

# Bending the Health Cost Curve

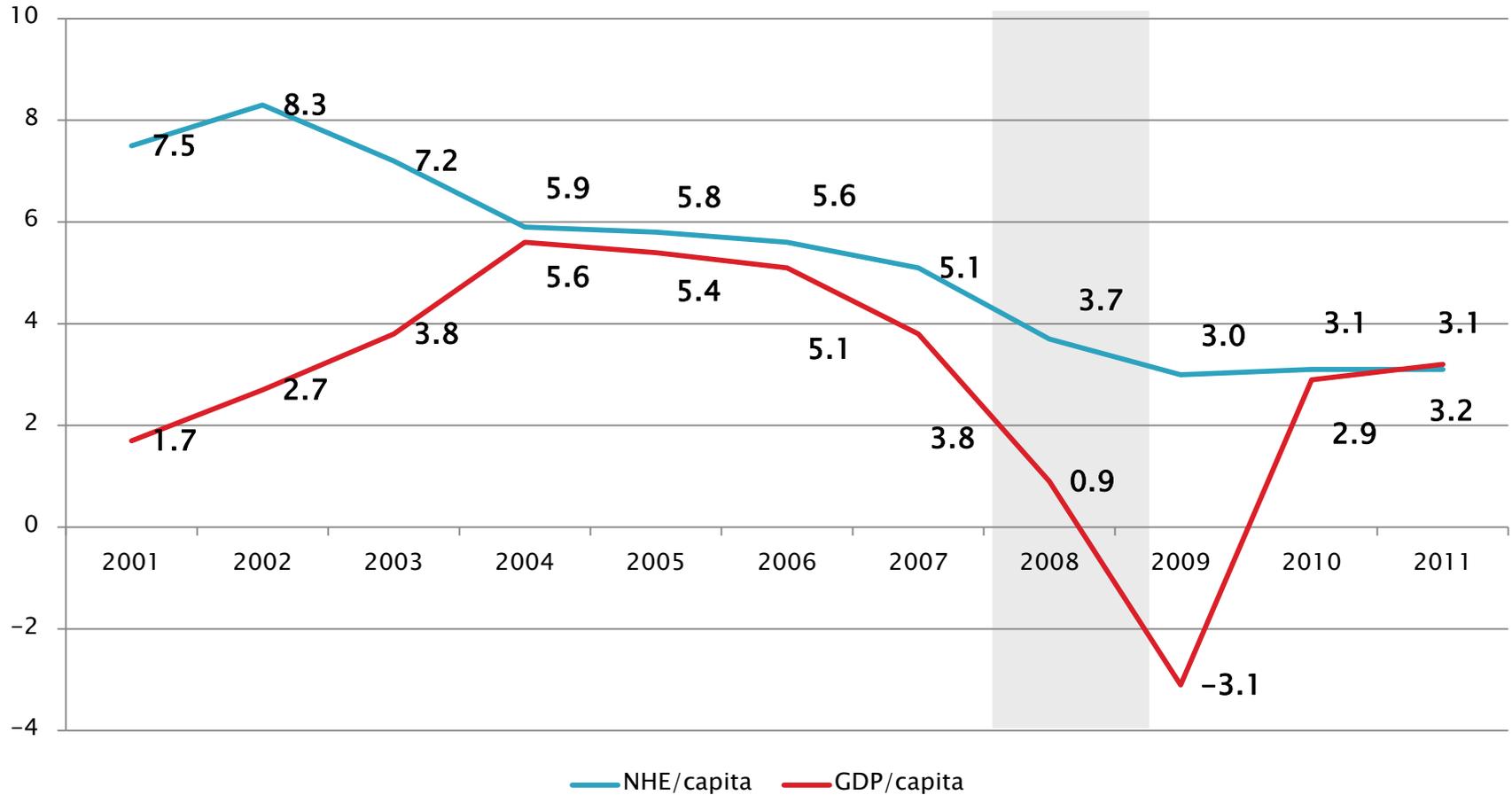
## Let's Not Declare Victory Yet

The 20<sup>th</sup> Princeton Conference  
May 22, 2013

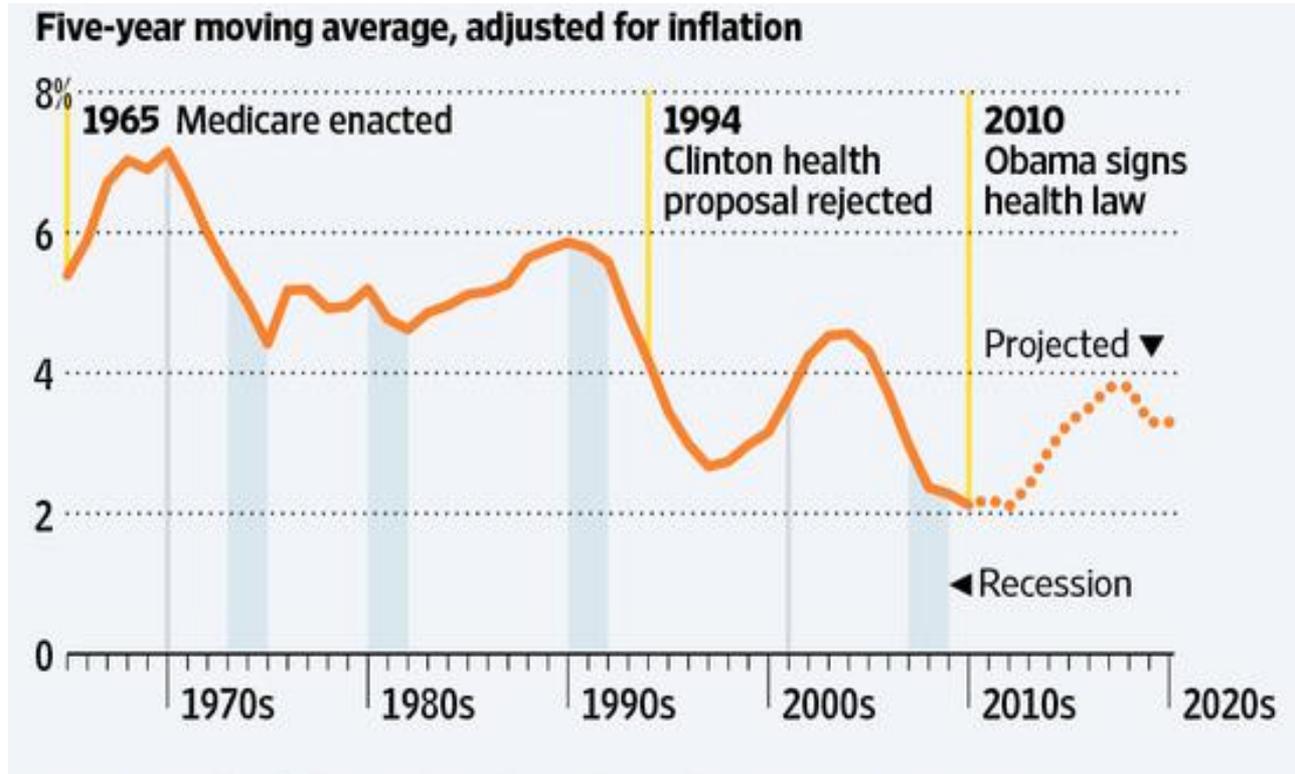
**Joseph R. Antos, Ph.D.**  
**Wilson H. Taylor Scholar in Health Care  
and Retirement Policy**  
**American Enterprise Institute**



# Stable relationship or statistical noise?



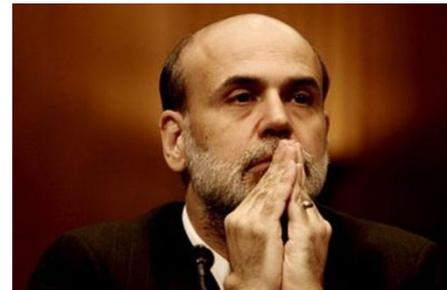
# What DO growth rates tell us?



|                | 1960        | 1970        | 1980        | 1990         | 2000         | 2010         |
|----------------|-------------|-------------|-------------|--------------|--------------|--------------|
| <b>NHE/GDP</b> | <b>5.2%</b> | <b>7.2%</b> | <b>9.2%</b> | <b>12.5%</b> | <b>13.8%</b> | <b>17.9%</b> |

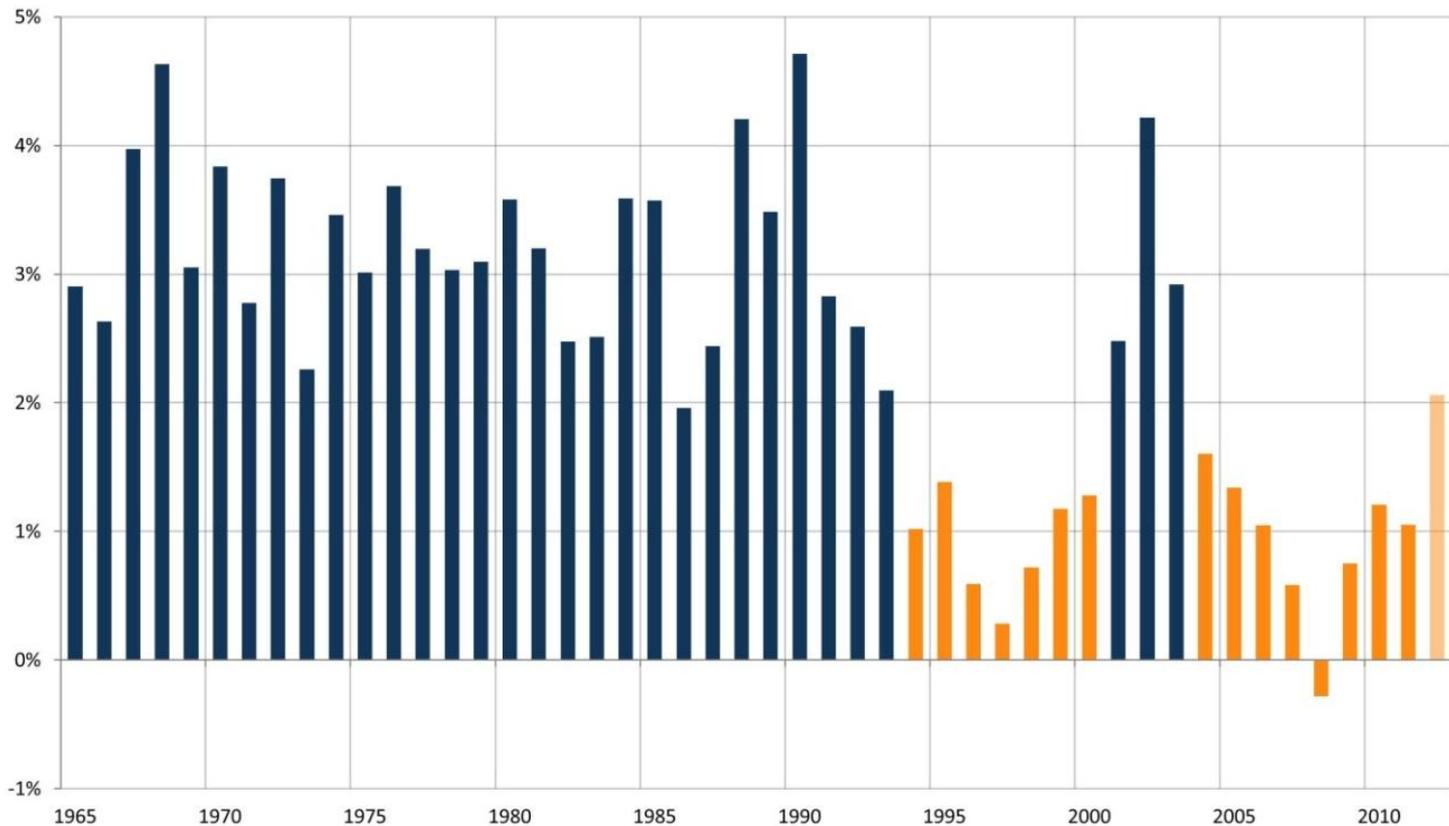
# Cyclical or structural?

- ▶ Some structural changes do not last
  - Early 1990s – Managed care “miracle”
  - Late 1990s – Strong economy erases the miracle
- ▶ How much is cyclical?
  - Cutler and Sahni: 37% for 2003–12
  - KFF and Altarum: 77% for 2008–12
- ▶ Observation period, modeling assumptions drive results
- ▶ The residual does not tell us *why* the decline occurred or *how much* of the decline will persist
- ▶ Impact on access, quality, medical innovation?



# Have we been here before?

**Chart 2: Excess Health Spending Growth Adjusted for GDP and Inflation**



Source: Analysis by the Kaiser Family Foundation and the Altarum Center for Sustainable Health Spending. Figure for 2012 is estimated.

# This time might be different...

- ▶ Changes in provider attitudes
  - If change is inevitable, providers want to lead it
- ▶ Changes in the way providers work
  - More women physicians
  - New physicians going to hospitals, large organizations
  - HIT
- ▶ New types of delivery organizations
  - ACOs, medical homes, minute clinics
- ▶ New marketplaces
  - Exchanges
- ▶ New financial incentives
  - Bundling, Cadillac tax, CDHP



# ...but don't bet on it

- ▶ Providers still respond to incentives
  - We'll lead change to protect our market position
- ▶ New work patterns do not guarantee savings
  - HIT only as good as the managers who use it
- ▶ Market consolidation likely to raise cost
  - If there are efficiencies, who gains?
- ▶ ACA increases demand
  - +25 M insured (2019), minimal increase in supply
- ▶ ESI, FFS Medicare unreformed
  - Too soon to tell if payment changes work as advertised
- ▶ Medical technology and expectations
  - If someone else is paying, bring it on!



# Don't just sit there

- ▶ Waiting is not a solution
- ▶ Employers have taken bolder steps
  - Trade-off between health benefits and wages
  - Spending slowdown after 2002 not due to government policy
- ▶ Plenty of room for better policy
  - Restructure subsidies
  - Replace unrealistic regulations
  - Reform Medicare

