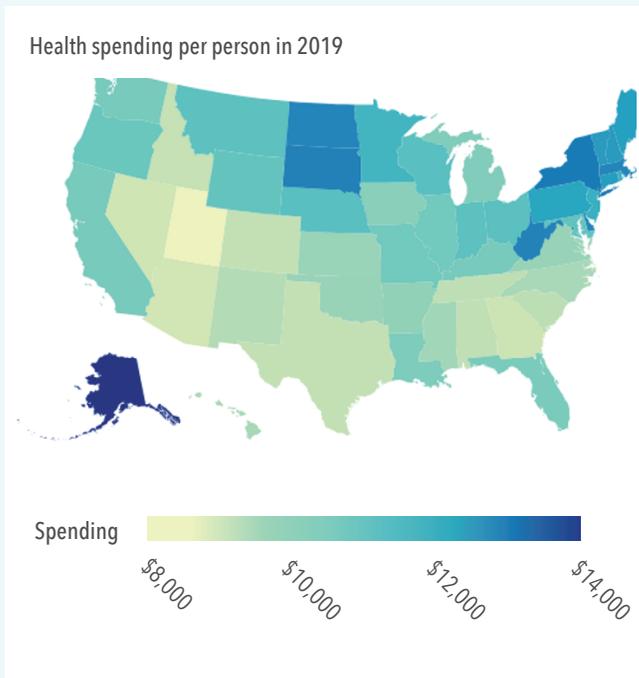


# Dramatic differences in health care spending

The gap between the US states that spend the most and least on health is wide, and varied growth rates mean that the gap between those who spend the most and the least is only increasing. More than 45% of the differences in health spending can be explained by income and regional prices, but much of the variation remains unexplained.

## The gap between which states spend the most and the least on health is wide...

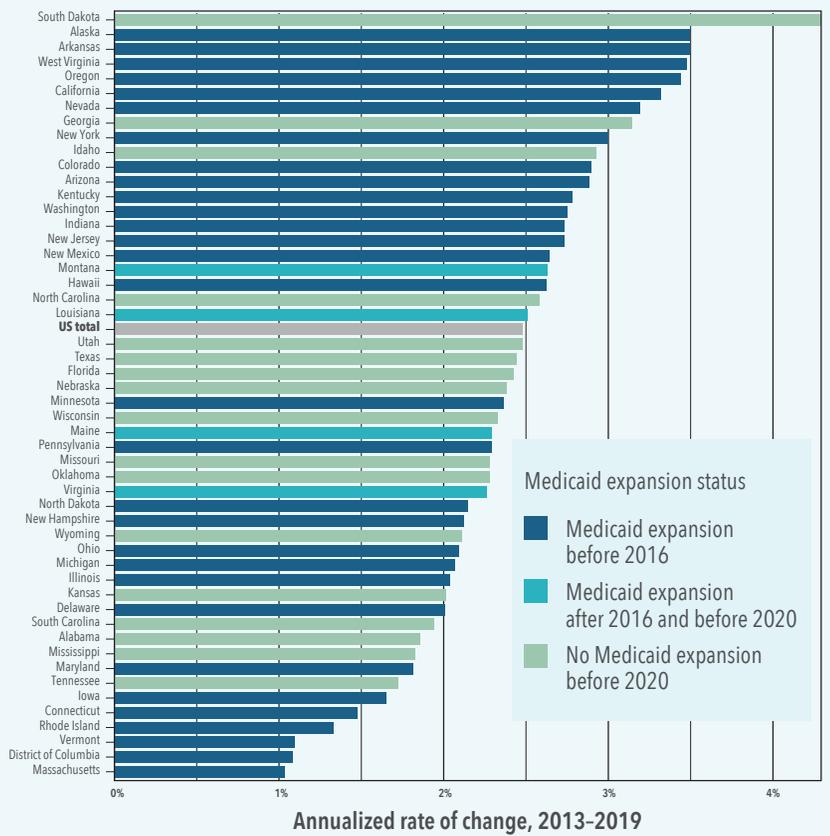
In 2019, health spending per person was nearly twice as much in Alaska and the District of Columbia as in Arizona and Utah.



## ... and getting wider over time.

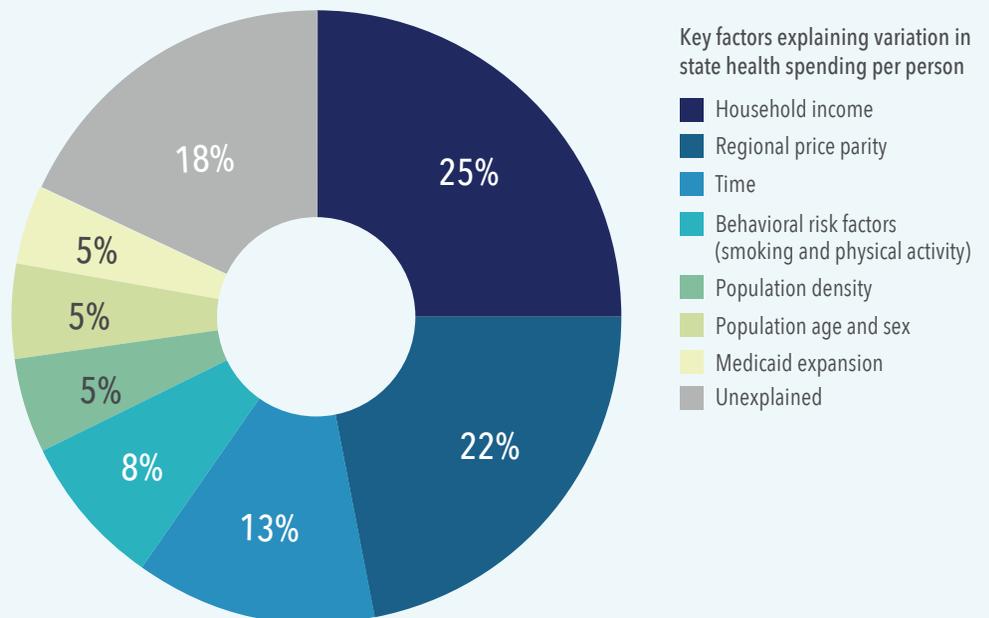
Between 2013 and 2019, health spending per person in the US grew at 2.5%, yet the growth rates varied dramatically across states. Eleven states had spending growth less than 2%, and nine states had growth greater than 3%. Medicaid expansion was associated with slightly faster growth but was also associated with slower growth in out-of-pocket health spending.

Annual growth rates in health spending per person for 2013-2019



## Income and prices explain more than 45% of the variation in spending.

It makes sense for factors such as the age of a population, the underlying health of the population, or even local prices to dictate how much was spent on health in each US state. However, average income explains the differences in health spend across states and over time the most. Critically, nearly one-fifth of the variation in spending levels cannot be explained by these factors.



# HEALTH CARE SPENDING IN THE UNITED STATES

## Standardized health spending per person in 2019

Even health spending estimates that were standardized to approximate what spending would be if each state had the same level of income, prices, age pattern, urbanization rate, smoking rate, and level of physical activity show tremendous differences. After adjusting for these factors, spending remained lowest in Tennessee, Colorado, and Connecticut, while it was highest in Alaska, South Dakota, and West Virginia.



## Several key health system characteristics associated with greater spending

### SUPPLY OF HEALTH SERVICES

More hospitals and more health workers were associated with higher spending.

- ↑ Hospitals per person
- ↑ Hospital beds per person
- ↑ Health workers per person

### UTILIZATION OF HEALTH SERVICES

Use of services was also associated with increases in spending, but increases in hospital admissions were associated with more than four times the increase in spending associated with a similar increase in outpatient visits.

- ↑ Hospital admissions per person

### HEALTH INSURANCE COVERAGE

While Medicaid expansion is associated with less out-of-pocket spending, it was associated with more total health spending. However, increases in eligibility for children were associated with less total health spending.

- ↑ Medicaid expansion
- ↑ Medicaid income eligibility for adults
- ↓ Medicaid income eligibility for children

## Innovative health policies

### PRICE SETTING AND GLOBAL BUDGET REVENUE

All-payer hospital rate setting and global revenue caps have been shown in Maryland to keep growth down. After adjusting for factors like income and price, Maryland's spending growth rate was lower than the US average.

**2.5%**  
US average  
2013-2019

**1.8%**  
Maryland  
2013-2019

### REDUCE LOW-VALUE CARE

Over \$340 billion is spent in the US each year on care that does not improve health outcomes. Colorado, Virginia, Maine, and Washington are using all-payer claims databases to identify and track low-value care in order to reduce wasteful spend.

(Shrank, *JAMA*, 2019)



### EXPAND INSURANCE COVERAGE

Increasing insurance coverage reduces out-of-pocket spending and encourages uptake of preventive services and other cost-effective health interventions. States that expanded Medicaid access for pregnant women and children have lower out-of-pocket spending and a lower likelihood of catastrophic financial burden on low-income individuals.

(Baicker, *NEJM*, 2013 and Gotanda, *BMJ*, 2020).

**10%**  
increase in Medicaid  
income eligibility  
threshold for  
pregnant women  
leads to a...

**15%**  
decrease in  
out-of-pocket  
spending