Recent polls record the American public’s concern about health care costs—and analysis documents the increase in out of pocket costs, up 11 percent on average in 2017. Policymakers worry that national health care spending—reaching $3.3 trillion or $10,348 per person in 2016 according to the official federal estimate and accounting for 17.9 percent of gross domestic product—is unsustainable.

At a recent meeting I attended in Washington, D.C., a group of researchers and health care industry officials addressed the question “Why are Healthcare Prices So High, and What can be Done About Them?”

Hosted by The Kaiser Family Foundation and the Peterson Center on Healthcare, the experts discussed the reasons behind high U.S. healthcare prices and how they vary compared to other nations and within our nations and states, how other countries address healthcare prices and practical strategies being employed in the U.S.

My biggest take-aways from the mornings presentations and discussion can be summarized by two slides.

Dr. Jay Want, executive director of the Peterson Center on Healthcare, showed a slide to answer the question of what might account for U.S. healthcare spending increases in the last two decades. Are there just more Americans, is our population older, do we have more chronic disease, do we go to the doctor more often or stay in hospital more days or do we simply pay more for the services we use?

The answer, according to a study commissioned by the Peterson Center, is that 50 percent of spending increases between 1996 and 2013 can be explained by service price and intensity—amounting to nearly $450 billion dollars.
Service price means the cost for a hospital bed day, a knee replacement, or an office visit—all of which are increasing faster than inflation. Service intensity can include services provided by a specialist—the U.S. has more than other nations—and the coding of procedures—office visits, for instance, are more likely to be coded as 4 in complexity now and not 1 or 2 compared to 20 years ago [6].

Not every healthcare payor is paying these increased prices.

The second slide shows that prices for inpatient hospital stays increased about 70 percent for private healthcare plans but price growth was nearly flat for the publicly funded Medicare and Medicaid programs. The gap between prices paid by private insurance and Medicare and Medicaid has grown in the last ten years. The same growing gap was true of other healthcare services, such as physician office visits and operations like knee replacements, examined by the Peterson Kaiser Healthcare Tracker [7]
Prices for inpatient hospital stays are higher and have grown faster for private insurance than those for Medicare or Medicaid

![Graph](https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2015.0706)

The ensuing discussions of two panels—one a group of officials from various major healthcare associations and provider groups and the second two scholars from differing political viewpoints—came to little agreement on the reasons for high healthcare costs or the solutions.

James Capretta from the American Enterprise Institute held that the U.S. has never decided what system it wants—so there is neither a fully functioning market nor a system built to be a common good. “Neither fish nor fowl,” he said. Lawrence Brown from Columbia University said any significant political movement in either direction is unlikely. Healthcare in the U.S. provides “good stuff” and we are tolerant of price distortion. Declining trust in government makes a common good solution unlikely and the unwillingness of corporate America to get in the game and the political power of healthcare providers make any moves toward a true market equally unlikely, Brown said.

By:
Tuesday, May 29, 2018 at 05:04 PM

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