Three Takeaways

- After a lull, health care spending growth is increasing again.
- Health care markets don’t operate like typical markets.
- A number of initiatives in Colorado exist to reduce spending.
Good news

Bad news
A Long Way to Go

Average Total Single Premium (In Dollars), Private-Sector Establishments, United States And Colorado, 2000-2012

$2,450 - 2000
$2,655 - 2001
$4,000 - 2004
$5,000 - 2006
$5,571 - 2012
$5,668 - 2013

Colorado
United States
What Drives Costs, Quantity and Prices?
Where To Start?
Breaking Down Health Care Spending: A Simple Formula

\[ \text{Spending} = \text{Price} \times \text{Quantity} \]
Defining Terms: Price, Cost and Spending

Suppliers’ costs:
+ Labor
+ Equipment
+ Facilities
+ Administration

Total Suppliers’ Costs

+/-% Suppliers’ profit/loss

Price Received by Suppliers

Price
- Price is covered by premiums and public sector and consumer payments.
- Consumers:
  + Transportation
  + Lost wages
  + Opportunity costs
  + Others
- Payers/Employers:
  + Administration
  + Others

Cost to Consumers/Payers/Employers

Price
- Price

x Quantity of goods and services

Spending

Notes: This graphic is an example of the variables that affect cost and not an exhaustive list. There are underlying variables that affect price, cost and spending such as, but not limited to, the regulatory environment and market characteristics.
Alfred E. Neuman’s
Cosmic Health Care Law
Levers that Keep Spending in Check
In Traditional Markets . . .

1. Consumers bear costs of purchases.

2. Buyers make choices based on transparent information.

3. Competition exists among suppliers to add value to services and products.
The Technology Conundrum

Suppliers: Invest Significantly in Research and Development

Facilities/Providers: Pay Suppliers High Price for New Technology

Consumers: Use Expensive Technology

Insurance Plans: Reimburse Facilities/Providers for Expensive Technology
Traditional Insurance: Buffet-Style Demand

SOURCE: Health Care Costs: Key Information on Health Care Costs and their Impact, Kaiser Family Foundation, 2009
Initiatives in Colorado
Colorado Initiatives

- Accountable Care Collaborative
- Medicaid PRIME
- Colorado Multi-Payer Patient Centered Medical Home Pilot
- Comprehensive Primary Care Initiative
- 21st Century Care
Colorado Initiatives

- Bridges to Care
- State Innovation Model
- Colorado Beacon Consortium
- Engaged Benefit Design
- Prometheus
After a lull, health care spending growth is increasing again.

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