

# **U.S. Health Care Costs:** *Trends, Drivers and State Actions*

Julianne McGarry  
Research Director  
Catalyst for Payment Reform

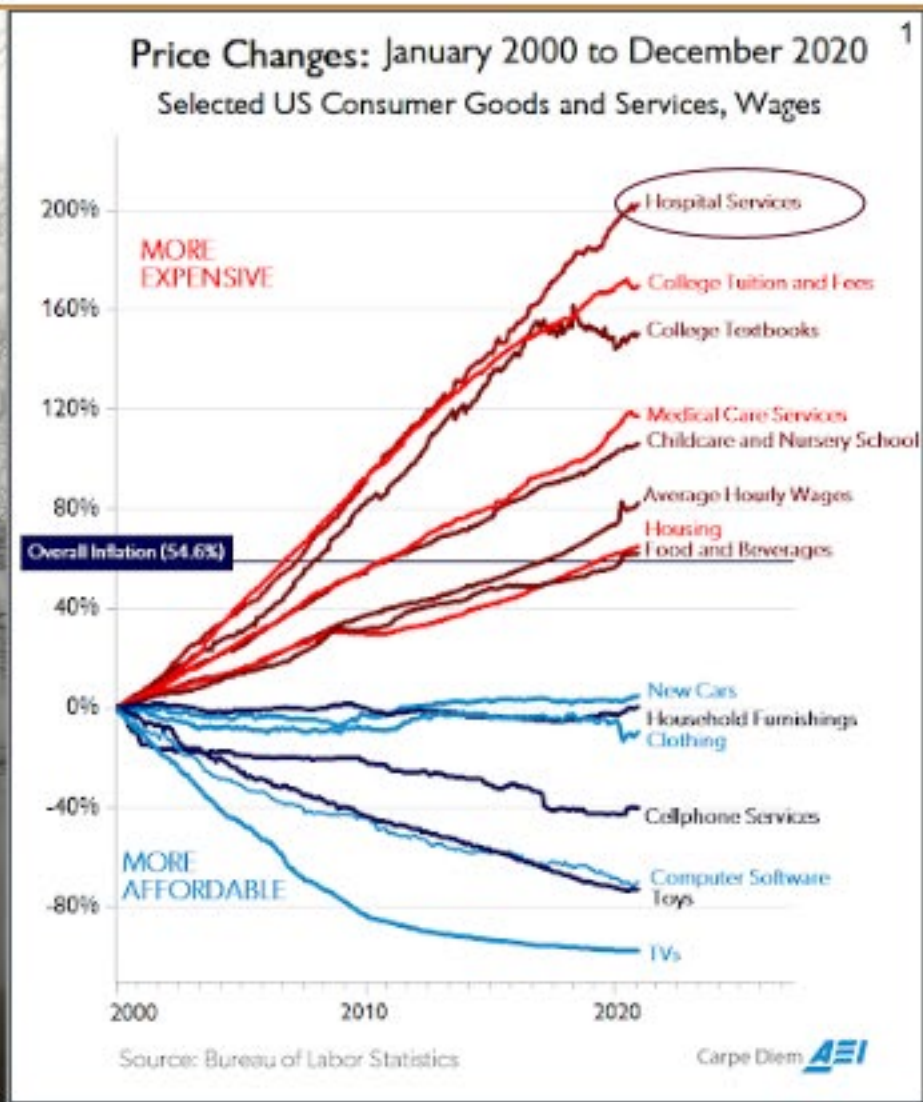


# Today's Discussion



- Understanding the dysfunction in health care markets
- Levers of state power to improve market function
- New (and exciting!) policy innovations from across the country
- Discussion

# At the Moment, the Landscape Looks Bleak



- Health care costs rose by **7%** in 2021, projected to rise by **6.5%** in 2022<sup>2</sup>
- **75%** percent of hospital markets in the US are either highly concentrated or very highly concentrated<sup>3</sup>
- Hospital “Mega-Mergers” **doubled** in 2021<sup>3</sup>
- Nearly **1 in 3** of households do not have enough savings to pay typical deductibles in employer-based coverage<sup>4</sup>
- US maternal mortality is nearly **4x higher** than the OECD Average<sup>5</sup>

# Market-based Interventions Haven't Delivered Enough



- **Theory #1:** Transparency + Financial Skin-in-the-Game = *Activated Health Care Consumers...*

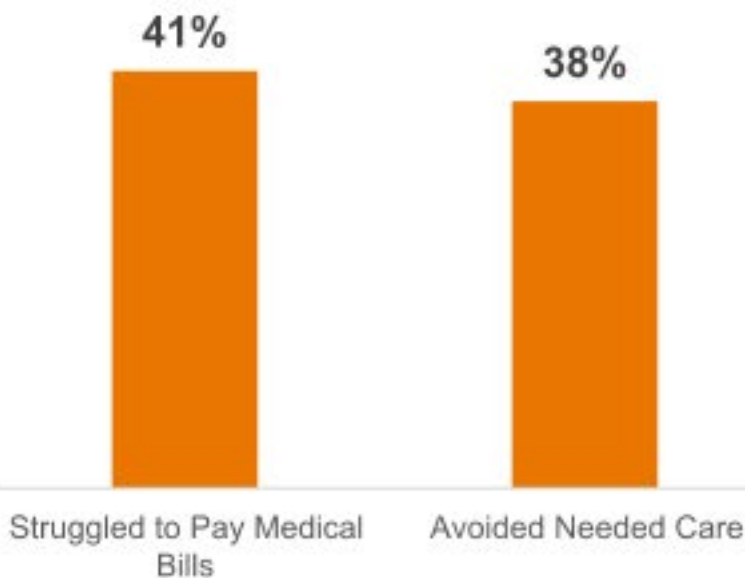
# Market-based Interventions Haven't Delivered Enough



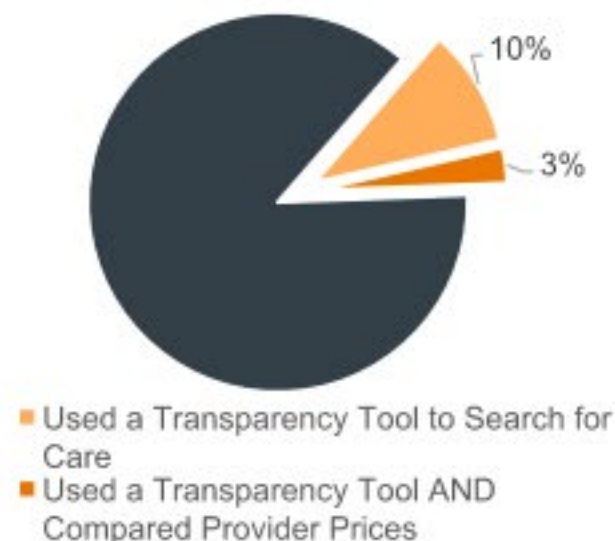
- **Theory #1:** Transparency + Financial Skin-in-the-Game = *Activated Health Care Consumers...*

## Observed Results: More Externalities than Savings

Experience of Adults Age 19-64 with Health Plan Deductibles  $\geq$ \$1,000<sup>6</sup>



Use of Transparency Tools Among Patients with Out-of-Pocket Costs



# Market-based Interventions Haven't Delivered Enough



- **Theory #2:** Alternative Payment Models (APMs) will *reduce waste, improve quality, lower costs*



# The Health Care Markets are Broken

## What can States Do to Help?

Our Federalist System Creates **50**  
Unique Laboratories of Innovation

States have (at least) 4 Levers to  
Rebalance Health Care Markets



**PROHIBIT**  
Anticompetitive  
Practices



Support Market  
**COMPETITION**



**REGULATE** Costs  
and Prices

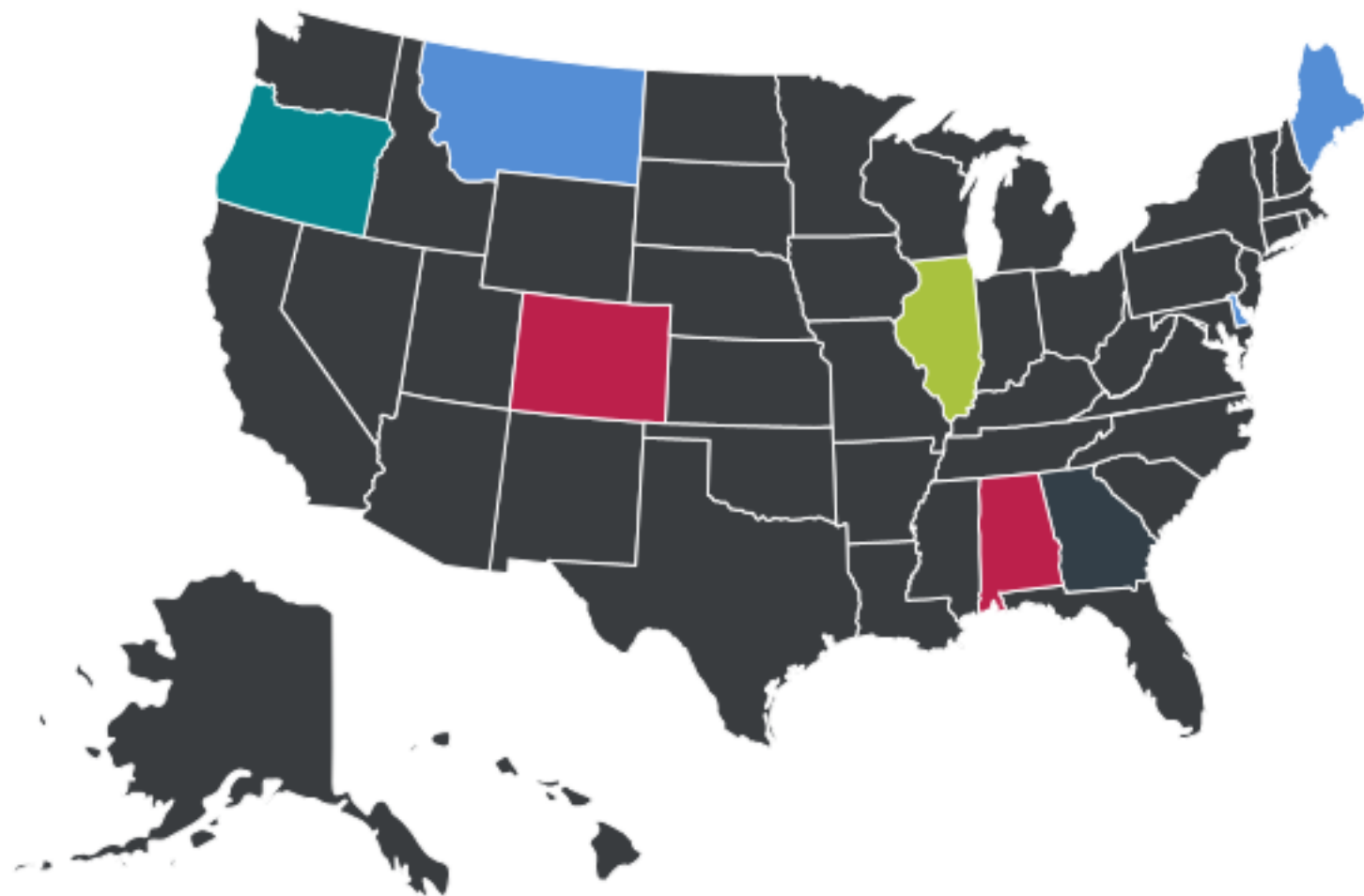


Build Oversight  
**INFRASTRUCTURE**



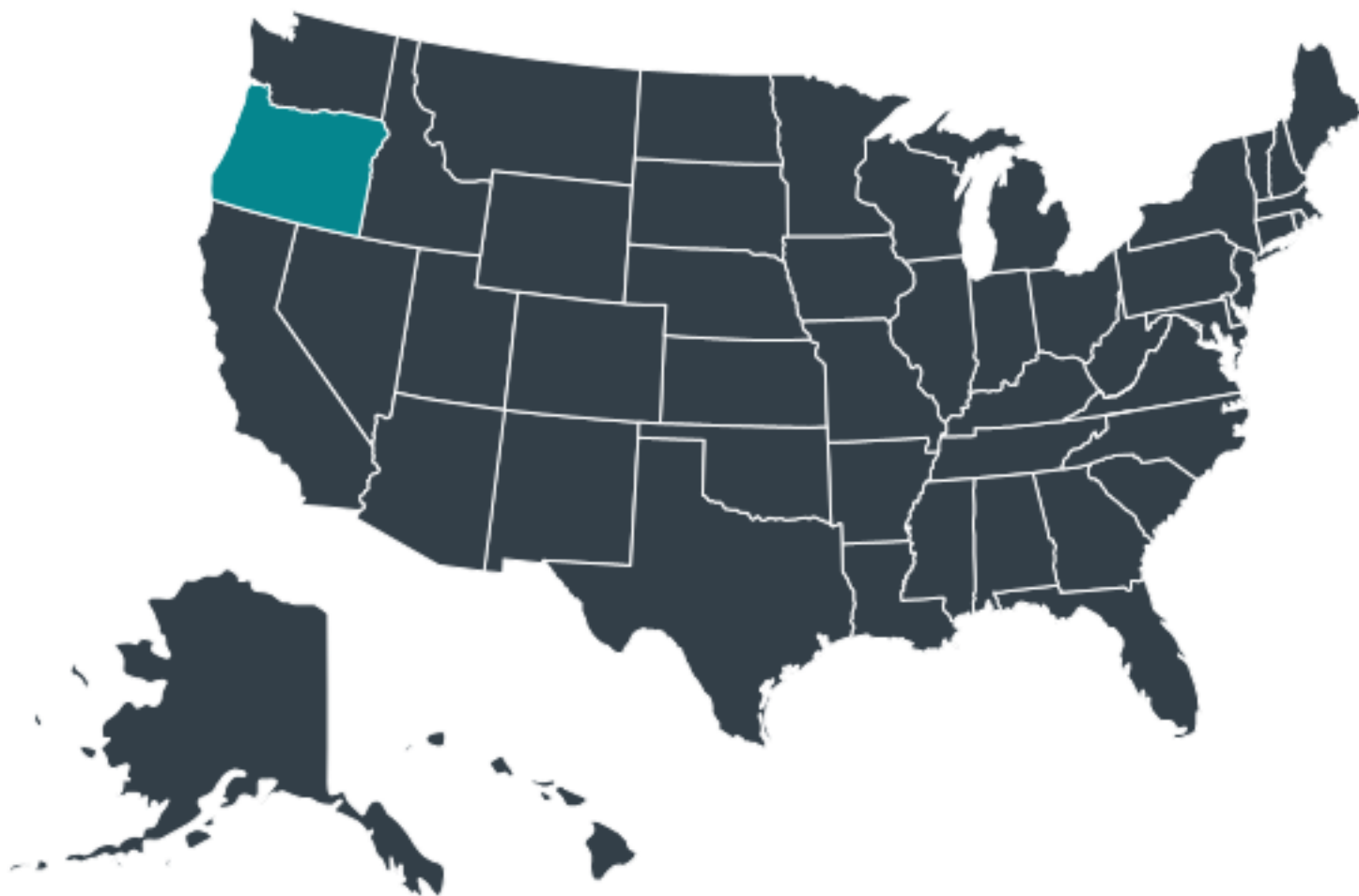


# Exciting New Policy Innovation is Happening Nation-Wide!



Selected examples...

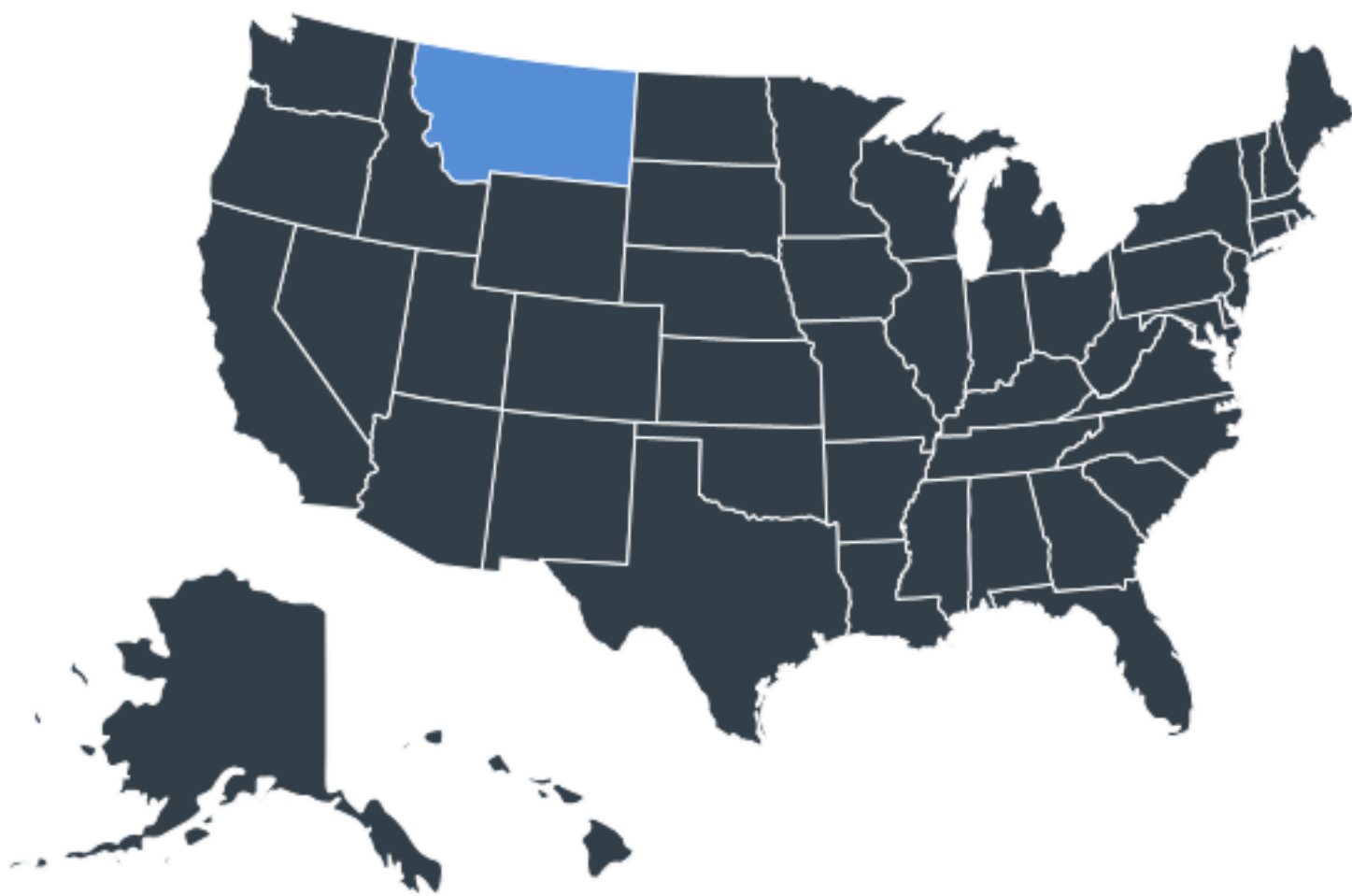
# Exciting New Policy Innovation is Happening Nation-Wide!



## OREGON

Granted broad merger approval authority to the Oregon Health Authority (OHA – the State’s health policy commission), which covers any health care merger, acquisition, joint venture or affiliation among any entity that nets >\$25M in revenue

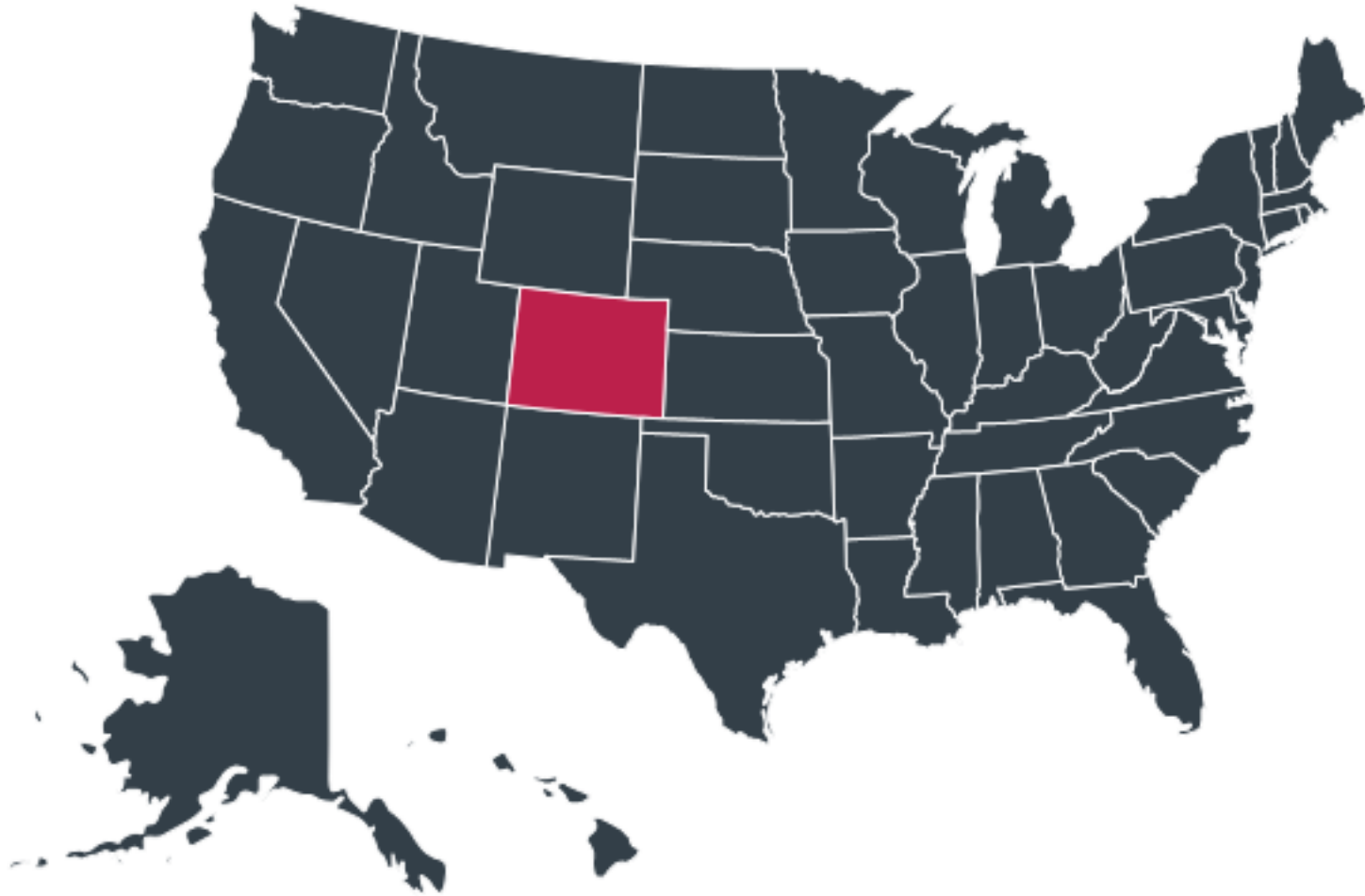
# Exciting New Policy Innovation is Happening Nation-Wide!



## **MONTANA**

Negotiated a new fee schedule for its state employee health plan anchored to multiples of Medicare

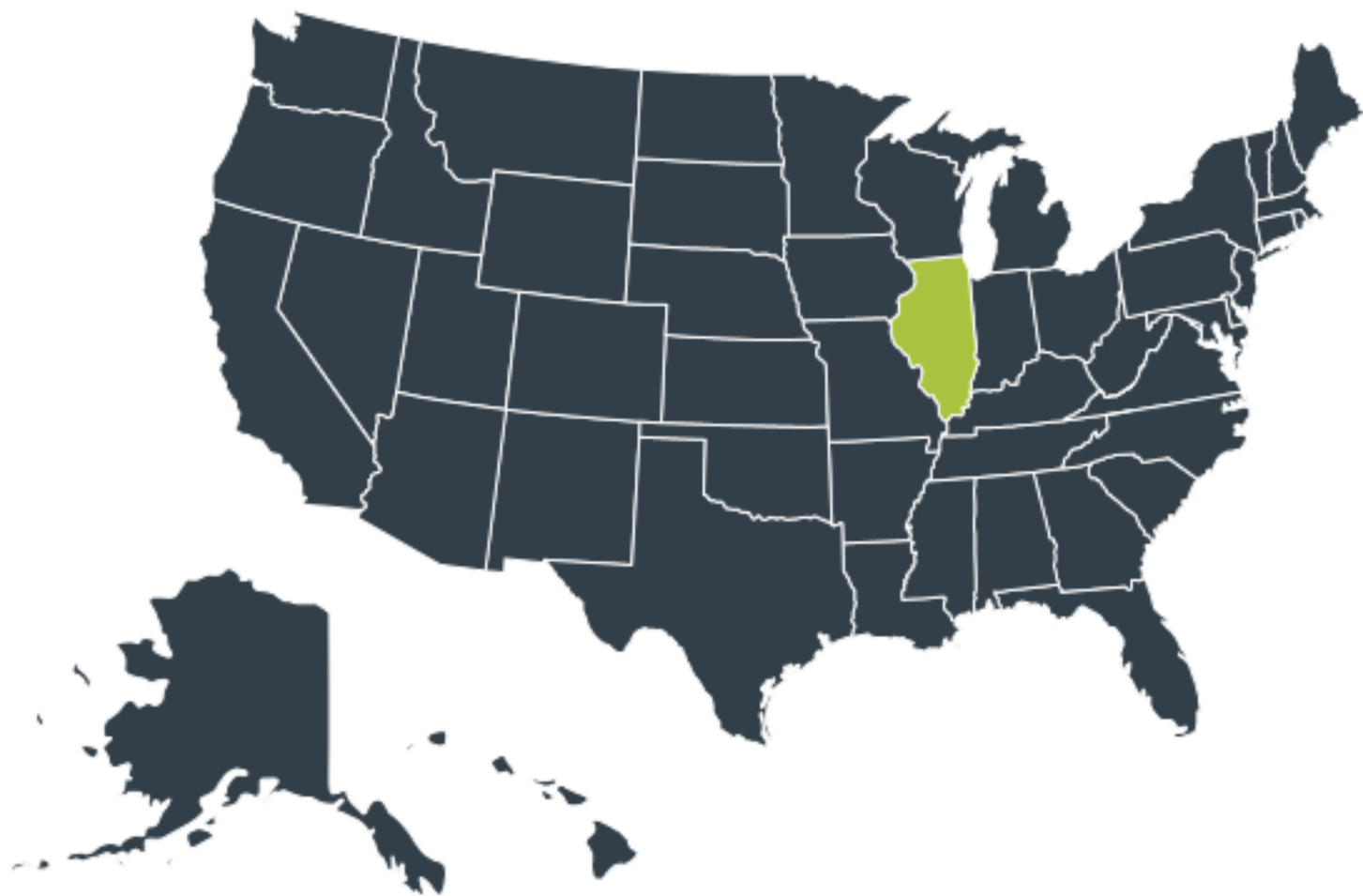
# Exciting New Policy Innovation is Happening Nation-Wide!



## **COLORADO**

Passed a law prohibiting hospitals from collecting medical debt if they're out of compliance with the National Hospital Price Transparency Rule

# Exciting New Policy Innovation is Happening Nation-Wide!



## INDIANA

Launched its own All-Payer Claims Database (APCD) and granted the state's employee health plan the right to contract directly with providers

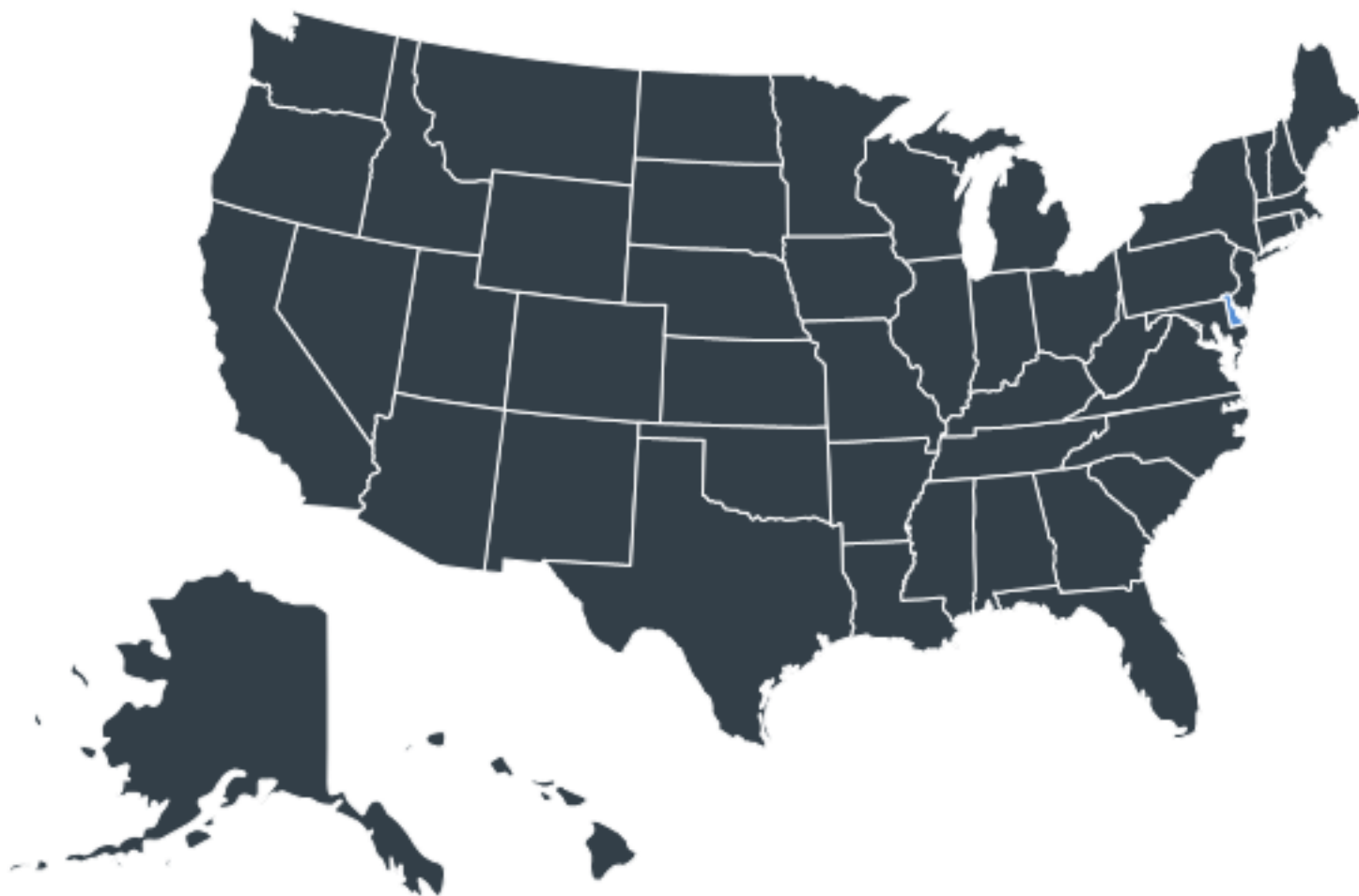
# Exciting New Policy Innovation is Happening Nation-Wide!



## ALABAMA

Enacted legislation to regulate pharmacy benefit managers (PBMs), with licensing requirements, prohibitions on anticompetitive practices, and mandatory disclosures of drug rebate information to health plans and self-insured purchasers

# Exciting New Policy Innovation is Happening Nation-Wide!

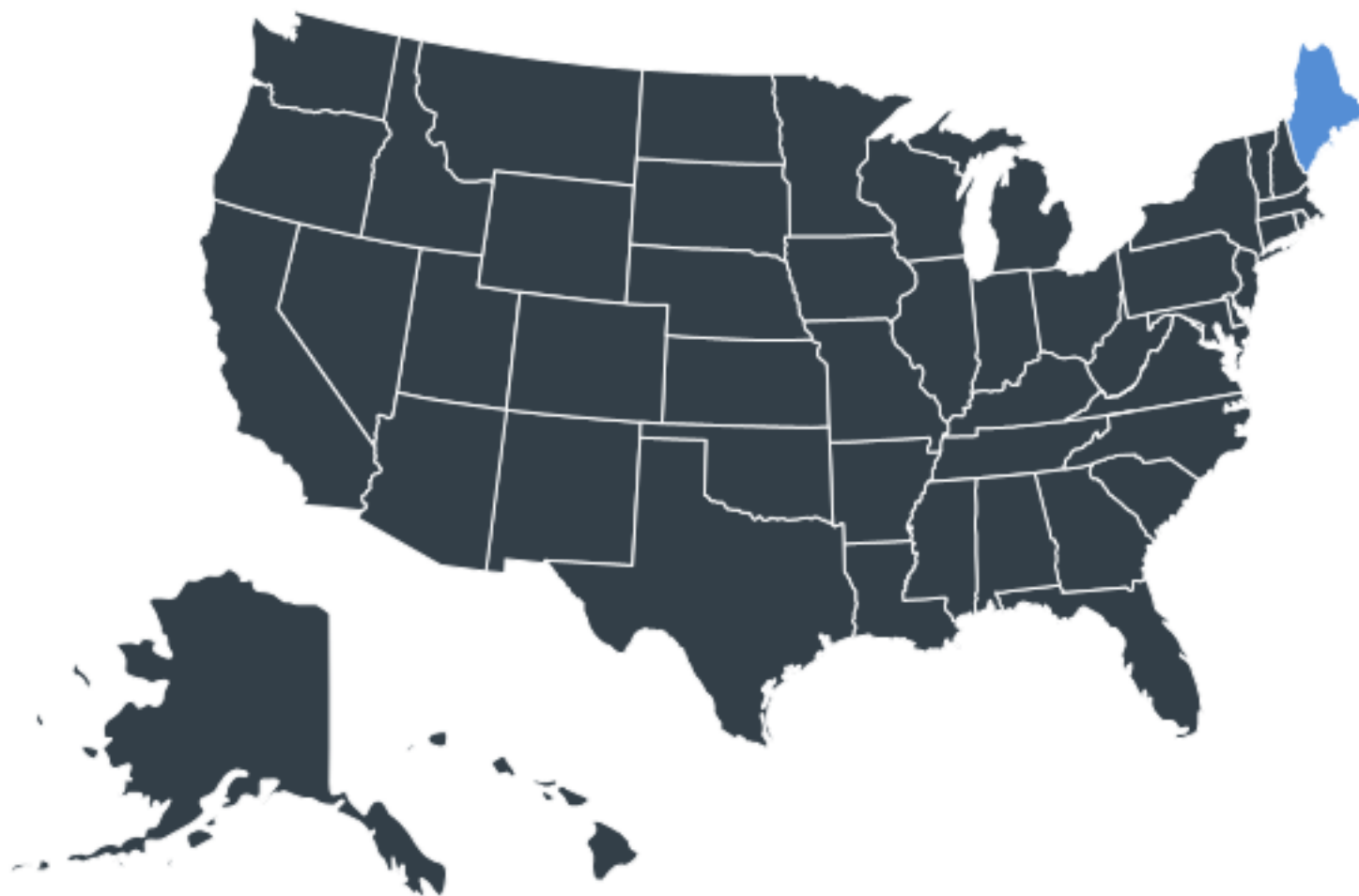


## DELAWARE

Requires carriers to limit aggregate unit price growth for inpatient, outpatient, and other medical services;

Requires carriers to spend a certain percentage of total cost on primary care

# Exciting New Policy Innovation is Happening Nation-Wide!



## MAINE

Established the  
MaineCare health  
plan to provide  
universal coverage  
for all state residents



# Maybe not so bleak after all?



Better is possible. It does not take genius. It takes diligence. It takes moral clarity. It takes ingenuity. And above all, it takes a willingness to try.

*Dr. Atul Gawande*

1. <https://www.aei.org/carpe-diem/chart-of-the-day-or-century-7/#:~:text=During%20the%20most%20recent%202022,and%20for%20average%20hourly%20wages>
2. <https://www.pwc.com/us/en/industries/health-industries/library/assets/pwc-hri-behind-the-numbers-2022.pdf>
3. <https://www.forbes.com/sites/brucejapsen/2022/01/17/hospital-mergers-just-keep-getting-bigger/?sh=61129c1675be>
4. <https://healthcostinstitute.org/hcci-originals/hmi-interactive#HMI-Concentration-Index>
5. <https://www.healthsystemtracker.org/brief/many-households-do-not-have-enough-money-to-pay-cost-sharing-in-typical-private-health-plans/>
6. [https://www.healthsystemtracker.org/indicator/quality/maternal-mortality/#Maternal%20mortality%20rate%20\(deaths%20per%20100,000%20live%20births\),%202019%20or%20latest%20year](https://www.healthsystemtracker.org/indicator/quality/maternal-mortality/#Maternal%20mortality%20rate%20(deaths%20per%20100,000%20live%20births),%202019%20or%20latest%20year)
7. [www.commonwealthfund.org/sites/default/files/2021-10/PDF\\_Collins\\_Senate\\_Finance\\_Comm\\_Testimony\\_10-20-2021\\_exhibits\\_final.pdf](http://www.commonwealthfund.org/sites/default/files/2021-10/PDF_Collins_Senate_Finance_Comm_Testimony_10-20-2021_exhibits_final.pdf)
8. <https://www.healthaffairs.org/doi/10.1377/hlthaff.2016.1471>
9. <https://innovation.cms.gov/strategic-direction-whitepaper>
10. <https://healthcostinstitute.org/health-care-cost-and-utilization-report/annual-reports>