Its (Still) The Prices Stupid!! Some Inconvenient Truths Regarding Health Care Spending in the United States

April 2019
National Health Expenditures as a Share of Gross Domestic Product, 1987-2016

The share of GDP devoted to health was 17.9% in 2016

SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group;
Health Care Reform Efforts in the US
Some Observations on the Status Quo

• Americans are indefatigable when it comes to optimism and new ideas about controlling health care costs
• BUT
  • See previous slide – NOTHINGS WORKING
  • And that optimism means everyone thinks reform can be achieved without hurting them / hurting everyone
• Quality!
• Patient Responsibility!
• Value-based Care!
• Transparency!
• Disruption!
• Innovation!
It’s The Prices, Stupid: Why The United States Is So Different From Other Countries

Higher health spending but lower use of health services adds up to much higher prices in the United States than in any other OECD country.

by Gerard F. Anderson, Uwe E. Reinhardt, Peter S. Hussey, and Varduhi Petrosyan
Why was HCCI founded?

Prior to HCCI’s formation:
- Access to payer data was piecemeal with researchers primarily relying on limited Medicare data for research and analysis
- There was little to no transparency in health care pricing/prices

HCCI was founded to:
- Promote independent, nonpartisan research and analyses on the causes of the rise in U.S. health spending
- Inform the public policy process and assist in developing new solutions to long-term problems confronting the health care system

HCCI facilitates informed debate about health care reform by synthesizing insights drawn from commercial and government payer data
Commercial Claims
- Years: 2008-2017
- All 50 states and D.C.
- Updated annually
- De-identified, HIPAA and anti-trust compliant

Medicare Fee-For-Service Claims
- National Qualified Entity (QE)
- Years: 2012-2016
- 100% Parts A & B & D
HCCI’s Core Lines of Business

- National thought leader on US health care and spending
- Enabling world class research
- Driving data and information to payers, providers, governments and others, via National Medicare Qualified Entity status
- Provider of multi-payer datasets and transparency solutions for states, lowering APCD compliance costs for payers
HCCI’s 2018 Media Impact

592 total stories

436 Broadcast Airings
156 Print & Online Stories

Est. Audience Reach of 172,975,779

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Enabling World Class Research

*HCCI’s current research partners include:*

- Dartmouth
- MD Anderson Cancer Center
- NBER
- MedPAC
- Weill Cornell Medicine
- Northwestern
- University of Minnesota
- Penn
- Society of Actuaries

*HCCI also facilitates data access and research through foundation partnerships:*

- The Commonwealth Fund
- Laura and John Arnold Foundation
- Robert Wood Johnson Foundation
- The Pew Charitable Trusts
Key topics include:

- Drug costs as a driver of spending
  - Insulin
  - Antidepressants
  - Opioids
- Utilization trends: Non-Hospital Settings and Provider Types
- Provider consolidation and its impact on pricing and spending
- Cost Shifting
- Cost of pregnancy and childbirth
- Out-of-Network Billing
- Healthy Marketplace Index

HCCI focuses on a set of research topics and questions but remain flexible to respond to media inquiries, policy changes, and interest in deeper dives on our prior work.
Executive Summary

- **In 2017, per-person spending reached a new all-time high of $5,641.** This total includes amounts paid for medical and pharmacy claims; drug spending reflects discounts from wholesale/list prices but not manufacturer rebates.

- **Spending per-person grew at a rate above 4% for the second year in a row,** rising 4.2% from 2016 to 2017 - slower than the 2015 to 2016 rate of 4.9%.

- **The overall use of health care changed very little** over the 2013 to 2017 period, declining 0.2%. In 2017, utilization grew 0.5% compared to 2016.

- **Out-of-pocket spending per-person increased 2.6% in 2017.** The growth was slower than total spending, so OOP costs made up a smaller share of spending by 2017.

- **Prices increased 3.6% in 2017.** Year-over-year price growth decelerated throughout the five-year period, rising 4.8% between 2013 and 2014 and slowing to 3.6% in 2016 and 2017, reflecting slowed growth of in drug prices.
Per-person spending reached new all-time high

Spending per Person in 2017

Total $5,641

- Professional Services: $1,898 (33.6%)
- Inpatient: $1,097 (19.5%)
- Outpatient: $1,580 (28.0%)
- Prescription Drugs: $1,065 (18.9%)
- Professional Services: $1,898 (33.6%)
- Inpatient: $1,097 (19.5%)
- Outpatient: $1,580 (28.0%)
- Prescription Drugs: $1,065 (18.9%)

Note: Prescription drug spending is amount paid on pharmacy claim, which reflects discounts from wholesale price, but not manufacturer rebates paid in separate transactions.
Increasing prices drive health care spending growth

Note: Except for prescription drugs, utilization reflects volume and service-mix intensity. Thus, the prices presented factor out changes in the mix of services used for these three categories. Additionally, prescription drug spending is the amount paid on the pharmacy claim, which reflects discounts from the wholesale price, but not manufacturer rebates paid in separate transactions.
Spending levels and growth vary by population sub-groups.

- **2017 Spending per person by Age**
  - Ages 0-18: $3,170
  - Ages 19-25: $3,254
  - Ages 26-44: $4,871
  - Ages 45-54: $7,282
  - Ages 55-64: $10,476

- **Growth since 2013**
  - 19.9%
  - 19.2%
  - 14.3%
  - 16.5%
  - 15.5%

- **All Ages: $5,641**

- **2017 Spending per person by Number of Chronic Conditions**
  - None: $3,603
  - One: $8,921
  - Two or More: $20,257
Out-of-pocket spending increased steadily, but slower than total spending.

Cumulative Change in Out-of-Pocket and Total Spending per member since 2013

Share of Spending Paid Out of Pocket

- 2013: 16.1%
- 2014: 15.9%
- 2015: 15.8%
- 2016: 15.7%
- 2017: 15.4%
Annual spending growth varied by service

There's more to it than just the average

Annual Percent Change in Spending per Person, 2016-2017

- Total
- Inpatient
- Outpatient
- Professional Services
- Prescription Drugs
Research Resources and State Level Interactive Tool

Interactive State-Level Data Tool

Data
  - HCCI ER machine readable data
- MS Spending – Specialty Drugs
  - HCCI MS formatted excel tables
  - HCCI MS machine readable data
- Share of ESI with Annual Spending over Threshold Amounts by Age and Gender
  - HCCI spending threshold machine readable data
  - Health Care Cost and Utilization Report 2016 Appendix Tables
  - Health Care Cost and Utilization Report 2016 machine readable data

Crosswalks
- HCCI Inpatient Service Categories – DRG and MDC
  - HCCUR 2016 Appendix Section 4.1 and 4.2 Methodology
- HCCI Outpatient Service Categories – CPT Procedure Codes
  - HCCUR 2016 Appendix Section 4.3 Methodology
- HCCI Professional Service Categories – CPT Procedure Codes
  - HCCUR2016 Appendix Section 4.4 Methodology
- HCCI Prescription Drug Categories – AHFS Drug Classification
  - HCCUR2016 Appendix Section 4.5 Methodology

https://healthcostinstitute.org/research/research-resources
Spending per person grew faster in OH than it did nationally for all service categories.
Price and Utilization Growth

### Graph

- **OH**
- **US**

- **Total**
- **Inpatient**
- **Outpatient**
- **Professional**
- **Prescription**

- **Utilization**
- **Average Price**
HCCI: Healthy Marketplace Index

Project Overview:

- Compare how local health care markets function throughout the country
  - Analyzed over 1.8 Billion commercial claims from 2012-2016
- Develop, publicly report a standard set of replicable measures:
  - Service Price, Service Use, Total Spending, Waste, Provider Competition
- For each measure: interactive web articles, dashboards, public use files
  - Explore trends across 112 Metro areas in 43 States

First Two Releases: Price Index, Use Index

- How do prices, service use vary across the country?
- Which areas experienced price growth? Declining service use?
- How did trends vary across service categories?
  (Inpatient, Outpatient, Professional (Clinician) Services)
Comparing **Price** and **Use Levels** Across Metro Areas, 2016

- Median Price by Metro
- Median Use by Metro

- Youngstown, OH
- Columbus, OH

- National Median
Comparing Overall **Price** and **Use** Changes, 2012 - 2016

FIND A METRO: Columbus, OH

**HIGHLIGHT A SERVICE TYPE:**
- Overall
- Inpatient
- Outpatient
- Professional

**Change in Price by Metro**
- Youngstown-Warren-Boardman, OH-PA
  - Change in Price: +13%
  - Change in Use: -15%

**Change in Use by Metro**
- Columbus, OH
  - Change in Price: +17%
  - Change in Use: -17%
HCCI: Healthy Marketplace Index

Compare Health Care Prices, Use Levels and Growth in Select Metros

Akron, OH
2016 Overall Levels:
Price: -8% below median
Use: 5% above median
Overall growth since 2012:
Price: +14%, Use: -7%

Columbus, OH
2016 Overall Levels:
Price: -1% below median
Use: 18% above median
Overall growth since 2012:
Price: +17%, Use: -17%

Youngstown-Warren-Boardman, OH-PA
2016 Overall Levels:
Price: -21% below median
Use: 6% above median
Overall growth since 2012:
Price: +13%, Use: -15%
HCCI: Healthy Marketplace Index

Compare Health Care Prices, Use Levels and Growth in Select Metros

Akron, OH
2016 Overall Levels:
Price: -6% below median
Use: 5% above median
Overall growth since 2012:
Price: +14%, Use: -7%

Columbus, OH
2016 Overall Levels:
Price: -1% below median
Use: 18% above median
Overall growth since 2012:
Price: +17%, Use: -17%

Youngstown-Warren-Boardman, OH-PA
2016 Overall Levels:
Price: -21% below median
Use: 6% above median
Overall growth since 2012:
Price: +13%, Use: -15%

Cincinnati, OH-KY-IN
2016 Overall Levels:
Price: -1% below median
Use: 17% above median
Overall growth since 2012:
Price: +16%, Use: -19%

Cleveland-Elyria, OH
2016 Overall Levels:
Price: -6% below median
Use: 23% above median
Overall growth since 2012:
Price: +11%, Use: -23%

Dayton, OH
2016 Overall Levels:
Price: -2% below median
Use: Same as median
Overall growth since 2012:
Price: +19%, Use: -33%

Toledo, OH
2016 Overall Levels:
Price: -16% below median
Use: 28% above median
Overall growth since 2012:
Price: +6%, Use: +7%
How do rising drug prices affect cost of care for people with MS?

Studying the implications of price changes of the most common drugs taken by people with MS

Total Spending Per Capita by People w/ MS on Disease Modifying Therapies, 2009-2015

Average Price per Filled Day for Most Common NDC Code for Each DMT, 2009-2015

- Copaxone
- Gilenya
- Aubagio
- Tecfidera
Health care is the only sector of the American economy where you can lose market share and gain revenue.

**HCCI**

**Copaxone:**

**Spending More, Using Less**

From 2009 to 2015, spending on Copaxone increased by 70% despite decreased use.

**Why? Prices more than doubled.**

- **$3,634** Per Person in 2009
- **$6,163** Per Person in 2015

- **122% increase in Price** (Spending/Filled Day)
- **23% decrease in Use** (Filled Days/Person)

Source: HCCI, 2018
Value Based Care won’t mean a thing if prices rise faster than utilization decreases.