



HCCI Annual Health Care Cost and Utilization Report



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The Health Care Cost Institute recently released their annual health care cost and utilization report on February 12, 2019 which can be found at the following link: <https://www.healthcostinstitute.org/research/hccur>.

This report illustrates employer group commercial health care costs and trends from 2013 – 2017. The HCCI data draws upon the experience of over 40 million members across the US with varying degrees of membership in all 50 states. The report provides breakouts of costs and trend by service category. Overall allowed Medical costs increased from 2016 to 2017 by 4.2% in this study population. This trend is below that observed in 2016, but also slightly higher than the 5-year average of 3.9% from 2013 – 2017 for the HCCI populations. The trends by service category were as follows: Inpatient Hospital = 2.4%, Outpatient Hospital = 5.1%, Professional = 4.2% and Prescription Drug = 4.7%. All non-pharmacy service category trends are driven by price trends as utilizations ranged between flat to slightly negative.

There was a decrease in trend for Inpatient hospital from last year, although the trend was higher than observed in previous years. Mental Health Services were the biggest high trend outlier with steadily increasing trend rates over the past few years. Skilled Nursing Facilities and Hospice saw negative inpatient hospital trends which were also observed for much of the period measured. Those trend changes were observed in both utilization and unit cost.

Outpatient Hospital saw the biggest observed trends of all service categories. The main contributors to higher trend were Observation and ER. Observation saw an unusual one-time increase in 2017, while ER has been consistently high. Lab and DME costs had the lowest observed Outpatient Hospital trends.

Professional and physician expenses in 2017 resulted in the highest observed trend in this service category for the entire period of 2013 – 2017. Drug administration, psychiatry, and radiology led the way with higher trends. There were no negative trends observed, although surgery, lab and immunizations all saw trends below 1%.

Pharmacy trends were skewed towards more utilization-based trends. Pharmacy costs – particularly brand pharmacy - do not include the impact of rebates. In general, there is a consistent trend of generic drugs replacing brand drug utilization during the period of 2013-2017. Brands also saw the highest unit cost trends while generics were relatively flat. Since specialty drugs were not separately broken out, brand unit cost trends also include the impact of specialty drugs.

Member cost sharing has been decreasing overall. This is driven by Pharmacy costs as non-Pharmacy cost sharing has exhibited an increasing trend from 2013 – 2017. The main drivers of increasing member cost share are in Physician and Outpatient Hospital. Decreasing Pharmacy cost share coincides with increased utilization in high cost and specialty drugs over a similar time frame.

Overall, it should be noted that the observations provided are for the specific population described and do not reflect overall trends for the commercial population during the measured period. Although there may be some drivers of trend that are common to many commercial populations, the observations from this report are not intended to be used to set trends for pricing or forecasting of commercial medical products. Instead, they could be used to investigate or help validate root causes of trends that were observed in other data sources.