





Health Care Costs in America


Joanna Hiatt Kim




- **Regulatory and Administrative Burden**



- **Price Transparency**



- **Drug Pricing**



Regulatory Burden Overwhelming Providers, Diverting Clinicians from Patient Care

Regulations are essential to ensure safety and accountability. However, the rapid increase in the scope and volume of mandatory requirements diverts resources from the patient-centered mission of health systems, hospitals and post-acute care providers.

\$39 BILLION

Spent by health systems, hospitals, and post-acute care providers each year on non-clinical regulatory requirements

629

mandatory regulatory requirements

- Hospitals have to comply with 341 mandatory regulatory requirements.
- Post-acute care providers have an additional 288 requirements.

Percent & Number of Regulations, by Domain

7 - Billing & Coverage	96 - Hospital Conditions of Participation
8 - Program Integrity	78 - Privacy & Security
26 - Health IT/ Meaningful Use	58 - Quality Reporting
288 - Post-acute Care	52 - Fraud & Abuse
	16 - New Models of Care

\$7.6 MILLION

per community hospital spent annually to comply

- This figure rises to \$9 million for those hospitals with post-acute care.
- For the largest hospitals, costs can exceed \$19 million annually.
- The average hospital also spends almost \$760,000 annually on the information technology investments needed for compliance.

Patients are affected by excessive regulatory burden through:

- Less time with their caregivers
- Unnecessary hurdles to receiving care
- Higher health care costs.

Medicare conditions of participation; billing and coverage determinations are the most costly areas:

- The Medicare COPs are important to ensure that care is provided safely and meets standards.
- However, these requirements need to be evaluated carefully to ensure they actually improve safety.
- Existing guidance to simplify billing and coverage determinations should be adopted universally by payers and others to achieve savings.

Percent of \$7.6 Million per Hospital Spent on Regulatory Burden

\$1.6M - Billing & Coverage	\$570K - Privacy & Security
\$340K - Program Integrity	\$710K - Quality Reporting
\$760K - Health IT/ Meaningful Use	\$340K - Fraud & Abuse
\$3.1M - Hospital COPs	\$120K - New Models of Care

Regulatory burden costs \$1,200

every time a patient is admitted to a hospital

15

doctors & nurses per hospital for compliance

- 59 full-time equivalent staff are required in each hospital to meet the demands of regulations.
- Over one-quarter of these FTEs are doctors and nurses, who could otherwise be caring for patients.

FTEs Dedicated to Regulatory Burden per Hospital


Legal	Health IT Professional
Physician (MD, DO)	Management
Compliance	Nursing Allied Health
Other Staff	Other Administrative

Source: Data from the American Hospital Association Report: Regulatory Overload - Accessing Regulatory Burden on Health Systems, Hospitals and Post-acute Care Providers.


Reducing regulatory requirements will allow providers to focus on patients, not paperwork.

©2017 American Hospital Association | 10/17


Price Transparency



Help patients budget for care and potentially decide whether or not to pursue care



Help patients decide which provider/facility to use



Minimize unexpected bills

Price Transparency Challenges

Need to combine data from multiple sources

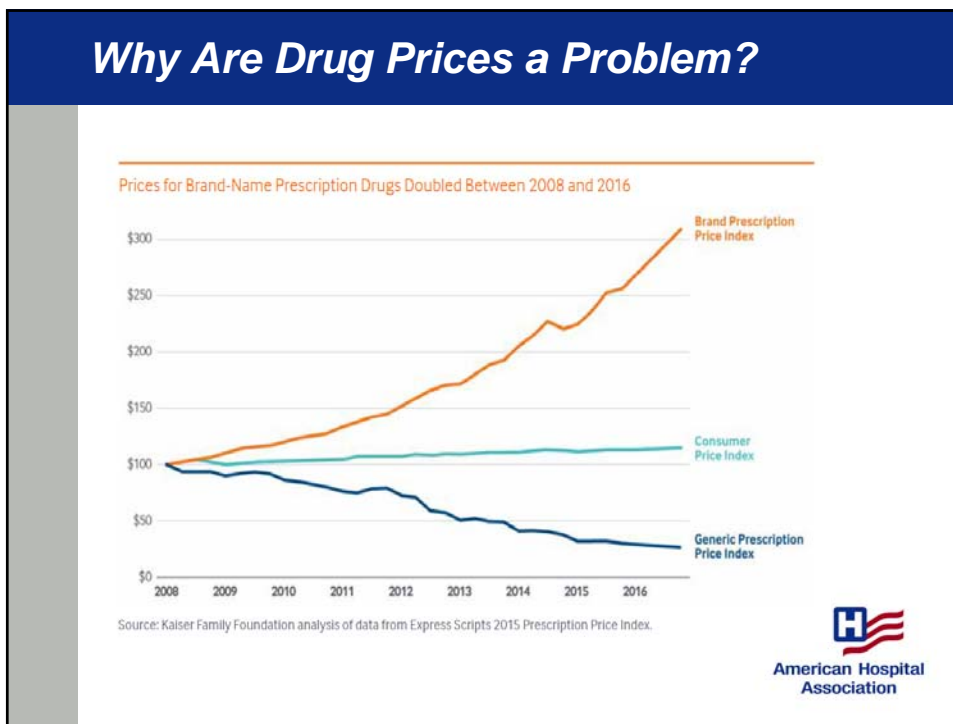
- Providers have best grasp on the course of care
- Insurers have actual consumer out-of-pocket cost information
- Quality information?

“Health care is complicated”

- Much of health care is unknowable in advance
- Not all services can be bundled in a meaningful way for patients

General health care illiteracy among patients – price is only part of the puzzle

- Interpreting price information requires health care literacy
- Potential for price information to create a disincentive for patients to get a necessary service



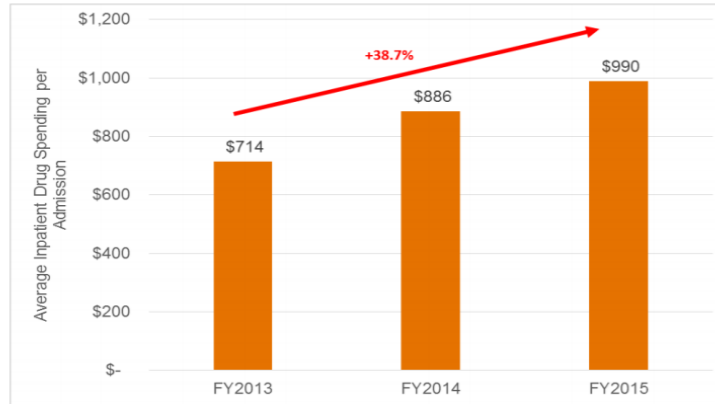
Drug Manufacturers Continue to Hike Prices

- 2018 price hikes include:
 - Pfizer: 116 price hikes between 3% and 9.46%;
 - Allergan: 75 price hikes, around 9.5%
 - Novartis: 75 price hikes between 2.9% and 9.9%;
 - AstraZeneca: 18 price hikes between 1.5% and 9.9%;
- **AbbVie's 9.7% price hike on Humira is estimated to cost the healthcare system \$1 billion in 2018 alone**

American Hospital Association

AHA Drug Pricing Work

Figure 1. Inpatient Drug Spending per Admission Has Increased Substantially Since 2013



Source: AHA-FAH Drug Survey; 2012-2014 AHA Annual Survey



Health Care Costs in America

Joanna Hiatt Kim

