

Health Reform in the U.S.: An Overview and Progress Report

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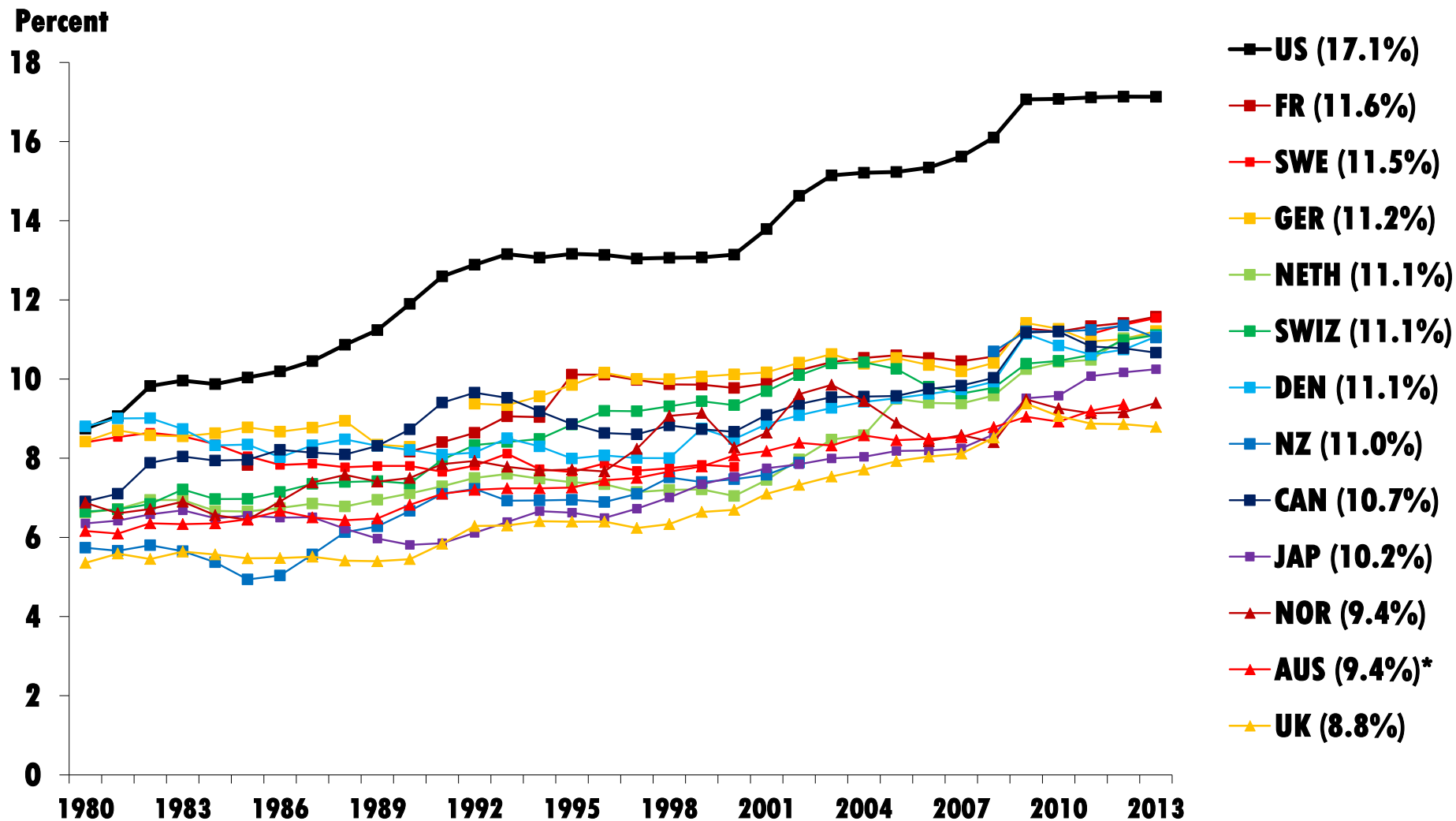
Independent Hospital Pricing Authority
Activity-Based Funding Conference
Brisbane, Australia
May 10, 2016

The U.S. has the most expensive health care system in the world



Health Care Spending as a Percentage of GDP, 1980-2013

Selected OECD Countries, 1980–2013



*2012.

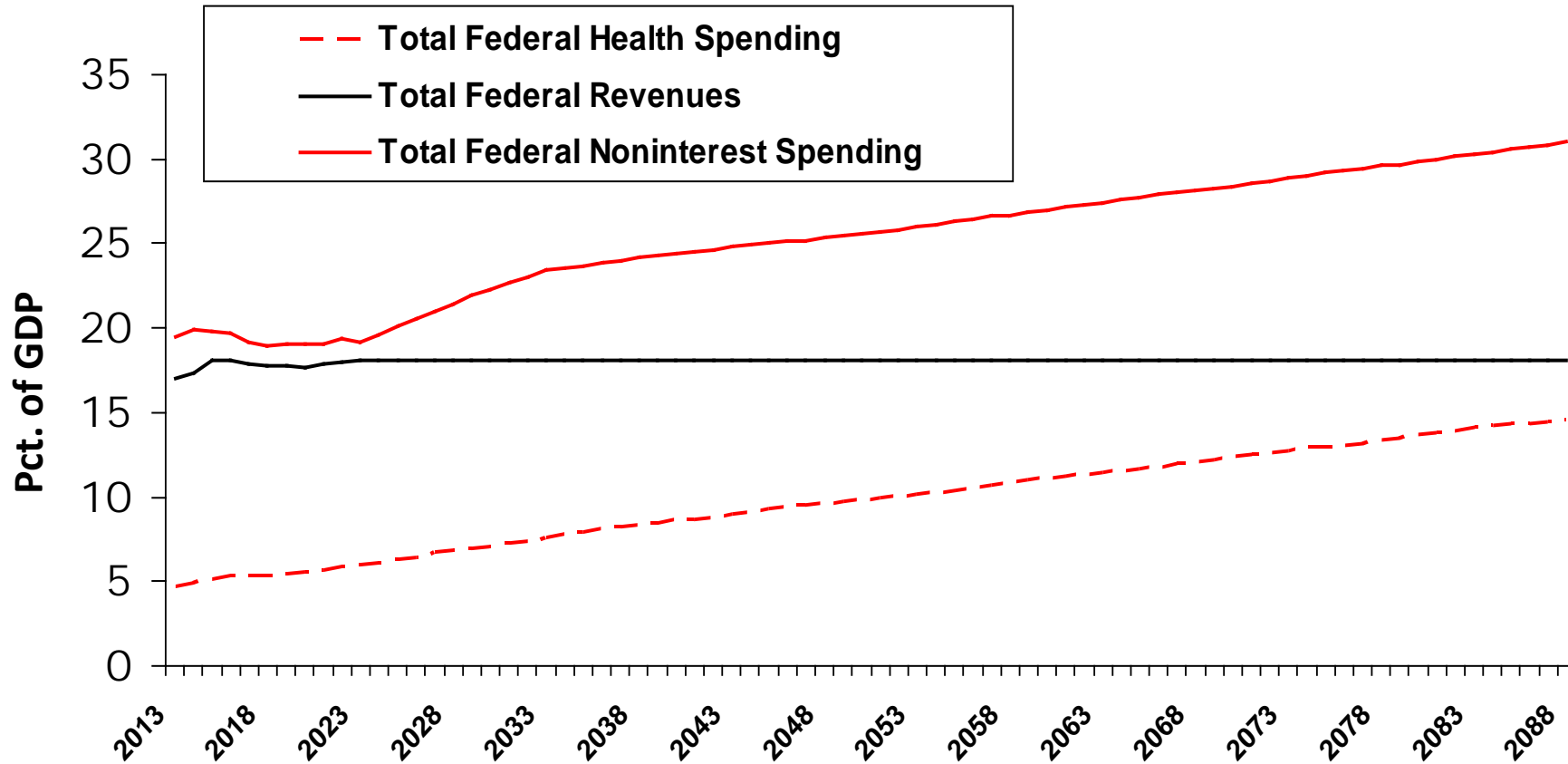
Notes: GDP refers to gross domestic product. Dutch and Swiss data are for current spending only, and exclude spending on capital formation of health care providers.

Source: OECD Health Data 2015; available at [http://www.commonwealthfund.org/interactives-and-data/chart-cart#/first=10&f:@ftopicsfacet63677_a4ad5c5ac6fa46ef9e401be5d96adc0b=\[Health%20System%20Performance%20and%20Costs\]](http://www.commonwealthfund.org/interactives-and-data/chart-cart#/first=10&f:@ftopicsfacet63677_a4ad5c5ac6fa46ef9e401be5d96adc0b=[Health%20System%20Performance%20and%20Costs]).

**Health spending puts pressure on the
U.S. federal budget—but also on its
state and local budgets, businesses, and
households**



Total Federal Health Spending and Total Federal Revenues and Noninterest Spending as a Percentage of GDP, Fiscal Years 2013-2088

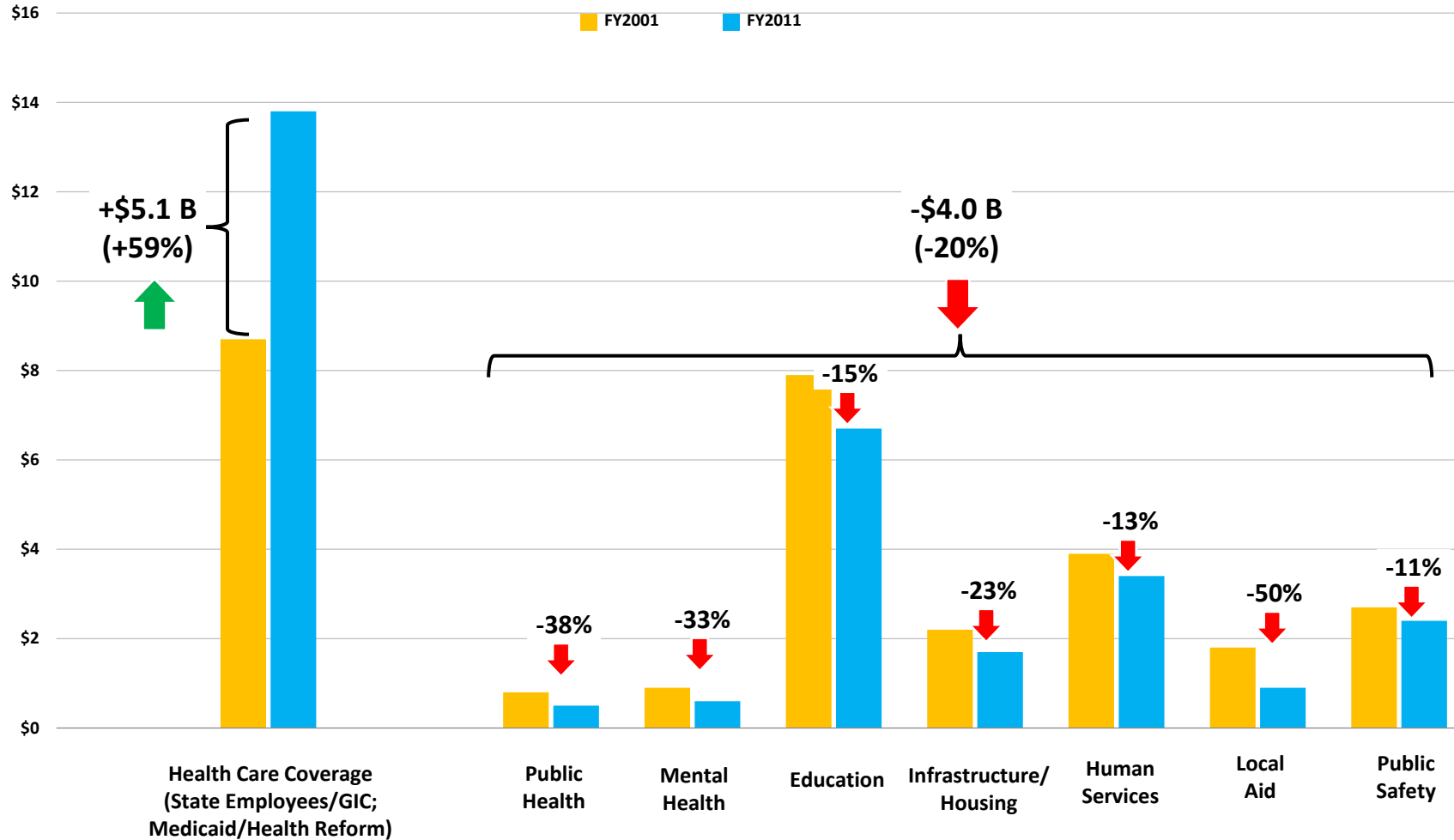


Note: Projections based on Congressional Budget Office Alternative Fiscal Scenario.

Source: Congressional Budget Office. "The 2013 Long-Term Budget Outlook." Supplementary Data. September 17, 2013.

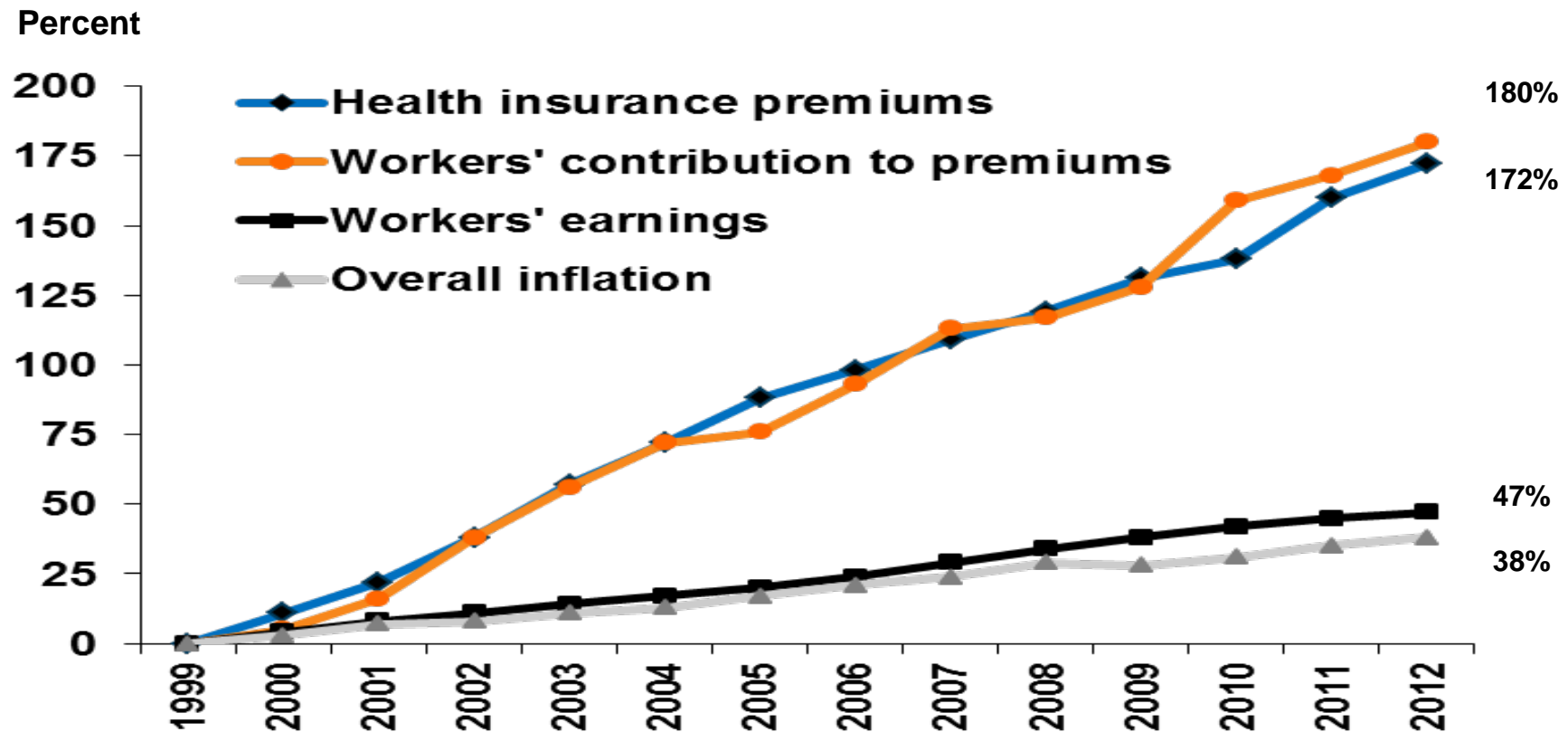
Massachusetts State Budget by Category, FY2001 vs. FY2011

STATE SPENDING (BILLIONS OF DOLLARS)



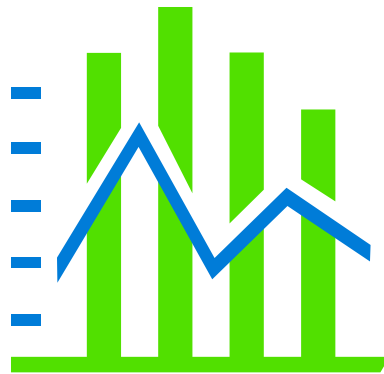
Source: David Cutler, presentation to the Commonwealth Fund Board of Directors, July 7, 2014.

Cumulative Changes in Insurance Premiums and Workers' Earnings, 1999–2012

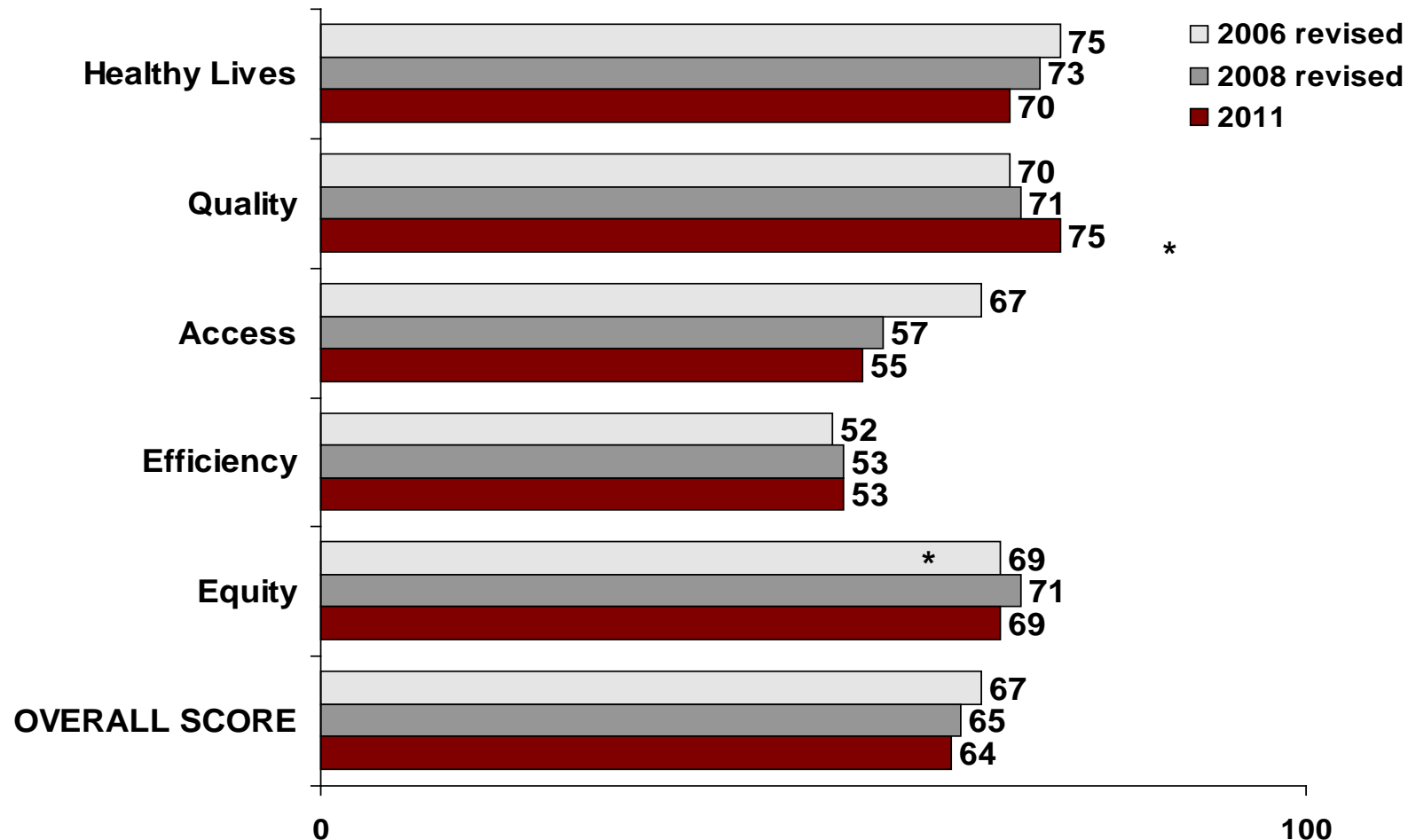


Sources: (left) Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits Annual Surveys, 1999–2012*; (right) authors' estimates based on CPS ASEC 2001–12, Kaiser/HRET 2001–12, CMS OACT 2012–21.

U.S. health system performance doesn't match the level of spending



How the U.S. Health System Scores on Dimensions of a High Performance Health System

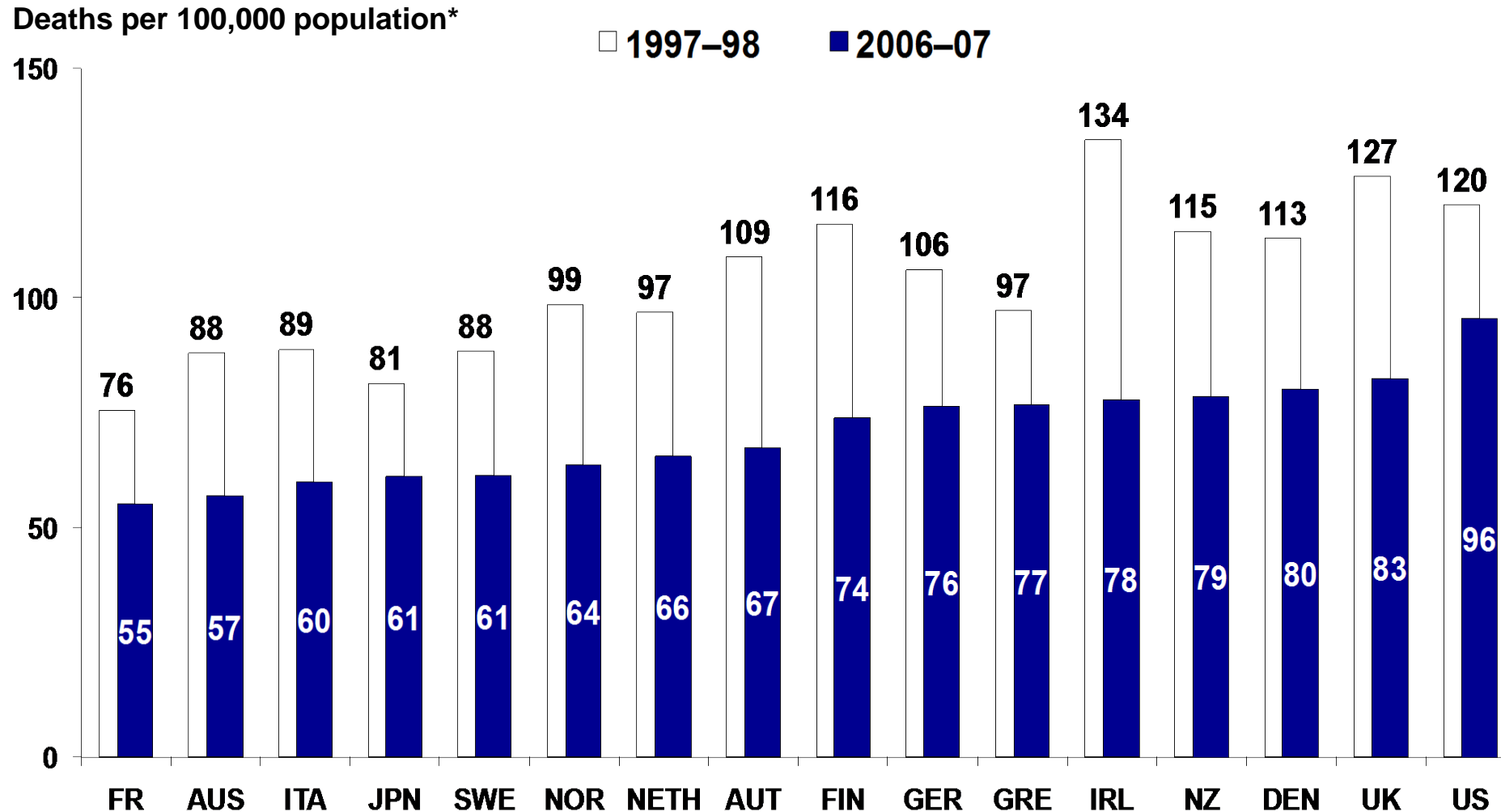


* Note: Includes indicator(s) not available in earlier years.

Source: Commonwealth Fund Commission on a High Performance Health System. *Why Not the Best? Results from the National Scorecard on U.S. Health System Performance, 2011* (New York: The Commonwealth Fund, October 2011).

Mortality Amenable to Health Care, 2006-07 vs. 1997-98

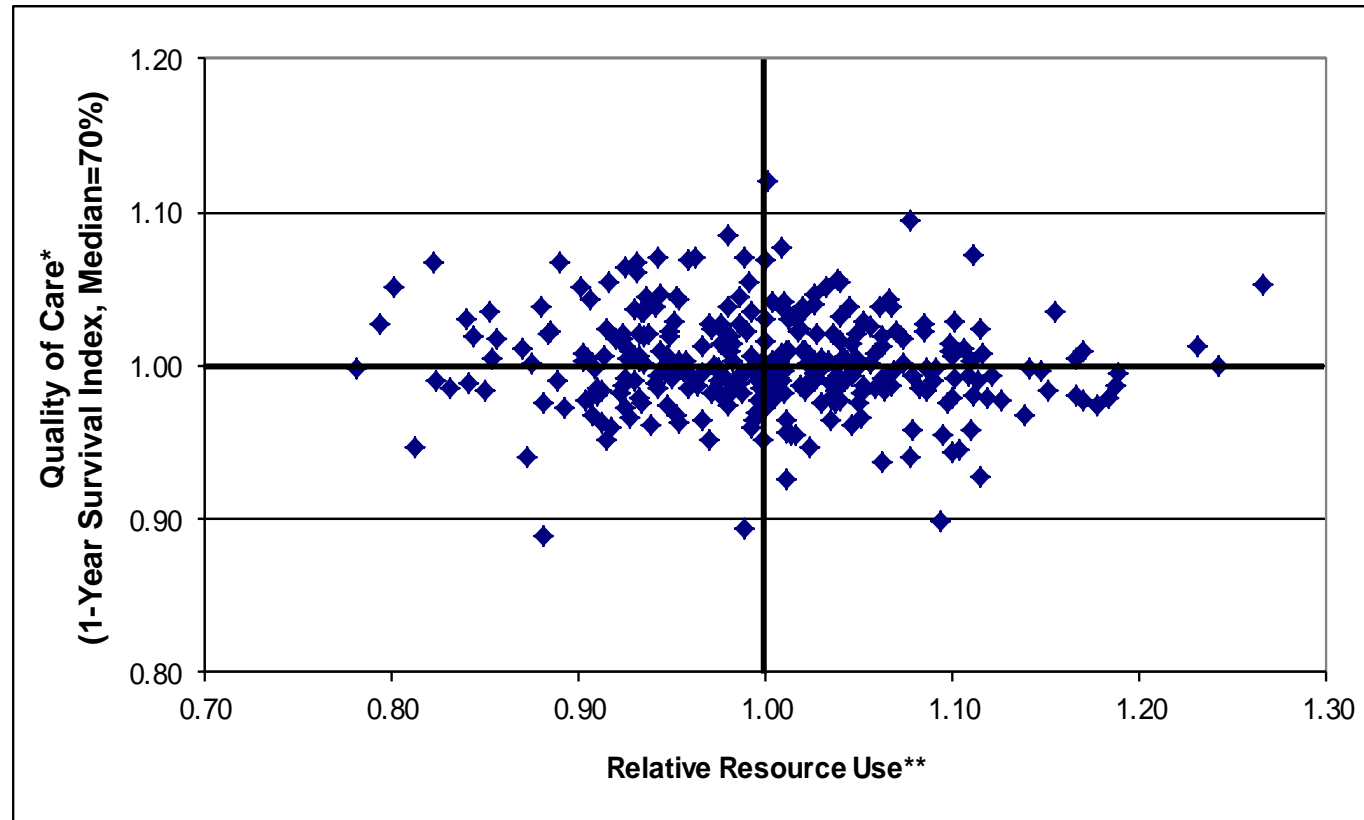
16 High-Income Nations



Notes: Countries' age-standardized death rates before age 75; including ischemic heart disease, diabetes, stroke, and bacterial infections. Analysis of World Health Organization mortality files and CDC mortality data for U.S.

Source: Adapted from E. Nolte and M. McKee, "Variations in Amenable Mortality—Trends in 16 High-Income Nations," *Health Policy*, published online Sept. 12, 2011; available at [http://www.commonwealthfund.org/interactives-and-data/chart-cart#/first=10&f:@ftopicsfacet63677_a4ad5c5ac6fa46ef9e401be5d96adc0b=\[Health%20System%20Performance%20and%20Costs\]](http://www.commonwealthfund.org/interactives-and-data/chart-cart#/first=10&f:@ftopicsfacet63677_a4ad5c5ac6fa46ef9e401be5d96adc0b=[Health%20System%20Performance%20and%20Costs]).

Quality and Costs of Care for U.S. Medicare Patients Hospitalized for Heart Attacks, Hip Fractures, or Colon Cancer, By Hospital Referral Region, 2004



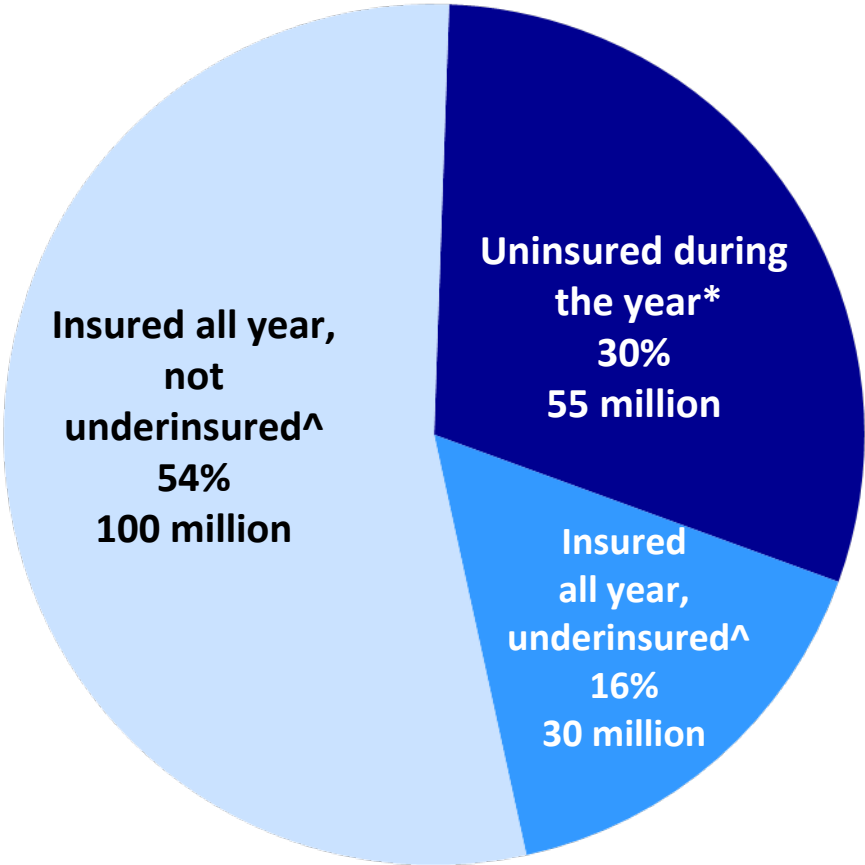
* Indexed to risk-adjusted 1-year survival rate (median=0.70).

** Risk-adjusted spending on hospital and physician services using standardized national prices.

Data: E. Fisher, J. Sutherland, and D. Radley, Dartmouth Medical School analysis of data from a 20% national sample of Medicare beneficiaries.

Source: The Commonwealth Fund Commission on a High Performance Health System, *Why Not the Best? Results from the National Scorecard on U.S. Health System Performance, 2008*, (New York: The Commonwealth Fund, July 2008).

U.S. Adults Who Were Uninsured During the Year or Underinsured, 2012



184 million adults ages 19–64

Note: Numbers may not sum to indicated total because of rounding.

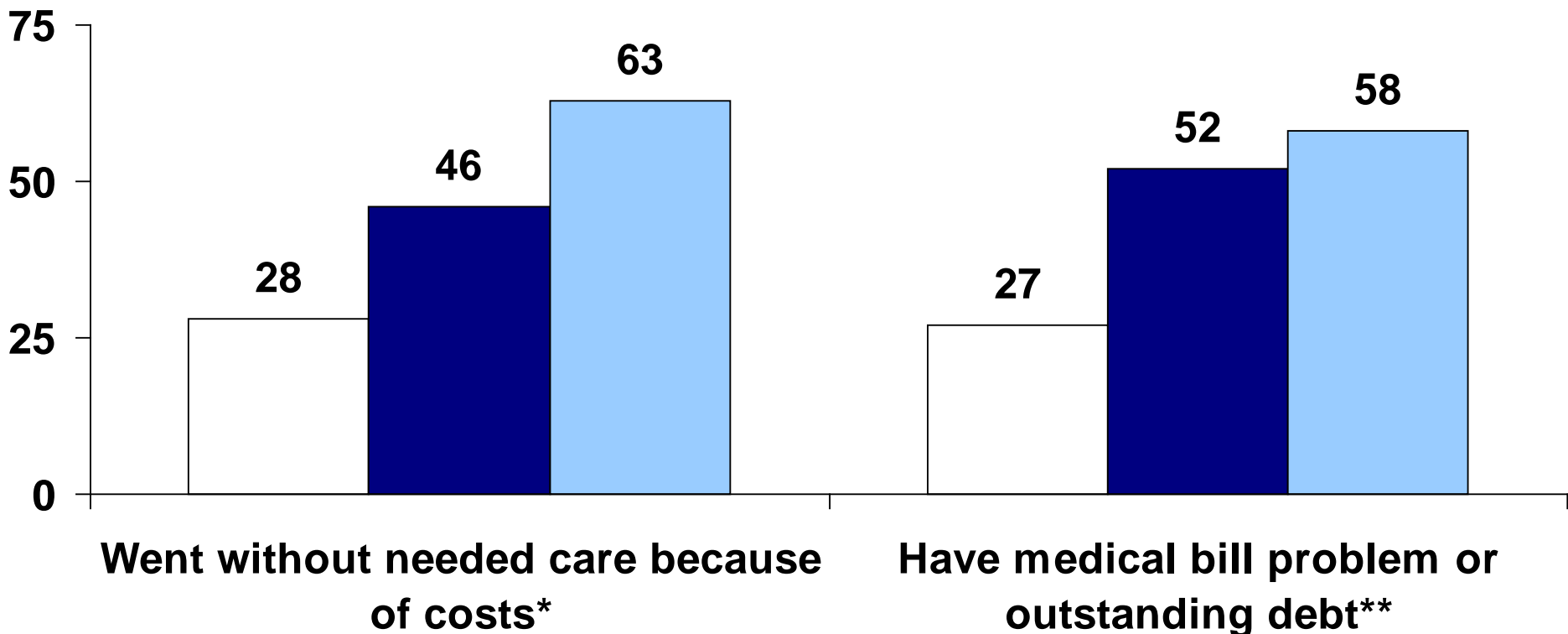
* Combines “Insured now, time uninsured in past year” and “Uninsured now.” [^] Underinsured defined as insured all year but experienced one of the following: out-of-pocket expenses equaled 10% or more of income; out-of-pocket expenses equaled 5% or more of income if low income (<200% of poverty); or deductibles equaled 5% or more of income.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2012).

Percentage of U.S. Adults Who Went Without Needed Care or Had Financial Stress Due to Health Care Expenses, 2010

Percent of adults (ages 19–64)

Insured, not underinsured
 Underinsured
 Uninsured during year

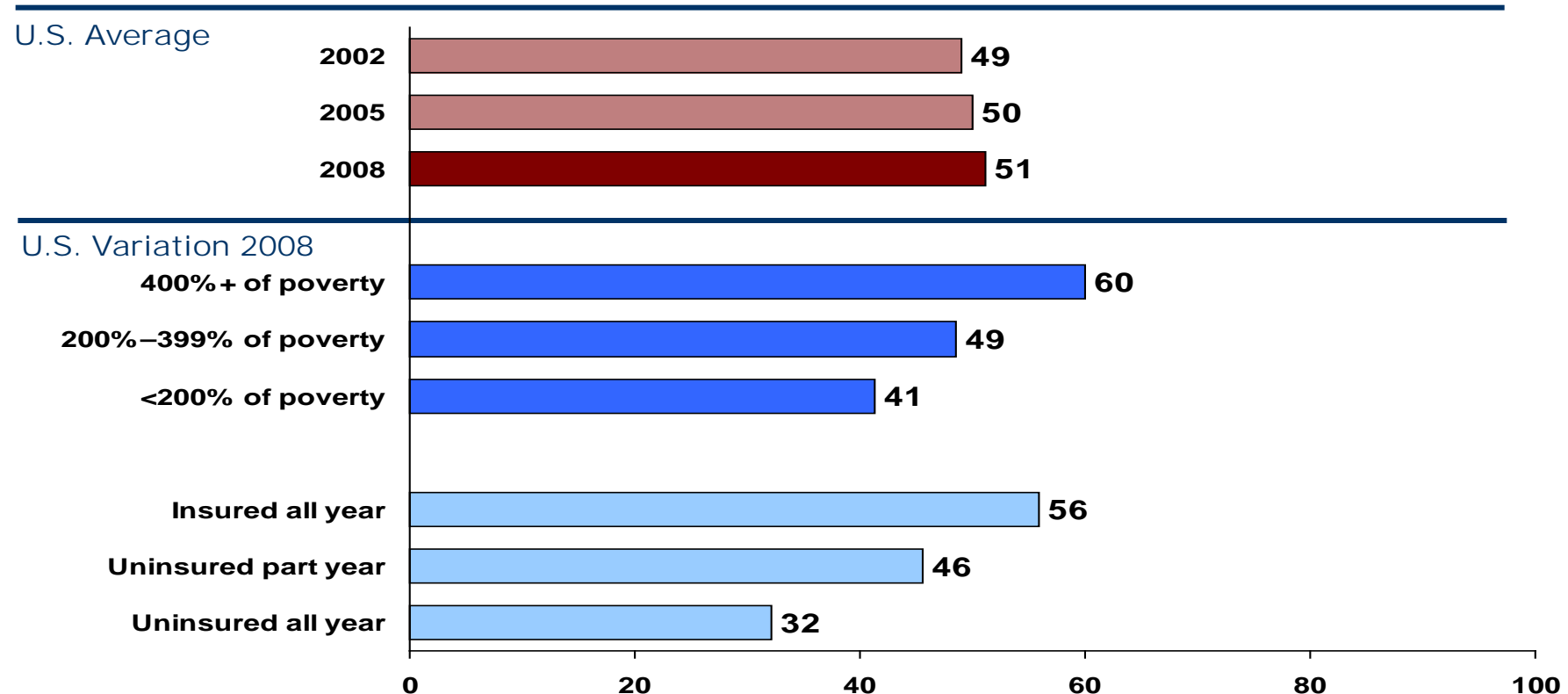


* Did not fill prescription; skipped recommended medical test, treatment, or follow-up; had a medical problem but did not visit doctor; or did not get needed specialist care because of costs. ** Had problems paying medical bills; changed way of life to pay medical bills; or contacted by a collection agency for inability to pay medical bills or medical debt.

Source: C. Schoen, M. Doty, R. Robertson, S. Collins, "Affordable Care Act Reforms Could Reduce the Number of Underinsured U.S. Adults by 70 Percent," *Health Affairs*, Sept. 2011.

Receipt of Recommended Screening and Preventive Care for Adults

Percent of adults age 18+ who received all recommended screening and preventive care within a specific time frame given their age and sex*



* Recommended care includes at least six key screening and preventive services: blood pressure, cholesterol, Pap, mammogram, fecal occult blood test or sigmoidoscopy/colonoscopy, and flu shot.

Source: Commonwealth Fund Commission on a High Performance Health System. *Why Not the Best? Results from the National Scorecard on U.S. Health System Performance, 2011* (New York: The Commonwealth Fund, October 2011)

Percent of U.S.. Patients Reporting Poor Coordination of Care, 2011

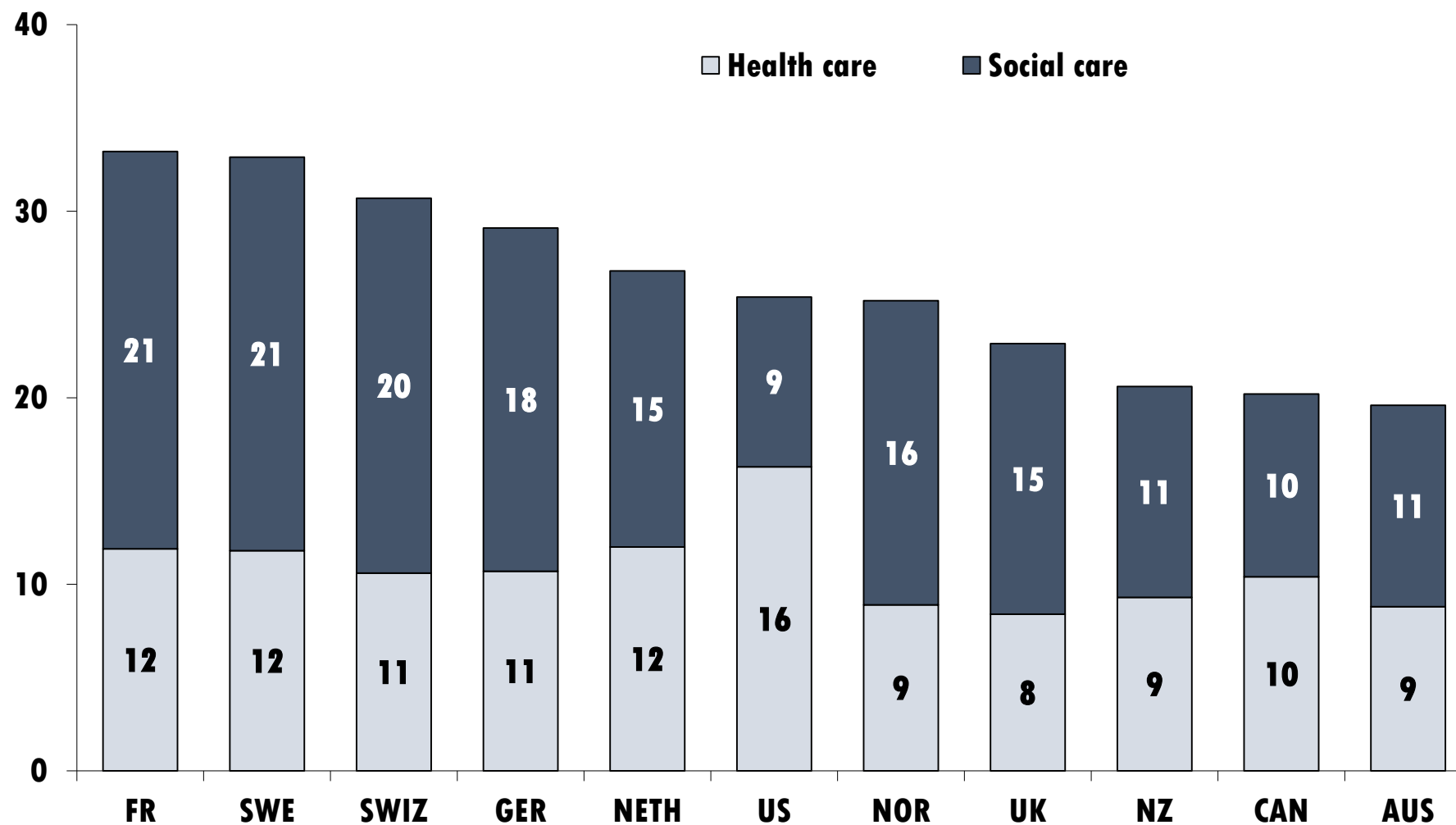
Percent reporting in past two years:	Number of Doctors Seen		
	Any	1 to 2	3 +
After medical test, no one called or wrote you about results, or you had to call repeatedly to get results	27	21	36
Doctors failed to provide important information about your medical history or test results to other doctors or nurses you think should have it	23	22	26
Test results or medical records were not available at the time of scheduled appointment	18	14	29
Your primary care physician did not receive a report back from a specialist you saw	15	11	24
Your specialist did not receive basic medical information from your primary care doctor	12	9	18
<i>Any of the above</i>	47	42	55

Source: K. Stremikis, C. Schoen, and A.-K. Fryer, *A Call for Change: The Commonwealth Fund 2011 Survey of Public Views of the U.S. Health System* (New York: The Commonwealth Fund, April 2011).

Health and Social Care Spending as a Percentage of GDP

Selected Countries

Percent



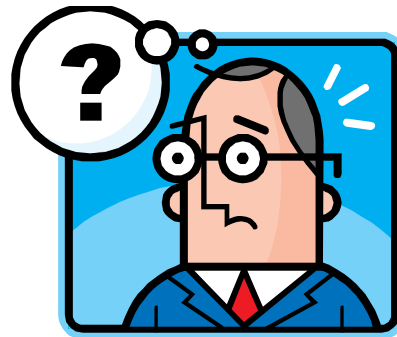
Notes: GDP refers to gross domestic product.

Source: E. H. Bradley and L. A. Taylor, *The American Health Care Paradox: Why Spending More Is Getting Us Less*, Public Affairs, 2013; available at

<http://www.commonwealthfund.org/interactives-and-data/chart->

[#/?first=10&facet63677_a4ad5c5ac6fa46ef9e401be5d96adc0b=\[Health%20System%20Performance%20and%20Costs\]](http://www.commonwealthfund.org/interactives-and-data/chart-#/?first=10&facet63677_a4ad5c5ac6fa46ef9e401be5d96adc0b=[Health%20System%20Performance%20and%20Costs]).

What drives up health spending?



Factors Driving U.S. Health Care Spending

- **Prices**

- Fragmented health care financing system
- Concentration of market power
- Administrative costs

- **Utilization: Volume and Intensity**

- Fragmented health care delivery system
- Medical technology
- Malpractice liability
- Increasing prevalence of chronic medical conditions
- Changing demographics

It's The Prices, Stupid: Why The United States Is So Different From Other Countries

Higher health spending but lower use of health services adds up to much higher prices in the United States than in any other OECD country.

**by Gerard F. Anderson, Uwe E. Reinhardt, Peter S. Hussey, and
Varduhi Petrosyan**

Total Hospital & Physician Costs for Select Procedures in Selected Countries, 2012

US Dollars	AUS	FRA	NETH	NZ	SPA	SWIZ	UK	US (avg)	US (95 th %ile)
Appendectomy	\$5,467	\$4,463	\$4,498	\$5,392	\$2,245	\$4,782	\$3,408	\$13,851	\$28,426
Hip Replacement	27,810	10,927	11,187	14,390	7,731	9,574	11,889	40,364	87,987
Bypass Surgery	43,230	22,844	14,061	26,432	17,437	17,729	14,117	73,420	150,515

Source: International Federation of Health Plans, *2012 Comparative Price Report: Variation in Medical and Hospital Fees by Country*. Available at http://hushp.harvard.edu/sites/default/files/downloadable_files/IFHP%202012%20Comparative%20Price%20Report.pdf.

The Patient Protection and Affordable Care Act of 2010



System Improvement Provisions in the Affordable Care Act

Health Insurance Marketplaces	<p>State or regional exchanges for individual and small group markets</p> <p>Minimum benefit requirements</p> <p>Medical loss ratio requirements</p> <p>Individual coverage mandate</p> <p>Subsidies for low-income enrollees</p>
Innovative Payment Pilots	<p>Medicare Shared Savings Program for Accountable Care Organizations (ACOs)</p> <p>Center for Medicare and Medicaid Innovation (CMMI)</p>
Productivity Improvements	<p>Modify market-basket updates to account for productivity improvements</p>
Primary Care	<p>Medicare: 10% bonus payment for primary care providers for 5 years</p> <p>Medicaid: Federal funding for Medicaid payment rates to primary care physicians no less than 100% of Medicare rates in 2013 and 2014</p>
Prevention and Wellness	<p>Annual wellness visit and/or health risk assessment for Medicare beneficiaries</p> <p>Strengthen state and employer wellness programs</p> <p>Eliminate cost-sharing for proven preventive services</p>
Comparative Effectiveness	<p>Patient-Centered Outcomes Research Institute</p>
Quality Improvement	<p>Federal government to develop national quality strategy, mechanism for public reporting</p>

Source: Commonwealth Fund analysis.

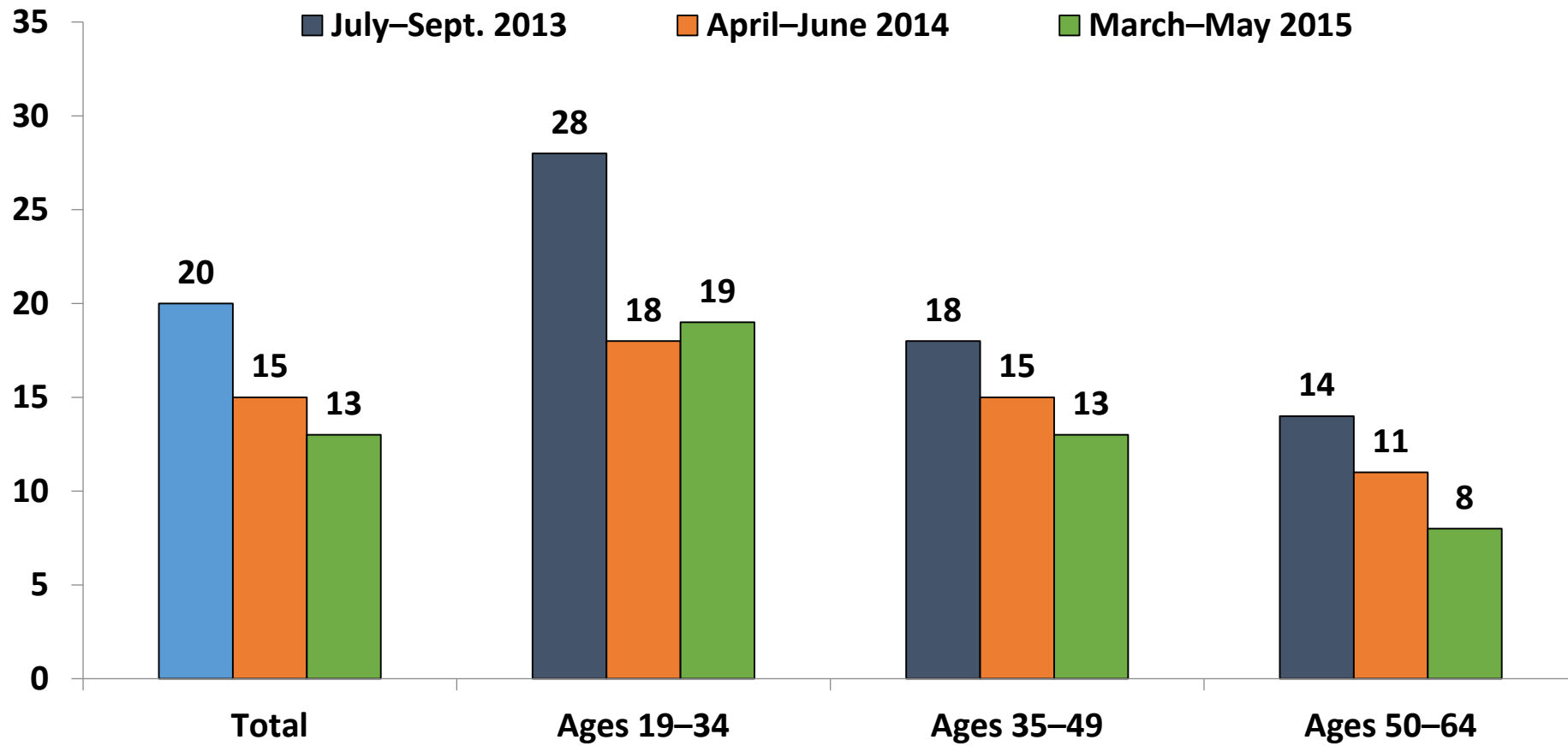
Progress to date: Coverage



Percentage of U.S. Adults Who Are Uninsured, by Age Group

Selected Periods, 2013-2015

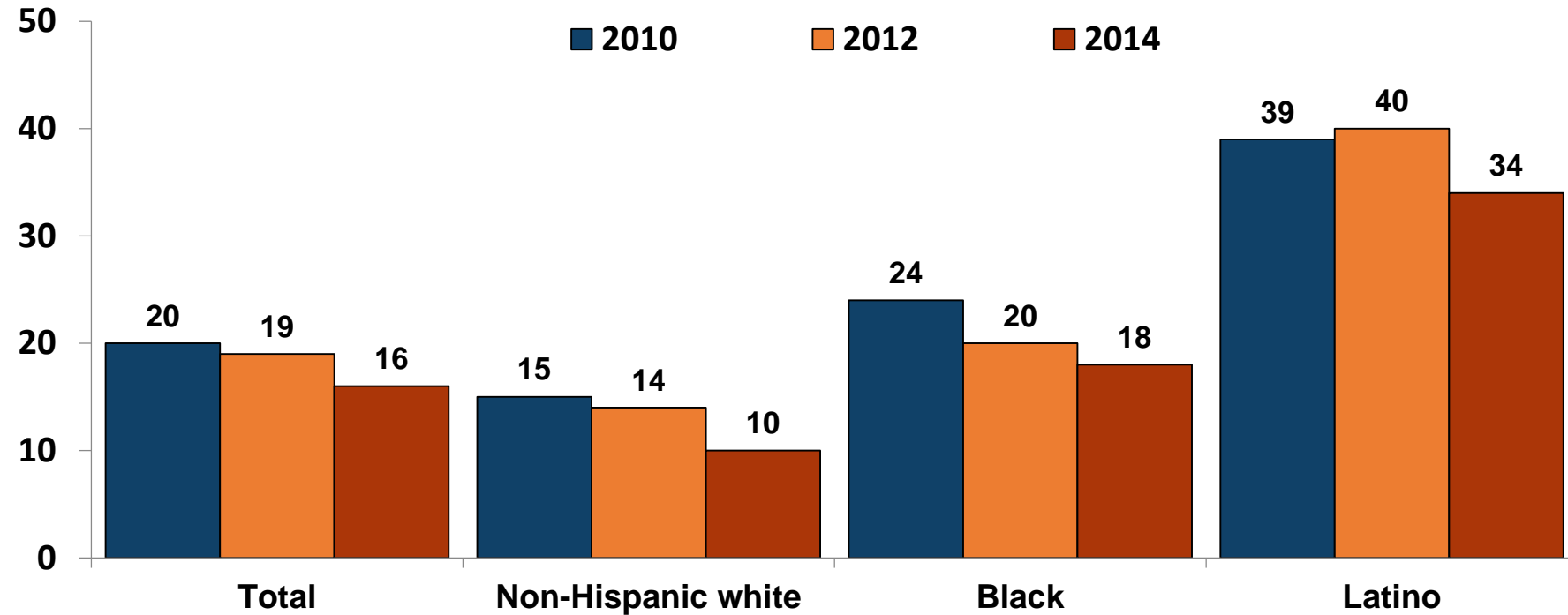
Percent adults ages 19–64 uninsured



Source: The Commonwealth Fund Affordable Care Act Tracking Surveys, July–Sept. 2013, April–June 2014, and March–May 2015, available at [http://www.commonwealthfund.org/interactives-and-data/chart-cart#/first=60&f:@ftopicsfacet63677_477649e6efcd4b8fb43811701adc6151=\[Health%20Care%20Coverage\]](http://www.commonwealthfund.org/interactives-and-data/chart-cart#/first=60&f:@ftopicsfacet63677_477649e6efcd4b8fb43811701adc6151=[Health%20Care%20Coverage]).

Proportion of U.S. Adults Who Were Uninsured, by Race, 2010-2014

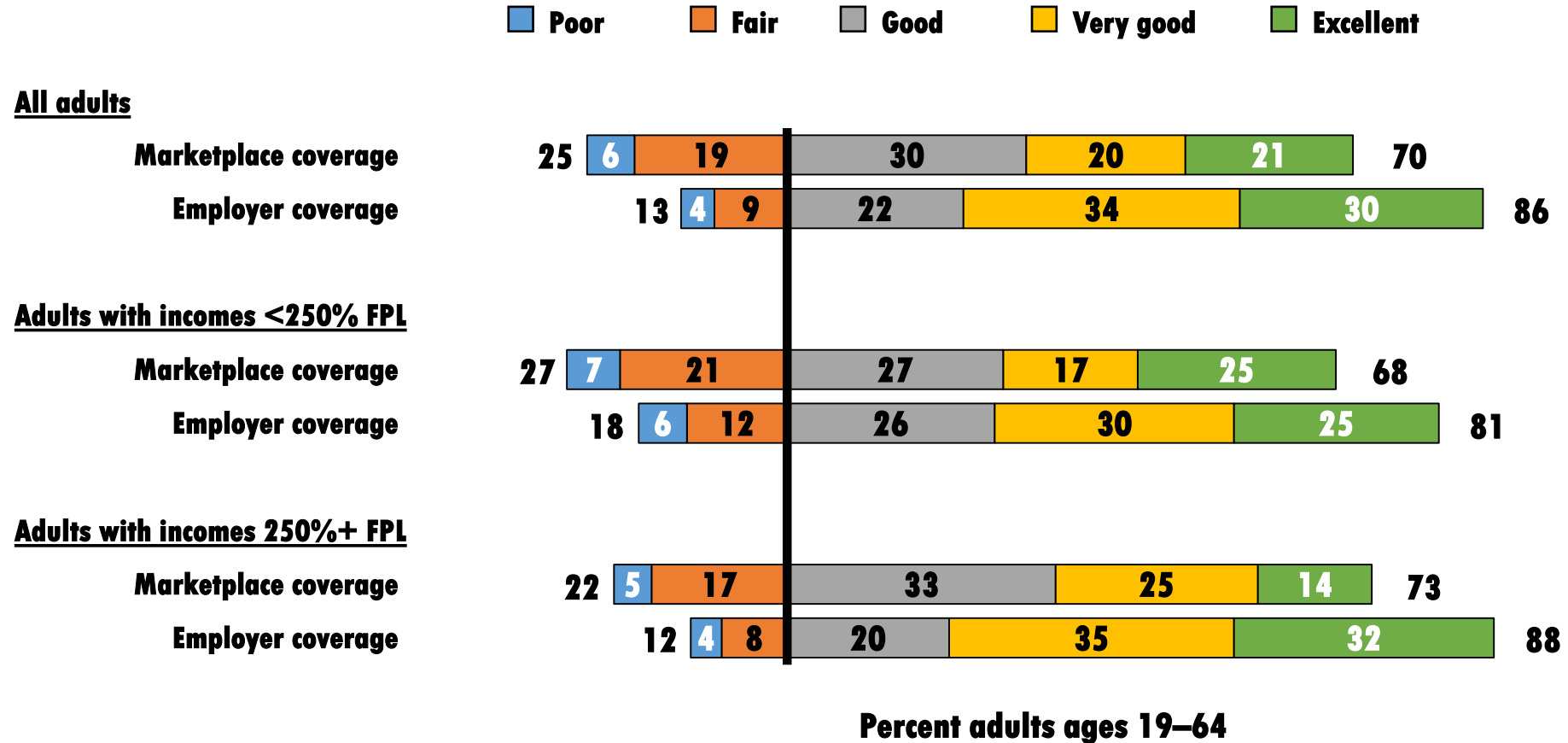
Percent of adults ages 19–64 who were uninsured



Source: The Commonwealth Fund Biennial Health Insurance Surveys (2010, 2012, and 2014); available at [http://www.commonwealthfund.org/interactives-and-data/chart-cart#/first=60&f:@ftopicsfacet63677_477649e6efcd4b8fb43811701adc6151=\[Health%20Care%20Coverage\]](http://www.commonwealthfund.org/interactives-and-data/chart-cart#/first=60&f:@ftopicsfacet63677_477649e6efcd4b8fb43811701adc6151=[Health%20Care%20Coverage]).

Ratings of Coverage by Adults with Marketplace Plans, 2015

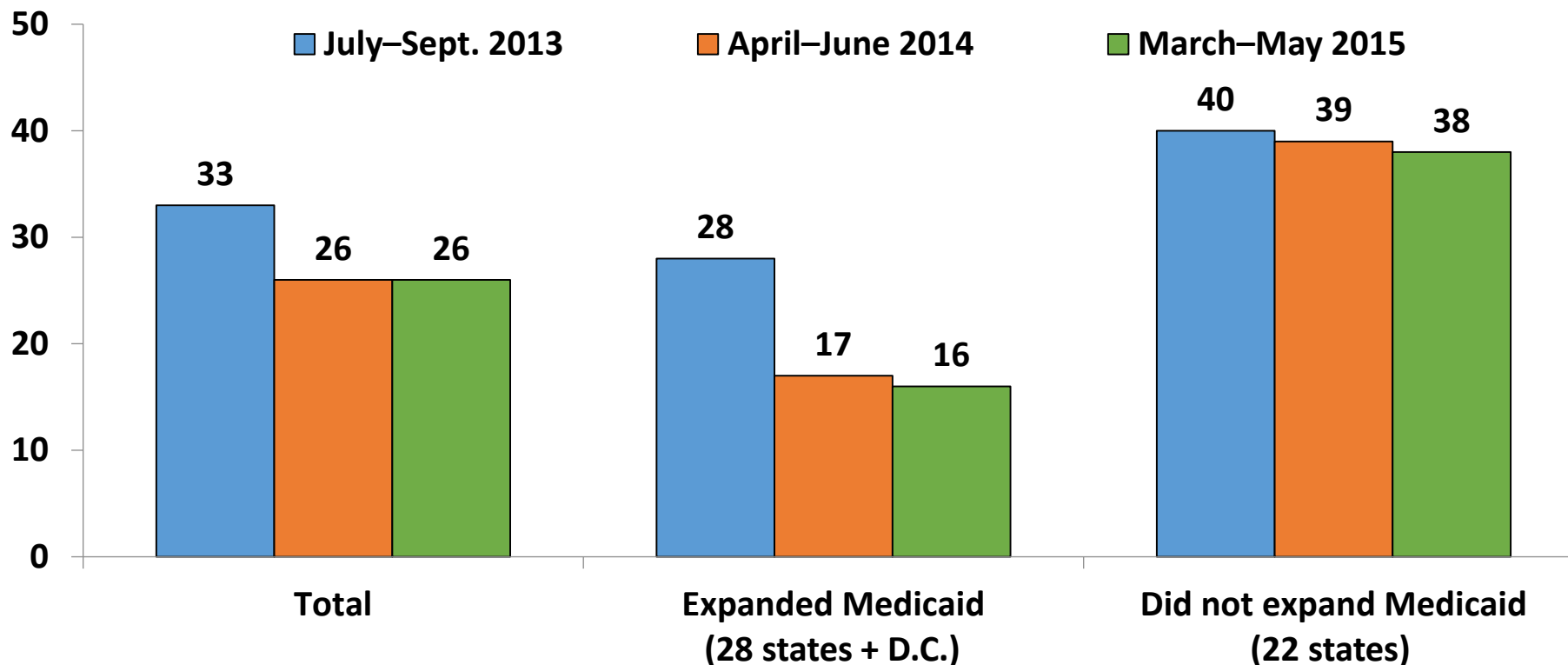
Now thinking about (your current health insurance coverage/
all the health insurance you have combined), how would you rate it?



Note: FPL refers to federal poverty level. 250% of the poverty level is \$29,175 for an individual or \$59,625 for a family of four.
 Bars may not sum to 100 percent because of “don’t know” responses or refusal to respond; segments may not sum to subtotals because of rounding.
 “All adults” includes adults who do not report their income and may therefore not be the average of adults below and above 250% FPL.
 Source: The Commonwealth Fund Affordable Care Act Tracking Survey, March–May 2015.

Uninsured Rates Among Low-Income Adults by Whether Their State is Participating in Medicaid Expansion, 2013-2015

Percent adults ages 19–64 with incomes below 100 percent of poverty who were uninsured



Note: The following states expanded their Medicaid program and began enrolling individuals in March 2015 or earlier: AR, AZ, CA, CO, CT, DE, HI, IA, IN, IL, KY, MA, MD, MI, MN, ND, NH, NJ, NM, NV, NY, OH, OR, PA, RI, VT, WA, WV, and the District of Columbia. All other states were considered to have not expanded.

Source: The Commonwealth Fund Affordable Care Act Tracking Surveys, July–Sept. 2013, April–June 2014, and March–May 2015.

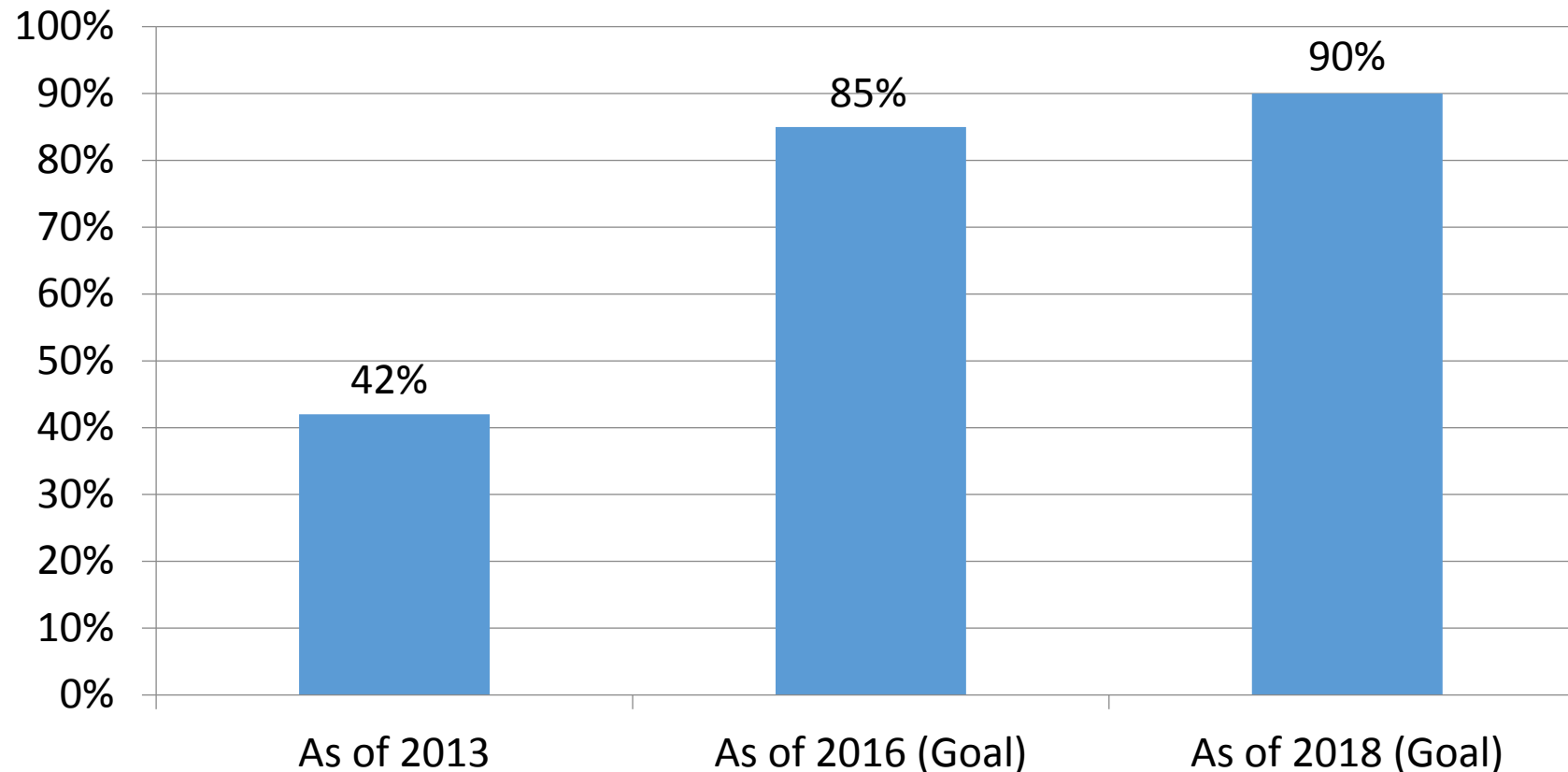
Progress to date: Payment and delivery system reform



Payment and Delivery System Reforms Being Implemented and Tested

- **Primary care transformation**
 - Patient-Centered Medical Homes
 - Comprehensive Primary Care Initiative
- **Accountable, coordinated care across settings**
 - Medicare Shared Savings Program for ACOs
 - Pioneer ACOs
 - Next-Generation ACOs
- **Bundled payment**
 - Bundled Payments for Care Improvement Initiative
 - Comprehensive Care for Joint Replacement Demonstration
- **Value-Based Purchasing**
 - Merit-Based Incentive Payment System (MIPS)
- **Multi-payer initiatives**
 - Multi-Payer Advanced Primary Care Initiative
 - State Innovation Models Initiative

Percentage of Traditional Medicare Payment Tied to Quality or Value, and Goals for the Future



Source: Catalyst for Payment Reform. "First-of-Its-Kind Scorecard on Medicare Payment Shows Widespread Payment Reform." Press release, May 5, 2015. Available at http://www.catalyzepaymentreform.org/images/Press_Release_Scorecard_on_Medicare_Payment_Reform_final.pdf; Sylvia M. Burwell. "Setting Value-Based Payment Goals – HHS Efforts to Improve U.S. Health Care." *New England Journal of Medicine* March 5, 2015 372(10):897-99.

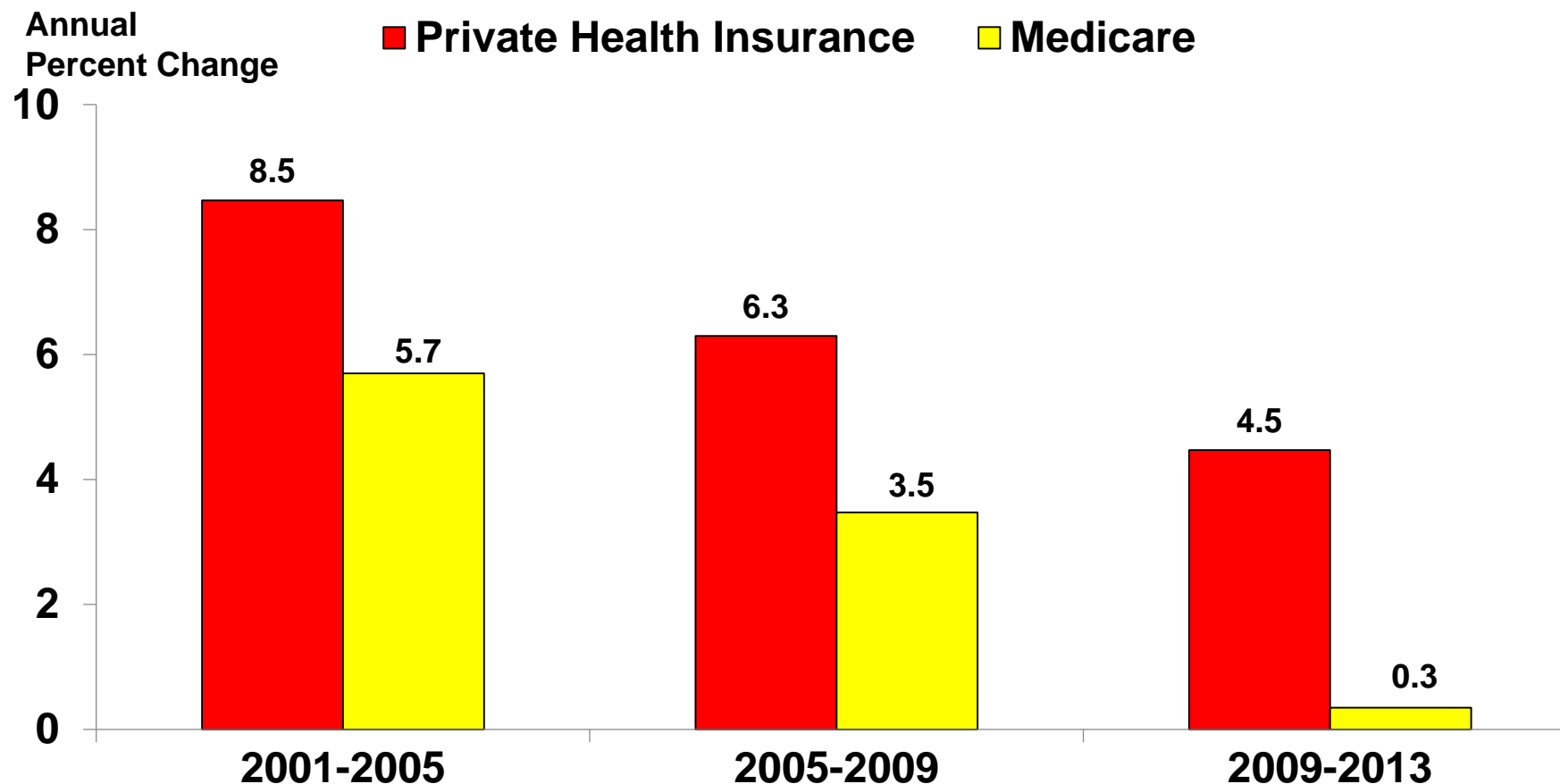
Challenges Faced by CMMI

- Identifying innovations with potential
 - Design that takes into account differences in circumstances
 - Collection and analysis of data on performance
 - Evaluation that is dynamic rather than static, aimed at continuous improvement rather than definitive judgement of success or failure
- Helping promising initiatives be successful
 - Establishing clear objectives
 - Engaging providers and patients
 - Engaging multiple payers
 - Providing data and technical assistance
- Spreading innovations that work

So where does this leave us?



Medicare and Private Health Insurance: Percent Change in Personal Health Care Spending per Enrollee, Selected Periods, 2001-2013

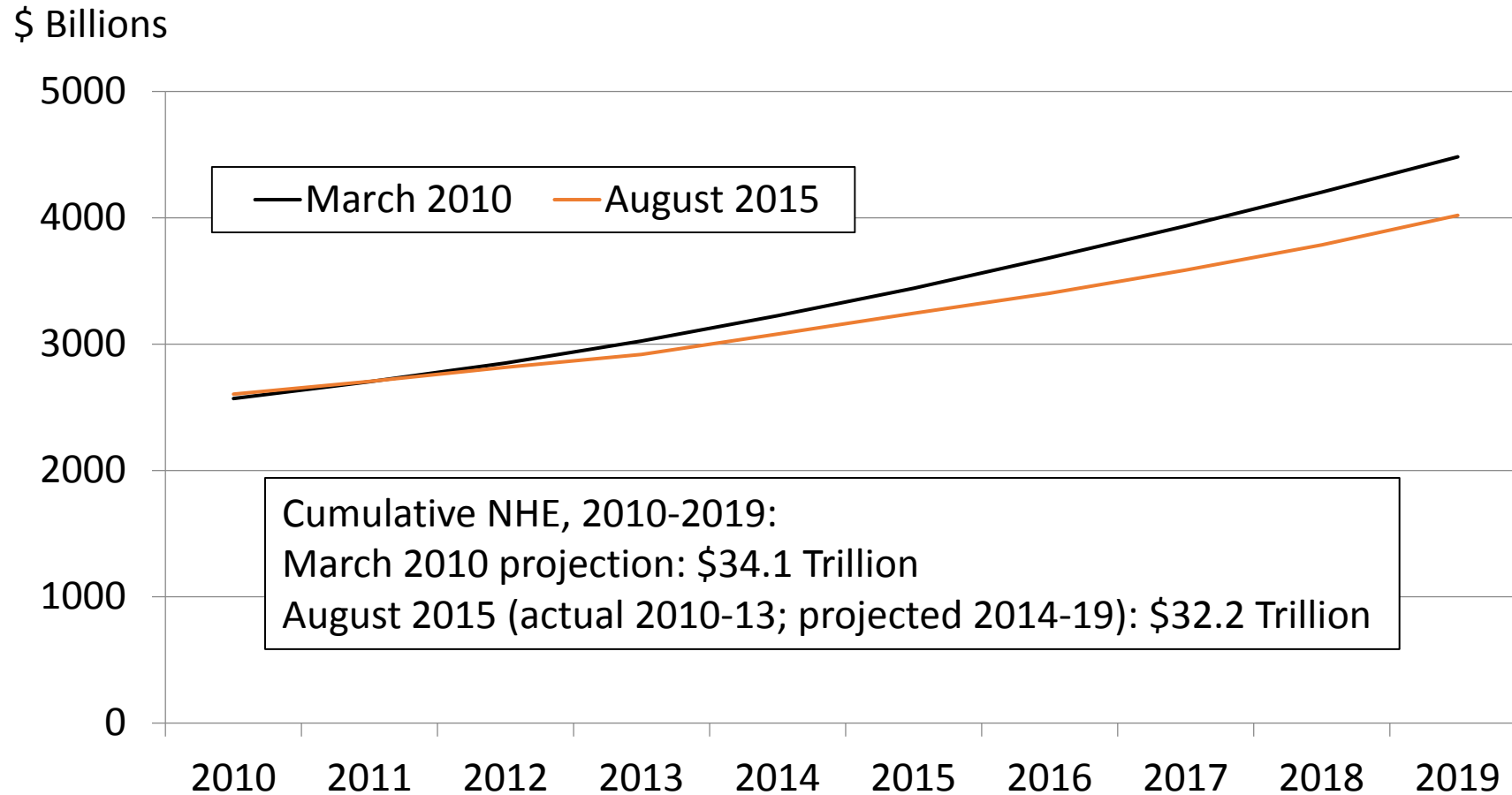


Note: Figures represent common benefits.

Source: Analysis of data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group. Historical National Health Expenditure Data, Table 21: Medicare and Private Health Insurance; Per Enrollee Expenditures and Annual Percent Change, Calendar Years 1969-2013. Available at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>.

The \$2 Trillion Question: Why Has Health Spending Slowed?

Projected National Health Expenditures (NHE), 2010-2019, as of March 2010 vs. Actual/Projected NHE, 2010-2019, as of August 2015

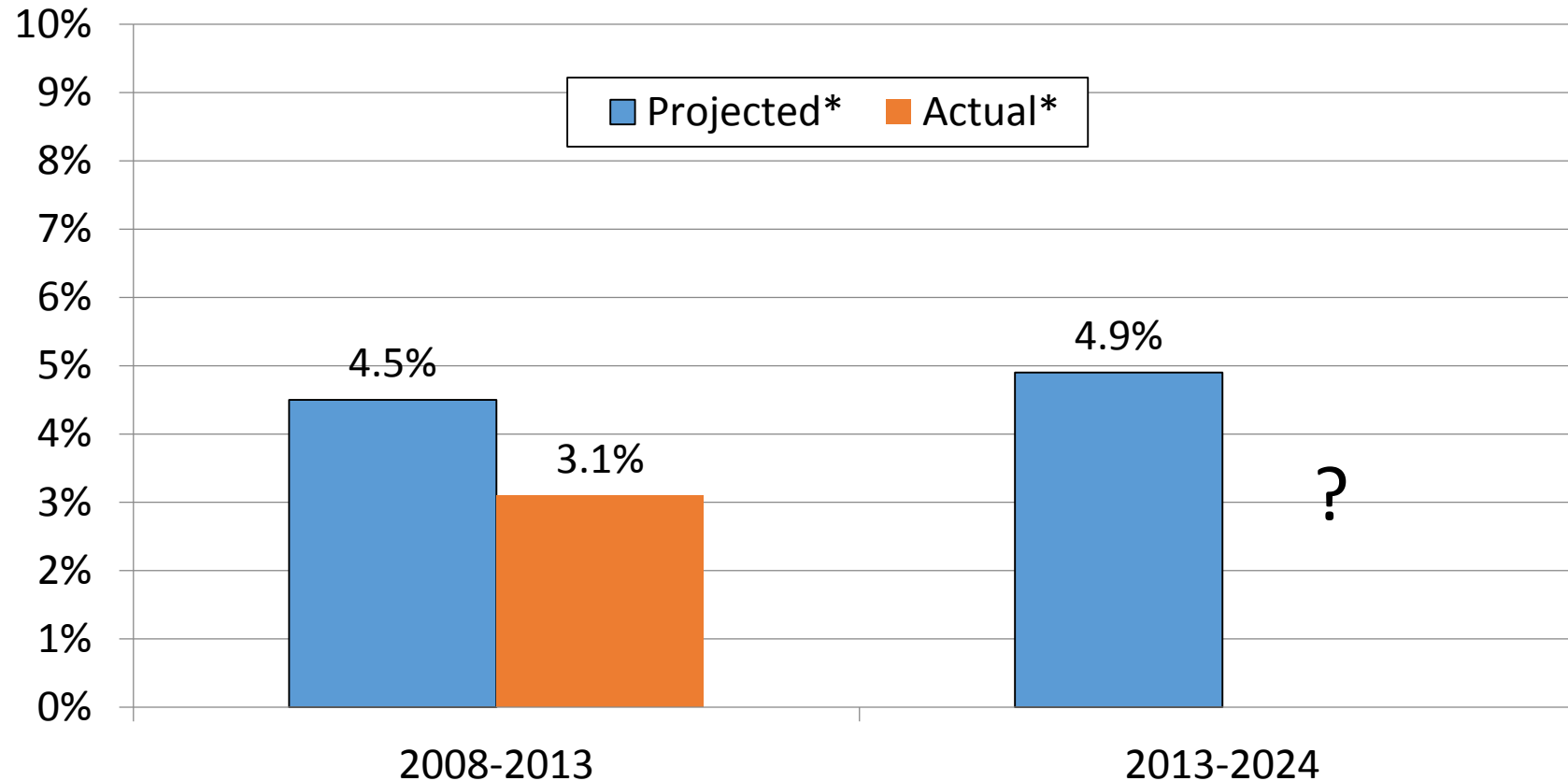


Sources: C.J. Truffer et al. "Health Spending Projections Through 2019: The Recession's Impact Continues." *Health Affairs* March 2010 29(3):522-29; S.P. Keaton et al. "National Health Expenditure Projections, 2014: Spending Growth Faster Than Recent Trends." *Health Affairs* August 2015 34(8):1407-17.

...and What Does the Future Hold?

Projected and Actual Per Capita NHE Growth, 2008-13 vs. 2013-24

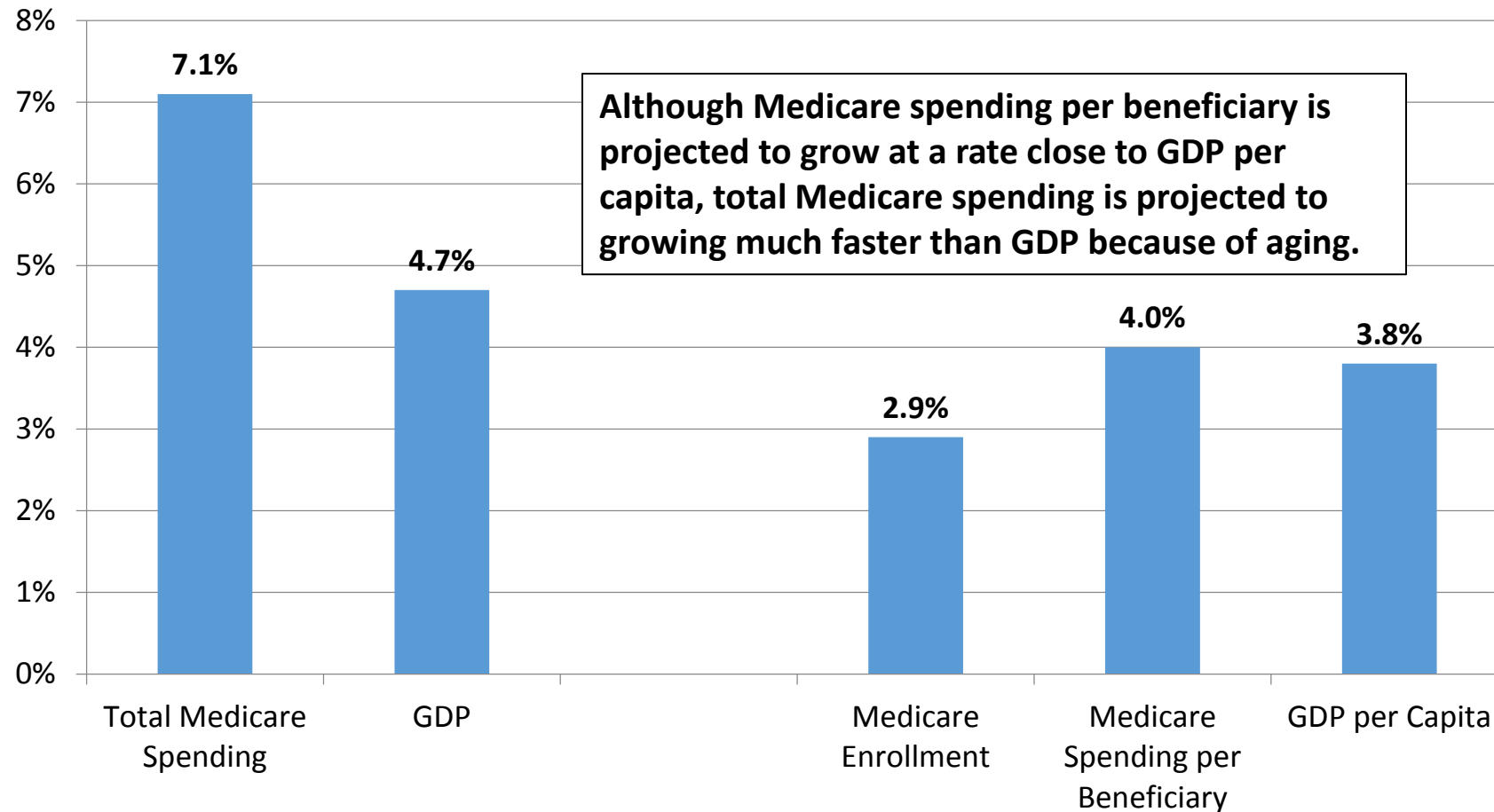
Annual Rate



Note: Projected growth rate for 2008-2013 is as of March 2010; projected growth rate for 2013-2023 is as of August 2015. Actual growth rate for 2008-2013 is as of August 2015.

Sources: C.J. Truffer et al. "Health Spending Projections Through 2019: The Recession's Impact Continues." *Health Affairs* March 2010 29(3):522-29; S.P. Keaton et al. "National Health Expenditure Projections, 2014: Spending Growth Faster Than Recent Trends." *Health Affairs* August 2015 34(8):1407-17.

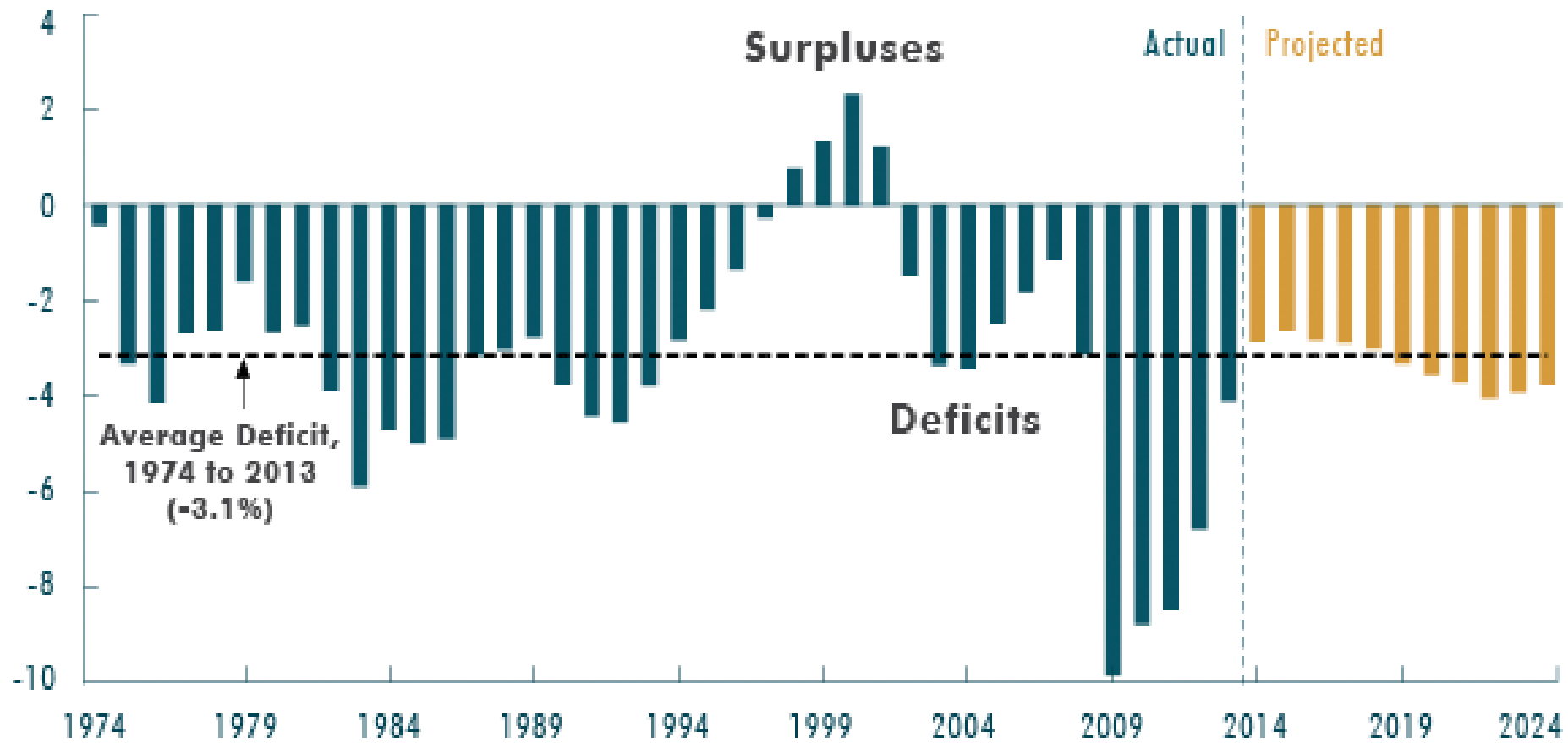
Projected Annual Growth Rates for Total Medicare Spending, GDP, Medicare Enrollment, Spending per Beneficiary, and GDP per Capita, 2014-2024



Source: Analysis of data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group. Projected National Health Expenditure Data, Table 17. Available at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>.

Total Deficits or Surpluses

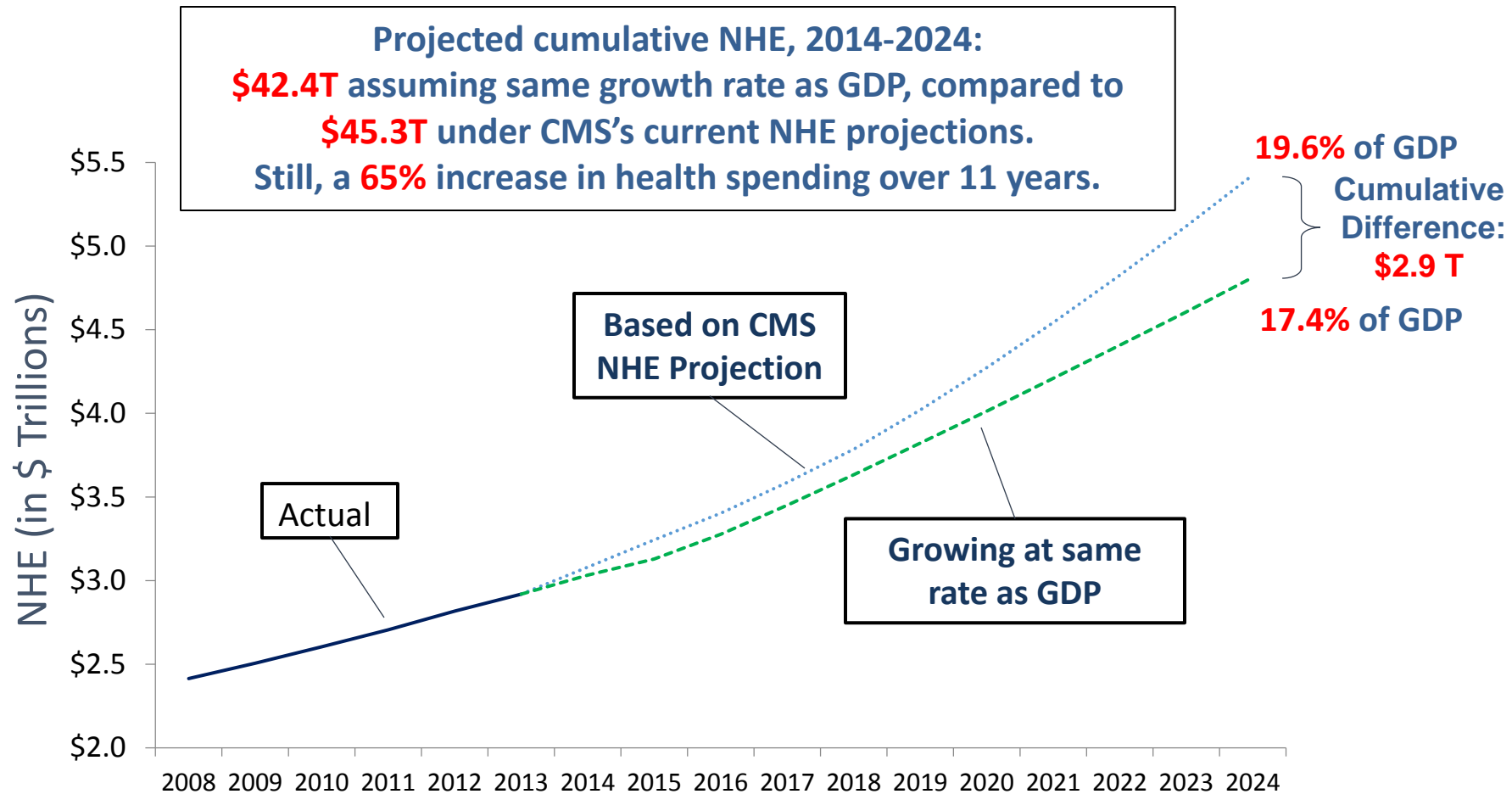
Percentage of gross domestic product



Challenges in Controlling Health Spending

- **Can we maintain or improve quality while controlling costs?**
- **What are the roles of utilization and prices?**
- **What are the roles of drugs and technology?**
- **Can we achieve greater coordination and collaboration without the adverse effects of consolidation?**
- **Can we develop policies that are consistent across public and private payers?**

What if Health Spending Grew at Same Rate As GDP?



Data Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group. 2008-2024 National Health Expenditures, Projected. Available at <http://cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>.

Thank You!

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