

What is Driving U.S. Spending for Health Care?

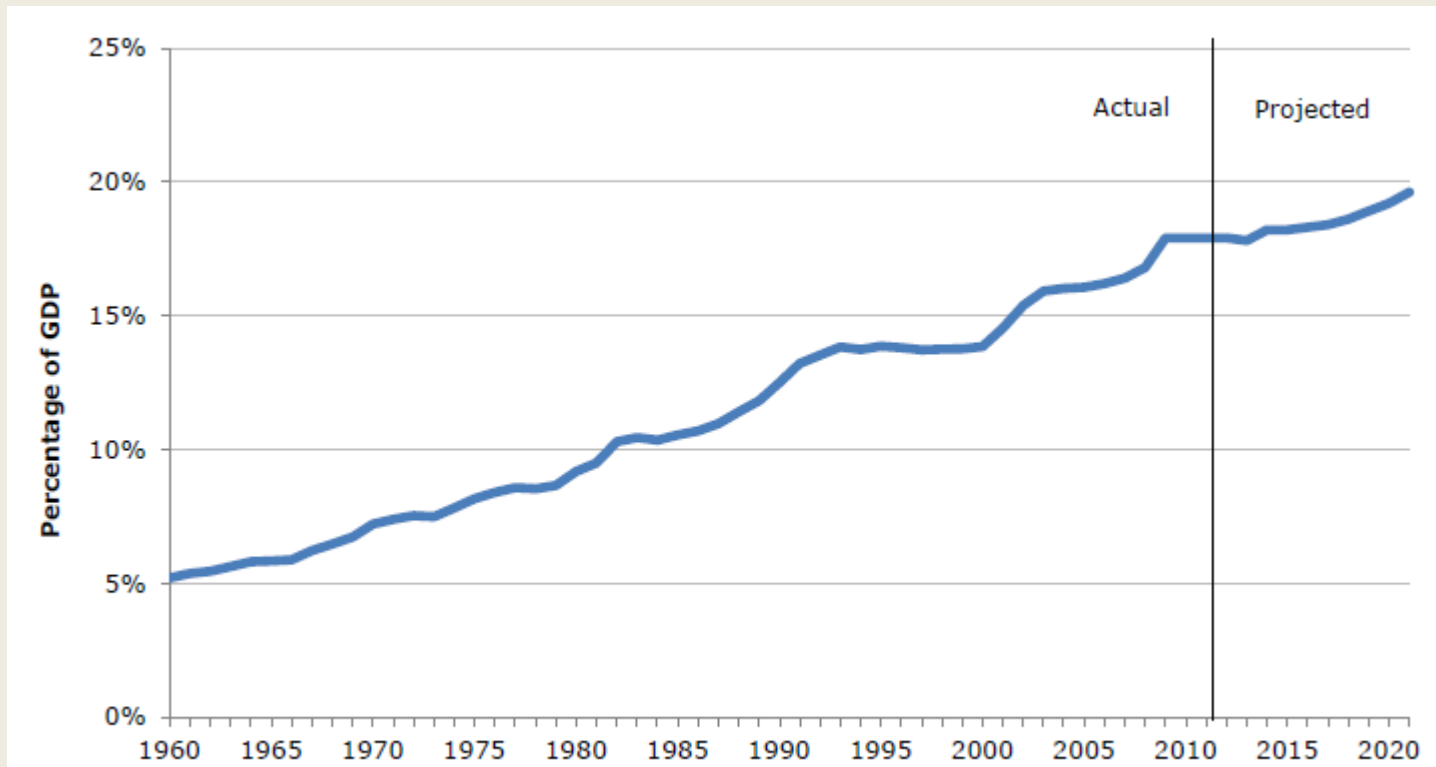
Health Care Costs: What You Need to Know
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Health spending has more than tripled

U.S. National Health Expenditures as Share of GDP

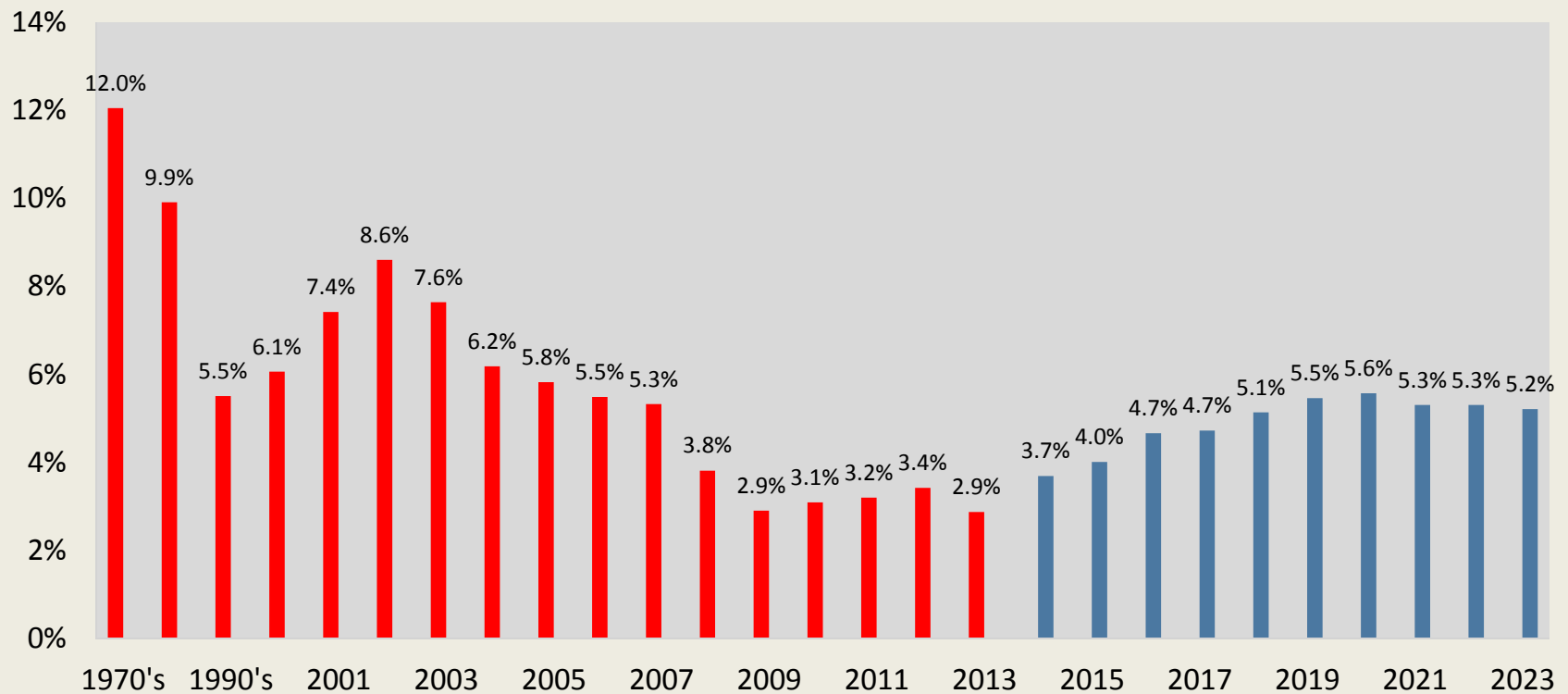


Source: Centers for Medicare and Medicaid Services.

Source: Bipartisan Policy Center, What is Driving U.S. Health Care Spending?, September 2012

Recent slowdown in spending

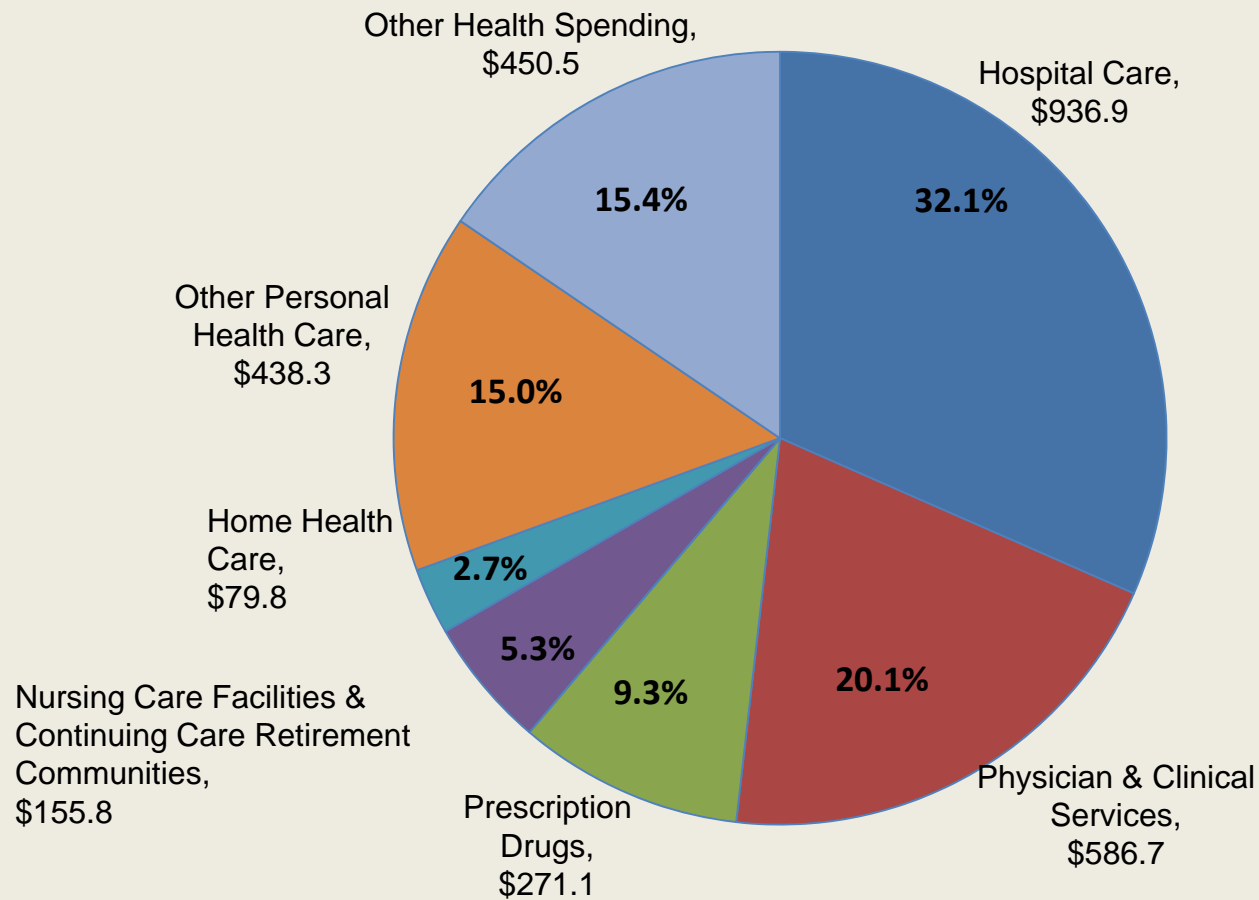
Average annual growth rate of health spending per capita



Source: Kaiser Family Foundation analysis of National Health Expenditure (NHE) data

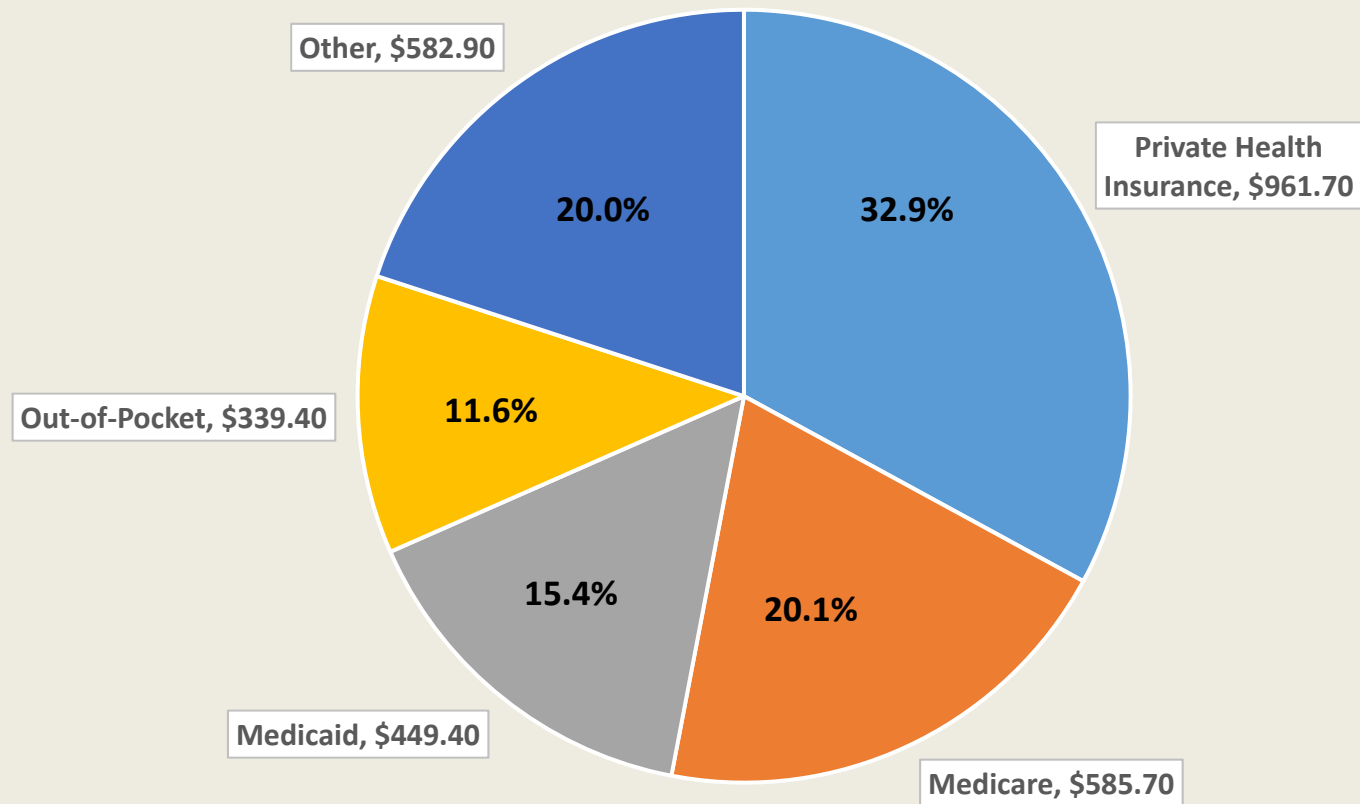
What are we buying?

2013 NHE = \$2.9 B



Who's paying?

2013 NHE = \$2.9 B



Health spending growth almost inevitable

- We're living longer
 - Age 65+: 9.2% in 1960, 13.0% in 2010, 19.3% in 2030
- We're living better (economically)
 - Real GDP/capita: \$17,747 in 1960, \$47,772 in 2010
- We living with more chronic disease
 - Diabetes: 3.5/1000 in 1980, 7.6/1000 in 2011

Financing drives spending

- Insurance promotes use of more, and more expensive, services
 - Prepayment for routine expenses = lower OOP, patients have less cost sensitivity
 - Providers are assured that cost will not interfere with course of treatment
- Large subsidies promote generous insurance
 - Tax subsidy for ESI \approx \$250 B federal, additional state subsidy
 - Subsidy for ACA exchange coverage = \$79 B (doubling by 2019)
 - Medicare, Medicaid \approx \$1 T

The way we run the system drives spending

- Fee-for-service payment promotes use of more, and more expensive, services
- Financial incentives promote innovation which often adds to spending
- Fragmented delivery system leads to inefficiency, suboptimal care, unnecessary services
- Provider consolidation drives up prices
- Lack of transparency—and data—on price, provider performance, value leads to excess spending

Is there a cure?

- How much spending growth is too much?
- Will eliminating waste, inefficiency put us on a sustainable path?
- Competition, regulation, consumerism