

# Healthcare Trends Overview

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Senate Commission on Access and Affordability  
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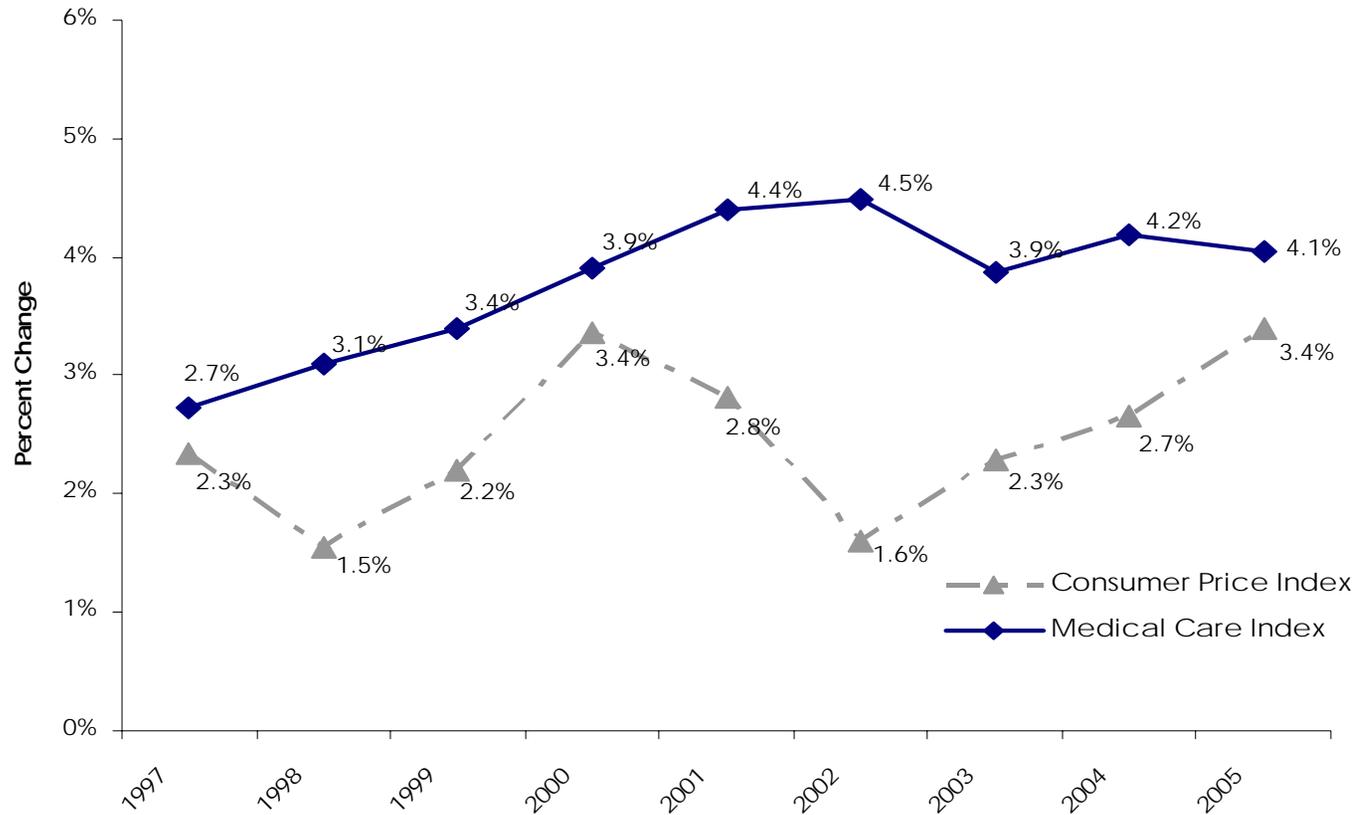


# Overview

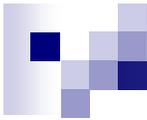
- Problems we all know
  - Costs are Rising
  - Coverage Trends are Changing
  - Uneven Quality and Access
- Linkages among problems
- Competing Visions of Health System Utopia

# Healthcare costs continue to rise

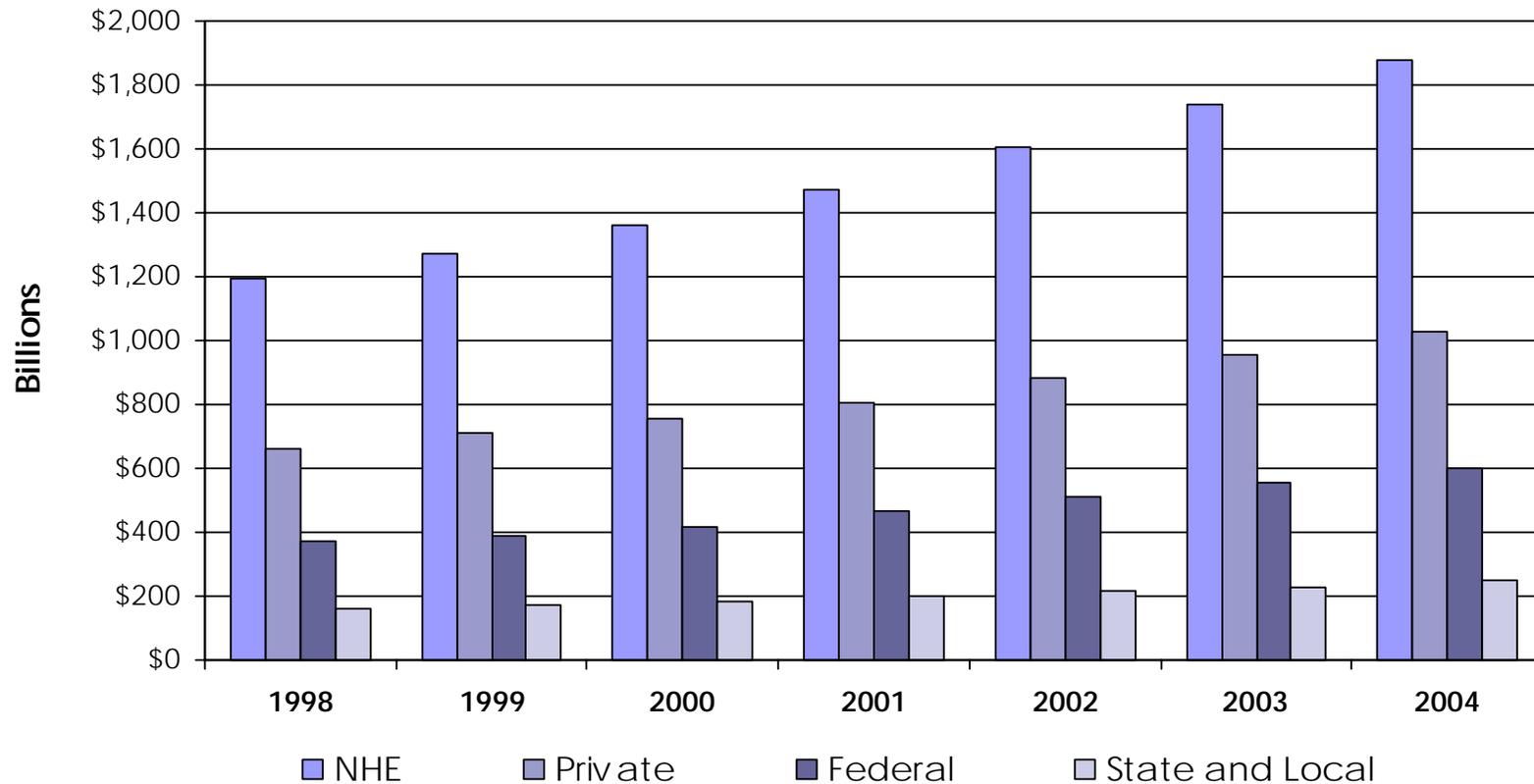
Annual Change in Consumer Price Index vs. Medical Care Index



Source: US Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, US City Average, Not seasonally adjusted, 1996 to 2005; US Bureau of Labor Statistics, Medical Care Index, All Urban Consumers, US City Average, Not seasonally adjusted, 1996 to 2005. <http://www.bls.gov/cpi/home.htm>.



# National Health Expenditures, 1998-2004

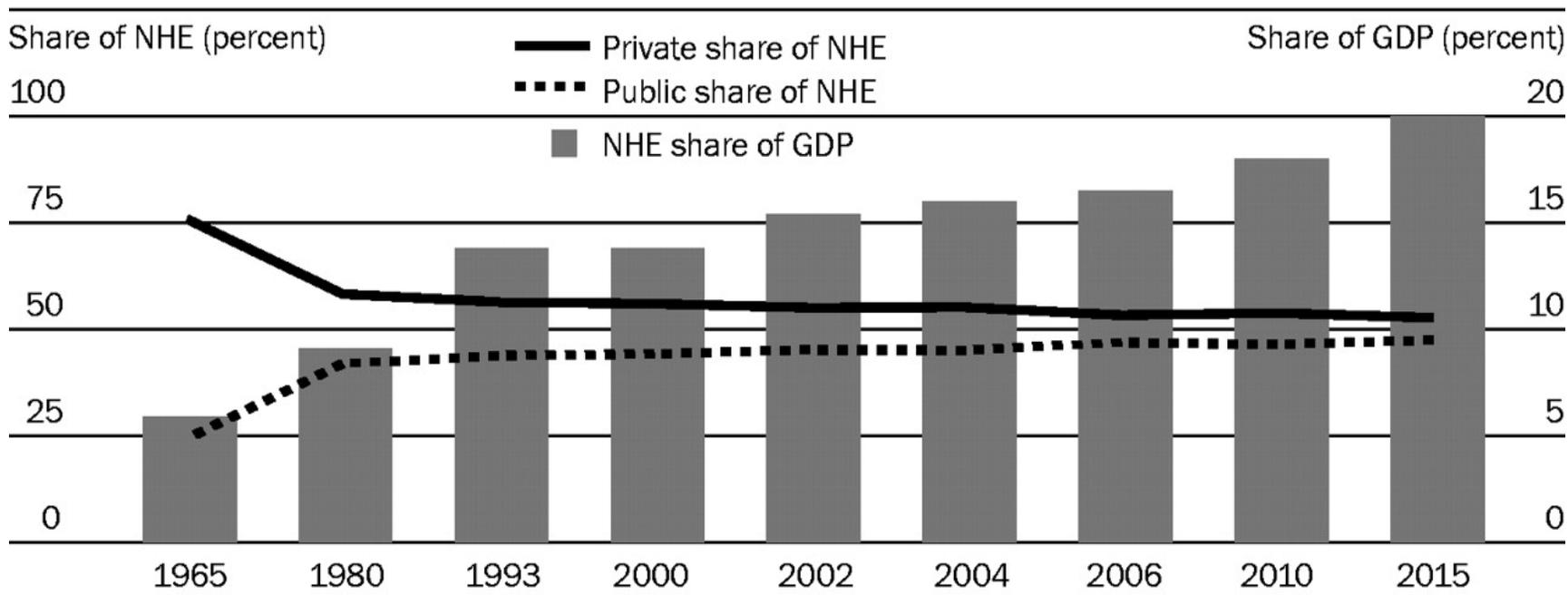


Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group, U.S. Department of Commerce, Bureau of Economic Analysis and U.S. Bureau of the Census.

# Total Health Care Expenditures Expected to Reach 20% of GDP by 2015...

## EXHIBIT 3

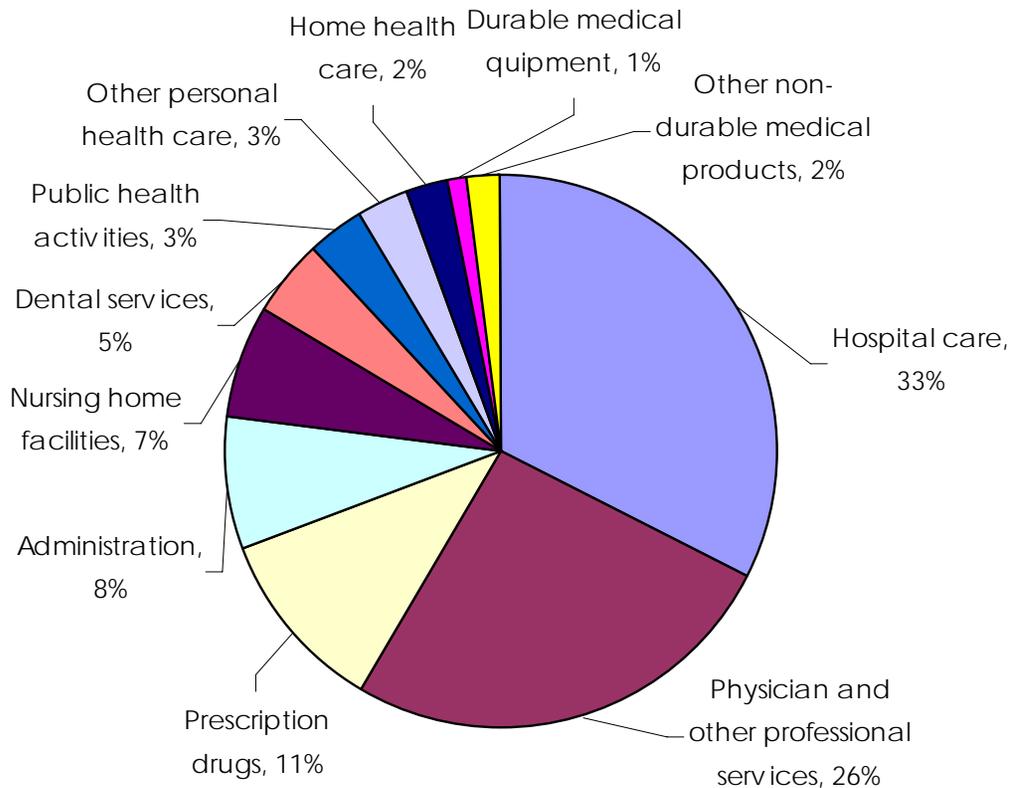
### National Health Expenditures (NHE) Share Of Gross Domestic Product (GDP) And Private And Public Shares Of NHE, Selected Years 1965–2015



**SOURCE:** Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

**NOTES:** The left axis (public and private spending's share of NHE) relates to the two line graphs. The right axis (NHE share of GDP) relates to the gray-shaded bars. Data for 2006, 2010, and 2015 are projections.

# National Health Care Expenditures, 2004

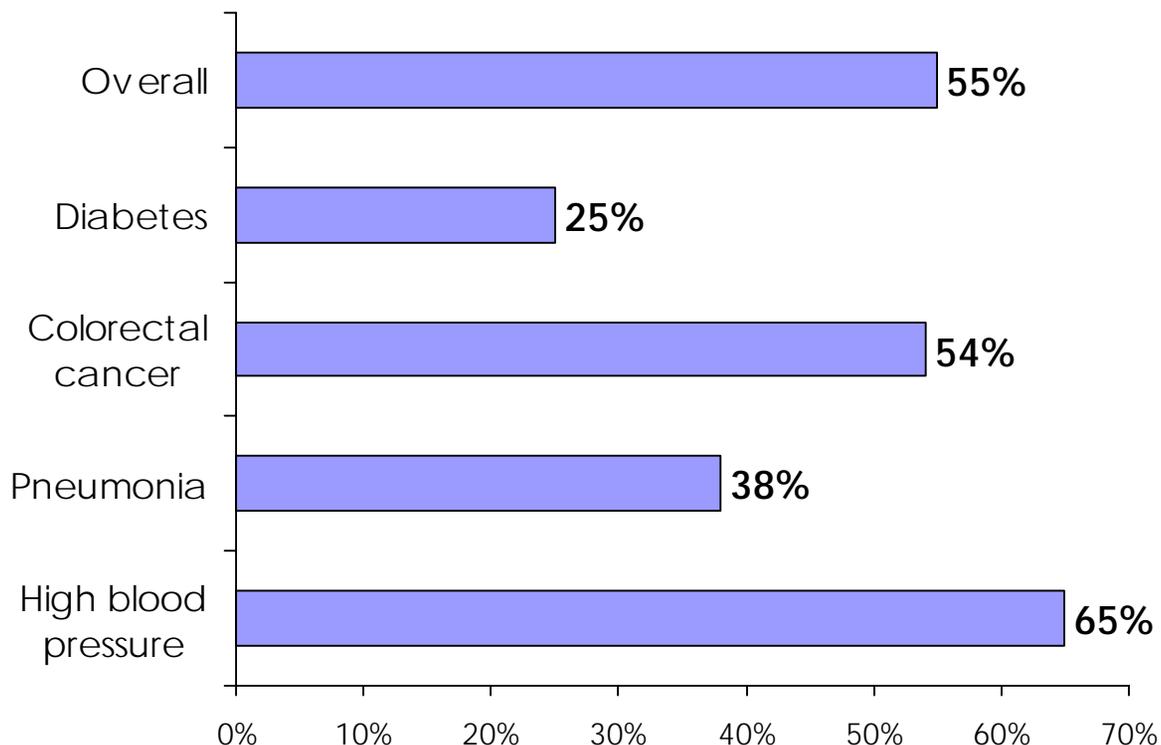


- Growth in NHE outstrips growth in the GDP
- \$1.8 trillion in 2004, projected to be more than \$4 trillion by 2015
- Hospital care largest single component, also outstrips GDP in growth

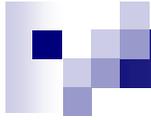
Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group, U.S. Department of Commerce, Bureau of Economic Analysis and U.S. Bureau of the Census, 2005.

# What do we get for what we pay?

2003 RAND study in 12 metropolitan areas found patients receive 55% of recommended care....

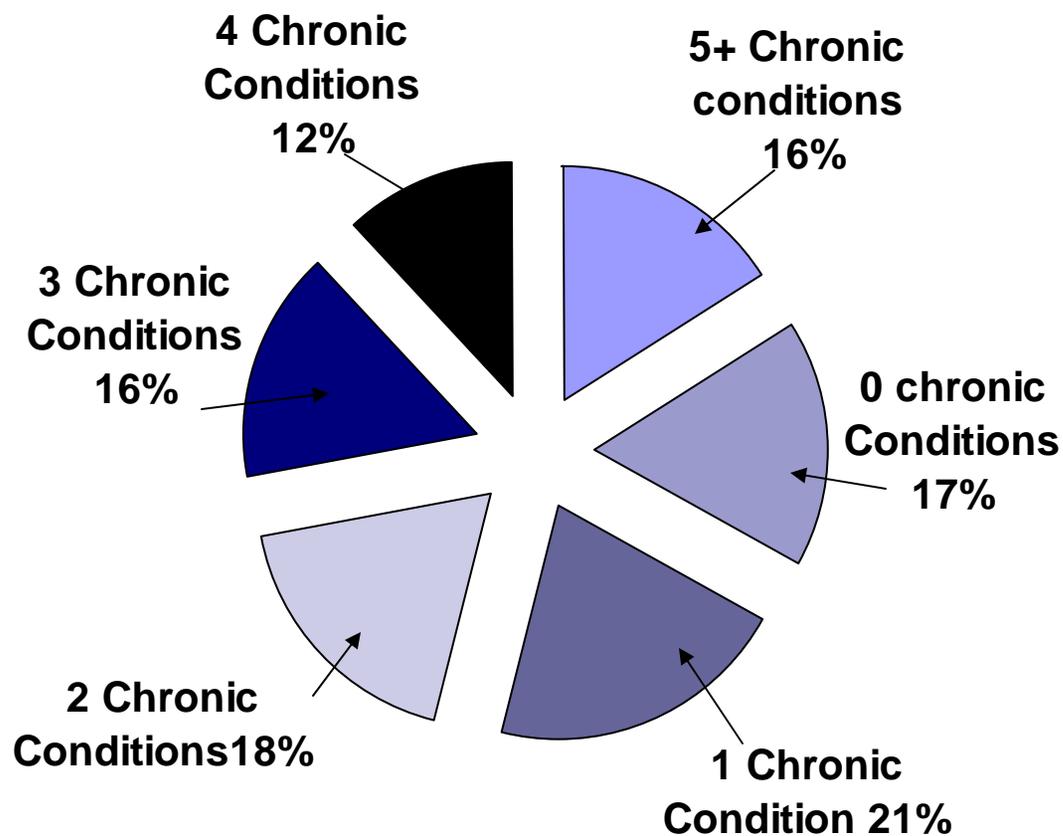


*McGlynn, E, Asch S, Adams J, Keesey J, Hicks J, DeCristofaro, A, Kerr A,. The Quality of Health Care Delivered to Adults in the United States, New England Journal of Medicine, Vol 348:2635-2645, Number 26, June 2003.*



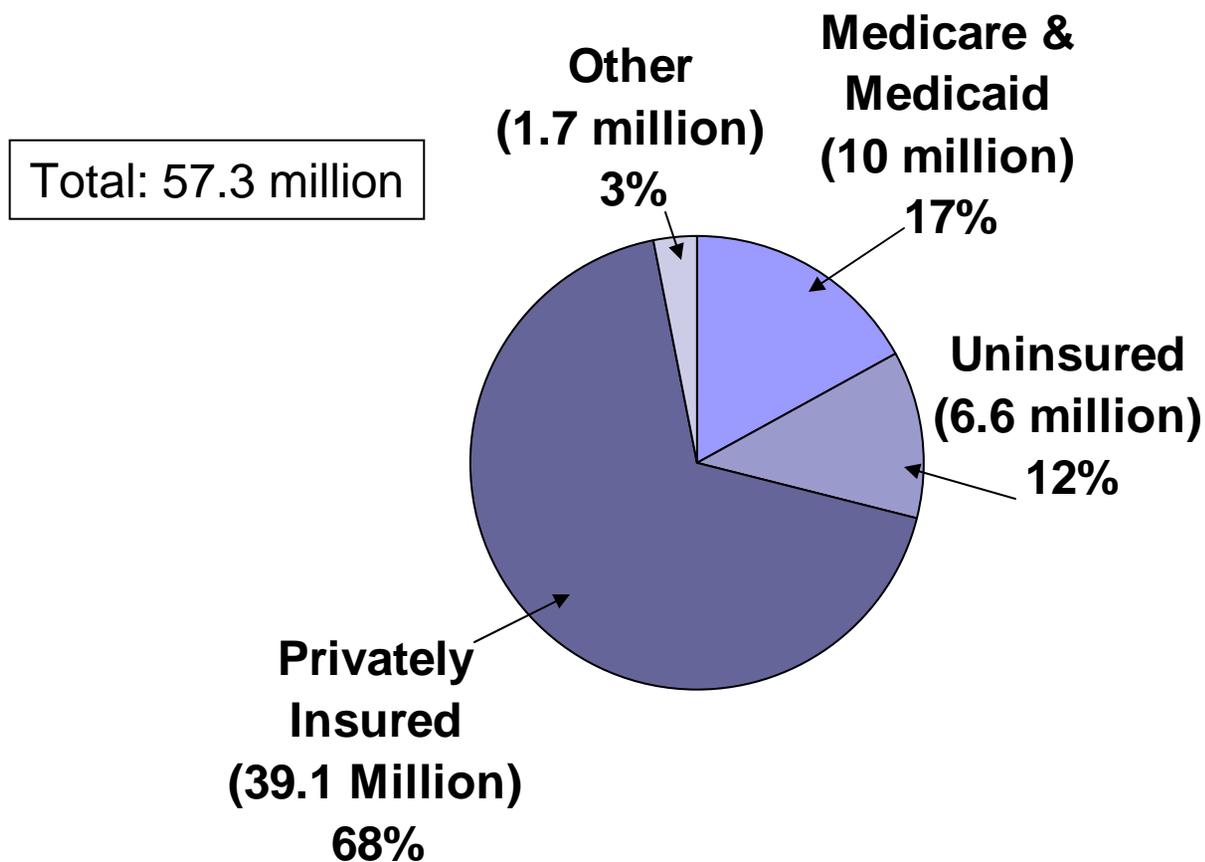
What accounts for the growth in spending?

# More than 80% of Health Care Spending on Behalf of People with Chronic Conditions



Source: Ken Thorpe, Emory University- State Coverage Initiatives National Meeting Feb 2006

# Working Adults with Chronic Conditions, by Insurance Status (2003)



Note: Total doesn't sum to 57.3 million due to rounding -Source: Health Systems Change Community Tracking Household Survey, 2003



# Why does healthcare spending rise over time?

1. **Rise in “Treated Disease Prevalence”** – There are more people being treated for chronic diseases now than in the past
2. **Rise in Spending per Treated Case** – We are spending more on the drugs and treatments for each case now than in the past
3. **Both**

***Rise in Obesity Key Single Largest Driver of Health care Spending over Time- Accounts for 62% of rise in Per Capita Health Spending***

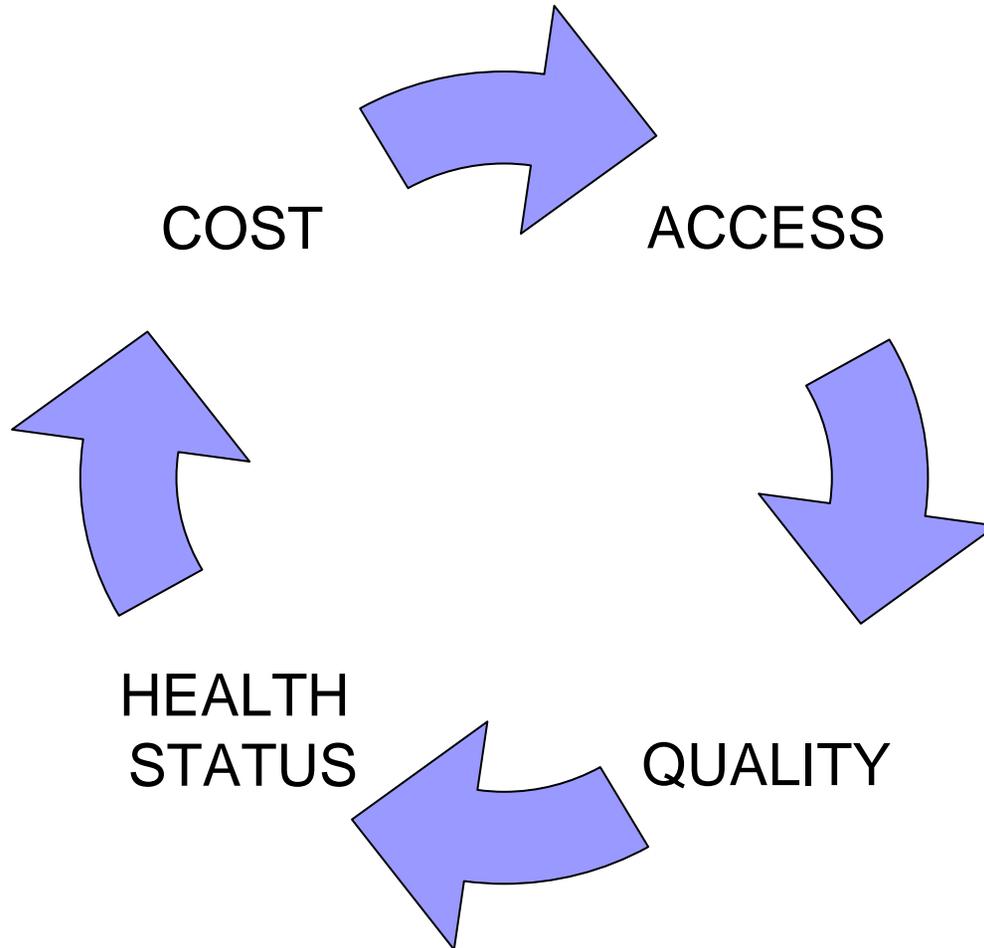


# What else drives costs?

Besides rising costs of medical technology and the cost of chronic disease, other cost drivers are:

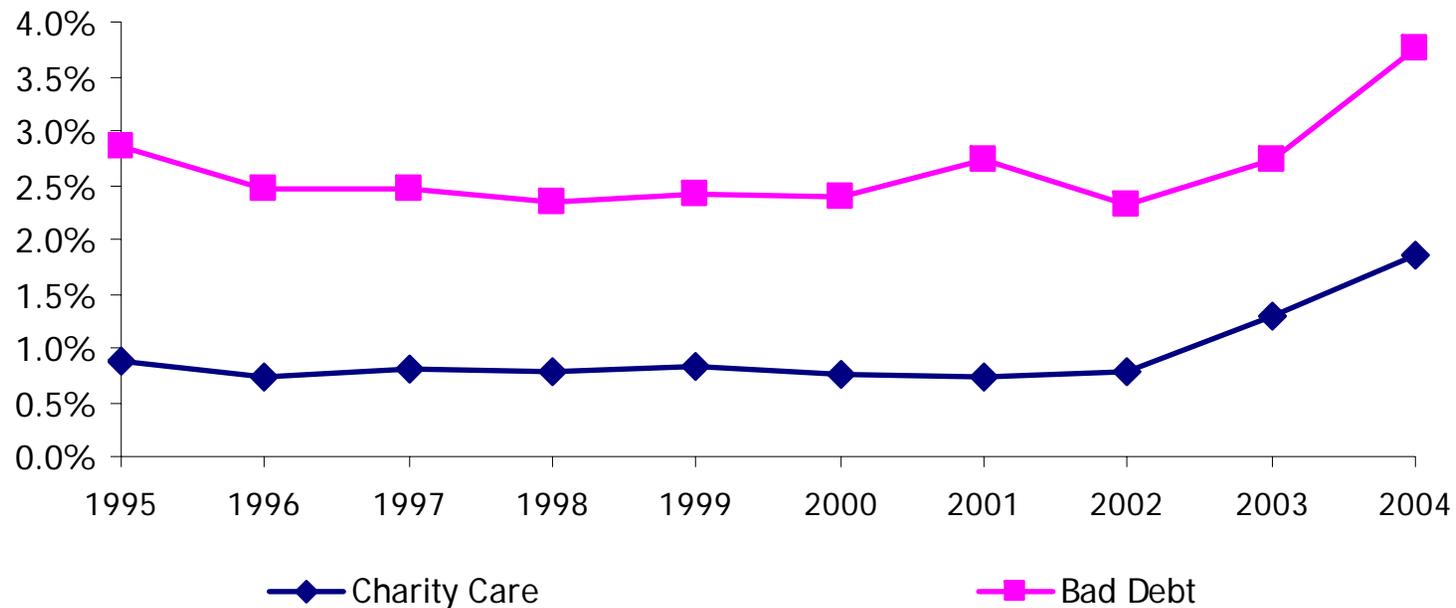
- Medical Errors
- Workforce Shortages
- Aging Populations
- Capital and Construction Spending

# Linkages Among System Problems



# Uncompensated Care in Oregon's Hospitals

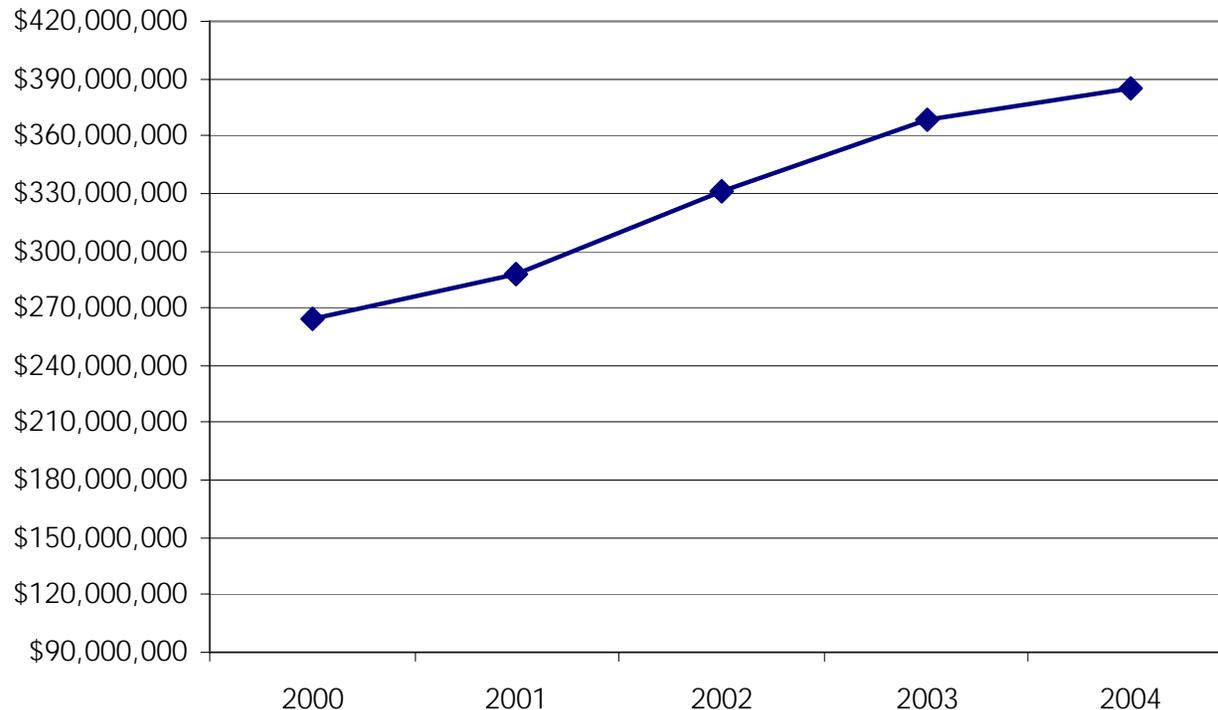
All Oregon Hospitals  
Uncompensated Care As a Percent of Gross Patient Revenue  
Median Values, 1995 to 2004



Source: Office for Health Policy and Research, Department of Administrative Services, Hospital Audited Financials 1995-2004, State Reporting Form FR-3, 1995-2004.

# Costs for Potentially Preventable Admissions in Oregon

**Total Charges for Oregon Hospital Admissions for Ambulatory Care Sensitive Conditions\***



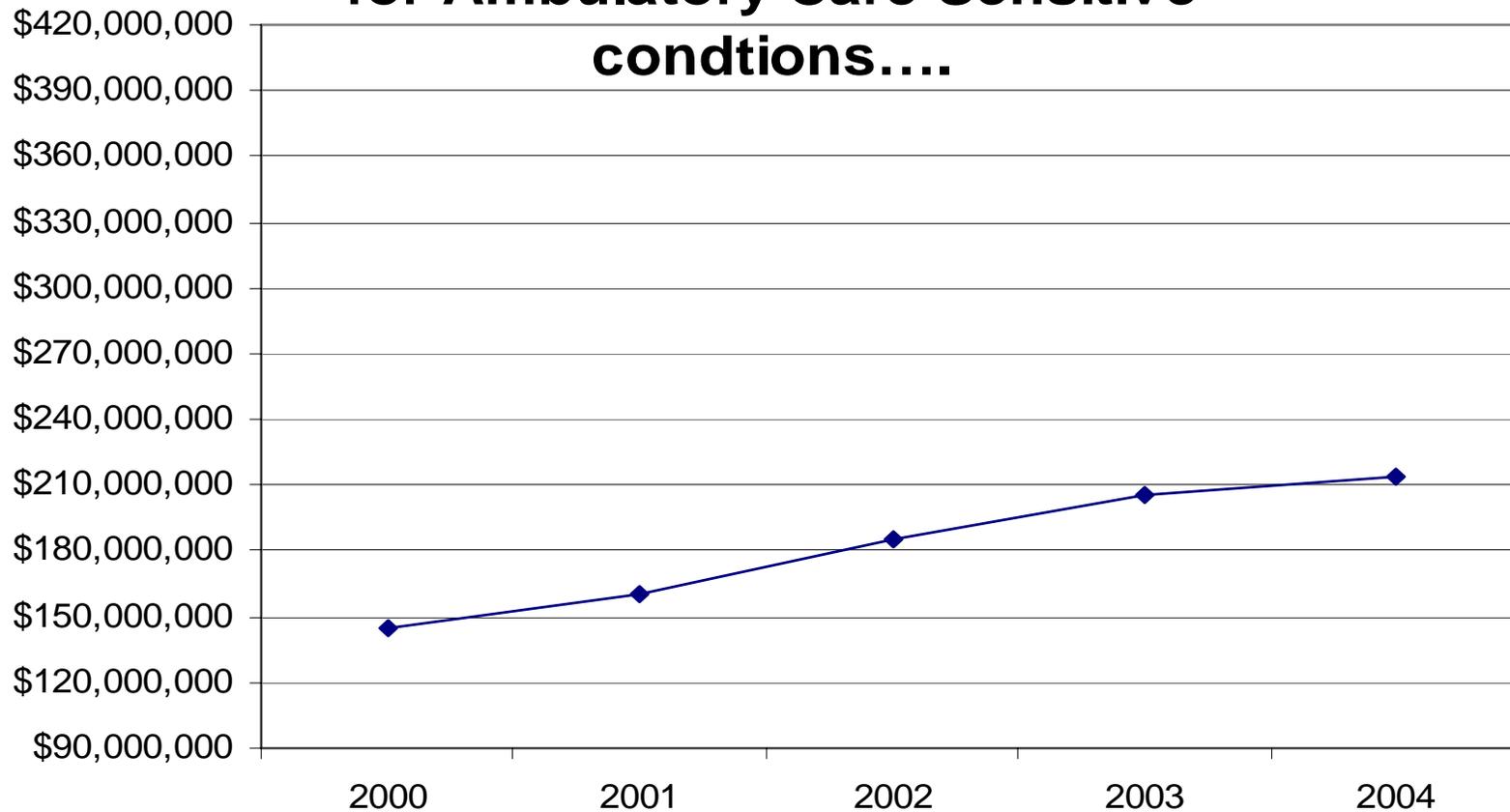
**ASC admissions** are hospital admissions that evidence suggests could have been avoided, at least in part, through high-quality outpatient care. They include admissions for:

- Diabetes, short and long term complications, uncontrolled diabetes, and lower extremity amputation due to diabetes
- Hypertension
- Adult asthma
- Bacterial pneumonia
- Low birth weight
- Urinary tract infection
- Angina without procedure
- Congestive heart failure
- Chronic Obstructive Pulmonary Disease
- Dehydration

\*Source: Office for Oregon Health Policy and Research, Hospital Discharge Data 2000-2004.

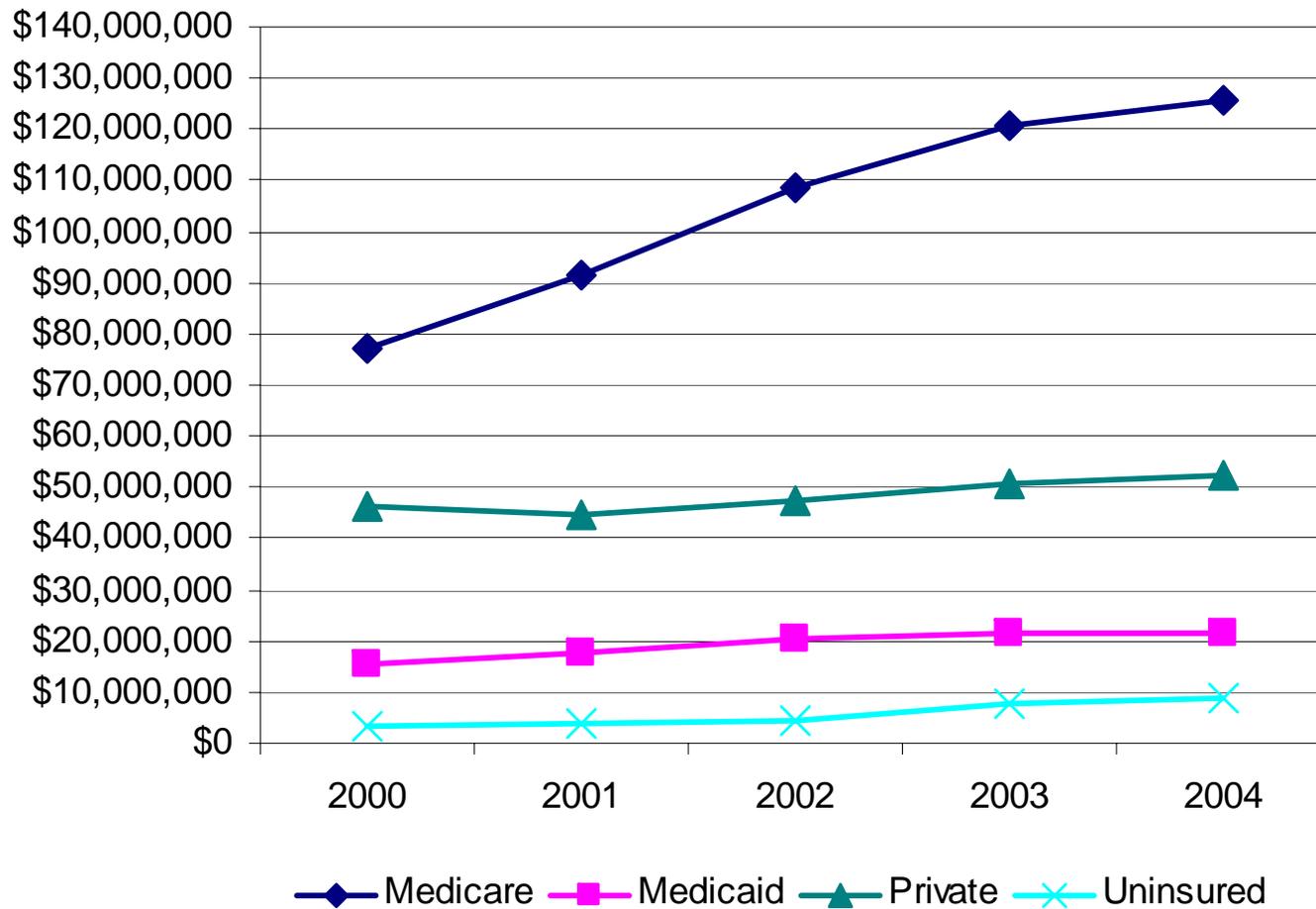


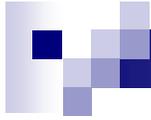
## More than \$200 million in costs are incurred annually for hospital admissions for Ambulatory Care Sensitive conditions....



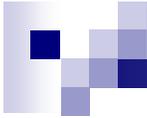
Source: Office for Oregon Health Policy and Research, Hospital Discharge Data 2000-2004, Charges adjusted with AHRQ HCUP Area Cost to Charge Ratios.

An estimated \$20 million annually for Medicaid as a payer...

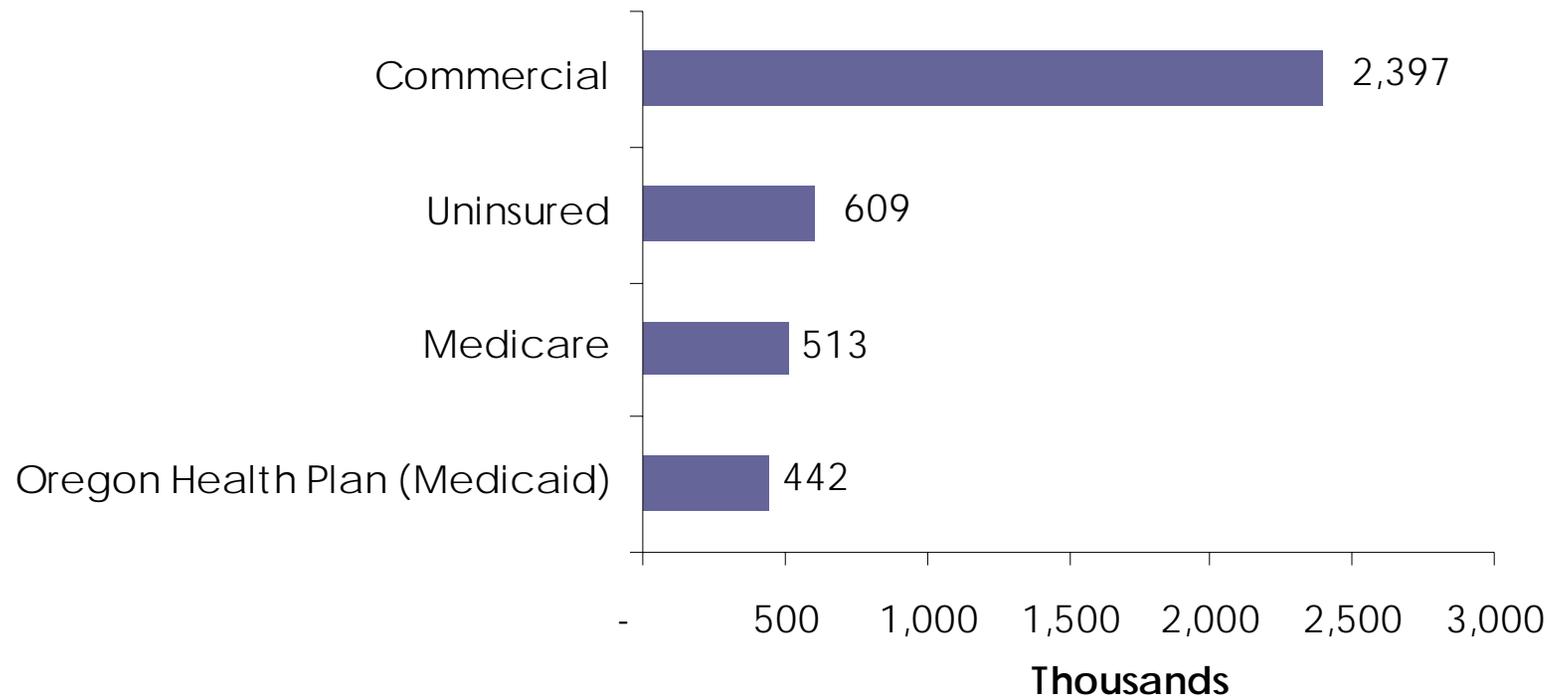




# **Health Insurance Trends: Private and Public Sector**



## Health Insurance Status in Oregon, 2004

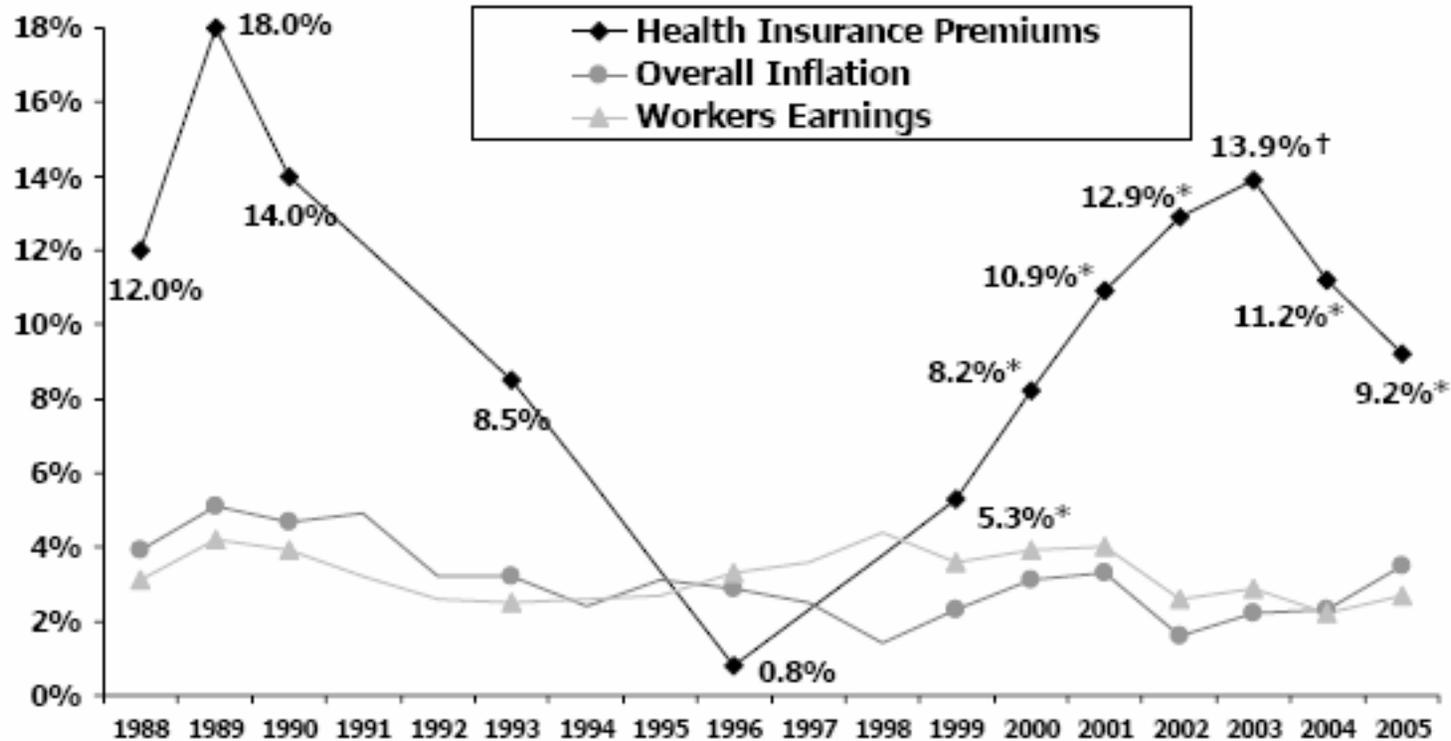


Source: Oregon Population Survey, 2004. Office for Oregon Health Policy and Research, Department of Administrative Services



# **Private Sector- Commercial Insurance Trends**

## Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2005



\* Estimate is statistically different from the previous year shown at  $p < 0.05$ . No statistical tests were conducted for years prior to 1999.

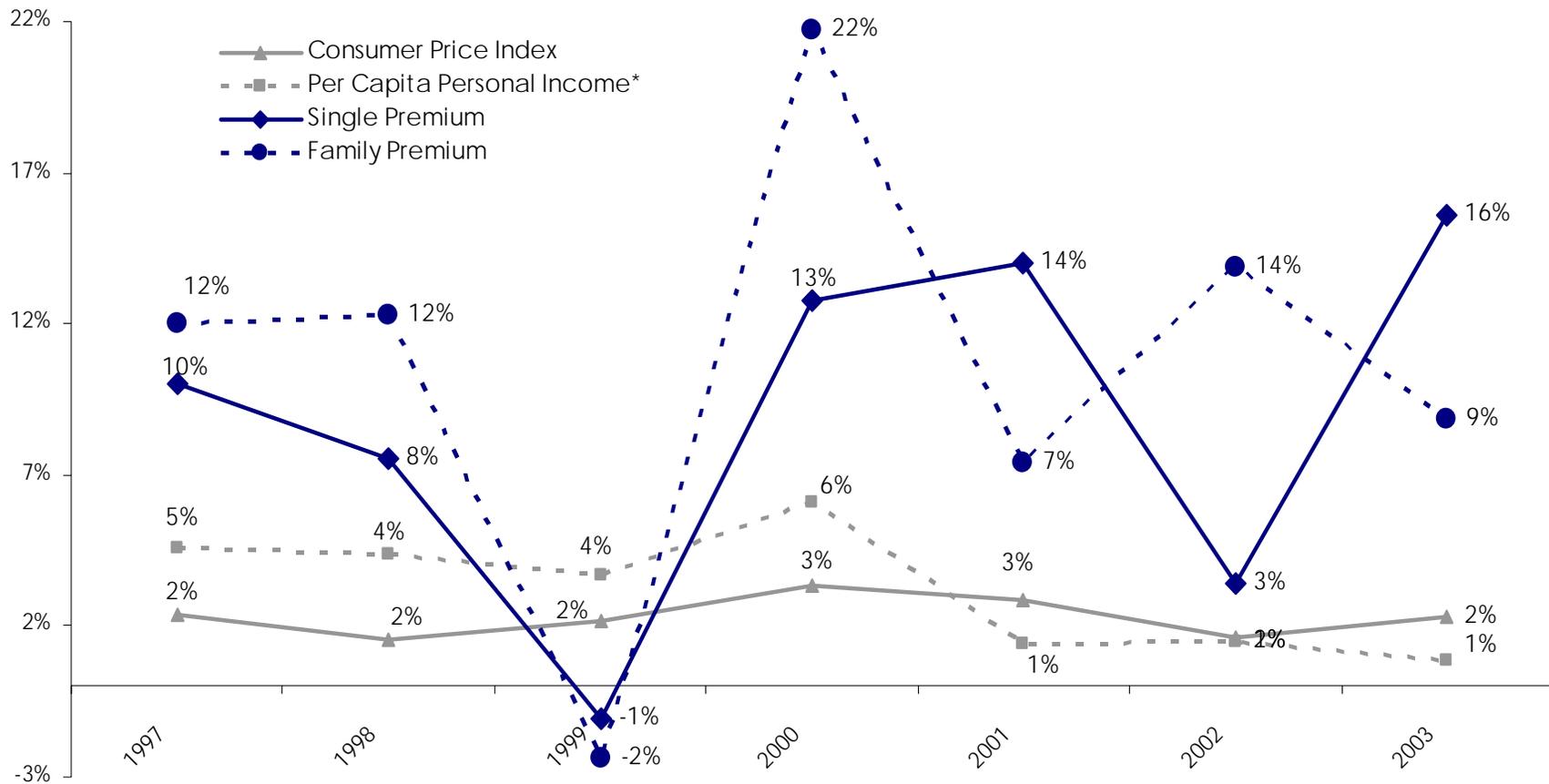
† Estimate is statistically different from the previous year shown at  $p < 0.1$ . No statistical tests were conducted for years prior to 1999.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

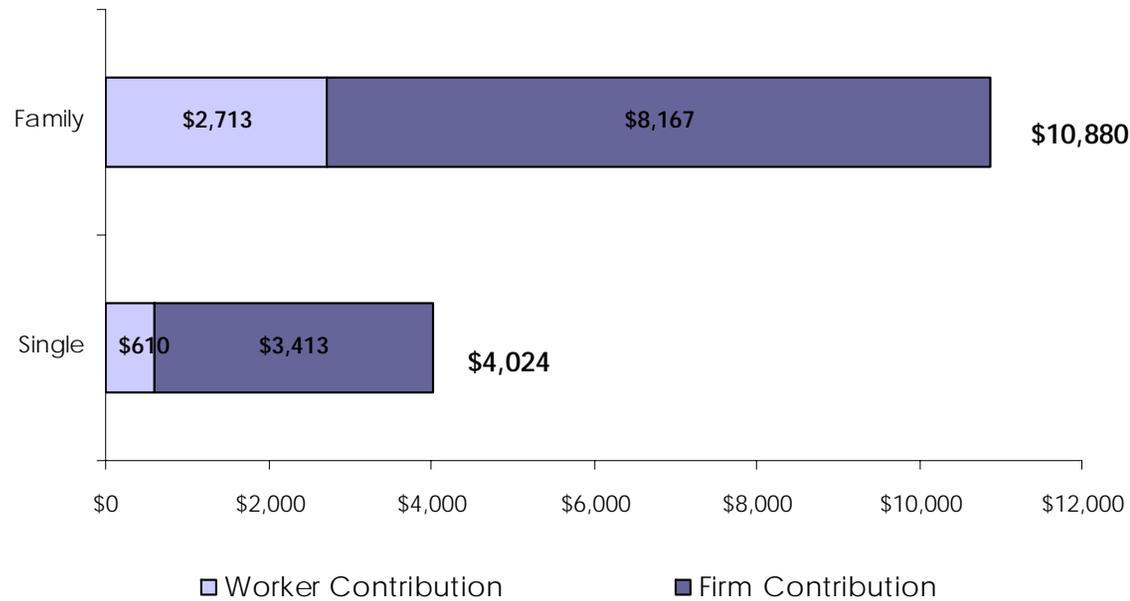
Source: KFF/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index (U.S. City Average of Annual Inflation (April to April), 1988-2005; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April), 1988-2005.

# Premium costs in Oregon continue to outstrip wages and the consumer price index

Annual Change in Health Premiums vs Other Indices

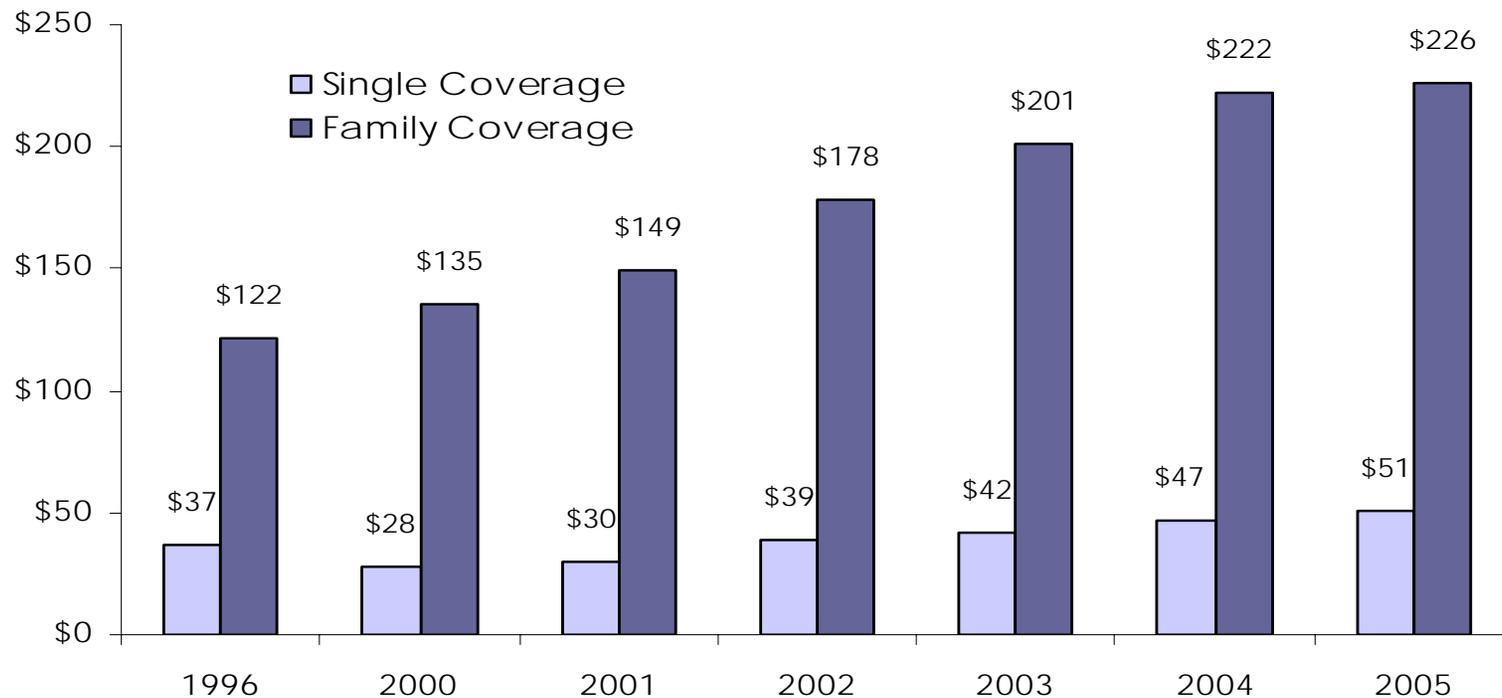


# Nationally, Average Annual Premiums for Family Coverage Exceed \$10,000 in 2005...



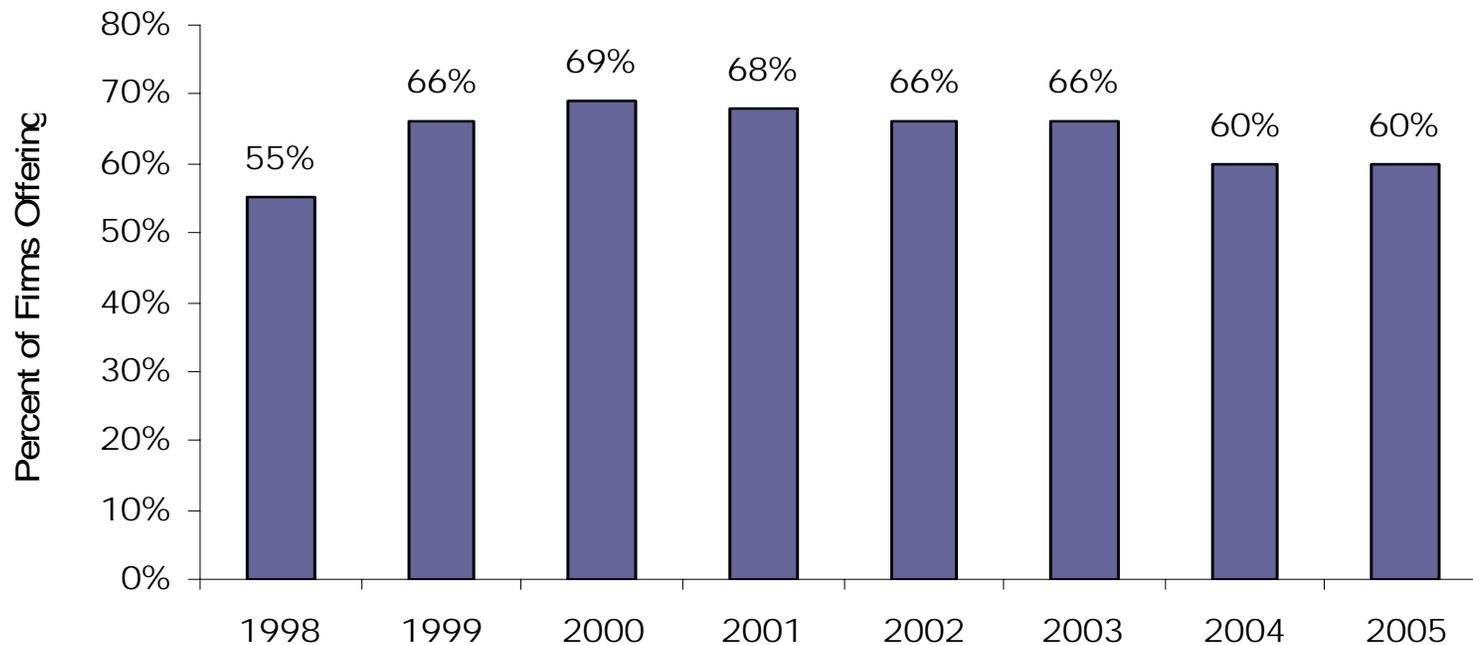
Source: Kaiser/HRT Survey of Employer-Sponsored Health Benefits, 2005.

# Average Monthly Employee Contribution Continues to Rise



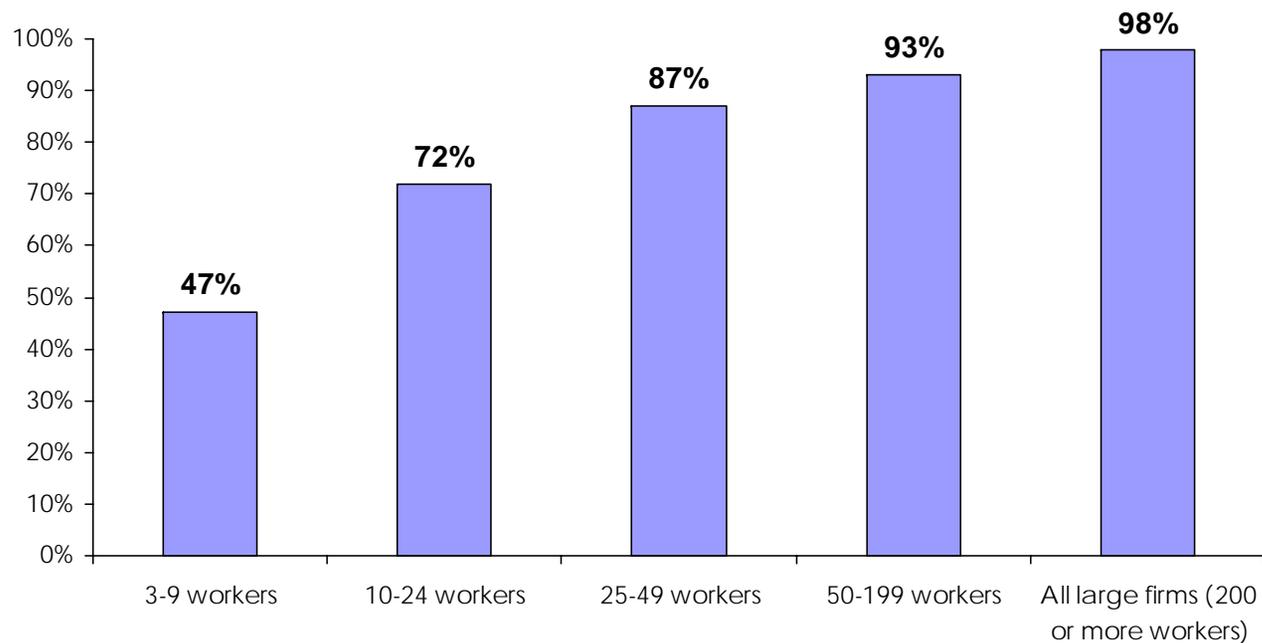
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

# And fewer firms are offering health benefits to their employees...



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

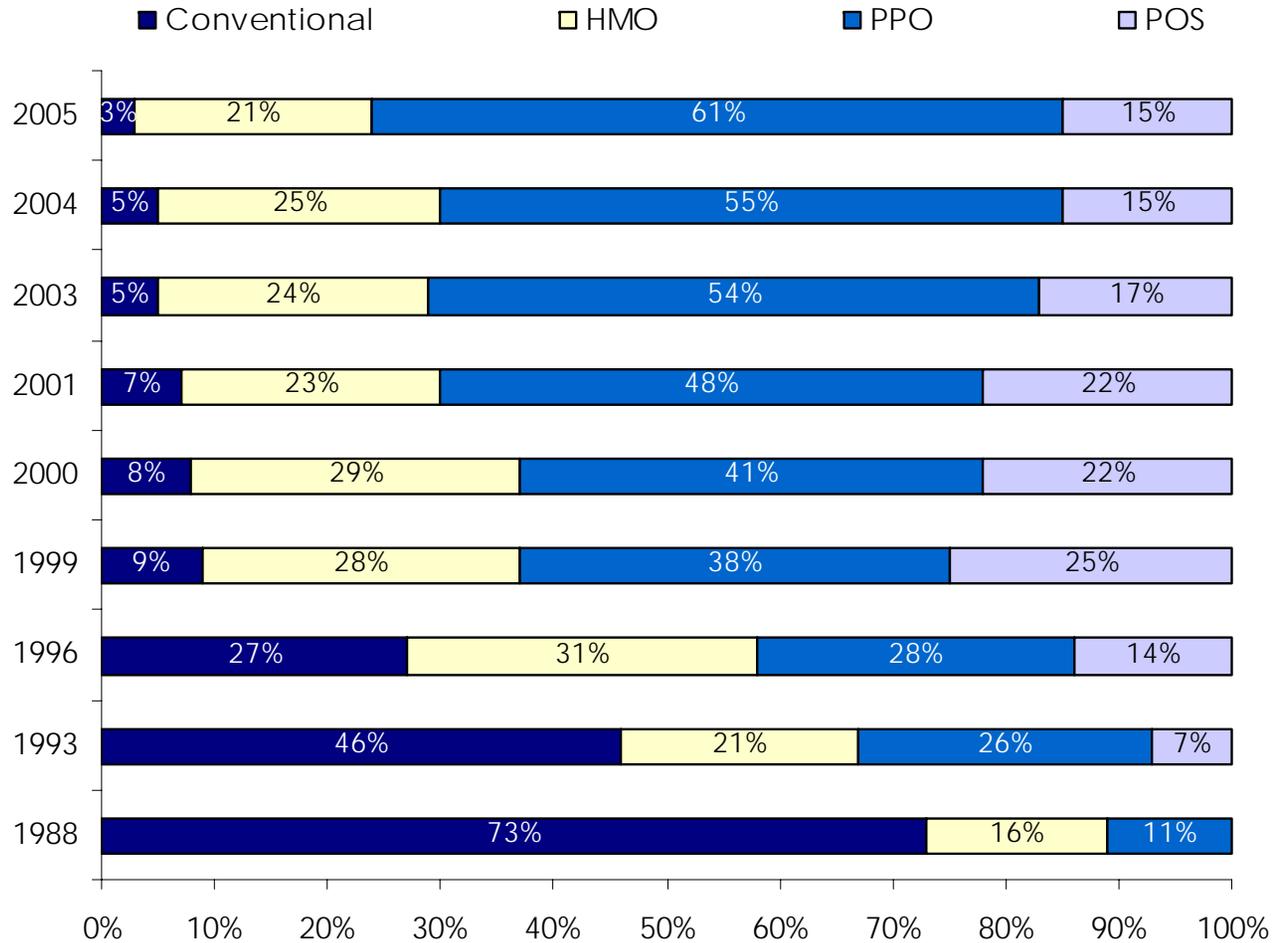
# Percentage of US Firms Offering Health Benefits, by Firm Size, 2005



**In 2004, 56.5% of all Oregon firms had less than 5 employees. Another 20% had between 5 and 9 employees. (Oregon Employment Dept., OLMIS)**

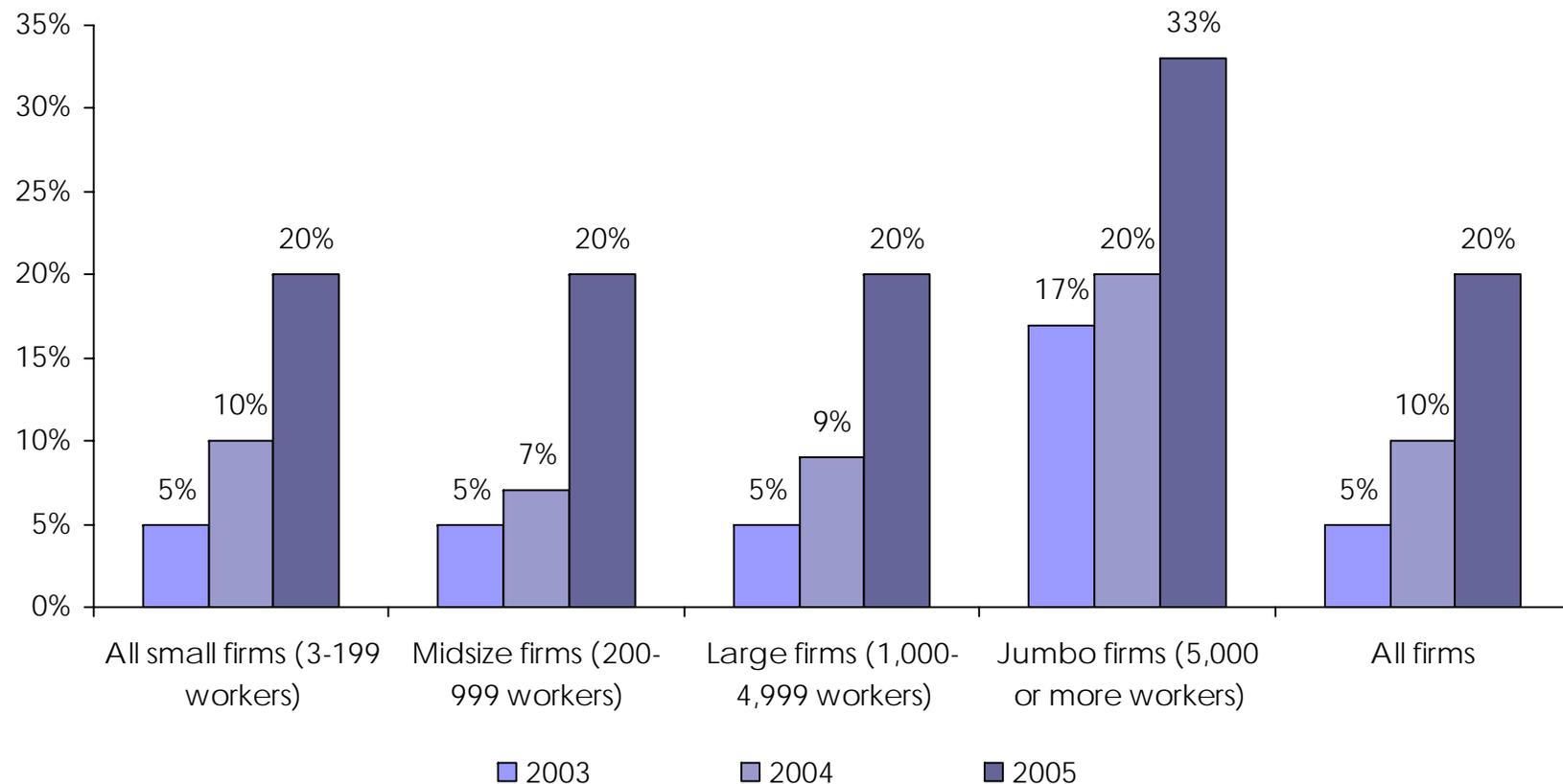
Graph Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005.

# Health Plan Enrollments by Plan Type, 1988-2005



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996. The Health Association of America (HIAA), 1988.

# Percentage of Firms Offering Employees High-Deductible Health Plan, by Firm Size

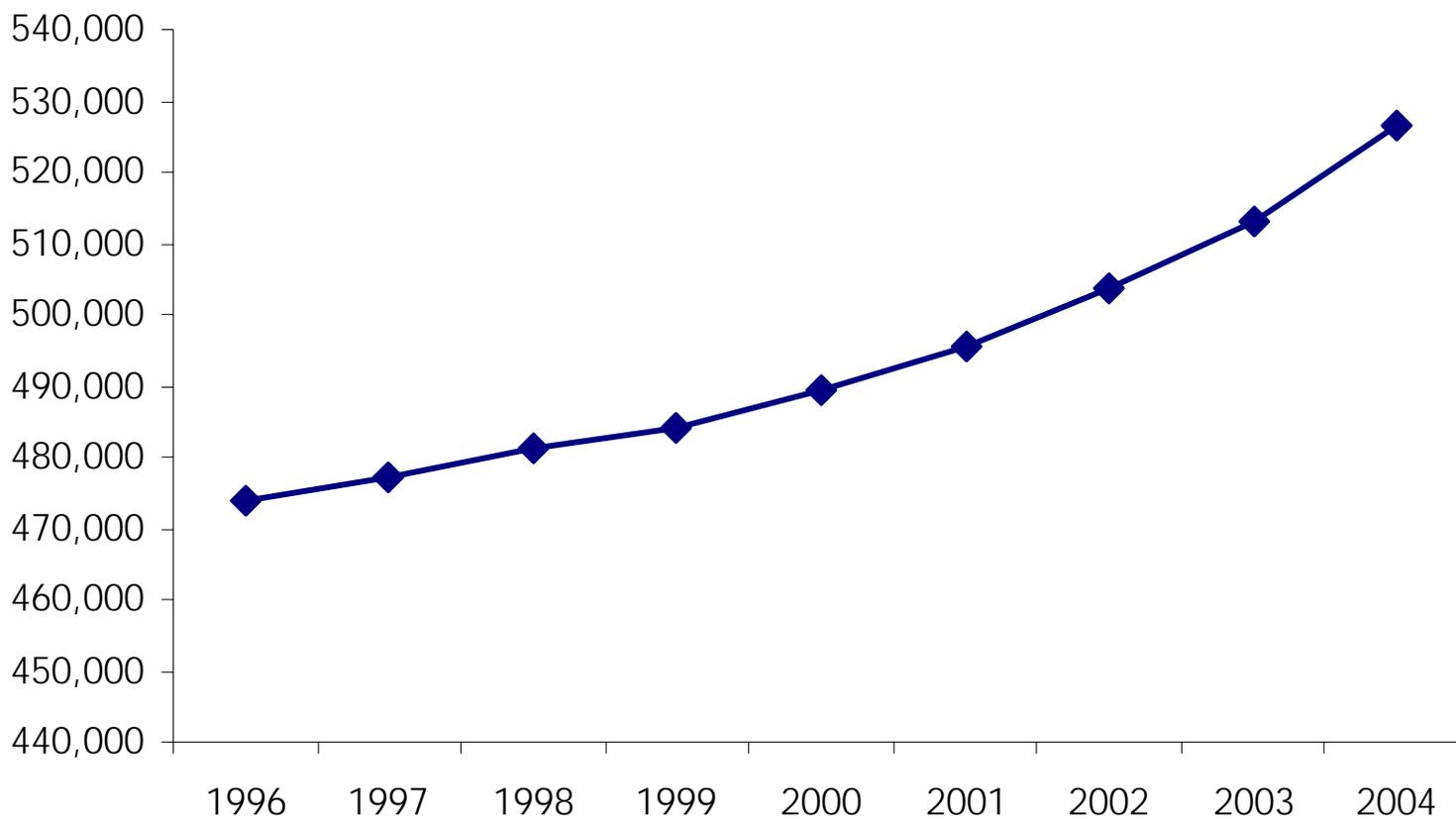


Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2003-2005.



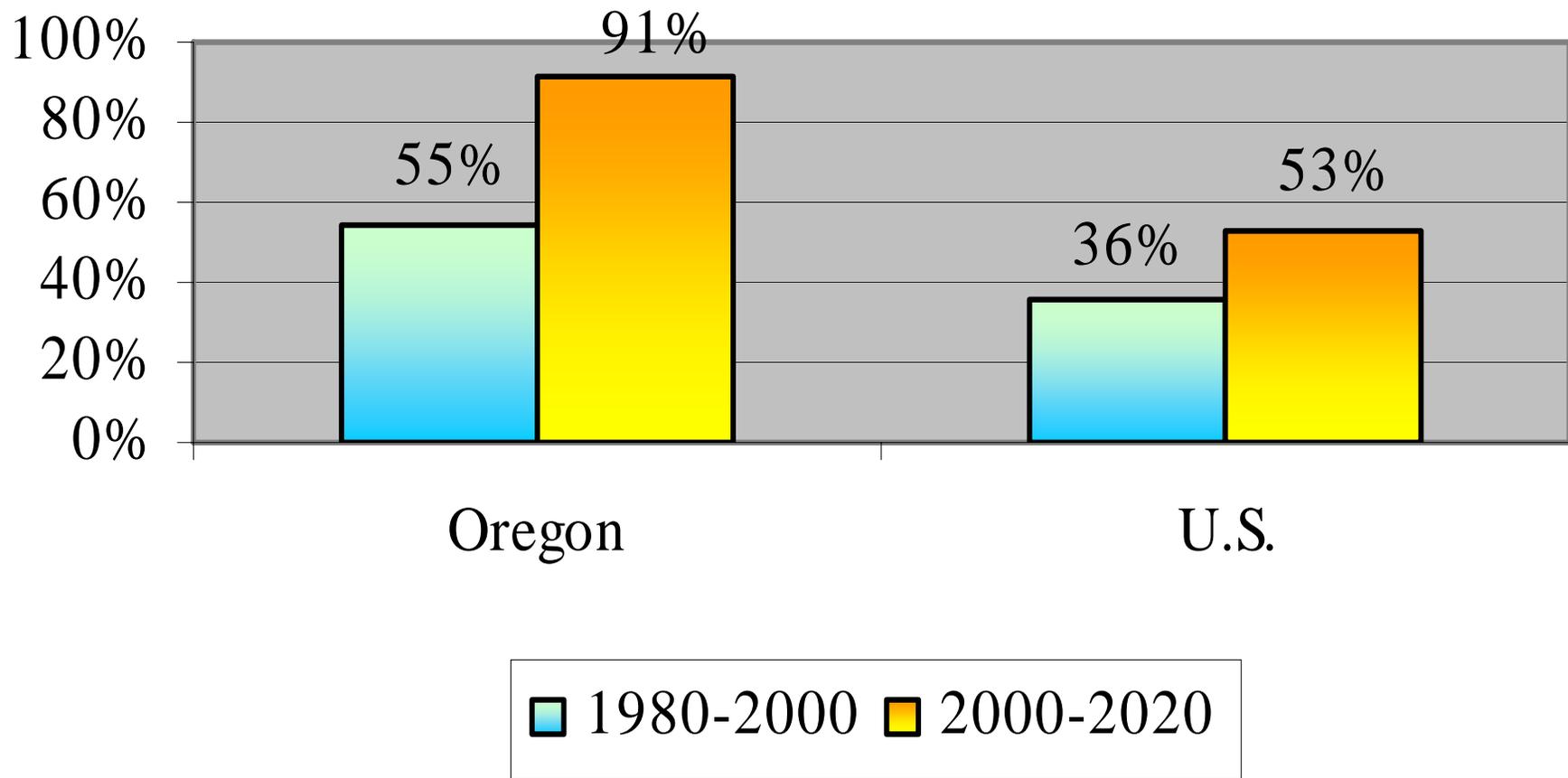
# **Public Sector Insurance Trends: Medicare**

# Medicare Enrollment - Oregon

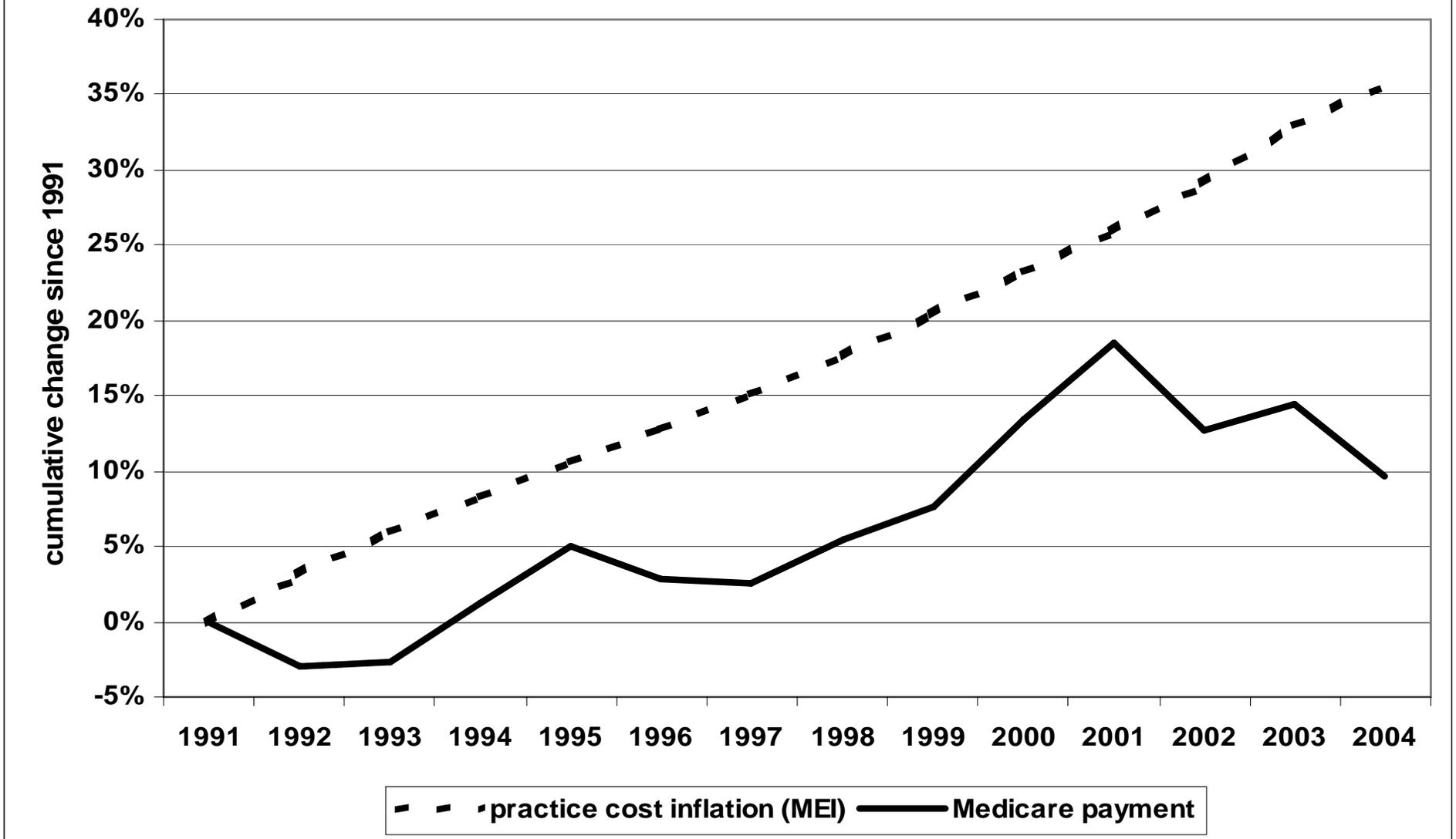


Source: Centers for Medicare & Medicaid Services, Medicare State Enrollment, 2004.

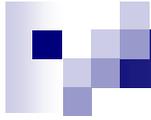
# Projected Percentage Change in Population 65+ Years of Age



## Medicare Payments vs. Practice Cost Inflation

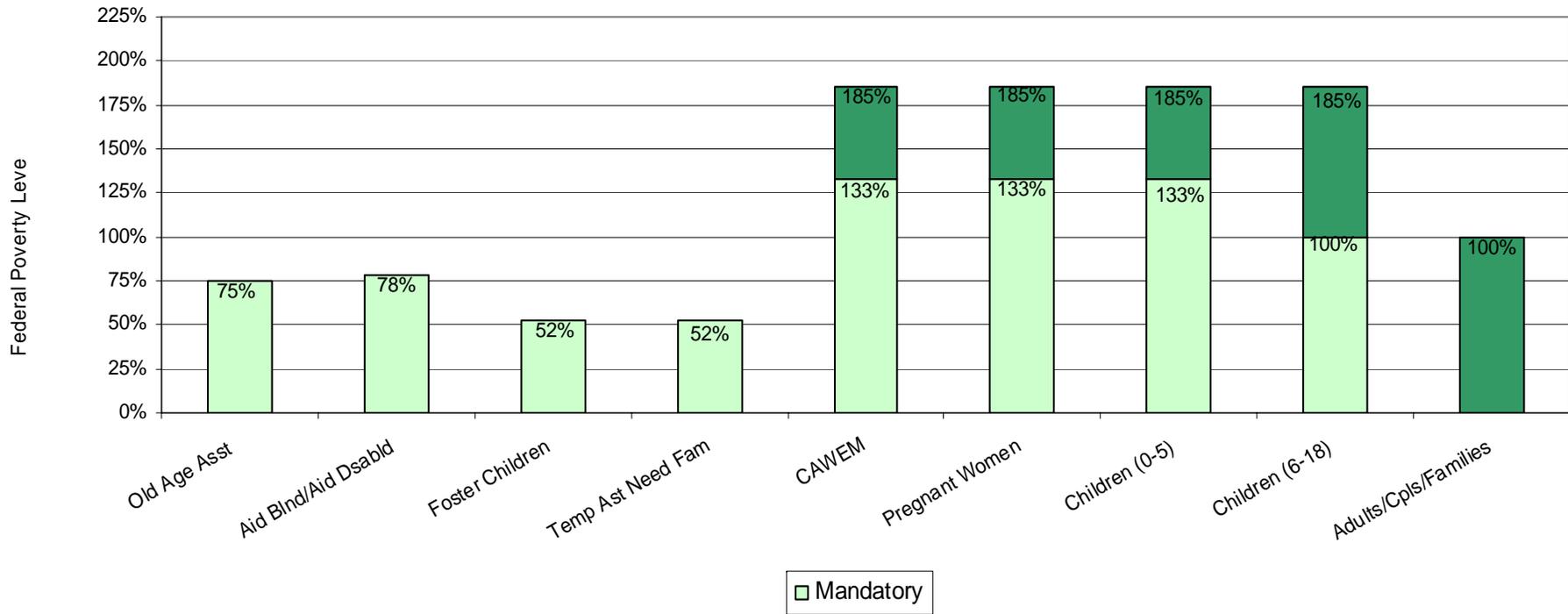


Sources: Practice cost inflation all years, Centers for Medicare and Medicaid Services (CMS); 1992-97 payments, Physician Payment Review Commission; 1998-2003 payments, American Medical Association; 2004 projections, CMS.



# **Public Sector Insurance Trends: Medicaid “The Oregon Health Plan”**

# Medicaid: Who's covered in the Oregon Health Plan (By Federal Poverty Level)

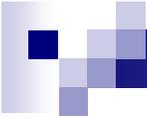




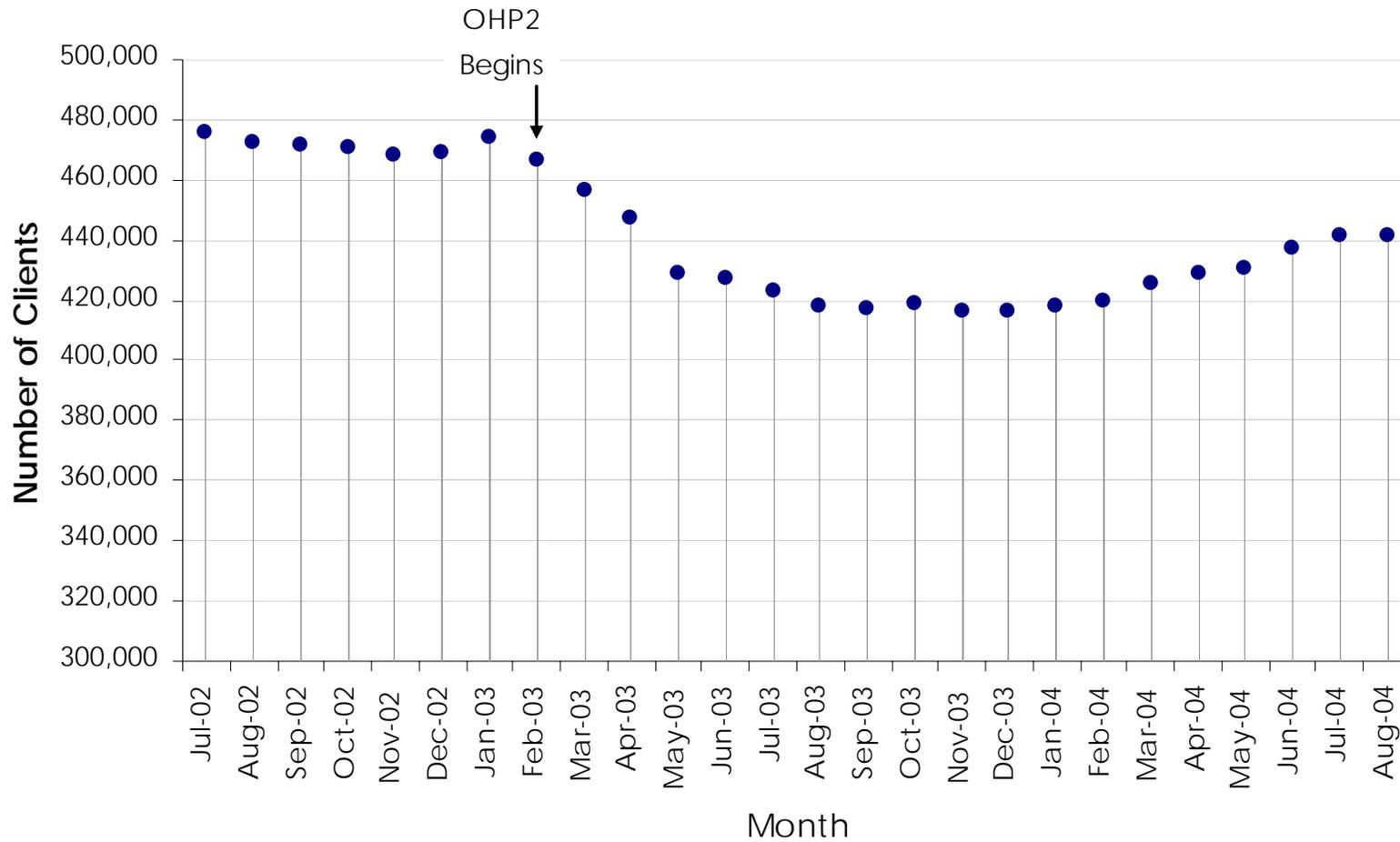
# Federal Poverty Guidelines, 2005

100% FPL is:

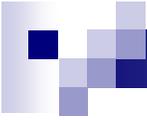
<b>Persons in Family Unit</b>	<b>Annual</b>
<b>1</b>	<b>\$9,570</b>
<b>2</b>	<b>\$12,830</b>
<b>3</b>	<b>\$16,090</b>
<b>4</b>	<b>\$19,350</b>
<b>For each additional person, add</b>	<b>\$3,260</b>



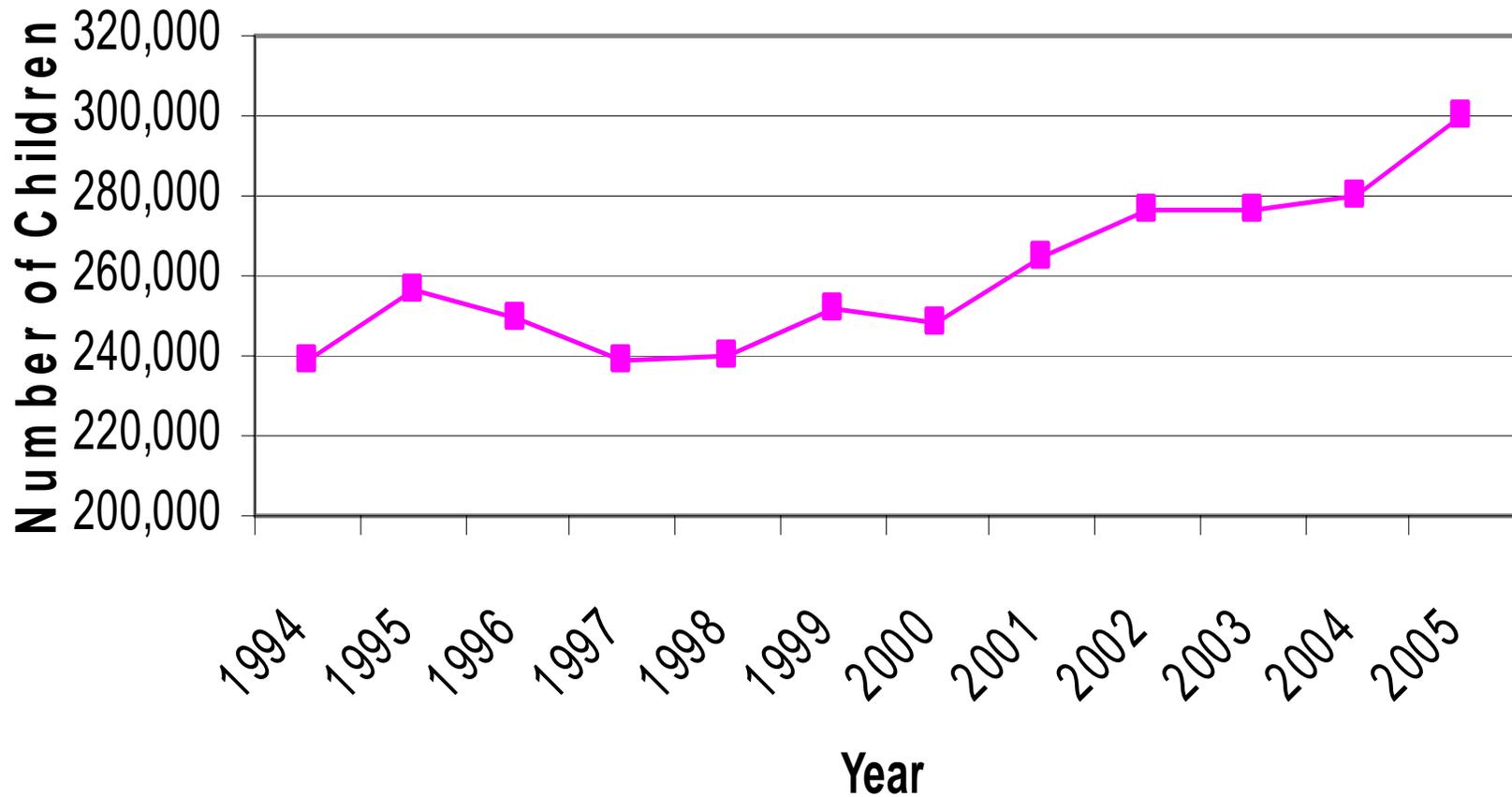
# Medicaid Enrollment



Source: Oregon Office of Medical Assistance Programs, Department of Human Services.



## Number of Children on OHP





# So where are we now?

- ***“Health insurance as we know it is out of reach of a growing share of the workforce”\****
- Health costs are reducing wages, profits, investments, impact jobs/economy
- Rising costs are driving states to ramp down their public programs
- Rising costs and lack of coverage impact Oregonians health with uneven Quality and Access

\*Source: Len Nichols – Health economist, New American Foundation



# Original Goals of the Oregon Health Plan

- Health care for the uninsured- Public and Private vision
  - Expand Medicaid
  - Hi-Risk Pool
  - Employer Mandate (never implemented)
- Basic benefit package of effective services
- Broad participation by providers
- Decrease cost shifting & charity care
- A rational way to allocate resources for health care



## Where do we go next?

### Competing Visions of Health System Utopia

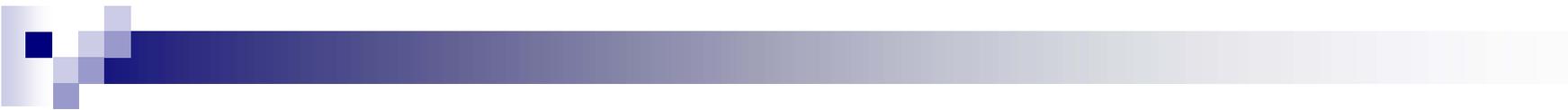
- The “***New Wild West***” with tax breaks
  - Individual choice will drive efficiency
- “***Cocoon of Single Payer***” with tax financing
  - Uniform control will drive efficiency
- “***Shared Responsibility***” with mandates, subsidies, and group purchasing mechanisms
  - Incentives and information will drive efficiency

Source: Len Nichols – Health economist, New American Foundation



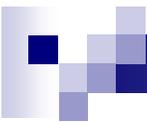
## What is our Federal Government Likely to Do in '06-'08?

- Offer tax incentives for consumer driven movement
- Encourage risk segmentation to address affordability for some



# Oregon historically been innovative in state health policy

- Pre-Oregon Health Plan - early pioneers in managed care
- Oregon Health Plan – Prioritized List of Healthcare Services, Hi-Risk Pool, aimed for a private sector employer mandate
- OHP2
  - Reform efforts thwarted with budget cuts due to recession;
  - Did get a premium subsidy program (FHIAP) federally matched and expanded access to kids and pregnant women
- OHP3+? – multiple initiatives and ideas, lots of new energy



# Key Questions needing consensus to set health reform priorities and design

## ■ “Who? ” –

- by age, poverty level, categories or diseases, citizenship status, other?

## ■ “What?” –

- “Basic benefit” or “Comprehensive?”
- What process will determine what’s included/what’s not?

## ■ “How?” –

- Public expansion? Private subsidy?; Public-private innovation? Total restructure?
- How deliver/access care? How will it reimburse for care?
- How will it be financed?
- How control costs? How will it prevent and treat Chronic Disease?
- How to ensure quality and prevent patient errors?



# Questions?

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