

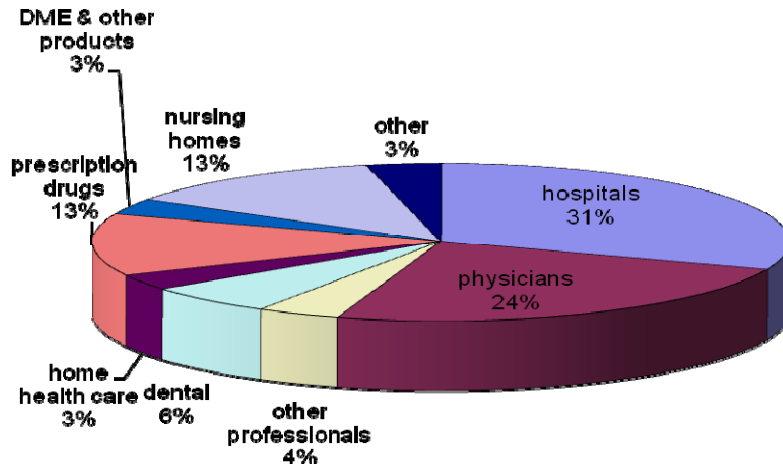
Health Care Costs

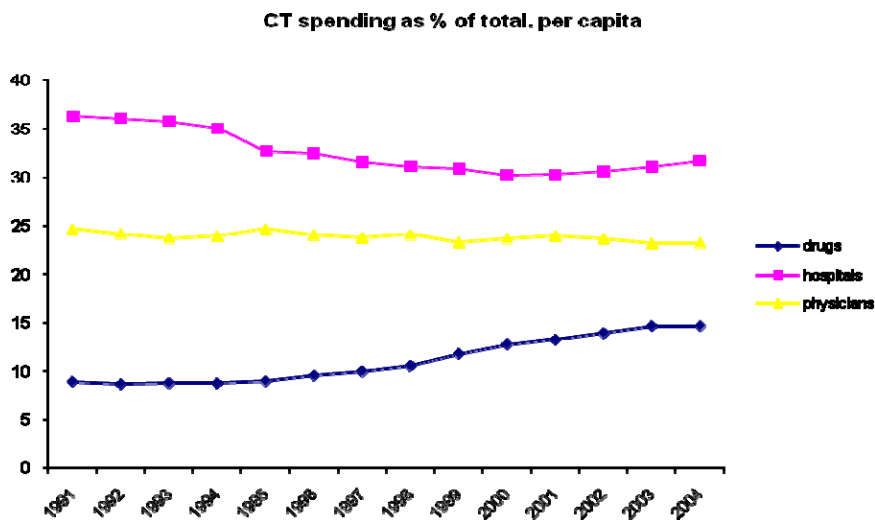
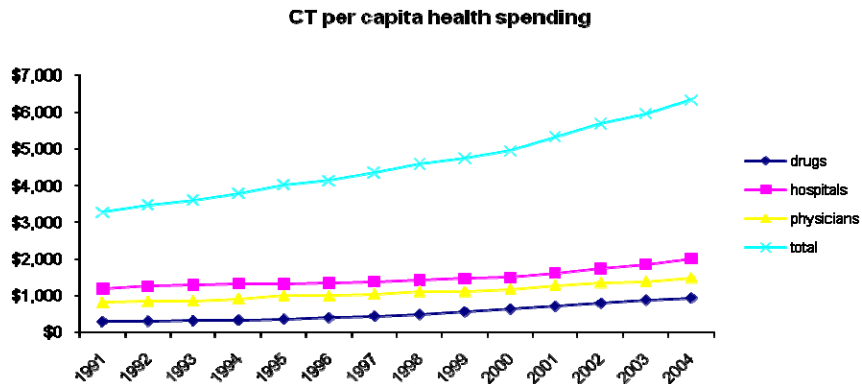
According to the Census bureau, 90% of Connecticut residents are covered by some form of insurance.ⁱ In the United States, \$2.2 trillion is spent on the healthcare system.ⁱⁱ Within this system, different groups pay certain portions that are rising, and there is evidence of wasted spending within the healthcare system.

Connecticut personal health care expenditures have increased over time totaling \$22,167,000,000 in 2004, a majority of that amount going to hospital care and physician and clinical services.ⁱⁱⁱ Costs vary across the nation due to healthcare practice differences and basic costs of services, and that areas of lower cost tend to be in the west and some southern regions of the country.^{iv}

As in the rest of the US, per person health costs have been rising in CT. Also mirroring national trends, as a percent of the total, drug costs in CT have increased significantly, hospital care has reduced somewhat and physician services have held steady.

CT Health Care Spending, 2004





Source: CMS, National Health Expenditure Accounts, <http://www.cms.hhs.gov/NationalHealthExpendData>

Health care spending in the US has been rising far faster than state budgets.

health costs vs. state budgets, US



Sources: National Health Accounts, CMS< accessed 7/27/09, The Fiscal Survey of States, NASBO, June 2009

Employer Based Insurance

In Connecticut, 65.7% of people have employer based insurance.^v For an American family of four, 2010 saw an increase of medical costs from \$16,771 in 2009 to \$18,074, a 7.8% increase.^{vi} This increase is one of the highest seen in the past 10 years.^{vii} This will factor into premium increases for both employers and the employees.

- Nationally employers saw a total cost increase of 8.0% from last year ^{viii}
- Employees saw an increase in total cost of 7.4%^{ix}
- Families in Connecticut saw an 80.7% increase of healthcare premiums for families from 2000-2007
- From 2000 to 2007, CT average median income only increased 9.9%^x
- Premiums for CT families rose 8.2 times faster than the median incomes.^{xi}

Some new changes will affect the proportions paid by employers and employees. The expanded age for dependent coverage of adult children to 26, removal of lifetime and annual limits, restriction of cost sharing for preventive care, and prohibition of pre-existing condition exclusions will likely cause a cost shift from employees to employers in the future.^{xii}

Health Care Spending

Wasteful healthcare spending is said to be \$1.2 trillion of the total \$2.2 trillion spent within the United States; wasteful spending can be divided into three categories: behavioral, clinical, and operational.^{xiii}

- 80% of consumers believe that these inefficiencies created higher costs and lessened the quality of care.^{xiv}
- When compared to other social systems, 29.9% of consumers believe the health system is not run very efficiently.^{xv}

Of the identified wasteful spending, \$312 billion of that is clinical waste, for example hospital readmissions, poorly managed diabetes, and unnecessary ER visits.^{xvi}

- In a survey, 65% of patients said they had received excessive medical treatment^{xvii}
- 16% reported excessive testing from doctors^{xviii}
- 2/3 of individuals believed overused diagnostic testing was causing higher healthcare costs.^{xix}
- Poorly managed diabetes has \$22 billion annual excess costs^{xx}
- Preventable hospital readmissions has \$25 billion in annual excess costs^{xxi}
- Unnecessary ER visits cost \$14 billion in excess^{xxii}

46% of consumers believe the inefficiency of the health care system is not a government priority, 38% blame complex insurance payment administration, 37.7% view it as the health industry unwilling to change business practices, and 36.2% blame political fighting.^{xxiii}

In 2010, only 17% of the increase in pharmacy spending was related to actual utilization, and the other 83% was due to unit cost increases.^{xxiv} Prescription drug cost sharing also affects the price and utilization of medications. With every 10% increase of prescription drug cost sharing, drug spending decreases by 2% to 6%.^{xxv} However, “increased cost sharing associated with lower rate of drug treatment results in worse adherence among existing users, and more frequent discontinuation of therapy.”^{xxvi}

Jaymie L. Pottieger
CT Health Policy Project Intern
June 2009

ⁱ Census Bureau, http://www.census.gov/hhes/www/cpstables/032009/health/h05_000.htm, Health Insurance Coverage Status by State and Age for all People: 2008.

ⁱⁱ PricewaterhouseCoopers’ health Research Institute, “The Price of Excess: Identifying waste in healthcare spending,” 2010, 1.

ⁱⁱⁱ Connecticut Personal Health Care Expenditures (PHCE), All Payers, State of Residence, 1991-2004.

^{iv} 2010 Milliman Medical Index, May2010, Milliman, Inc., 2.

^v Census Bureau, http://www.census.gov/hhes/www/cpstables/032009/health/h05_000.htm, Health Insurance Coverage Status by State and Age for all People: 2008.

^{vi} 2010 Milliman Medical Index, May2010, Milliman, Inc., 1.

^{vii} 2010 Milliman Medical Index, May2010, Milliman, Inc., 1.

^{viii} 2010 Milliman Medical Index, May2010, Milliman, Inc., 1.

^{ix} 2010 Milliman Medical Index, May2010, Milliman, Inc., 1.

^x Families USA, “Premiums vs Paychecks: A Growing Burden for Connecticut’s Workers,” Sept, 2008.

^{xi} Families USA, “Premiums vs Paychecks: A Growing Burden for Connecticut’s Workers,” Sept, 2008.

-
- ^{xii} 2010 Milliman Medical Index, May2010, Milliman, Inc., 3.
- ^{xiii} 2010 Milliman Medical Index, May2010, Milliman, Inc., 4.
- ^{xiv} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xv} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xvi} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xvii} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xviii} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xix} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xx} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xxi} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xxii} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xxiii} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xxiv} PricewaterhouseCoopers' health Research Institute, "The Price of Excess: Identifying waste in healthcare spending," 2010.
- ^{xxv} Goldman, P Dana, PhD, Geoffrey F. Joyce, PhD, Yuhui Zheng, MPhil, "Prescription Drug Cost Sharing, Associations with Medication and Medical Utilization and Spending and Health.
- ^{xxvi} Goldman, P Dana, PhD, Geoffrey F. Joyce, PhD, Yuhui Zheng, MPhil, "Prescription Drug Cost Sharing, Associations with Medication and Medical Utilization and Spending and Health.