

# It's Still The Prices Stupid: Observations on Health Care Spending in the U.S.

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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:

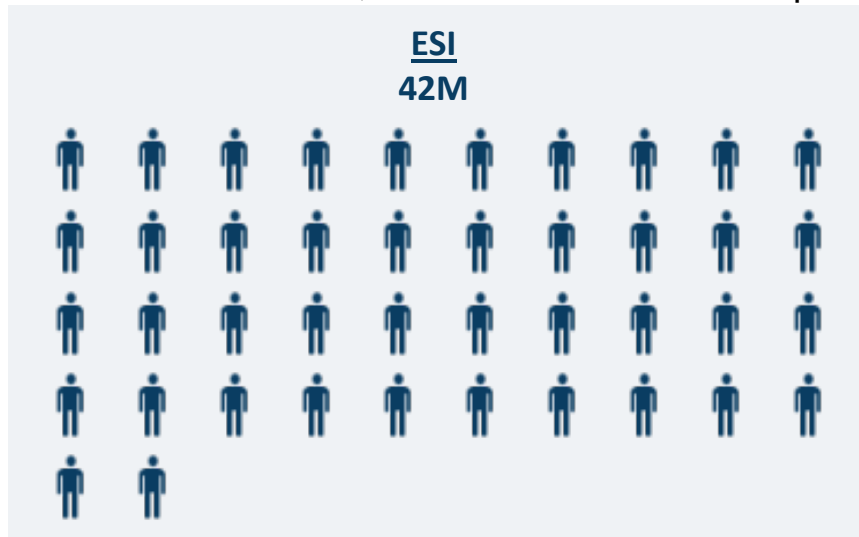
- Health care claims data should be accessible to all those who have important questions to ask of it.
- Health care information should be transparent and easy to understand.
- All stakeholders in the health care system can drive improvements in quality and value with robust analytics.

*HCCI reports cost trends and facilitates informed debate about the less-understood commercially-insured population*



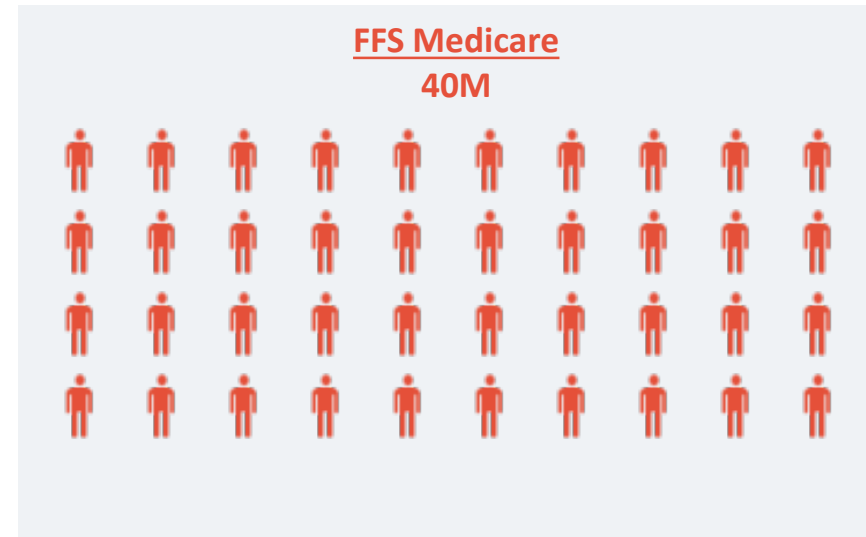
## Commercial Claims

- 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: 2012-2017
- 100% Parts A & B & D



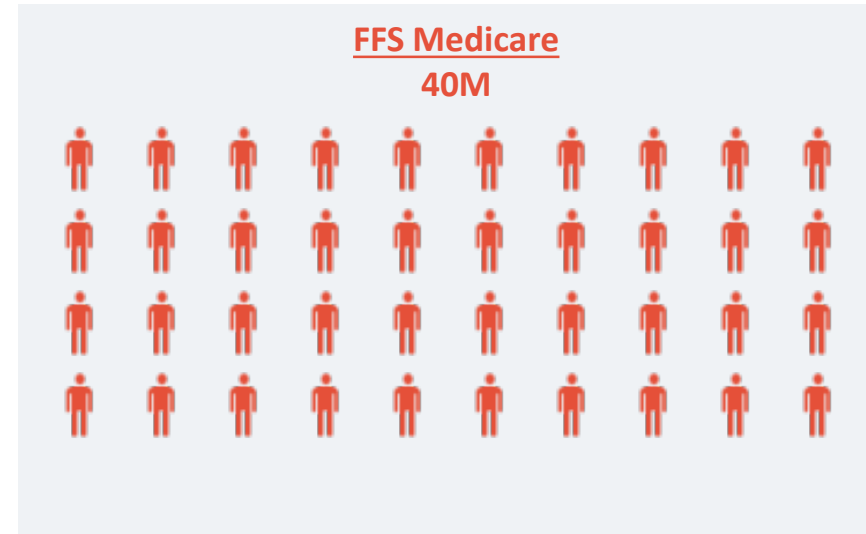
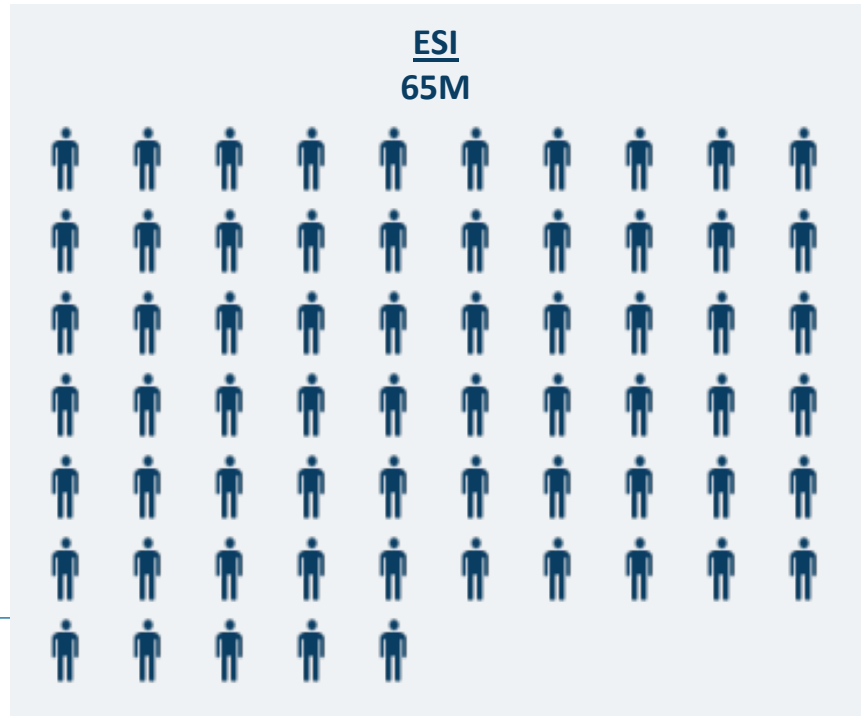


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## Independent Board

- **Bob Town, UT-Austin, Chair**
- Mike Chernew, Harvard
- Leemore Dafny, Harvard
- Dale Yamamoto, Independent Actuary
- Aneesh Chopra, Entrepreneur, former White House CTO
- Chuck Phelps, University of Rochester (retired)
- Almeta Cooper, Morehouse University (retired)
- Aaron McKethan, Duke/NC HHS
- Stephanie Carlton, McKinsey
- Amy Finkelstein, MIT
- Marshall Votta, Nautic Partners



# Enabling World Class Research

*HCCI's current research partners include:*

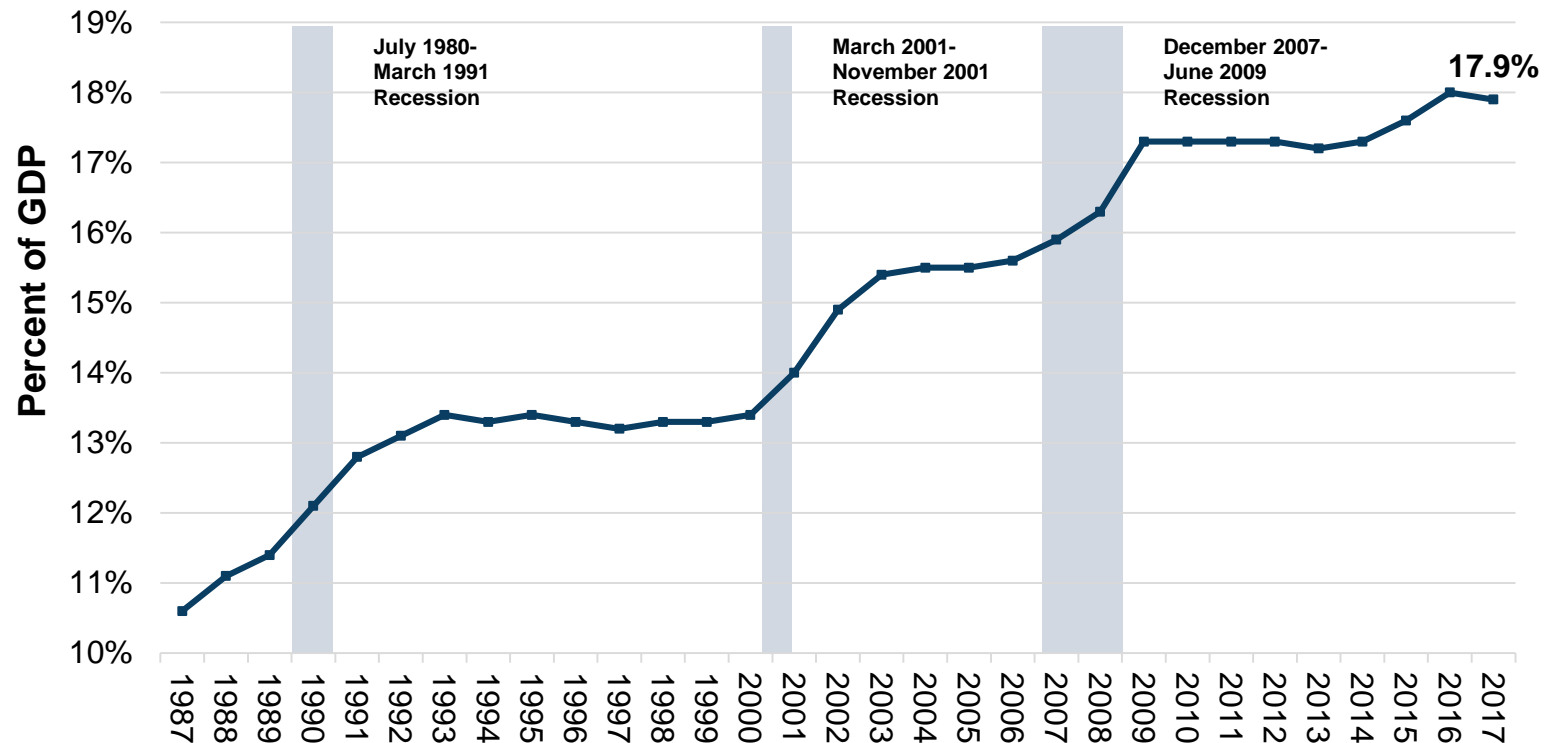


*HCCI also facilitates data access and research through foundation partnerships:*



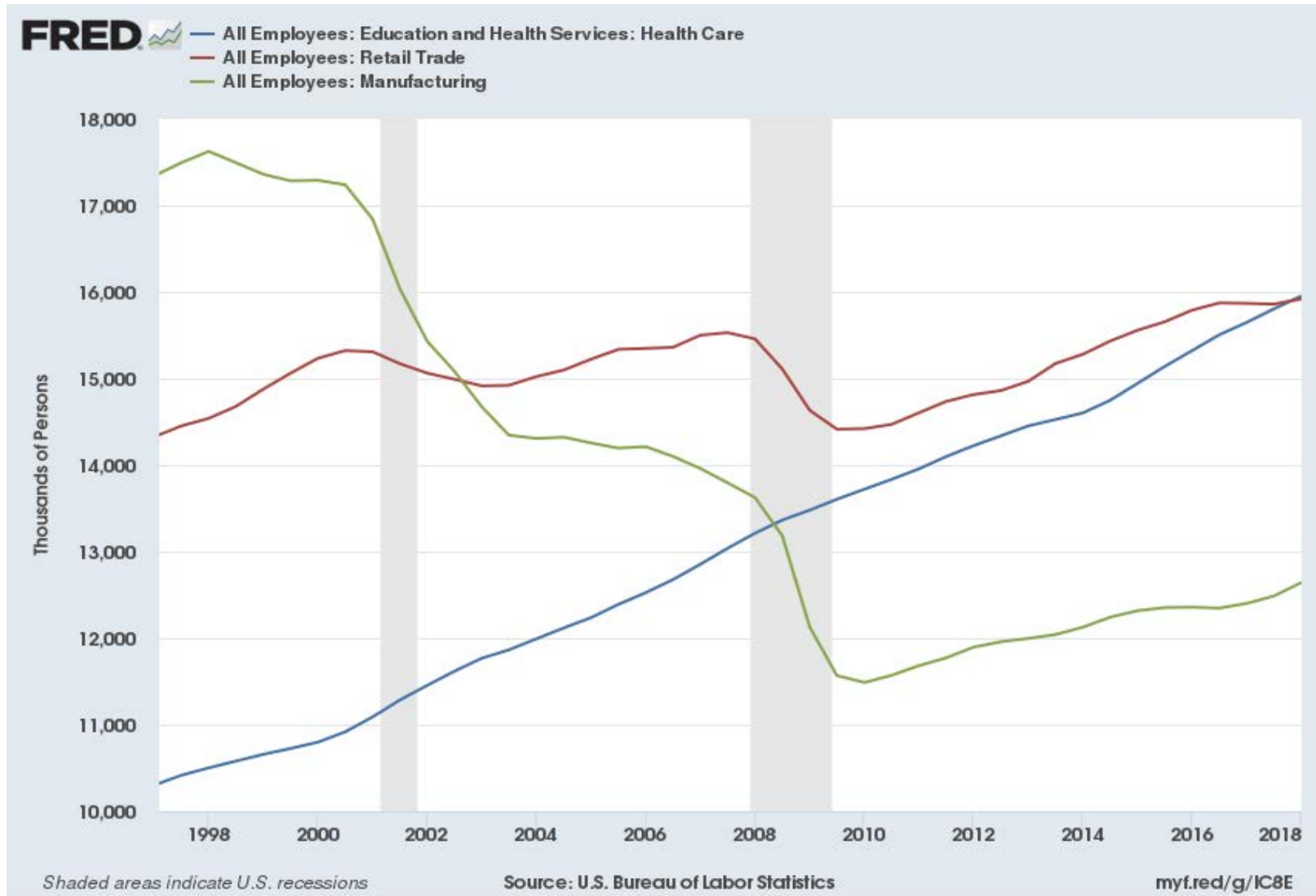


## National Health Expenditure as a Share of Gross Domestic Product, 1960-2017





# US Health Care Employment 1998-2018







# Health Care Reform Efforts in the US





# Some Observations on the Status Quo

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- Americans are indefatigable when it comes to optimism and new ideas about controlling health care costs
- BUT
  - NOTHING'S 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!



HEALTH SPENDING

## 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.

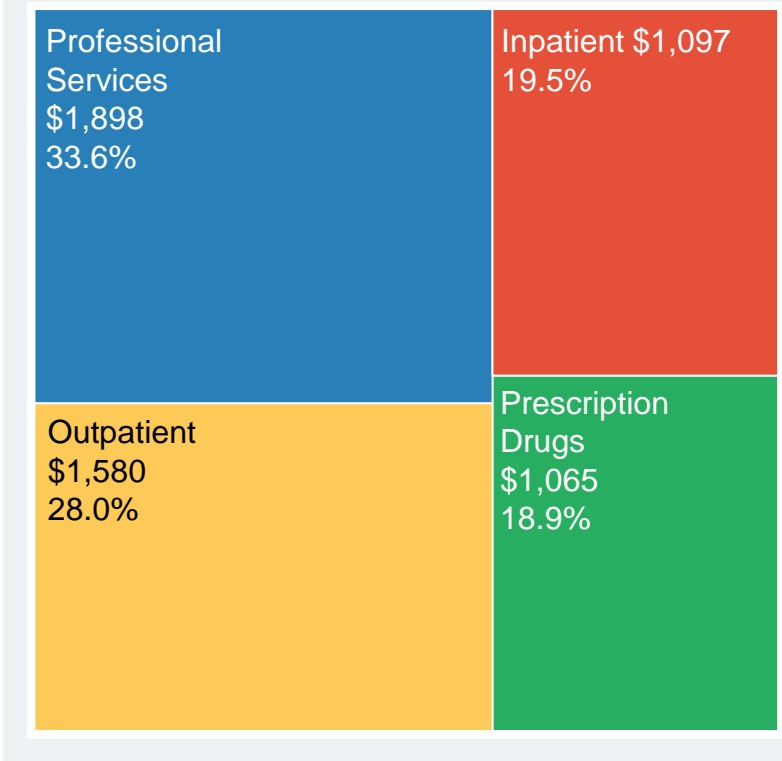
\*2018 coming soon!



# Per-person Spending Reached New All-time High

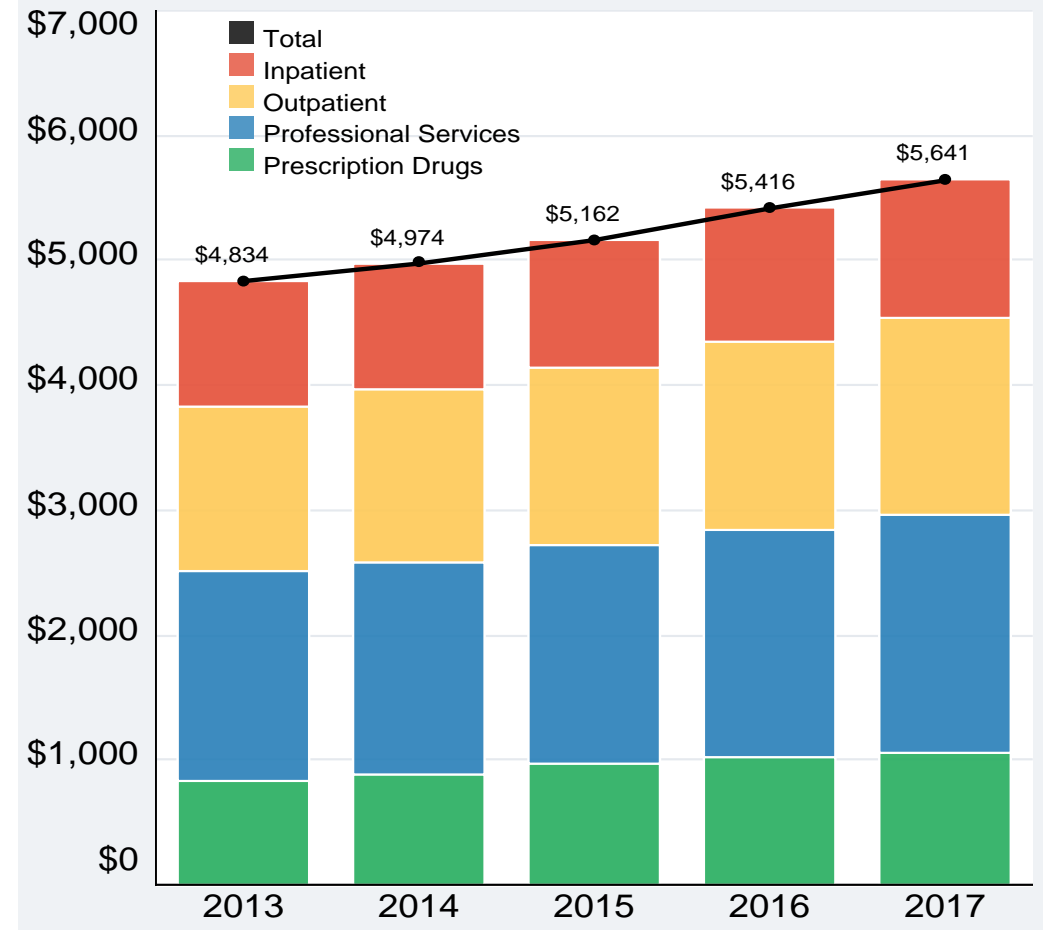
## Spending per Person in 2017

Total \$5,641



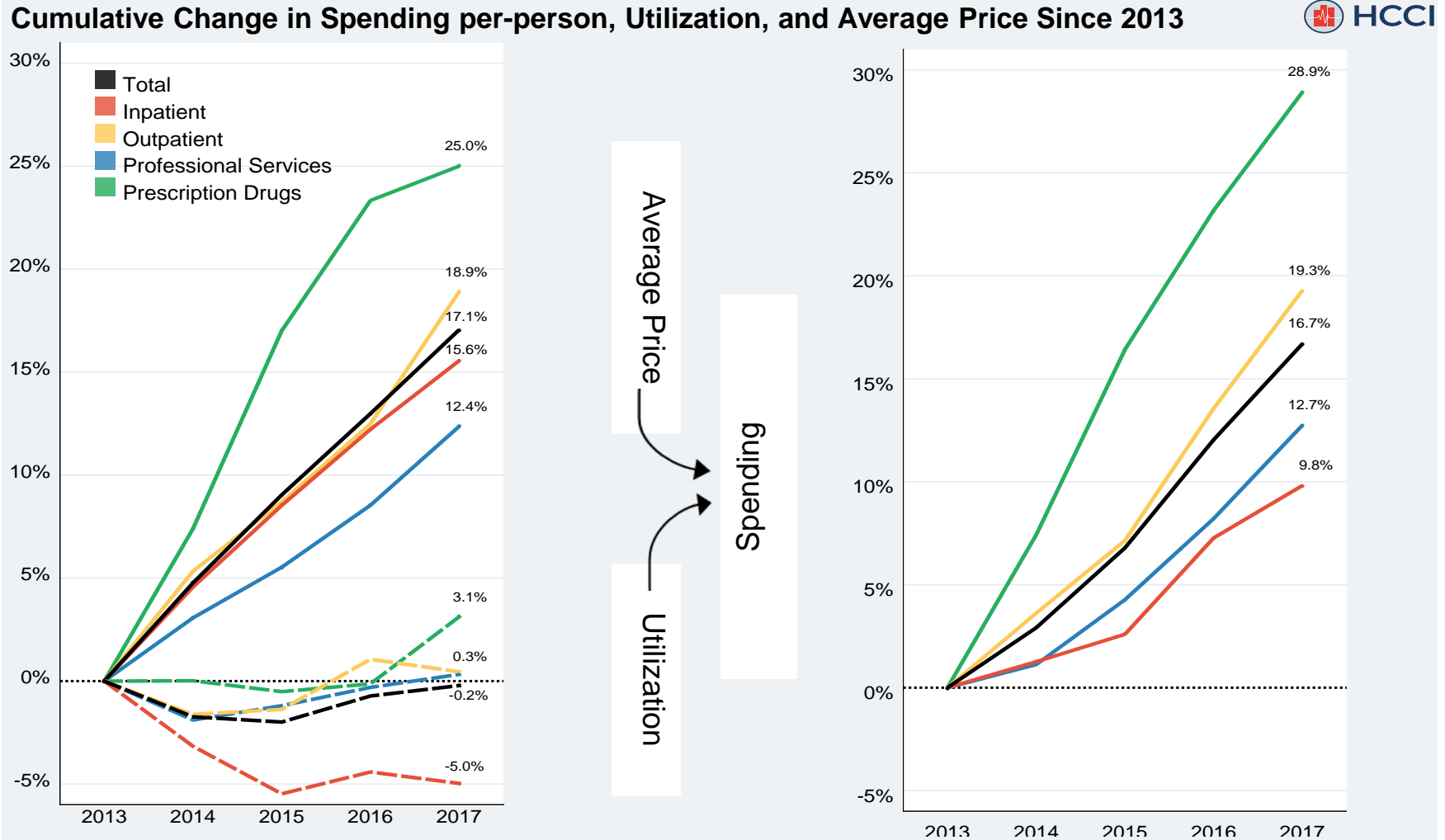
Note: Prescription drug spending is amount paid on pharmacy claim, which reflects discounts from wholesale price, but not manufacturer rebates paid in separate transactions.

## Annual Spending per-person





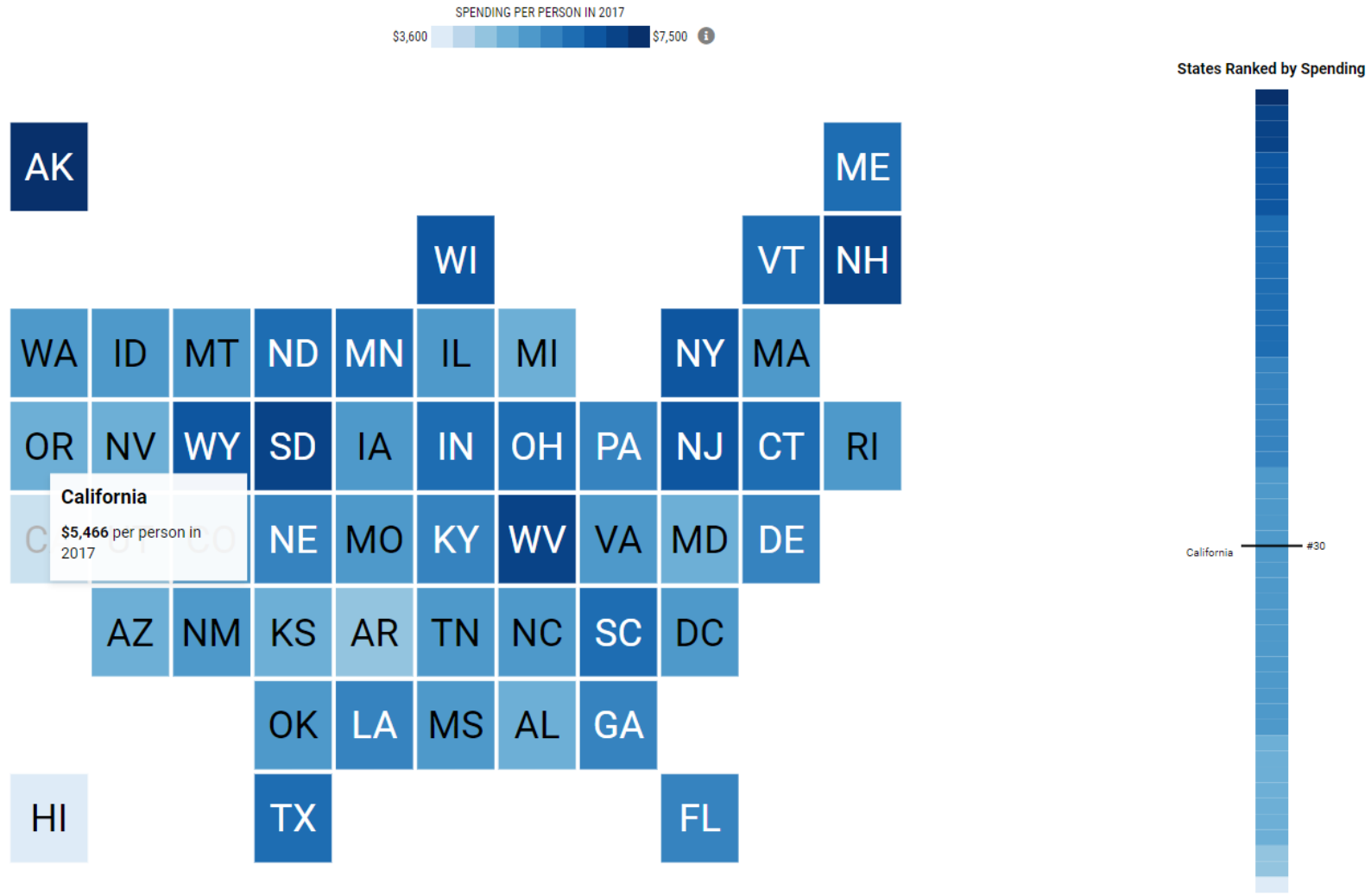
# Increasing Prices Drive Health Care Spending Growth



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.



# CA Ranked 30<sup>th</sup> Highest State, Spending \$5,466 pp in 2017



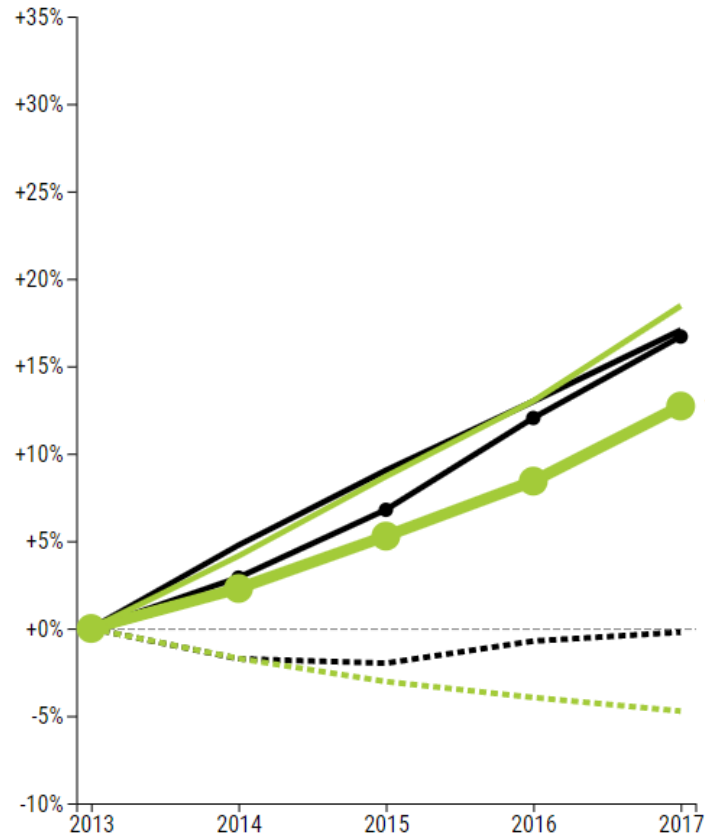


# Spending Growth in CA was Lower than the National Average

## Cumulative Growth in Spending per Person by State since 2013

CHOOSE A STATE:  

 Spending  Utilization  Price   Selected State  U.S. Average 



**California**  
saw an **increase** of **12.7%** in **spending** between 2013 and 2017.





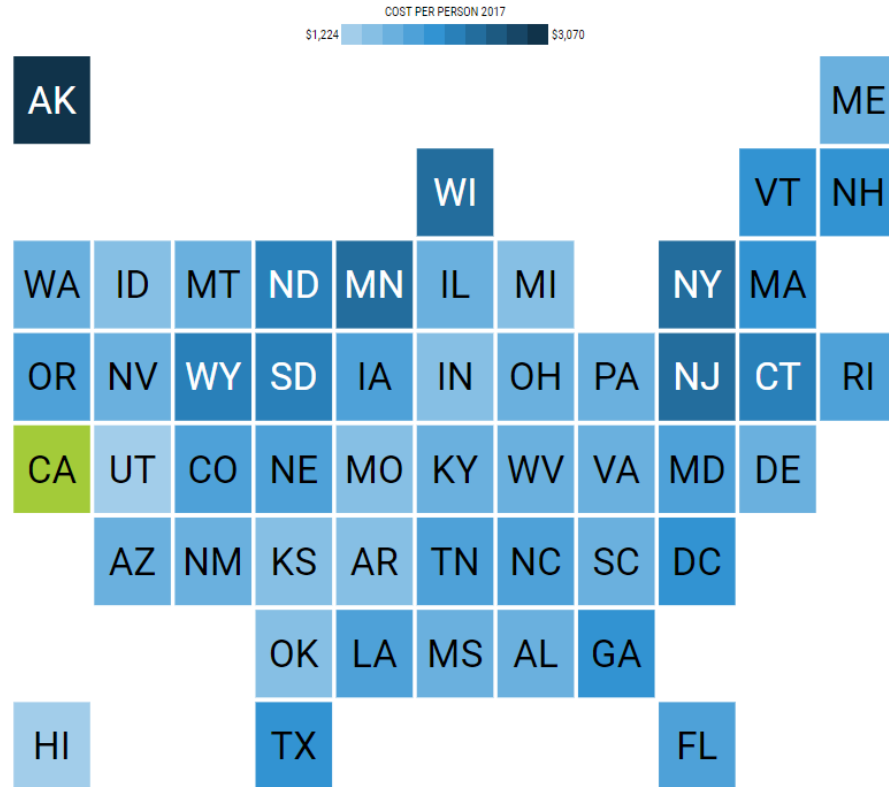
# CA 2017 Professional Spending \$2,111 per person, 10<sup>th</sup> Highest State

## 2017 Spending per Person by Service Category

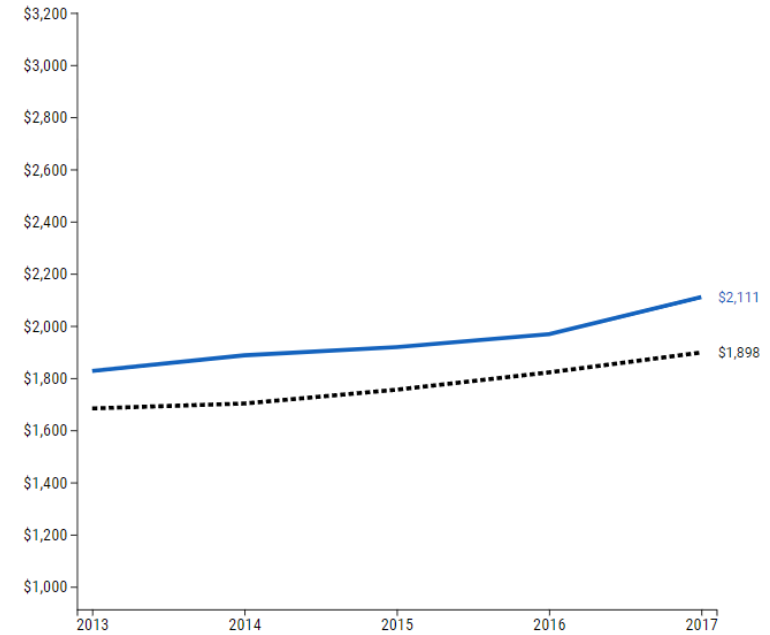
CHOOSE A STATE: California

Inpatient  Outpatient  Prescription Drug  Professional

Selected State  U.S. Average



Average Annual Spending per Person on Professional Services in California





## 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, Hospital Market Competition
- For each measure: interactive web articles, dashboards, public use files
  - Explore trends across 112 metro areas in 43 States
    - Including 6 metros within the state of California

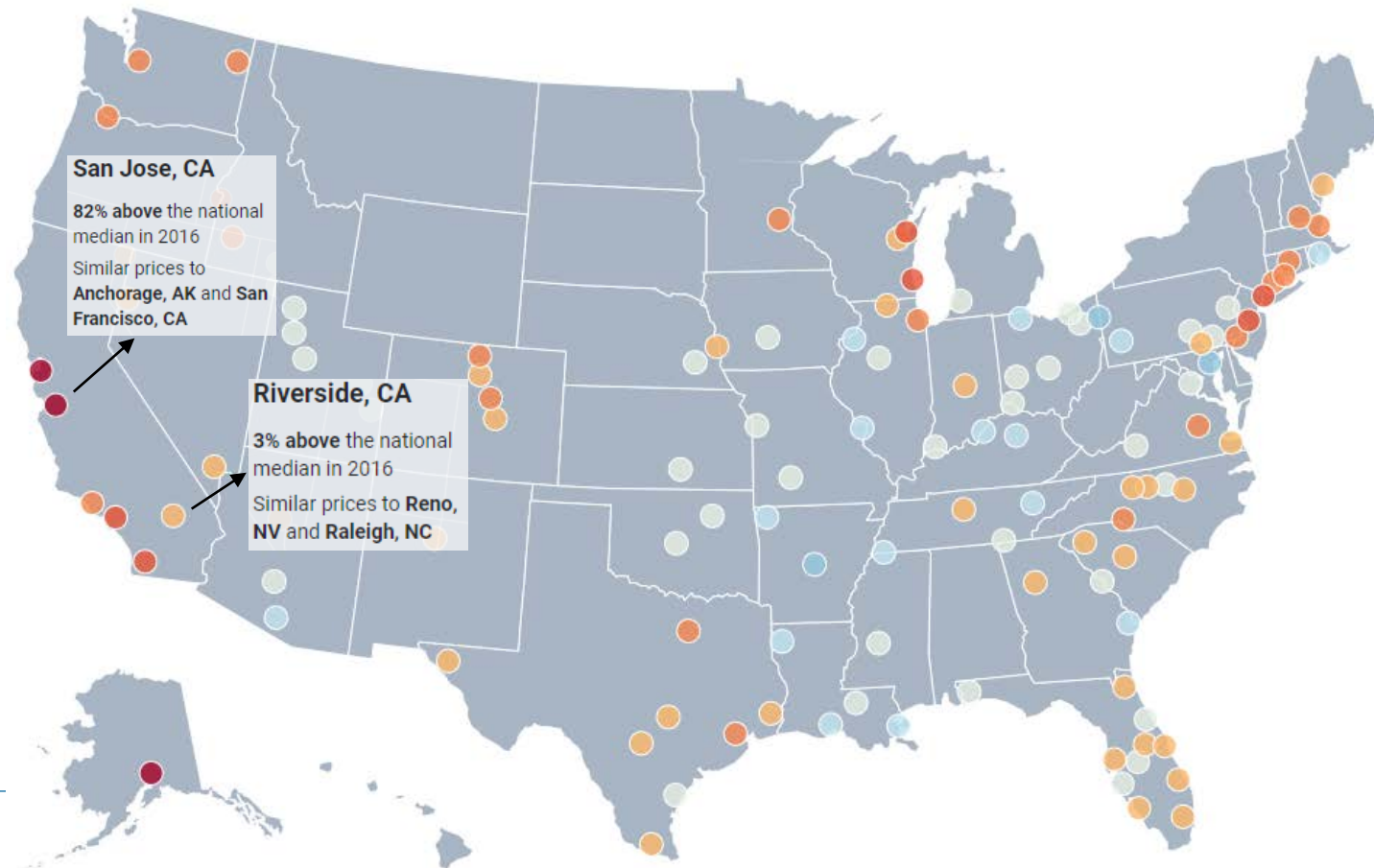


# Wide Variation in Prices Across U.S.

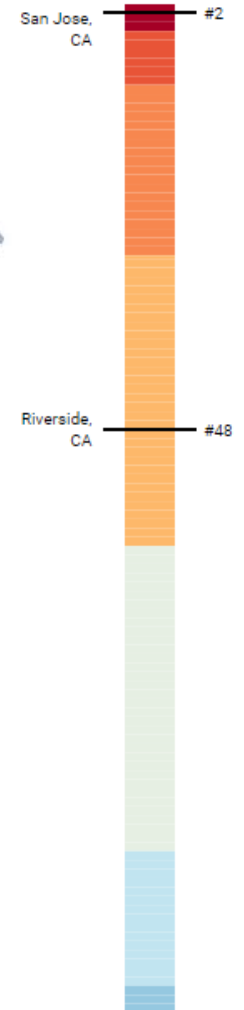
## Overall Health Care Prices in U.S. Metros Relative to National Median, 2016

FIND A METRO: San Jose-Sunnyvale-Santa ...

PERCENT DIFFERENCE FROM NATIONAL MEDIAN  
-50% 50%



Metros Ranked by Price



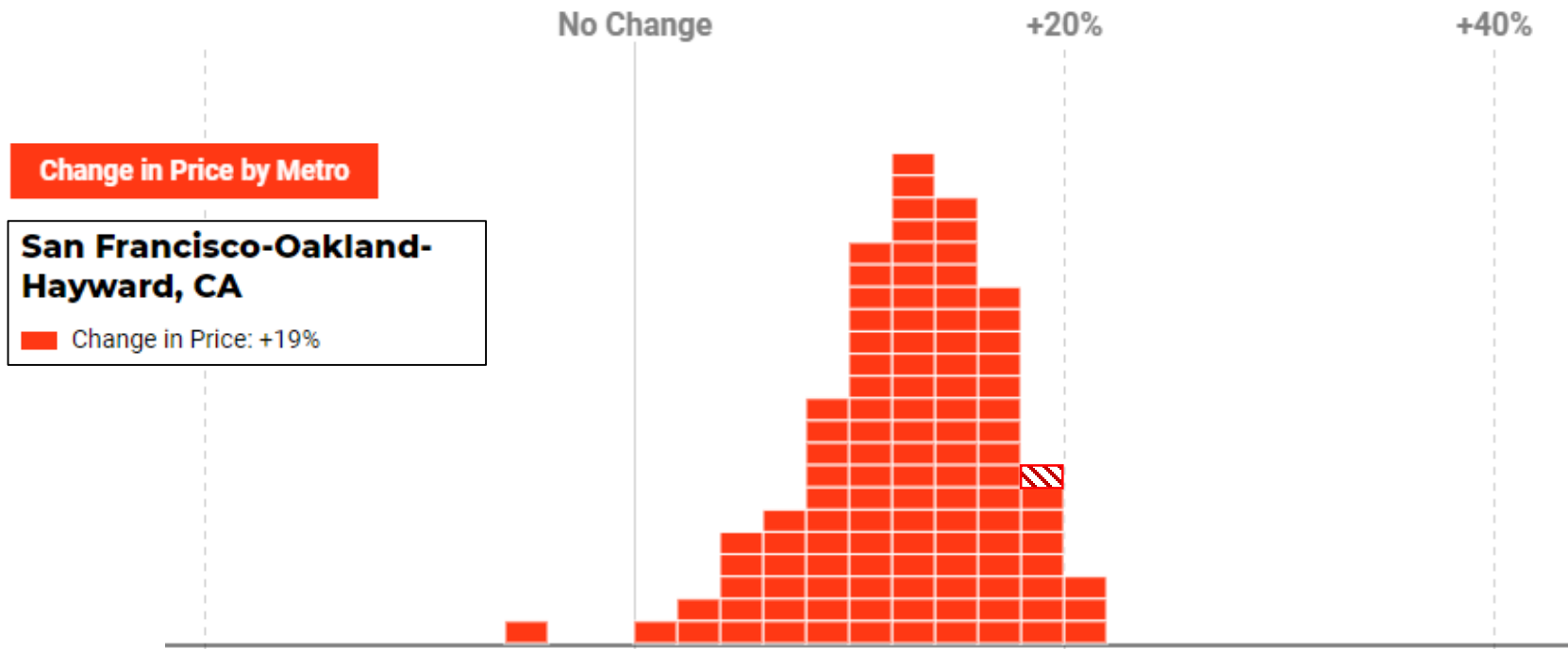


# Prices Growing Almost Everywhere

## Comparing Overall Price and Use Changes, 2012 - 2016

FIND A METRO: San Francisco-Oakland-Ha... ▾

HIGHLIGHT A SERVICE TYPE:  Overall  Inpatient  Outpatient  Professional ⓘ





# However, Use Declining Largely Everywhere

## Comparing Overall Price and Use Changes, 2012 - 2016

FIND A METRO: San Francisco-Oakland-Ha...

HIGHLIGHT A SERVICE TYPE:

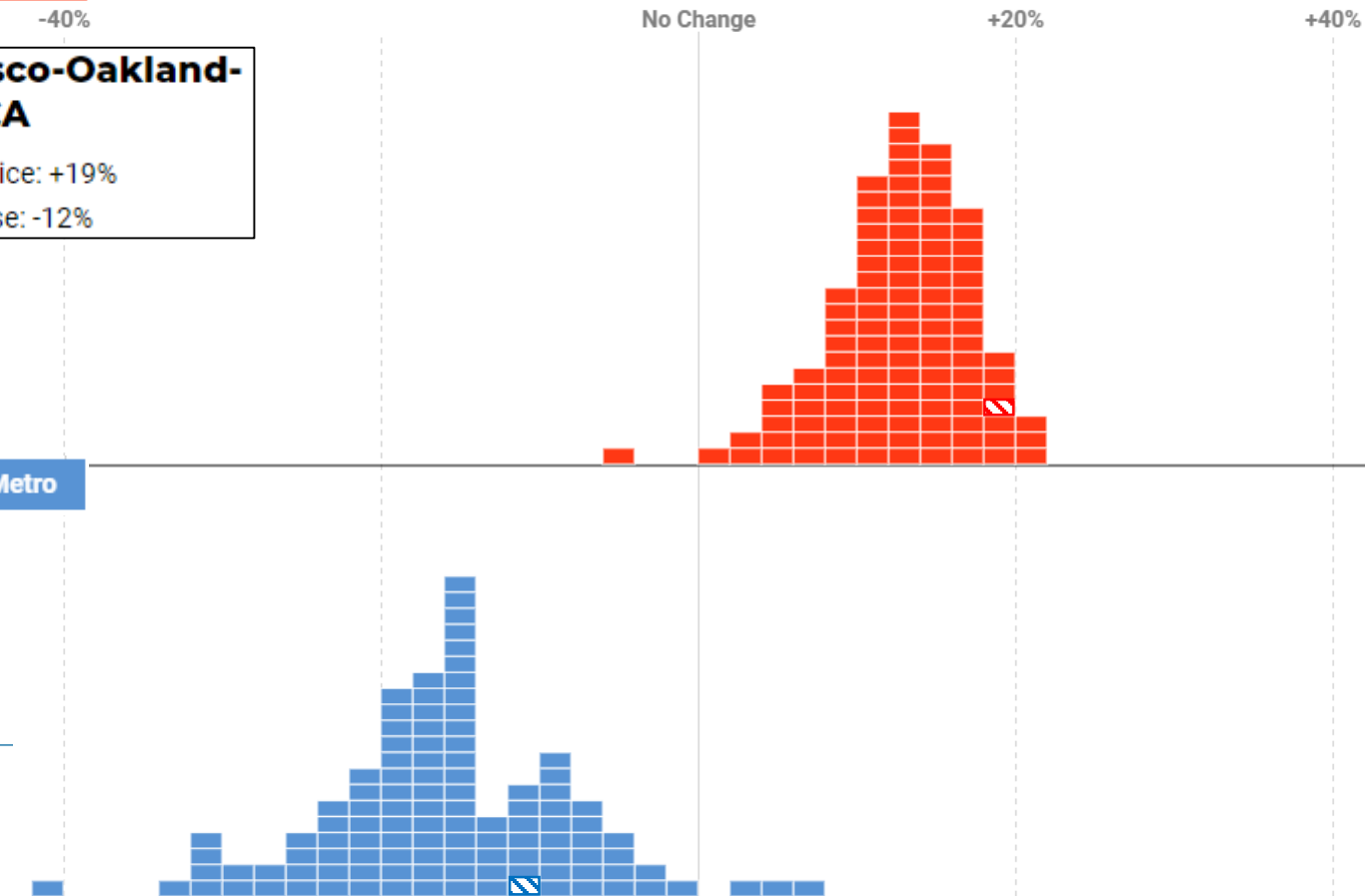
- Overall
- Inpatient
- Outpatient
- Professional

Change in Price by Metro

**San Francisco-Oakland-Hayward, CA**

- Change in Price: +19%
- Change in Use: -12%

Change in Use by Metro





# Held True Throughout California

All 6 metro areas in California experienced a growth in prices & decline in use

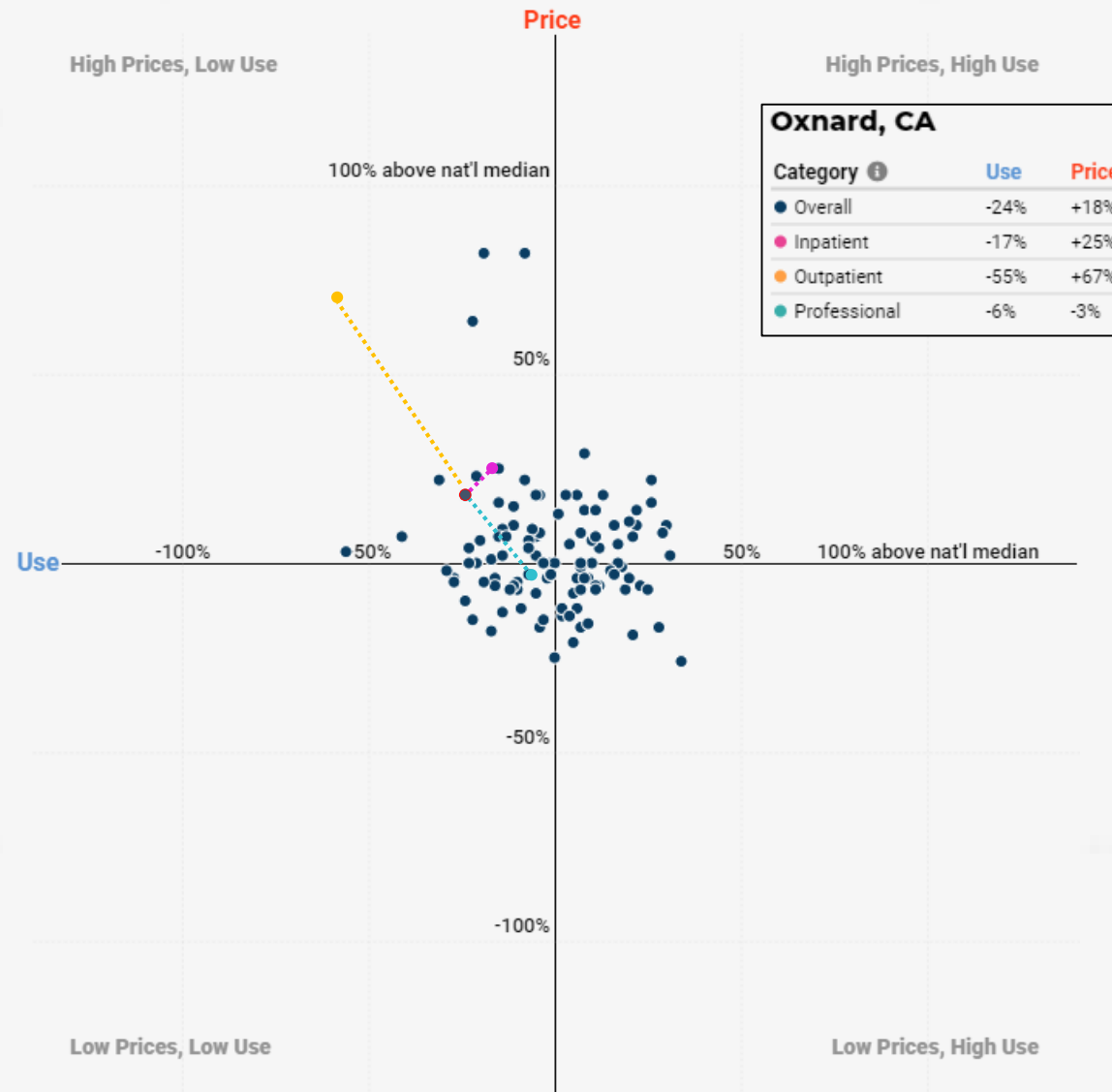
- Prices
  - Riverside (+10%) lowest growth rate, San Francisco (+19%) highest
- Use
  - Los Angeles (-9%) smallest decline, Riverside (-23%) largest

Metro Area	% Change in Price	% Change in Use
Los Angeles-Long Beach-Anaheim	<b>+12%</b>	<b>-9%</b>
Oxnard-Thousand Oaks-Ventura	<b>+14%</b>	<b>-22%</b>
Riverside-San Bernardino-Ontario	<b>+10%</b>	<b>-23%</b>
San Diego-Carlsbad	<b>+13%</b>	<b>-15%</b>
San Francisco-Oakland-Hayward	<b>+19%</b>	<b>-12%</b>
San Jose-Sunnyvale-Santa Clara	<b>+17%</b>	<b>-14%</b>



# Prices and Use Varied by Service Category Within Metros

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



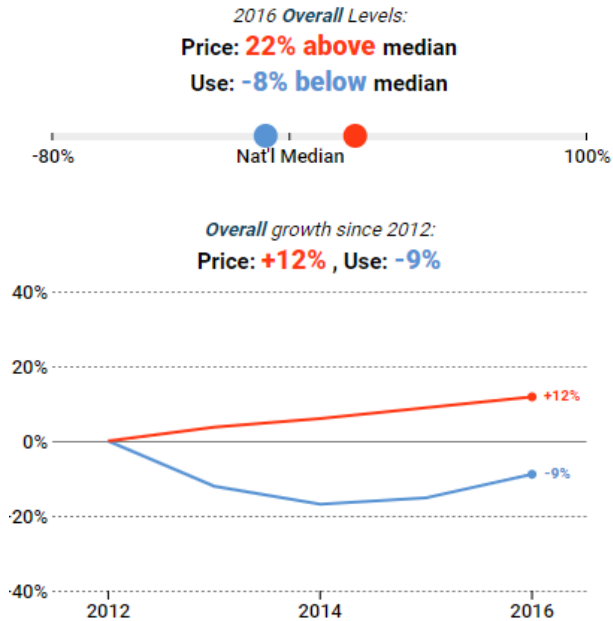


# Compare Price & Use by Metro and Over Time

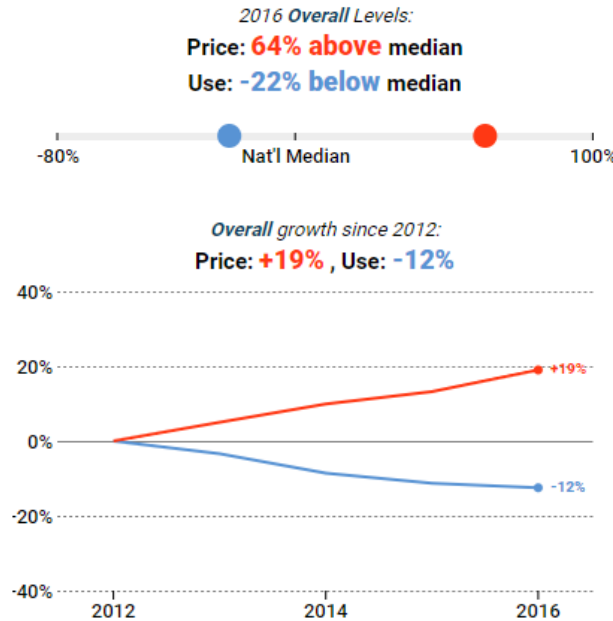
## Compare Health Care Prices, Use Levels and Growth in Select Metros

Overall Inpatient Outpatient Professional

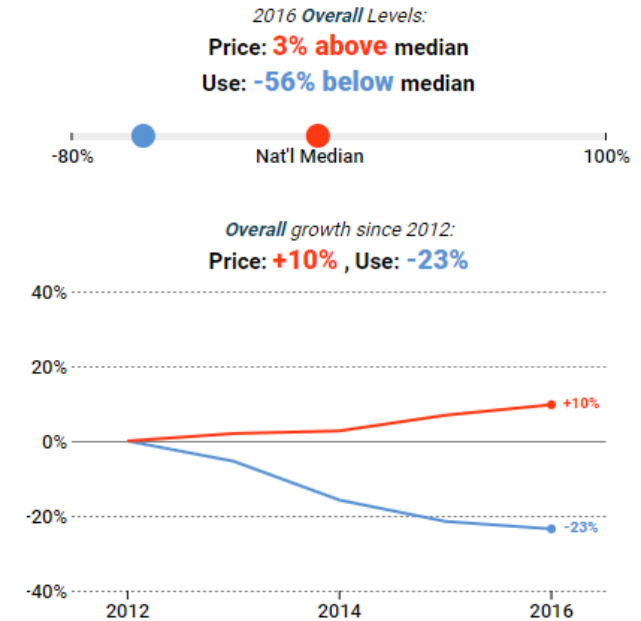
### Los Angeles-Long Beach-Anaheim, CA



### San Francisco-Oakland-Hayward, CA



### Riverside-San Bernardino-Ontario, CA







# Majority of Inpatient Hospital Markets were Highly Concentrated

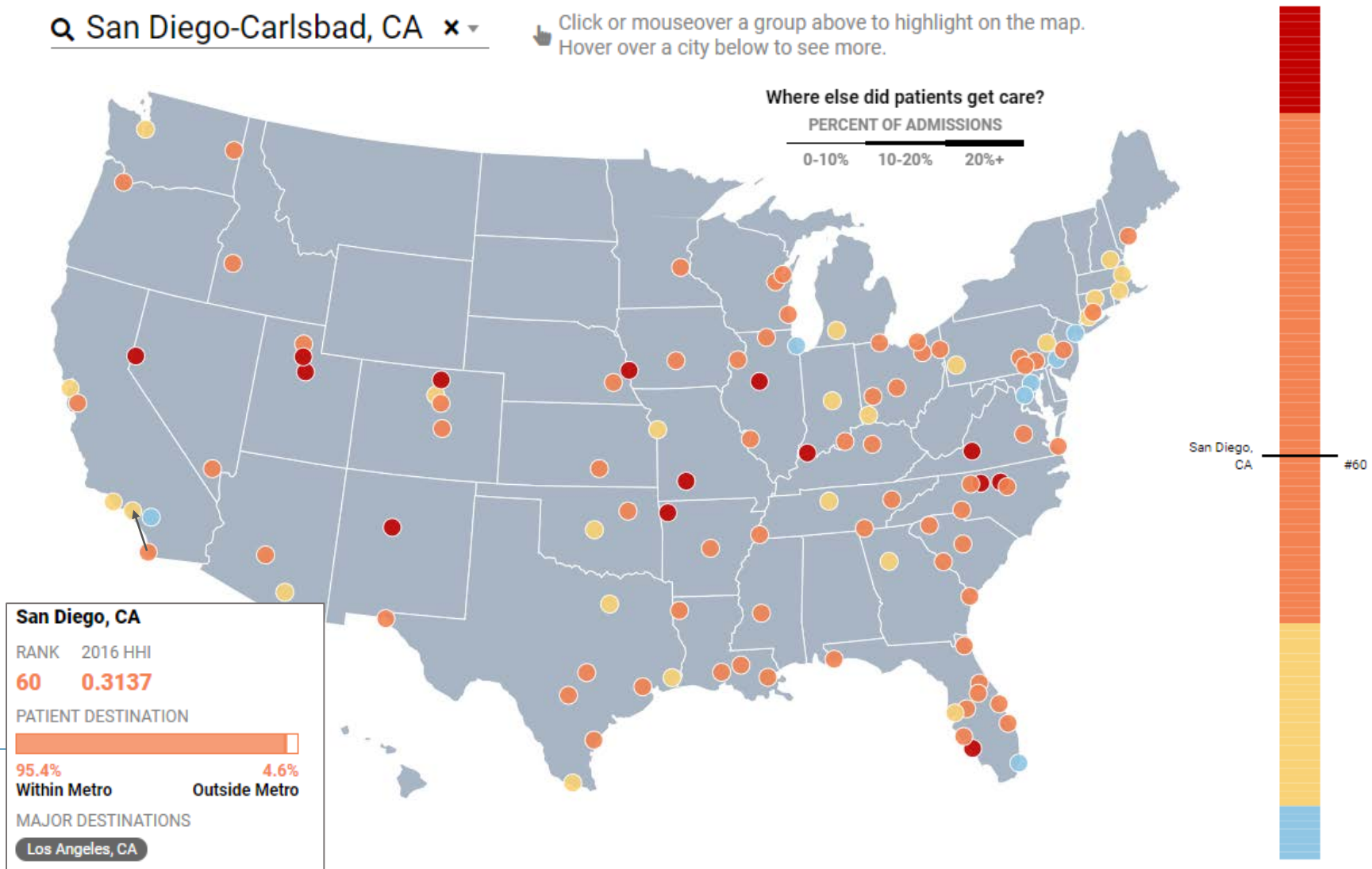
## Inpatient Hospital Market Concentration in U.S. Metros, 2016

UNCONCENTRATED   MODERATELY CONCENTRATED   HIGHLY CONCENTRATED   VERY HIGHLY CONCENTRATED ⓘ

🔍 San Diego-Carlsbad, CA ✕

👉 Click or mouseover a group above to highlight on the map.  
👈 Hover over a city below to see more.

Metros Ranked by Concentration





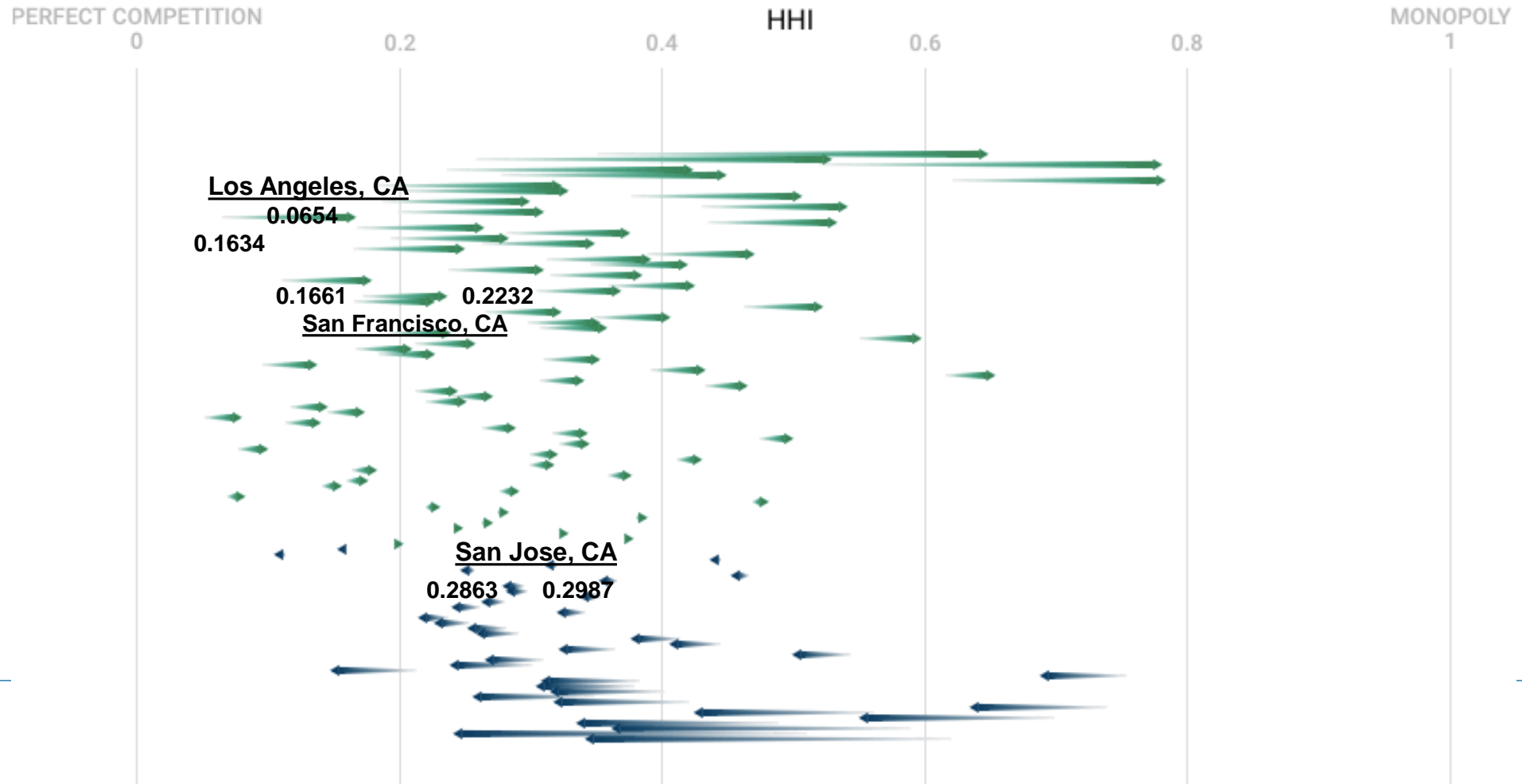
# Most Hospital Markets Became More Concentrated Over Time

## Change in Hospital Market Concentration

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

HHI INCREASED

HHI DECREASED



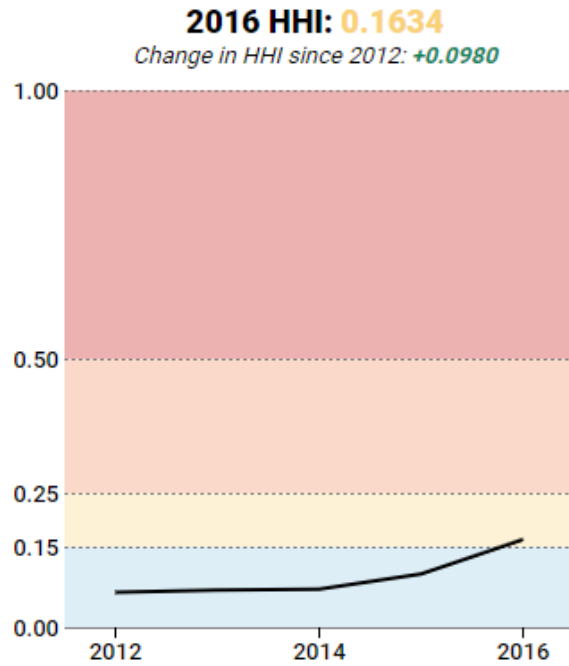


# Compare Market Concentration Level by Metro and Over Time

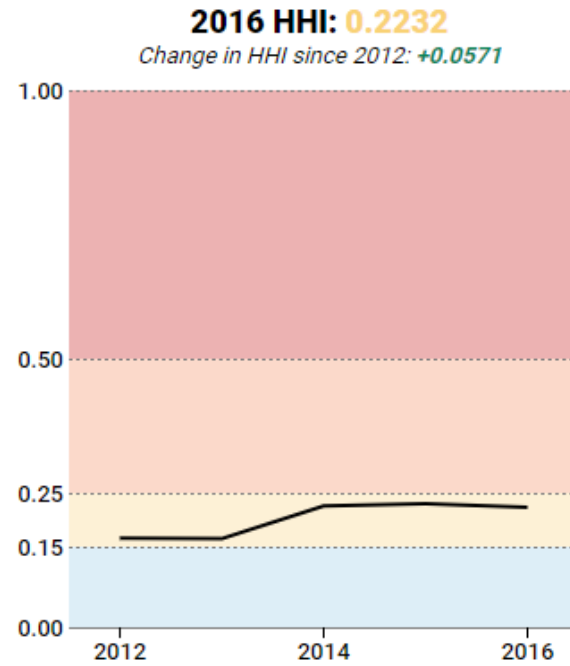
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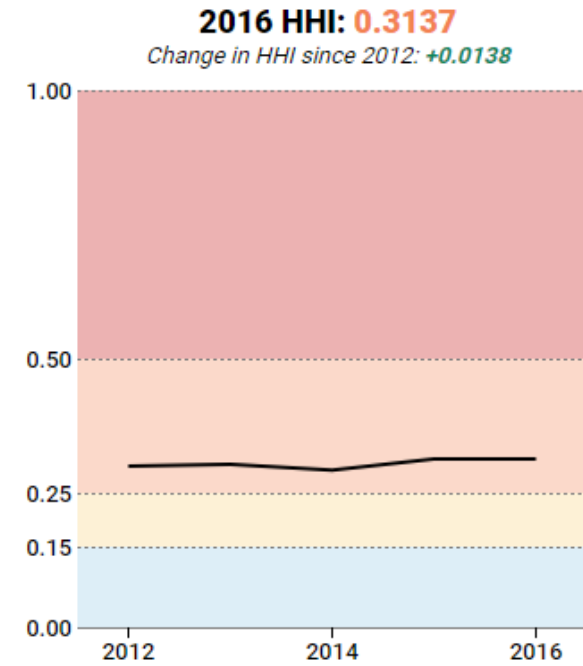
Los Angeles-Long Beach-Anaheim, CA



San Francisco-Oakland-Hayward, CA



San Diego-Carlsbad, CA

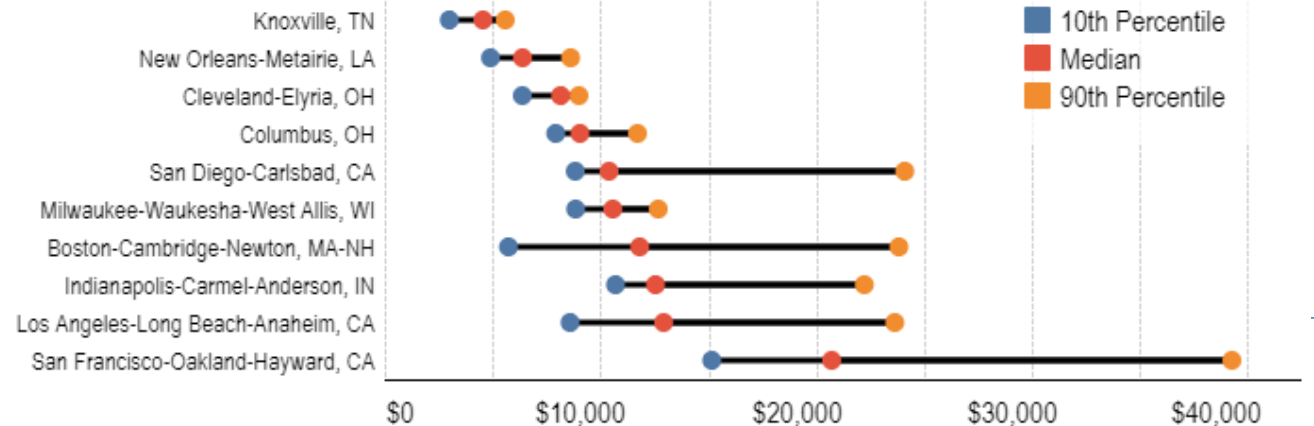
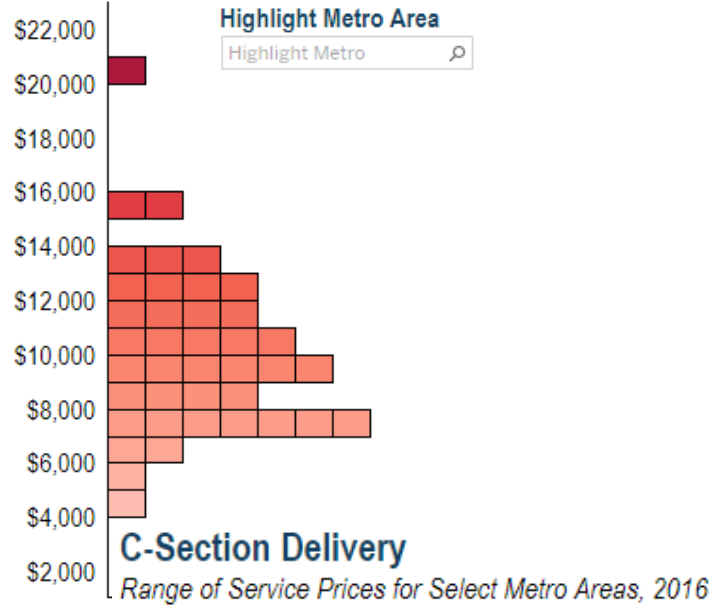
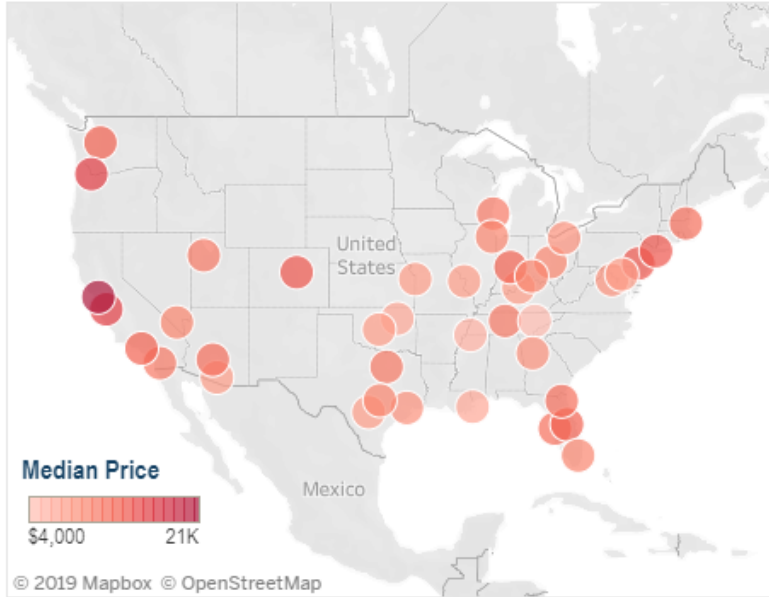




# Variation in C-section Prices

## C-Section Delivery

Distribution of Metro Area Median Service Prices, 2016

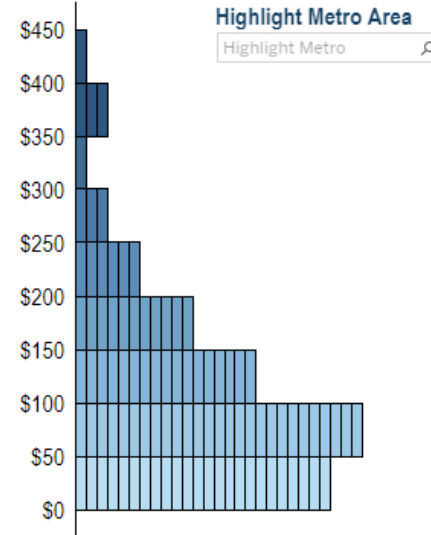
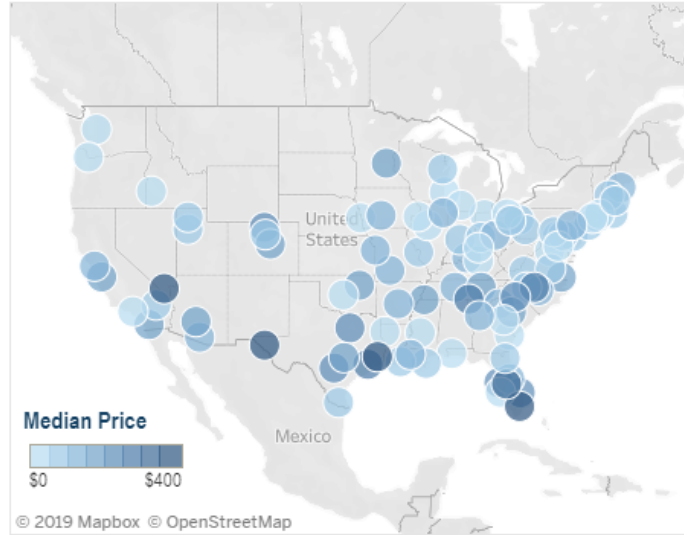




# Variation in Lab Test Prices

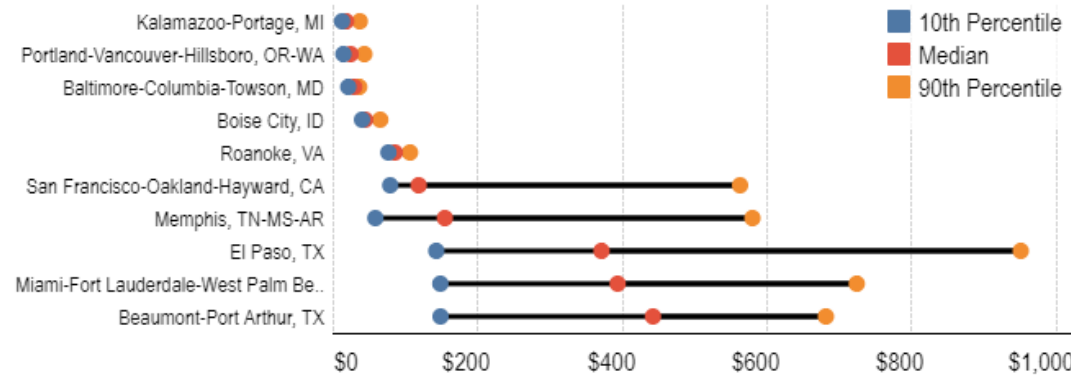
## Blood Test

Distribution of Metro Area Median Service Prices, 2016



## Blood Test

Range of Service Prices for Select Metro Areas, 2016



The New York Times

TheUpshot

By Margot Sanger-Katz

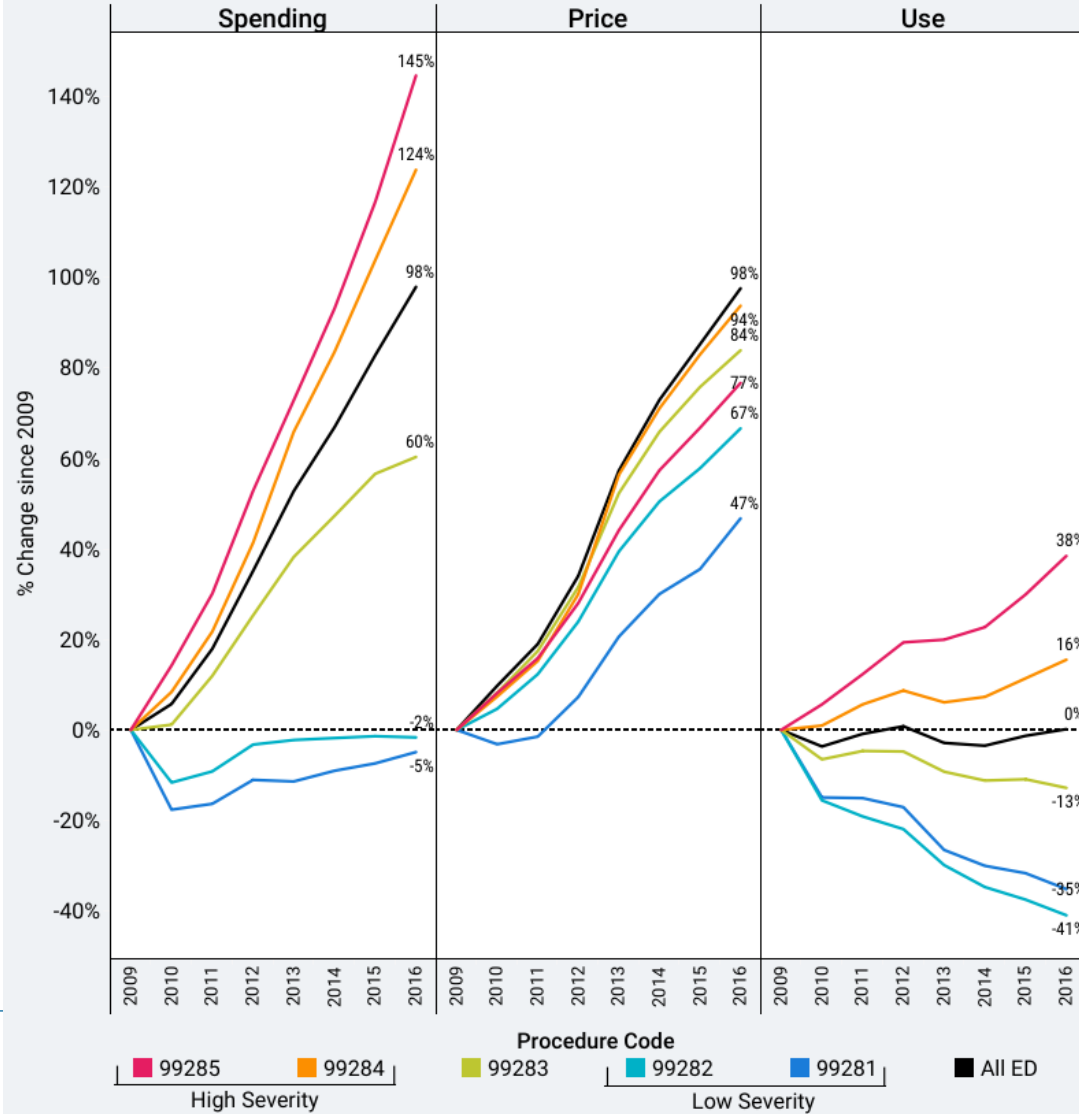
*They Want It to Be Secret:  
How a Common Blood Test  
Can Cost \$11 or Almost \$1,000*



# Trends in ER Facility Fee Prices: U.S. v CA

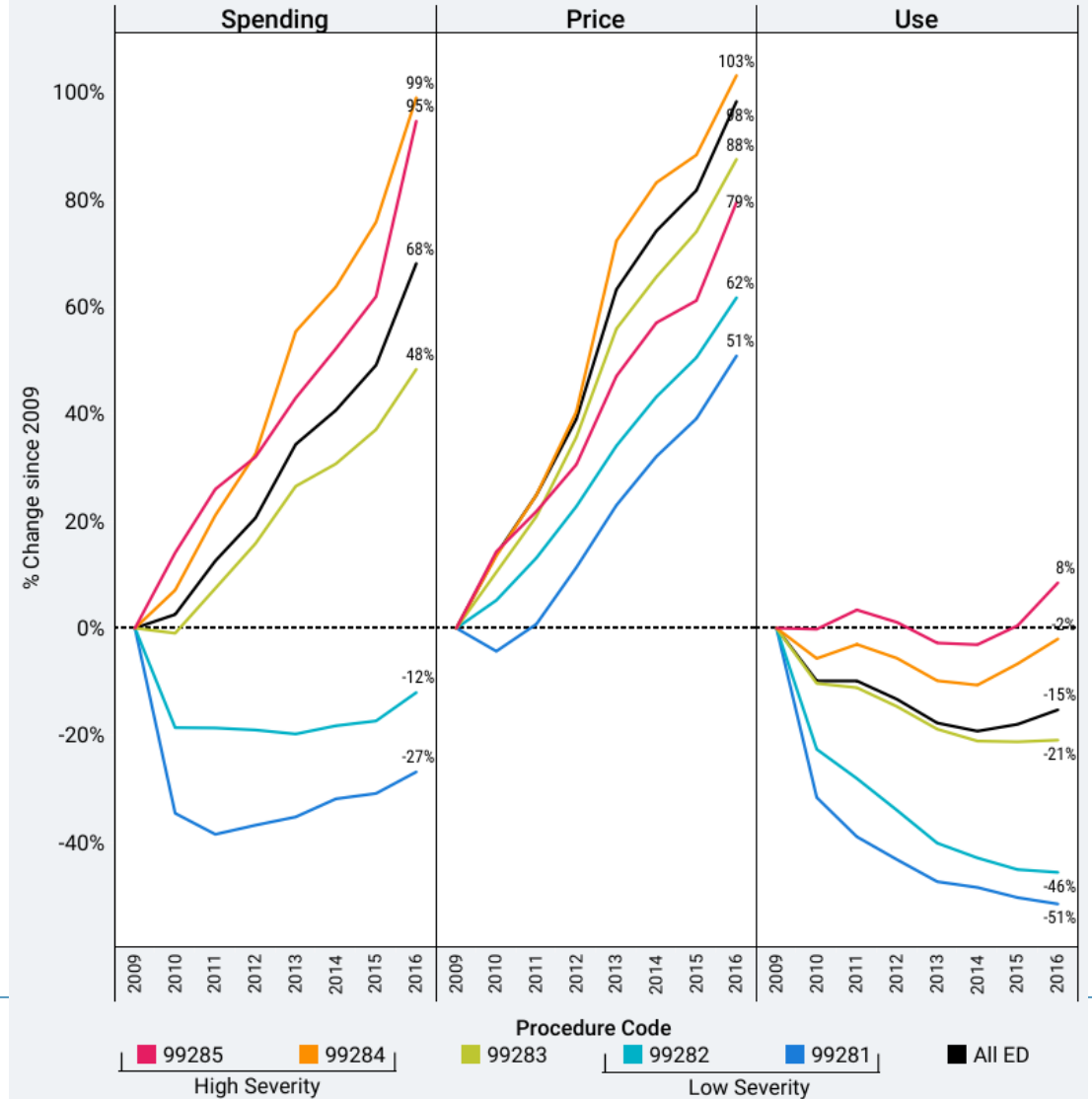
Cumulative Change in Emergency Room Spending, Prices, and Utilization from 2009 to 2016

State: National



Cumulative Change in Emergency Room Spending, Prices, and Utilization from 2009 to 2016

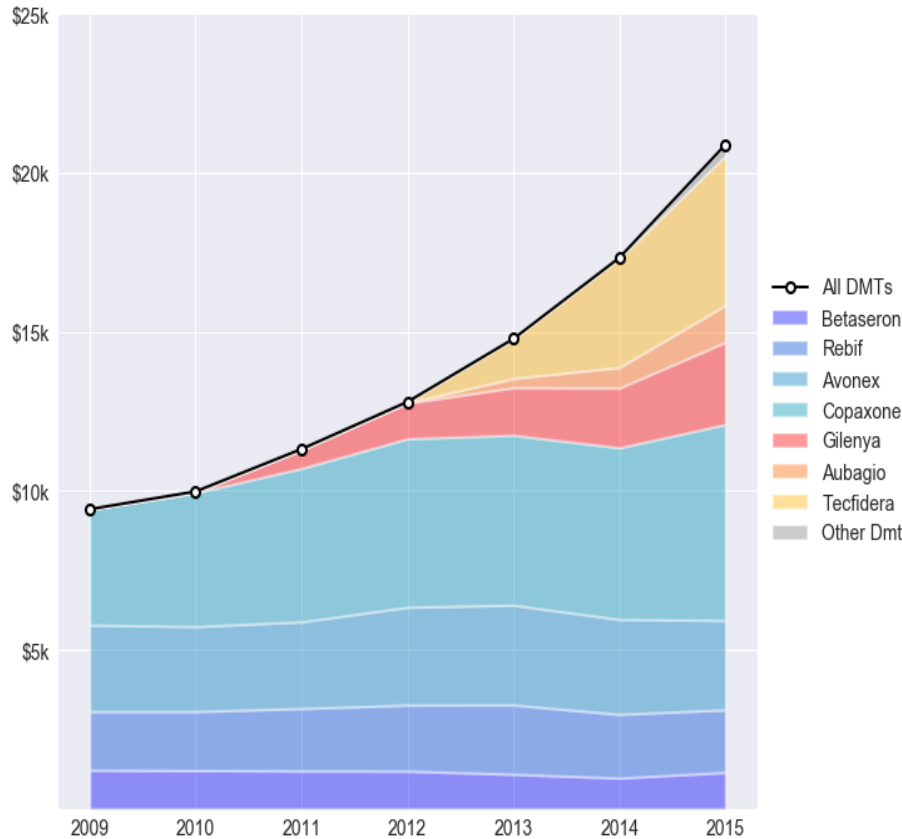
State: CA



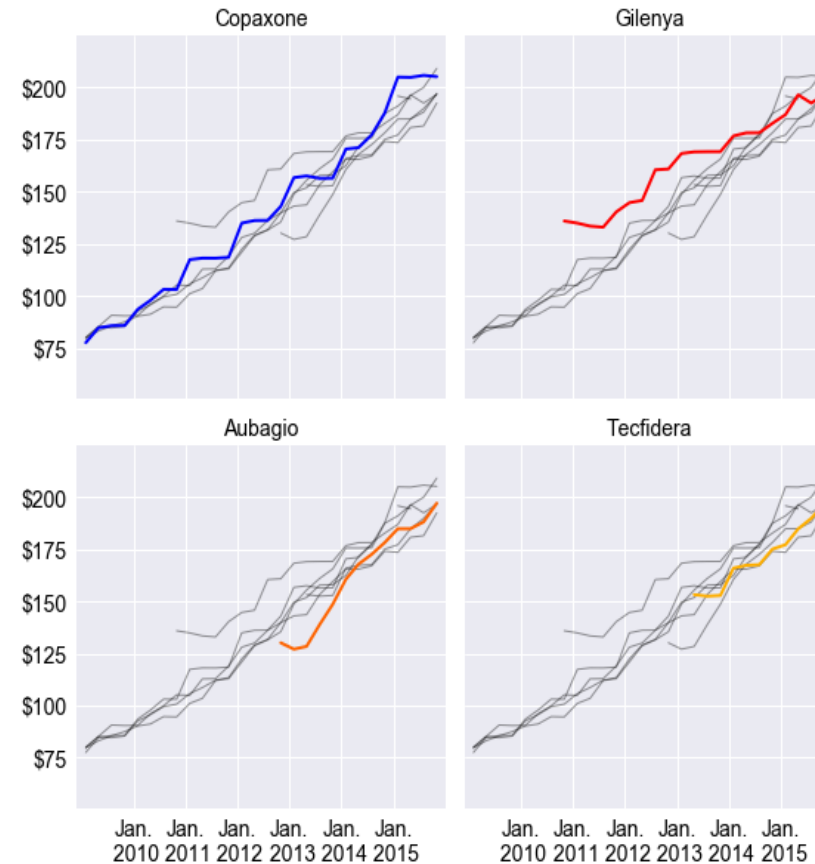


# How Do Rising Drug Prices Affect Cost of Care for People With MS?

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

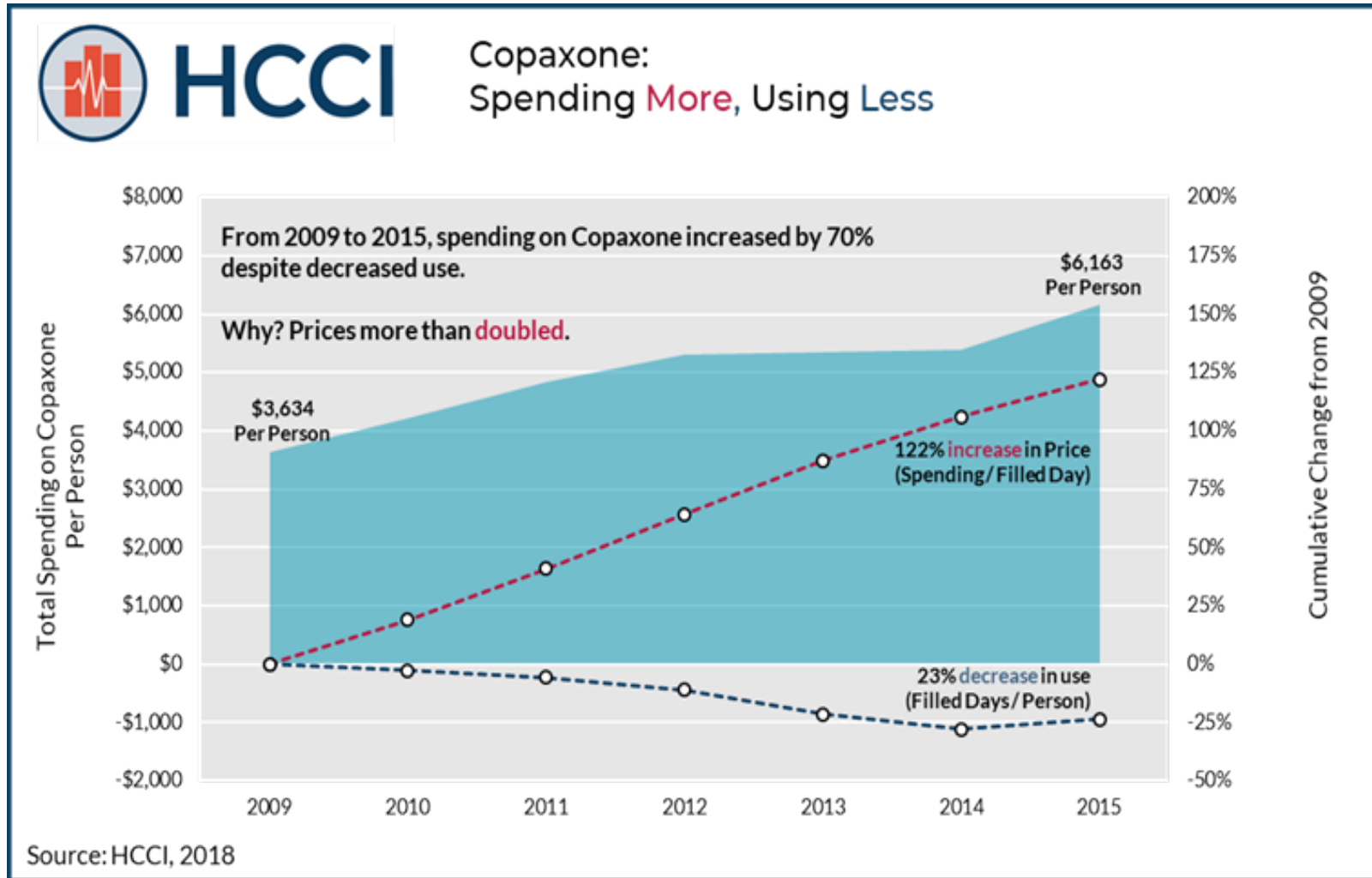


### Average Price per Filled Day for Most Common NDC Code for Each DMT, 2009-2015





# Health Care is the Only Sector of the American Economy Where You Can Lose Market Share and Gain Revenue





# Q&A