

Is the Health Care Cost Slowdown Structural?

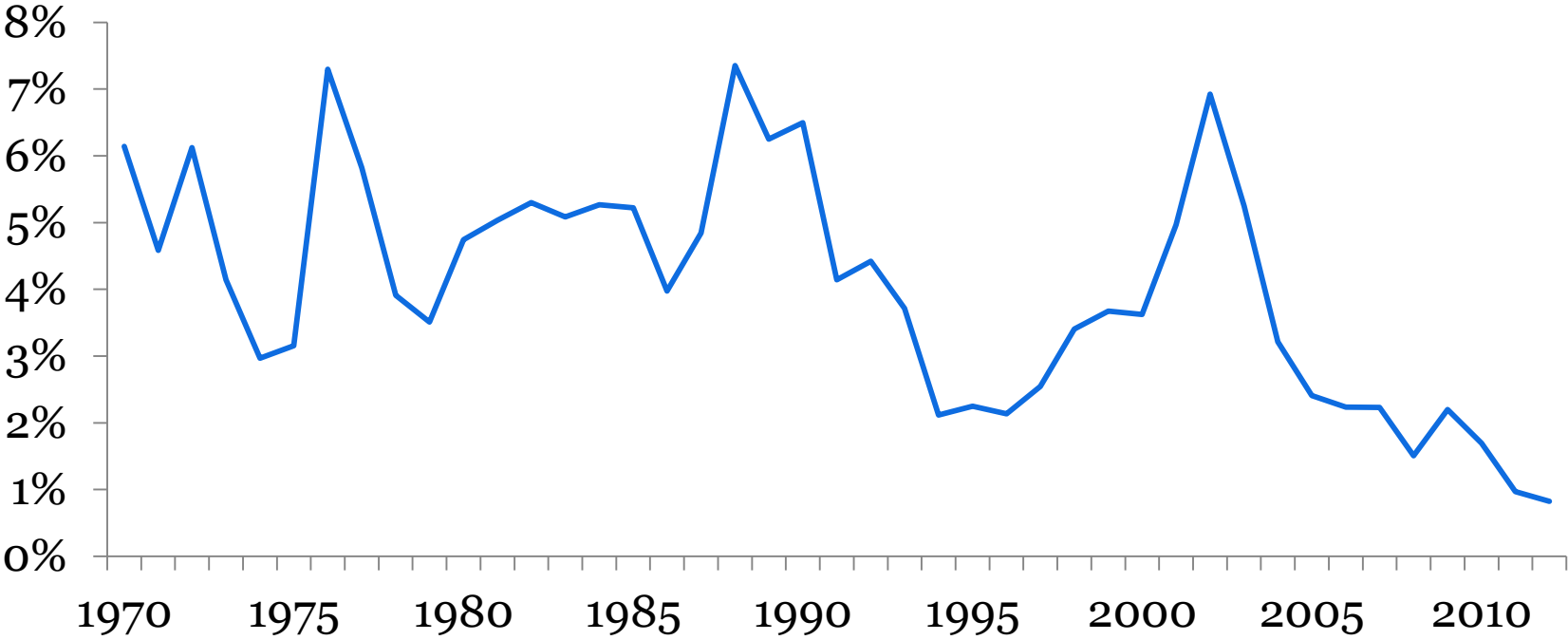
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Medical spending increases have been very low in recent years

Annual real, per capita medical spending growth

Percent

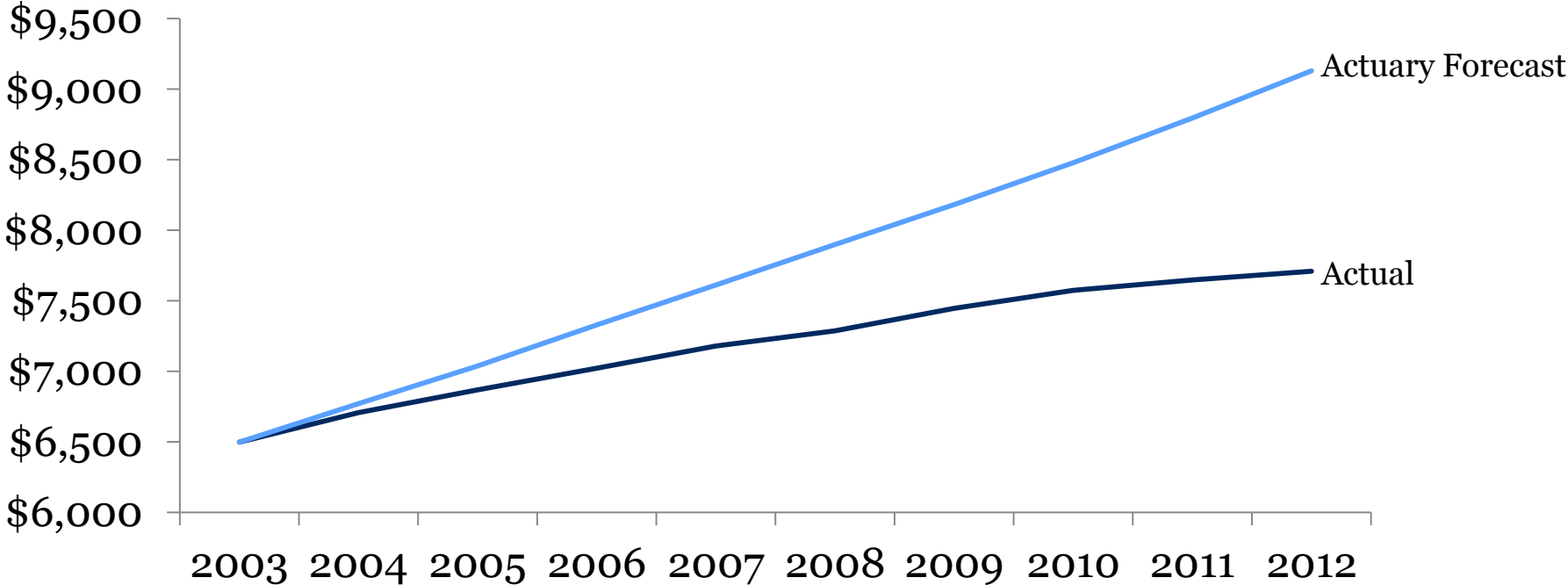


Source: Authors' calculations based on data from the Bureau of Economic Analysis and the Centers for Medicare and Medicaid Services

Cumulative slowdown

Real, per capita medical spending

In 2005 dollars

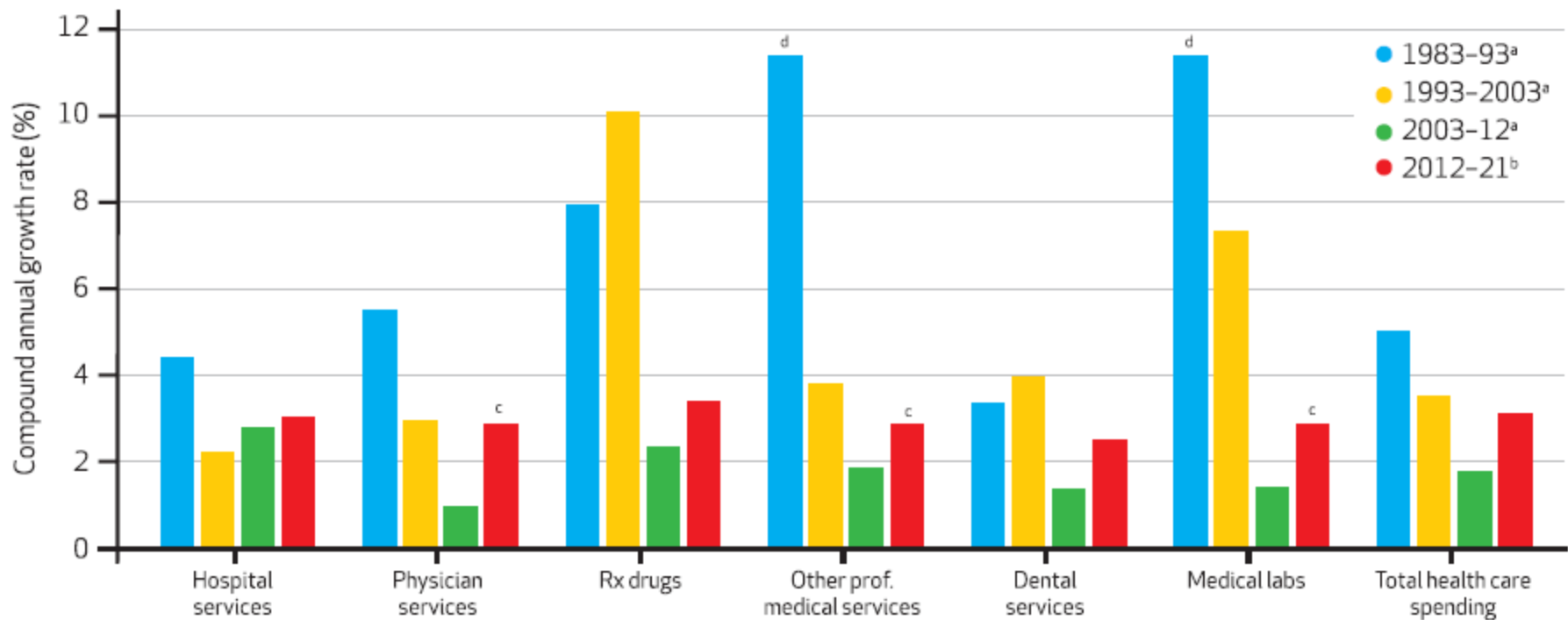


Source: Authors' calculations based on data from the Bureau of Economic Analysis and the Centers for Medicare and Medicaid Services

The slowdown is in everything

EXHIBIT 3

Real Per Capita Health Care Spending Growth, By Category, United States, 1983-2021

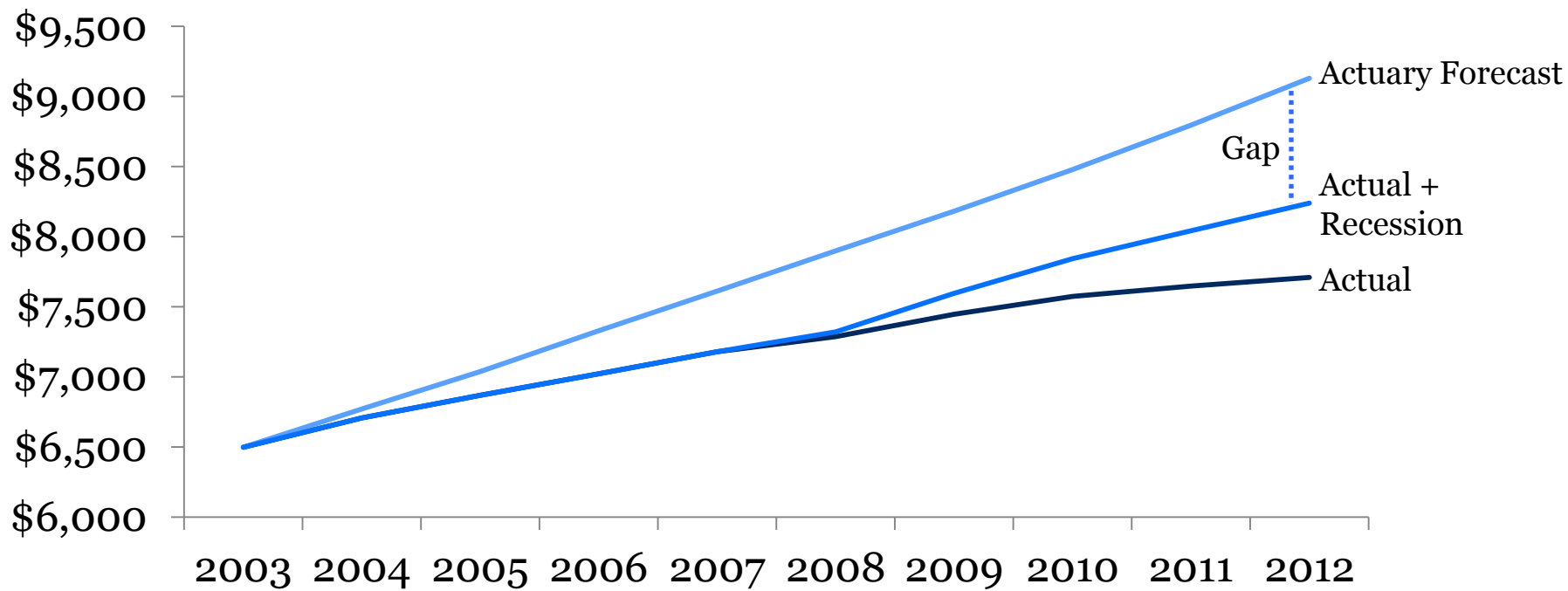


SOURCE Authors' calculations based on data from the Bureau of Economic Analysis (BEA) and the Centers for Medicare and Medicaid Services (CMS). ^aEstimates using BEA data through December 2012. This results in some discrepancy from CMS estimates of national health expenditures. ^bEstimates made by CMS in 2012. ^cCategory not split up in projections. ^dCategory not split up prior to 1987; growth rate includes home health.

The recession is only about one-third of the slowdown

Real, per capita medical spending

In 2005 dollars



Source: Authors' calculations based on data from the Bureau of Economic Analysis and the Centers for Medicare and Medicaid Services

Structural factors 1: Slowing of technology

By David W. Lee and Frank Levy

The Sharp Slowdown In Growth Of Medical Imaging: An Early Analysis Suggests Combination Of Policies Was The Cause

nature
biotechnology

Failure to launch

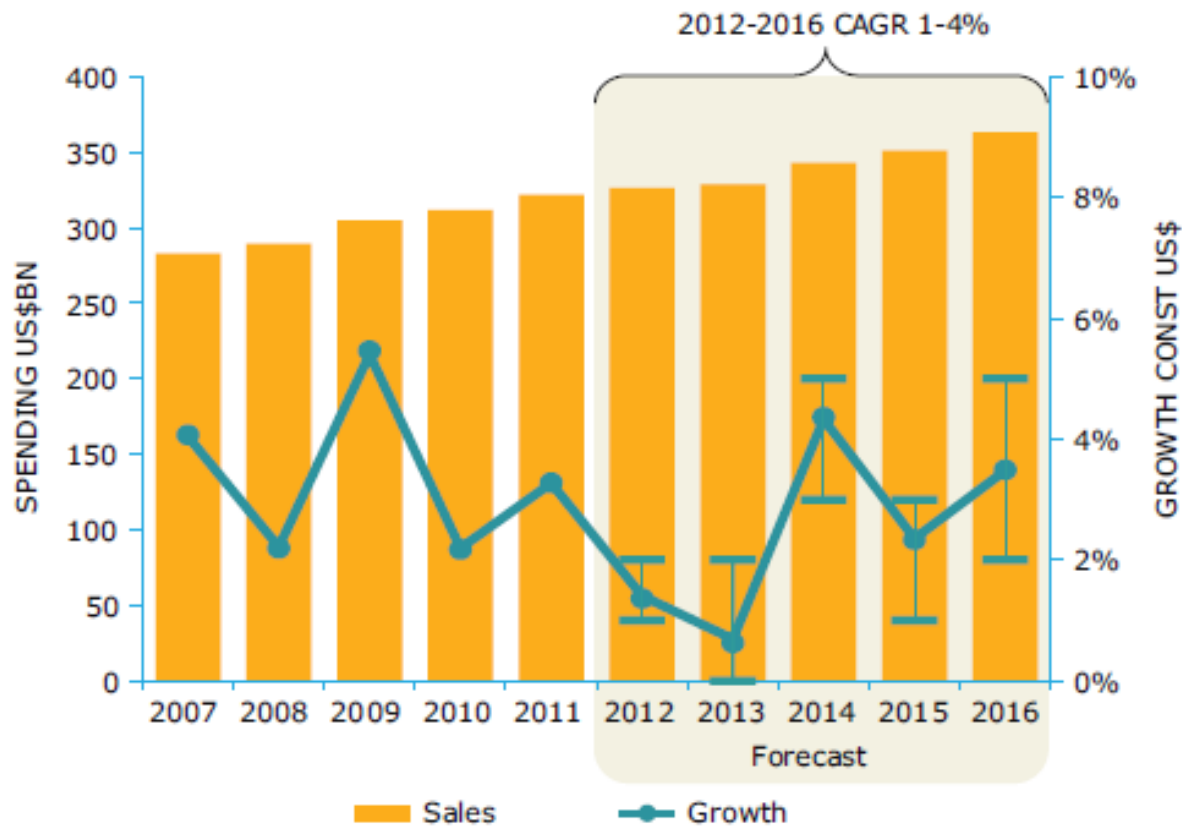
A slew of disappointing product launches suggests biotech companies are ill prepared to navigate an increasingly parsimonious reimbursement environment.

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In 2012, both the per capita use and cost of medicines declined. The “cost curve” for medicines – if not for other elements of the U.S. healthcare system – was bent.

Forecast for the US is only modest growth

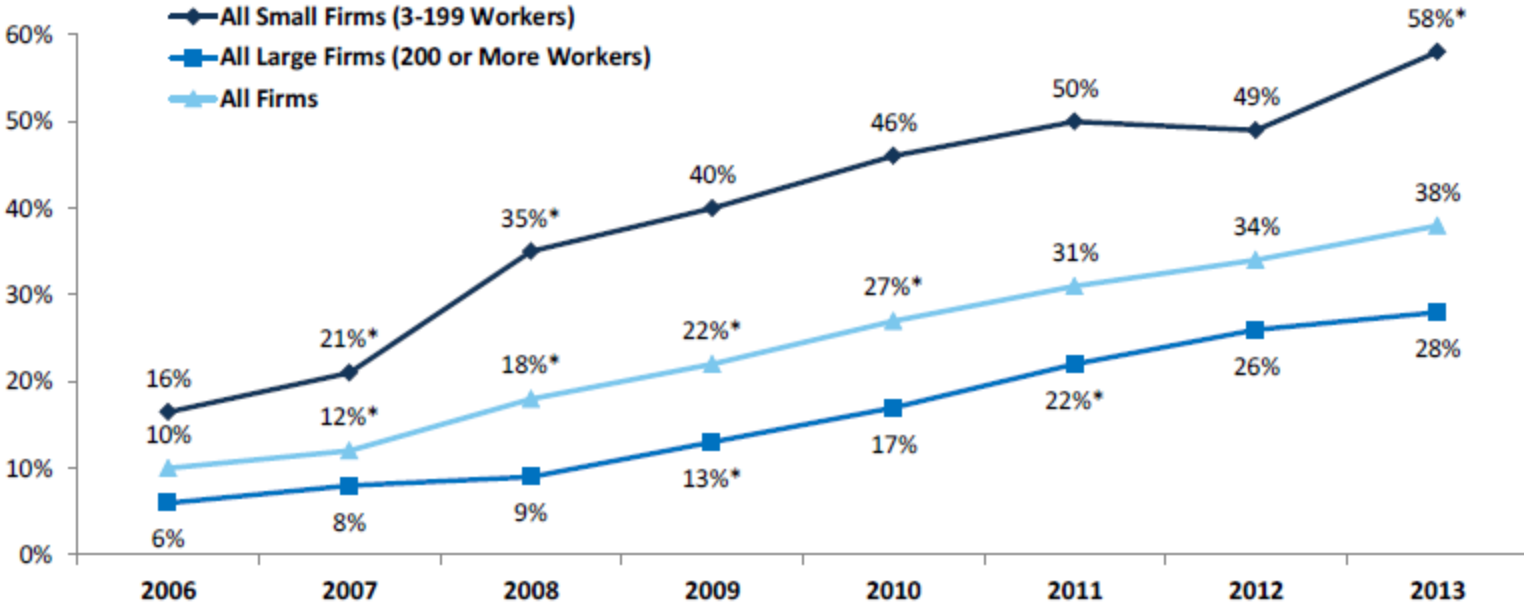
U.S. Spending and Growth, 2007-2016



Source: IMS Market Prognosis, May 2012

Structural factors 2: Higher cost sharing

Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of \$1,000 or More for Single Coverage, By Firm Size, 2006-2013



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

NOTE: These estimates include workers enrolled in HDHP/SO and other plan types. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

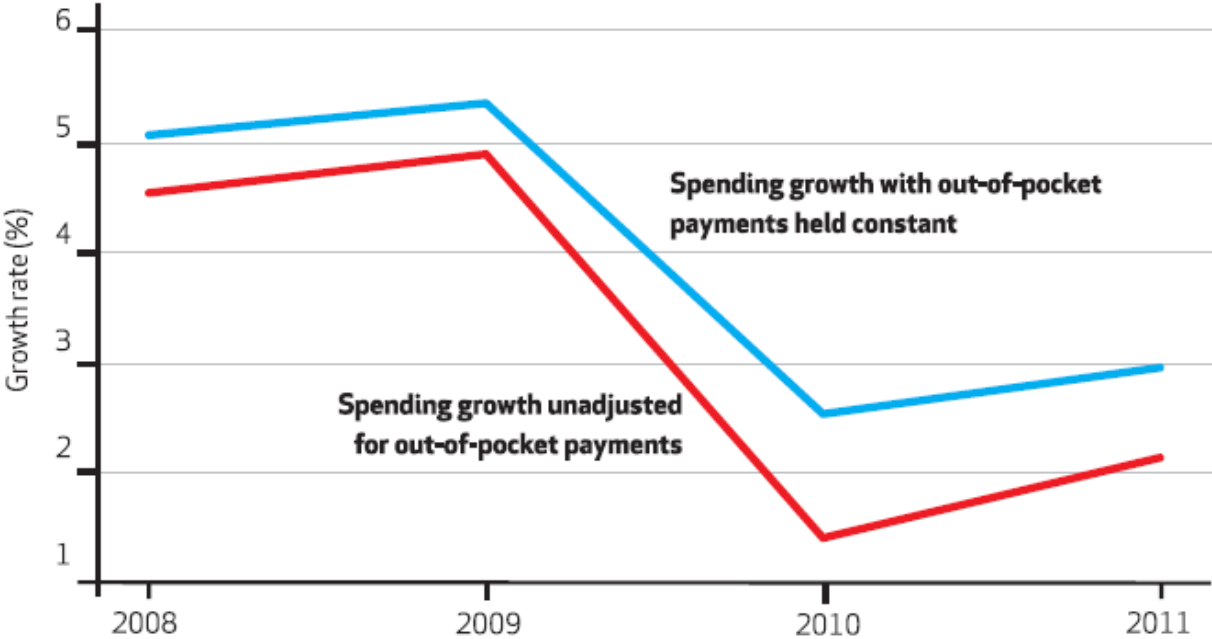
SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2013.



Cost Sharing Isn't All of It

EXHIBIT 3

Health Spending Growth Per Enrollee (MarketScan), Adjusted And Unadjusted For Out-Of-Pocket Payments, 2008-11

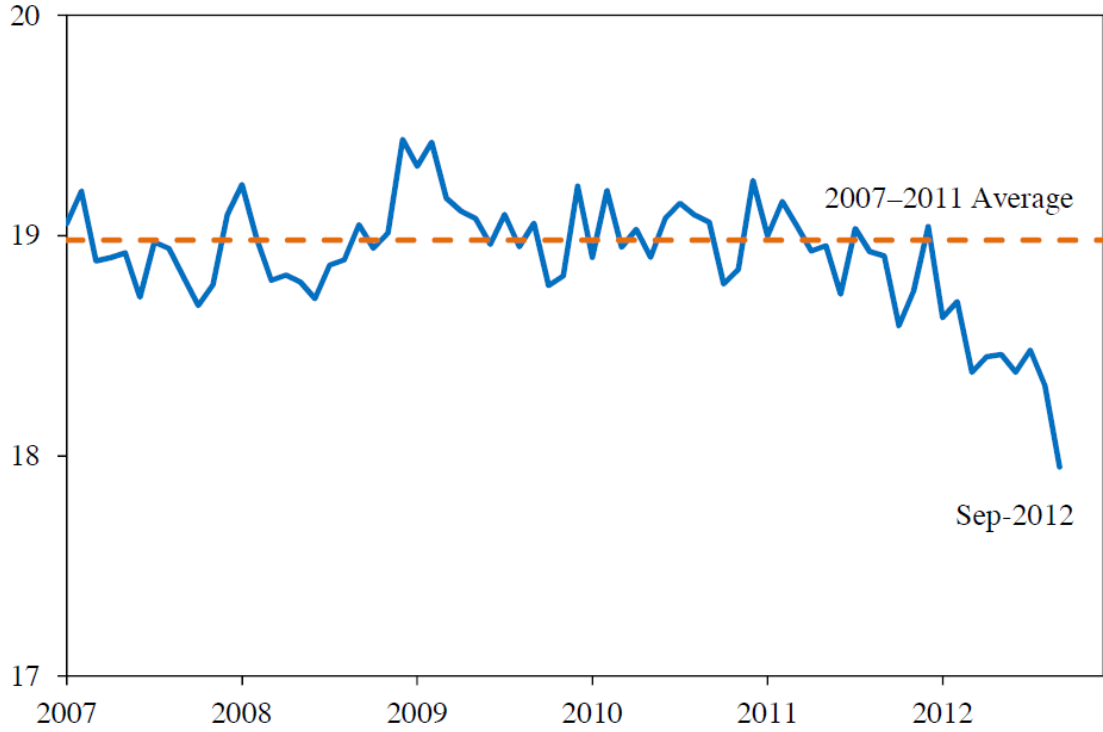


SOURCE Authors' analysis of data from Truven Health Analytics, MarketScan commercial claims and encounters research databases (Note 11 in text). **NOTES** We calculated annual growth rates by averaging spending across quarters in a given year. The trend illustrating that spending growth with out-of-pocket spending held constant reflects a model in which out-of-pocket variables were included, as opposed to the base model in which we did not adjust for out-of-pocket spending. Mean person-quarter spending was approximately \$1,150 in both adjusted and unadjusted models across the study period.

Structural factors 3: Greater provider efficiency

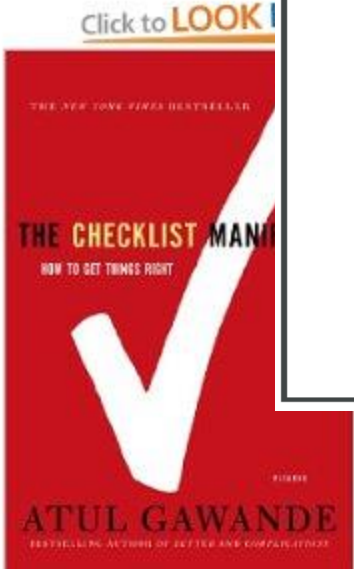
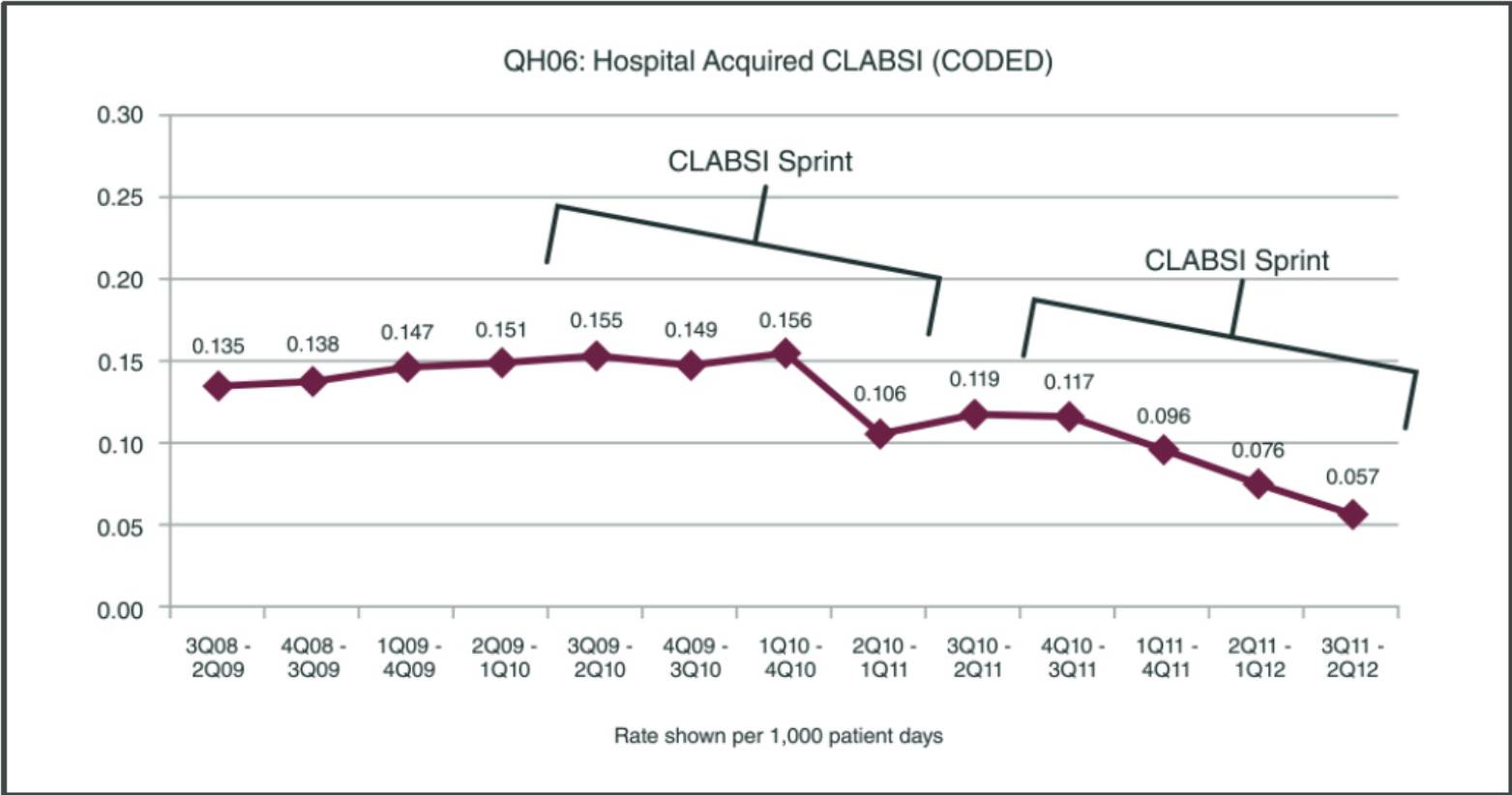
Acute Care Hospital Readmission Rates

Percent



Source: Centers for Medicare and Medicaid Services, Office of Enterprise Management

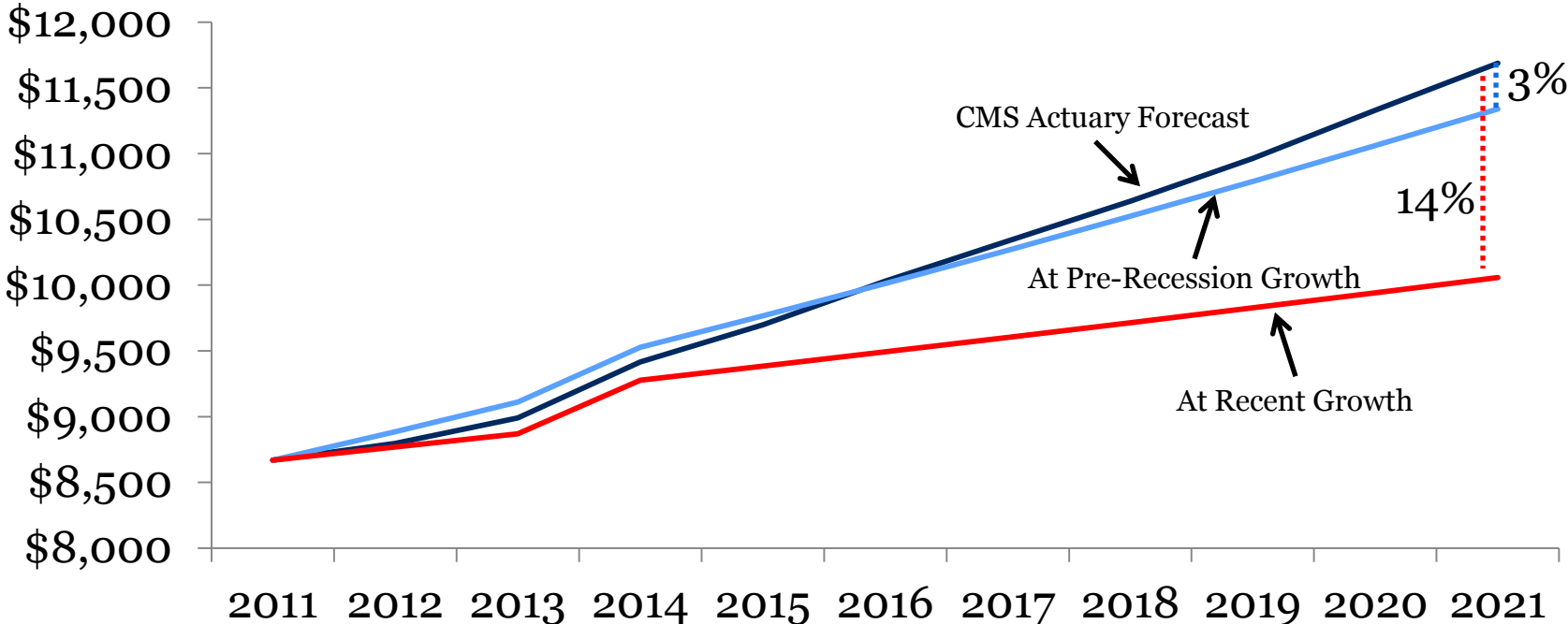
Greater provider efficiency



If these trends continue, savings will be large

Projected Real, Per Capita Medical Spending

In 2011 Dollars



Source: Authors' calculations based on data from the Bureau of Economic Analysis and the Centers for Medicare and Medicaid Services