

Addressing Unsustainable Healthcare Costs

The rising cost of healthcare weakens the entire system and crowds out other public health investments.

The United States spends significantly more on healthcare compared to other nations, but we don't have better healthcare outcomes. What's more, rising healthcare spending is a key driver of America's unsustainable national debt and high healthcare costs also make it harder to respond to public health crises like the COVID-19 pandemic.

As healthcare spending grows, there is less funding for housing, nutrition and income security, which are also critical for the health of populations. Furthermore, the unsustainable rise in the cost of healthcare is a key driver of America's fiscal imbalance, contributing to poorer outcomes and threatening the future of critical programs like Medicare and Medicaid.

The Peterson Center on Healthcare is working with key stakeholders in state and local governments to support initiatives that offer promise for reducing the rate of cost growth to ensure that people—regardless of where they live, have access to affordable, quality care for many years to come.

Healthcare Spending at the State Level



The [Peterson-Milbank Program for Sustainable Health Care Costs](#) advances state-based efforts to make healthcare more affordable for residents, employers and states. The program supports efforts to set and track healthcare spending targets in five participating states: Connecticut, New Jersey, Oregon, Rhode Island and Washington, helping ensure costs don't rise faster than the economy, state revenues or wages.

State healthcare cost growth targets, accompanied by in-depth analysis of healthcare cost factors, offer insight into healthcare spending that can lead to policy or market-based actions designed to make healthcare more affordable.

To support these statewide efforts, the Milbank Memorial Fund provides working capital and, in partnership with Bailit Health, technical assistance for healthcare experts to collaborate with participating states to develop and implement a work plan, facilitate stakeholder convenings and create mechanisms that foster cross-state learning and collaboration on cost growth initiatives.

Building on this promising initial work, the second phase of the program, which runs through 2024, will support the identification and implementation of solutions to mitigate cost growth at the state level.

On June 30, 2022, Governor Gavin Newsom approved California's 2022–2023 budget, which includes the creation of an Office of Health Care Affordability that will establish an annual cost growth target. California's program builds on the state-led model supported by the Peterson-Milbank program. Prior to the start of the program, about 3% of the U.S. population lived in a state with a cost growth target. Now, one in five Americans live in a state with a cost growth target—an important tool in making the healthcare system more affordable and sustainable for years to come.

The Peterson-Milbank Program for Sustainable Health Care Costs is an outgrowth of the [Rhode Island Healthcare Cost Trends Project](#), which the Center launched in 2018 with the State of Rhode Island and Brown University. The objective of this project was to analyze spending data to improve healthcare performance and provide assistance in setting a total healthcare cost growth target for Rhode Island.

This collaboration established the groundwork for public reporting of state-wide healthcare spending and performance by engaging a Steering Committee of stakeholders, including payers, providers, employers and community representatives, led by state and industry leaders. Later phases of the project focused on leveraging analytics and reporting to drive action on healthcare cost growth and performance in the state. Rhode Island joined the Peterson-Milbank program in 2022.

Massachusetts' Experience With State Cost Containment



Massachusetts was the first state in the nation to try to contain healthcare costs by setting an annual cost growth rate benchmark. It also established several mechanisms to hold payers and providers accountable for keeping health spending growth below the benchmark. Eight states—including those in the Peterson-Milbank Program for Sustainable Health Care Costs—have adopted programs that share many features of the Massachusetts initiative.

The Center and Gates Ventures partnered with research firm Mathematica to conduct an evaluation that examined stakeholder experiences with Massachusetts' accountability mechanisms and drew lessons for other states.

[The study](#) found that the state deployed its accountability tools effectively during its initial years of operation. The benchmark influenced contract negotiations between payers and providers and increased providers' willingness to participate in accountable care organizations, both of which helped to constrain spending growth.

The findings, highlighted in [Heath Affairs](#), raise several considerations for states seeking to tackle healthcare costs, including the importance of building a transparent, trusted source on healthcare cost growth.

News

SOURCE: HEALTH AFFAIRS FOREFRONT

States Setting Health Care Spending Growth Targets Experienced Accelerated Growth in 2021

January Angeles of Bailit Health discusses several recently-released reports on state health care spending for 2020–21, revealing that most of those states exceeded their targets.

JUN 29, 2023 [Read More](#)

SOURCE: PETERSON-MILBANK PROGRAM FOR SUSTAINABLE HEALTH CARE COSTS

Minnesota Takes Steps to Open the “Black Box” of Health Care Spending Amid Industry Opposition

Minnesota just took an important step toward improving residents' financial security and health by establishing a center for health care affordability as part of a landmark health care bill. This center will provide valuable health care data, analysis, and recommendations to inform opportunities to enhance affordability and invest in better health for Minnesota residents.

JUN 28, 2023 [Read More](#)

Peterson Center on Healthcare Announces a \$1.7 Million Grant to Washington State Health Care Authority to Identify and Address Drivers of Healthcare Cost Growth

The Peterson Center on Healthcare today announced a two-year, \$1.7 million grant to the Washington State Health Care Authority to support a new partnership with the Institute for Health Metrics and Evaluation, an independent health research center at the University of Washington.

MAY 31, 2023 [Read More](#)

Peterson Center on Healthcare and Milbank Memorial Fund Expand Partnership to Improve Healthcare Affordability

The Milbank Memorial Fund has received a new \$2.7 million grant from the Peterson Center on Healthcare to drive innovative healthcare affordability research at the state level, building on existing work through the Peterson-Milbank Program for Sustainable Health Care Costs.

FEB 9, 2023 [Read More](#)
SOURCE: TRADEOFFS PODCAST

States' Uphill Battle to Stop Runaway Health Care Costs

One year of health insurance premiums for a family of four now costs as much as a car. Nine states are trying to lower those costs in an aggressive way—by holding hospitals and insurance companies accountable for high spending. In this episode we look to see if any of those efforts have bent the cost curve.

FEB 9, 2023 [Read More](#)
SOURCE: HEALTH AFFAIRS COUNCIL ON HEALTH CARE SPENDING AND VALUE

A Road Map for Action: Recommendations of the Health Affairs Council on Health Care Spending and Value

The Health Affairs Council on Health Care Spending and Value released their findings on how the U.S. can moderate health care spending growth and maximize value. The report includes recommendations on administrative streamlining, price regulation and supports for competition, spending growth targets and value-based payment.

FEB 3, 2023 [Read More](#)
SOURCE: PETERSON-MILBANK PROGRAM FOR SUSTAINABLE HEALTH CARE COSTS

Making Health Care More Affordable: A Playbook for Implementing a State Cost Growth Target

This playbook provides a program design and implementation roadmap for states that are interested in, or in the process of, establishing a cost growth target. It offers concrete steps, practical tools, best practice strategies and insights to guide states through the work.

JAN 10, 2023 [Read More](#)
SOURCE: HEALTH AFFAIRS FOREFRONT

How States are Holding Payers and Providers Accountable for Health Cost Growth

While continuing to rely on transparency and voluntary compliance, states implementing cost growth target initiatives may need to strengthen their accountability tools if payers and providers fail to keep spending in line.

OCT 31, 2022 [Read More](#)
SOURCE: PETERSON-MILBANK PROGRAM FOR SUSTAINABLE HEALTH CARE COSTS

Per Capita Health Care Spending in States: Getting to Apples to Apples

A new study from the Institute for Health Metrics and Evaluation takes into account state-specific factors and makes it possible to compare apples to apples on per person state health care spending.

SEP 21, 2022 [Read More](#)
SOURCE: PETERSON-MILBANK PROGRAM FOR SUSTAINABLE HEALTH CARE COSTS

Owning the Car: Some States Are Taking Charge of Health Care Costs

Responsible leaders recognize that state and local governments, employers, and health care providers can't keep their foot on the gas and hope somebody else maintains the car; not when the high costs of health care like the emissions of automobiles—have adverse long-term effects.

AUG 23, 2022 [Read More](#)
SOURCE: HEALTH AFFAIRS FOREFRONT

What Is Driving Health Care Spending Upward in States With Cost Growth Targets?

Six states participating in the Peterson-Milbank Program for Sustainable Health Care Costs have established per

capita cost growth targets as a tool to enhance transparency and encourage reductions in the rate of health care spending growth across all payers and providers.

AUG 9, 2022 [Read More](#)

SOURCE: PETERSON-MILBANK PROGRAM FOR SUSTAINABLE HEALTH CARE COSTS

Three Federal Actions to Support State Efforts to Make Health Care More Affordable

Addressing health care cost growth requires a systemic view of our health system and its performance. However, gaps in health care spending data and limited capacity for measurement and analysis make it difficult to understand and act on what's driving a growing affordability crisis in U.S. health care.

JULY 18, 2022 [Read More](#)

SOURCE: PETERSON-MILBANK PROGRAM FOR SUSTAINABLE HEALTH CARE COSTS

California Joins Growing Number of States Committing to Improve Health Care Affordability

On June 30, California passed a law creating an Office of Health Care Affordability responsible for collecting data, analyzing drivers of health costs, developing policies to address rising costs, and establishing and enforcing annual statewide cost growth targets.

JUL 11, 2022 [Read More](#)

SOURCE: HEALTH AFFAIRS FOREFRONT

Supporting States in Setting Health Care Cost Growth Targets to Improve Affordability

In a first step toward transparency and improving the affordability of health care, a growing number of states have committed—through executive orders or legislation—to setting and tracking an annual health care cost growth target.

MAY 27, 2021 [Read More](#)

SOURCE: PETERSON-MILBANK PROGRAM FOR SUSTAINABLE HEALTH CARE COSTS

Seeking Affordability and Transparency, Five States Join the Peterson-Milbank Program for Sustainable Health Care Costs

Today we are pleased to announce that Connecticut, Oregon, Nevada, New Jersey, and Washington have been selected for participation in the Peterson-Milbank Program for Sustainable Health Care Costs.

MARCH 9, 2021 [Read More](#)

Peterson Center on Healthcare Announces New Initiative to Support States to Monitor and Control Healthcare Spending

The Peterson Center on Healthcare announced a new \$2.7 million grant to the Milbank Memorial Fund to support efforts to set and track healthcare spending targets at the state level.

SEP 15, 2020 [Read More](#)

Peterson Center on Healthcare Expands Partnership with Rhode Island and Brown University on Data-Driven Healthcare Transparency

The innovative project builds on the success of state-level collaboration aimed at curbing rising healthcare costs and improving delivery.

OCT 21, 2019 [Read More](#)

Rhode Island Healthcare Cost Trends Project Unites Providers, Payers, Policymakers, and Consumers Around Shared Vision for Improving Healthcare Performance

Funded by the Peterson Center on Healthcare, this unique collaboration serves as a model for data-driven healthcare cost trend analysis.

FEB 6, 2019 [Read More](#)

Peterson Center on Healthcare Partners with Rhode Island and Brown University on Innovative Healthcare Data Transparency Initiative

The State of Rhode Island and Brown University will study healthcare cost trends in order to improve how care is delivered throughout the state.

Overview: Peterson-Milbank Program for Sustainable Health Care Costs

[Read More](#)

Making Health Care More Affordable: A Playbook for Implementing a State Cost Growth Target

[Read the Playbook](#)

Overview: The Rhode Island Healthcare Cost Trends Project

[Read the Project Overview](#)

Rhode Island's Cost Trends Project: A Case Study on State Cost Growth Targets

[Read the Report](#)

For More Information

For more information on the Center's efforts to address unsustainable healthcare costs, please contact Frederica Stahl at fstahl@petersonhealthcare.org.



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