



Economics of
Social and Health Care
Research Unit

Centre for Health Economics Research Paper 156

Lay Summary

THE DETERMINANTS OF HEALTH CARE EXPENDITURE GROWTH

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Understanding the drivers of the demand for health care is critical in informing the level and distribution of future health care spending. Of particular concern are changing demographics in an ageing population, increases in chronic conditions and comorbidities, rising expectations of the benefits of health care, increasing relative health care costs, and the impact of technological change. This paper examines how these factors have changed over time and their relative contribution to expenditure growth.

We consider changes in hospital inpatient expenditure (a key component of HCE) using administrative data from Hospital Episode Statistics (HES) covering all inpatient activity in England across the two financial periods 2007/08 and 2014/15. By matching admissions to their associated costs we are able to establish the change in hospital inpatient expenditure over this period. We consider demographic information together with diagnoses and treatments to explore how the change in expenditure is determined by changes in the distribution of these characteristics (e.g. via an ageing population) together with changes in the expenditure response to these characteristics (e.g. via more expensive treatment).

We find that demographics play a negligible role in explaining the observed increase in expenditure. Expenditure on elective inpatient care, both day cases and inpatient care cases, has risen mainly due to an increase in treatment cost rather than a shift towards more elective treatments. Larger increases in expenditure are observed at the top of the expenditure distribution; expensive to treat patients have raised expenditure disproportionately more than less expensive patients. The major contributor to the rise in expenditure is the recorded number of comorbidities. Clearly comorbidities are more complex and expensive to treat. However, while this effect may represent an increase in comorbidities across the period it may also be attributed to change in reporting of comorbidities.

Full paper available at:

https://www.york.ac.uk/media/che/documents/papers/researchpapers/CHERP156_determinants_health_care_expenditure_growth.pdf

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The Economics of Social and Health Care Research Unit is a joint collaboration between the Centre for Health Economics (CHE) at the University of York and the Personal Social Services Research Unit (PSSRU) at the London School of Economics and the University of Kent. ESHCRU is supported by a grant awarded by the National Institute for Health Research Policy Research Programme: Policy Research Unit in Economics of Health and Social Care Systems.