Presentation to the Center for Public Health, Stanford University

A Federal Perspective on Health Care Policy and Costs

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Director
September 16, 2008
Federal Spending Under CBO’s Alternative Fiscal Scenario

Percentage of Gross Domestic Product

- Medicare and Medicaid
- Social Security
- Other Spending (Excluding debt service)
## Excess Cost Growth in Medicare, Medicaid, and All Other Spending on Health Care

<table>
<thead>
<tr>
<th>Percentage Points</th>
<th>Medicare</th>
<th>Medicaid</th>
<th>All Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975 to 1990</td>
<td>2.9</td>
<td>2.9</td>
<td>2.4</td>
<td>2.6</td>
</tr>
<tr>
<td>1990 to 2005</td>
<td>1.8</td>
<td>1.3</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>1975 to 2005</td>
<td>2.4</td>
<td>2.2</td>
<td>2.0</td>
<td>2.1</td>
</tr>
</tbody>
</table>
## Estimated Contributions of Selected Factors to Long-Term Growth in Real Health Care Spending per Capita, 1940 to 1990

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Aging of the Population</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Changes in Third-Party Payment</td>
<td>10</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Personal Income Growth</td>
<td>11-18</td>
<td>5</td>
<td>&lt;23</td>
</tr>
<tr>
<td>Prices in the Health Care Sector</td>
<td>11-22</td>
<td>19</td>
<td>Not Estimated</td>
</tr>
<tr>
<td>Administrative Costs</td>
<td>3-10</td>
<td>13</td>
<td>Not Estimated</td>
</tr>
<tr>
<td>Defensive Medicine and Supplier-Induced Demand</td>
<td>0</td>
<td>Not Estimated</td>
<td>0</td>
</tr>
<tr>
<td>Technology-Related Changes in Medical Practice</td>
<td>38-62</td>
<td>49</td>
<td>&gt;65</td>
</tr>
</tbody>
</table>
Misdiagnosing the Problem

- Most discussions in media
  - Aging and demographics

- Most of the fiscal problem
  - Rising cost per beneficiary (not number or type of beneficiaries)
Sources of Growth in Projected Federal Spending on Medicare and Medicaid

- Effect of Aging Alone
- Effect of Excess Cost Growth Alone
- Interaction

Percentage of GDP

Year: 2007, 2022, 2037, 2052, 2067, 2082
Before We All Get Too Depressed…

- Embedded in the nation’s central long-term fiscal challenge appears to be a substantial opportunity.
- Can we reduce health care costs without impairing health outcomes?
## Variations Among Academic Medical Centers

### Use of Biologically Targeted Interventions and Care-Delivery Methods Among Three of U.S. News and World Report’s “Honor Roll” AMCs

<table>
<thead>
<tr>
<th>Biologically Targeted Interventions:</th>
<th>UCLA Medical Center</th>
<th>Massachusetts General Hospital</th>
<th>Mayo Clinic (St. Mary’s Hospital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Inpatient Care</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMS composite quality score</td>
<td>81.5</td>
<td>85.9</td>
<td>90.4</td>
</tr>
</tbody>
</table>

### Care Delivery—and Spending—Among Medicare Patients in Last Six Months of Life

<table>
<thead>
<tr>
<th>Metric</th>
<th>UCLA Medical Center</th>
<th>Massachusetts General Hospital</th>
<th>Mayo Clinic (St. Mary’s Hospital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Medicare spending</td>
<td>50,522</td>
<td>40,181</td>
<td>26,330</td>
</tr>
<tr>
<td>Hospital days</td>
<td>19.2</td>
<td>17.7</td>
<td>12.9</td>
</tr>
<tr>
<td>Physician visits</td>
<td>52.1</td>
<td>42.2</td>
<td>23.9</td>
</tr>
<tr>
<td>Ratio, medical specialist / primary care</td>
<td>2.9</td>
<td>1.0</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: Elliot Fisher, Dartmouth Medical School.
Supply-Sensitive Care: Days in the Hospital for Patients During the Last Six Months of Life

Source: John Wennberg, Dartmouth Medical School.
The Relationship Between Quality of Care and Medicare Spending, by State, 2004

Composite Measure of Quality of Care, 100 = Maximum

Annual Spending per Beneficiary (Thousands of dollars)
Variation in State-Level Medicare and Overall Health Care Spending per Capita

Variation in Medicare Spending per Beneficiary

Variation in Total Health Spending per Capita

Coefficient of Variation

Source: Based on data from CMS.
Geographic Variation in Health Care Spending per Capita in Selected Countries

Source: Based on data from CMS, HM Treasury (U.K.), and the Canadian Institute for Health Information.

Coefficient of Variation

United States

Canada

United Kingdom

Source: Based on data from CMS, HM Treasury (U.K.), and the Canadian Institute for Health Information.
What Additional Services Are Provided in High-Spending Regions?

Discrete: *Effective Care*
- Reperfusion in 12 hours (Heart attack)
- Aspirin at admission (Heart attack)
- Mammogram, Women 65–69
- Pneumococcal immunization (Ever)

Discrete: *Preference-Sensitive Care*
- Total hip replacement
- Total knee replacement
- Back surgery
- CABG following heart attack

Care Delivery: *Who / How Often / Where*
- Total inpatient days
- Inpatient days in ICU or CCU
- Evaluation and management (Visits)
- Imaging
- Diagnostic tests

Source: Elliot Fisher, Dartmouth Medical School.
The Effect of Automatic Enrollment on Initial Participation Rates in Companies with 401(k) Plans

Source: Nesmith, Utkus, and Young.
Share of 401(k) Plans Featuring Automatic Enrollment

Source: Data from Profit Sharing/401k Council of America.
Behavioral Pathways to Increasing Efficiency in Health Care

- Boost demand for efficiency by increasing the salience of health care costs (for example, making the full cost of insurance more evident to enrollees)
- Improve information about cost-effectiveness (necessary but not sufficient) and align incentives
- Shift behavioral norms among health care providers toward more effective, lower-cost, evidence-based care
- Set cost-effective defaults for both enrollees and health care providers
Shifting Professional Norms: Catheter Infections in Michigan ICUs After Instituting a Checklist

Mean Rate of Infection per 1,000 Catheter Days

Source: Provonost and others (2006).
The Placebo Effect: Antidepressants

- Placebo (51%)
- Drugs (25%)
- Effect Apart from Treatment (24%)

The Placebo Effect: Reduction of Pain After Knee Surgery

Mean Knee-Specific Pain Scale Score

Source: Mosely and others (2002).
The Placebo Effect: Fitness Outcomes from “Perceived” Exercise

The Placebo Effect: The Effect of Price on Effectiveness

The Placebo Effect: The Impact vs. No Treatment, by Studies’ Precision

Consumption of Fresh vs. Stale Popcorn from a Medium-Sized (120 g) Container

Influence of Container Size on the Consumption of Fresh Popcorn

Influence of Container Size on the Consumption of Stale Popcorn

Some Behavioral Avenues for Reform in Federal Nutrition Programs

- 20 percent of Americans participate in a federal nutrition program

- Supplemental Nutrition Assistance Program
  - Disbursing benefits more frequently could reduce stockpiling and bingeing

- School Lunch Program
  - Placing healthier foods at the front of cafeteria lines could increase their prominence and consumption
  - Decreasing the size of tables could reduce distraction-driven overeating
Increase in Life Expectancy, and Increase in Difference in Life Expectancy by Economic Status

<table>
<thead>
<tr>
<th>Years</th>
<th>At Birth</th>
<th>At Age 65</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase in Average Life Expectancy, 1980–2000</td>
<td>Increase in Difference in Average Life Expectancy Between Lowest and Highest Decile, 1980–2000</td>
</tr>
</tbody>
</table>

Source: Data from Singh and Siahpush (2006) and CDC.
CBO’s Activities in Analyzing Health Care

- **New Hires and Expanded Staffing**
  - New deputy assistant director (Keith Fontenot) in the Budget Analysis Division
  - Increase in health staff agencywide from 30 FTEs to 50 FTEs
  - FY 2009 plans

- **Reports and Analysis in 2008**
  - Critical Topics in Health Reform
  - Health Options