

# 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

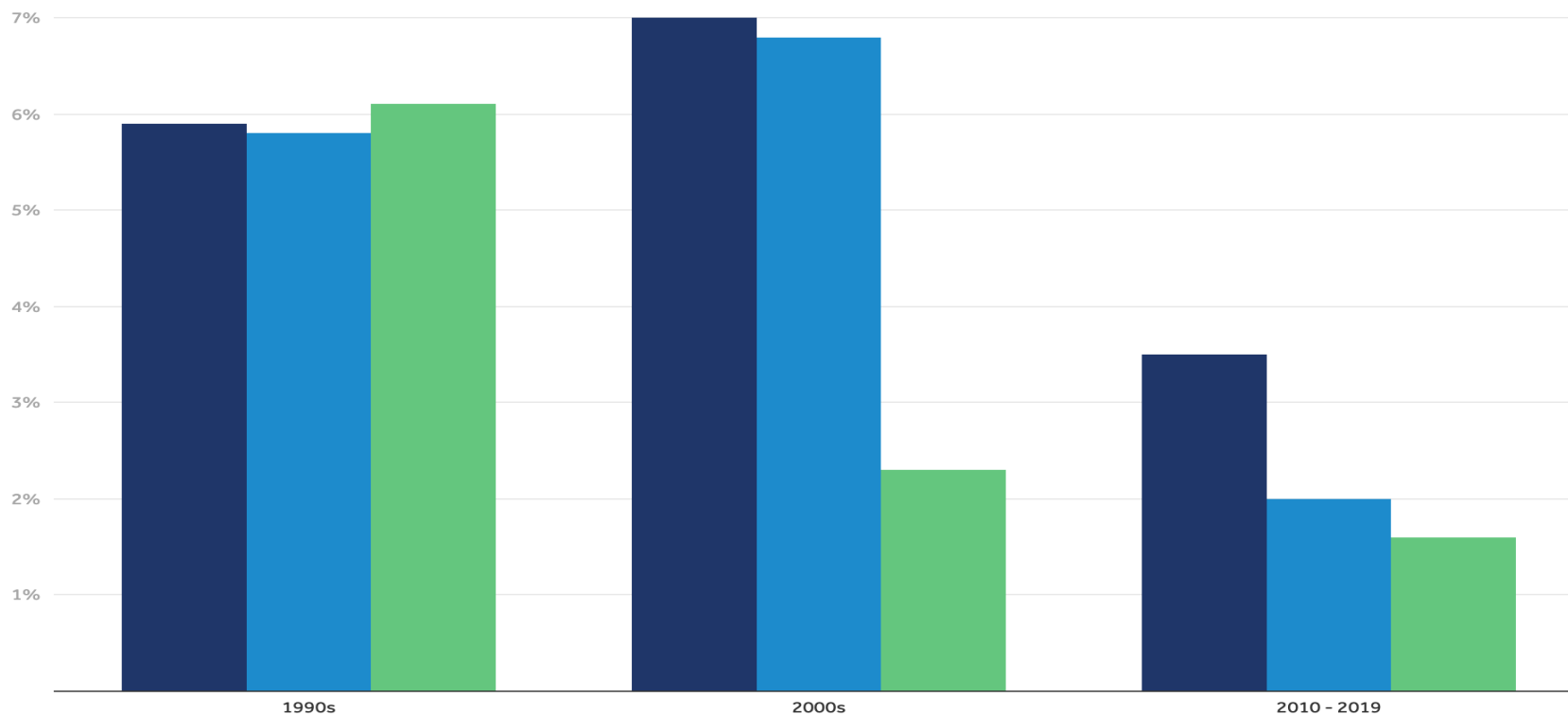
# But first – some terms

- 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

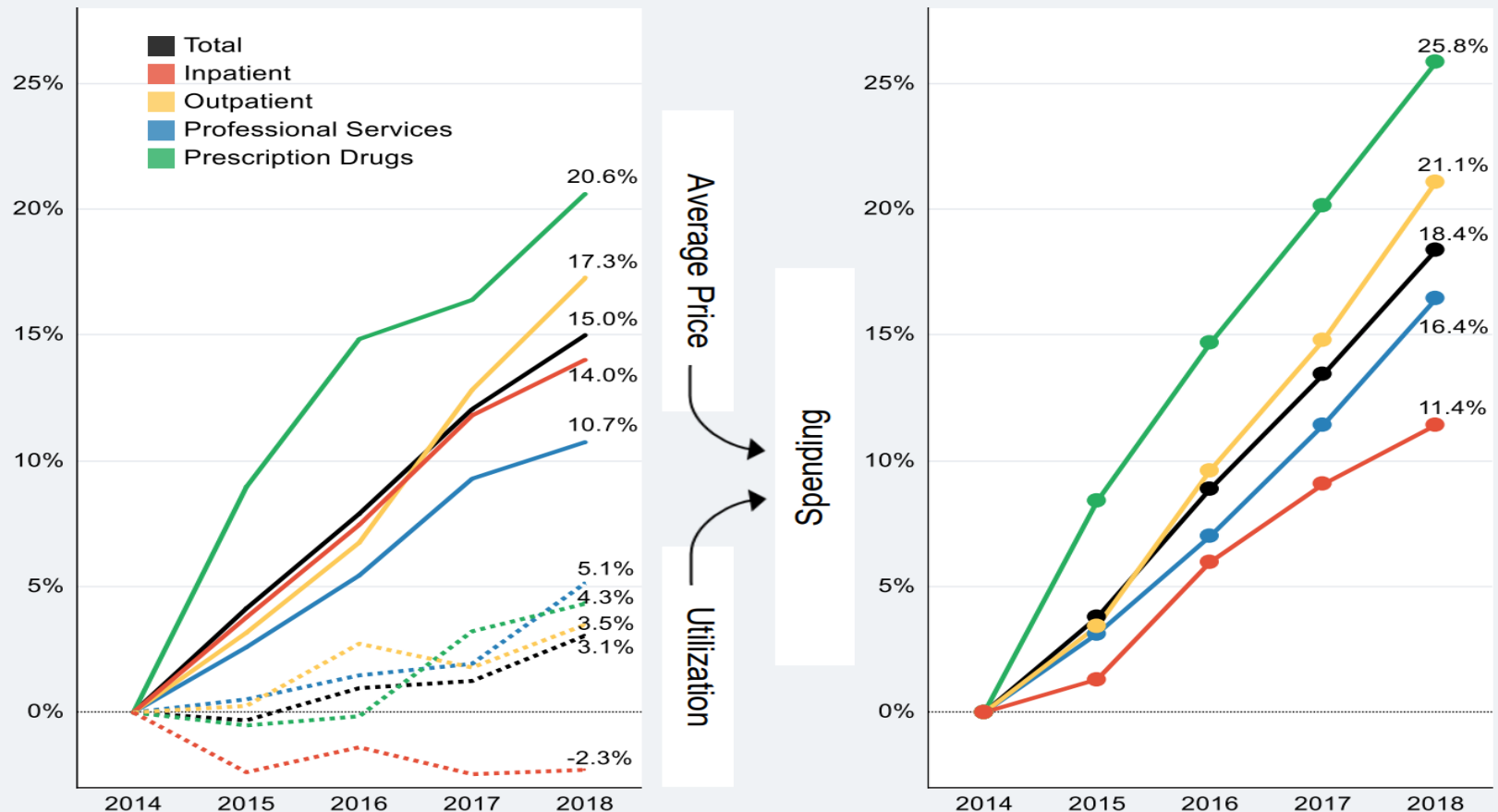
■ Private Insurance ■ Medicare ■ Medicaid



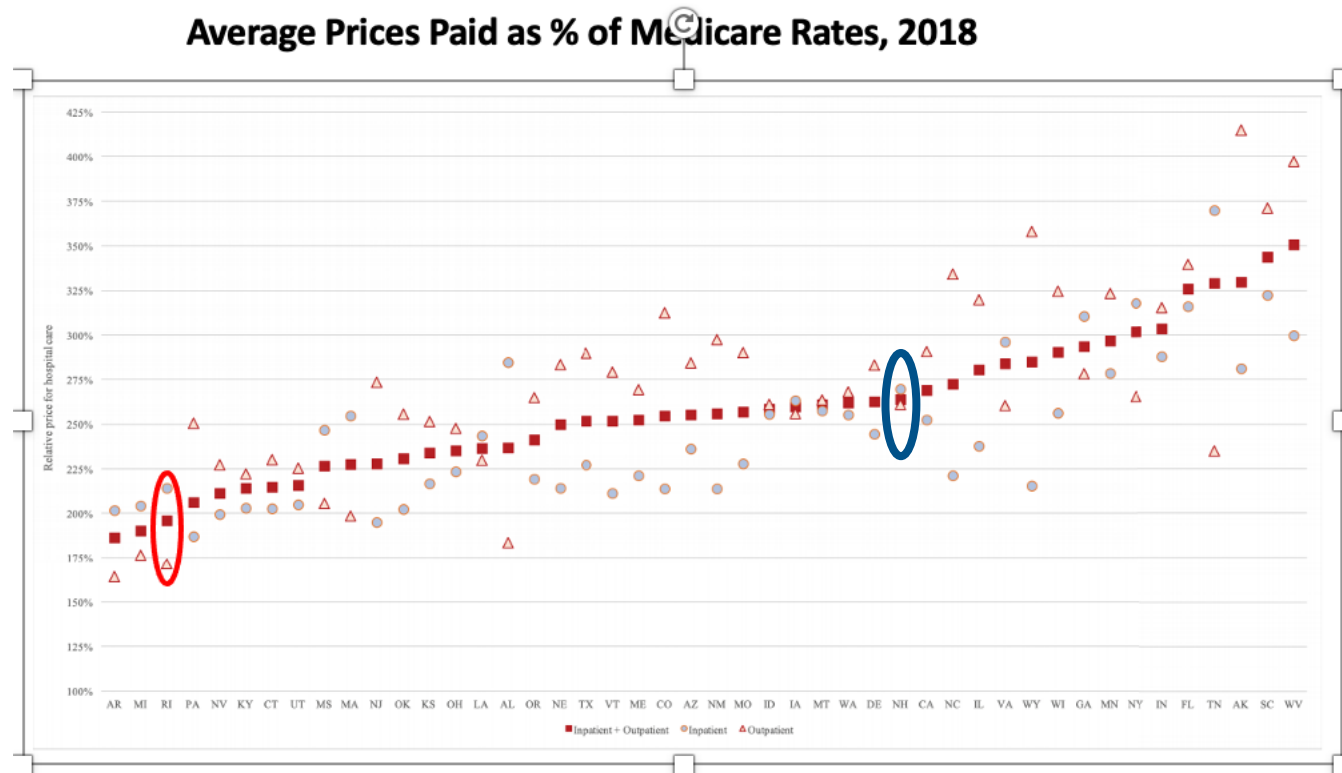
Source: KFF analysis of National Health Expenditure (NHE) data • [Get the data](#) • PNG

# In Commercial – it is price not utilization

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



# Commercial Hospital Prices are now twice that of Medicare and the gap is increasing



Source: Christopher M. Whaley, Brian Briscoe, Rose Kerber, Brenna O'Neill, Aaron Kofner, Nationwide Evaluation of Health Care Prices Paid by Private Health Plans: Findings from Round 3 of an Employer-Led Transparency Initiative. Santa Monica, CA: RAND Corporation, 2020. [https://www.rand.org/pubs/research\\_reports/RR4394.html](https://www.rand.org/pubs/research_reports/RR4394.html).

# 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 through negotiation with insurers and service expansion.
  - Consolidation to increase leverage

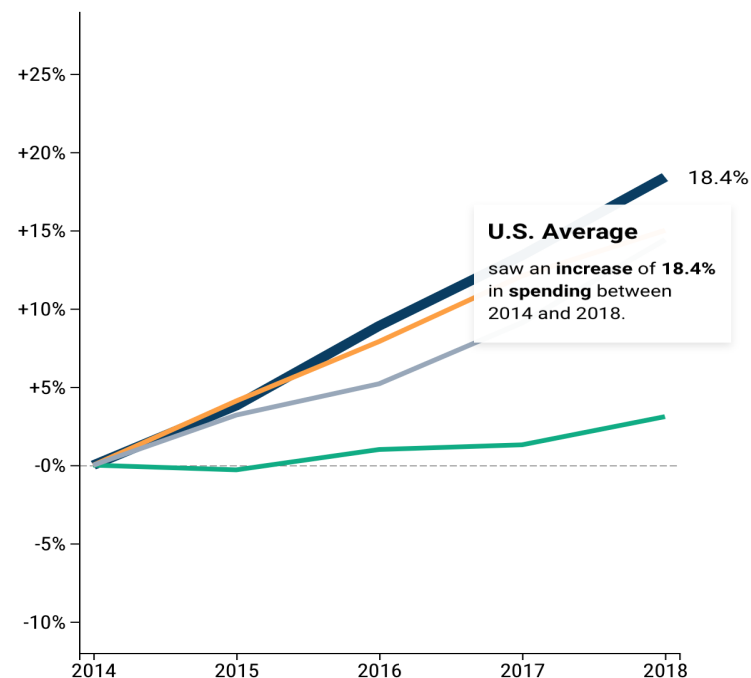
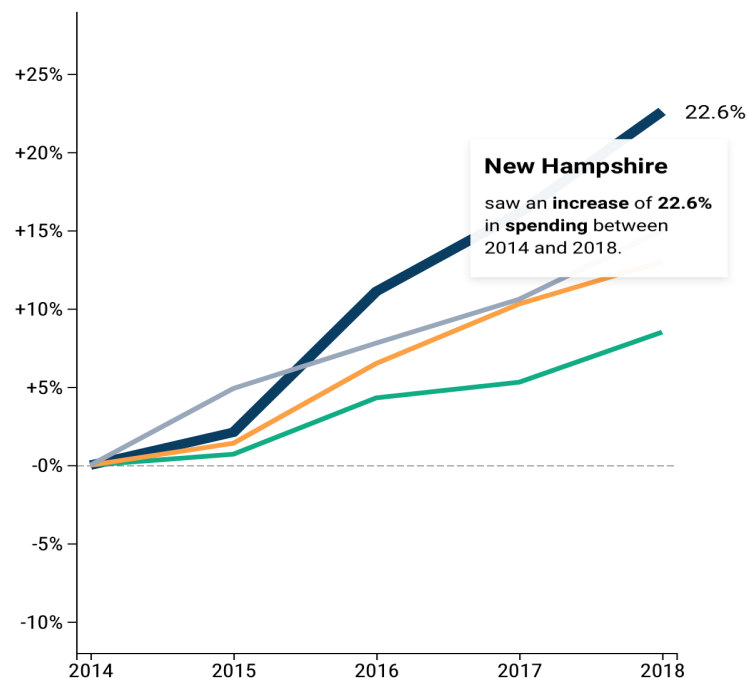


# Same story in in New Hampshire (Commercial data)

## Cumulative Growth in Spending per Person by State since 2014

CHOOSE A STATE:  

☒ Spending ☐ Utilization ☐ Price ☐ GDP Per Capita 



# Not the same story among your neighbors

## Cumulative Spending Growth by Service Category in Each State since 2014

Selected States

New Hampshire

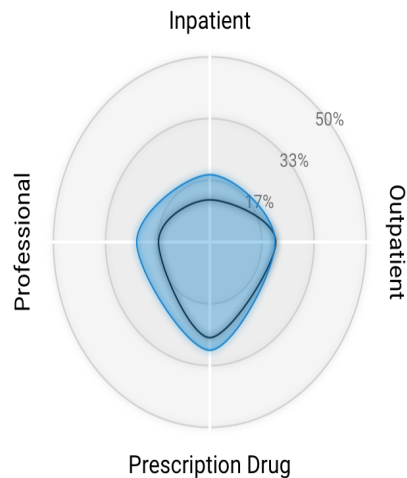
Massachusetts

Rhode Island

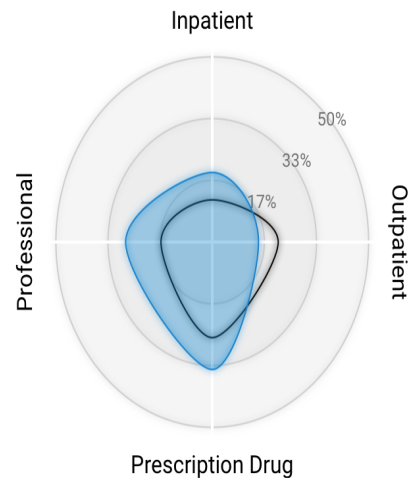
Reset Charts



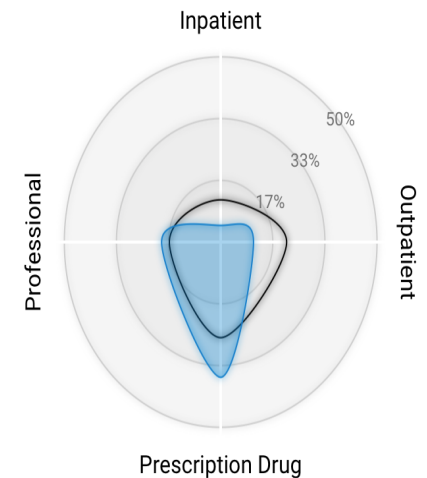
### New Hampshire



### Massachusetts



### Rhode Island



# 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

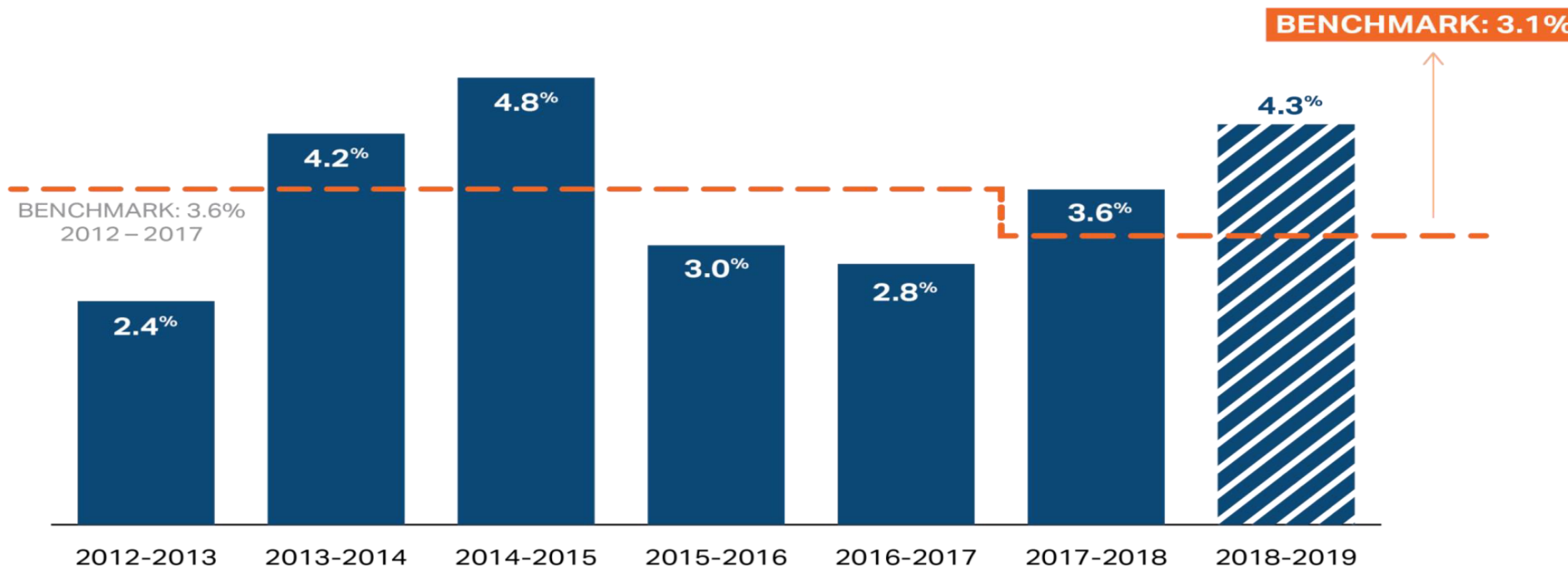
## Health System Cost Growth Targets

- 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

# The Result: A Goal, Measurement....

**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*



Average annual spending  
growth between 2012 and 2019

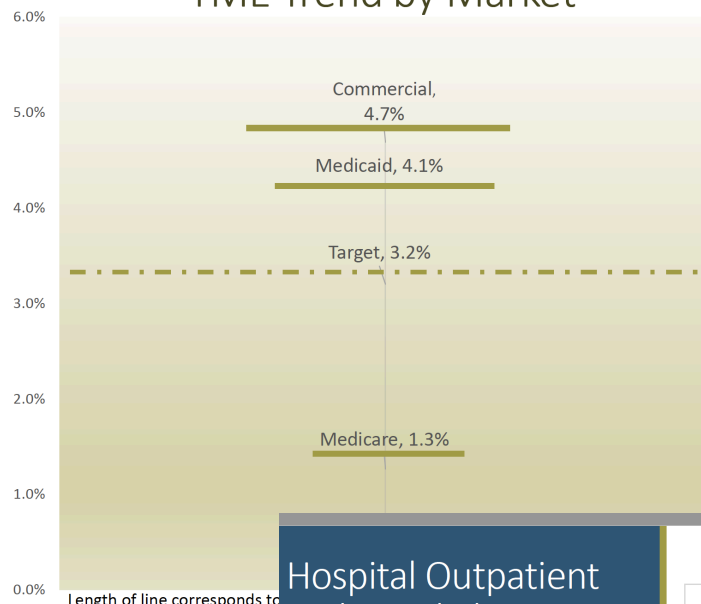


**3.59%**

# ..and Understanding

Market	2019 PMPY
Commercial	\$6,096
Medicaid	\$7,785
Medicare	\$12,625

2018-2019 Per Capita  
TME Trend by Market



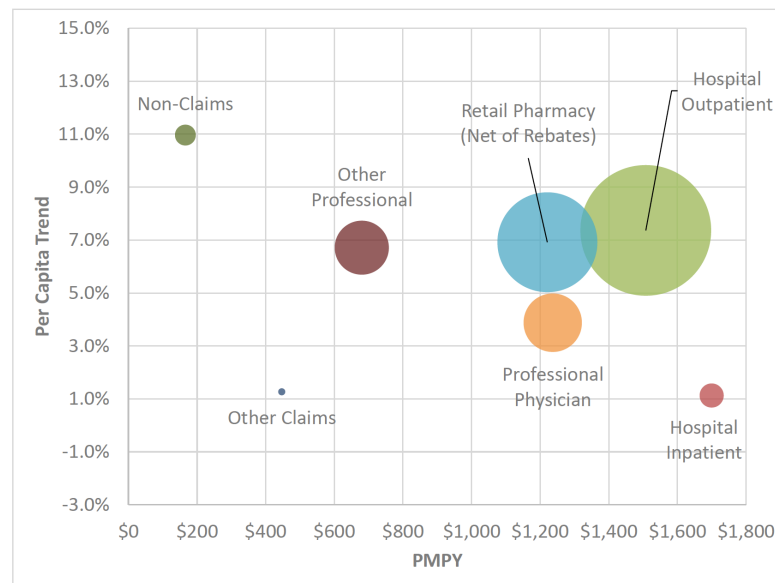
Hospital Outpatient  
and Retail Pharmacy  
are Driving Spending  
Growth in Rhode  
Island at State Level

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.

Service Category Contribution to Trend

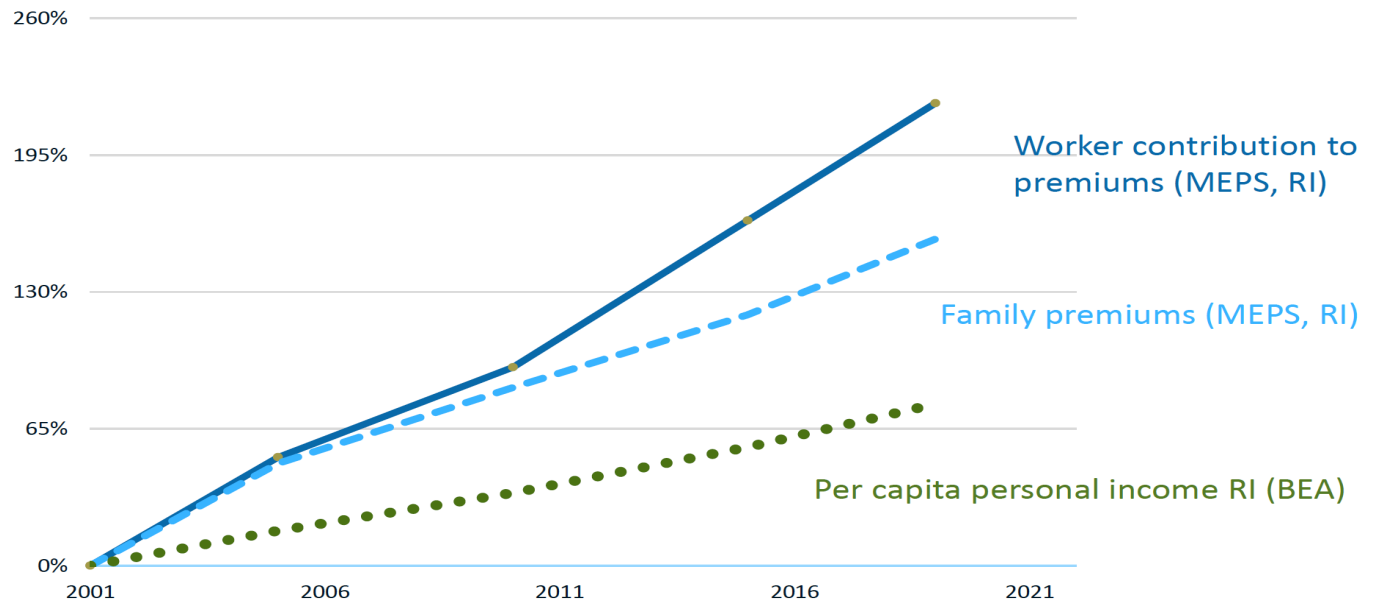


\*Due to data availability pharmacy rebates are included for all market segments, except Original Medicare.

# 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

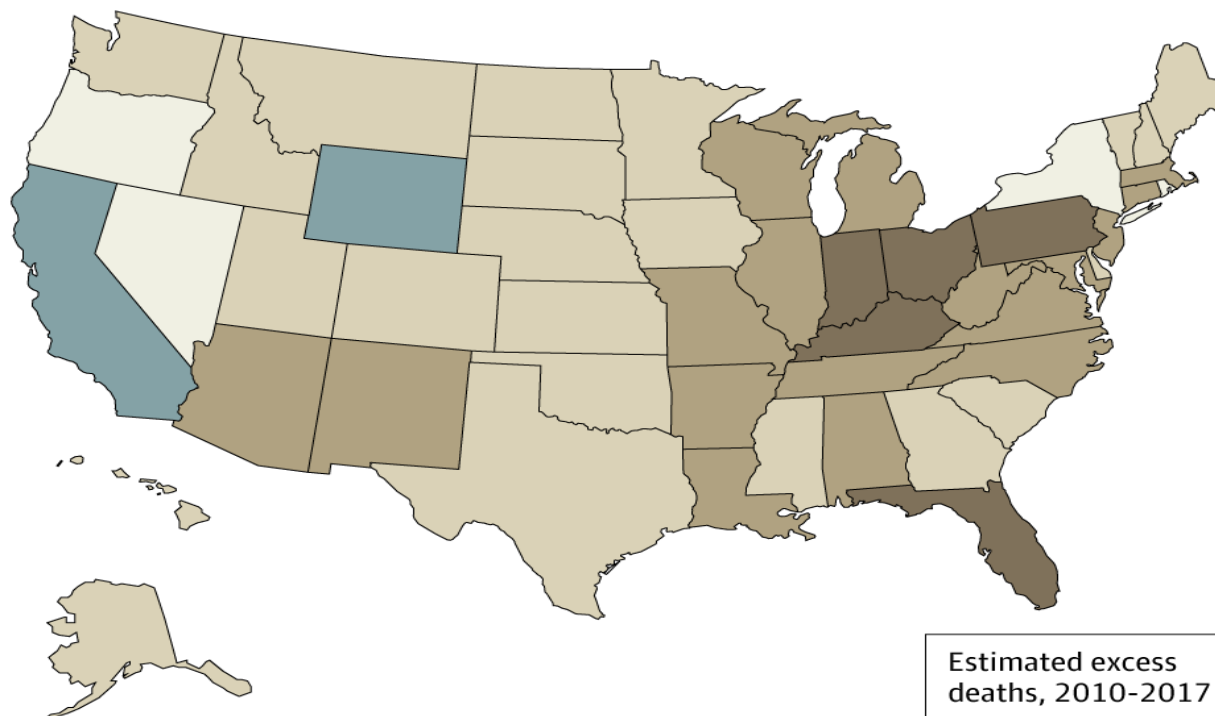


# Generating Public Support for this Work (Cont'd)

- 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**

Steven H. Woolf, MD, MPH<sup>1</sup>; Heidi Schoomaker, MAEd<sup>2,3</sup>  
JAMA. 2019;322(20):1996-2016.