Health Care Costs: Who is minding the store?

"Healthcare Sustainability: Perspectives on Cost, Affordability and Access"
Institute for Health Policy and Practice
University of New Hampshire

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About The Milbank Memorial Fund

The Milbank Memorial Fund is an endowed operating foundation that works to improve population health by connecting leaders and decision-makers with the best available evidence and experience.

We advance our mission by:

• Identifying, informing, and inspiring current and future state health policy leaders to enhance their effectiveness;

• Working with state health policy decision makers on issues they identify as important, particularly in areas related to primary care transformation, sustainable health care costs, and aging, and

• Publishing high-quality, evidence-based publications and *The Milbank Quarterly*, a peer-reviewed journal of population health and health policy.
Overview

• Cost Trends Nationally and in NH
• Minding the Store
• Why it Matters
But first – some terms

• Price: what we pay for something
  • A unit of service; an insurance premium

• Costs: the expenses associated with providing the service.
  • For employers and public programs: total expenses for health benefits
  • For employees: their share of premiums and services
  • For providers: ??? (direct plus variable

• Cost Shifting is not the same as Cost Reduction!
Commercial costs per person now rising faster than Medicare or Medicaid

Average annual growth rate of spending per enrolled person in private insurance, Medicare, and Medicaid

Source: KFF analysis of National Health Expenditure (NHE) data • Get the data • PNG
In Commercial – it is price not utilization

Figure 4: Cumulative Change in Spending per Person, Utilization, and Average Price by Service Category

Note: Utilization and average prices account for changes in the type or intensity of services used, with the exception of prescription drugs. Prescription drug spending is the amount paid on the pharmacy claim, which reflects discounts from the wholesale price, but not manufacturer rebates.
Commercial Hospital Prices are now twice that of Medicare and the gap is increasing.

Average Prices Paid as % of Medicare Rates, 2018

A (broad) narrative emerges

- Public sector – with budgeting accountability – clamps down on its health care costs.
  - Emphasis on price, not on utilization
- Providers focus on commercial revenues
  - Easier to enhance though negotiation with insurers and service expansion.
  - Consolidation to increase leverage
Same story in New Hampshire (Commercial data)

Cumulative Growth in Spending per Person by State since 2014

New Hampshire saw an increase of 22.6% in spending between 2014 and 2018.

U.S. Average saw an increase of 18.4% in spending between 2014 and 2018.

Source: Health Care Cost Institute
Not the same story among your neighbors

Cumulative Spending Growth by Service Category in Each State since 2014
Selected States

New Hampshire
Massachusetts
Rhode Island

Source: Health Care Cost Institute
Implications: Somebody has to Mind the Store

• The “system” needs oversight
  • Participants can’t self police
  • Transparency of price and finances necessary but not sufficient
• Even perfect markets have some oversight
  • Healthcare is far from perfect
  • Oversight is a government function

• There are degrees of oversight
  • Measurement and public education (data)
  • Policing outliers/Procedural review
  • Dictates (Price setting, conditions)
What does it mean to “Mind the Store” for Health Care Costs?

• Efforts to Oversee Provider Supply:
  • Certificate Need
  • Change of Control Review

• Efforts to Oversee Provider Price
  • Indirect:
    • Health Insurance Rate Review – Small Grp and Individual
    • Health Insurance Rate Regulation: RI Office the Health Insurance Commissioner
    • Statutory Charge for Affordability
    • Results in Affordability Standards
  • Direct: All Payer Provider Rate Setting - Maryland
To Improve Performance – Measure It
Health System Cost Growth Targets

• MA, RI, DE, WA, NV, CT, NJ and OR

• Legislation or Executive Order to:
  • Convene Commission
  • Measure base line cost growth trends for Medicare, Medicaid and Commercial
  • Set future targets
  • Measure performance relative to them, analyze drivers

• Logic:
  • Health care is local. Build knowledge and Focus: We measure other parts of our economy.
  • Compromise to rate setting
Growth in total health care spending accelerated the past two years and exceeded the benchmark in 2018 and 2019.

Massachusetts annual growth in per capita total health care spending relative to the benchmark, 2012-2019
Hospital Outpatient and Retail Pharmacy are Driving Spending Growth in Rhode Island at State Level

This bubble chart shows:

- Unadjusted per capita trend on state level spending, net of pharmacy rebates*
- PMPY spending for each category of service.

Width of bubble represents the contribution to trend.

*Due to data availability pharmacy rebates are included for all market segments, except Original Medicare.
To Generate Public Support for this Work: Focus on Affordability for Individuals and Economy
*(Lucy Hodder: What Would Warren Buffet Say?)*

Health Care Spending is Outpacing Income

Since 2001, RI worker contributions to employer-sponsored insurance premiums have grown nearly **3x faster** than personal income.

Source: Medical Expenditure Survey, Tables D.1 and D.2 for various years and Bureau of Economic Analysis
Generating Public Support for this Work (Cont’d)

• Education: Data and Transparency (hear today from Indiana)

• Leadership
  • Employers tired of shifting costs to employees
  • Public officials tired of defunding other government services to pay for health care.
  • Employees tired of cost shifting.

• Framing:
  • Who is against transparency?
  • This is about measurement – policy prescriptions are separate.
Why do we care? Dollars in healthcare are dollars not available to improve health

Estimated Excess Deaths From Increasing Midlife Mortality, United States, 2010-2017

Life Expectancy and Mortality Rates in the United States, 1959-2017

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