The State of Delaware

Senate Substitute 2 for Senate Bill 1 (SS2 for SB1)
Primary Care Services Reform

Cost Projections

August 24, 2026

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Background

Senate Substitute 2 for Senate Bill 1 (SS2 for SB1) Primary Care Services Reform

- SS2 for SB1 expands the State of Delaware's (SOD) primary care investment and value-based care requirements across multiple markets, including the State Group Health Insurance Plan (GHIP).
- The bill establishes minimum primary care spending targets (ultimately 11.5% of total medical costs).
- The bill also implements reference-based pricing (RBP) requirements on hospital systems in Delaware, including limits tied to Medicare benchmarks for certain hospital facility services.
- SBO retained WTW to provide projected cost/savings estimates for the GHIP related to implementation of SS2 for SB1.
- Earlier proposed bill language limited the scope for GHIP to members attributed to care transformation programs. That language has been removed, and the current modeling reflects all non-Medicare membership within the GHIP.
- The cost projections shown in this presentation are based on the final bill language, as shared by SBO with WTW (including RBP cap levels and RBP exemptions for specified hospitals and/or service categories).
- All projections are intended to support policy comparison and provide directional insight, and should not be interpreted as final savings or procurement outcomes.

Long-term Projections

Long-term Projections – FY27 through FY35

	FISCAL YEAR								
Projected - Baseline	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**
Total Primary Care	$ 48,030,000	$ 52,000,000	$ 56,330,000	$ 61,050,000	$ 66,200,000	$ 71,810,000	$ 77,910,000	$ 84,570,000	$ 91,830,000
Total Primary Care - HCCs	(320,218)	(349,747)	(382,153)	(418,871)	(457,988)	(500,861)	(547,770)	(597,722)	(654,076)
Total Primary Care - Net of HCCs	47,709,782	51,650,253	55,947,847	60,631,129	65,742,012	71,309,139	77,362,230	83,972,278	91,175,924
Total Non-Primary Care	939,340,000	1,024,350,000	1,117,070,000	1,218,200,000	1,328,520,000	1,448,860,000	1,580,110,000	1,723,270,000	1,879,440,000
Total Non-Primary Care - HCCs	(167,417,818)	(190,249,664)	(215,577,588)	(253,938,886)	(294,114,298)	(349,116,315)	(407,888,219)	(481,104,354)	(562,730,413)
Total Non-Primary Care - Net of HCCs	771,922,182	834,100,336	901,492,412	964,261,114	1,034,405,702	1,099,743,685	1,172,221,781	1,242,165,646	1,316,709,587
Grand Total - Net of HCCs	819,631,964	885,750,590	957,440,259	1,024,892,243	1,100,147,714	1,171,052,825	1,249,584,011	1,326,137,924	1,407,885,512
Primary Care - Percent of Total	5.8%	5.8%	5.8%	5.9%	6.0%	6.1%	6.2%	6.3%	6.5%
Projected - With Primary Care Law	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**
Baseline Primary Care (Net of HCCs)	$ 47,709,782	$ 51,650,253	$ 55,947,847	$ 60,631,129	$ 65,742,012	$ 71,309,139	$ 77,362,230	$ 83,972,278	$ 91,175,924
Medicare Cap Savings	-	-	-	-	-	-	-	-	-
Increased Investment in Primary Care	-	-	10,150,619	17,984,906	29,904,293	38,796,613	51,944,681	57,788,711	58,239,358
Total Primary Care	47,709,782	51,650,253	66,098,467	78,616,035	95,646,306	110,105,753	129,306,911	141,760,989	149,415,283
Baseline Non-Primary Care (Net of HCCs)	771,922,182	834,100,336	901,492,412	964,261,114	1,034,405,702	1,099,743,685	1,172,221,781	1,242,165,646	1,316,709,587
Medicare Cap Savings	-	-	-	(36,250,000)	(39,150,000)	(73,260,000)	(79,130,000)	(106,120,000)	(114,610,000)
Savings from Better Primary Care Management	-	-	-	(2,750,077)	(7,857,128)	(16,631,639)	(28,565,887)	(45,102,383)	(52,251,542)
Total Non-Primary Care	771,922,182	834,100,336	901,492,412	925,261,037	987,398,573	1,009,852,047	1,064,525,894	1,090,943,263	1,149,848,046
Grand Total	819,631,964	885,750,590	967,590,878	1,003,877,072	1,083,044,879	1,119,957,799	1,193,832,805	1,232,704,252	1,299,263,328
Primary Care - Percent of Total	5.8%	5.8%	6.8%	7.8%	8.8%	9.8%	10.8%	11.5%	11.5%
Net Cost Impact									
General Fund	$ -	$ -	$ 6,801,000	$ (14,080,000)	$ (11,459,000)	$ (34,234,000)	$ (37,353,000)	$ (62,601,000)	$ (72,777,000)
Non-General Fund	-	-	3,350,000	(6,935,000)	(5,644,000)	(16,861,000)	(18,398,000)	(30,833,000)	(35,845,000)
Total	-	-	10,151,000	(21,015,000)	(17,103,000)	(51,095,000)	(55,751,000)	(93,434,000)	(108,622,000)
Cumulative	-	-	10,151,000	(10,864,000)	(27,967,000)	(79,062,000)	(134,813,000)	(228,247,000)	(336,869,000)

SS2 for SB1 provision details:

- Provides exemptions from the RBP requirements for hospitals meeting specified statutory criteria, currently expected to include TidalHealth Nanticoke, St. Francis, and Beebe, subject to applicable eligibility requirements
- Beginning July 1, 2029, non-exempt hospitals* subject to a 275 percent Medicare RBP** for non-emergency outpatient (hospital-based, ambulatory/freestanding, or physician-practice), and a 310 percent Medicare RBP for acute inpatient services and emergency department services
- Beginning July 1, 2031, non-exempt hospitals* subject to a 250 percent Medicare RBP** for non-emergency outpatient (hospital-based, ambulatory/freestanding, or physician-practice), and a 275 percent Medicare RBP for acute inpatient services and emergency department services
- Beginning July 1, 2033, non-exempt hospitals* subject to a 250 percent Medicare RBP** for acute inpatient services and emergency department services

**Non-exempt hospitals expected to include ChristianaCare, Bayhealth, and Nemours*

***Pediatric RBP rates for Nemours are modeled using approximate proxy benchmarks in the absence of published pediatric-specific RBP studies; results are illustrative*

Appendix – Data, Methods, and Assumptions

Data Sources

- Aetna and Highmark provided actual CY2025 and projected CY2026 allowed aggregate costs and PMPM costs, allocated to primary care and non-primary care services.
- Reference-based pricing savings estimates informed by the Brown University analysis, *Hospital Payment Caps Could Save State Employee Health Plans Millions While Keeping Hospital Operating Margins Healthy*, published in *Health Affairs* in December 2024, and the accompanying interactive modeling tool:
  - https://public.tableau.com/app/profile/jay.shroff6638/viz/PaymentCapAnalysis_17464640301400/Instructions
- Return on investment assumptions related to investment in advanced primary care reflect findings from the report, *Investment in Comprehensive Primary Care: Unlocking Savings in Delaware*, produced by the Office of Value-Based Health Care Delivery, Delaware Department of Insurance, and Freedman Healthcare.
- High-cost claimant incidence rates based on WTW Stop Loss Incidence and Benchmarking Tool, which estimates large claims incidence and severity based on data from the IBM MarketScan database.
- Merative, the GHIP's health data warehouse partner, provided spend data broken out by hospital and service category for CY2022 and CY2025.

Assumptions and Methods

- **Healthcare cost trend**: 8% per year
- **Headcount growth**: 1% per year
- **High-cost claimants (HCCs)**: HCCs are defined as members whose annual claims exceed $150,000. The number of HCCs is assumed to increase about 2% per year (higher than overall headcount growth) to reflect the leveraging effect of the static $150,000 threshold for defining HCCs.
- **Exclusions**: Per the State of Delaware Department of Insurance, projections exclude costs for HCCs and for prescription drug claims.
- **Primary care investment return on investment (ROI)**: Each dollar of additional primary care investment assumed to generate $0.25 of non-primary care savings in subsequent year, scaling up to $1.25 in 5th year after initial investment, targeting ultimate savings in FY2035 of about 3% of total medical spend (consistent with Freedman Healthcare study).
- **Reference-based pricing (RBP) savings**: RBP savings are informed by the Brown University study (baseline year 2022). The initial savings estimate was recalibrated using actual 2025 hospital spend data provided by Merative. Hospital spend was trended at 1% annually from 2025 through FY2029 and at 8% annually thereafter. Pediatric RBP impacts for Nemours are estimated using approximate proxy benchmarks in the absence of published pediatric-specific RBP studies, and are intended to provide directional insight only.