AFFORDABLE, QUALITY HEALTH CARE

Fast Facts

- Health care costs are skyrocketing. At $2.6 trillion, they accounted for 17.9 percent of GDP in 2010 and are estimated to increase to 19.8 percent by 2020.1
- Medicare and Medicaid are significant drivers of health care spending in the United States. Total federal health care expenditures in 2010 were $810 billion — 5.6 percent of GDP.2
- Medicaid is projected to increase from 7.6 percent of federal spending in 2011 to 10 percent in 2020.3
- Demographic trends contribute to increasing costs. Americans ages 65 or older are expected to grow to 17 percent of the population in the next 10 years.4
- Significant costs are also associated with medical liability and malpractice claims. A 2010 study found that the practice of defensive medicine cost an estimated $45.6 billion in 2008.5
- The employer-based health care system insures 169 million Americans.6
- The average annual premium for employer-based family coverage was $15,073 in 2011, up 9 percent from 2010 and 113 percent from 2001.7
- Studies indicate that preventative medicine can lower health care costs. A study by the Trust for America’s Health found that investing $10 per person per year in disease prevention programs could save $18 billion (2004 dollars) in annual health care costs within 10–20 years.

Health care costs are projected to rise from 17.6 percent of GDP in 2009 to almost 20 percent by 2020.

Spending on entitlement programs, including Medicare and Medicaid, is on an unsustainable pathway.
Producing a return on investment of 6.2-to-1. Health information technology (IT) could produce up to $81 billion (2004) annually in efficiency savings. This is roughly equivalent to 25 percent of annual out-of-pocket health care expenditures for the average U.S. household.

- Widespread adoption of health IT could reduce medical errors, which a Milliman study estimated cost the U.S. economy $19.5 billion in 2008.

Business Roundtable CEOs believe maintaining an affordable, innovative and efficient health care system is a critical factor to ensuring a better quality of life for all Americans and a more productive and competitive U.S. workforce.

Although the United States is recognized as a leader in medical technology, research and quality of care, the costs of its health care system are quickly becoming unsustainable. Constituting almost 18 percent of GDP in 2010 and rising at more than twice the annual rate of inflation, soaring health care costs place a growing burden on family, business and government budgets.

A variety of factors endemic to the current U.S. health care system contribute to its escalating costs. Most notably, the U.S. health care system is fragmented, and consumers are insulated from the cost and quality of the services they are provided. Cost-effective prevention and wellness-based programs are often left undervalued, underused and underfunded. Medical care is dispensed and received with relatively little knowledge of its full costs and likely benefits, and doctors and patients are encouraged to pursue treatment more aggressively when earlier preventive measures would have been more effective.

Government-funded Medicaid and Medicare entail significant inefficiencies and rapidly increasing costs, and providers are not rewarded for high-quality and cost-effective care. As the number of retirees grows, the cost of medical services remains unchecked and competition among private health care providers is limited, these programs will continue to exert a burden on taxpayers.

“Business Roundtable CEOs consistently cite rising medical care costs as their number-one cost pressure. These costs are inhibiting job creation and damaging our ability to compete in global markets. Medical care costs are also putting a strain on the household budgets of many Americans.”

— John Engler, President, Business Roundtable
Efficiency-enhancing and cost-cutting reforms can be introduced at several points in the U.S. health care delivery system while retaining its existing employer-based system, which provides health care coverage to 169 million Americans. Regulations should recognize the ability of market forces (primarily purchasers and consumers of services) to implement innovative solutions and bring down health care costs.

BRT CEOs believe the private market can drive innovation in the way medical care is dispensed so that consumers can have information on the cost, benefits and outcomes related to the quality of care from physicians and hospitals readily available to enable them to make informed decisions. Moving rapidly toward a health care system that uses electronic records will significantly reduce health care costs. In addition, addressing the issue of medical liability has significant potential to cut costs.

Ultimately, reforms that unleash private market innovation and preserve the ability of employers to offer affordable health benefits will curb costs and allow savings to be passed down to consumers, the business community and government. If America gets health reform right, families win, and the nation becomes more secure economically and financially.

**Solutions**

- At every opportunity, **adopt policies that provide greater transparency** to unleash consumers to reduce costs and seek quality health care services. Today, almost anything can be found on the Internet, yet in health care, consumers still cannot access understandable information on cost, quality and outcomes. Policies should empower consumers in the health care marketplace by ensuring that they have cost and quality information, access to wellness and chronic care programs, and competitive coverage options.

- **Enact medical liability reform** to ensure that patients do not lose access to physicians and a full range of health care services.

- **Adopt policies that seek to expand the private health care market** and promote market-based competition.

- **Fix what is wrong with the current health care law**, including eliminating unnecessary or duplicative requirements and eliminating unnecessary taxes on medical devices, insurance plans and pharmaceuticals that raise the cost of care without improving quality. Regulation should enhance competition and transparency — and avoid regulating the cost of health care coverage.

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1 NHE. *Projections 2010-2020, forecast summary and selected tables.* Retrieved from https://www.cms.gov/NationalHealthExpendData/03_NationalHealthAccountsProjected.asp#TopOfPage


3 Ibid.

4 Ibid.


