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…

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

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

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

- 89%
- 88%
- 84%
- 84%
- 84%
- 82%
- 78%
- 76%
- 78%
- 68%

Annual Worker Contribution Percentage

The share of people experiencing high out-of-pocket burdens* is growing…

*A high burden is defined as having combined out-of-pocket expenses for services and premiums greater than 10 percent of after-tax family income

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.

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...

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

<table>
<thead>
<tr>
<th>Reason</th>
<th>Most Important</th>
<th>Second Most Important</th>
<th>Least Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Premiums</td>
<td>48%</td>
<td>22%</td>
<td>9%</td>
</tr>
<tr>
<td>Firm Size is Too Small</td>
<td>39%</td>
<td>21%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Most of the uninsured are in working families…

Non-elderly* Uninsured by Family Work Status, 2007

- 1 or More Full-Time Workers, 69%
- Part-Time Workers, 12%
- No Workers, 19%

*Non-elderly is defined as those under age 65.

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

- Never bought a plan: 89%
- Were turned down or charged a higher price because of a pre-existing condition: 21%
- Found it very difficult or impossible to find affordable coverage: 58%
- Found it very difficult or impossible to find coverage they needed: 34%

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.

Source: Institute of Medicine, “Care Without Coverage: Too Little, Too Late” (Washington, DC: National Academy Press, 2002).
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

- Medical Price Inflation: 51%
- Volume and Mix of Services: 28%
- Population Increase: 15%
- Aging: 6%

Health spending increases with the number of chronic conditions…

Source: Johns Hopkins Bloomberg School of Public Health analysis of Medical Expenditure Panel Survey, 2005.
Health spending will nearly double to $4.3 trillion by 2017…

Administrative expenses are projected to double to $298 billion by 2017…

Prescription drug spending is projected to rise…

V. Medicare costs will continue to increase
The share of large employers offering retiree health coverage has declined…

Medicare expenditures have increased and are projected to reach $882 billion by 2017…

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