

Why We Must Address Key Health Cost Drivers

- A recent report published in *Health Affairs* finds that the burden of rising health costs is shifting to local governments, employers and families. This shift is primarily due to lower federal government expenditures following a spike in 2020 as a response to COVID-19. (See [Health Affairs 42, NO. 1 \(2023\): 6–17](#))

- ▶ Health care expenditures financed by state and local governments **increased 5.8%** in 2021, after a decline of 1.9 percent in 2020.

- ▶ Private businesses' health care spending **increased 6.5%** in 2021, increasing from a growth rate of 2.9 percent 2020.

- ▶ Health care spending by households **increased 6.1%** in 2021, increasing from a growth rate of 1.2 percent in 2020.

- ▶ The largest share of household health spending was out-of-pocket spending, which **increased 10.4%** in 2021.

- **All** countries that have guaranteed universal coverage – even those with small populations – have developed policies that not only result in lower per capita spending but also produce better health outcomes than the United States.

- Moreover, private, independent medical practices are alive and well in these countries, and there is also a strong supplemental market for private insurance.

***We must address the systemic causes of rising health care prices
or they will continue to escalate***

What's Happening in New Mexico:

The interim bi-partisan Legislative Health and Human Services Committee (LHHSC), with members from both the senate and the house, meets when the state legislature is not in session. During June through December, legislators focus on a variety of health and social issues. In 2023, the legislature appropriated \$575,000 to enable this important committee to contract with the expertise required to develop short-term and long-term solutions to key drivers of rising health care costs.

Here are the first three critical health care cost drivers selected by the committee. Possibly more will be added to the list this year, depending on the availability of funds. Progress reports will be made over the next few months.

- Stabilizing hospital costs by switching to a global budgets system to provide hospitals with a stable revenue stream. (Contractor selected)

- Reducing administrative burdens of our complicated and costly billing system that interfere with patient care and frustrate health professionals. (Contractor selected)

- Lowering drug prices by participating in an existing multi-state drug purchasing consortium.

How You Can Help:

→ Talk to your local legislators. Ask them to support making the LHHSC a **permanent** committee with staff and adequate funding.

→ Educate everyone you know why it is critical for the LHHSC to address the health care cost drivers.

Why We Must Address Key Health Cost Drivers

Think of our health care system as a jigsaw puzzle with interconnected pieces. To solve the puzzle, we need to develop a strategy. Which pieces do we need to focus on first? The cost drivers are priority pieces – like the edges – that should hold the system together.

To address each cost driver, there are multiple possible solutions. Some policies – like global budgets – will take time to develop. Others, like joining the Washington/Oregon drug purchasing consortium, could occur more quickly. Clearly it is critical to develop a work plan and a multi-year timeline, which focuses on developing systemic solutions to rising health costs.

Cost Drivers		Possible Policy Solutions
1*	Rising hospital costs	Global budgets, which provide a stable revenue source for health facilities and ensure no surprise bills for patients. Other strategies <ul style="list-style-type: none"> •Strengthen AG oversight and enforcement regarding consolidation •Strengthen AG enforcement against anti-competitive conduct •Addressing private equity-unregulated consolidation •Holding nonprofit hospitals accountable: strengthening “Community Benefit” provisions *Requiring hospital board governance standards to ensure community representation and control
2*	Complex health professional payment and costly administrative systems, creating stress, burnout and ethical issues.	Standardization of health professional payment systems and simplification of administrative requirements. Other strategies <ul style="list-style-type: none"> •Preauthorization prohibitions •Prohibition of gag laws •Greater transparency of payments made to providers from private insurers •Clarifying that Medical decisions must be made by licensed health professionals, not corporations
3*	Out-of-control drug prices	Create an authority that will negotiate lower drug prices and that requires transparent drug pricing information, including research and development costs. Or , join an existing drug purchasing consortium with other states. (Oregon, Washington and Nevada have created one that does not rely on PBM intermediaries.)
4	IT systems that don’t talk to each other	A workable IT system that enables providers – including health facilities – to have the medical information they need about their patients, – regardless of who provides the insurance coverage. Strategy The US is far behind other developed nations in workable health care IT systems. Before making any major investments NM needs to learn about the IT systems used in other countries (even small ones) that are more sophisticated and effective.)
5	Different insurance policies offering different services and using different rules	A standardized, comprehensive list of services and rules that apply to all insurers – public or private. Strategy Explore how to develop and require a standardized list of health services and rules that apply to all payers – public and private.

*These are the LHHSC three initially selected cost driver topics.