

# Adopt Policies that Address the Actual Price of Health Services

- Rising prices for health services are driving healthcare spending.
- Higher prices mean higher premiums, which makes coverage in the private market less affordable for more people.
- Simply shifting increased costs to private market players like employers—without addressing health service price inflation—does not address the root problem.
- The Council urges policymakers to focus on the real cost drivers for healthcare and adopt policies that solve, rather than mask, price-related challenges.

## BACKGROUND

America's unsustainable healthcare spending is the product of two components: pricing and utilization. Between 2012 and 2016, increases in healthcare spending were almost entirely attributable to increases in price, according to new data published in January 2018 by the Health Care Cost Institute. Specifically, the study found that healthcare spending per person with employer-sponsored coverage grew by 4.6 percent in 2016, compared to 4.1 percent in 2015, and under 3 percent growth from 2012 to 2014. Yet, utilization was steady—or, in some cases, actually declined—during the same period.

**Bottom Line:** Spending is up because prices for health services (medical and prescription) are up, not because people are using more healthcare.

## THE ISSUE

The employer-sponsored health insurance market has, and will continue to, bear the burden of subsidizing public programs, while remaining the workhorse in providing healthcare benefits to more than 177 million Americans. Prices are highest in the commercial insurance market where employer-sponsored health plans pay twice as much as Medicare and Medicaid for common tests and procedures, particularly in the areas of inpatient hospital care and prescription drugs (both of which have seen more than a 25 percent jump in price since 2012).

Why are prices so high? The crux of the problem is cost shifting in a "fee-for-service" environment. Americans pay a fee for every service, every drug, every test, etc. There are no standard prices or even price ranges, and the prices—which can vary widely for the same service and by region—have no relation to value or to the producer's costs. Meanwhile, prices are constantly being renegotiated by various suppliers without transparency, leaving consumers of healthcare virtually in the dark about how prices are set.

**Bottom Line:** Price inflation drives insurance premium pricing, and as costs outpace wage growth, insurance becomes less affordable for more and more people.

## OUR POSITION

The Council of Insurance Agents & Brokers encourages policymakers to adopt measures that:

- Avoid merely shifting rising costs to the employer-sponsored health insurance market and instead, address actual cost-drivers in the system.
- Promote legitimate value-based pricing throughout the healthcare system.
- Encourage competition in highly concentrated local healthcare services markets.
- Allow flexibility for new market-based and consumer-driven solutions to combat price inflation in the commercial market.
- Minimize waste and unnecessary added costs in the healthcare supply chain.
- Increase business-to-business transparency on quality (services, delivery, experience, etc.) **and** pricing to allow for more thoughtful healthcare consumption.

## ABOUT US

The Council of Insurance Agents & Brokers is the premier association for the top regional, national and international commercial insurance and employee benefits brokerage firms worldwide. Council members are market leaders who annually place 85 percent of U.S. commercial property/casualty insurance.

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