

Total Healthcare Spending in Virginia

JOINT COMMISSION ON HEALTH CARE
OCTOBER 20, 2020

Analysis questions

- Determine the total amount of healthcare spending in Virginia
- Calculate rates of change in healthcare spending over the last five years
- Identify drivers of health care spending

NOTE: Requested by HJ36 (2020; Carter)

Agenda

Virginia healthcare spending estimate and trends

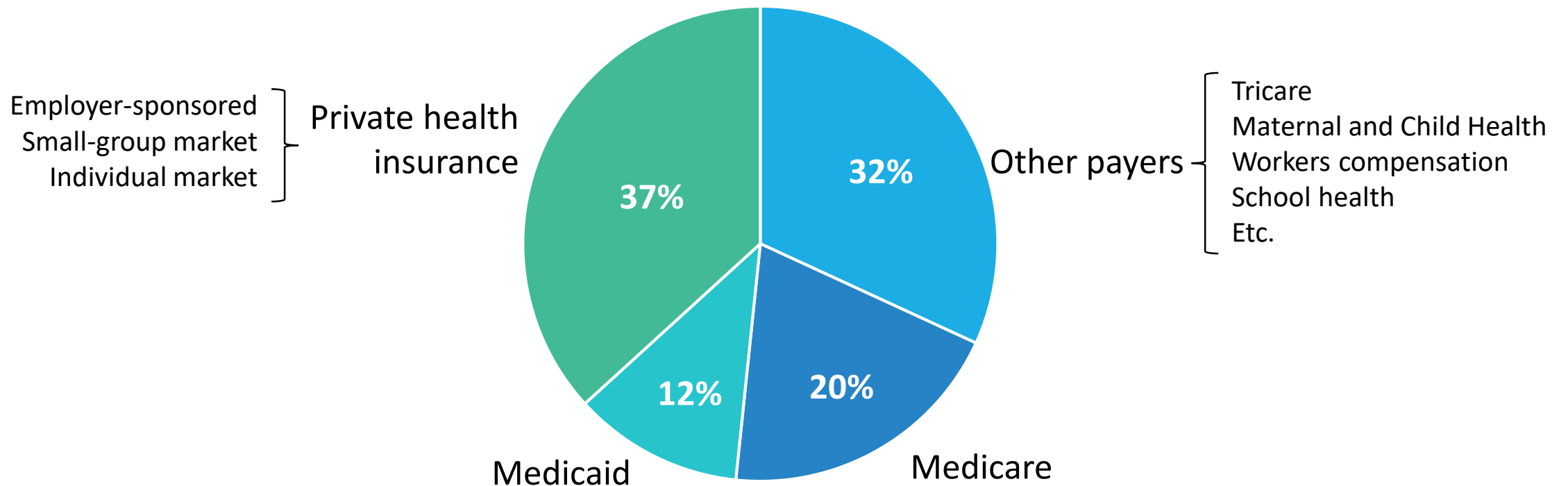
Drivers of healthcare spending growth

Significant national policy changes during period of analysis

- ACA implementation increased insurance coverage, increasing healthcare spending
 - Individual mandate increased participation in commercial insurance
 - Medicaid expansion in some states increased coverage for low-income adults
 - Financing changes in the individual market
- Medicare reforms slowed Medicare cost growth
 - New payment models
 - Decreased payments

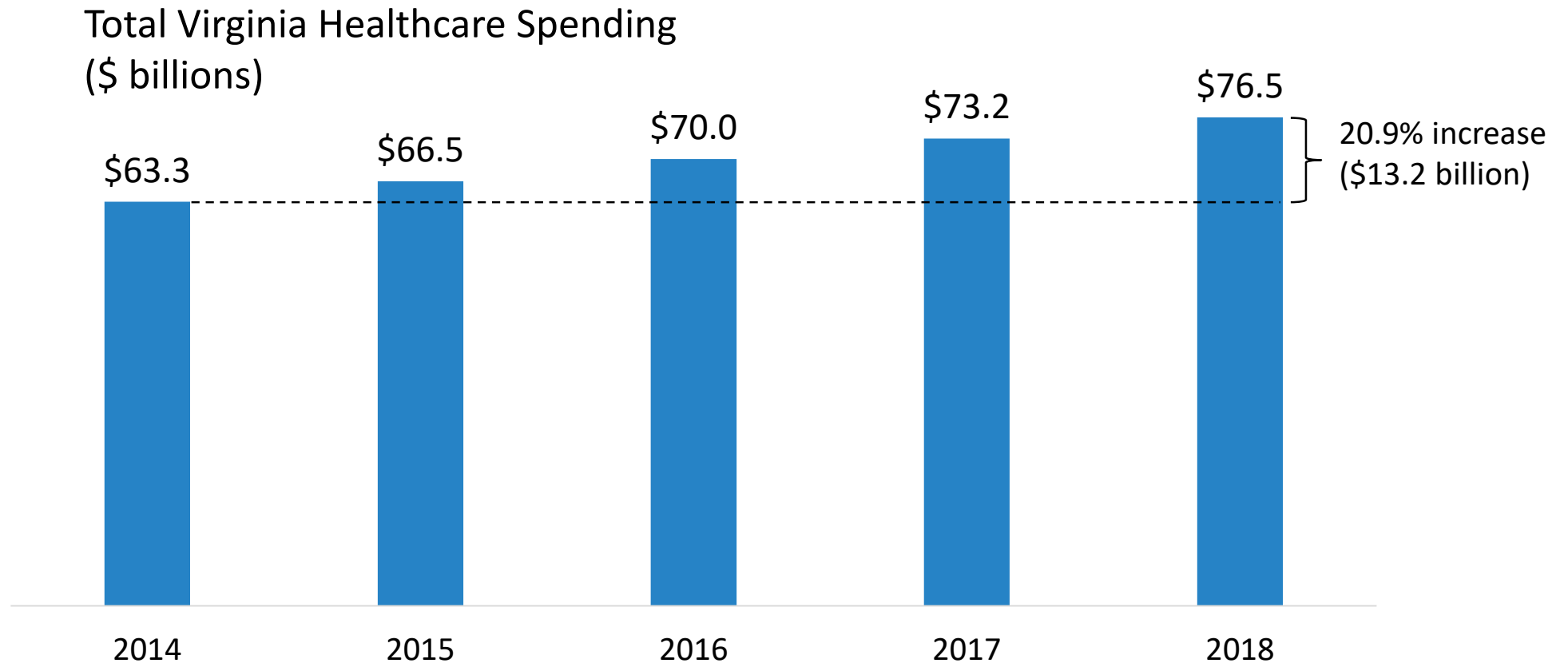
Healthcare spending in Virginia was an estimated \$76.5 billion in 2018

Total Virginia Healthcare Spending
\$76.5 billion



Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; Prepared by the Joint Commission on Health Care.

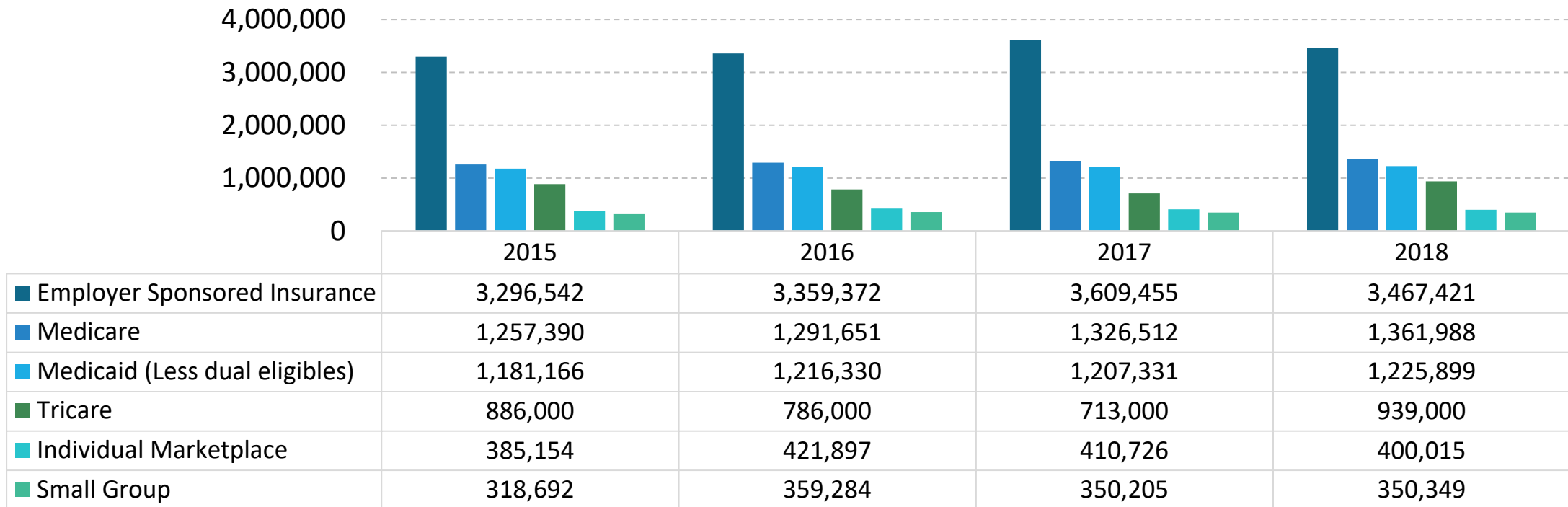
Virginia healthcare spending increased 20.9% from 2014 to 2018



Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; Prepared by the Joint Commission on Health Care.

Enrollment in all major categories of health coverage grew between 2015 and 2018, outpacing population growth

Virginia Health Coverage by Payer Type (people covered)

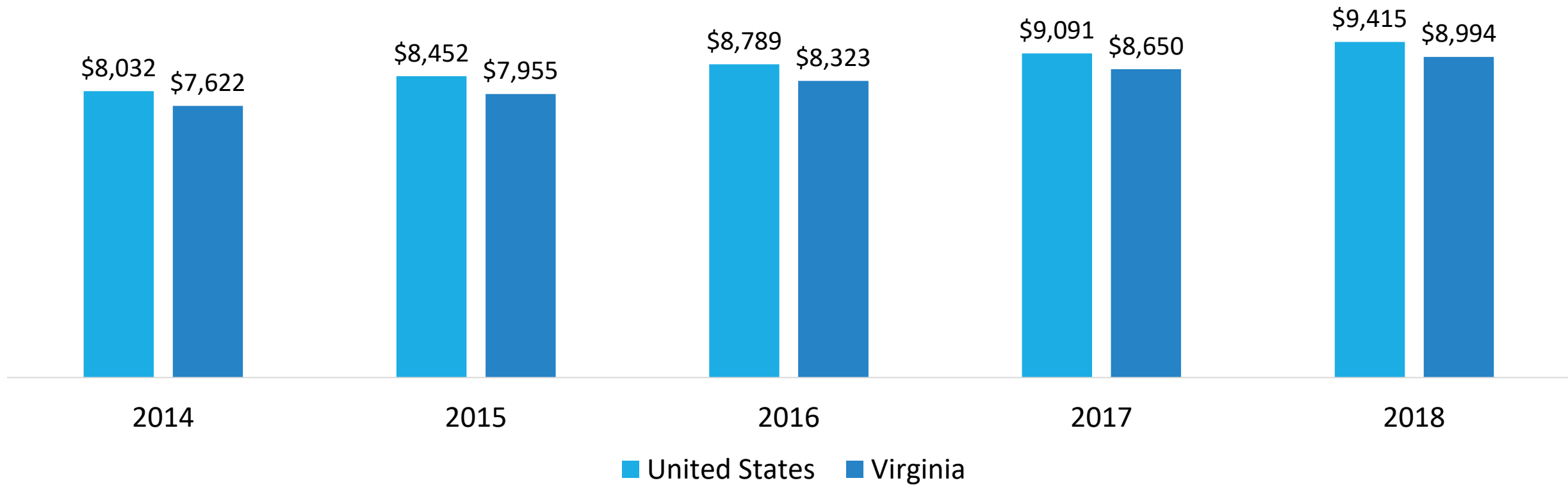


Note: Virginia population increased by 139,478 (1.67%), while the number of insured increased by 248,848 (6.2%).

Source: JCHC staff analysis of data from the Department of Medical Assistance Services, CMS Administrative Enrollment Statistics, Center for Consumer Information and Insurance Oversight (CCIIO), Military Health System, and Virginia Bureau of Insurance.

Per capita healthcare spending in Virginia is growing, consistent with national trends

Annual Cost Per Capita Personal Health Expenditures: US compared to Virginia (2014 to 2018)



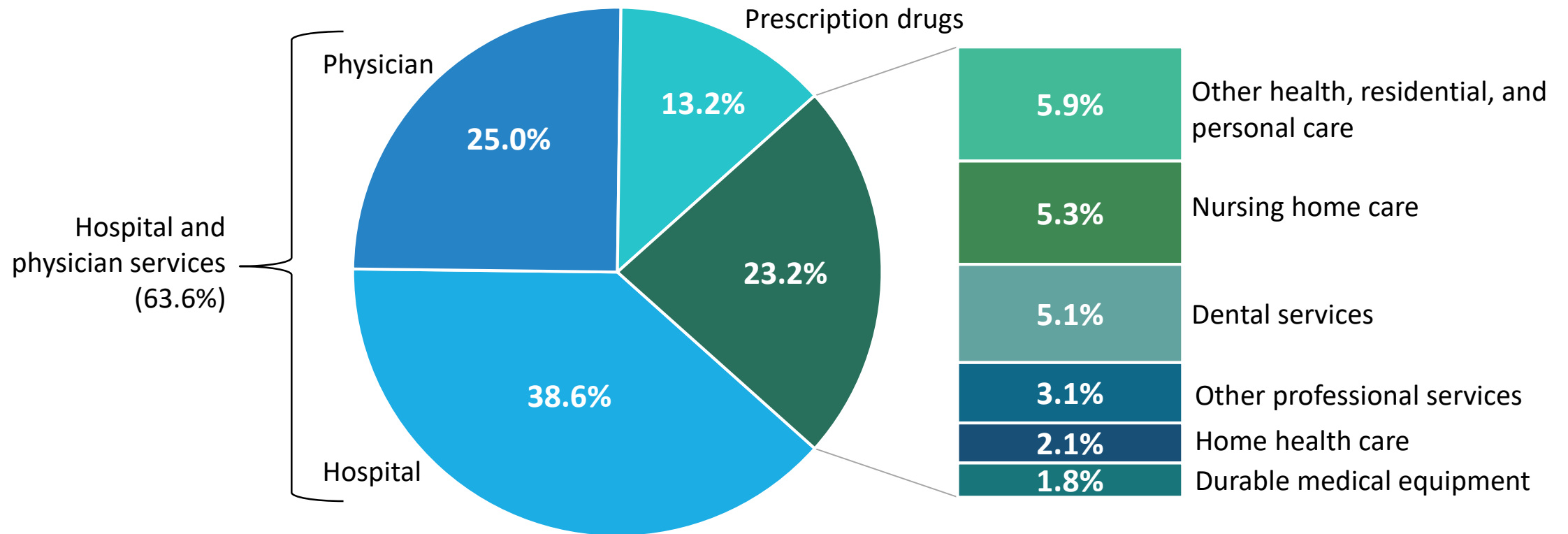
Source: National Health Expenditures and US Census Bureau. Prepared by the Joint Commission on Health Care.

Virginia's healthcare spending trends are similar to national trends

- Total healthcare spending grew by 20.3% nationally, compared to 20.9% in Virginia (2014-2018)
- A greater percentage of the population obtained health insurance coverage nationally and in Virginia
- Less of Virginia's spending is on Medicare and Medicaid compared to the rest of the country
 - 20% of Virginia spending on Medicare; 23% nationally
 - 12% of Virginia spending on Medicaid; 17% nationally

Majority of healthcare spending is for hospital and physician services

Virginia personal healthcare spending by type of service (2018)



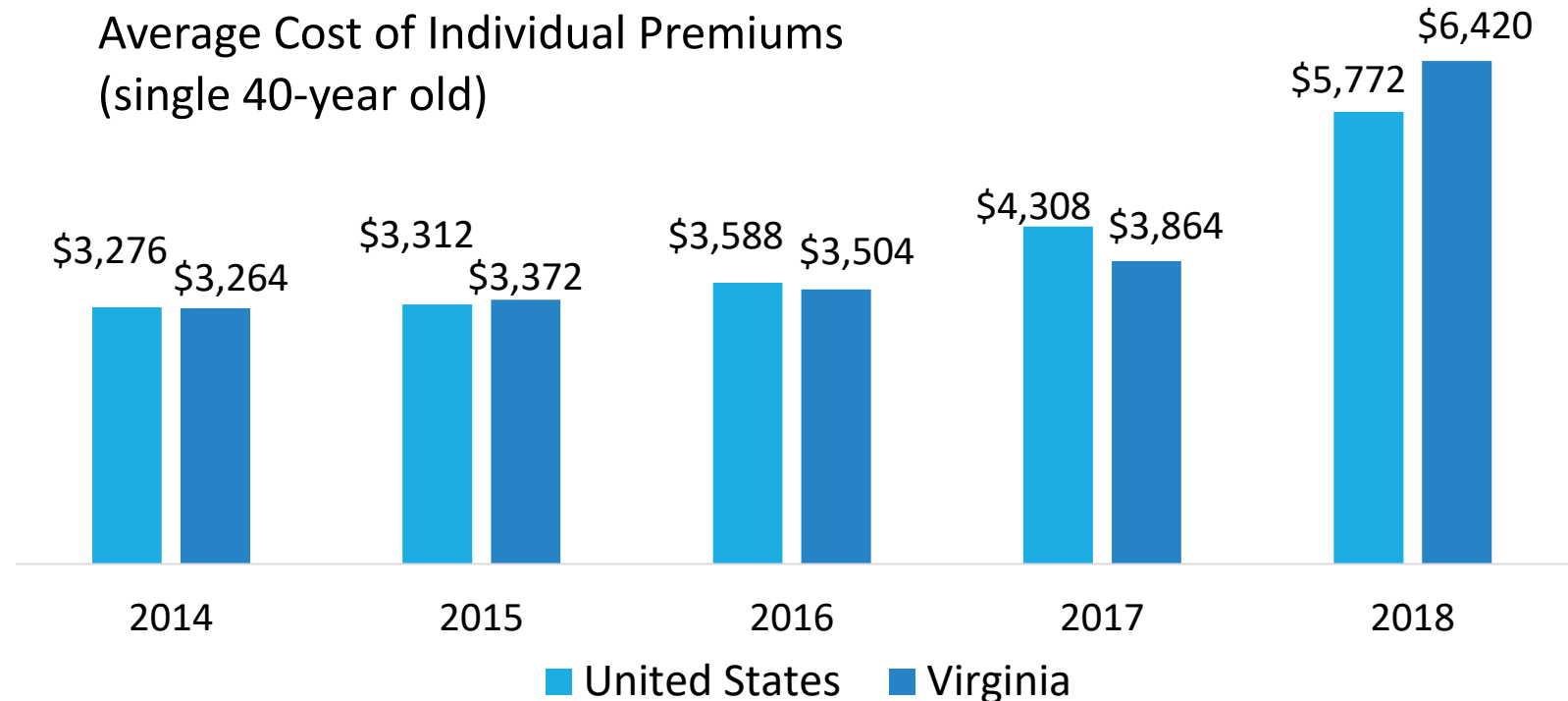
Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; Prepared by the Joint Commission on Health Care.

Increasing health care spending is impacting consumers in the individual market

- Premiums in Virginia's individual market increased by 96.7% from 2014 to 2018
- Median deductible for QHPs on Virginia's individual market went up 34% from 2014 to 2018
- Both of these impacts on consumers outpaced total healthcare spending growth of 20.9% over the same five-year period

Individual market premiums increased faster than overall healthcare spending

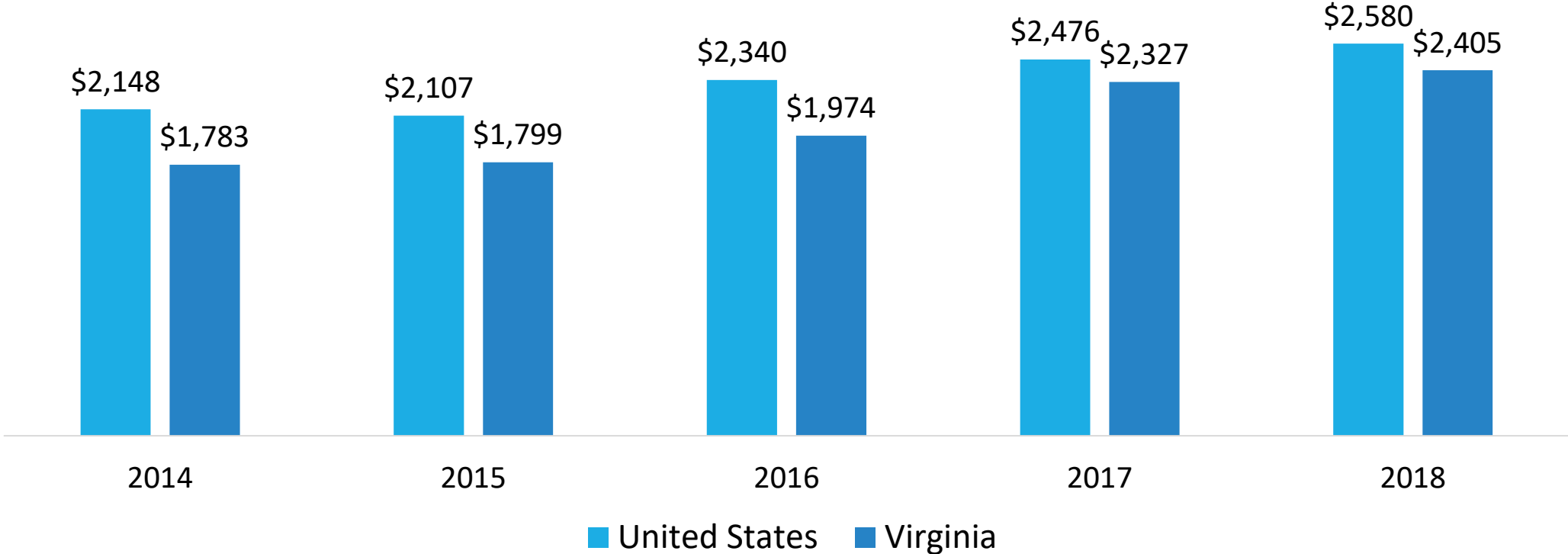
- Individual market premiums increased 96.7% (2014-2018)



Source: Kaiser Family Foundation analysis of data from Healthcare.gov, state rate review websites, state plan finder tools and CMS analysis of rate changes in the benchmark silver plan. October 2019.

Rising deductibles lead to increases in out of pocket expenses

Median Qualified Health Plan Individual Medical Deductible



Source: The Center for Consumer Information & Insurance Oversight Qualified Health Plan Choice and Premiums in HealthCare.gov States; prepared by the Joint Commission on Health Care.

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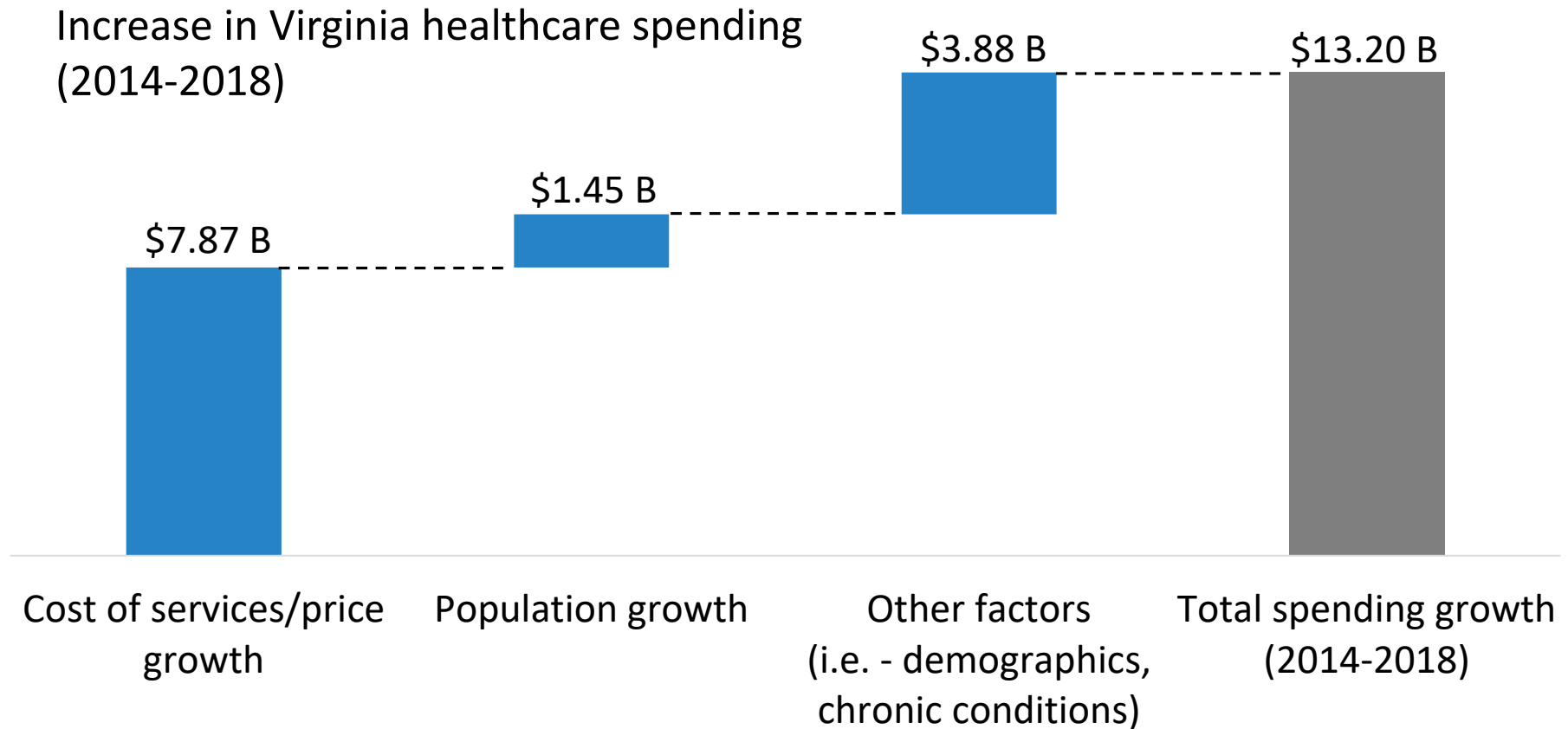
Virginia healthcare spending estimate and trends

Drivers of healthcare spending growth

Literature consistently identifies four primary drivers of healthcare spending increases

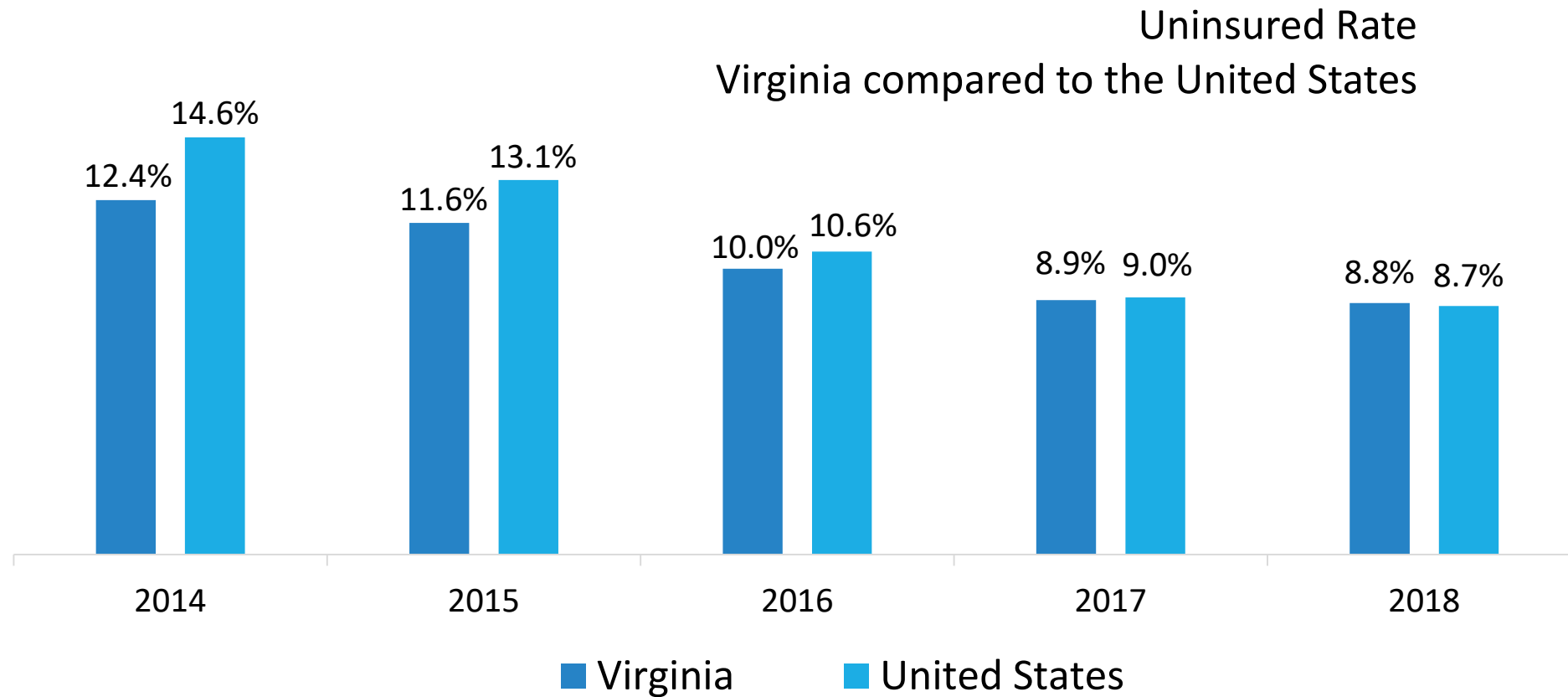
- Increasing cost of services
 - Price increases
 - Continued improvements in technology and treatments
- Increasing population and insurance coverage
- Aging population
- Proportion of the population with chronic diseases

Increasing cost of services is the number one driver of healthcare spending growth



Source: JCHC staff analysis of NHE data, healthcare inflation indices and state population data as reported by the US Census Bureau.

Decreasing number of uninsured Virginians increased spending



Source: Uninsured Percent, America Health Ranking. Annual Reports. (<https://www.americashealthrankings.org/explore/annual/measure/HealthInsurance/state/ALL>)

Newly insured individuals following ACA implementation had higher healthcare needs

- Individuals new to the individual market in 2014 and 2015 were higher cost than other groups, including those with employer-sponsored insurance
- Newly insured individuals had a higher prevalence of chronic conditions, such as hypertension, diabetes, depression, and heart disease
- As a result, newly insured individuals used more services
 - Inpatient admissions 38% higher
 - Outpatient visits 10% higher
 - Medical professional services 10% higher
 - Prescription drugs 6% higher

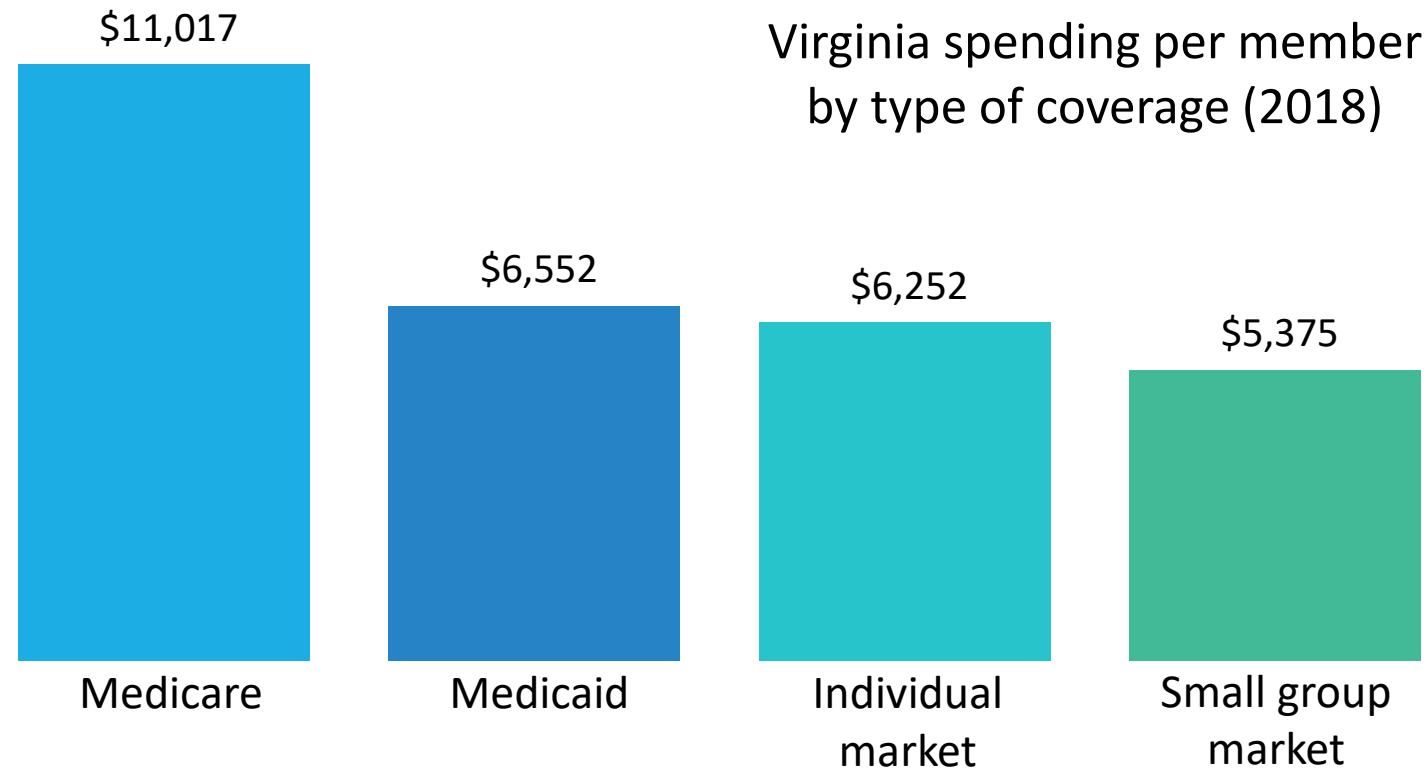
Source: Blue Health Intelligence. Newly Enrolled Members In The Individual Health Insurance Market After Health Care Reform: The Experience The Experience From 2014 And 2015. March 2016.

The aging population is expected to drive increased spending on health care

Virginia population projections			
Year	Total Virginia Population (estimated)	Percent >65	Virginia population >65 (estimated)
2010	8,001,024	12.0%	960,123
2020	8,655,021	16.0%	1,384,803
2030	<u>9,331,666</u>	<u>19.0%</u>	<u>1,773,017</u>
Change: 2010 to 2030	<u>1,330,642</u>		<u>812,894</u>
Percent Change	16.63%		84.7%

Source: The Weldon Cooper Center at the University of Virginia. July 5, 2017. Prepared by JCHC staff.

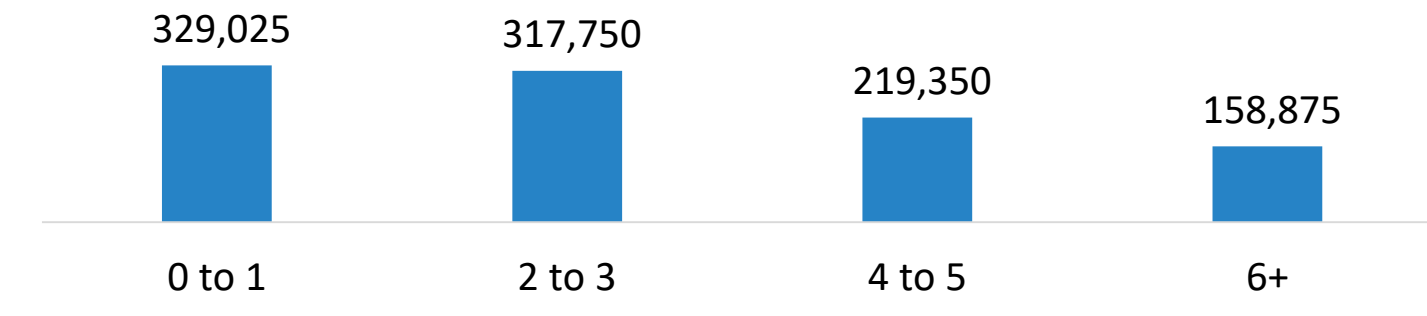
Per member spending in Medicare is almost twice as much as the other payers in Virginia



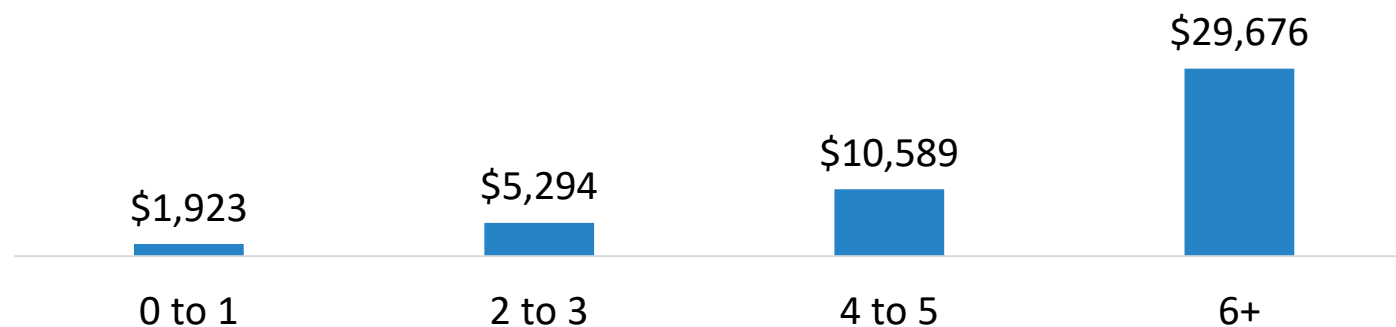
Source: NHE expenditures data; Medicare beneficiary Chronic Condition Warehouse, Virginia Department of Medical Assistance, Virginia Bureau of Insurance . HCCI claims include claims from the individual and small group markets.

Patients with multiple chronic conditions are four times more costly than other patients

Virginia Medicare fee-for service beneficiaries by number of chronic conditions



Cost Per Beneficiary by Number of Chronic Conditions



Source: CMS Chronic Condition Warehouse (2017). Prepared by the Joint Commission on Health Care

Additional cost issues being addressed in Virginia and nationally

- High cost of emergency department care
 - Free standing emergency departments
 - Non-emergent ED visits
- Prescription drug pricing – use of prescription drug discount cards

High cost of emergency department care

- National data indicate that ED visits are more than six times more expensive than primary care visits for the same conditions
 - National analyses of claims found 30% of ED visits could have been treated in a primary care or other ambulatory setting
- Free standing emergency departments increase access to care but are higher cost than alternative settings
- The ‘intensity’ of ED claims billed nationally and in Virginia is increasing

Sources: Whitepaper. Ready, Risk, Reward: Improving Care for Patients with Chronic Conditions. Premier, Inc. 2019; Medicare Payment Advisory Panel. Stand-Alone Emergency Departments. Report to Congress, Medicare and the Health Care Delivery System, June 2017 (Ch. 8); Virginia Health Information (VHI) data reports for the Joint Commission on Health Care. 2020.

Use of prescription drug discount cards

- Drug discount cards lower the price of a prescription drug at the point of sale for the consumer (such as 'Good-Rx')
- Use of drug discount cards has expanded as popular brand name drugs went off-patent
- There is concern that drug discount cards increase overall health expenditures by keeping patients on expensive, brand-name drugs

Other state efforts to manage healthcare spending: considerations for JCHC work

Cost control

- Massachusetts: Health Policy Commission (HPC) used to control health care expenditures (2012)
- Maryland: CMS waiver for an all-payer global budget program for all acute-care hospitals (2014)
- Vermont: All Payer Waiver from CMS to control health care costs (2016)

Insurance market stability

- Seven states have implemented reinsurance programs
- Six states have passed individual mandate legislation

Other state efforts to manage healthcare spending: considerations for JCHC work

Assistance to low-income individuals

- New York and Minnesota operate Basic Health Programs for individuals earning up to 200% of FPL
- California expanded its Medicaid program to individuals earning up to 600% of FPL on a sliding scale based on income (estimated 3-year cost, \$1.5 billion)

Prescription drug pricing

- Drug affordability boards – Maryland and Maine (2019)
- Massachusetts banned copay assistance for brand drugs when there is a generic equivalent (2012; law expired January 1, 2020)

JCHC staff for this briefing

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Thank you to several organizations who provided assistance with this analysis:

- Virginia Health Information
- Virginia Bureau of Insurance
- Virginia Department of Health
- Virginia Department of Medical Assistance



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