

## Steady stream of care pushes up prices

Why Reform

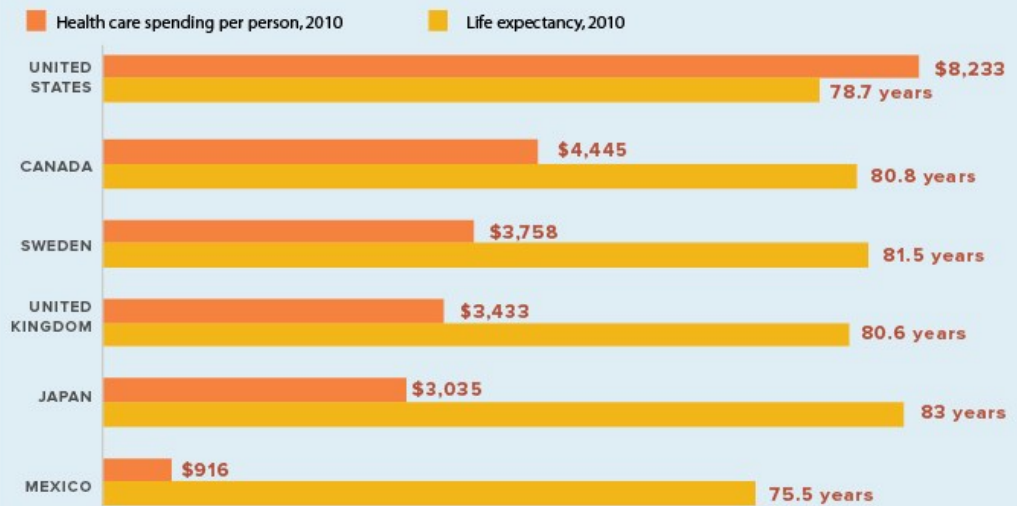
What's Driving Costs ▶

Where the Money Goes

### Spending More Isn't Making Us Healthier

While it's no secret that wealthy countries do spend more on health care, the U.S. spends more than twice as much as other high-income, economically developed countries. Yet, we're not any healthier. In fact, we're significantly lagging behind other wealthy nations in terms of life expectancy. As you can see in the following chart, life expectancy in the U.S. isn't much higher than in Mexico, the country with the lowest health care spending per person.

#### HIGHER SPENDING DOESN'T EQUAL BETTER HEALTH



Source: The Rising Costs of Healthcare Infographic | BHM Healthcare Solutions, "Why does U.S. health care cost more?"

Many factors drive up the cost of care. After reviewing numerous studies and a recently released [report](#) from the Bipartisan Policy Center, Kaiser Health News identified [three common trends](#) in U.S. health care that drive up costs:

**We pay our medical providers based on volume:** In our fee-for-service-based system, we pay for every test, procedure, service and office visit. On the one hand, doctors and hospitals are reimbursed for providing needed services. Then again, they're also rewarded for unnecessary care that doesn't improve health.

Add to this a health care system that's not integrated, as in the case of the individual who changes providers or seeks emergency treatment and has tests repeated because their medical records weren't available to the new doctor. This type of overtreatment drives costs up even more. In fact, the [Institute of Medicine](#) calculates that in 2009 alone, the U.S. wasted close to \$750 billion on repetitive tests, unnecessary services, excessive administrative costs, fraud and other problems.

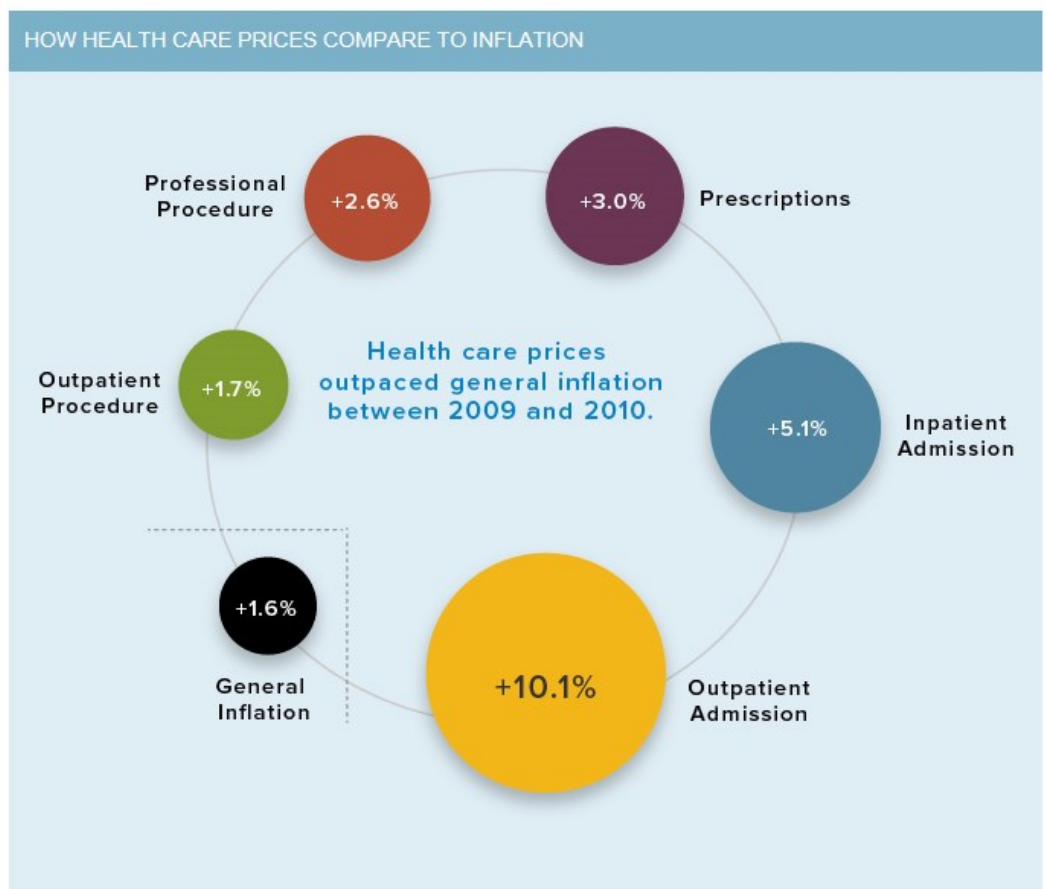
**Decline in overall population health:** Americans are getting older and sicker. We're living longer and using more health care services. Chronic conditions like obesity and diabetes are more common — and more treatable — than ever before. We're also relying on more prescriptions to help us manage many previously untreatable conditions. And we're getting more knee and back surgeries, hip replacements and organ transplants. If our spending continues to grow at this pace, here's what we can expect to pay in 2021:

#### HEALTH CARE PRICES CONTINUE TO SKYROCKET

PHYSICIAN OFFICE VISIT	YEAR OF NURSING HOME CARE	MRI PERFORMED IN HOSPITAL	FAMILY PREMIUM
<b>Recent Price:</b> <b>\$89</b> (2011)	<b>Recent Price:</b> <b>\$78,110</b> (for a semiprivate room, 2011)	<b>Recent Price:</b> <b>\$1,080</b> (2011)	<b>Recent Price:</b> <b>\$15,073</b> (2011)
<b>Rate of Growth:</b> <b>+ 66%</b>	<b>Rate of Growth:</b> <b>+ 64%</b>	<b>Rate of Growth:</b> <b>+ 69%</b>	<b>Rate of Growth:</b> <b>+ 73%</b>
<b>2021 Projected Price:</b> <b>\$148</b>	<b>2021 Projected Price:</b> <b>\$128,100</b>	<b>2021 Projected Price:</b> <b>\$1,826</b>	<b>2021 Projected Price:</b> <b>\$26,076</b>

Source: The Rising Costs of Healthcare Infographic | BHM Healthcare Solutions, "Why does U.S. health care cost more?"

**Greater demand for services fuels more spending:** This steady stream of high-cost care reflects the demand for physician visits, tests, x-rays, minor procedures and hospital stays. While they often cost more and are sometimes no more effective than the ones they replace, new treatments and medications nudge the needle farther into the red. Along with all this extra care comes the paperwork, or administrative expenses, such as processing claims, answering questions about coverage and investigating fraud. As a result, prices and premiums continue to rise, as shown below.



Source: Health Care Cost Institute: "Health Care Cost and Utilization Report: 2011."

Comments or questions? Email us.

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This communication should not be considered legal advice. Questions regarding the application of ACA to your health care plan should be addressed to your benefits counsel.