

*The Costs of Doing Nothing:*

## **What's at Stake Without Health Care Reform**

November 2008



# The Costs of Doing Nothing: What's at Stake Without Health Care Reform

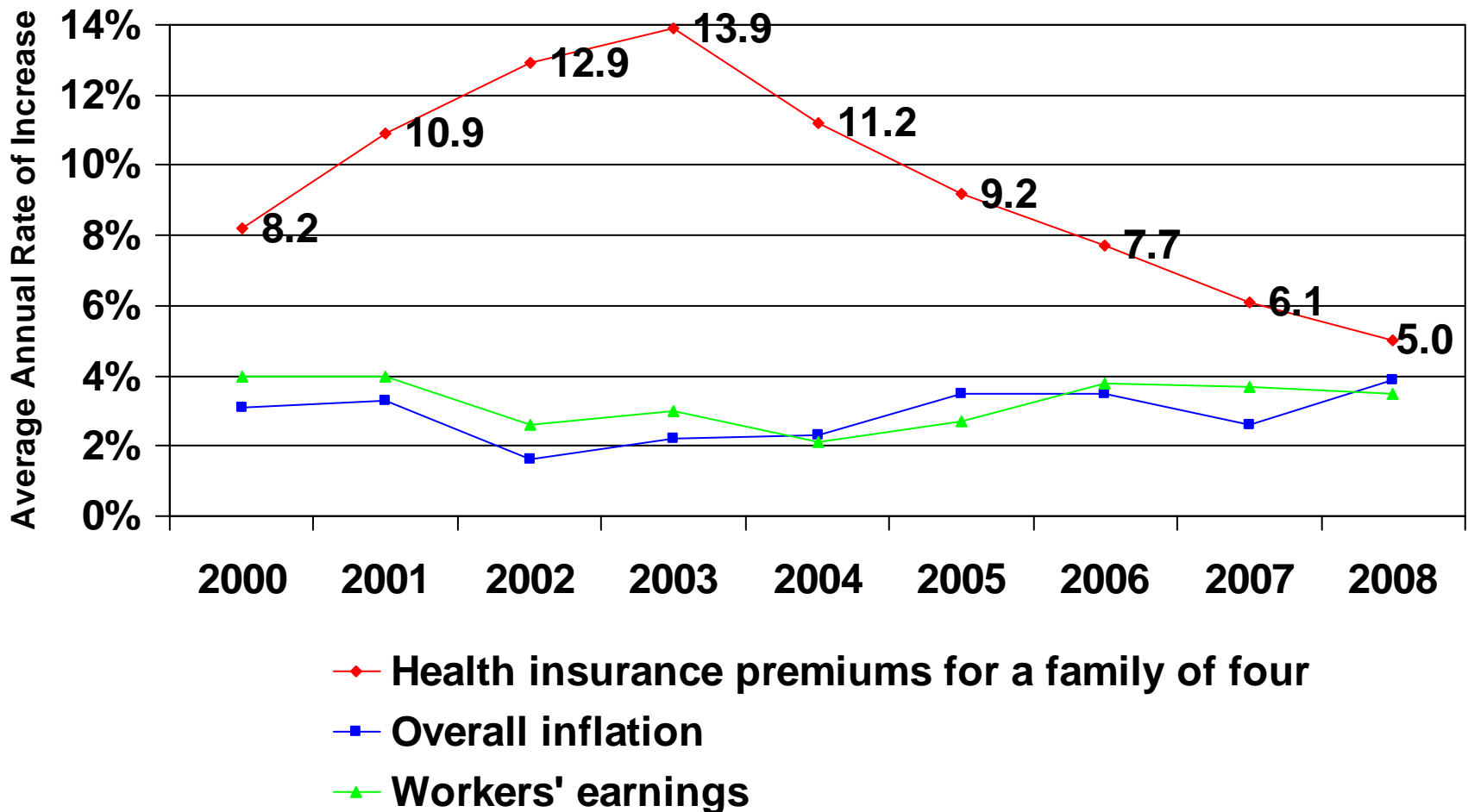
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I. Personal health care costs will continue to escalate

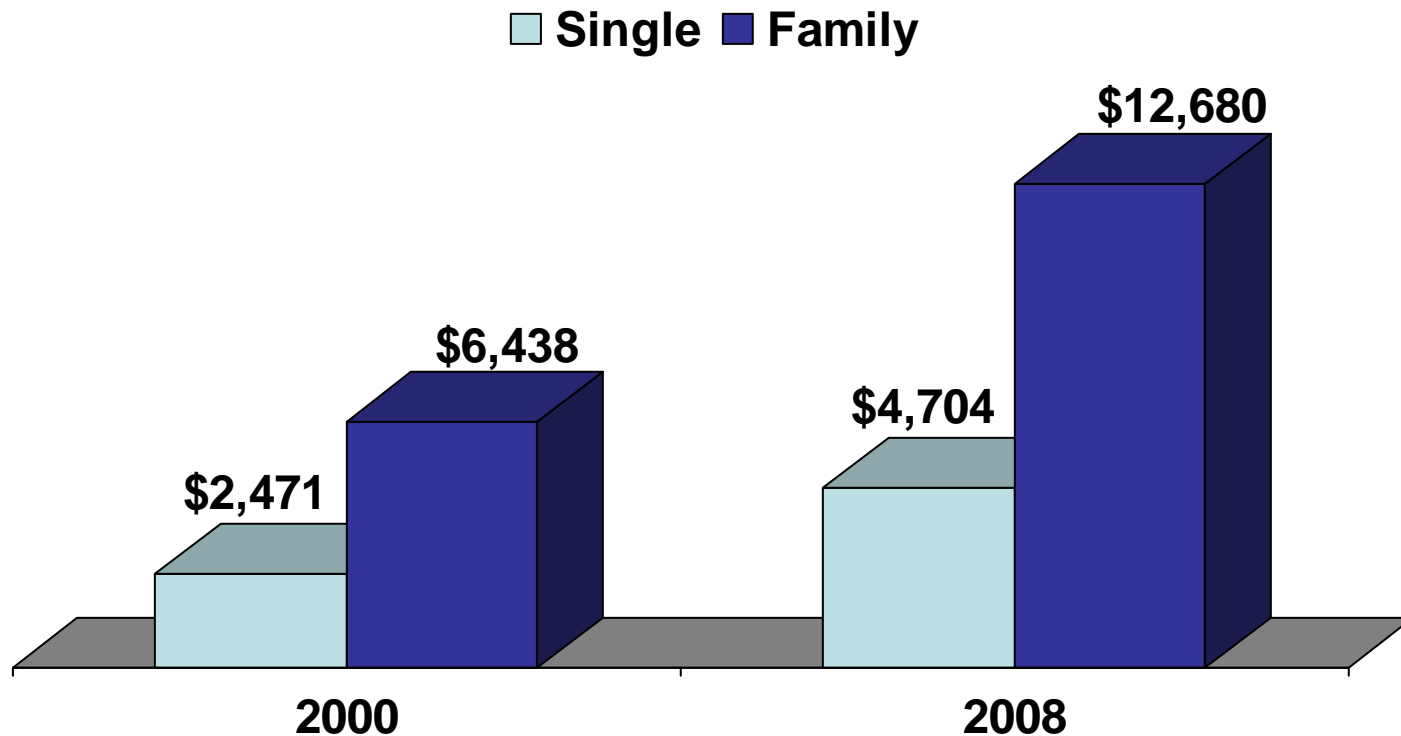
The annual rate of increase in health insurance premiums has outpaced overall inflation and workers' earnings...



Source: HRET/Kaiser Family Foundation. 2008 Employer Health Benefits Survey.

The average total annual premium for single and family coverage has increased...

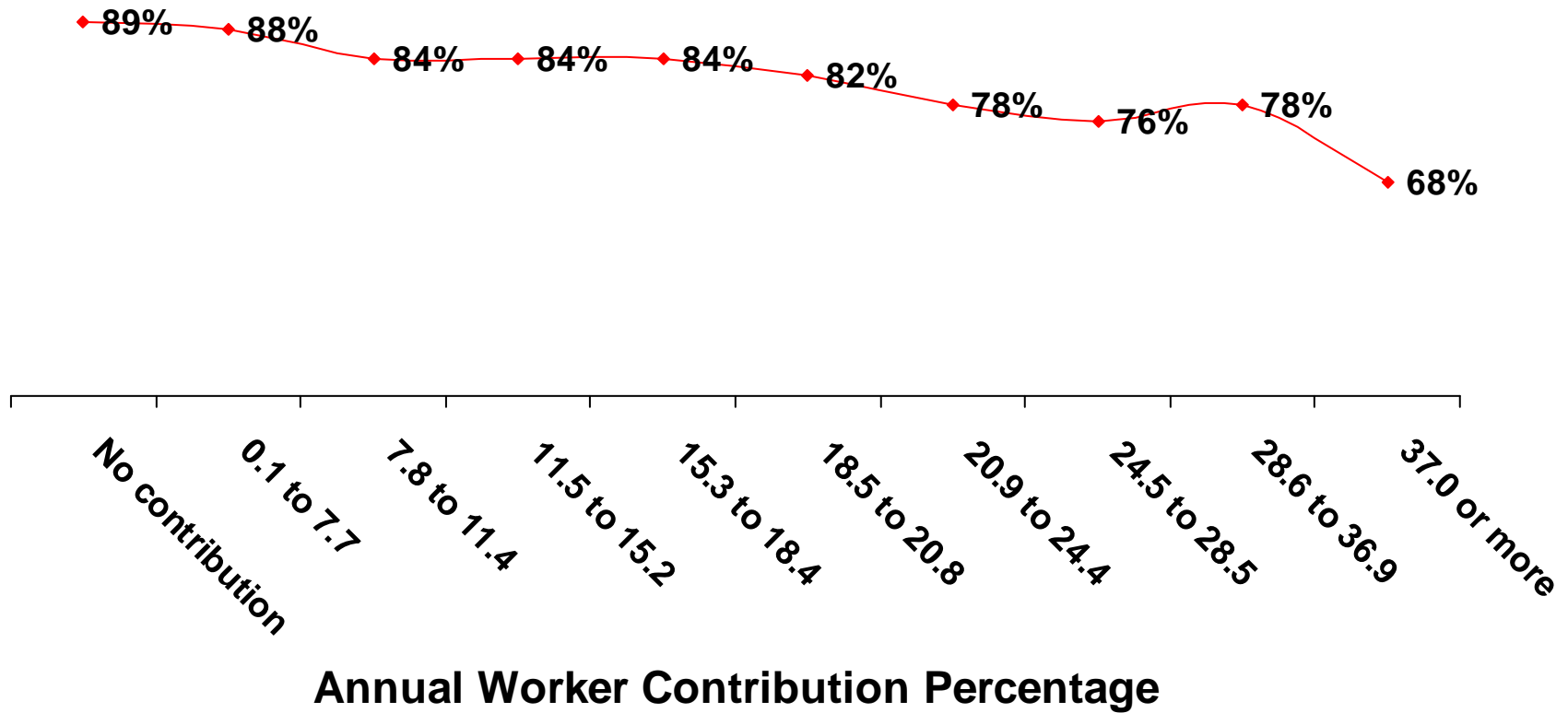
### Average Total Annual Premium for Single and Family Coverage, 2000 and 2008



Source: HRET/Kaiser Family Foundation. 2008 Employer Health Benefits Survey.

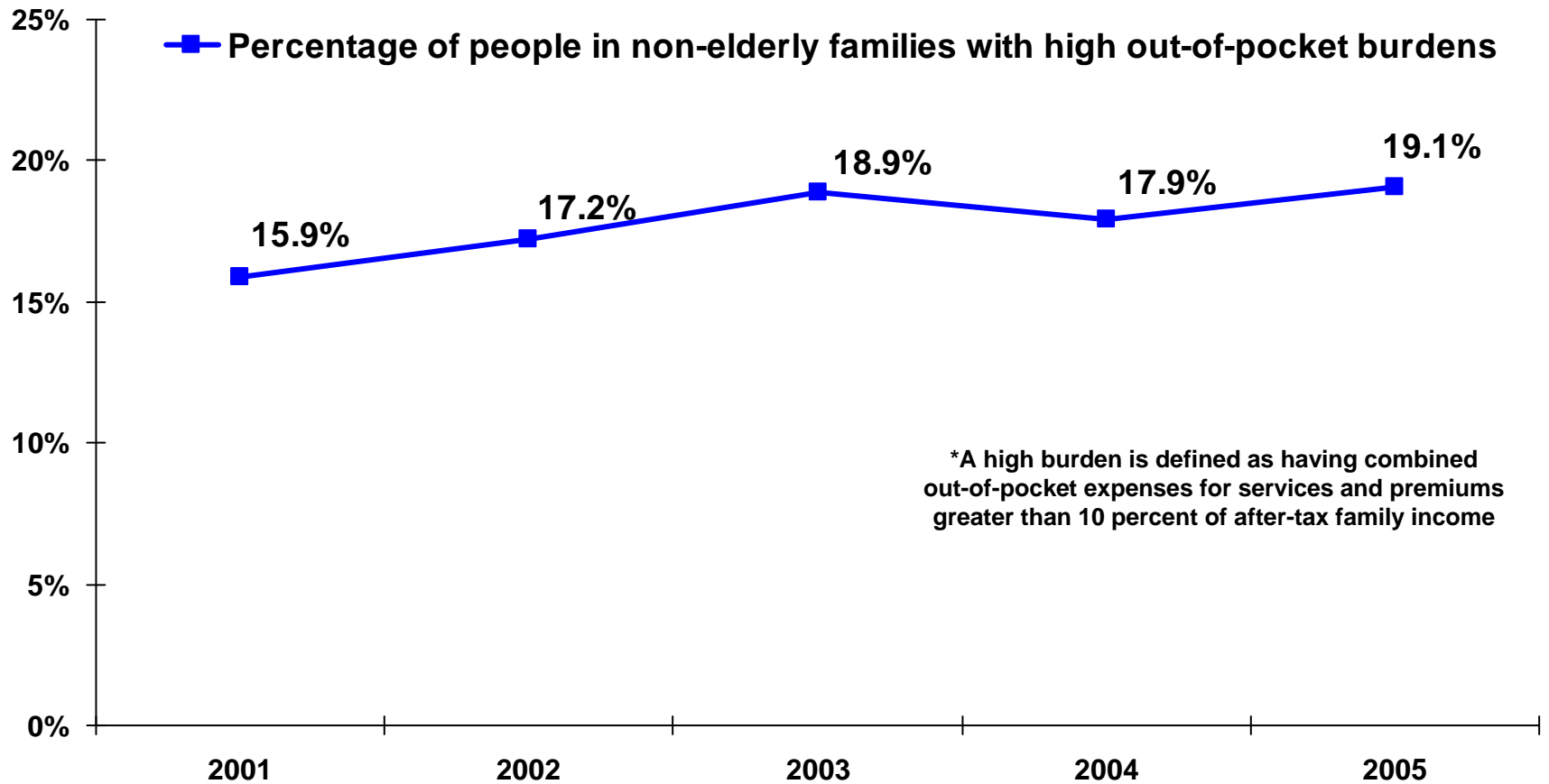
But the more employees have to pay for premiums, the less likely they are to enroll in a health plan...

◆ Single Coverage Take-Up Rate



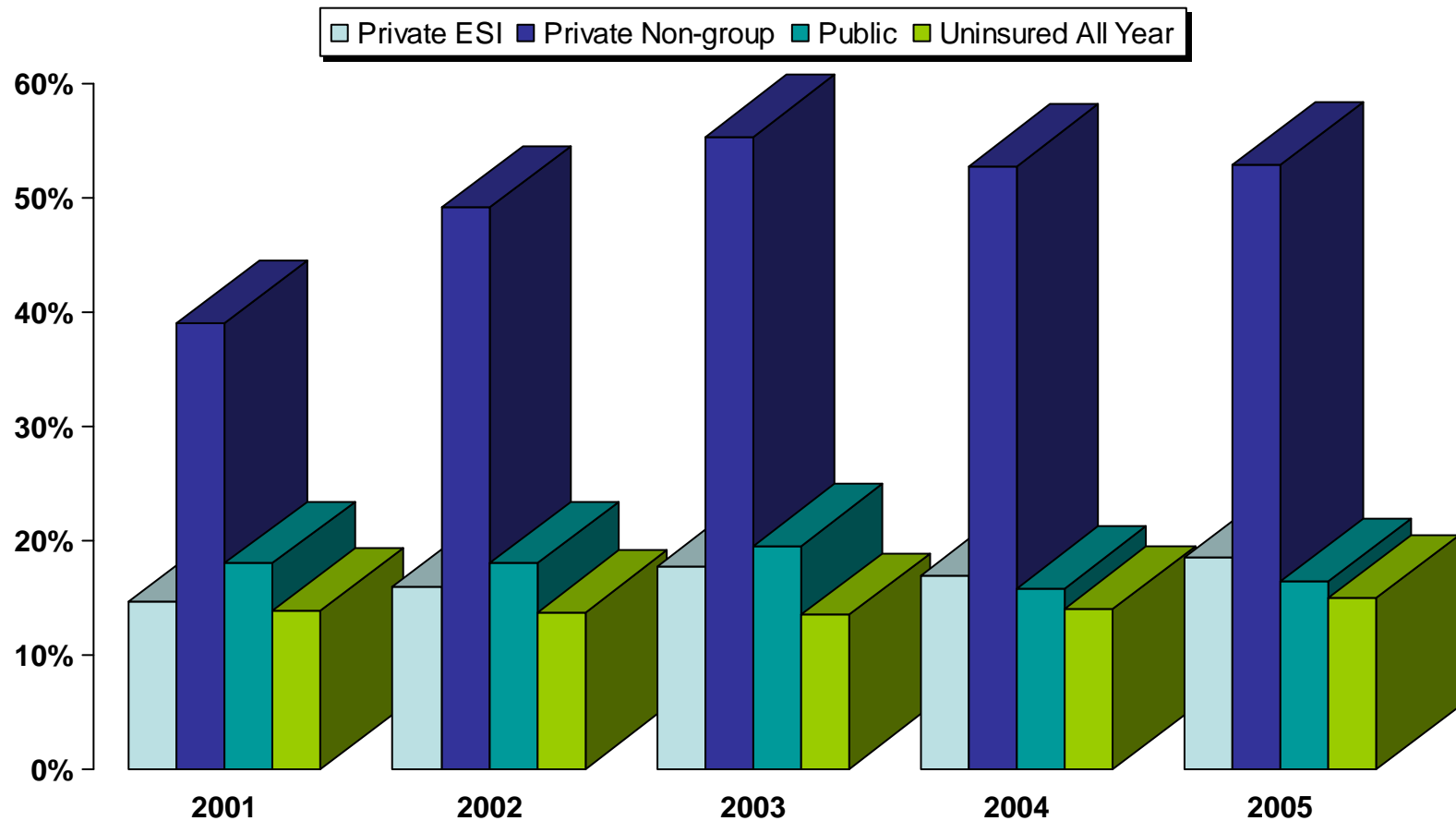
Source: Kaiser Family Foundation. February 2007. Snapshots: Health Care Costs. Insurance Premium Cost-Sharing and Coverage Take-up.

## The share of people experiencing high out-of-pocket burdens\* is growing...



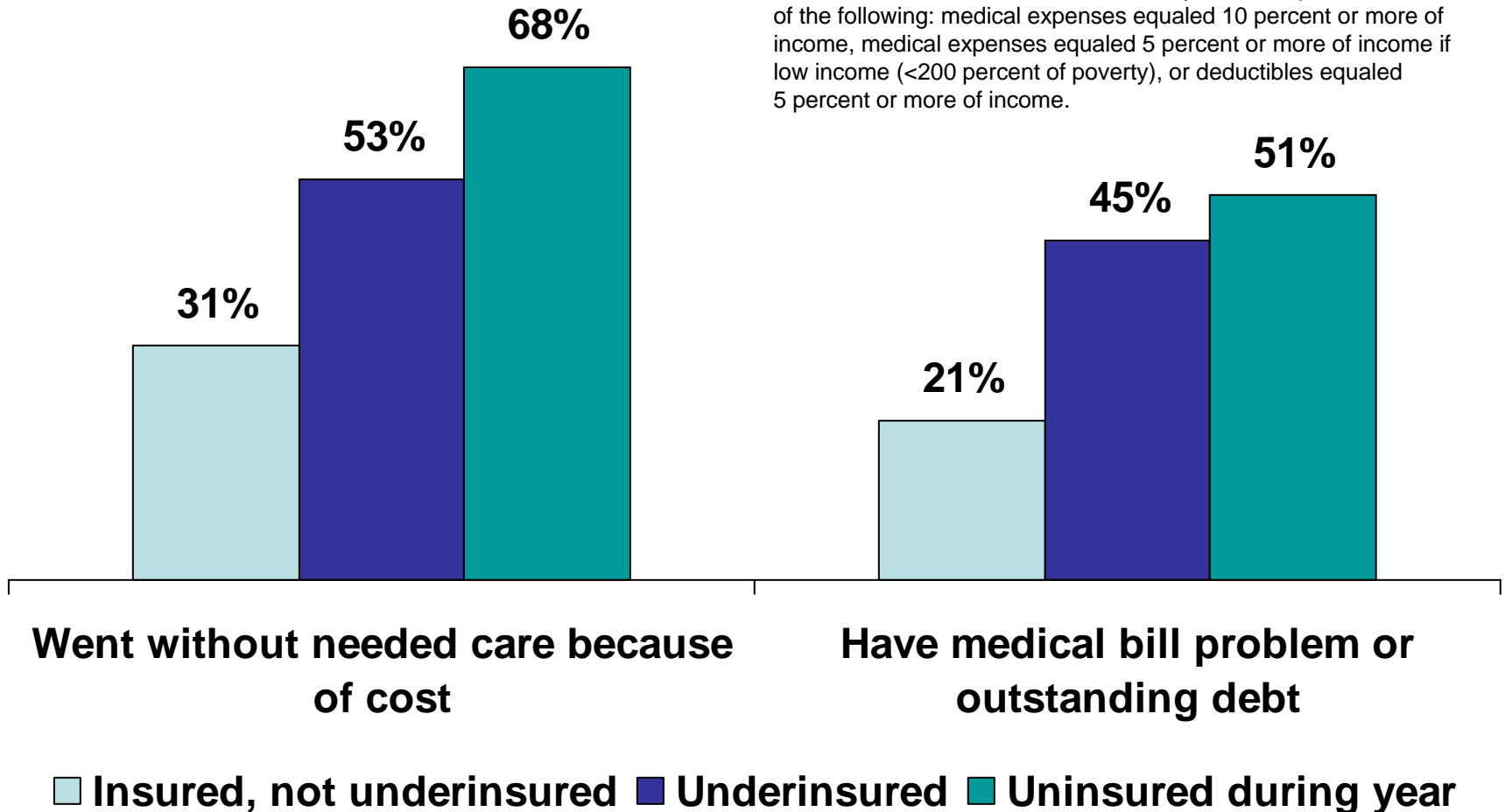
Source: Jessica Banthin, "Out-of-Pocket Burdens for Health Care: Insured, Uninsured, and Underinsured" presentation. September 23, 2008.

# People with private non-group insurance are most likely to spend more than 10 percent of their income on health care...



# Being underinsured\* and uninsured puts you at higher risk for going without needed care and having medical debt...

\* Underinsured is defined as insured all year but experienced one of the following: medical expenses equaled 10 percent or more of income, medical expenses equaled 5 percent or more of income if low income (<200 percent of poverty), or deductibles equaled 5 percent or more of income.

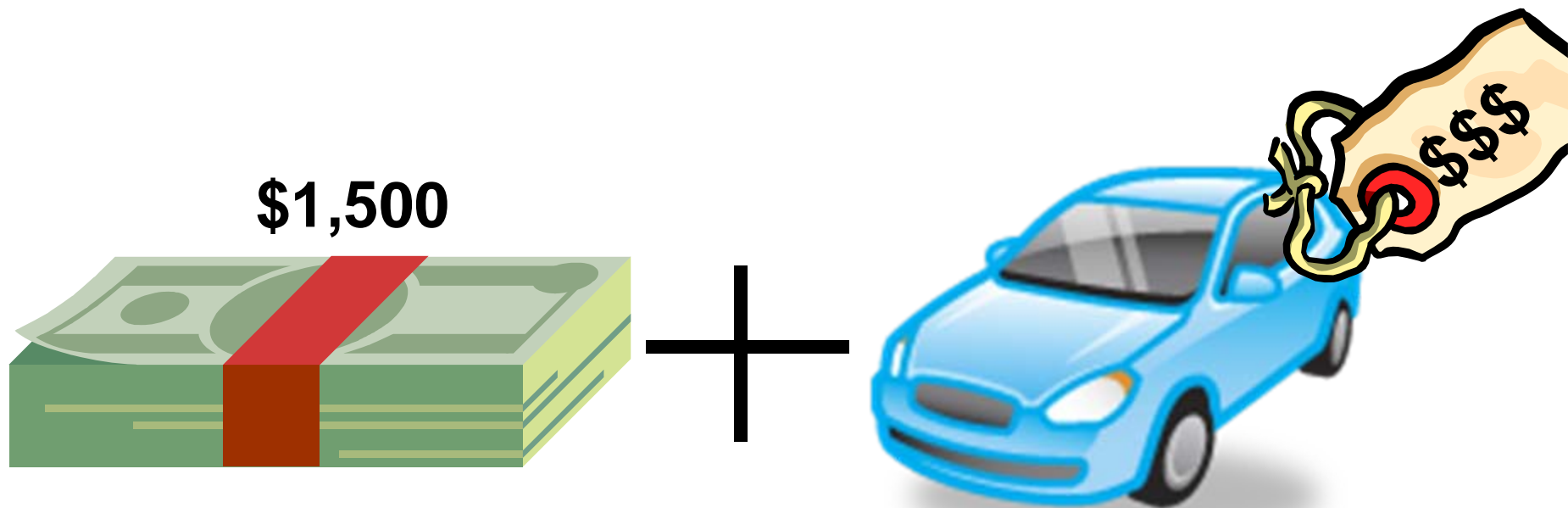


Source: C. Schoen et al., "How Many are Underinsured? Trends Among U.S. Adults, 2003 and 2007," *Health Affairs* Web Exclusive, June 10, 2008. Data: 2007 Commonwealth Fund Biennial Health Insurance Survey.



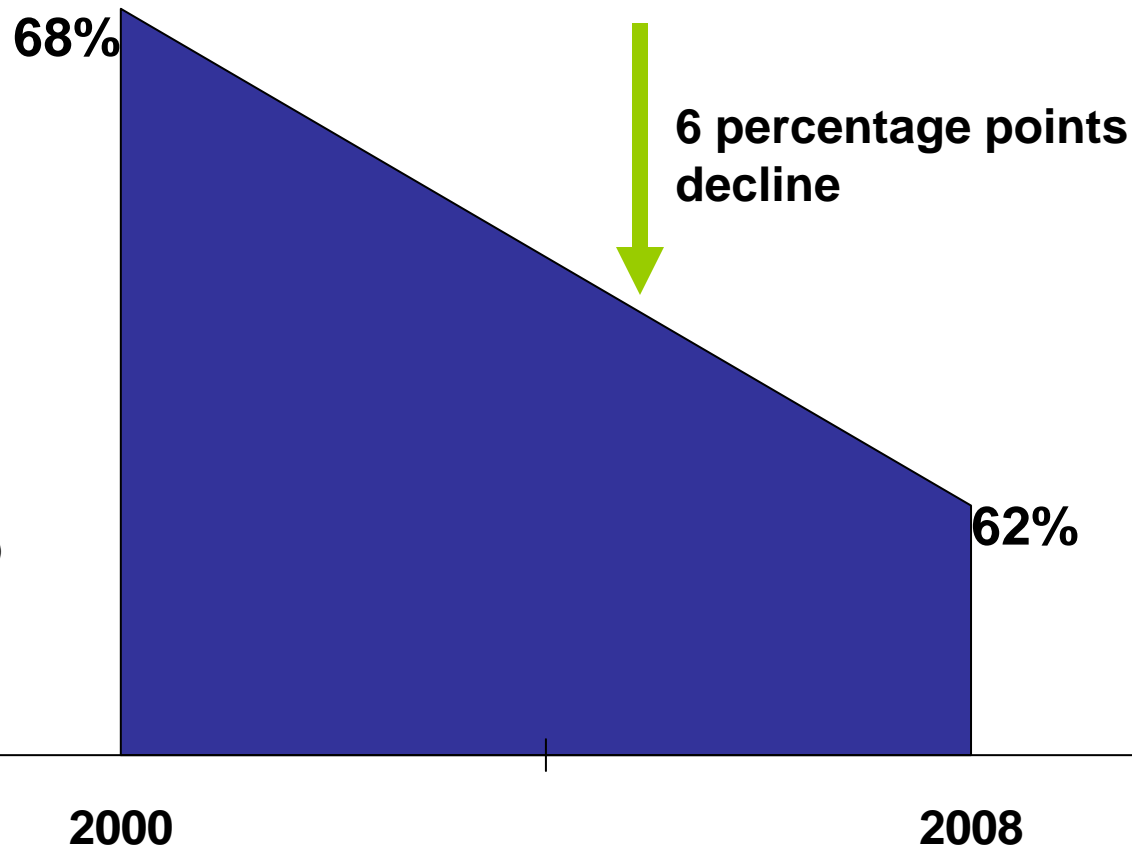
II. Employers are also facing the high costs of health care

U.S. automakers estimate that \$1,500 is added to the price of each car to provide health insurance to their employees...



Source: Lisa Girion. "Healthcare costs pinch employers." *Los Angeles Times*. May 6, 2008.

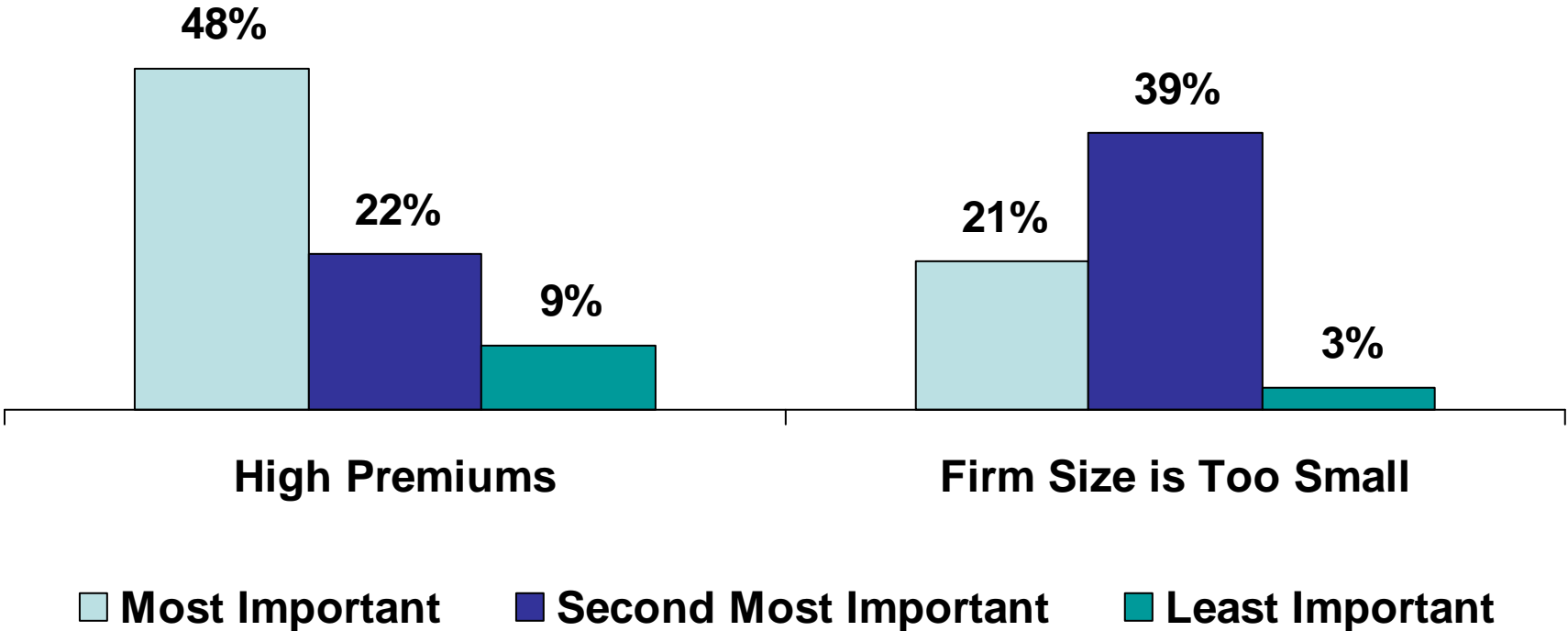
The share of small employers offering health insurance has declined as the cost of offering coverage has increased...



Small firms (employers) are defined as having between 3 and 199 workers

The high cost of premiums and small firm size are top reasons small employers choose not to offer health coverage...

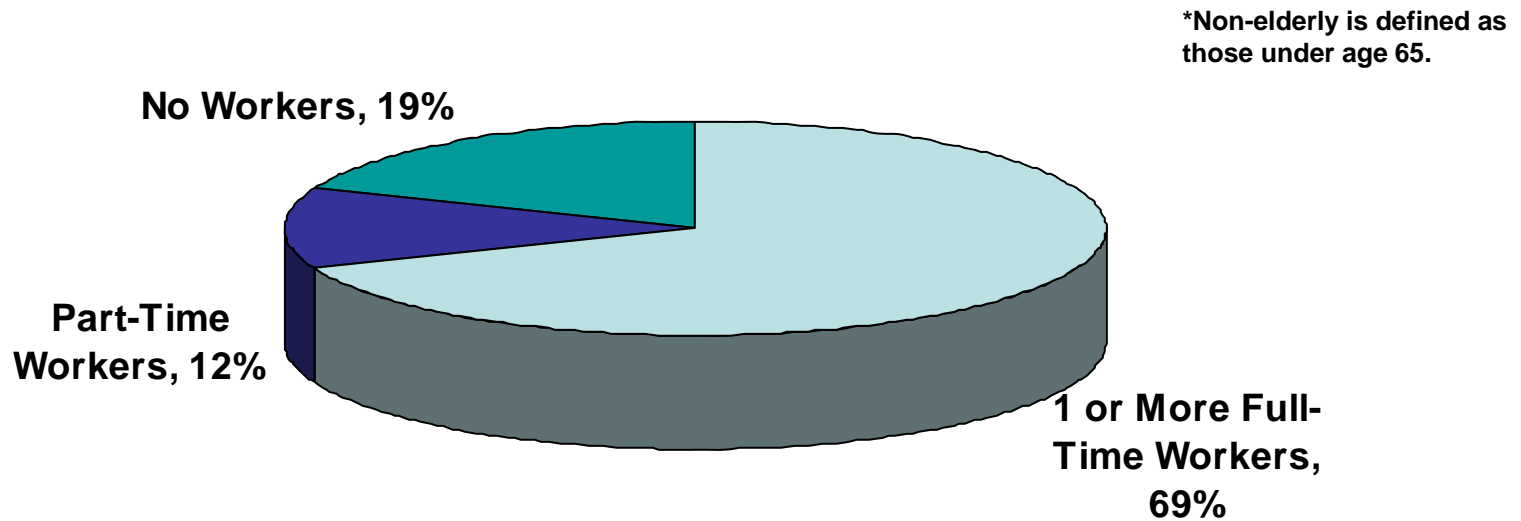
**Reasons for Not Offering Health Benefits among Small Employers Not Offering Coverage, 2008**



Source: HRET/Kaiser Family Foundation. 2008 Employer Health Benefits Survey.

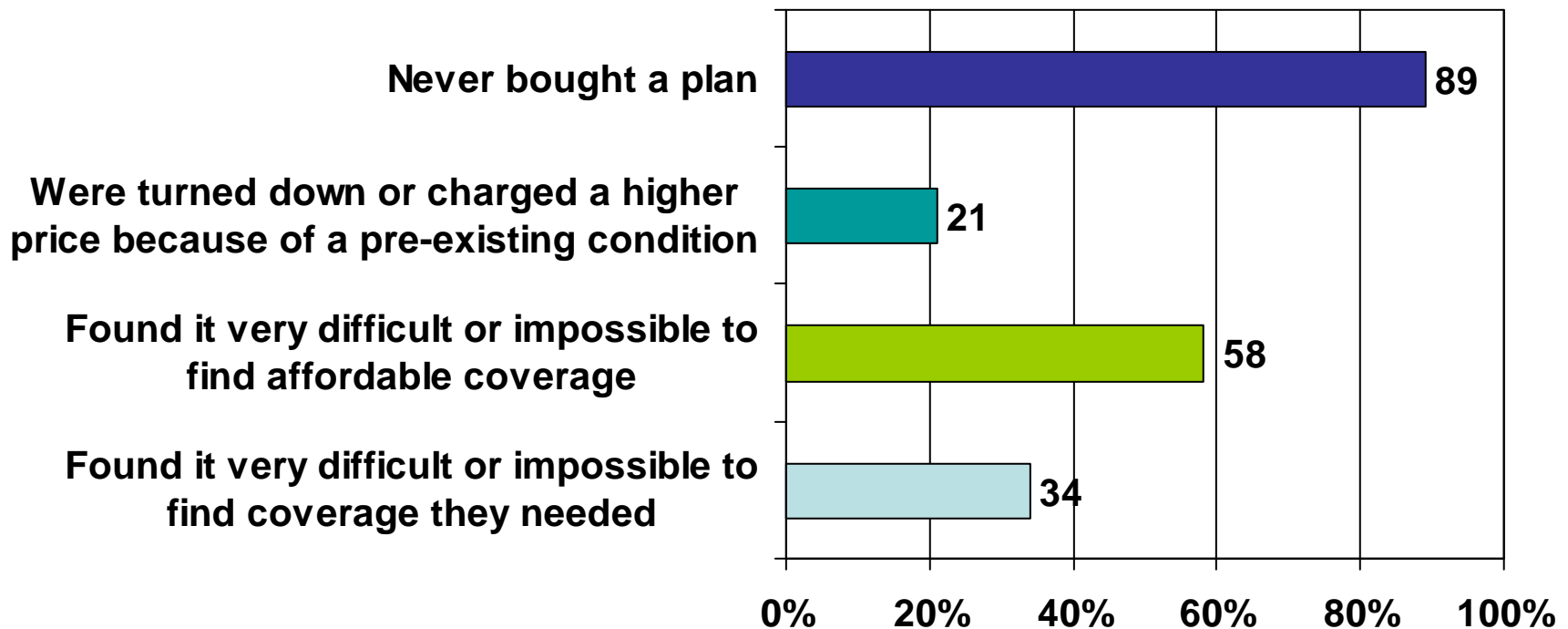
# Most of the uninsured are in working families...

## Non-elderly\* Uninsured by Family Work Status, 2007



For those without employer coverage,  
purchasing health insurance in the individual  
market may not be possible or affordable...

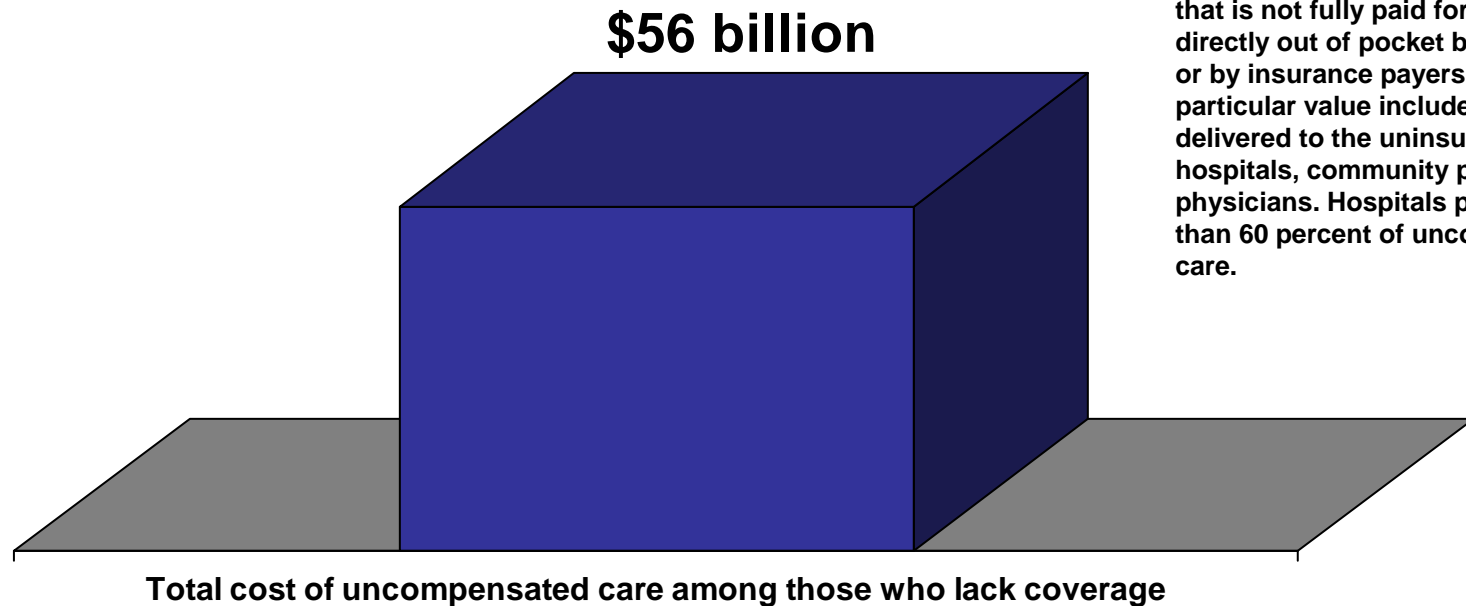
**Share of Adults Ages 19–64 with Individual Coverage or  
Who Thought About or Tried to Buy Coverage in the Past  
Three Years**



Source: S. Collins et al., *Squeezed: Why Rising Exposure to Health Care Costs Threatens the Health and Financial Well-Being of American Families* (New York: The Commonwealth Fund, September 2006).

III. There are also high costs to society

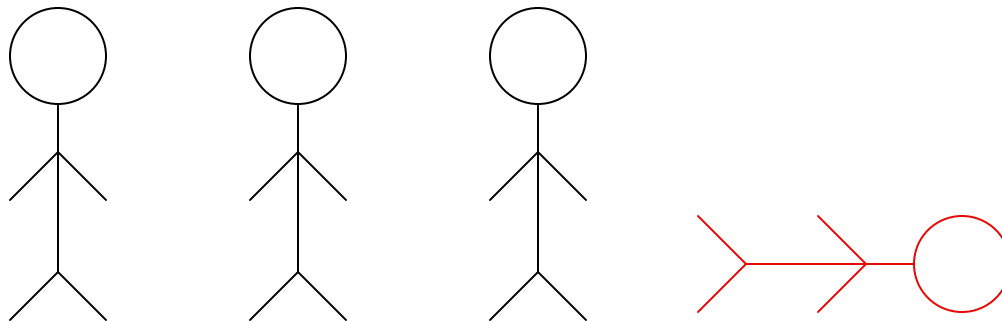
People who lack health insurance will receive about \$56 billion in uncompensated care\* in 2008...



\*Uncompensated care is health care that is not fully paid for, either directly out of pocket by individuals or by insurance payers. This particular value includes care delivered to the uninsured by hospitals, community providers and physicians. Hospitals provide more than 60 percent of uncompensated care.

# People who lack health insurance have a higher risk of dying prematurely than their insured counterparts...

- According to an Institute of Medicine report, adults without health insurance were 25 percent more likely to die prematurely than those with health insurance.

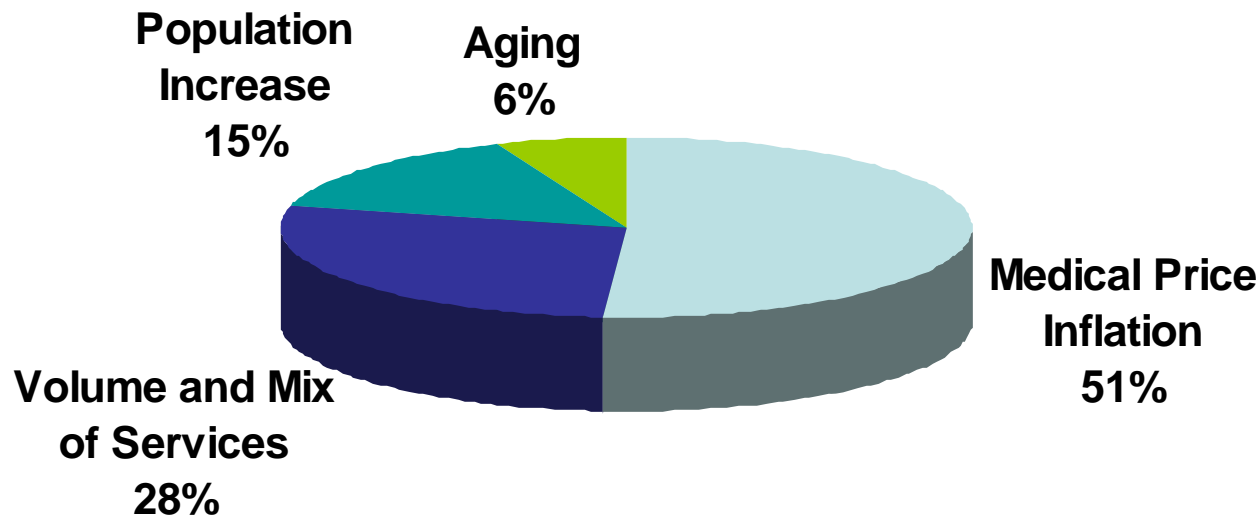




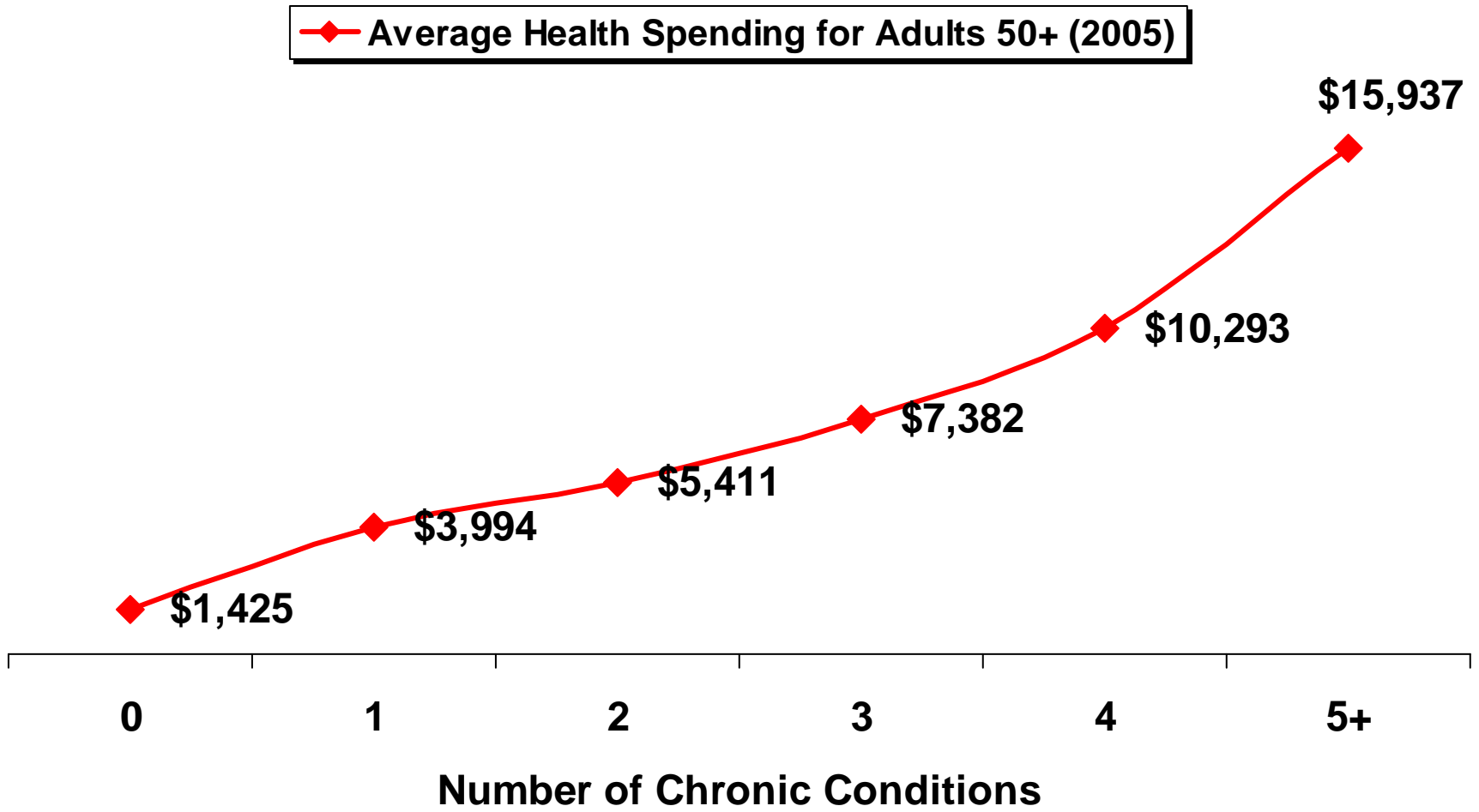
IV. National health care costs will continue to soar

Medical price inflation is a major driver, while population aging accounts for a small share of the spending growth...

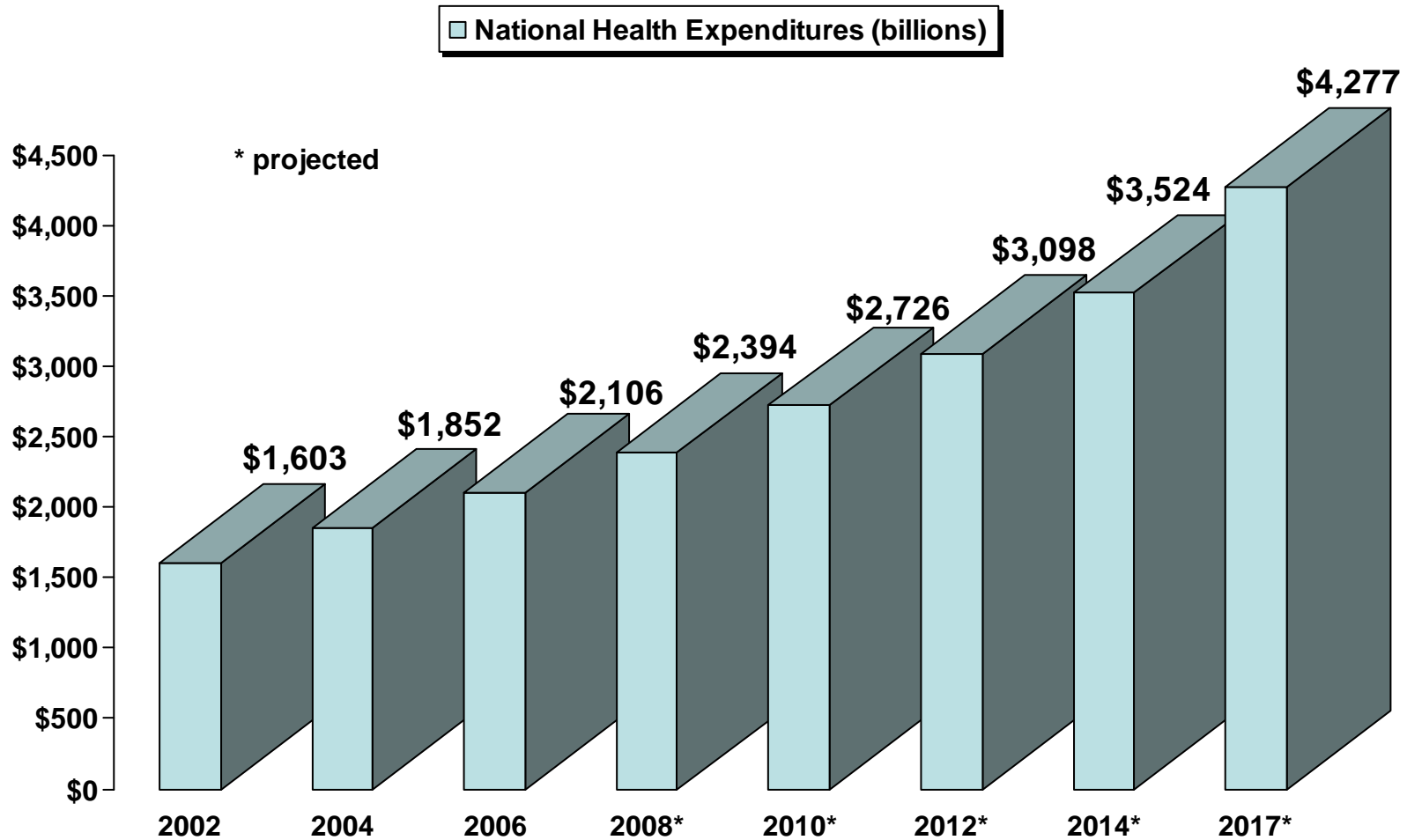
### Drivers of Spending Growth, 2006



# Health spending increases with the number of chronic conditions...

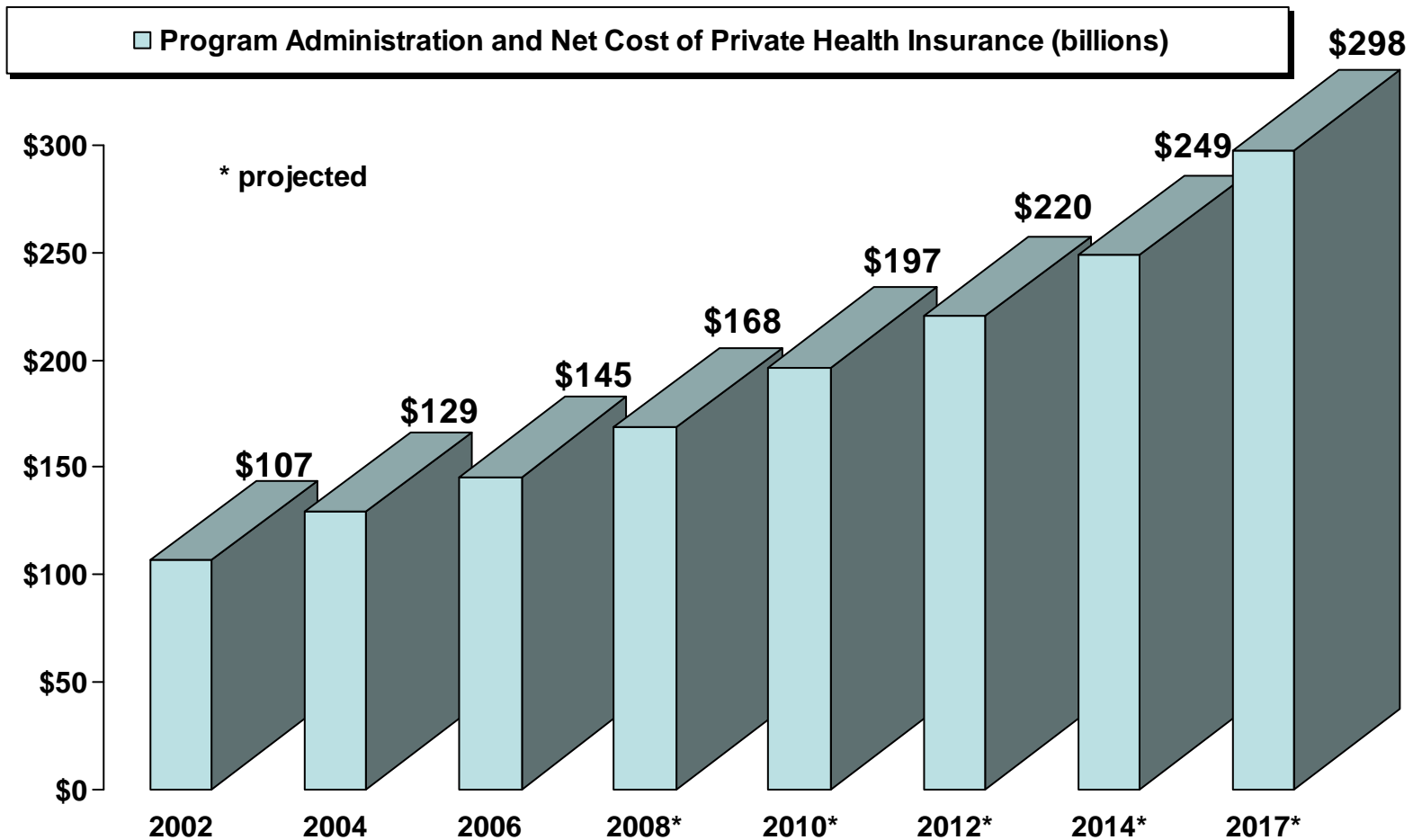


# Health spending will nearly double to \$4.3 trillion by 2017...



Source: Centers for Medicare and Medicaid Services. National Health Expenditure Projections 2007–2017. Table 1.

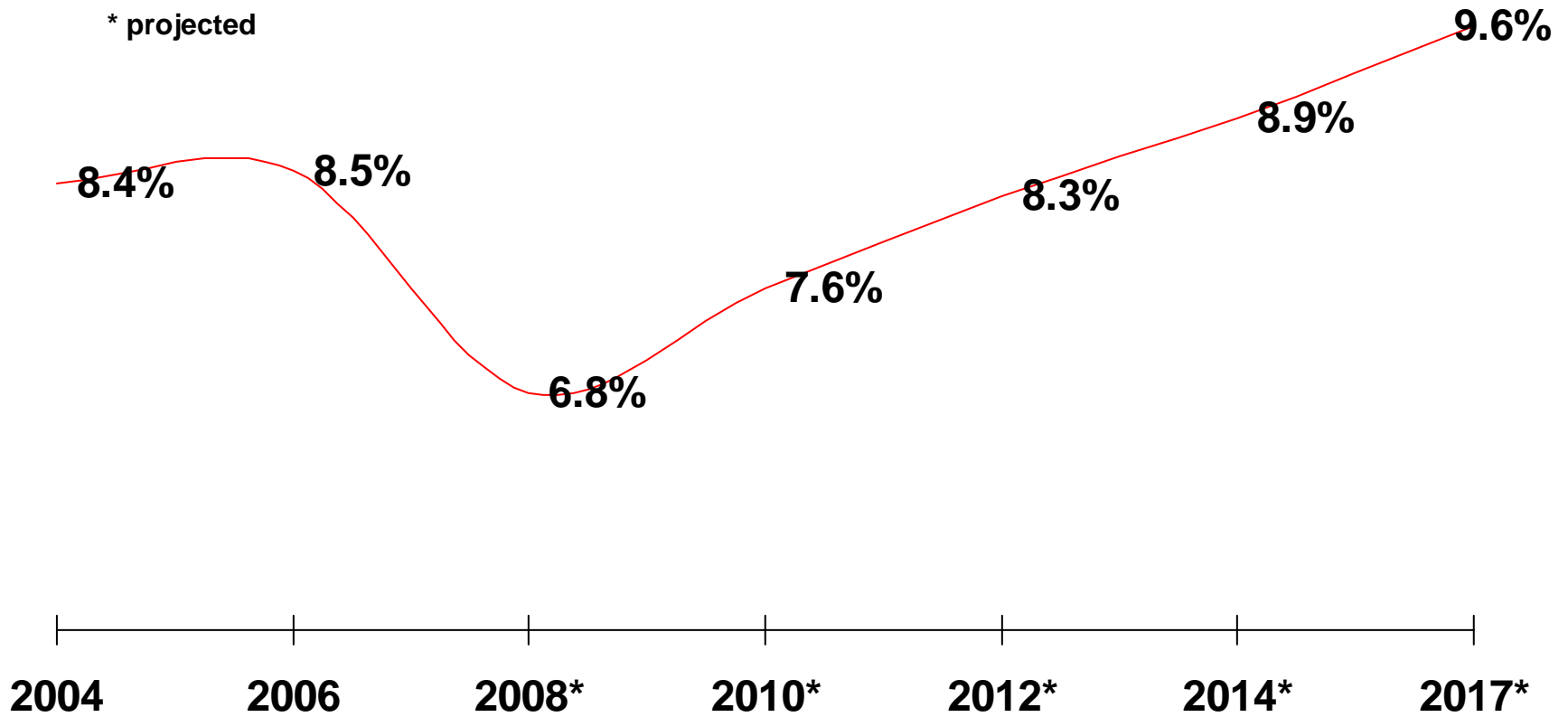
# Administrative expenses are projected to double to \$298 billion by 2017...



Source: Centers for Medicare and Medicaid Services. National Health Expenditure Projections 2007–2017. Table 2.

# Prescription drug spending is projected to rise...

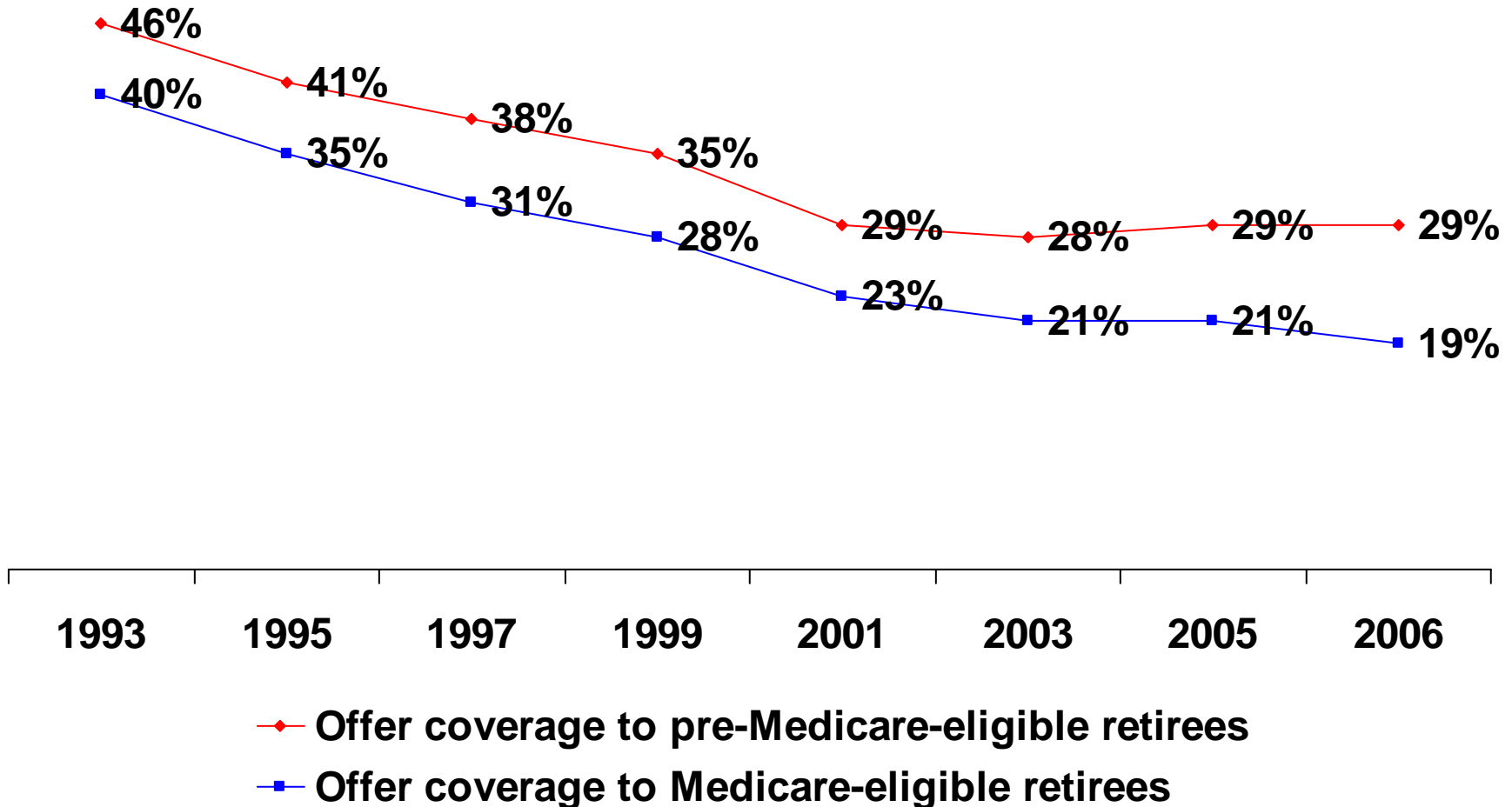
Annual Percent Change in Prescription Drug Expenditures



Source: Centers for Medicare and Medicaid Services. National Health Expenditure Projections 2007–2017. Table 2.

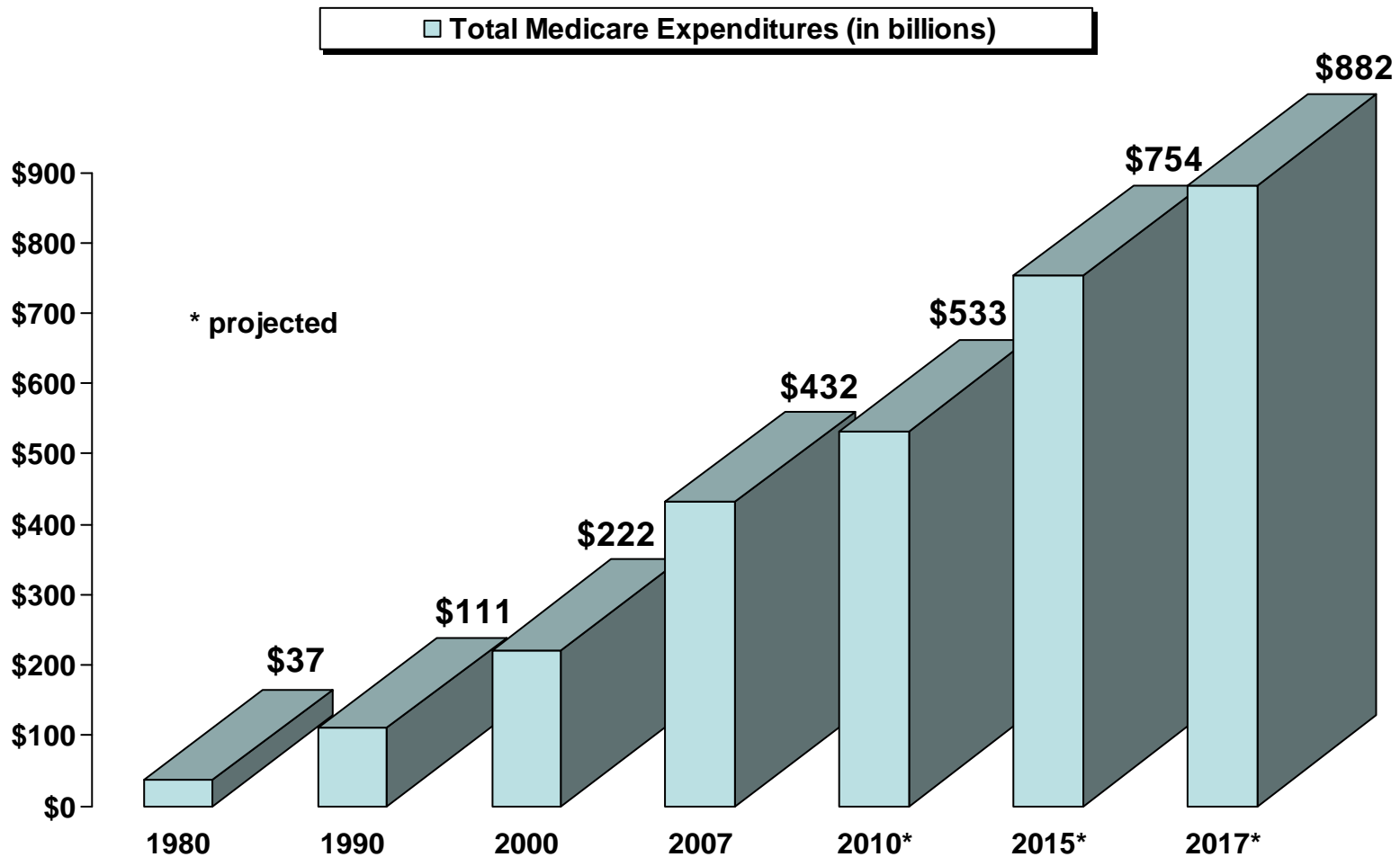
V. Medicare costs will continue to increase

## The share of large employers offering retiree health coverage has declined...



Source: Mercer Health & Benefits. National Survey of Employer-Sponsored Health Plans. 2006 Survey Report.

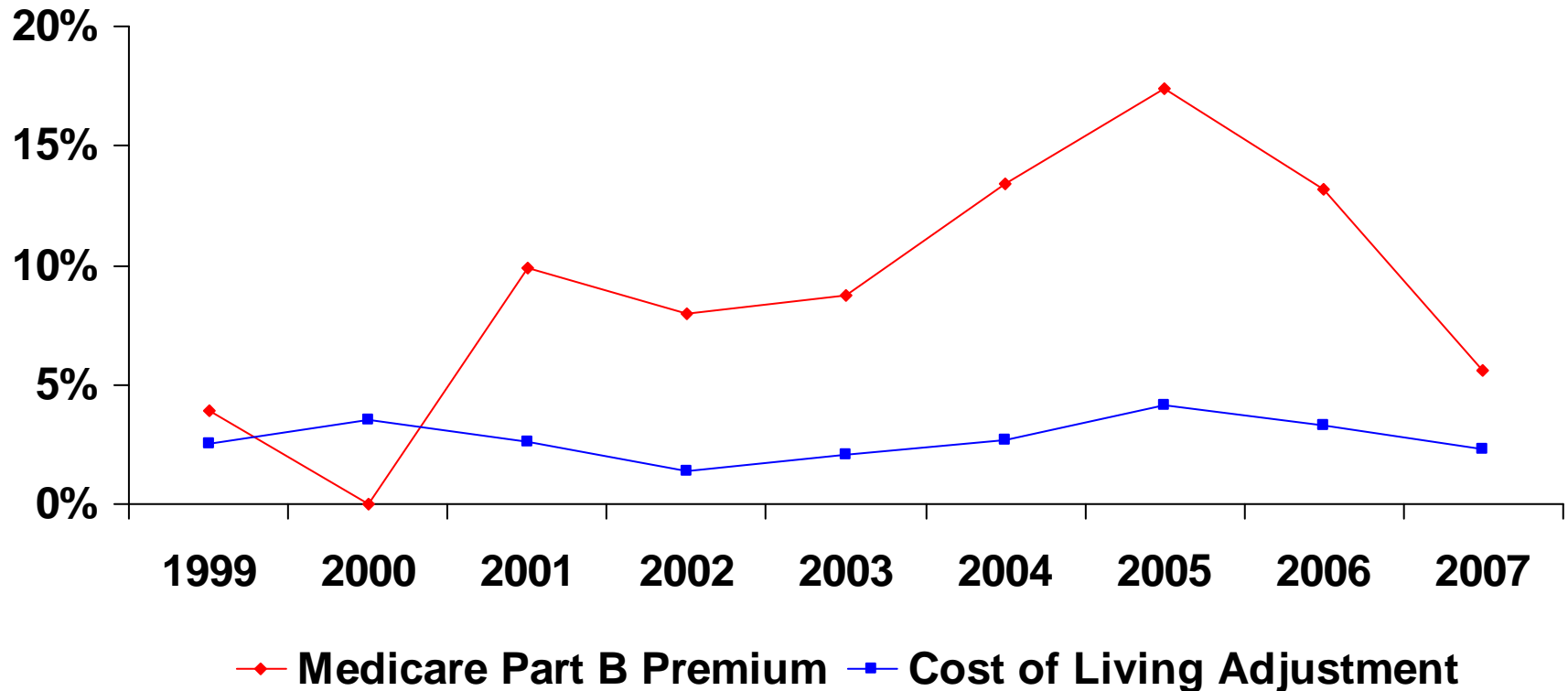
# Medicare expenditures have increased and are projected to reach \$882 billion by 2017...



Source: Centers for Medicare and Medicaid Services. 2008 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. Table III.A1.

Without reform, Medicare Part B premium increases will continue to outstrip Social Security cost of living adjustments...

**Percentage Change in Medicare Part B Premium and Cost of Living Adjustments**



Source: Centers for Medicare and Medicaid Services. 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Fund, Table V.C1 and V.C2.



## VI. AARP's framework for health security

## AARP's framework to achieve health security includes options to...

- Build the infrastructure for expanded coverage
- Reform health care delivery
- Transform Medicare into a value purchaser
- Improve health status through healthy behaviors, health promotion, and public health
- Finance health and long-term care

# AARP's View on Cost Containment

Specific ways to achieve cost containment include:

- Evidence-based guidelines and comparative effectiveness research to underpin benefit design and clinical practice, including evidence-based incentives to avoid inappropriate use of technology
- Standardized and simplified administrative process and adoption of health information technology throughout the system to lower administrative overhead, reduce medical errors, and improve quality
- More effective disease prevention and health promotion efforts
- Better coordination and management of chronic conditions, combined with personal assistance and support services
- Wider use of palliative care, especially at the end of life
- Incentives for health providers based on performance (“pay for performance”) and episodes of care across a continuum of services and settings (“episode-based reimbursement”) rather than fee-for-service reimbursement
- Effective health navigation and decision supports to enable patients to make evidence-informed decisions and better manage their own health



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