HEALTH CARE: THE NEXT MORTGAGE CRISIS

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Disclosure

1. TheSE views are mine, not the NIH’s.
2. No financial conflicts of interest with drug, device, or insurance companies
THE HEALTH CARE TRAIN WRECK

We’re wasting $600 – 800 BILLION annually on unnecessary care

Unnecessary care KILLS an estimated 30,000 Medicare recipients each year
THINGS WE KNOW . . . BUT DON’T WANT TO FACE

Spending on Health Care as a Percentage of Gross Domestic Product Under an Assumption That Excess Cost Growth Continues at Historical Averages

Source: CBO
Sources of Growth in Projected Federal Spending on Medicare and Medicaid

Percentage of GDP

Effect of Excess Cost Growth

Effect of the Aging of the Population

2007 2012 2017 2022 2027 2032 2037 2042 2047 2052 2057 2062 2067 2072 2077 2082
Exhibit 4: Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2007

*Estimate is statistically different from estimate for the previous year shown (p<0.05). No statistical tests are conducted for years prior to 1999.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

The Cost of a Long Life

Source: WHO
The Relationship Between Quality and Medicare Spending, by State, 2004

Composite Measure of Quality of Care

Source: Data from AHRQ and CMS.
MORE THINGS WE KNOW (but would rather not think about)

1. 47 million uninsured and growing

2. $2.3 trillion -- health care costs put U.S. at competitive disadvantage

3. Poor value for the dollar
Busting state budgets

Hey, we're broke!

Medicaid

Roads

Education

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Critical Questions

1. Why are health care costs rising so fast?
2. Why don’t we get better quality and outcomes?
3. Can we control costs, improve quality and outcomes, AND cover everybody?
Medicare Spending per Beneficiary, 2005

Source: Dartmouth Atlas
Medicare Spending During Inpatient Hospitalizations per Decedent in the Last Two Years of Life Among Patients with At Least One of Nine Chronic Conditions

Source: Dartmouth Atlas
“Our patients are sicker.”
Relationship Between Prevalence of Severe Chronic Illness and Medicare Parts A and B Reimbursements per Enrollee (2000-01)

Source: 2006 Dartmouth Atlas
Note: Each dot represents Medicare spending in a single hospital referral region.
Patients are getting more hospitalizations, more tests, more visits with physicians.

How much Medicare spends per capita is reflects the amount of care being delivered.
“Well, Bob, it looks like a paper cut, but just to be sure let’s do lots of tests.”
"Ask your doctor if taking a pill to solve all your problems is right for you."

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WHAT DRIVES UTILIZATION?

1. Defensive medicine – maybe 15 percent of variation
2. Patient demand – not variation
3. Direct to consumer advertising
4. Tech arms race
5. PRACTICE PATTERNS AND LOCAL CAPACITY
The Association Between Hospital Beds per 1,000 Residents (1996) and Discharges per 1,000 Medicare Enrollees (1995-96)
Cardiologists per 100,000 Residents and Visits to Cardiologists per 1,000 Medicare Enrollees (1996)
Is higher spending (and higher utilization) buying better care and better outcomes?
The Relationship Between Quality and Medicare Spending, by State, 2004

Composite Measure of Quality of Care

Spending (Dollars)

Source: Data from AHRQ and CMS.
The paradox of plenty: What do regions and systems get out of more spending and higher utilization?

- Worse technical quality on average
- More hospital stays, physician visits, test, procedures, but no more elective surgery
- Worse communication among physicians
- Worse continuity of care
- Lower satisfaction with care
- Worse access to primary care
- Higher mortality
We’re wasting $600 – 800 BILLION annually on unnecessary care.
That’s $766 for the average family of four . . . per MONTH.
$9,200 per FAMILY per YEAR.
An estimated 30,000 Medicare recipients die prematurely each year from unnecessary care.
Annual Growth Rates of per Capita Medicare Spending in Five U.S. Hospital-Referral Regions, 1992-2006

Medicare Spending per Beneficiary, 2005

Source: Dartmouth Atlas
1. Why are health care costs rising so fast?
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Relative rate of specific procedures provided to patients with AMI, colon resection, and hip fracture in highest spending hospital regions compared to lowest spending

**Major Surgery**
- Angioplasty
- CABG
- Hip Replacement
- Knee Replacement
- Back Surgery
- Hernia Repair

**Tests & Minor Procedures**
- Brain CT or MRI
- Lumbar Spine CT or MRI
- Breast Biopsy
- Skin Biopsy
- Laryngoscopy
- PSA Test
- Pulmonary Function Test
- Electroencephalography
- Vena Cava Filter
OK, stranger...
What's the circumference of the Earth? Who wrote "The Odyssey" and "The Iliad"? What's the average rainfall of the Amazon Basin?

Bart, you fool! You can't shoot first and ask questions later!