

Health Care Spending, Challenges and Opportunities

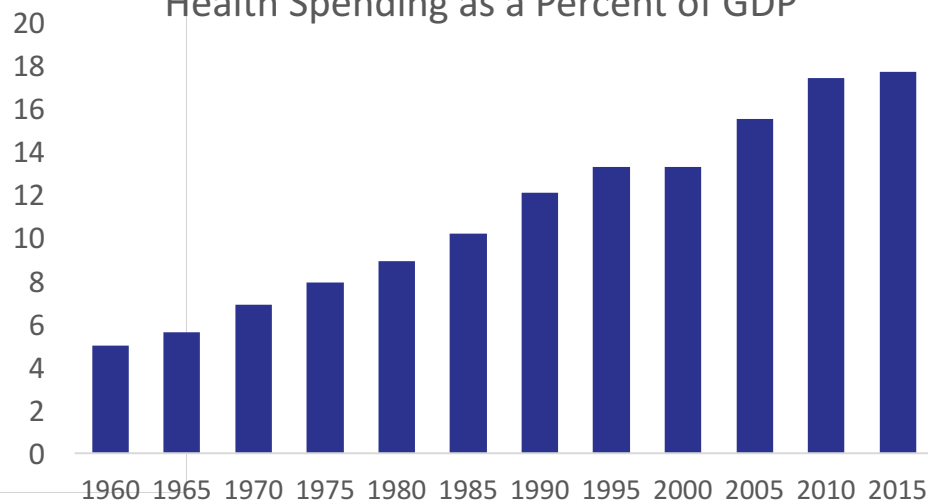
Robert W. Dubois, MD, PhD

Chief Science Officer and Executive
Vice-President



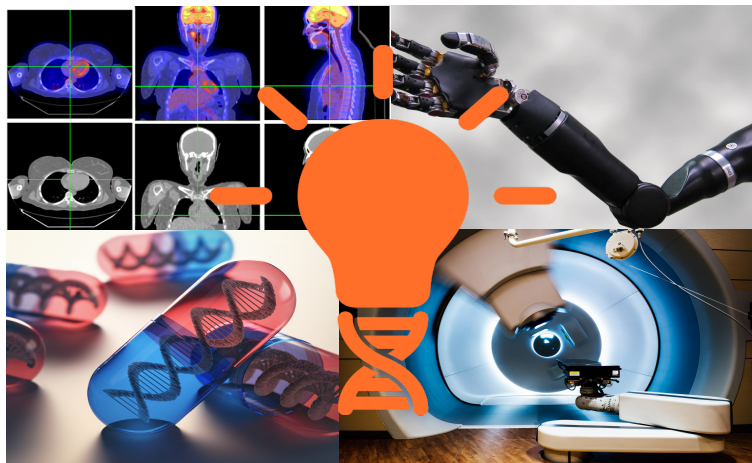
Concerns About Growing Spending, Persistent Waste, and Desire For Innovation

Health Spending as a Percent of GDP

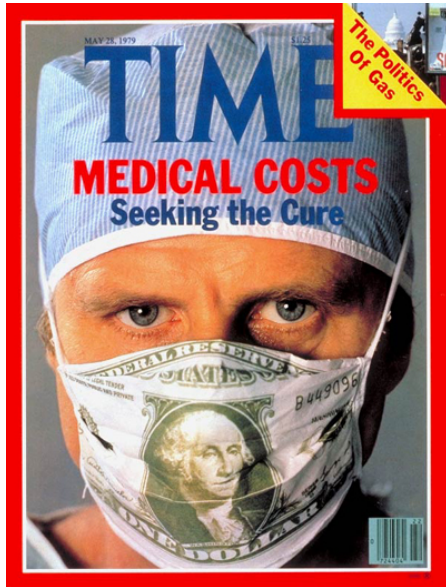


A decrease in unnecessary healthcare services “appear to be slow in moving”

Health Affairs 2017, re: **Choosing Wisely**



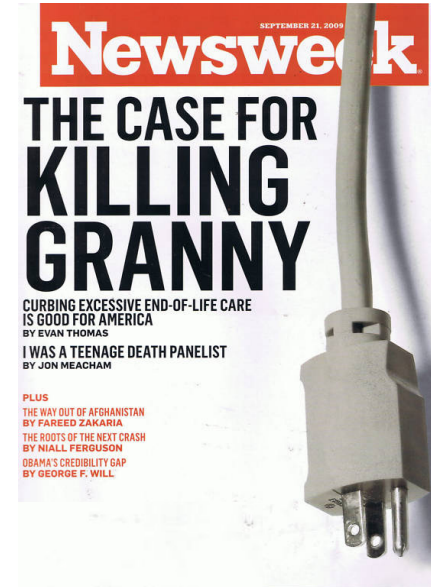
We've Started Spending Debates in the Past...



1979

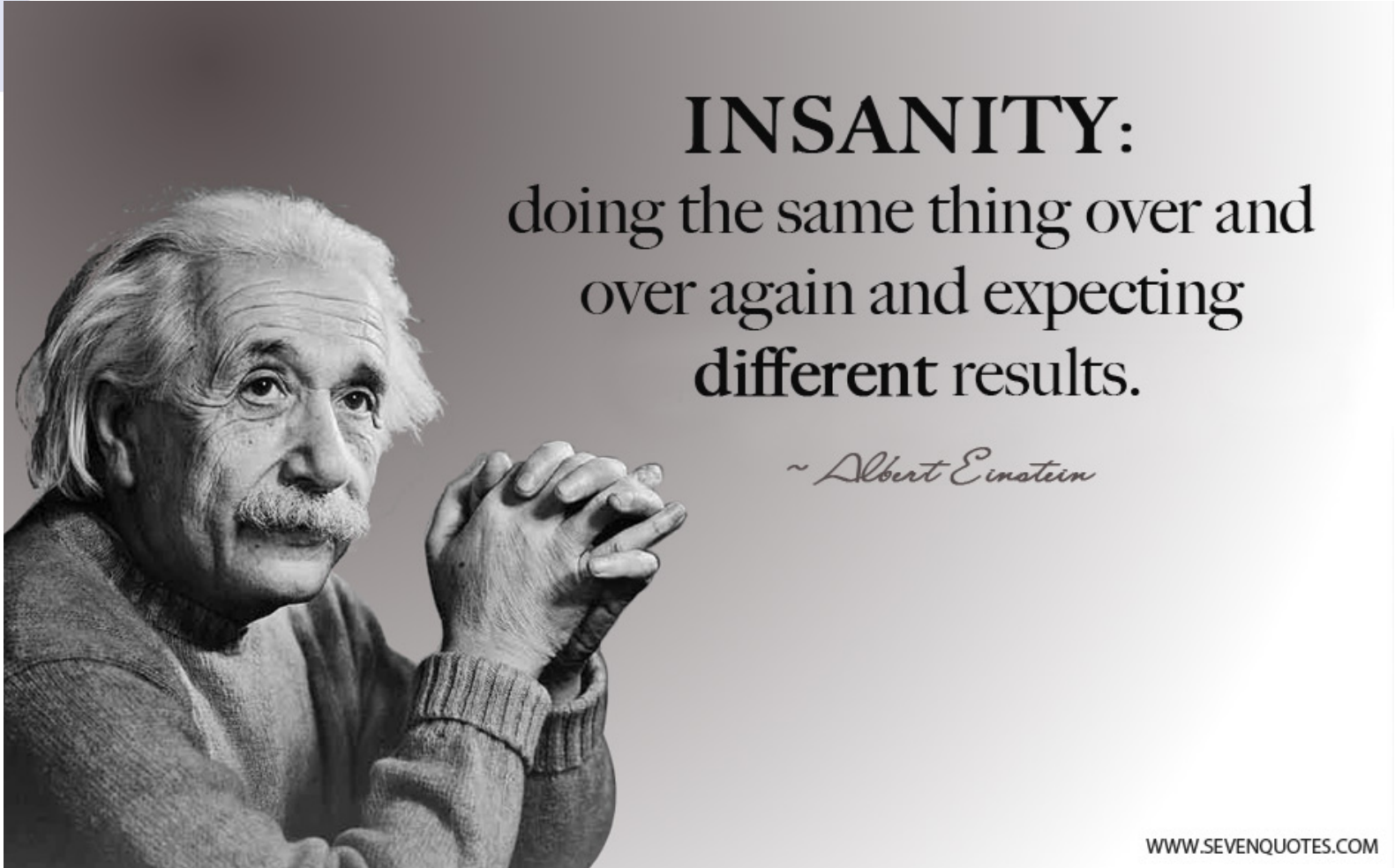


1993



2009

We Need a New Approach



The New Approach Will Not Be Easy

How much and how should health spend be allocated?

Primary care

Elderly

Acute treatment

Rare diseases



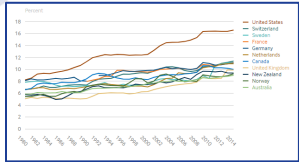
Specialty care

Young

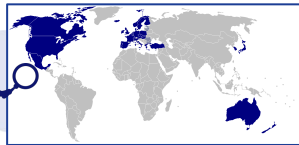
Prevention

Common diseases

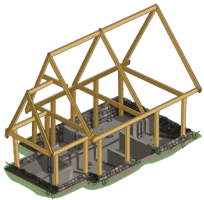
NPC's Research Portfolio on Health Care Spending



Is the US a Health Care Spending Outlier?



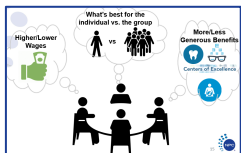
What Can We Learn from EX-US Health Systems?



Is There a Framework for Discussing Health Spending?



How Does Willingness to Pay Vary by Population?



What Tradeoffs Do Consumers Make When Selecting a Health Plan?



Why Aren't We Making Progress Disinvesting in Low-Value Care?

What We Need to Do:



Acknowledge that these are third rail issues



Bring all stakeholders into the dialogue



Stop finger pointing



Come together



Go below the surface to examine issues

The Dialogue Begins

Health Affairs

HEALTH AFFAIRS BLOG CONSIDERING HEALTH SPENDING

GOING BELOW THE SURFACE

CONSIDERING HEALTH SPENDING

By David M. Cutler

PERSPECTIVE What Is The US Health Spending Problem?

RESEARCH ARTICLE

ABSTRACT: Is increased spending on medical care harmful to the US economy? The overall share of the gross domestic product spent on medical care is not a problem, provided that the services bought are worth more than their cost. However, high and rising costs expose two often-overlooked problems. First, spending is too high because many dollars are wasted. Estimates suggest that unnecessary medical spending costs the typical American family thousands of dollars each year. Second, high medical costs combined with stagnant incomes for a large share of the population and the inability of governments at all levels to raise tax dollars leads to increased health and economic disparities: fewer people covered by private insurance, the rationing of care in public health programs, and the lack of funds for other social programs. These distribution issues, coupled with the large waste, imply that efforts to address medical spending need to be among our highest priorities.

David M. Cutler (Boston) is the City Economic Professor of Applied Economics in the Department of Economics at Harvard University and a research associate of the National Bureau of Economic Research, both in Cambridge, Massachusetts.

The latest national health expenditure projections forecast modest but increasing growth in medical spending as a share of the economy over the next decade. The Centers for Medicare and Medicaid Services estimates suggest that cost increases will be driven by price increases, though to a smaller extent than in the past, and that there will be continued increases in utilization and population aging.

Rising medical spending inevitably leads to political concern, and these forecasts seem destined to do the same. Is there some limit on what is reasonable for a country to spend on health? In this perspective I consider the economics of medical spending and, in particular, whether the US spends too much. I argue that there are harms from spending as much as the US does but that those harms are not what is commonly feared.

Start with the central fear about medical spending: The US economy will suffer if we devote increasing amounts of our income to just one industry. On the contrary, there is no economic law that governs how much money should

be spent on any industry. In fact, the shares of different industries in economic output vary greatly. In 1900 one-third of value added was in agriculture. In 1950 one-quarter was in manufacturing. Today those two industries combined account for only 13 percent of the gross domestic product (GDP). At least some of medical care's increasing share of the GDP is a natural response to food and manufactured goods becoming cheaper and thus demand moving elsewhere. There is no obvious harm in this reallocation.

However, noting that high spending on medical care is not *prima facie* problematic does not imply that we needn't worry about the level of such spending in the United States. There are two reasons why high and rising medical spending is problematic: It is associated with substantial waste, and it makes society more unequal.

A Large Part Of Spending Is Wasteful
A large number of studies have estimated the waste in health care. Estimates suggest that between one-quarter and one-half of medical

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Why We Need A Serious Conversation About Health Spending

Robert Dubois

DECEMBER 7, 2017

10.1377/hlthaff.20171208.346960



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This week, the government released its annual headline-grabbing assessment of how much money we spent on health care in 2016 as compared to the year before and health care's share of the economy. This time, the overall-spending number came in at \$3.3 trillion, up 4.3 percent from 2015.

Those figures will trigger a hundred response pieces, most of them proposing simple fixes that are not up to the task of changing the way we view health care in this country. We know that those easy fixes aren't up to the task because we have been discussing ways to cut spending for years. We were here a year ago, when spending hit \$3.2 trillion (17.7% of GDP). We were here at the turn of the millennium, when the \$1.4 trillion (13.8% of GDP) we spent was broadly condemned as unsustainable.

Interpreting National Health Expenditure Projections: Issues And Challenges

Michael E. Chernew

FEBRUARY 14, 2018

10.1377/hlthaff.20180214.597184



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Health Affairs today published the projections for health spending over the next decade from the Centers for Medicare and Medicaid Services (CMS) Office of the Actuary. The top line estimate is that health spending will grow at 5.5 percent per year through 2026. This rate is about halfway between the pre-recession rate of 7.3 percent and the exceptionally low rate (3.8 percent) projected during the recession and immediate aftermath. This projected spending growth is 1 percentage point above expected gross domestic product (GDP) growth, a smaller gap than for almost any 10-year period since 1990. These non-partisan, thorough projections are a valuable benchmark for all stakeholders anticipating the fiscal footprint of the health care system on the economy, but there are several important issues to keep in mind.



Health Spending:
Tackling the Big Issues
February 1, 2018
Washington, DC



Let's Start the Journey



https://commons.wikimedia.org/wiki/File:Desert_road_UAE.JPG