

U.S. Decreasing Healthcare Utilization

Prior to the advent of the recession in July 2007, there had been an annual increase in U.S. utilization of medical services. However, between 2007 and 2009, 26.5 percent of U.S. patients reduced their usage of routine medical care.¹ The total effects of the recession were buffered through the use of government subsidies, which lowered the cost of COBRA insurance by 65 percent, allowing a large proportion of U.S. patients to still utilize the healthcare system. Now, as healthcare reform attempts to lower the cost of care and increase accessibility and utilization, U.S. patients are continuing to cut back on utilization.²

Health providers are beginning to see evidence of U.S. patients trending away from the utilization of healthcare services through company financial reports and underperforming stocks.³ From February to March 2010, the healthcare industry sector only rose as whole 2.7 percent, as measured by the Health Care SPDR exchange-traded fund, while the S&P 500 increased 8.9 percent.⁴ Laboratories, hospitals, and private practices are all concerned with lower levels of patient visits, prescriptions, and procedures, which are all down from the second quarter of 2009. Quest Diagnostics Inc. saw a 3.9 percent decrease in laboratory testing over the first two quarters of 2010, and AmSurg Corp., saw a 2.6 percent reduction in outpatient surgery volume.⁵ According to Thomason Reuters, physician visits declined 7.6 percent from May 2009 to May 2010, and hospital admissions fell 2.3 percent from April 2009 to April 2010, with 70 percent of hospitals reporting lower overall patient volumes.⁶

In general, the recession has lead to a shift in cost bearing, with a greater portion of the cost of healthcare services falling on the patient. This has lead to a rise in health savings accounts and other high deductible plans, with 18 million high deductible plans purchased in 2010, compared to the 13 million sold in 2009.⁷ Nationally, reductions in the quantity of healthcare services utilized are related to the costs individuals must bear, and with high deductible plans, the upfront cost of healthcare shifts to the patient.⁸ Younger individuals are more likely to decrease their routine medical care during financially difficult times, as they are more likely to be affected by low employment rates and less savings.⁹ The main service lines affected appear to be routine preventative primary care and elective procedures, e.g. in 2010, 72 percent of hospitals reported decreased

volumes of elective procedures.¹⁰

A number of factors have contributed to the trend of declining healthcare utilization. In 2009, more individuals signed up for insurance under the Consolidated Omnibus Budget Reconciliation Act (COBRA) than ever. However, COBRA will only extend prior coverage for 18 months, which, for most individuals struggling in the poor economy, has come and gone.¹¹ Additionally, as of May 2010, those seeking new Cobra coverage are no longer eligible for subsidies put in place by the American Recovery and Reinvestment Act, making it restrictively expensive.¹² Further, the unusually mild flu season has also somewhat mitigated consumers seeking medical services. However, insurance companies' worry that once consumers' deductibles are exhausted, which should be soon, insurers, will begin payout for services.¹³

Before healthcare reform has gotten off the ground, its prime goals of expanding prevention services and access may already be affected with fewer people clamoring over health services. As healthcare reform begins to take effect on the market and premiums lower or reform subsidies and insurance exchanges go into effect, people may flood back into the healthcare market. It remains to be seen whether this trend of less aggressive consumerism will be new behavior trait or a short lived effect of a bad economy.

¹ "The Economic Crisis and Medical Care Usage" By Annamaria Lusardi, Daniel Schneider, and Peter Tufano, Harvard Business School, Cambridge, MA: The National Bureau of Economic Research, March 2010, p.7.

² "U.S. patients Cut Back on Visits to Doctor" By Avery Johnson, Jonathan D. Rockoff, and Anna Eilde Mathews, The Wall Street Journal, July 29, 2010.

³ "Health Care Stocks Hospitalized, but Recovering" By Carl Gutierrez, Forbes, July 27, 2010, <http://www.forbes.com/2010/07/27/health-care-outlook-markets-equities-earnings.html?boxes=marketschannelnews> (Accessed 8/26/10).

⁴ "Health Care Stocks Hospitalized, but Recovering" By Carl Gutierrez, Forbes, July 27, 2010, <http://www.forbes.com/2010/07/27/health-care-outlook-markets-equities-earnings.html?boxes=marketschannelnews> (Accessed 8/26/10).

⁵ "U.S. patients Cut Back on Visits to Doctor" By Avery Johnson, Jonathan D. Rockoff, and Anna Eilde Mathews, The Wall Street Journal, July 29, 2010.

⁶ "Hospitals Continue to Feel Lingering Effects of the Economic Recession" American Hospital Association, June 2010,

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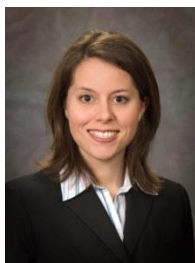
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