

The logo features the word "MEMO" in a large, blue, serif font. Above the letters "M", "E", and "O" are three rows of small stars. The top row has five red stars, the middle row has five blue stars, and the bottom row has five black stars.

To: Interested Parties Date 3/30/21

From: Liz Hagan, Director of Policy Solutions
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Subject: **Lessons Learned from United States of Care’s Affordability Standards Learning Collaborative**

Overview: Despite health care costs being a [rising concern](#) for consumers and policymakers alike, there is [no agreed upon](#) definition for comprehensive healthcare affordability. Current federal definitions of affordability are fragmented and inconsistent, which has led states to create their own definitions and “standards” of affordability. For example, current federal definitions of affordability do not include both premiums *and* out-of-pocket costs, fail to account for [geographic variabilities](#) that exist in costs across the nation, and exclude every-day expenses required to access care, such as transportation or missed income from taking time off work.

While states are taking varied approaches in their creation of “affordability standards,” they all have the same key aims of better understanding what affordable care really is, and, ultimately, to bring that more affordable care to people.

What we did: United States of Care created an Affordability Standard Learning Collaborative to bring together key stakeholders in [five states](#) (Colorado, Connecticut, Massachusetts, Rhode Island, and Vermont) to identify and address the challenges and opportunities states have in creating affordability standards. This memo highlights the approaches that create affordability standards, lessons learned from the states that have engaged in this work and provides a future outlook for affordability standards more broadly. The lessons learned from the USofCare Collaborative can help to inform similar work in other states.

Key Considerations

Health care affordability needs vary by state. Accordingly, there is no one-size-fits-all affordability standard and states are approaching affordability standards in different ways, as shown in [Table 1, below](#). For example, on one end, [Connecticut’s affordability standards](#) were recently created with the goal of defining affordable care in the context of other household budget items. On the other hand, [Rhode Island](#), the first state to have developed affordability standards, takes an approach that utilizes rate review and increased investments in primary care to bring people more affordable care.

States are also in different stages of implementing affordability standards and embedding them into their work, allowing states to learn from experiences in other states. For example, Rhode Island has had their affordability standards in place since 2010, while [New Jersey’s Governor signed an Executive Order](#) in January 2021 to begin development of theirs.

Based on lessons learned from states in our learning collaborative (included in Table 1), states exploring the creation of affordability standards should consider the following when engaging in this work:

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MEMO

- ★ How, if at all, does your state currently define affordability? There may be policies in place currently that provide a starting point to begin this work, rather than starting from scratch, that can allow this work to more easily get off the ground.
- ★ What are short- and long-term goals for engaging in this work and can or should this work be done in phases? For example, states can consider short-term, more attainable goals that first create definitions and standards of affordability (like CT) with the aim of longer-term changes that bring policies in alignment with the standards that are developed (like MA and RI).
- ★ How do we plan to collect and use data to inform our work and measure the affordability of care? Are there data gaps? States have various mechanisms for gathering data, but deliberate steps have to be taken to use data in a robust way, including assessing what data are missing and what steps are needed to gather missing data.
- ★ How can we measure success from the outset so that we know the affordability standards are working? It is important to be intentional early in the process about how you intend to measure the effectiveness of any policy interventions created.
- ★ What authority is needed to reach those goals and how is best to get it? Are there any existing policy levers worth exploring? While Executive action may be a faster route, there are also benefits to creating affordability standards legislatively, including that they are in statute and are therefore more permanent.
- ★ What voices and perspectives should be a part of this conversation that may be missing? States should ensure those perspectives are heard and responded to appropriately, rather than hearing from only traditional stakeholders.

Table 1: State Efforts to Create Affordability Standards

STATE EFFORTS TO CREATE AFFORDABILITY STANDARDS			
State Efforts	Primary Goals	Measures Used	Entity Responsible
 California	<ul style="list-style-type: none"> ★ Creating an Office of Health Care Affordability to find key drivers of cost growth, create a strategy to reduce costs for consumers, and enforcing cost targets 	<p>Will use the Health Care Payments Data System and established economic indicators to set affordability benchmarks</p>	<p>Office of Health Care Affordability</p>
 Connecticut	<ul style="list-style-type: none"> ★ Creating a health care affordability standard to measure against future policy changes 	<p>Self-Sufficiency Standard and Health Care Affordability Standard</p>	<p>Office of Health Strategy and Office of the State Comptroller</p>
 Colorado	<ul style="list-style-type: none"> ★ Requiring state to create a definition and standard for affordability ★ Requiring that the state option is affordable based on definition ★ Permitting the Insurance Commissioner to factor in affordability when assessing rates ★ Investing in primary care to make coverage more affordable 	<p>Assessed on a percentage of premiums collected by health insurers in the previous calendar year on health benefit plans issued in the state and a specified amount assessed and collected from hospitals in the 2022 and 2023 calendar years</p>	<p>Division of Insurance and Department of Health Care Policy and Financing</p>
 Massachusetts	<ul style="list-style-type: none"> ★ Creating a definition of affordability through an "affordability schedule," updated annually ★ Offering state-level financial assistance based on what is deemed affordable in the schedule 	<p>ACA definitions of affordability based on federal poverty guidelines (previously used for the purposes of the federal individual mandate)</p>	<p>Massachusetts' state-based exchange, The Massachusetts Health Connector</p>
 New Jersey	<ul style="list-style-type: none"> ★ Creating a Health Care Interagency Affordability Working Group to develop and implement cost growth benchmarks ★ Encourage accountability, identify key cost drivers, develop data-driven payment and delivery reforms that contain cost and enhance health equity 	<p>The Affordability cost growth benchmark</p>	<p>Office of Health Care Affordability and Transparency in the Office of the Governor</p>
 New Mexico	<ul style="list-style-type: none"> ★ Require the Superintendent of Insurance to create and annually update health insurance affordability criteria 	<p>Affordability criteria based on income eligibility parameters set forth in the Affordable Care Act, with a focus on individuals below 200% of the federal poverty level</p>	<p>Superintendent of Insurance</p>
 Rhode Island	<ul style="list-style-type: none"> ★ Slowing the growth of health insurance premiums ★ Investing in primary care to make coverage more affordable ★ Reduce costs through adoption of payment reform strategies 	<p>Rhode Island Office of the Health Insurance Commissioner</p>	<p>Rhode Island Office of the Health Insurance Commissioner</p>
 Vermont	<ul style="list-style-type: none"> ★ Creating a better understanding of affordability to measure current consumer challenges and advocate on behalf of consumers 	<p>Three measures:</p> <ul style="list-style-type: none"> ★ Cost of health insurance against Vermont's wage and economic growth ★ ACA premium affordability standard paired with data from the Vermont Household Insurance Survey ★ A model that assesses whether Vermont families can afford health insurance and still purchase basic necessities 	<p>Vermont Legal Aid Office of the Healthcare Advocate</p>

Lessons Learned

There is no one “right” way to define affordable health care and there is not one “right” way to develop affordability standards. States have to be in tune with their residents’ unique needs and tailor their approaches to those needs, but there are common themes that have emerged that cut across states.

Below are some takeaways and lessons learned from states in our learning collaborative engaging in this work:

- ★ States can pair the creation of affordability standards with other health care initiatives aimed at containing costs, such as making investments in primary care or creating cost growth benchmarks. For example, Colorado’s affordability standard was established after being included in broader [legislation](#) that developed the [Primary Care Payment Reform Collaborative](#). And New Jersey’s recent [Executive Order](#) creating an affordability standard also creates a cost growth benchmark, much like [Massachusetts](#). These can easily complement each other because the underlying costs of health care need to be addressed to truly make care more affordable.
- ★ The order in which affordability reforms are introduced can allow for more stakeholder buy-in and for states to be iterative with their approach. For example, Rhode Island started by introducing reforms in primary care and later built out the ability for their division of insurance to reject rates they deem unaffordable.
- ★ Incorporating the broader community into policy discussions on affordability is critical, and efforts to cultivate trustworthy relationships with community stakeholders over time can be a good way to understand if you are considering everyone’s needs in the community. It is also important to operationalize equity in a way that balances the trade-offs between affordability on an individual level with affordability for the broader population, because we know that affordability looks different for each individual, but we also know it looks different across broader population groups. Effective affordability standards must account for a range of peoples’ true needs, which requires deliberate efforts to better incorporate perspectives from the community. This can be difficult without deliberate planning and careful attention to confusing terminology and descriptions of complex policy. Creating an array of “[personas](#)” that represent different communities or utilizing an [equity checklist](#) like Massachusetts did, can be a way to ensure you are considering all aspects of equity and affordability.
- ★ States should consider pitching their interventions to researchers who may be willing to conduct an evaluation on the program or intervention’s effectiveness.
- ★ Understanding federal opportunities and the interplay with federal policy is critical to successful continued implementation. For example, the American Rescue Plan that recently passed makes premiums more affordable, so states in the collaborative had to quickly understand what that meant for the work they were doing to make care more affordable at the state level. States need to be nimble to understand the unanticipated impacts of federal policy as well as the opportunities they provide. For example, with the American Rescue Plan’s passage, states have been grappling with the question of whether there should be more focus on reducing out-of-pocket costs rather than premiums, and how they can go about doing that.



Opportunities and Looking to the Future

States' efforts on affordability standards have revealed several future opportunities to take advantage to make health care more affordable. The learning collaborative has identified the following opportunities to consider:

- ★ Making progress will require a better understanding of:
 - Affordability when people's premiums are heavily subsidized (like tax credits provided in Massachusetts, the ACA, and the American Rescue Plan), which is not impacting underlying costs but makes coverage more affordable at the state or federal level
 - The impact policy interventions, such as investments in primary care, cost growth benchmarks, or incentivizing high-value care, have on cost and affordability, which may take time.
 - The full range of tools and levers that can be used to reduce structural and systemic costs, which impacts affordability. Determining a reasonable amount for insurance companies to put into reserves (note: determining the high end for reimbursements could be another tool in the short term for reducing cost of care on the provider side)
- ★ Importance of Cost containment
 - Addressing the underlying drivers of cost is essential. Within primary care, how can we structure investments and initiatives to have the biggest impact? Beyond that, what opportunities are there to contain costs at the state level?
 - What kind of measurements/benchmarks will we use, and how can we evaluate the interventions in a way we know is reliable and valid?
- ★ Federal Considerations
 - What is the best course of action to create affordability standards at the federal level?
 - Exploring options around a 1332 to further improve affordability. The American Rescue Plan's changes, though temporary, reduce people's premiums, which may open up opportunities to pivot the focus to creating policies that reduce people's out-of-pocket costs, including through state cost-sharing reductions that may have otherwise not been a state priority.

Supporting Documents

US of Care Resources:

- [State Efforts to Standardize Consumer Affordability](#) - US of Care Brief
- [How States are Standardizing Consumer Affordability](#) - US of Care Blog post
- [USofCare/LDI Paper: What is Affordable Health Care?](#)