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## Growth in Healthcare Spending Sees Uptick in 2014 with a Spike in Spending on Prescription Drugs

Healthcare spending in 2014 reached its fastest growth since before the recession, primarily driven by utilization – not rising prices – according to a new analysis. A report by the not-for-profit Altarum Institute states that healthcare spending in 2014 increased by 5%, which was the fastest increase since 2007, the year before the recession (*Health Sector Trend Report*, March 2015). The increase was less than the 5.56% percent forecast by the Centers for Medicare & Medicaid Services. The main source of the increase was spending on prescription drugs, which grew by 11% in 2014 compared with 2.5% in 2013.

“While some of the spike in prescription drug spending is likely due to expanded coverage, most of it appears to be attributable to fewer patent expirations and the introduction of the hepatitis C drug Sovaldi,” the report states.

A large expansion in health insurance coverage under provisions of the Affordable Care Act was expected to increase spending on healthcare services, but that did not happen – at least not initially, according to the report. “The main puzzle in the 2014 annual estimates is the lack of uptick in the growth rate of spending on healthcare services.” The report states healthcare services spending increased by 4% percent in 2014, compared with 3.9% in 2013. The 2014 increase appeared to be driven by higher hospital spending. The relatively small acceleration that did occur in healthcare services spending appeared to be driven more by utilization than by prices, the report concludes. Prices for healthcare services grew by only 1.3% in 2014, compared with a 1.5% increase in 2013. Hospital prices grew by 1.5% in 2014, compared with 2.2% in 2013. The price growth slowdown appears to be part of a years-long trend. The report finds hospital price growth slowed from 3.9% 2006 and 2007 to 2.6 percent between 2009 and 2014.

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