



Going Where the Money Is: Health Care Cost Drivers

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Cost Drivers: The Important and Not-So-Important

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Overall Drivers of Health Care Costs

- Price of care:
 - Payment per unit of care delivered
- Quantity of services:
 - The amount and mix (intensity) of care used



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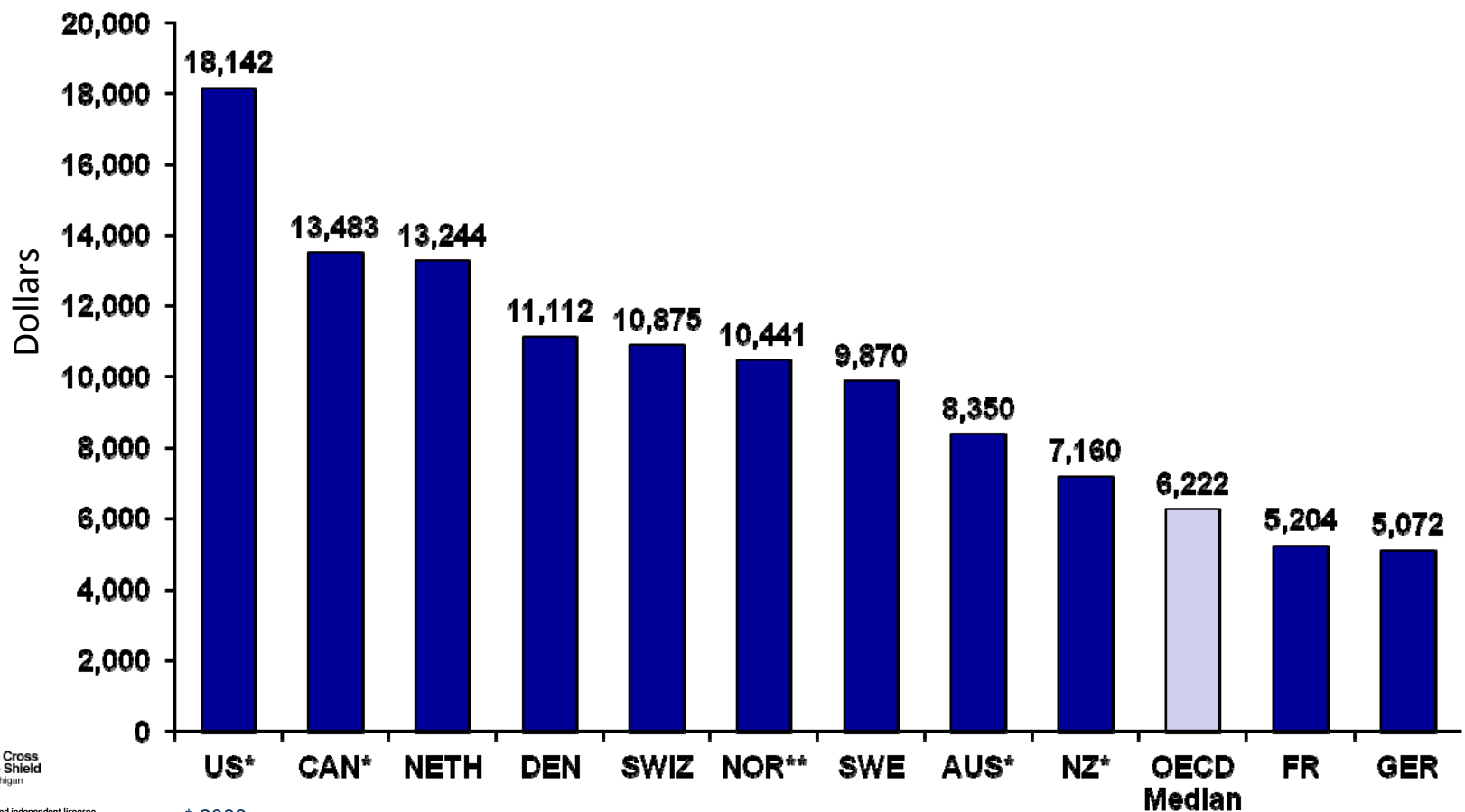


Price of Care

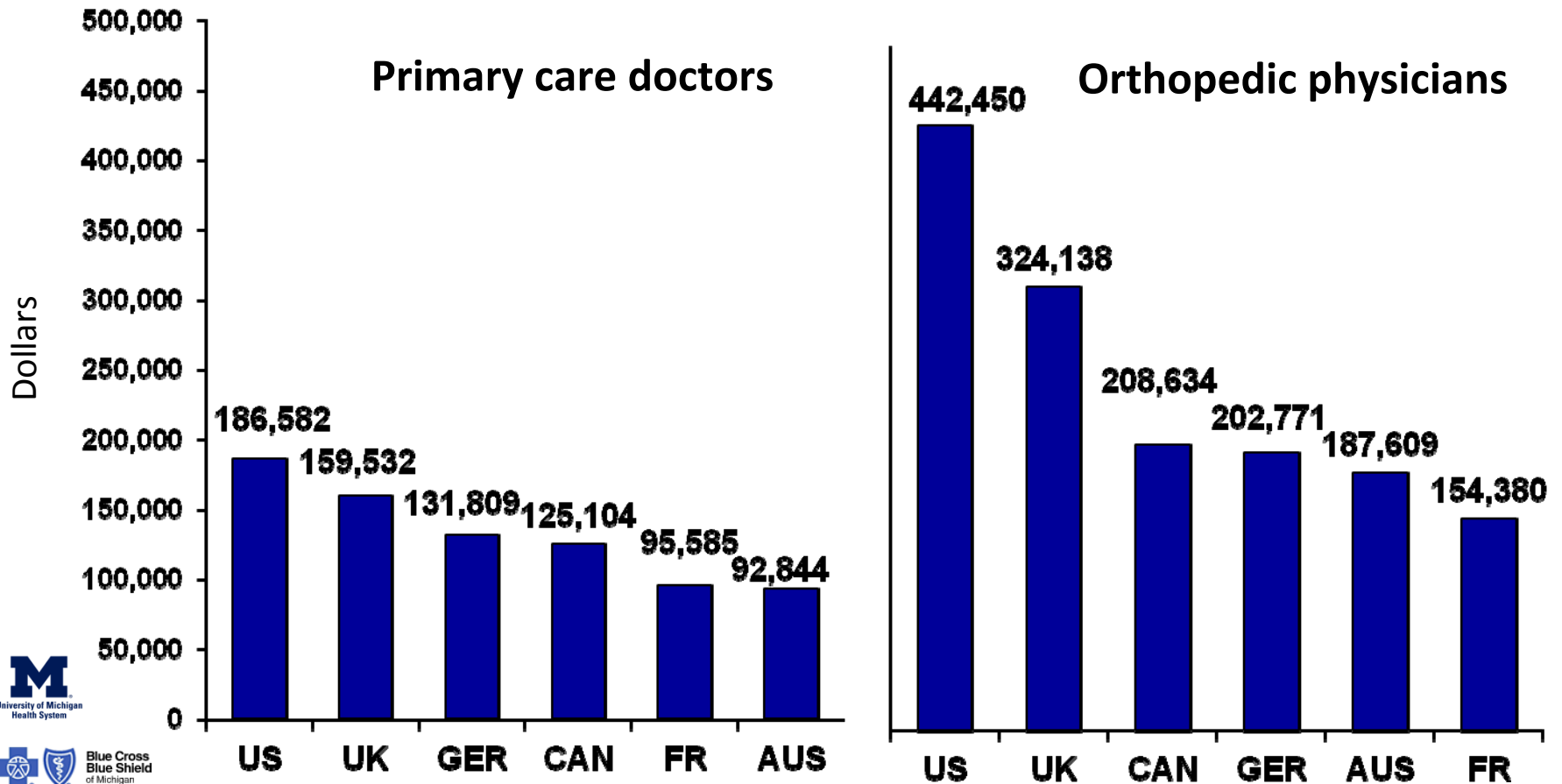


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Hospital Spending per Discharge, 2009 Adjusted for Differences in Cost of Living



Physician Incomes, 2008 Adjusted for Differences in Cost of Living



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International Federation of Health Plans, 2010 Comparative Pricing Report

Comparison Shopping

Average costs across public and private sectors, in dollars.

	Britain	Canada	France	Germany	U.S.
M.R.I. scan	\$ 187	304	398	632	1,009
Cataract surgery	1,299	927	3,352	N.A.	3,161
Normal childbirth	2,792	2,667	3,768	2,147	8,435
Appendectomy	3,456	3,810	2,795	3,285	13,123
Avg. hospital stay	N.A.	7,707	4,715	4,718	14,427
Hip replacement	9,637	10,753	12,629	15,329	34,454
Bypass surgery	13,998	22,212	16,325	27,237	59,770



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Other Drivers



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The Cost of Health Care: How Much is Waste?

- \$2.5 trillion spent in the U.S. on health care in 2009, of which \$765 billion (30 percent) was waste.

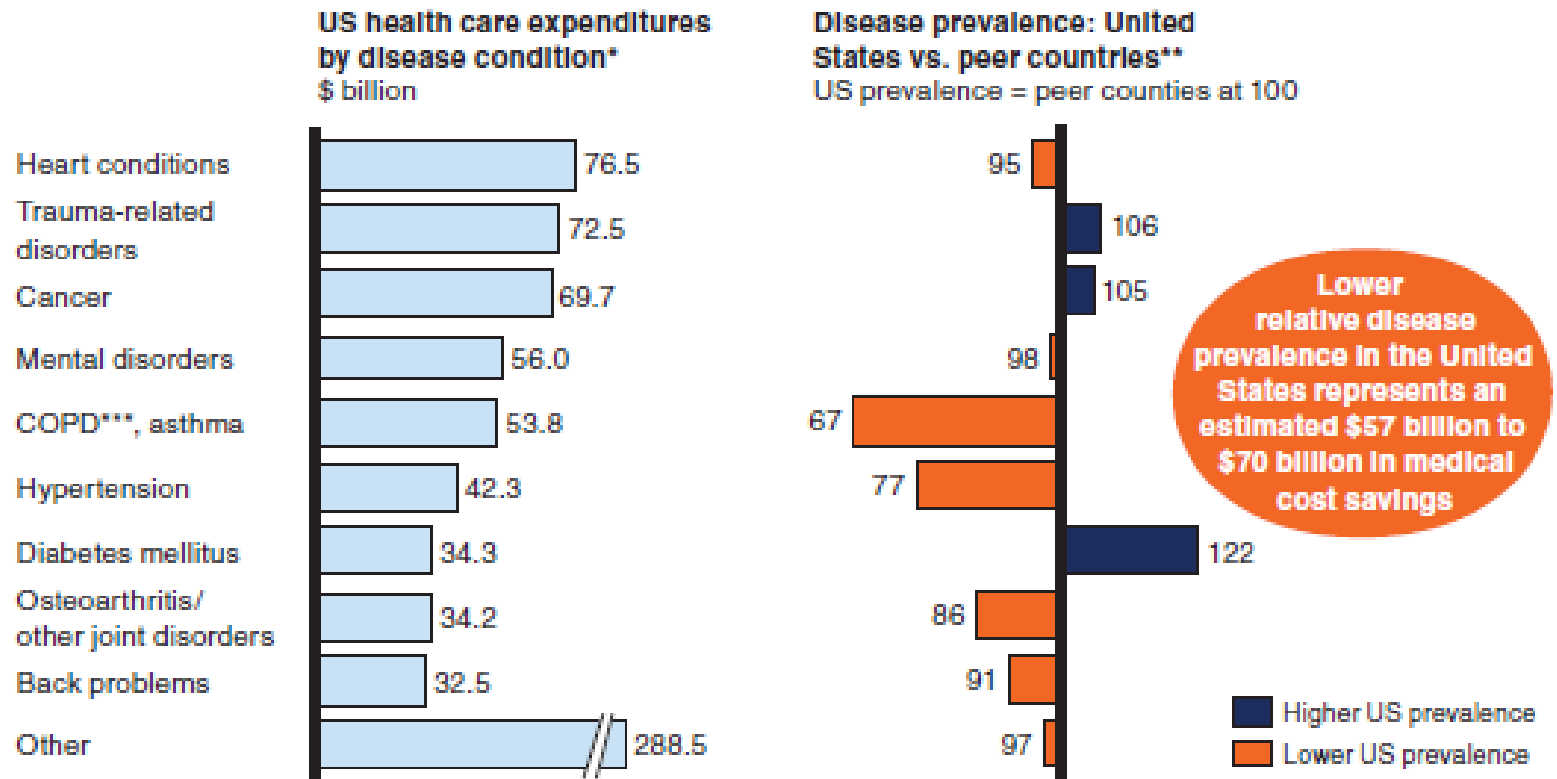


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SOURCE: Institute of Medicine (IOM). The Healthcare Imperative. Lowering Costs and Improving Outcomes. Infographic, 2010 (<http://www.iom.edu/reports/2011/~media/Files/widget/VSRT/healthcare-waste.swf>).

Are U.S. Health Care Costs Higher Because Americans are Sicker?

U.S. disease prevalence compared to peer countries



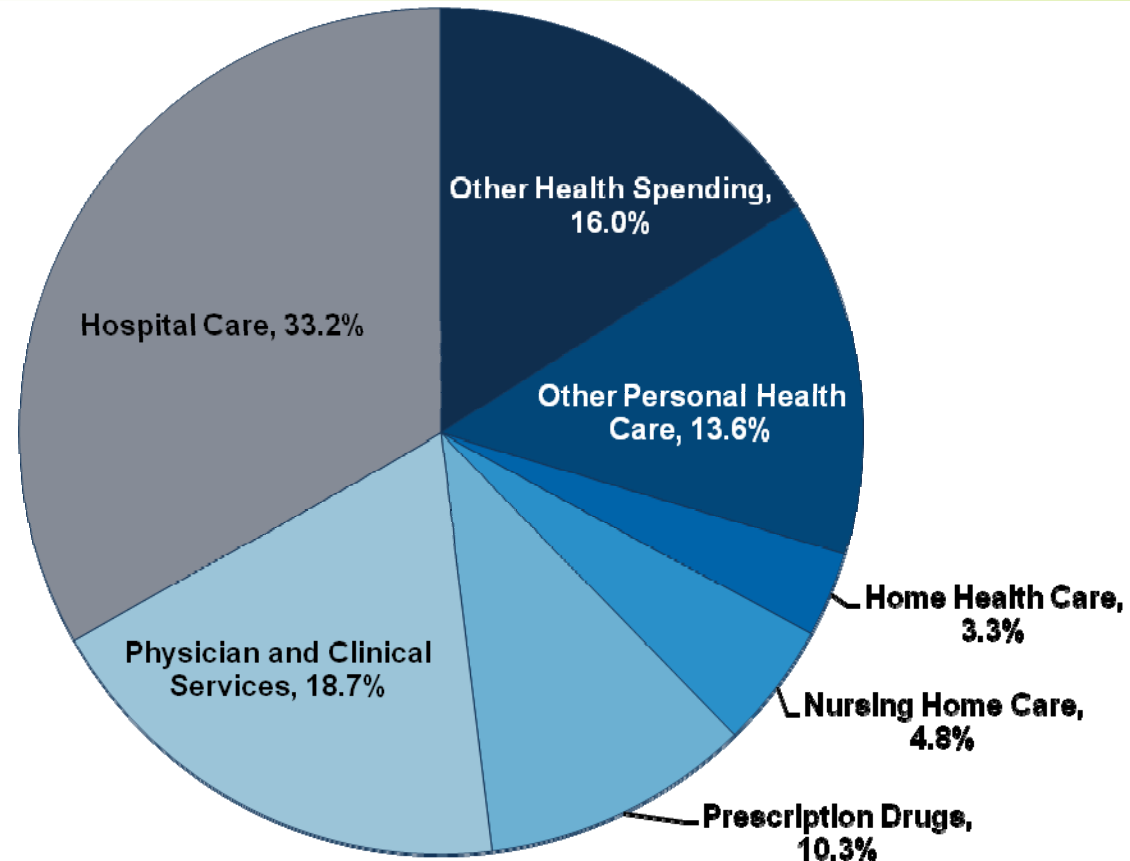
* Includes 35 or 60 medical conditions surveyed by the U.S. Medical Expenditure Panel Survey; the costs of these diseases represent 35 percent of total U.S. health expenditures.

** Peer countries are France, Germany, Italy, Spain and the United Kingdom.

*** Chronic obstructive pulmonary disease

SOURCE: Institute of Medicine (IOM). The Healthcare Imperative. Lowering Costs and Improving Outcomes. Workshop Series Summary, 2010 (p. 80).

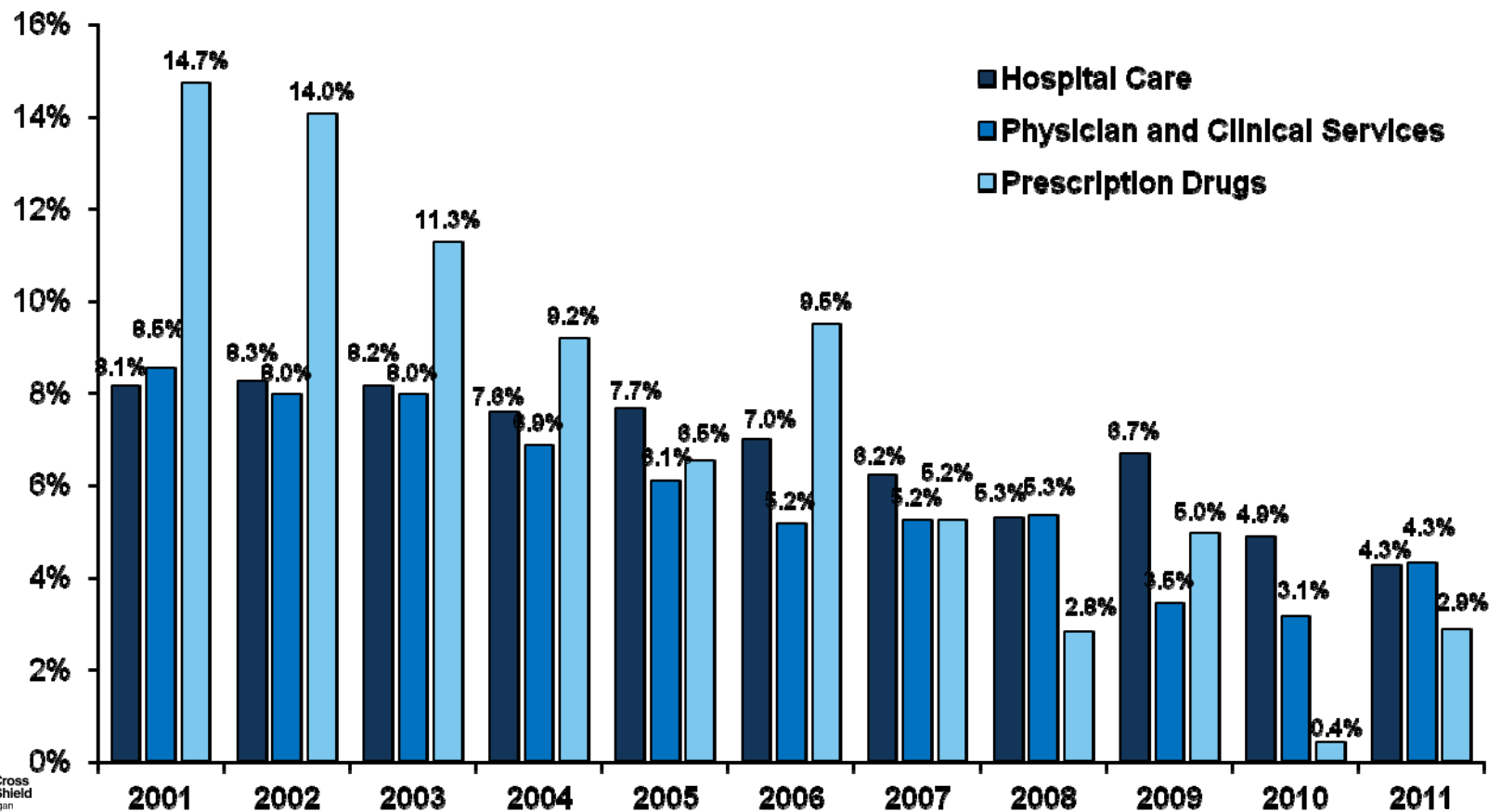
Relative Contributions of Different Types of Health Services to Total Growth in National Health Expenditures, 2001-2011



NOTE: Percentages may not total 100% due to rounding. Other Personal Health Care includes, for example, dental and other professional health services, durable medical equipment, etc. Other Health Spending includes, for example, administration and net cost of private health insurance, public health activity, research, and structures and equipment, etc.

SOURCE: Kaiser Family Foundation calculations using NHE data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (see Historical; National Health Expenditures by type of service and source of funds, CY 1960-2011; file nhe2011.zip).

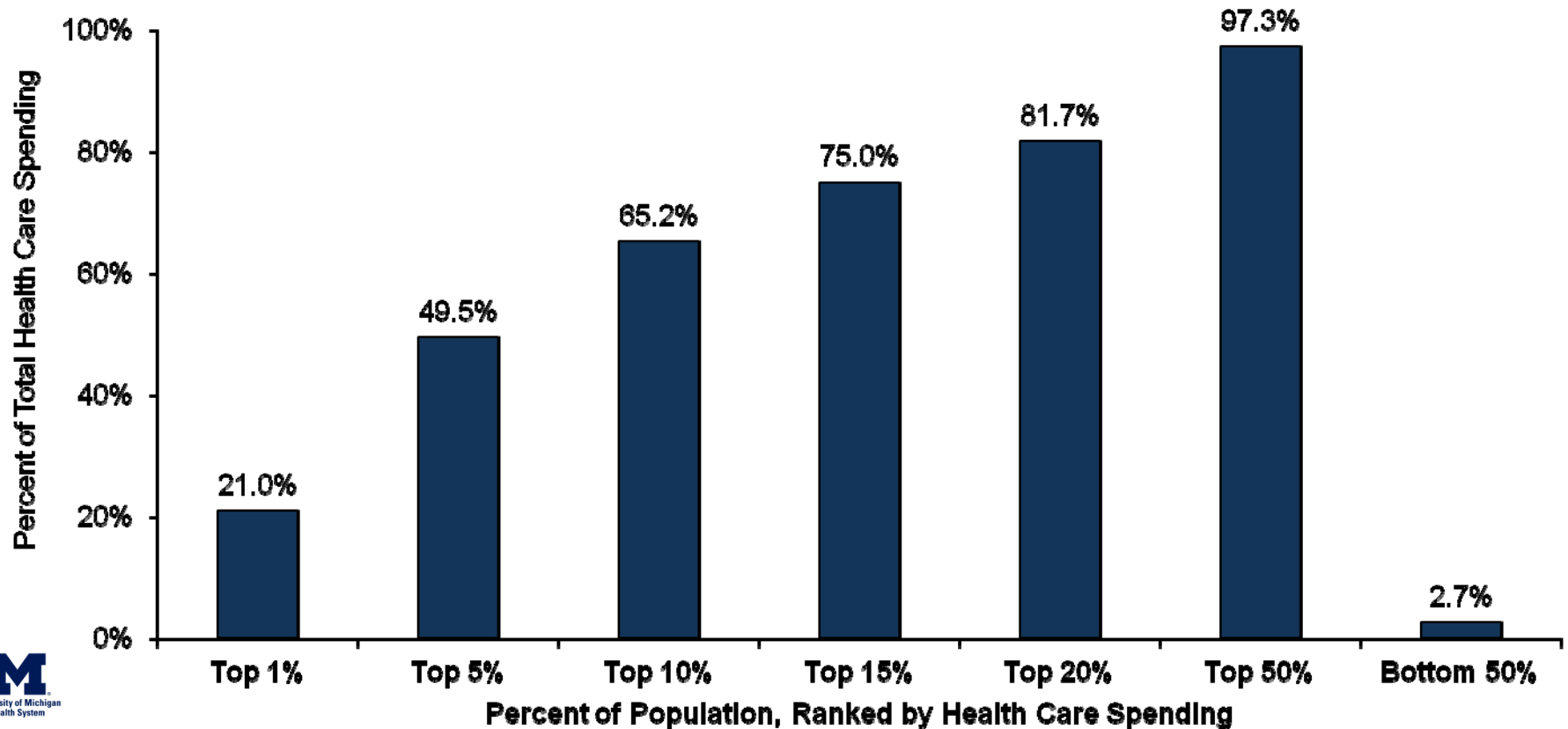
Average Annual Percentage Change in National Spending for Selected Health Services, 2001-2011



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SOURCE: Kaiser Family Foundation calculations using NHE data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (see Historical; National Health Expenditures by type of service and source of funds, CY 1960-2011; file nhe2011.zip).

Concentration of Health Care Spending in the U.S. Population, 2010



NOTE: Dollar amounts in parentheses are the annual expenses per person in each percentile. Population is the civilian noninstitutionalized population, including those without any health care spending. Health care spending is total payments from all sources (including direct payments from individuals and families, private insurance, Medicare, Medicaid, and miscellaneous other sources) to hospitals, physicians, other providers (including dental care), and pharmacies; health insurance premiums are not included.

SOURCE: Kaiser Family Foundation calculations using data from U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), Household Component, 2010.

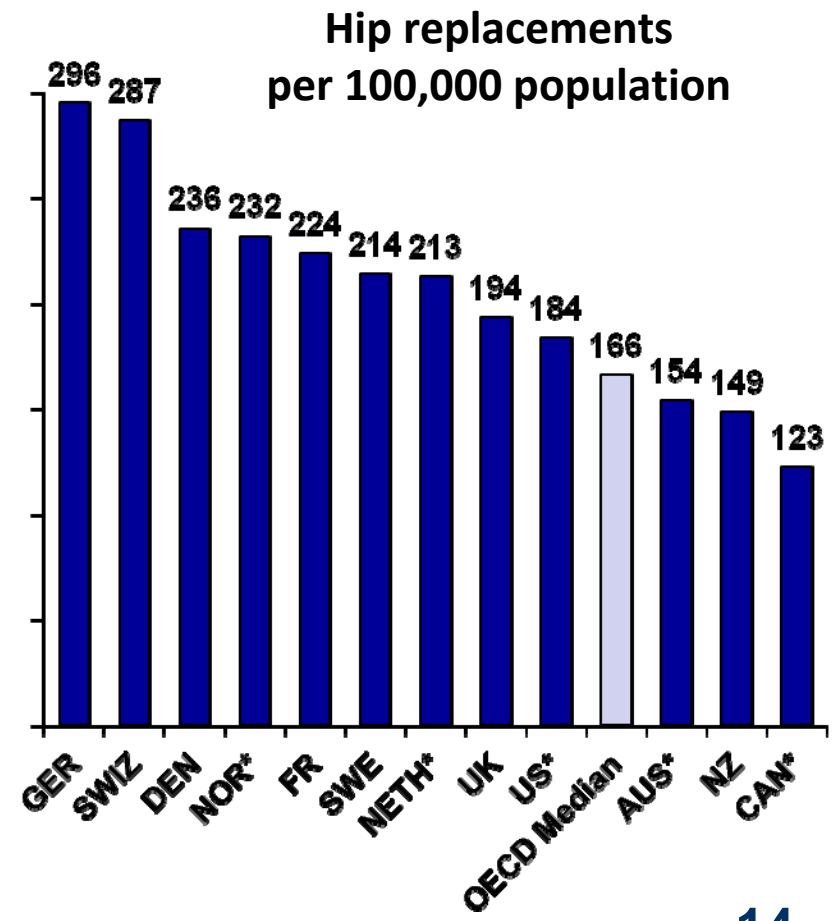
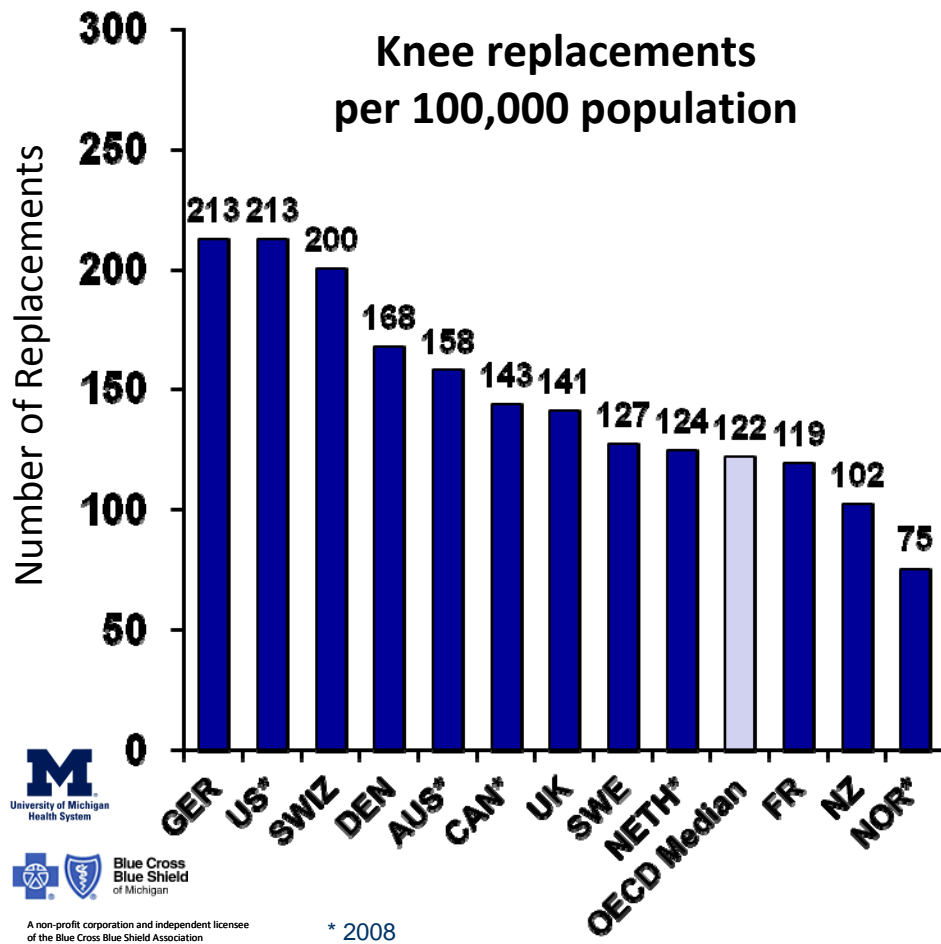


Use and Geographic Variation



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Volume of Knee and Hip Replacements, 2009

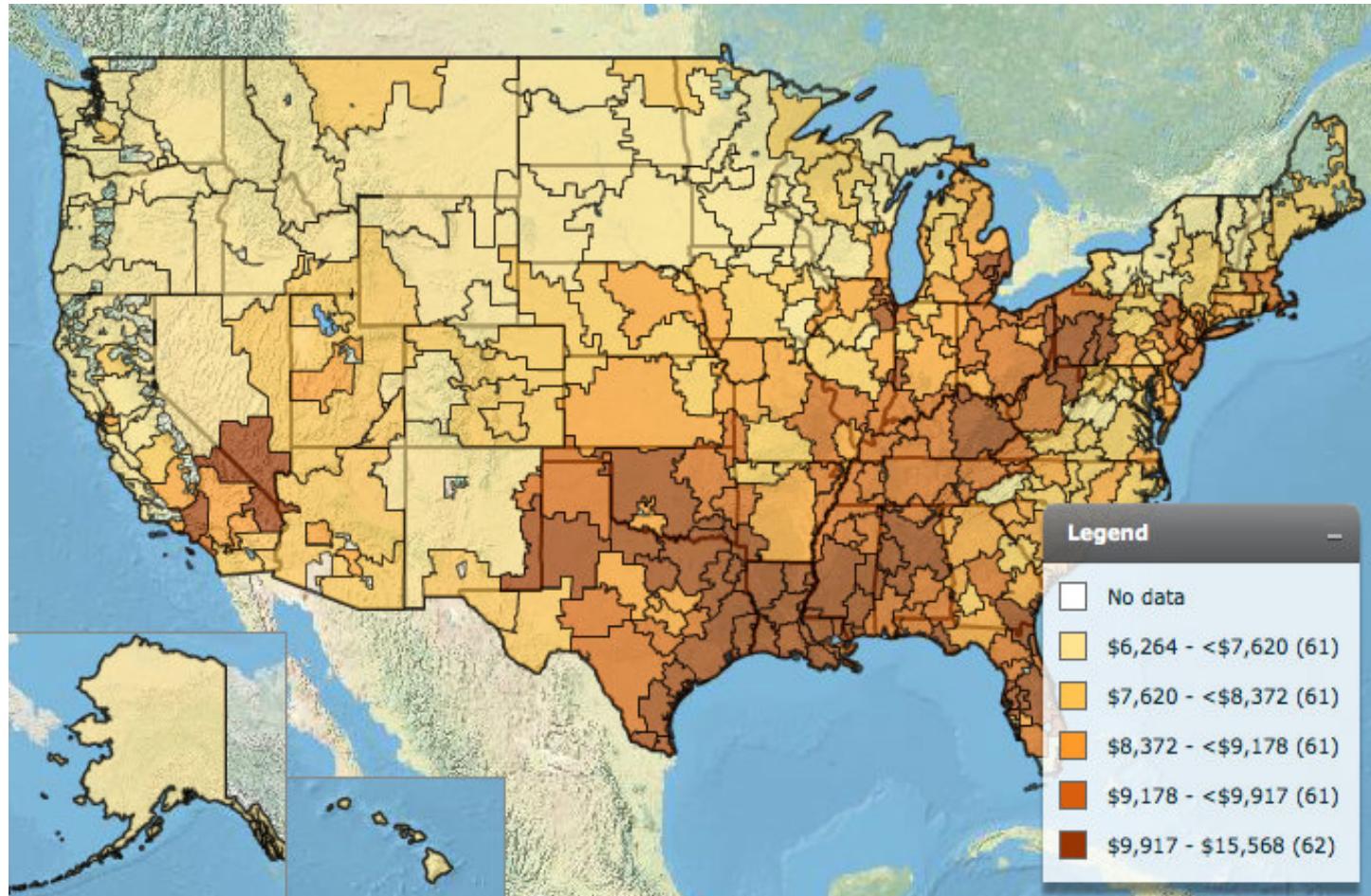


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* 2008
** 2007

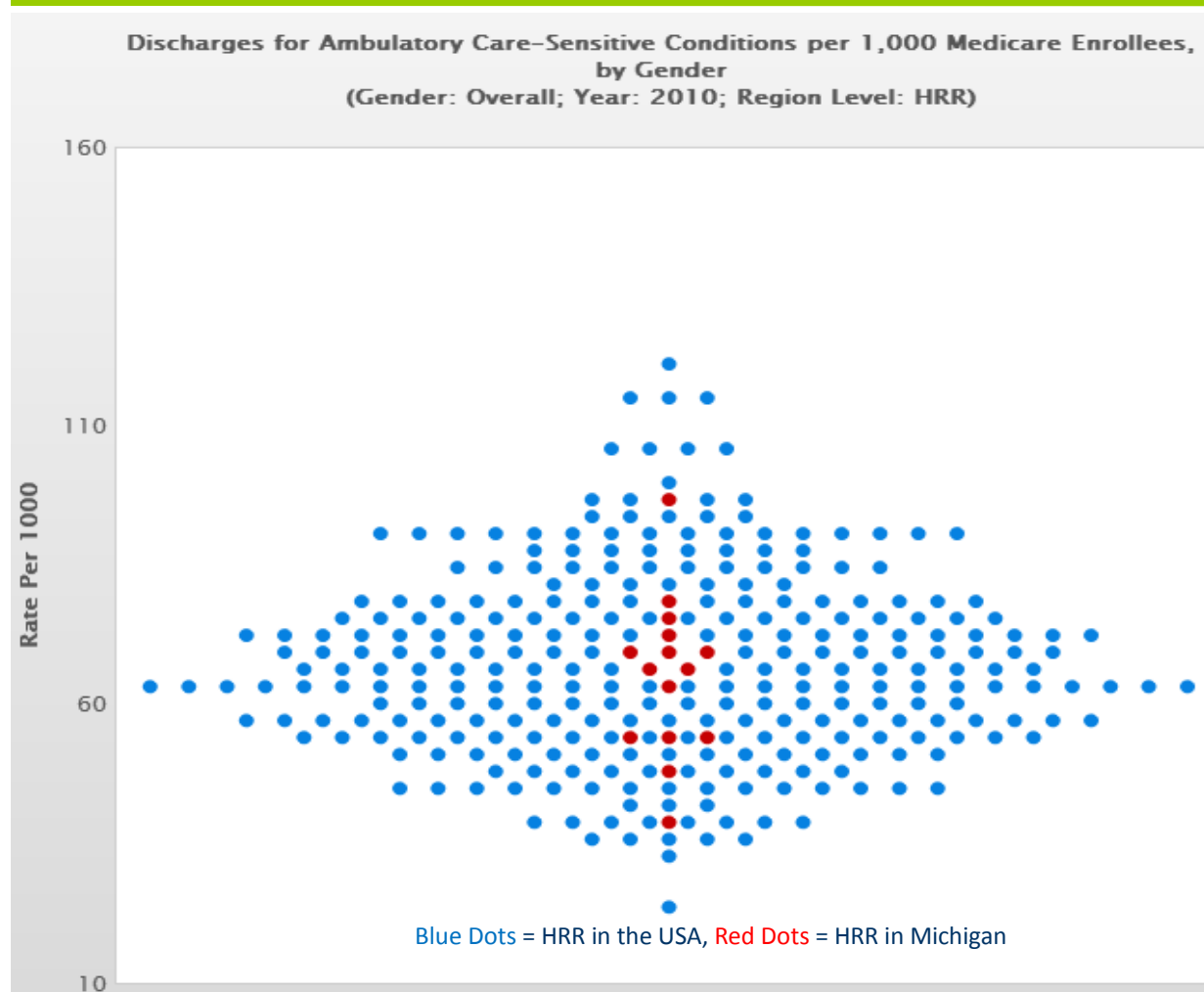
SOURCE: OECD Health Data 2011 (Nov. 2011).

Price-adjusted Medicare Payments Per Enrollee, 2008





Overall Variation, Medical Discharges, 2010

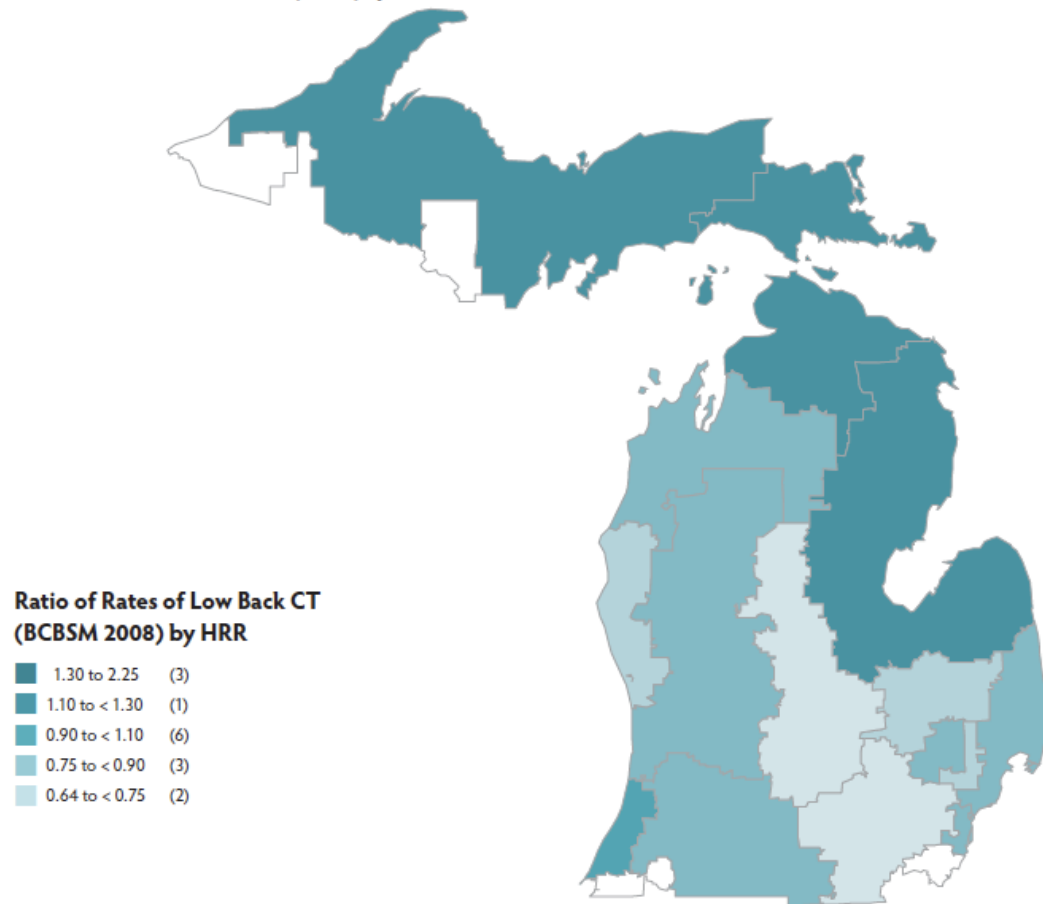


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SOURCE: The Dartmouth Atlas, www.dartmouthatlas.org.

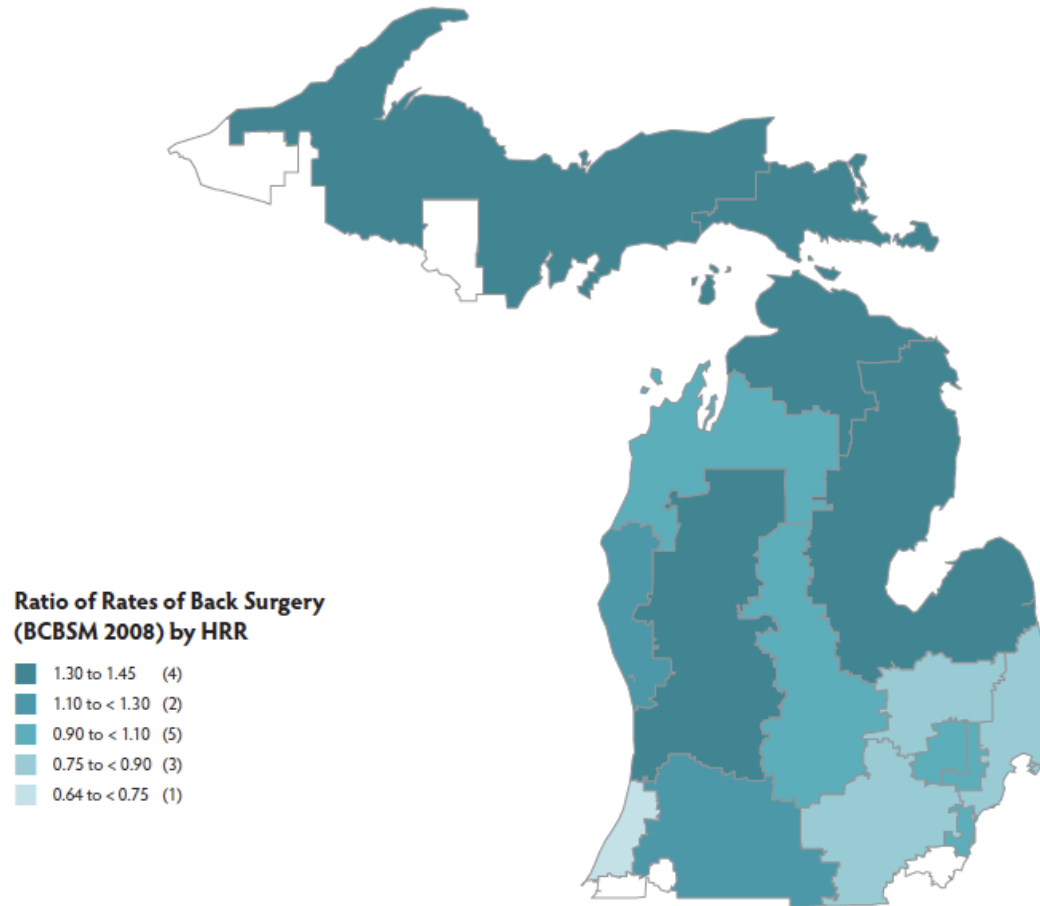
Low Back CT, 2008

FIGURE CB:1
BCBSM Low Back CT Utilization, 2008, by HRR



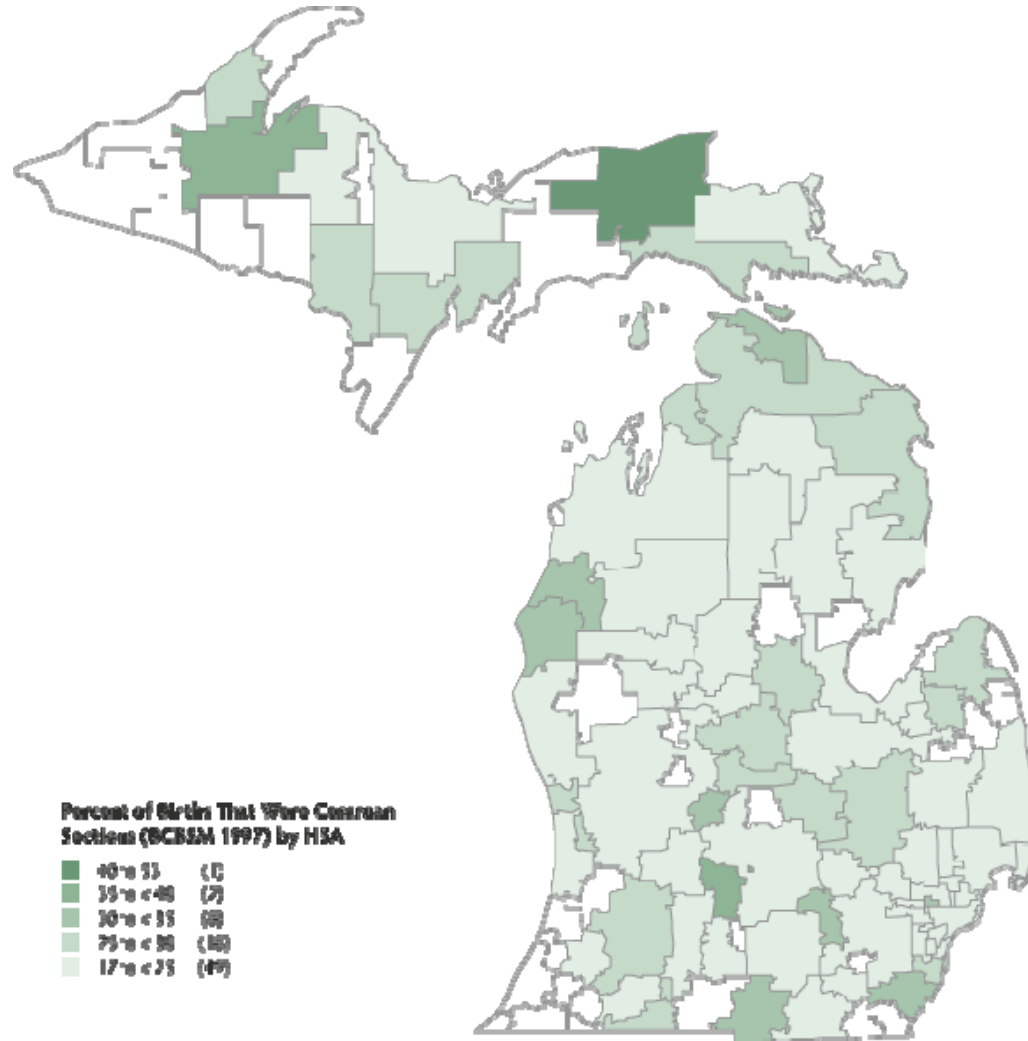
Back Surgery, 2008

BCBSM Back Surgery Utilization, 2008, by HRR



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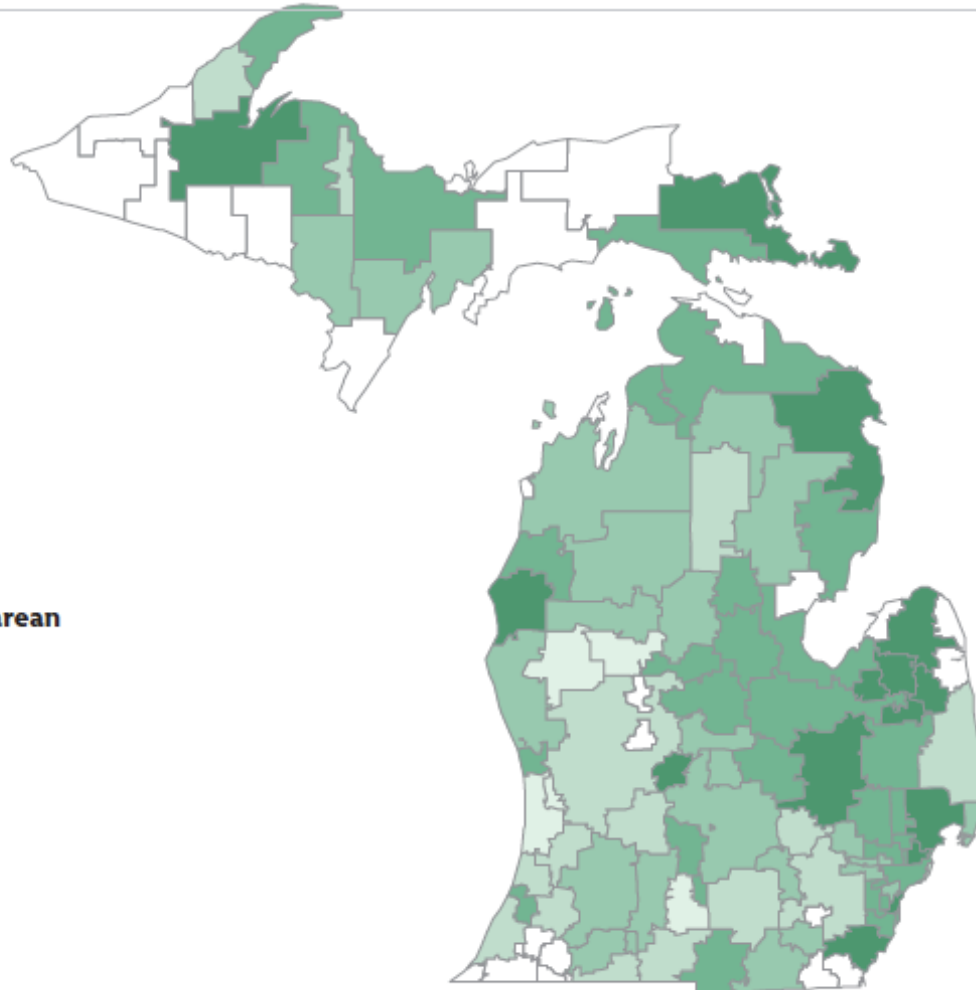
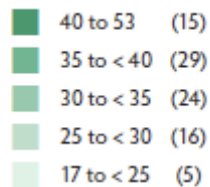
Cesarean Section, Blue Cross Blue Shield of Michigan, 1997



Cesarean Section, Blue Cross Blue Shield of Michigan, 2008

FIGURE CB:5
Proportion of Births
that were Cesarean Sections,
2008, by HSA¹¹

Percent of Births That Were Cesarean
Sections (BCBSM 2008) by HSA





Underlying Drivers

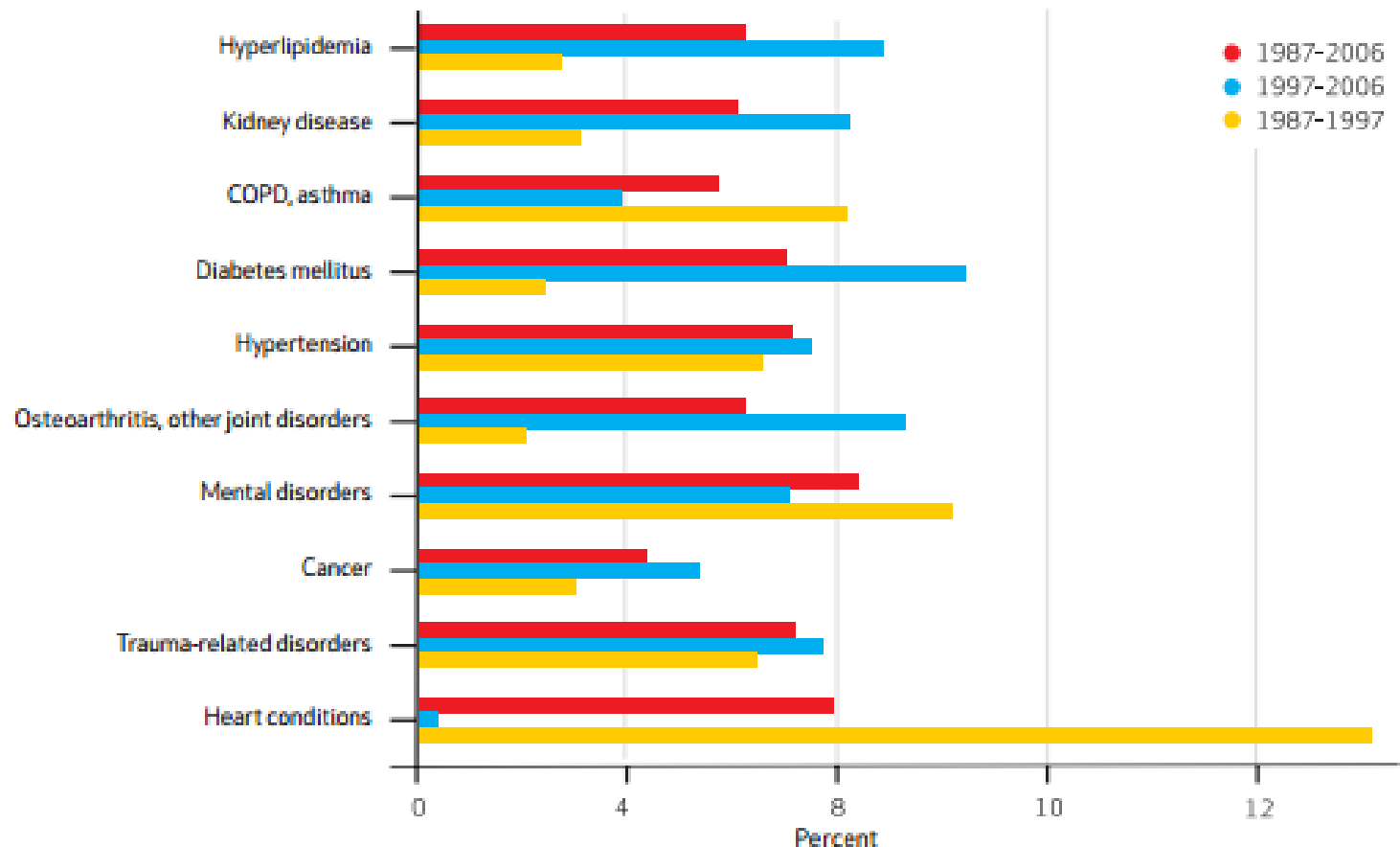
What Does The Research Say?



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Chronic Conditions Account for Rise in Medicare Spending

Contribution of key medical conditions to inflation-adjusted health care spending growth among Medicare beneficiaries, 1987-1997, 1997-2006, and 1987-2006





Estimated Contributions of Selected Factors to Long-term Growth in Real Health Care Spending per Capita, 1940 to 1990

	Smith, Heffler, and Freeland (2000)	Cutler (1995)	Newhouse (1992)
Aging of the Population	2	2	2
Changes in Third-Party Payment	10	13	10
Personal Income Growth	11-18	5	<23
Prices in the Health Care Sector	11-22	19	Not Estimated
Administrative Costs	3-10	13	Not Estimated
Defensive Medicine and Supplier-Induced Demand	0	Not Estimated	0
Technology-Related Changes in Medical Practice	38-62	49	>65



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