

MedTech Prices Lag Behind CPI, Other Medical Goods

AdvaMed

Spending on MedTech Steady at Six Percent of U.S. Health Expenditures

Medical technology prices continue their trend of consistently low growth, increasing at approximately one-third the rate of prices in the overall economy and one-fifth the rate of prices for other medical goods and services over a 23-year period, according to [an updated study](#) [1] released by the Advanced Medical Technology Association (AdvaMed).

From 1989 to 2011, medical device and diagnostic prices grew at an average annual rate of one percent, compared to the Consumer Price Index (CPI) increase of 2.7 percent, the Medical Care CPI increase of 4.6 percent and the Medical Care Services CPI increase of 4.9 percent. In 2011, the most recent year for which data is available, medical technology prices increased only 0.7 percent, about one-fifth the rate of increase for prices in the overall economy and for other medical goods and services.

In addition, over the same period, spending on medical technology has remained a small and constant share of national health expenditures (NHE) – rising just slightly from 5.3 percent of NHE in 1989 to 5.9 percent in 2011 – a 0.6 percentage point increase over nearly a quarter of a century. Since 1992, although medical device spending as a share of NHE has fluctuated slightly, it has remained essentially flat at about six percent of NHE. In 2011, the last year for which data is available, spending on medical devices and in-vitro diagnostics totaled \$159.4 billion.

“This study provides further evidence of the incredible value medical technology provides to patients and the overall health care system,” said Don May, AdvaMed’s executive vice president for payment and health care delivery policy. “Despite a tidal wave of innovative new technologies over the past two decades that has profoundly advanced medical practice and resulted in dramatic improvements in the nation’s health, growth of prices for medical devices and diagnostics has continued to lag far behind that of other areas of health care while overall medtech spending has remained consistently low.”

The research was conducted by Roland “Guy” King, former chief actuary at the Health Care Financing Administration (now the Centers for Medicare & Medicaid Services), and Gerald Donahoe, a former U.S. Commerce Department economist and an expert on economic accounting, on behalf of AdvaMed.

“The findings further make the case that medical technology is not the driver of health care costs, as some critics wrongly claim, and that our industry is very price competitive. We look forward to sharing the results of this new study with members

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of Congress and other policymakers as the debate on how best to provide affordable health care value to U.S. patients continues,” said May.

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[1] <http://advamed.org/res/684>