Is the Health Care Cost Slowdown Structural?

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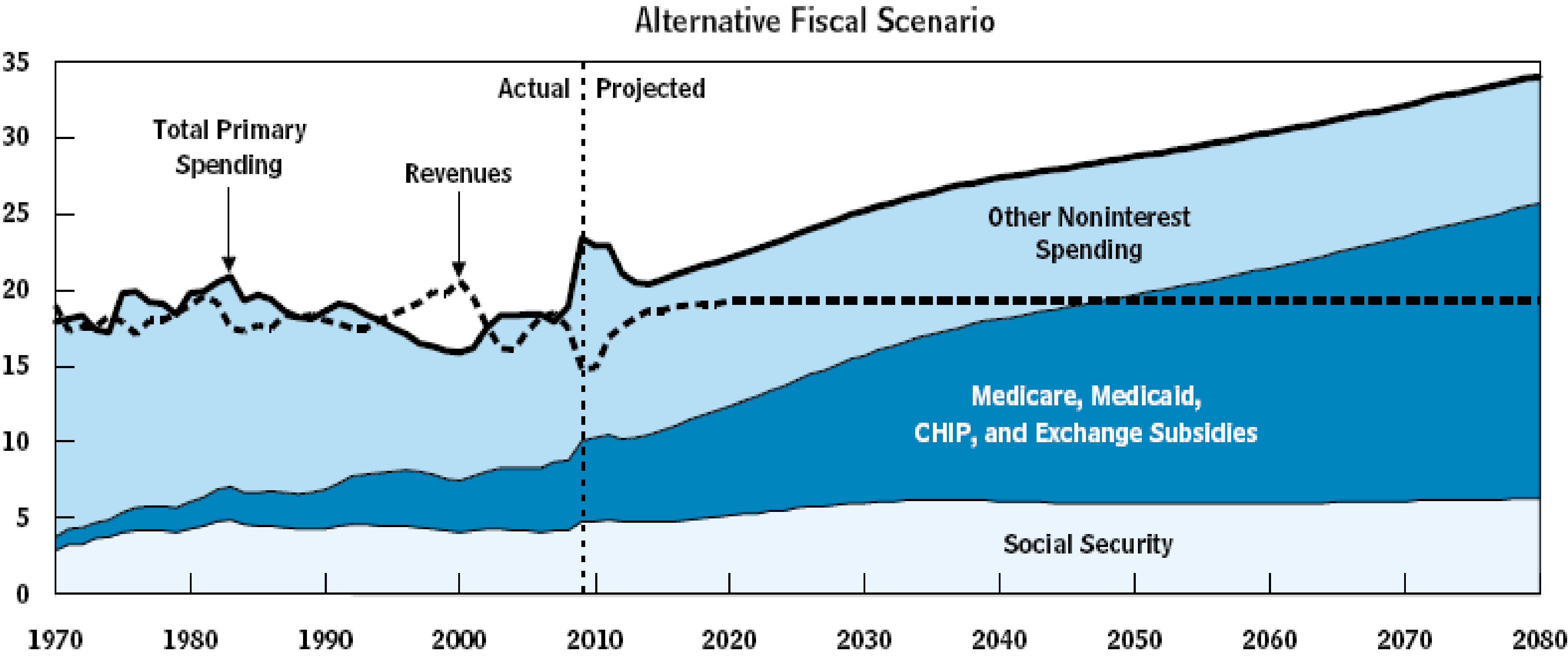
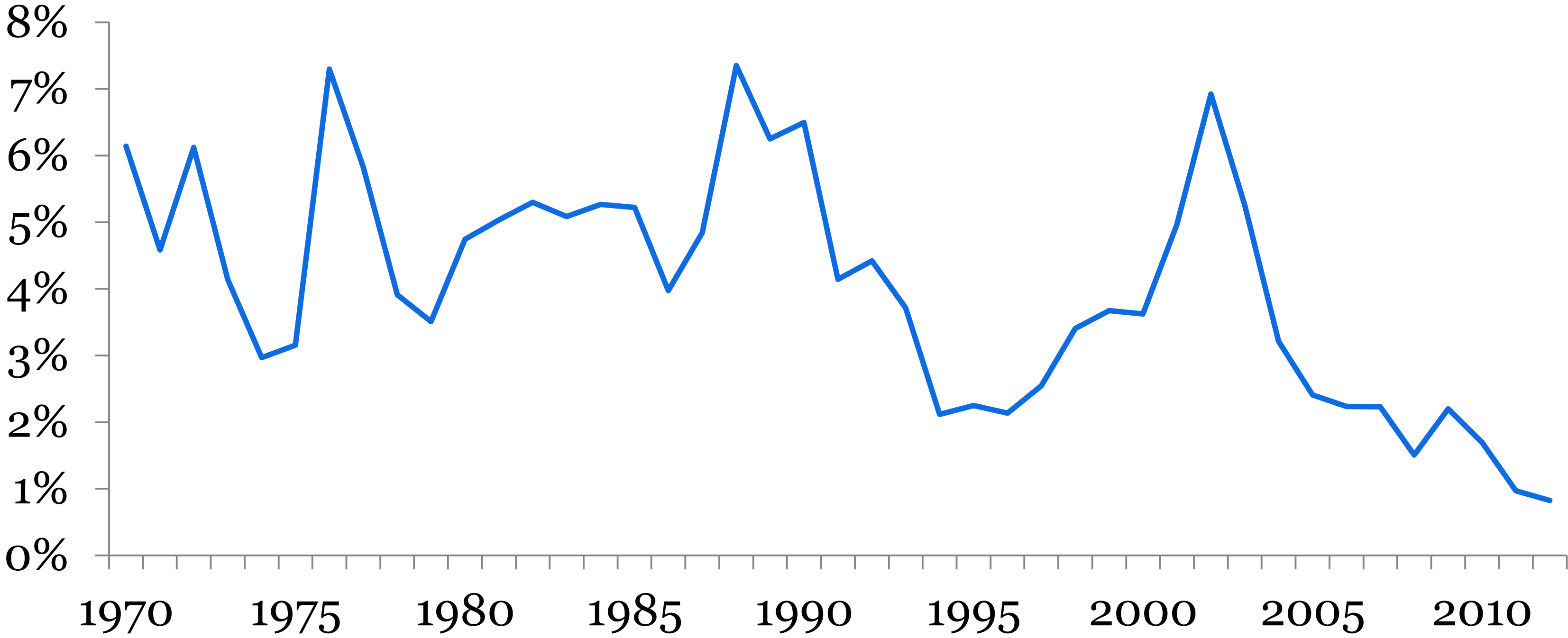
Medical care is going to ruin the economy



Medical spending increases have been very low in recent years

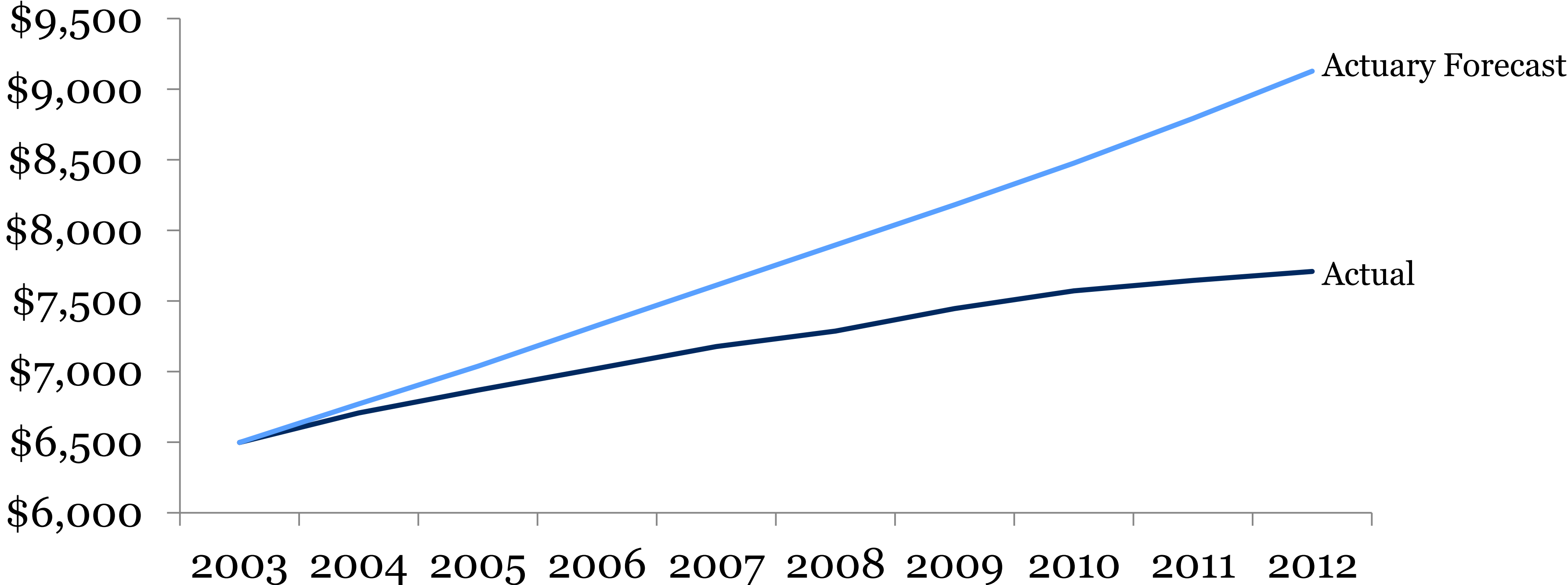


Source: Authors' calculations based on data from the Bureau of Economic Analysis and the Centers for Medicare and Medicaid Services

Cumulative slowdown

Real, per capita medical spending

In 2005 dollars



Source: Authors' calculations based on data from the Bureau of Economic Analysis and the Centers for Medicare and Medicaid Services

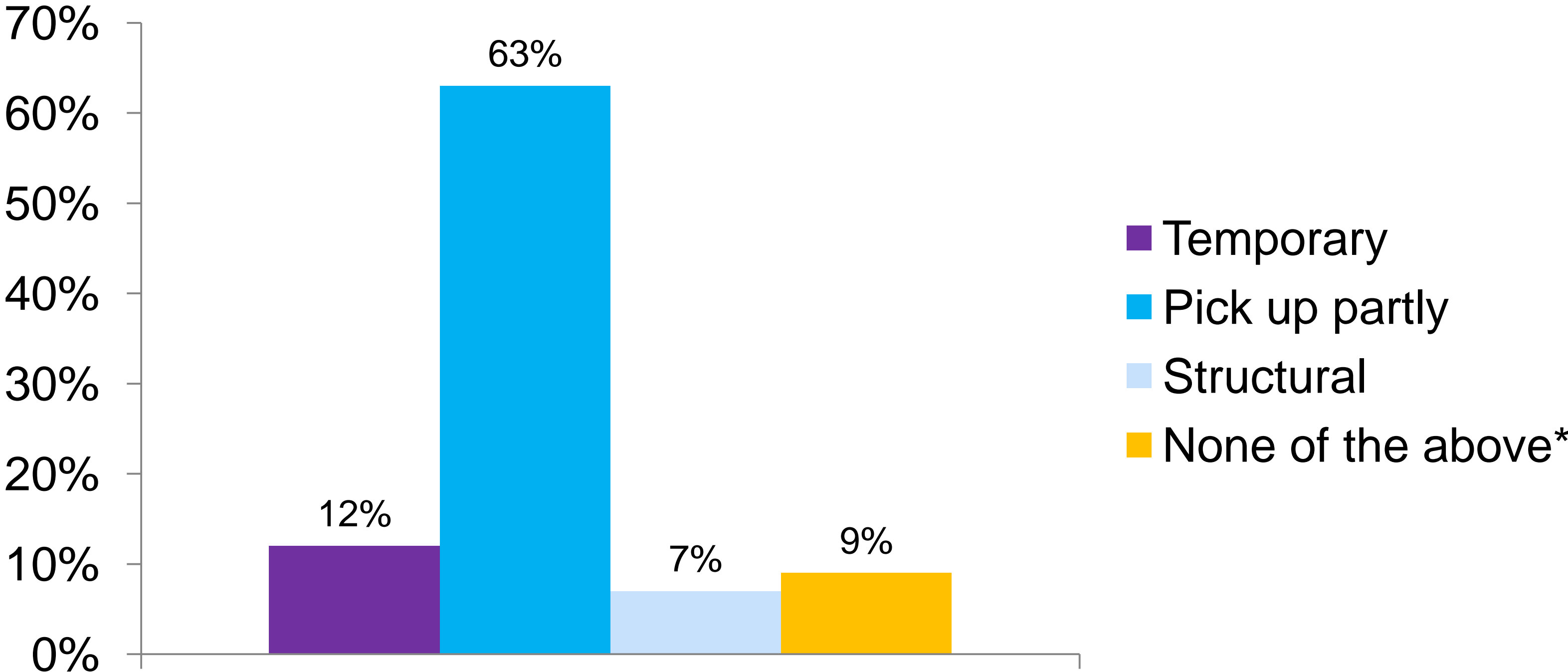
What are your thoughts?

Medical spending growth has slowed in recent years. Real per capita medical spending growth was 5.7 percent annually from 2000-03, but 1.2 percent annually from 2009-12. Excess growth (medical spending growth relative to GDP growth) fell from 4.9 percent to -0.2 percent. Based on your knowledge of the data and relevant research, which of the following best describes your view?

a) The recent slowdown is temporary; spending trends are likely to return to long-run excess growth annually within the next few years, or even exceed that amount. (For reference, the CMS Actuaries and CBO predict long-run excess growth of 1.0 to 1.5 percentage points above GDP annually).
b) Spending increases will pick up, but not to their historical level; a reasonable guess is that excess spending growth will return to about half of its historic level within the next few years.
c) The recent slowdown is structural. Growth in excess spending will stay at this level or be even lower for some period of time.
d) None of these describe my views.

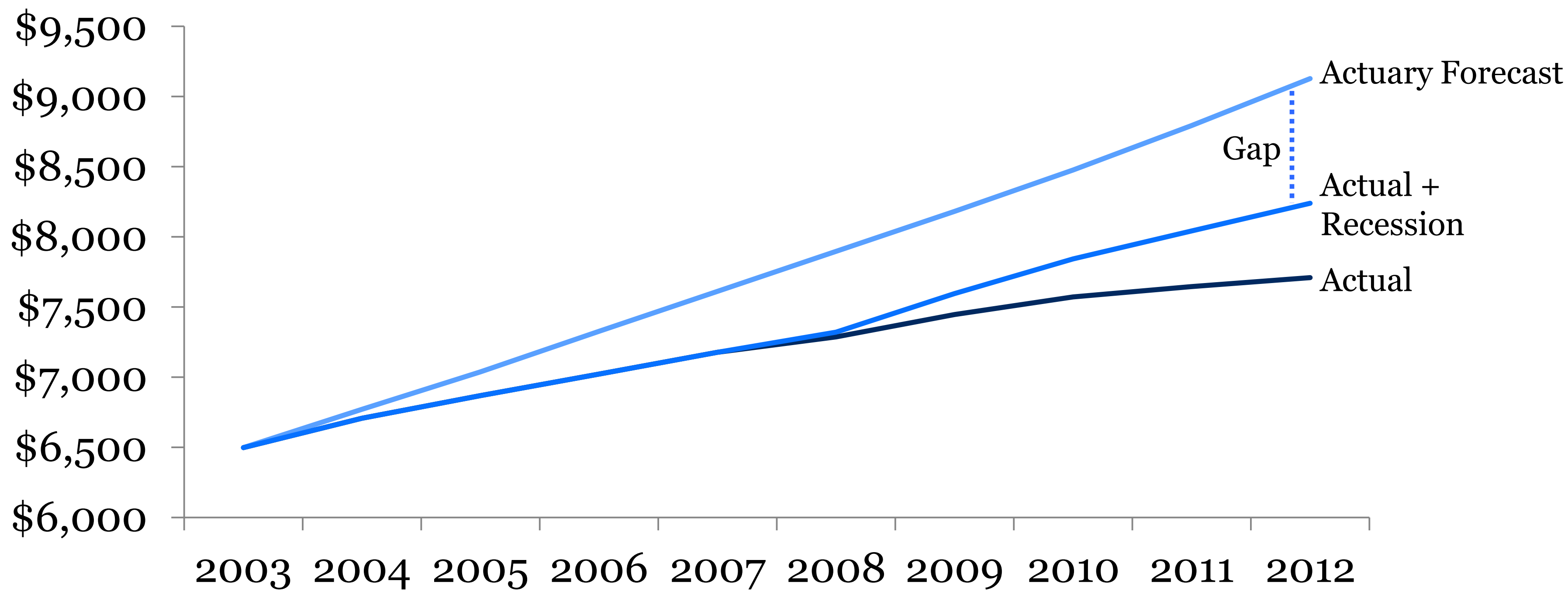
What are your thoughts?

Medical spending growth has slowed in recent years. Real per capita medical spending growth was 5.7 percent annually from 2000-03, but 1.2 percent annually from 2009-12. Excess growth (medical spending growth relative to GDP growth) fell from 4.9 percent to -0.2 percent. Based on your knowledge of the data and relevant research, which of the following best describes your view?



* Generally pick up partly or structural.

The recession is only about one-third of the slowdown



Source: Authors' calculations based on data from the Bureau of Economic Analysis and the Centers for Medicare and Medicaid Services

Can you see the future through the rear view mirror?

Structural factors 1: Slowing of technology

By David W. Lee and Frank Levy

The Sharp Slowdown In Growth Of Medical Imaging: An Early Analysis Suggests Combination Of Policies Was The Cause

nature biotechnology

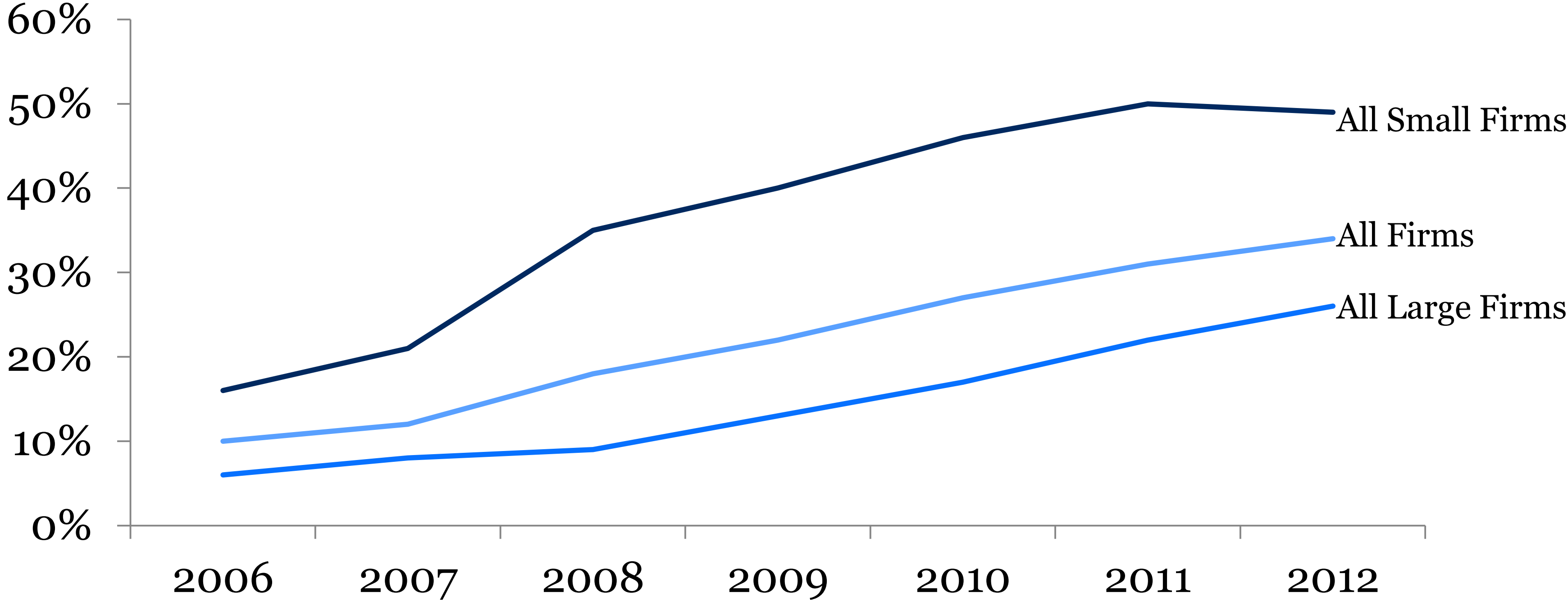
Failure to launch

A slew of disappointing product launches suggests biotech companies are ill prepared to navigate an increasingly parsimonious reimbursement environment.

IMS INSTITUTE FOR HEALTHCARE INFORMATICS

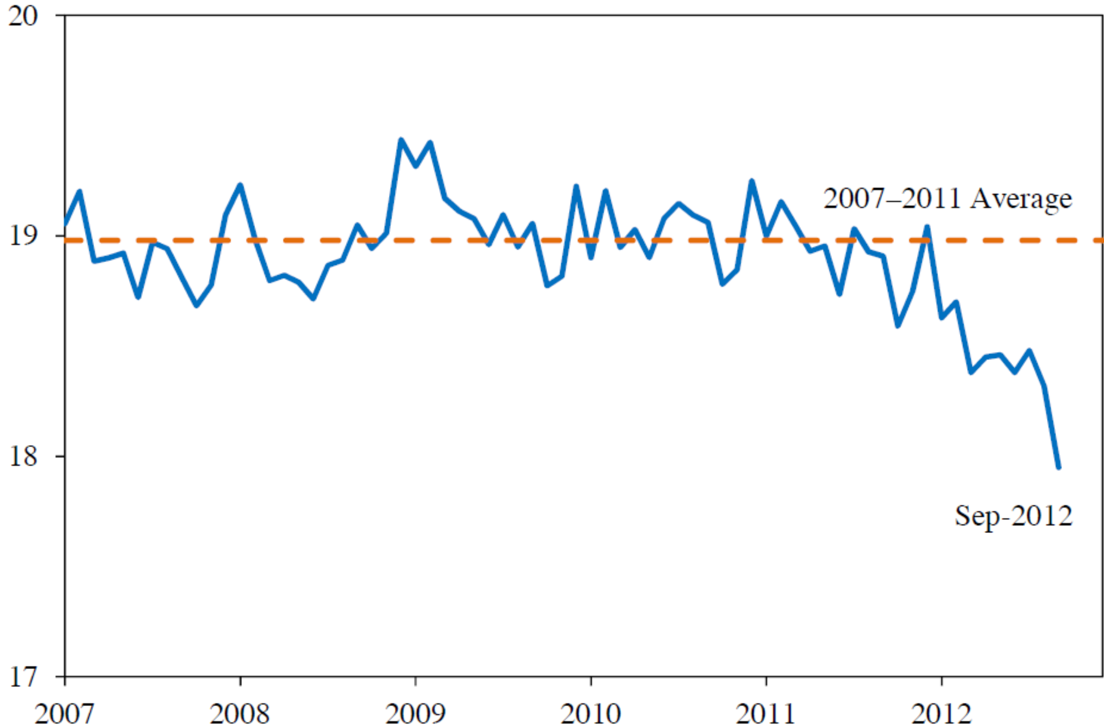
In 2012, both the per capita use and cost of medicines declined. The "cost curve" for medicines – if not for other elements of the U.S. healthcare system – was bent.

Structural factors 2: Higher cost sharing



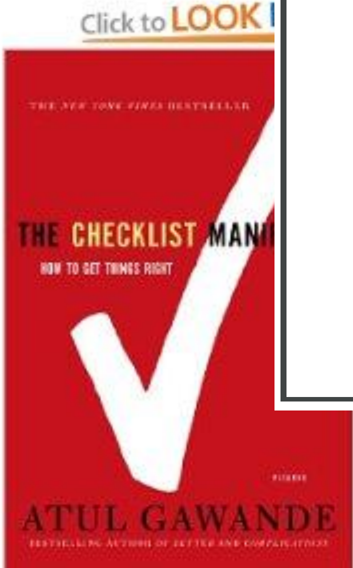
Source: Kaiser Family Foundation 2012 Employer Health Benefits Survey

Structural factors 3:
Greater provider efficiency



Source: Centers for Medicare and Medicaid Services, Office of Enterprise Management

Greater provider efficiency



QH06: Hospital Acquired CLABSI (CODED)

Period	Rate
3Q08 - 2Q09	0.135
4Q08 - 3Q09	0.138
1Q09 - 4Q09	0.147
2Q09 - 1Q10	0.151
3Q09 - 2Q10	0.155
4Q09 - 3Q10	0.149
1Q10 - 4Q10	0.156
2Q10 - 1Q11	0.106
3Q10 - 2Q11	0.119
4Q10 - 3Q11	0.117
1Q11 - 4Q11	0.096
2Q11 - 1Q12	0.076
3Q11 - 2Q12	0.057

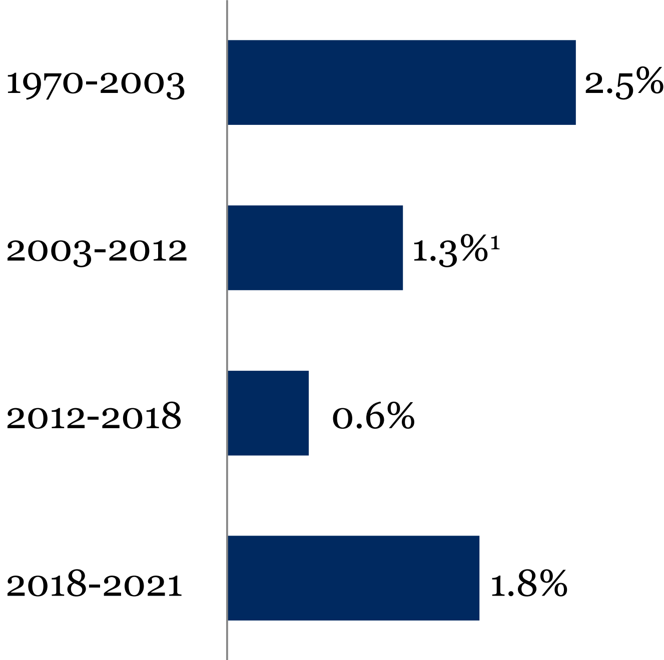
Y-axis: 0.00, 0.05, 0.10, 0.15, 0.20, 0.25, 0.30

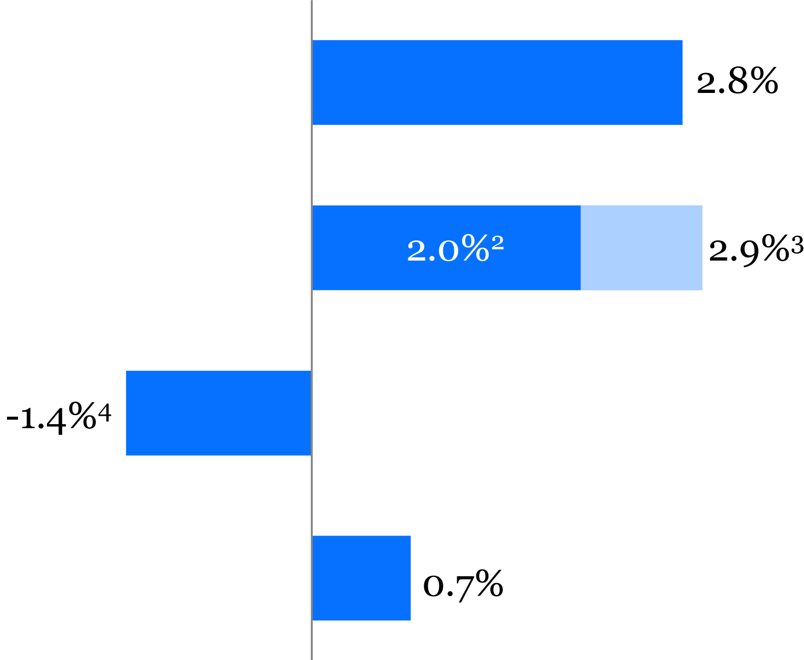
CLABSI Sprint

CLABSI Sprint

Rate shown per 1,000 patient days

Forecasts have incorporated these trends, but only for the next few years

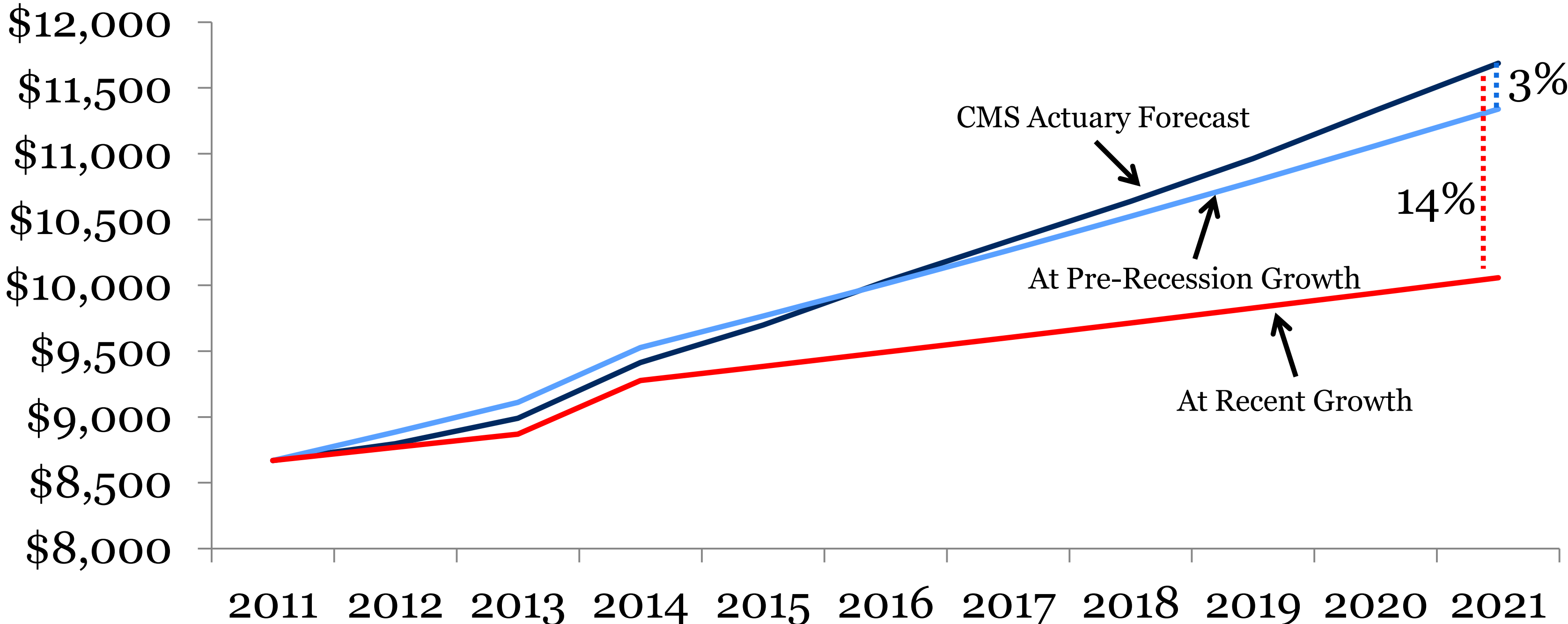




1 Growth rate for 2011–12 was estimated using BEA National Income and Product Accounts (NIPA) tables
2 Part D was removed by holding the 2005–06 growth rate constant at the 2004–05 growth rate
3 Growth rate for 2011–12 was estimated using monthly Treasury statements
4 The Sustainable Growth Rate cut for 2013 was removed from the forecast

Source: Authors' calculations based on data from the Bureau of Economic Analysis, Centers for Medicare and Medicaid Services, and Department of the Treasury

If these trends continue, savings will be large



Source: Authors' calculations based on data from the Bureau of Economic Analysis and the Centers for Medicare and Medicaid Services

Conclusions I – What is going on?

"The evidence thus suggests at least as strong a case for structural changes as for cyclical factors."

- Cutler & Sahni

"All of these factors taken together suggest that a return to a high historic growth rates in health care spending may not materialize. To sum up, we …are cautiously optimistic."

- Holahan & McMorrow

Conclusions I – What is going on?

"Our analysis suggests that the vast majority (77%) of the recent decline in the health spending trend can be attributed to broader changes in the economy. At the same time, however, there are also indications that structural changes in the health system may be playing a modest role as well."

- Altarum & KFF

"Our findings suggest cautious optimism that the slowdown in the growth of health spending may persist."

- Ryu et al.

Looking Forward: State Policies to Reduce The Growth of Medical Spending

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Health Care Payment Improvement Initiative
Building a Healthier Future for all Arkansans

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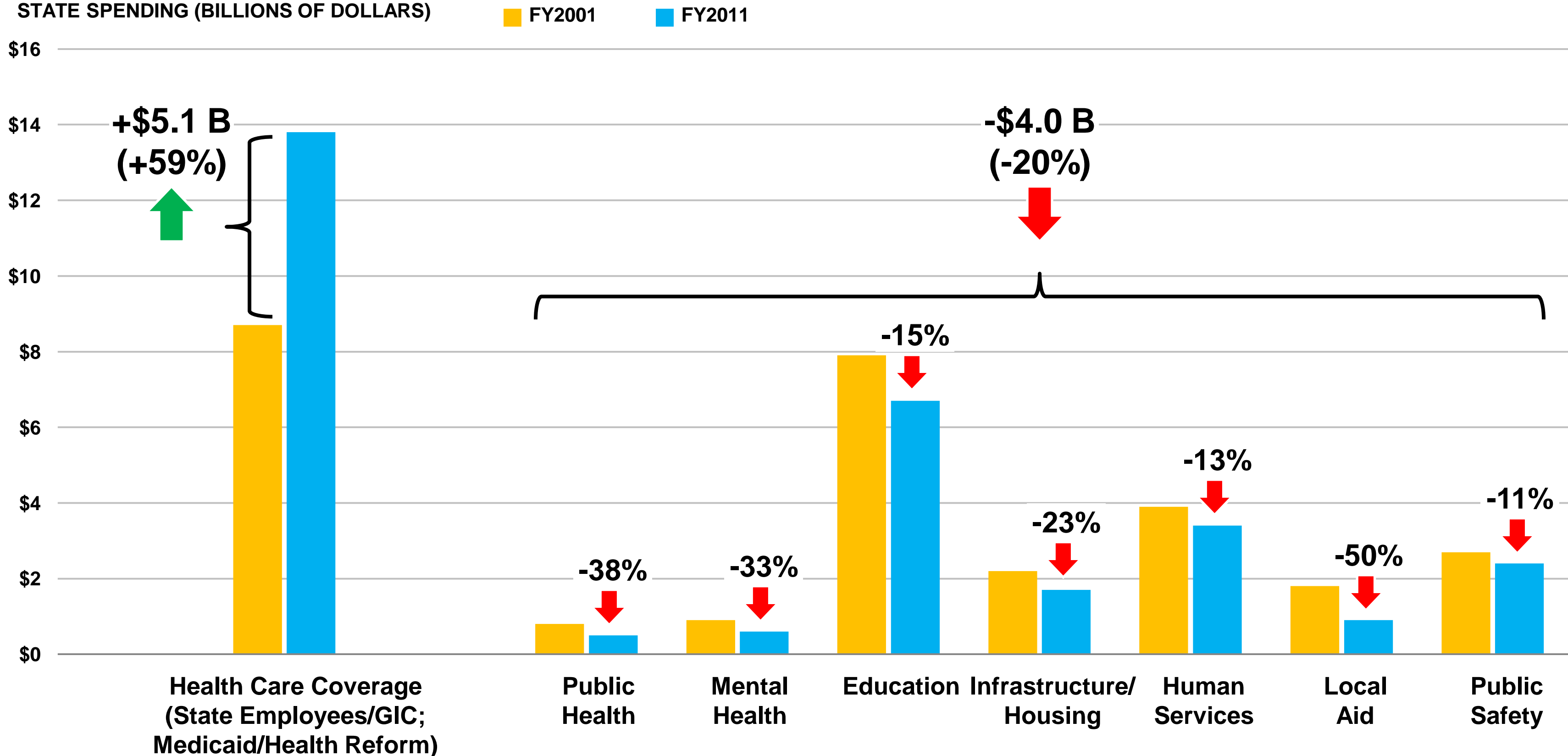
It’s worse when borrowing is not an option



1. Consumer engagement

Insurance choice

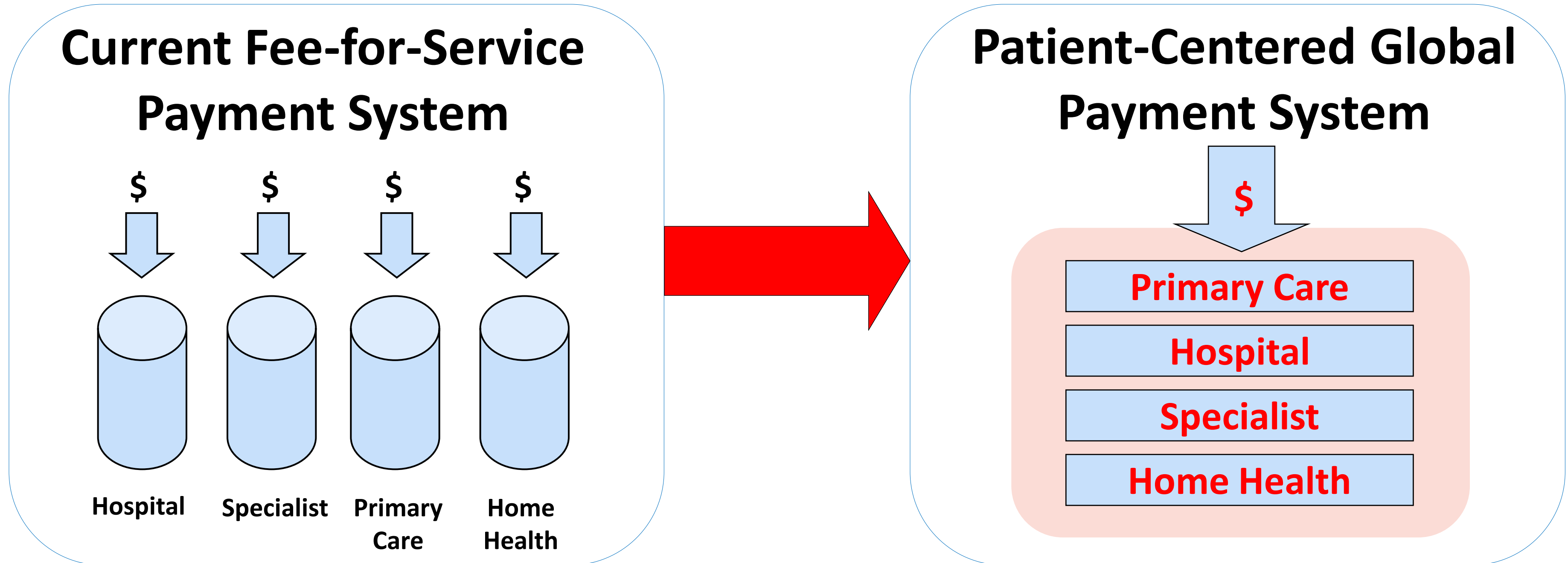
- Well functioning insurance exchange
- Limited/tiered network products (most rapidly growing products in MA)

Care decision

- Requirement that insurers provide real-time price and quality information

2. Payment reform

- Move to 'alternative payment systems'
  - Primary care, specialty care, and fully integrated care



Other reforms

3. Data sharing
   - Feedback on patient use
   - Real-time data for management

4. Medical malpractice: less litigation
   - The Michigan model – cooling off period, exclude apology

5. Administrative simplification
   - Simplified referral forms (much more can be done nationally)

The Target

Benchmark	Approximate magnitude
Premiums	8.0%
Forecast medical spending per capita	5.5% - 6.0%
Forecast GSP per capita	4.0%
Inflation rate	2.0%

Target:

2014-2017	Potential GSP
2018-2022	Potential GSP - .5%
2023-	Potential GSP

Conclusions - 2

Policy has/will contributed to this, and may continue to do so.