

Can We Afford Our Health Care?

New Directions and Solutions

NCSL Legislative Summit

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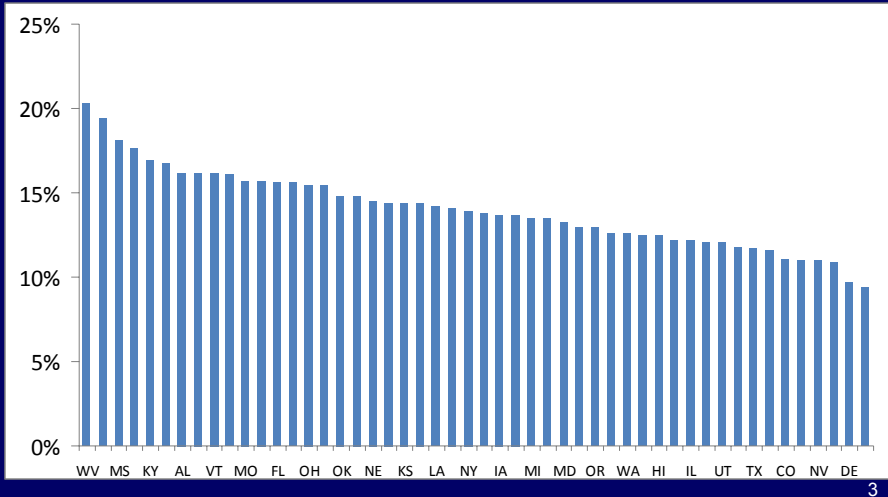
OUTLINE

- **Challenges**
- **Options**
- **Key Questions**

CHALLENGES

Health in State Budgets

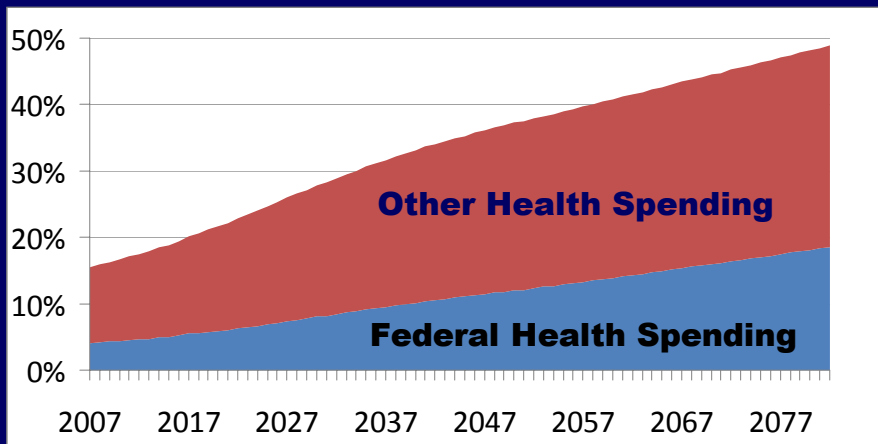
Spending as a Percent of Gross State Product



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Health Spending and the Economy

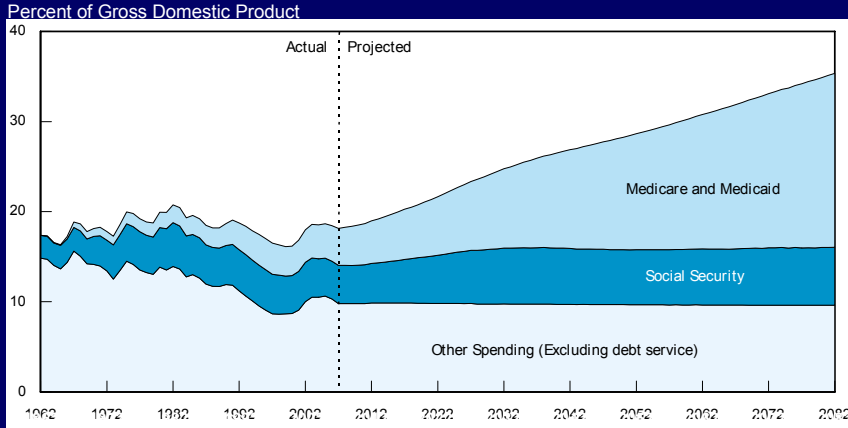
Projected Health Spending as Percent of Gross Domestic Product, 2007-82



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Health In The Federal Budget

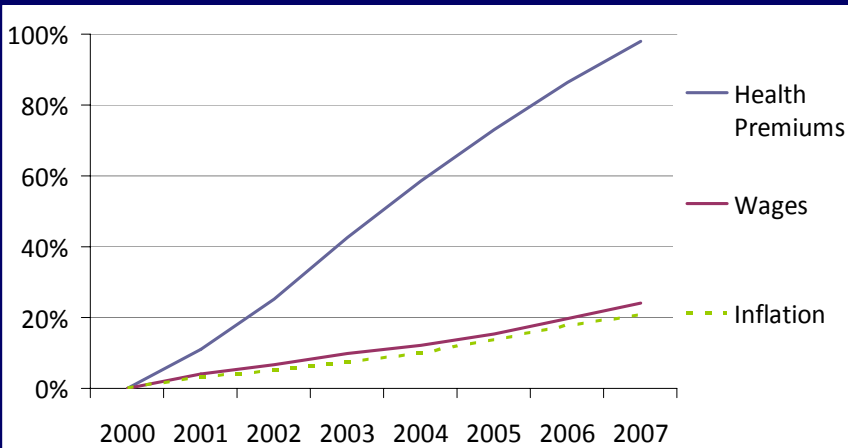
Federal Spending as Percent of Gross Domestic Product, 1962-2092



Source: Congressional Budget Office, 2008

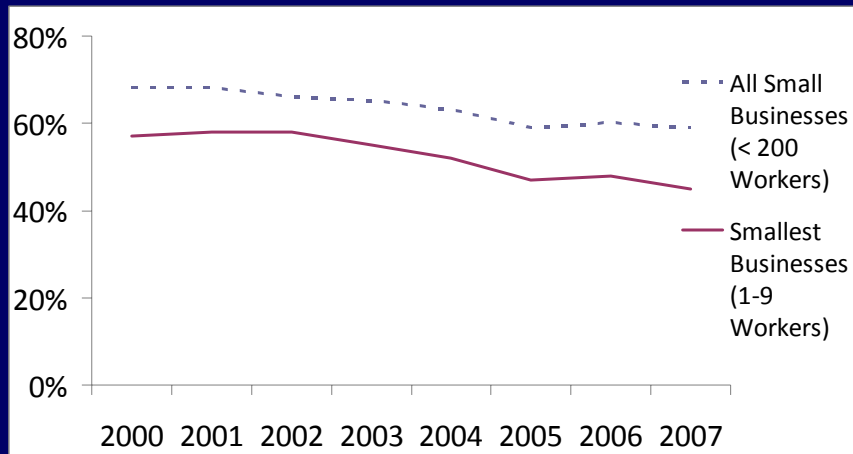
Health Premiums Rising

Cumulative Growth in Health Premiums, Wages, & Inflation 2000-07



Source: Kaiser / HRET Health Benefits Survey 2007

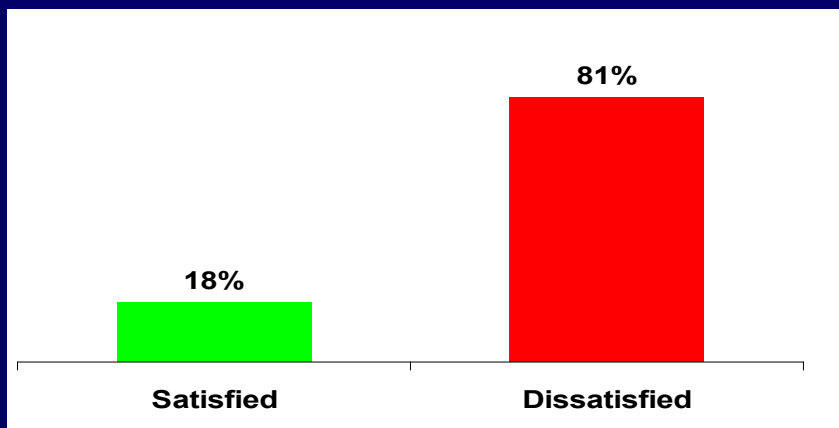
Fewer Small Firms Offering Health Benefits



Source: Kaiser / HRET Health Benefits Survey 2007

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Dissatisfaction with Costs Four Times As Many People Dissatisfied as Satisfied with Health Costs, 2007

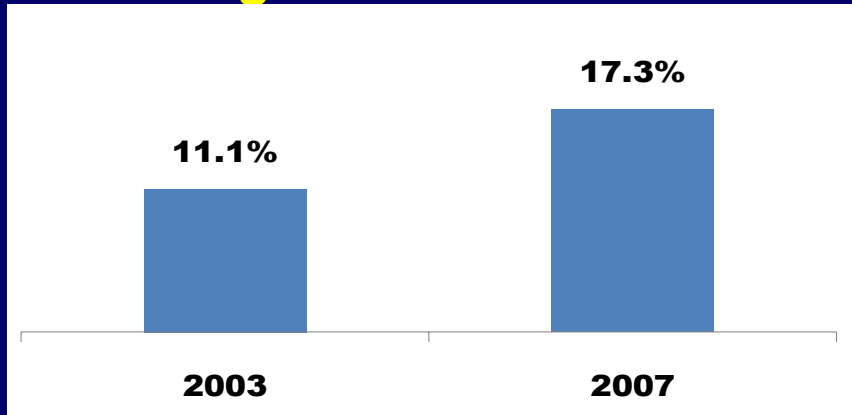


Source: Kaiser Family Foundation, March 2007; New York Times, March 2007

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Growing Under-Insurance Problem

Unmet Needs or Delayed Care Among Insured Americans

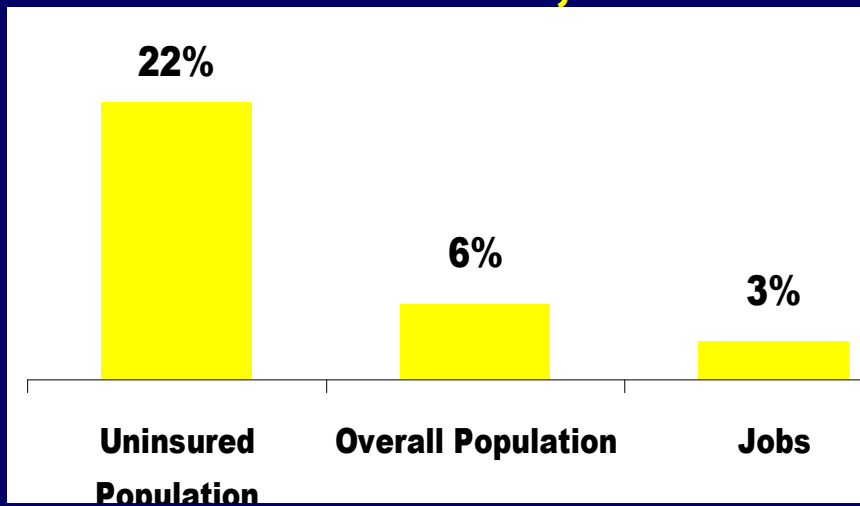


Source: P.J. Cunningham, L.E. Felland, *Falling Behind: Americans' Access to Medical Care Deteriorates, 2003-07*. Center for Studying Health System Change, Tracking Report No. 19, June 2008

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Uninsured Population Rising Rapidly

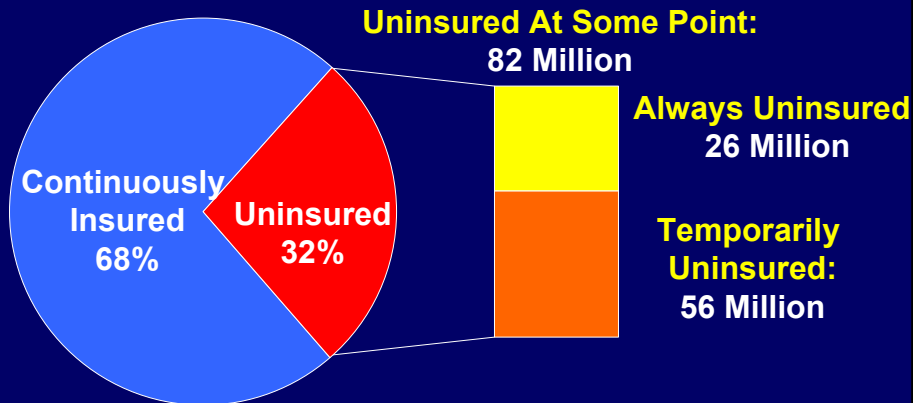
Cumulative Growth, 2000-2006



Source: Misc. data as presented by Better Health Care Together, Better Health Care Together, *Health-Cost Crossroad: Why American Businesses Urgently Need Health System Reform*, May, 2008

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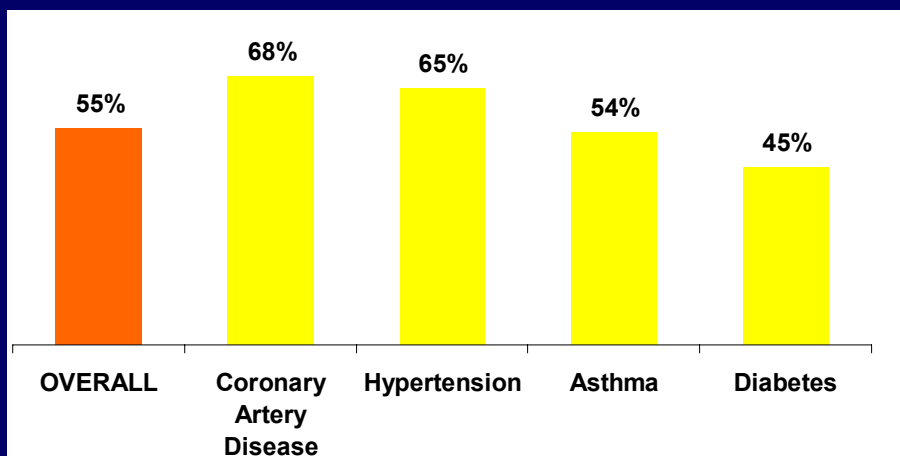
Health Coverage Gaps Nearly One-Third Have Gap in Coverage, 2003-2005



Source: Rhoades and Cohen. (August 2007). U.S. DHHS, AHRQ, Statistical Brief #183.

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Not Getting What We Pay For Recommended Services Provided Only About Half of the Time



Source: McGlynn et al., "The Quality of Health Care Delivery to Adults in the U.S.," *NEJM*, 2635-45, June 26, 2003.

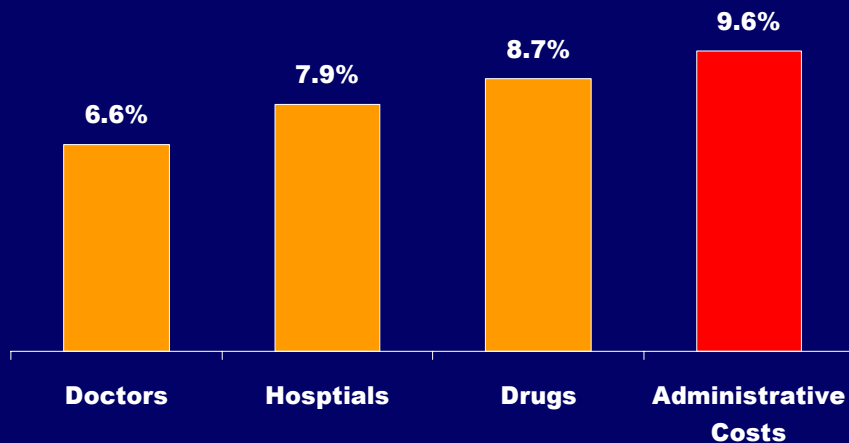
Cost Drivers

- **Prices**
 - Labor intensive and specialized
 - Evidence of price collusion
- **Use of Health Care**
 - Higher use when greater uncertainty
 - Incentives toward more care, not better care
 - Chronic disease epidemic
- **Administrative Costs**

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Growth in Private Health Spending By Service

Average Annual Growth Rate, 1998 to 2008

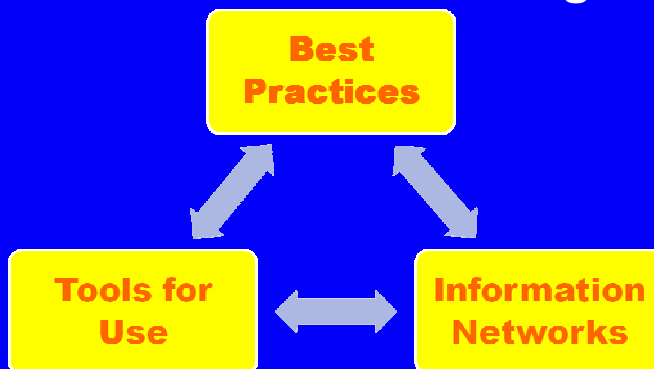


Source: CMS National Health Expenditures

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Elements for Improving Value in Health

Seamless System with Sustainable Financing



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OPTIONS

High-Value Health Care

- **Standards**
 - Comparative effectiveness information
 - Best practices and performance measures
- **Health information technology**
 - **Electronic:** Websites, electronic health records
 - **Human:** Provider networks, quality forums
- **Incentives for use**
 - Pay for performance
 - System prompts and defaults: making it easy

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Reducing Coverage Cost

- **Pools and competition**
 - **Providing small firms and individuals with access to group coverage and rates**
 - **Fostering competition on fewer, more important dimensions**
- **Public plan option**
 - **Removing risk and reducing marketing and underwriting**
- **Premium rate review and regulation**

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Promoting Prevention

- **Setting priorities**
- **Pooling funding**
- **Extending health care workforce**
- **Making prevention easy**

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QUESTIONS

How to Share Risk and Responsibility

- High deductibles v. targeted cost sharing
- Individual responsibility to be insured
- Employer responsibility to offer and/or finance coverage
- Government responsibility for poor and sick

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What Comes First: Affordability or Access

- “Can’t cover all until coverage is affordable”
- “Can’t achieve affordability until all are covered”
 - Ensuring adequate coverage for all Americans is, “a precondition for effective measures to limit overall health care spending.”

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