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Health Care Spending, Prices, and Utilization for Employer-Sponsored Insurance in New York



HEALTH CARE
COST INSTITUTE





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Executive Summary

Health care spending in New York State is both higher and rising more sharply than the national average. For example, inpatient prices increased twice as much in New York State than in the U.S. on average between 2013 and 2017. Price growth is the primary driver of health care spending; higher spending also translates to higher out-of-pocket and premium costs for consumers. These findings reinforce the need for more price transparency in health care: accurate, easy-to-understand, meaningful information about what consumers can expect to pay for their care. This type of transparency is a gateway to improving affordability, quality, and competition in the health care system and making the system work better for all Americans.

This report examines health care spending, utilization, and prices for New Yorkers covered by employer-sponsored health insurance from 2013 to 2017. The data used for the analysis are from the Health Care Cost Institute commercial claims database.

Spending, utilization, and prices are examined by type of service, including inpatient hospital, outpatient, professional services, and prescription drugs. Key findings include:

Spending per person in New York State was higher than the national average in each year from 2013 to 2017.

- Per-person spending also grew faster in New York during the five-year period than in almost all other states.
- By 2017, New York was associated with the eighth-highest per-person spending amount (\$6,335 per person) compared with other states.
- Although total spending was relatively high, New Yorkers did have lower average out-of-pocket costs, including deductibles, co-payments, and coinsurance compared with national spending.

New York spends more money on professional services (such as doctor's visits), inpatient services, and prescription drugs, but less on outpatient services relative to national spending.

- Professional services account for nearly 40% of total health spending in New York (\$2,442 per person), a notably higher share than for national spending.
- Spending for all services grew faster in New York relative to the rest of the country.



Executive Summary (continued)

With few exceptions, price growth was the driving factor in health care spending across all categories of services examined.

- Price growth accounted for the overwhelming majority of spending increases.
- Although prices were the primary driver, both utilization and prices contributed to spending growth in New York State. At the national level, prices—not utilization—contributed to spending growth.
- Exceptions for which utilization was a primary driver of spending in New York included durable medical equipment and lab/pathology procedures.

The relative differences in price and utilization growth between New York and national rates varied by service.

- Inpatient prices increased twice as much in New York than across the U.S. on average.
- For several categories of drugs, cumulative point-of-sale price growth reached more than 50% during the 2013 through 2017 time frame, including rheumatoid arthritis, skin, anti-infective, chemotherapy, and blood drugs.
- Increases in drug prices were substantially higher in New York, even though there was also a larger shift from brand name to generic drugs in New York.

Higher spending on health care services generally translates into higher health care costs in the form of out-of-pocket spending and premiums combined. Thus, the fact that New York has high costs that are growing at a rate faster than almost anywhere else in the country is concerning. Increases in prices were found to be the primary driver of spending for almost all types of services in New York. These data point to prices of services that experienced particularly high growth, including for certain inpatient admissions and prescription drugs, as areas of focus for New York employers, health plans, and State policymakers to target in efforts to control health care costs for their employees. In general, the data point to the need for more price transparency to better support informed decisions on where to purchase health care, as well as to support the delivery of higher-value health care—i.e., better quality care at a lower cost.



Methods

The methods for this report are identical to those used by the Health Care Cost Institute to develop its national “Health Care Cost and Utilization Report.”¹ Full details on the methods are available in the “Methodology” document for the national report.² Below is a high-level summary. In addition, the underlying data for each chart presented in this report is available in an online supplemental appendix.³ The online supplemental appendix also includes estimates for more detailed categories of services than shown in the report.

DATA

The report relies on commercial health insurance claims for the years 2013 through 2017. These claims are contributed by four major health insurers: Aetna, Humana, Kaiser Permanente, and UnitedHealthcare. Collectively, these insurers represent 21% of New York State’s employer-sponsored health insurance (ESI) population (approximately 2.1 million New Yorkers). The data reflect medical and pharmacy claims for individuals under the age of 65 covered by group insurance through an employer, including both fully insured and administrative services only. All data were weighted to reflect the age, gender, and geographic mix of the total ESI population.

DEFINITIONS OF REPORTED MEASURES

- **Spending per person:** Total expenditures on medical and pharmacy claims, including payer and patient shares, divided by the number of people with ESI coverage. The prescription drug component reflects point-of-sale expenditures; it does not include manufacturer rebates provided through separate transactions because these data are not available.
- **Utilization:** Volume of health care services used per person. It is calculated as the count of inpatient admissions, outpatient facility visits, outpatient facility procedures, and professional services, divided by the number of people with ESI coverage, and weighted by intensity of services provided. Prescription drug utilization is the count of days covered by a filled prescription and is not weighted by intensity, because no such measures are available.

¹ Health Care Cost Institute. 2019. 2017 Health Care Cost and Utilization Report. Available at: <https://www.healthcostinstitute.org/research/annual-reports/entry/2017-health-care-cost-and-utilization-report>.

² Health Care Cost Institute. 2019. 2017 Health Care Cost and Utilization Report: Analytic Methodology. Available at: https://www.healthcostinstitute.org/images/pdfs/HCCI_2017_Methodology_public_v20.pdf.

³ Supplemental Appendix is available at: <https://nyshealthfoundation.org/wp-content/uploads/2019/07/Full-NYS-Report-HCCI-Data-2013-2017.xlsx>.



Methods (continued)

- **Average price:** Measure of spending per service (admissions, visits, procedures, or days supplied, depending on the service category). Spending and utilization were aggregated across all services in a category. The average price per service in a category was then calculated by dividing total spending by total utilization.

DEFINITIONS OF SERVICES

The health care claims in the underlying data were categorized into four high-level service categories:

- **Inpatient facility:** When a patient is kept overnight for treatment (excludes observation visits). This category includes acute inpatient hospitalizations, skilled nursing facility stays, and hospice care.
- **Outpatient facility:** Visits and procedures rendered by sections of a hospital or other facility that do not require an overnight stay. These include, for example, emergency room visits, observation visits, outpatient surgery, and radiology and laboratory/pathology services delivered outside of the physician office setting.
- **Professional services:** Includes claims filed by health care professionals (including physicians, nurse practitioners, physician assistants, and other providers) for medical services. These include services delivered in an office setting, as well as the professional component of services delivered in an inpatient or outpatient facility setting. Drugs administered by physicians or other health care clinicians in outpatient and inpatient facilities or doctor's offices are included in the "Administered Drug" subcategory of Professional Services.
- **Prescription drugs:** Pharmacy claims for prescription drugs and devices.

It is possible that a single episode of care will have claims in several categories.

MEASURING CHANGES OVER TIME

From year to year, the mix of services in a category can change. To facilitate comparisons across years, a service-mix weighting methodology was applied, so the changes in utilization incorporates changes in both volume and mix of health care services used. Such weights were calculated for inpatient, outpatient, and professional services based on weights developed by the Centers for Medicare & Medicaid Services. No corollary exists for prescription drugs, so no adjustment was made for this category. Adjusting utilization



Methods (continued)

for service-mix changes also carries over to the calculations for average price. For more information on these methods, see the "Methodology" document for the Health Care Cost Institute's national report.

LIMITATIONS

Although the data in this report were weighted to represent the entire ESI population, there may be differences in the spending patterns for the four insurers included in these data relative to other insurers with enrollment in New York. These differences may bias the results in ways that would not be reflective of the general ESI population in New York.

Also, the data presented in this report are meant to be descriptive. In some cases we describe potential associations, but additional analyses would be needed to confirm those associations and potential causal effects.



Total Spending

NEW YORK HEALTH CARE SPENDING WAS HIGH AND GROWING FAST

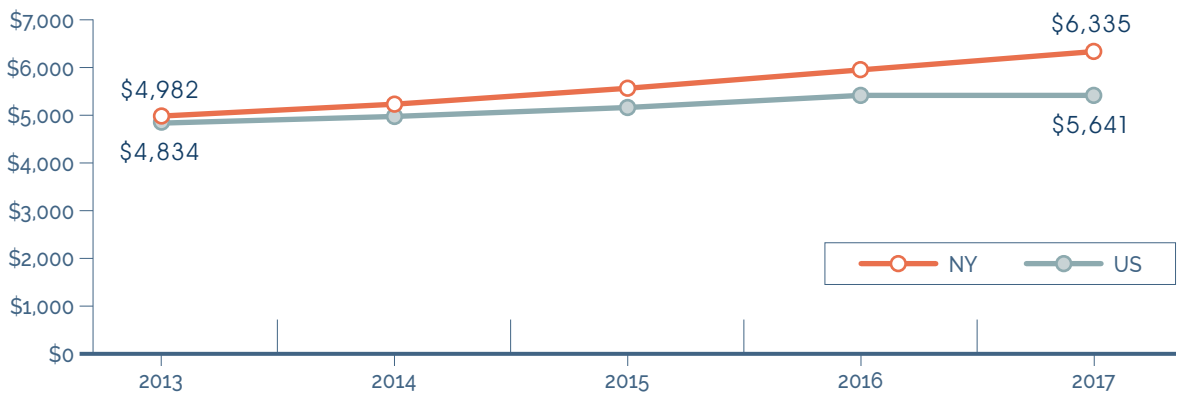
Per-person spending in New York State exceeded national levels in each year from 2013 to 2017 (**Figure 1**).

- New York per-person spending was about 3% higher than the national level in 2013 (\$4,982 compared to \$4,834).
- By 2017, the gap increased to about 12% (\$6,335 compared to \$5,641).

Not only were there relatively higher levels of spending in New York, but there were also faster growth rates in spending (**Figure 2**).

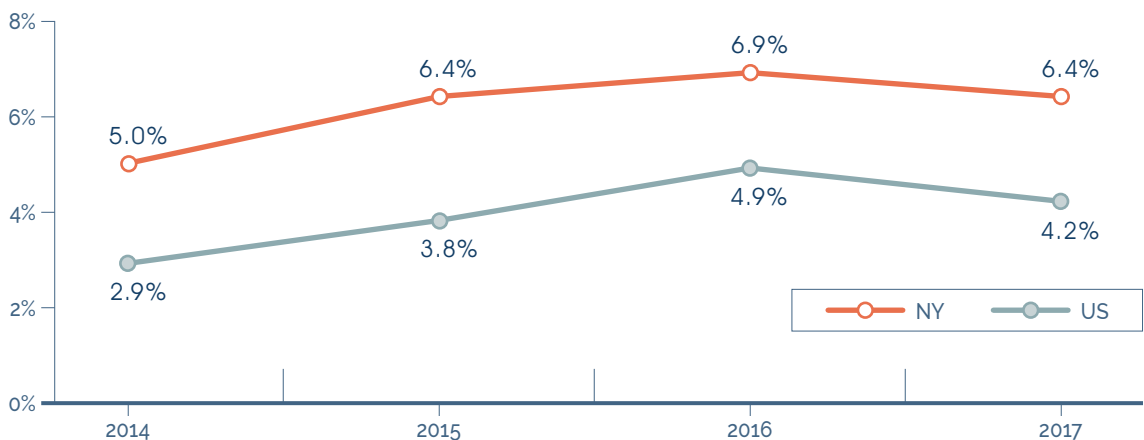
- The average annual rate of growth in per-person spending from 2013 to 2017 was 6.2% in New York, compared to 3.9% nationally.

FIGURE 1: Spending Per Person



Source: Health Care Cost Institute commercial claims database, 2013–2017

FIGURE 2: Annual Growth in Spending Per Person



Source: Health Care Cost Institute commercial claims database, 2013–2017

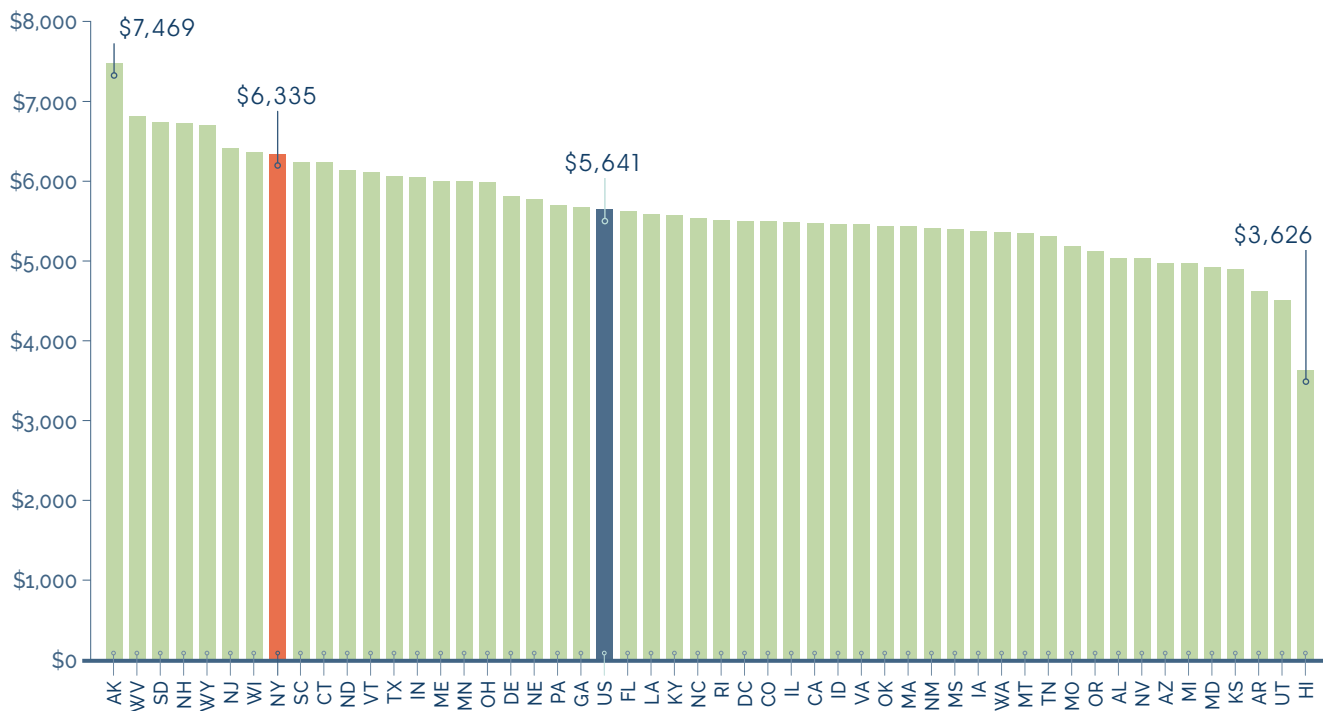


Total Spending (continued)

From 2013 to 2017, New York went from having the 18th highest per-person spending amount to the 8th highest.

- The higher-spending states in 2017 were: Alaska, West Virginia, South Dakota, New Hampshire, Wyoming, New Jersey, and Wisconsin (**Figure 3**).
- The only state to have higher growth in per-person spending from 2013 to 2017 was North Dakota (7.3% average annual growth rate). Nearly all other states had annual growth rates below 5.0% (see data from national 2017 Health Care Cost and Utilization Report).⁴

FIGURE 3: Spending Per Person by State in 2017 Ranked from Highest to Lowest



Source: Health Care Cost Institute commercial claims database, 2013–2017

GROWTH IN PRICES AND UTILIZATION CONTRIBUTED TO HIGH HEALTH CARE SPENDING IN NEW YORK

Both prices and utilization contributed to total spending growth in New York State from 2013 to 2017 (**Figure 4**). However, price growth accounted for roughly four-fifths of total spending growth.

⁴ Health Care Cost Institute. 2019. 2017 Health Care Cost and Utilization Report. Available at: <https://www.healthcostinstitute.org/research/annual-reports/entry/2017-health-care-cost-and-utilization-report>.



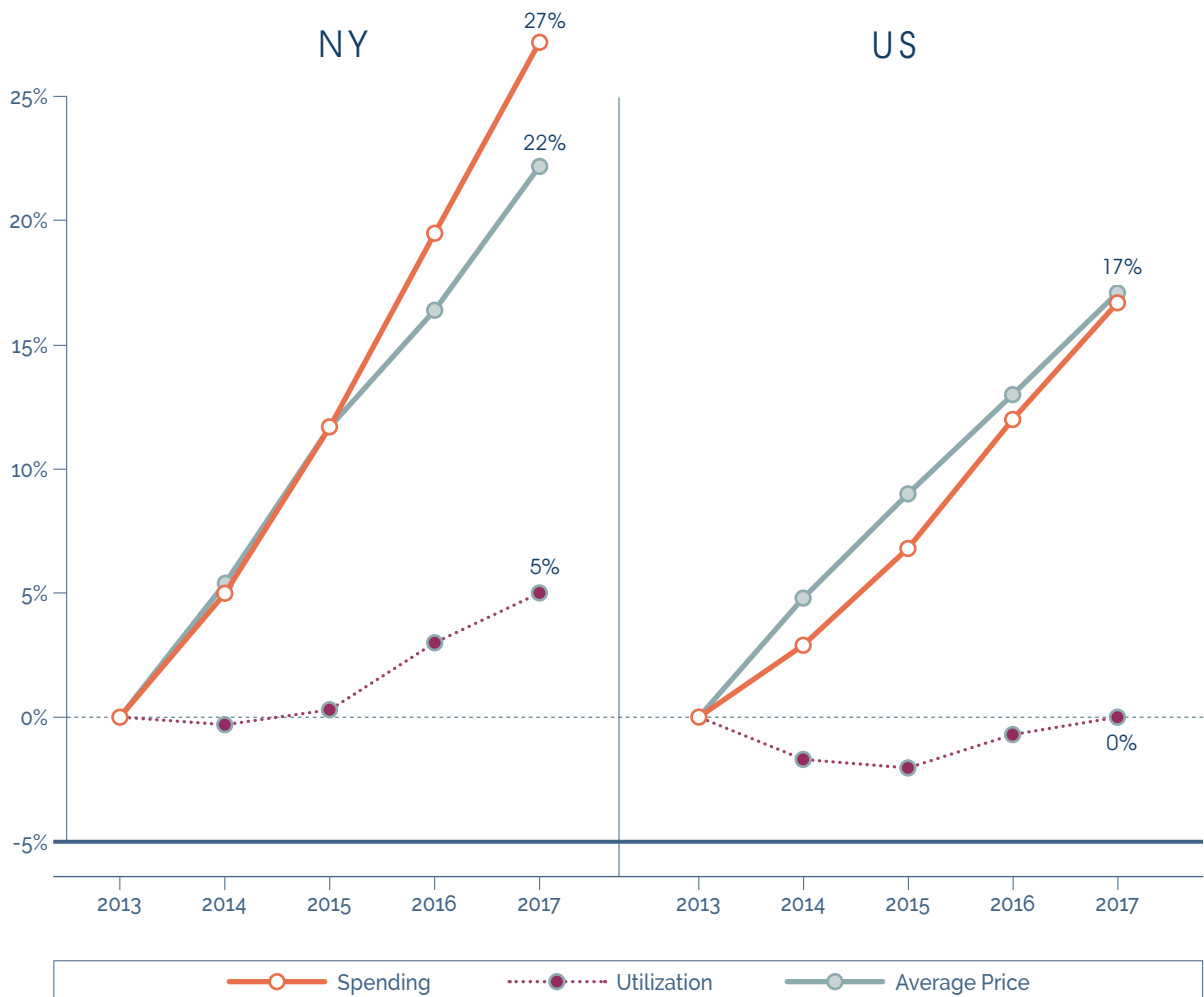
Total Spending (continued)

- Total per-person spending in New York was 27% higher in 2017 compared to 2013.
- Utilization was 5% higher in 2017 compared to 2013.
- Average prices were 22% higher compared to 2013.

Nationally, prices were also the primary driver of spending growth; utilization did not contribute to spending growth.

- Utilization was at a similar level in 2017 as in 2013 nationally.
- Average prices nationally were about 17% higher in 2017, essentially accounting for all of the growth in total spending during this time.

FIGURE 4: Cumulative Change in Total Spending Per Person, Utilization, and Average Price in New York State and Nationally: 2013–2017



Source: Health Care Cost Institute commercial claims database, 2013–2017



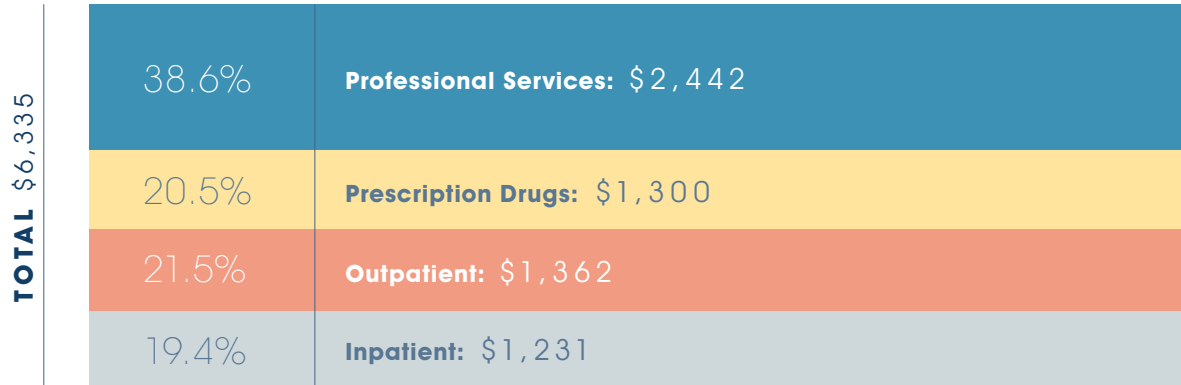
Total Spending (continued)

PER-PERSON SPENDING WAS HIGHER IN NEW YORK FOR ALL SERVICES EXCEPT OUTPATIENT SERVICES

As with total per-person spending, spending for each type of service was higher in New York State (**Figure 5**) relative to national spending (**Figure 6**), with the exception of outpatient services.

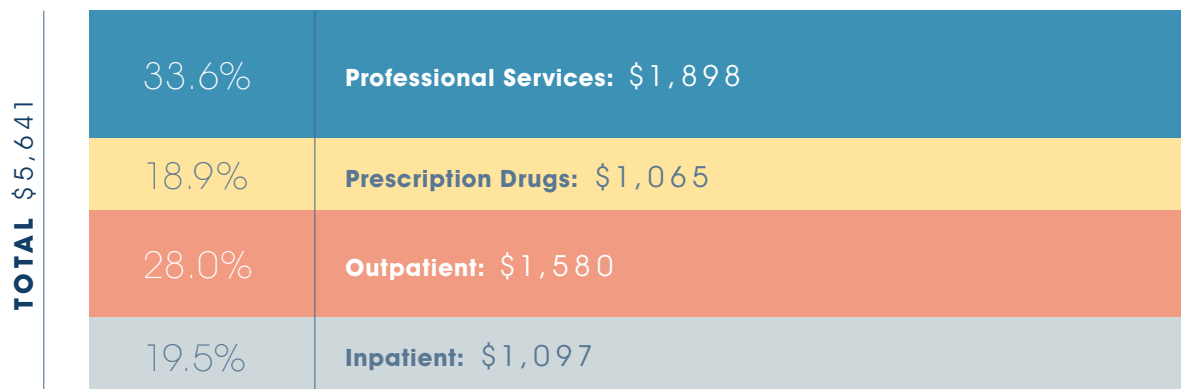
Professional services comprised a notably larger portion of health care spending in New York State (38.6%) relative to national spending (33.6%). This pattern aligns with New York having a relatively high level of physician supply. In 2016, New York had the third highest ratio of physicians per 1,000 residents relative to other states.⁵

FIGURE 5: New York Spending Per Person by Type of Service in 2017



Source: Health Care Cost Institute commercial claims database, 2013–2017

FIGURE 6: National Spending Per Person by Type of Service in 2017



Source: Health Care Cost Institute commercial claims database, 2013–2017

⁵ Association of American Medical Colleges. 2017 State Physician Workforce Data Report [Internet]. 2017 Nov. Available from: <https://members.aamc.org/eweb/upload/2017%20State%20Physician%20Workforce%20Data%20Report.pdf>.

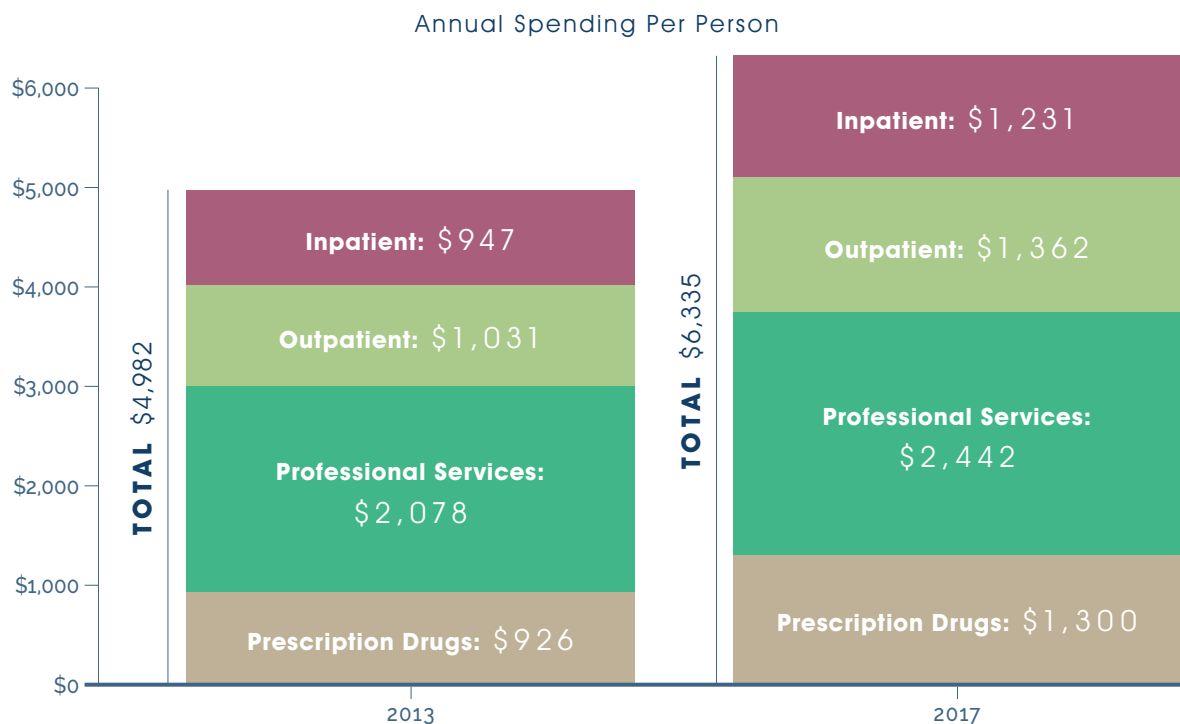


Total Spending (continued)

Prescription drugs also comprised a higher proportion of total spending in New York State relative to national spending. In contrast, the proportion of inpatient spending was about the same, and outpatient spending comprised a notably smaller proportion in New York (21.5% compared to 28.0% nationally).

Total per-person spending in New York increased \$1,353 (27%) from \$4,982 in 2013 to \$6,335 in 2017 (**Figure 7**). Prescription drugs and professional services accounted for the largest proportions of the increase in spending (about 28% and 27%, respectively).

FIGURE 7: Change in Spending Per Person by Type of Service in New York State: 2013–2017



Source:
Health Care
Cost Institute
commercial
claims database,
2013–2017

PER-PERSON SPENDING FOR ALL SERVICES GREW FASTER IN NEW YORK THAN NATIONALLY

Per-person spending for each service had larger growth in New York State from 2013 to 2017 compared to national growth rates (**Figure 8**).

- The growth in per-person inpatient spending was about three times as much in New York State relative to national spending (30% cumulative change versus 10%).
- Prescription drugs experienced the largest spending growth both in New York (40%) and nationally (29%)



Total Spending (continued)

FIGURE 8: Cumulative Change in Spending Per Person by Type of Service: 2013-2017



Source: Health Care Cost Institute commercial claims database, 2013-2017

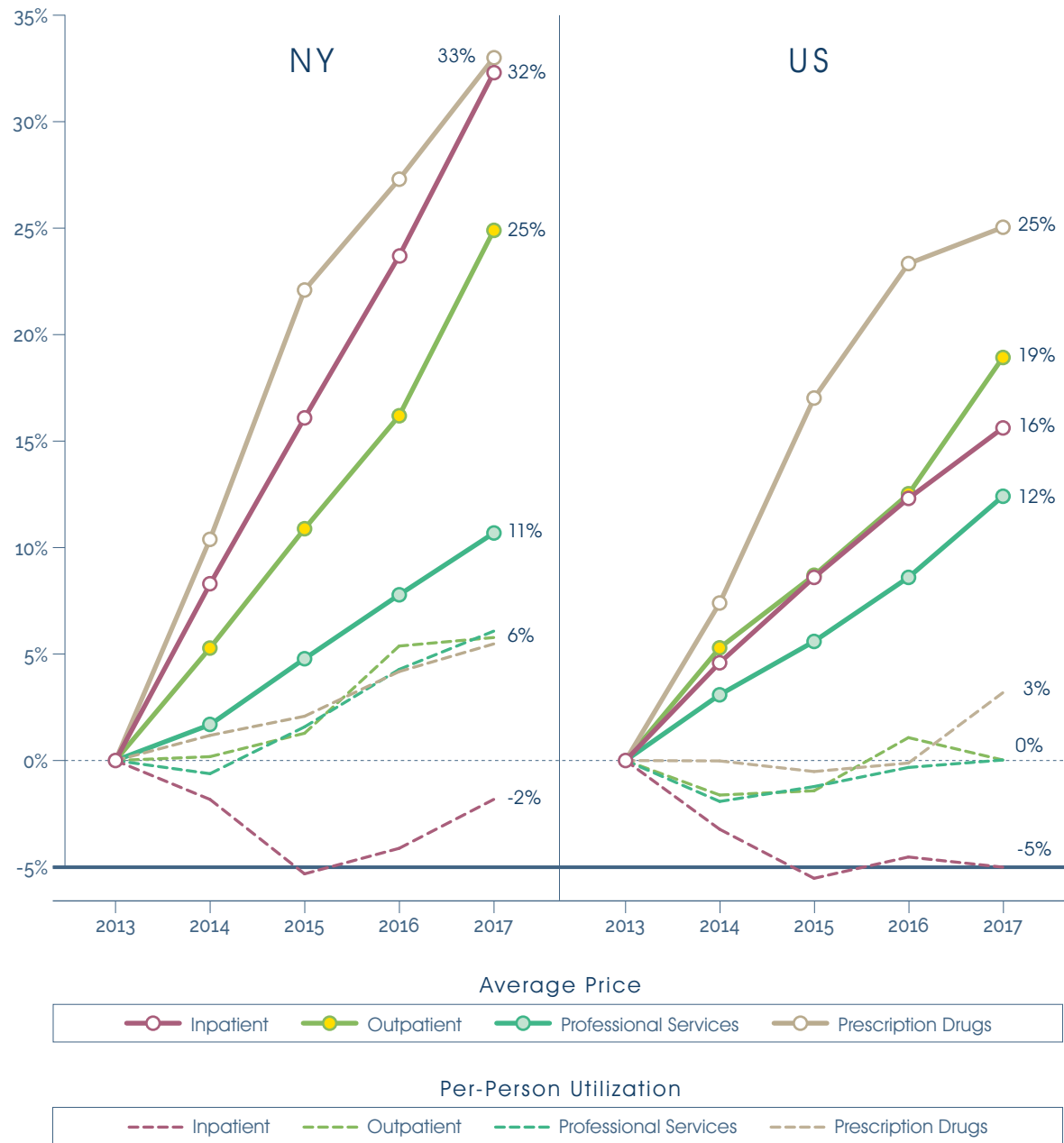


Total Spending (continued)

For all services, average prices grew faster than utilization both in New York State and nationally from 2013 to 2017 (Figure 9).

- Prescription drugs experienced the largest cumulative growth in average prices for New York (33%) and nationally (25%).

FIGURE 9: Cumulative Change in Utilization and Average Price by Type of Service: 2013-2017



Source: Health Care Cost Institute commercial claims database, 2013-2017

Note: Prescription drug spending is the amount paid on the pharmacy claim, which reflects discounts from the wholesale price, but not manufacturer rebates.



Total Spending (continued)

Both average prices and utilization were generally associated with higher growth rates from 2013 to 2017 in New York State relative to national spending trends.

- The one exception was prices for professional services, which grew slightly faster nationally than in New York (12% compared to 11%).
- Inpatient prices grew twice as much in New York (32%) than nationally (16%).

From 2013 to 2017, utilization increased about 6% for all services in New York State except inpatient admissions.

- Growth in outpatient and professional utilization was substantially more robust in New York than nationally.
- New York inpatient admissions were 2% lower in 2017 compared to 2013.



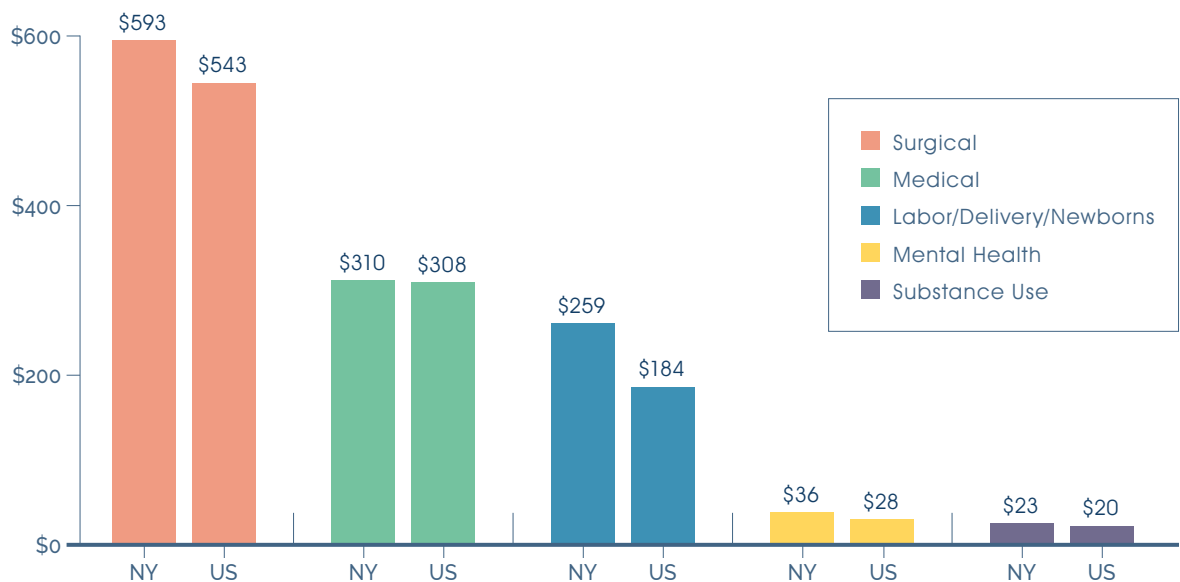
Inpatient Spending

SPENDING FOR SURGICAL ADMISSIONS COMPRISED THE LARGEST SHARE OF INPATIENT SPENDING

In general, the distribution of inpatient spending in 2017 by type of admission was similar for New York State and across the nation (**Figure 10**).

- Surgical spending comprised roughly half of inpatient spending in New York (48%) and nationally (50%).
- Medical spending comprised about one-quarter of spending in New York (25%) and nationally (28%).
- The proportion of spending for labor/delivery/newborns was higher in New York (21%) relative to national spending (17%).
- Mental health and substance use spending made up about 5% of inpatient spending both in New York and across the nation.
- Data for other types of admissions, including hospice and skilled nursing facility care, are detailed in the online supplemental appendix. These types of admissions each accounted for less than 1% of per-person inpatient spending in 2017.

FIGURE 10: Distribution of Inpatient Spending Per Person by Type of Admission in New York and Nationally: 2017



Source: Health Care Cost Institute commercial claims database, 2013–2017

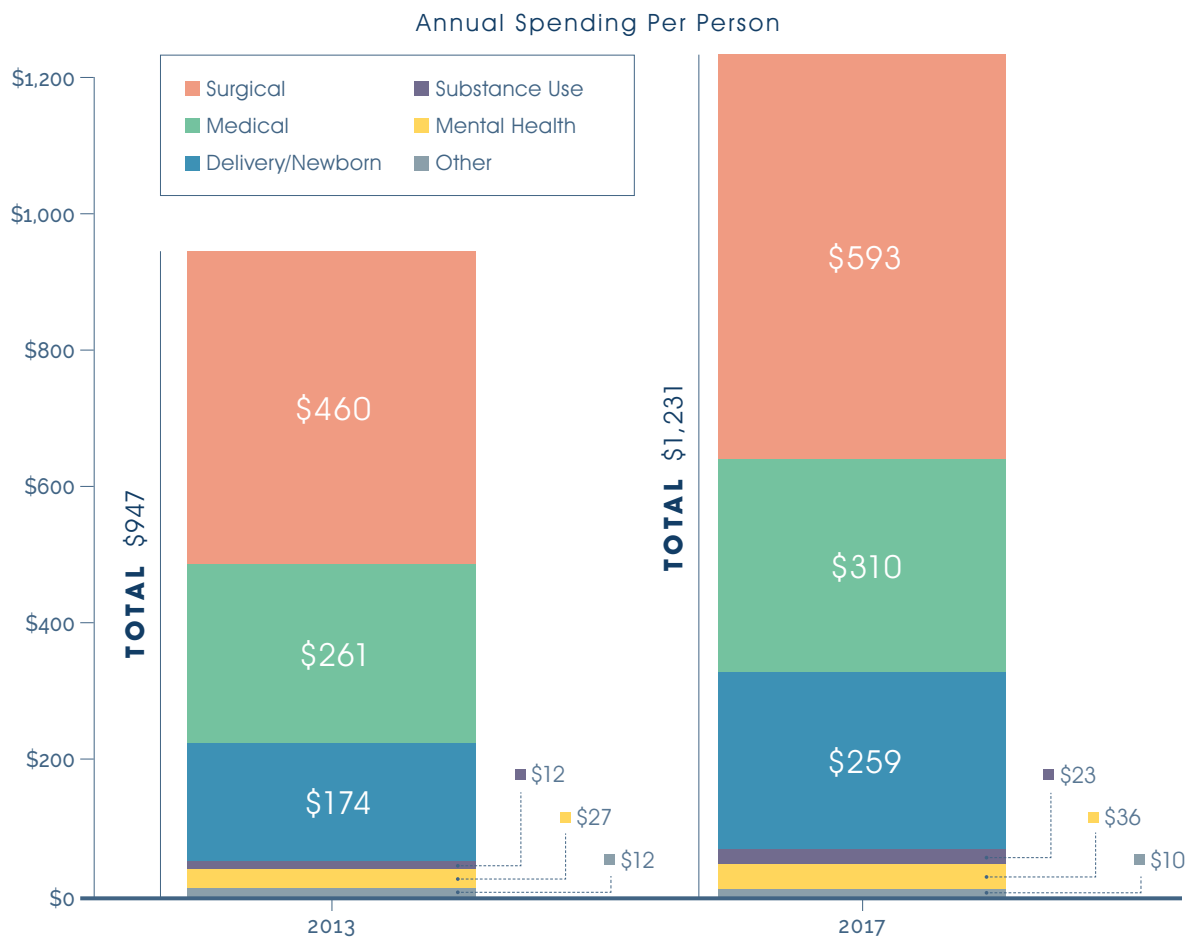


Inpatient Spending (continued)

Per-person inpatient spending increased \$285 or (30%) from 2013 to 2017 in New York State (Figure 11).

- Increases in surgical spending accounted for about half of the increase in inpatient spending.
- While labor/delivery/newborns services accounted for less than one-fifth of inpatient spending in 2013, such services accounted for nearly one-third of the increase in inpatient spending from 2013 to 2017.
- Although spending for substance use admissions comprised a small share of inpatient spending, per-person spending for substance use admissions nearly doubled from 2013 to 2017 (\$12 to \$23).

FIGURE 11: Change in Inpatient Spending Per Person by Type of Service in New York: 2013–2017



Source: Health Care Cost Institute commercial claims database, 2013–2017

Note: Sum of services may not add to total because of rounding.



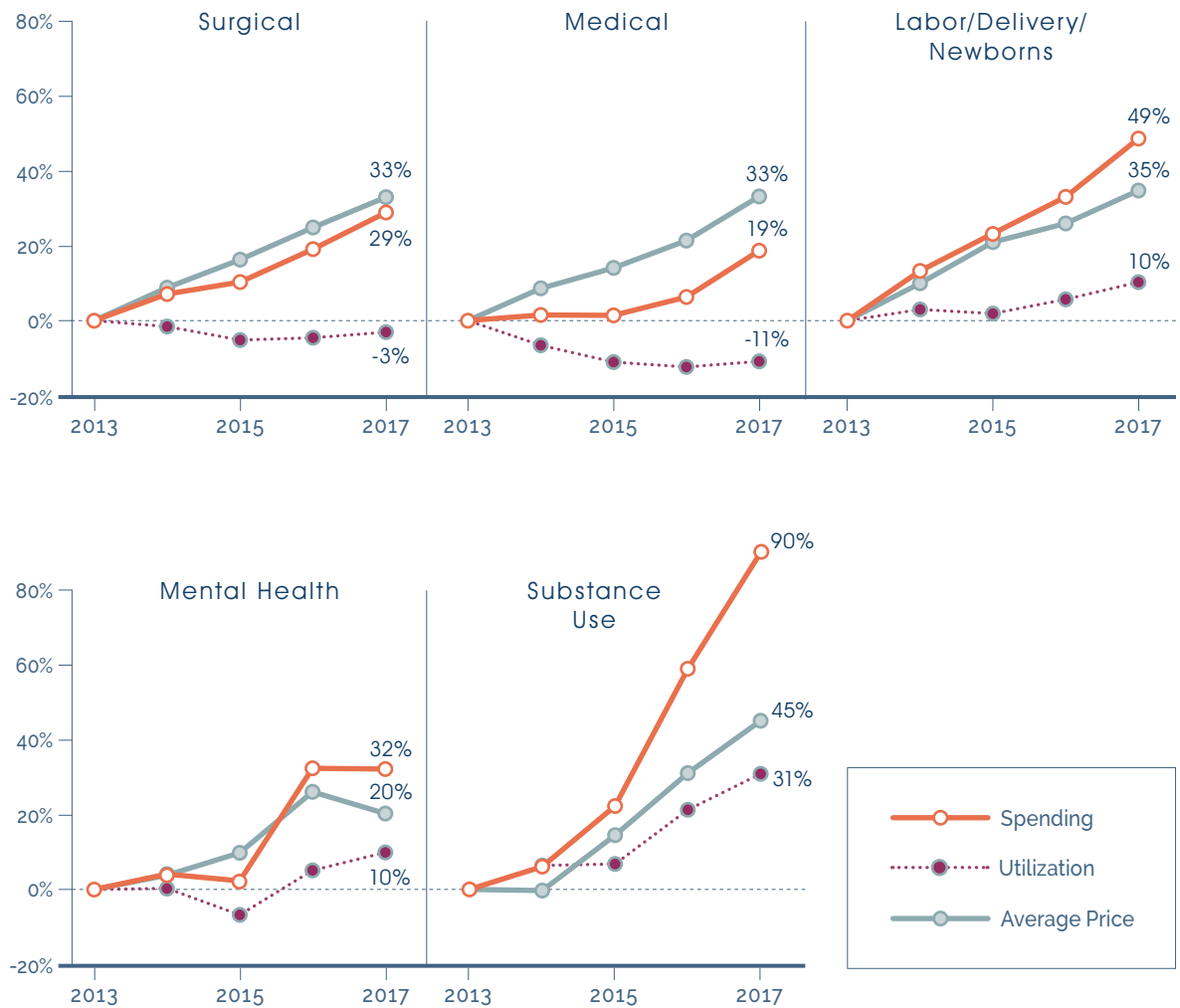
Inpatient Spending (continued)

PRICE GROWTH DROVE INCREASES IN PER-PERSON SPENDING FOR ALL CATEGORIES OF INPATIENT ADMISSIONS ANALYZED

Prices were the primary driver of spending growth for all categories of inpatient admissions examined (**Figure 12**).

- Price growth from 2013 to 2017 ranged from 20% for mental health to 45% for substance use admissions.

FIGURE 12: Cumulative Change in Inpatient Spending Per Person, Utilization, and Average Price by Type of Admission in New York: 2013-2017



Source: Health Care Cost Institute commercial claims database, 2013-2017



Inpatient Spending (continued)

A prior analysis of hospital prices conducted by Gorman Actuarial found substantial variation in prices across hospitals in New York State, with higher-priced hospitals having prices that were 50% to 170% higher on average compared with lower-priced hospitals in the same region. The analysis used 2013 and 2014 data on more than 100 hospitals and 9 insurers in 3 regions of New York State. Higher prices were found to be primarily driven by a hospital's market leverage, or its bargaining power when negotiating with insurers.⁶

Between 2013 and 2017, there were substantial increases in inpatient admissions for labor/delivery/newborns, mental health, and substance use.

- Admissions for substance use increased 31% from 2013 to 2017.
- These increases were offset by decreases in medical and surgical admissions, such that there was a 2% overall decline in inpatient admissions.

⁶ Gorman Actuarial. "Why Are Hospital Prices Different? An Examination of New York Hospital Reimbursement." December 2016. Available at <https://nyshealthfoundation.org/resource/an-examination-of-new-york-hospital-reimbursement/>.



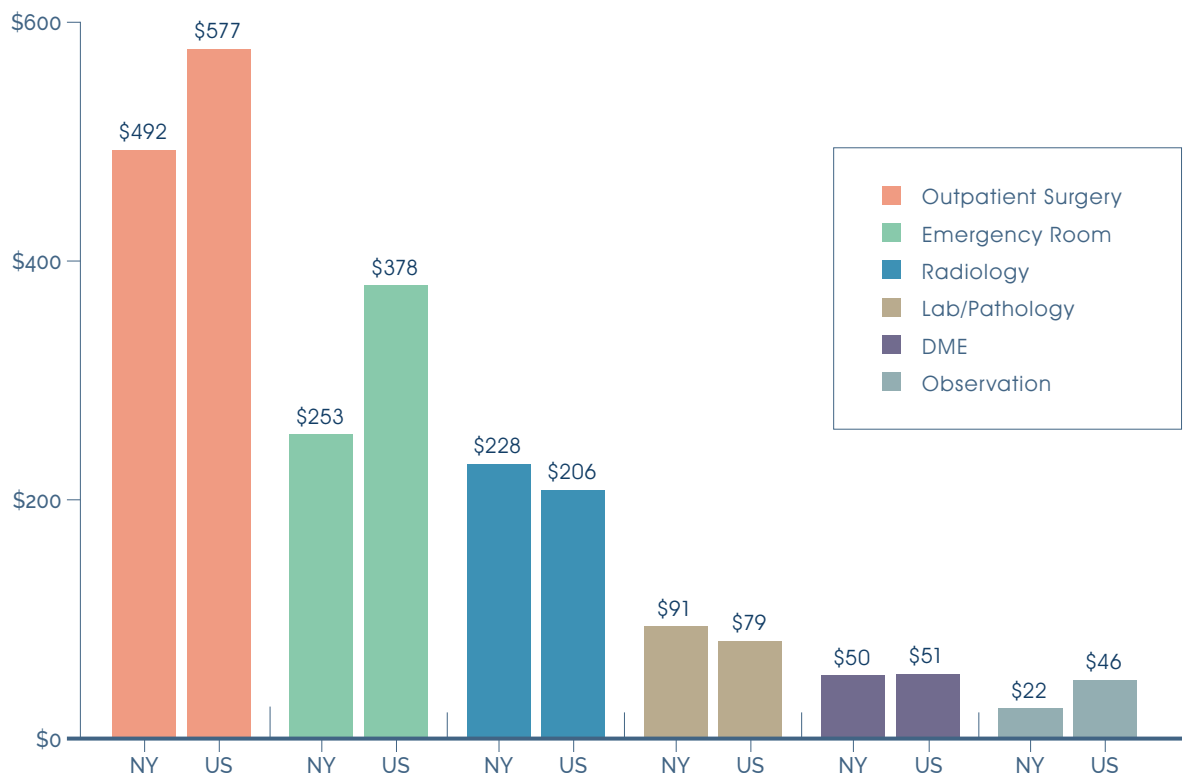
Outpatient Spending

PER-PERSON SPENDING FOR OUTPATIENT SURGERIES AND EMERGENCY ROOM VISITS WERE LOWER IN NEW YORK STATE THAN NATIONALLY

Per-person spending for outpatient surgeries and ER visits were lower in New York than nationally (**Figure 13**).

- In contrast, per-person spending for radiology and lab/pathology were higher in New York.
- Data for other types of outpatient visits and procedures, including ambulance services, are detailed in the online supplemental appendix.

FIGURE 13: Distribution of Outpatient Spending Per Person by Type of Service in New York State and Nationally: 2013-2017



Source: Health Care Cost Institute commercial claims database, 2013-2017

Per-person outpatient spending increased \$331 (32%) from 2013 to 2017 (**Figure 14**).

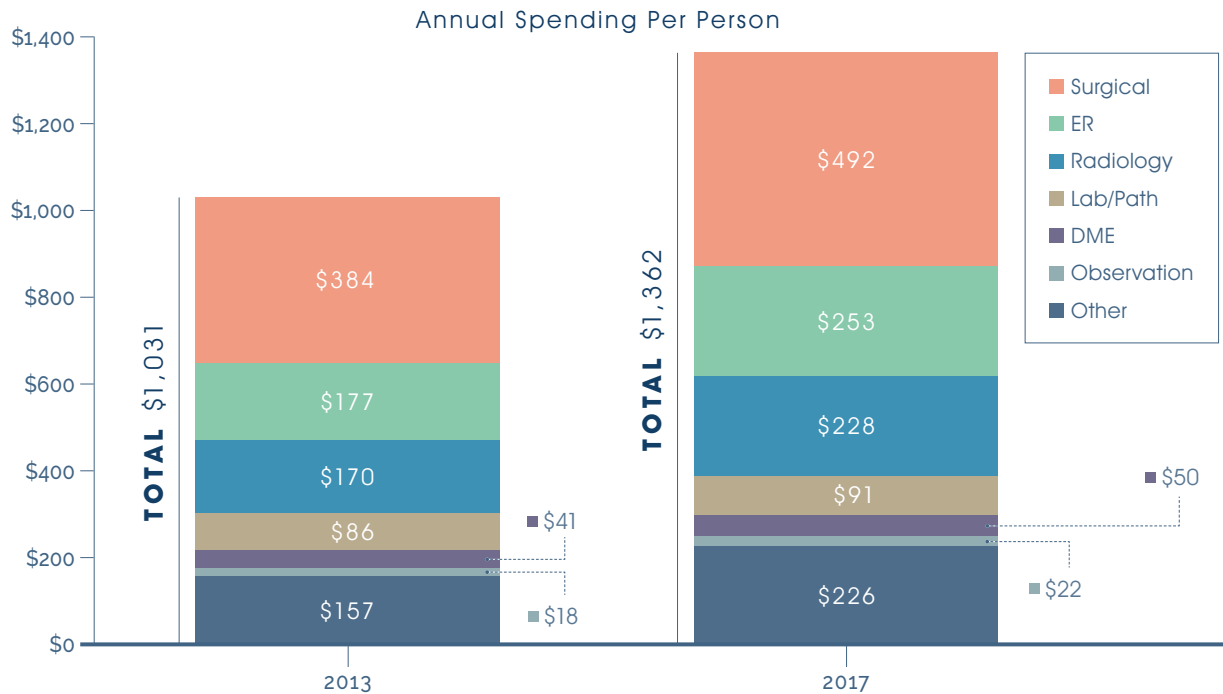
- Even though New Yorkers spend less than the national average on outpatient visits and services (\$1,362 compared to \$1,580), per-person spending increased at a faster rate in New York (32% compared to 19%).



Outpatient Spending (continued)

- Increases in per-person outpatient surgery spending accounted for about one-third of the increase in overall outpatient spending in New York. ER visits accounted for about 23% and radiology procedures 18%.

FIGURE 14: Change in Outpatient Spending Per Person by Type of Service in New York: 2013-2017



Source: Health Care Cost Institute commercial claims database, 2013-2017

Note: Sum of services may not add to total because of rounding.

UTILIZATION INCREASED FOR MOST OUTPATIENT VISIT AND PROCEDURE CATEGORIES IN NEW YORK STATE, INCLUDING EMERGENCY ROOM VISITS

Higher total spending on per-person outpatient visits and services were largely explained by increases in prices from 2013 to 2017 (**Figure 15**).

- The two exceptions were for durable medical equipment (DME) and lab/pathology. In both cases, the cumulative change in utilization over the five-year period was higher than the change in prices.
- Increases in prices ranged from 6% for lab/pathology to 34% for ER visits.

Utilization increased for most outpatient visit and procedure types.

- One exception to the increasing trend in utilization was for observation visits, which occur when an individual is kept in the hospital for observation, but not admitted.
- The largest increase in utilization was for DME (16%).



Outpatient Spending (continued)

FIGURE 15: Cumulative Change in Outpatient Spending Per Person, Utilization, and Average Price by Type of Service in New York State: 2013–2017



Source: Health Care Cost Institute commercial claims database, 2013–2017



Professional Services

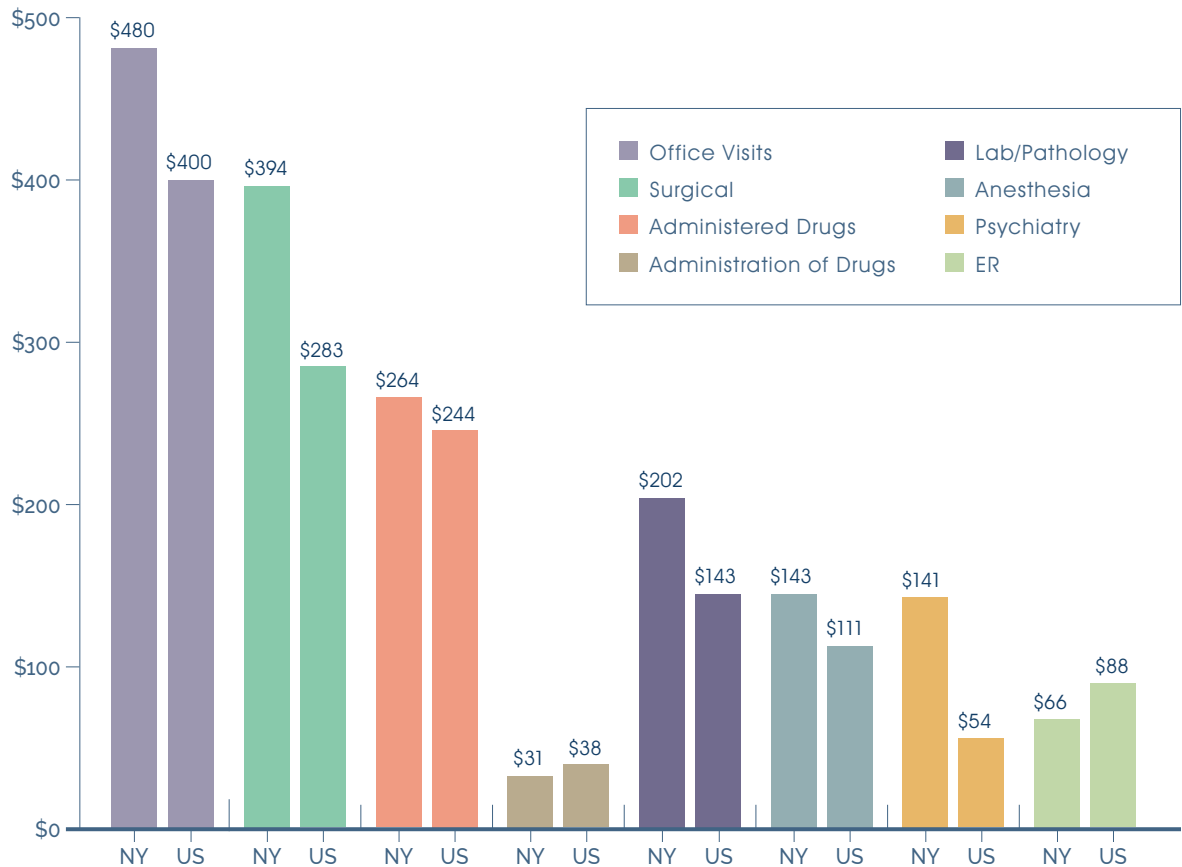
PHYSICIAN-ADMINISTERED DRUGS ACCOUNTED FOR THE MOST GROWTH IN SPENDING ON PROFESSIONAL SERVICES IN NEW YORK STATE

Office visits and surgical procedures accounted for the largest share of professional services per-person spending, both in New York and nationally (**Figure 16**).

In general, per-person spending for the various categories of professional services analyzed were higher in New York compared with the national levels.

- The exceptions were for the administration of drugs and professional services delivered in emergency rooms.
- Data for other types of billed professional services, including those related to reading radiology images and administering immunizations, are detailed in the online supplemental appendix.

FIGURE 16: Distribution of Professional Services Spending Per Person by Type of Service in New York State and Nationally: 2017



Source: Health Care Cost Institute commercial claims database, 2013–2017

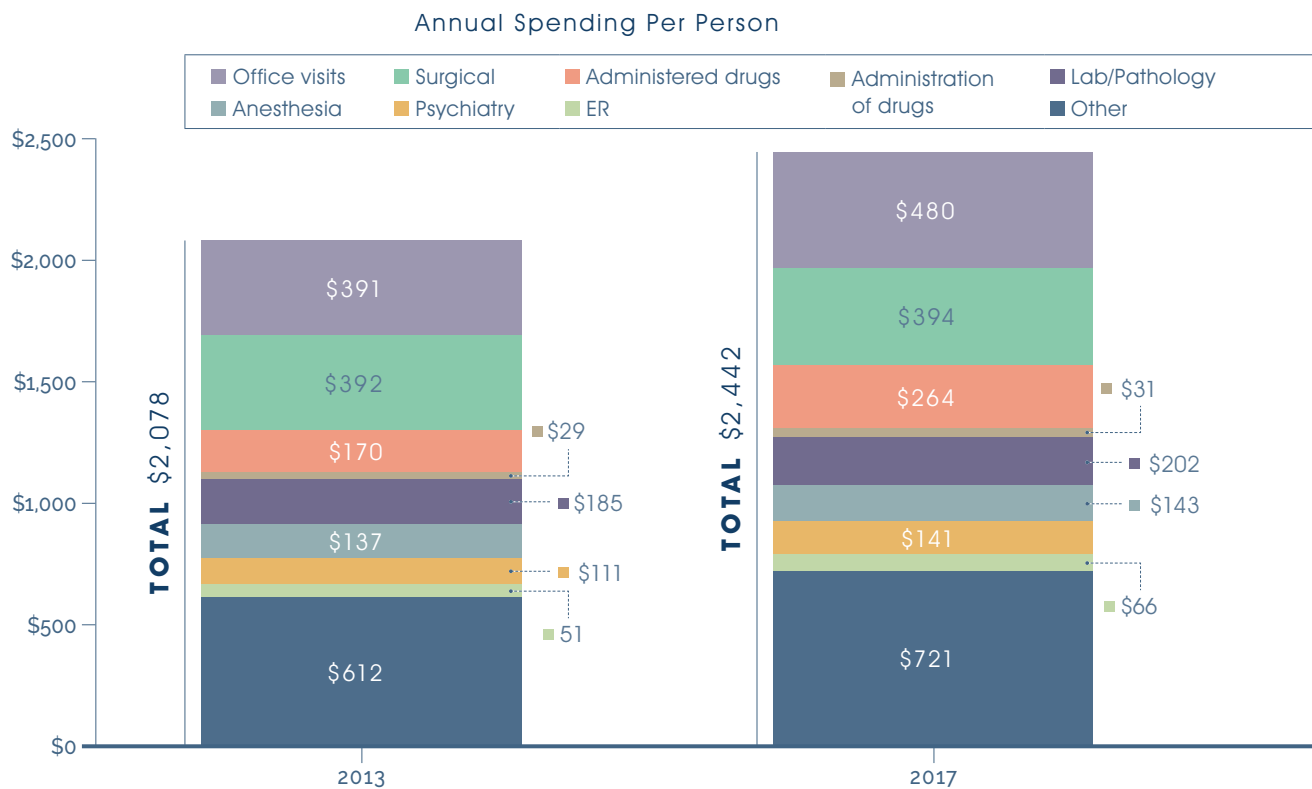


Professional Services (continued)

Per-person spending for professional services increased by \$364 (18%) from 2013 to 2017 in New York State (**Figure 17**).

- Increases in per-person spending for physician administered drugs accounted for the largest share (26%) of the increase in overall professional services spending.

FIGURE 17: Change in Professional Services Spending Per Person in New York State: 2013–2017



Source: Health Care Cost Institute commercial claims database, 2013–2017

Note: Sum of services may not add to total because of rounding.

PRICES FOR ADMINISTERED DRUGS GREW 56%

Increases in average prices for professional services were generally moderate in New York State relative to price increases for inpatient visits, outpatient services, and prescription drugs (**Figure 18**).

- The average price increase from 2013 to 2017 was 11% across all professional services in New York.
- The cumulative change over the five-year period was less than 20% for all categories of professional services, with the major exception of administered drugs (56%)
- On average, prices were 5% lower in 2017 compared with 2013 for lab/pathology services. The average price was 1% lower for anesthesia services.



Professional Services (continued)

For anesthesia, lab/pathology, emergency room, and psychiatry, utilization was a larger contributor than prices to total spending growth.

- Utilization increased about 6% across all professional services from 2013 to 2017.

FIGURE 18: Cumulative Change in Spending Per Person, Utilization, and Average Price for Professional Services in New York State: 2013–2017



Source: Health Care Cost Institute commercial claims database, 2013–2017



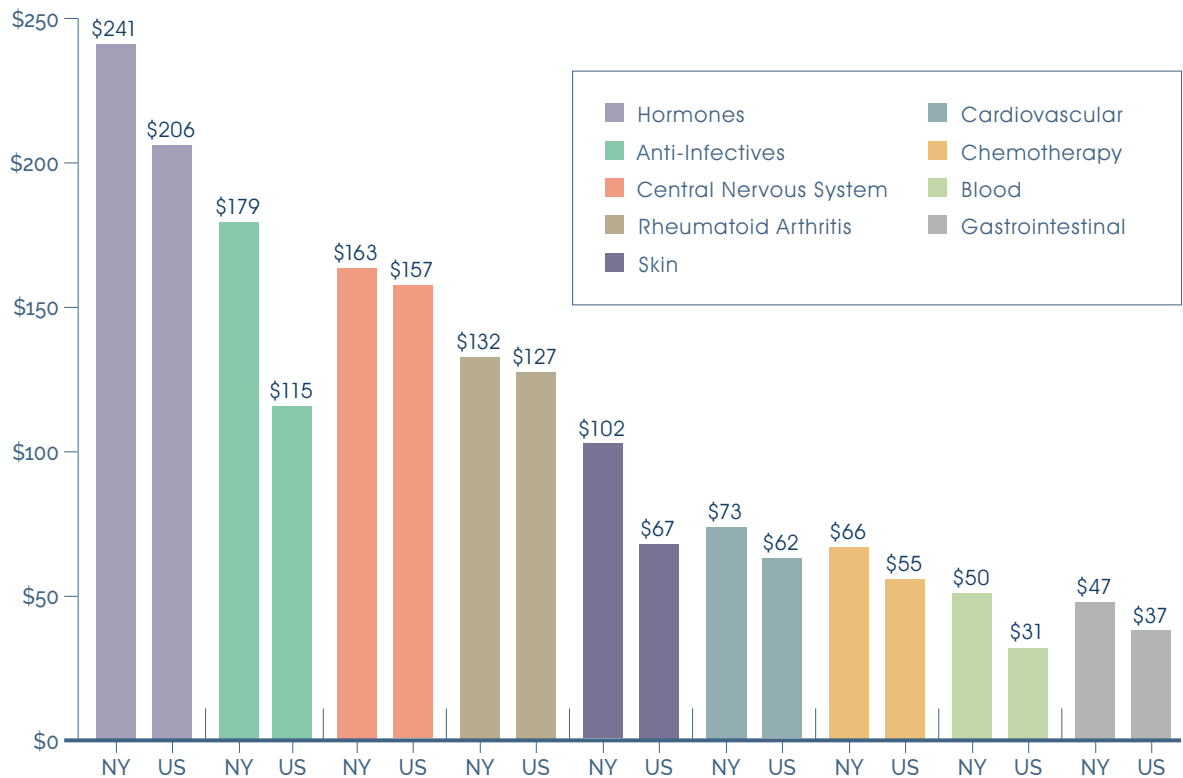
Prescription Drugs

PER-PERSON SPENDING FOR ALL PRESCRIPTION DRUG CATEGORIES WAS HIGHER IN NEW YORK STATE THAN NATIONALLY

Per-person prescription drug spending, based on payments made at the point-of-sale, was higher for all drug categories in New York compared with national spending (**Figure 19**).

- Per-person spending for all prescription drug categories was more than 20% higher in New York (\$1,300) relative to national spending (\$1,065).
- New York per-person spending was more than 50% higher than at the national level for anti-infective, skin, and blood drugs.
- Hormones and anti-infective drugs made up the largest shares of per-person prescription drug spending in New York.
- Data for other categories of drugs, including ear/eye/nose/throat, respiratory, bio-response modifiers, and autonomic drugs are detailed in the online supplemental appendix.

FIGURE 19: Prescription Drug Spending Per Person by Drug Category in New York State and Nationally: 2017



Source: Health Care Cost Institute commercial claims database, 2013–2017

Note: Prescription drug spending is the amount paid on the pharmacy claim, which reflects discounts from the wholesale price, but not manufacturer rebates.



Prescription Drugs (continued)

It should also be noted that these estimates reflect amounts paid at the time of purchase and, therefore, do not include manufacturer rebates (see Methods Note below). Recent analyses have suggested that rebates account for between 10% and 20% of prescription drug spending.^{7,8,9}

Methods Note

Prescription drug spending analyzed for this report is the amount paid on the pharmacy claim. These estimates do not reflect manufacturer rebates, coupons, or other discount programs. They do, however, include negotiated discounts from the wholesale or "list" price. Thus, the term "point-of-sale" price is used to describe the spending per filled day. Any additional manufacturer rebates occur through separate transactions. The degree to which rebates offset point-of-sale spending varies across types of drugs, as well as across specific products, depending on details of the negotiations between manufacturers and pharmacy benefit managers (PBMs). Further, how the value of the rebates is distributed across PBMs, insurers, and consumers also varies.

Additionally, the prescription drug estimates are limited to spending for drugs that are dispensed by retail and mail-in pharmacies. Certain drugs are administered by physicians or other health care providers in outpatient facilities or doctor's offices and are included in the "Administered Drug" subcategory of Professional Services.

PER-PERSON PRESCRIPTION DRUG SPENDING INCREASED 40% FROM 2013 TO 2017 IN NEW YORK STATE

Per-person prescription drug spending, based on payments made at the point of sale, increased \$374 (40%) from 2013 to 2017 in New York (**Figure 20**).

- Hormone and rheumatoid arthritis drugs accounted for nearly half of the increases in overall per-person prescription drug spending.

Per-person spending for most drug categories increased from 2013 to 2017.

- The exceptions include antihistamines, cardiovascular drugs, diagnostic agents, ear/eye/nose/throat drugs, gastrointestinal drugs, smooth muscle relaxants, and vitamins (see online supplemental appendix for details on drug categories not shown).

⁷ Department of Health and Human Services Office of the Inspector General. June 2018. Increases in Reimbursement for Brand-Name Drugs in Part D. Available at: <https://oig.hhs.gov/oei/reports/oei-03-15-00080.pdf>.

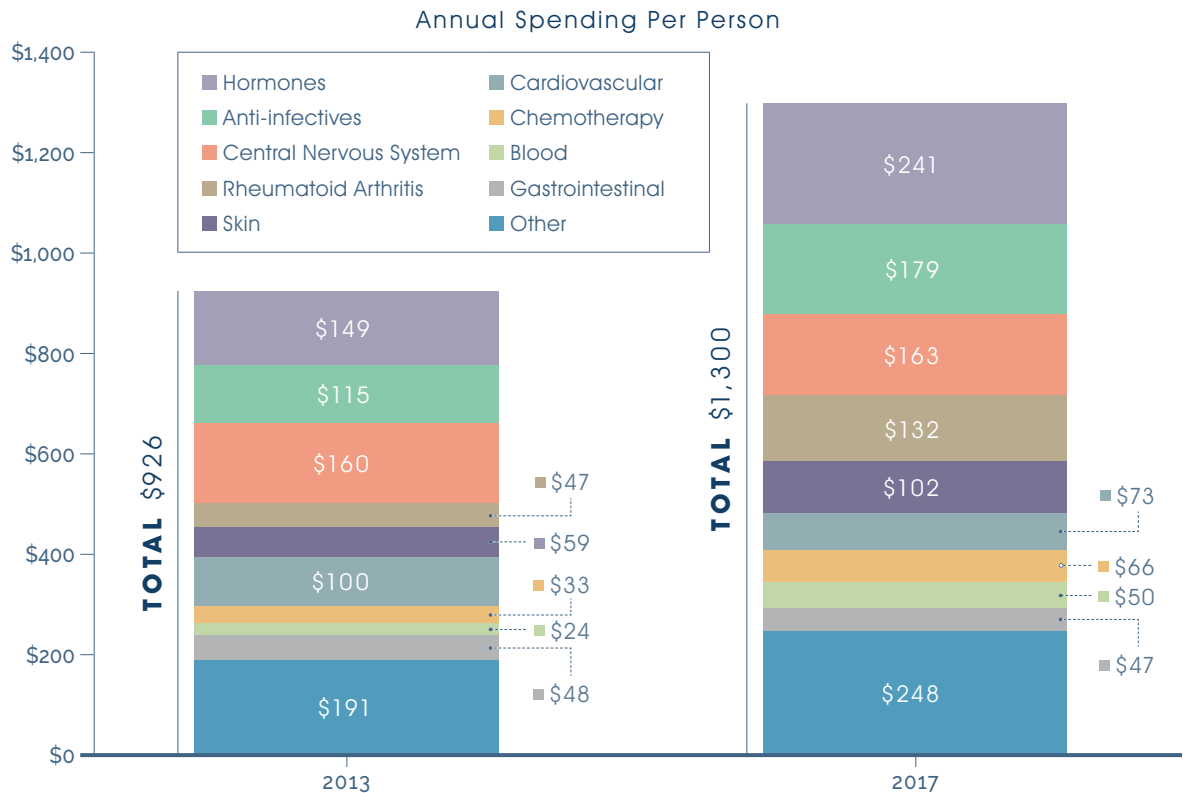
⁸ Medicare Trustees. 2018 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplemental Medical Insurance Trust Funds. Available at: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2018.pdf>.

⁹ California Department of Managed Health Care. Prescription Drug Cost Transparency Report (SB 17). Measurement Year 2017. Available at: <http://www.dmhc.ca.gov/Portals/0/Docs/DO/sb17.pdf?ver=2018-12-27-112850-683>.



Prescription Drugs (continued)

FIGURE 20: Change in Prescription Drug Spending Per Person in New York State: 2013–2017



Source: Health Care Cost Institute commercial claims database, 2013–2017

Note: Sum of services may not add to total because of rounding.

INCREASES IN PRICES DROVE SPENDING FOR MOST CATEGORIES OF PRESCRIPTION DRUGS

There was substantial variation in spending, utilization, and average price growth depending on the type of drug (**Figure 21**).

- Increases in per-person prescription drug spending ranged from a 27% decline (cardiovascular drugs) to a 181% increase (rheumatoid arthritis).
- Decreases in cardiovascular and central nervous system drugs coincide with relatively larger shifts from brand to generic drugs in New York compared to nationally (see **Figure 23**).

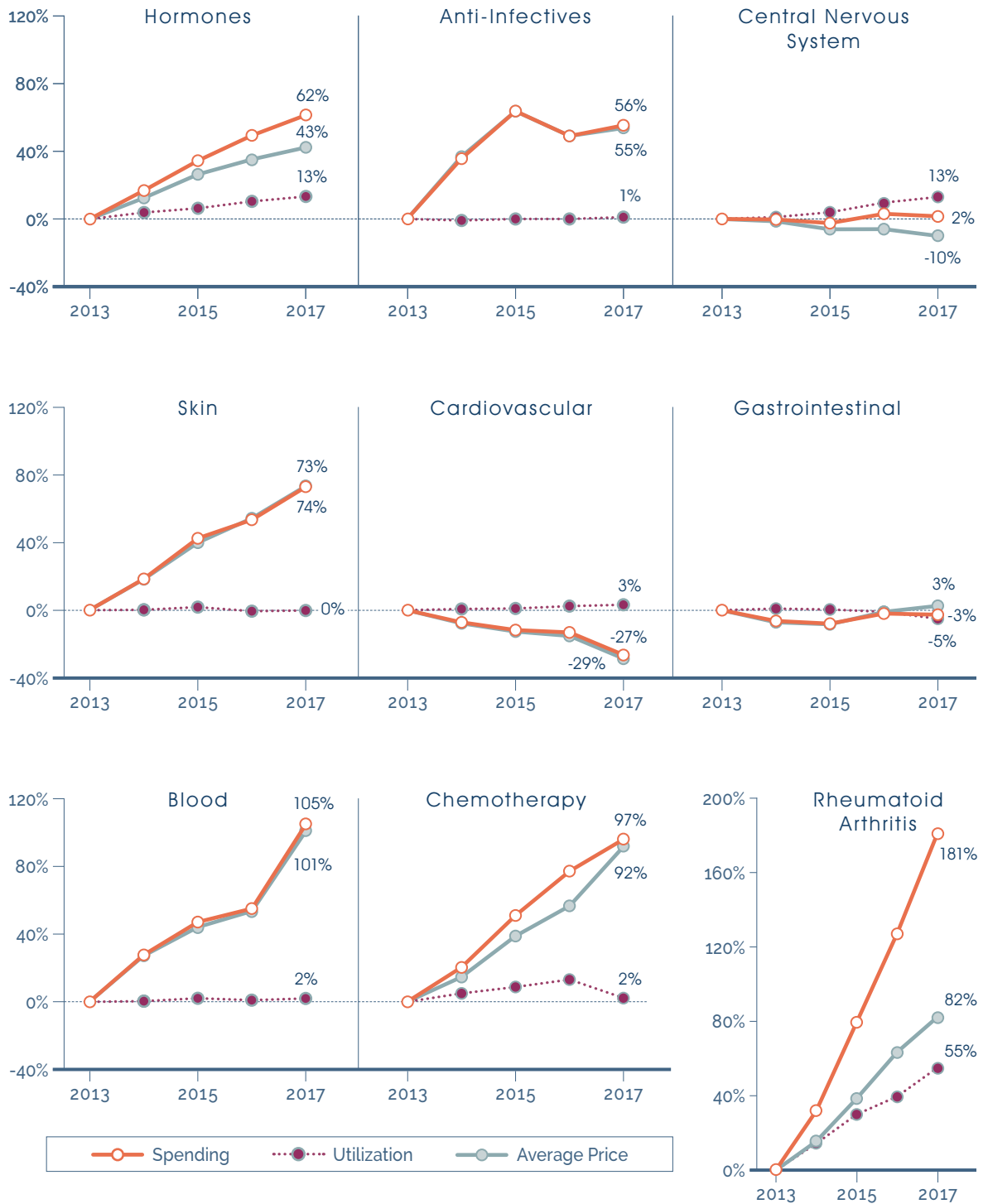
The high growth in prescription drug spending in New York State was largely driven by price growth.

- Average prices for anti-infective, rheumatoid arthritis, skin, chemotherapy, and blood drugs increased by more than 50% in New York from 2013 to 2017.
- The largest increase in average price (82%) was for rheumatoid arthritis drugs.



Prescription Drugs (continued)

FIGURE 21: Cumulative Change in Prescription Drug Spending Per Person, Utilization, and Average Price by Drug Category in New York State: 2013–2017



Source: Health Care Cost Institute commercial claims database, 2013–2017



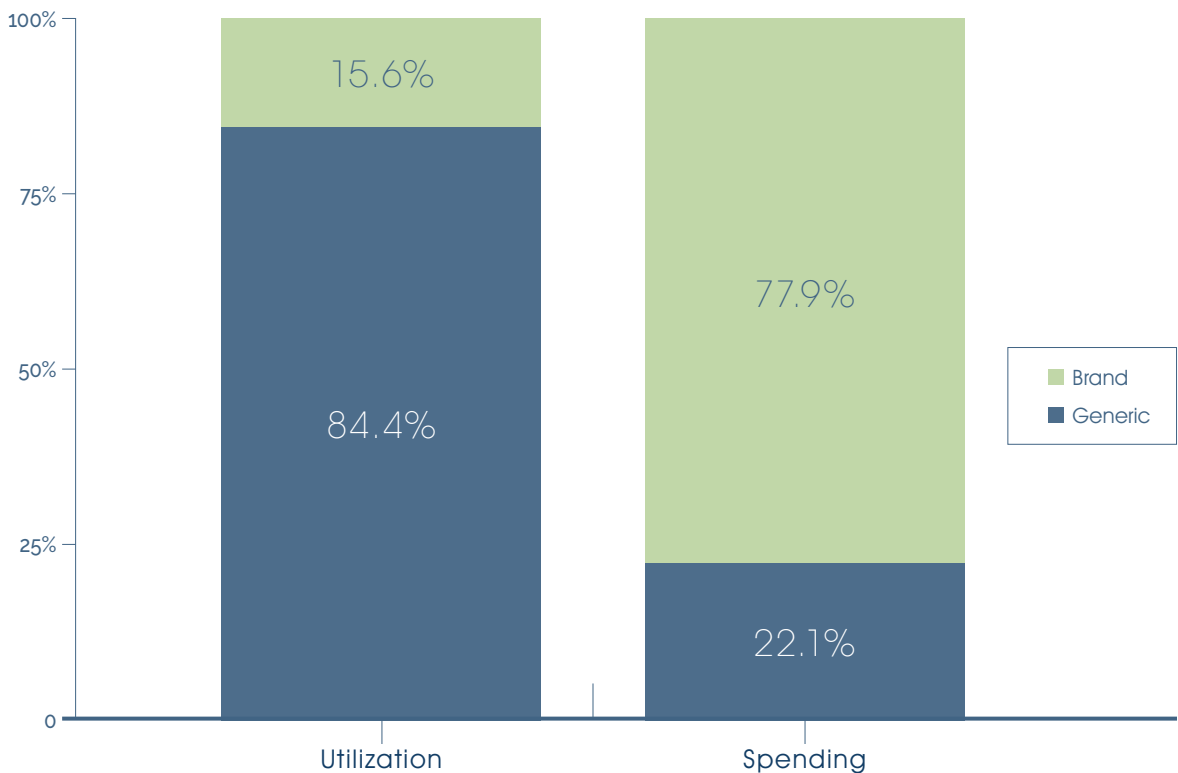
Prescription Drugs (continued)

THE SHIFT FROM BRAND TO GENERIC DRUGS HAS BEEN GREATER IN NEW YORK STATE THAN NATIONALLY

Brand drugs accounted for 16% of drug utilization in New York, but nearly 80% of spending (**Figure 22**). The increase in the utilization (see Methods Note below) of prescription drugs was driven by an increase in the number of filled-days for generic prescription drugs (**Figure 23**).

- The shift from brand to generic prescription drugs was greater in New York than nationally from 2013 to 2017.
- In 2017, the number of drug filled-days per person in New York was 14 more than in 2013. The increase in generic drug filled-days during the five-year period (34) more than offset the decrease in brand drugs (20). A similar trend was exhibited for the three most commonly prescribed categories of drugs (central nervous system, cardiovascular, and hormone drugs).

FIGURE 22: Share of Prescription Drug Utilization and Spending of Brands and Generics in New York in 2017

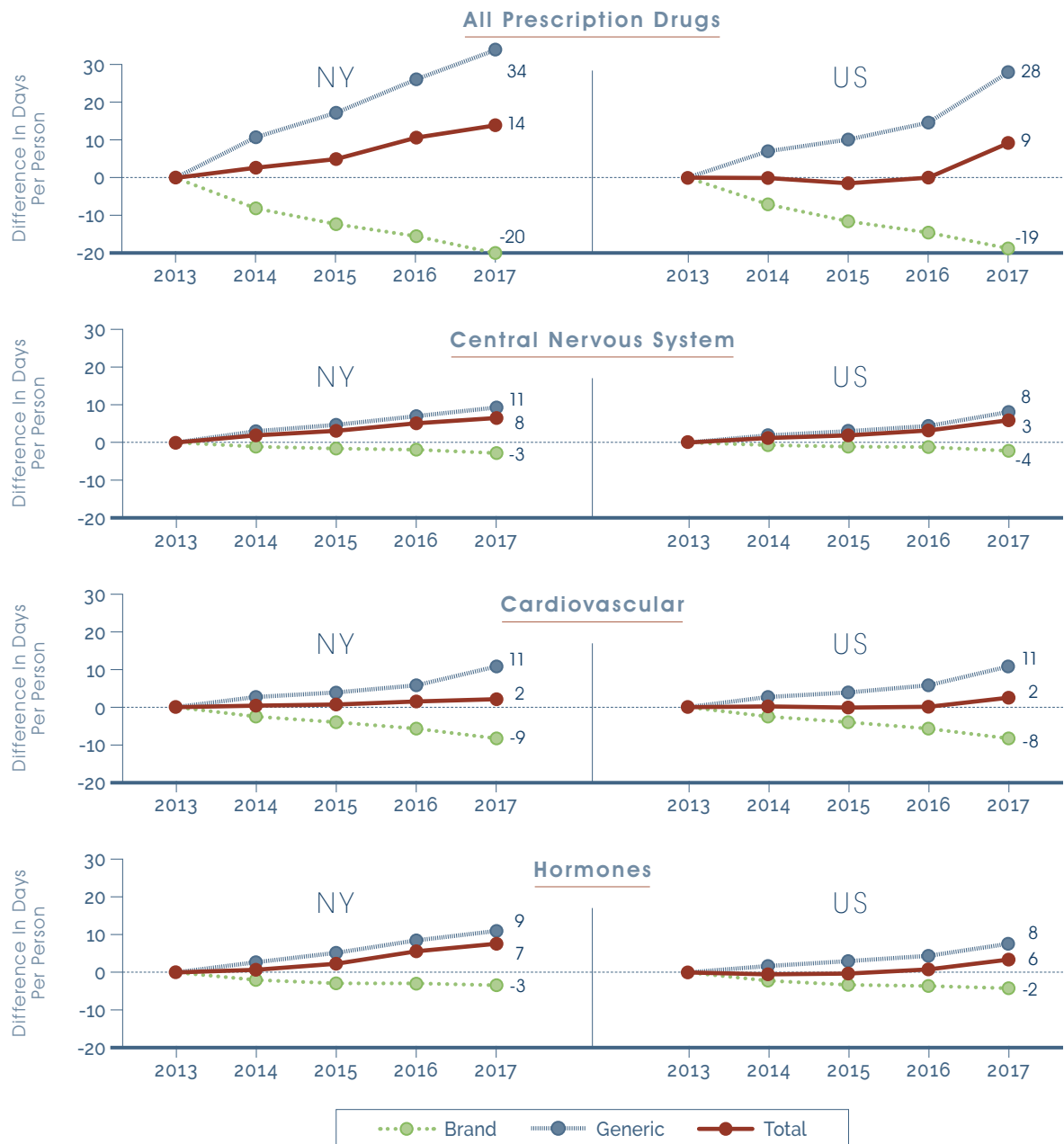


Source:
Health Care
Cost Institute
commercial
claims database,
2013–2017



Prescription Drugs (continued)

FIGURE 23: Cumulative Change in Days-Filled of Brand and Generic Prescription Drugs Since 2013



Source: Health Care Cost Institute commercial claims database, 2013-2017

Methods Note

Utilization of prescription drugs was measured as the number of days per person covered by prescriptions filled at pharmacies (including mail-order) during the year. Changes in utilization can reflect: changes in the number of people who filled prescriptions during the year, changes in the number of prescriptions each person fills, or changes in the duration of prescriptions filled.



Out-of-Pocket Spending

OUT-OF-POCKET SPENDING IS LOWER IN NEW YORK STATE THAN NATIONALLY

The share of total per-person spending that is out of pocket has been lower in New York than nationally (**Figure 24**).

- Out-of-pocket spending includes deductibles, co-payments, and coinsurance.
- In 2017, out-of-pocket spending amounted to 13.4% of total spending in New York, compared with 15.4% nationally.

The out-of-pocket share of total spending was lower in 2017 compared with 2013 in New York and nationally (**Figure 24**).

- Per-person out-of-pocket spending in New York increased nearly 20%, from \$709 in 2013 to \$850 in 2017 (**Figure 25**). In contrast, total spending increased slightly more than 27% during this time.

Out-of-pocket spending does not include premiums paid for insurance coverage; thus, out-of-pocket spending does not reflect the full financial cost for individuals with employer-sponsored insurance.

- As of 2017, New York had the second and third largest average ESI premiums for single and family plans, respectively.¹⁰

FIGURE 24:
Share of Spending Paid Out of Pocket in New York State and Nationally: 2013-2017

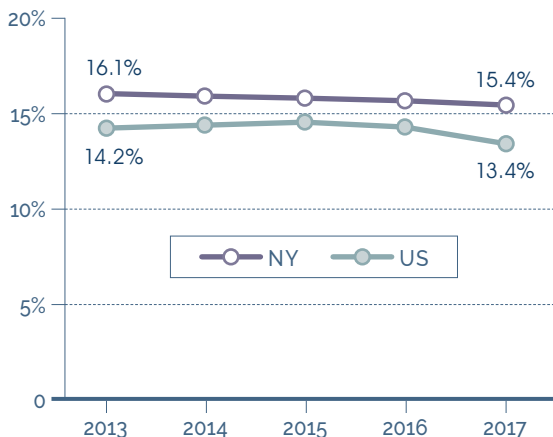
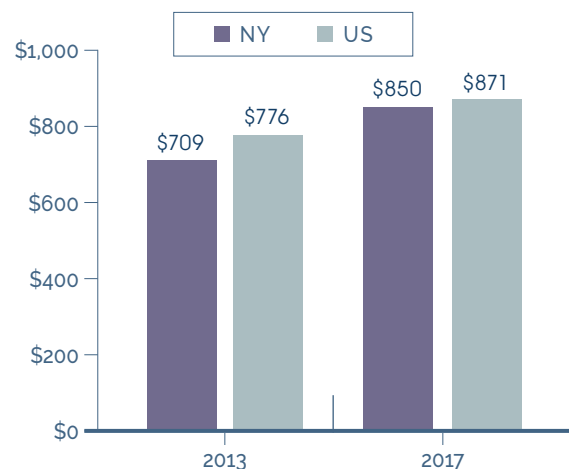


FIGURE 25:
Out-of-Pocket Spending Per Person



Source:
Health Care
Cost Institute
commercial
claims database,
2013-2017

¹⁰ Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2017 Medical Expenditure Panel Survey-Insurance Component.



Conclusion

Health care spending in New York State is among the highest in the nation; it is both higher and rising more sharply than the national average. The primary driver of this high health care spending is growing prices (or, as the late, great health economist Uwe Reinhardt famously put it: "**It's the Prices, Stupid.**"). In New York State, unlike the nation as a whole, increases in utilization also contribute meaningfully to higher health care spending. Higher spending also translates to higher out-of-pocket and premium costs for consumers.

These findings reinforce the need for more price transparency in health care: accurate, easy-to-understand, meaningful information about what consumers can expect to pay for their care. This type of transparency is a gateway to improving affordability, quality, and competition in the health care system and making the system work better for all Americans.

This report also highlights services that experienced particularly high cost growth, including certain inpatient admissions and prescription drugs. Inpatient prices increased twice as much in New York State as nationally, on average, and the price of certain drugs increased more than 50% between 2013 and 2017. These could be particularly useful areas of focus for New York employers, health plans, and state policymakers to target in efforts to control health care costs for their employees.



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