

The Drivers of US Health Care Spending

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U.S. Healthcare Spending

Health consumption expenditures per capita, U.S. dollars, PPP adjusted, 2018



Notes: U.S. value obtained from National Health Expenditure data. Health consumption does not include investments in structures, equipment, or research.

Source: [KFF analysis of OECD and National Health Expenditure \(NHE\) data](#) • [Get the data](#)
• [PNG](#)

Peterson-KFF
Health System Tracker

What if the price of food increased like the price of health care?



\$57



\$65



\$160

Source: Institute of Medicine, Best Care at Lower Cost: The Path to Continuously Learning Health Care in America (2013) and updated to 2019 dollars with the Federal Reserve Bank Consumer Price Index Inflation Calculator.

Why do we spend so much on health care?



Drivers of US Health Care Spending

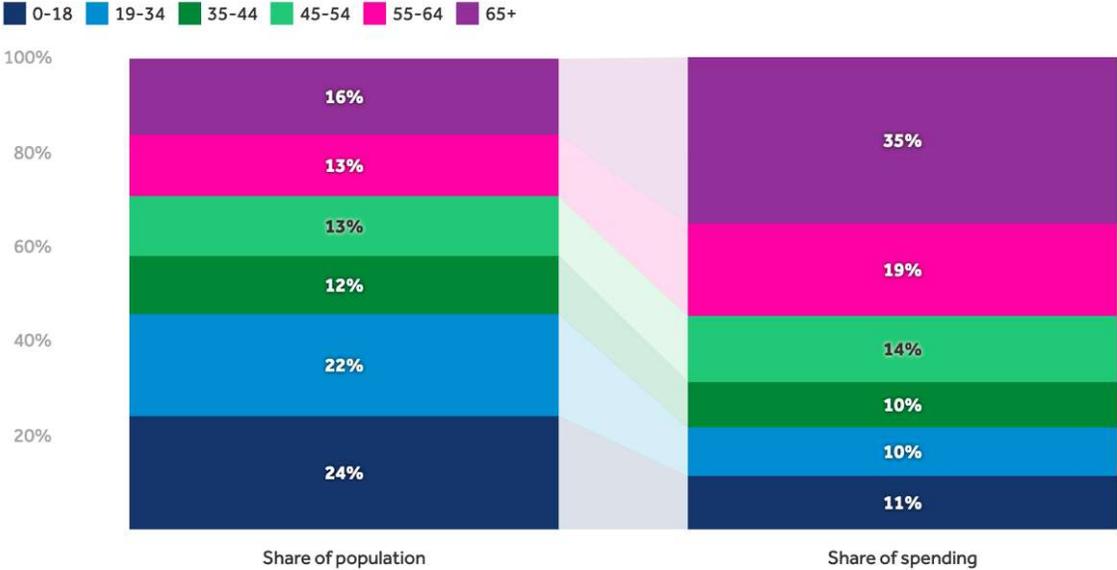
POPULATION-BASED FACTORS

- Aging Population
- Chronic Disease
- Obesity
- Mental Illness/Substance Abuse

SYSTEM-BASED FACTORS

- Overutilization
- High Prices
- Industry Consolidation
- High administrative costs

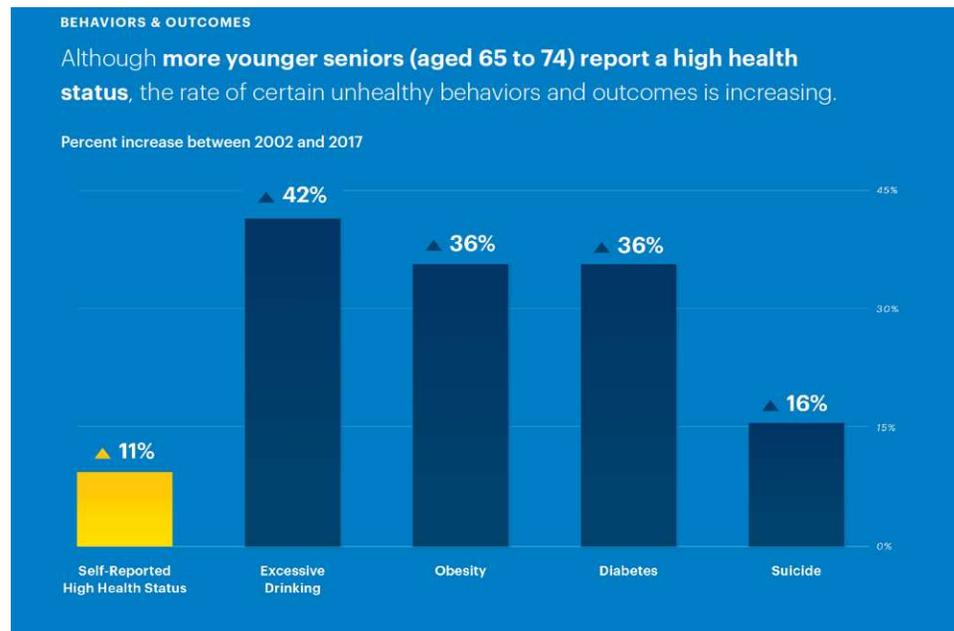
Share of total health spending by age group, 2017

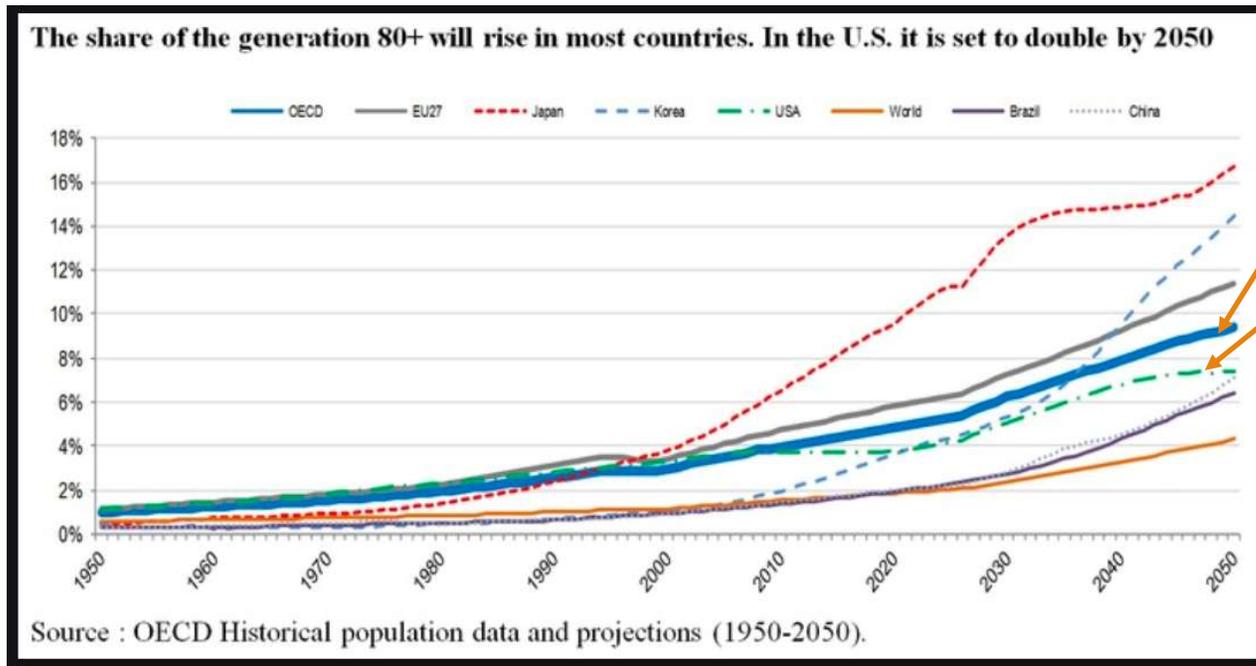


Source: KFF analysis of Medical Expenditure Panel Survey • [Get the data](#) • PNG

Peterson-KFF
Health System Tracker

Aging Population

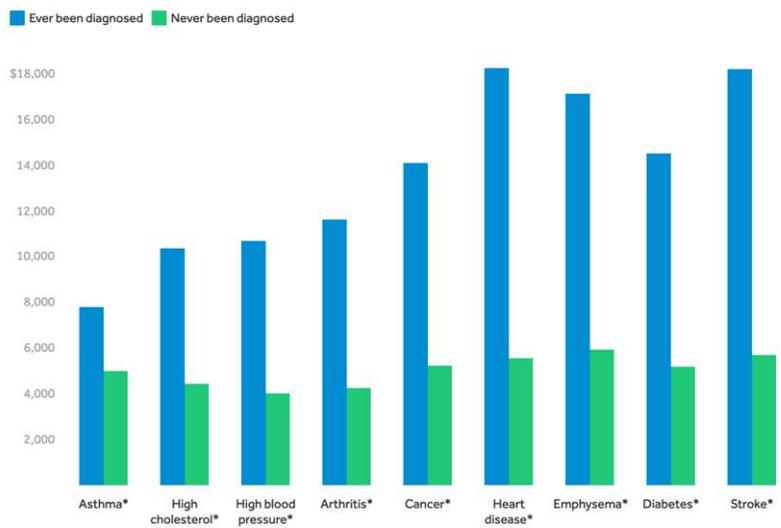




Comparison of Aging Populations

Chronic Disease

Per capita health spending based on diagnosis status, in U.S. Dollars, 2017



Note: *Estimate is significantly different from estimate for all other groups ($p < .05$). For all diagnoses shown, with the exception of asthma, diagnosis status was asked only of respondents age 18 or older. All respondents were asked about their asthma diagnosis status.

Source: KFF analysis of Medical Expenditure Panel Survey • Get the data • PNG

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Health System Tracker

JK4

Update

Jaime King, 9/22/2020

Obesity

Obesity* Trends Among U.S. Adults



*BMI ≥ 30 , or ~ 30 lbs. overweight for 5' 4" person.

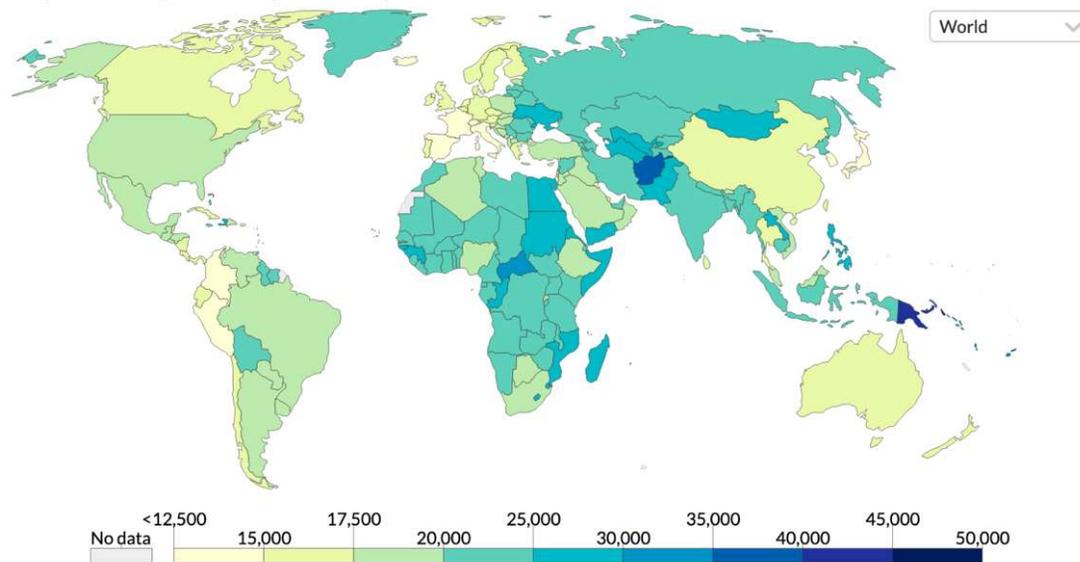
Data: Behavioral Risk Factor Surveillance System (1985, 2008, 2016), CDC.

Source: D. Blumenthal and S. Seervai, "Rising Obesity in the United States Is a Public Health Crisis," *To the Point*, the Commonwealth Fund, Apr. 23, 2018.

DALY rates from non-communicable diseases (NCDs), 2017

Age-standardized DALY (Disability-Adjusted Life Year) rates per 100,000 individuals from non-communicable diseases (NCDs). DALYs are used to measure total burden of disease - both from years of life lost and years lived with a disability. One DALY equals one lost year of healthy life.

Our World
in Data



Source: IHME, Global Burden of Disease

CC BY

▶ 1990

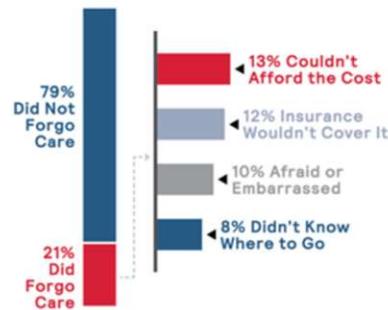
○ 2017

Mental Health and Substance Use Disorders Were the Leading Cause of Disease Burden in the US in 2015

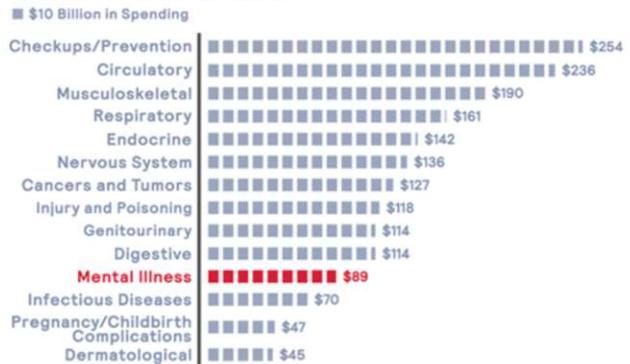
Disability adjusted life years (DALYs) rate per 100,000 population



1 in 5 Reported That They or a Family Member Had to Forgo Needed Mental Health Services in 2016



Mental Illness Treatment Accounted for \$89 Billion (5%) of Total Medical Services Spending in the US in 2013



Authors: Rabah Kamal; Cynthia Cox, MPH; and David Rousseau, MPH; for the Kaiser Family Foundation.

Source: Kaiser Family Foundation analysis. Original data and detailed source information are available at kff.org/JAMA_8-01-2017.
Please cite as: *JAMA*. 2017;318(5):415. 10.1001/jama.2017.8558



Mental Illness/Substance Abuse

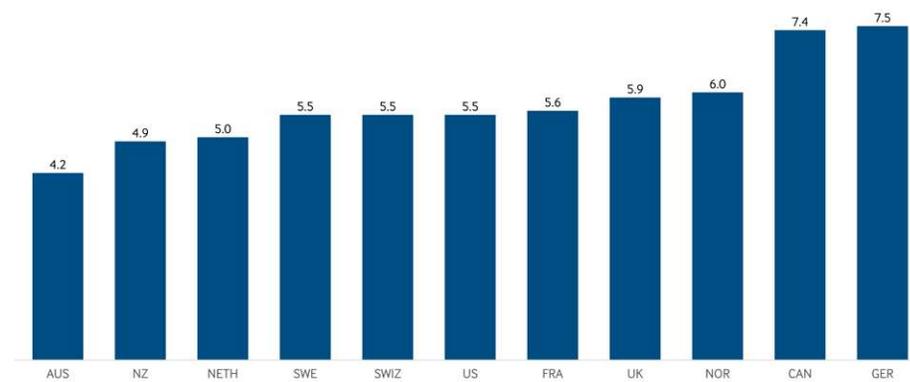
Spending = Price x Utilization



Utilization: Hospital Stays

Average length of stay for acute care (days)

OECD average: 6.4



[Download data](#)

Notes: Data reflect average length of stay for curative (acute) care for physical and mental/psychiatric illnesses, or treatment of injury; diagnostic, therapeutic, and surgical procedures; and obstetric services. Excludes rehabilitative care, long-term care, and palliative care. Data for 2017 or nearest year: 2016 for AUS, FRA, NZ, US. OECD average reflects the average of 36 OECD member countries, including ones not shown here.

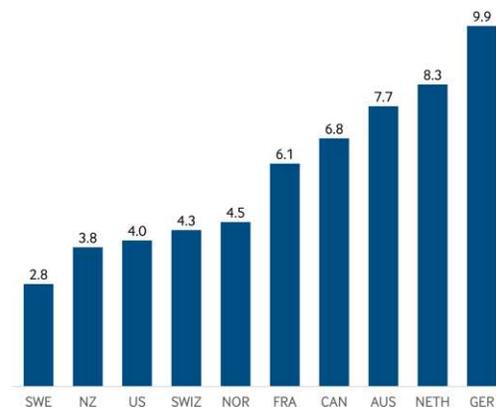
Data: OECD Health Statistics 2019.

Source: Roosa Tikkanen and Melinda K. Abrams, *U.S. Health Care from a Global Perspective, 2019: Higher Spending, Worse Outcomes?* (Commonwealth Fund, Jan. 2020). <https://doi.org/10.26099/7avy-fc29>

Utilization – Physician Visits

Average physician visits per capita, 2017

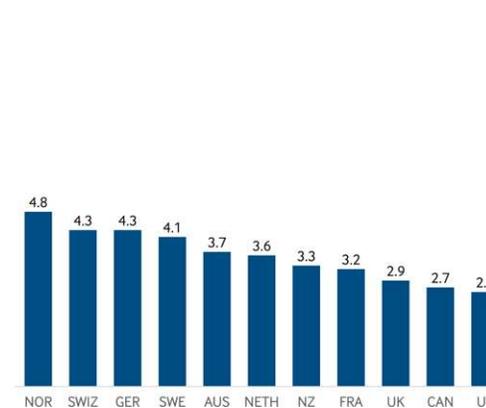
OECD average: 6.8



Download data

Practicing physicians per 1,000 population, 2018

OECD average: 3.5



Download data

Notes: Physician visit data reflect 2017 or nearest year: 2016 for FRA, 2011 for US. No recent data for UK (since 2009). Physician supply data for 2018 or nearest year: 2017 for AUS, GER, NETH, SWIZ, US; 2016 for SWE. OECD average reflects the average of 36 OECD member countries, including ones not shown here.

Data: OECD Health Statistics 2019.

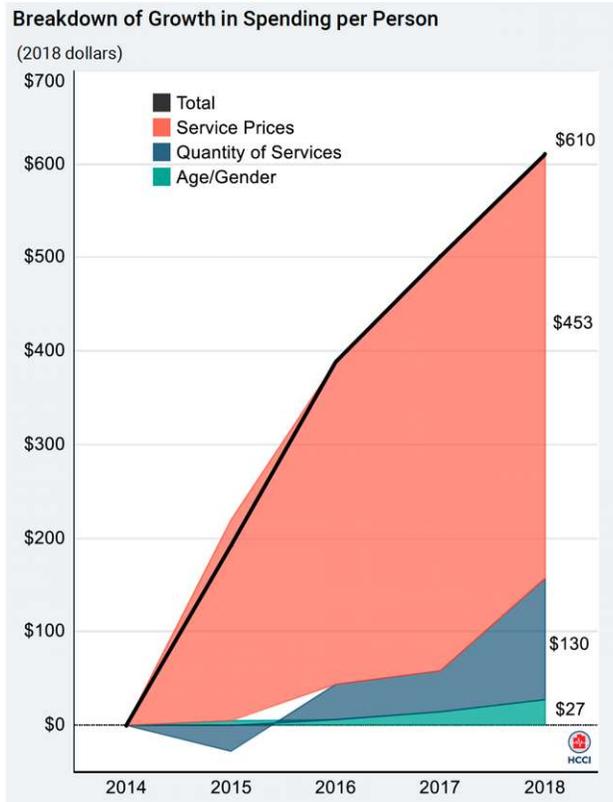
Source: Roosa Tikkanen and Melinda K. Abrams, *U.S. Health Care from a Global Perspective, 2019: Higher Spending, Worse Outcomes?* (Commonwealth Fund, Jan. 2020). <https://doi.org/10.26099/7avv-fc29>

“Defensive Medicine”

Real, but Low Impact on Healthcare Spending:

- Less than 2 percent of total health care spending (Congressional Budget Office in 2004)
- 2.4 percent of total national health care spending in 2008. (Mello et. al.)
- Only 2.9% of costs were completely defensive in one MA hospital system (Rothberg et. al.)





Service Prices.

Higher prices accounted for **74%** of total spending increases above inflation over the 5-year period - an average of **\$453** per person.

Quantity of Services.

Increased utilization of medical services, which was concentrated in 2018, accounted for **21%** of spending growth after inflation - an average of **\$130** per person.

Age/Gender.

Demographic shifts in the employer-insured population accounted for **4%** of post-inflation spending growth over the 5-year period - an average of **\$27** per person.

Source: HCCI, 2018 Health Care Cost and Utilization Report

U.S. Health Care Prices Are the Elephant in the Room

BY UWE E. REINHARDT MARCH 29, 2013 6:00 AM 156

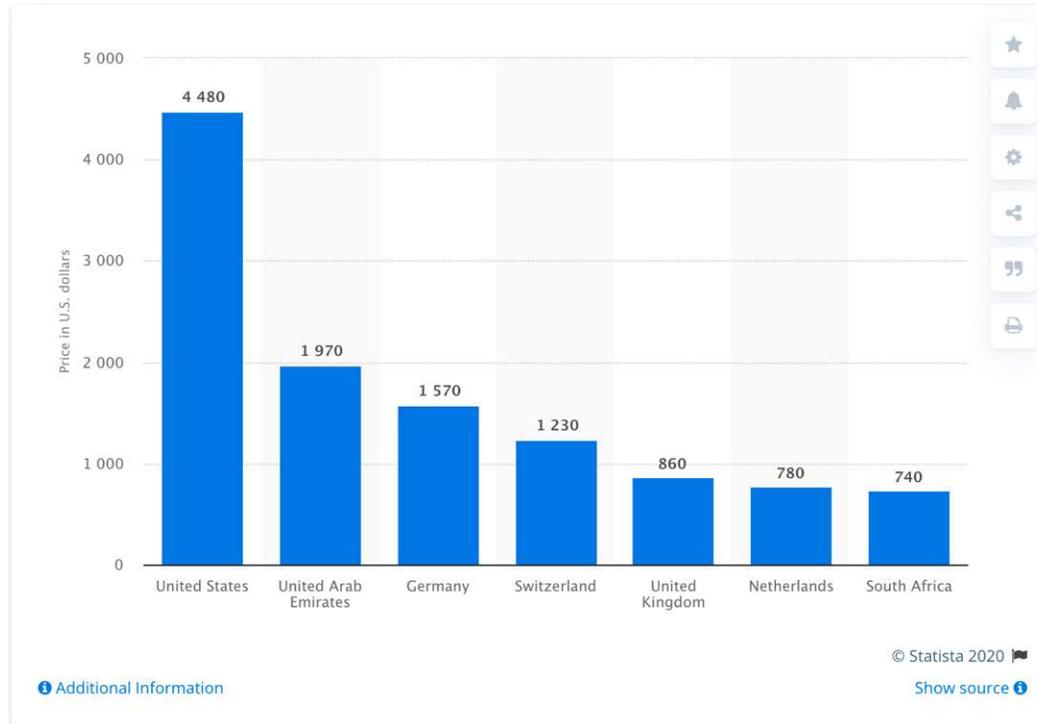
HEALTH AFFAIRS > VOL. 22, NO. 3

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

Gerard F. Anderson, Uwe E. Reinhardt, ... See all authors

BRIEF

Prices — not use — drive higher healthcare costs, HCCI says



Price for Humira Pen, 2 kit, 40 mg in 2017 USD

<https://www.statista.com/statistics/312014/average-price-of-humira-by-country/>

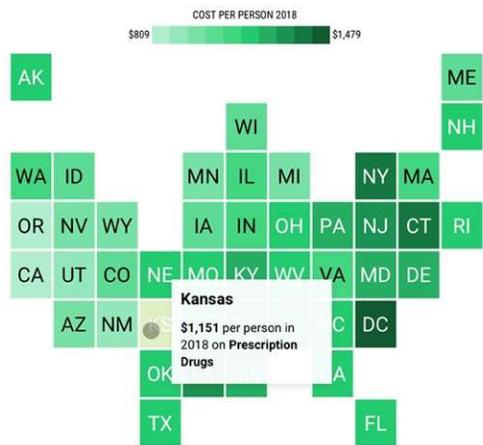
Pharmaceutical Prices

2018 Spending per Person by Service Category

CHOOSE A STATE: Kansas ●

● Inpatient
 ● Outpatient
 ● Prescription Drug
 ● Professional
 ⓘ

— Selected State
 - - - - U.S. Average
 ⓘ



Average Annual Spending per Person on Prescription Drugs in Kansas

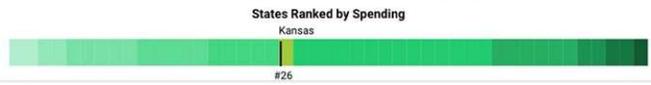
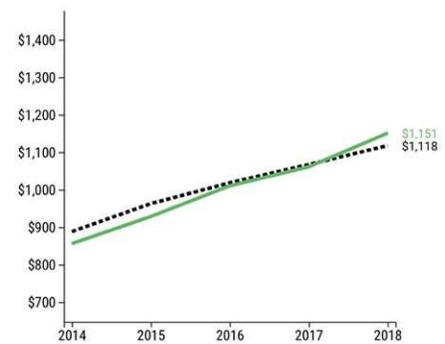
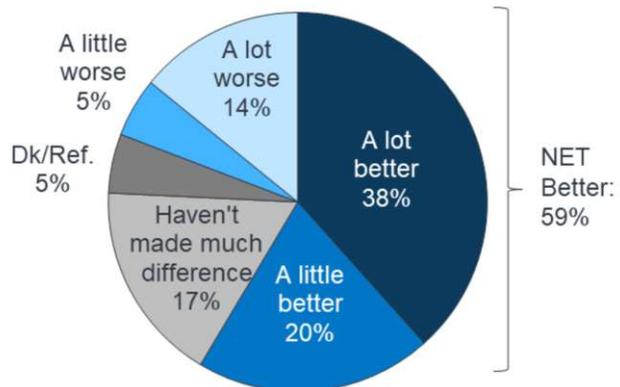


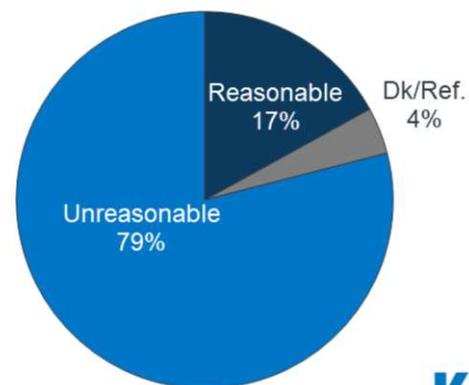
Figure 1

While A Majority Of Adults Say Prescription Drugs Have Made Lives Better, Most Say The Cost Is Unreasonable

Do you think prescription drugs developed over the past 20 years have generally made the lives of people in the U.S....?



In general, do you think the cost of prescription drugs is reasonable or unreasonable?



SOURCE: KFF Health Tracking Poll (conducted February 14-24, 2019). See topline for full question wording and response options.



Figure 1: While A Majority Of Adults Say Prescription Drugs Have Made Lives Better, Most Say The Cost Is Unreasonable

Pharmaceutical Prices

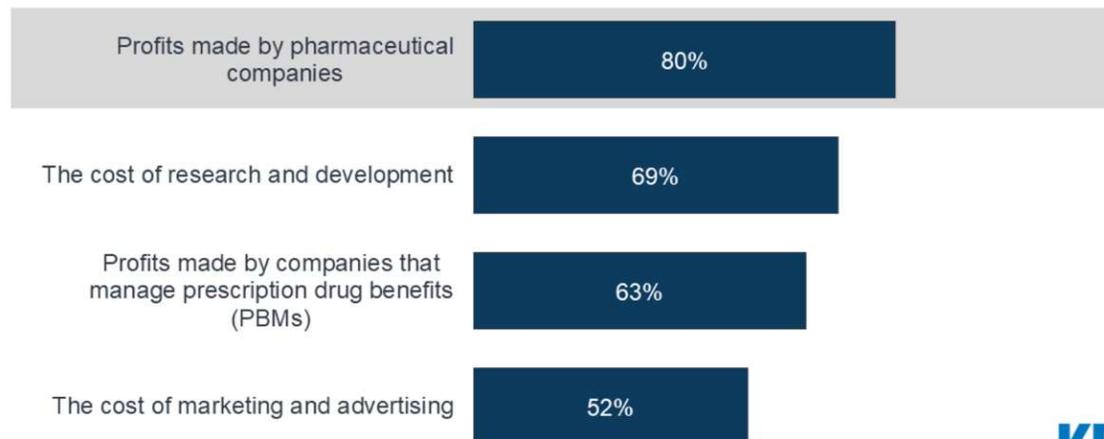
Table 3. Six in Ten Of Those Who Report Difficulty Affording Prescription Drugs Report Not Taking Their Medication As Prescribed

Percent who say they have done the following in the past 12 months because of the cost:	Total	Those Who Report Difficulty Affording Their Prescription Drugs	Those Who Report No Difficulty Affording Their Prescription Drugs
Not filled a prescription for a medicine	19%	41%	11%
Taken an over-the-counter drug instead	18	29	9
Cut pills in half or skipped a dose	12	35	6
Did any of the above	29	58	17
Condition got worse	8	27	5

Figure 2

Public Sees Profits Made By Drug Companies As The Largest Contributor To Prescription Drug Prices

Percent who say each of the following is a **major factor** contributing to the price of prescription drugs:

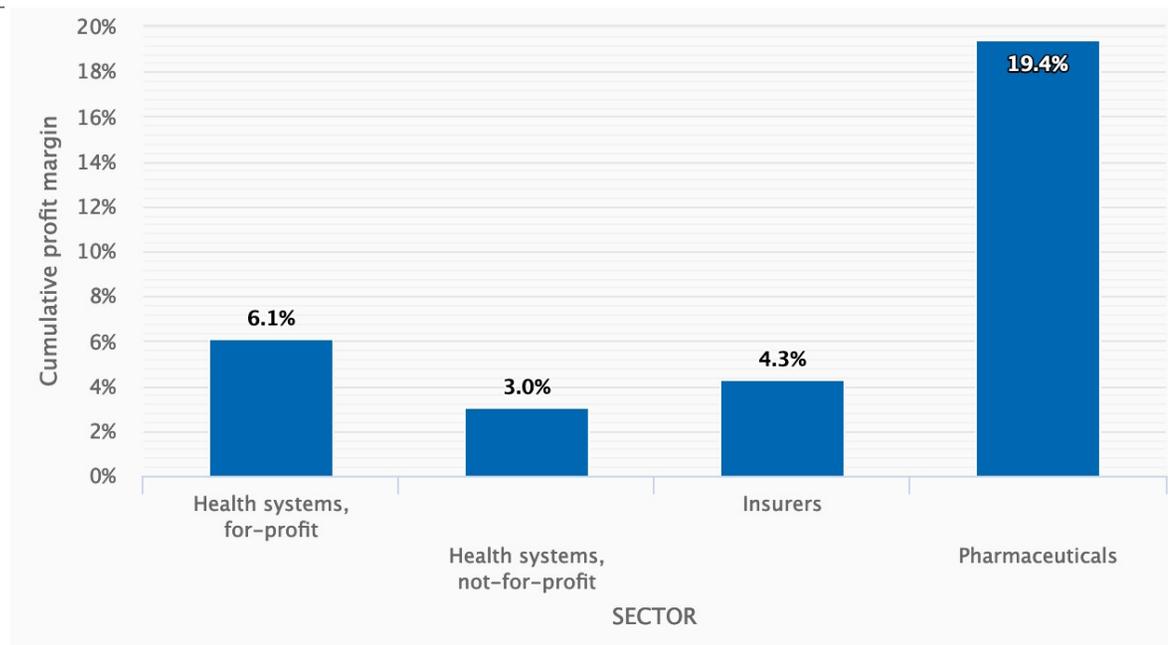


SOURCE: KFF Health Tracking Poll (conducted February 14-24, 2019). See topline for full question wording and response options.



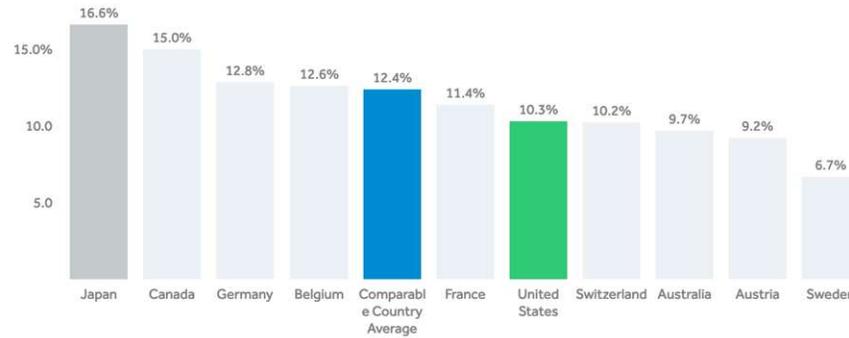
Figure 2: Public Sees Profits Made By Drug Companies As The Largest Contributor To Prescription Drug Prices

Profit Margins Across Health Care Industries



Source: Bannow, Dems villanize insurers, even as pharma profits dominate, Modern Healthcare 8/1/19

Prescription drug spending share of total expenditure on health, 2016



Source: KFF analysis of OECD data • [Get the data](#) • PNG

Peterson-Kaiser
Health System Tracker

Total pharmaceuticals (Rx and over-the-counter) spending, USD Millions, 2016



Source: KFF analysis of OECD data • [Get the data](#) • PNG

Peterson-Kaiser
Health System Tracker

Figure 1: Medical Prices in 2017 as a Percent of US Prices



“Prices are the primary reason why US spends more on health care than any other country”

- Gerard F. Anderson, Peter Hussey, and Varduhi Petrosyan, *It's Still The Prices, Stupid: Why The US Spends So Much On Health Care, And A Tribute To Uwe Reinhardt*, Health Affairs 38:1 (2019)

Source: John Hargraves and Aaron Bloschichak, International comparisons of health care prices from the 2017 iFHP survey, Health Care Cost Institute's #HealthyBytes Blog (Dec. 17, 2019), <https://healthcostinstitute.org/blog/entry/international-comparisons-of-health-care-prices-2017-ifhp-survey>

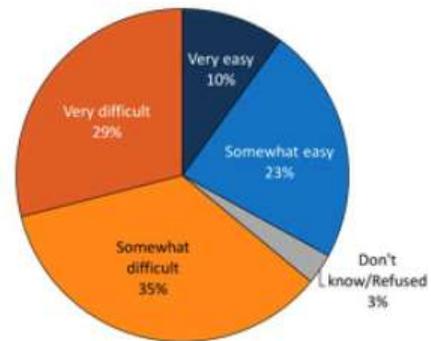
What Happened to US Health Care Prices?

- Failure to protect essential elements of a free market system – price transparency and competition.
- Failure to rigorously enforce antitrust laws.
- Failure to regulate to control prices when competition no longer exists.

Failure to Protect Price Transparency

Nearly Two-Thirds Say It Is Difficult To Find Out What Medical Care Will Cost

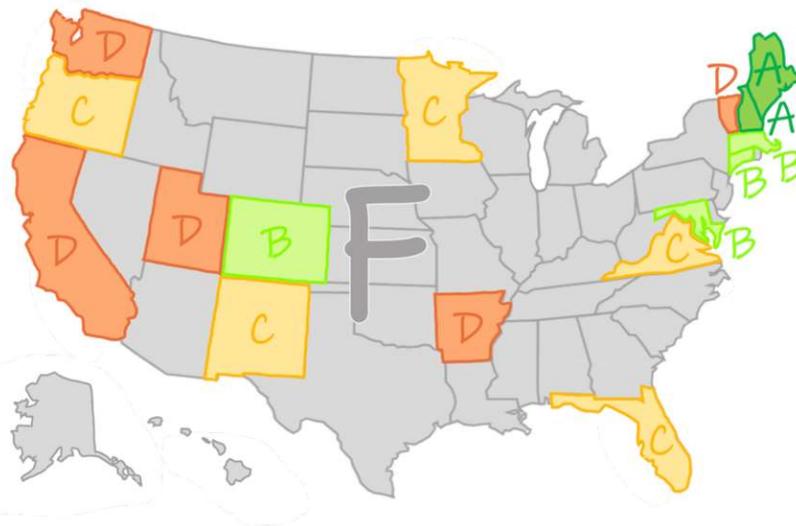
In general, how easy or difficult would you say it is to find out how much medical treatments and procedures provided by different doctors or hospitals would cost you?



SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted April 8-14, 2015)



THE 2020 REPORT CARD ON STATE PRICE TRANSPARENCY LAWS



GRADE	STATES
A	Maine New Hampshire
B	Colorado Connecticut Maryland Massachusetts
C	Florida Minnesota New Mexico Oregon Virginia
D	Arkansas California Utah Vermont Washington
F	Alabama Alaska Arizona Delaware Georgia Hawaii Idaho Illinois Indiana Iowa Kansas Kentucky Louisiana Michigan Mississippi Missouri Montana Nebraska Nevada New Jersey New York North Carolina North Dakota Ohio Oklahoma Pennsylvania Rhode Island South Carolina South Dakota Tennessee Texas West Virginia Wisconsin Wyoming

Source: Murray, et al, Report Card on State Price Transparency Laws (2020)

Antitrust Enforcement Losses Fuel Consolidation

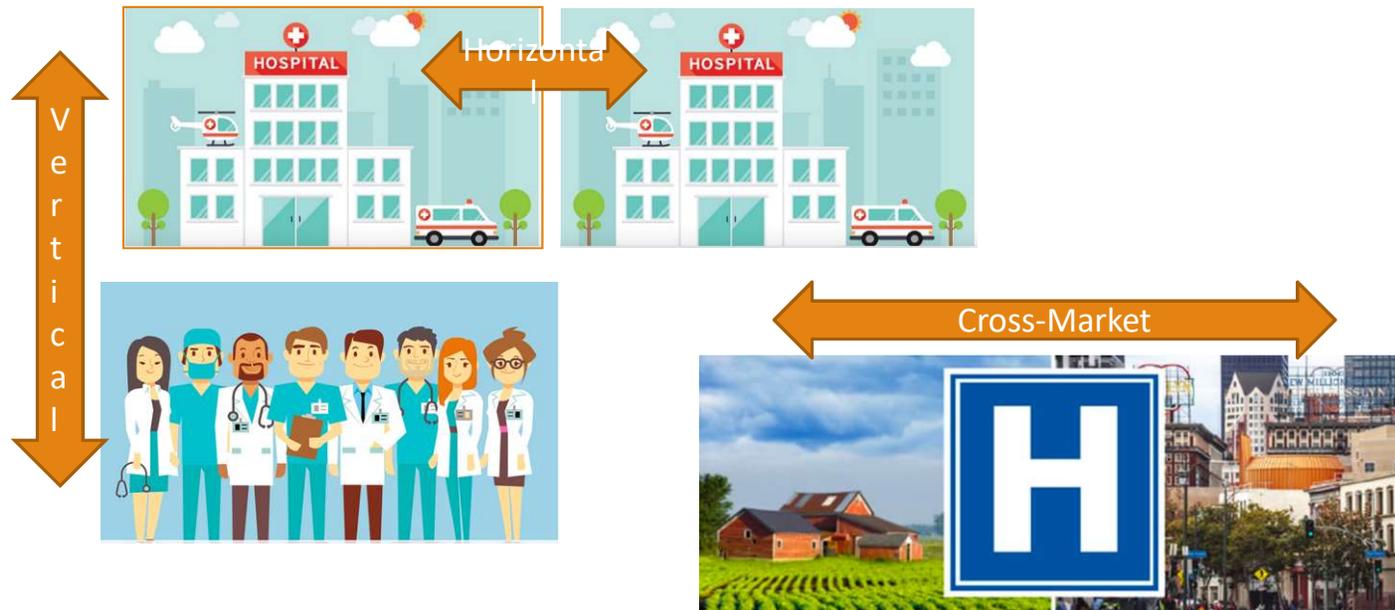
Table 1
Litigated Hospital Merger Cases

Year	Case	Location	Blocked?
1 1989	United States v. Rockford Mem. Hosp., 717 F. Supp. 1251 (N.D. Ill. 1989), <i>aff'd</i> , 898 F.2d 1278 (7th Cir.).	Rockford, IL	Yes
2 1991	FTC v. Univ. Health, 1991-1 Trade Cases ¶ 69,400 (S.D. Ga.) and 1991-1 Trade Cases ¶ 69,444 (S.D. Ga.), <i>rev'd</i> , 938 F.2d 1206 (11th Cir. 1991).	Augusta, GA	Yes
3 1994	<i>In re</i> Adventist Health Sys. (<i>Ukiah</i>), 117 F.T.C. 224 (1994).	Ukiah, CA	No
4 1995	FTC v. Freeman Hosp., 911 F. Supp. 1213 (W.D. Mo. 1995), <i>aff'd</i> , 69 F.3d 260 (8th Cir. 1995).	Joplin, MO	No
5 1995	United States v. Mercy Health Serv., 902 F. Supp. 968 (N.D. Iowa 1995), <i>vacated as moot</i> , 107 F.3d 632 (8th Cir. 1997).	Dubuque, IA	No
6 1996	FTC v. Butterworth Health Corp., 946 F. Supp. 1285 (W.D. Mich. 1996), <i>aff'd per curiam</i> , No. 96-2440 (6th Cir. July 8, 1997).	Grand Rapids, MI	No
7 1997	United States v. Long Island Jewish Med. Ctr., 983 F. Supp. 121 (E.D.N.Y. 1997).	New Hyde Park, NY	No
8 1998	FTC v. Tenet Healthcare Corp., 17 F. Supp. 2d 937 (E.D. Mo. 1998), <i>rev'd</i> 186 F.3d 1045 (8th Cir. 1999).	Poplar Bluff, MO	No
9 2000	California v. Sutter Health Sys., 84 F. Supp. 2d 1057 (N.D. Cal.), <i>aff'd mem.</i> , 2000-1 Trade Cas. (CCH) U 87,665 (9th Cir. 2000), <i>revised</i> , 130 F. Supp. 2d 1109 (N.D. Cal. 2001).	Oakland, CA	No
10 2004	<i>In re</i> Evanston Nw. Healthcare Corp., No. 9315 (F.T.C. Aug. 6, 2007).	Evanston, IL	N/A
11 2008	<i>In re</i> Inova Health Sys. Found., No. 9326 (F.T.C. May 8, 2008).	Manassas, VA	Abandoned
12 2011	<i>In re</i> ProMedica Health Sys., No. 12-3583 (6th Cir. Apr. 22, 2014).	Toledo, OH	Yes
13 2011	FTC v. Phoebe Putney Health Sys., No 11-12906 (11th Cir. Dec. 9, 2011), <i>rev'd</i> , No. 11-1160, slip op. (U.S. Feb. 19, 2013).	Albany, GA	No
14 2012	FTC v. OSF Healthcare Sys., No. 11 C 50344 (N.D. Ill. Apr. 5, 2012).	Rockford, IL	Yes

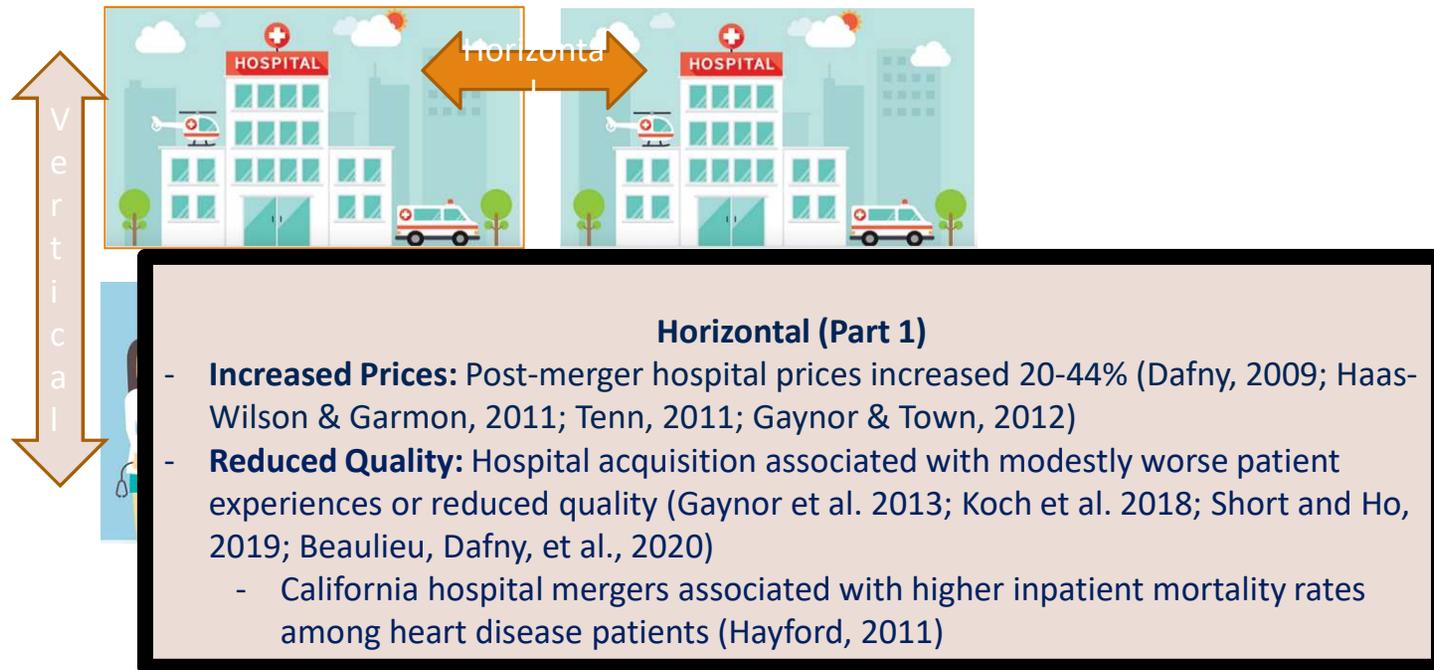
SOURCE: Author's review of hospital merger cases. Inova abandoned its proposed acquisition after the FTC filed suit to block the deal.

Source: Cory S. Capps, From Rockford to Joplin and back again: The impact of economics on hospital merger enforcement, 59 The Antitrust Law Bulletin 443, 449 (2014).

Healthcare Merger Mania



Healthcare Merger Mania



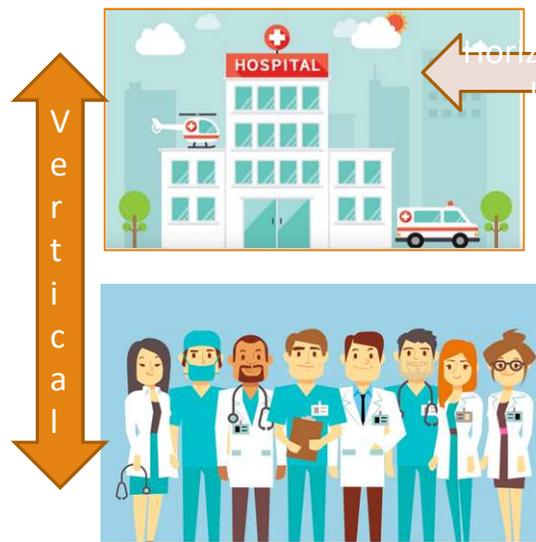
Healthcare Merger Mania



Horizontal (Part 2)

- **Increased Premiums:** Higher hospital concentration associated with higher ACA premiums (Boozary, et al., 2019)
- **Reduced Wage Growth:** Hospital mergers reduced wage growth by 6.3% for nurses and pharmacists (Prager and Schmitt, 2019)
- **Higher Costs:** Hospitals in larger systems have higher operating costs than hospitals in smaller systems (Burns et al., 2015)

Healthcare Merger Mania



Vertical

- **Higher Physician Prices:** Physician prices increase post-merger by an average of 14% (Capps, Dranove, & Ody, 2018)
 - Cardiologist prices increased by 33.5% (*Id.*)
 - Orthopedist prices increased by 12-20% (Koch and Ulrick, 2017)
- **Higher Clinic Prices:** Hospital-acquired clinic prices increased 32–47% within four years (Carlin, Feldman & Dowd, 2017)
- **Higher Hospital Prices** (Baker, Bundorf, Kessler, 2014)
- **Little to no quality improvements** (McWilliams et al. 2013; Neprash et al. 2015; Short and Ho, 2019)

Unlikely to trigger federal antitrust review

Healthcare Merger Mania

Cross-Market

Rising number of cross-market mergers

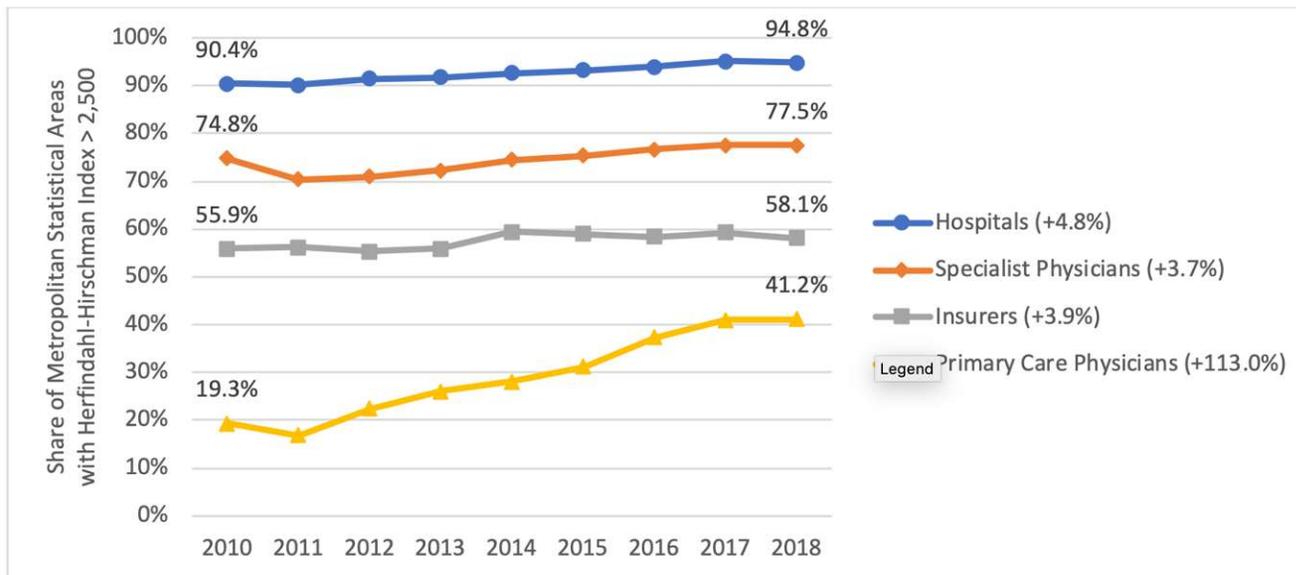
Increased Prices: 7-17% increases in prices for independent hospitals purchased by out-of-market systems (Lewis & Pflum, 2016; Dafny, Ho, & Lee 2019)

Increased Competing Hospital Prices: Price increases by 7.8% in nearby rival hospitals (Lewis & Pflum, 2016)



Health Care Consolidation

Figure 1: Healthcare Market Concentration Levels 2010-2018



Source: Nicholas C. Petris Center on Health Care Markets and Consumer Welfare (petris.org), University of California, Berkeley, analysis of data from the American Hospital Association Annual Survey, SK&A Office Based Physicians Database from IQVIA, and Managed Market Surveyor File from [HealthLeaders InterStudy](http://HealthLeadersInterStudy.com) (Decision Resources Group).

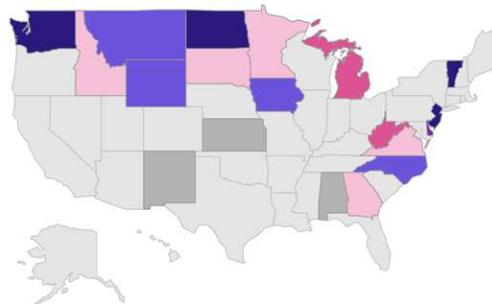
Merger Oversight in Super Concentrated States

State Merger Oversight and Market Concentration from 2010-2018



These overlay maps combine and show the intersection of statutory merger oversight authority and market concentration levels of hospitals of all 50 states from 2010-2018. An upcoming report will analyze the impact of state merger review authority on market concentration.

< State Merger Oversight for States that are Super Concentrated in 2018 (HHI > 5,000) >

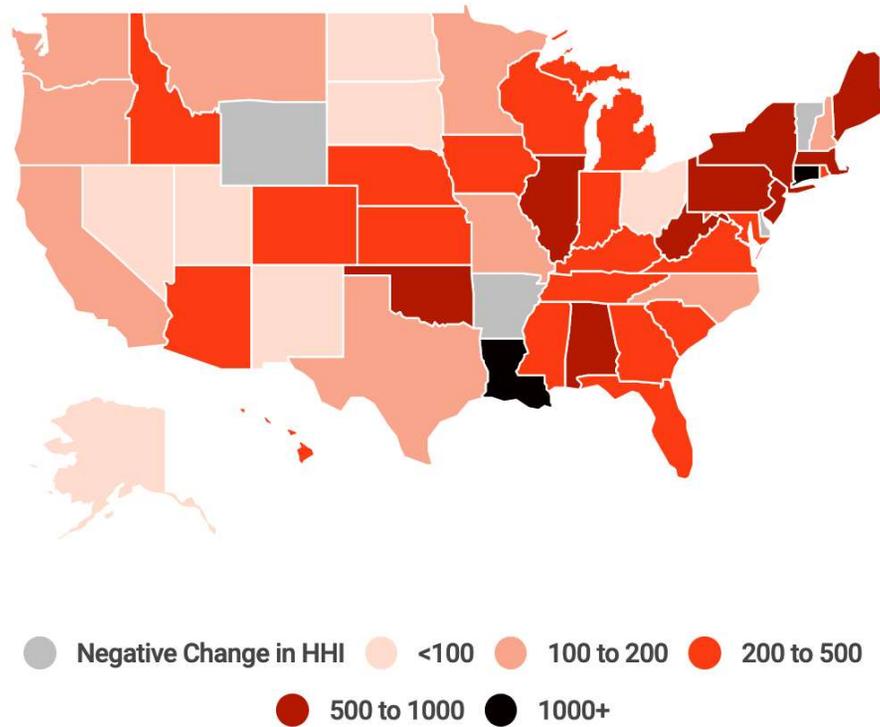


- No Statutory Oversight
- Notice Only
- Certificate of Need (CON) Required for Health Facility Acquisition
- Certificate of Need (CON) Required for Nonprofit Health Facility Acquisition
- Approval Required for Nonprofit Corporation Merger
- Approval Required for Nonprofit Hospital Merger

Download data

Data from 2010-2018
Source: The Source on Healthcare Price & Competition and the Petris Center

Change in HHI from 2010 to 2018

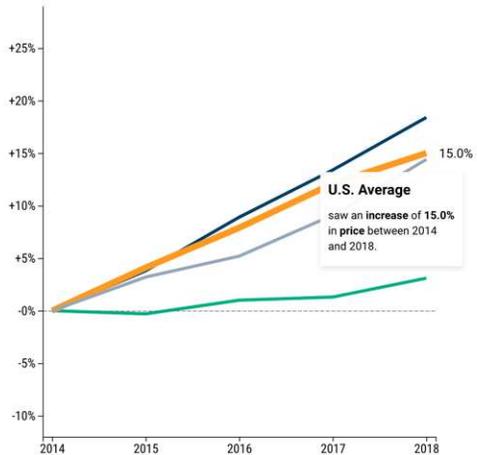
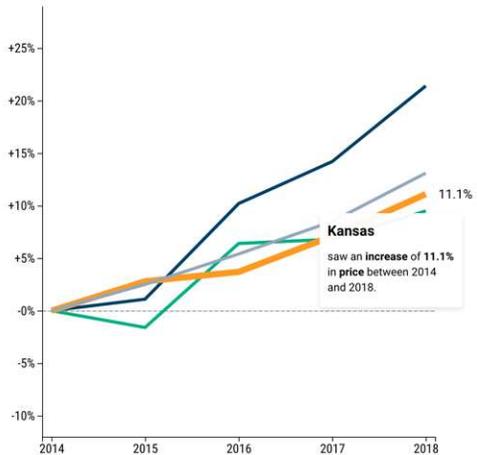


Source: The Source on Healthcare Price and Competition

Cumulative Growth in Spending per Person by State since 2014

CHOOSE A STATE: Kansas

— Spending
 — Utilization
 — Price
 — GDP Per Capita



Source: HCCI

Cumulative Spending Growth by Service Category in Each State since 2014

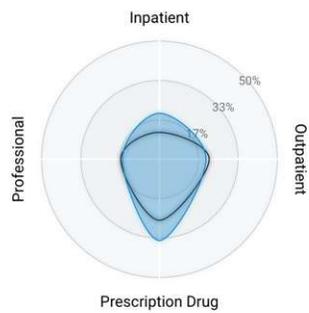
Selected States

Kansas Nebraska Oklahoma

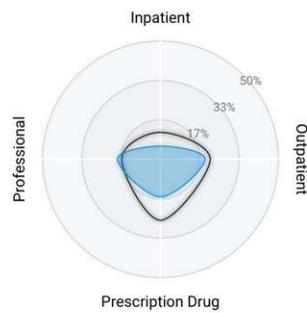
Reset Charts



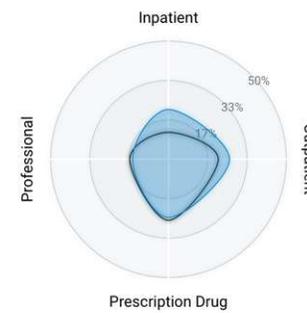
Kansas



Nebraska



Oklahoma

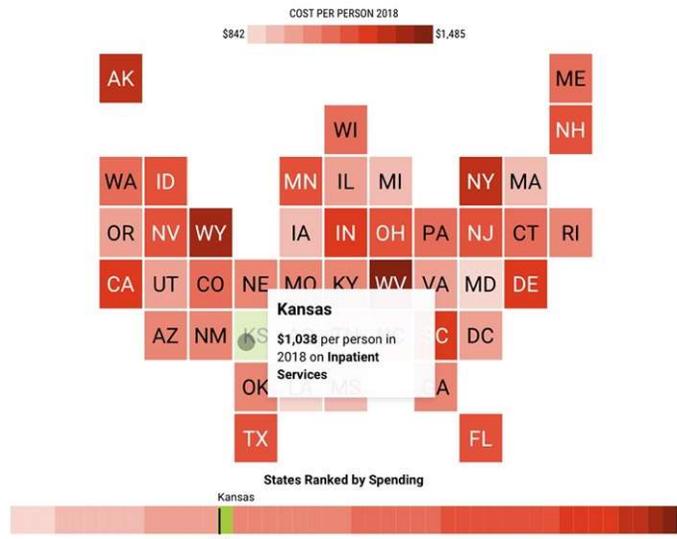


2018 Spending per Person by Service Category

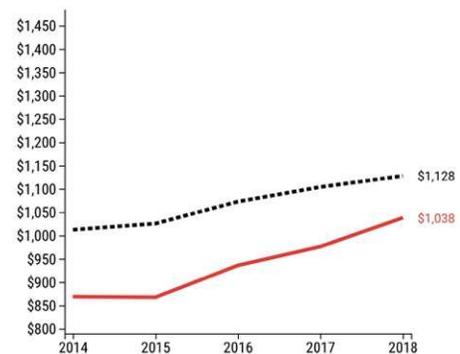
CHOOSE A STATE: Kansas ●

● Inpatient
 ● Outpatient
 ● Prescription Drug
 ● Professional

— Selected State
 - - - - U.S. Average



Average Annual Spending per Person on Inpatient Services in Kansas

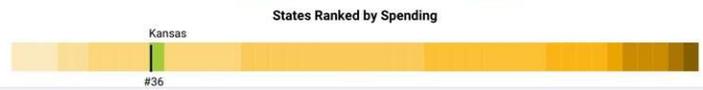
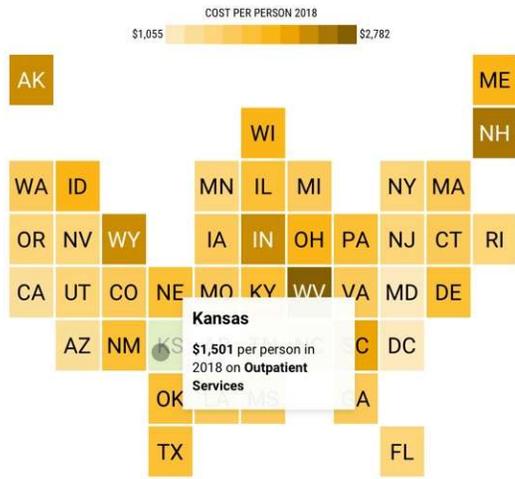


2018 Spending per Person by Service Category

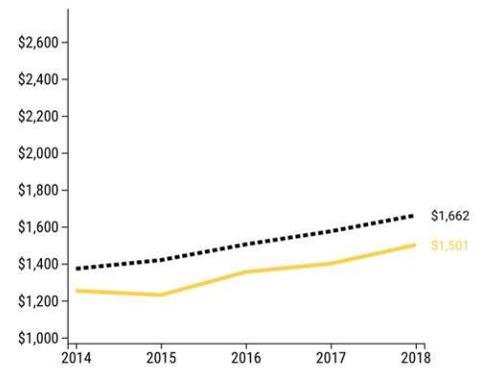
CHOOSE A STATE: Kansas ●

● Inpatient
 ● Outpatient
 ● Prescription Drug
 ● Professional

— Selected State
 - - - - U.S. Average



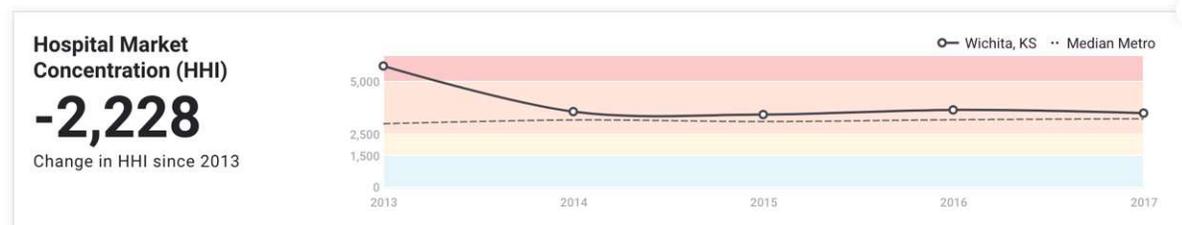
Average Annual Spending per Person on Outpatient Services in Kansas



The hospital market in **Wichita, KS** was **highly concentrated** in 2013. **Wichita, KS** experienced a **-2,228** point decrease in its HHI from 2013 to 2017.

Hospital Market Concentration

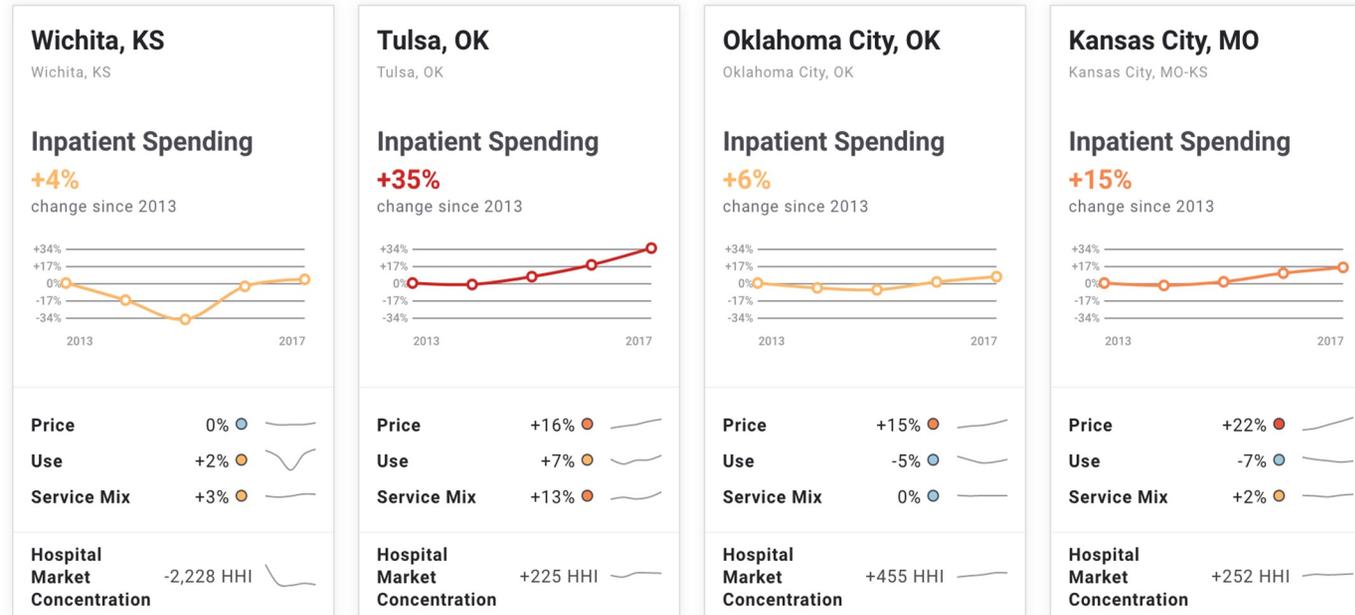
UNCONCENTRATED MODERATE HIGH VERY HIGH [Hover over the chart below to see more.](#)



[Read the Concentration Report](#)

How did spending in Wichita, KS compare to its peers?

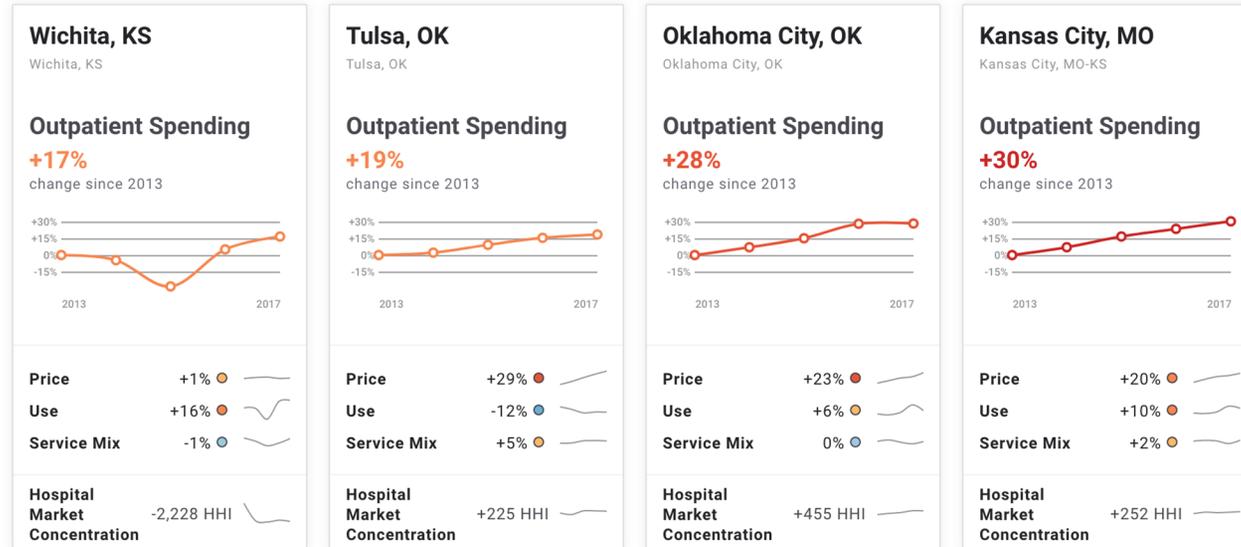
Healthy Marketplace Index



How did spending in Wichita, KS compare to its peers?

Healthy Marketplace Index

% Difference from National Median
-50% +50%



The New York Times

*Workers Pay More for Health Care as
Companies Shift Burden, Survey Finds*

HEALTH INSURANCE

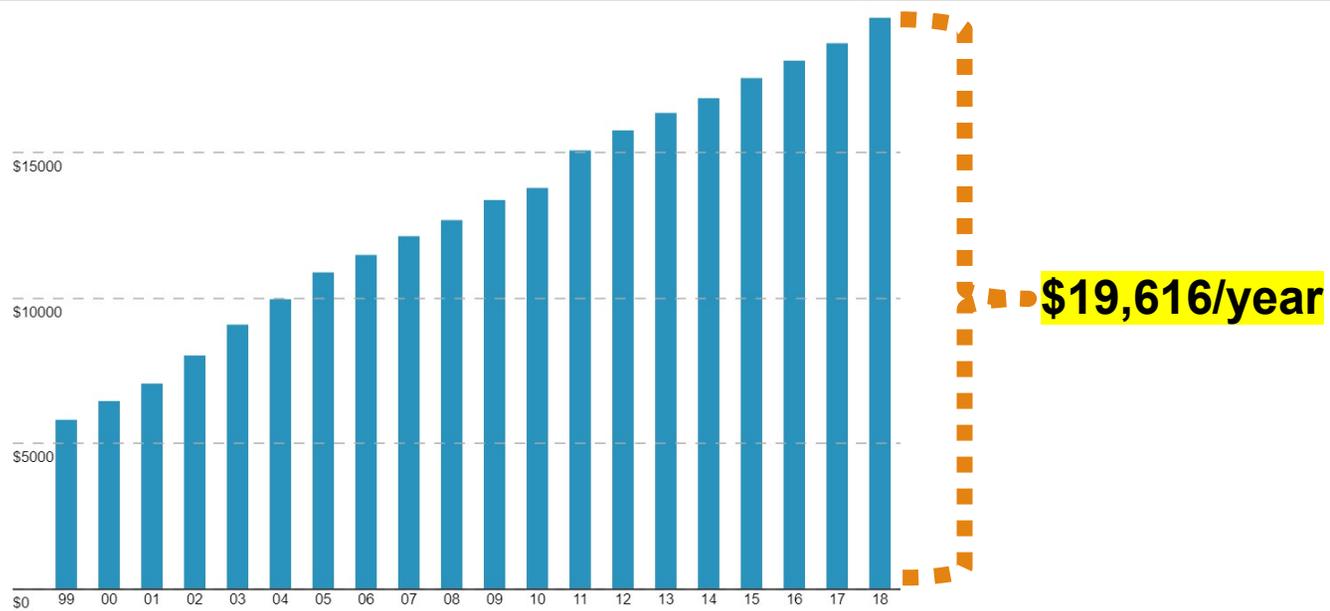
**Employers shifting more health-care
costs to employees**

PUBLISHED THU, SEP 24 2015 • 9:49 AM EDT

AP

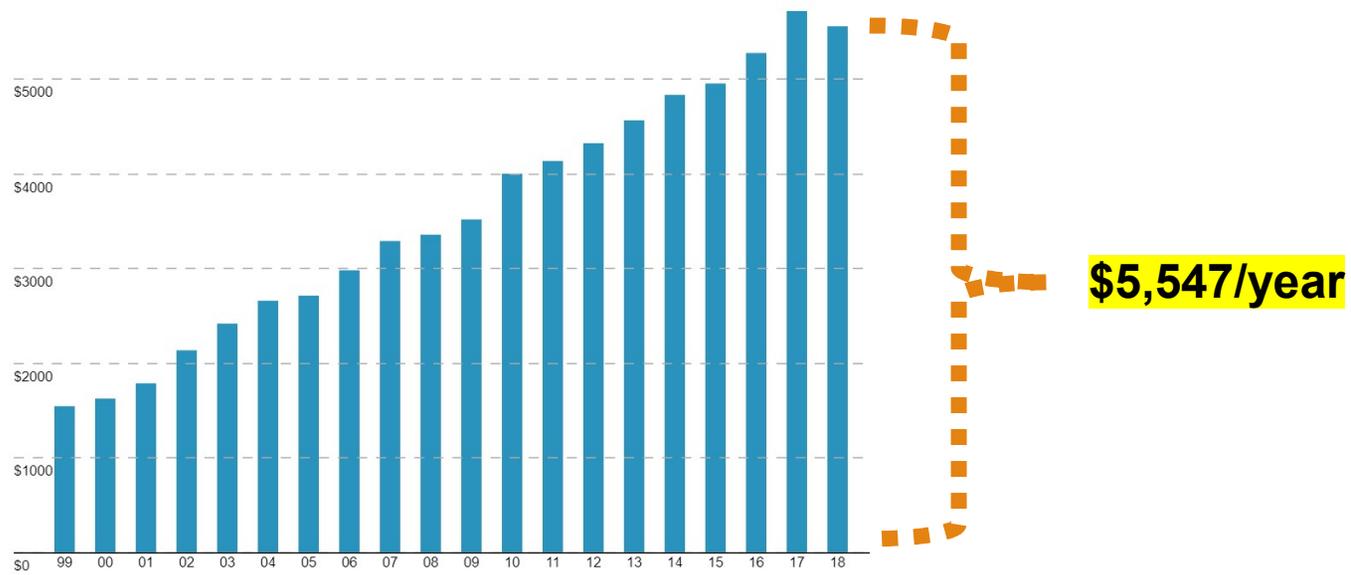
SHARE [f](#) [t](#) [in](#) [✉](#) [⋮](#)

Family's Premiums Increased 339% Since 1999



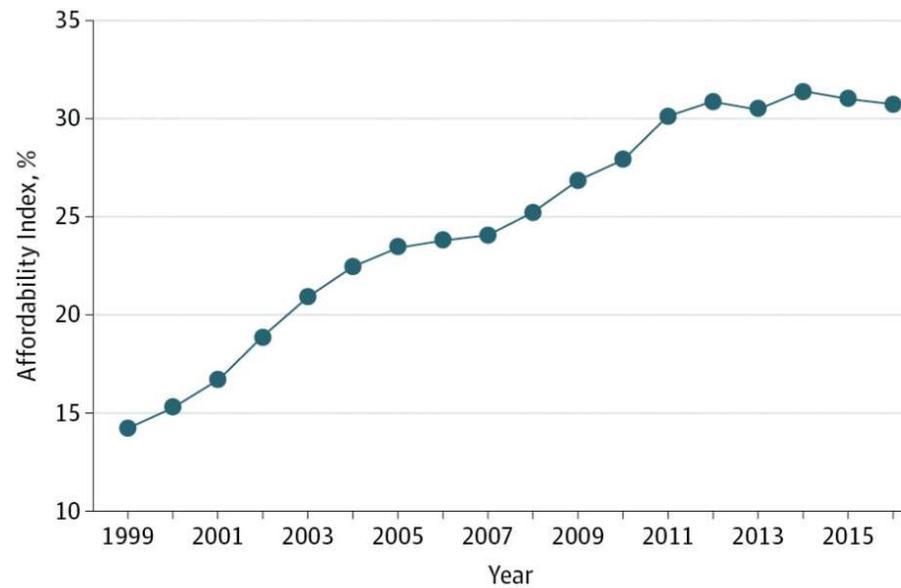
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits

Family's Worker Contributions Increased 359% Since 1999



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits

Figure 1. National “Affordability Index” – Family Health Insurance Premiums as a Percentage of Median Income, 1999 to 2016



Source: University Of Pennsylvania - The Leonard Davis Institute Of Health Economics, The Burden Of Health Care Costs For Working Families (2019)

Question	Major Concern (%)	Not A Major Concern (%)
Your health insurance plan will require you to pay higher premiums or a greater portion of medical expenses	61	37
You will not have enough money to pay for medical or healthcare	46	53

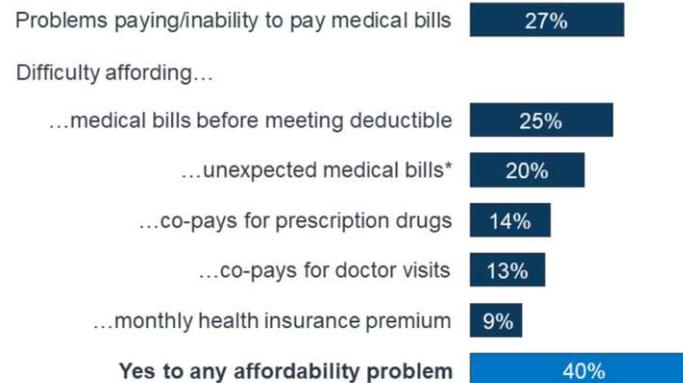
GALLUP, NOV. 1-11, 2018

Employer Sponsored Coverage Leaves Significant Gaps

Figure 7

Four In Ten People With Employer Coverage Report Difficulty Affording Some Type Of Health Care Or Insurance Cost

Percent who say they or a family member experienced each of the following in the past 12 months:

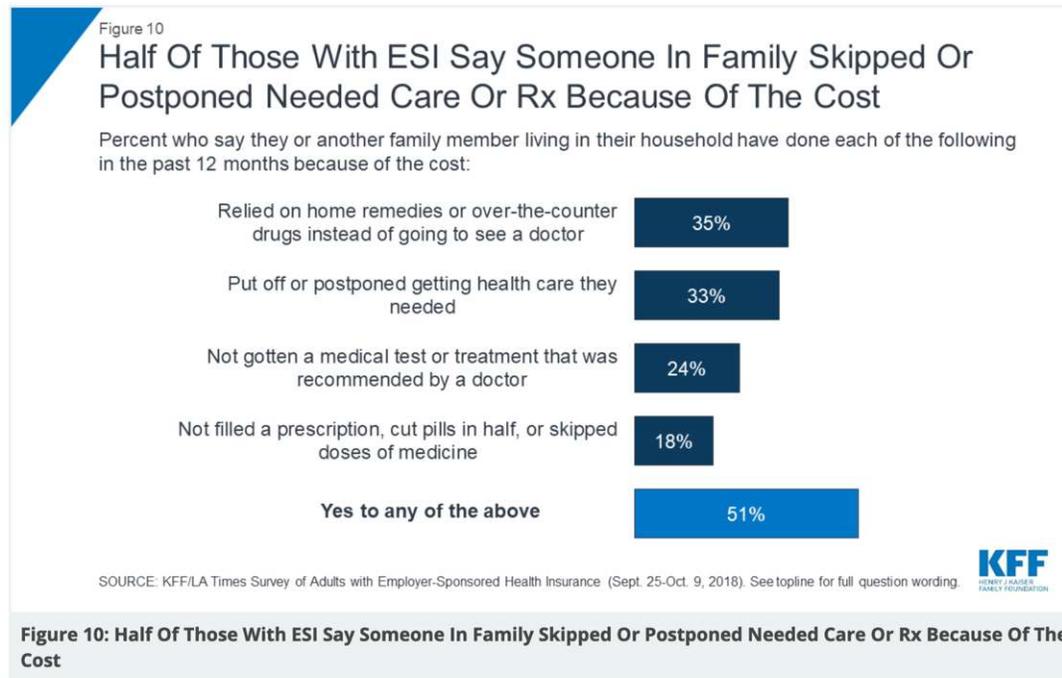


NOTE: *Unexpected medical bills include bills people thought would be covered, but the insurance company did not pay or paid less than expected.
SOURCE: KFF/LA Times Survey of Adults with Employer-Sponsored Health Insurance (Sept. 25-Oct. 9, 2018). See topline for full question wording.

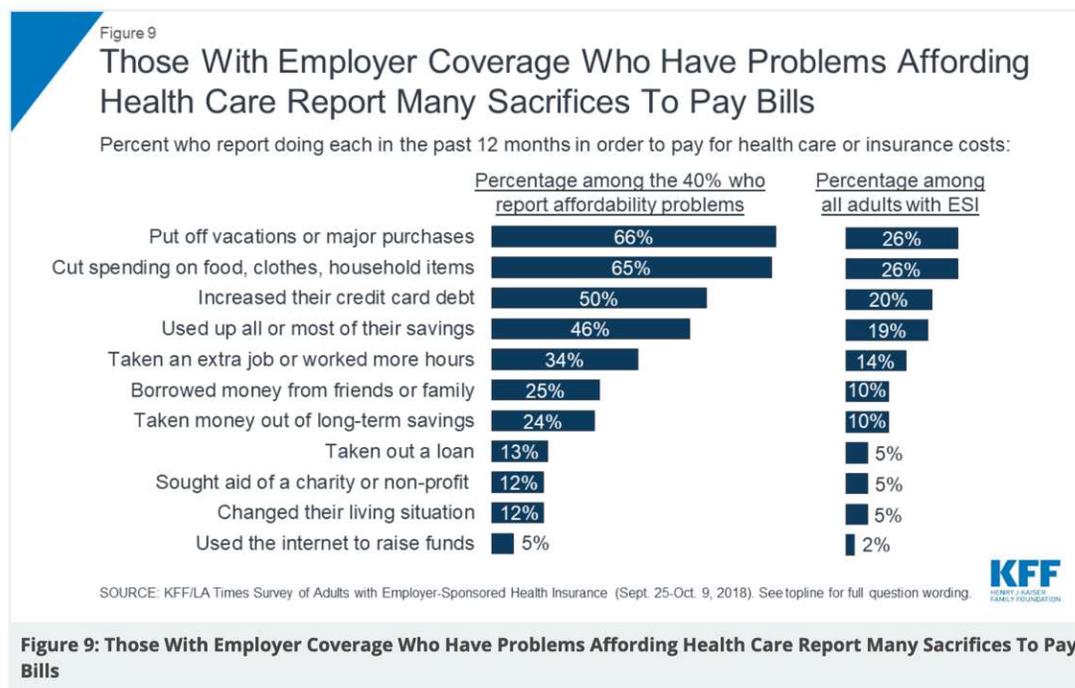


Figure 7: Four In Ten People With Employer Coverage Report Difficulty Affording Some Type Of Health Care Or Insurance Cost

Affect on Treatment



What Do People Do to Pay Medical Bills?



Options for Addressing High Prices and Consolidated Markets

Legislation Type	Examples	Litigation/ Enforcement	Examples
Address Specific Market Imperfections	<ul style="list-style-type: none"> Most Favored Nations Prohibitions Surprise Billing Laws Anti-Steering Prohibitions 	Pre-Merger Challenge	<ul style="list-style-type: none"> St. Luke's (ID) Partners/South Shore (MA)
Improve Market Function	<ul style="list-style-type: none"> Price Transparency Laws/APCDs Enhance Merger Review Revise Network Adequacy Laws 	Merger Review and Oversight	<ul style="list-style-type: none"> Beth Israel/Lahey (MA) UPMC/Highmark (PA)
Market Regulation	<ul style="list-style-type: none"> Rate Review Rate Caps Public Option Single Payer 	Challenge Anticompetitive Behavior	<ul style="list-style-type: none"> Becerra v. Sutter Health (CA) Atrium (NC)

Thank You!



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