

# Senate Bill 1: Putting Patients and Providers First

## Rebalancing the healthcare dollar and revitalizing access to care.

As primary care offices consolidate or close, and as health care prices and chronic conditions rise, so do the costs of health insurance, directly affecting patients, employers, and the State. [Delaware is the #1 state struggling with primary care provider shortages, with just 16.36% of need met.](#) Senate Bill 1 [pending filing] is supported by the Department of Insurance and the Medical Society of Delaware.

### Evolution of Primary Care Policy

Years ago, Delaware enacted legislation (SB 120) to support primary care providers and improve access to quality preventive care, an investment that aims to improve the physical, mental, and financial health of Delawareans. This legislation more than doubled the investment in primary care without meaningfully impacting insurance rates, but its impact was limited to the commercial market, **and a looming sunset stands in the way of continued progress.**

Through the Delaware Department of Insurance's implementation of SB 120, commercial insurers' investments in primary care have increased from nearly \$30 million in 2022 to an estimated \$70 million in 2025, with more than 800 providers engaging in value-based care efforts that enhance patient outcomes and practice revenue. Still, outcomes have been muted by the law's applicability to just 10% of residents. **As sunset approaches, Senate Bill 1 builds on what works – and fixes what doesn't.**

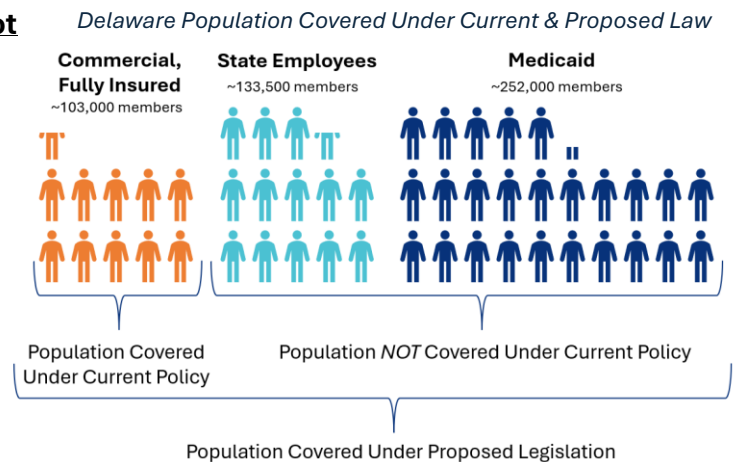
### Senate Bill 1: Expanding the Primary Care Pilot

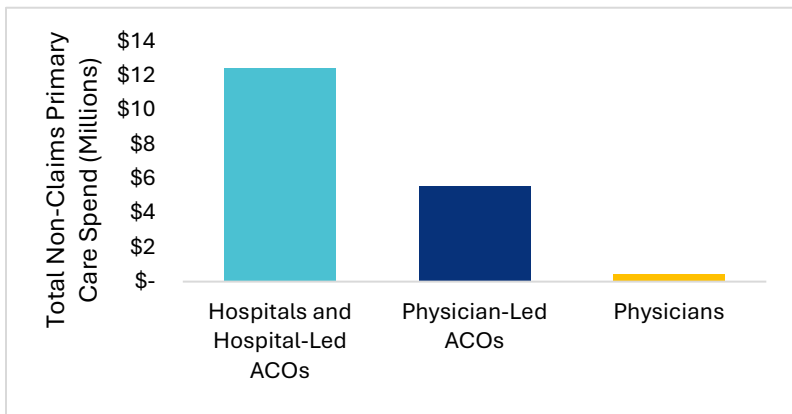
In Senate Bill 1, Medicaid and the State Group Health Plans would begin on the path toward directed primary care investment, while offering value-based care program designs in line with those coming to the commercial market. While providing a multi-year runway for increased investment in the Medicaid and State Group Health Plan, the legislation enacts a balanced approach so savings fund spending.

### Making Care Work for Providers

When a provider sees a patient, they just want to help. They don't check an insurance card to decide the level of care based on the quality incentives or other bonuses available. As providers are increasingly under financial pressure, Senate Bill 1 intends to support providers while protecting patients from the reduced access and high costs that system consolidation and private equity buyouts create.

In addition to including Medicaid and the State Group Health Plans, Senate Bill 1 proposes to develop standard quality program designs with similar performance metrics and reporting across plans to move providers away from fee-for-service payments that incentivize high utilization. The programs will provide a pathway for more practices to participate and demonstrate meaningful improvements in patient care. Senate Bill 1 also proposes requiring half of commercial primary care spending to occur in advance of care, or prospectively, to enable practices to invest in staff, systems, and technology. Contracted providers will also have access to all value-based programs offered by the insurer, so small providers cannot be excluded from incentives for high-quality care if they meet insurer requirements.





### Challenges in Current Policy Design

Without a required, standard program design, providers were subject to insurers' value-based program designs, which could be burdensome and complex to smaller providers. Insurers largely chose to contract with the larger entities to achieve the law's required levels of primary care investment most efficiently as shown here.

SB 120 required a standard value-based program design to be developed by the Primary Care Reform Collaborative, but it was not promulgated. Generating program offerings, financial incentives, and distributing investment more equitably regardless of provider size, and implementing standardized quality metrics to advance provider accountability is necessary to ensure that enhanced spending brings meaningful improvements in patient health and lower medical costs over time. Utilizing uniform program designs across the commercial, State Group Health Plan, and Medicaid markets will reduce administrative burden, enhance return on investment for quality improvements, and ensure increased primary care investment is paid more broadly across the patient population.

### Rebalancing the Healthcare Dollar

Hospital prices for inpatient and outpatient services have increased, meaningfully impacting premiums. Relative to Medicare, Delaware ranks No. 7 nationally for highest inpatient prices and No. 4 for highest outpatient hospital costs. Existing price growth limits in law, tied to inflation, have not been effective in moderating price growth. Further, the current methodology appears to further inequities in payments to health systems, whereby insurers comply with the limitation in total, but not on a per-system basis.

To require increased investment into primary care while keeping affordability top of mind, Senate Bill 1 aims to rebalance the healthcare dollar while recognizing that commercial and state plans fortify hospitals through higher-than-Medicare and Medicaid payments. The legislation adds a ceiling of 250% of Medicare to these expenses, while retaining the minimum 100% of Medicare for primary care services as specified in insurer filings and State Group Health Plan carrier selection. These savings will ensure State can develop the funds needed for gradual increases in primary care investment, **conservatively saving \$282M over the first five years of full implementation** when taking into account both cost containment and the savings associated with improved health outcomes.

**Exemptions:** Senate Bill 1 also takes steps to incentivize use of hospital global budgets, whereby a pre-determined revenue environment exists. These agreements serve to improve value and access while controlling costs. Examples include the federal AHEAD Model program which offers states \$12M in funds for care transformation, or the Nemours Hospital Global Budget program with Delaware Medicaid. Hospital global budget participants would not otherwise be subject to the price limitations of the law.

For more than a decade, Delaware has outpaced the nation in health care cost growth, with the expense growing more nearly 300% since the early 2000's, rising far faster than inflation – and rising without corresponding improvements in public health. Employers are cutting benefits and increasing premiums, all while wages are stagnant. Health care costs are resident's top financial concern across all demographic and partisan parameters according to KFF – **the number of residents "very worried" about affording health care is 10% higher than those worried about monthly utility bills.**

Delaware commercial insurers spend nearly twice as much per member on primary care as in Virginia, the percentage of total spending is the same. In Maine, insurers spend the same as Delaware per member, per month, but it's equal to 10% of medical expenses.

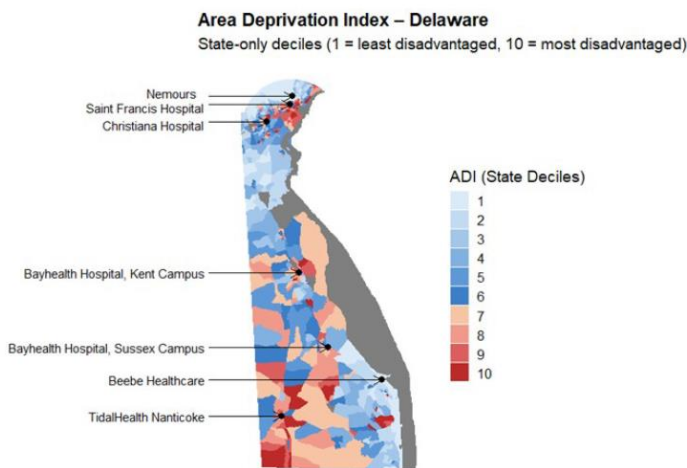
*Cross-State Comparison of the Commercial, Fully Insured Market, 2022*

|  | <b>Delaware</b> | <b>Maine</b> | <b>Virginia</b> |
|--|-----------------|--------------|-----------------|
| Primary Care % of Total Medical Spend    | 6%              | 10%          | 6%              |
| Primary Care Spend Per Member, Per Month | \$37            | \$37         | \$20            |

Due to these higher medical care costs, Senate Bill 1 proposes to maintain the commercial minimum 11.5% primary care spend, while providing the authority to exclude high-cost claims from insurers' calculation of total medical expenses. The State Plan and Medicaid will, after multiple years of planning, increase investment by 1% per year until they meet 11.5%. Senate Bill 1 will also afford the State Plan and Medicaid access to use any funds collected by the Department of Insurance as compliance penalties related to this statute.

### **Investing Where It Matters Most**

Healthcare in Delaware costs more, and the impact goes beyond Delawareans' wallets. While the balanced approach in Senate Bill 1 aims to spend while saving, the longer-term outcome of improved preventative care can decrease high-cost claims, better control costly chronic conditions, and reduce hospital and emergency department utilization.



*Area Deprivation Index Scores, information from Wisconsin School of Medicine and Public Health*

These expensive scenarios occur most often in communities without stable primary care – having a usual source of such care is associated with nearly 54% lower total health care expenses. Unfortunately, these disparities are also most prevalent in diverse communities. In Delaware, we see these areas as home to the state, and nation's, lowest-price health systems, who are in need of the contracting empowerment the legislation can offer.

In addition to direct health and affordability outcomes, these investments can also serve to address broader taxpayer burdens. For example, improved outcomes and lower

premiums will help address the State's Other Post Employment Benefit (OPEB) outlook, which every rating bureau has noted as significant. This can help to reduce the risk of a credit downgrade that would increase borrowing costs and divert taxpayer dollars away from public services.

**Delaware faces a choice. We can be the first state to go backwards on primary care investment by allowing law to sunset and continue to pay high costs for shrinking care access and widening disparities. Or, we can rebalance the system by placing patients and providers first, because primary care is where better outcomes—and lower costs begin.**