

Trends in Health Care

Michael Chernew

Health spending growth exceeds income growth (per capita, inflation adjusted)

1970s



2.6%

1980s



3.2%

1990s



1.1%

2000s



2.7%

2010s



0.3%

Source: Spending data obtained from Centers for Medicare & Medicaid Services National Health Expenditures Data, 1960-2019. Health expenditures and GDP both measured in real dollars using Federal Reserve GDP deflator.

Why Does Spending Grow?

■ Technology



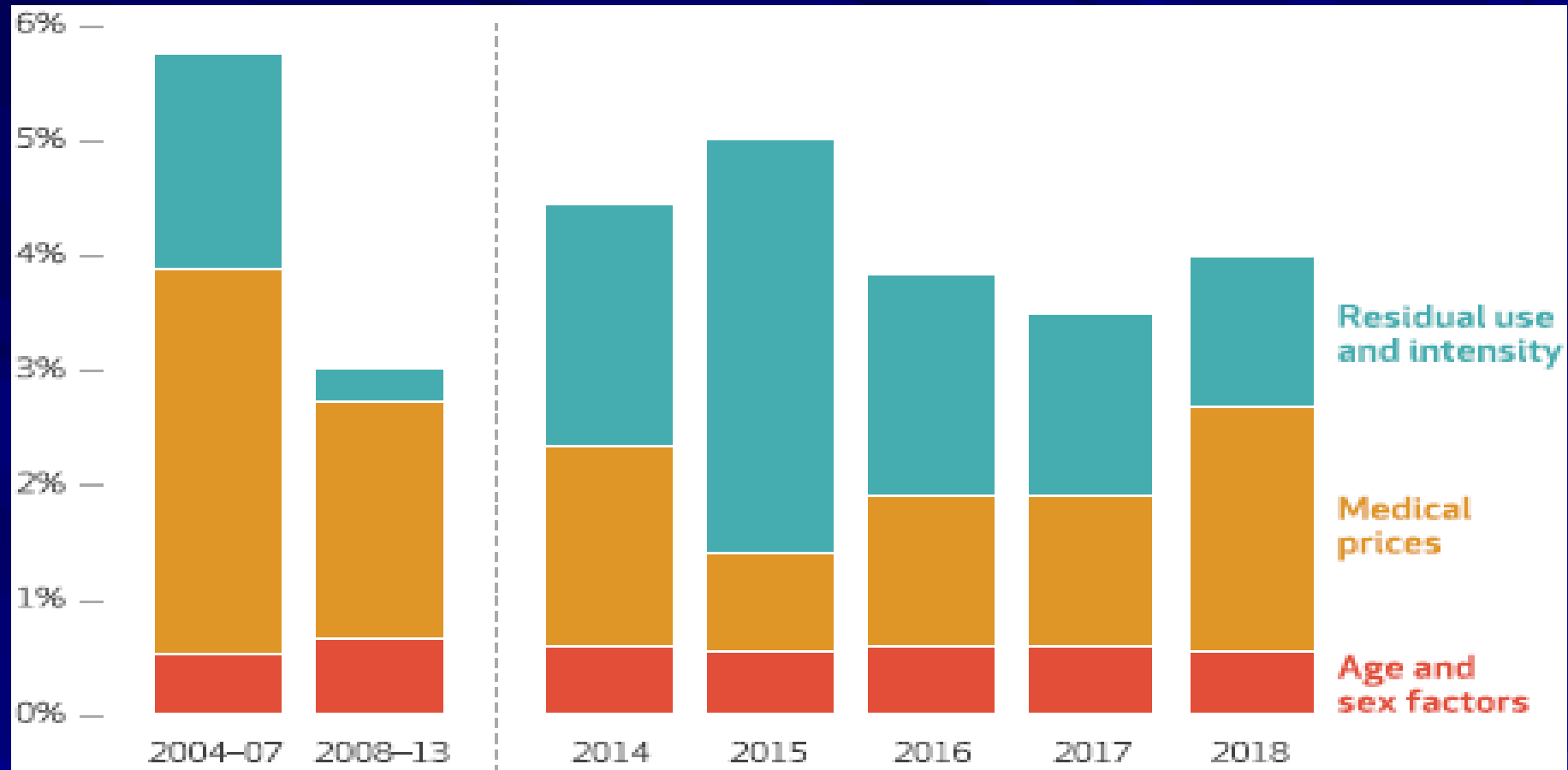
■ Prices



■ Aging



Prices and Utilization Drive Spending Growth



CPI Increase
(%/YR)

2.3

1.3

1.6

0.1

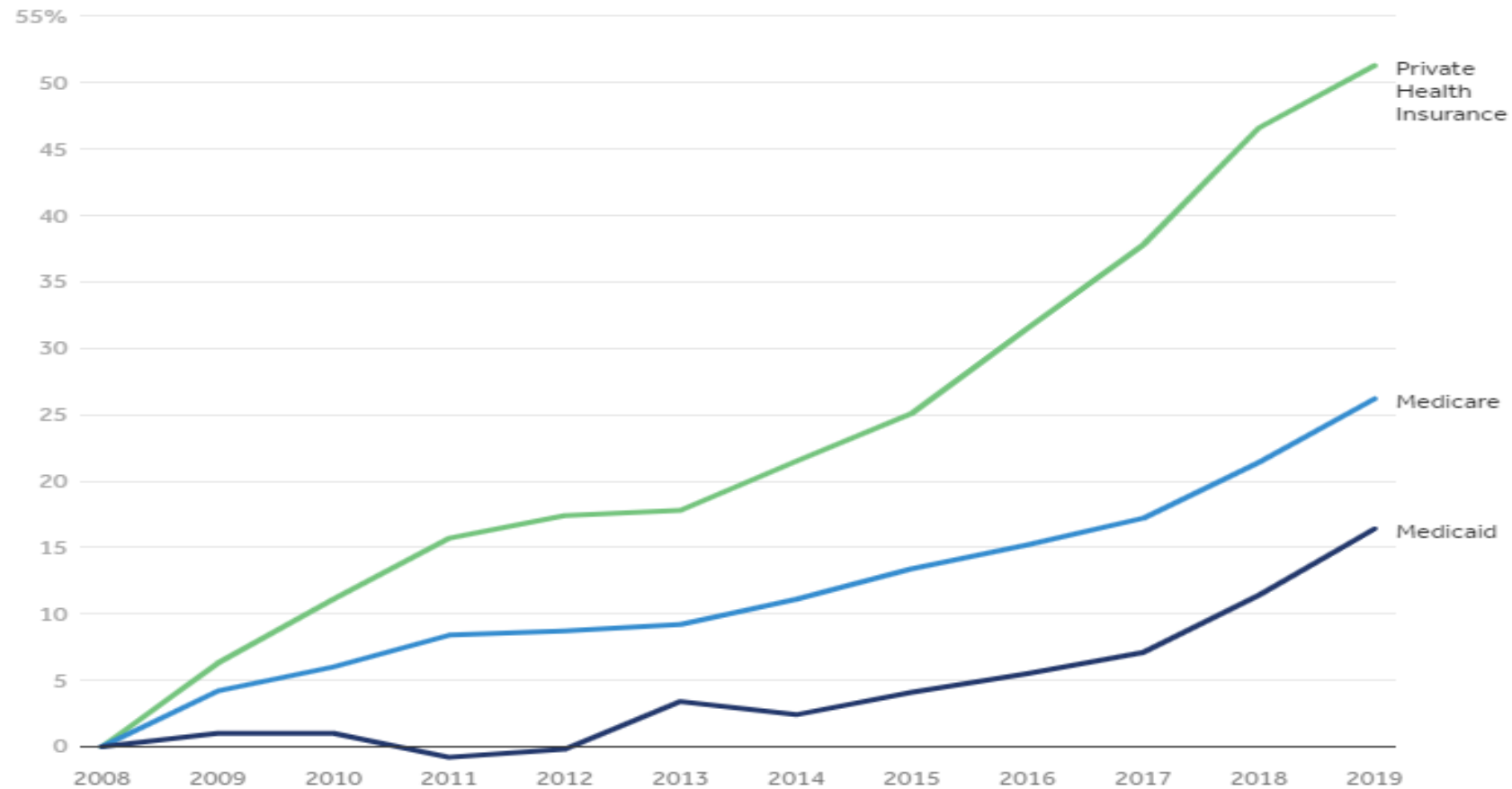
1.3

2.1

2.4

Spending Growth Varies by Payer

Cumulative growth in per enrollee spending by private insurance, Medicare, and Medicaid, 2008 - 2019



Source: [Source: KFF analysis of CMS National Health Expenditures Accounts](#) •

Peterson-KFF

Technology
(common across sectors)

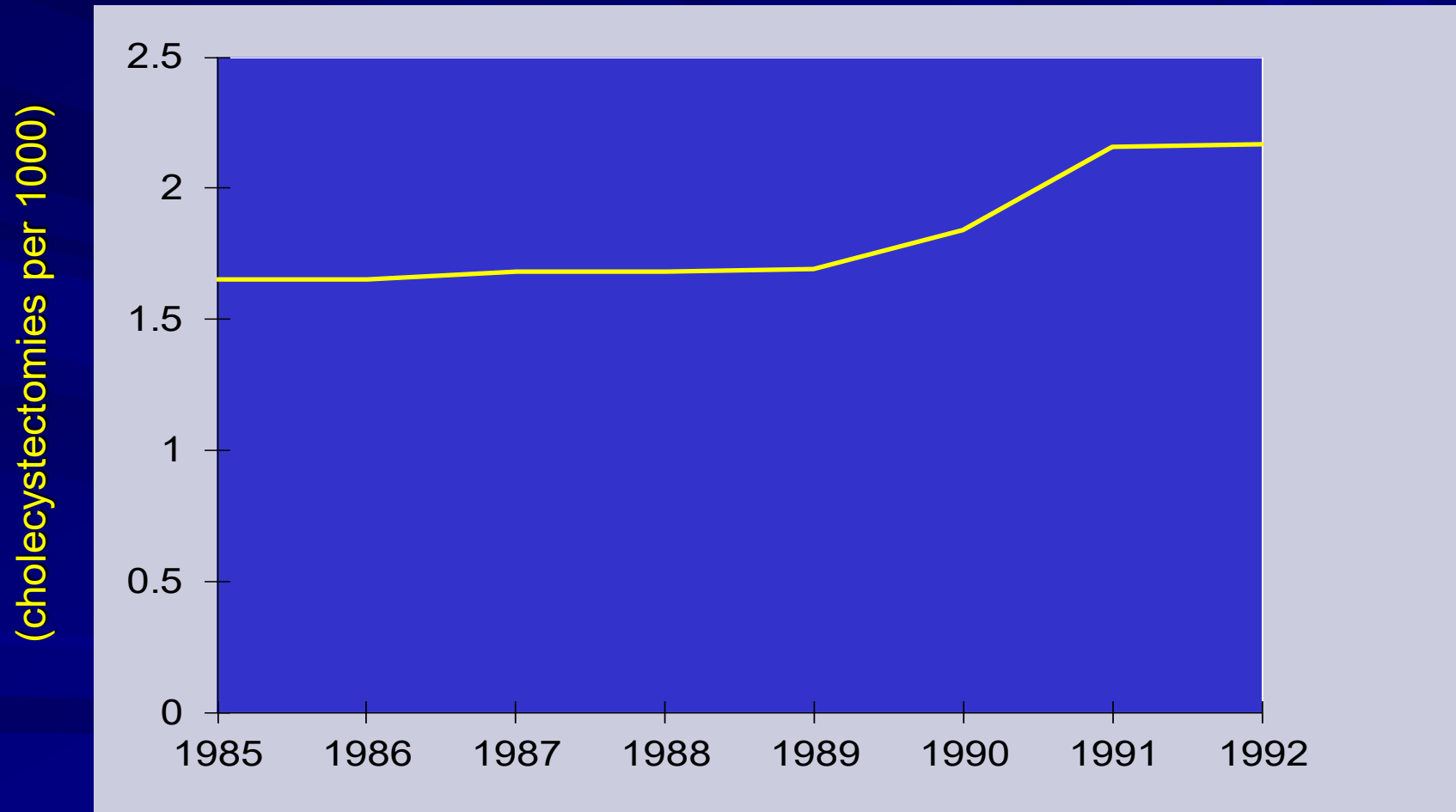
Types of technology changes

- 1951 - 1971 : little ticket items
 - lab tests
 - X-Rays
- 1971 - 1981 : big ticket items
 - CABG
 - C-section
 - radiation & chemotherapy for breast cancer
- Early and Mid 1990s
 - Pharmaceuticals
- 2000's
 - Imaging
 - Biologics

'Woodwork' technologies

- Lower patient morbidity/ greater convenience than alternatives
- Often lower cost
- Suitable for large pools of individuals who opt for alternative treatment paths
 - Often managed disease medically or by lifestyle adjustments

Trends in cholecystectomy rates



Digital/ Telehealth

■ What is it

- Video or audio visits
- Web/ e-mail communication w/ traditional providers
- Non-traditional providers
 - Remote
 - AI enabled
- Remote patient monitoring

Promise and Pitfalls of Digital/ Telehealth

■ Promise

- Can improve care
- Can improve access
- Is less costly per unit of service

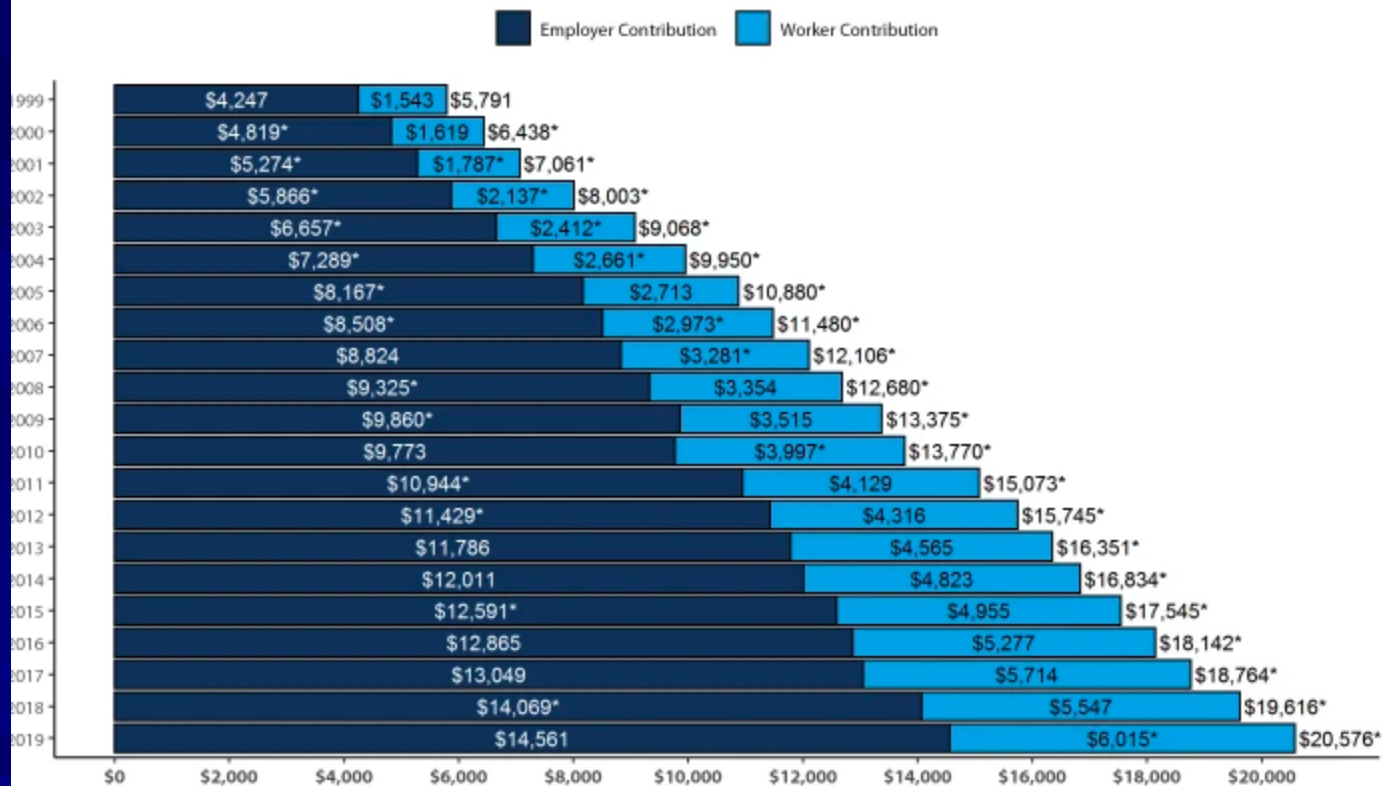
■ Pitfalls

- Use can expand
 - Digital/ tele service or ancillary services
- Can disrupt the existing brick and mortar system

Commercial Markets

Rapid Growth in Commercial Premiums

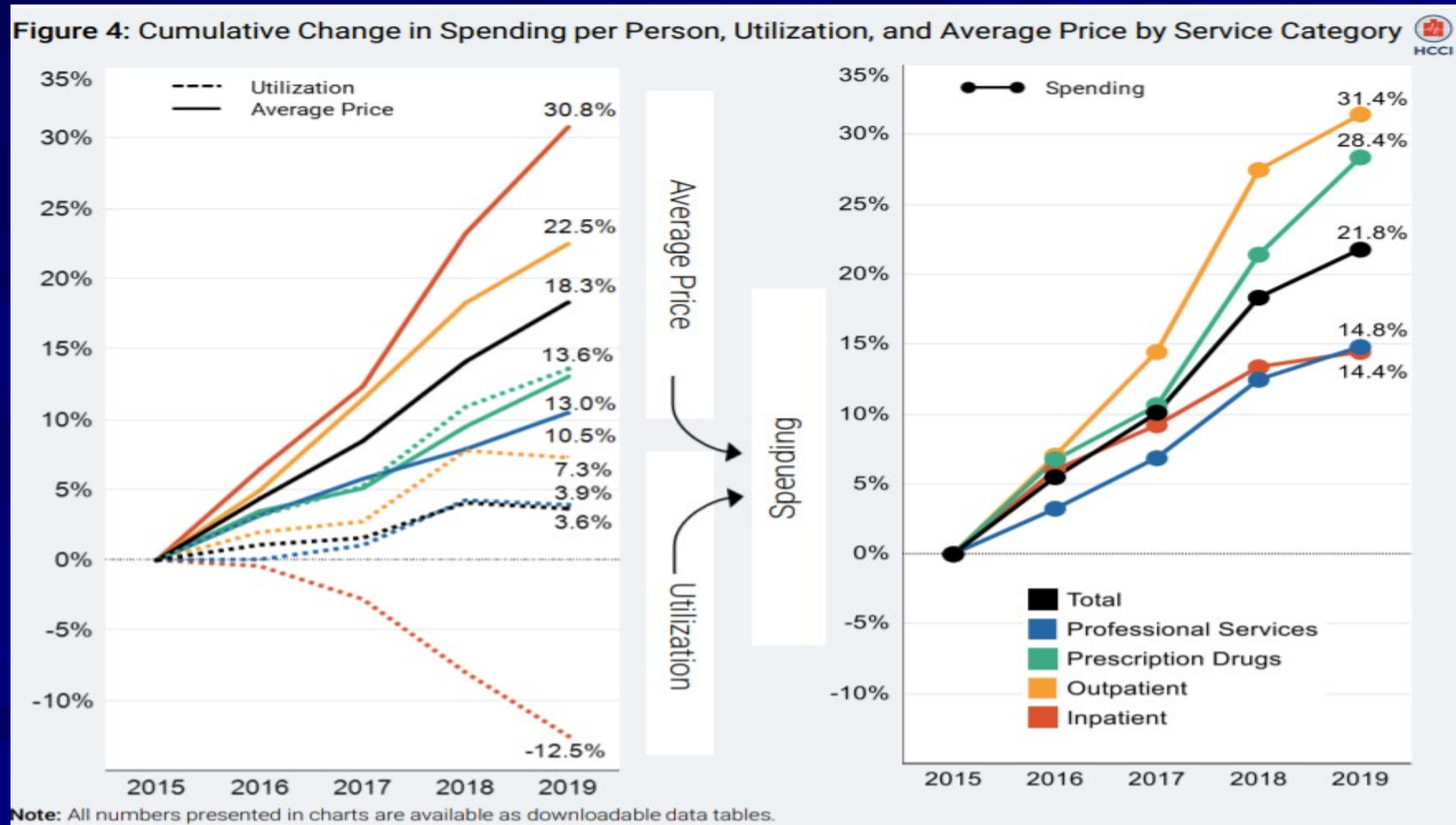
Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Family Coverage, 1999-2019



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

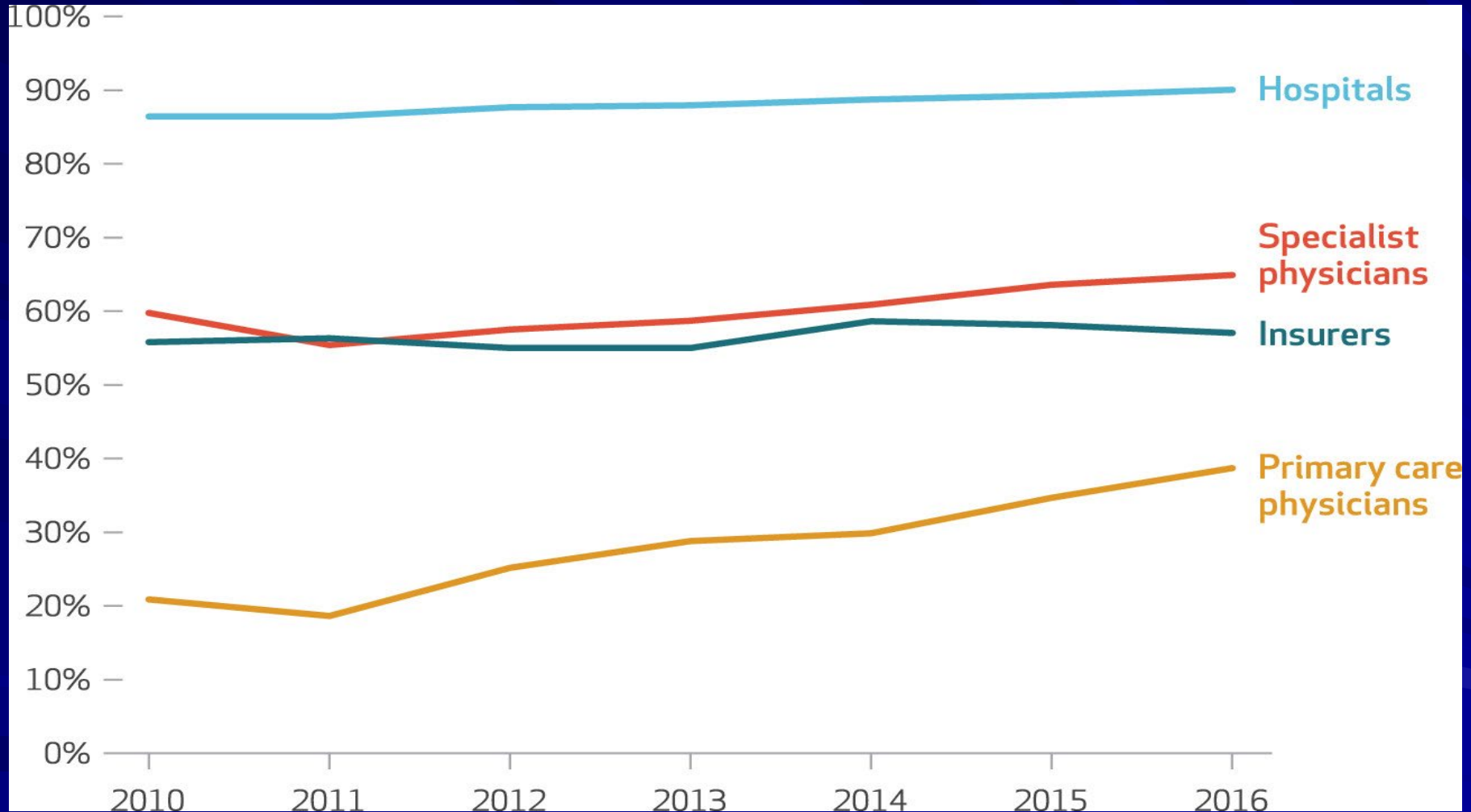
SOURCE: KFF Employer Health Benefits Survey, 2018-2019; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Prices Explain Recent Commercial Spending Growth



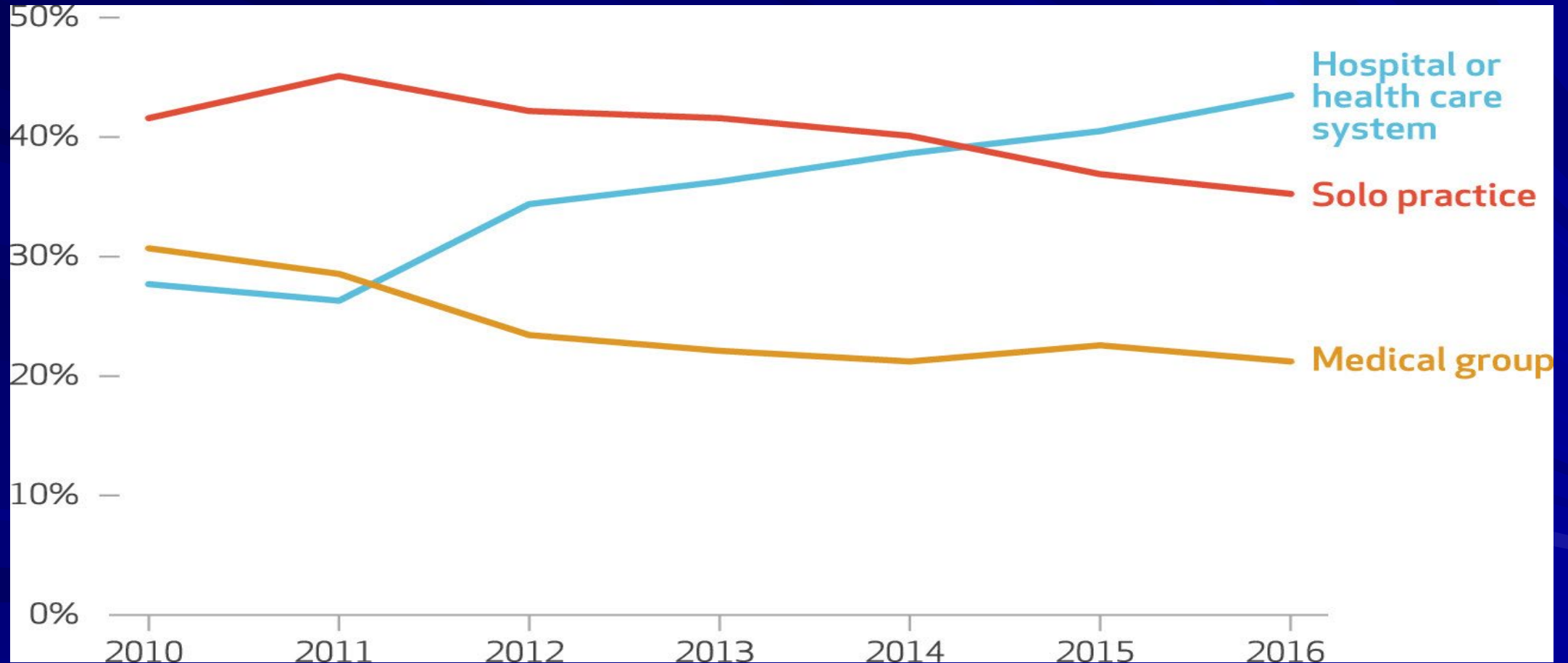
More Markets are highly concentrated

% of MSAs with HHI over 2,500



Source: Fulton BD. Health Care Market Concentration Trends In The United States: Evidence And Policy Responses. Health Affairs. 2017;36(9):1530-1538.

Physicians are increasingly working for hospital systems

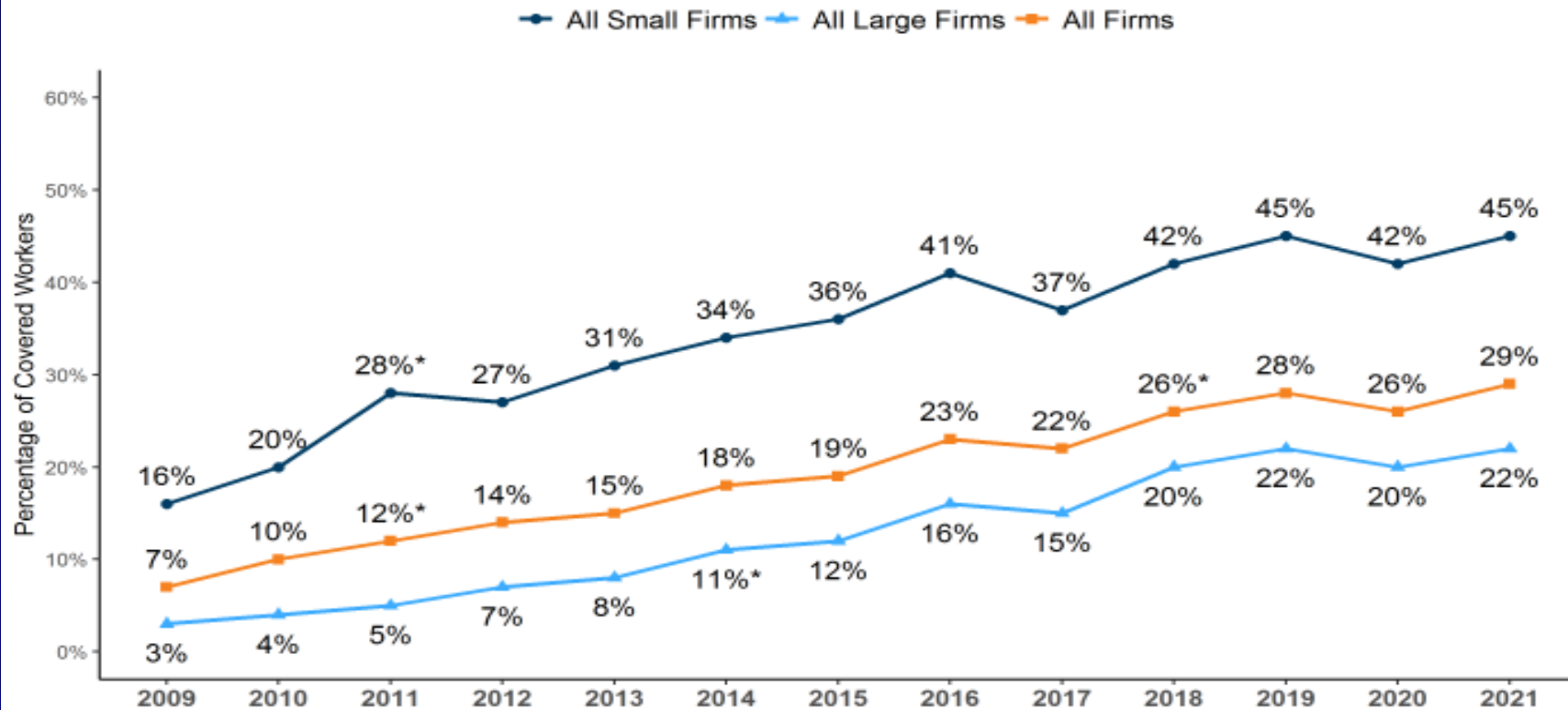


Source: Fulton BD. Health Care Market Concentration Trends In The United States: Evidence And Policy Responses. Health Affairs. 2017;36(9):1530-1538.

Cost Sharing is Growing

Figure E

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of \$2,000 or More for Single Coverage, by Firm Size, 2009-2021



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: Small Firms have 3-199 workers and Large Firms have 200 or more workers. These estimates include workers enrolled in HDHP/SOs and other plan types. Average general annual deductibles are for in-network providers.

SOURCE: KFF Employer Health Benefits Survey, 2018-2021; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009-2017

Cost Sharing Will Get 'Smarter'

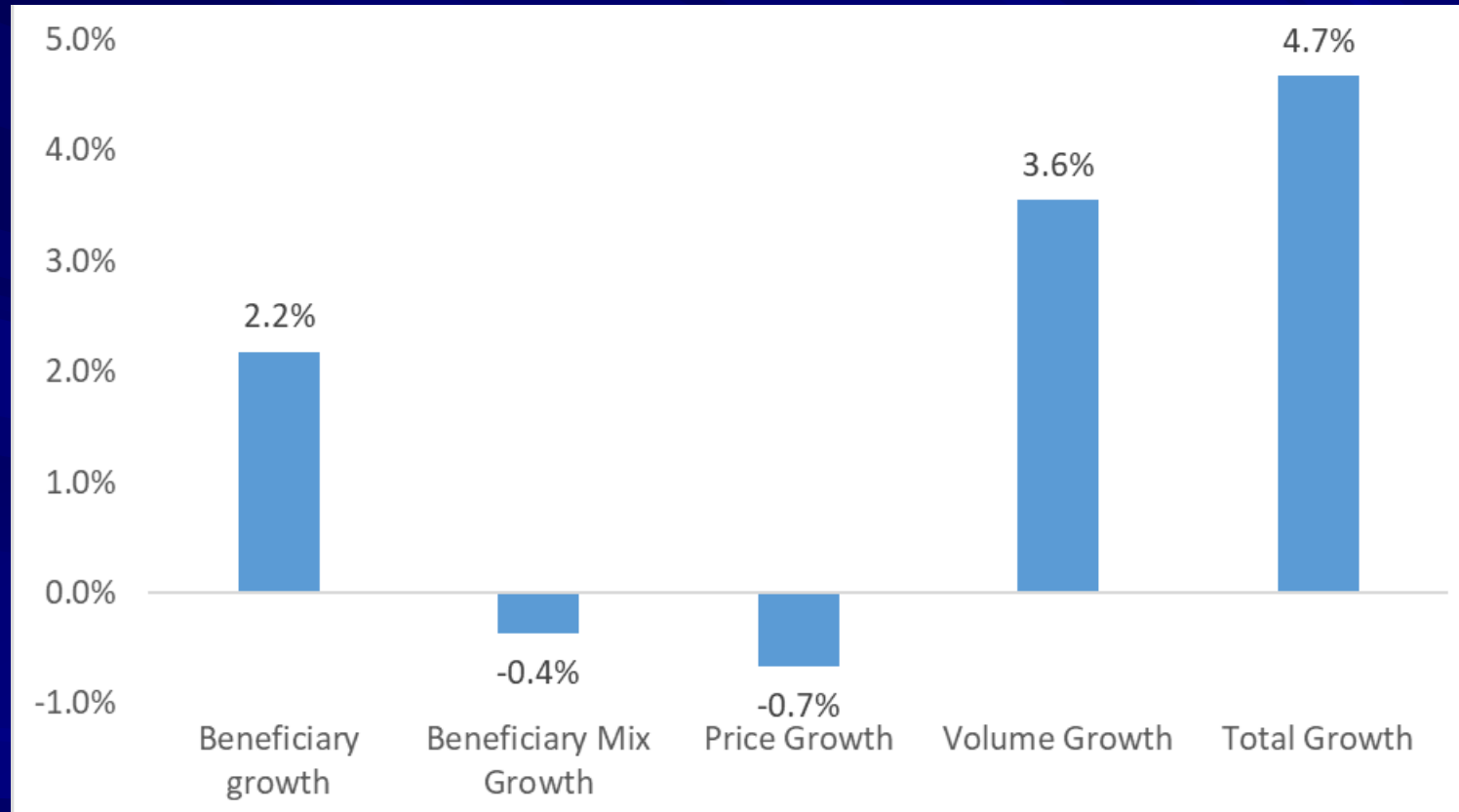
- Reference pricing
- Tiered networks
- Narrow networks
- Value Based Insurance Design (VBID)
 - Align cost sharing with value

Impact of Price Transparency

- Price transparency is not associated with lower spending:
 - Limited engagement with price transparency tools/ data even when available
 - Benefit design not optimized to leverage transparency
 - Patients listen to doctors

Medicare

Decomposition of drivers of forecasted Medicare spending growth (2021-2030)



➔ Due to rounding considerations, components do not add exactly to the total

Source: <https://www.cms.gov/files/document/2021-medicare-trustees-report.pdf>, Table II.D1

Low Medicare Price Growth

- Medicare physician fees scheduled to rise $<1\%$ / yr (nominal)
- Medicare facility fees adjusted downward by productivity adjustment
- Deficits and aversion to taxes will limit fee growth

Payment Reform in Medicare

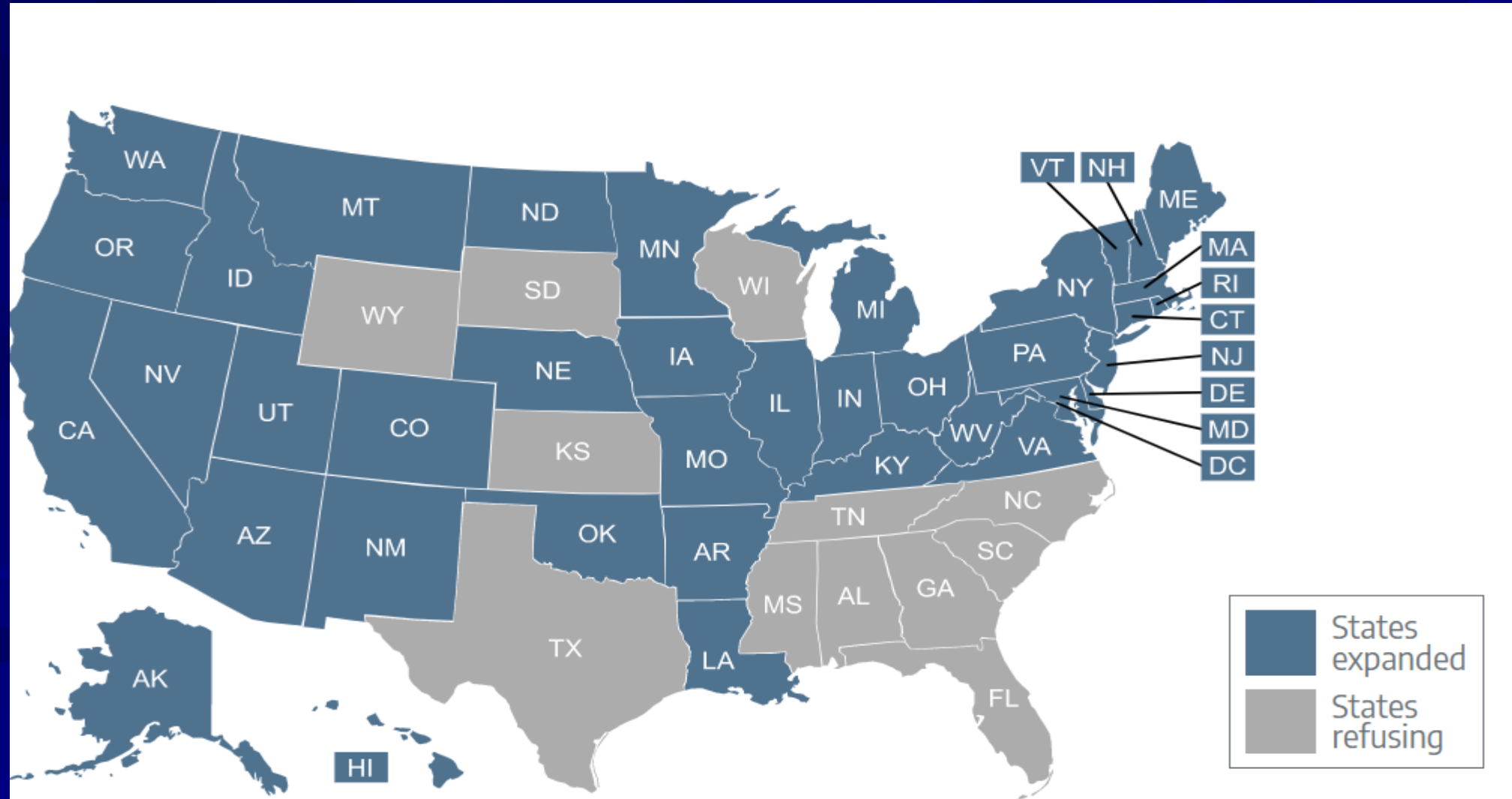
- Efficiency requires flexibility in how 'inputs' are used
 - Health care services are inputs
 - Health is the output
 - Flexibility to substitute inputs and capture gains from efficiency are important.
-
- ➔ ACOs/ episode payment
 - ➔ Medicare Advantage (Not exactly payment reform)

Medicaid

Medicaid Issues

- Enrollment growth
 - Expansion
- Long term care and social supports
- Behavioral health/ substance use disorders

Prediction: More States will Expand Medicaid



Expanding Medicaid

- States pay a share of the budget
 - Can be substantial in \$ but not as % of the spending
- Federal government pays a large share of added spending
 - Acts as a stimulus to the economy
- The added economic activity is taxed
- States could actually break even
 - Depends on parameters
 - Depends on state need for stimulus

State vs National Paradox

- States benefit from stimulus of expansion
- Other states pay
- From a state perspective expansion may make sense, but adding up benefit from the state perspective does not equal the national perspective

Some Things to Think About

- Stability of brick and mortar health care providers
 - Maintaining access to needed services
 - Economic impact of spending
- Stability of the insurance pool