
VERMONT'S AFFORDABILITY CRISIS

THE ECONOMIC IMPACT OF
HEALTH CARE: BENEFITS,
HARMS AND HOW TO DO
BETTER.



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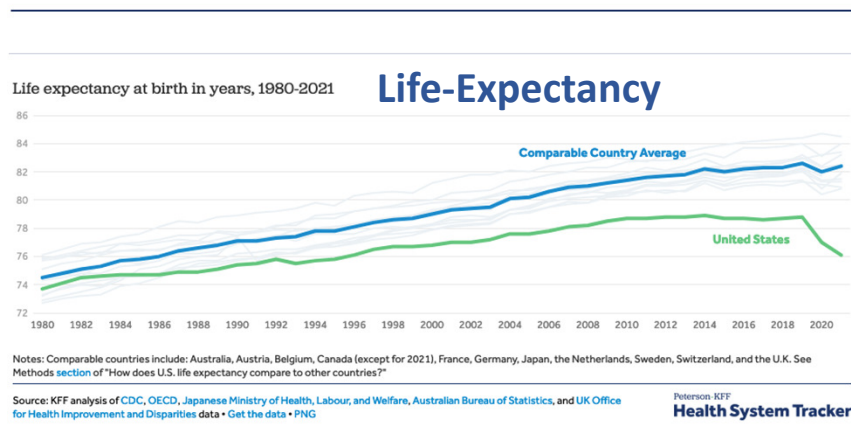
THE ECONOMIC IMPACTS OF HEALTH CARE

THE GIST OF MY ARGUMENT

- A healthy workforce contributes directly to economic productivity
- US faces a rising burden of chronic disease and premature mortality
- Health care can of course help – by keeping us healthy
- Much of health care spending is avoidable (waste)
- Unnecessary health care spending causes harm to individuals and local economies
- We can do better

HEALTH ECONOMICS 101: THE ECONOMIC IMPACT OF HEALTH CARE

A WIDENING GAP IN LIFE EXPECTANCY; INCREASING CHRONIC DISEASE BURDEN



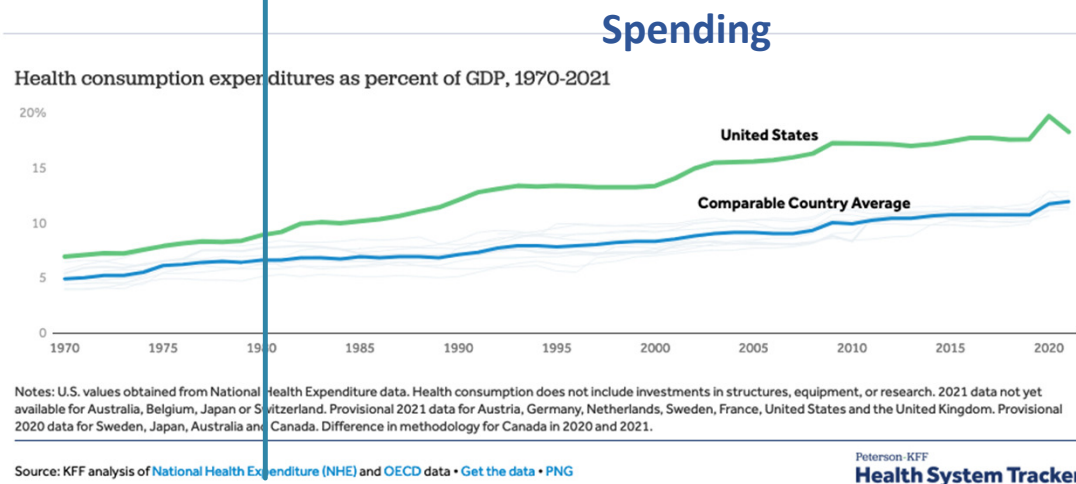
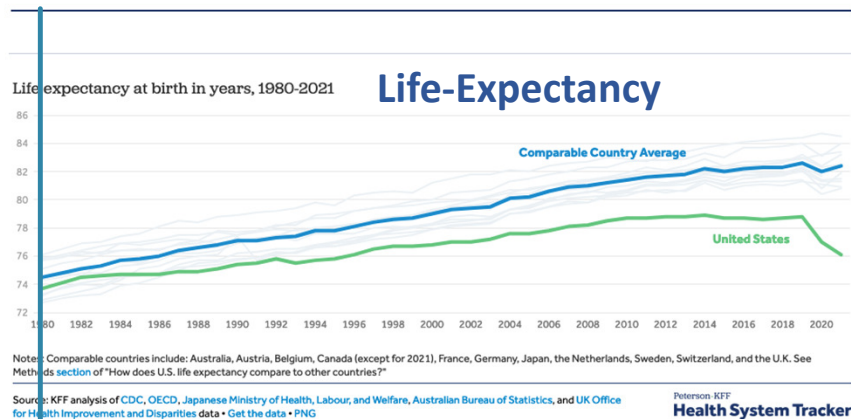
A widening gap in life expectancy:
across and within countries

A rising burden of chronic illness

Economic productivity directly related to health

HEALTH ECONOMICS 101: THE ECONOMIC IMPACT OF HEALTH CARE

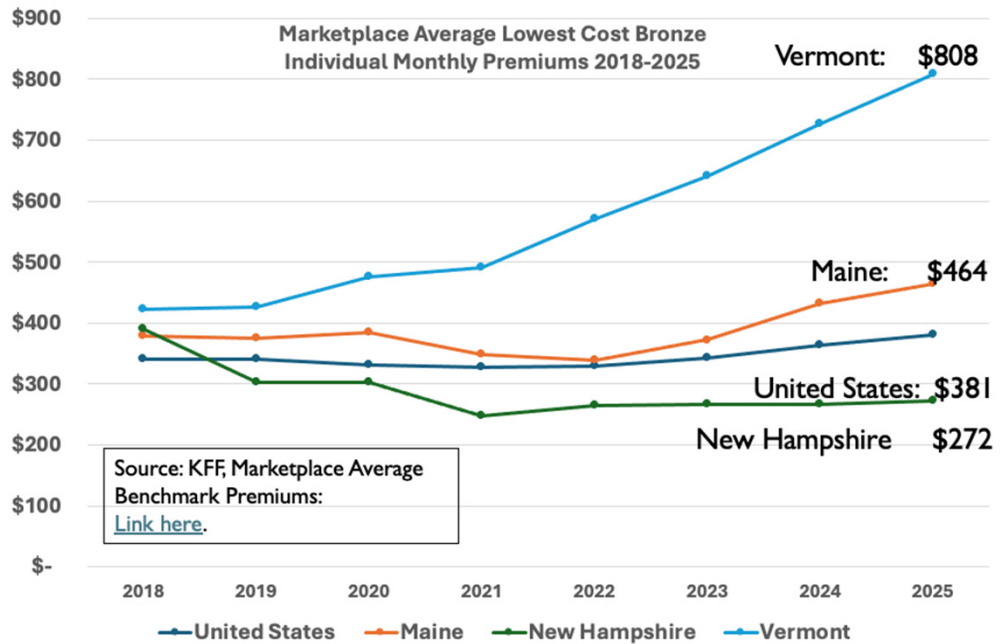
HEALTH CARE SPENDING PER-CAPITA TWICE THAT OF OTHER DEVELOPED COUNTRIES



Potentially avoidable spending → waste?

HEALTH ECONOMICS 101: THE ECONOMIC IMPACT OF HEALTH CARE

VERMONT SHOULD BE ABLE TO REDUCE OUR SPENDING --



Potentially avoidable spending → waste?

HEALTH ECONOMICS 101: THE ECONOMIC IMPACT OF HEALTH CARE

SOURCES OF WASTE

- Peer-reviewed studies estimating the magnitude of waste in the US health care system.
- All were defined based on estimates of spending that could be addressed through health care policy and delivery system improvement.

Category	Berwick and Hackbarth ^{T1}	Shrank, Rogstad & Parekh ^{T2}
Failures of Care Delivery: Waste due to poor execution or failure to adopt known best practices	3.8% – 4.8%	2.7% – 4.3%
Failures of Care Coordination: Waste from fragmented care	0.9% – 1.3%	0.7% – 2.0%
Overtreatment: Waste from care that, according to known science, cannot help patients	5.9% – 7.1%	2.0% – 2.6%
Administrative Complexity: Waste from inefficient rules, such as failure to standardize forms.	4.0% – 9.2%	7.0%
Pricing Failures: Waste from prices that migrate far from those expected in efficient markets	3.1% – 4.9%	6.0% – 6.3%
Fraud and Abuse: Waste that comes as fraudsters issue fake bills and run scams	3.0% – 6.6%	1.3% – 2.2%
<i>Overall Percent of Spending</i>	20.7%–33.8%	19.9%–24.5%
<i>Total Spending on Waste</i>	\$558B–\$910B	\$760B–\$935B

Source: Fisher, ES. The Single System Solution NEJM Catalyst 2020

HEALTH ECONOMICS 101: THE ECONOMIC IMPACT OF HEALTH CARE

HARMS -- DIRECT

Worse health

Failures of Care Delivery, Care Coordination and Overtreatment cause

Unnecessary progression of disease
Complications,

Financial Harms

Lower wages

Increased copayments/deductibles

Fear: 74% of Americans worried about affordability

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HARMS – LOCAL ECONOMIES

- December 2024 paper, National Bureau of Economic Research
- Estimated impact by studying hospital mergers
- Harms to local economies are substantial

NBER WORKING PAPER SERIES

WHO PAYS FOR RISING HEALTH CARE PRICES?
EVIDENCE FROM HOSPITAL MERGERS

Zarek Brot-Goldberg
Zack Cooper
Stuart V. Craig
Lev R. Klarnet
Ithai Lurie
Corbin L. Miller

Working Paper 32613
<http://www.nber.org/papers/w32613>

“In this paper, we have shown that ESI creates a pathway through which rent-seeking and inefficiency in the health care industry can cause immense harm to local economies.”

Economic harms of rising prices (and total spending)

1. 1% increase in health care prices causes 0.4% decrease in payroll and employment by private employers
2. County-level impact of 1% increase in prices causes
 - a. Reduced labor income by 0.27%
 - b. increased unemployment by 1% (note this would be 6% going to 6.06%)
 - c. decreased federal income tax receipts by 0.4%
3. Most of the impact falls on lower and middle income people
4. 1% increase in prices leads to 1 additional death per 100,000 from suicide or overdose
5. 1% price increase → 1 additional death for every 140 people shifted into unemployment.

HEALTH ECONOMICS 101: THE ECONOMIC IMPACT OF HEALTH CARE

WE CAN DO BETTER

Evidence-based simulation model from MIT and ReThink Health

Estimated impact of a portfolio of interventions – over next 20 years.

- Better care delivery: care coordination, increased investment in primary care
- Global payment to provider organizations
- Invest in economic opportunity and education
- Capture and reinvest savings

Impact

Health care costs	↓ 14.6%
Chronic illness	↓ 19.7%
Poverty	↓ 19.9%
Productivity	↑ 8.8%

POPULATION HEALTH

By Jack Homer, Bobby Milstein, Gary B. Hirsch, and Elliott S. Fisher

**Combined Regional Investments
Could Substantially Enhance
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This will require

Evaluation: what are the specific drivers of waste

Planning: who should do what?

Regulation where needed

Vermont could lead, especially if we learn with other states

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