

America's Inflated Health Care System

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Imagine this. A 45-year-old stay-at-home mother of three makes her way into an ob/gyn clinic frightened after finding a lump on her right breast.

She no longer shares her ex-husband's insurance plan and is turned away. After three weeks looking for a site that can perform affordable testing, she is diagnosed with breast cancer.

The cost of surgery is estimated between \$15,000 and \$30,000. She is not only facing cancer, she is facing a massive bill and years of debt.

For those working in the healthcare profession, this scenario is not so hard to imagine. We hear frustrating stories like this everyday.

Hot Button Issue

Controlling health care costs and creating a sustainable health care system is one of the hottest debates among the presidential candidates.

In the coming months, we must understand our potential leaders' health care plans, and find ways we too can enable an affordable health care system.

To become more informed on health care policy, the Henry Kaiser Foundation offers a side by side comparison of the 2008 presidential candidate's health care plans.

Visit www.health08.org/sidebyside.cfm to learn more about each politician's position on cost containment, financing, and overall approach to expanding access and coverage.

Swelling Expenditures

With dialogue, debate and testimony, health care professionals can help find better, more meaningful solutions to America's inflated health care system.

And just how much has it inflated?

In 1960 \$27.1 billion and 5.3 percent of the gross national product was spent on health care. In 2001 \$1.424 trillion and 14.1 percent of the gross national product was spent on health care services.¹

The U.S. Department of Health and Human Services predicts health care spending will rise to \$3.6 trillion dollars by 2014 representing 18.7 percent of the nation's spending.¹

Due to the increase in health care spending, insurance premiums have risen at a faster pace than the economy and workers' salaries.² Health care costs are outpacing rates of inflation, as well. This trend has made

insurance unaffordable for many with nearly 47 million uninsured in 2005.³ While eight in 10 uninsured people come from working families.⁴

Medicare is another perpetual headache in the health care spending debate. Medicare serves approximately 41 million people, costs \$277 billion per year, and is almost 13 percent of the federal budget.⁵

Some pundits believe with the rise of the baby boomer population and health care costs increasing, Medicare has the potential of going bankrupt.

Many Factors Drive Up Costs

Sixty-three percent of healthcare spending is linked to the rising prevalence of disease. Twenty-seven percent of the health care spending between 1987 and 2002 is attributable to obesity.⁶

Chronic diseases such as hypertension and diabetes fuel more spending linked to conditions of obesity. If the nation can provide proper preventative treatment, the prevalence of these diseases will decrease, translating into cost savings.

Clinical thresholds have changed, requiring treatment for a broader audience.⁶

Blood pressure thresholds have decreased from 160/90 mm Hg in 1980, to 140/90 mm Hg today. Cholesterol level thresholds have decreased from levels of 240 down to 200. Fasting glucose level thresholds have declined from 110 to 100.

The broader patient base provided by the lowered thresholds translates directly to increased spending levels.⁶

IT: The Bad & The Good

The growing prevalence of technology in health care is the single largest driver in increasing health care costs; changing technology accounts for one-half to two-thirds of the increase in health care spending.⁷

The continuous stream of new technology meets the demand from consumers and employers who see this technology as a way to provide safer, higher quality care.

Tools such as magnetic resonance imaging and high cost prescription drugs have become the expectations of care.

Price Transparency

The lack of price transparency does little to keep health care costs under control. Due to third party payment systems, e.g., insurance companies, patients lack visibility of the health care costs they incur.

People pay co-pays and deductibles without ever seeing the actual costs, prompting over utilization of the system. In addition, very few doctor's offices or hospitals offer a menu of prices listed for services.

It becomes a tenuous process for the patient to obtain such information, and then be motivated to seek the lowest price for the same service. In a time of crisis people will pay regardless of high fees.

Information Dissemination

The U.S. healthcare system could also benefit by widely disseminating information to the public regarding health care costs. More and more hospitals are being graded on costs and safety. Public awareness of provider quality could have a profound impact on consumer shopping and lead to more competitive pricing.

Others advocate having all patient histories stored electronically in a single database. They argue treatment and disease patterns could more easily be identified, the risk of duplicate or conflicting treatments would reduce and our general knowledge about the state of health care would grossly improve. Many clinics still strictly use paper patient records and hospitals paper charts.

Even as cutting edge technology makes its way into the operating room the transactional information systems that run medical offices and store patient records have lagged behind the curve when compared with other industries.

The lack of systems integration and consistent data collection makes high level analysis difficult. For example, there is no database on state level examining costs and the local conditions driving health care cost growth.⁶

Without state level data, researchers cannot easily identify best practices and validate the efficacy of health care policy measures.

Research Can Help

Finally, FDA standards requiring cost analysis research comparing outcomes regarding drugs and procedures will allow providers to choose treatments more judiciously.

For example, one randomized study found a diuretic, the least costly drug, was just as effective as more expensive drugs in reducing the risk of fatal coronary heart disease and nonfatal myocardial infarction.⁶

This type of research potentially sets standards and controls relative costs that can be used for similar diseases.

References

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