ALTARUM
HEALTHCARE VALUE HUB

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Welcome to:

WILL THE REAL COST DRIVER PLEASE STAND UP?

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Welcome and Introduction

Lynn Quincy

Director, Healthcare Value Hub

Housekeeping

- **Thank you for joining us today!**
- **All lines are muted until Q&A**
- **Webinar is being recorded**
- **Technical problems? Use the Chat function in the webinar**

Agenda

- **Welcome & Introduction**
  - **Lynn Quincy** (Altarum, Healthcare Value Hub)
- **What Does the Data Say?**
  - **Joe Dieleman** (Institute for Health Metrics & Evaluation, University of Washington)
- **Why is This Important?**
  - **Larry Levitt** (Kaiser Family Foundation)
- **Q & A**

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JOSEPH DIELEMAN

Assistant Professor

Institute for Health Metrics and Evaluation

University of Washington

Measuring the factors that drive increases in US health care spending; 1996-2013

Joseph Dieleman, PhD

dieleman@uw.edu

UNIVERSITY of WASHINGTON

Institute for Health Metrics and Evaluation

Key objectives:

- *Understand the data used to measure health care spending increases*
- *Assess the key drivers of health care spending increases*

Presentation will draw from 2 published papers:

JAMA | Original Investigation

US Spending on Personal Health Care and Public Health, 1996-2013

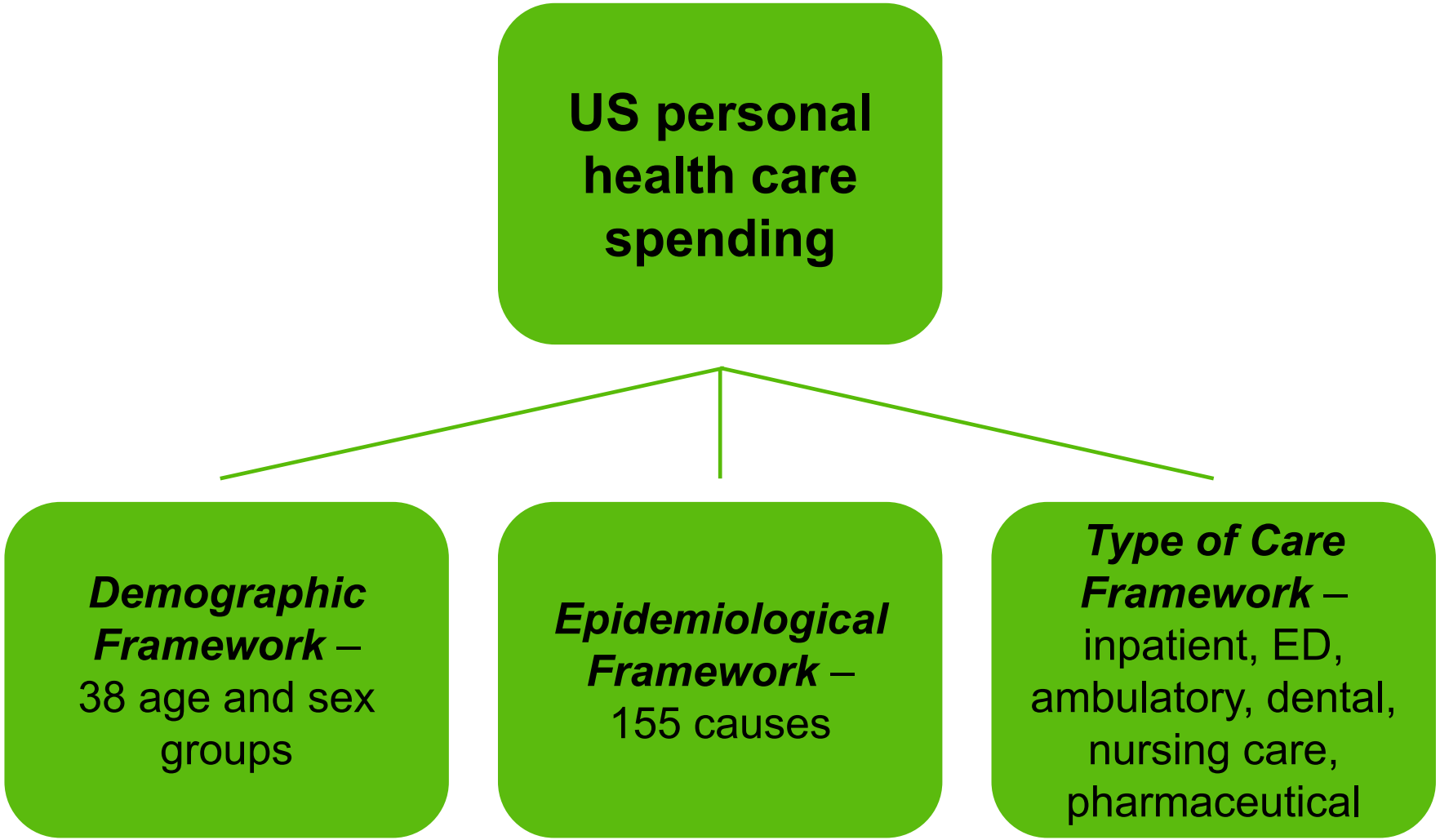
Joseph L. Dieleman, PhD; Ranju Baral, PhD; Maxwell Birger, BS; Anthony L. Bui, MPH; Anne Bulchis, MPH; Abigail Chapin, BA; Hannah Hamavid, BA; Cody Horst, BS; Elizabeth K. Johnson, BA; Jonathan Joseph, BS; Rouselle Lavado, PhD; Liya Lomsadze, BS; Alex Reynolds, BA; Ellen Squires, BA; Madeline Campbell, BS; Brendan DeCenso, MPH; Daniel Dicker, BS; Abraham D. Flaxman, PhD; Rose Gabert, MPH; Tina Highfill, MA; Mohsen Naghavi, MD, MPH, PhD; Noelle Nightingale, MLIS; Tara Templin, BA; Martin I. Tobias, MBBCh; Theo Vos, MD; Christopher J. L. Murray, MD, DPhil

JAMA | Original Investigation

Factors Associated With Increases in US Health Care Spending, 1996-2013

Joseph L. Dieleman, PhD; Ellen Squires, MPH; Anthony L. Bui, MPH; Madeline Campbell, BS; Abigail Chapin, BA; Hannah Hamavid, BA; Cody Horst, MPH; Zhiyin Li, MPS; Taylor Matyasz, MS; Alex Reynolds, BA; Nafis Sadat, MA; Matthew T. Schneider, MPH; Christopher J. L. Murray, PhD, DPhil

1. Data: US Disease expenditure project



2. Drivers: Of health care spending increases

Five factors:

1. Population size
2. Population age structure
3. Disease incidence and prevalence
4. Service utilization
5. Service price and intensity

Methods: demographic decomposition

Interactive visualization to explore the data

www.vizhub.healthdata.org/dex/

Conclusions

- **Health care spending has increased dramatically** for 143 of 155 health conditions between 1996 and 2013, although the drivers of health care spending increases vary for each type of care and each health condition.

- **Inpatient care spending** has gone up because of increases of service price and intensity, **ambulatory care spending** has gone up because of increases in service utilization.

- **Diabetes** and **low back and neck pain** are the two health conditions with the greatest increases in spending, but have distinct drivers of increases.

Next steps for this research

- **Split spending by payer**
- **Use five health spending drivers to estimate future health care spending**
- **Split spending by US state and socioeconomic groups**
- **Compare disease-specific spending with other high-income countries**

IHME

PETERSON CENTER ON HEALTHCARE

Thank you.

Joseph Dieleman, PhD

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LARRY LEVITT

Senior Vice President for Health Reform

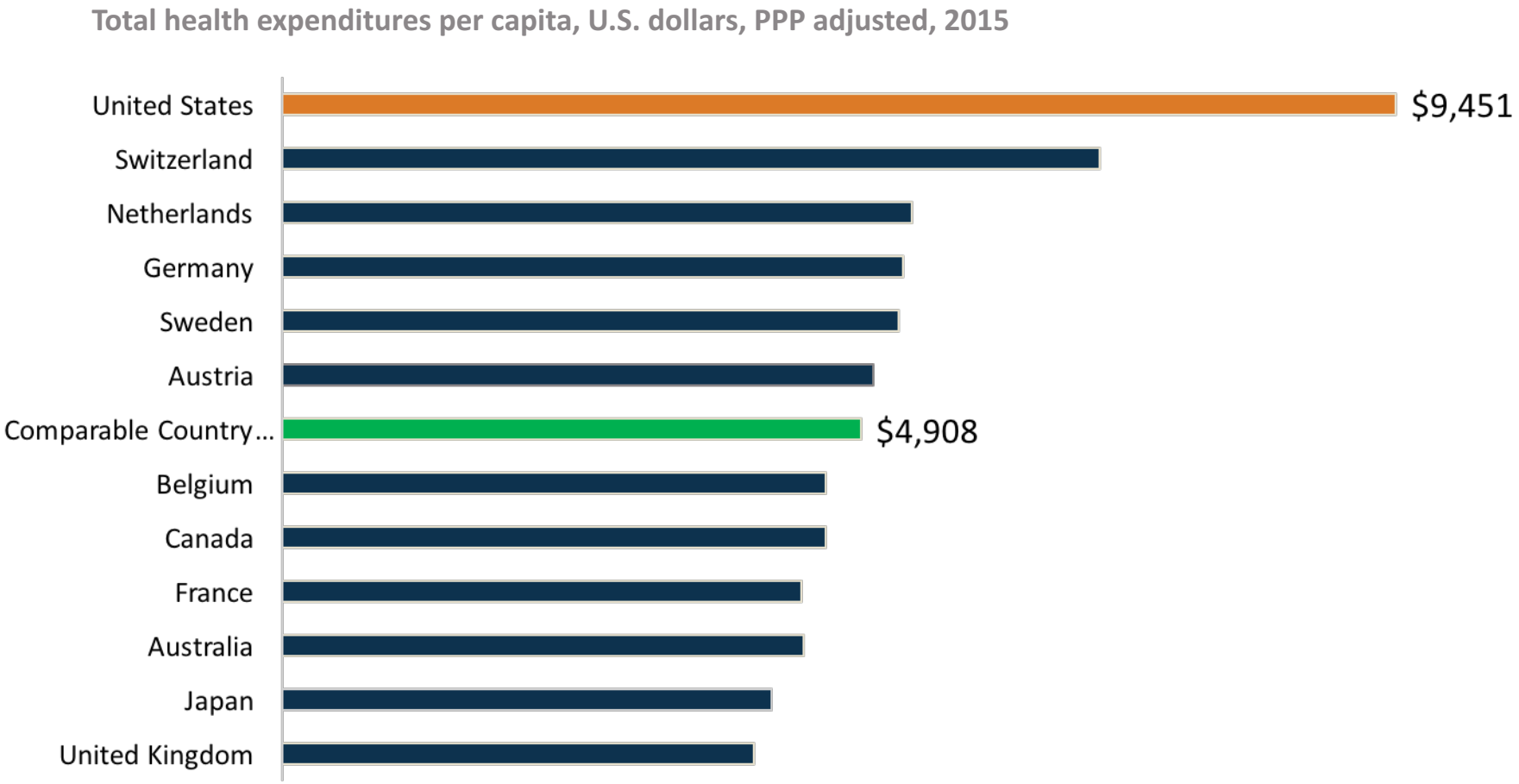
Kaiser Family Foundation

Perspectives on the growth in health care costs and what could be done about it

January 19, 2018

Larry Levitt
Senior Vice President
Kaiser Family Foundation
@larry_levitt

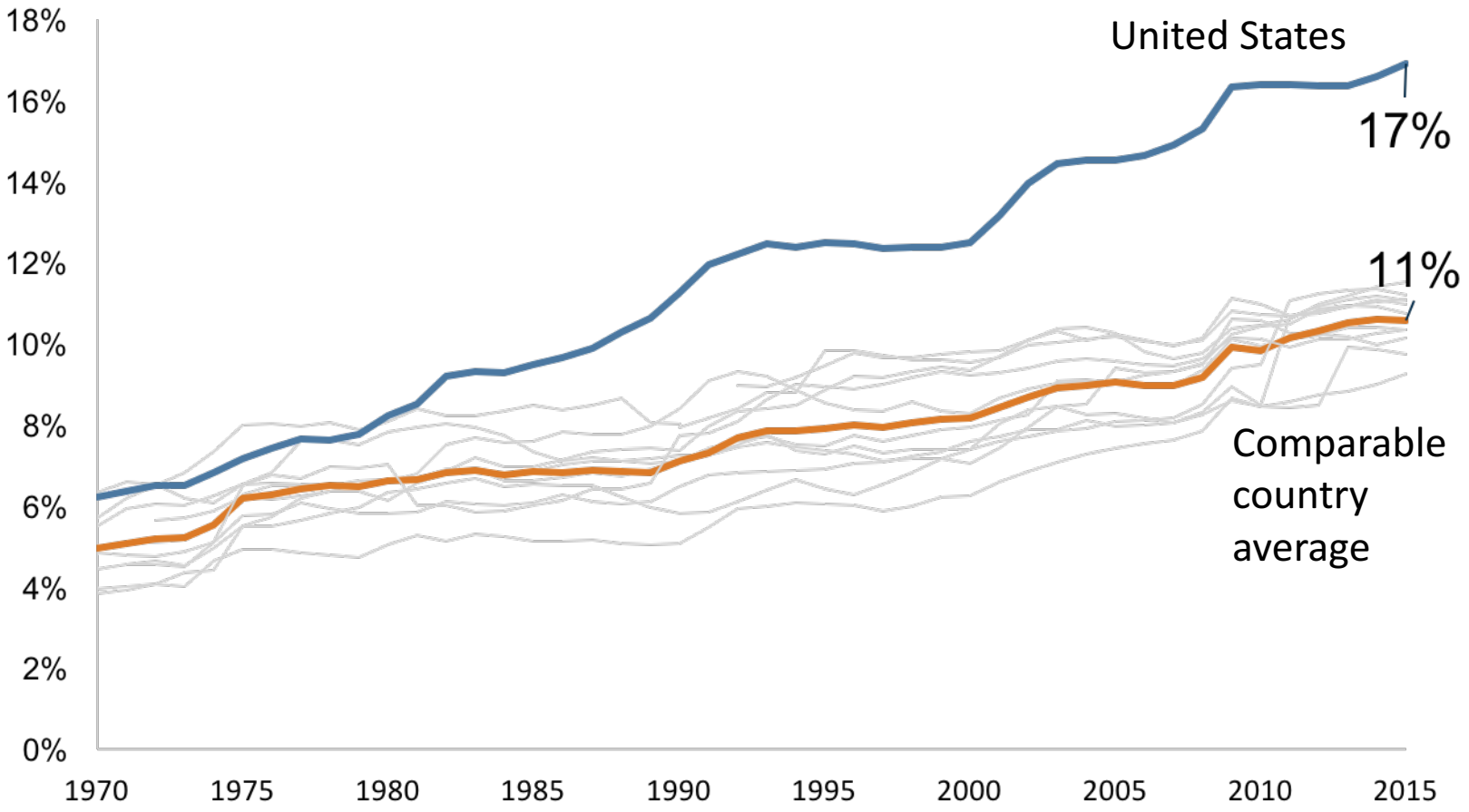
On average, other wealthy countries spend about half as much per person on health than the U.S. spends



Source: OECD (2017), "OECD Health Data: Health expenditure and financing: Health expenditure indicators", OECD Health Statistics (database). DOI: 10.1787/health-data-en (Accessed on March 19, 2017

The gap between the U.S. and comparable countries on health spending has widened

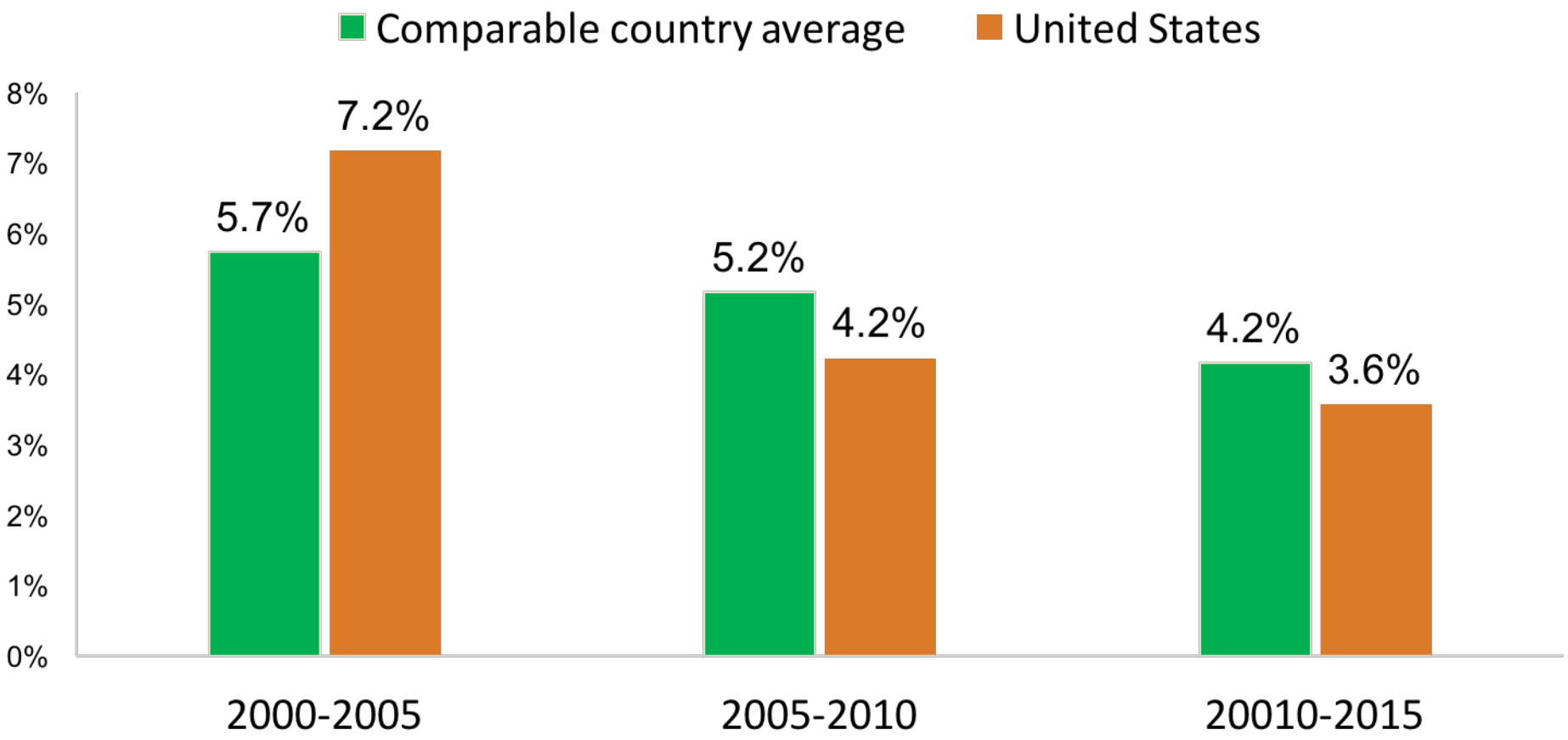
Total health expenditures as percent of GDP, 1970 – 2015



Source: Kaiser Family Foundation analysis of OECD data.

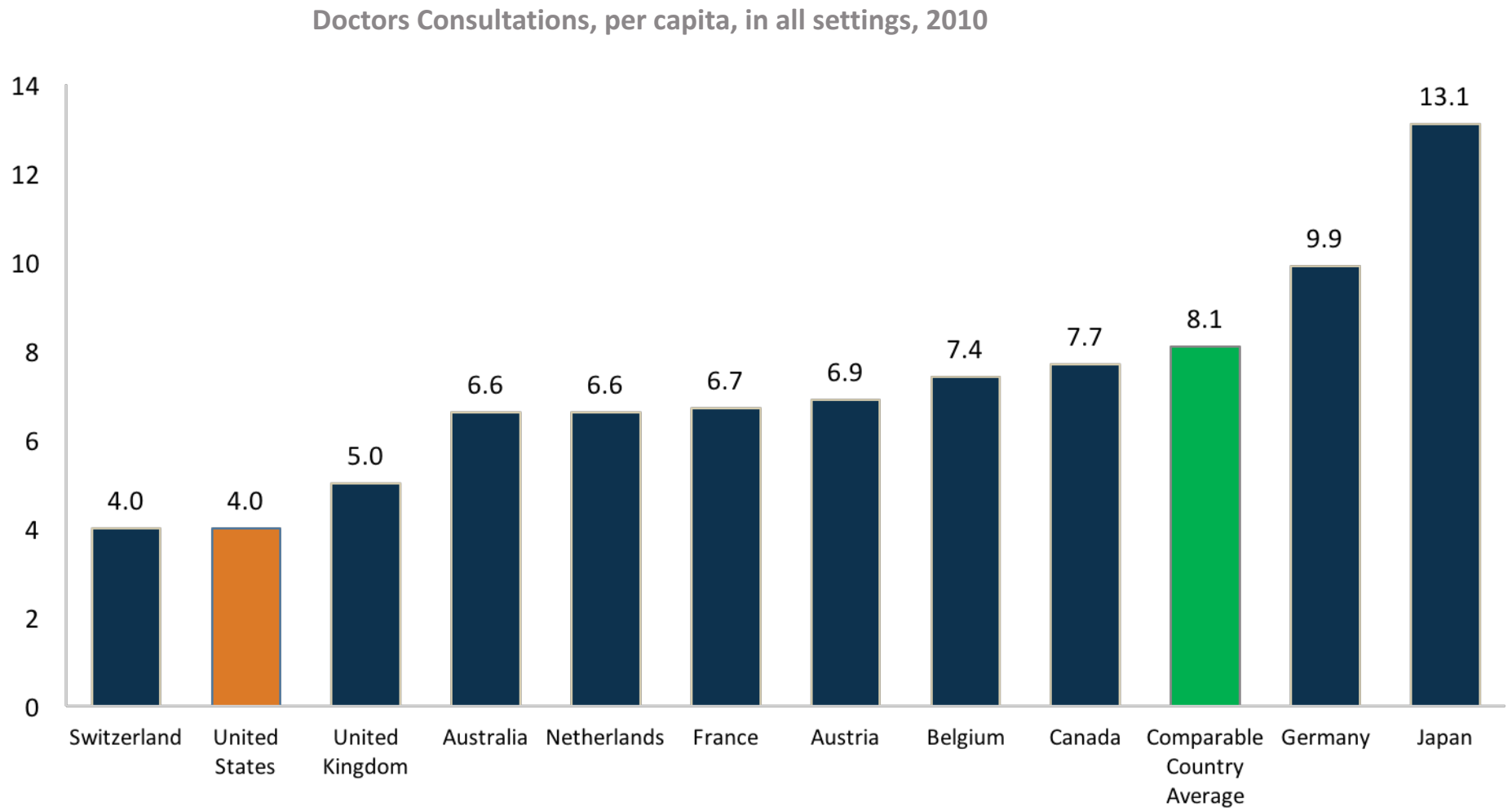
In recent years, health spending growth has slowed in the U.S. and in comparable countries

Average annual growth rate in total health expenditures per capita, U.S. dollars, PPP adjusted



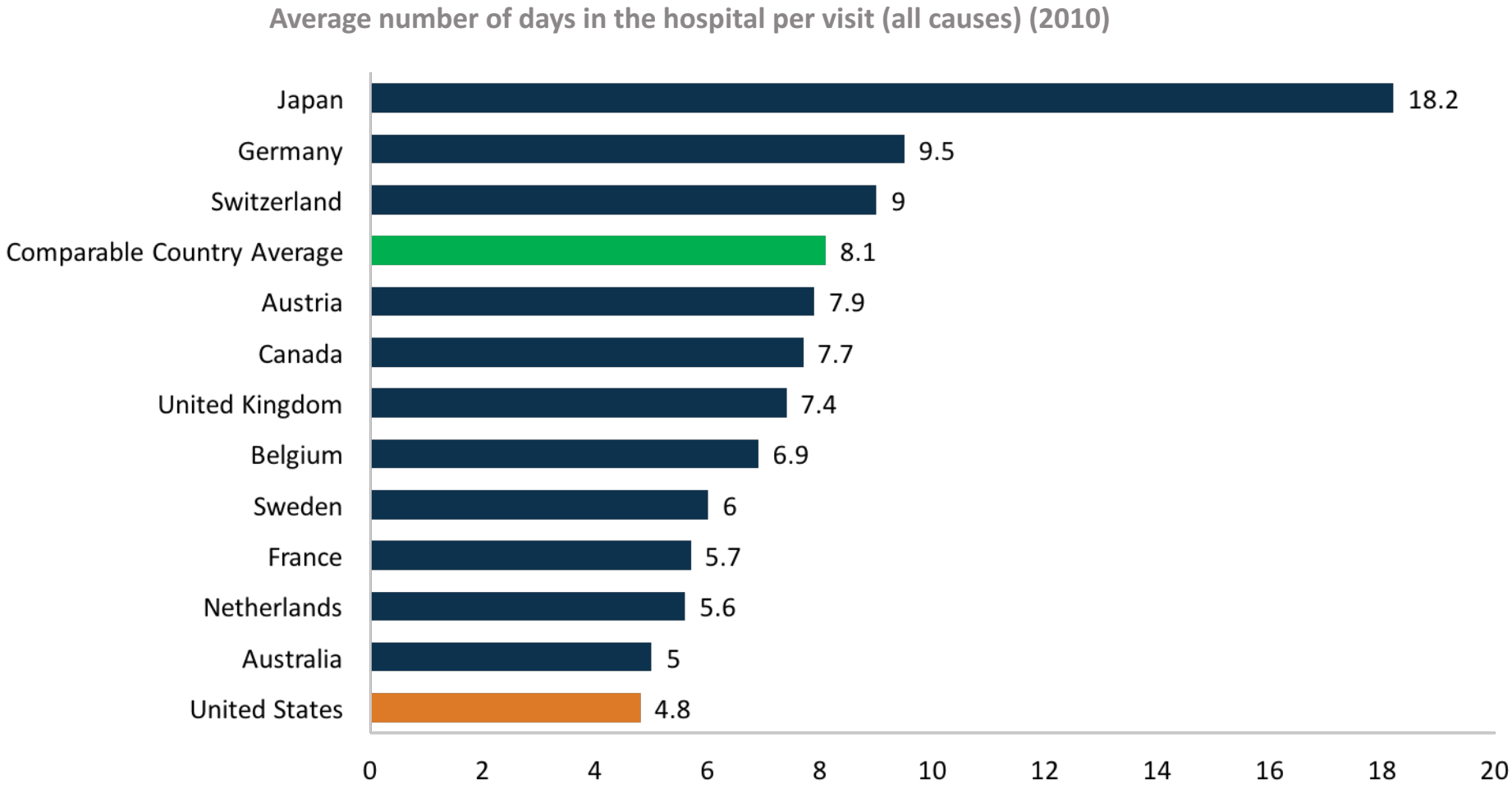
Source: OECD (2017), "OECD Health Data: Health expenditure and financing: Health expenditure indicators", OECD Health Statistics (database). DOI: 10.1787/health-data-en (Accessed on March 20, 2017). **Notes**: Available data are for Australia, Austria, Belgium, Canada, Japan, Netherlands, Sweden, Switzerland, and United Kingdom. These are the countries included in comparable country averages

The U.S. has fewer physician visits per capita than most comparable countries



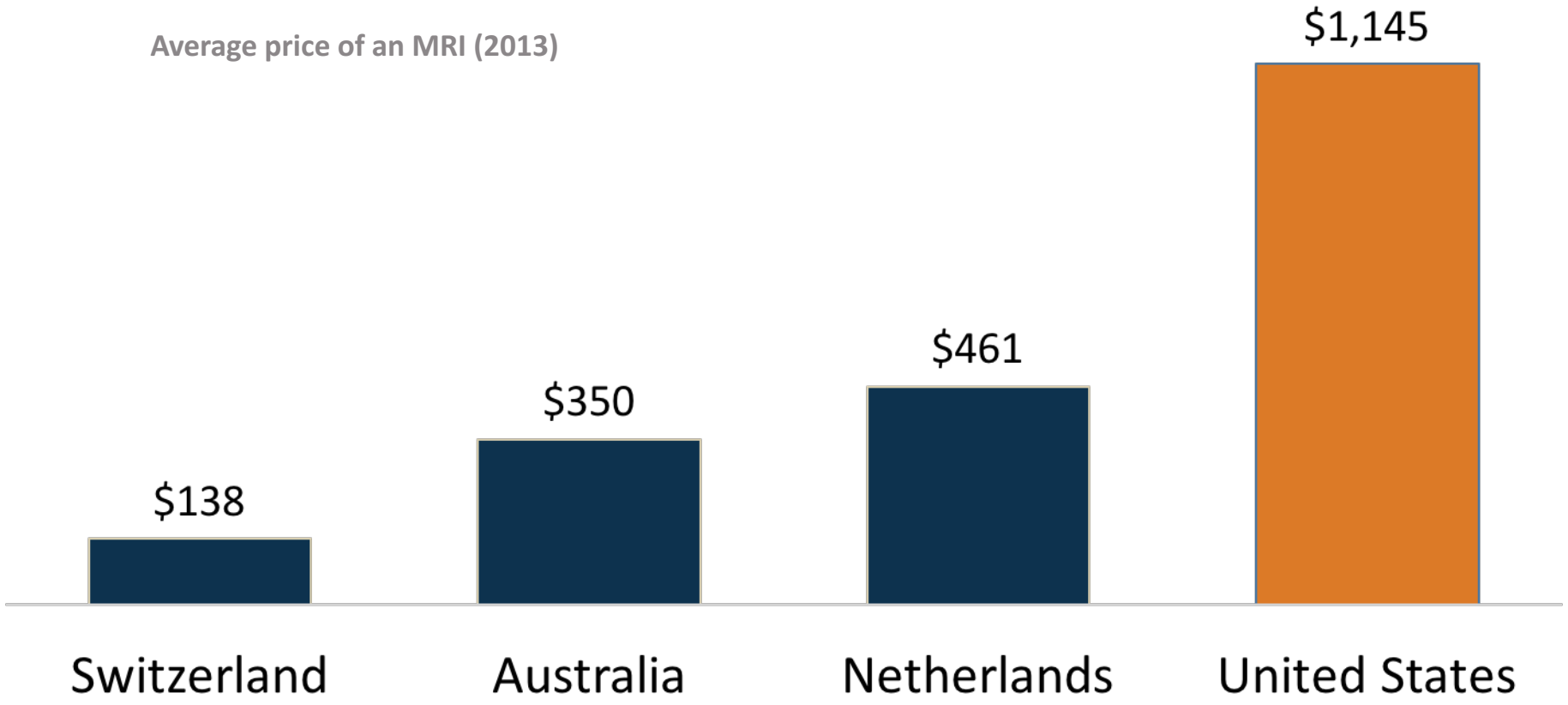
Source: OECD (2013), "OECD Health Data: Health care utilisation", OECD Health Statistics (database). doi: 10.1787/health-data-en (Accessed on October 29, 2014). **Notes**: In cases where 2011 data were unavailable, data from the countries' last available year are shown.

Patients in the U.S. have much shorter average hospital stays than patients in comparable countries



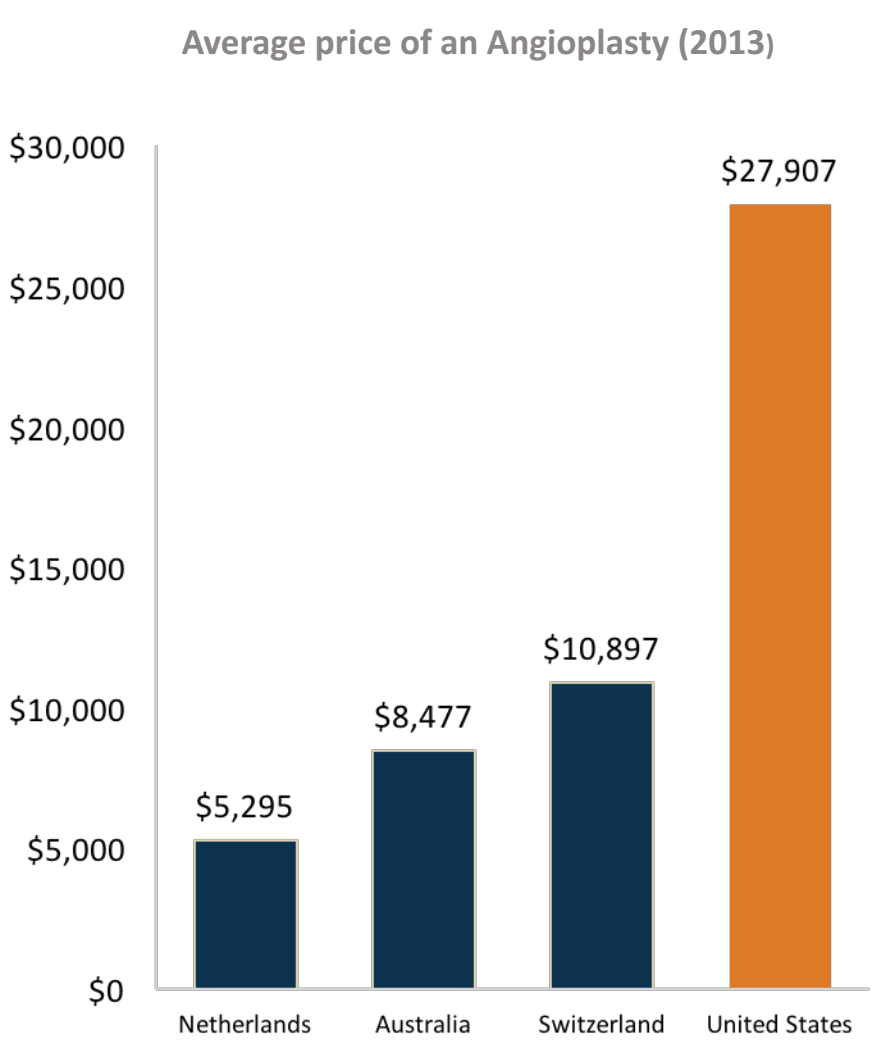
Source: Kaiser Family Foundation analysis of 2013 OECD data: "OECD Health Data: Health care utilisation", OECD Health Statistics (database). doi: 10.1787/health-data-en (Accessed on September 10, 2014).
Notes: In cases where 2010 data were unavailable, data from the countries' last available year are shown.

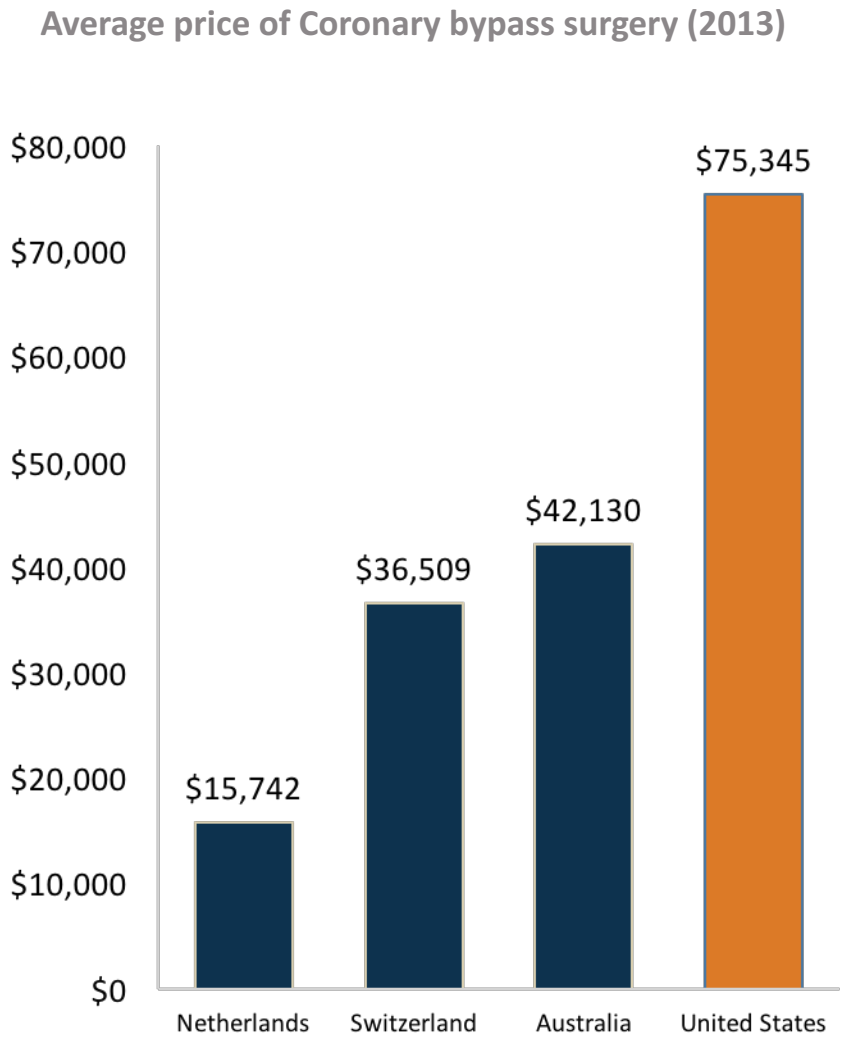
The average price of an MRI in the U.S. is significantly higher than in other comparable countries



Source: International Federation of Health Plans (2013), "2013 Comparative Price Report, Variation in Medical and Hospital Prices by Country"

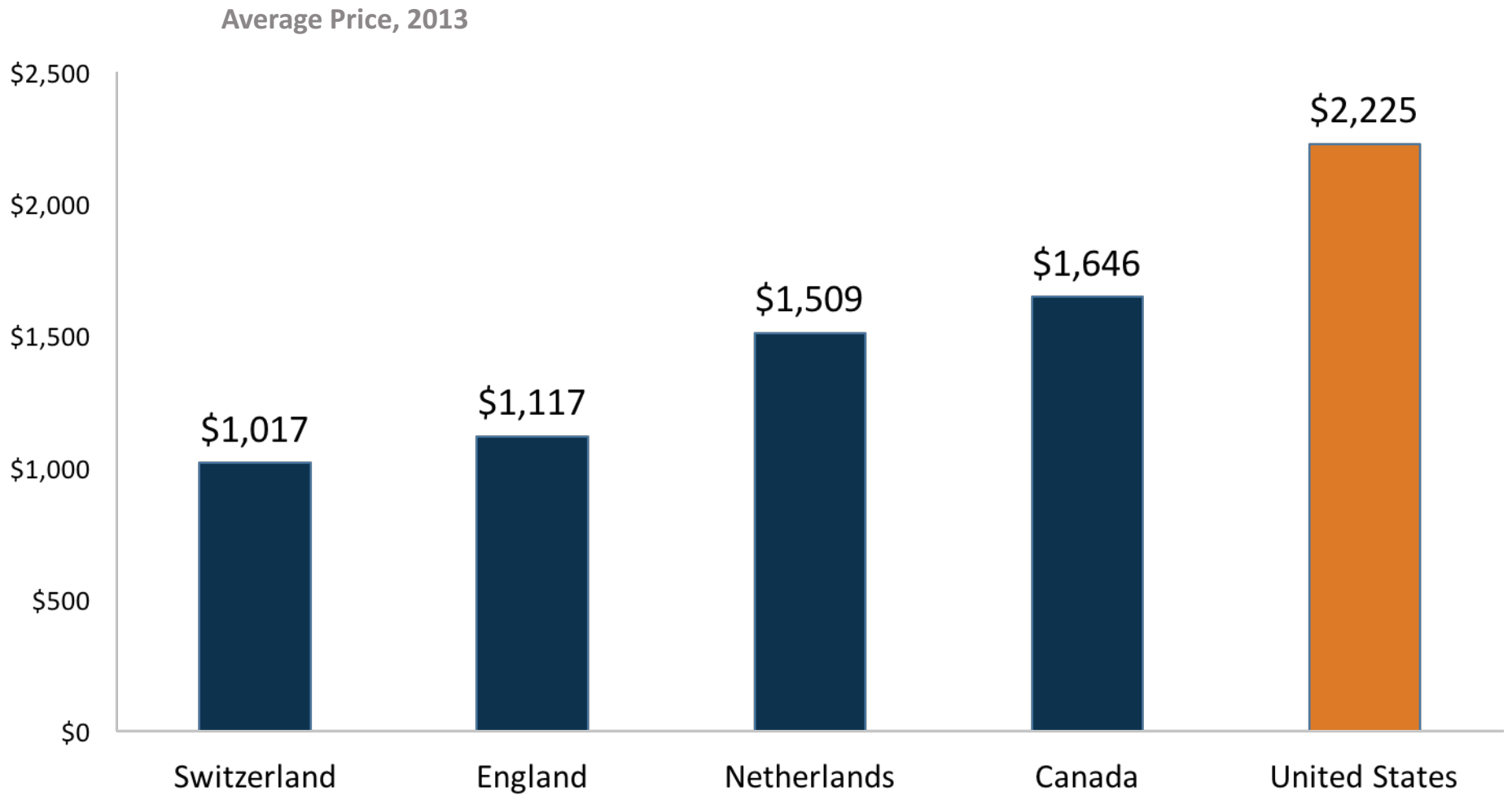
The average price of an angioplasty or bypass in the U.S. is higher than in other comparable countries





Source: International Federation of Health Plans (2013), "2013 Comparative Price Report, Variation in Medical and Hospital Prices by Country"

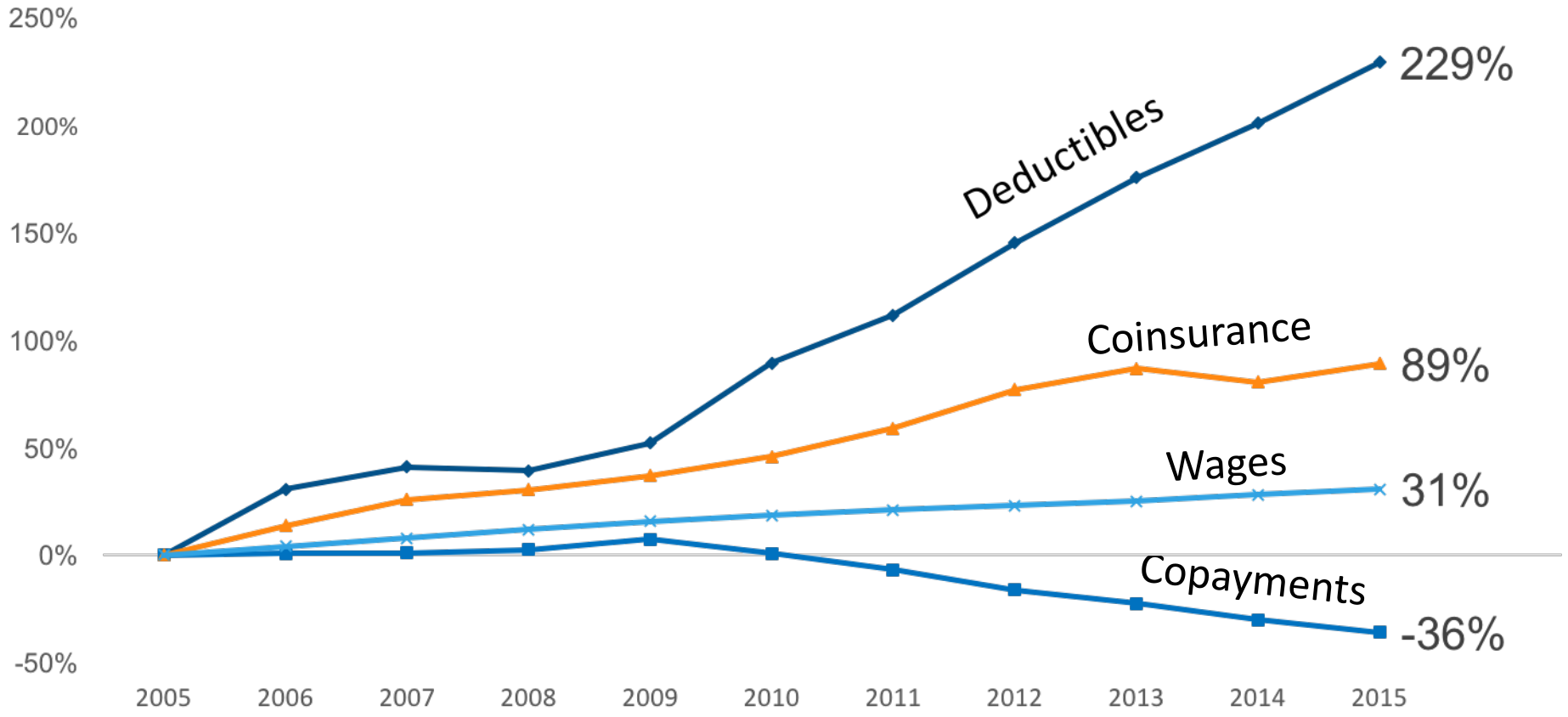
The average price of drugs in the U.S. is much higher than in other countries (example: Enbrel)



Source: International Federation of Health Plans **Notes:** U.S. average prices are calculated using commercial claims data from Truven MarketScan Research databases. Methods and sources for comparable countries can be found here: http://www.ifhp.com/1404121

Consumer spending on deductibles and coinsurance have far outpaced wages, while copayments have fallen

Cumulative increases in health costs, amounts paid by insurance, amounts paid for cost sharing and workers' wages, 2005-2015



Source: Truven Health Analytics MarketScan Commercial Claims and Encounters Database, 2005-2015; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2005-2015 (April to April).

Potential opportunities to provide relief from health care costs

- Shining a light on health care costs and providing greater transparency for prices.
- Simplifying administration of health insurance payment.
- Encouraging public and private payers to continue shifting towards paying for value.
- Taking antitrust actions to address consolidation and pricing power.
- Regulating prices and spending through all-payer ratesetting or global budgeting.
- Creating a public option insurance plan or a buy-in to Medi-Cal.
- Creating a single payer system.

Examples of state efforts to limit health spending: Maryland and Massachusetts

- **Maryland**
  - Established an all-payer system for paying hospitals in 1977, including Medicare.
  - Revamped the system in 2014 to focus on global budgets for hospitals, capping increases in payments at growth in the economy.
- **Massachusetts**
  - Passed legislation in 2012 setting a target to limit health spending increases overall to growth in the economy, with a commission to monitor health spending at the provider level.
  - Encourages (but does not require) alternative approaches to paying for health care.
  - Provides limited tools to enforce spending targets.

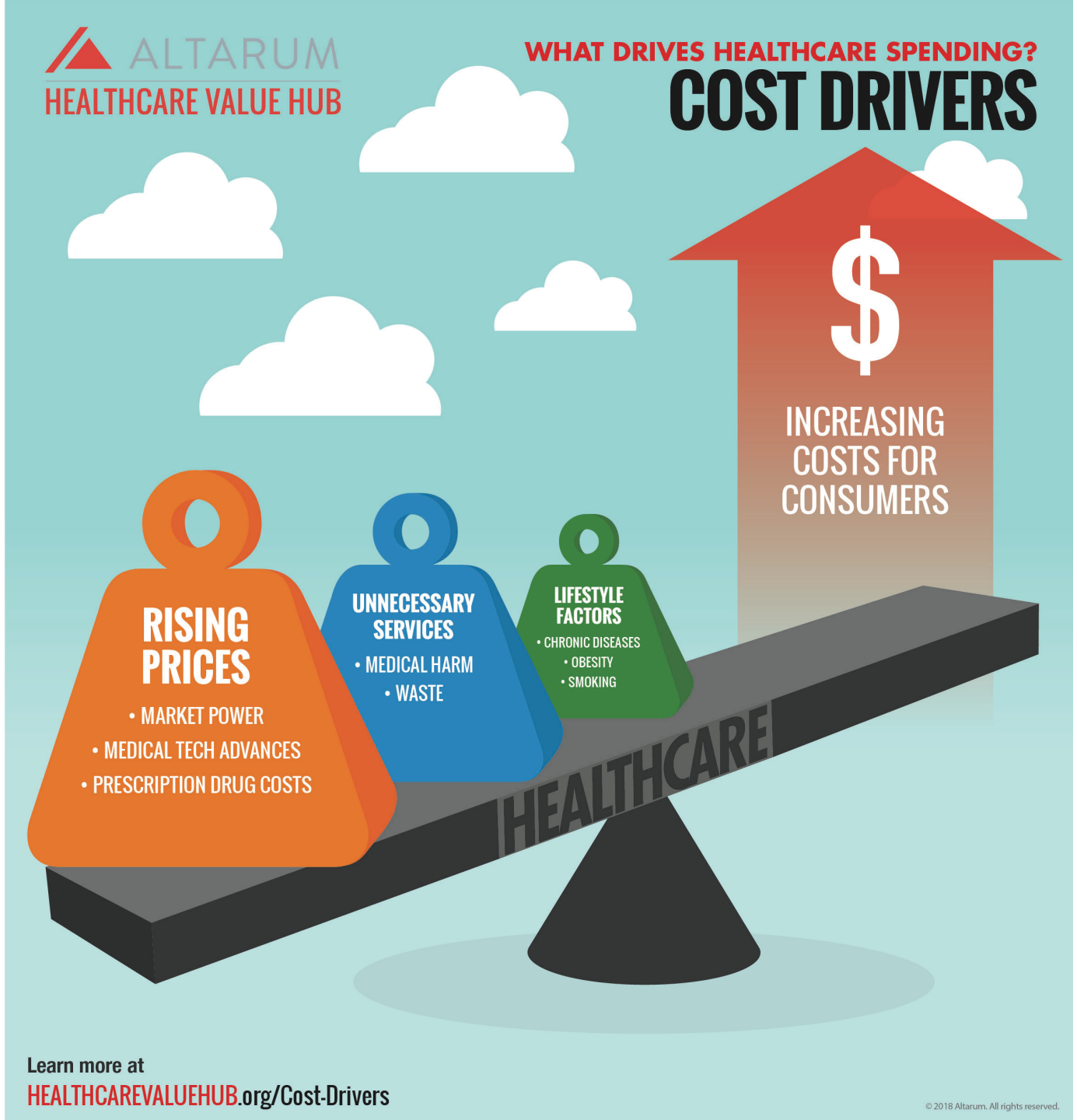
Opportunities, challenges, and tradeoffs in containing health care costs

- There are tremendous opportunities that can come from limiting health care costs: Savings to expand access, financial relief for families and businesses, wage growth for workers.
- But, there are challenges and tradeoffs as well:
  - Health care cost containment is hard, and inevitably means taking something away from someone. If it sounds too good to be true, it probably is.
  - Medicare is too big a player to ignore, so meaningful progress likely can't be made without federal involvement.
  - Employer engagement is key, as well.

Questions for our Speakers?

- **Use the chat box or to unmute, press *6**

- **<u>Please do not put us on hold!</u>**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WHAT DRIVES HEALTHCARE SPENDING?
COST DRIVERS
$
INCREASING COSTS FOR CONSUMERS
RISING PRICES
• MARKET POWER
• MEDICAL TECH ADVANCES
• PRESCRIPTION DRUG COSTS
UNNECESSARY SERVICES
• MEDICAL HARM
• WASTE
LIFESTYLE FACTORS
• CHRONIC DISEASES
• OBESITY
• SMOKING
HEALTHCARE
Learn more at
HEALTHCAREVALUEHUB.org/Cost-Drivers
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Thank you!

- **Joseph Dieleman, Larry Levitt**
- **Robert Wood Johnson Foundation**

Contact Lynn Quincy at **lynn.quincy@Altarum.org** or any member of the Hub staff with your follow-up questions.

Join us at our next webinar:

Non-Financial Provider Incentives: Looking Beyond Provider Payment Reform

Friday, Feb. 16, 2 – 3 pm ET

Register at **HealthcareValueHub.org/events**