

# Our Amazing, Crazy, Uneven and Expensive Healthcare System

---

Seattle Economics Council

June 5, 2019



© 2019 Premera Blue Cross



# Company profile

86

YEARS SERVING THE PNW

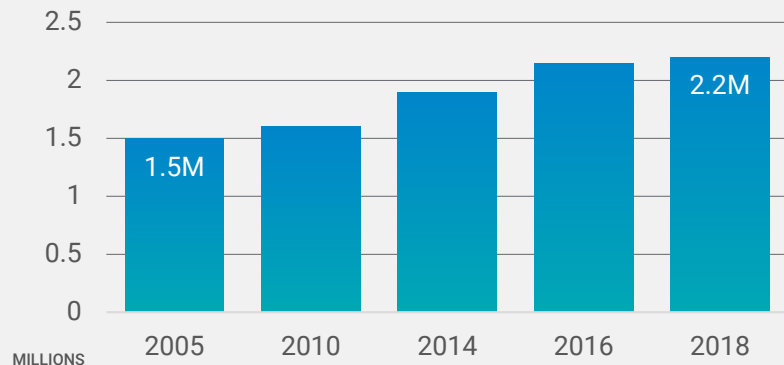
\$11B

REVENUE

1300%

RISK-BASED CAPITAL

Membership: 2.2m



National accounts



amazon

PACCAR



Weyerhaeuser

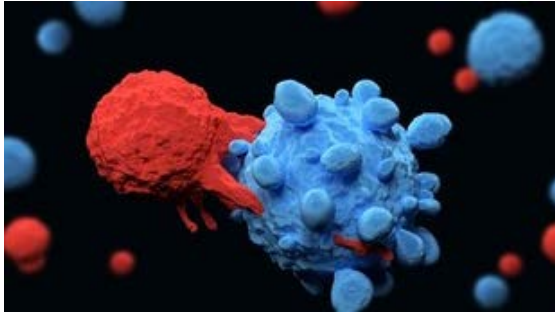


Alaska  
AIRLINES

NORDSTROM



# The US healthcare system does amazing things



Seattle cancer trial 'very good news' for young patients

**The Seattle Times**



'It was amazing': New technology allows paralyzed man to move arm by thinking about it

**The Washington Post**



A US drugmaker offers to cure rare blindness



# Amazing and Unique

---

## The US focus, assets and incentives are unique

---

- Intense focus on individual diagnostics and conditions vs system as a whole
- World leading science community
- Abundant investable capital
- Capable entrepreneurs seeking enormous financial and social rewards

# Healthcare is uneven, and crazy, too

## Quality of care

is inconsistent and lags behind other developed countries

## Quantity of care

is widely varied and excessive

## Cost of care

of care differs dramatically within markets and internationally

## Why? Low need and willingness to change

- Data is overlooked, ignored and inaccessible
- Care is not standardized and slow to adapt
- Information is asymmetrical and opaque while consumer interest is low
- Healthcare is largely unshoppable
- Market power and economic value are high: hospitals = 6% of GDP
- Costs borne by third parties



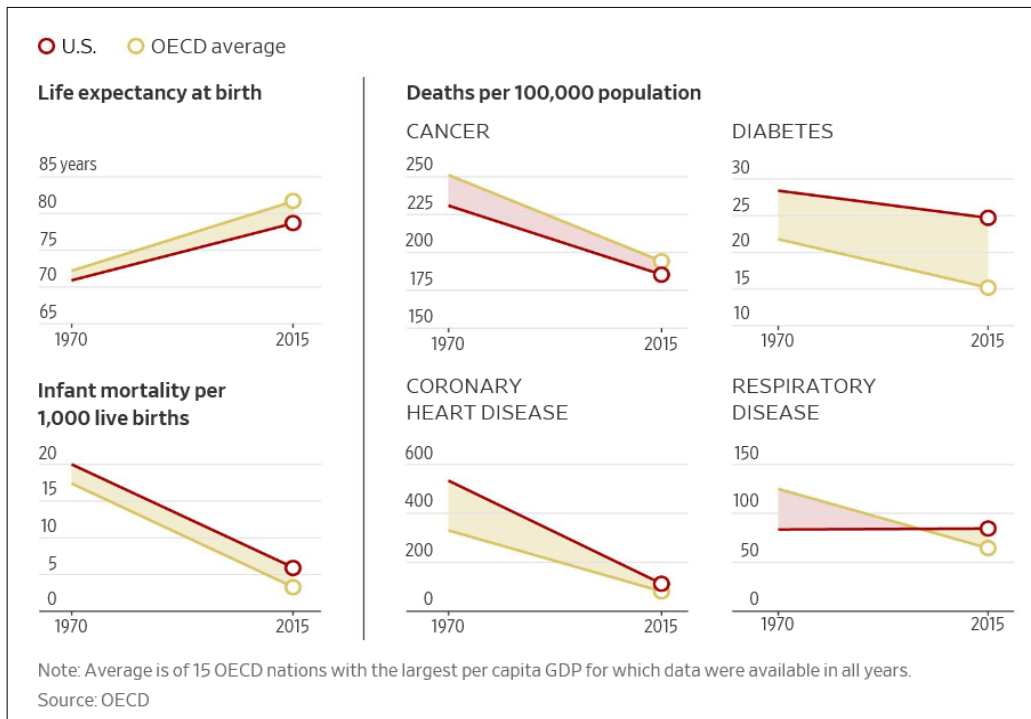
# The US population, as a whole, is less healthy

## System-related factors

- Quality
- Access
- Prevention

## Societal issues

- Nutrition
- Lifestyle
- Obesity
- Violence



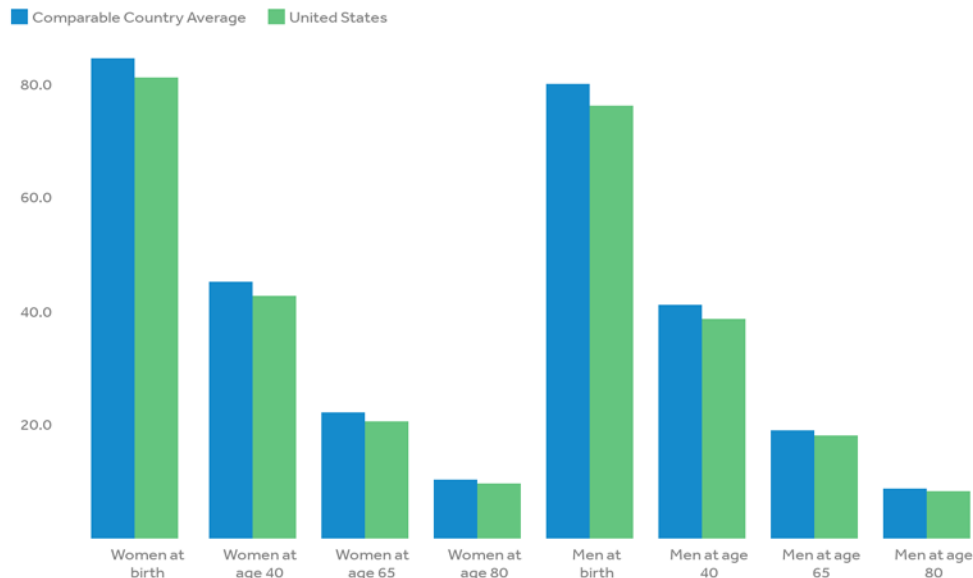
# At every age, US life expectancy lags

**IN 1980**, peer nations had comparable lifespans to US

**SINCE 1980** US has gained 4.9 years while peers have gained 7.7 years

**IN 2015 AND 2016**, US life expectancy dropped, the first 2-year decline since 1964

Life expectancy in years at given age, 2016 or nearest year



Notes: Canada & France data for 2016 are not available. Data for the nearest year are used in the comparable country average for 2016.

Source: Kaiser Family Foundation analysis of 2018 OECD data: "OECD Health Data: Health status: Health status indicators", OECD Health Statistics (database) (Accessed on January 25, 2019).

• [Get the data](#) • PNG

Peterson-Kaiser  
**Health System Tracker**

# Americans have fewer highly functional years

24% higher rate of disability and premature death in the United States

Age standardized disability adjusted life year (DALY) rate per 100,000 population, 2015



Source: [Kaiser Family Foundation analysis of data from Institute for Health Metrics and Evaluation. Global Burden of Disease Study 2015 \(GBD 2015\) Data Downloads](#)

Peterson-Kaiser

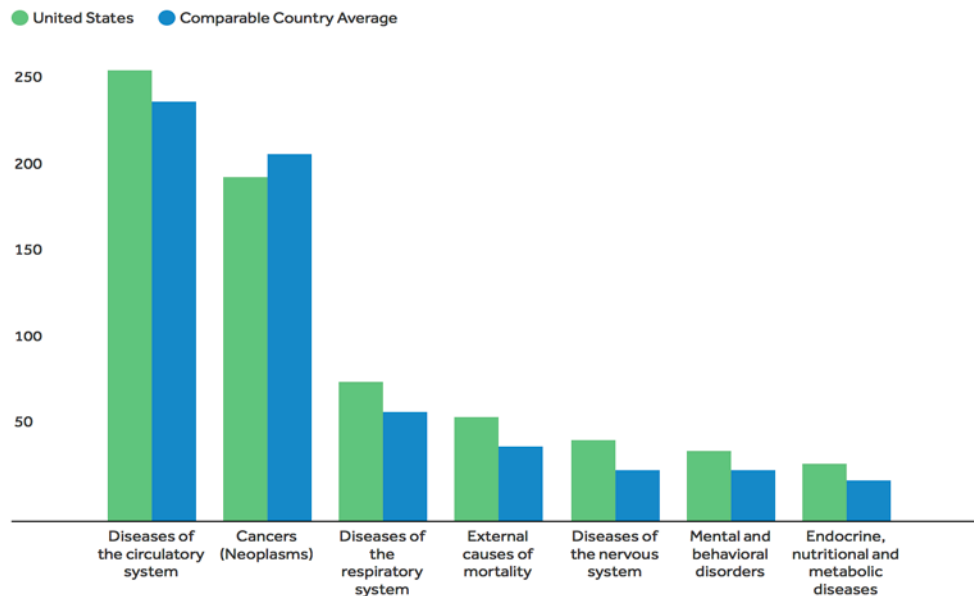
**Health System Tracker**



# Incidence of mortal disease

The US mortality rate is lower only on cancer

Age-adjusted major causes of mortality per 100,000 population, 2010



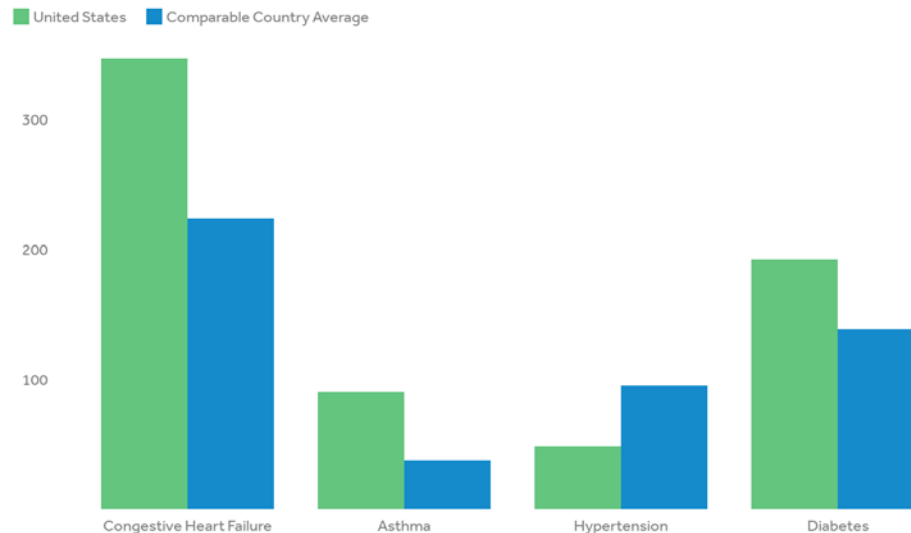
Source: [Kaiser Family Foundation analysis of 2013 OECD data: "OECD Health Data: Health status: Health status indicators", OECD Health Statistics \(database\) \(Accessed on November 6, 2014\).](#)

Peterson-Kaiser  
**Health System Tracker**

# And spend more time in the hospital

Admission rates higher than peer countries

Age standardized hospital admission rate per 100,000 population for asthma, congestive heart failure, hypertension, and diabetes, ages 15 and over, 2015 or nearest year



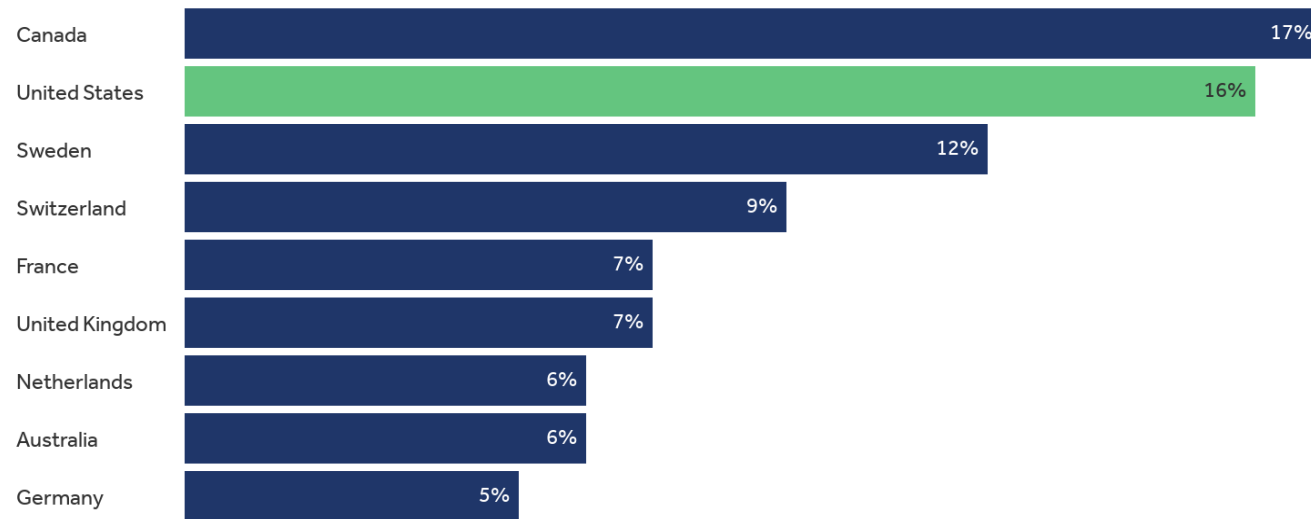
Data for Australia, Belgium, and the US are from 2014. Diabetes admission rates for Austria are also from 2014.

Source: KFF Analysis of OECD Health Statistics (Database) • [Get the data](#) • PNG

Peterson-Kaiser  
**Health System Tracker**

# Emergency room utilization

Expensive ER is used inappropriately nearly twice as often



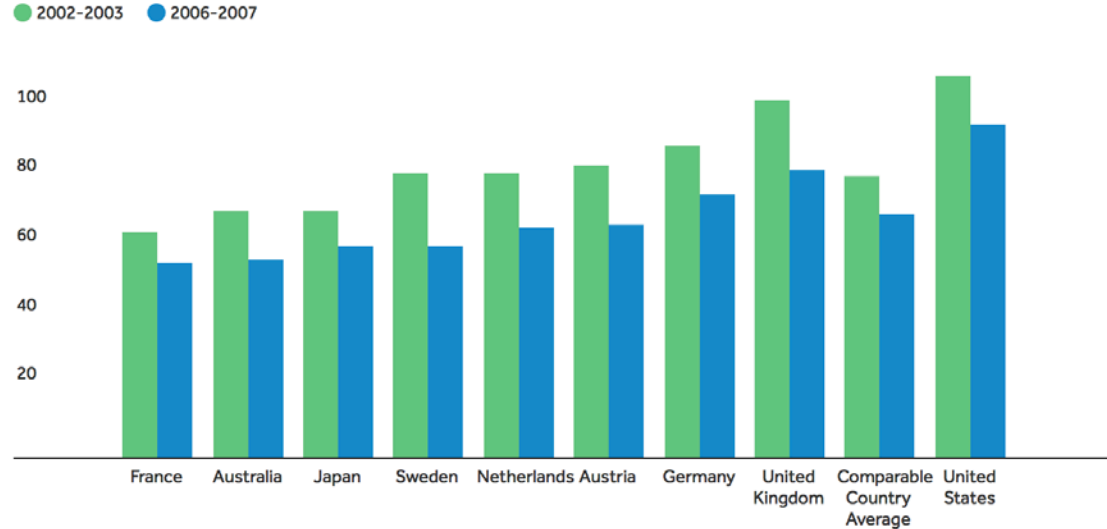
Source: 2016 Commonwealth Fund International Health Policy Survey in Eleven Countries  
• [Get the data](#) • [PNG](#)

Peterson-Kaiser  
**Health System Tracker**

# Quality of care – preventable deaths

For conditions with recognized health care interventions expected to prevent death, US ranks lowest

Amenable mortality per 100,000 population, in years, 2002 - 2003 and 2006 - 2007



Source: [Nolte E, McKee C, Martin. Health Affairs "Measuring the Health of Nations: Updating an Earlier Analysis"](#)

Peterson-Kaiser  
**Health System Tracker**

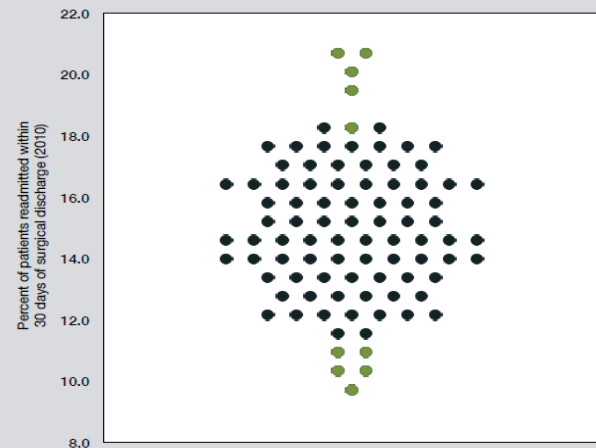
# Quality of care – readmissions

## 1 in 8 readmitted following surgery

- National average of 12.4%
- Range from 7.6% Bend—18.3% Bronx

## 1 in 6 readmitted after non-surgical procedure

- National average of 15.9%
- Range between 11.4% Ogden—18.1% Bronx

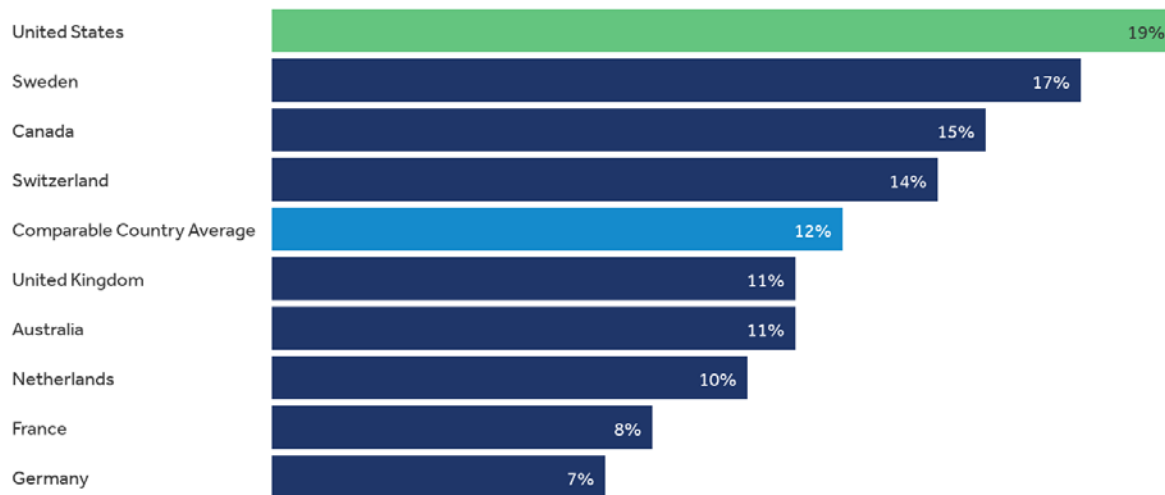


UMDNJ University Hospital	20.7
Stony Brook University Med Ctr	20.6
UAMS Medical Center	20.1
Albany Medical Center	19.2
Montefiore Medical Center	18.5
Fletcher Allen Health Care	11.2
Stanford Hospital and Clinics	11.1
University of Washington Med Ctr	10.6
Emory University Hospital	10.5
Creighton University Med Ctr	9.4

# Quality of care – errors and delays

US is more prone to medical mistakes, incorrect medications or dosages, lab test errors, or delays receiving abnormal test results

Percent of adults who have experienced medical, medication, or lab errors or delays in past two years, 2016

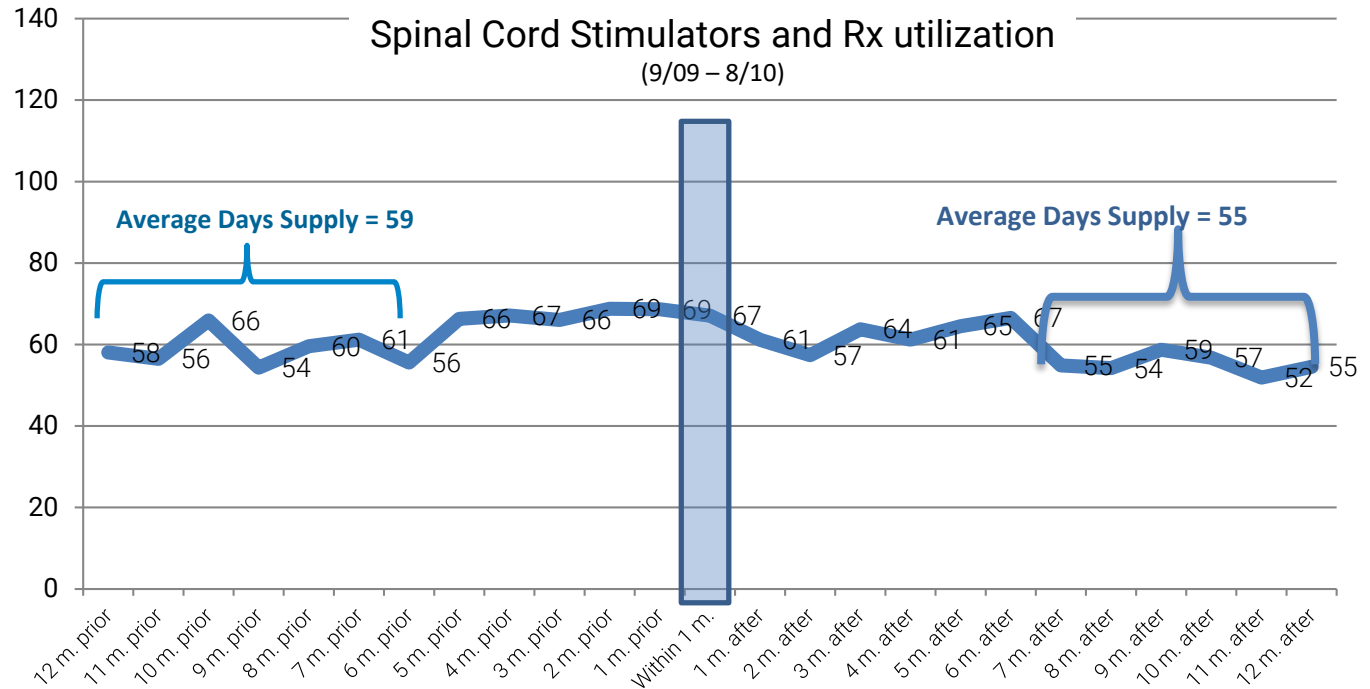


Source: Unpublished data from 2016 Commonwealth Fund International Health Policy Survey  
• [Get the data](#) • [PNG](#)

Peterson-Kaiser  
**Health System Tracker**

# Care efficacy and appropriateness

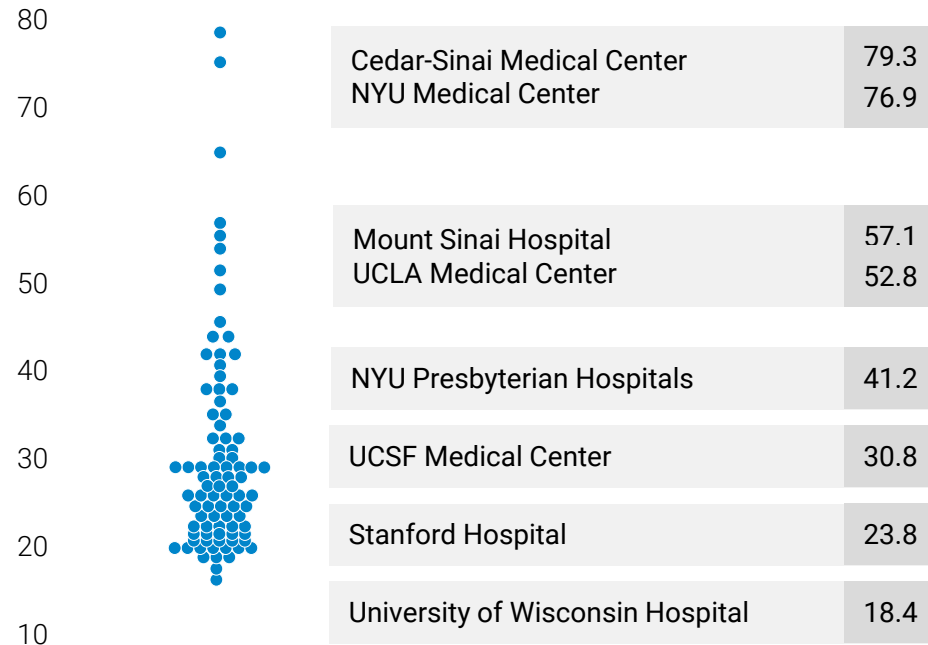
No significant difference in the use of pain medications after the use of a spinal cord stimulator



# Quantity of Care

End of life care varies,  
from 18 doctor visits to  
almost 80 in last  
6 months

Number of MD Visits, Last 6 Months of Life, (93 Major U.S. Teaching Hospitals)



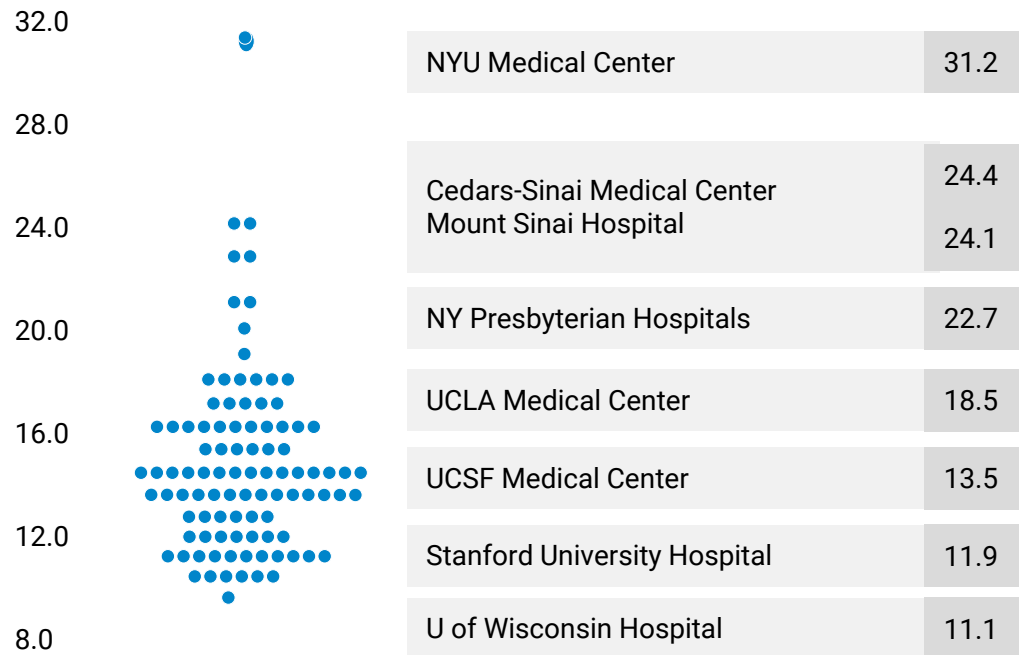
Source: Dartmouth Atlas 2008



# Quantity of Care

Almost a 3x multiple in days in the hospital during end of life care

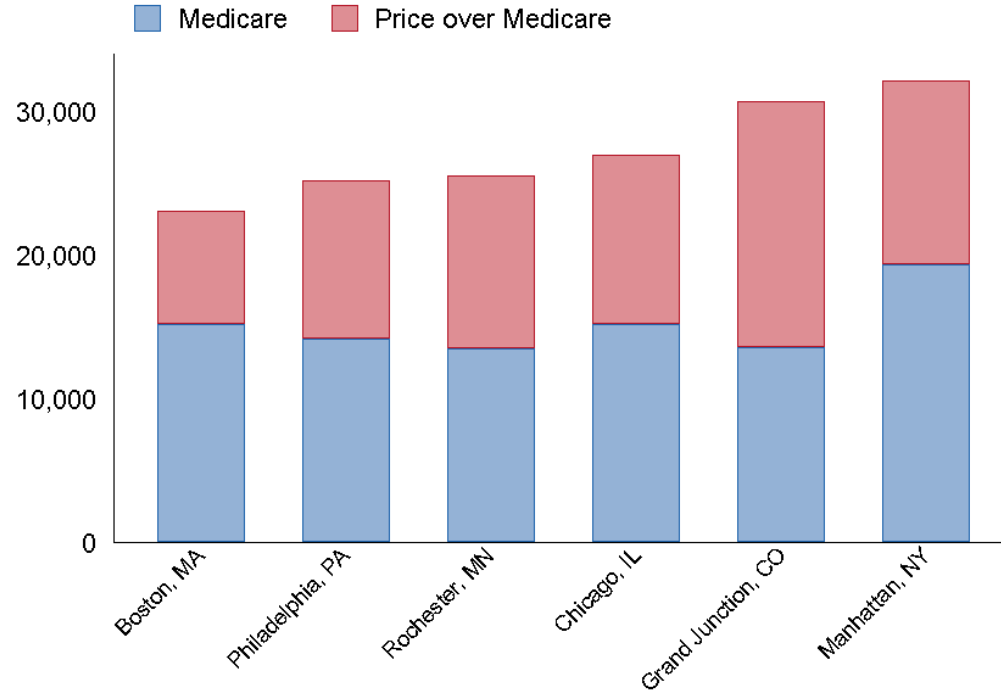
Days in the Hospital, Last 6 Months of Life, (93 Major U.S. Teaching Hospitals)



Source: Dartmouth Atlas 2008

# Uneven prices from market to market

Knee replacements are more expensive in South Dakota than Manhattan

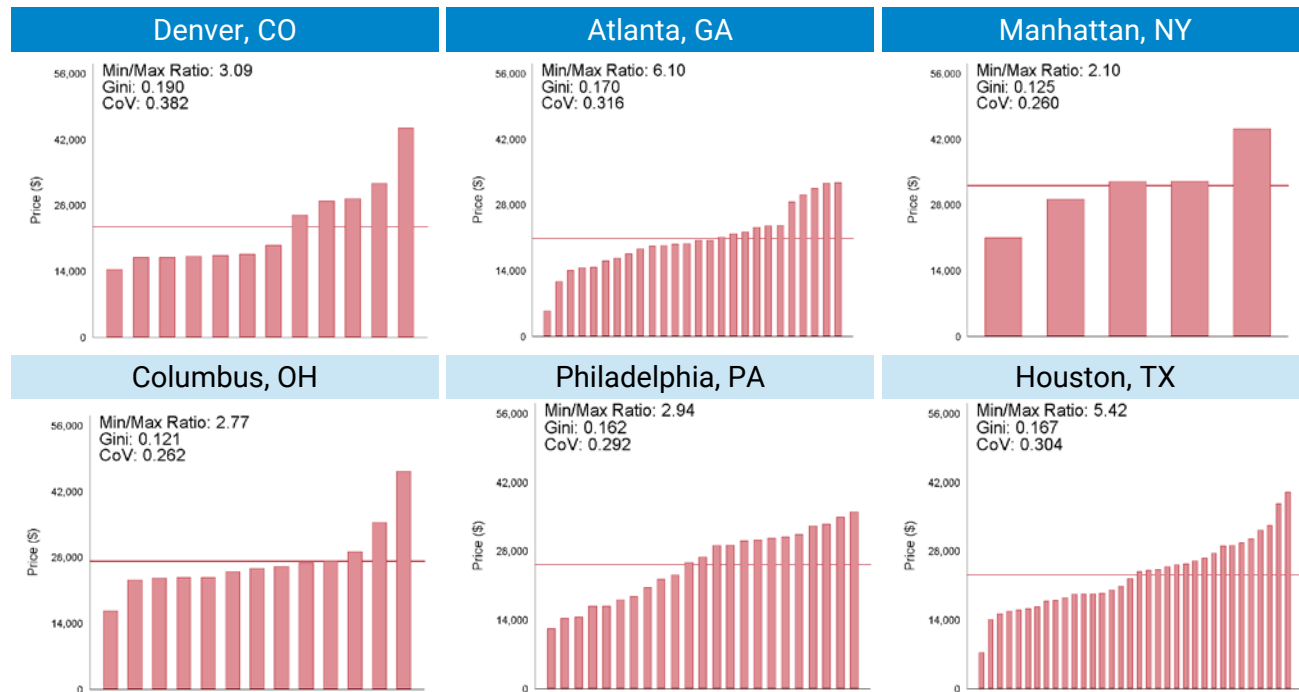


© Cooper, Craig, Gaynor, and Van Reenen

# Knee replacement

Knee replacement prices varied by as much as 1700%

Colonoscopies and MRIs are similar

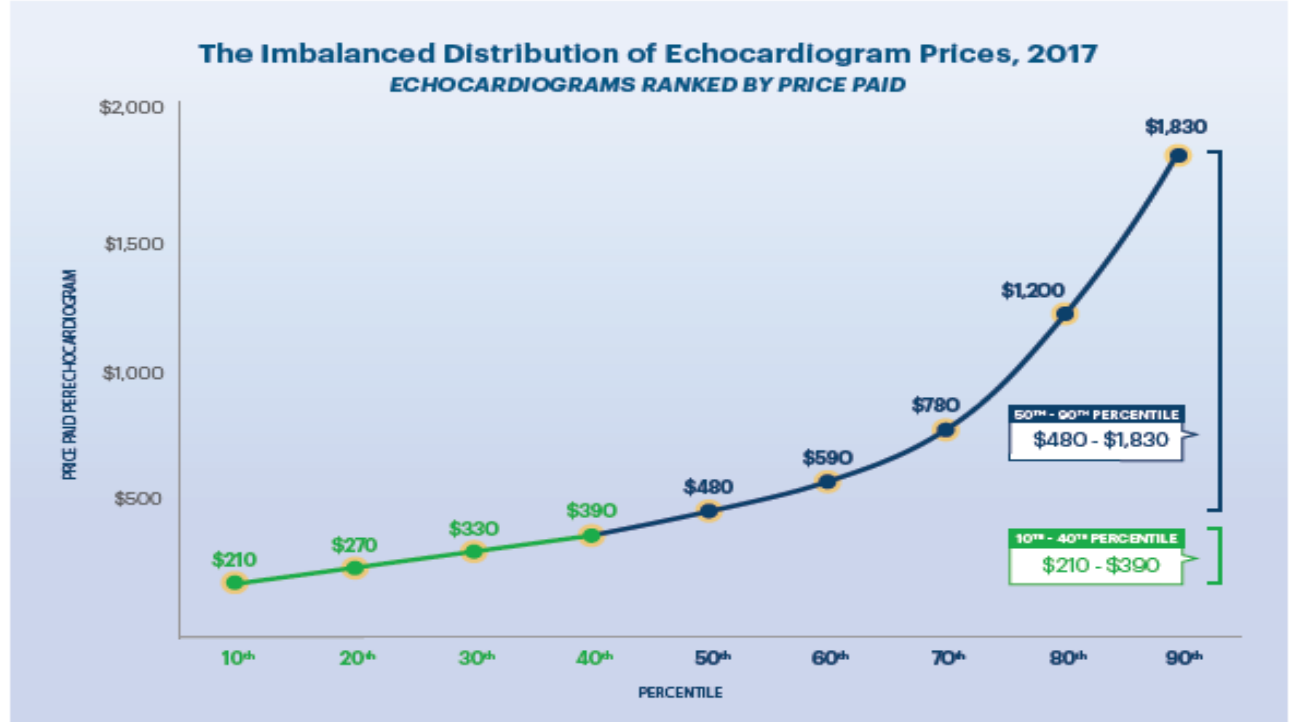


**Note:** Each column is a hospital. Prices are regression-adjusted, measured from 2008 – 2011, and presented in 2011 dollars.

© Cooper, Craig, Gaynor, and Van Reenen

# Enormous opportunity for savings

\$1.7 billion EKG spend, with \$970 million in savings if paid at 40th percentile

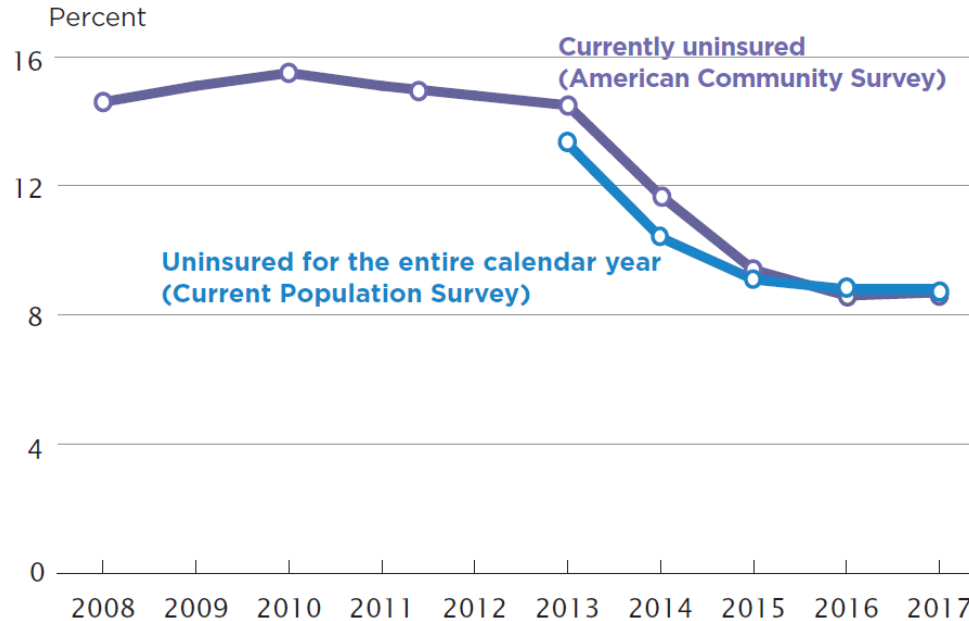


# Uneven coverage

Highest uninsured rates are among 'young invincibles' (15.6%) and Hispanics (21%)

Figure 2.

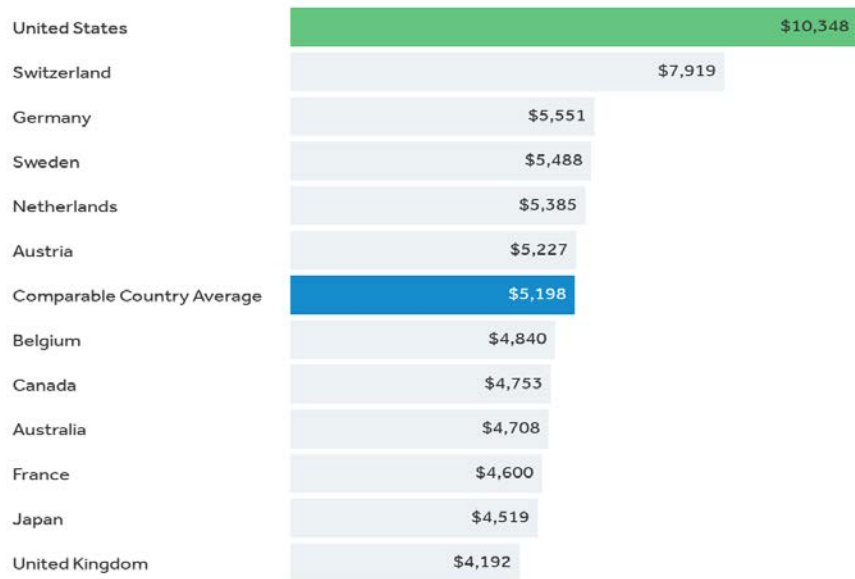
## Uninsured Rate: 2008 to 2017



# Healthcare is expensive

The United States spends double that of peer countries

Total health expenditures per capita, U.S. dollars, PPP adjusted, 2016



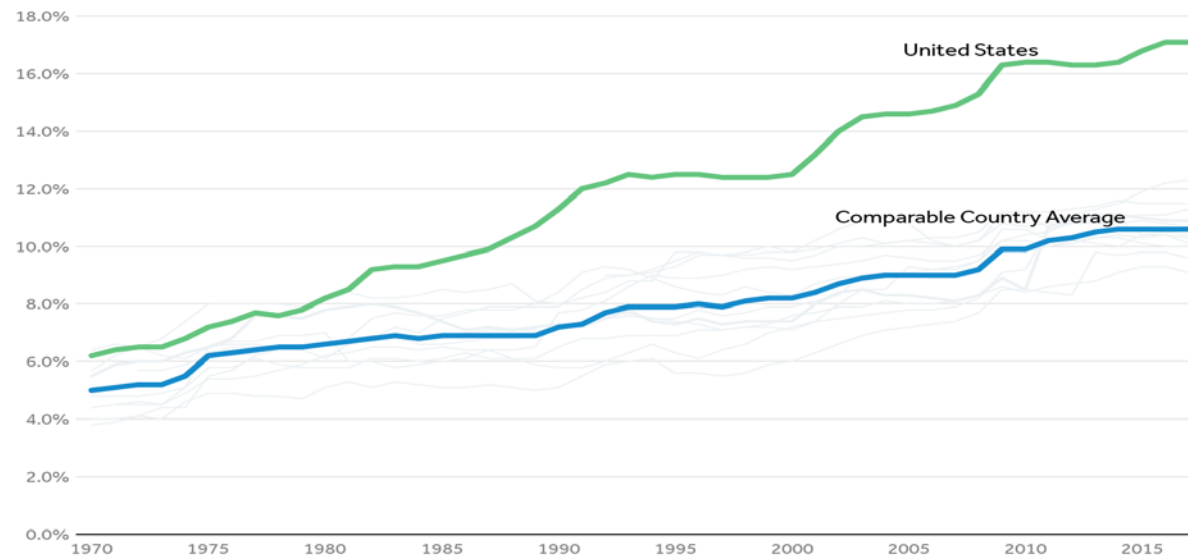
Source: U.S. data are from the 2016 National Health Expenditures Account. Comparable country data are from OECD (2017), "OECD Health Data: Health expenditure and financing: Health expenditure indicators", OECD Health Statistics (database). DOI: 10.1787/health-data-en (Accessed on March 19, 2017) • Get the data • PNG

Peterson-Kaiser  
**Health System Tracker**

# GDP spend

At more than \$3 trillion annually, healthcare is 17% of GDP

Health consumption expenditures as a percent of GDP, 1970 - 2017



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

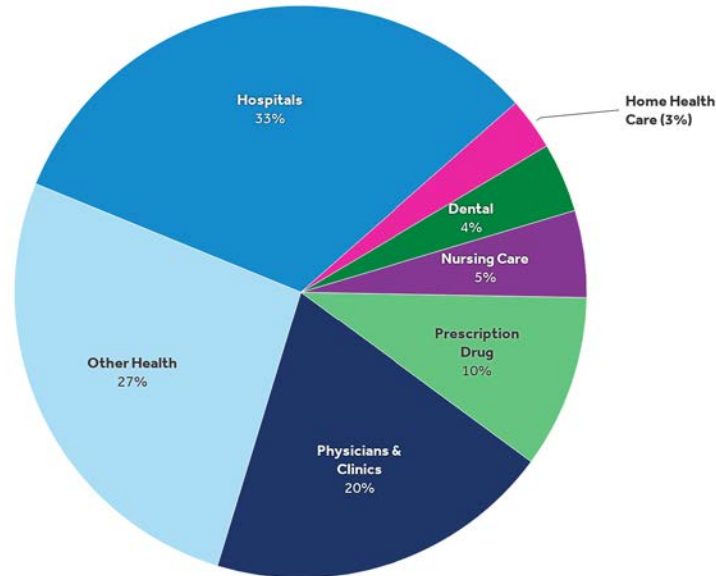
Source: KFF analysis of OECD and National Health Expenditure (NHE) data • [Get the data](#) • [PNG](#)

Peterson-Kaiser  
**Health System Tracker**

# Healthcare spending

Hospitals dominant  
total spend

Relative contributions to total national health expenditures, 2017

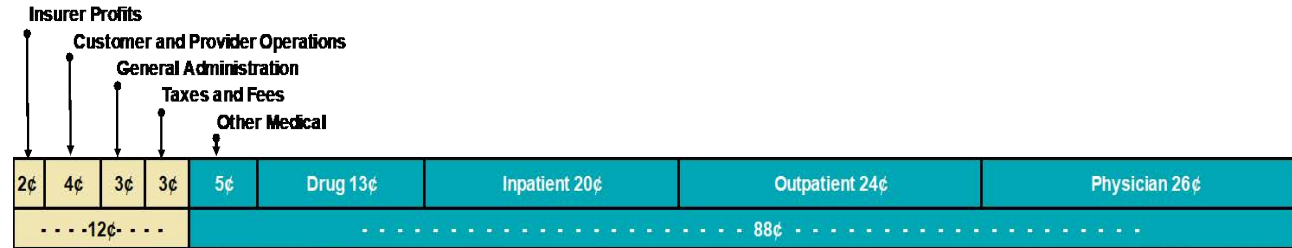


Source: Kaiser Family Foundation analysis of National Health Expenditure (NHE) data  
• [Get the data](#) • PNG

Peterson-Kaiser  
**Health System Tracker**



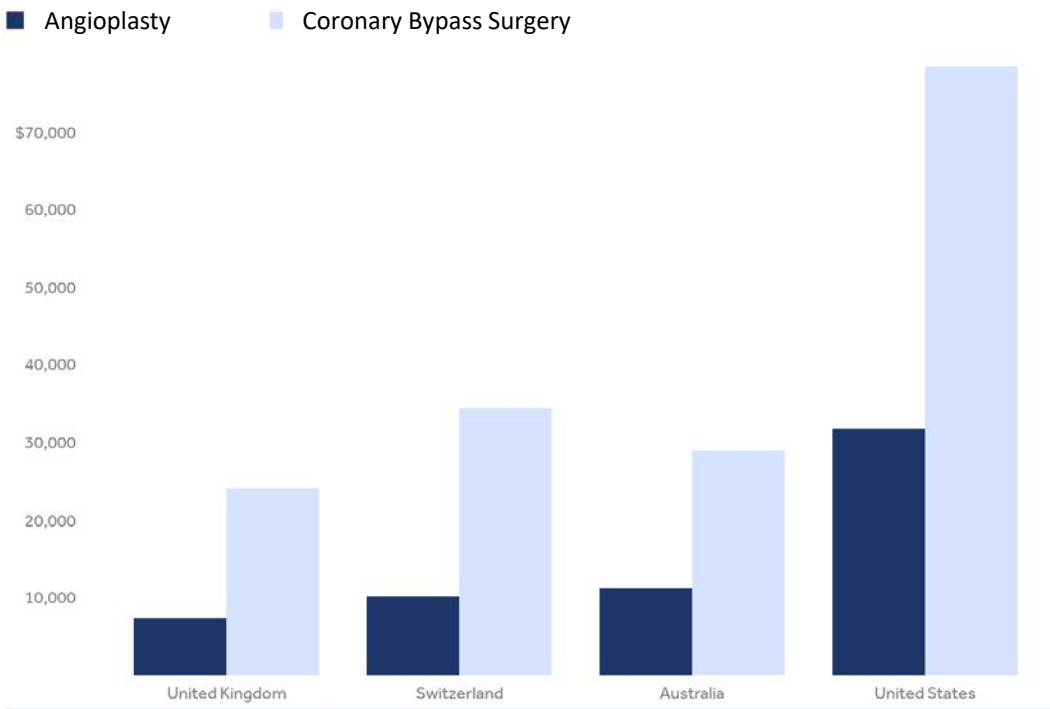
# Healthcare premiums



# Prices drive spend

Many studies demonstrate that prices, not utilization or even health, drive spend

## Average price of Angioplasty and Coronary Bypass Surgery, 2014

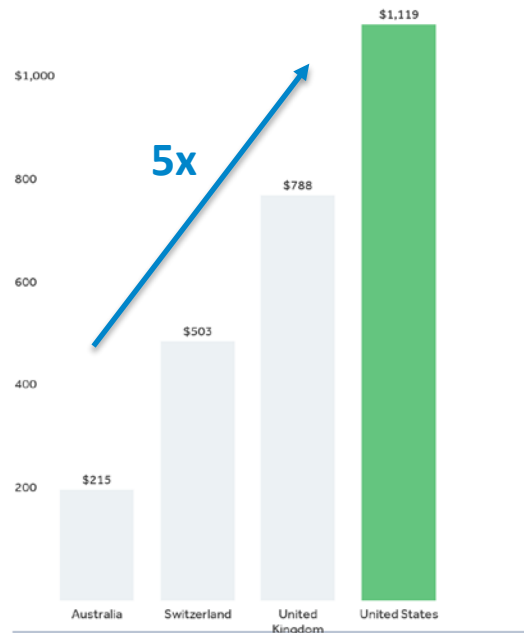


Source: International Federation of Health Plans (2015), "2015 Comparative Price Report, Variation in Medical and Hospital Prices by Country" (Accessed on January 30, 2018).  
• [Get the data](#) • PNG

Peterson-Kaiser  
**Health System Tracker**

# Price variation

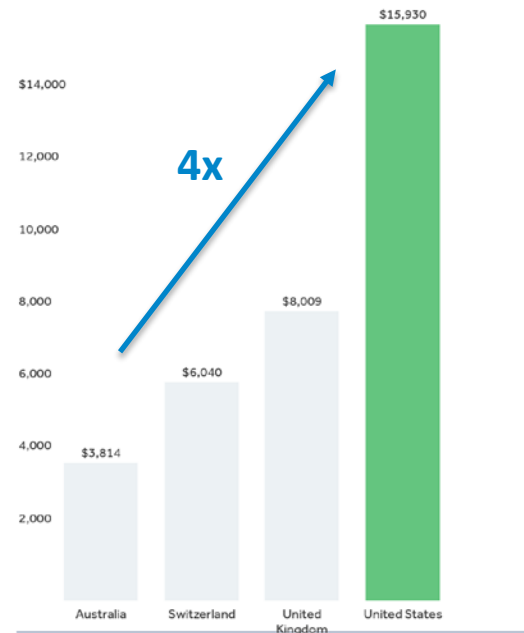
Average price of MRI, 2014



Source: Kaiser Family Foundation analysis of data from International Federation of Health Plans (2015), "2015 Comparative Price Report, Variation in Medical and Hospital Prices by Country" • [Get the data](#)

Peterson-Kaiser  
**Health System Tracker**

Average price of Appendectomy, 2014



Source: Kaiser Family Foundation analysis of data from International Federation of Health Plans (2015), "2015 Comparative Price Report, Variation in Medical and Hospital Prices by Country" • [Get the data](#)

Peterson-Kaiser  
**Health System Tracker**

# Pharmacy costs

US Rx per capita spending is more than double peer countries\*

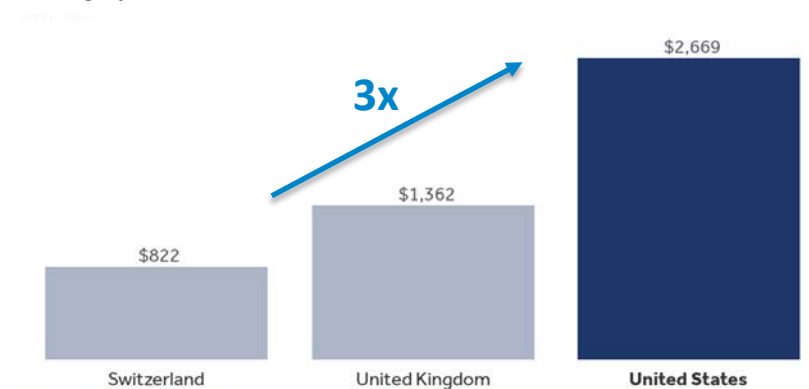
Americans average 12% fewer days/year

Just 16% of prescriptions are brand

Regulation limits prices around the world and is often price/value based

Biologics lack competition

Average price of Humira, 2014



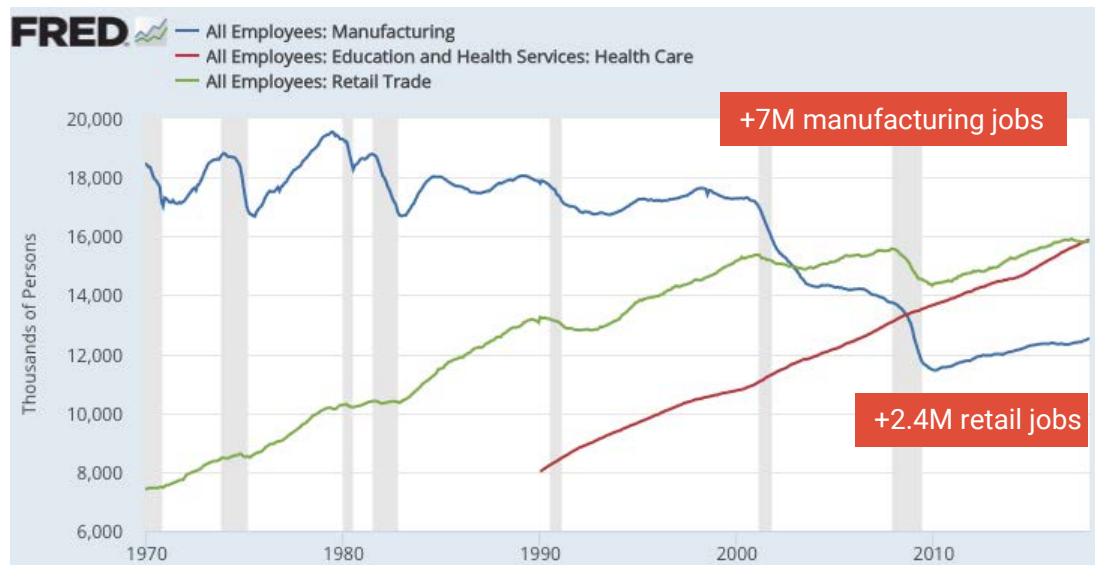
Source: International Federation of Health Plans 2015  
Comparative Price Report  
• Get the data • PNG

Peterson-Kaiser  
Health System Tracker

\* Commonwealth Fund

# Healthcare employment

## Employment increased every quarter following Great Recession



- 4 million more jobs by 2026
- 14 of 30 fastest growing job
- Shortage of 1.2M nurses by 2022
- Physician burnout costs \$4.6 billion annually or \$7,600 per employed physician

# Industry growth

As percent of S&P 500, healthcare has grown substantially

- 17% of GDP
- Hospitals alone are 6% of GDP

Cooper, Yale, 2015



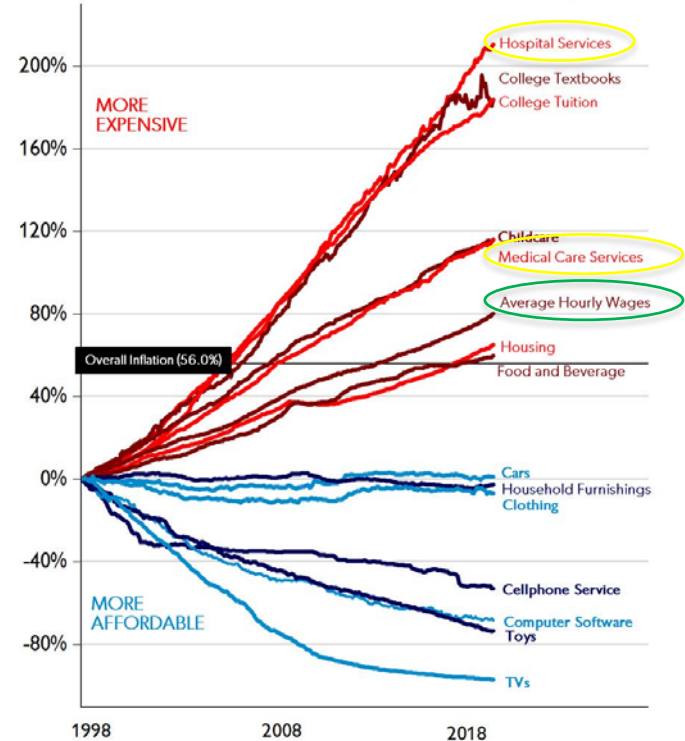
Source: WSJ analysis of S&P Global Market Intelligence data

# Consumer pricing

- Over 20 years, wages increased 80% while hospital spend increased 212%
- Dominant hospitals charge 15% more than those with at least 3 competitors
- Mergers among local competitors within 5 miles increased prices by 6%, with no effect on those 250 miles apart

Cooper, Craig, Gaynor, Van Rensselaer Yale 2015

Price Changes (January 1998 to December 2018)  
Selected US Consumer Goods and Services, Wages

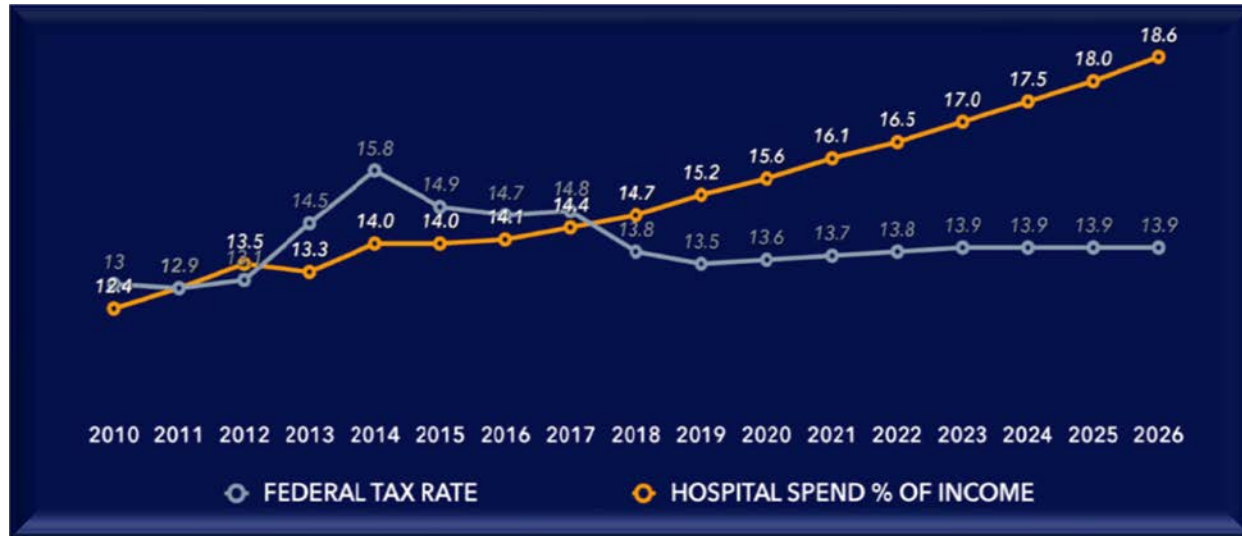


Source: BLS

Carpe Diem **AEI**

# Burden on middle America

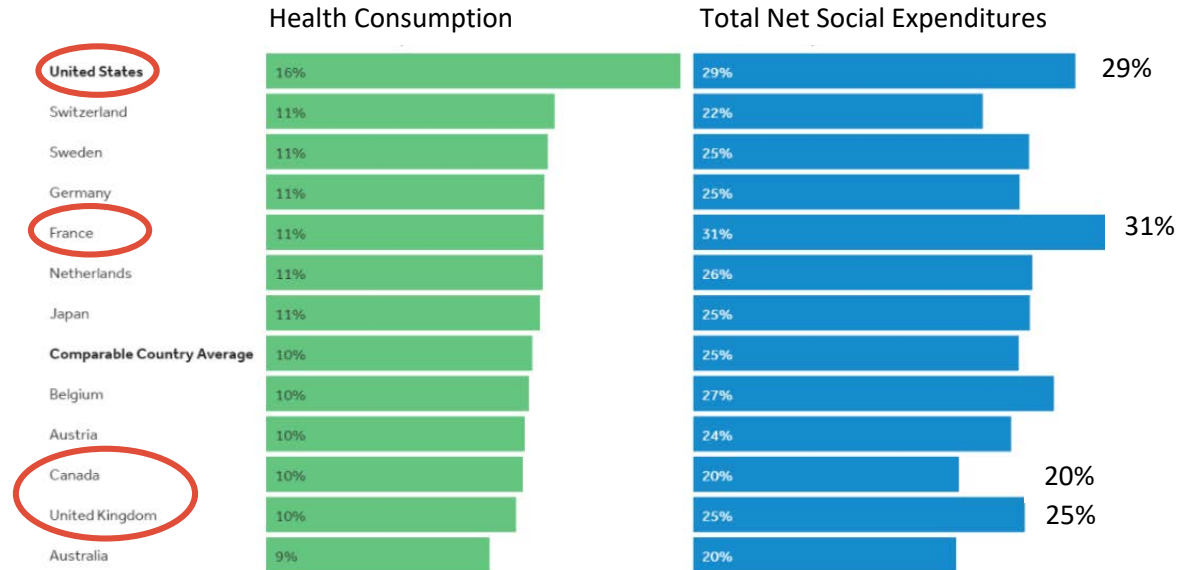
## Share of hospital spend exceeds tax rate





# Total spending: health care and social services

On the basis of total spend, US on par with peers



Notes: Health consumption does not include investments in structures, equipment, or research. Social spending includes cash assistance.

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

Peterson-Kaiser  
**Health System Tracker**

# Answers and options

## System-based

- Accelerate shift from FFS to Value
- Re-emphasize primary care
- Standardize and focus care with data
- Increase usable transparency at the doctor and condition level
- Leverage technology for CX and care coordination
- De-institutionalize care

## Policy

- Invest in social determinants
- Establish broad re-insurance pools
- Enforce anti-trust laws
- Reform malpractice laws to limit defensive medicine
- Expand Medicare eligibility
- Medicare for All

**Healthcare is the top political issue and voters feel the system is broken  
yet they resist change to their personal system of care**