CALIFORNIA HEALTHCARE FOUNDATION

Payment Reform: Changing How We Pay for Health Care

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HEALTH CARE ALMANAC

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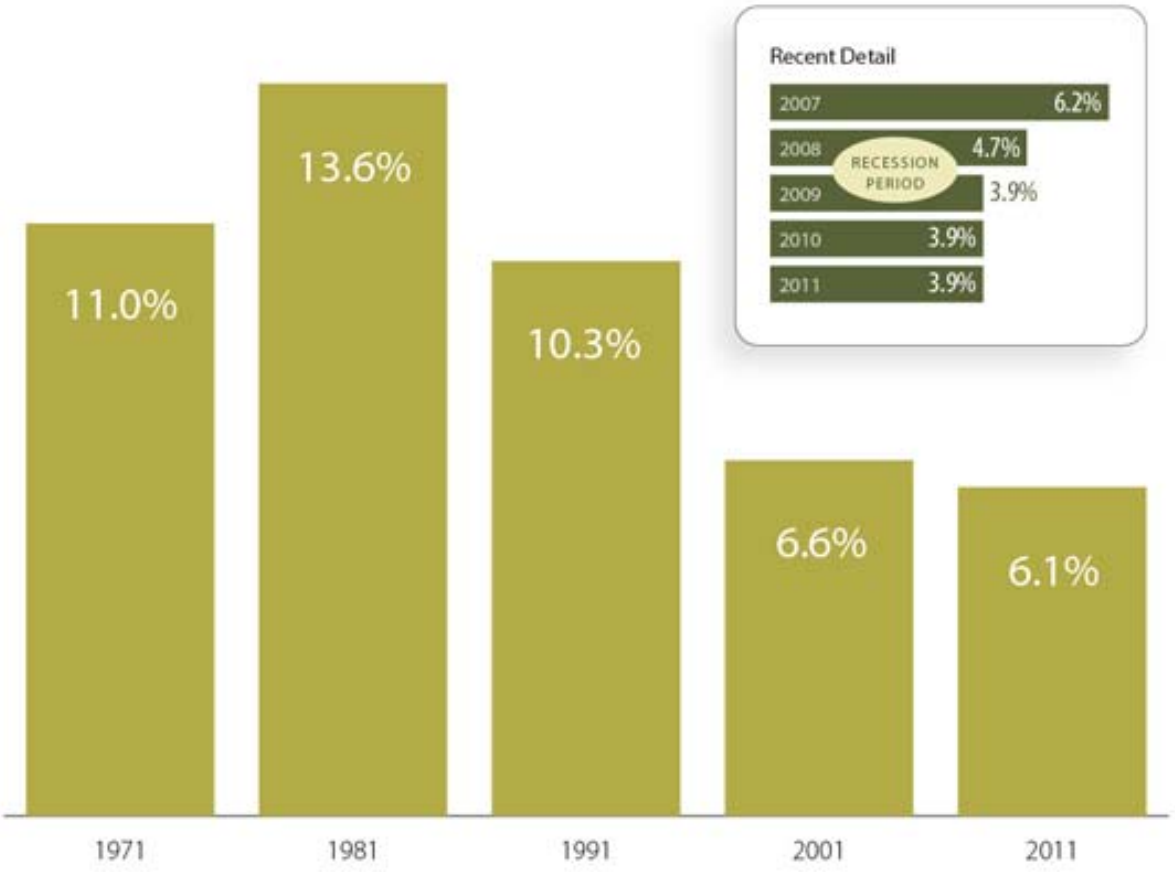
Health Care Costs 101: Slow Growth: A New Trend?

SEPTEMBER 2013

Average Annual Growth Rates in Health Spending

United States, 1971 to 2011, selected years

GROWTH OVER PRIOR PERIOD SHOWN

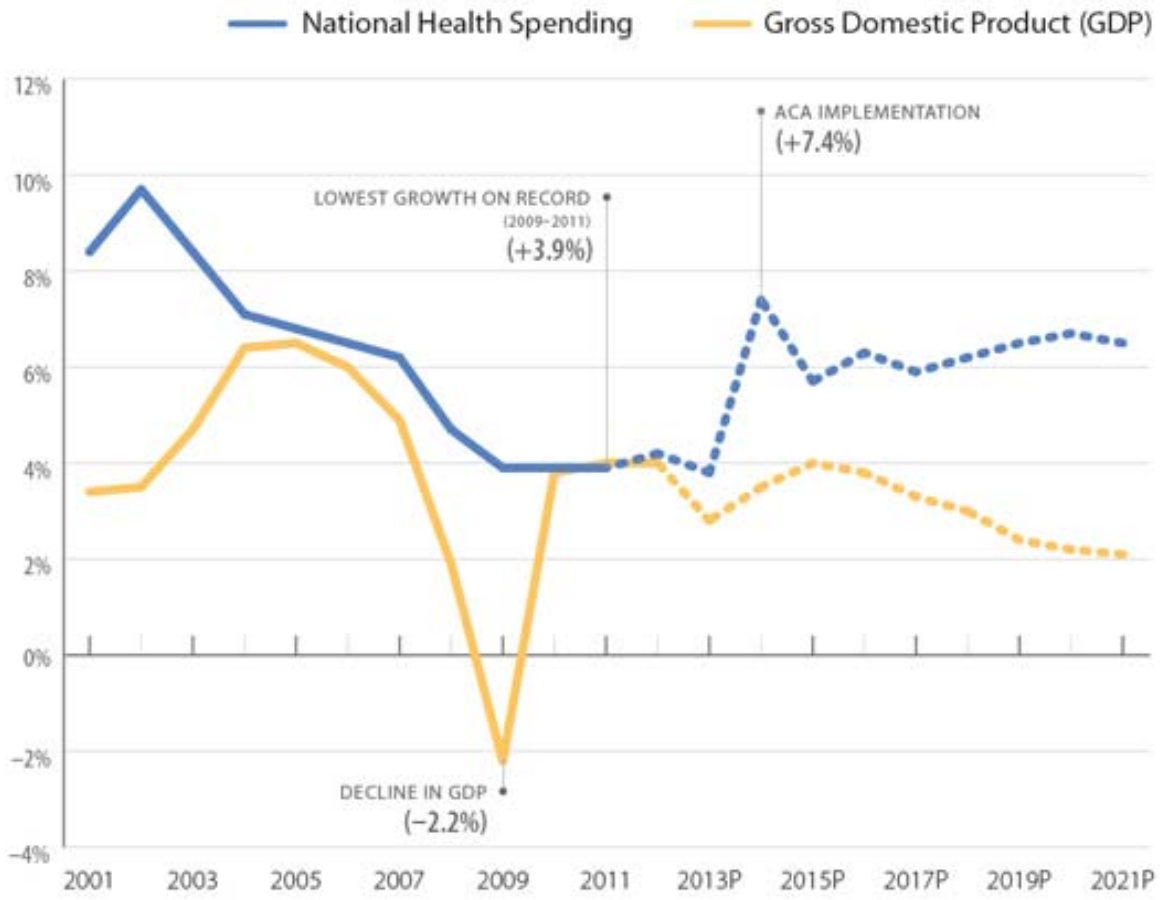


Notes: Health Spending refers to National Health Expenditures. The 1971 figure represents the average annual increase from 1961 to 1971.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

Annual Growth Rates, Health Spending vs. the Economy

United States, 2001 to 2021

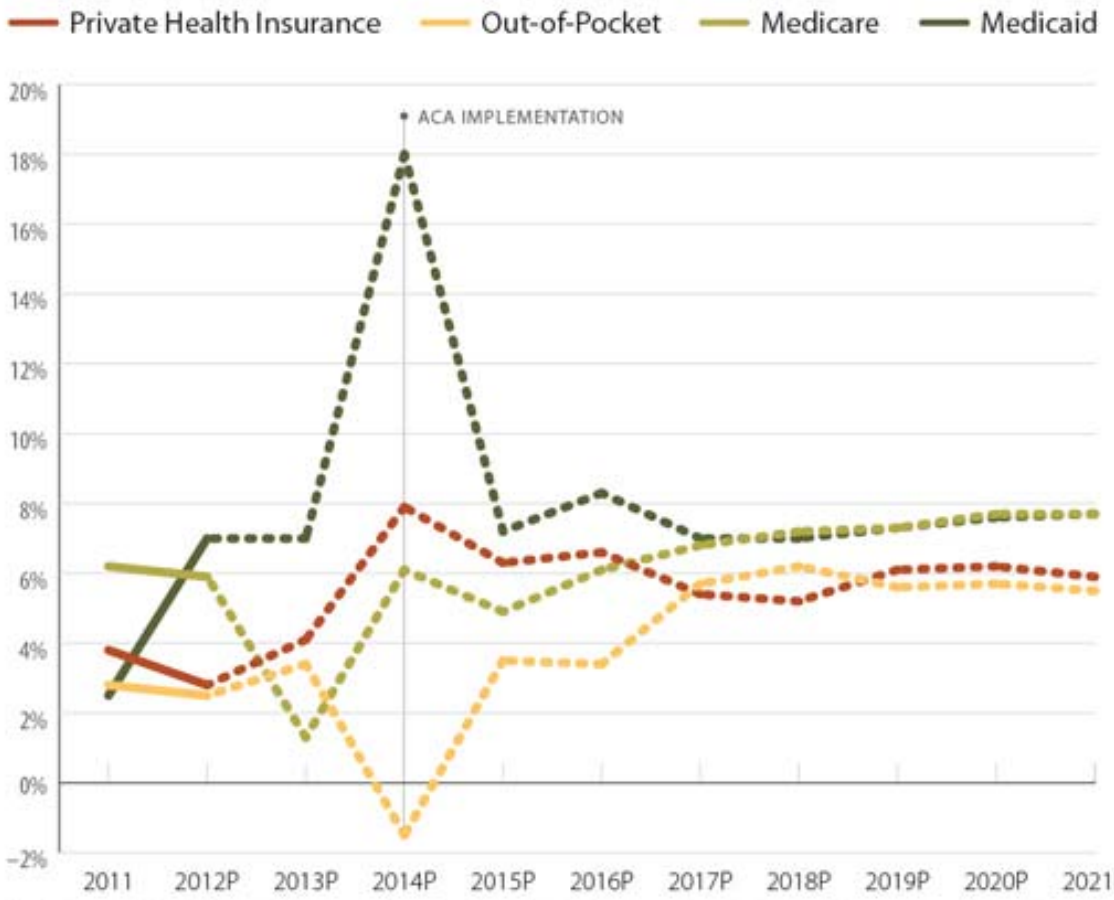


Notes: Health Spending refers to National Health Expenditures. Projections (P/dotted lines) include the impact of the Affordable Care Act (ACA).

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release and 2012 (projections).

Annual Growth Projections, by Payer

United States, 2011 to 2021

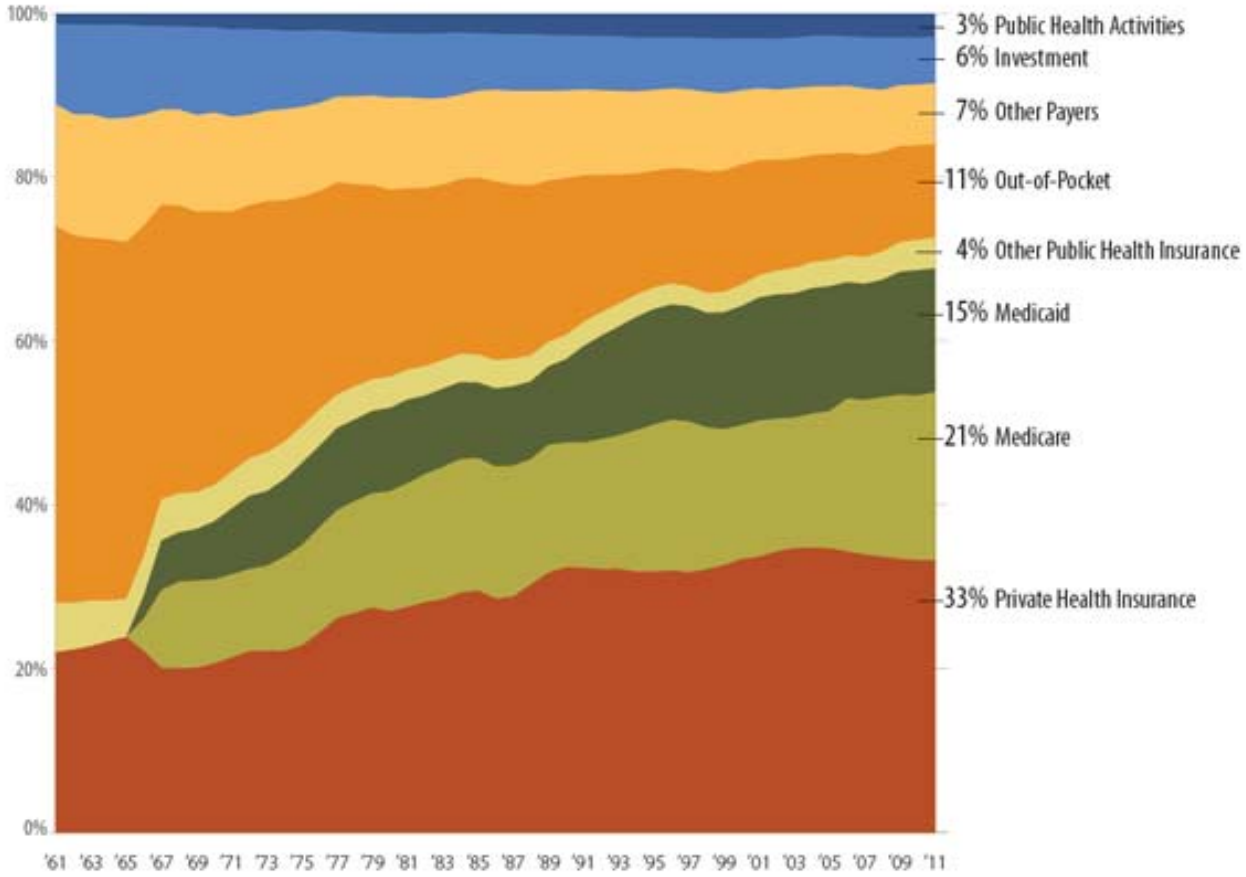


Notes: Projections (P/dotted lines) include the impact of the Affordable Care Act (ACA). The projected 2013 slowdown in Medicare spending is the result of two policy actions, a 30.9% cut to physician payment rates mandated by the Sustainable Growth Rate formula and an estimated 2% cut to Medicare payments between 2013 and 2022, resulting from a provision of the Budget Control Act of 2011.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release and 2012 (projections).

Payment Sources

United States, 1961 to 2011

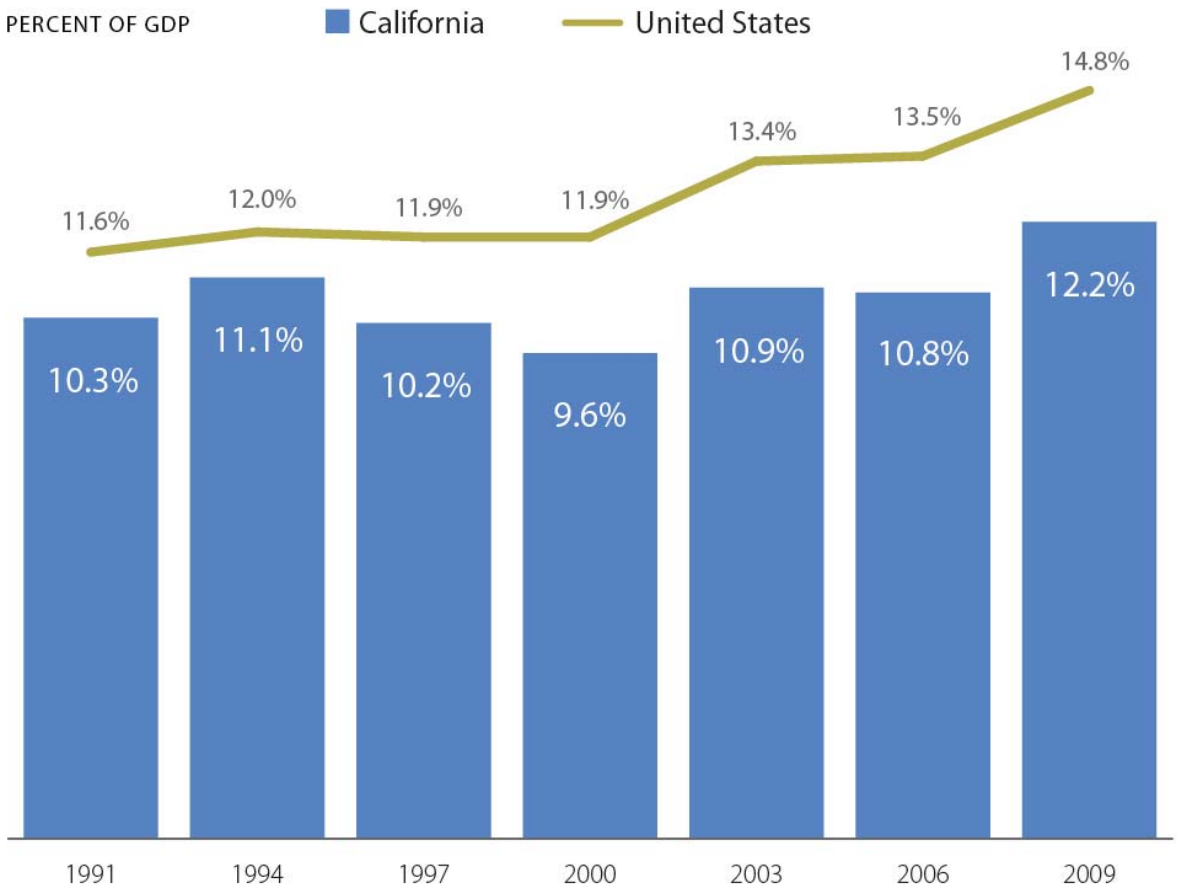


Note: May not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

Health Spending* as a Share of the Economy,

California vs. the United States, 1991 to 2009, selected years



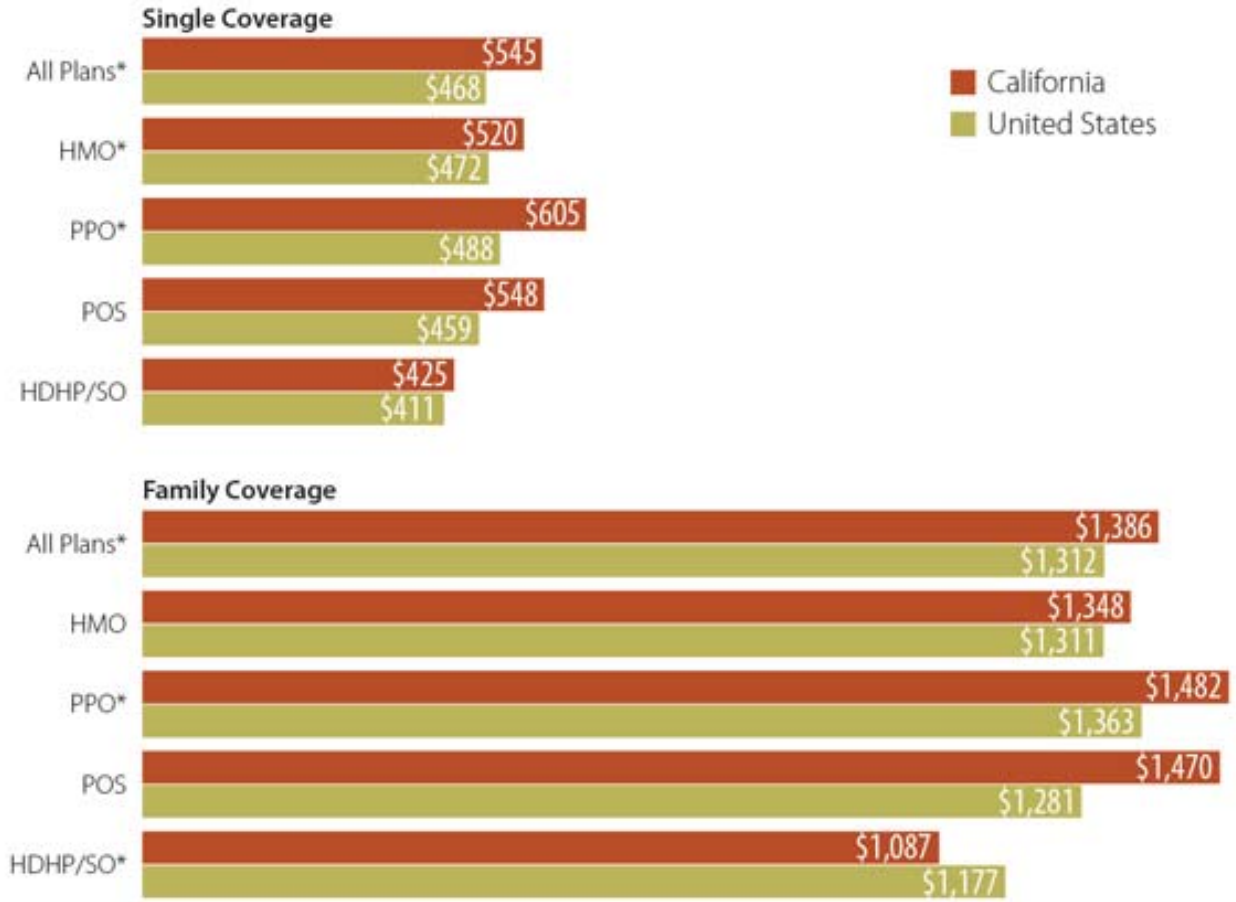
*Personal health care (PHC), as reported by Centers for Medicare and Medicaid Services (CMS). See Appendix B for additional detail on spending categories.

Notes: Spending relative to the economy is computed here based on PHC, the most comprehensive measure available at the state level. In many publications, US health spending as a share of GDP is based on national health expenditures, a metric which includes additional spending categories, such as construction, public health activities, and administration.

Source: CMS, Office of the Actuary, State Health Expenditures by State of Provider, 1980–2009, www.cms.gov.

Average Monthly Premiums, by Plan Type

California vs. the United States, 2012



*Estimates are statistically different between California and the United States.
Note: HDHP/SO means high-deductible health plan with a savings option.

Sources: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2012; Kaiser/HRET Employer Health Benefits Survey: 2012.

Key Questions

- What are the main drivers of health care costs and how can payment reform initiatives address them?
- How does California's long term experiment with capitated payment and integrated care influence payment models here?
- What are the best opportunities for lowering overall costs of care?
- Do you have specific policy solutions we should consider?