

The Health Spending Slowdown of 2008-2013: *Implications for Sustainability*

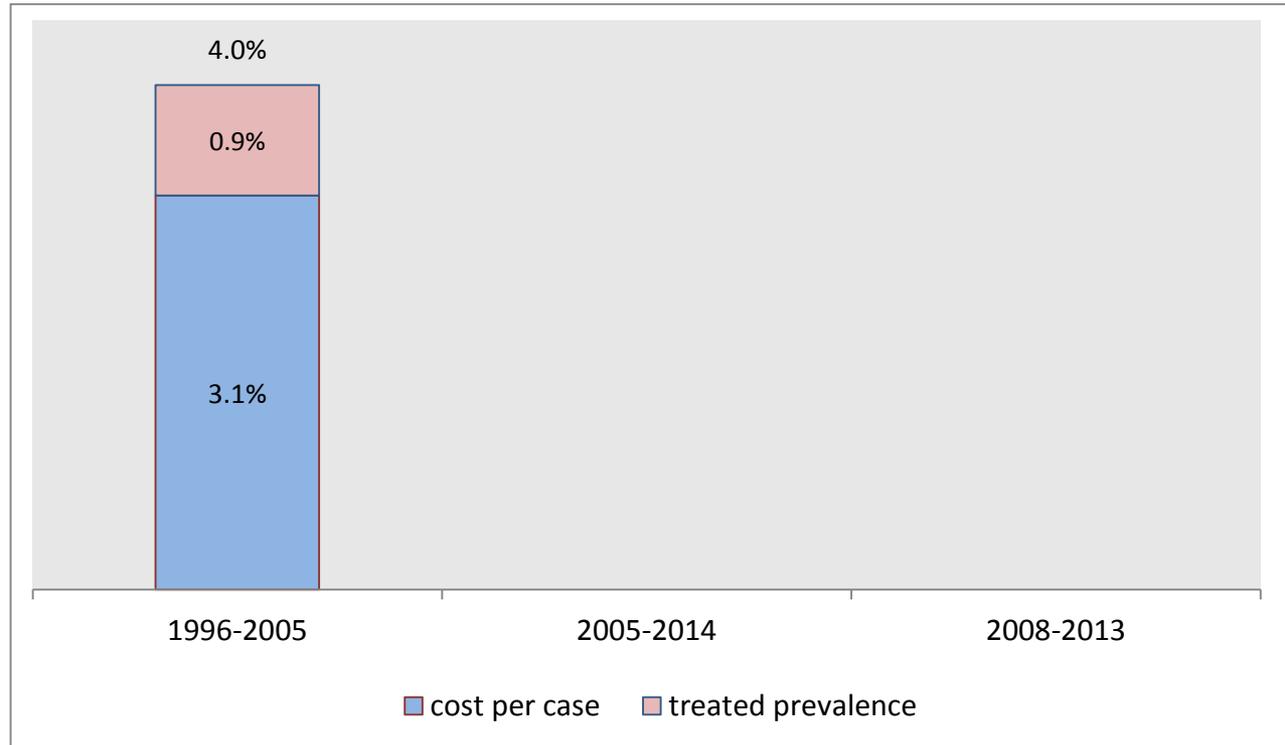
Presentation to CSHS Annual Symposium -
Beyond the ACA: Health Policy and Sustainable Health Spending

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July 18, 2017*

Growth in Real Per Capita Health Spending

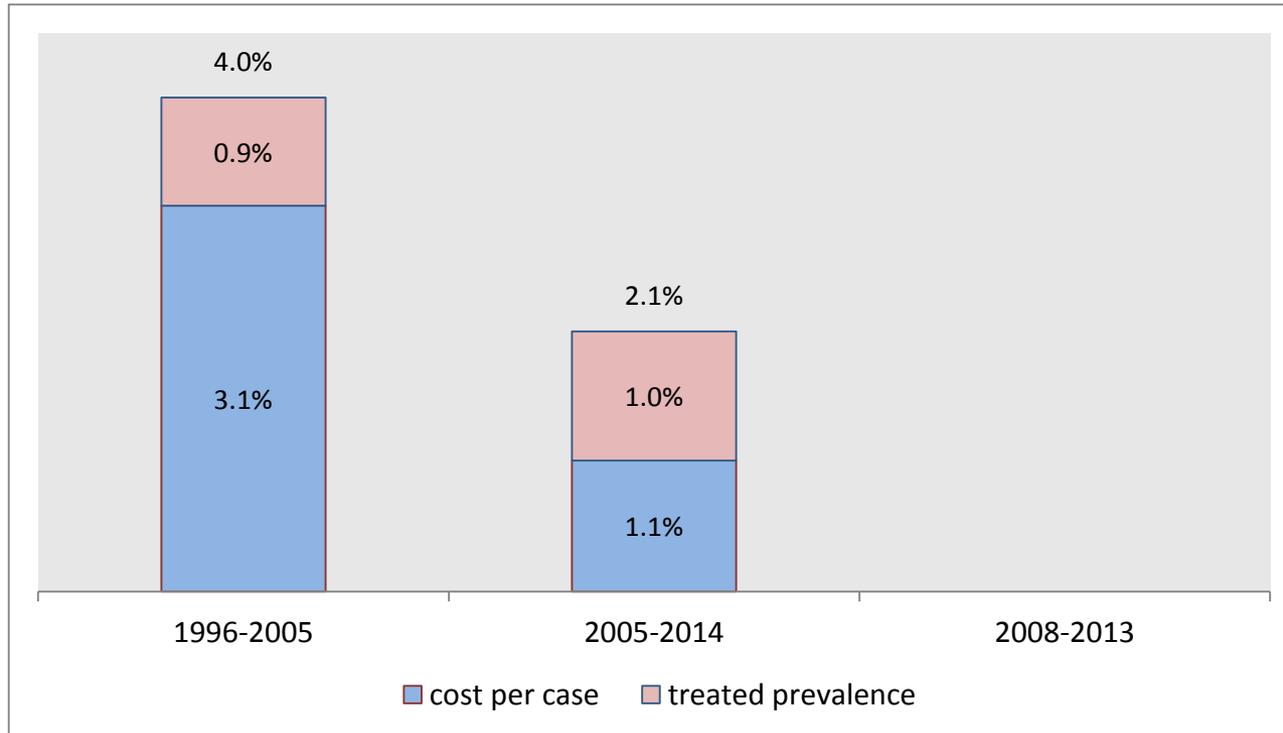
Growth from 1996 to 2005



This was a period of very high growth, driven primarily by cost per case. Conclusion at that time: we must bring cost per case under control.

Growth in Real Per Capita Health Spending

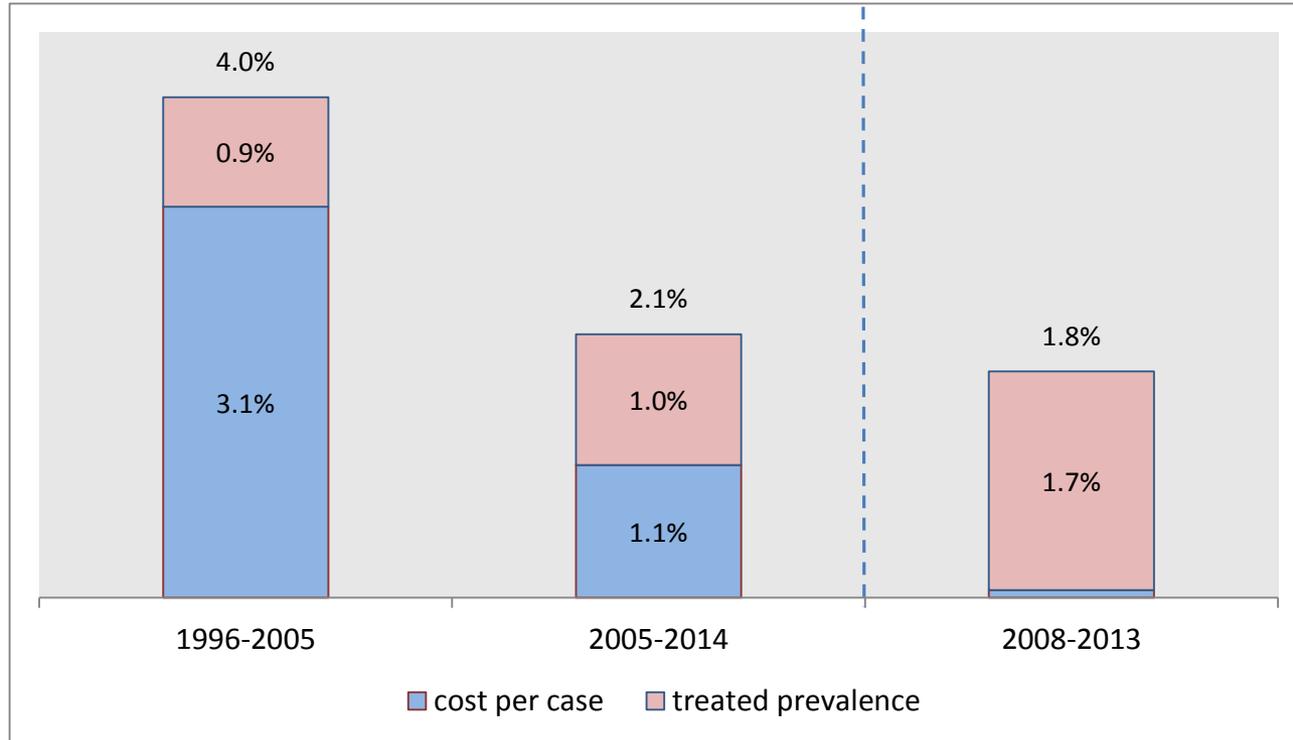
Comparison to the following 9-year period



The growth rate was cut in half during the next 9 years, due to cost per case coming under better control.

Growth in Real Per Capita Health Spending

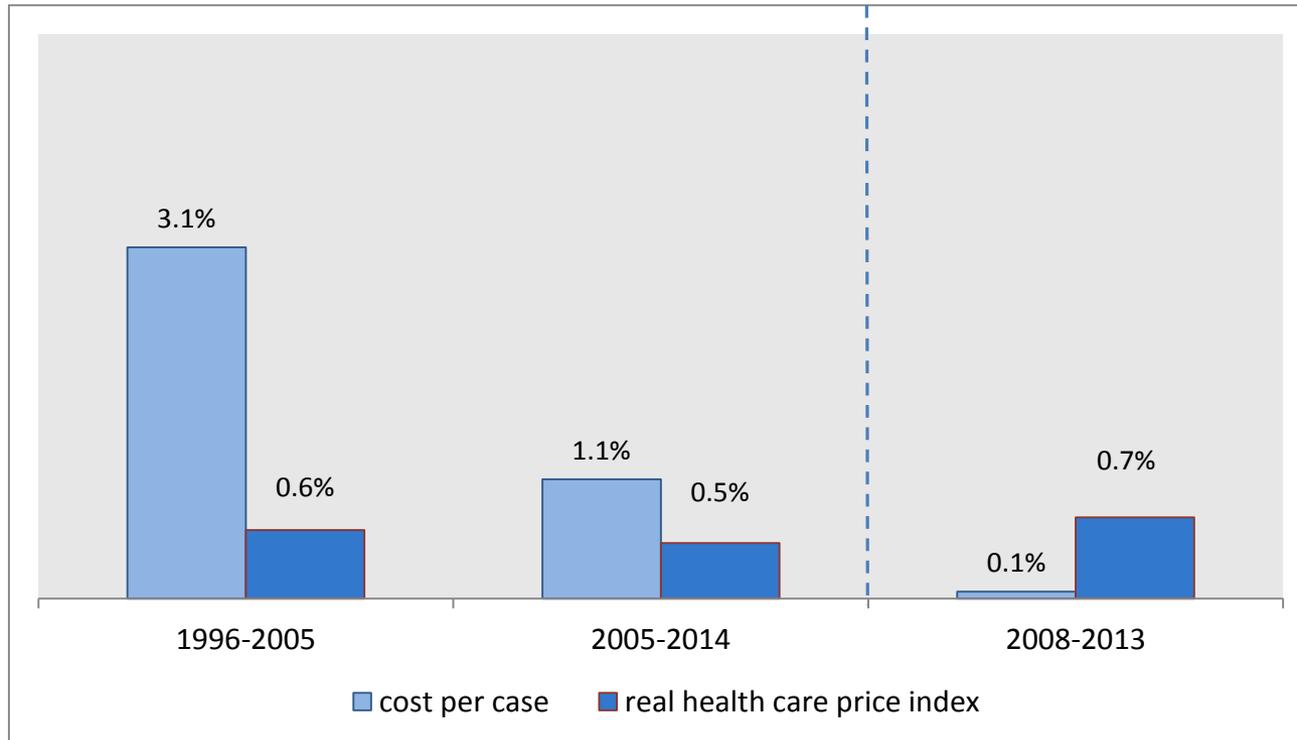
Zeroing in on the period of historically slow growth: 2008-2013



Between 2008 and 2013, cost per case showed almost no increase!
However, the rate of growth in treated prevalence moved higher.

Health Care Prices do not Explain the CPC Slowdown

Comparing CPC and health care price growth



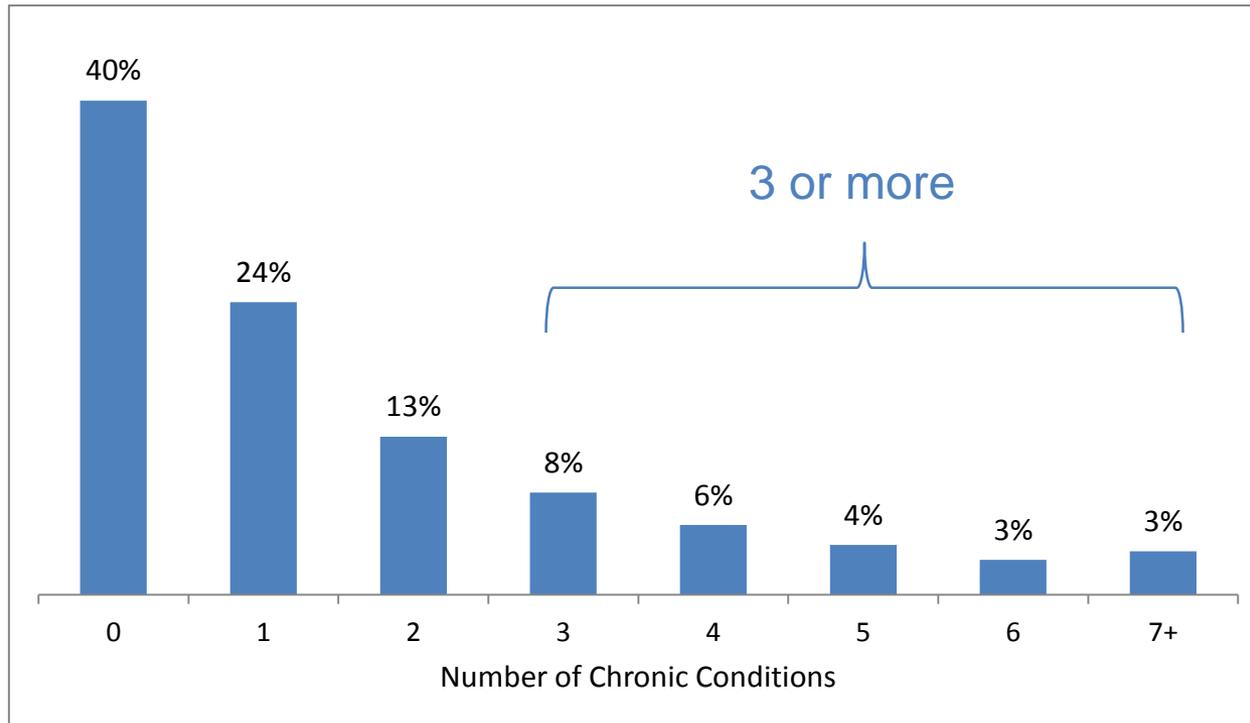
During the slowdown, cost per case (CPC) barely grew despite 0.7% growth in health care prices (hospital, physician, Rx, etc.). This implies a shift toward less expensive services and/or fewer services per patient. Impact of recession?

Controlling CPC Does Not Eliminate Excess Growth

- ▲ During the slowdown, treated prevalence drove per capita spending up by 1.7 percentage points per year.
- ▲ This is 0.7 percentage points faster than projections for real per capita GDP growth.
- ▲ GDP + 0.7 is not sustainable.
- ▲ Growth in treated prevalence must be addressed.

Prevalence by Numbers of Chronic Conditions

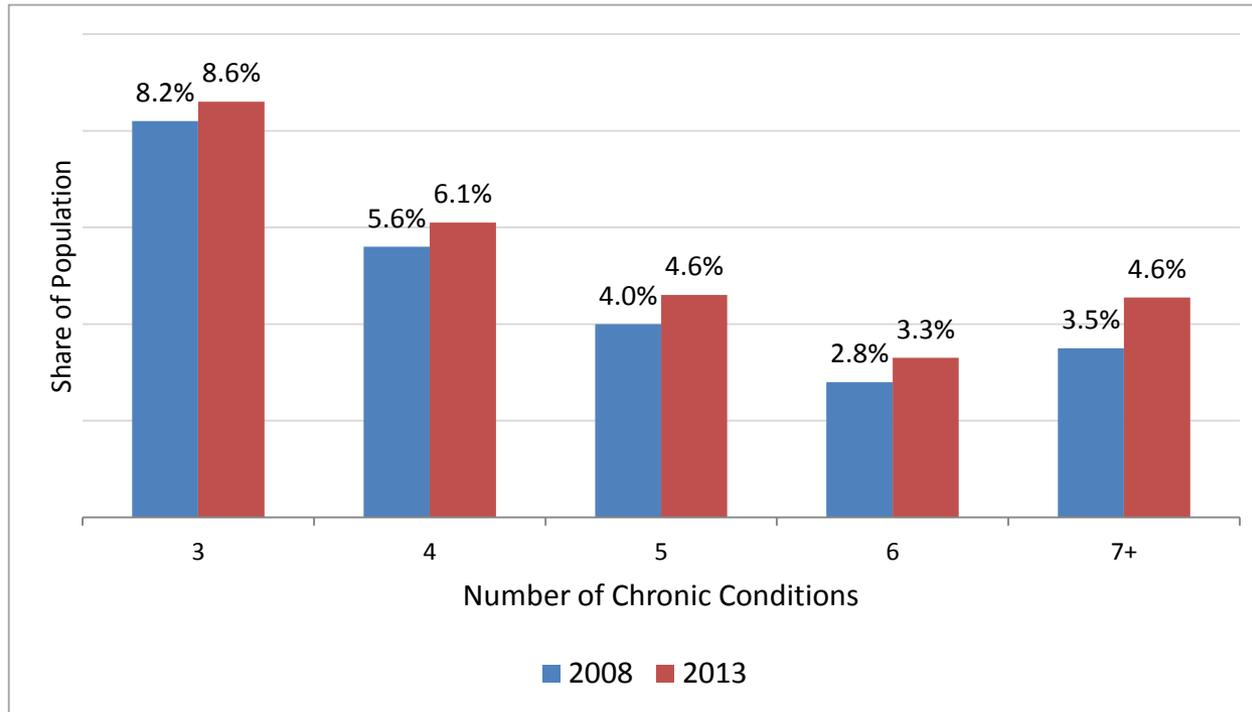
The share of the population by number of treated chronic conditions: 2008



In 2008, 24% of the population was treated for 3 or more chronic conditions and accounted for 62% of health spending.

A Shift Toward Greater Multiples of Chronic Conditions

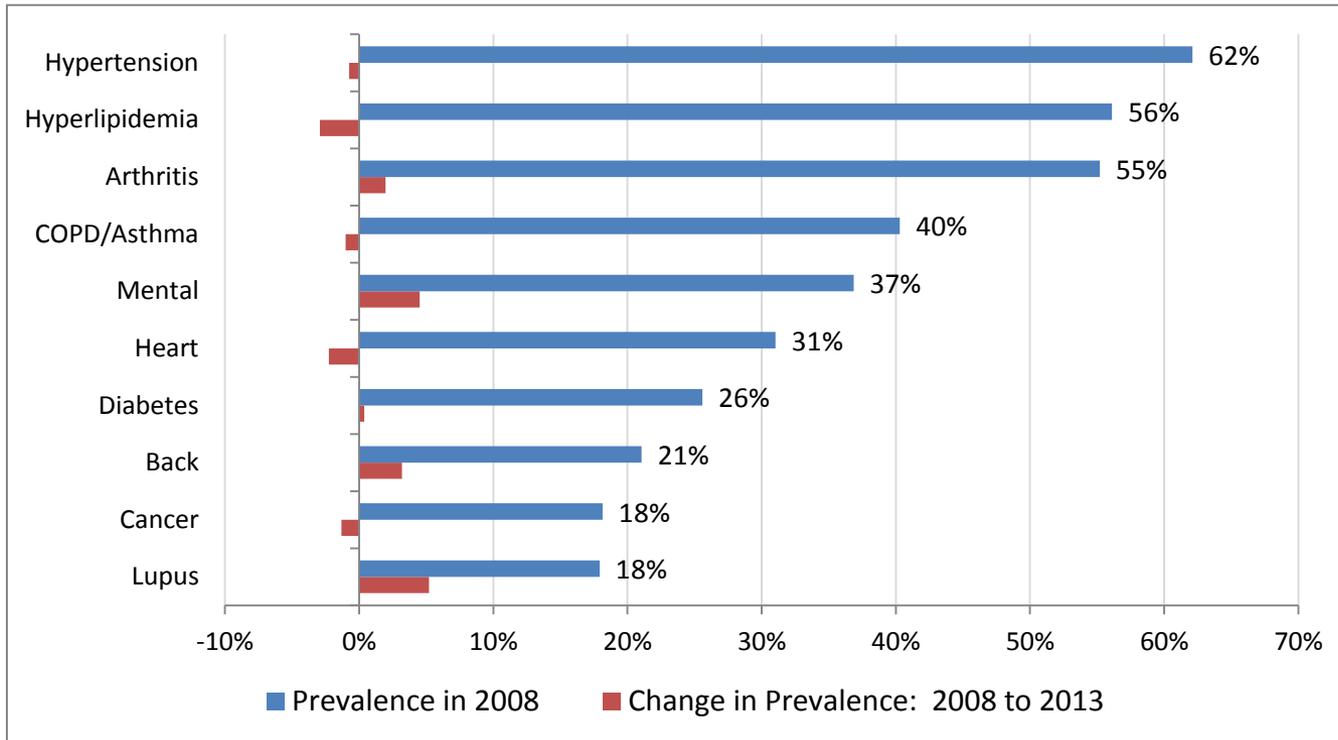
The prevalence of 3 or more chronic conditions increased: 2008-2013



It costs more to treat greater numbers of chronic conditions, so the shift into higher multiples drives spending up even when the cost of treating specific multiples does not increase.

The Most Prevalent Chronic Conditions

The prevalence of specific chronic conditions among the group with 3 or more



The conditions with the greatest increase in prevalence between 2008 and 2013 were lupus, mental disorders, back problems, and arthritis. Diabetes, hypertension, and hyperlipidemia were common as a cluster.

Slowing the Shift into Higher Numbers of Conditions

- ▲ Some of the shift into greater numbers of chronic conditions is due to aging. CMS estimates that aging has added about 0.6% to spending growth in recent years so perhaps one-third of recent shifting is due to aging.
- ▲ The prominent combination of diabetes, hypertension, and hyperlipidemia has strong links to obesity and suggests the importance of dealing with this societal problem.
- ▲ More effective interventions into the social determinants of health could be key to slowing the shift.

Summary and Conclusions

- ▲ The main source of excess health spending growth between 1996 and 2005 was cost per case which contributed 3.1 percentage points to spending growth.
- ▲ This factor was almost completely controlled during the 2008-2013 slowdown but real per capita spending still grew by 1.8% per year due to increases in treated prevalence, characterized by shifts into greater numbers of chronic conditions.
- ▲ The slowdown has been substantial but growth remains at unsustainable rates. Even if we can control treatment costs per unit of illness to the rate of inflation, spending will grow at $GDP + 0.7$ unless the shift into greater chronic condition multiples can be slowed. The aging population will make this more difficult.