

The Cost of Doing Nothing

Why the Cost of Failing to Fix Our Health System is Greater than the Cost of Reform

Elizabeth Carpenter

Associate Policy Director, Health Policy Program

New America Foundation

Social Policy After the Economic Crisis

New America Foundation

December 5, 2008

Overview

Introduction

- › The Cost of Doing Nothing
 - › *Economic Cost to Society*
 - › *Affordability*
 - › *Coverage*
- › The Economic Impact of the Status Quo
 - › *On Families*
 - › *On Employers*
 - › *On Government*
 - › *On Quality*
- › Prospects for Health Reform

The Cost of Doing Nothing: Economic Cost to Society

- › Our economy loses more economic value because of the poor health and shorter lifespan of the uninsured than it would cost to make sure every American had health coverage

The Economic Cost of Failure, United States, 2007

Low Bound	High Bound	Per Uninsured Cost
\$103.9 Billion	\$207.3 Billion	\$4,541

The Cost of Doing Nothing: Affordability

- › As health care costs continue to grow faster than wages, health insurance will become more and more unaffordable

Affordability of Premiums, National Averages

	2008	2016	Percent Change
Full Cost of Family ESI	\$13,244	\$24,291	83.4%
Full Cost of Family ESI as a Share of Median Household Income	26.3%	45.5%	n/a

The Cost of Doing Nothing: Coverage

- › The financial protection offered by health insurance coverage will continue to deteriorate if we do not act

Benefits: Copayment and Deductibles, National Averages

	2008	2016	Percent Change
Average Copayment	\$21	\$30	46.0%
Average Deductible	\$1,550	\$2,687	73.3%

The Cost of Doing Nothing

- › All data available at the “State of State Health” website and on the health policy program website:
- › <http://statehealth.newamerica.net>
- › http://www.newamerica.net/publications/policy/cost_doing_nothing

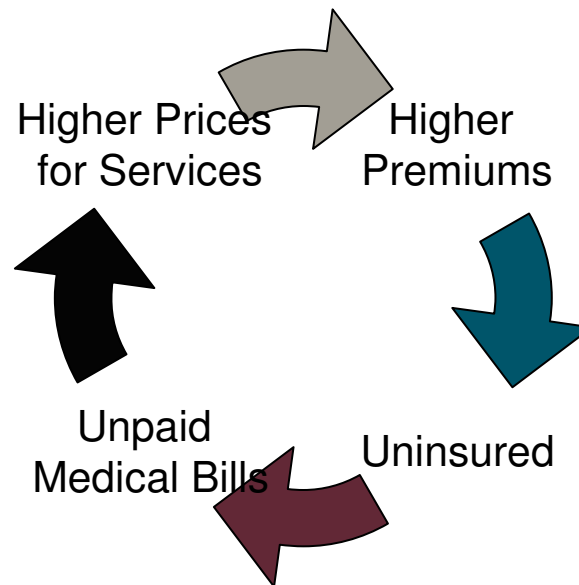
Impact on Families: Employee Health Insurance Contributions

- › From 1999 to 2006, total family ESI premiums rose by 88%
- › Employee health insurance contributions rose by 102%
- › Employers are asking employees to bear an increasing share of the health care burden

Sources: Kaiser Family Foundation/HRET, MEPS Insurance Component

Impact on Families: The Hidden Tax

- > The insured pay a hidden tax (of between 3-11%) to provide health care to the uninsured



Source: New America Foundation Analysis

Impact on Employers/Employees

- › Manufacturing firms pay more than twice as much in hourly health costs as their trading partners, \$2.38 per worker per hour versus \$0.96 per worker per hour (on average)
- › The loss in productivity stemming from poor health reduces work hours by as much as one-fifth—or 4 days per month

Sources: Len Nichols & Sarah Axeen, “Employer Health Costs in a Global Economy,” New America Foundation; James Collins, et al, in *Journal of Environmental and Occupational Health*.

Impact on Government

- › Federal government
 - » *“The nation’s long-term fiscal balance will be determined primarily by the future rate of health care cost growth.” – Peter Orszag*
- › State Government
 - » *States are trying to balance budgets with rising Medicaid costs and decreased revenues*

Impact on Quality

- › Preventable medical errors cause between 44,000-98,000 deaths per year and cost our economy between \$38 and \$50 billion
- › CMS determined that “never events” cost an additional \$700 to \$9,000 per case
- › Chronic disease management, other delivery system reforms, can save \$\$ over time

Prospects for Health Reform

- > Obama
- > Voters
- > Congress
 - » *Baucus*
 - » *Kennedy*
 - » *Healthy Americans Act*
- > Other coalitions/initiatives

Contact Information

Elizabeth Carpenter

Associate Policy Director, Health Policy Program

New America Foundation

carpenter@newamerica.net

202-986-2700

www.newamerica.net

www.newhealthdialogue.org