



Live Well, Work Well

According to the Agency for Healthcare Research and Quality, a recent study indicated that practicing self-management decreases costs for those with chronic conditions.

YOUR HEALTH PLAN: HEALTH CARE COST DRIVERS

Health care is one of the few things that people purchase and never know the real cost of. If most consumers paid for medical services and procedures just as they pay for other consumer goods—out of pocket—they might pay more attention to quality, cost and value.

The Actual Cost of Medical Problems

Many consumers would be surprised to learn what medical procedures really cost. Here are some typical prices for health care procedures in the United States:

- *Maternity – Regular Delivery*, \$10,002
- *Maternity – C-Section*, \$15,240
- *CT scan, abdomen*: \$896
- *MRI*: \$1,145
- *Hospital Cost per Day*: \$4,293
- *Appendectomy*: \$13,910
- *Cataract Surgery*: \$3,762
- *Knee Replacement*: \$25,398
- *Hip Replacement*: \$26,489
- *Bypass Surgery*: \$75,345
- *Angioplasty*: \$27,907

Source: International Federal of Health Plans, “2013 Comparative Price Report”

It’s no secret that health care costs are rising. A number of

factors contribute to these increasing costs—some of the biggest contributors are listed below.

Increasing Pharmaceutical Costs and Use

Health care costs are growing in part due to the increased use of prescription drugs, and an increase in the number of newer, more expensive drugs that are prescribed. Though prescription drug manufacturers have revolutionized modern medicine, these advances come at a cost.

As pharmaceutical companies develop new drugs to treat serious medical conditions, the market for those drugs expands accordingly. The trend in the pharmaceutical industry is to maximize profits by developing drugs to treat conditions for which there were previously no drug treatments. These new “lifestyle” drugs treat or control conditions like nail fungus, impotence, obesity or hair loss. Manufacturers then use direct-to-consumer advertisements that encourage customers to ask their doctors for prescriptions for these medications.

The increased use of lifestyle medications and direct-to-consumer advertising have raised serious questions about where America’s health care dollars are being spent and if consumers are getting the best value for their money.

New, Expensive Medical Technology

New medical devices, diagnostic tests and medical imaging tools are enabling doctors to deliver care that would have been impossible in years past. Medical technology, just like pharmaceuticals, has revolutionized medicine and improved the lives of many people—but those advances have also come with hefty price tags. As the number of older Americans increases, these new devices and treatments are being used even more.

Chronic Care

The health care system is primarily geared toward providing acute care and curing diseases. However, many people need care for chronic conditions. Chronic conditions are the major cause of illness, disability and death in the United States, and they account for a significant portion of health care spending.

- According to the National Council on Aging (NCOA), about 80 percent of older adults have one chronic



YOUR HEALTH PLAN: HEALTH CARE COST DRIVERS

condition, accounting for more than two-thirds of the nation's total health care costs.

- NCOA also cites that 95 cents of every dollar of Medicare and 83 cents for every dollar of Medicaid go toward treating chronic disease.
- The Centers for Disease Control and Prevention report that chronic diseases are the leading causes of death and disability in the United States.

Provider Consolidation

Before managed care revolutionized the American health care system, individual medical providers determined the fees for their services. However, with the domination of managed care plans, most providers have been forced to negotiate their prices lower or risk losing patient volume from managed care plans willing to exclude non-compliant providers from their networks.

In order to maintain or regain some negotiating power, providers in many communities have consolidated their medical practices, effectively monopolizing procedures within specific service areas. These large provider groups have a much greater ability to negotiate with managed care plans that wish to provide convenient care options for their members.

Health care costs and, consequently, employee health benefits costs have been increasing at a very high rate for nearly a decade. Unfortunately, cost increases are still outpacing the rate of inflation, making health care a growing cost burden for consumers.