

Rising healthcare costs

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Questions

- Difficult decisions for patients
- Does more spending correlate to better care?
- The ACA—how has it changed quality and costs. Who are the Losers and Winners?
- Largest area of spending?
- Insurance Companies + Big Pharma—understanding insurance costs and drug price spikes
- Why are costs rising for patients?

Most important question

- How much are you willing to pay?

Where we're at with healthcare

- Prices for medicine, doctor appointments and health insurance rose the most in August 2016 since 1984.
- A [recent report](#) by Kaiser/HRET Employer Health Benefits forecasts that the average family health care plan will cost **\$18,142**, up 3.4% from 2015. That's faster than wage growth in America.
- Premiums on the Obamacare exchanges are expected to rise by double-digits this year.
- Overall, workers are paying up more for deductibles. Over half of U.S. workers with single coverage health insurance plans pay a deductible of \$1,000 or more, up from 31% of workers in 2011.
- Prescription drugs are most expensive in the U.S., with prices twice as high as in the U.K., Australia, and Canada.

Where we're at with health

Exhibit 9. Select Population Health Outcomes and Risk Factors

	Life exp. at birth, 2013 ^a	Infant mortality, per 1,000 live births, 2013 ^a	Percent of pop. age 65+ with two or more chronic conditions, 2014 ^b	Obesity rate (BMI>30), 2013 ^{a,c}	Percent of pop. (age 15+) who are daily smokers, 2013 ^a	Percent of pop. age 65+
Australia	82.2	3.6	54	28.3 ^e	12.8	14.4
Canada	81.5 ^e	4.8 ^e	56	25.8	14.9	15.2
Denmark	80.4	3.5	–	14.2	17.0	17.8
France	82.3	3.6	43	14.5 ^d	24.1 ^d	17.7
Germany	80.9	3.3	49	23.6	20.9	21.1
Japan	83.4	2.1	–	3.7	19.3	25.1
Netherlands	81.4	3.8	46	11.8	18.5	16.8
New Zealand	81.4	5.2 ^e	37	30.6	15.5	14.2
Norway	81.8	2.4	43	10.0 ^d	15.0	15.6
Sweden	82.0	2.7	42	11.7	10.7	19.0
Switzerland	82.9	3.9	44	10.3 ^d	20.4 ^d	17.3
United Kingdom	81.1	3.8	33	24.9	20.0 ^d	17.1
United States	78.8	6.1^e	68	35.3^d	13.7	14.1
OECD median	81.2	3.5	–	28.3	18.9	17.0

^a Source: OECD Health Data 2015.

^b Includes: hypertension or high blood pressure, heart disease, diabetes, lung problems, mental health problems, cancer, and joint pain/arthritis. Source: Commonwealth Fund International Health Policy Survey of Older Adults, 2014.

^c DEN, FR, NETH, NOR, SWE, and SWIZ based on self-reported data; all other countries based on measured data.

^d 2012. ^e 2011.

Where we're at with health

- U.S. spent an average of \$9,086 per person annually. Life expectancy was 78.8 years.
- Switzerland, the second-highest-spending country, spent \$6,325 per person and had a life expectancy of 82.9 years.
- Mortality rates for cancer were among the lowest in the U.S., but rates of chronic conditions, obesity, and infant mortality were higher than those abroad.
- Why are prices here so much higher?

Answer

- Administrative costs: Harvard economist David Cutler said that **“the administrative costs of running our healthcare system are astronomical.** About one quarter of healthcare cost is associated with administration, which is far higher than in any other country.”
- Drugs: In most countries the **government negotiates drug prices** with the drug makers, but when Congress created Medicare Part D, it specifically denied Medicare the right to use its power to negotiate drug prices. The Veteran's Administration and Medicaid, which can negotiate drug prices, pay the lowest drug prices.
- Usage: When compared with other developed countries, for example, the **U.S. uses three times as many mammograms**, two-and-a-half times the number of MRIs and 31% more Caesarean sections.

Coming off the market

- Lots of insurance companies taking plans off the market
 - Aetna will remove their marketplace plans stating they are losing money
 - Why?



Tomorrow: Healthcare

Aetna to pull out of most Obamacare exchanges

by Tami Luhby @Luhby

🕒 August 16, 2016: 5:41 PM ET

Coming off the market

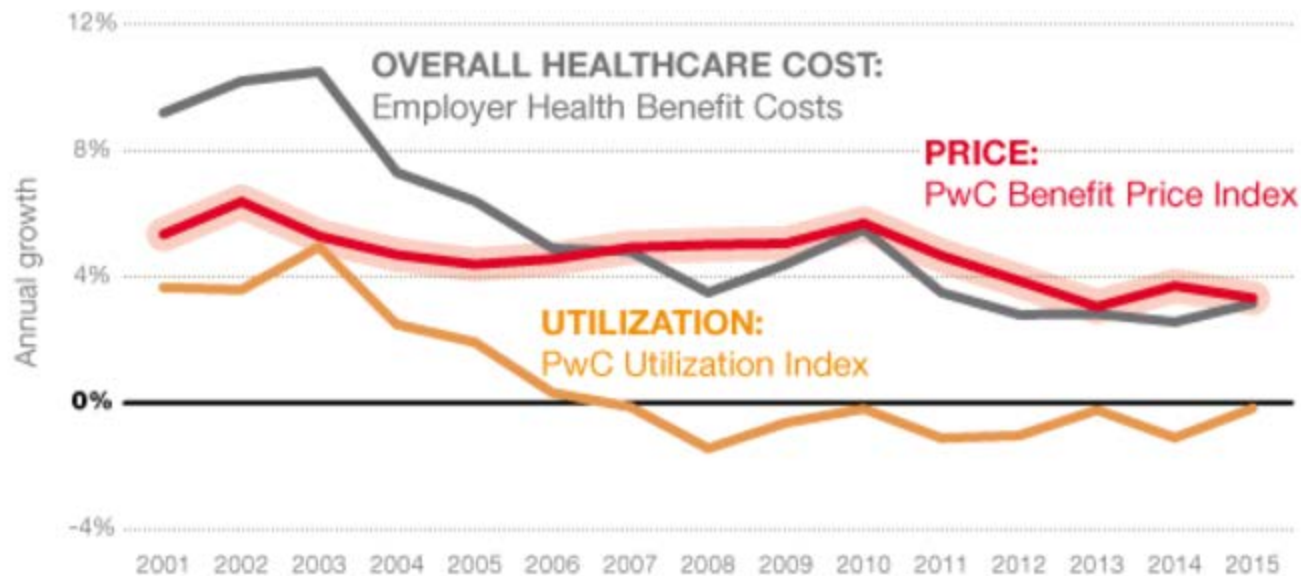
- Aetna, which had 838,000 exchange customers at the end of June, said its policyholders are turning out to be **sicker** and costlier than expected.
- "Providing affordable, high-quality health care options to consumers is not possible without a balanced risk pool," said Aetna CEO Mark Bertolini.

Healthcare ≠ improved health

- Health care is not the main driver of health and longevity
 - Other factors such as genes, diet and exercise, accidents, violence, and harmful drug use are responsible for improved health
 - 18% of US GDP spent on healthcare. Sometimes worth it, though. Not all is waste, especially in cancer care
 - Slovakia spends **\$39** / capita on cancer care: avg. **5.5** yrs life expectancy after cancer diagnosis
 - Sweden spends **\$134** / capita on cancer care: avg. **9.9** yrs life expectancy after cancer diagnosis
 - US spends **\$207** per capita on cancer care: avg. **10.8** yrs life expectancy after cancer diagnosis
- Not due to 'lead-time' bias, 80% due to treatment once detected

Price, not utilization

- *Price, not utilization, is the force behind historical medical cost trend*
 - *Early 2000s, price and utilization contributed to growth in healthcare costs. Since then, use has declined and higher prices are driving growth.*



High U.S. Health Care Spending Is Largely Driven by Technology Use, Prices

Despite spending more on health care, the United States generally has worse health outcomes than other high-income nations, including higher rates of chronic conditions and infant mortality and lower life expectancy.

High spending in the U.S. is largely the result of greater use of medical technology and higher health care prices, rather than more frequent doctor visits or hospital admissions.



MRI exams per 1,000 people (2013)



Bypass surgery (2013)



Annual physician visits per person (2013 or nearest year available)



* Includes 34 member countries of the Organization for Economic Cooperation and Development: <http://www.oecd.org/about/membersandpartners/>

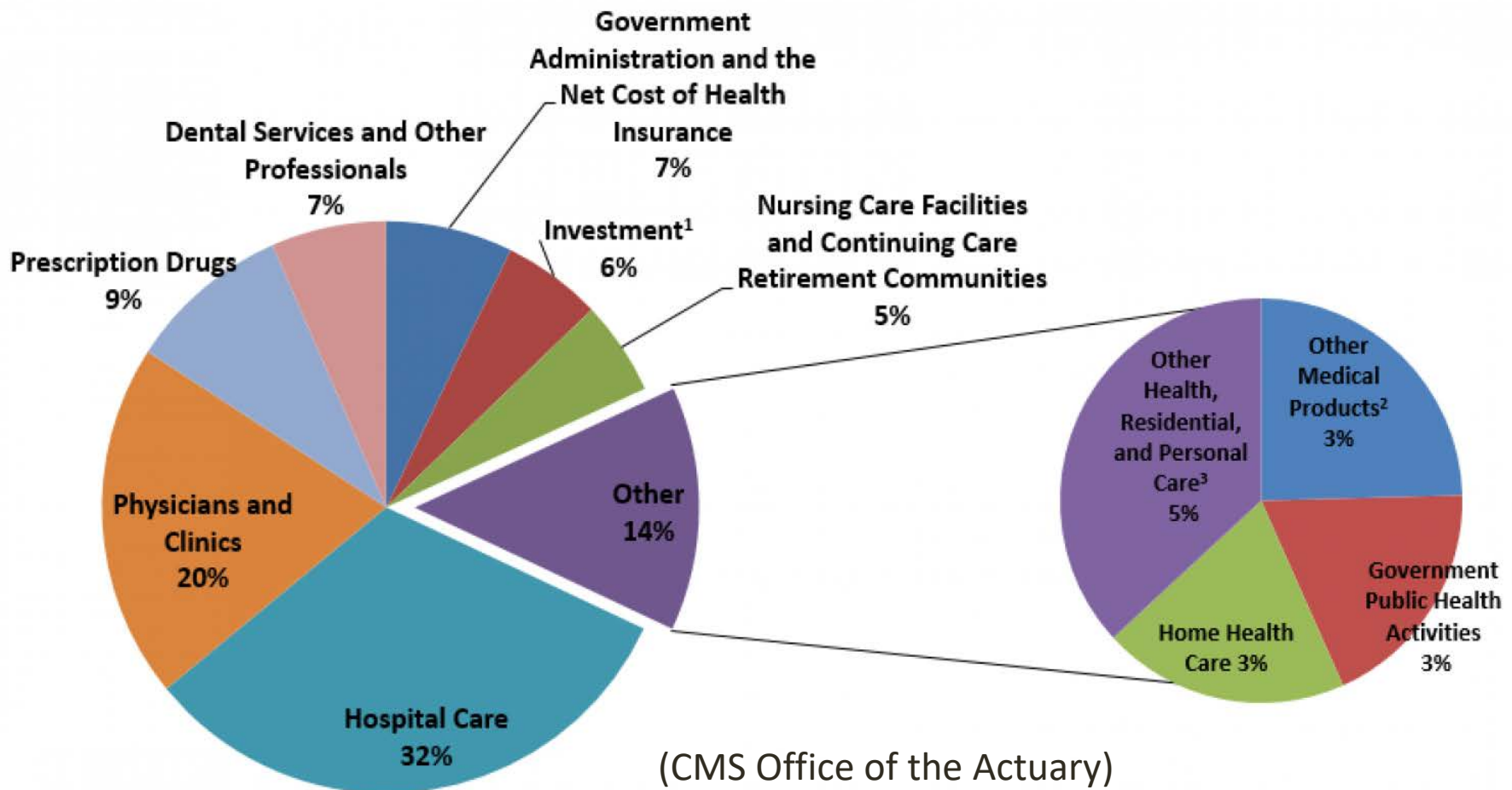
Source: D. Squires and C. Anderson, *U.S. Health Care from a Global Perspective: Spending, Use of Services, Prices, and Health in 13 Countries*, The Commonwealth Fund, October 2015.



The
COMMONWEALTH
FUND

Spending

The Nation's Health Dollar (\$2.9 Trillion), Calendar Year 2013: Where It Went



(CMS Office of the Actuary)

Prices

Exhibit 7. Prices for Hospital and Physician Services, Pharmaceuticals, and Diagnostic Imaging

	Total hospital and physician costs, 2013 ^a		Diagnostic imaging prices, 2013 ^a		Price comparison for in-patent pharmaceuticals, 2010 (U.S. set to 100) ^b
	Bypass surgery	Appendectomy	MRI	CT scan (abdomen)	
Australia	\$42,130	\$5,177	\$350	\$500	49
Canada	-	-	-	\$97	50
France	-	-	-	-	61
Germany	-	-	-	-	95
Netherlands	\$15,742	\$4,995	\$461	\$279	-
New Zealand	\$40,368	\$6,645	\$1,005	\$731	-
Switzerland	\$36,509	\$9,845	\$138	\$432	88
United Kingdom	-	-	-	-	46
United States	\$75,345	\$13,910	\$1,145	\$896	100

^a Source: International Federation of Health Plans, 2013 Comparative Price Report.

^b Numbers show price indices for a basket of in-patent pharmaceuticals in each country; lower numbers indicate lower prices.

Source: P. Kanavos, A. Ferrario, S. Vondoros et al., "Higher U.S. Branded Drug Prices and Spending Compared to Other Countries May Stem Partly from Quick Uptake of New Drugs," *Health Affairs*, April 2013 32(4):753-61.

Prices

Drug (Cost per month)	Canada	UK	Spain	Netherlands	US
<u>Enbrel</u> (autoimmune)	\$1,646	\$1,117	\$1,386	\$1,509	\$3,000
<u>Celebrex</u> (pain)	\$51	\$112	\$164	\$112	\$330
<u>Copaxone</u> (MS)	\$1,400	\$862	\$1,191	\$1,190	\$3,900
<u>Cymbalta</u> (depression)	\$110	\$46	\$71	\$52	\$240
<u>Gleevec</u> (leukemia)	\$1,141	\$2,697	\$3,348	\$3,321	\$8,500
Humira (arthritis)	\$1,950	\$1,102	\$1,498	\$1,498	\$3,049
<u>Nexium</u> (acid reflux)	\$30	\$42	\$58	\$23	\$305

2013 data from the International Federation of Health Plans

Prices

- **Canada's model.** In Canada, the [Patented Medicine Prices Review Board](#) determines a maximum price for all drugs. The government is purchasing drugs similar to how the United States purchases medications for military personnel, but on a much wider scale.
- Generic drugs in the U.S. are among the cheapest in the world
- U.S. prescription-drug spending rises yearly, mainly due to increased prevalence of disease and intensity of treatment; only moderately due to price increases. Volume is key
- Brandon Kramer and Michael Shally-Jensen. [Prescription Drug costs](#). pp 273-283. in: Encyclopedia of Contemporary American Social Issues 4 volumes, ABC-CLIO, December 22, 2010, Social Science, 1707 pages, Santa Barbara

Answers

- Does more spending correlate to better care?
Sometimes, not always. Cancer care
- The ACA—how has it changed quality and costs. Who are the Losers and Winners? **The winners are high utilizers and insurance companies; premiums and deductibles up for everyone. Middle income who don't have subsidies are losing**
- Largest area of spending? **Hospital care**
- Insurance Companies + Big Pharma—understanding insurance costs and drug price spikes. **Profit, intensity of treatment, prevalence of diseases**
- Why so expensive?? **We're generally less healthy, and we treat more aggressively and prices aren't controlled**

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