# Per Capita Medicare Inflation in the Last Decade: Unit Cost Increases Offset by Reduced Utilization

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J Gen Intern Med 35(6):1894–6 DOI: 10.1007/s11606-019-05553-y © Society of General Internal Medicine 2019

**D** artmouth College has determined that analyses of publicly available data are not considered to be human subjects research (CPHS00028121).

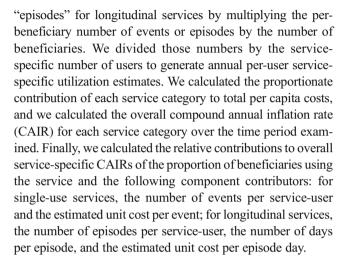
Among the commercially insured, per capita medical expenditure growth has been fueled by unit price inflation. Though attenuated by reduced per capita utilization (2011–2017),<sup>1</sup> unit price inflation has driven overall inflation, being substantially higher for hospital than for physician services (2007–2014).<sup>2</sup> While per capita health care spending growth has been higher for the commercially insured than for those insured by Medicare,<sup>3</sup> evaluation of the relative contributions of utilization and unit price inflation to overall per capita Medicare fee-for-service expenditure inflation has not been conducted. We sought to complete such an analysis.

## **METHODS**

From the Centers for Medicare and Medicaid Services (CMS), we obtained 2007–2017 public use files for Medicare fee-forservice beneficiaries aged less than 65 years old (< 65) and 65 years old and older (65+). Those data included the number of fully enrolled Medicare Parts A & B beneficiaries and standardized care expenditures (that eliminate expenditures for graduate medical education and disproportionate share, locality pay differences, and alternative payment model differentials) disaggregated into 18 service categories.<sup>4</sup>

For each service category, we obtained the number of beneficiaries who used each service and per-beneficiary service-specific utilization rates (for longitudinal services (e.g., inpatient care categories, home health care, and hospice), including the number of days of service use). We estimated the total number of service-specific "events" (e.g., procedures or dialysis visits) for single-use services and service-specific

Received August 3, 2019 Accepted October 31, 2019 Published online November 11, 2019



# RESULTS

For both age groups, per capita costs of care shifted from inpatient, long-term care, home health, procedures, imaging, and durable medical equipment (DME) to inpatient rehabilitation, outpatient hospital, federally qualified health center or rural health center (FQHC/RHC), and ambulatory surgical center care (Table 1). Proportions of both populations using FQHC/RHCs and procedures grew; proportions of the 65+ population using most longitudinal services fell. The annual per-user event number decreased for most longitudinal care services, imaging, DME, and testing but increased for outpatient hospital care, outpatient dialysis, and procedures. Among longitudinal care episodes, the number of days per episode fell while the estimated standardized unit cost per episode day increased.

Increases in every CAIR-contributing component caused overall outpatient hospital, FQHC/RHC, and ambulatory surgical center care CAIRs to be the highest (Fig. 1). Longitudinal services' CAIRs were fueled by higher estimated costs per day but offset by fewer days per episode and a smaller proportion of 65+ beneficiaries using those services. Dialysis, imaging, and DME CAIRs were offset by lower costs per event; per-beneficiary DME CAIRs were further deflated by decreases in the per-user event number and the proportion of the population obtaining services.



	Service category	Standardized per capita cost (total and %)	apita		Proportion using the service	n using e	Annual service events per user	rvice user	Standardized cost per event	zed vent	Days per episode	10	Estimated standardized cost per episode day	d ized episode
	Younger than 65 years old		2017 (N = 5,341,828 Amount		2007	2017	2007	2017	2007	2017	2007	2017	2007	2017
	Total													
	Inpatient			32.3%	19.8%	17.9%	1.92	1.90	\$7606	\$10,408	6.3	6.1	\$1210	\$1524
	Long-term care home Invariant rehabilitation facility		\$195 \$167	1.8%	0.43%	0.44%	1.15	1.14	\$34,064 \$14 959	\$38,952	28.6 12.6	26.8 12 5	\$1191	\$1300
	Skilled nursing facility		\$458	4.2%	2.3%	2.7%	1.50	1.48	\$8340	\$11.453	26.1	25.3	\$319 \$319	\$398
Fright         S10 $10\%$ $510\%$ $10\%$ $510\%$ $10\%$ $510\%$	Home health		\$375	3.4%	5.9%	6.7%	2.07	2.09	\$2752	\$2680	20.2	15.3	\$136	\$166
	Hospice			1.0%	0.76%	0.94%	1.05	1.07	\$9815	\$10,647	65.6	59.6	\$150	\$172
	Cutpatient hospital			1/.0%0	05.4% 11 80%	08.1%	5.00	1.02	\$75 \$75	0000				
	Outnatient dialvsis center facility			%6.0 1.6%	2.8%	3.4%	110.05	138.94	\$205	\$120 \$182				
	Ambulatory surgical center			0.7%	5.2%	6.3%	1.73	1.81	\$435	\$687				
	Evaluation and management			9.8%	83.0%	85.6%	16.34	17.66	\$61	\$71				
	Procedures		\$586	5.3%	48.5%	53.9%	7.22	8.08	\$137	\$135				
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	Imaging		1/18	1.6%	59.9%	62.5%	6.08	5.99	\$65 \$140	742				
	Durable medical equipment Tests		\$207 \$308	0.0% 2.8%	20.0% 65.5%	20.12% 70.7%	8.11 11 56	0./1 10.89	\$29	2015 840				
$ \begin{array}{llllllllllllllllllllllllllllllllllll$	Ambulance		\$189	1.7%	12.1%	13.8%	4.10	3.92	\$304	\$350				
S11 $1.4\%$ $5109$ $1.0\%$ S11 $1.4\%$ $5109$ $1.0\%$ S02573 $32.2\%$ $5109$ $1.0\%$ S02573 $32.2\%$ $52597$ $27.2\%$ $50.33$ S02573 $32.2\%$ $5102$ $1.1\%$ $0.25\%$ $1.61$ $1.54$ $57705$ $59951$ $5.5$ $5.0$ $51409$ S121 $1.5\%$ $5102$ $1.1\%$ $0.25\%$ $1.1\%$ $1.0\%$ $1.1\%$ $20.33\%$ $52.7\%$ $51.2\%$ $51.33$ $51.33$ S121 $1.5\%$ $5102$ $1.1\%$ $0.33\%$ $0.25\%$ $1.1\%$ $1.0\%$ $51.32$ $53.0351$ $5.5$ $5.0$ $51409$ S748 $9.3\%$ $5329$ $2.1\%$ $1.1\%$ $1.0\%$ $1.38$ $590351$ $5.5$ $5.2$ $5.13$ S495 $6.2\%$ $5339$ $5.7\%$ $0.3\%$ $5.2\%$ $1.40$ $1.38$ $590351$ $5.5$ $5.2\%$ $51343$ S495 $6.2\%$ $5339$ $5.7\%$ $1.3\%$ $1.0\%$ $1.38$ $59037$ $231364$ $2.14$ $23133$ S718 $1.5\%$ $5339$ $5.7\%$ $5.2\%$ $1.40$ $1.38$ $59011$ $511,007$ $26.6$ $2.5.0$ $5139$ S714 $1.5\%$ $5144$ $1.5\%$ $5.7\%$ $5.7\%$ $5.26$ $5207$ $5197$ $5207$ $5107$ $26.6$ $2.5.0$ $5139$ S714 $1.0\%$ $577$ $8.8\%$ $4.70$ $4.3\%$ $1.2\%$ $5107$ $5.6$ $52.0$ $5139$ S714	Part B drugs		\$426	3.9%	34.5%	37.6%								
	Other services		\$109											
5001500150015001555.05140facility $$121$ $1.5\%$ $$229$ $27.2\%$ $20.3\%$ $0.25\%$ $1.61$ $1.54$ $57705$ $59951$ $5.5$ $5.0$ $$1409$ $$172$ $2.1\%$ $$229$ $2.4\%$ $1.1\%$ $1.0\%$ $1.13$ $$10966$ $12.7$ $12.3$ $$1135$ $$517$ $5276$ $52\%$ $52\%$ $1.26$ $1.1\%$ $1.0\%$ $1.13$ $$5007$ $$5107$ $$123$ $$5133$ $$574$ $9.3\%$ $52\%$ $52\%$ $52\%$ $52\%$ $1.1\%$ $1.0\%$ $$11.9$ $$50,228$ $$513,256$ $$123,345$ $$248$ $$21,396$ $$1277$ $$123$ $$11.90$ $$513,907$ $$5143$ $$213,356$ $$52\%$ $$5149$ $$511,907$ $$516$ $$51,907$ $$5149$ $$513,356$ $$52\%$ $$5149$ $$511,907$ $$516$ $$5176$ $$52\%$ $$5149$ $$511,907$ $$514$ $$511,907$ $$516$ $$513,366$ $$52\%$ $$5149$ $$5276$ $$516$ $$5107$ $$511,907$ $$516$ $$5107$ $$511,907$ $$5126$ $$5107$ $$511,907$ $$516$ $$5176$ $$5207$ $$5216$ $$5107$ $$5126$ $$5126$ $$5127$ $$5276$ $$5266$ $$5776$ $$586$ $$6607$ $$660\%$ $$660\%$ $$660\%$ $$660\%$ $$660\%$ $$660\%$ $$610\%$ $$511,649$ $$68,4451$ $$5124$ $$5124$ $$5124$ $$5124$ $$5124$ $$5124$ $$5124$ $$5124$ $$5124$ $$$	65 years old and older	(N = 27, 363, 352)	(N = 28,3)	<u>ന</u> ്										
facility\$121 $1.5\%$ $5102$ $1.1\%$ $0.33\%$ $0.25\%$ $1.21$ $1.19$ $530,328$ $533,345$ $24.8$ $2133$ facility $$172$ $2.1\%$ $$229$ $2.4\%$ $1.1\%$ $1.0\%$ $1.13$ $1.16$ $$11,307$ $$19086$ $12.7$ $12.3$ $$1133$ $$748$ $9.3\%$ $$539$ $$59\%$ $5.9\%$ $5.9\%$ $5.9\%$ $5.9\%$ $5.9\%$ $5.9\%$ $5.9\%$ $5.9\%$ $5.9\%$ $5.333$ $9006$ $12.7$ $12.3$ $$1133$ $$5766$ $9.6\%$ $$5396$ $5.9\%$ $5$	10tal Innatient			JOC LC	20.8%	16 90%	1 61	154	\$7705	\$9951	5 5	5 0	\$1400	\$1073
facility $$172$ $2.1\%$ $$229$ $2.4\%$ $1.1\%$ $1.0\%$ $1.13$ $1.16$ $$14,357$ $$19066$ $12.7$ $12.3$ $$1133$ $$748$ $9.3\%$ $$887$ $9.0\%$ $5.9\%$ $5.2\%$ $1.40$ $1.38$ $$59010$ $$11,907$ $26.6$ $25.0$ $$339$ $$876$ $9.6\%$ $$59\%$ $5.2\%$ $1.40$ $1.38$ $$59010$ $$11,907$ $26.6$ $25.0$ $$339$ $$876$ $9.6\%$ $$194$ $15.7\%$ $3.2\%$ $1.04$ $1007$ $$11,907$ $26.6$ $25.0$ $$339$ $$876$ $9.6\%$ $$184$ $$527$ $$2978$ $$1907$ $$11,907$ $26.6$ $25.0$ $$339$ $$876$ $$9.6\%$ $$144$ $$12\%$ $$104$ $15.7\%$ $$25\%$ $$5149$ $16.9$ $$143$ $$876$ $$565$ $$510$ $$5136$ $$6.81$ $$11,67$ $$814$ $$174$ $$114$ $$877$ $1.0\%$ $$116\%$ $$1.74$ $1.2\%$ $$10.2\%$ $$11.0\%$ $$174$ $$127$ $$877$ $1.0\%$ $$816$ $$1.0\%$ $$10.2\%$ $$11.0\%$ $$1.74$ $1.67$ $$827$ $$2918$ $$6.4$ $$144$ $$877$ $1.0\%$ $$876$ $$16\%$ $$1.6\%$ $$1.74$ $$12.6$ $$25.0$ $$214$ $$144$ $$877$ $$218$ $$11.0\%$ $$1.74$ $$1.2\%$ $$10.2\%$ $$143$ $$144$ $$877$ $$218$ $$210$ $$210$ $$21.0\%$ $$216$ $$25.0\%$ $$214$ <td>Long-term care home</td> <td></td> <td></td> <td>1.1%</td> <td>0.33%</td> <td>0.25%</td> <td>121</td> <td>1.19</td> <td>\$30.328</td> <td>\$33.845</td> <td>24.8</td> <td>23.0</td> <td>\$1225</td> <td>\$1472</td>	Long-term care home			1.1%	0.33%	0.25%	121	1.19	\$30.328	\$33.845	24.8	23.0	\$1225	\$1472
$ \begin{array}{llllllllllllllllllllllllllllllllllll$	Inpatient rehabilitation facility		\$229	2.4%	1.1%	1.0%	1.13	1.16	\$14.357	\$19.086	12.7	12.3	\$1133	\$1558
$ \begin{array}{llllllllllllllllllllllllllllllllllll$	Skilled nursing facility		\$857	9.0%	5.9%	5.2%	1.40	1.38	\$9010	\$11,907	26.6	25.0	\$339	\$477
$ \begin{array}{llllllllllllllllllllllllllllllllllll$	Home health		\$539	5.7%	9.4%	9.8%	1.85	1.84	\$2827	\$2978	19.7	16.9	\$143	\$177
\$766 $9.6\%$ $$1494$ $15.7\%$ $63.3\%$ $65.7\%$ $5.86$ $6.65$ $$207$ szd $0.3\%$ $$1494$ $15.7\%$ $63.3\%$ $65.7\%$ $5.86$ $6.65$ $$207$ szd $0.3\%$ $$1494$ $15.7\%$ $6.3.3\%$ $65.7\%$ $5.86$ $6.65$ $$207$ al center $$77$ $1.0\%$ $$149$ $1.6\%$ $0.69\%$ $0.68\%$ $96.81$ $125.60$ $$204$ al center $$77$ $1.0\%$ $$917$ $10.2\%$ $11.0\%$ $1.74$ $1.67$ $$435$ $$574$ $7.2\%$ $$509$ $91.0\%$ $91.7\%$ $11.44$ $1.576$ $$504$ $$574$ $7.2\%$ $$509$ $7.0\%$ $64.0\%$ $67.6\%$ $7.02$ $$802$ $$574$ $7.2\%$ $$511$ $1.6\%$ $28.9\%$ $$710\%$ $$5.77$ $$518$ $$574$ $7.2\%$ $$516$ $2.4\%$ $72.0\%$ $710\%$ $$5.77$ $$518$ $$573$ $$2266$ $2.4\%$ $72.0\%$ $71.0\%$ $$5.77$ $$518$ $$713\%$ $$5108$ $$136$ $$1.3\%$ $$113\%$ $$11.3\%$ $$11.8$ $$314$ $$302$ $$5269$ $3.4\%$ $$5459$ $4.8\%$ $54.8\%$ $57.3\%$ $$512$ $$12.8\%$ $$11.6\%$ $$5209$ $$261$ $$56$ $$2.8\%$ $$51.3\%$ $$512$ $$512$ $$512$ $$512$ $$529$ $$251$ $$11.3\%$ $$11.3\%$ $$11.3\%$ $$11.4\%$ $$532$ $$529$ $$256$ $$2.4\%$ $$51.3\%$ <t< td=""><td>Hospice</td><td></td><td>\$384</td><td>4.0%</td><td>2.7%</td><td>3.2%</td><td>1.04</td><td>1.04</td><td>\$9911</td><td>\$11,649</td><td>68.8</td><td>68.4</td><td>\$144</td><td>\$170</td></t<>	Hospice		\$384	4.0%	2.7%	3.2%	1.04	1.04	\$9911	\$11,649	68.8	68.4	\$144	\$170
524 $0.3%$ $548$ $0.5%$ $6.7%$ $8.8%$ $4.70$ $4.35$ $575$ ysis center facility $571$ $1.5%$ $5149$ $1.6%$ $0.60%$ $0.68%$ $96.81$ $1.25.60$ $5204$ rgical center $577$ $1.0%$ $5114$ $1.2%$ $112%$ $10.2%$ $1.74$ $1.67$ $5435$ rmanagement $5790$ $9.9%$ $5979$ $10.3%$ $91.0%$ $91.7%$ $1.74$ $1.67$ $5435$ $5744$ $7.2%$ $5669$ $7.0%$ $64.0%$ $67.6%$ $7.02$ $8.22$ $8128$ $5310$ $3.9%$ $8226$ $2.4%$ $72.0%$ $71.0%$ $5.87$ $5.54$ $573$ $5233$ $2.9%$ $8151$ $1.6%$ $28.9%$ $27.0%$ $71.0%$ $5.77$ $8118$ $5208$ $1.3%$ $11.3%$ $11.3%$ $11.3%$ $31.4$ $5302$ $5108$ $1.3%$ $11.3%$ $51.3%$ $11.3%$ $57.3%$ $5.54$ $573$ $5108$ $1.3%$ $81.9$ $26.1%$ $6.56$ $5.77$ $5.74$ $573$ $5108$ $1.3%$ $11.3%$ $51.8%$ $57.3%$ $51.4$ $532$ $5122$ $1.5%$ $54.8%$ $57.3%$ $57.3%$ $51.4$ $532$ $5122$ $1.5%$ $51.8%$ $57.3%$ $51.4$ $5302$ $5122$ $1.5%$ $54.8%$ $57.3%$ $57.3%$ $51.4$ $5302$ $5122$ $1.5%$ $54.8%$ $57.3%$ $51.4%$ $5302$ $5122$ <td>Outpatient hospital</td> <td></td> <td>\$1494</td> <td>15.7%</td> <td>63.3%</td> <td>65.7%</td> <td>5.86</td> <td>6.65</td> <td>\$207</td> <td>\$342</td> <td></td> <td></td> <td></td> <td></td>	Outpatient hospital		\$1494	15.7%	63.3%	65.7%	5.86	6.65	\$207	\$342				
Jysis center factury       5/18       1.5%       5/14       1.6%       0.60%       96.81       1.25.60       5/204         argical center       577       1.0%       5/14       1.2%       10.2%       11.0%       1.74       1.67       5/435         f management       5790       9.9%       5979       10.3%       91.0%       0.1.0%       1.74       1.67       5/435         anagement       5574       7.2%       5669       7.0%       64.0%       67.6%       7.02       8.22       5.31       5.34       573         state       state       5.31       3.9%       5.26       2.4%       72.0%       71.0%       5.87       5.54       573         state       state       5.21       1.6%       72.0%       71.0%       5.87       5.54       573         state       state       72.0%       11.3%       11.3%       3.14       5302         state       5108       1.3%       11.3%       57.3%       5.14       5302         state       512       1.5%       54.8%       57.3%       5.33       5323         state       51.3%       51.3%       51.3%       53.23       53.23       53.23 <td>FOHC or RHC</td> <td></td> <td>\$48</td> <td>0.5%</td> <td>6.7%</td> <td>8.8%</td> <td>4.70</td> <td>4.35</td> <td>\$75</td> <td>\$124</td> <td></td> <td></td> <td></td> <td></td>	FOHC or RHC		\$48	0.5%	6.7%	8.8%	4.70	4.35	\$75	\$124				
Ingleat center $57/1$ $1.0\%$ $5114$ $1.2\%$ $10.2\%$ $11.0\%$ $5453$ I management $5790$ $9.9\%$ $5979$ $10.3\%$ $91.0\%$ $90.7\%$ $14.48$ $15.02$ $560$ $5574$ $7.2\%$ $5669$ $7.0\%$ $64.0\%$ $67.6\%$ $7.02$ $8.22$ $8128$ $5310$ $3.9\%$ $8256$ $2.4\%$ $72.0\%$ $71.0\%$ $5.87$ $554$ $573$ $5310$ $3.9\%$ $8256$ $2.4\%$ $72.0\%$ $71.6\%$ $5.87$ $554$ $573$ $5233$ $2.9\%$ $8151$ $1.6\%$ $28.9\%$ $261.1\%$ $6.56$ $5.77$ $8118$ $5233$ $2.9\%$ $8126$ $1.3\%$ $11.3\%$ $3.14$ $5302$ $5120$ $1.3\%$ $54.8\%$ $57.3\%$ $3.14$ $5302$ $8122$ $1.5\%$ $51.3\%$ $51.3\%$ $57.3\%$ $3.14$ $5302$ $5122$ $1.5\%$ $54.8\%$ $57.3\%$ $57.3\%$ $57.3\%$ $5302$ $5122$ <	Outpatient dialysis center facility		\$149	1.6%	0.60%	0.68%	96.81	125.60	\$204 \$425	51/4				
all equipment       \$574       7.2%       \$669       7.0%       51.0%       7.0%       51.0%       51.0%       52.2       \$128         \$574       7.2%       \$669       7.0%       64.0%       67.6%       7.0%       8.22       \$128         \$511       1.6%       \$2.4%       70.0%       71.0%       5.87       5.54       \$73         \$523       2.9%       \$151       1.6%       28.9%       26.1%       6.56       5.77       \$118         \$233       2.9%       \$216       1.3%       11.3%       3.18       3.14       \$302         \$108       1.3%       \$11.3%       \$11.3%       3.18       3.14       \$302         \$269       3.4%       \$459       4.8%       \$54.8%       \$7.3%       \$314       \$302         \$122       1.5%       \$146       1.5%       57.3%       \$3.14       \$302	Amoulatory surgical center Evaluation and management		\$010 \$070	1.2%	01 00%	0/11.0% 00 70%	1.74	15.07	0400 660	1704				
\$310       3.9%       \$226       2.4%       72.0%       71.0%       5.87       5.54       \$73         cal equipment       \$224       2.8%       \$151       1.6%       28.9%       26.1%       6.56       5.77       \$118         \$233       2.9%       \$266       2.8%       79.7%       80.9%       12.87       11.62       \$23         \$108       1.3%       \$11.3%       11.3%       3.18       3.14       \$302         \$269       3.4%       \$459       4.8%       54.8%       57.3%       3.14       \$302         \$212       1.5%       \$146       1.5%       57.3%       57.3%       57.3%       57.3%       57.3%	Procedures		\$669	7.0%	64.0%	67.6%	7.02	8.22	\$128	\$120				
al equipment \$224 2.8% \$151 1.6% 28.9% 26.1% 6.56 5.77 \$118 \$233 2.9% \$266 2.8% 79.7% 80.9% 12.87 11.62 \$23 \$108 1.3% \$126 1.3% 11.3% 11.3% 3.18 3.14 \$302 \$269 3.4% \$459 4.8% 54.8% 57.3% \$122 1.5% \$146 1.5%	Imaging		\$226	2.4%	72.0%	71.0%	5.87	5.54	\$73	\$57				
52.3       2.276       5.200       2.076       1.277       0.0.776       1.2.07       11.1.2       0.2.7         \$108       1.3%       \$11.3%       11.3%       11.3%       3.18       3.14       \$302         \$269       3.4%       \$459       4.8%       54.8%       57.3%       3.14       \$302         \$122       1.5%       \$146       1.5%       54.8%       57.3%       3.14       \$302	Durable medical equipment		\$151 \$766	1.6%	28.9% 70.7%	26.1%	6.56 17 87	5.77	\$118	\$100				
\$269 3.4% \$459 4.8% 54.8% 57.3% J.19 J.17 402	Lests A mbulance		\$126	$1.30_{6}$	11 300	00.9% 11 30%	12.0/ 3 18	2071 214	620 8307	970 6356				
\$122 1.5% \$146 1.5%	Part B drugs		\$459	4.8%	54.8%	57.3%	01.0		7000					
	Other services		\$146	1.5%										

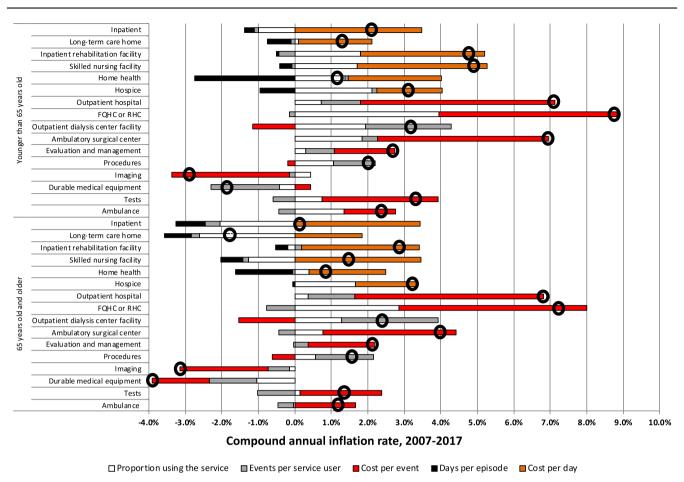


Figure 1 For Medicare fee-for-service enrollees younger than age 65 (top) and 65 years old and older (bottom), compound annual inflation rates for the period 2007–2017 overall for each service (in the black circle) and for each inflation rate component (the proportion of the service population that used the service, the number of events per service, the estimated cost per event (for single-use services), and the number of days per episode and the estimated cost of each episode day (for longitudinal services).

### DISCUSSION

We examined per capita utilization, per-service expenditures, and average per-unit cost estimates for a variety of health care services between 2007 and 2017 and found that per capita Medicare fee-for-service expenditures shifted from inpatient to outpatient settings and that perbeneficiary longitudinal care cost inflation was driven by substantial increases in the estimated standardized cost of care per day but mitigated by shorter lengths of service provision and lower per-user service utilization. Dialysis, procedures, and imaging experienced unit cost deflation.

While accountability may have driven care to lower cost settings and reduced waste, we found relatively high unit cost growth in most care services. Although limited by its reliance on administrative data, and an inability to adjust for changing patient needs, these initial findings invite further research examining the effectiveness of efforts to reduce components of per capita Medicare inflation by reducing low-value care provision (reducing service use),<sup>5</sup> reducing estimated unit costs for longitudinal services (reducing episode costs), or enhancing provider productivity (improving care efficiency).<sup>6</sup>

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