

# What is driving the growth in health care costs and what can be done about it?

California Assembly Select Committee on Health Care Delivery  
Systems and Universal Coverage

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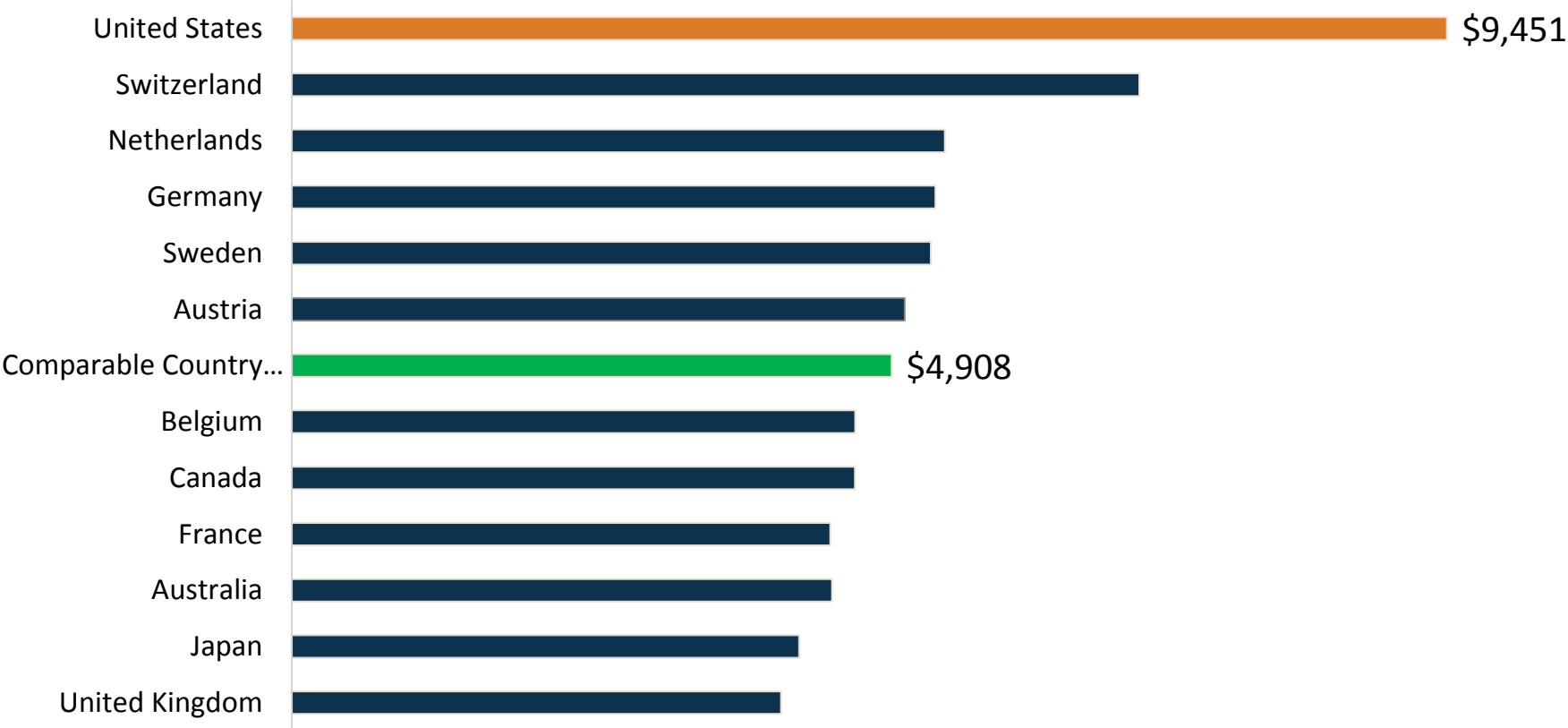
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# On average, other wealthy countries spend about half as much per person on health than the U.S. spends

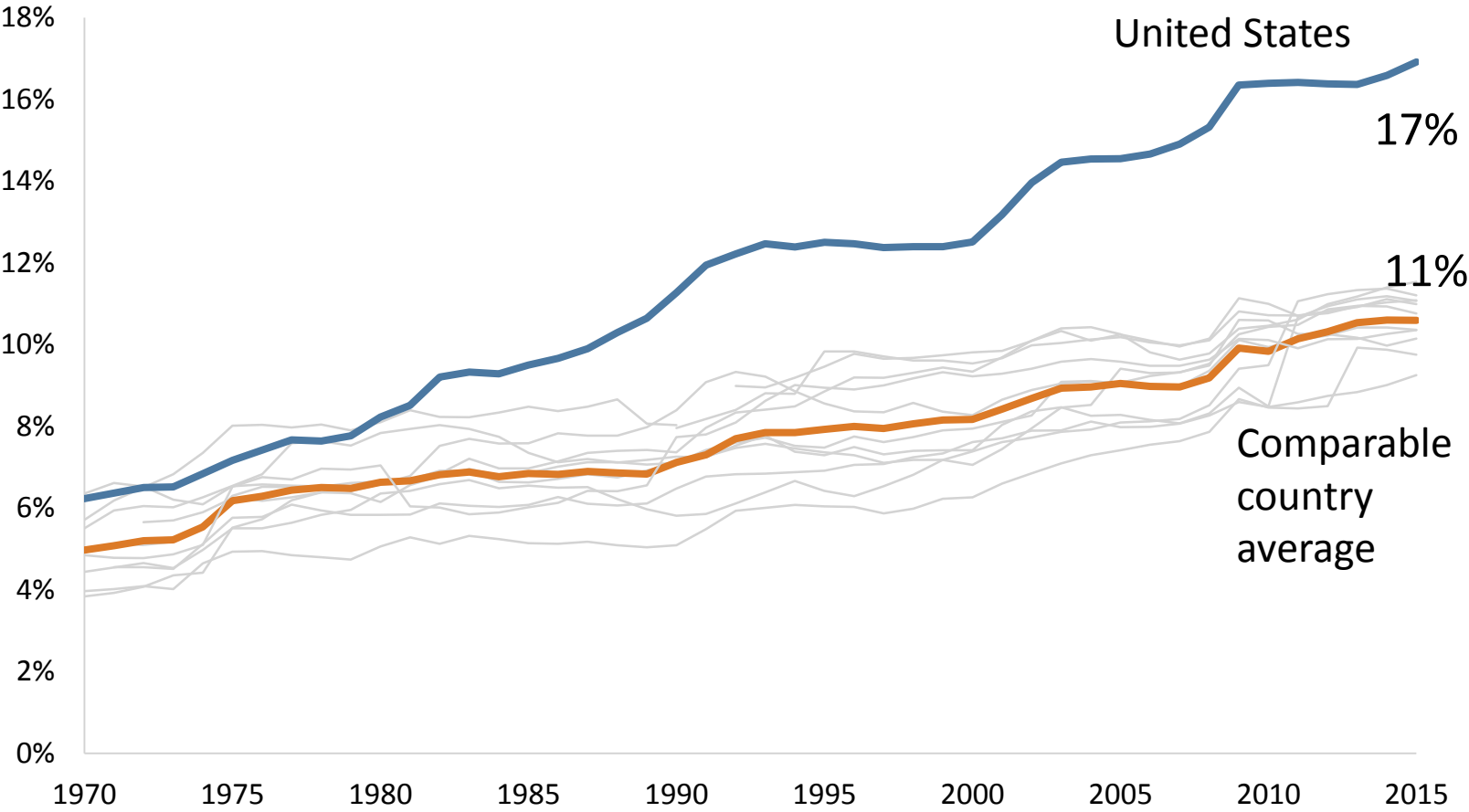
Total health expenditures per capita, U.S. dollars, PPP adjusted, 2015



Source: OECD (2017), "OECD Health Data: Health expenditure and financing: Health expenditure indicators", OECD Health Statistics (database). DOI: 10.1787/health-data-en (Accessed on March 19, 2017)

# The gap between the U.S. and comparable countries on health spending has widened

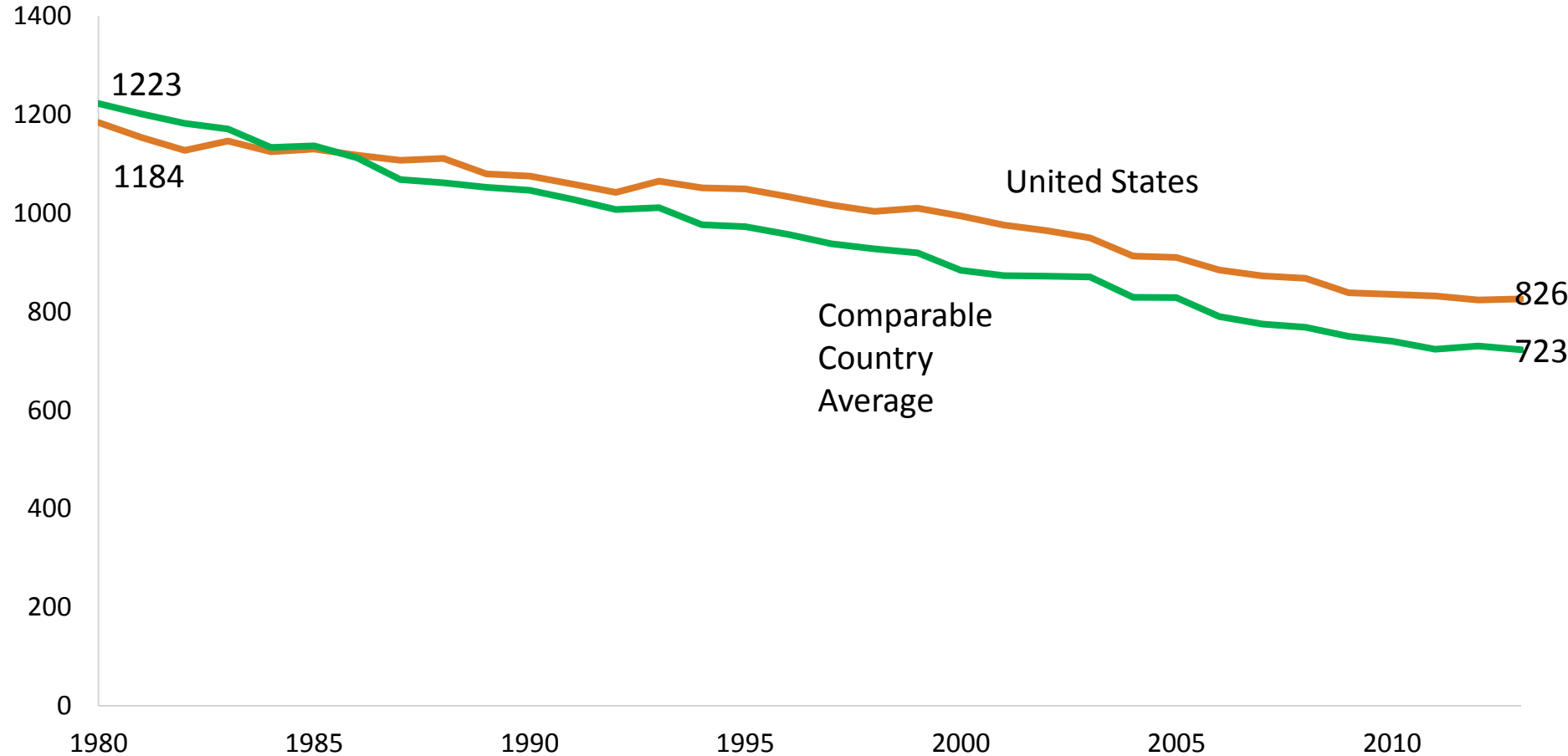
Total health expenditures as percent of GDP, 1970 – 2015



Source: Kaiser Family Foundation analysis of OECD data.

# Mortality rates have fallen steadily in the U.S. and in comparable OECD countries

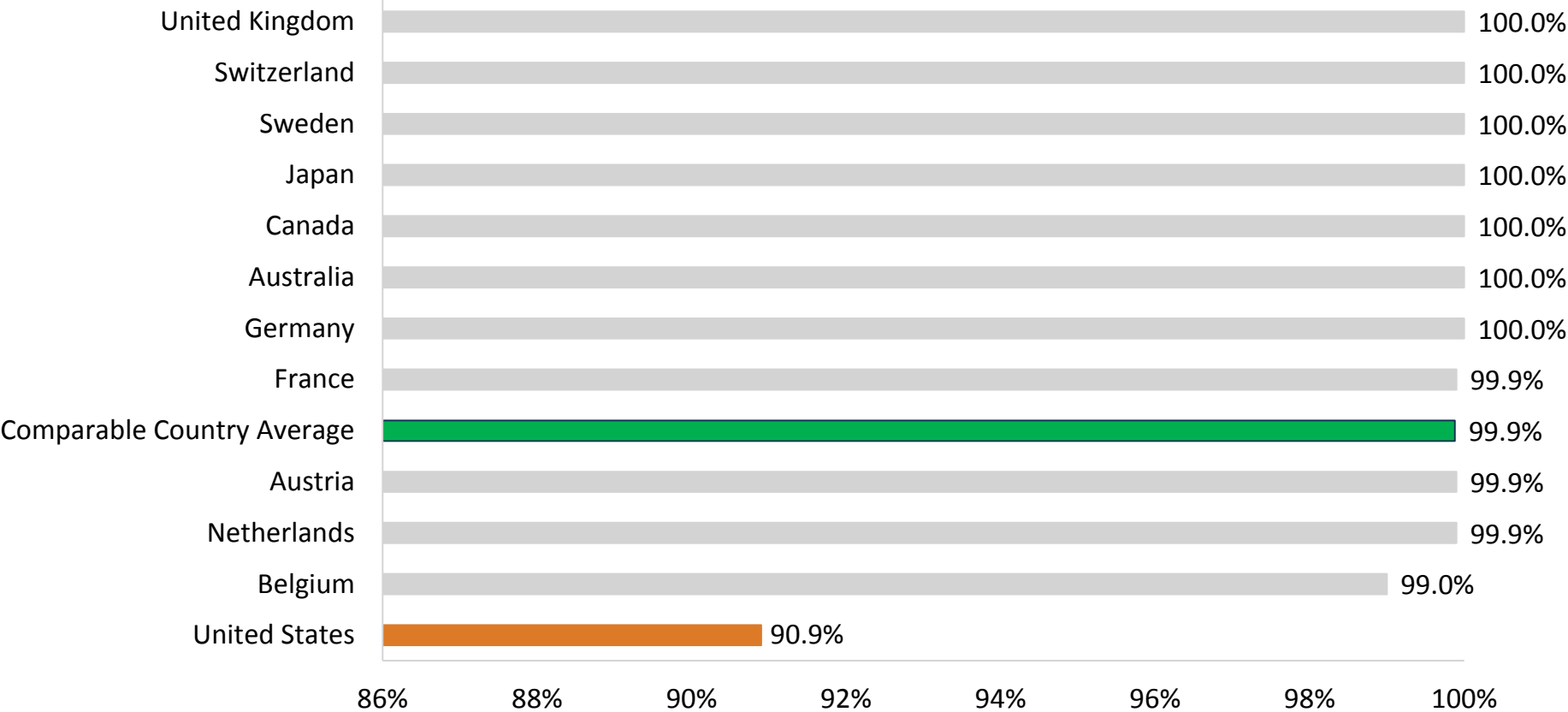
Overall age-adjusted mortality rate per 100,000 population, 1980-2013



**Source:** OECD (2017), "OECD Health Data: Health status: Health status indicators", OECD Health Statistics (database). DOI: 10.1787/health-data-en (Accessed on March 17, 2017). **Notes:** Break in series in 1987 and 1997 for Switzerland; in 1995 for Switzerland; in 1996 for Netherlands; in 1998 for Australia, Belgium, and Germany; in 1999 for United States; in 2000 for Canada and France; and in 2001 in the United Kingdom. All breaks in series coincide with changes in ICD coding.

# The U.S. has the lowest insured rate of comparable countries

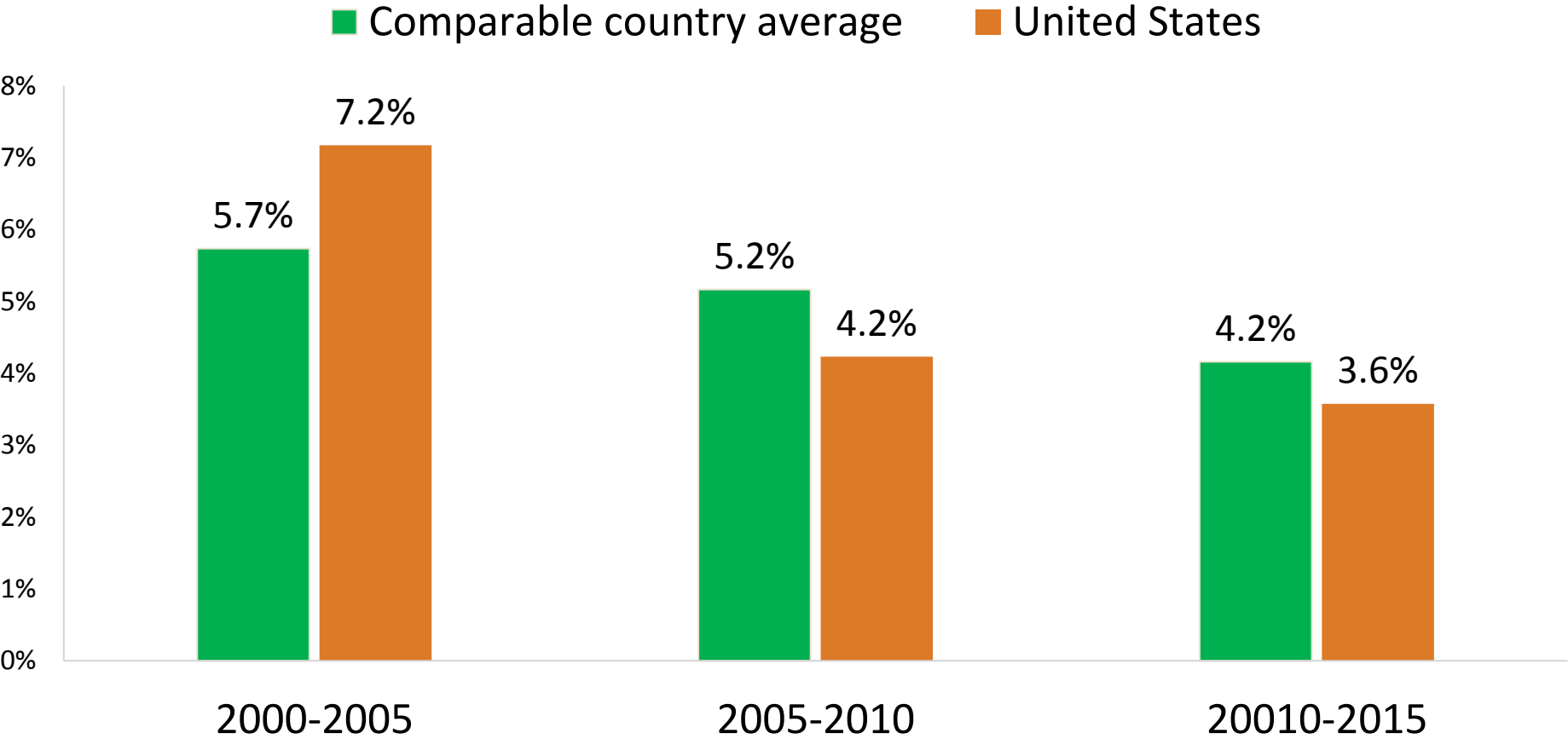
Percent of total population covered by private and/or public health insurance in 2015



**Source:** Kaiser Family Foundation analysis of data from OECD (2017), “OECD Health Data: Social Protection,” OECD Health Statistics (database). (Accessed on November 12, 2017). **Note:** Data for Japan were unavailable for 2015, so data from the previous year are shown.

# In recent years, health spending growth has slowed in the U.S. and in comparable countries

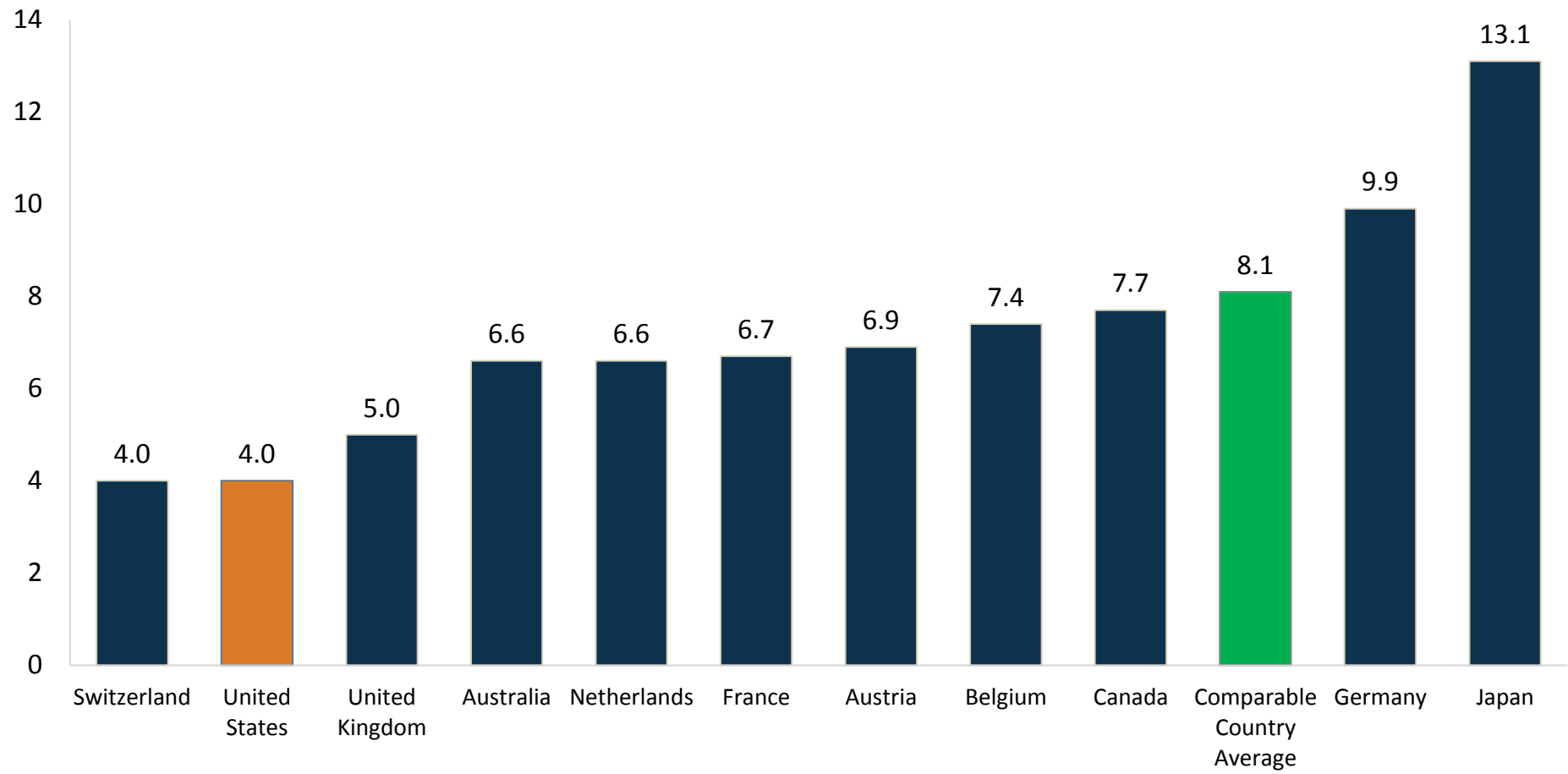
Average annual growth rate in total health expenditures per capita, U.S. dollars, PPP adjusted



**Source:** OECD (2017), "OECD Health Data: Health expenditure and financing: Health expenditure indicators", OECD Health Statistics (database). DOI: 10.1787/health-data-en (Accessed on March 20, 2017). **Notes:** Available data are for Australia, Austria, Belgium, Canada, Japan, Netherlands, Sweden, Switzerland, and United Kingdom. These are the countries included in comparable country averages

# The U.S. has fewer physician visits per capita than most comparable countries

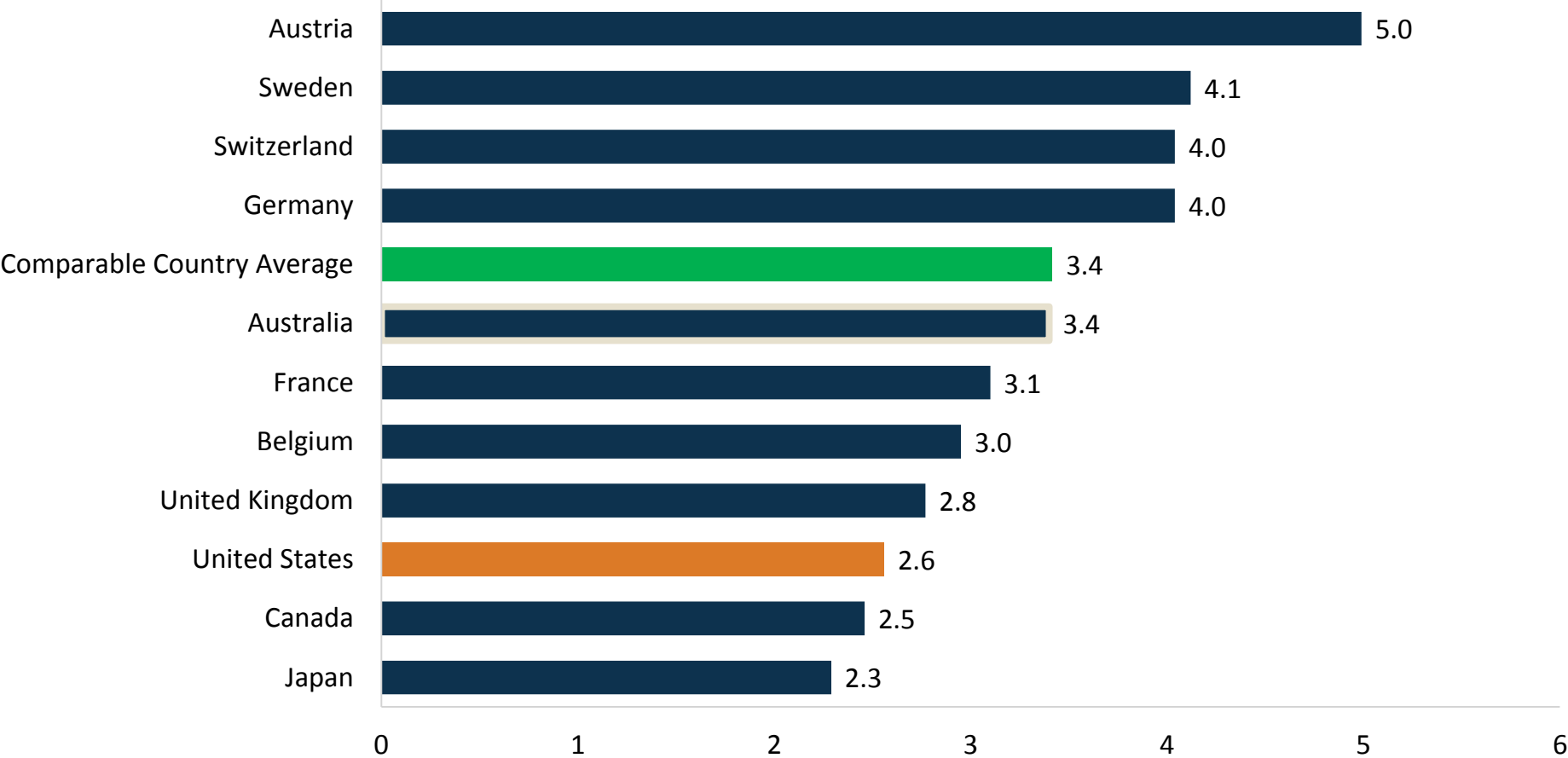
Doctors Consultations, per capita, in all settings, 2010



**Source:** OECD (2013), "OECD Health Data: Health care utilisation", OECD Health Statistics (database). doi: 10.1787/health-data-en (Accessed on October 29, 2014). **Notes:** In cases where 2011 data were unavailable, data from the countries' last available year are shown.

# There are fewer doctors per capita in the U.S. than there are in most comparably wealthy countries

Practicing physicians, density per 1,000 population, 2013

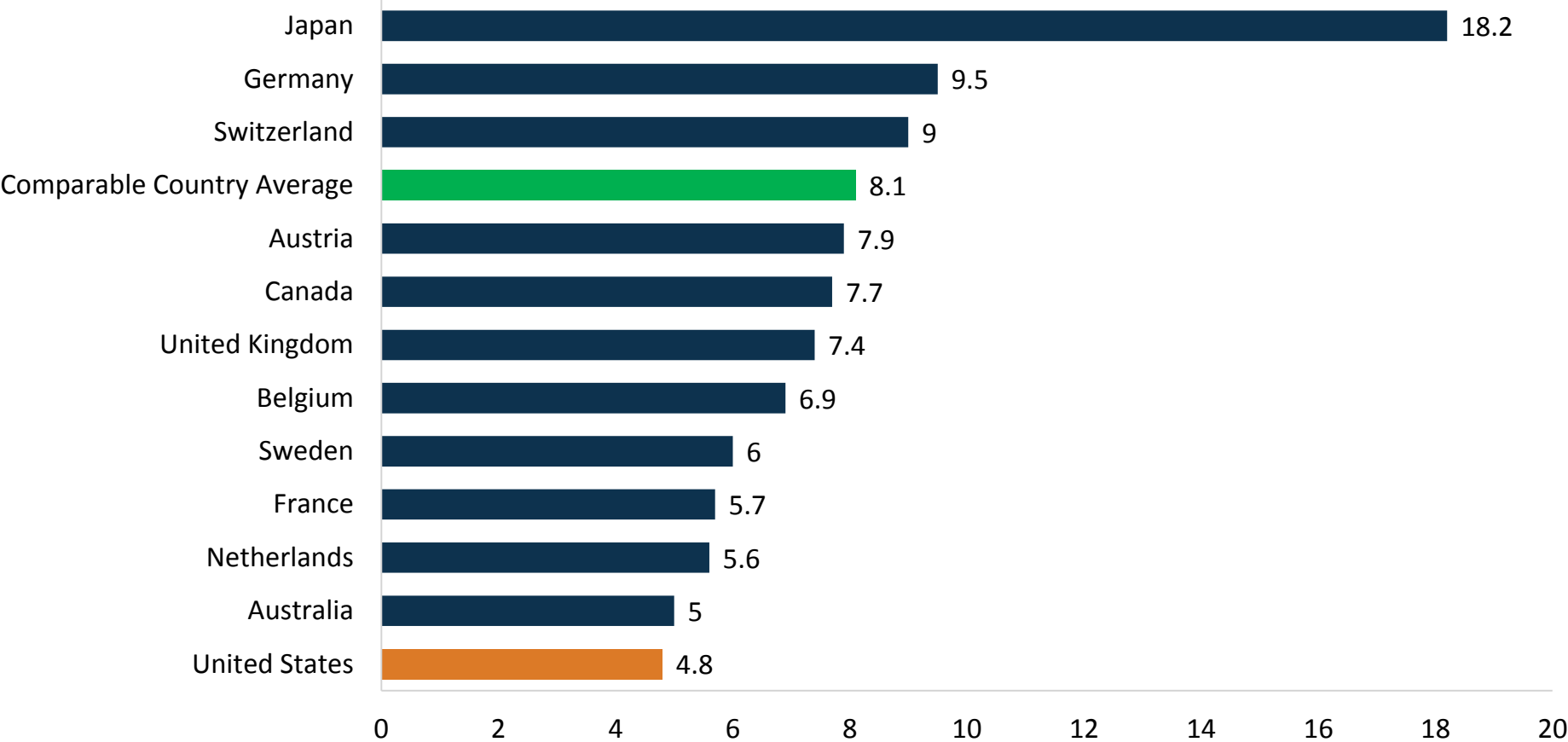


**Source:** OECD (2017), "Health care resources", *OECD Health Statistics* (database). doi: 10.1787/health-data-en (Accessed on 13 April 2017). **Notes:** Data for Japan is for 2012.



# Patients in the U.S. have much shorter average hospital stays than patients in comparable countries

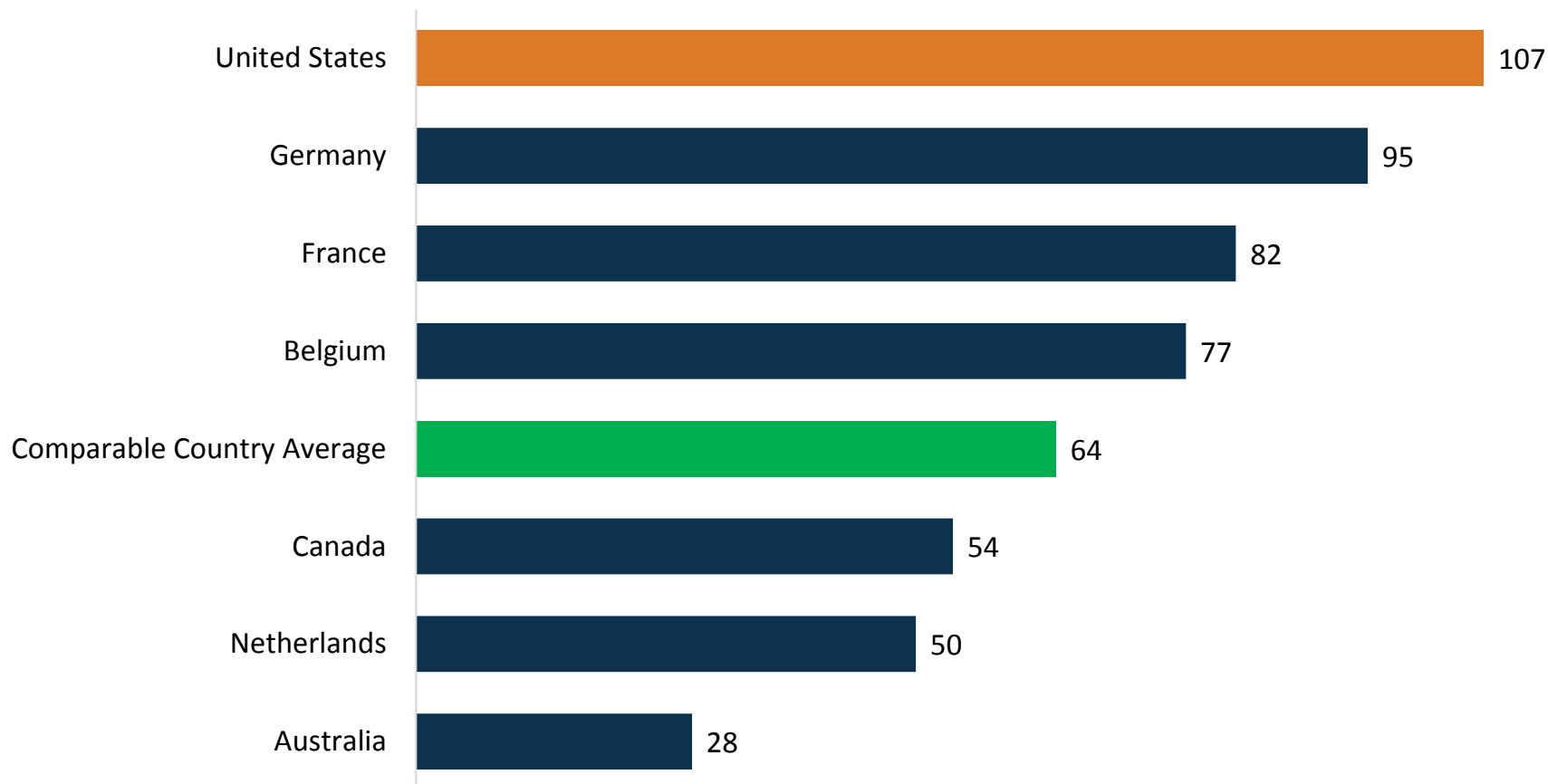
Average number of days in the hospital per visit (all causes) (2010)



**Source:** Kaiser Family Foundation analysis of 2013 OECD data: "OECD Health Data: Health care utilisation", OECD Health Statistics (database). doi: 10.1787/health-data-en (Accessed on September 10, 2014). **Notes:** In cases where 2010 data were unavailable, data from the countries' last available year are shown.

# U.S. leads comparable OECD countries in MRI use

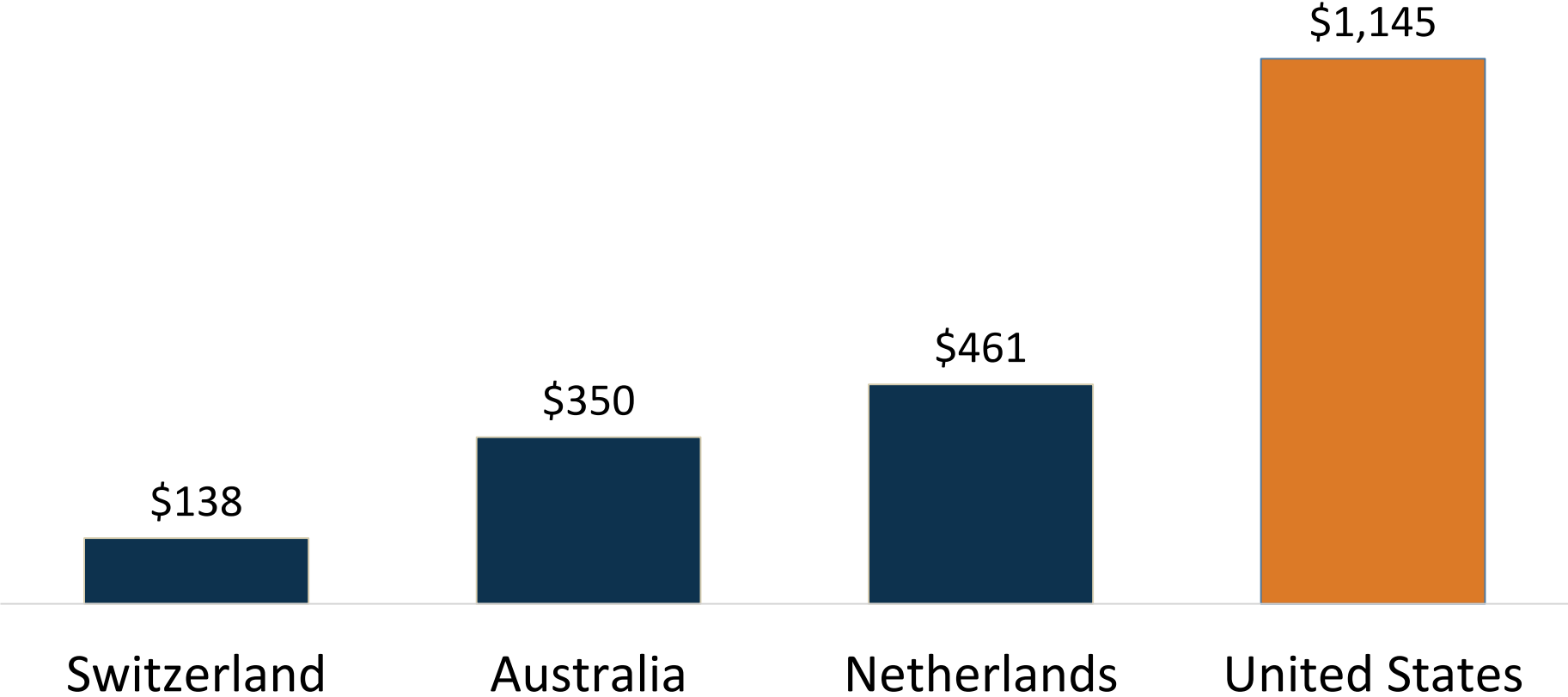
Number of MRI exams *performed* per 1,000 population (2013)



**Sources:** OECD (2013), "OECD Health Data: Health care resources", OECD Health Statistics (database). doi: 10.1787/health-data-en (Accessed on September 10, 2014). **Notes:** In cases where 2011 data were unavailable, data from the countries' last available year are shown. Some countries, such as Japan, are omitted because data are not available for both indicators.

# The average price of an MRI in the U.S. is significantly higher than in other comparable countries

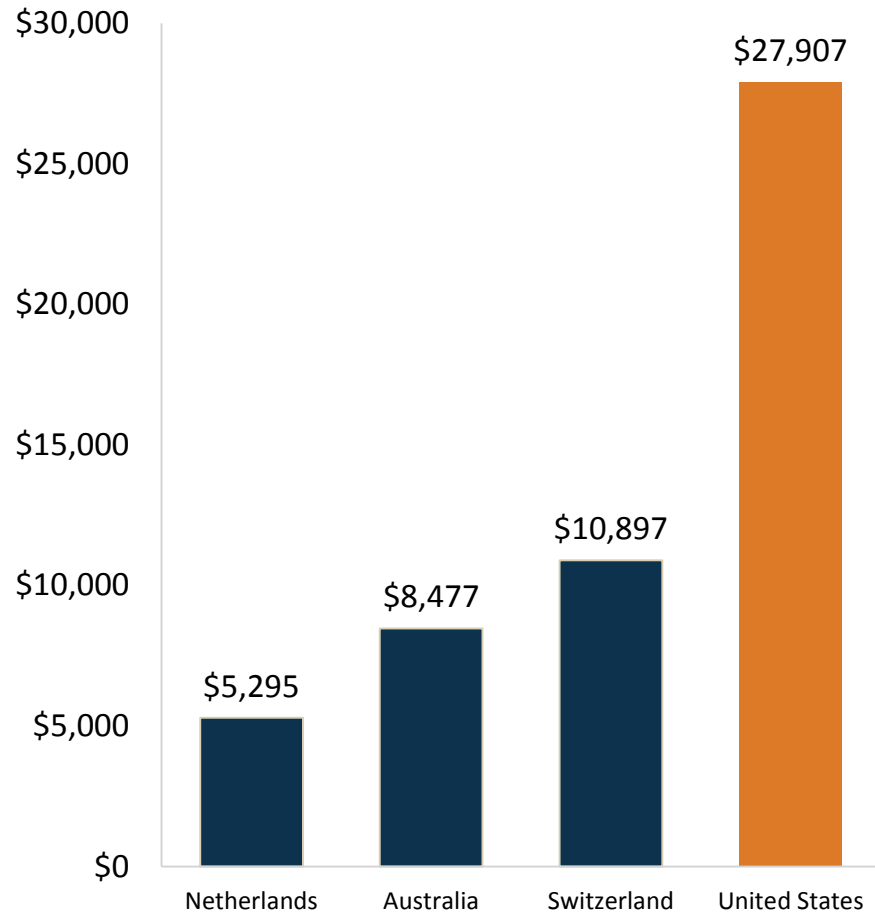
Average price of an MRI (2013)



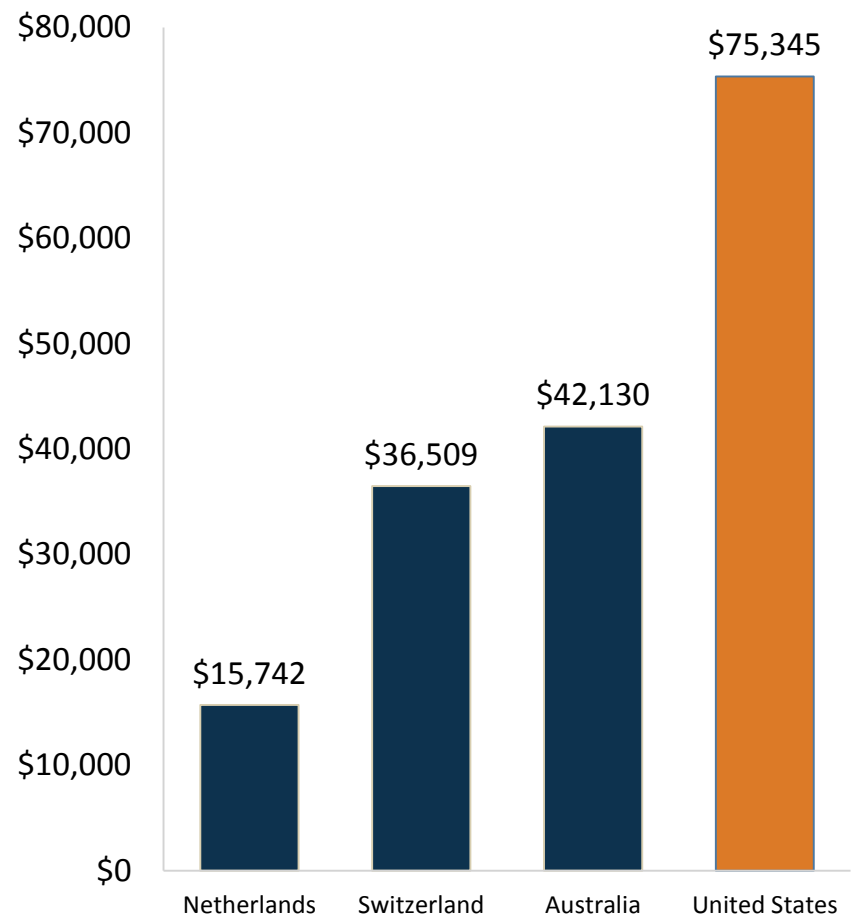
Source: International Federation of Health Plans (2013), "2013 Comparative Price Report, Variation in Medical and Hospital Prices by Country"

# The average price of an angioplasty or bypass in the U.S. is higher than in other comparable countries

Average price of an Angioplasty (2013)



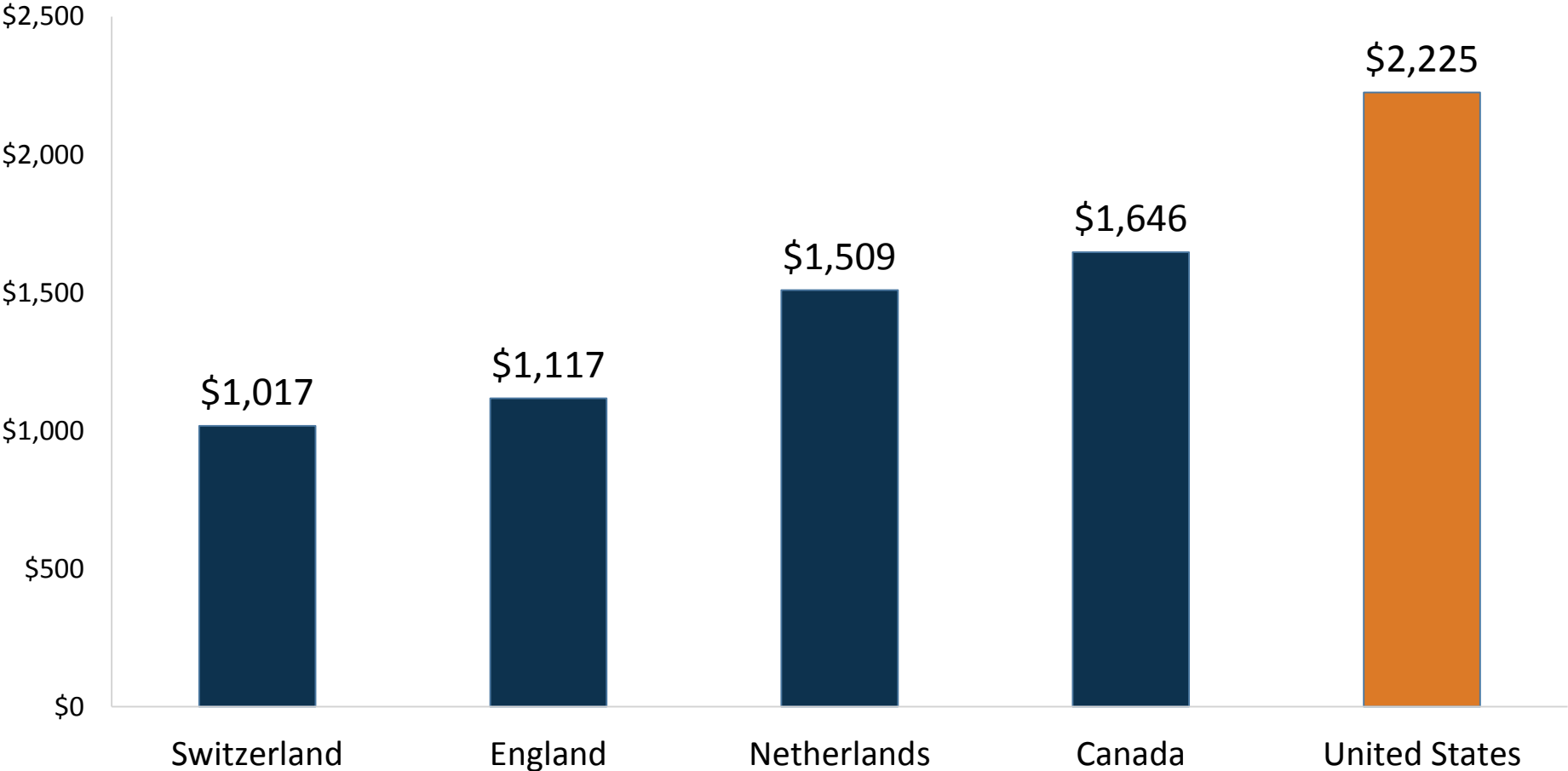
Average price of Coronary bypass surgery (2013)



Source: International Federation of Health Plans (2013), "2013 Comparative Price Report, Variation in Medical and Hospital Prices by Country"

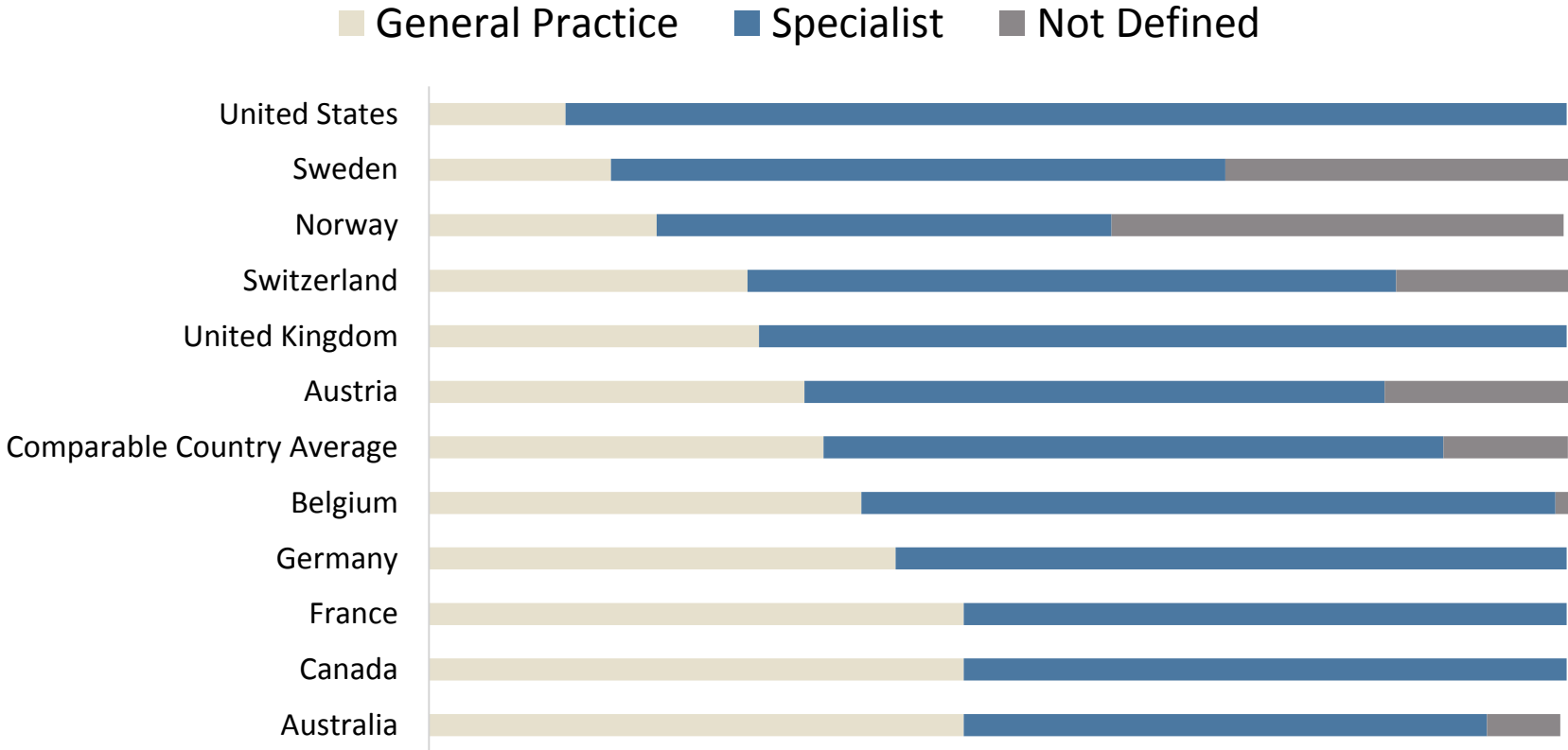
# The average price of drugs in the U.S. is much higher than in other countries (example: Enbrel)

Average Price, 2013



**Source:** International Federation of Health Plans **Notes:** U.S. average prices are calculated using commercial claims data from Truven MarketScan Research databases. Methods and sources for comparable countries can be found here: <http://www.ifhp.com/1404121>

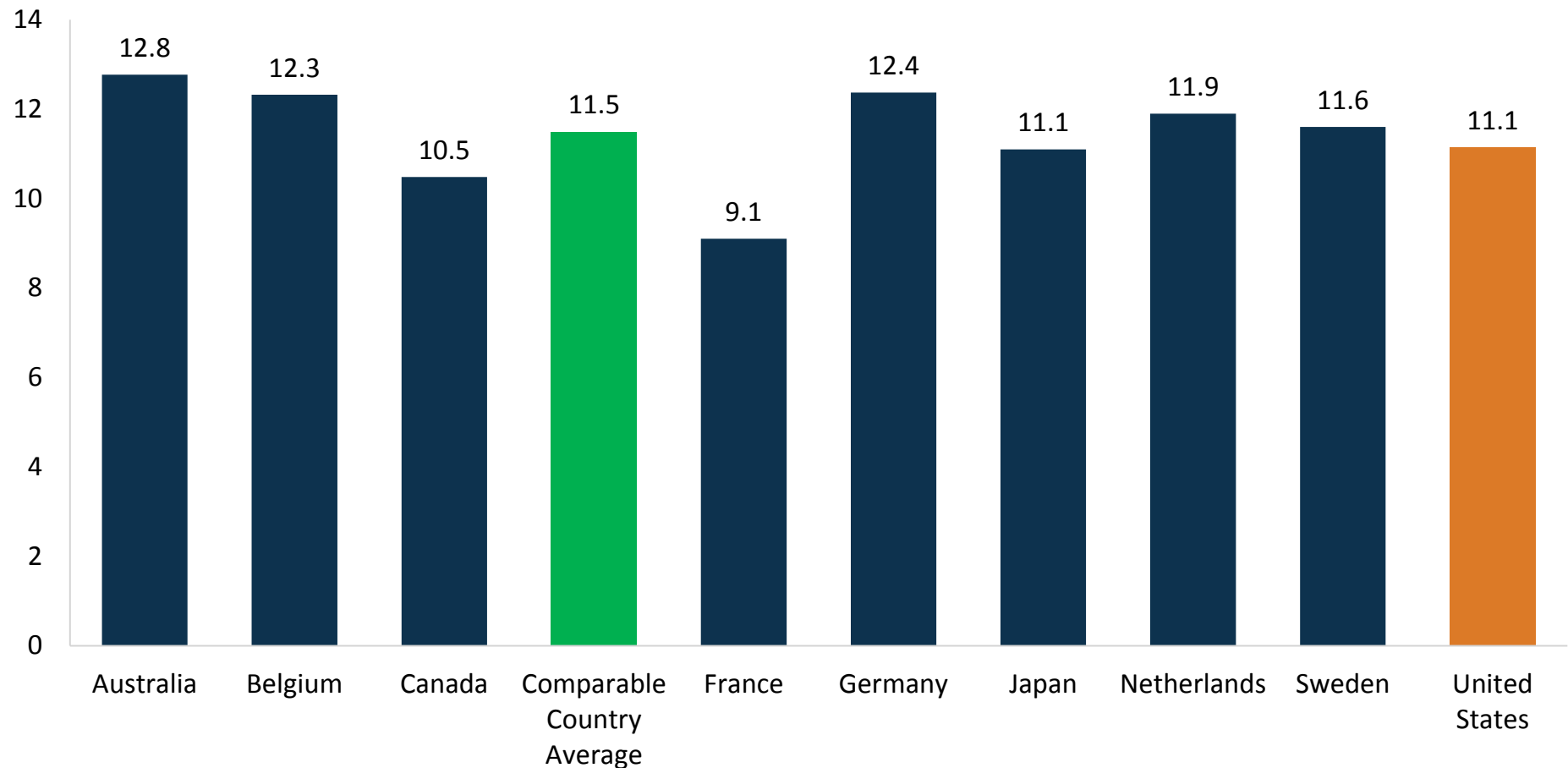
# The U.S. has the highest percentage of specialists among comparable OECD countries



**Source:** OECD (2013), "OECD Health Data: Health care resources", OECD Health Statistics (database). doi: 10.1787/health-data-en (Accessed on September 10, 2014). **Notes:** In cases where 2012 data were unavailable, data from the countries' last available year are shown.

# Compared to other wealthy countries, the U.S. has a similar number of nurses per capita

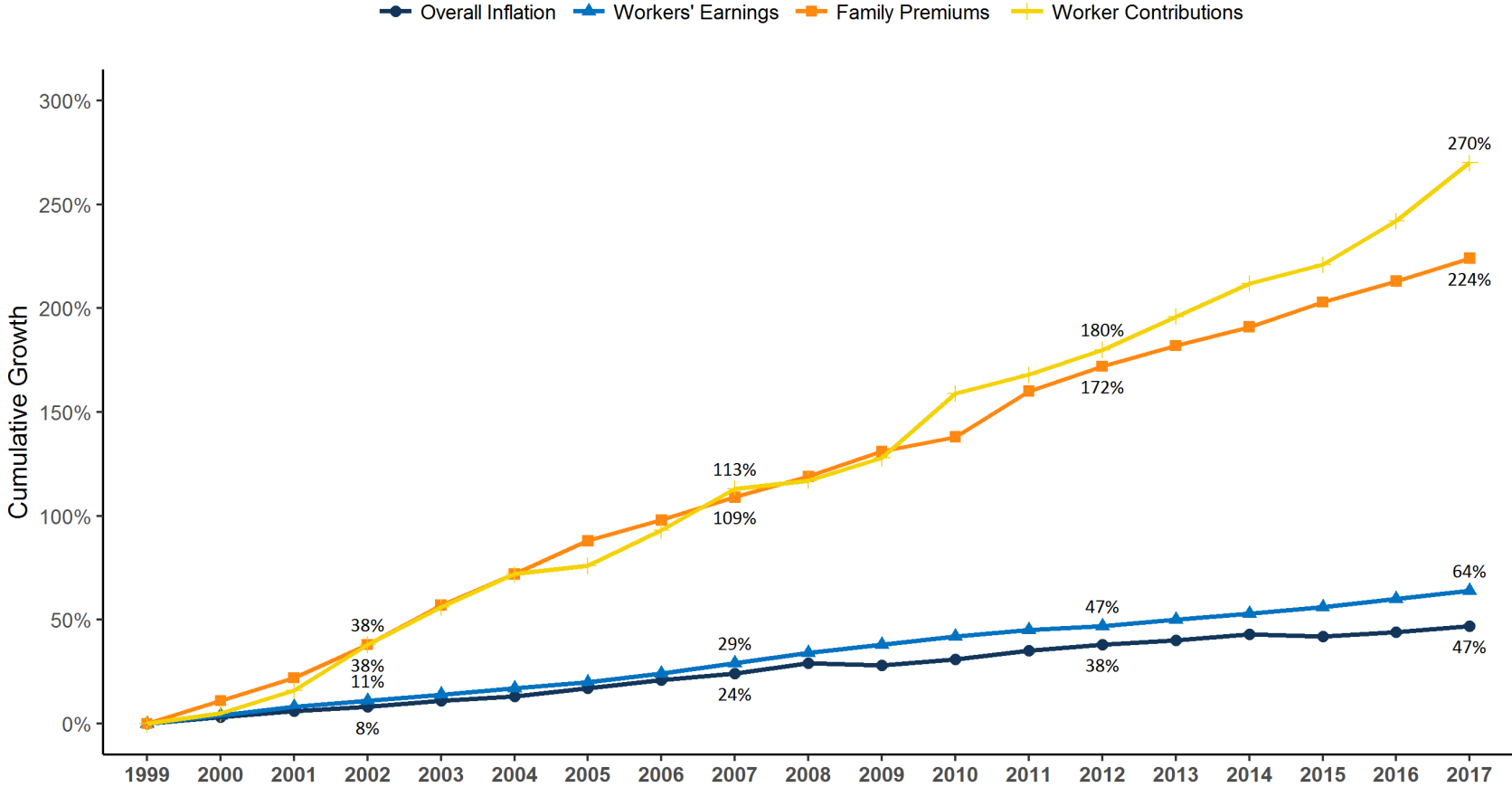
Nurses, density per 1,000 population (2012)



**Source:** OECD (2013), "OECD Health Data: Health care resources", OECD Health Statistics (database). doi: 10.1787/health-data-en (Accessed on September 10, 2014). **Notes:** In cases where 2012 data were unavailable, data from the countries' last available year are shown.

# The growth in premiums paid by employers and workers have far outpaced wages over time

## Cumulative Increases in Family Premiums, Worker Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2017



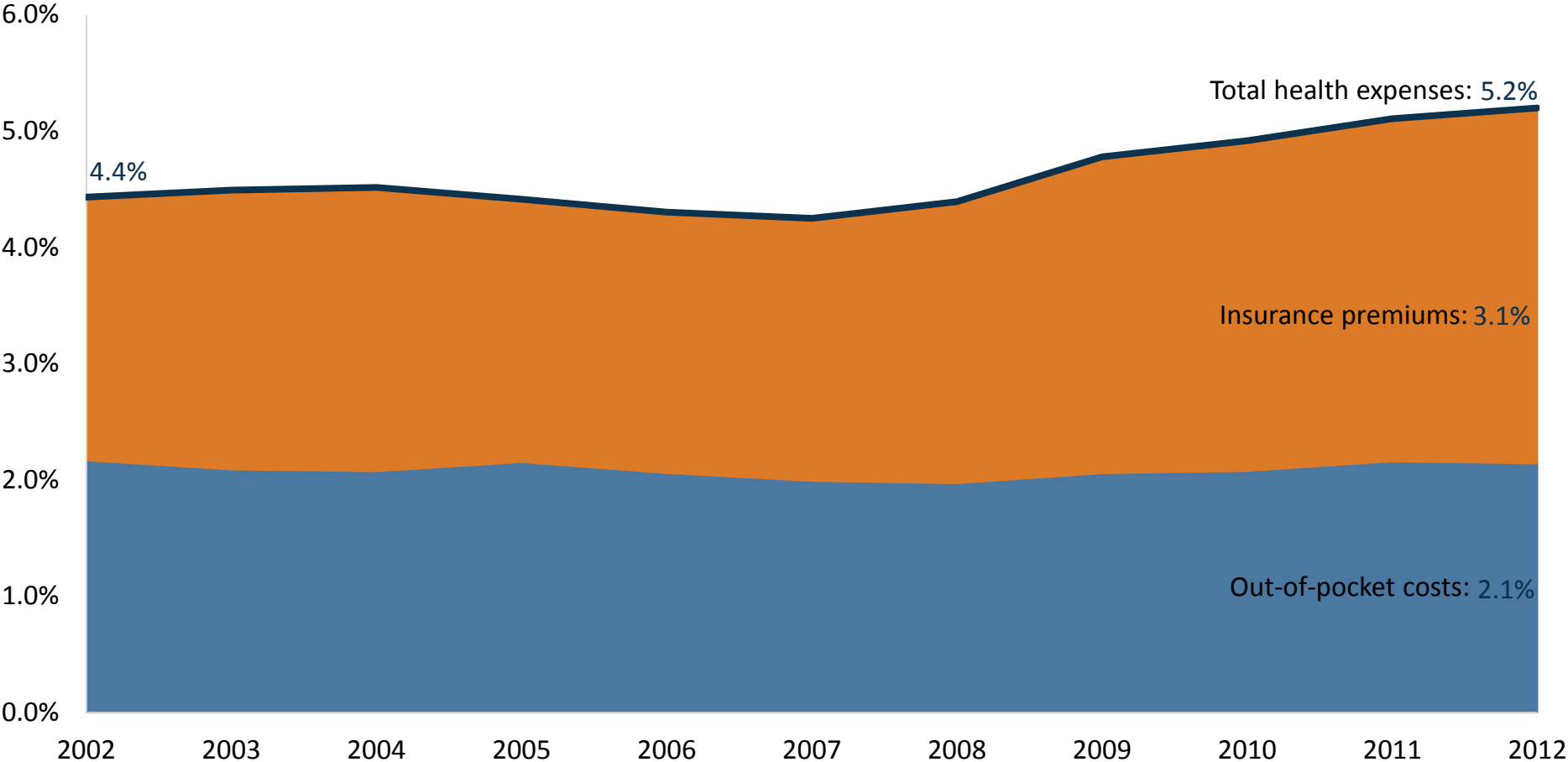
SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2017; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2017 (April to April).





# On average, larger shares of household budgets are devoted to health expenses than 10 years ago

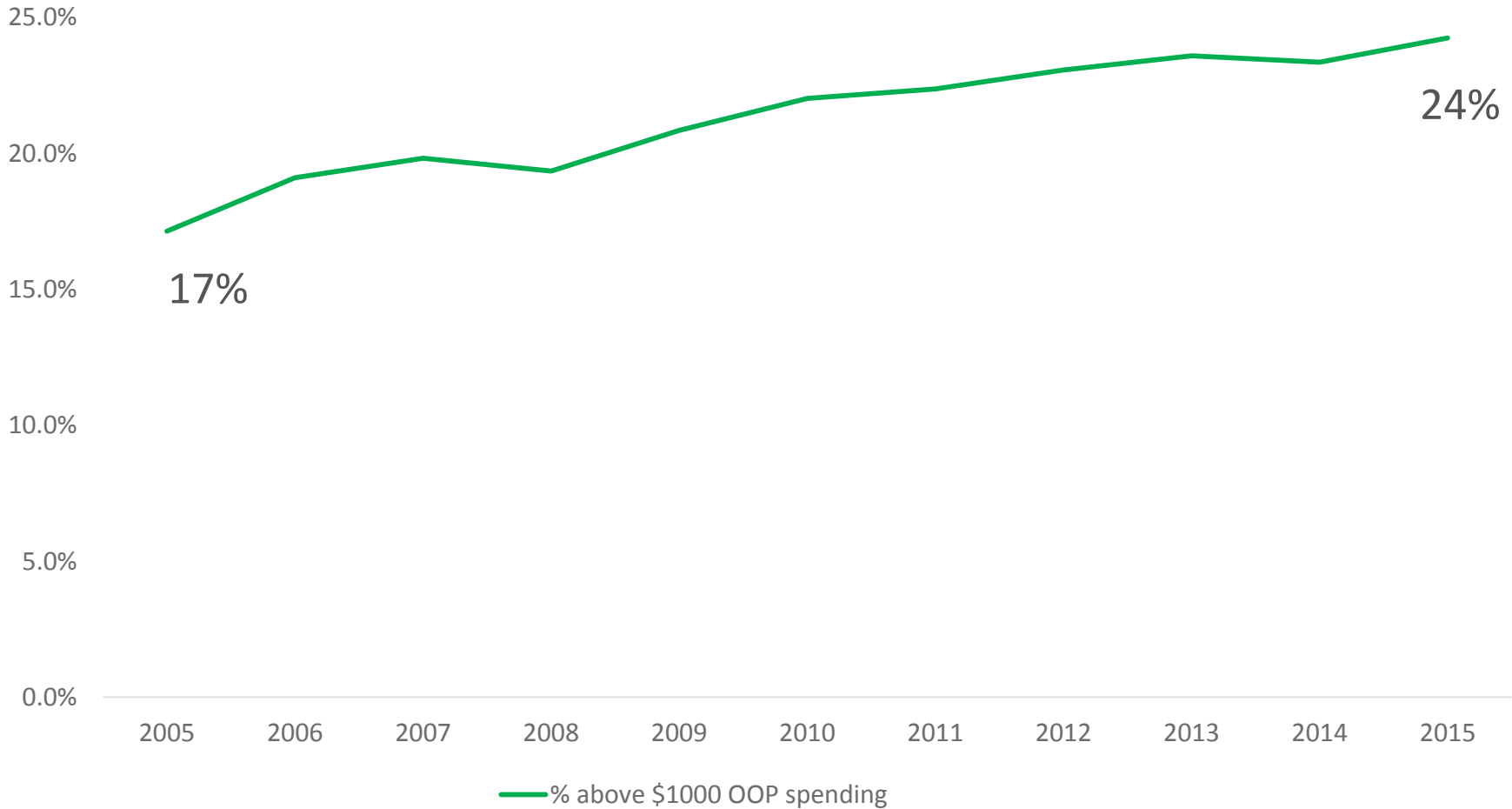
Average portion of household budget devoted to health (nonelderly families), 2002-2012



Source: Kaiser Family Foundation analysis of Consumer Expenditure Survey

# The percentage of insured people with high out-of-pocket spending has increased over time

Percent of enrollees OOP spending above \$1000 (inflation-adjusted to 2015 dollars) , 2005-2015

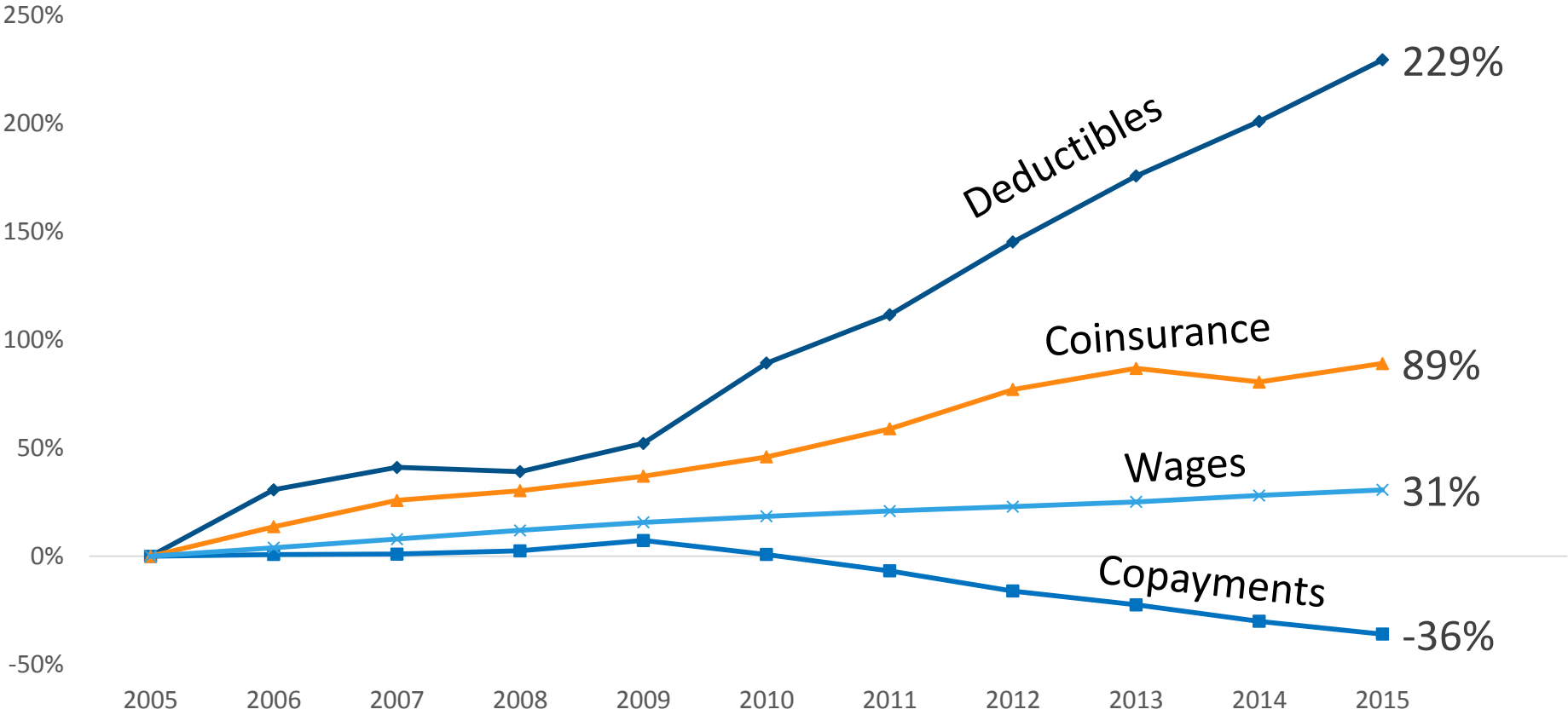


**Note:** All dollar amounts are inflation-adjusted to 2015 dollars

**Source:** Kaiser Family Foundation analysis of Truven Health Analytics MarketScan Commercial Claims and Encounters Database, 2015

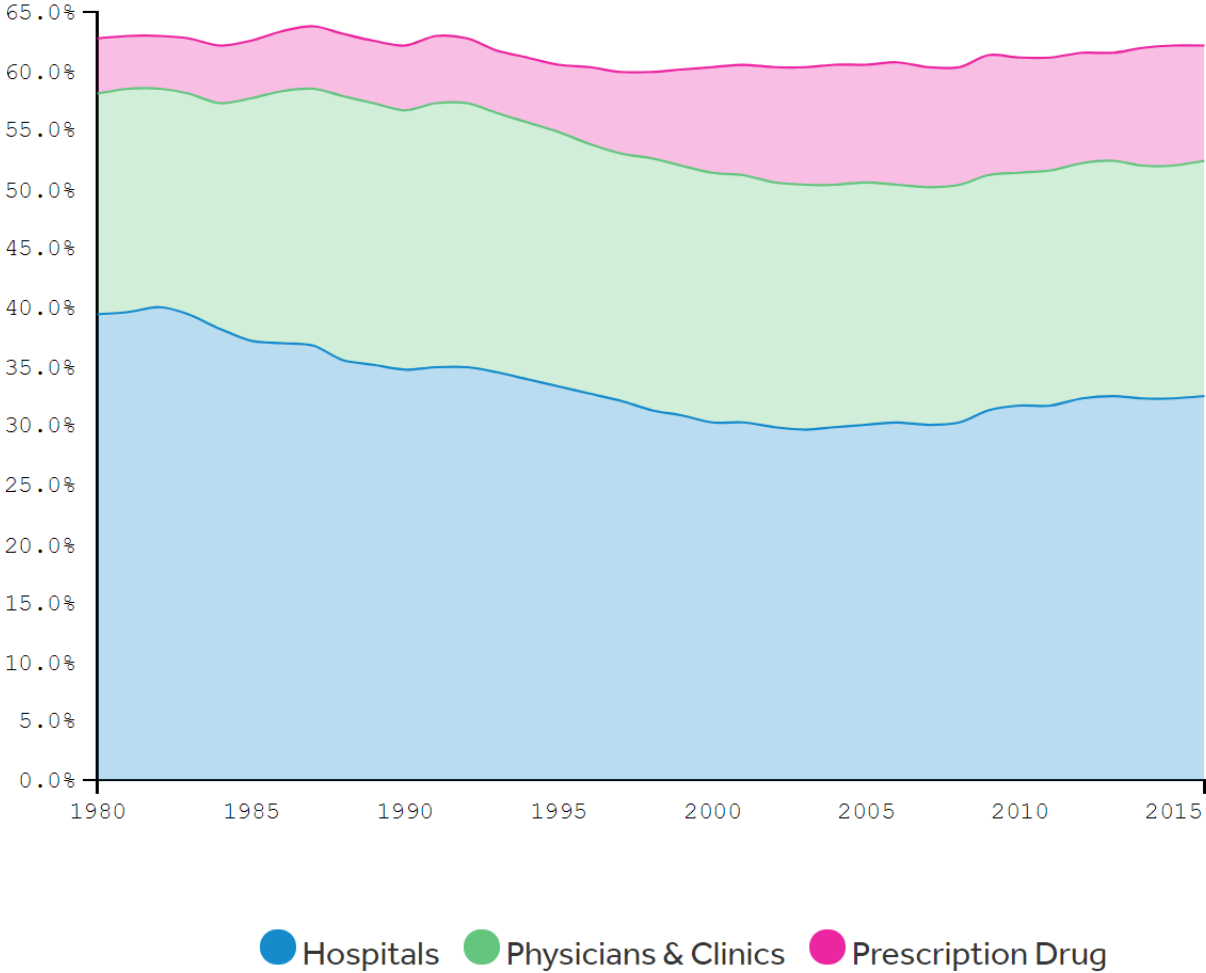
# Consumer spending on deductibles and coinsurance have far outpaced wages, while copayments have fallen

Cumulative increases in health costs, amounts paid by insurance, amounts paid for cost sharing and workers' wages, 2005-2015



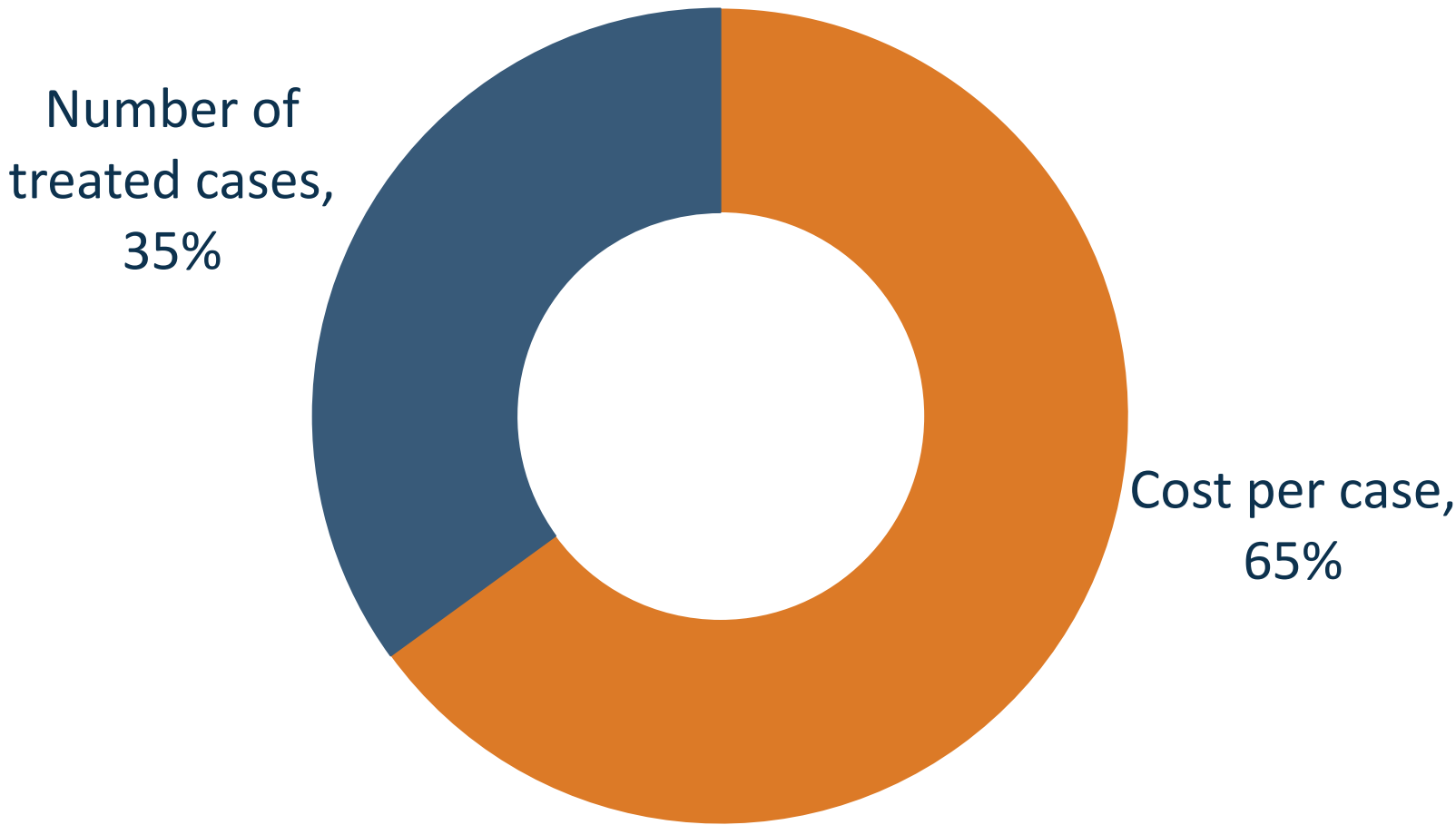
Source: Truven Health Analytics MarketScan Commercial Claims and Encounters Database, 2005-2015; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2005-2015 (April to April).

# Drug spending has grown rapidly recently, but most of the health dollar is spent on hospitals and physicians



**Source:** Kaiser Family Foundation analysis of National Health Expenditure (NHE) data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

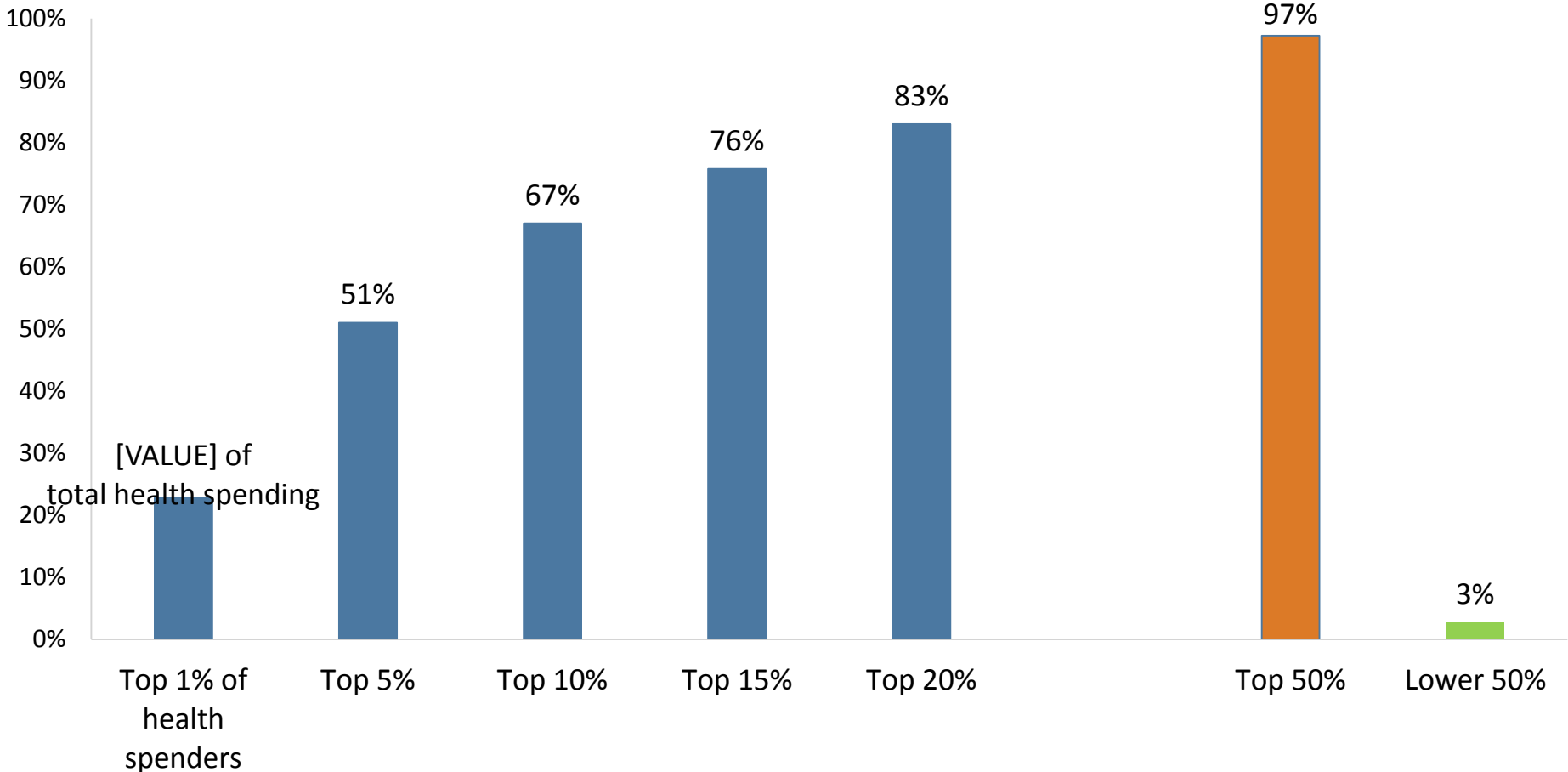
# Increases in prices and service intensity have driven most of recent spending growth



**Source:** Kaiser Family Foundation analysis of the Bureau of Economic Analysis Health Care Satellite Account (Blended Account) **Note:** Expenditures on nursing home and dental care are not included in health services spending by disease. 2001 to 2012

# Discussion of health spending often focus on averages, but spending varies considerably across the population

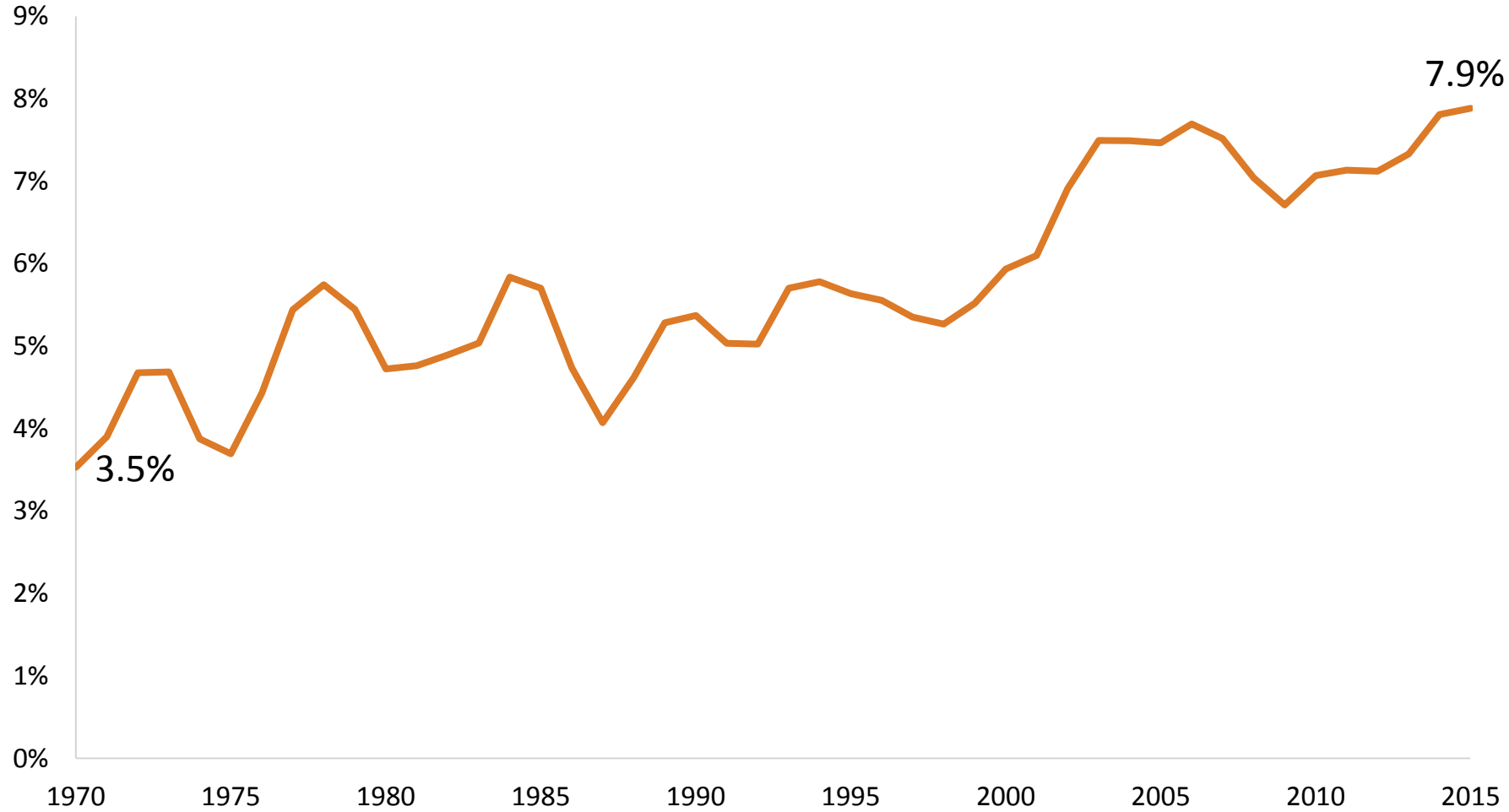
Contribution to total health expenditures by individuals, 2015



Source: Kaiser Family Foundation analysis of Medical Expenditure Panel Survey, Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services

# The share of health spending devoted to administrative expenses has risen over time

Net cost of health insurance and administration, as a share of total health expenditures, 1970-2015



**Source:** Kaiser Family Foundation analysis of National Health Expenditure (NHE) data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

# Potential opportunities for the state to provide relief from health care costs

- Shining a light on health care costs and providing greater transparency for prices.
- Simplifying administration of health insurance payment.
- Encouraging public and private payers to continue shifting towards paying for value.
- Taking antitrust actions to address consolidation and pricing power.
- Regulating prices and spending through all-payer ratesetting or global budgeting.
- Creating a public option insurance plan or a buy-in to Medi-Cal.
- Creating a single payer system.



# Examples of state efforts to limit health spending: Massachusetts and Maryland

- **Maryland**

- Established an all-payer system for paying hospitals in 1977, including Medicare.
- Revamped the system in 2014 to focus on global budgets for hospitals, capping increases in payments at growth in the economy.

- **Massachusetts**

- Passed legislation in 2012 setting a target to limit health spending increases overall to growth in the economy, with a commission to monitor health spending at the provider level.
- Encourages (but does not require) alternative approaches to paying for health care.
- Provides limited tools to enforce spending targets.

# Opportunities, challenges, and tradeoffs in containing health care costs

- There are tremendous opportunities that can come from limiting health care costs: Savings to expand access, financial relief for families and businesses, wage growth for workers.
- But, there are challenges and tradeoffs as well:
  - Health care cost containment is hard, and inevitably means taking something away from someone. If it sounds too good to be true, it probably is.
  - Medicare is too big a player to ignore, so meaningful progress likely can't be made without federal involvement.
  - Employer engagement is key, as well.