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## **Rising Prices Drive Pace of Health Spending Increase**

*Healthcare spending spikes as Americans use less care*

**WASHINGTON (Jan. 23, 2018)** — Americans used the same amount or less health care in 2016 compared to 2015, but rising prices caused overall spending in 2016 to grow faster than any time in the last five years, according to a report released today by the Health Care Cost Institute (HCCI). HCCI's annual *Health Care Cost and Utilization Report* analyzes health care spending and utilization from 2012 to 2016 for people up to age 65 with employer-sponsored health insurance.

“It is time to have a national conversation on the role of price increases in the growth of health care spending,” said Niall Brennan, MPP, president of HCCI. “Despite the progress made in recent years on value-based care, the reality is that working Americans are using less care but paying more for it every year. Rising prices, especially for prescription drugs, surgery, and emergency department visits, have been primary drivers of faster growth in recent years.”

Over the five-year study period, prescription drug spending had cumulative growth of 27 percent, despite a flat or decreasing trend in generic drug prices and despite a decline in utilization of brand prescription drugs. The increased spending was driven by double-digit price increases from 2012 to 2016 for brand prescription drugs.

While the number of emergency room visits rose just slightly, the average price for an emergency room visit grew steadily over the five-year study for a 31.5 percent cumulative increase, driving the increase in outpatient spending.

The average price of surgery went up as well, pushing up spending for both inpatient and outpatient care. The average price for surgical admissions increased by nearly \$10,000 or 30 percent over the five-year study period, despite a -16 percent cumulative decline in utilization, and the price for outpatient surgery rose more than 19 percent.

Other findings from the study:

- **Total spending on primary care office visits** fell by almost 6 percent over five years due to a decline in the number of visits. This was offset by a 31 percent spending increase on office visits to specialists and a 23 percent increase in visits for preventive care, changes that could be partly attributable to changes in billing practices or in the way people seek care.
- **Direct out-of-pocket spending** by patients increased every year, but at a slower rate than total health care spending, due to a decline in the amount consumers paid out-of-pocket for prescriptions.
- **Prices for professional services**, fees paid to doctors, surgeons, and other clinicians, saw the lowest growth and generally the lowest prices overall. This held true across primary and specialty care, except for surgery.

“While consumers, especially those with employer-sponsored insurance, may not feel the direct impact of these charges via out of pocket payments, they ultimately pay through increased premiums and decreased benefits,” said Brennan.

Since 2011, HCCI has tracked, independently analyzed, and reported health care spending, utilization, and prices each year in its *Health Care Cost and Utilization Report* using de-identified claims data of people up to age 65 with employer-sponsored health insurance. For this report, HCCI analyzed data from about 4 billion claims of nearly 40 million individuals. Claims data came from four of the largest health insurance providers in the U.S. representing about 26 percent of the employer-sponsored insured population.

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#### **About the Health Care Cost Institute**

The Health Care Cost Institute was launched in 2011 to promote independent, nonpartisan research and analysis on the causes of the rise in U.S. health spending. HCCI holds one of the largest databases for the commercially insured population, and in 2014 became the first national Qualified Entity (QE) entitled to hold Medicare data. For more information, visit [healthcostinstitute.org](http://healthcostinstitute.org) or follow us on Twitter [@healthcostinst](https://twitter.com/healthcostinst).