

# THE HUMAN COST OF THE SICK-CARE STATUS QUO

## *A Broken System, by the Numbers*

### PATIENT PAIN

- For people in large employer plans, 18% of all emergency visits and 16% of in-network hospital stays had at least one out-of-network charge associated with the care in 2017.<sup>1</sup>
- “Of the emergency room visits in 2017 by people with large employer coverage, we estimate 18% had at least one out-of-network charge (from either the facility, the provider, or both) associated with the visit. This includes out-of-network charges from the emergency facility, emergency room providers, and provider and facility charges associated with a resulting inpatient stay, when applicable.”<sup>2</sup>
- 53% of people with high deductible plans have less in savings than their deductible obligation.<sup>3</sup>
- From 2000-2017, health expenditures in the U.S. more than doubled from \$1.4T – 3.5T.<sup>4</sup>
- Deductibles for employer-sponsored plans tripled between 2006-2017.
- A third of all workers are in a high deductible plan and the average worker now with a family plan now pays more than \$5,000 of his almost \$20,000 premiums every year, and those premiums have gone up 55% in the past decade, twice as fast as wages.<sup>5</sup>
- 57% of Americans have less than \$1,000 in savings, 39% have no savings at all.<sup>6</sup>
- Median U.S. household income in 2017 = \$61,000
- A fifth of Americans have put off care for a serious condition because of fears about the cost.<sup>7</sup>
- Healthcare costs are eating our economy and stealing the security of the American family. Since Obamacare was passed in 2010, out-of-pocket healthcare spending has dramatically outpaced wage growth – essentially swallowing all the economic wage growth.<sup>8</sup>
- A fifth of Americans are have been in medical collections, and medical collections are half of all collections.<sup>9</sup>
- A quarter of all American adults under 65 report having problems paying medical bills. Of those:
  - 59% say they used up all or most of their savings to pay medical bills.
  - 70% report that they received out-of-network care that they didn’t realize was out-of-network.

<sup>1</sup> <https://www.healthsystemtracker.org/brief/an-examination-of-surprise-medical-bills-and-proposals-to-protect-consumers-from-them>

<sup>2</sup> <https://www.healthsystemtracker.org/brief/an-examination-of-surprise-medical-bills-and-proposals-to-protect-consumers-from-them>

<sup>3</sup> <https://www.healthsystemtracker.org/brief/deductible-relief-day-how-rising-deductibles-are-affecting-people-with-employer-coverage/#item-start>

<sup>4</sup> <https://www.healthsystemtracker.org/chart-collection/u-s-spending-healthcare-changed-time/#item-start>, Kaiser Family Foundation

<sup>5</sup> <https://www.kff.org/health-costs/report/2018-employer-health-benefits-survey/>

<sup>6</sup> <https://www.gobankingrates.com/saving-money/savings-advice/half-americans-less-savings-2017/>

<sup>7</sup> <https://news.gallup.com/poll/4708/healthcare-system.aspx>,

<sup>8</sup> <https://www.healthsystemtracker.org/brief/increases-in-cost-sharing-payments-have-far-outpaced-wage-growth/#item-start>

<sup>9</sup> [https://files.consumerfinance.gov/f/201412\\_cfpb\\_reports\\_consumer-credit-medical-and-non-medical-collections.pdf](https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf), p. 4 and 18

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- 70% of people under 65 who tried to shop around for a lower price on healthcare said it was difficult to find pricing information.<sup>10</sup>
- Healthcare was the top issue for most voters (exit polls 2018) last election. Among Democrats, it was for 75% of voters.<sup>11</sup>
- In 2014, 43 million Americans had unpaid medical debts, accounting for 13% of the population in the U.S. The median amount = 207, average = 579. Of those with medical unpaid debt, about half have no other debts (compared to 22% for those with non-medical debt).<sup>12</sup>
- 25% of people reported that they had skipped medical treatments in the previous year due to costs.<sup>13</sup>
- 40% of Americans skipped a recommended medical test or treatment, and 44% say that “they did not go to a doctor when they were sick or injured” in the last year.<sup>14</sup>
- Out of pocket costs have risen from \$250/year in 1980 to more than \$1400 in 2016.<sup>15</sup> In real dollars, it’s been about \$600 → \$1150.<sup>16</sup>
- Milliman estimates that the average family of four spends \$28,000/yr on health care costs (insurance and cost-sharing). 44% of that is paid by the employee – 27% (\$7,674) for premium contribution, and 17% of that (almost \$5,000) for out-of-pocket – totaling more than \$12,000.<sup>17</sup>
- Two-thirds of all declared bankruptcies are tied to medical issues – either the bills themselves, or the lost time at work.<sup>18</sup>
- Half a million families a year turn to bankruptcy proceedings each year because of medical issue and bills.<sup>19</sup>

### HOSPITAL GOUGING and PREDATORY BILLING:

- In 2016, hospitals charged (*gross* charges, before insurance discounts) on average four times Medicare’s allowed costs – some charged 10 times Medicare’s allowed costs.<sup>20</sup> In 1984, this ratio was 1.35.<sup>21</sup>

<sup>10</sup> <https://kaiserfamilyfoundation.files.wordpress.com/2016/01/8806-t-the-burden-of-medical-debt-results-from-the-kaiser-family-foundation-new-york-times-medical-bills-survey-topline.pdf>

<sup>11</sup> <https://www.cnn.com/election/2018/exit-polls>

<sup>12</sup> [https://files.consumerfinance.gov/f/201412\\_cfpb\\_reports\\_consumer-credit-medical-and-non-medical-collections.pdf](https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf)

<sup>13</sup> <https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf>

<sup>14</sup> <https://s8637.pcdn.co/wp-content/uploads/2018/03/WHI-Healthcare-Costs-Coverage-and-Policy-Topline.pdf>

<sup>15</sup> Taking Neighbors to Court: Johns Hopkins Hospital Medical Debt Lawsuits. May, 2019. <https://act.nationalnursesunited.org/page/-/files/graphics/Johns-Hopkins-Medical-Debt-report.pdf>

<sup>16</sup> <https://www.healthsystemtracker.org/chart-collection/u-s-spending-healthcare-changed-time/#item-hospital-and-physician-services-represent-half-of-total-health-spending>

<sup>17</sup> <https://pnhp.org/news/cost-of-health-care-for-a-typical-family-of-four-now-over-28000/>

<sup>18</sup> <https://ajph.aphapublications.org/doi/10.2105/AJPH.2018.304901?eType=EmailBlastContent&eId=a5697b7e-8ffc-4373-b9d2-3eb745d9debb&=&>

<sup>19</sup> Ibid.

<sup>20</sup> 2019 analysis by Ge Bai and Gerard Anderson of Johns Hopkins University, using same methodology (but with 2016 data) as their 2015 paper in Health Affairs: <http://content.healthaffairs.org/content/34/6/922>, personal communication.

<sup>21</sup> <https://www.theatlantic.com/health/archive/2015/06/hospitals-that-charge-1000-more-than-they-should/395099/>

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- For some very common services, this markup is much higher than the already-high average of all services:<sup>22</sup>
  - CT: 29x the Medicare allowed cost
  - Anesthesiology (needed in every surgery): 24x
  - MRIs: 13x
  - Emergency room visit – 6x.
- Hospital prices paid by commercial insurers and employers are much higher than Medicare rates (which is a proxy for true cost or reasonable rate, even though Medicare is actually more expensive than equivalent rates in other countries' government programs), according to a 2020 RAND study.<sup>23</sup>
    - Private insurers, such as employer plans, pay hospital markups 2.5 times the Medicare rates.
    - There is no link between price and quality.
    - Some states, the markup is even worse than other states, for instance, Florida is more than 3.5 times the Medicare rate – that's hurting all our seniors that live there.
  - One recent study among >100 hospitals in VA found that:
    - 48% sued and garnished patient wages, for an average of 2800/pt.
    - The hospitals were more likely to garnish wages if they were non-profit, had higher mark-up rates on average, and lower gross revenue annually.
    - Size and volume and rural status were not related to garnishing.
    - Top five hospitals that garnished accounted for more than half of all garnishment.
    - 4 of them were non-profit, and 4 of them promised to treat regardless of ability to pay on their web site mission statement.
    - Garnishment represented less than 1% of annual revenue, so not essential to survive.<sup>24</sup>

## SURPRISE BILLING

- Consumer Reports found that, between 2013-2015, almost a third of Americans with private coverage got a surprise bill.<sup>25</sup>
- 39% of insured adults under 65 got a surprise bill in the last 12 months.<sup>26</sup>
- The percent of out-of-network bills for ED visits increased between 2010-2016 from 32% to 42.8%. For inpatient visits, 26%-42%. ED visits at almost a quarter (23%) of hospitals have a 90% chance or more of resulting in an out-of-network bill.<sup>27</sup>

<sup>22</sup> <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2016.0093> Ge Bai, Gerard Anderson of Johns Hopkins, 2016.

<sup>23</sup> [https://www.rand.org/pubs/research\\_reports/RR4394.html](https://www.rand.org/pubs/research_reports/RR4394.html)

<sup>24</sup> Bruhn et al, 2019. Prevalence of Hospitals Garnishing Wages for Unpaid Medical Bills. JAMA, pre-publication, personal communication by co-author Makary, Feb 2019

<sup>25</sup> <https://advocacy.consumerreports.org/research/surprise-bills-survey/>

<sup>26</sup> <https://www.kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-late-summer-2018-the-election-pre-existing-conditions-and-surprises-on-medical-bills/>

<sup>27</sup> Sun EC, Mello MM, Moshfegh J, Baker LC. Assessment of Out-of-Network Billing for Privately Insured Patients Receiving Care in In-Network Hospitals. *JAMA Intern Med.* 2019;179(11):1543–1550. doi:<https://doi.org/10.1001/jamainternmed.2019.3451>

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- 70% report that they received out-of-network care that they didn't realize was out-of-network.<sup>28</sup>

### WASTE AND PRICING FAILURE

- The Institute of Medicine (IOM) reported in 2013 that more than a third of all healthcare spending was unnecessary/inappropriate care or waste.<sup>29</sup> This bloat and inefficiency are made easier because prices are hidden and providers often steer to high reward care for themselves, at any price, and you are left to fight with a DMV-like billing bureaucracy after the fact.
- The government has spent \$36B already on electronic health records (EHRs) and patients still can't get their records easily from one provider to another.
- Emergency room spending per person has increased by 98%, while overall emergency room utilization remained the same between 2009 and 2016.<sup>30</sup>
- Waste or inappropriate care is estimated to be between 31% to almost half of all spending – this is consistent across a number of studies of different kinds.<sup>31</sup>
  - 80% of medical bills contain billing errors, usually not in the patient's favor.<sup>32</sup>
  - Half of all Medicare claims have errors.<sup>33</sup>
  - In 2011, the Institute of Medicine estimated that 31 percent of our health care spending, or \$750 billion per year, is for wasteful services. In 2011, Donald M. Berwick and Andrew D. Hackbarth calculated a slightly higher proportion– 34 percent (31% waste in Mcare/Mcaid and about 41% in commercial).<sup>34</sup>
  - Daniel O'Neill and David Scheinker concluded in a Health Affairs article that “the steady rise in overall health expenditures, implies that wasted spending now comfortably exceeds \$1 trillion annually, a sum that could fund the entire Medicaid program twice over.”<sup>35</sup>
    - 41% of private payer spending is waste (\$755B), and 31% of CMS (MC, MCd, CH) is waste (\$389B).
  - The Washington Health Alliance estimated \$341 million was spent on low-value services during this time, which was 40 percent of total spending on these services. On behalf of the St. Louis Area Business Health Coalition, Milliman found that, among the over 1 million

<sup>28</sup> <https://kaiserfamilyfoundation.files.wordpress.com/2016/01/8806-t-the-burden-of-medical-debt-results-from-the-kaiser-family-foundation-new-york-times-medical-bills-survey-topline.pdf>

<sup>29</sup> <https://www.nap.edu/read/13444/chapter/1>

<sup>30</sup> <https://www.healthcostinstitute.org/blog/entry/er-spending-among-the-commercially-insured-continued-to-rise-in-2016-driven-by-the-price-and-use-of-high-severity-cases-2009-2016>

<sup>31</sup> <https://www.healthaffairs.org/doi/10.1377/hblog20190524.597035/full/>

<sup>32</sup> <https://www.beckershospitalreview.com/finance/medical-billing-errors-growing-says-medical-billing-advocates-of-america.html> , <https://www.nbcnews.com/business/consumer/its-time-get-second-opinion-paying-medical-bill-n545626>

<sup>33</sup> <https://www.nerdwallet.com/blog/health/medical-bills-debt-crisis/>

<sup>34</sup> <https://jamanetwork.com/journals/jama/article-abstract/1148376?redirect=true>

<sup>35</sup> <https://www.healthaffairs.org/doi/10.1377/hblog20180530.245587/full/>

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services members used, 46 percent – or \$302.8 million in spending – were flagged as likely unnecessary.

- PWC Health Research Institute found in 2008 that 50% of health care spending is waste.<sup>36</sup>
- A TransUnion study of average costs for healthcare visits showed:
  - Average cost increased 14% for inpatient between 2017-2018 - increasing almost \$600 to 4600.
  - Outpt = 12% (990 → 1100)
  - ER = 7% (577→617)
  - 59% of patients had OOP expense for a healthcare visit between 500-1000. (That's more than most of them have in savings). It was 39% the year before(!).
  - Number of patients whose OOP expenses for a visit that were under 500 decreased from about half to just over a third.<sup>37</sup>
- For the last 10 years, annual increases in drug costs have exceeded general inflation. Between 2013 and 2015, prices rose by nearly 10 percent, six times the rate of general inflation.<sup>38</sup>

### TRANSPARENCY-INDUCED SAVINGS

- Price transparency-fueled cash prices could save families and employers \$11,000 a year on what is now \$28,000 in annual health care costs for a family of four.<sup>39</sup>
- Some studies found that price transparency reduces prices by 10-17%<sup>40</sup>, up to 14%<sup>41</sup>. Other results are more modest when financial incentives are not provided to patients to shop, but they are never zero.<sup>42</sup> With health care consuming a fifth of the economy, even the most modest results could make a huge difference.
- Employers who use “steering,” that is, incentivizing enrollees through zero cost sharing for using the lower-cost, high-quality providers, save on average double digits in the first year, and up to 60% several years in.<sup>43</sup>
- Economists studied the grocery chain’s employee program using transparent and reference-based pricing, which saved 27% on lab tests and 13% on imaging.<sup>44</sup>

<sup>36</sup> [http://www.oss.net/dynamaster/file\\_archive/080509/59f26a38c114f2295757bb6be522128a/The%20Price%20of%20Excess%20-%20Identifying%20Waste%20in%20Healthcare%20Spending%20-%20PWC.pdf](http://www.oss.net/dynamaster/file_archive/080509/59f26a38c114f2295757bb6be522128a/The%20Price%20of%20Excess%20-%20Identifying%20Waste%20in%20Healthcare%20Spending%20-%20PWC.pdf)

<sup>37</sup> [https://www.modernhealthcare.com/patients/report-patients-out-pocket-costs-increased-up-14-2018?utm\\_source=modern-healthcare-am-tuesday&utm\\_medium=email&utm\\_campaign=20190625&utm\\_content=article4-headline](https://www.modernhealthcare.com/patients/report-patients-out-pocket-costs-increased-up-14-2018?utm_source=modern-healthcare-am-tuesday&utm_medium=email&utm_campaign=20190625&utm_content=article4-headline)

<sup>38</sup> <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2018.05147>

<sup>39</sup> <https://www.newsweek.com/heres-multi-trillion-dollar-stimulus-that-wont-cost-taxpayers-penny-opinion-1506062>

<sup>40</sup> <https://pubs.acaweb.org/doi/pdfplus/10.1257/pol.20150124>

<sup>41</sup> <https://jamanetwork.com/journals/jama/articlepdf/1917438/joi140130.pdf>

<sup>42</sup> <https://www.sciencedirect.com/science/article/pii/S0167629618310476>

<sup>43</sup> Chase, Dave (2017). *CEO's Guide to Restoring the American Dream*. Seattle, WA. Health Rosetta Media, p. 81.

<sup>44</sup> [https://galen.org/assets/Blase\\_Transparency\\_Paper\\_092719.pdf](https://galen.org/assets/Blase_Transparency_Paper_092719.pdf)

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- When CA state employees program started using reference-based pricing (transparent pricing based on a Medicare rate), there was a 9-14% increase in utilization of lower-priced facilities, and a 17-21% percent reduction in prices. 75% of those price reductions spilled out into the rest of CA – that is, for patients who were not in the state employee plans, because providers lowered their prices overall to compete with each other.<sup>45</sup>
- Singapore system, based on transparent prices and market competition = 75% cheaper than in U.S.<sup>46</sup>

### PRICE TRANSPARENCY AND PUBLIC OPINION

- 88% of Americans support price transparency in health care.<sup>47</sup> – Harvard Harris
- 91% support<sup>48</sup> - YouGov
- McLaughlin poll:<sup>49</sup>
  - 90% of voters support, 98% of women under 40, 95% of all people under 40.
  - 82% know how transparency helps: that it leads to more competition, better quality and lower costs.
  - 60% think Congress should pass this policy in the next COVID package. 66% of Democrats, 66% Blacks, 60% Hispanics.
  - 67% think the AHA should drop its lawsuit now to keep hiding prices.



This compilation has been brought to you by [AllBetter Health](#), an insurgent benefits advisory firm saving employers 20-40% in Year 1, while increasing plan generosity for patients at the same time. We know that the secret super-power of health care is that world-class care - built on love, honesty and connection – is dramatically less expensive than the sick-care status quo. If you're ready to join the Revolution, or if you have statistics you'd like to see added to this list, email us at [admin@allbetter.health](mailto:admin@allbetter.health).

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<sup>45</sup> [https://galen.org/assets/Blase\\_Transparency\\_Paper\\_092719.pdf](https://galen.org/assets/Blase_Transparency_Paper_092719.pdf)

<sup>46</sup> <https://data.worldbank.org/indicator/SH.XPD.CHEX.PC.CD>

<sup>47</sup> [https://harvardharrispoll.com/wp-content/uploads/2019/06/HHP\\_May19\\_vF.pdf](https://harvardharrispoll.com/wp-content/uploads/2019/06/HHP_May19_vF.pdf)

<sup>48</sup> <https://www.lugpa.org/americans-wanthealthcare-price-transparency>

<sup>49</sup> <https://www.patientrightsadvocate.org/july-2020-polling>