on this process. The stakeholders are committed to working towards the CY2023 target benchmark in this year.

- The target benchmark program will assess health care cost growth for all New Jersey residents with commercial (insured and self-insured), Medicaid, and Medicare coverage. Health care cost growth is measured using total health care expenditures, which includes claims spending; non-claims-based spending; consumer cost sharing; and insurer administrative costs.
- The benchmark program will work toward publicly reporting target benchmark performance at the 1) state, 2) insurance market (e.g., commercial, Medicaid, and Medicare), 3) insurer, and 4) large provider entity* levels. The State will continue to engage stakeholders in the development of data collection and reporting specifications.

** Benchmark performance reporting of total cost of care contract performance at the provider level is limited to those provider entities who are sufficiently large such that performance can be accurately and reliably measured and who engage in total cost of care contracts for a significant proportion of their population served.*

- We will participate in or support the data collection, validation, analysis, and reporting processes, led by the New Jersey Department of Banking and Insurance, that support the measurement, assessment, and reporting of performance relative to the State's target benchmark.
- We will work with the State to support the development and implementation of a strategy to closely track impacts of efforts to address cost growth on quality, affordability (including out of pocket-costs), access and equity.

- We will work with the State to support efforts to identify and understand factors that contribute to health care cost trends, which could include inflationary pressures; out-of-state migration for healthcare; changes in payer mix; price variation; patterns in prescription drug utilization and pricing; the role of pharmaceutical companies and other suppliers, administrative costs, and regulatory compliance cost.
- We are committed to making healthcare affordable to consumers by passing on healthcare savings achieved through this program to consumers.
- We commit to collaborating with the State by participating in future committees and stakeholder engagement opportunities and providing guidance on the methodology, analysis, and reporting of the target benchmark.
- Recognizing that the benchmark targets were created amidst the pandemic and related economic pressures, including inflation, supply chain instability, changes to the delivery of care, and workforce shortages, we also commit to advising the State on conditions that require amending the 2022-2027 benchmark methodology.

This Compact, signed on December 21, 2021, shall remain in effect until December 31, 2027.

Parties in Compact:

Jeff Alter
Chief Executive Officer, Summit Health

Cathleen D. Bennett
President and CEO, New Jersey Hospital Association

Maura Collinsgru
Health Care Program Director, New Jersey Citizen Action

Robert C. Garrett
CEO, Hackensack Meridian Health

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President and CEO, Atlantic Health System

Mitch Livingston
President and CEO, NJM Insurance Group

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Market President, AmeriHealth New Jersey

Victor Murray
Sr. Director of Community Engagement and Capacity Building, Camden Coalition of Healthcare Providers

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President and CEO, Robert Wood Johnson Barnabas Health

Dennis W. Pullin
President and CEO, Virtua Health

Wardell Sanders
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Anthony Sandkamp
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Linda J. Schwimmer
President and CEO, New Jersey Health Care Quality Institute

Kevin J. Slavin
President and CEO, St. Joseph's Health

Gary D. St. Hilaire
President and CEO, Horizon Blue Cross Blue Shield of New Jersey

Notes

¹ Altarum Health Care Value Hub. New Jersey Residents Struggle to Afford High Healthcare Costs; COVID Fears Add to Support for a Range of Government Solutions Across Party Lines. Data Brief Number 68; Washington, DC: August 2020.

² Penn LDI. The Burden of Health Care Costs for Working Families. April 2019.

³ Average Premiums, Deductibles, Incomes, and Cost Burden by State, 2010-2016, Penn LDI. The Burden of Health Care Costs for Working Families. April 2019.

⁴ http://www.njhca.org/wp-content/uploads/2018/10/NJ-HCCI-Charts_10.8.2018-1.pdf

⁵ Shrank WH. Waste in the US Health Care System: Estimated Costs and Potential for Savings. JAMA. 2019 Oct 15; 322(15):1501-1509.

⁶ Get Covered NJ: New Jersey's Official Health Insurance Marketplace. New Jersey Response to COVID-19: New Federal and State Savings. <https://nj.gov/getcoverednj/findanswers/covid19/>.

⁷ Pearson E. Health Care Cost Growth Benchmarks in 5 States. The JAMA Forum: JAMA August 11, 2020.

⁸ Pearson E. Health Care Cost Growth Benchmarks in 5 States. The JAMA Forum: JAMA August 11, 2020.

⁹ Manatt Health. State Benchmarking Models: Promising Practices to Understand and Address Health Care Cost Growth. New York: June 2021.

¹⁰ Oregon Cost Growth Target Advisory Committee Draft Charter.

<https://www.oregon.gov/oha/OHPB/MtgDocs/3.0%20Advisory%20Committee%20Draft%20Charter.pdf>

¹¹ Manatt Health. State Benchmarking Models: Promising Practices to Understand and Address Health Care Cost Growth. New York: June 2021.

¹² Pearson E. Health Care Cost Growth Benchmarks in 5 States. The JAMA Forum: JAMA August 11, 2020.

¹³ Manatt Health. State Benchmarking Models: Promising Practices to Understand and Address Health Care Cost Growth. New York: June 2021.

¹⁴ Pearson E. Health Care Cost Growth Benchmarks in 5 States. The JAMA Forum: JAMA August 11, 2020.