Its Still The Prices Stupid: Observations on Health Care Spending in the US

Niall Brennan
CEO, HCCI
@N_Brennan
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HCCI’s mission is to *get to the heart* of the key issues impacting the U.S. health care system — by using the best data to get the best answers.

Our values are simple:

- Health care claims data should be accessible to all those who have important questions to ask of it.
- Health care information should be transparent and easy to understand.
- All stakeholders in the health care system can drive improvements in quality and value with robust analytics.

**HCCI reports cost trends and facilitates informed debate about the less-understood commercially-insured population**
National Health Expenditure as a Share of Gross Domestic Product, 1960-2017

SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group
Some Observations on the Status Quo

• Americans are indefatigable when it comes to optimism and new ideas about controlling health care costs
• BUT
  • NOTHINGS WORKING
  • And that optimism means everyone thinks reform can be achieved without hurting them / hurting anyone
• 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
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.
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.
New York Health Care Spending is High and Growing Fast

Spending per Person and Average Annual Spending Growth

- **NY**
  - Spending per Person: $6,335
  - Average Annual Spending Growth: 6%

- **US**
  - Spending per Person: $5,641
  - Average Annual Spending Growth: 5%

The chart shows a comparison of spending per person and average annual spending growth between New York (NY) and the US from 2013 to 2017.
NY has higher spending on professional services and prescription drugs

**Figure 5: New York Spending Per Person by Type of Service in 2017**

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Percentage</th>
<th>Total Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services</td>
<td>38.6%</td>
<td>$2,442</td>
</tr>
<tr>
<td>Prescription Drugs</td>
<td>20.5%</td>
<td>$1,300</td>
</tr>
<tr>
<td>Outpatient</td>
<td>21.5%</td>
<td>$1,362</td>
</tr>
<tr>
<td>Inpatient</td>
<td>19.4%</td>
<td>$1,231</td>
</tr>
</tbody>
</table>

**Total: $6,335**

**Figure 6: National Spending Per Person by Type of Service in 2017**

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Percentage</th>
<th>Total Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services</td>
<td>33.6%</td>
<td>$1,898</td>
</tr>
<tr>
<td>Prescription Drugs</td>
<td>18.9%</td>
<td>$1,065</td>
</tr>
<tr>
<td>Outpatient</td>
<td>28.0%</td>
<td>$1,580</td>
</tr>
<tr>
<td>Inpatient</td>
<td>19.5%</td>
<td>$1,097</td>
</tr>
</tbody>
</table>

**Total: $5,641**
Inpatient spending growth in NY was three times higher than the national average and inpatient average prices grew twice as fast in NY.
A deeper dive on inpatient spending in NY

FIGURE 12: Cumulative Change in Inpatient Spending Per Person, Utilization, and Average Price by Type of Admission in New York: 2013-2017
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, Provider Competition

- For each measure: interactive web articles, dashboards, public use files
  - Explore trends across 112 Metro areas in 43 States
Wide Variation in Prices Across U.S.

Overall Health Care Prices in U.S. Metros Relative to National Median, 2016

FIND A METRO: New York-Newark-Jersey C... 

Metros Ranked by Price

New York, NY
22% above the national median in 2016
Similar prices to Portland, OR and Charlotte, NC
Comparing Overall **Price** and **Use** Changes, 2012 - 2016

**FIND A METRO:** New York-Newark-Jersey C...

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

**New York-Newark-Jersey City, NY-NJ-PA**

*Change in Price: +22%*
Comparing Overall Price and Use Changes, 2012 - 2016

Find a Metro: New York-Newark-Jersey City, NY-NJ-PA

New York-Newark-Jersey City, NY-NJ-PA
Change in Price: +22%
Change in Use: -5%
Prices Grew Everywhere from 2012 to 2016, Even in Low Priced Areas

Relationship Between Metro Area Price Levels and Price Growth

Scatter plot of Price Index Values 2016, Percent Change in Price Indices from 2012 to 2016

- Inpatient
- Outpatient

GDP Growth Rate: 15.2%

Inflation Rate: 4.5%
Prices and Use Varied by Service Category Within Metros

**Price and Use Levels Within Metro Areas by Service Categories, 2016**

New York, NY

<table>
<thead>
<tr>
<th>Category</th>
<th>Use</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>+26%</td>
<td>+22%</td>
</tr>
<tr>
<td>Inpatient</td>
<td>+7%</td>
<td>+36%</td>
</tr>
<tr>
<td>Outpatient</td>
<td>-5%</td>
<td>+22%</td>
</tr>
<tr>
<td>Professional</td>
<td>+51%</td>
<td>+18%</td>
</tr>
</tbody>
</table>
Compare Health Care Prices, Use Levels and Growth in Select Metros

New York-Newark-Jersey City, NY-NJ-PA

2016 Overall Levels:
Price: 22% above median
Use: 26% above median

Overall growth since 2012:
Price: +22%, Use: -5%

Bridgeport-Stamford-Norwalk, CT

2016 Overall Levels:
Price: 14% above median
Use: 8% above median

Overall growth since 2012:
Price: +14%, Use: -16%

Trenton, NJ

2016 Overall Levels:
Price: 22% above median
Use: -31% below median

Overall growth since 2012:
Price: +14%, Use: -20%
Price Levels Don’t Necessarily Capture Variation in Prices of Different Services Within Areas
Price Levels Don’t Necessarily Capture Variation in Prices of Different Services Within Areas

Blood Test
Distribution of Metro Area Median Service Prices, 2016

Blood Test
Range of Service Prices for Select Metro Areas, 2016
Spending per Person more than doubled in 10 years

Overall ER Use did not change over the 10 years, but the mix of CPT codes billed did change.
Majority of Inpatient Hospital Markets were Highly Concentrated

Inpatient Hospital Market Concentration in U.S. Metros, 2016

New York-Newark-Jersey City: 2016 HHI 112

Patients Get Care

96.6% Within Metro
4.0% Outside Metro

No Major Destinations
Most Hospital Markets Became More Concentrated Over Time

Change in Hospital Market Concentration

Change in HHI from 2012–2016 by U.S. Metro

New York City, NY
0.0523 0.0759

Durham, NC
0.3517 0.6437
Inpatient Hospital Concentration in U.S. Metros, 2016

- New York-Newark-Jersey City, NY-NJ-PA
  - 2016 HHI: 0.0759
  - Change in HHI since 2012: +0.0237

- Trenton, NJ
  - 2016 HHI: 0.3057
  - Change in HHI since 2012: +0.1063

- Bridgeport-Stamford-Norwalk, CT
  - 2016 HHI: 0.2327
  - Change in HHI since 2012: +0.0607
Without greater data sharing we will never be able to understand the scope of or solutions to our health care spending problems

- CMS made important advances in data sharing between 2010-2017
  - Multiple Public Use File Releases
  - Launch of Virtual Research Data Center
  - Access to CMS data provided to private sector organization and entrepreneurs

- HCCI launch in 2011 provided unprecedented look at commercially insured population
  - But HCCI future is in peril with United Health Group decision to no longer contribute data to HCCI
  - Significant chance that we will understand less about the commercially insured population in 2022 than we do today

- Congress is considering legislation to create a national All Payer Claims Database
  - Prospects of passage are uncertain
Is Greater Transparency the Solution?

It depends...

• More transparency is unequivocally better. The health care system is full of deep dark secrets that need to see the light of day.

• People need to understand why the health care system in the US costs so much

• But beware transparency narratives that assume consumer empowerment and consumer facing transparency is the magic bullet we need to reduce health care spending

  • Why are we expecting the weakest, least-informed actors in the health care system to succeed where more powerful actors have failed?