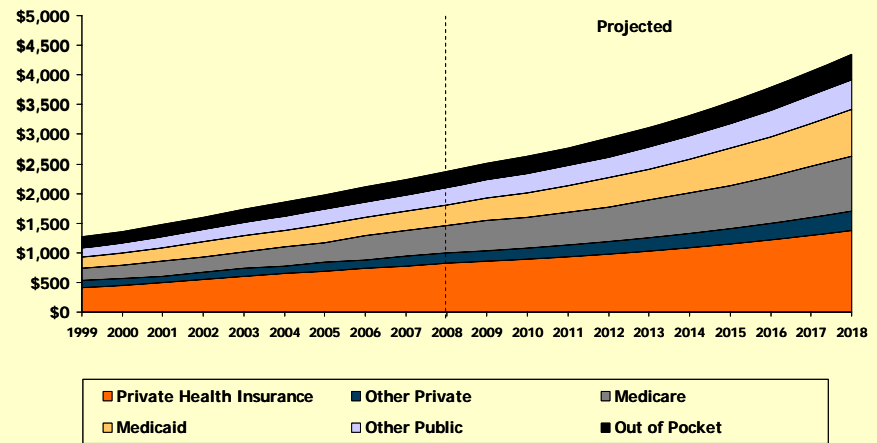


# Health Care Facts: Costs

Health care spending continues to rise at a rapid rate forcing businesses to cut back on health insurance coverage and forcing many families to cut back on basic necessities such as food and electricity and, in some cases, shelters and homes.

Experts agree that our health care system is riddled with inefficiencies, excessive administrative expenses, inflated prices, poor management and inappropriate care, waste and fraud. These problems increase the cost of medical care associated with government health programs like Medicare and Medicaid, and health insurance for employers and workers and affect the security of families.

**Relative Contributions to NHE By Source of Funds, 1999 to 2018 (in Billions)**



Note: First projected year is 2008

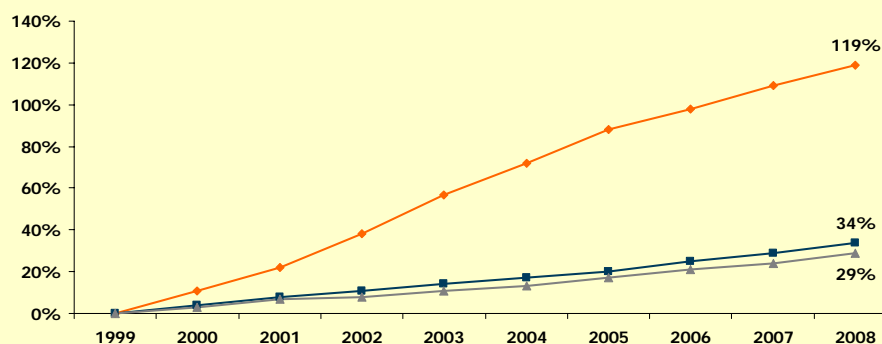
Source: Chart taken from Kaiser Family Foundation at [kff.org](http://kff.org); Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at [http://www.cms.hhs.gov/NationalHealthExpendData/03\\_NationalHealthAccountsProjected.asp#TopOfPage](http://www.cms.hhs.gov/NationalHealthExpendData/03_NationalHealthAccountsProjected.asp#TopOfPage) (see Projected; NHE Historical and projections, 1965-2018, file nhe65-18.zip).

## NATIONAL HEALTH CARE SPENDING

- National health spending is expected to reach \$2.5 trillion in 2009, accounting for 17.6 percent of the gross domestic product (GDP). By 2018, national health care expenditures are expected to reach \$4.4 trillion—more than double 2007 spending.<sup>1</sup>
- National health expenditures are expected to increase faster than the growth in GDP: between 2008 and 2018, the average increase in national health expenditures is expected to be 6.2 percent per year, while the GDP is expected to increase only 4.1 percent per year.<sup>1</sup>
- In just three years, the Medicare and Medicaid programs will account for 50 percent of all national health spending.<sup>1</sup>
- Medicare's Hospital Insurance (HI) Trust Fund is expected to pay out more in hospital benefits and other expenditures this year than it receives in taxes and other dedicated revenues. In addition, the Medicare Supplementary Medical Insurance (SMI) Trust Fund that pays for physician services and the prescription drug benefit will continue to require general revenue financing and charges on beneficiaries that will grow substantially faster than the economy and beneficiary incomes over time.<sup>2</sup>
- According to one study, of the \$2.1 trillion the U.S. spent on health care in 2006, nearly \$650 billion was above what we would expect to spend based on the level of U.S. wealth versus other nations. These additional costs are attributable to \$436 billion outpatient care and another \$186 billion of spending related to high administrative costs.<sup>3</sup>

## EMPLOYER AND EMPLOYEE HEALTH INSURANCE COSTS

### Cumulative Changes in Health Insurance Premiums, Inflation, and Workers' Earnings, 1999-2008



Source: Chart taken from Kaiser Family Foundation: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2008. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2000-2008; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2000-2008 (April to April).

—●— Health Insurance Premiums  
—■— Workers' Earnings  
—▲— Overall Inflation

Over the last decade, employer-sponsored health insurance premiums have increased 119 percent.<sup>4</sup>

Employees have seen their share of job-based coverage increase at nearly the same rate during this period jumping from \$1,543 to \$3,354.<sup>4</sup>

The cumulative increase in employer-sponsored health insurance premiums have raised at four times the rate of inflation and wage increases during last decade. This increase has made it much more difficult for businesses to continue to provide coverage to their employees and for those workers to afford coverage themselves.<sup>4</sup>

- The average employer-sponsored premium for a family of four costs close to \$13,000 a year, and the employee foots about 30 percent of this cost.<sup>4</sup> Health insurance costs are the fastest growing expense for employers. Employer health insurance costs overtook profits in 2008, and the gap grows steadily.<sup>5</sup>
- Total health insurance costs for employers could reach nearly \$850 billion by 2019. Individual and family spending will jump considerably from \$326 billion in 2009 to \$550 billion in 2019.<sup>6</sup>
- The Congressional Budget Office has estimated that job-based health insurance could increase 100 percent over the next decade.<sup>7</sup> Employer-based family insurance costs for a family of four will reach nearly \$25,000 per year by 2018 absent health care reform.<sup>7</sup>

## THE IMPACT OF RISING HEALTH CARE COSTS

- Economists have found that rising health care costs correlate with significant drops in health insurance coverage, and national surveys also show that the primary reason people are uninsured is due to the high and escalating cost of health insurance coverage.<sup>8</sup>
- A recent study found that 62 percent of all bankruptcies filed in 2007 were linked to medical expenses. Of those who filed for bankruptcy, nearly 80 percent had health insurance.<sup>9</sup>
- According to another published article, about 1.5 million families lose their homes to foreclosure every year due to unaffordable medical costs.<sup>10</sup>
- Without health care reform, small businesses will pay nearly \$2.4 trillion dollars over the next ten years in health care costs for their workers, 178,000 small business jobs will be lost by 2018 as a result of health care costs, \$834 billion in small business wages will be lost due to high health care costs over the next ten years, small businesses will lose \$52.1 billion in profits to high health care costs and 1.6 million small business workers will suffer “job lock”—roughly one in 16 people currently insured by their employers.<sup>11</sup>

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