While Waiting on The Supreme Court: What is happening to Health Care Costs and Insurance?

For the last six months, I’ve served on The Woodlands, Texas Chamber of Commerce Health Care Program Committee. These efforts culminated on April 27th with a conference that featured health care providers, hospital CEO’s, health insurance professionals, and a Congressman. As business owners and managers, these issues affect us more than most. The following are some of the interesting facts and observations accumulated during my time on the Committee:

What are Some Key Healthcare Statistics that Affect Us All?
1) Medicaid only pays 60% of the price that other health care payors pay for the same medical procedure. This puts upward cost pressure on the non-Medicaid payors;
2) Americans over the age of 65 have an average of 3.5 chronic diseases / ailments;
3) On average, Medicare patients are treated at the cost of the service by the provider;
4) The average U.S. employee incurs $13,000 of medical related costs annually ($8,000 in insurance premiums and $5,000 in out of pocket expenses);
5) For the first time ever, Medicare costs dropped in 2011. No one knows why for sure;
6) Since 2006, employer healthcare costs are up 40%. Employee costs are up 80%; and
7) 15 Chronic health conditions account for 80% of all illness costs. These 15 conditions are primarily the result of 5 manageable risk factors: poor diet, alcohol, smoking, lack of sleep, and inadequate exercise.

Why is Health Care More Expensive in the US than in Most Countries?
1) Americans expect the best available healthcare administered perfectly, whether they pay for the service or not;
2) American health care providers are constantly introducing new procedures and treatments that people want regardless of the cost;
3) Due to high medical liability costs and risks, health care providers often over order tests and over perform services;
4) There is rampant fraud and abuse of the system by patients and providers, all of whom are working to have a third party (insurance company / government) pay the bill;
5) On average, it costs one billion dollars to have a drug approved for the U.S. market;
6) Large bad debt write-offs due to non-payers, and underpayments by medicare and Medicaid patients (about half of all patients); and
7) Americans spend about five times more for “end of life” costs versus European countries. Our last month is often spent in the I.C.U. In Europe, the last month is often spent in a hospice.

Interesting Notes on “The Patient Protection and Affordable Care Act (PPACA),” aka Obamacare, and the pending Supreme Court Ruling:
1) All of the health care industry and insurance presenters agreed that if the Supreme Court finds the individual mandate unconstitutional, yet upholds the rest of the law, that the system will immediately become financially unsustainable;
2) The PPACA adds 16 million people to the Medicaid rolls;
3) Health Insurance costs rose at a higher than average annual rate in 2011;
4) If the PPACA runs out of money, a panel of 15 unelected people will determine what services and/or care recipients will be dropped; and
5) Workers Compensation insurance costs are on the rise in most states, and experts attribute some of the increase to costs being pushed to workers comp by the PPACA.

**What are Some Ideas for Lower Costs Going Forward?**

1) Allow health insurance to be sold across states lines, as some state’s costs are much lower than others primarily due to fewer/lower coverage mandates;
2) Tie a person’s health care costs to how well he handles the 5 key manageable risk factors: poor diet, alcohol, smoking, lack of sleep, and lack of exercise. For example, if you want to smoke, go ahead and do so, but your health care costs will increase by the projected additional cost;
3) Move from a primarily employer provided health insurance system to an individual provided health insurance system which follows you wherever you go and isn’t dependent on with whom you are employed;
4) Increase deductible and out of pocket costs to give incentives to individuals to not over use health care providers;
5) Moving the care of end of life patients from the I.C.U. to hospice providers; and
6) Spend more on wellness programs. Every wellness dollar ($1) spent saves six ($6).

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