

What Accounts for the Rise in Health Care Spending in Georgia?

Kenneth E. Thorpe, Ph.D.

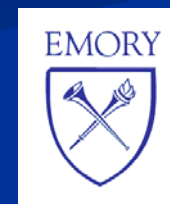
Robert W. Woodruff Professor and Chair

Department of Health Policy and Management

Rollins School of Public Health

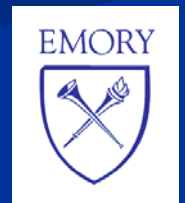
Emory University

kthorpe@sph.emory.edu



Overview

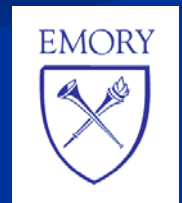
- **Crafting effective health reform solutions requires a clear diagnosis of what accounts for the growth in spending**
- *Key “facts” from Georgia:*
 1. **75 to 80% of total health care spending in Georgia is linked to chronically ill patients**
 2. **Chronically ill receive approximately 56% of all clinically recommended medical care**
 3. **Rise in prevalence of treated disease accounts for approximately two-thirds of the growth in health care spending.**



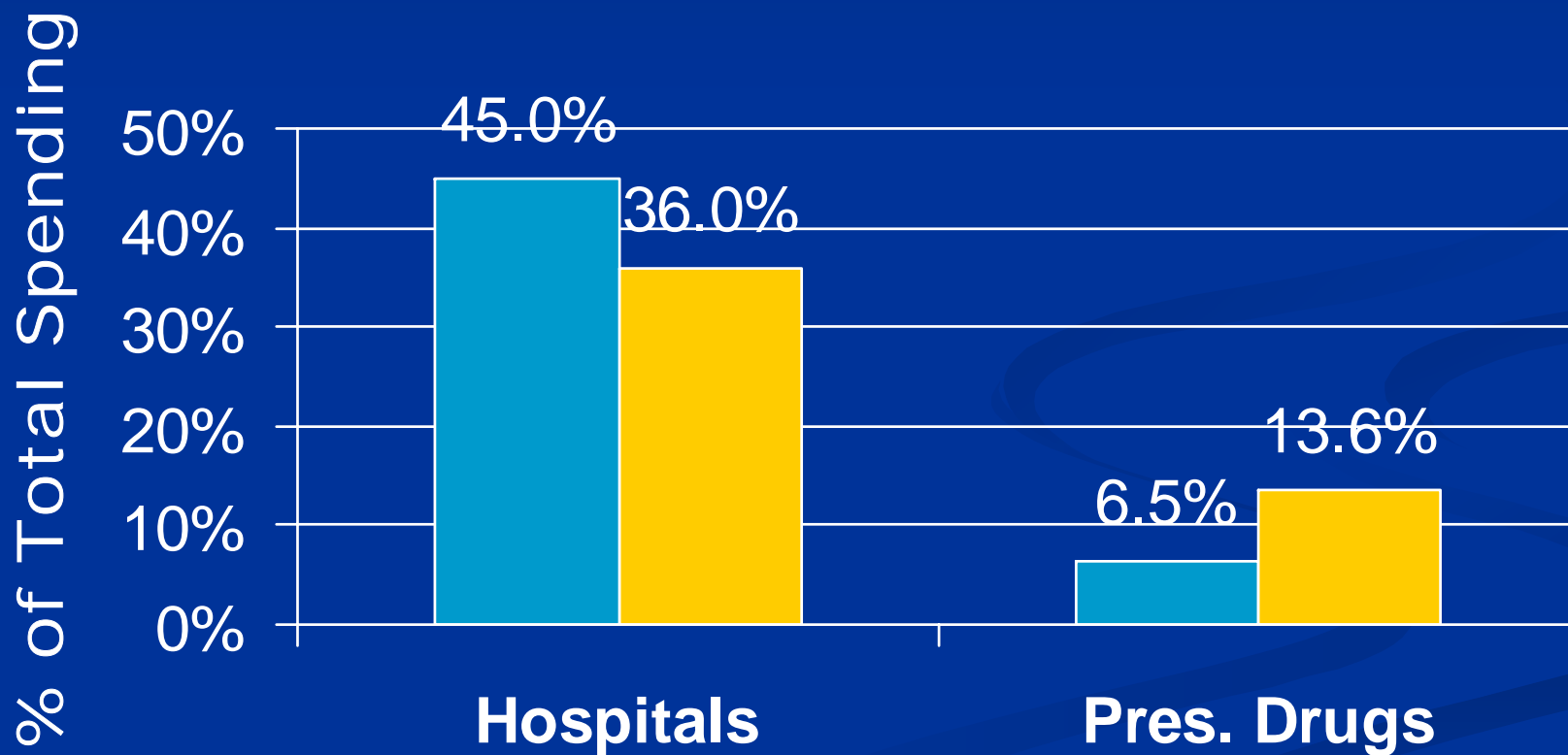
Overview

4. Rise in obesity prevalence in Georgia accounted for 30% of the growth in health spending over the past 20 years.
5. These data indicate a clear need for restructuring how we deliver and pay for health care services in Georgia. Addressing the rise in spending will require the development of integrated delivery models designed to provide high quality, cost-effective care to chronically ill patients.
6. Movement to this integrated delivery model will require a change from our current “provider and institutional” reimbursement focus to purchasing services for chronically ill patients.

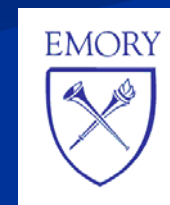
GBPI Vision 2007 Policy Conference, 1-4-07



Changes in Patient Characteristics Have Led to Dramatic Changes in Where Georgia Spends its Healthcare Dollar!

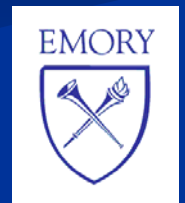


GBPI Vision 2007 Policy Conference - 4/07



Factors Accounting for the Rise In Spending in Georgia

- Examined trends between 1987 and 2003 for spending associated with non-institutional care in Georgia
- Decomposed the change in spending into:
 - *Change in treated disease prevalence*
 - *Change in spending per treated case*
 - *Interactions*

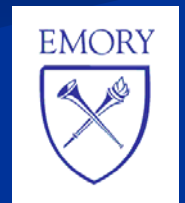
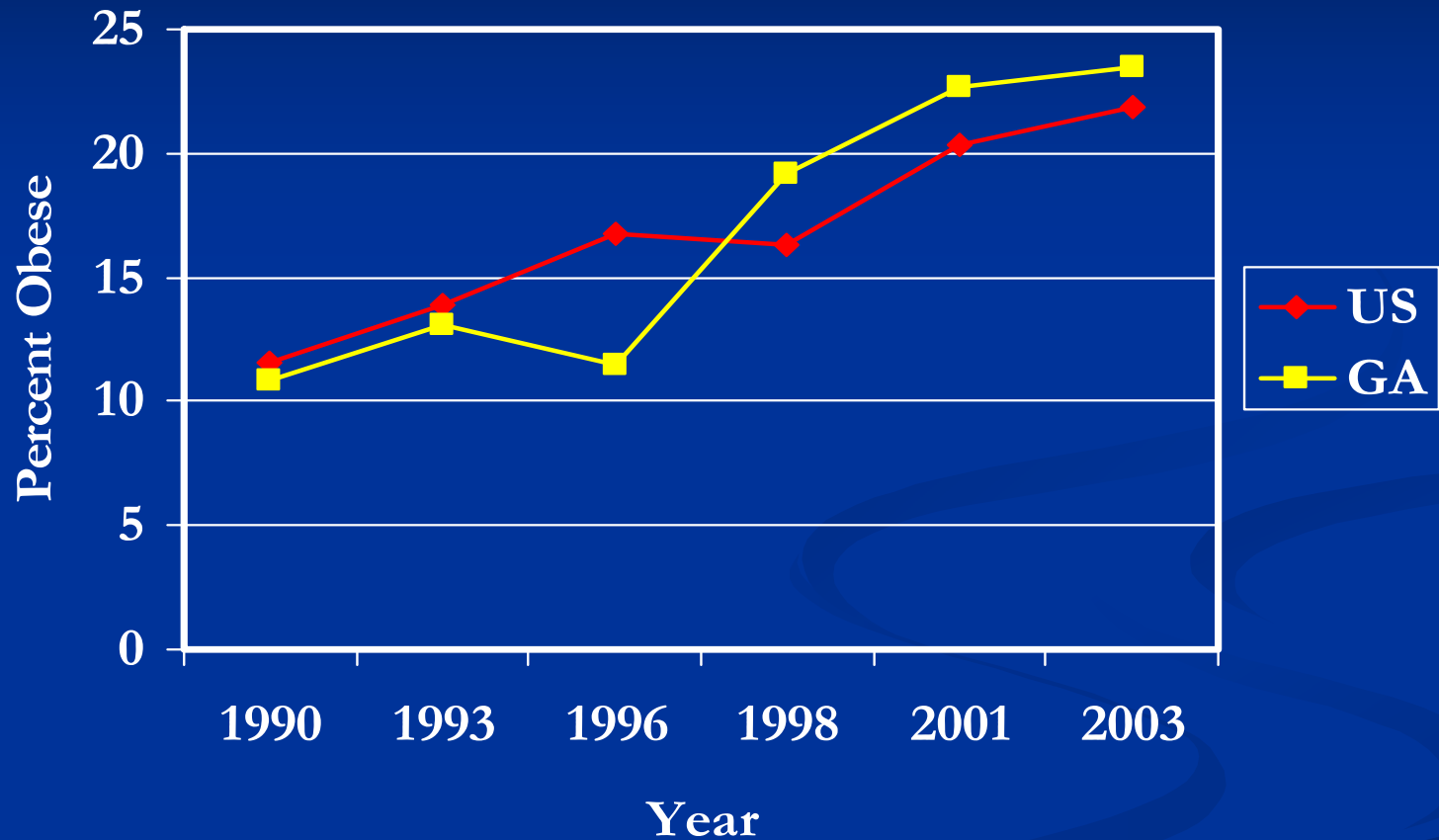


Why Does Treated Prevalence Rise Over Time?

- Rise in incidence and prevalence (obesity underlies much of this)
- Technology (treatment expansion)
- Changes in clinical thresholds (metabolic syndrome) for treating asymptomatic patients
- Better disease detection and screening (both by patients and physicians—depression)
- Others ?

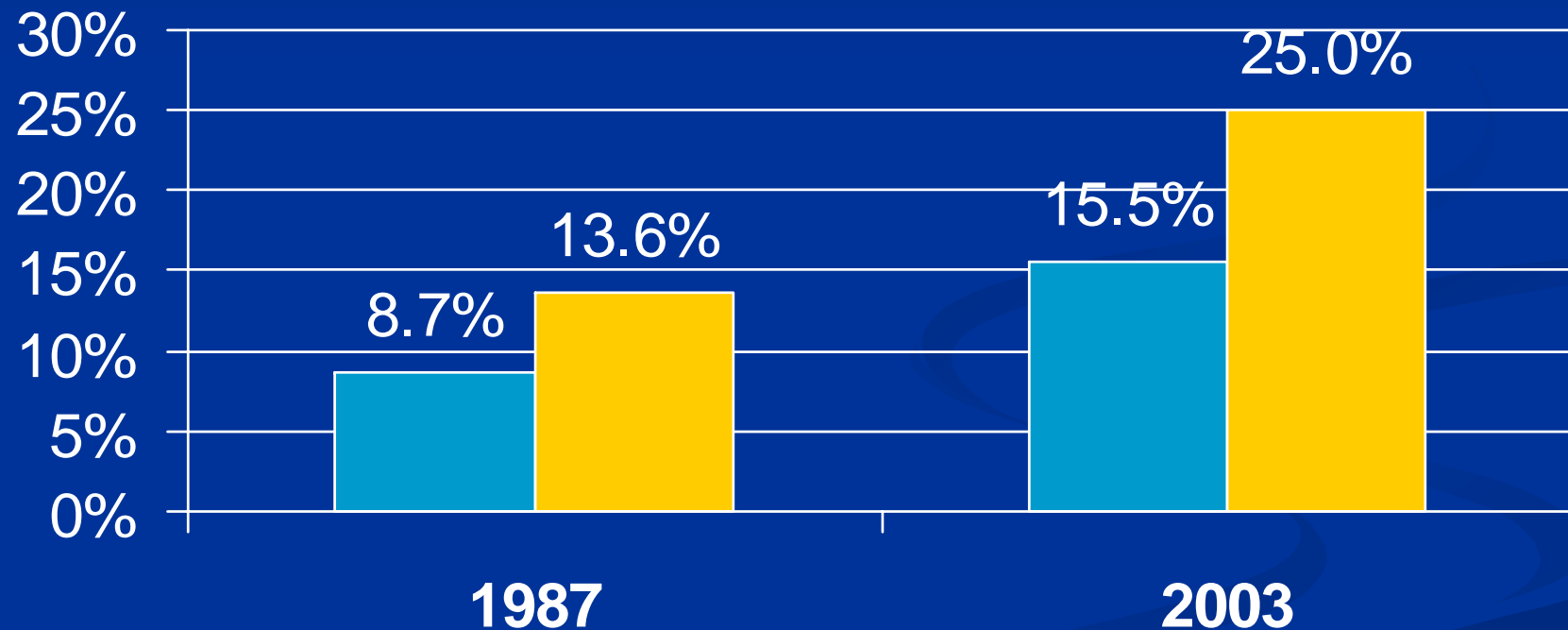


Trends in Adult Obesity, US vs. Georgia



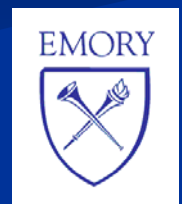
Rapid Rise in Treated Disease Prevalence Among Obese!

6 or More Medical Treated Conditions During
Year

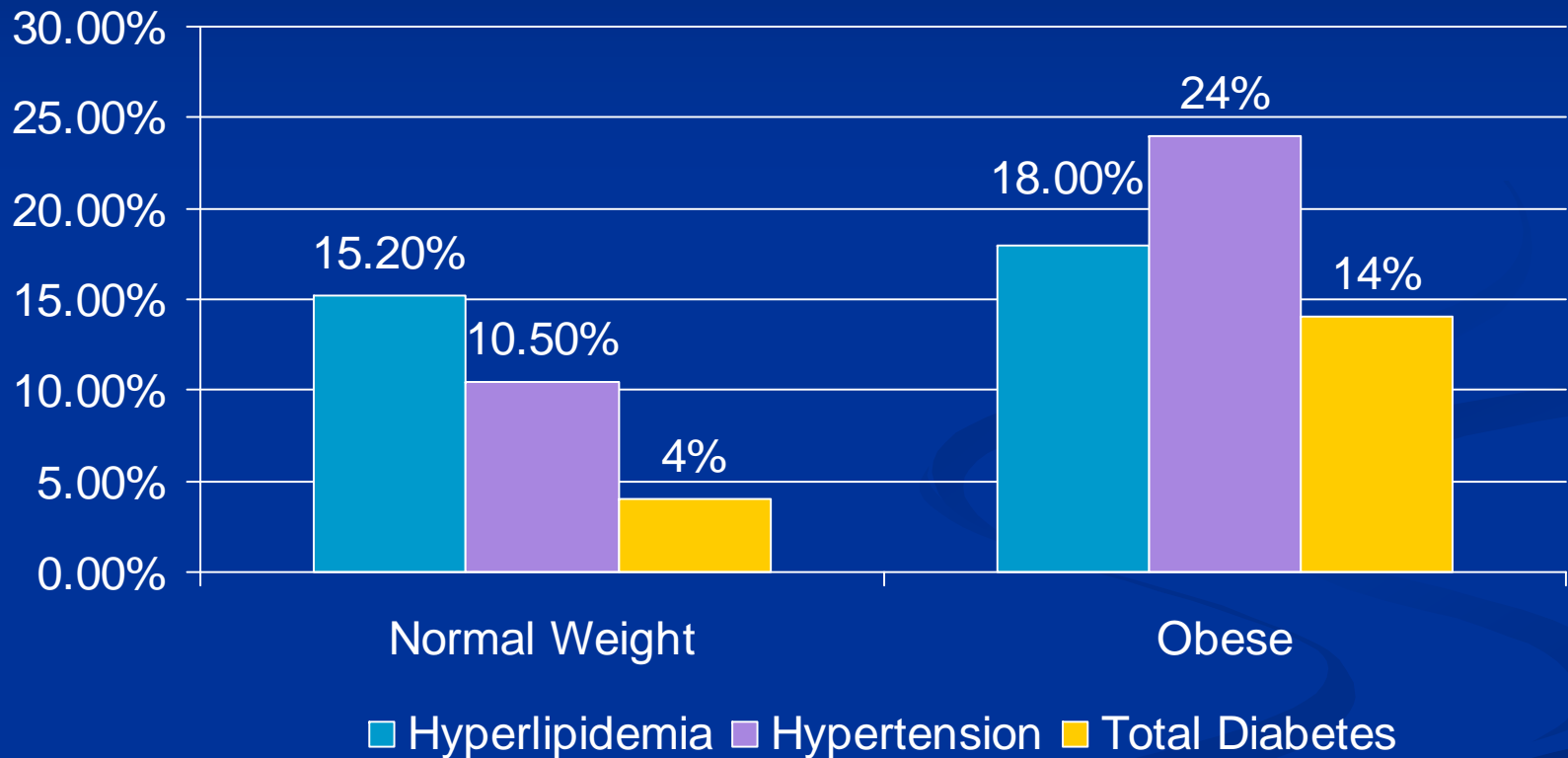


■ Obese ■ Morbidly Obese

GBPI Vision 2007 Policy Conference, 1-4-07

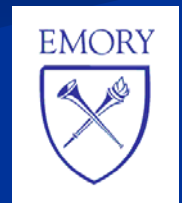


Chronic Disease Prevalence by Body Mass Index



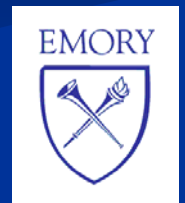
Trends in Technology

- Impacts both prevalence and spending per case
- Numerous examples—
 - Pharmacologic (SSRI, statins)
 - Medical supplies and devices (drug-eluting stents)
 - New treatments (low-birth babies, CVD, cancer)



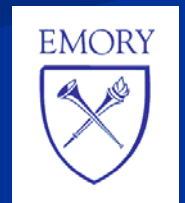
More Aggressive Treatment of Asymptomatic Patients

- True for:
 - Metabolic syndrome (31% of the population)
 - Hypertension
 - Hyperlipidemia
 - Other lipid abnormalities

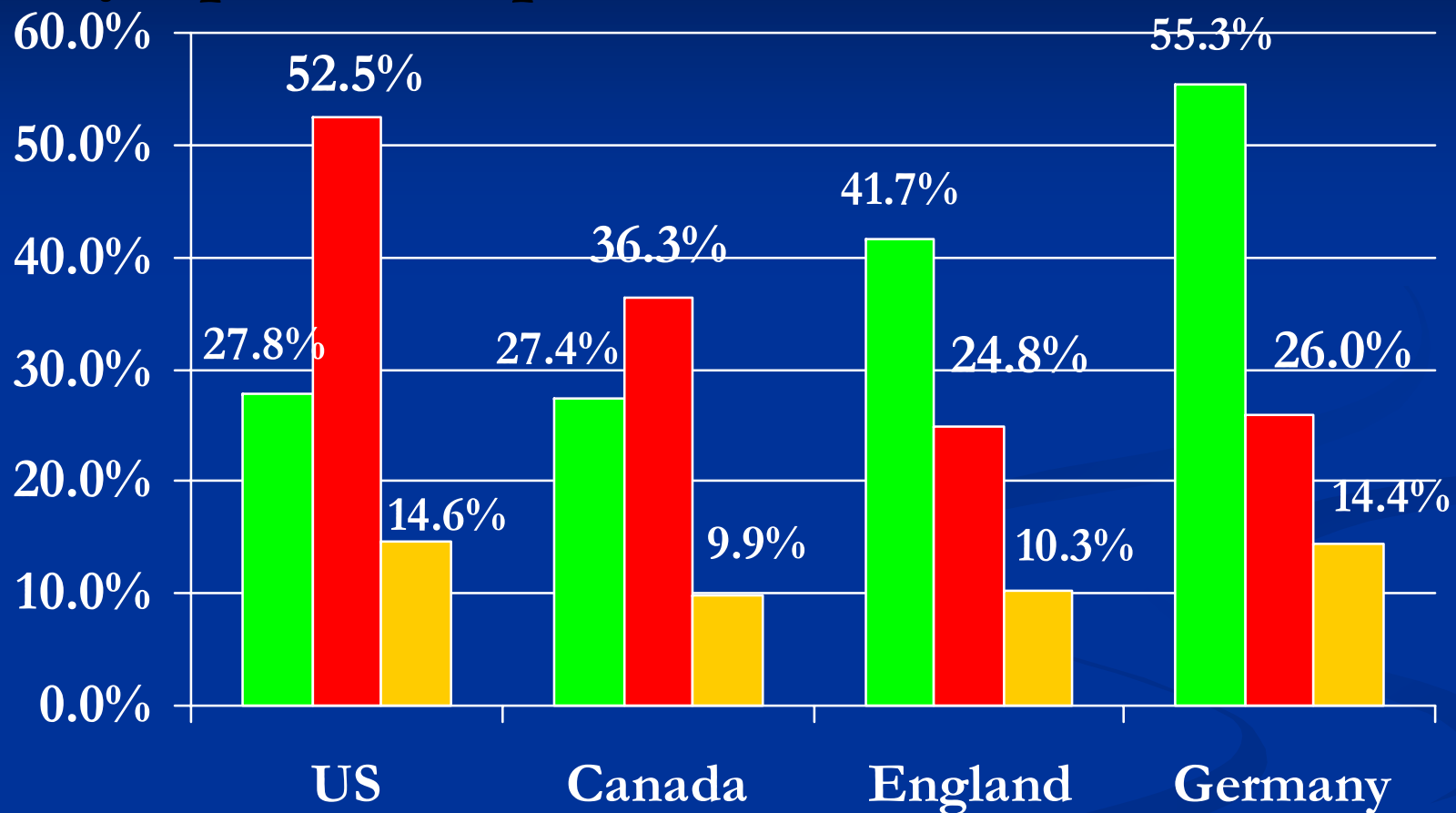


The Metabolic Syndrome: A Key Cardiovascular Risk Factor

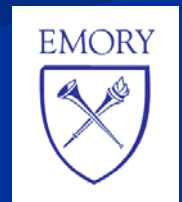
- The share of adults with the metabolic syndrome has increased 5 percentage points to 31 percent of adults in just 5 years!
- Rates of pharmacologic treatment are rising as well
- Good news—more aggressive treatment may be associated with the decline in CV mortality
- Bad news—high and rising number of adults with the metabolic syndrome—will continue to increase health care spending!



US is more aggressive in treating asymptomatic patients with CV risk factors

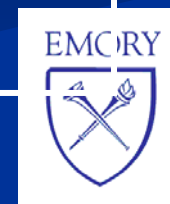


■ Clinical Prevalence ■ % Treated ■ Treated Prevalence



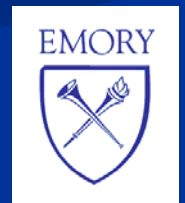
Treated Disease Prevalence in Georgia, 1987-2003 (Adults 18+)

<u>Medical Condition</u>	<u>1987 %</u>	<u>2003 %</u>
Hypertension	14.9%	20.9%
Pulmonary Disorders (COPD)	9.5%	19.1%
Mental Disorders	4.4%	16.7%
Trauma	17.5%	17.6%
Arthritis	8.0%	14.8%
Back Problems	4.5%	11.4%
Heart Disease	8.5%	10.3%
Endocrine Disorders	7.95	11.2%
Diabetes	4.8%	8.0%
Lupus and related disorders	4.1%	8.4%



Trends in Prevalence

- *Virtually all the conditions with large changes in prevalence are chronic.*
- Patients with chronic disease:
 - Have long-standing, on-going and largely predictable medical care needs
 - Are less likely to require hospital care compared to acutely ill episodic cases
 - Rely disproportionately on prescribed drugs, physician and other provider care.



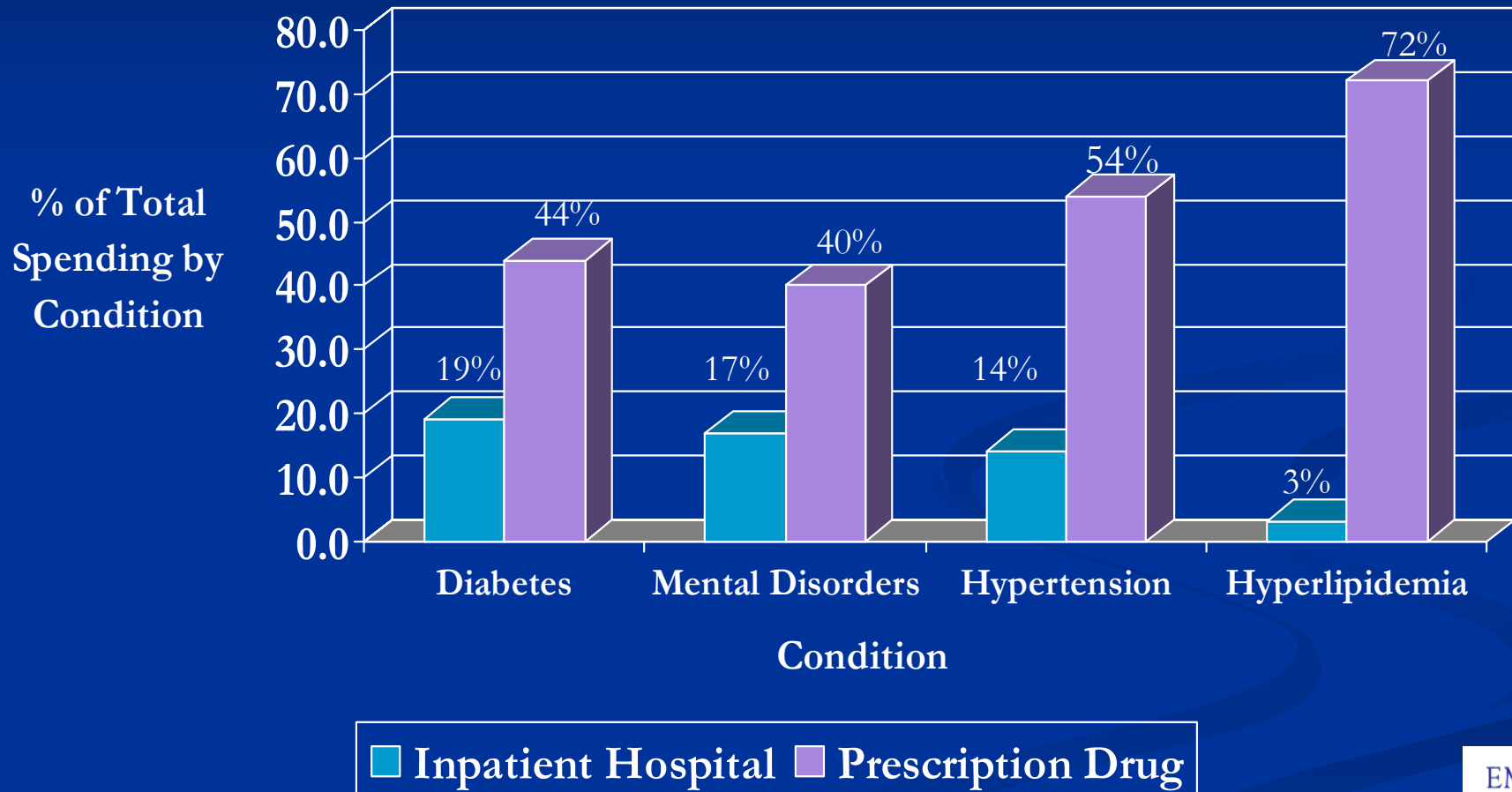
Most of the rise in spending in Georgia is linked to a rise in prevalence of treated disease

Medical Condition	Δ Treated Prevalence	Δ SPC	Population
Trauma	0.7%	43%	56%
Arthritis	47%	13%	40%
Hypertension	35%	16%	49%
Mental Disorders	85%	-31%	45%
Hyperlipdemia	67%	4%	29%
Cancer	71%	-51%	79%
Circulatory Disorders	4%	44%	52%
Pulmonary Disorders	98%	-73%	75%
Back Problems	88%	-45%	57%
Heart Disease	76%	-145%	169%

GBPI Vision 2007 Policy Conference, 1-4-07

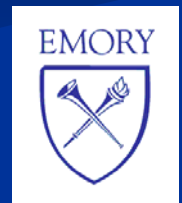


Distribution of Medical Care Spending by Key Drivers of Spending Increases in Georgia: Selected Chronic Conditions



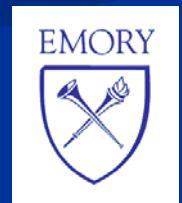
Slowing the Growth in Healthcare Spending and Managing the Level of Spending

- Clinical characteristics of patients treated in Georgia have changed over time
 - Predominately chronically ill
 - Has led to redistribution of the healthcare dollar
- Yet— the way Georgia pays for and delivers healthcare to patients in the 21st has not changed—still based on a 1965 model



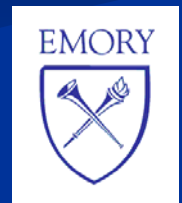
Policy Implications

- *Absent fundamental changes in how Georgia pays for and delivers health care*
 - Cannot increase the value of health care (outcomes purchased per dollar spent)
 - Cannot effectively manage and provide high quality care to the changing clinical characteristics of patients—the chronically ill
 - Cannot manage the growth in spending until address rising obesity prevalence



Policy Implications

- Building a state of the art financing and delivery system will require new policy focus—one different from the reimbursement debates of the 1980s and 1990s.



Summary

- Changes outlined above requires fundamental restructuring of the Georgia health care delivery system
- Attacking key drivers of rising spending will require a broader set of policy options than increasing deductibles and insurance based approaches
- Need to focus on improving the care for chronically ill patients
- Develop state-wide strategy for addressing rise in treated disease prevalence

