

## New Healthcare Index Developed

Healthcare spending has increased dramatically in the U.S. over the last few decades.<sup>1</sup> Although the U.S. spends more on its healthcare than any other developed nation, the quality of healthcare that patients in the U.S. receive is lower than that of other developed nations that spend considerably less.<sup>2</sup> However, in the past four years, there has been a historically low rate of healthcare spending growth, possibly due in part to the lingering effects of the 2007-2009 Great Recession and the implementation of the *Affordable Care Act* (ACA), which was signed into law in 2010.<sup>3</sup> Despite this slower growth rate, spending is expected to rise from 17.2 % of the U.S. *gross domestic product* (GDP) in 2012 to 19.3% of the GDP in 2023.<sup>4</sup> The *Centers for Medicare & Medicaid Services* (CMS) anticipates that the average projected growth rate for national health expenditures will be six percent each year from 2015 to 2023 as a potential result of the expansion of insurance coverage, the U.S. economy's projected growth, and the aging "Baby Boomer" population.<sup>5</sup>

To measure these figures and determine potential trends, the *U.S. News & World Report* (U.S. News) recently developed the *U.S. News Health Care Index*, which uses data pulled from CMS, the *Bureau of Labor Statistics* (BLS), the *Centers for Disease Control* (CDC), the *U.S. Department of Health and Human Services* (HHS), the *National Center for Educational Statistics*, and the *World Health Organization* (WHO), to "examine trends in specific health areas from 2000 to 2013."<sup>6</sup> This index is designed to provide information to analysts about the spending, employment, education, insurance, and international economic trends for annual data comparison among various member nations of the *Organization for Economic Co-operation and Development* (OECD).<sup>7</sup> However, this index does not take into account the ACA *Individual Mandate*, Medicaid Expansion, the 2013 budget sequestration (which imposed automatic budget cuts on federal government spending), or the requirement for employers to supply health insurance, because the data was pulled before any of these developments occurred.<sup>8</sup>

To create the index, U.S. News collected 36 data sets<sup>9</sup> and separated the data into eight different categories, "with the highest weights given to the broadest measures," as follows:

- (1) changes in healthcare employment in the U.S. (16%);
- (2) healthcare degrees granted at undergraduate and graduate level (8%);
- (3) U.S. healthcare expenditures (44%);
- (4) percent of Americans with health insurance (9%);
- (5) changes in healthcare medical costs for consumers (8%);
- (6) healthcare insurance premiums (8%);
- (7) healthcare insurance deductibles (4%); and,
- (8) international comparisons of healthcare expenditures (3%).<sup>10</sup>

This index starts with the year 2000 as its base measure of 100.0, and measures each consecutive year against the rates of the base year (i.e., 2000).<sup>11</sup>

Overall, the combined index illustrates an upward trend in growth from 2000 to 2013, largely driven by consumer healthcare expenditures, healthcare employment, and insurance deductibles.<sup>12</sup> U.S. News found that the aging "Baby Boomer" population was the driving force behind the increased payment for senior services and increased coverage by Medicare and Medicaid, which coverage, in 2013, grew faster than private insurance.<sup>13</sup> For instance, in 2011, millions of seniors left their private insurance plans in favor of government-sponsored Medicare, thus increasing the number of individuals covered by Medicare.<sup>14</sup>

Importantly, the index indicated that "spending on private insurance [was still] higher than spending on Medicare and Medicaid, even though [Medicare and Medicaid] rates of spending [had] grown at a faster pace," prior to the 2013 implementation of the *Individual Mandate*.<sup>15</sup> However, since the implementation of the *Individual Mandate*, both public and private insurers have experienced increases in the number of enrolled members, as the number of uninsured Americans continues to decline.<sup>16</sup> Additionally, the number of private insurers that require deductibles that consumers must pay before they can utilize their insurance benefits has grown from less than 50% in 2002 (the earliest available data) to more than 80% in 2013, with the dollar amount of the deductible increasing as well.<sup>17</sup> Analysts attribute this rise in deductibles to employers' efforts to control their insurance costs by passing along some of these expenses to employees.<sup>18</sup>

Looking to the future, the Index may be useful as analysts and other experts attempt to determine the true impact of the ACA on healthcare spending, and which areas of spending have been most affected by the ACA.<sup>19</sup> Further, the Index will be a valuable tool for analyzing trends in spending growth for consumers and federal healthcare programs over the next few years to determine if the initial estimates through 2023 will hold true.<sup>20</sup>

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- 2 “Why Is Health Care So Expensive?” Consumer Reports, September 2014, <http://www.consumerreports.org/cro/magazine/2014/11/it-is-time-to-get-mad-about-the-outrageous-cost-of-health-care/index.htm> (Accessed 5/29/15); “Why Is Health Care So Expensive?” Consumer Reports, September 2014, <http://www.consumerreports.org/cro/magazine/2014/11/it-is-time-to-get-mad-about-the-outrageous-cost-of-health-care/index.htm> (Accessed 5/29/15).
- 3 “National Health Expenditure Projections: 2013-23: Faster Growth Expected With Expanded Coverage and Improving Economy” By Andrea M. Sisko, et al., Health Affairs, Vol. 33 No. 10 (October 2014) <http://content.healthaffairs.org/content/33/10/1841.full.pdf+html> (Accessed 5/29/15) p. 1841.
- 4 “NHE Fact Sheet” CMS, December 3/ 2014, <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet.html> (Accessed 5/29/15).

- 5 *Ibid.*
- 6 “U.S. News Health Care Index Shows Massive Increase in Consumer Costs” By Kimberly Leonard, U.S. News & World Report, May 7, 2015 <http://www.usnews.com/news/health-care-index/articles/2015/05/07/us-news-health-care-index-shows-massive-increase-in-consumer-costs> (Accessed 5/29/15).
- 7 “Health Care Index” By Lindsey Cook, et al., U.S. News & World Report, May 7, 2015, <http://www.usnews.com/news/health-care-index/articles/2015/05/07/us-news-health-care-index> (Accessed 5/29/15).
- 8 *Ibid.*
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- 10 *Ibid*; Lindsey Cook, et al., May 7, 2015.
- 11 Morse and Mason, May 7, 2015.
- 12 Lindsey Cook, et al., May 7, 2015.
- 13 *Ibid.*
- 14 Leonard, May 7, 2015.
- 15 *Ibid.*
- 16 “Health Insurance Coverage and the Affordable Care Act” HHS, May 5, 2015, [http://aspe.hhs.gov/health/reports/2015/uninsured\\_change/ib\\_uninsured\\_change.pdf](http://aspe.hhs.gov/health/reports/2015/uninsured_change/ib_uninsured_change.pdf) (Accessed 5/29/15).
- 17 Leonard, May 7, 2015; “More Employers Moving to High-Deductible Health Plans” Health Day, August 15, 2014, <http://health.usnews.com/health-news/articles/2014/08/15/more-employers-moving-to-high-deductible-health-plans?page=2> (Accessed 5/29/15).
- 18 Leonard, May 7, 2015.
- 19 *Ibid.*
- 20 CMS, December 3/ 2014.



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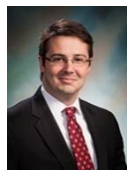
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