Addressing Unsustainable Healthcare Costs

The rising cost of healthcare weakens the entire system and crowds out other public health investments.

The United States spends significantly more on healthcare compared to other nations, but we don’t have better healthcare outcomes. What’s more, rising healthcare spending is a key driver of America’s unsustainable national debt and high healthcare costs also make it harder to respond to public health crises like the COVID-19 pandemic.

As healthcare spending grows, there is less funding for housing, nutrition and income security, which are also critical for the health of populations. Furthermore, the unsustainable rise in the cost of healthcare is a key driver of America’s fiscal imbalance, contributing to poorer outcomes and threatening the future of critical programs like Medicare and Medicaid.

The Peterson Center on Healthcare is working with key stakeholders in state and local governments to support initiatives that offer promise for reducing the rate of cost growth to ensure that people—regardless of where they live, have access to affordable, quality care for many years to come.

Healthcare Spending at the State Level

The Peterson-Milbank Program for Sustainable Health Care Costs advances state-based efforts to make healthcare more affordable for residents, employers and states. The program supports efforts to set and track healthcare spending targets in six participating states: Connecticut, Nevada, New Jersey, Oregon, Rhode Island and Washington, helping ensure costs don’t rise faster than the economy, state revenues or wages.

State healthcare cost growth targets, accompanied by in-depth analysis of healthcare cost factors, offer insight into health care spending that can lead to policy or market-based actions designed to make healthcare more affordable.
To support these statewide efforts, the Milbank Memorial Fund provides working capital and, in partnership with Bailit Health, technical assistance for healthcare experts to collaborate with participating states to develop and implement a work plan, facilitate stakeholder convenings and create mechanisms that foster cross-state learning and collaboration on cost growth initiatives.

On June 30, 2022, Governor Gavin Newsom approved California’s 2022–2023 budget, which includes the creation of an Office of Health Care Affordability that will establish an annual cost growth target. California’s program builds on the state-led model supported by the Peterson-Milbank Program for Sustainable Health Care Costs. Prior to the start of the program, about 3% of the U.S. population lived in a state with a cost growth target. Now, one in five Americans live in a state with a cost growth target—an important tool in making the healthcare system more affordable and sustainable for years to come.

The Peterson-Milbank Program for Sustainable Health Care Costs is an outgrowth of the Rhode Island Healthcare Cost Trends Project, which the Center launched in 2018 with the State of Rhode Island and Brown University. The objective of this project was to analyze spending data to improve healthcare performance and provide assistance in setting a total healthcare cost growth target for Rhode Island.

This collaboration established the groundwork for public reporting of state-wide healthcare spending and performance by engaging a Steering Committee of stakeholders, including payers, providers, employers and community representatives, led by state and industry leaders. Later phases of the project focused on leveraging analytics and reporting to drive action on healthcare cost growth and performance in the state. Rhode Island joined the Peterson-Milbank program in 2022.

News

California Joins Growing Number of States Committing to Improve Health Care Affordability

On June 30, California passed a law creating an Office of Health Care Affordability responsible for collecting data, analyzing drivers of health costs, developing policies to address rising costs, and establishing and enforcing annual statewide cost growth targets.

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Peterson Center on Healthcare Announces New Initiative to Support States to Monitor and Control Healthcare Spending

The Peterson Center on Healthcare announced a new $2.7 million grant to the Milbank Memorial Fund to support efforts to set and track healthcare spending targets at the state level.

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Peterson Center on Healthcare Expands Partnership with Rhode Island and Brown University on Data-Driven Healthcare Transparency

The innovative project builds on the success of state-level collaboration aimed at curbing rising healthcare costs and improving delivery.

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Rhode Island Healthcare Cost Trends Project Unites Providers, Payers, Policymakers, and Consumers Around Shared Vision for Improving Healthcare Performance

Funded by the Peterson Center on Healthcare, this unique collaboration serves as a model for data-driven healthcare cost trend analysis.

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Peterson Center on Healthcare Partners with Rhode Island and Brown University on Innovative Healthcare Data Transparency Initiative

The State of Rhode Island and Brown University will study healthcare cost trends in order to improve how care is delivered throughout the state.

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Overview: Peterson-Milbank Program for Sustainable Health Care Costs

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Overview: The Rhode Island Healthcare Cost Trends Project

Read the Project Overview

Rhode Island's Cost Trends Project: A Case Study on State Cost Growth Targets

Read the Report

For More Information

For more information on the Center's efforts to address unsustainable healthcare costs, please contact Keanan Lane at klane@petersonhealthcare.org.