

Healthcare Costs: Drivers, Trade-Offs, and Value

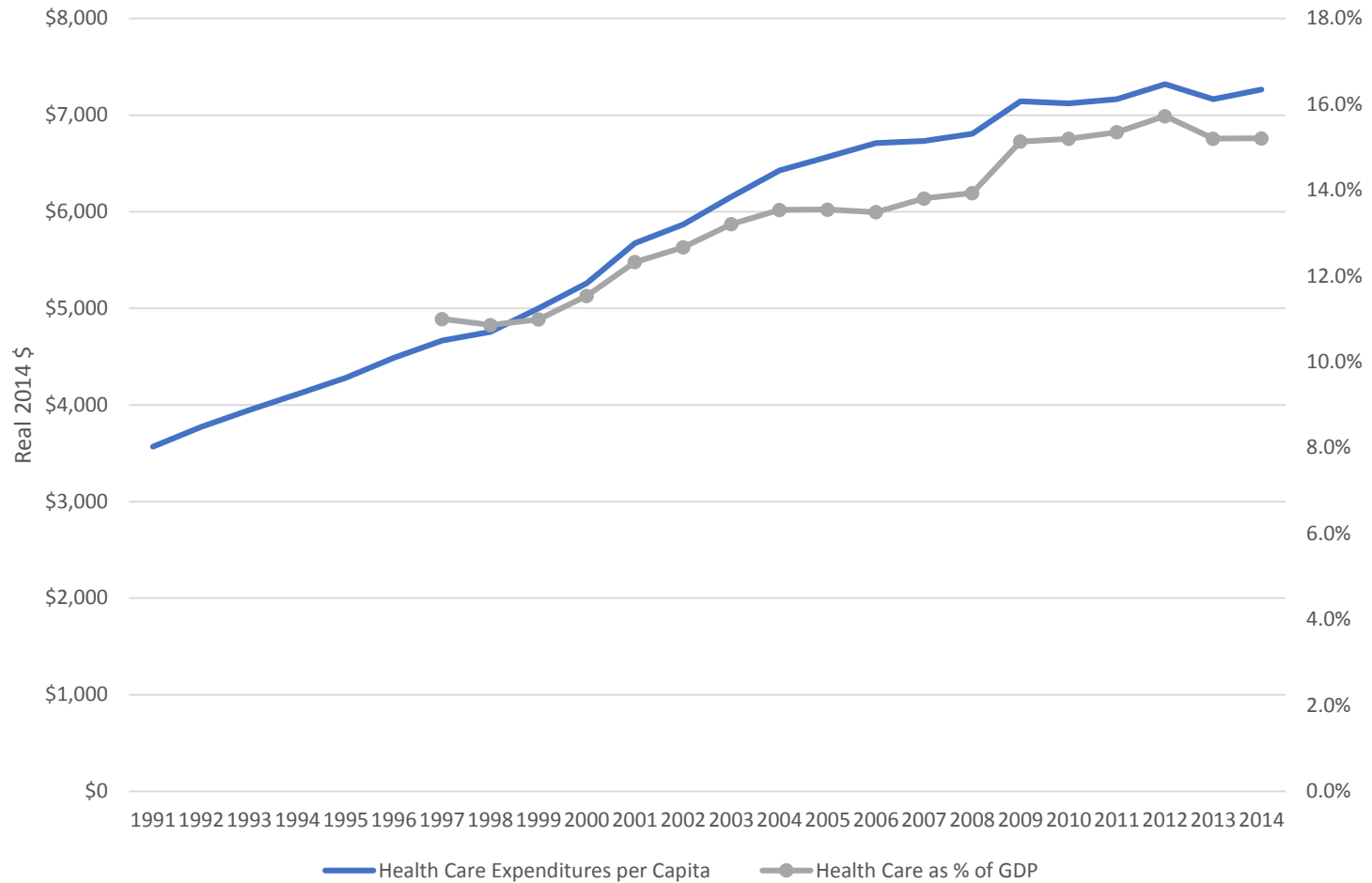
Justin G. Trogon

Outline

- Health care expenditures in NC
- Drivers of expenditure increases
- Policy Options



Health Care Expenditures in North Carolina



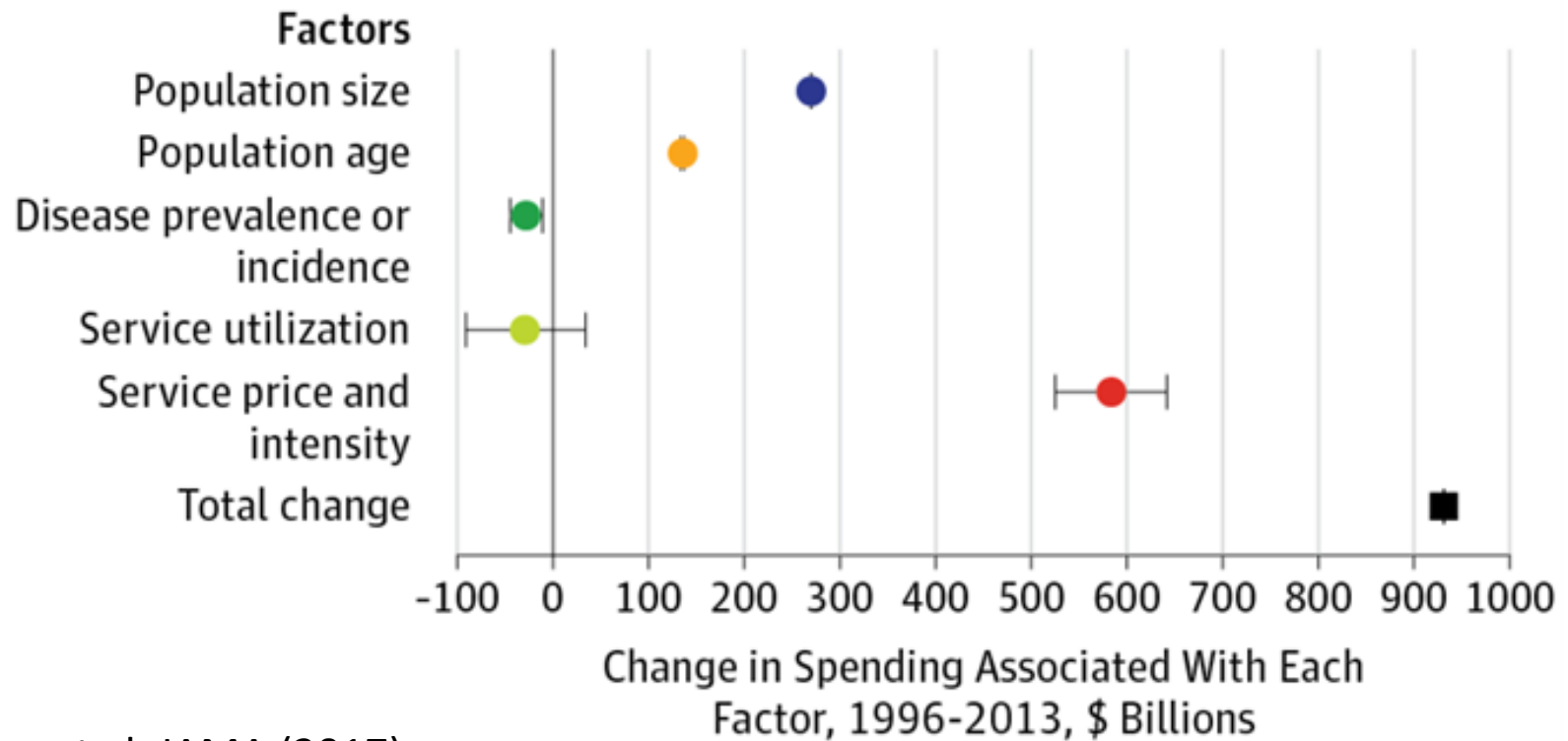
Drivers of Expenditure Increases

Expenditure = Quantity x Price

- Quantity
 - Demographics -- aging
 - Social Determinants
 - Disease prevalence
- Prices
 - Innovation / productivity growth

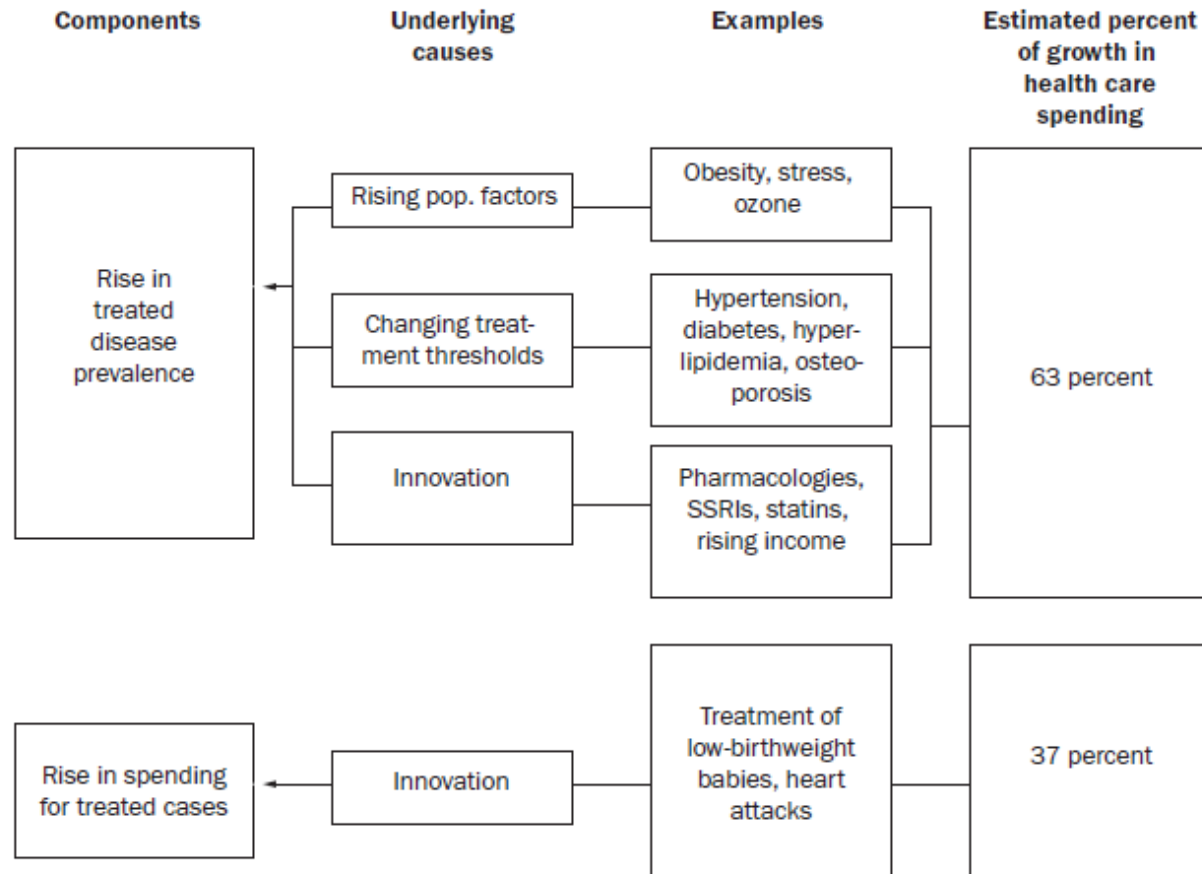


Factors Associated with Increases in US Health Care Spending, 1996-2013



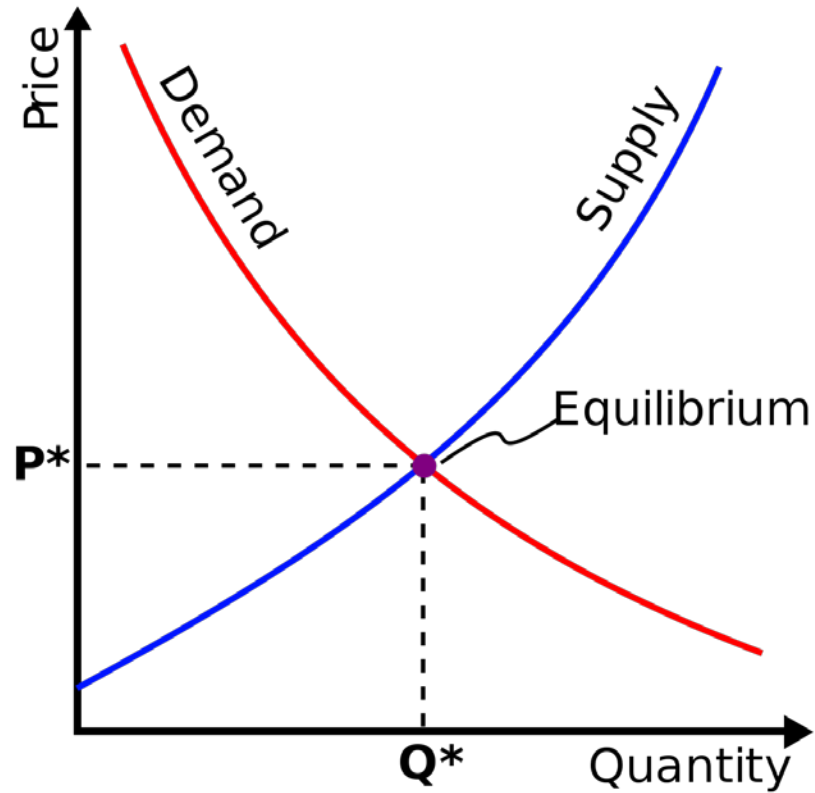
Dieleman et al. JAMA (2017)

EXHIBIT 1
Factors Accounting For The Rise In Real U.S. Per Capita Health Spending



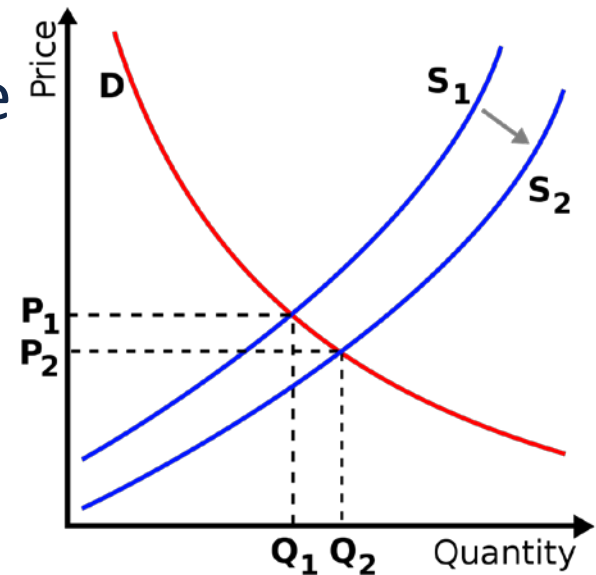
SOURCE: Derived from K.E. Thorpe et al., "The Rising Prevalence of Treated Disease: Effects on Private Health Insurance Spending," *Health Affairs*, 27 June 2005, content.healthaffairs.org/cgi/content/abstract/hlthaff.w5.317 (26 August 2005).

Policy Options



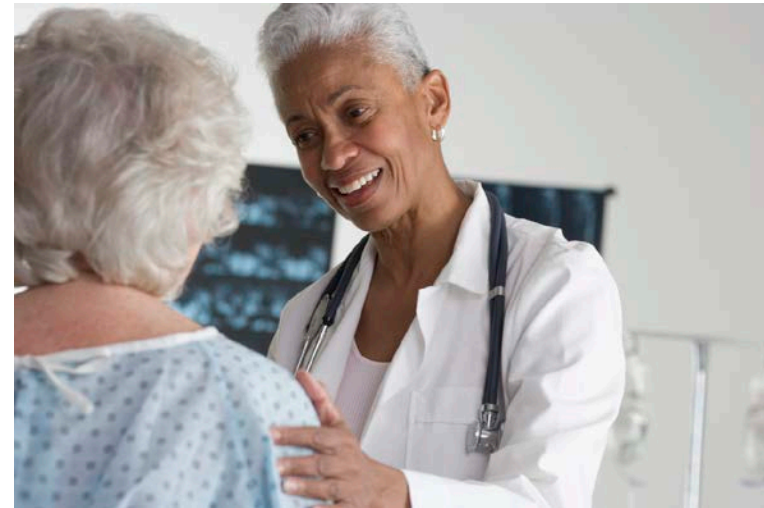
Policy Options

- Supply Side – cost conscious while maintaining quality
 - Shared risk (capitation, bundles)
 - Quality incentives (pay-for-performance)
 - Competition (quality reporting)



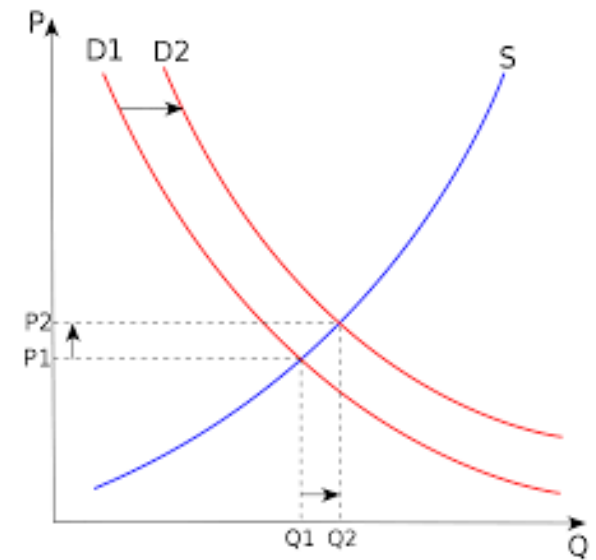
Supply Side Policies

- Rationale: Providers' central role in treatment decisions
- Examples: efficient care (telemedicine and home health), disease management
- Limitations
 - (-) Mixed evidence so far
 - (-) Feasible at local level?



Policy Options

- Demand Side – responsive consumers
 - To price (deductibles, HSAs)
 - To quality (transparency, reporting)
 - Prevention and public health



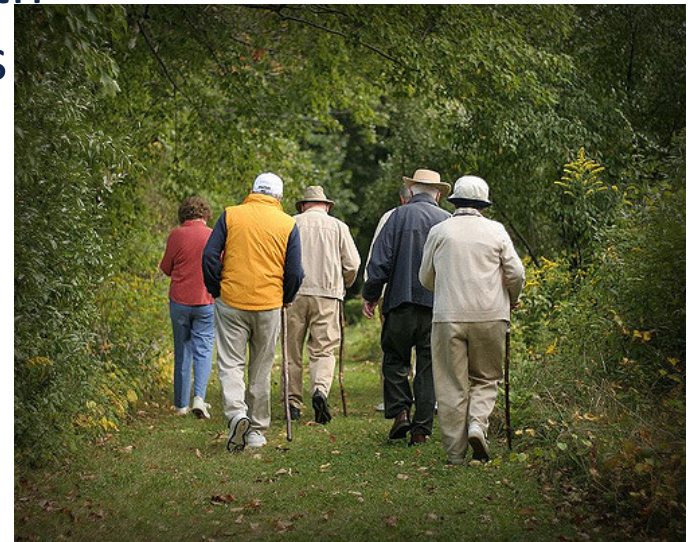
Demand Side Policies

- Consumer-driven
 - (+) Price elasticity is not zero (but not large)
 - (-) Patients not good at triaging cuts
- Transparency
 - (+) Solves imperfect information problem
 - (-) Complex, under-utilized



Demand Side Policies

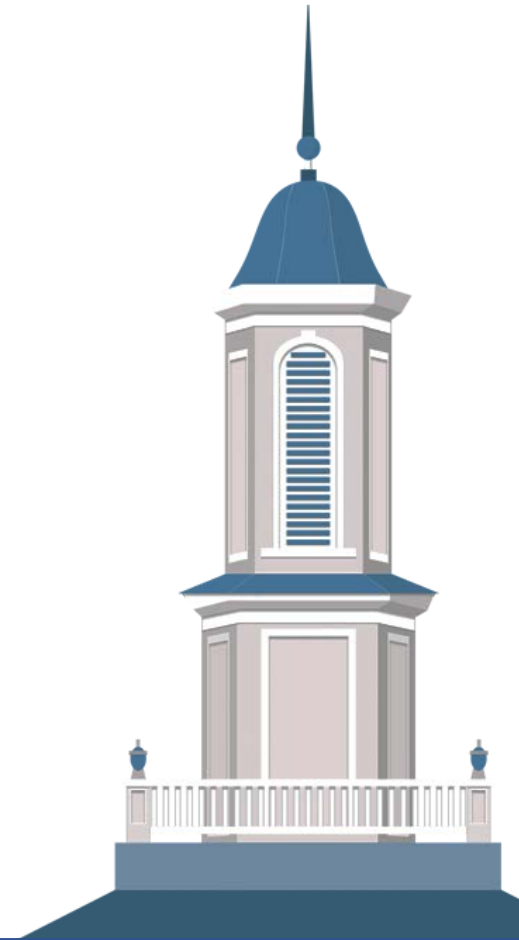
- Prevention and public health
 - Rational: Focus on preserving health
 - Examples: walkable cities, wellness centers, housing upgrades
 - Limitations:
 - Behavior change is hard
 - Benefits long run and diffuse



Value

- Do not forget the point of health care spending – better health
- Cost savings is rare
- Better health for a reasonable price
- Perspective matters

Thank You



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