

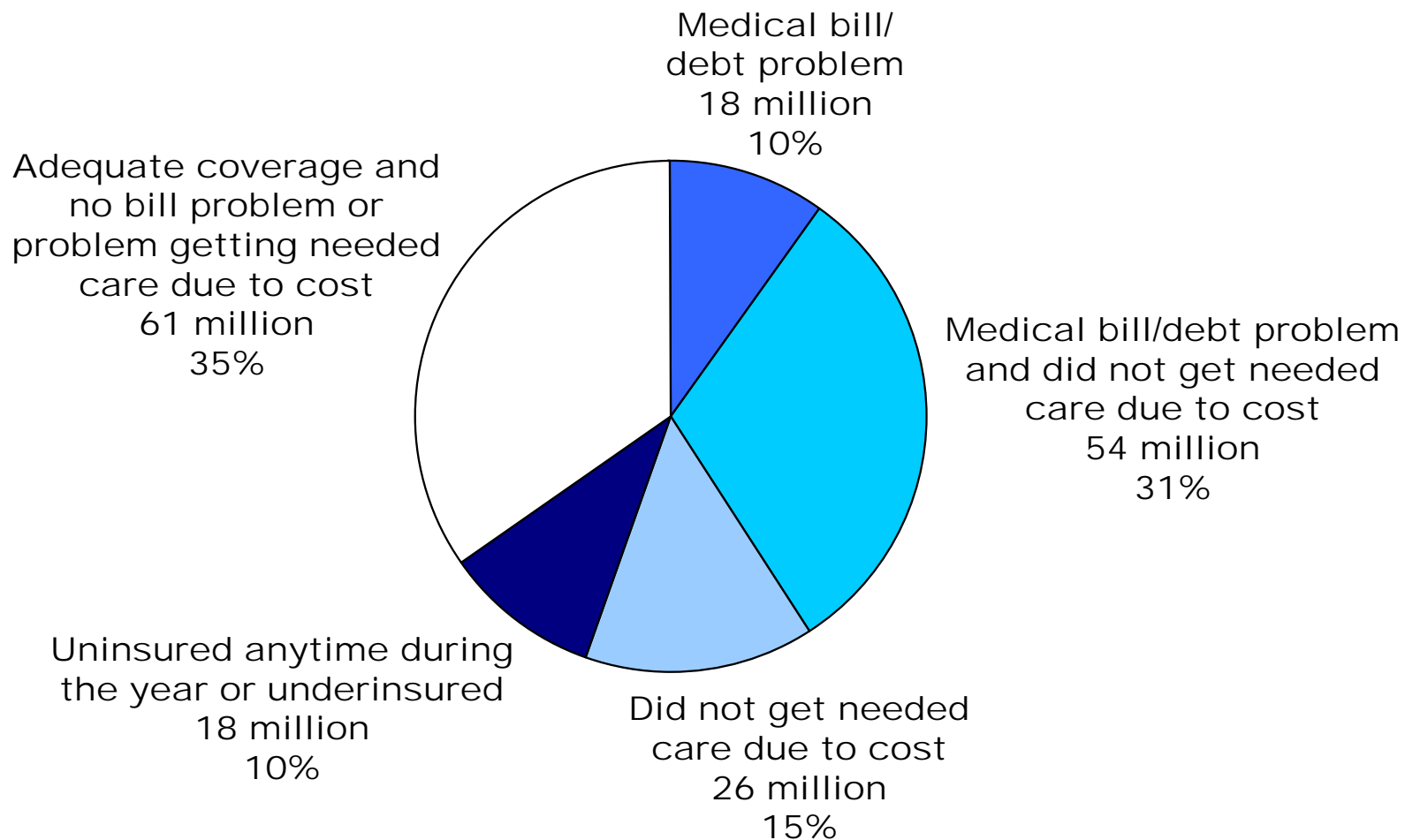


Rising Health Care Costs: Implications for the Health and Financial Security of U.S. Families

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Invited Testimony
U.S. Senate Finance Committee
Hearing on "High Health Care Costs: A State Perspective?"
October 21, 2008

Figure 1. 116 Million Working-Age Adults Were Uninsured, Underinsured, Reported a Medical Bill Problem and/or Did Not Access Needed Health Care Because of Cost, 2007

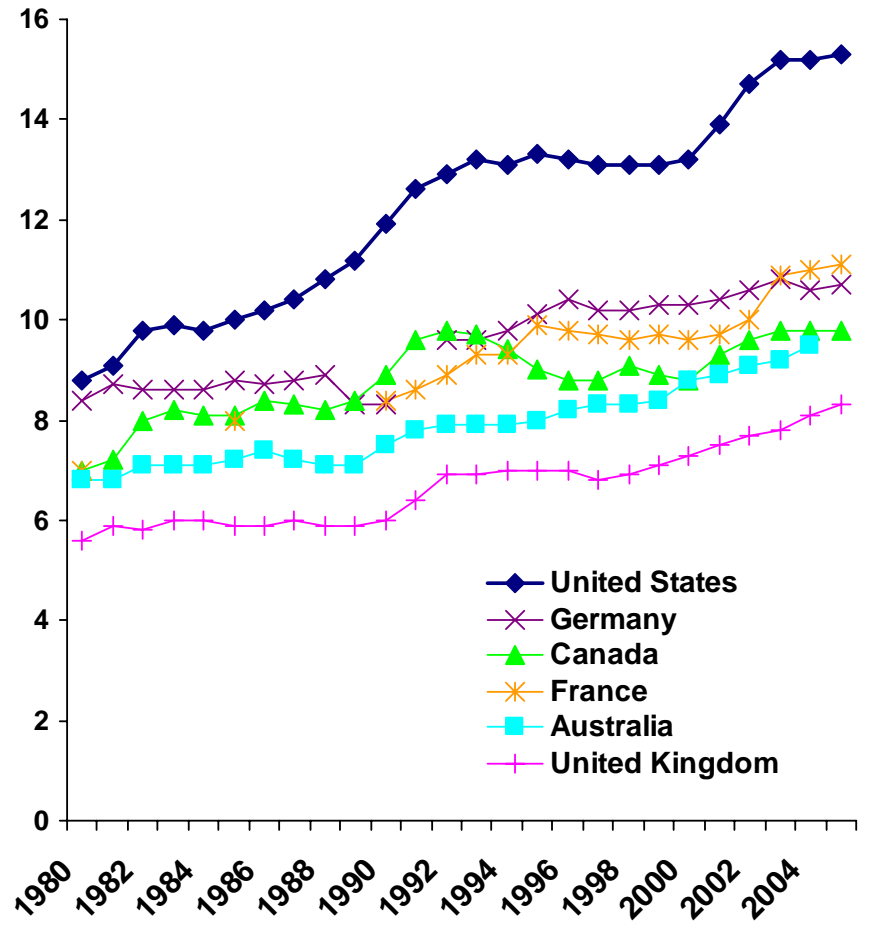
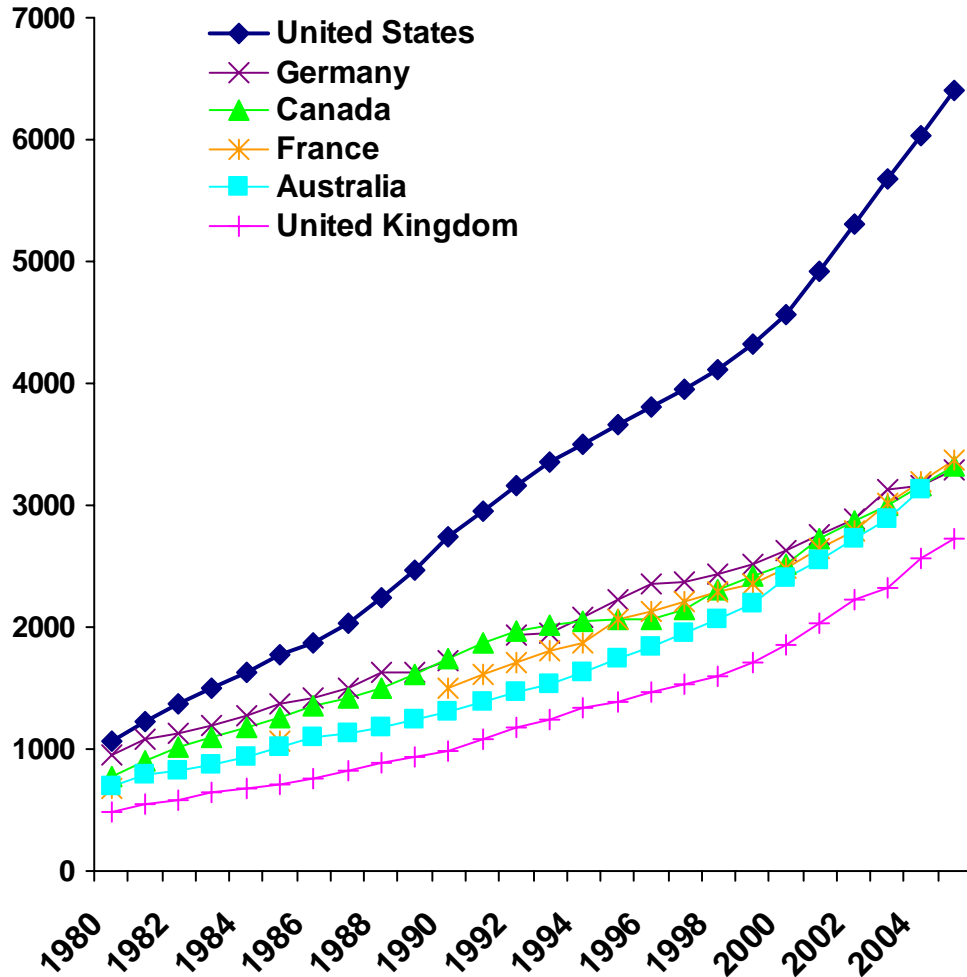


177 Million Adults, Ages 19-64

Figure 2. International Comparison of Spending on Health, 1980–2005

Average spending on health per capita (\$US PPP)

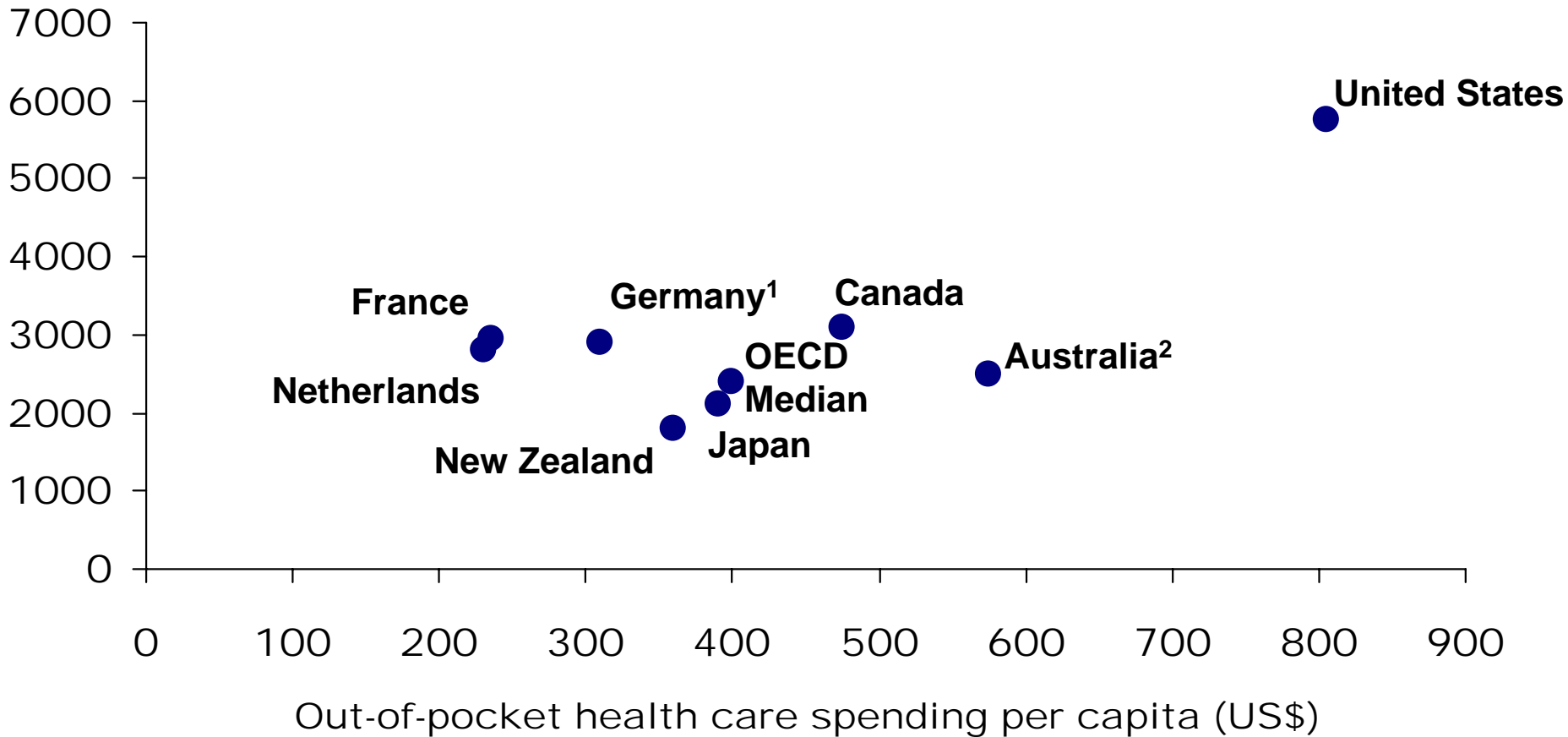
Total expenditures on health as percent of GDP



Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2006.
 Updated data from OECD Health Data 2007.

Figure 3. Americans Spend More Out-of-Pocket on Health Care Expenses Than Citizens in Other Industrialized Countries

Total health care spending per capita (US\$)

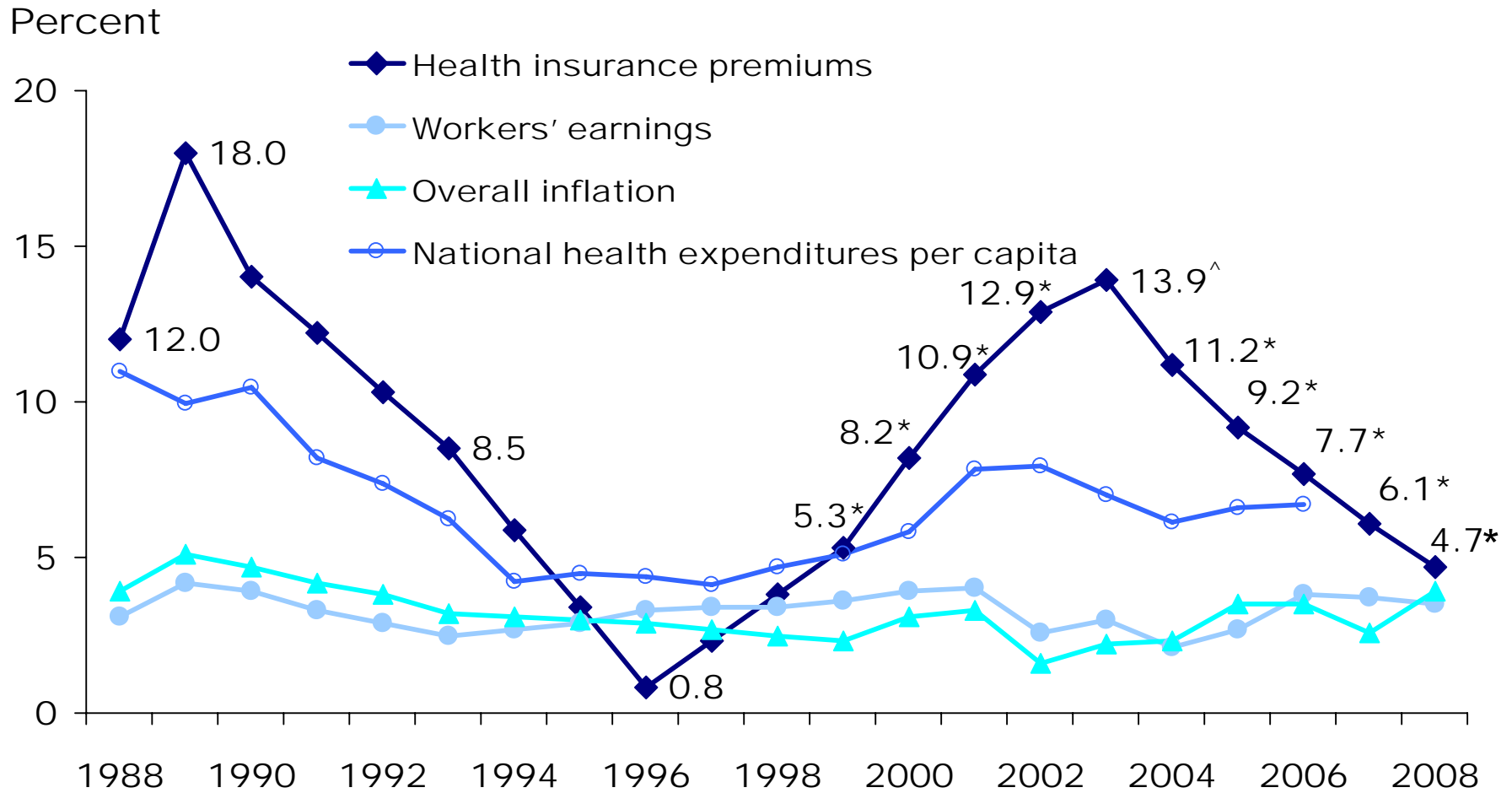


¹ 2003

² 2003 Total Health Care spending, 2002 OOP Spending

Source: J. Cylus and G. F. Anderson, *Multinational Comparisons of Health Systems Data, 2006*, The Commonwealth Fund, May 2007.

Figure 4. Increases in Health Insurance Premiums Compared with Other Indicators, 1988–2007



* Estimate is statistically different from the previous year shown at $p < 0.05$.

^ Estimate is statistically different from the previous year shown at $p < 0.1$.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. Historical estimates of workers' earnings have been updated to reflect new industry classifications (NAICS).

Source: G. Claxton, J. Gabel et al., "Health Benefits In 2008: Premiums Moderately Higher, While Enrollment In Consumer-Directed Plans Rises In Small Firms," *Health Affairs*, Sept./Oct. 2008 27(6): w492-502. Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2008. S. Keehan, A. Sisko et al., "Health Spending Projections Through 2017: The Baby-Boom Generation Is Coming to Medicare," *Health Affairs*, March/April 2008 27(2):w145-w155.

Figure 5. Employer Coverage Continues to Be Major Source of Coverage for Employees of Larger Firms But Has Declined Among Small Firms

Percent of firms offering health benefits

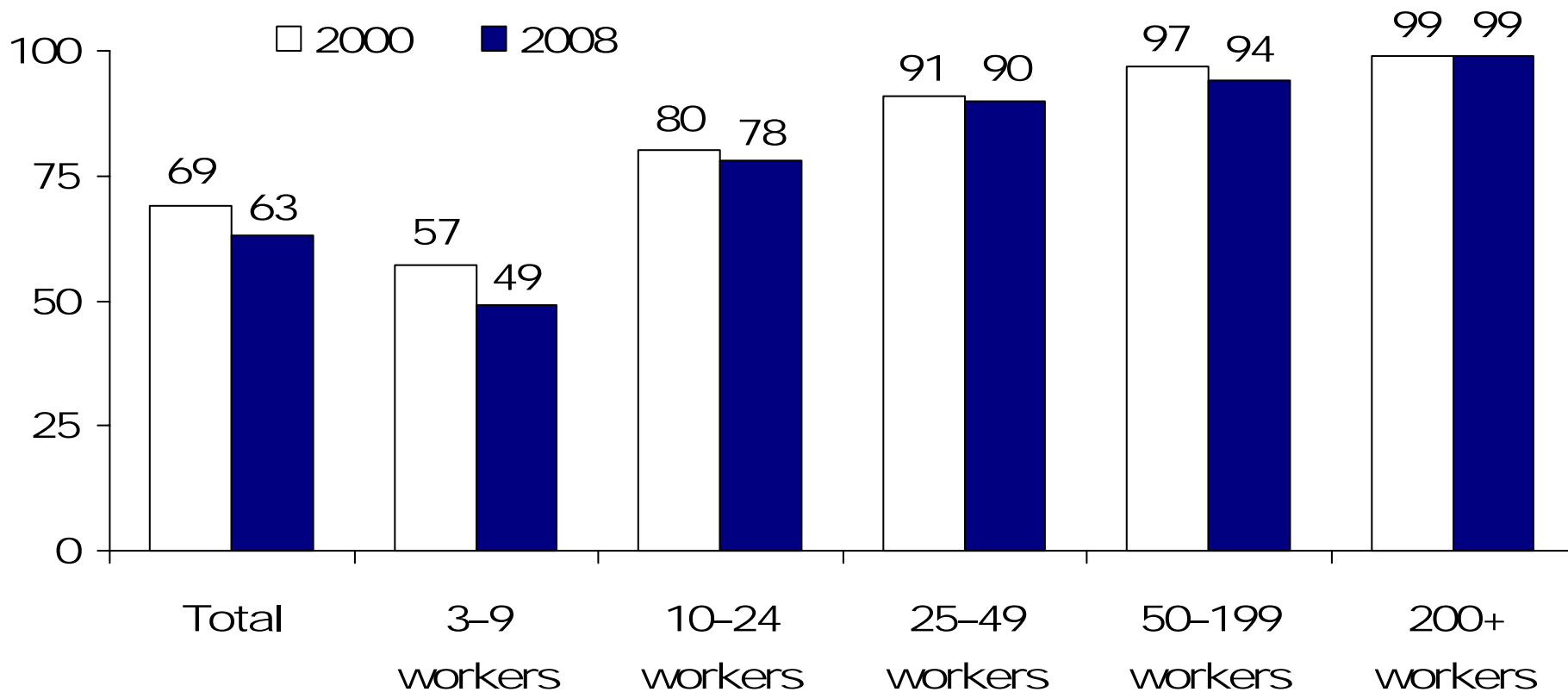
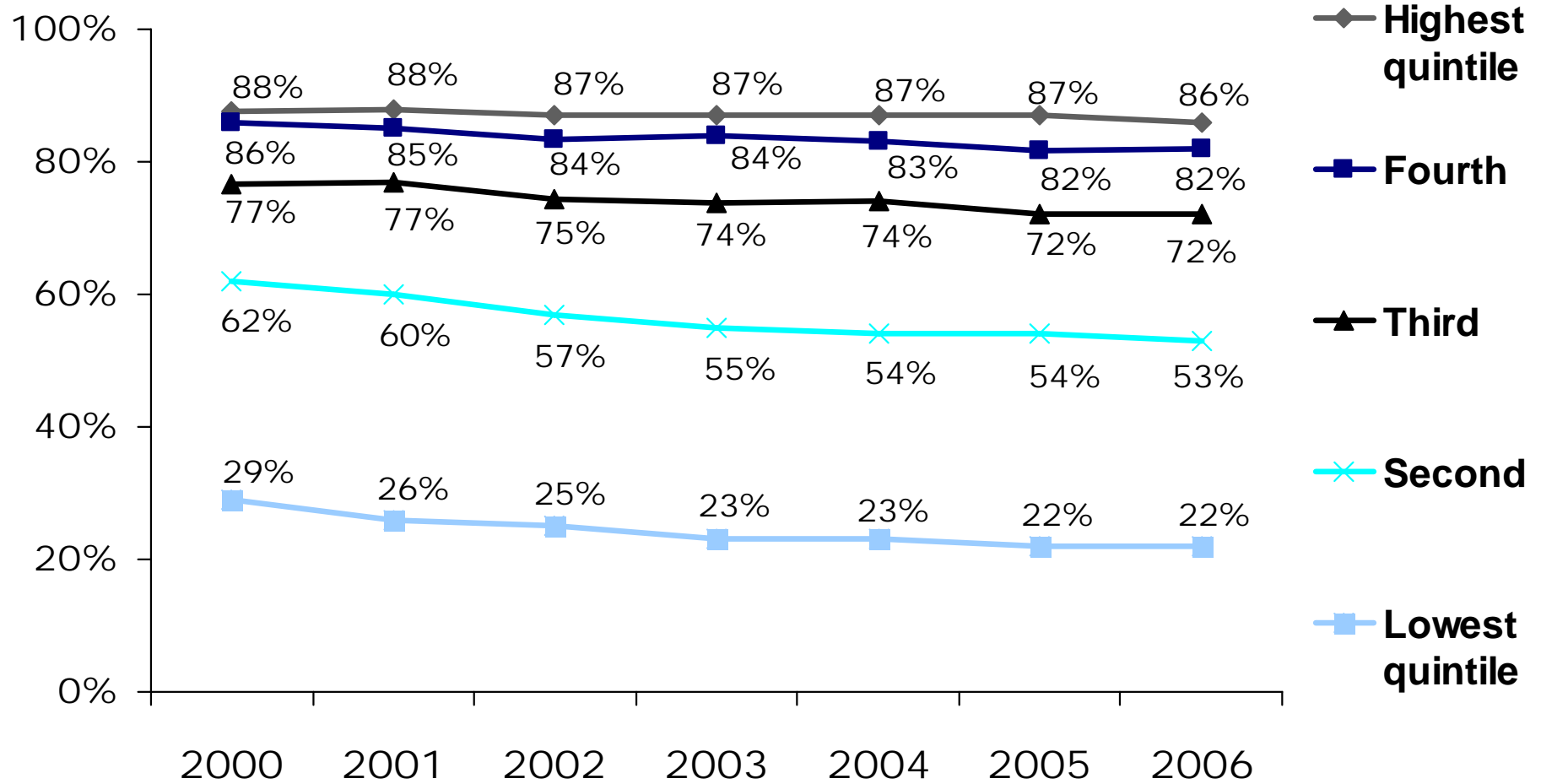


Figure 6. Employer-Provided Health Insurance, by Income Quintile, 2000–2006

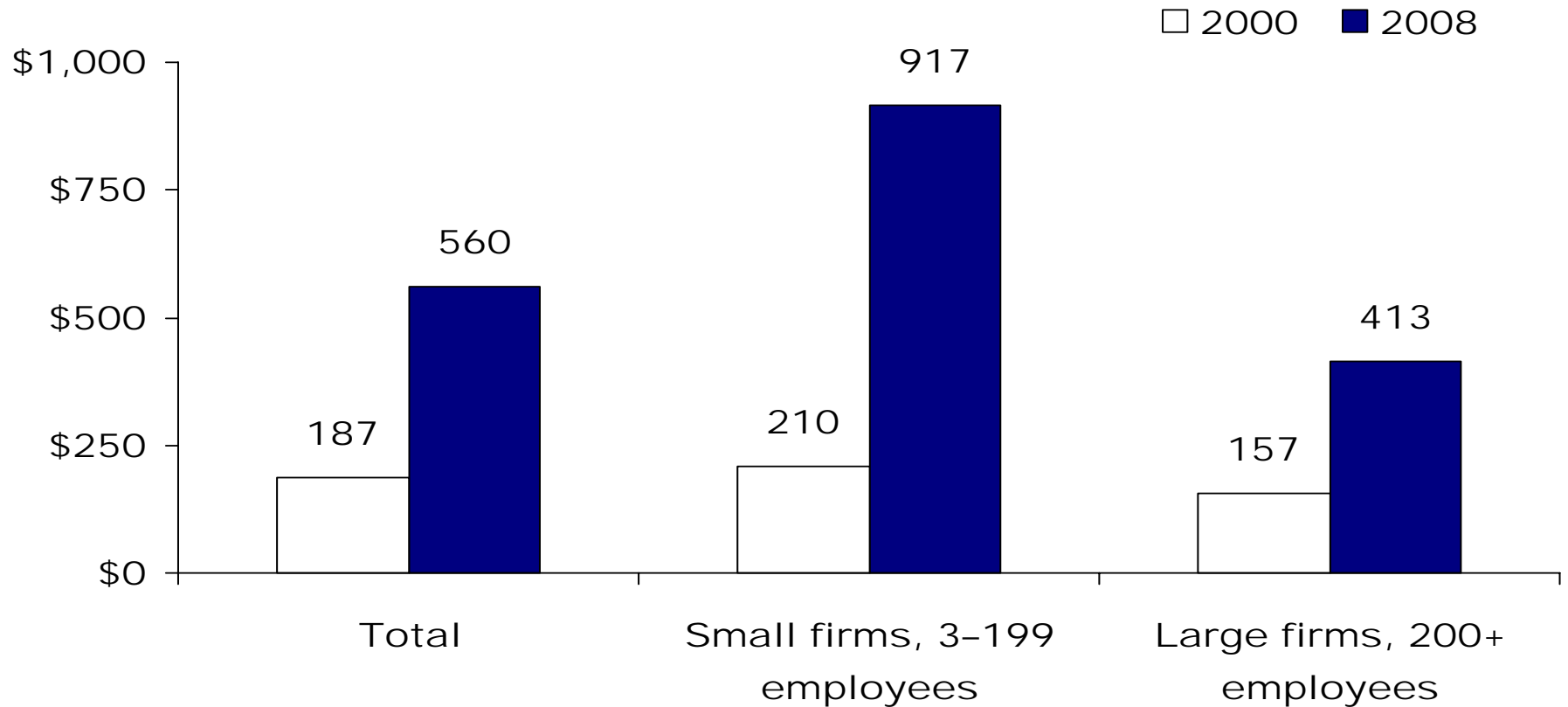
Percent of population under age 65 with health benefits from employer



Source: Analysis of the March Current Population Survey, 2001–07, by Elise Gould, Economic Policy Institute.

Figure 7. Deductibles Rise Sharply, Especially in Small Firms, 2000–2008

Mean deductible for single coverage (PPO, in-network)

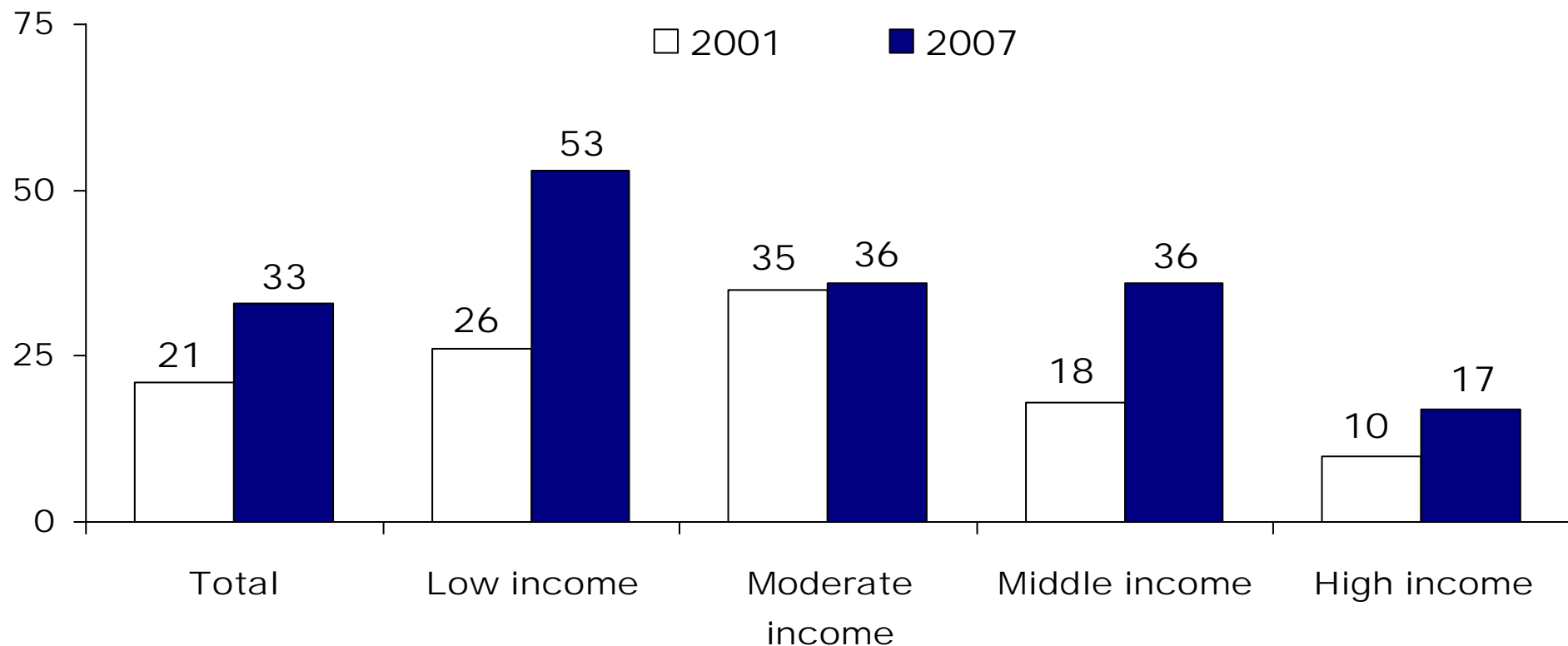


PPO = preferred provider organization. PPOs covered 57 percent of workers enrolled in an employer-sponsored health insurance plan in 2007.

Source: The Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits*, 2000 and 2007 Annual Surveys.

Figure 8. High Out-of-Pocket Spending Climbs Across Income Groups, 2001–2007

Percent of adults ages 19–64 who spent 10% or more of income annually on out-of-pocket costs and premiums

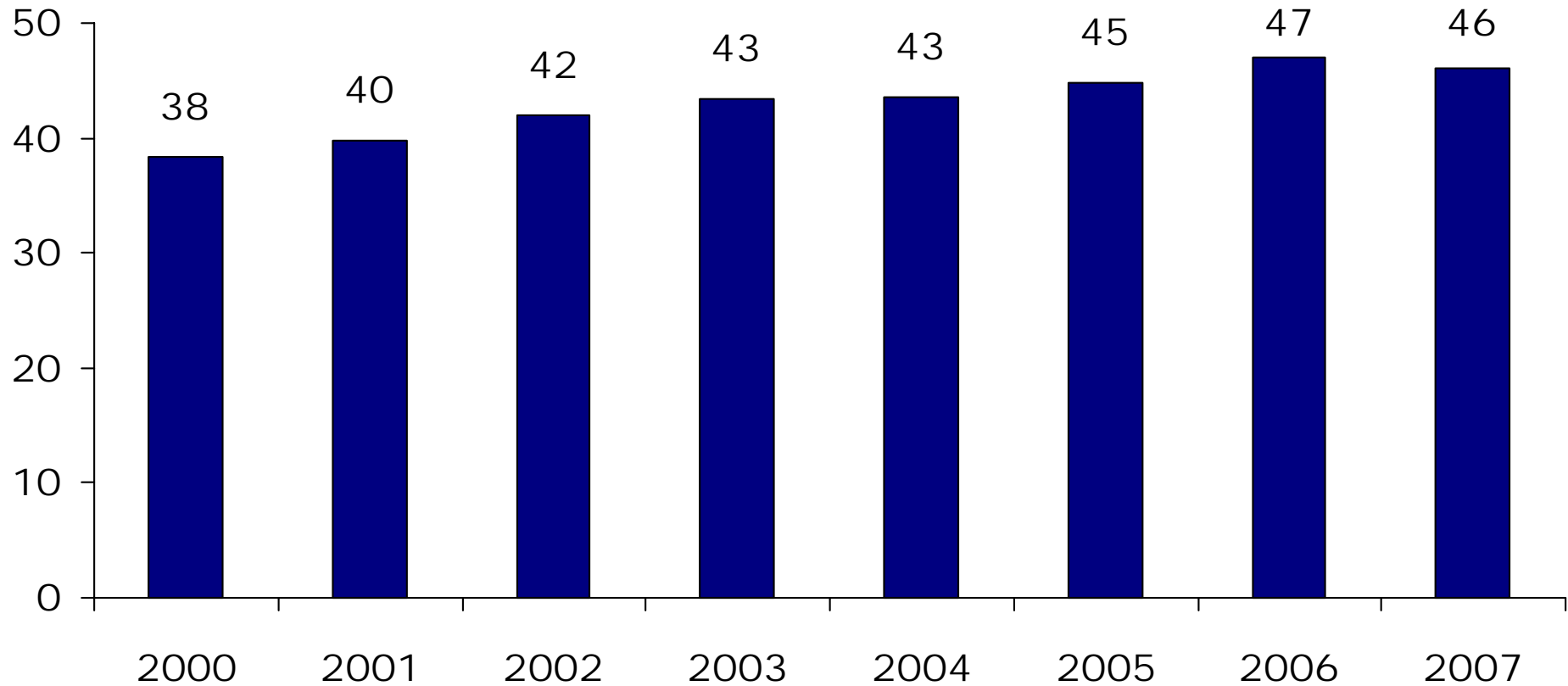


Note: Income refers to annual income. In 2001 low income is <\$20,000, moderate income is \$20,000–\$34,999, middle income is \$35,000–\$59,999, and high income is \$60,000 or more. In 2007, low income is <\$20,000, moderate income is \$20,000–\$39,999, middle income is \$40,000–\$59,999, and high income is \$60,000 or more.

Source: S. R. Collins, J. L. Kriss, M. M. Doty and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families*, The Commonwealth Fund, August 2007.

Figure 9. Forty-Six Million Uninsured in 2007;
Increase of 7.2 Million Since 2000

Number of uninsured, in millions

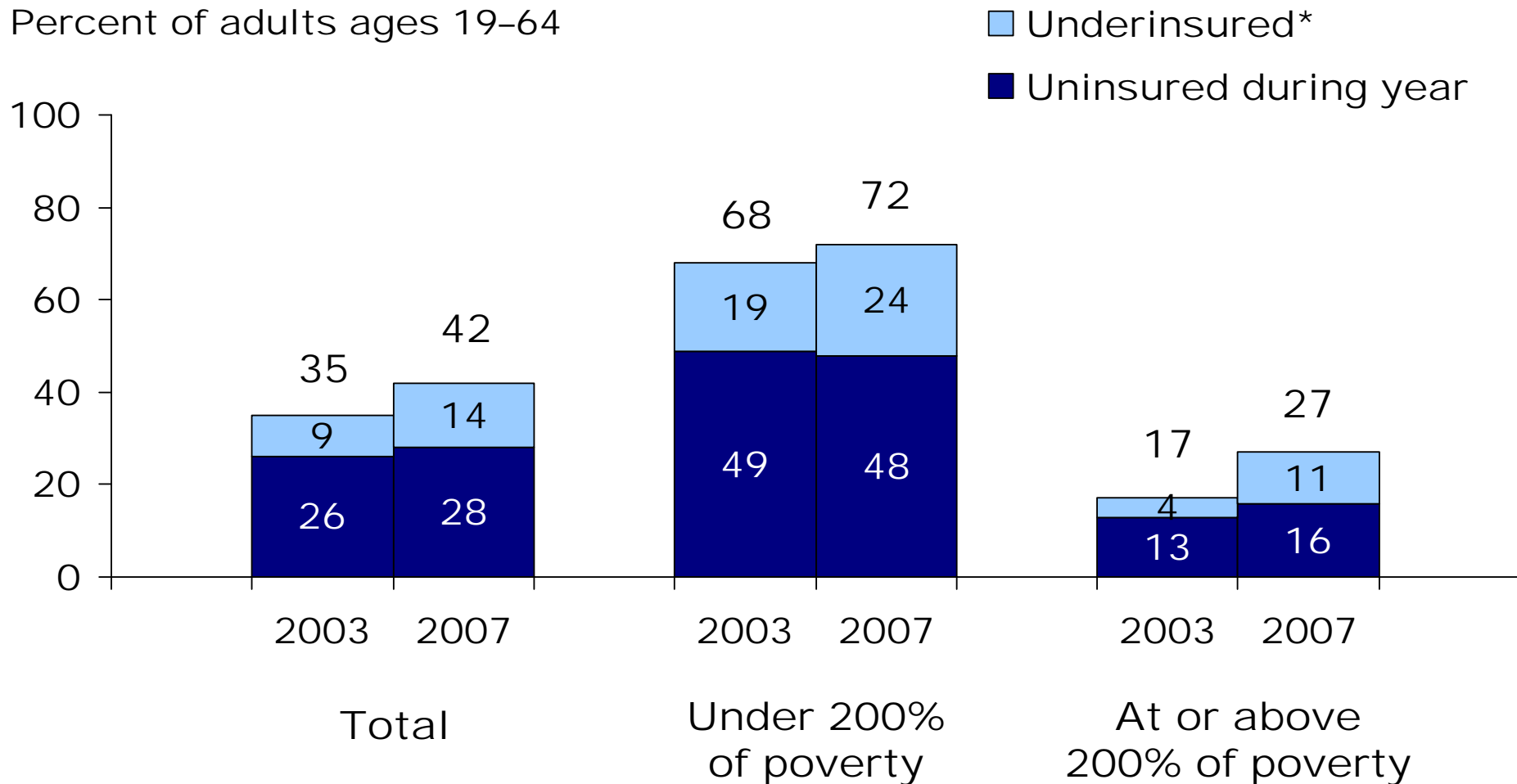


Source: U.S. Census Bureau, March Current Population Survey, 2001–2008.

Figure 10. Individual Market Is Not an Affordable Option for Many People

Adults ages 19–64 with individual coverage or who thought about or tried to buy it in past three years who:	Total	Health problem	No health problem	<200% poverty	200%+ poverty
Found it very difficult or impossible to find coverage they needed	34%	48%	24%	43%	29%
Found it very difficult or impossible to find affordable coverage	58	71	48	72	50
Were turned down or charged a higher price because of a pre-existing condition	21	33	12	26	18
Never bought a plan	89	92	86	93	86

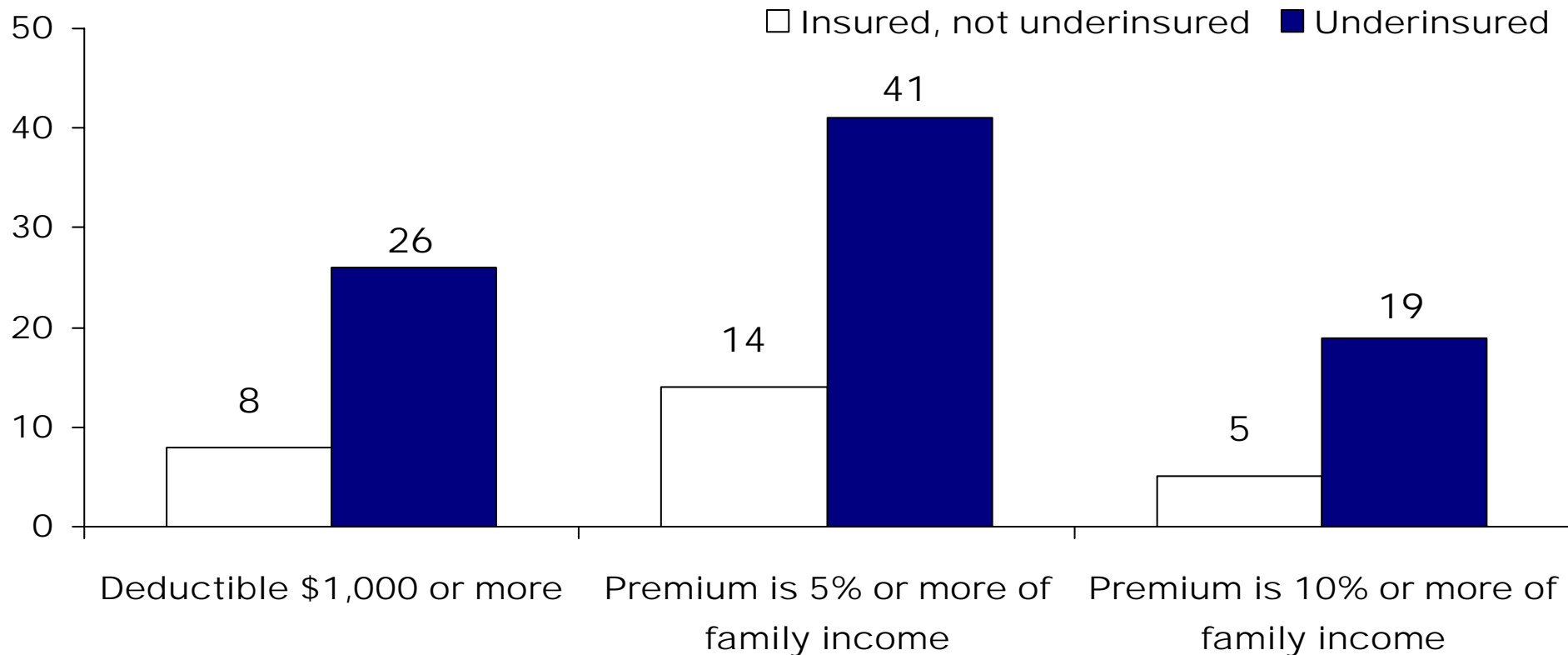
Figure 11. The Number of Underinsured Adults Under Age 65 Rose to 25 Million in 2007, Up from 16 Million in 2003



*Underinsured defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income; medical expenses equaled 5% or more of income if low-income (<200% of poverty); or deductibles equaled 5% or more of income. Source: C. Schoen, S. R. Collins, J. L. Kriss, and M. M. Doty, "How Many Are Underinsured? Trends Among U.S. Adults, 2003 and 2007," *Health Affairs* Web Exclusive, June 10, 2008. Data: Commonwealth Fund Biennial Health Insurance Surveys (2003 and 2007).

Figure 12. Health Plan Characteristics of Privately Insured Adults, 2007

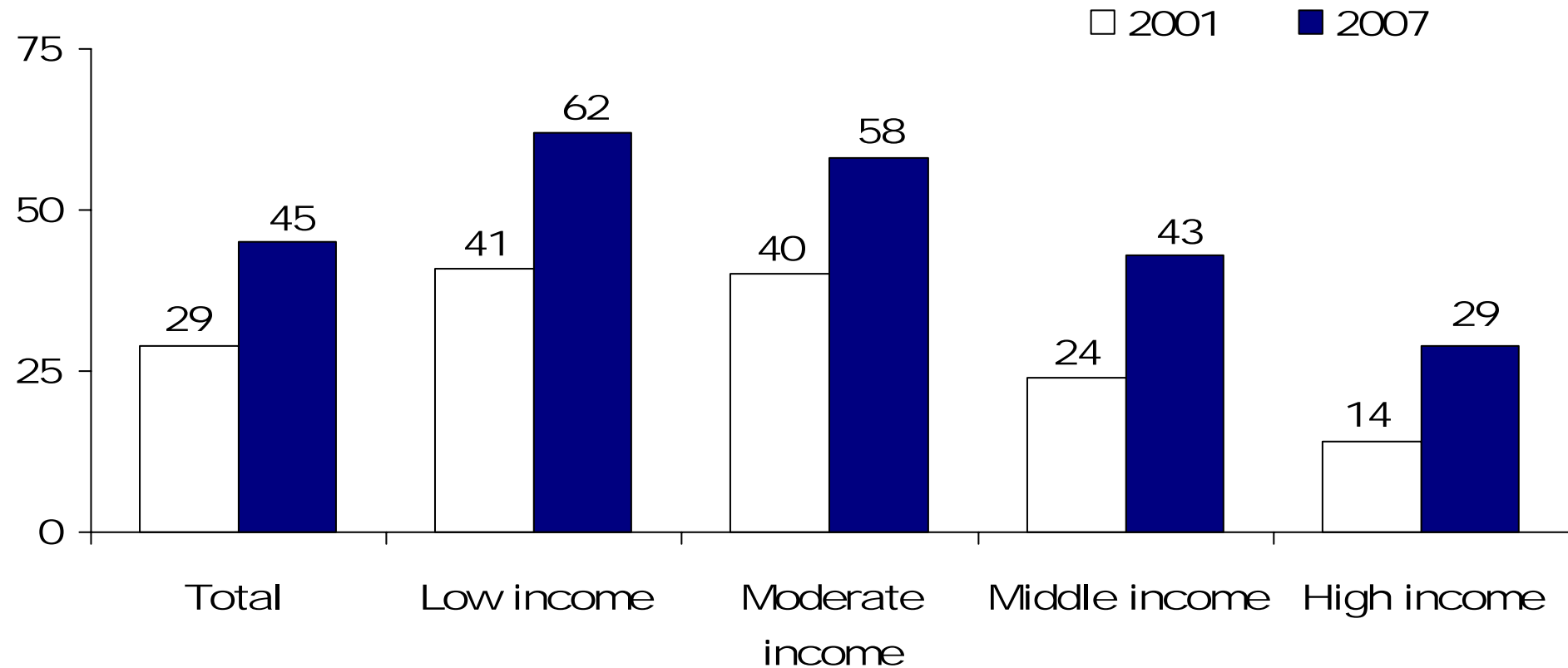
Percent of adults (ages 19–64)



Source: C. Schoen, S. R. Collins, J. L. Kriss, and M. M. Doty, "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.

Figure 13. Cost-Related Problems Getting Needed Care Have Increased Across All Income Groups, 2001–2007

Percent of adults ages 19–64 who had any of four access problems* in past year because of cost



* Did not fill a prescription; did not see a specialist when needed; skipped recommended medical test, treatment, or follow-up; had a medical problem but did not visit doctor or clinic.

Note: Income refers to annual income. In 2001 and 2003 low income is <\$20,000, moderate income is \$20,000–\$34,999, middle income is \$35,000–\$59,999, and high income is \$60,000 or more. In 2005 and 2007, low income is <\$20,000, moderate income is \$20,000–\$39,999, middle income is \$40,000–\$59,999, and high income is \$60,000 or more.

Source: S. R. Collins, J. L. Kriss, M. M. Doty and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families*, The Commonwealth Fund, August 2007.

Figure 14. Uninsured and Underinsured Adults Report High Rates of Cost-Related Problems Getting Needed Care

Percent of adults ages 19–64 who had cost-related access problems in the past 12 months

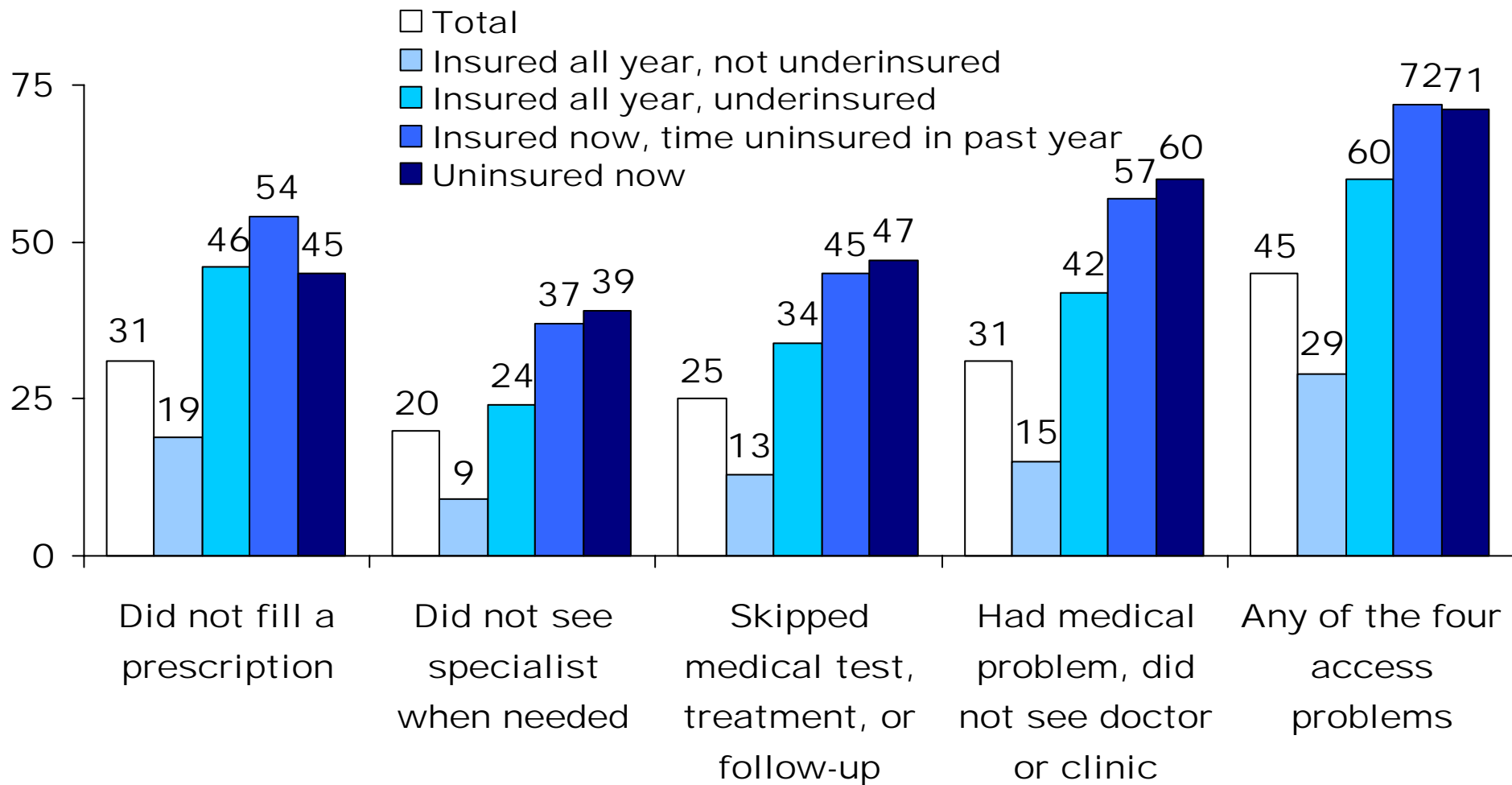
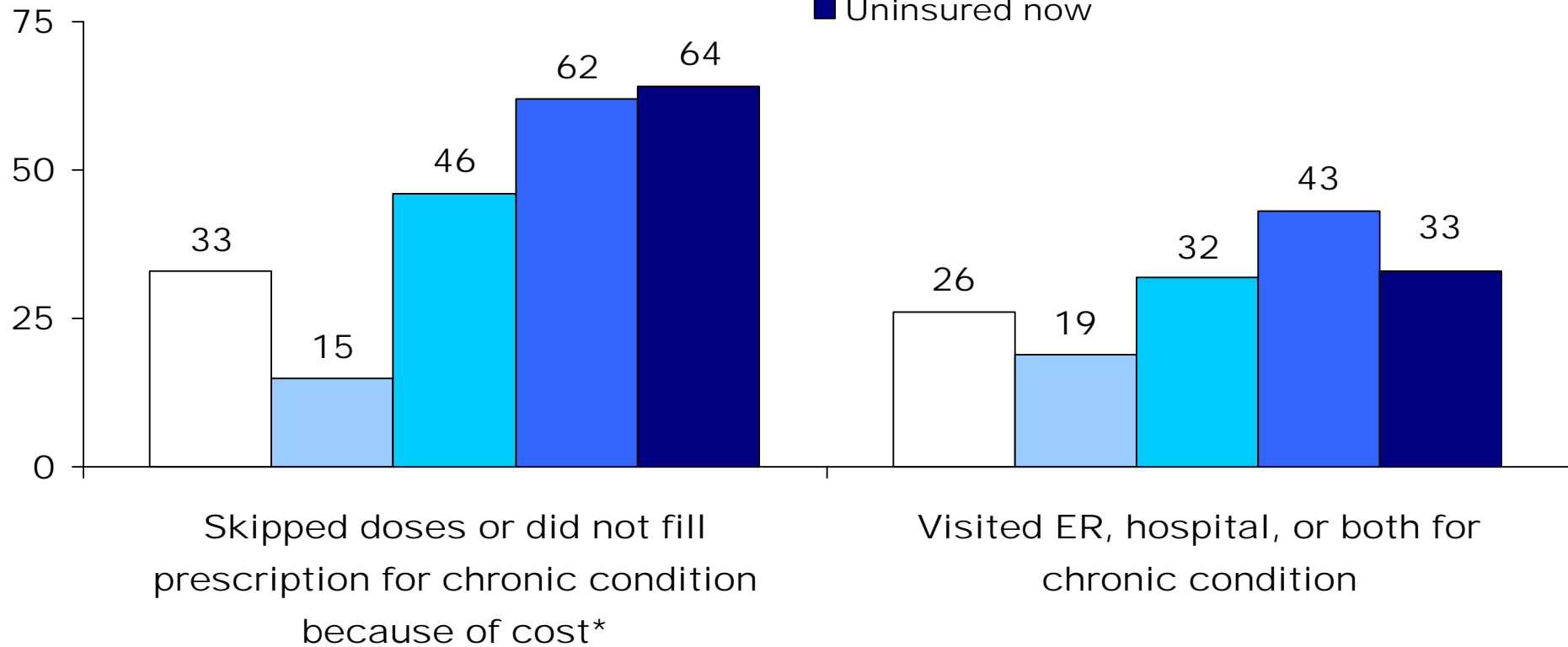


Figure 15. Uninsured and Underinsured Adults with Chronic Conditions Are More Likely to Visit the ER for Their Conditions

Percent of adults ages 19–64 with at least one chronic condition*

- Total
- Insured all year, not underinsured
- Insured all year, underinsured
- Insured now, time uninsured in past year
- Uninsured now



*Adults with at least one chronic condition who take prescription medications on a regular basis.

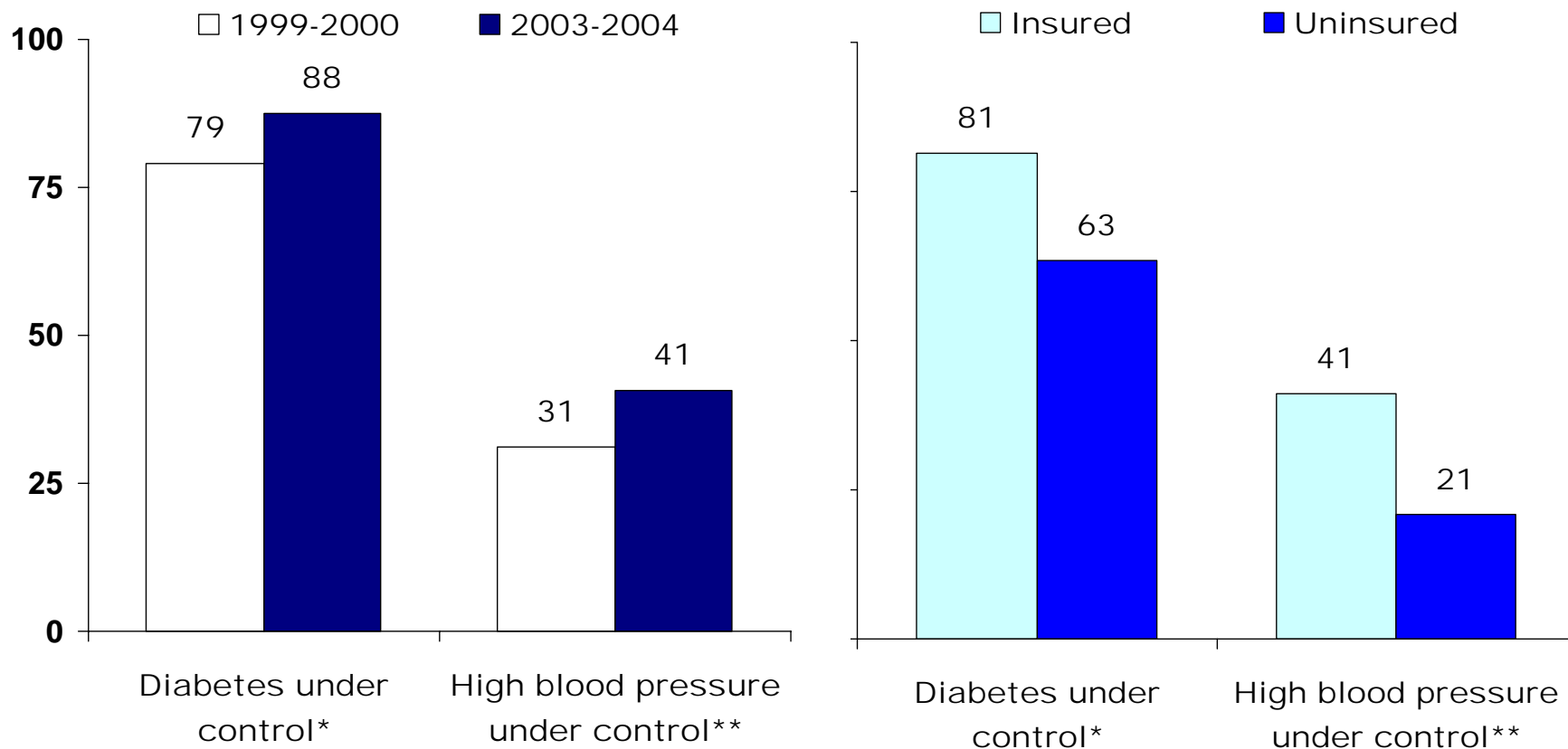
Source: S. R. Collins, J. L. Kriss, M. M. Doty and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families*, The Commonwealth Fund, August 2007.

Figure 16. Chronic Disease Under Control: Diabetes and Hypertension

National Average

By Insurance, 1999-2004

Percent of adults (age 18+)



*Refers to diabetic adults whose HbA1c is <9.0

**Refers to hypertensive adults whose blood pressure is <140/90 mmHg.

Data: J. M. McWilliams, Harvard Medical School analysis of National Health and Nutrition Examination Survey.

Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2008.

Figure 17. Previously Uninsured Medicare Beneficiaries with History of Cardiovascular Disease or Diabetes Have Much Higher Self-Reported Hospital Admissions After Entering Medicare Than Previously Insured

Number of hospital admissions per two-year period

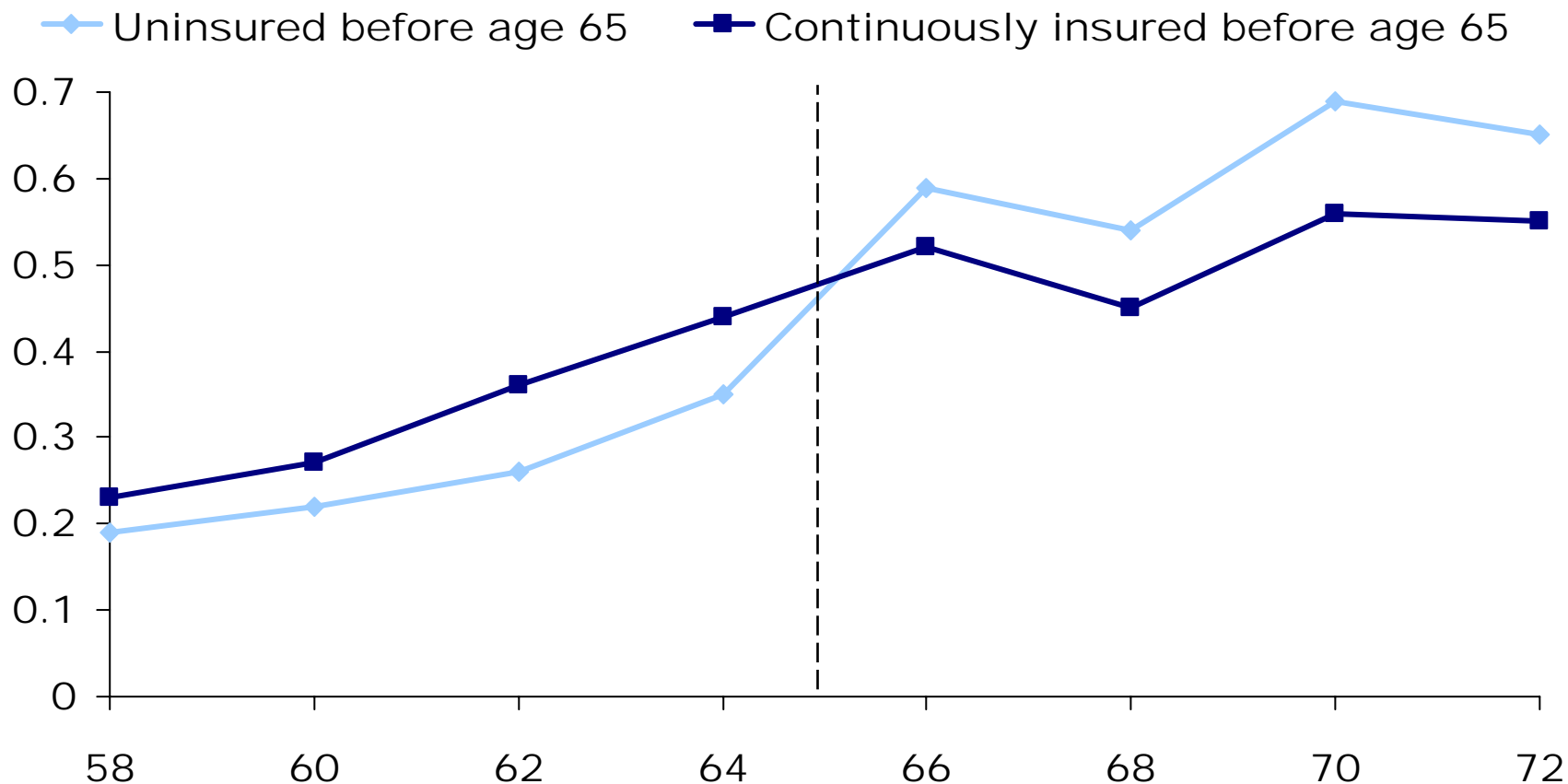


Figure 18. Medical Bill Problems and Accrued Medical Debt, 2005–2007

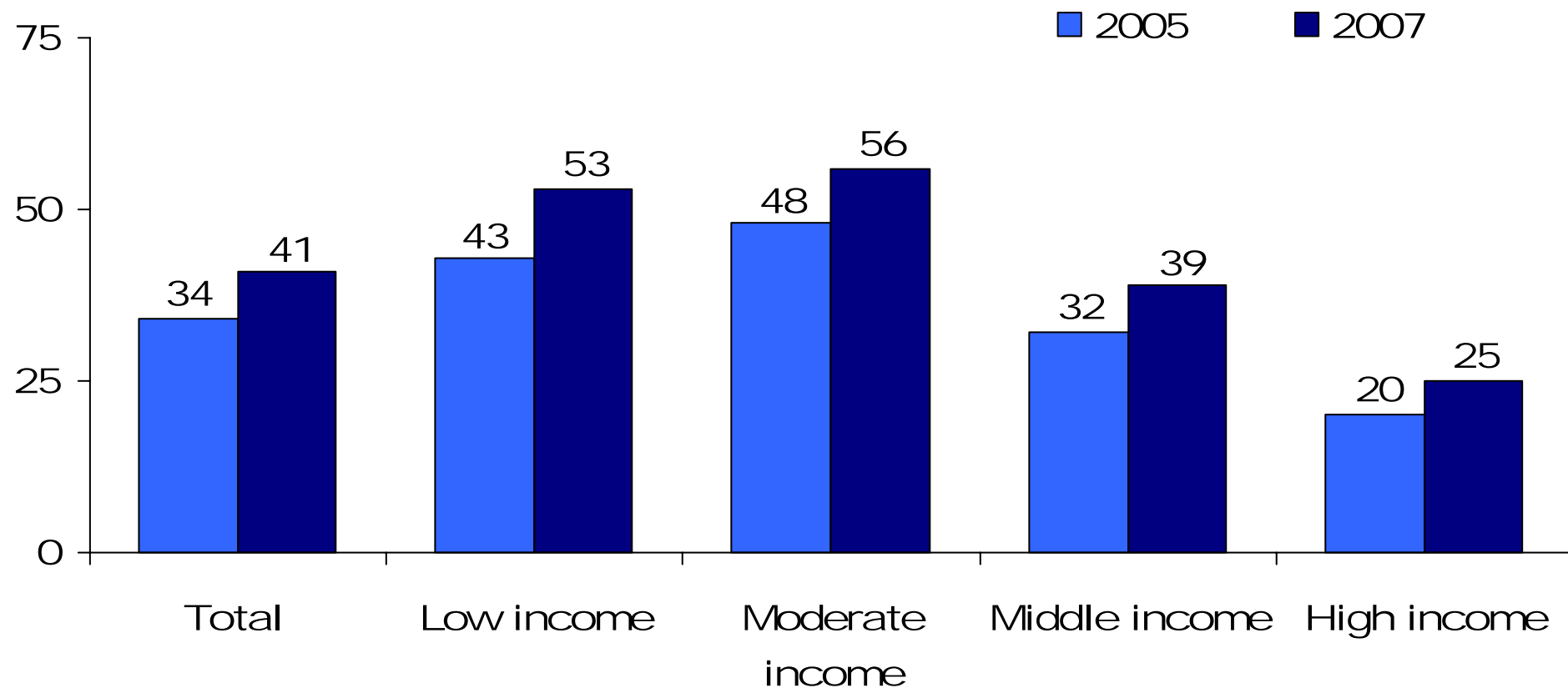
Percent of adults ages 19–64

	2005	2007
In the past 12 months:		
Had problems paying or unable to pay medical bills	23% 39 million	27% 48 million
Contacted by collection agency for unpaid medical bills	13% 22 million	16% 28 million
Had to change way of life to pay bills	14% 24 million	18% 32 million
<i>Any of the above bill problems</i>	28% 48 million	33% 59 million
Medical bills being paid off over time	21% 37 million	28% 49 million
<i>Any bill problems or medical debt</i>	34% 58 million	41% 72 million

Source: S. R. Collins, J. L. Kriss, M. M. Doty and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families*, The Commonwealth Fund, August 2007.

Figure 19. Problems with Medical Bills or Accrued Medical Debt Increased, 2005–2007

Percent of adults ages 19–64 with medical bill problems or accrued medical debt

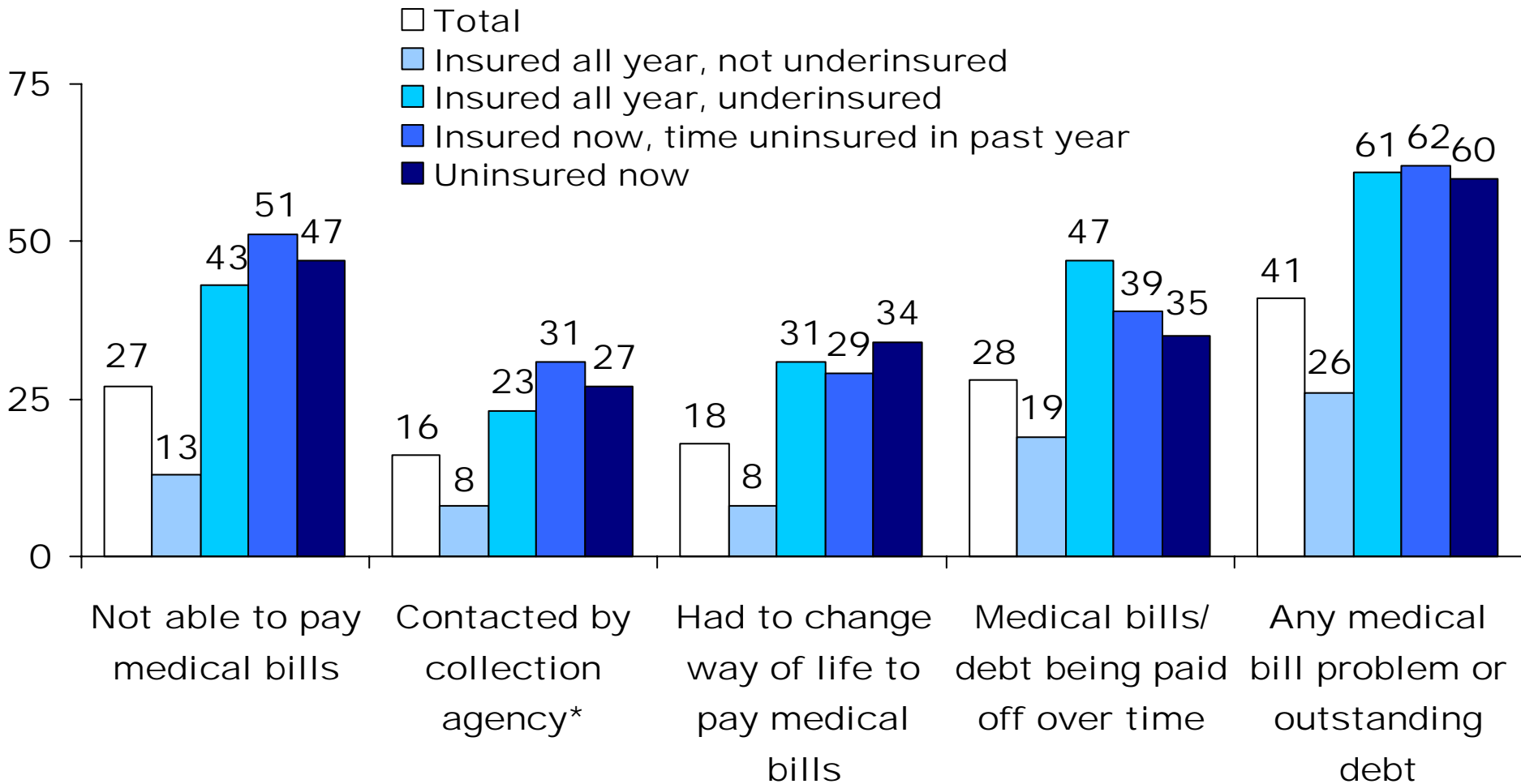


Note: Income refers to annual income. In 2005 and 2007, low income is <\$20,000, moderate income is \$20,000–\$39,999, middle income is \$40,000–\$59,999, and high income is \$60,000 or more.

Source: S. R. Collins, J. L. Kriss, M. M. Doty and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families*, The Commonwealth Fund, August 2007.

Figure 20. Sixty Percent of Underinsured or Uninsured Adults Reported Medical Bill Problems or Debt

Percent of adults ages 19–64 with medical bill problems or accrued medical debt



* Includes only those individuals who had a bill sent to a collection agency when they were unable to pay it.

Source: S. R. Collins, J. L. Kriss, M. M. Doty and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families*, The Commonwealth Fund, August 2007.

Figure 21. Uninsured Adults Are More Likely to Be Paying Off Large Amounts of Medical Debt Over Time

Percent of adults ages 19–64 who are paying off medical bills over time

	Total	Insured all year	Uninsured Anytime in Past Year	
			Insured now, time uninsured in past year	Uninsured now
How much are the medical bills that are being paid off over time?				
Less than \$2,000	51%	57%	46%	38%
\$2,000–\$3,999	21	20	25	22
\$4,000–\$7,999	12	11	11	14
\$8,000 or more	12	9	13	20
Was this for care received in past year or earlier?				
Past year	54	57	53	43
Earlier year	37	38	37	44
Both	8	7	9	12

Source: S. R. Collins, J. L. Kriss, M. M. Doty and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families*, The Commonwealth Fund, August 2007.

Figure 22. More Than One-Quarter of Adults Under Age 65 with Medical Bill Burdens and Debt Were Unable to Pay for Basic Necessities

Percent of adults ages 19–64 with medical bill problems or accrued medical debt

Percent of adults reporting:	Total	Insured All Year		Uninsured Anytime During Year	
		No underinsured indicators	Underinsured	Insured now, time uninsured in past year	Uninsured now
Unable to pay for basic necessities (food, heat, or rent) because of medical bills	29%	16%	29%	42%	40%
Used up all of savings	39	26	46	46	47
Took out a mortgage against your home or took out a loan	10	9	12	11	11
Took on credit card debt	30	28	33	34	26
Insured at time care was provided	61	80	82	46	24

Source: S. R. Collins, J. L. Kriss, M. M. Doty and S. D. Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families*, The Commonwealth Fund, August 2007.

Figure 23. Adults with Medical Bill Problems Report High Rates of Cost-Related Problems Getting Needed Care

Percent of adults ages 19–64 who had the following problems in the past year

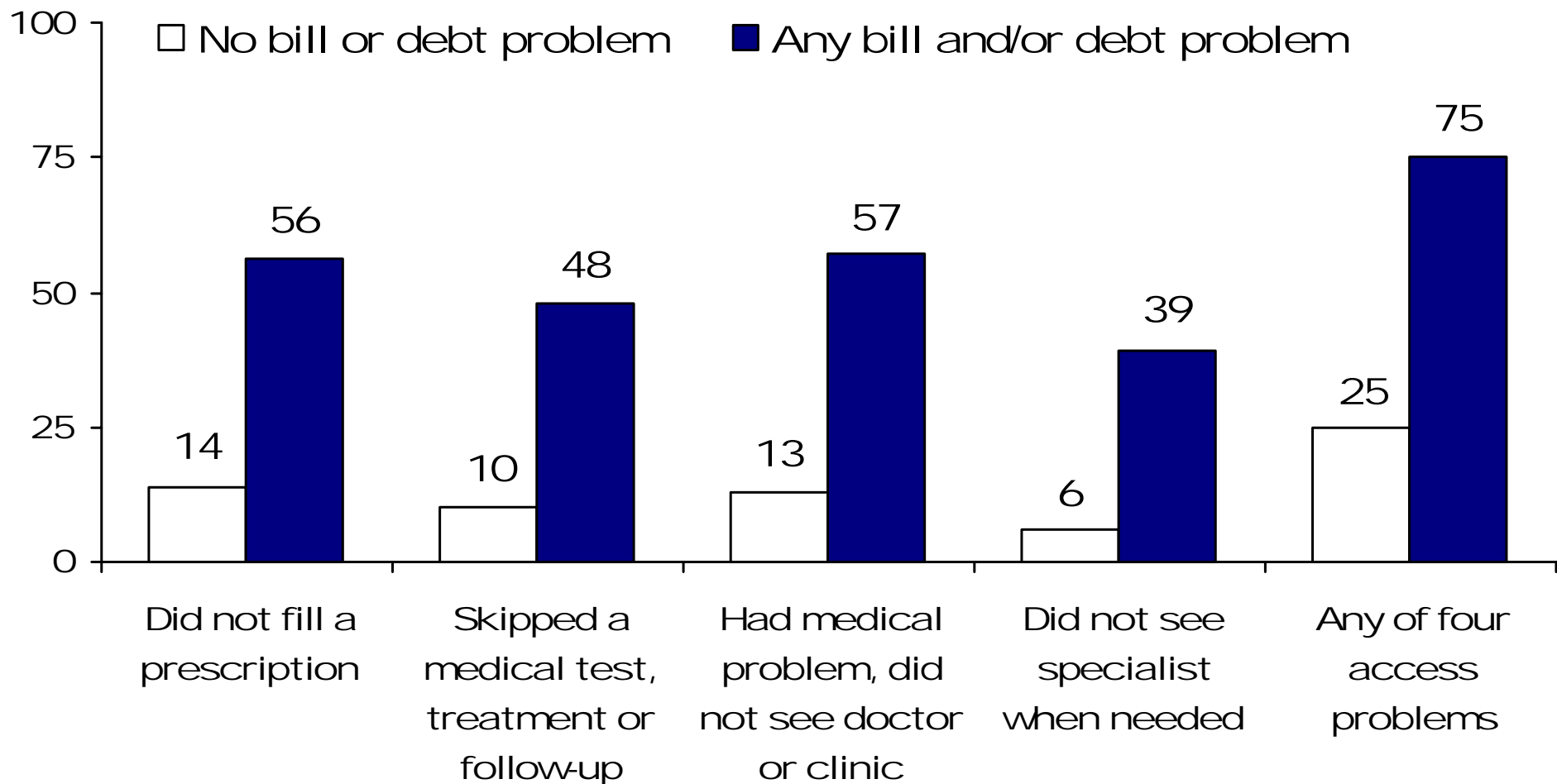


Figure 24. Policy Options and Distribution of 10-Year Impact on Spending Across Payer Groups (in billions)

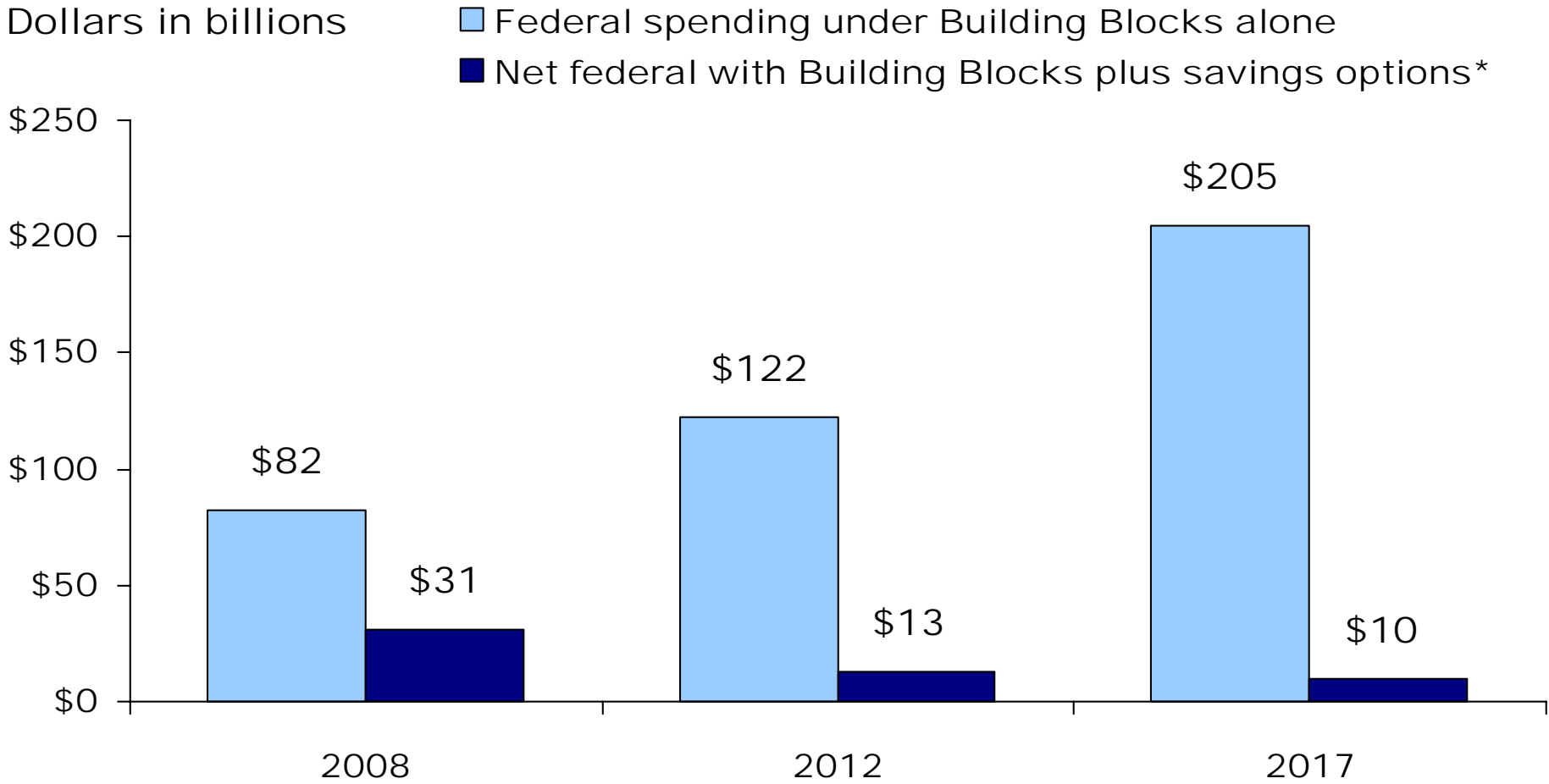
	Total NHE*	Federal Government	State/Local Government	Private Payer	Households
Producing and Using Better Information					
1. Promoting Health Information Technology	-\$88	-\$41	-\$19	\$0	-\$27
2. Center for Medical Effectiveness and Health Care Decision-Making	-\$368	-\$114	-\$49	-\$98	-\$107
3. Patient Shared Decision-Making	-\$9	-\$8	\$0	\$0	-\$1
Promoting Health and Disease Prevention					
4. Public Health: Reducing Tobacco Use	-\$191	-\$68	-\$35	-\$39	-\$49
5. Public Health: Reducing Obesity	-\$283	-\$101	-\$52	-\$57	-\$73
6. Positive Incentives for Health	-\$19	\$2	-\$12	-\$4	-\$5
Aligning Incentives with Quality and Efficiency					
7. Hospital Pay-for-Performance	-\$34	-\$27	-\$1	-\$2	-\$4
8. Episode-of-Care Payment	-\$229	-\$377	\$18	\$90	\$40
9. Strengthening Primary Care and Care Coordination	-\$194	-\$157	-\$4	-\$9	-\$23
10. Limit Federal Tax Exemptions for Premium Contributions	-\$131	-\$186	-\$19	-\$55	\$130
Correcting Price Signals in the Health Market					
11. Reset Benchmark Rates for Medicare Advantage Plans	-\$50	-\$124	\$0	\$0	\$74
12. Competitive Bidding	-\$104	-\$283	\$0	\$0	\$178
13. Negotiated Prescription Drug Prices	-\$43	-\$72	\$4	\$17	\$8
14. All-Payer Provider Payment Methods and Rates	-\$122	\$0	\$0	-\$105	-\$18
15. Limit Payment Updates in High-Cost Areas	-\$158	-\$260	\$13	\$62	\$27

Note: A negative number indicates spending decreases compared with projected expenditures (i.e., savings); a positive indicates spending increases.

* In some cases, because of rounding, the sum of the payer group impact does not add up to the national health expenditures total.

Source: C. Schoen, S. Guterman, A. Shih et al., *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending* (New York: The Commonwealth Fund, December 2007).

Figure 25. Savings Can Offset Federal Costs of Insurance for All: Federal Spending Under Two Scenarios



* Selected options include improved information, payment reform, and public health.
Data: Lewin Group estimates of combination options compared with projected federal spending under current policy.
Source: Schoen et al., *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending* (New York: The Commonwealth Fund, December 2007).