



Mini-Rotation on the Health Care System

Theme: Cost, Access, Care Management and New Models of Care

Topic: The Continuing Challenge of Controlling Health Care Spending

Faculty: Stuart Altman, PhD, Sol C. Chaikin Professor of National Health Policy at The Heller School for Social Policy and Management, Brandeis University

Objectives:

By the end of this session, participants should be able to:

- Provide an overview of national health expenditure trends.
- Identify the major factors driving increases in health spending.
- Discuss the importance of controlling health spending.
- Identify strategies and methods to control health care spending, including payment reform, new models of care delivery, and legislation.

Overview of the presentation (August 2015):

The problem of high healthcare costs (spending)

- Workers and families, data: cumulative increases in health insurance premiums, workers' contributions to premium inflation, and workers' earnings
- Federal and state governments, data: tax revenues devoured by Medicare and Medicaid

Major factors driving increases in health spending

- Defining the factors: utilization of expensive services, high prices, or a combination of both
- Studying problem by comparing U.S. to other countries: health expenditures as a share of Gross Domestic Product (GDP); annual average growth rate in health expenditures per capita

Why U.S. spends more on healthcare than other countries

- Is it utilization?
 - Comparative data on hospitals (beds, discharge rates, length of stay)
 - Comparative data on physician services (number of MDs, consultations per capita, physician remuneration)

- Comparative data on pharmaceuticals and expensive medical procedures (pharmacy as percentage of total health expenditures, MRIs, CT scanners, surgeries, C-sections)
- Conclusion: Total excess utilization of health services not the principal culprit

Price differences, U.S. vs. other countries

- Comparative prices: Scanning and images; hospitals; physicians; drug prices
- Finding: U.S. prices are higher

Spending control in U.S.

- Past efforts have had limited success and for a limited time period
- Data: increase over several decades in per capita national health expenditures

Historical review of cost control in U.S.

- 1970s: active involvement of federal and state government; supply controls; Medicare limits; federal price controls and their aftermath
- 1980s: managed care; little competition of the "price of insurance"
- 1990s: managed competition; one time effect of lower HMO costs
- 2000-2010: return to fee-for-service payment system and PPO insurance plans; provider consolidation and market power

Trends

- Cost growth has slowed in recent years
- Medicare projections: limited growth will return
- Projected growth in yearly spending, by payer
- Payment systems moving away from fee-for-service
- Value payment systems linking payment to quality measures
- State government playing constructive role in system change

The Massachusetts story

- Passage of universal coverage and cost containment legislation
- Expanded activity in private insurance market
- Providers promoting reform of delivery system
- Creation of Health Policy Commission to monitor and encourage payers and providers to stay within spending limits
- Case history of hospital system merger and acquisition

Anti-trust concerns and hospital mergers

- Court activity supporting federal antitrust actions
- Debate over bigger=better in the delivery system
- Efficiency savings under Accountable Care or bundled payments can be achieved without legal consolidation