

California State Assembly

Committee on Health

**Health Care Affordability:
Considerations for Controlling Costs in California**

Date: October 27, 2020

1:30 – 5:00 PM, State Capitol

Presenter:

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Health Spending Landscape in California

Health Spending Landscape

- Our goal is to build an efficient and comprehensive data and reporting system for California
- Existing data can help us understand health spending in California
 - National spending data
 - CMS
 - Foundations - Kaiser Family Foundation, Petersen
 - Non-profits – Health Care Cost Institute (HCCI) – Employer Claims database
 - State Level - California
 - CMS periodically releases aggregate state-level data.
 - The last release was in 2017 and contained data for 2014.
 - Research organizations make projections using consumer survey data
 - A RAND report published by CHCF this past spring had estimates for 2016.
 - The Integrated Healthcare Association
 - claims data from its health plan members and periodically publishes aggregate information.
 - State Agencies – OSHPD, DMHC, Others

Health Spending Across Services in California

More than 60% of CA health spending goes to doctors + hospitals

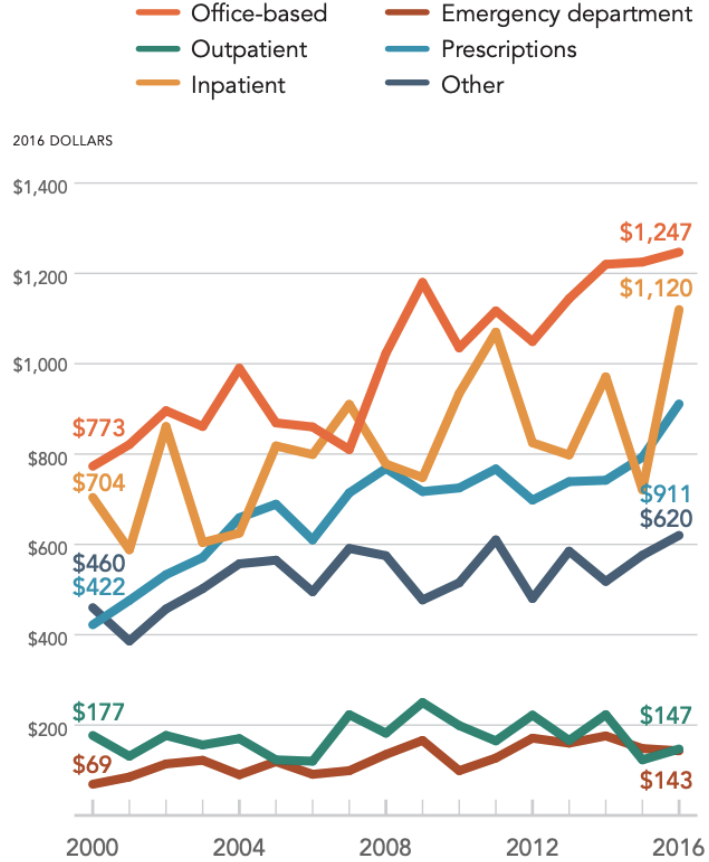
Health Spending, by Site of Service, 2016

SITE OF SERVICE	AMOUNT (BILLIONS)	SHARE OF TOTAL	AVERAGE PER-CAPITA
Office-based	\$59.2	28%	\$1,500
Inpatient	\$59.1	28%	\$1,500
Prescription drugs	\$45.6	21%	\$1,100
Dental	\$16.9	8%	\$400
Other	\$14.7	7%	\$400
Hospital outpatient	\$9.4	4%	\$200
Emergency	\$7.9	4%	\$200
Totals	\$213	100%	\$5,300

Source: CHCF, “Getting to Affordability: Spending Trends and Waste in California’s Health Care System”, January 2020

Note: Prescription Drugs includes IP + OP prescription + OP retail, non-prescription.

Spending Has Increased in All Sectors – Led by Office-Based, Inpatient Care, and Drugs



Source: CHCF, “Getting to Affordability: Spending Trends and Waste in California’s Health Care System”, January 2020

What Factors Are Driving Increased Health Spending?

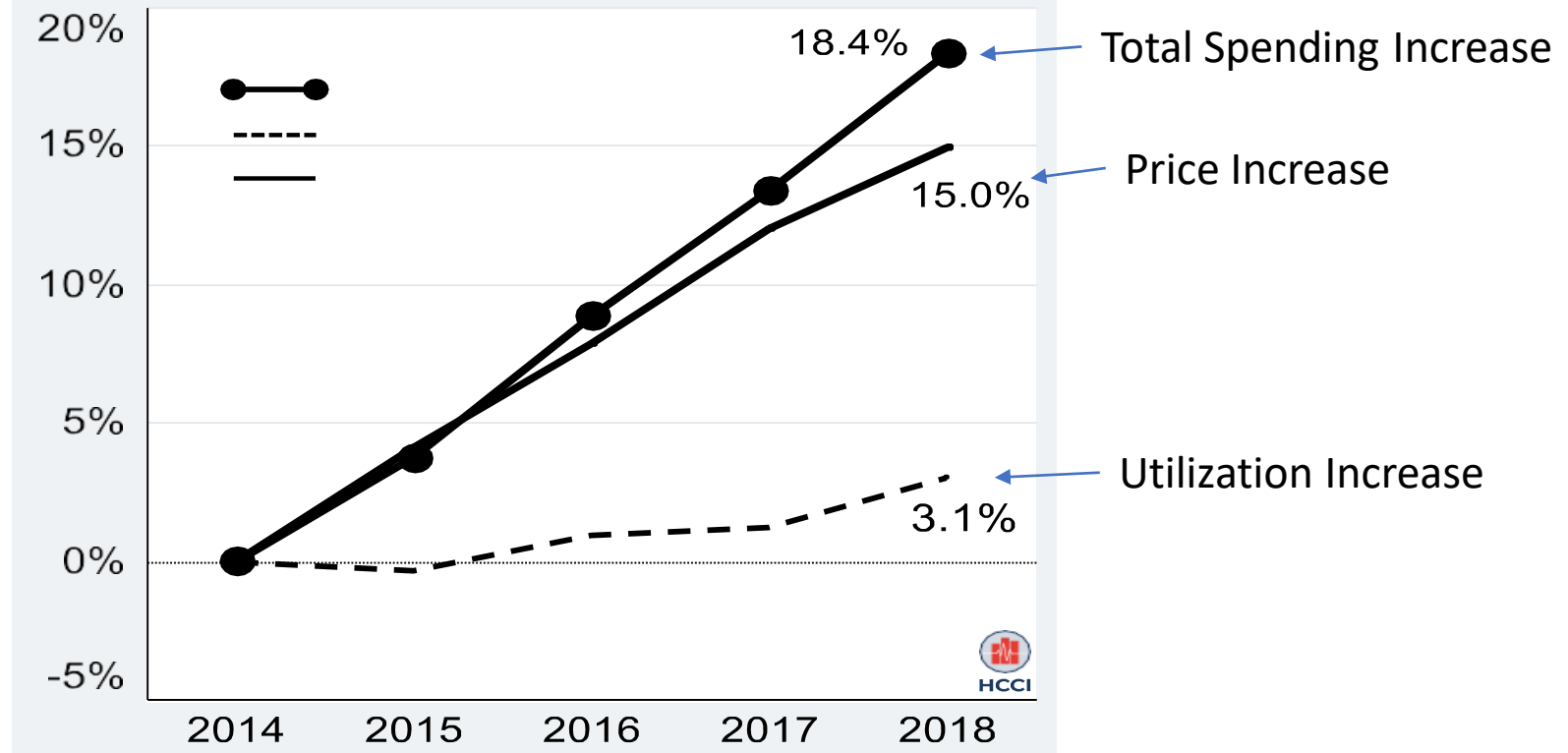
- California's new all payor claims database (HPD) will provide needed data to fully understand these trends
- National claims database analyzed by HCCI and California OSHPD data can provide some insight

Growth in Spending Driven Largely by Price Increases

Between 2014 and 2018:

- total annual spending per person increased from:
- \$4,978 to \$5,892.
- 18.4%

Figure 1: Cumulative Change in Spending per Person, Utilization, and Average Price since 2014



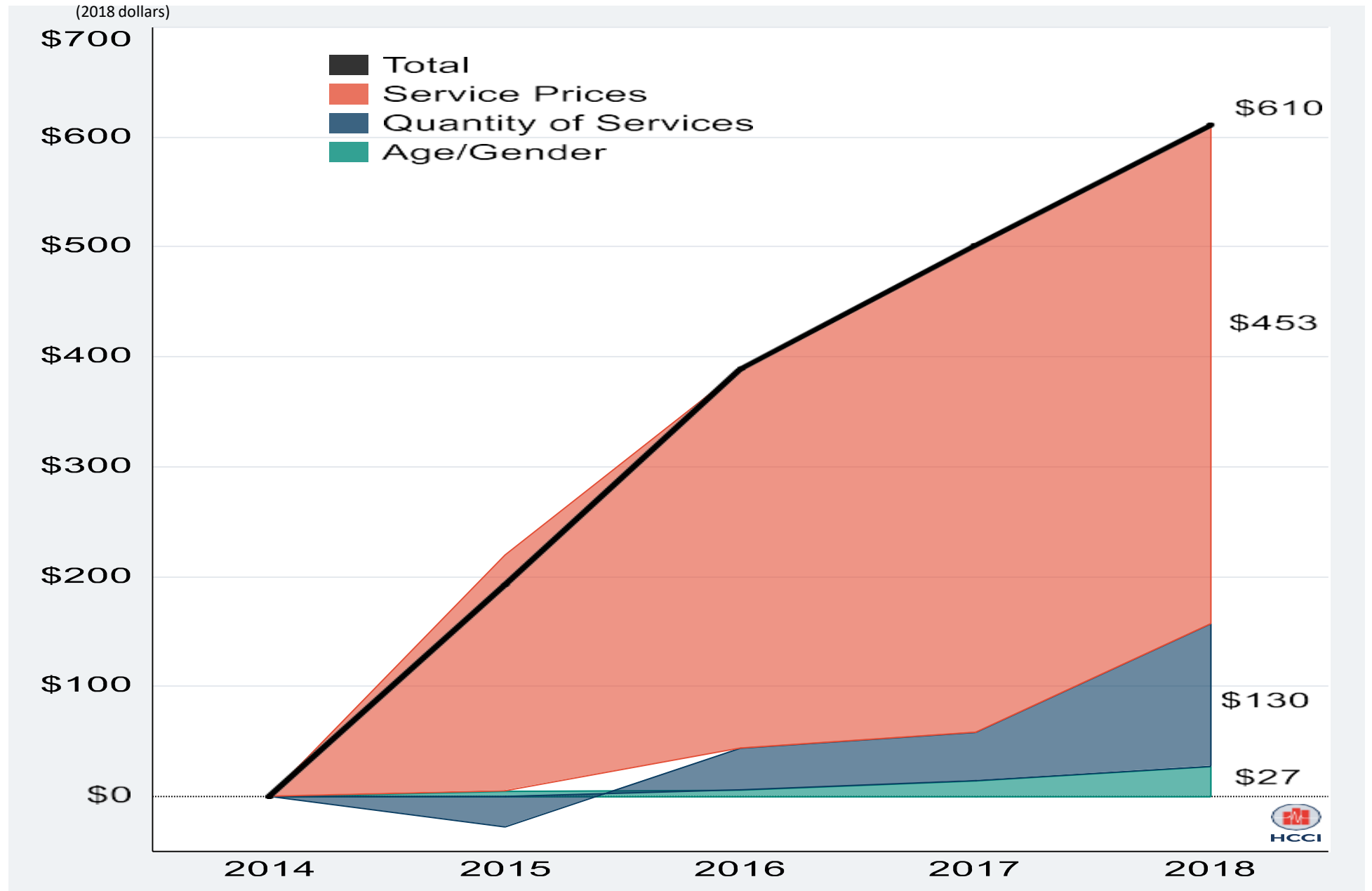
Source: Health Care Cost Institute (HCCI): 2018 Health Care Cost and Utilization Report, February 2020.

Note: Database includes claims for approximately 40 million individuals enrolled in employer-sponsored health insurance annually between 2014 and 2018.

Figure 2: Factors Contributing to Growth in Spending per Person

Between 2014 and 2018, general inflation accounted for \$304 of \$914 increase.

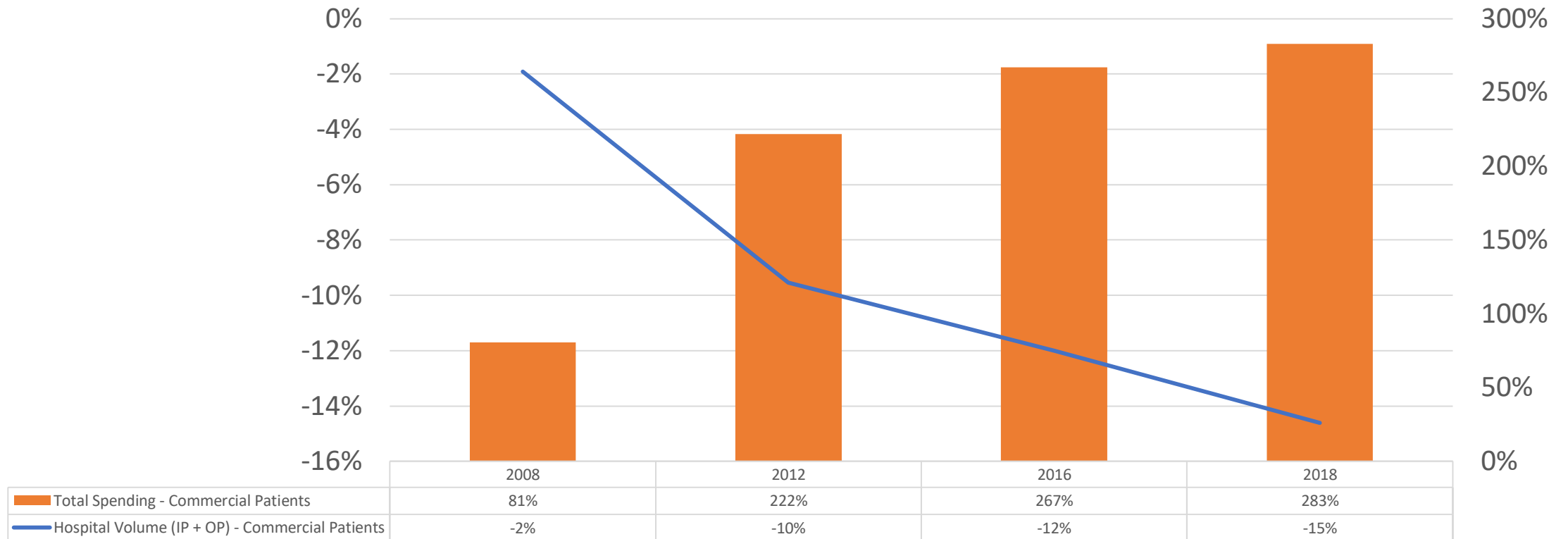
Quantity and Aging/Gender played small role.



Source: Health Care Cost Institute (HCCI)

California Data Show Similar Trends – Price Increases Are Driving Increased Hospital Spending for Commercially Insured Patients, 2008-2018

Hospital Volume Declined (-15%)
Spending Increased (283%)



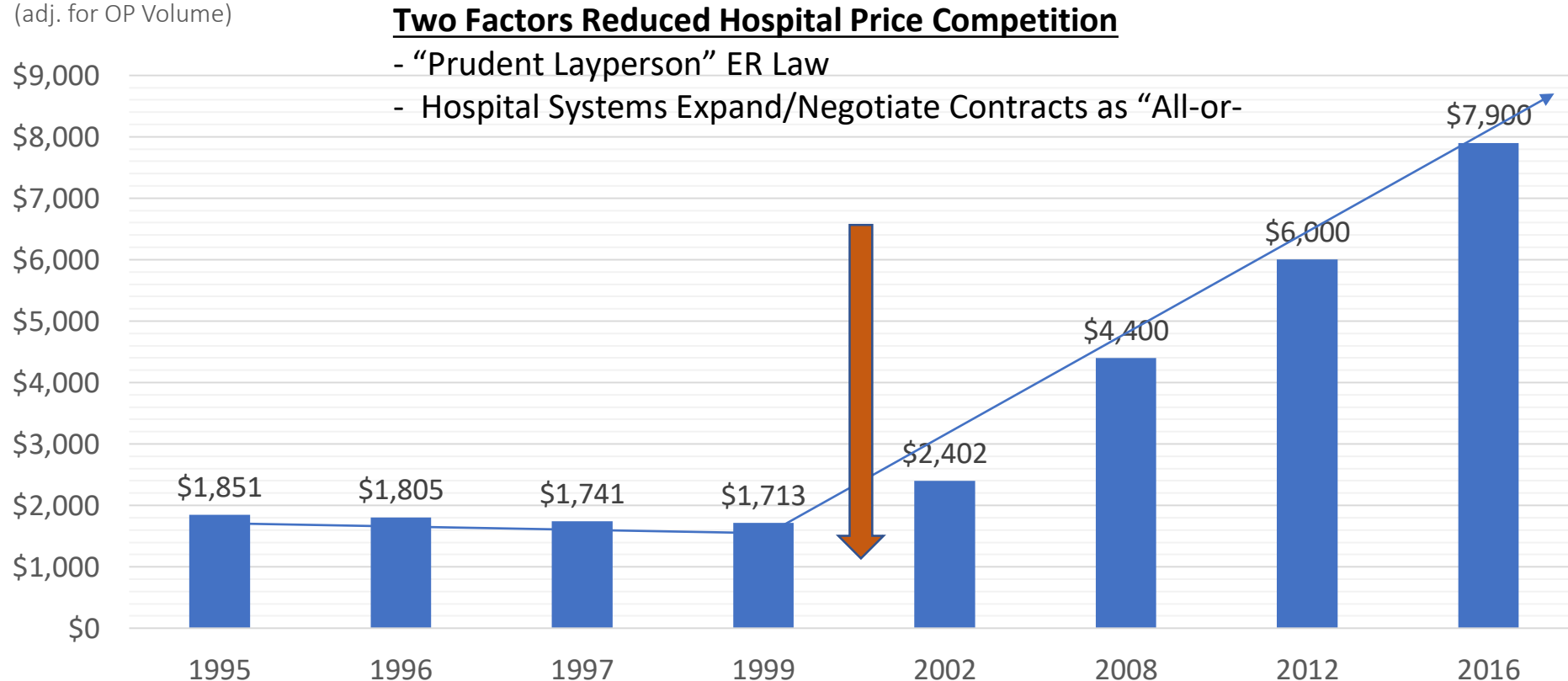
Source: OSHPD Hospital Financial Reports

Why Are Hospital Prices in CA Rising So Quickly

- Two Contributing Factors include:
 - Consolidation into large multi-hospital systems
 - CA Hospitals in multihospital systems grew from: 39 % to almost 60 % (1995-2016)
 - Rising billed charges for out-of-network hospital emergency patients

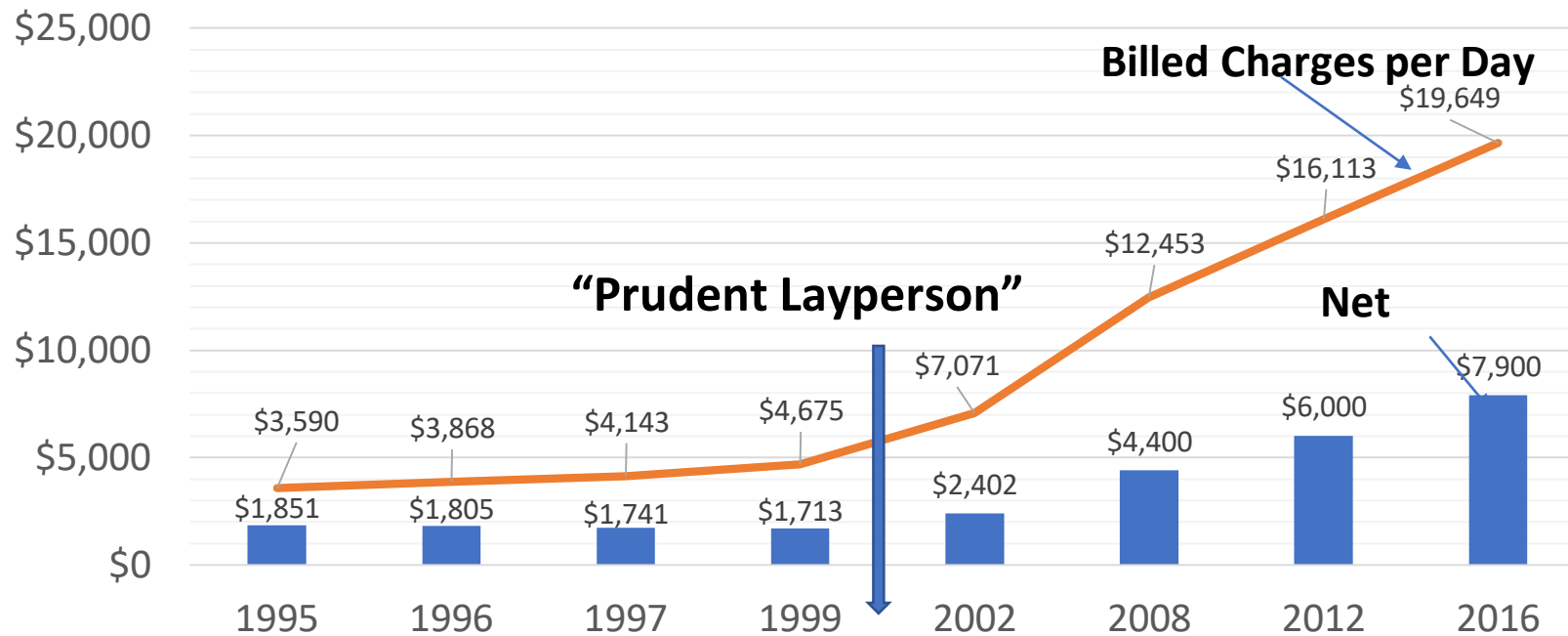
Prices Were Declining in CA – Then Turned Up and Accelerated – What Happened? Reduced Price Competition

Net Revenue per Day
(adj. for OP Volume)



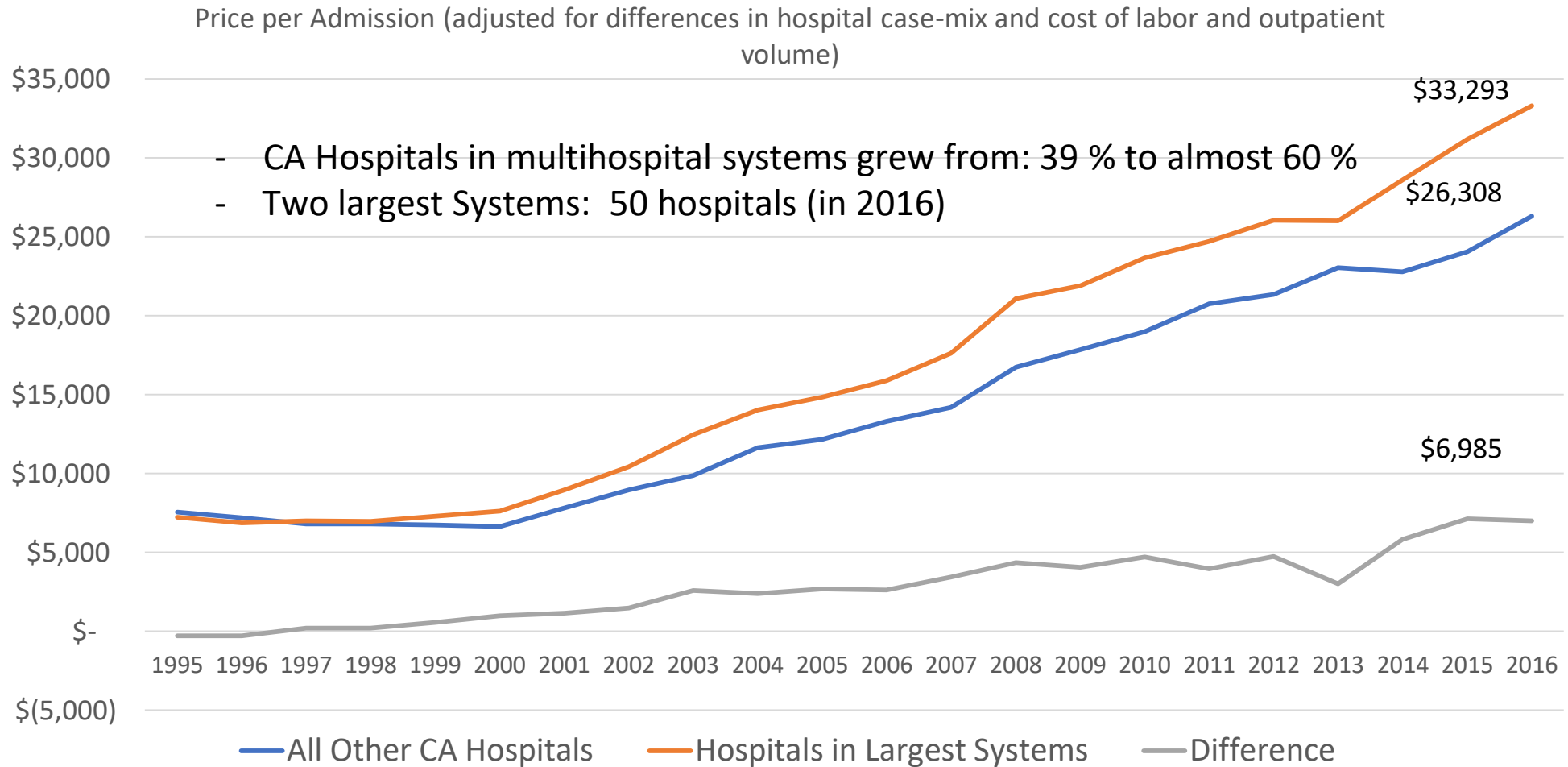
Source: OSHPD Hospital Financial Reports

Hospital Billed Charges Surged

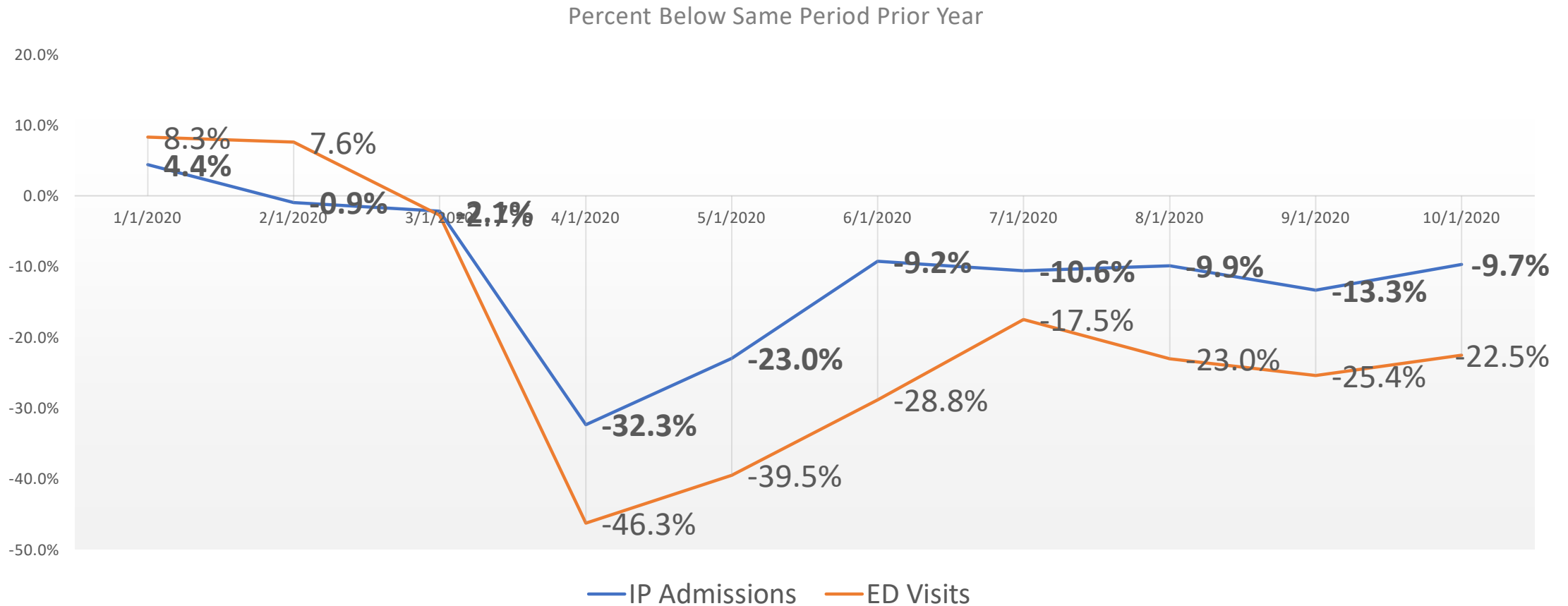


Source: OSHPD Hospital Financial Reports

Prices for Hospitals in Largest Two Systems Were the Same and Then Increased Sharply

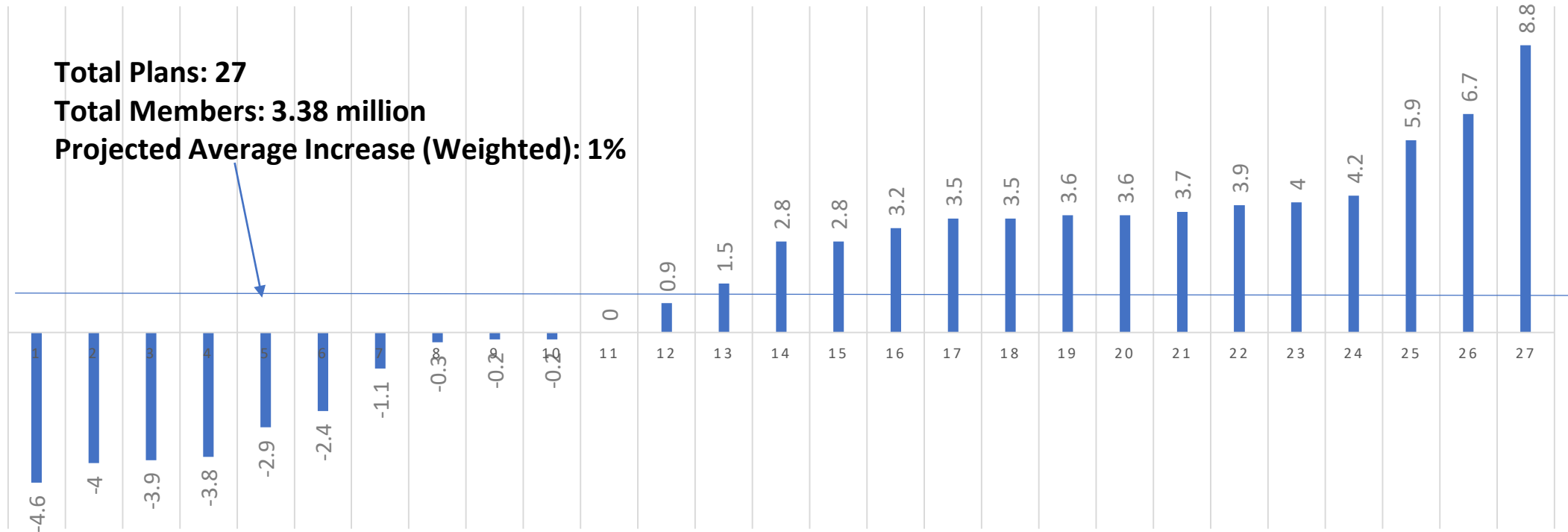


Hospital Utilization in California Is Still Well Below Pre-COVID Levels - Will Hospitals Raise Prices to Offset COVID Related Volume Losses



Source: Collective Medical, Inc. (collectivemedical.com)

Potential Good News for CA Health Insurance Consumers – 2021 Premium Increase is 1% - But, Should It Be Lower and Will 2022 Surge?



Source: DMHC/OSHPD

These Data Highlight the Value of Data to Understand our Health Care System – More Are Needed But We Can/Should Move Ahead Quickly

- Form a Task Force/Working Group
 - Leverage California's existing data systems and many experts in academia, industry and government
 - Design efficient, comprehensive reporting system
 - Phase in over time
- Some examples needed data:
 - Importance of implementing HPD with key elements included
 - Universal provider identifier + patient identifier
 - Allowed amounts
 - Supplemental health plan reporting
 - Data on self-insured market
 - Alternative payment models – ACO, Full Risk, Other
- Begin as soon as possible – prices and spending are going up as we speak!

A Commission Can Help Californian's Better Understand and Improve Our Health Care System

Will share some lessons from other states that implemented
Affordability/Cost Commissions