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

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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
- 75% percent of hospital markets in the US are either highly concentrated or very highly concentrated
- Hospital “Mega-Mergers” doubled in 2021
- Nearly 1 in 3 of households do not have enough savings to pay typical deductibles in employer-based coverage
- US maternal mortality is nearly 4x higher than the OECD Average
Market-based Interventions Haven’t Delivered Enough

- **Theory #1**: Transparency + Financial Skin-in-the-Game = Activated Health Care Consumers...
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**Observed Results: More Externalities than Savings**

- Experience of Adults Age 19-64 with Health Plan Deductibles ≥ $1,000
  - Struggled to Pay Medical Bills: 41%
  - Avoided Needed Care: 38%

- Use of Transparency Tools Among Patients with Out-of-Pocket Costs
  - 10% Used a Transparency Tool to Search for Care
  - 3% Used a Transparency Tool AND Compared Provider Prices

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Market-based Interventions Haven’t Delivered Enough

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

**Observed Results: Mixed, Especially for Commercial Populations**

Of the 50+ CMMI APM Models Launched...

6 generated cost of care savings
4 met criteria for expansion

**PRICES** (not **UTILIZATION**) drive
2/3 Commercial Cost Inflation

- Spending: 21.8%
- Average Price: 18.3%
- Utilization: 3.6%
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 COMPEITION
- REGULATE Costs and Prices
- Build Oversight INFRASTRUCTURE
Exciting New Policy Innovation is Happening Nation-Wide!

Selected examples…
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
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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.
Excting 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
Sources

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