DEPARTMENT OF HEALTH

Health Care Spending, Prices, and Utilization in Minnesota: 2018 to 2022

DECEMBER 2024

Key Findings

- Despite disruptions to patterns of prices and utilization from 2019 to 2021, growth in prices remains the most influential driver of overall commercial health care spending growth.
- Overall, per-person health care spending by commercially insured Minnesotans ages 64 and younger grew by 15.2% from 2018 to 2022, despite a 4.3% decline from 2019 to 2020.
- The spending decline from 2019 to 2020 was largely due to a decrease in utilization caused by COVID-19 related disruptions to health care service delivery. In contrast, prices continued to grow.
- An influx of high volume and relatively lower cost COVID-19 related services from 2020 to 2021, primarily tests and vaccinations, produced an increase in utilization and a slight decrease in average price. In 2022, utilization and average price began to return to earlier patterns.
- Professional service payments to doctors and other providers were the largest component of health care spending.
- From 2018 to 2022, spending for retail prescription drugs increased in each year, driven by consistently increasing prices.

Background

Spending on medical care and retail prescription drugs continues to grow in the United States, with total health expenditures reaching $4.5 trillion nationally in 2022.[1] In Minnesota, total health care spending reached $66.8 billion in 2022.[2]

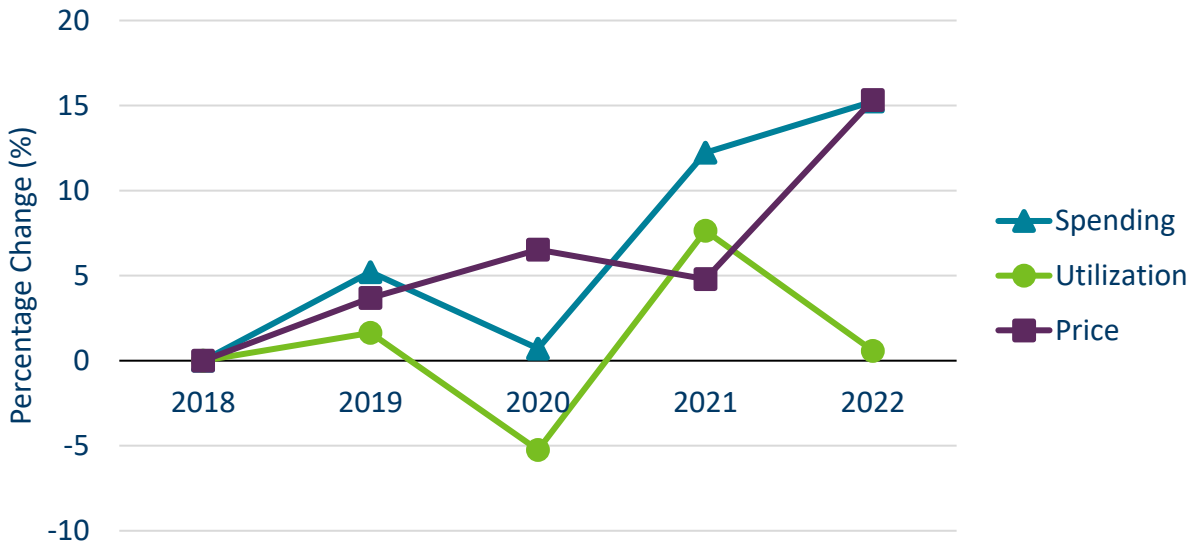
This issue brief relies upon data from the Minnesota All Payer Claims Database (MN APCD) to examine trends in per-person health care spending, prices, and utilization for commercially insured Minnesotans from 2018 through 2022.[3,4] Per-person health care spending (spending) is the product of two main factors, the average per-person volume of health care used (utilization) and the average price of each procedure, visit, drug, or other service (prices).[5]

This brief uses research methods developed by the Health Care Cost Institute (HCCI) to produce population-based estimates of spending, prices, and utilization for medical care and retail prescription drugs.[6] Details on these methods are available from the Health Care Cost Institute.[7,8] In line with the HCCI approach, this issue brief presents estimates of health care spending among Minnesotans, ages 64 and younger, who have commercial health insurance through an employer or purchase health insurance on their own, including through Minnesota's health insurance exchange, MNsure. Focusing on those with commercial coverage is important not only because this group represents a majority of the Minnesota population, but also because health care prices tend to be higher and more variable for this group.[9,10,11]

Results

Annual estimated per-person health care spending grew 15.2% from 2018 to 2022 (Figure 1). Spending grew from $5,912 in 2018 to $6,220 in 2019 (an increase of 5.2%). Spending decreased from 2019 to $5,954 in 2020 (-4.3%), then increased to $6,635 in 2021 (11.4%) and $6,813 in 2022 (2.7%).

Figure 1: Cumulative Growth in Health Care Spending, Prices, and Utilization, 2018 to 2022



Source: Health Economics Program analysis of data from the Minnesota All Payer Claims Database, Extract 26.

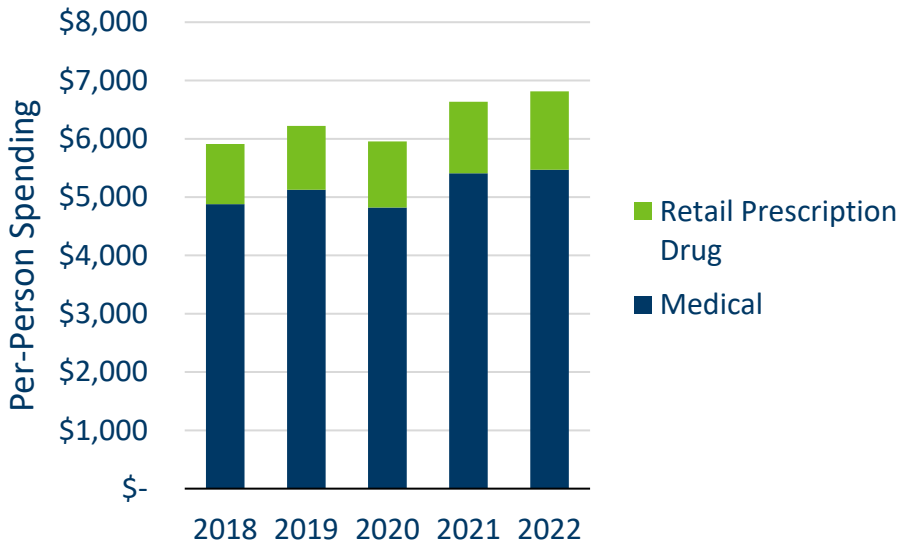
Prices and utilization grew from 2018 to 2019 (3.7% and 1.6%, respectively). From 2019 to 2020, prices continued to increase (by 2.7%), but utilization declined (-7.0%), largely due to COVID-19-related disruptions to health care delivery.[12] While utilization rebounded from 2020

to 2021, increasing by 13.8%, prices decreased slightly (by 1.4%) (see Supplemental Exhibits S-1 through S-3 for additional detail). An influx of new COVID-19-related services, primarily tests and vaccinations, impacted the mix of services delivered in 2020 and 2021. The high volume and relatively low average price of these services are in part responsible for an increase in utilization and decrease in prices observed in 2020 and 2021 (See Supplemental Exhibits S-4 and S-5 for additional detail).[13] As the volume of these services waned from 2021 to 2022, earlier patterns of utilization and average price returned, with prices increasing by 10.2% and utilization decreasing by 6.8%.

Rising prices for health care strongly influenced spending across the study period. Across the full study period of 2018 to 2022, prices grew by 15.3% and utilization grew by 0.6%. By comparison, the change in the Consumer Price Index for All Urban Consumers (CPI-U), a nationwide measure of overall inflation, increased 16.5% from 2018 to 2022.[14]

Medical spending represented the majority of per-person annual health care spending in each year from 2018 to 2022. In 2022, $5,469 of spending was associated with medical care with retail prescription drug spending contributing the remaining $1,344 (Figure 2).[15] Though spending, prices, and utilization for the inpatient, outpatient, and professional services categories of medical spending were affected in different ways by the COVID-19 pandemic and subsequent public health response, retail prescription drug prices and spending increased consistently in each year from 2018 to 2022.

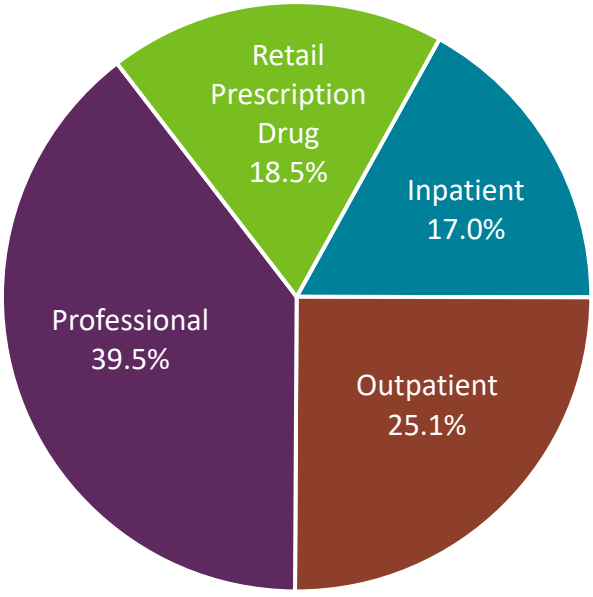
Figure 2: Per-Person Spending by Category, 2018 to 2022



Source: Health Economics Program analysis of data from the Minnesota All Payer Claims Database, Extract 26.

Professional service fees contributed the largest proportion of per-person health care spending during the full five-year analysis period (2018 to 2022), or 39.5% (Figure 3). These types of payments reimburse providers for services such as office visits and consultations, including fees charged by providers who are working in hospitals (e.g., surgeons, anesthesiologists, therapists). The outpatient and inpatient categories both refer to facility fees charged by institutions including hospitals, nursing homes, surgical centers, and specialty care clinics. These fees are intended to cover administrative and operational expenses.[16,17] Inpatient facility fees accounted for 17.0% of health care spending and outpatient fees accounted for 25.1% of health care spending. Retail prescription drug spending contributed the remaining 18.5%. These proportions are averages of per-person spending across the full five-year analysis period (2018 to 2022). The proportion of spending contributed by each category varied slightly over the course of the five-year analysis period, with outpatient and professional spending being the most variable categories and retail prescription drug spending the least variable (see Supplemental Exhibits S-6 through S-13 for additional detail).

Figure 3: Components of Per-Person Health Care Spending, 2018 to 2022 (combined)



Source: Health Economics Program analysis of 2018 to 2022 data from the Minnesota All Payer Claims Database, Extract 26.

Conclusion

Annual per-person spending for commercially insured Minnesotans ages 64 and younger grew by 15.2% from 2018 to 2022. Despite COVID-19 related year-to-year fluctuations in utilization during this 5-year study period, utilization in 2022 was similar to 2018. Average prices grew each year from 2017 to 2022, with the exception of a slight decrease in 2021 due to a dramatically increased volume of lower-price services, specifically COVID-19 tests and vaccinations.

Despite disruptions to patterns of prices and utilization from 2019 to 2021, growth in prices remains the most influential driver of overall commercial health care spending growth.

This analysis bolsters our understanding of the drivers of health care spending and plays an important role in the development of policy solutions to address the impacts of increasing health care spending on the health care system and on Minnesotans. With this in mind, the 2023 Minnesota Legislature directed the Minnesota Department of Health (MDH) to create a Center for Health Care Affordability (CHCA) to study the drivers of health care spending and make policy recommendations on health care costs.[18] This and future analyses, developed and conducted by the MDH Health Economics Program in partnership with CHCA, will help to support and inform CHCA's work.

Minnesota Department of Health
Health Economics Program
PO Box 64882
St. Paul, MN 55164-0882
651-201-4520
health.HEP@state.mn.us
www.health.state.mn.us/healtheconomics

To obtain this information in a different format, call: 651-201-4520.

MN APCD
All Payer Claims Database

Notes and References

[1] "Centers for Medicare and Medicaid Services NHE Fact Sheet" (https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/nhe-fact-sheet) Retrieved November 25, 2024.

[2] Health Economics Program, Minnesota Department of Health. "Minnesota Health Care Spending: 2022 Estimates and Ten-Year Projections", *forthcoming,* (Will be available on the "Health Economics Program Publications Page" (https://publications.web.health.state.mn.us/?publisherType=HEP).

[3] Commercial health insurance, also known as private health insurance, is health insurance that is purchased from a private health insurance company, either by individuals or by employers to provide to their employees.

[4] The MN APCD is a state repository of de-identified health care enrollment and claims data administered by the Minnesota Department of Health. See: Health Economics Program, Minnesota Department of Health. "Minnesota All Payer Claims Database" (https://www.health.state.mn.us/data/apcd/). Retrieved November 25, 2024.

[5] Population change, illness burden, and changes in medical technology are more specific factors that can affect spending through their effects on utilization, prices, or both. We opted not to examine these specific factors because they are not easily quantified. The mix of health care services provided in a given year can also vary from year to year, potentially impacting measures of spending, prices, and utilization.

[6] "Health Care Cost Institute" (https://healthcostinstitute.org). Retrieved November 25, 2024.

[7] Health Care Cost Institute. "2022 Health Care Cost and Utilization Report Analytic Methodology 2022 V1.0." (https://healthcostinstitute.org/images/pdfs/HCCI_2022_HCCUR_Methodology.pdf). Retrieved November 25, 2024.

[8] Annual per-person spending was calculated by adding up all health care spending during the year in the MN APCD, then dividing it by the total number of commercially insured Minnesotans ages 64 and younger. Utilization was calculated similarly by counting the number of health care services and dividing by the number of enrollees. Prices are equal to spending divided by utilization.

[9] Congressional Budget Office (2022). "The Prices That Commercial Health Insurers and Medicare Pay for Hospitals' and Physicians' Services." (https://www.cbo.gov/system/files/2022-01/57422-medical-prices.pdf). Retrieved November 25, 2024.

[10] Health Economics Program, Minnesota Department of Health. "Chartbook Section 2: Trends and Variation in Health Insurance Coverage" (https://www.health.state.mn.us/data/economics/chartbook/docs/section2.pdf#page=4). Retrieved November 25, 2024.

[11] The higher and more variable prices for health care seen in the commercial insurance market are a result of many factors that differentiate commercial health insurance from public health insurance, most notably the complex negotiations, largely lacking transparency, between a multitude of payers and providers.

[12] The onset of the COVID-19 pandemic had immediate and wide-ranging impacts on the health care system. Efforts to combat the spread of the virus and ensure the stability of the health care system resulted in policies and practices that temporarily restricted care delivery. Additionally, the risk of contracting COVID-19 may have

motivated many individuals to delay care. These and other factors likely contributed to the substantial decrease in health care utilization seen in 2020.

[13] In 2020 and 2021, a substantial proportion of the services captured in the outpatient and professional categories were associated with COVID-19 vaccinations and tests. The higher volume and lower average price of these services had an outsized impact on the spending, price, and utilization measures in their respective categories and overall. See Supplemental Exhibits S-12 and S-13 for additional detail.

[14] Our study period saw annual health care price increases of 3.7%, 2.7%, -1.4%, and 10.2%. The corresponding annual percentage changes in the national Consumer Price Index for Urban Consumers (CPI-U) over the same period were 1.8%, 1.3%, 4.7%, and 8.0%). CPI-U values used here are from the "Bureau of Labor Statistics" (https://data.bls.gov/cgi-bin/surveymost?cu) following guidance produced by the "Agency for Healthcare Research and Quality" (https://meps.ahrq.gov/about_meps/Price_Index.shtml). Retrieved November 25, 2024.

[15] Claims for retail prescription drugs include prescriptions written by a provider and filled at a pharmacy. They do not include drugs administered by providers or over the counter medications. The prices of retail prescription drugs are recorded in MN APCD claims data before manufacturer rebates are applied, should any be available.

[16] Please note that this issue brief follows the methodology used by HCCI in their Health Care Cost and Utilization reports; in these reports, HCCI differentiates between facility charges and provider charges. Other estimates of health care spending, including those used in other MDH reports ("Minnesota Health Care Spending: 2018 and 2019 Estimates and Ten-Year Projections" [https://www.health.state.mn.us/data/economics/docs/2019spendingrpt.pdf]) and by CMS ("National Health Expenditure Accounts" [https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData]) are aggregated differently, and therefore are not directly comparable to the estimates presented here. Retrieved November 25, 2024.

[17] Example areas of spending often cited include building upkeep, room and board for inpatient settings, medical supplies and machinery, nursing care, electronic medical records systems, and billing.

[18] Center for Health Care Affordability, Minnesota Department of Health. "Center for Health Care Affordability" (https://www.health.state.mn.us/data/affordability/index.html). Retrieved November 25, 2024.