Weekly Checkup

Comparing Price Growth for Hospitals and Drugs

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Drug prices in the United States have been a major focus of policy scrutiny over the past year. List prices rose dramatically from 2017 to 2018, and **overall spending on drugs rose significantly from last year to this. But new data are indicating that this trend could be changing, at least for the moment**.

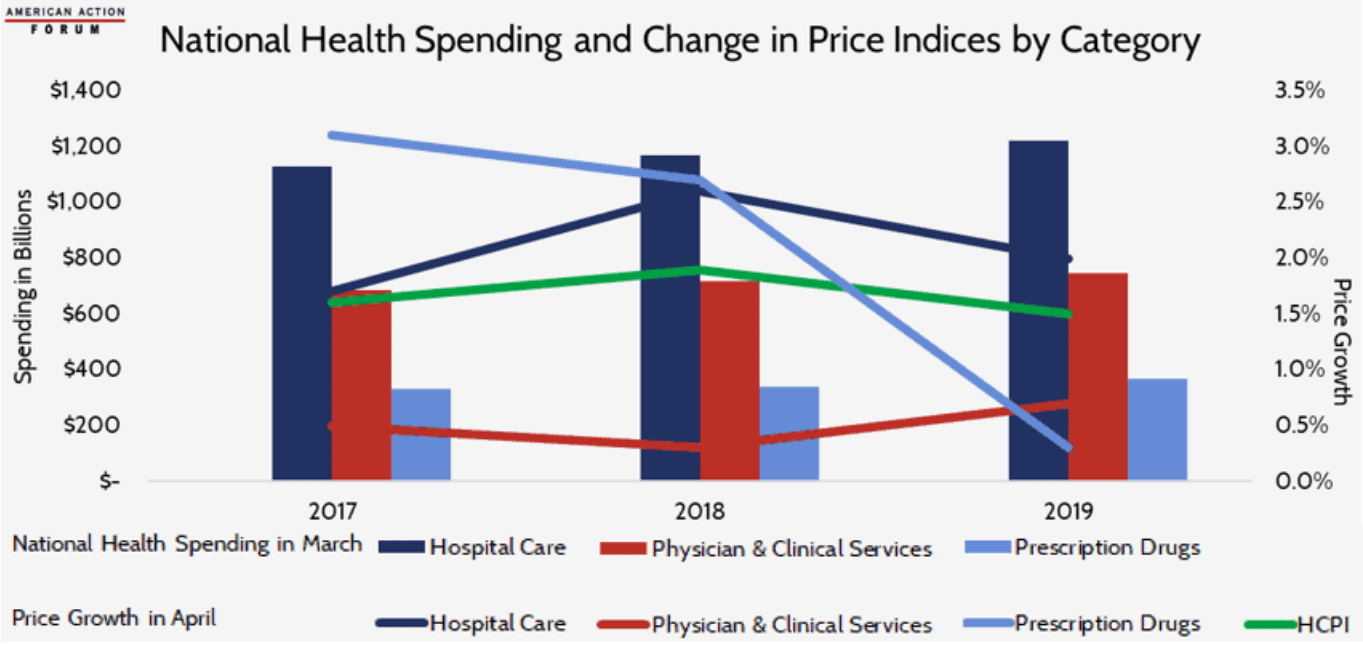
Earlier this year, Express Scripts released its 2018 Drug Trend Report showing the lowest increase in drug spending in 25 years, despite an increase in utilization, because of a 0.4 percent decrease in *net* unit costs (after accounting for discounts and rebates) from 2016-2018. Additionally, Express Scripts reported a decrease in spending on drugs for 50 percent of commercial plans. And this week, the Altarum Center for Value in Health Care released its monthly health economics indicators briefs, which shows prescription drug *list* price growth has also slowed dramatically: Between April 2018 and April 2019, list price growth fell to 0.3 percent, down from 2.7 percent the year prior. In sum, **overall spending has slowed, growth in list prices has slowed, and net prices dropped. Perhaps the drumbeat on drug prices is having an effect.**

Despite the decrease in drug price growth, both **the overall national health care price index (HCPI) and overall spending growth have remained steady**. Since 2016, health-related spending has consistently accounted for 17.9 percent of gross domestic product. Health care price growth generally has also remained fairly steady, hovering around 1.7 percent since 2017. **So, where are health care dollars going?**

When looking at the bigger picture of health care spending in the United States, **hospital care has been a major driver for years**. Not only does hospital care continue to account for the largest portion of health spending, making up nearly one-third of total national health spending in March 2019, but a recent study finds that, from 2007 to 2014, hospital prices for in-patient care grew 42 percent. The same study shows that growth in hospital

prices was responsible for the majority of inpatient and hospital-based outpatient care cost growth. A large portion of increased prices comes from facility fees; another contributing factor, hospital mergers, accounts for average price increases of 20-30 percent.

While physician- and clinical-services expenditures rank as the second-largest chunk of health spend (20 percent), their *price* growth has been significantly lower than that for hospital care, with the prices for physician and clinical services averaging an annual growth rate of 0.5 percent over the last three years, compared to 2.1 percent in hospital care.



Today in the United States, 1 in 10 adults refuse or delay medical care because of cost, and a recent study found that medical issues were tied to 66.5 percent of American bankruptcies. There is no shortage of stories where people face thousands upon thousands of dollars in medical bills as a result of ridiculous situations, like snake and cat bites. And yet, grand pianos and high-end art litter hospitals across the country.

All of this is not to suggest that prescription drug prices are not a pressing policy challenge. Drug costs are an understandable focus of health-policy conversations. The Weekly Checkup even highlighted recent bipartisan progress on the issue in the form of a package of House bills passed out of the Energy & Commerce Committee—progress that was recently set on metaphorical fire to make a political point. **It would be worthwhile, however, for policymakers not to lose sight of the larger health care spending picture.**

VIDEO: COULD TEXAS V. AZAR END THE ACA?

AAF's Director of Health Care Policy Christopher Holt explains the origins of Texas v. Azar, a lawsuit threatening the Affordable Care Act, and its potential implications for the health care system.

WORTH A LOOK

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