

Changes in Health Care Spending in 2011

A summary of HCCI's *Health Care Cost and Utilization Report: 2011*

The *Health Care Cost and Utilization Report: 2011* tracks changes in expenditure and utilization of health care services by Americans younger than 65 and covered by employer-sponsored, private health insurance (ESI).¹ For the report, the Health Care Cost Institute (HCCI) analyzed claims for 40 million people with ESI coverage between 2009 and 2011. This issue brief summarizes the findings of the report.

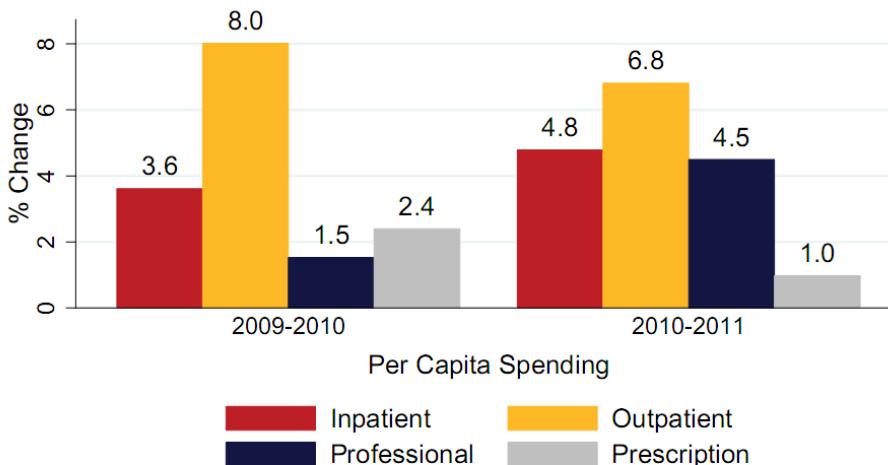
For 2011, HCCI found that overall

spending on health care accelerated. By service category, age, and region, health care spending levels grew fastest for outpatient services, those ages 18 and younger, and for those in the Northeast. Spending levels grew slowest for prescriptions, those ages 19-44, and in the West. Payers and beneficiaries spent most of their health care dollars on professional procedures. For all major health care service categories, increases in prices drove spending growth.

KEY FINDINGS

- ◆ Rising prices drove spending increases for all major health care service categories.
- ◆ Overall, per capita spending rose 4.6% to \$4,547 in 2011.
- ◆ Out-of-pocket spending increased by 4.6% to \$735 in 2011.
- ◆ Spending on children (ages 0–18) rose 7.7% to \$2,347, continuing a trend observed in 2010.
- ◆ For 2011, most per capita health care dollars were spent on professional procedures (\$1,566).
- ◆ Outpatient spending grew 6.8% (2010–2011).

Figure 1
Change in Per Capita Spending by Major Service Category: 2009-2011



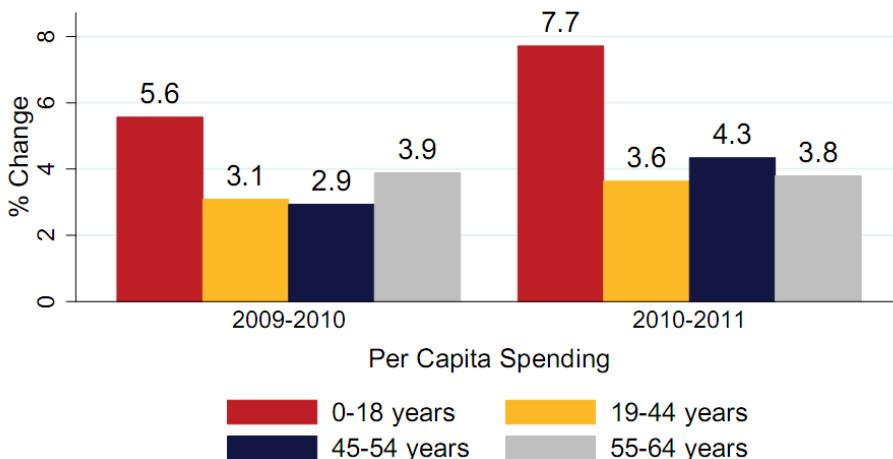
Note: All data weighted to reflect the national, younger than 65 ESI population.

In 2011, per capita spending accelerated

In a prior report, HCCI observed that spending rose by 5.8 percent in 2009.² For 2010, per capita health care spending slowed to 3.8 percent. In 2011, for the privately insured younger than 65 and covered by ESI, per capita spending increased by 4.6 percent, from \$4,349 to \$4,547 (Table 1). Though most spending metrics indicated growth, the rate of growth varied relative to 2010 by major service category, region, and age group.

Figure 2

Change in Per Capita Spending by Age Group: 2009-2011



to \$773.

Regional estimates

In 2011, across the four census regions of the country, the per capita spending gap grew between the most costly and the least costly regions (Table 1). In the Northeast, per capita health care spending (\$4,659) and rate of growth (5.3%) were highest. In the South, per capita spending was only slightly lower (\$4,591) and grew by 4.5 percent. In the Midwest, per capita spending was \$4,574 and grew 4.7 percent. In the West, per capita spending was lowest (\$4,358) and grew the slowest (3.9%). The gap between the highest spending and lowest spending regions widened from \$232 per capita to \$301.

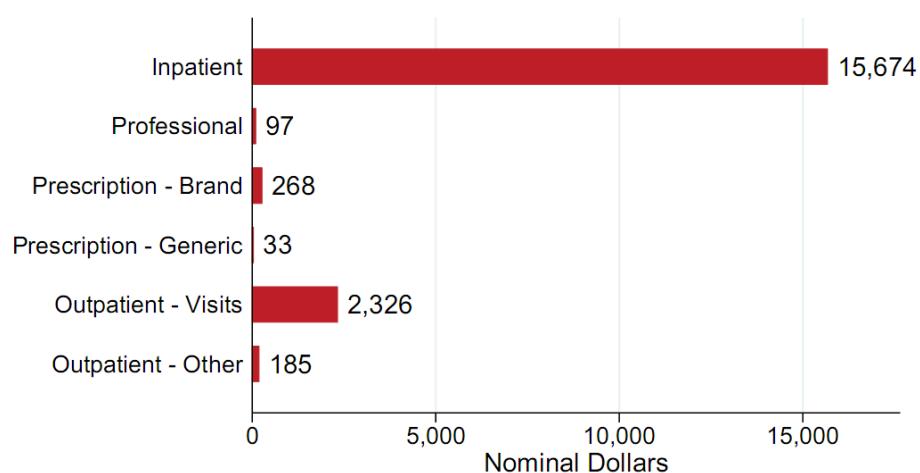
Major service category estimates

HCCI analyzed health care spending in 2011 by four major service categories: inpatient facility fees, outpatient facility fees (outpatient visits and outpatient services provided at other settings), professional procedures, and prescriptions (Table 1 and Figure 1).

As noted in Table 1, in 2011, the dollars spent per capita were highest for professional procedures (\$1,566), and lowest for prescriptions (\$773). Between 2010 and 2011, health care spending grew for inpatient admissions (4.8%) and professional procedures (4.5%). Spending growth stayed constant for outpatient visits to emergency rooms, outpatient surgery centers, and observation (7.2%). Spending growth slowed by 3.1 percentage points to 6.2 percent for outpatient services provided at other settings (such as testing labs and

imaging centers). Despite this slowdown, outpatient services provided at other settings accounted for the second fastest growing category of per capita health care spending. Spending on prescription drugs and devices slowed to 1.0 percent, rising from \$766

Average Prices per Service for all Major Service Categories: 2011



Calculating Spending

HCCI estimated per capita health care spending on people with ESI by summing all the weighted dollars directly spent on health care services for filed claims and dividing it by the total number of people with ESI. The per capita health expenditure in the report and issue briefs therefore are the estimate of the cost per beneficiary, even if that beneficiary used no health care services in the year of analysis.

HCCI did not adjust prices for inflation, so the estimated dollars in the report and issue briefs are nominal.

and younger) had the lowest per capita spending (\$2,347) but the highest growth in spending relative to other age groups (7.7%). The highest level of spending was for beneficiaries ages 55-64 (\$8,776 per capita). The slowest rate of spending growth was for the insured ages 19-44 (3.6%).

Prices main driver of spending increases

HCCI found that prices paid were the primary drivers of health care spending in 2011 (Table 2).

Similar to 2010, the utilization trend on inpatient admissions (excluding skilled nursing facilities) was negative (-0.6%), whereas the price trend was positive (5.5%).

All changes in prices and utilization for outpatient visits, outpatient services provided at other settings ("outpatient other"), and professional procedures

were positive. However, price growth for outpatient facilities and professional procedures remained higher than utilization growth. Between 2010 and 2011, prescription drug and device prices rose by 1.2 percent per script and 1.6 percent per day of supply. Offsetting the prescription price increase were the declines in prescriptions filled (-0.2%) and the decline in days of supply (-0.6%).

Figure 3 details the average price per major service category, with the highest prices being for an inpatient admission and the lowest for a generic prescription.

Role of unit prices and intensity

Increases in unit prices were the major drivers of increased prices (Figure 4).

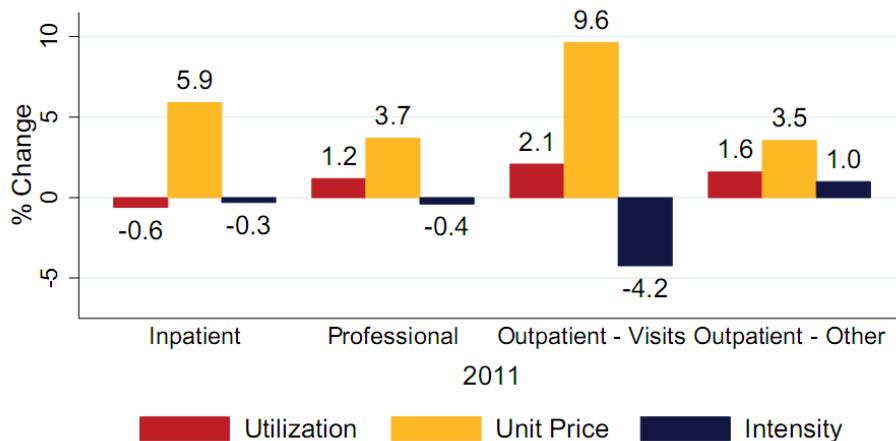
For inpatient admissions, unit prices rose 5.9 percent, while the intensity level decreased 0.3 percent. For outpatient visits, unit prices rose 9.6 percent, whereas intensity of services declined

4.2 percent. For outpatient services provided at other settings, unit prices rose 3.5 percent and intensity of services increased 1.0 percent. Professional services experienced a 3.7 percent increase in unit prices, whereas the intensity level decreased 0.4 percent.

Impact on out-of-pocket spending

Health plans and self-funded employers ("payers") and beneficiaries ("the insured") share the responsibility for the payments made to providers. Beneficiaries pay certain costs (deductibles, copays, and coinsurance) out of pocket. In 2011, out-of-pocket spending made up 16.2 percent of per capita spending—approximately \$735 per capita (Table 3). The most dollars spent out of pocket were payments for professional services (\$319 per capita in 2011).

Figure 4
Components of Spending for Inpatient, Outpatient, and Professional Procedures: 2009-2011



Note: All data weighted to reflect the national, younger than 65 ESI population.
Inpatient metrics calculated without Skilled Nursing Facility data.

Conclusions

Spending on Americans with ESI picked up in 2011, rising to \$4,547 per capita. The largest share of spending was for procedures performed by health professionals, not for prescriptions, or facilities. Spending increases were driven primarily by increases in the prices paid. As in 2010, the changes in prices paid were primarily driven by rising unit prices. The increase in out-of-pocket spending confirmed that beneficiaries directly experienced a rise in their costs in 2011.

However, the slowdown in spending observed by HCCI in the *Health Care Cost and Utilization Report: 2010* ended in 2011.³ This suggests that 2011 was a potential transition year, and that the growth in health care spending in 2012 needs to be closely watched.

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1. Health Care Cost Institute. *Health Care Cost and Utilization Report: 2011*. [Internet] Washington (DC): HCCI 2012.
 2. Health Care Cost Institute. *Health Care Cost and Utilization Report: 2010*. [Internet] Washington (DC): HCCI 2012.
 3. Ibid.

Data and Methods

HCCI has access to roughly 6 billion health insurance claims, of which about 4.5 billion were used for the report and issue briefs. The report and issue brief data reflect the health care spending of more than 40 million individuals covered by ESI from 2007 to 2011 (including both fully insured and self-funded benefit programs). These data were contributed to HCCI by a set of large health insurers who collectively represent almost 40 percent of the U.S. private health insurance market. From the data contributors HCCI received de-identified, Health Insurance Portability and Accountability Act (HIPAA) compliant information that included the allowed cost, or actual prices paid to providers for services. The numbers in the report and issue briefs reflect the actual expenditure on health care by payers and beneficiaries who had ESI coverage.

Changes to 2010 Estimates

In May 2012, HCCI released its first report on health care spending by the commercially insured. Since the release of that report, HCCI has made two enhancements to its analysis. First, HCCI acquired information on the health care spending of an additional 7 million Americans younger than 65 and covered by ESI. In addition, for *Health Care Cost and Utilization Report: 2011*, HCCI used an actuarial method called completion to estimate the spending on claims that were still outstanding when the data was collected. The numbers in the report and issue briefs reflect the new estimates.

HCCI provides a description of methods, data dictionary, and glossary at www.healthcostinstitute.org/methodology.

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Table 1 – Estimated Annual Expenditure: 2009–2011

	2009	2010	2011	Percent Change 2009 / 2010	Percent Change 2010 / 2011
Per Capita					
All categories	\$ 4,190	\$ 4,349	\$ 4,547	3.8%	4.6%
Inpatient	\$ 887	\$ 919	\$ 963	3.6%	4.8%
Inpatient without SNF ¹	\$ 879	\$ 910	\$ 954	3.5%	4.9%
Outpatient	\$ 1,079	\$ 1,165	\$ 1,245	8.0%	6.8%
Outpatient Visits	\$ 659	\$ 707	\$ 758	7.2%	7.2%
Outpatient Other	\$ 419	\$ 458	\$ 487	9.3%	6.2%
Professional Procedures	\$ 1,476	\$ 1,499	\$ 1,566	1.5%	4.5%
Prescriptions	\$ 748	\$ 766	\$ 773	2.4%	1.0%
Per Capita by Geographic Region					
Midwest	\$ 4,183	\$ 4,368	\$ 4,574	4.4%	4.7%
Northeast	\$ 4,238	\$ 4,426	\$ 4,659	4.4%	5.3%
South	\$ 4,262	\$ 4,393	\$ 4,591	3.1%	4.5%
West	\$ 4,043	\$ 4,194	\$ 4,358	3.7%	3.9%
Per Capita by Age					
18 and Under	\$ 2,063	\$ 2,178	\$ 2,347	5.6%	7.7%
19-44	\$ 3,368	\$ 3,472	\$ 3,599	3.1%	3.6%
45-54	\$ 5,518	\$ 5,680	\$ 5,927	2.9%	4.3%
55-64	\$ 8,139	\$ 8,455	\$ 8,776	3.9%	3.8%
National Aggregates					
Estimated Commercially Insured Population (Millions) ²	157.8	156.5	156.0	-0.8%	-0.3%
Estimated Total Expenditure (\$Billions per year)	\$ 660.9	\$ 680.7	\$ 709.2	3.0%	4.2%

Note: All data weighted and completed to represent the total population of beneficiaries younger than 65 and covered by ESI. All per capita dollars calculated from allowed costs. All figures rounded. Rounding may lead some percentage totals to not equal 100 percent.

1. Skilled Nursing Facility (SNF) data was excluded from this calculation of spending to allow for comparisons of spending trends by utilization, prices, unit prices, and intensity. HCCI did not have data on the intensity or unit prices of SNF claims at the time of this report.
2. United States Department of Commerce, United States Census Bureau. Current Population Survey, 2012 Annual Social and Economic Supplement, Table HI01 [Internet]. Washington (DC): Census; [cited 2012 September 12]. Available from: http://www.census.gov/hhes/www/cpstables/032012/health/h01_001.xls.

Table 2 – Decomposition of Price and Spending Trends: 2010–2011

	Components of 2010/2011 Price Trend				
	Per Capita	Utilization	Prices Paid	Unit Price	Intensity
Inpatient ¹	4.9%	-0.6%	5.5%	5.9%	-0.3%
Outpatient Visits	7.2%	2.1%	5.0%	9.6%	-4.2%
Outpatient Other	6.2%	1.6%	4.6%	3.5%	1.0%
Professional Procedures	4.5%	1.2%	3.3%	3.7%	-0.4%
Prescription - Scripts ²	1.0%	-0.2%	1.2%	N/A	N/A
Prescription - Day's Supply	1.0%	-0.6%	1.6%	N/A	N/A

Note: All data weighted and completed to represent the total population of beneficiaries younger than 65 and covered by ESI. All per capita dollars calculated from allowed costs. All figures rounded. Rounding may lead some percentage totals to not equal 100 percent.

1. Does not include Skilled Nursing Facility claims (SNF) as SNF intensity was unavailable and therefore SNF unit prices could not be calculated.
2. Scripts had slightly different trend than per day of supply, therefore both are shown.

Table 3 – Out-of-Pocket Spending: 2010–2011

	2010	2011	Percent Change 2010 / 2011
Per Capita–Insured Out-of-Pocket			
All categories	\$ 703	\$ 735	4.6%
Inpatient	\$ 44	\$ 46	5.4%
Outpatient	\$ 167	\$ 183	9.9%
Professional Procedures	\$ 300	\$ 319	6.4%
Prescriptions	\$ 192	\$ 187	-2.8%
Per Capita–Payer			
All categories	\$ 3,646	\$ 3,812	4.5%
Inpatient	\$ 875	\$ 917	4.8%
Outpatient	\$ 998	\$ 1,061	6.3%
Professional Procedures	\$ 1,199	\$ 1,247	4.0%
Prescriptions	\$ 574	\$ 587	2.3%
Percentage of Total Expenditure			
Out-of-Pocket	16.2%	16.2%	N/A
Payer	83.8%	83.8%	N/A

Note: All data weighted and completed to represent the total population of beneficiaries younger than 65 and covered by ESI. All per capita dollars calculated from allowed costs. All figures rounded. Rounding may lead some percentage totals to not equal 100 percent.