



Glencoe Regional Health Services

# Health Care Costs

## History and Perspective



**Dr. Peter Smyth**  
**Internal Medicine**

**June 23, 2010**

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# Questions for Tonight

- How did we get here?
- Who pays?
- Whose fault is it?
- What should I do? (What shouldn't I do?)
- Your questions



# Health Care Financing Background

- Health care is expensive

	Percent of gross domestic product 1970	Percent of gross domestic product 2004
USA	7%	15.3%
Canada	7%	9.9%
Germany	6.2%	10.6%
Britain	4.5%	8.1%

– *Growth is unsustainable*

# History

- 1920s: We started treating SICK folks
  - Surgery
  - Insulin
  - Antibiotics
    - Costs became more than people could pay
- 1930s
  - Baylor Hospital, Dallas, Texas
    - 1<sup>st</sup> insurance program
    - Became BlueCross BlueShield

# History

- 1930s continued...
  - Nonprofit, service organization
  - Everyone paid the same premium
- 1940s
  - Commercial insurers entered the game
  - Tax break for businesses
  - Calculating risk started (underwriting)
  - Young were cheap – old are expensive
  - Became an employment benefit

# History

- 1960s

- Medicare

- Hospitals and doctors got paid
    - Hospitals got cost plus
    - Doctors got paid something
    - BUT
      - National reimbursement disparity

# History

- 1970s - 1980s
  - Costs escalate
    - ↑ Technology
    - ↑ Stratification (underwriting)
    - ↑ Inefficiencies
    - Lack of competition for insurance companies (especially Minnesota)

# History

- 1990s – 2000s
  - Employers passing costs to employees
  - Employers (bailing out) of insurance programs



# Today

- Medicare
  - Denials
  - No coverage out of the USA
  - Supplements
  - Other coverages
    - Nursing homes (Long Term Care )
    - Durable medical equipment (wheelchairs, shoes, etc.)
  - National disparity
    - **Everybody pays the same premium**

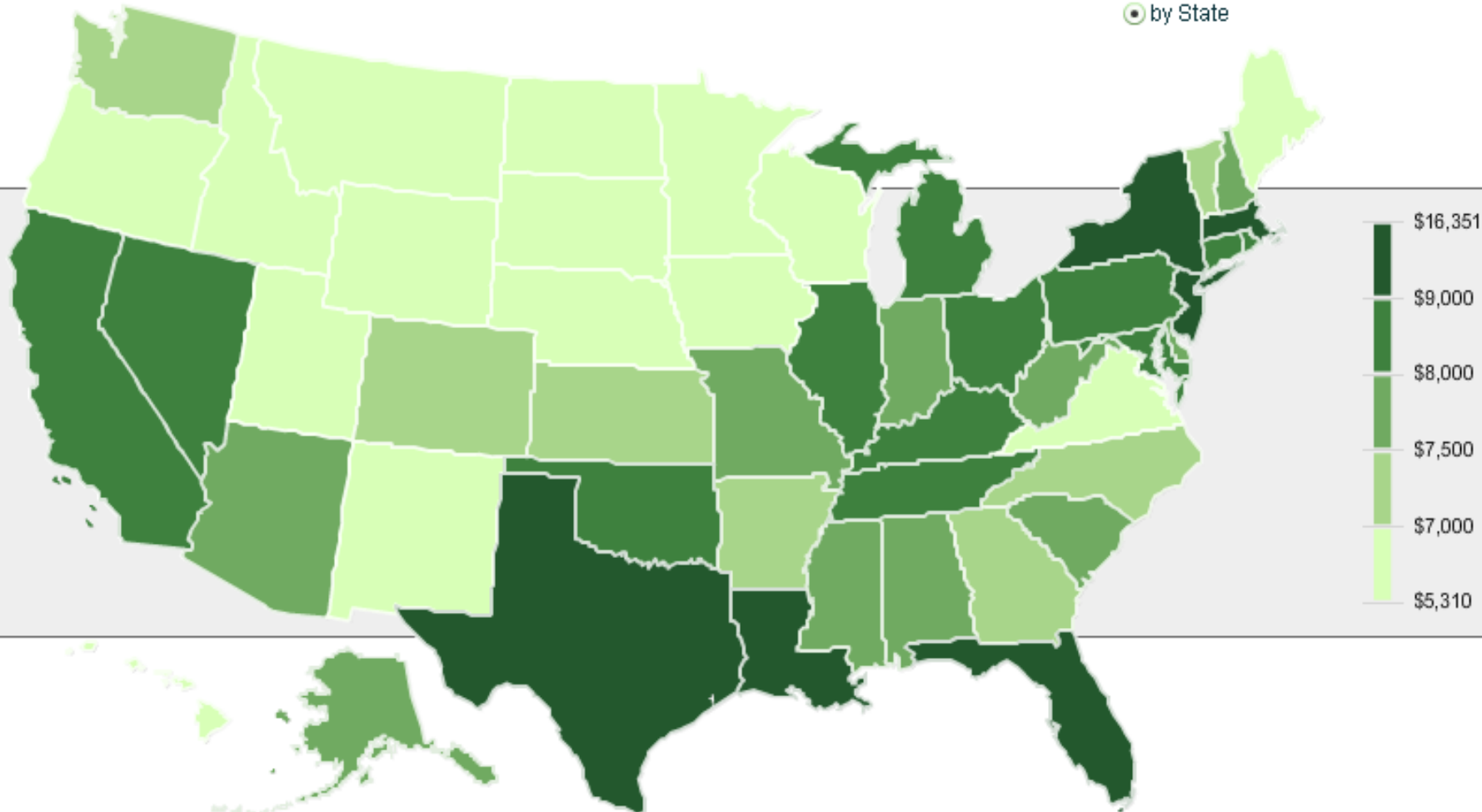
# Today – Disparity of Medicare Income

## Medicare Reimbursements Per Enrollee

2006 Medicare Reimbursements by State

Total Reimbursements (2006) ▾

- by Hospital Referral Region
- by State



# Uncompensated Care

- In 2008, \$2.1 million\* at GRHS
  - Bad Debt - \$1,003,775 (charges)
    - Bad debt is charges for care provided to patients who neither pay their share of the hospital bill nor complete the steps necessary to receive charity care or public insurance.
  - Charity Care - \$553,946 (cost)
    - The cost incurred by hospital in providing free or discounted health care to low-income people who qualify according to the hospital's policies.
  - Underpayment of Services - \$821,754 (cost)
    - The difference between the reimbursement we receive from Medicaid and other government assistant programs and the actual cost of providing health care services to patients covered by these insurance programs.

\*Amount adjusted based on actual cost to provide care, not charges.

# Medical Bankruptcy in the U.S.

- In 2007, 62.1% of all bankruptcies were medical:
  - 92% of these medical debtors had medical debts over \$5,000, or 10% of pretax family income.
  - Rest met criteria for medical bankruptcy because lost significant income due to illness or mortgaged a home to pay medical bills.
  - Most medical debtors were educated, owned homes and had middle-class occupations. Three quarters had health insurance.
  - In 1981, only 8% of families filing for bankruptcy did so in the aftermath of a serious medical problem.

CLINICAL RESEARCH STUDY

THE AMERICAN JOURNAL of MEDICINE

## Medical Bankruptcy in the United States, 2007: Results of a National Study

David U. Himmelstein, MD,<sup>a</sup> Deborah Thorne, PhD,<sup>b</sup> Elizabeth Warren, JD,<sup>c</sup> Steffie Woolhandler, MD, MPH<sup>a</sup>  
*<sup>a</sup>Department of Medicine, Cambridge Hospital/Harvard Medical School, Cambridge, Mass; <sup>b</sup>Department of Sociology, Ohio University, Athens; and <sup>c</sup>Harvard Law School, Cambridge, Mass.*

**ABSTRACT**

**BACKGROUND:** Our 2001 study in 5 states found that medical problems contributed to at least 46.2% of all bankruptcies. Since then, health costs and the numbers of un- and underinsured have increased, and bankruptcy laws have tightened.

**METHODS:** We surveyed a random national sample of 2314 bankruptcy filers in 2007, abstracted their court records, and interviewed 1032 of them. We designated bankruptcies as “medical” based on debtors’ stated reasons for filing, income loss due to illness, and the magnitude of their medical debts.

**RESULTS:** Using a conservative definition, 62.1% of all bankruptcies in 2007 were medical; 92% of these medical debtors had medical debts over \$5000, or 10% of pretax family income. The rest met criteria for medical bankruptcy because they had lost significant income due to illness or mortgaged a home to pay medical bills. Most medical debtors were well educated, owned homes, and had middle-class occupations. Three quarters had health insurance. Using identical definitions in 2001 and 2007, the share of bankruptcies attributable to medical problems rose by 49.6%. In logistic regression analysis controlling for demographic factors, the odds that a bankruptcy had a medical cause was 2.38-fold higher in 2007 than in 2001.

**CONCLUSIONS:** Illness and medical bills contribute to a large and increasing share of US bankruptcies. © 2009 Elsevier Inc. All rights reserved. • *The American Journal of Medicine* (2009) 122, 741-746

**KEYWORDS:** Bankruptcy; Health care costs; Health economics

As recently as 1981, only 8% of families filing for bankruptcy did so in the aftermath of a serious medical problem.<sup>1</sup> By contrast, our 2001 study in 5 states found that illness or medical bills contributed to about half of bankruptcies.<sup>2</sup> Since then, the number of un- and underinsured Americans has grown;<sup>3</sup> health costs have increased; and Congress tightened the bankruptcy laws.<sup>4</sup> Here we report the first-ever national random-sample survey of bankruptcy filers.

**Funding:** Supported by Grant #56590 from the Robert Wood Johnson Foundation, Princeton, NJ.

**Conflict of Interest:** None.

**Authorship:** All authors had access to the data and a role in writing the manuscript.

Requests for reprints should be addressed to David U. Himmelstein, MD, Department of Medicine, Cambridge Hospital/Harvard Medical School, 1493 Cambridge Street, Cambridge, MA 02139. E-mail address: dhimmelstein@challiance.org

**METHODS**

We used 3 data sources: questionnaires mailed to debtors immediately after bankruptcy filing; court records; and telephone interviews with a sub-sample of debtors.

**Sample Design**

Between January 25 and April 11, 2007, we obtained from Automated Access to Court Electronic Records, a list of all 118,308 bankruptcy petitions filed in the US. We excluded filings in Guam and Puerto Rico, nonpersonal bankruptcies, and cases missing a name or address. Within 2 weeks of their filings, we mailed introductory letters to 5251 randomly selected debtors; 275 were returned as undeliverable. We then mailed self-administered questionnaires to the 4976 debtors with valid addresses; 2314 (46.5%) were completed and returned; 124 were returned incomplete (2.5%); and 83 (1.7%) declined to participate; 2455 (49.3% of those with valid addresses) did not respond.

We compared court records (described below) of respondents with a random sample of 99 nonrespondents. Nonre-

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# Community Health Services

In 2008, GRHS provided \$196,000 in free or low-cost education and outreach efforts, including:

- Health talks, free monthly health lectures
- Prenatal classes offered at a deep discount
- Annual community diabetes education event offered at no cost
- Host of Look Good Feel Better Classes (American Cancer Society)
- Flu clinics
- On-site interpreters to assist Spanish-speaking patients during visits with their health care providers

**Heel Pain, Heal!**

- What causes heel pain?
- How is it treated?
- How can it be prevented?

**ADHD Part II**

What role do brain chemicals play in ADHD?  
What should you know about ADHD medications?  
What resources are available to help parents and educators?

**All About Dementia**

- What causes dementia?
- What treatments are available?
- What planning should you do when a loved one is diagnosed?

**Dr. Amie Scantlin, Podiatry**

A health talk by  
Thursday, January 15,  
7:00-8:00 p.m.  
GRHS Conference Rooms  
Please use hospital entrance

**Dr. Peter Smyth, Internal Medicine**

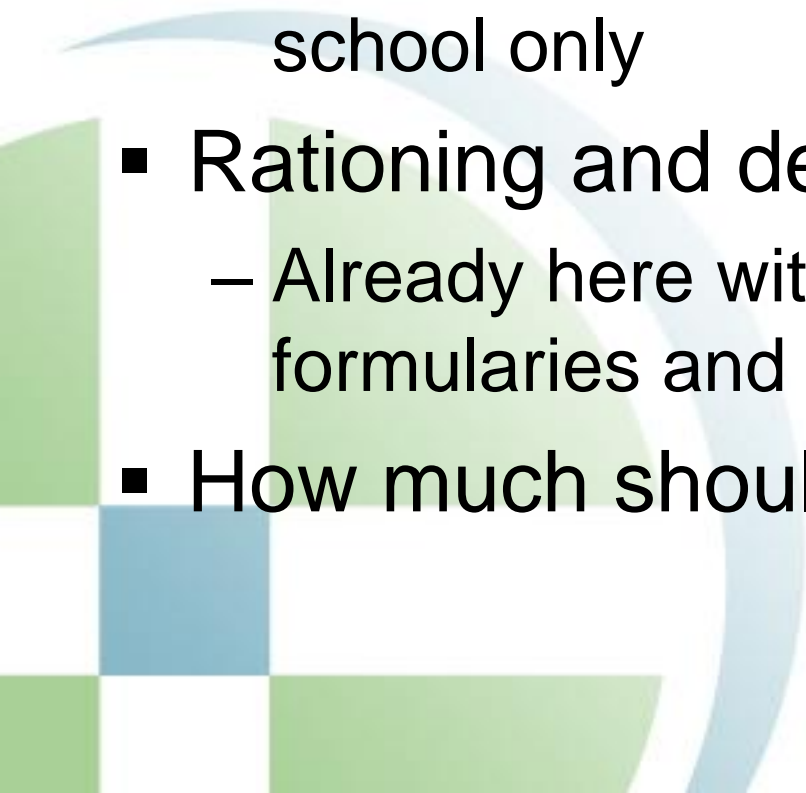
A health talk by  
Thursday, June 18  
7:00-8:00 p.m.  
GRHS Conference Rooms  
Please use hospital entrance  
1805 Hennepin Avenue North, Glencoe  
Registration deadline: Noon on Wednesday, June 17  
See the Reception Desk for an Event Flyer  
or to Register Today

Glencoe Regional Health Services

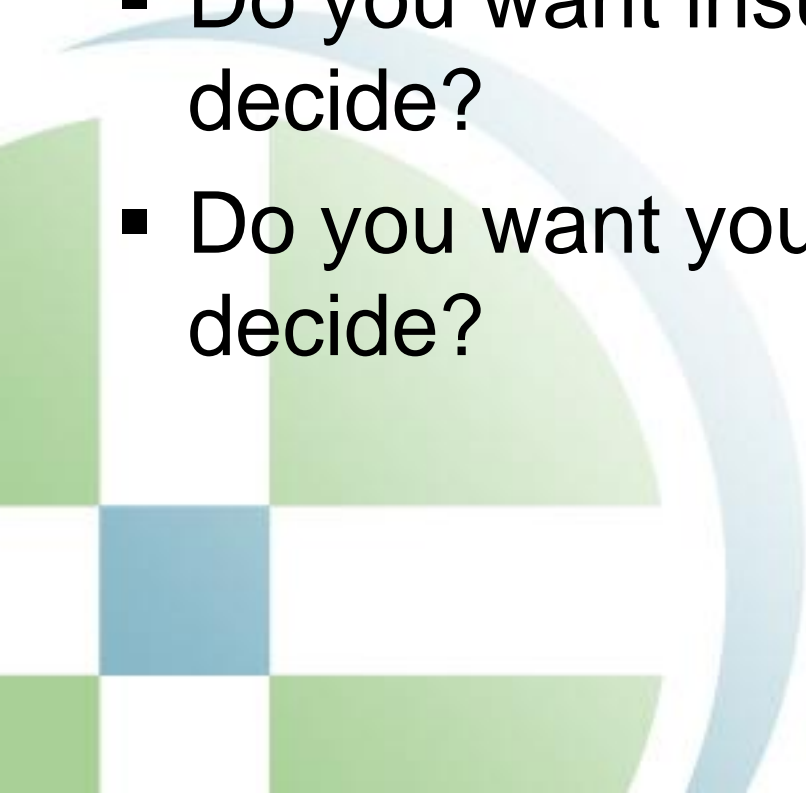
# Solution??

- Insurance or government
  - Single payer
  - Multiple companies
  - Who pays?
- Rationing
  - Investment
  - Utilization
- Demand
  - Who decides services?
- Coverage
  - Who decides?

# Other Things to Think About

- Medical student debt
    - Medical school graduates from Minnesota average \$138,000 in debt from medical school only
  - Rationing and denials
    - Already here with insurance company formularies and prior authorization
  - How much should we pay?
- 

# Questions for you

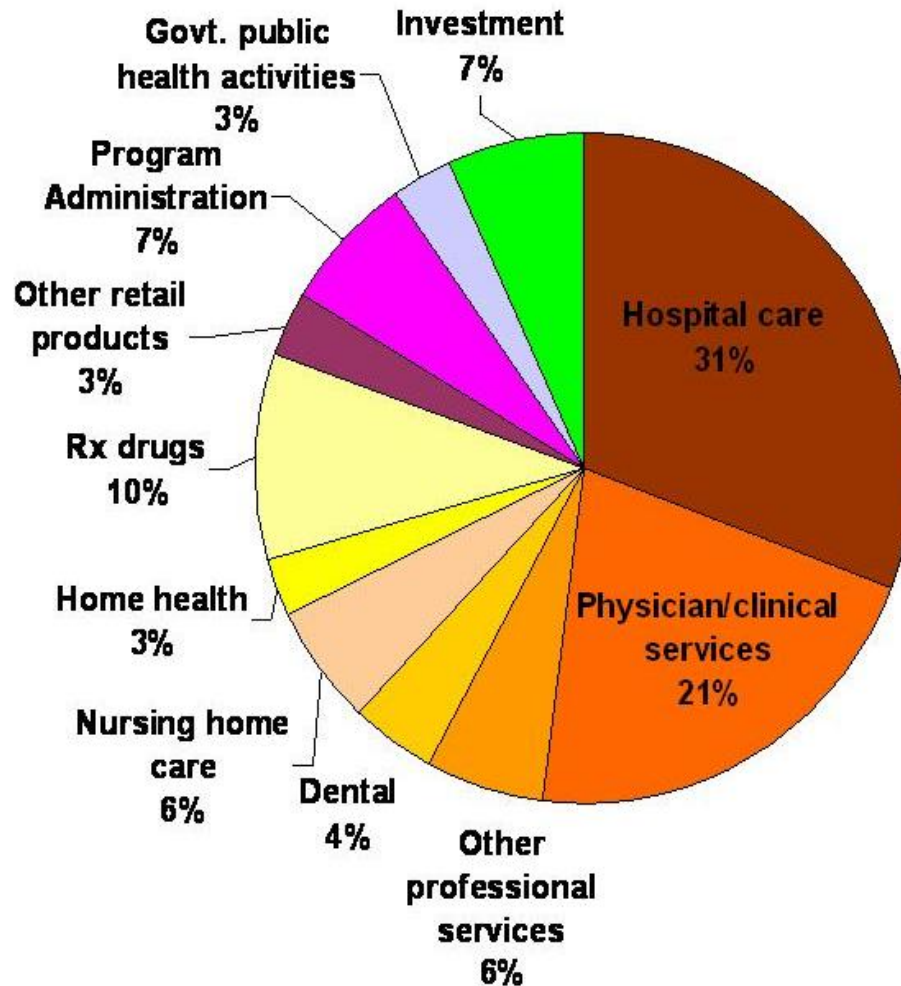
- Do you want the government to decide?
  - Do you want your boss to decide?
  - Do you want insurance companies to decide?
  - Do you want you and your doctor to decide?
- 

# Us and Them

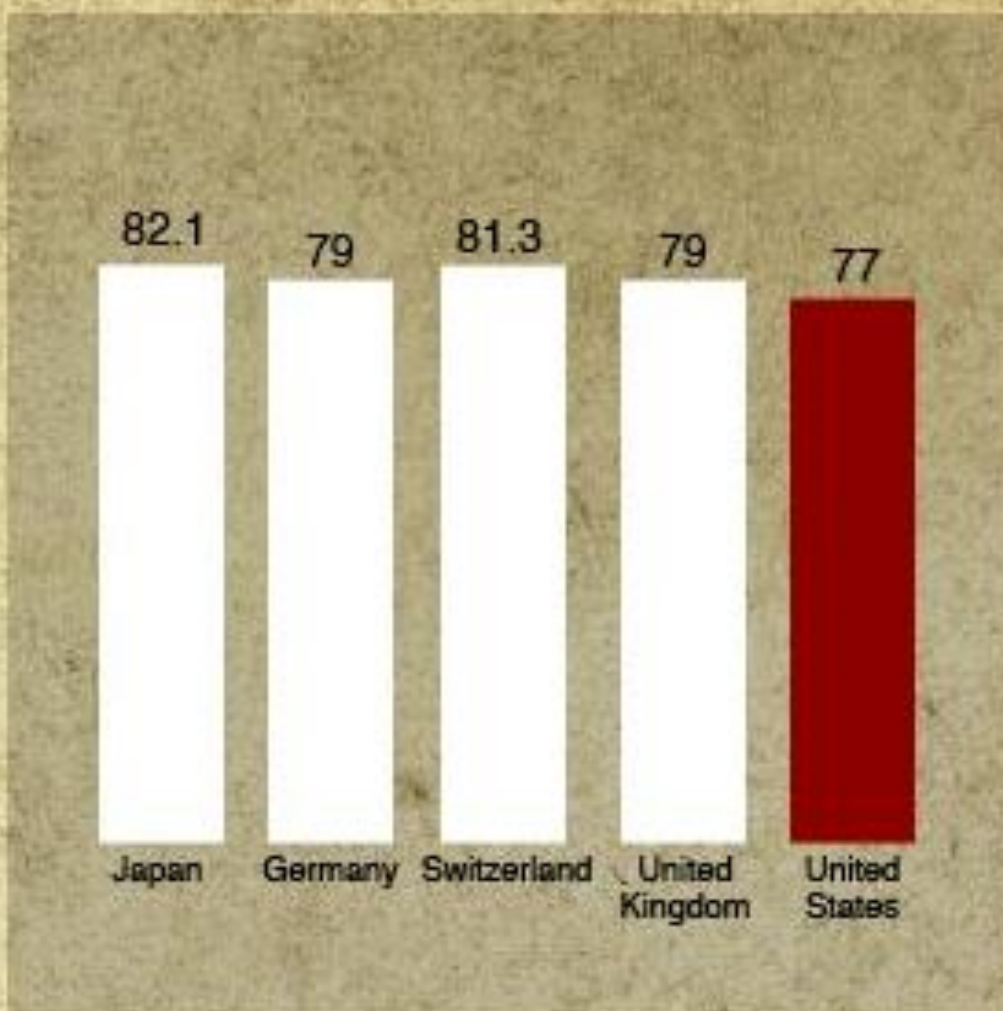
- Compare the United States medical expenditures to foreign countries



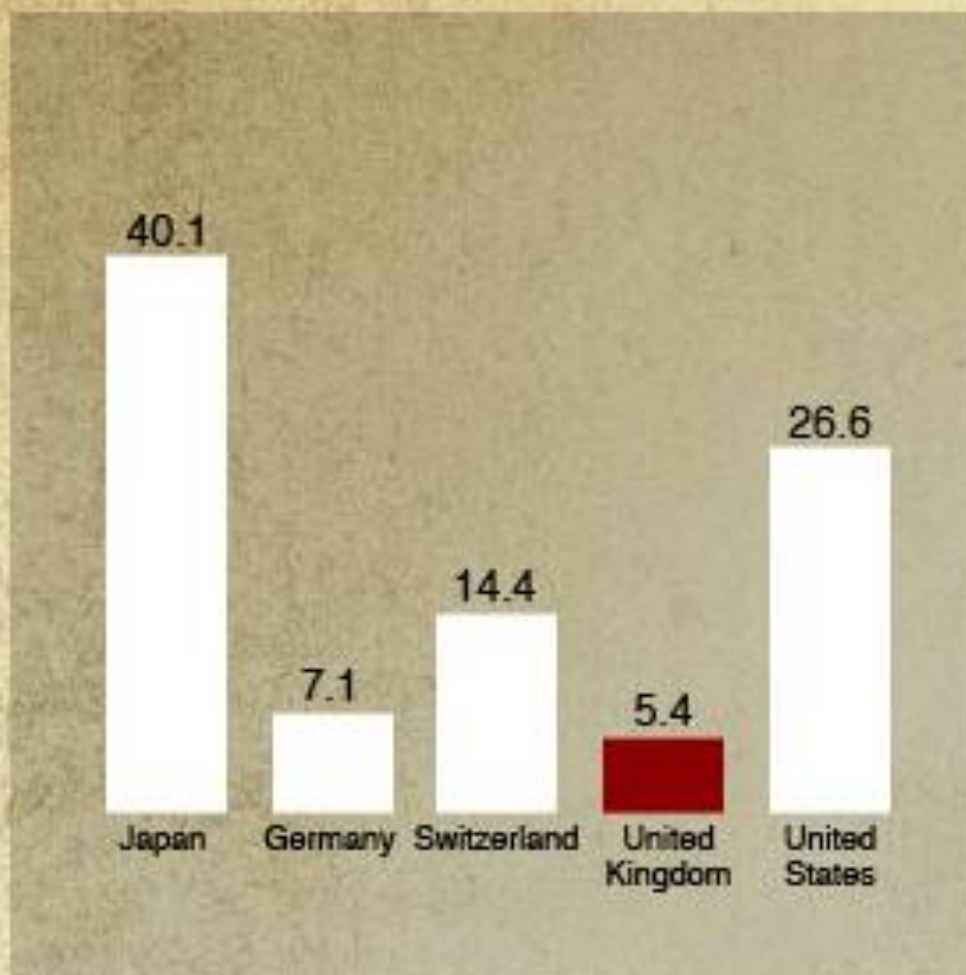
# Where does the money go?




## Life Expectancy




## **MRI Machines** Per million population



*source: Frontline 2007*

 = 1 person

# Annual costs of health care per capita:

\$1,000 = 

## Australia



=



(\$2,886)

(\$2,998)



=



## Canada



## Denmark



=



(\$2,743)

worldhealthcare

(\$2,104)



=



## Finland



# Switzerland



=



(\$3,847)

# United Kingdom

(\$2,317)



=



# United States



=



(\$5,711)

source: Kaiser Family Foundation

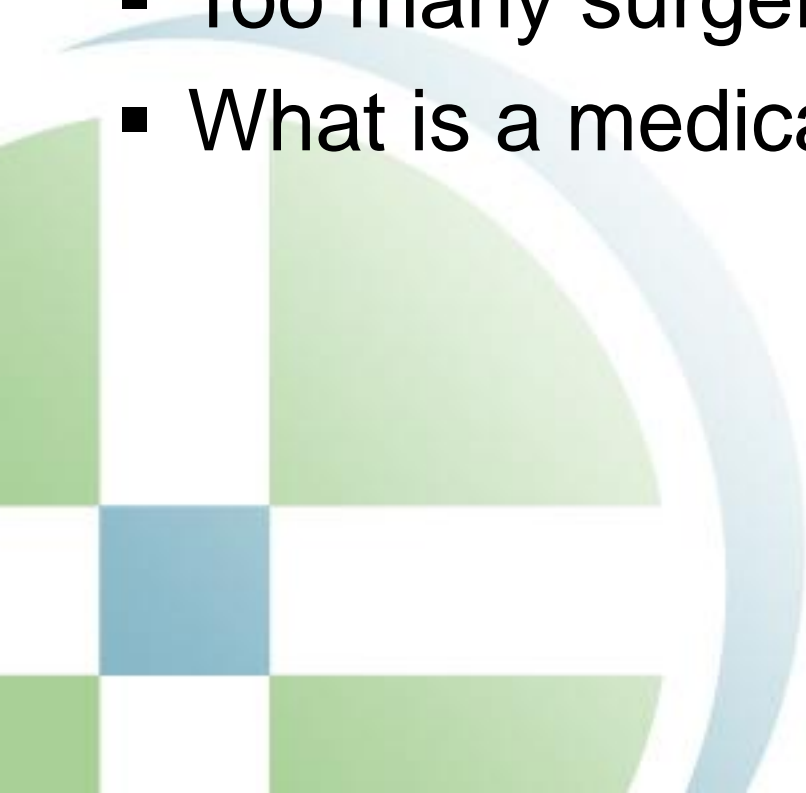
# Legal Problems

- Cost of medical malpractice
  - Bad outcomes
  - Malpractice and negligence
  - Covering contingencies



# Medical Problems

- Specialty consultations
- Too many medications
- Too many surgeries
- What is a medical problem?



# Is it our fault?

- According to Reuters News Service, “The United States spends more on healthcare than any country in the world but has higher rates of infant mortality, diabetes and other ills than many other developed countries.”



# Whose job is it to fix this?

- Is it the doctors?
- Is it the system?
- Is it the government?
- Is it you?



# Saving my costs

- Good physical health
    - Proper weight
    - Proper exercise
    - No smoking
    - Wear your seatbelts and motorcycle helmets
    - Avoid risky behaviors
- 

According to a 2009 study by the CDC, Obesity costs the U.S. health care system up to \$147 billion a year. It's not the obesity itself that costs so much, it's the bad health that comes with it.



# Proper Weight


- Excess obesity (the kids too)
  - Orthopedic problems
  - Cardiac problems
  - Shortened life expectancy
  - Increased cancer
  - A 2009 study by the CDC found that in 2006, obese patients spent an average of \$1,429 more per year for their medical care than people within a normal weight range.

# Exercise

- Keeping fit



# Lifestyles

- Smoking
  - Alcohol
  - Tanning
  - Seatbelts and motorcycle helmets
  - Safety equipment
- 

# Risky Behaviors

- Motorcycle riding
  - Skiing
  - Hiking
  - Hunting
  - Fishing
  - Water sports
- 

# Examples and questions

