

## Battling Public Concerns Regarding Healthcare Costs

As an industry that accounted for a considerable portion (17.9%) of the U.S. Gross Domestic Product in 2011,<sup>1</sup> providers, insurers, and physicians alike are now coming under increased scrutiny in this new era of U.S. healthcare reform. A recent article published in *The New York Times*, entitled “*Diagnosis: Insufficient Outrage*” voices some of the concerns regarding today’s healthcare system, using phrases such as “...the exorbitant cost of American health care”, stating an opinion that, “...in medical care...[ethical] standards are getting pretty darn low”, and describing physicians as “...good people, working in a bad system.”<sup>2</sup> Despite the excessive language used to express opinions in the article, it discusses many relevant topics central to the healthcare reform debate today, including increasing hospital prices and the overuse of medical procedures and tests.<sup>3</sup>

Another recent article, appearing on the cover of *Time* magazine in February 2013, addressed many of these same issues, using line items from actual patient bills from hospital visits to underscore the extreme inflation inherent in the healthcare billing system.<sup>4</sup> There has been a significant amount of press recently with regard to what is coined “sticker shock” associated with the cost of care. One of the most popular topics is the price of having a child in the American healthcare system. According to a 2012 analysis by the International Federation of Health Plans (iFHP), the cost of a normal hospital (vaginal) delivery averages about \$7,262, exceeding Australian costs by over \$400, and Switzerland and the United Kingdom, by over \$3,000 and \$4,500, respectively.<sup>5</sup> Average costs for a C-section delivery in the U.S. was estimated at \$15,041, over 40% and 133% more expensive than its two nearest competitors (Australia at \$10,566 and France at \$6,441).<sup>6</sup> Furthermore, the costs of these services can vary by region as well. Analyses of 2010 payments for vaginal and cesarian births in Louisiana were estimated at \$10,318 and \$13,943, while the same services rendered in Massachusetts averaged \$16,888 and \$20,620, respectively.<sup>7</sup> However, one study found that although consumers are paying more for these services, e.g., when utilizing health plans with high deductibles, similar to the forthcoming health exchange programs,

women are still receiving the same amount of prenatal and post-partum care.<sup>8</sup>

The cost of American healthcare for giving birth is one of many examples that have been subject to intense scrutiny and criticism in recent years, and much of that scrutiny is becoming more accessible to healthcare consumers. *The New York Times* initiated a series of articles in June 2013 entitled “Paying Till it Hurts”, to discuss the variety of ways in which healthcare is overpriced, and how the system is negatively impacting patients. The first three installments discussed variable pricing and coverage for colonoscopies;<sup>9</sup> giving birth in a U.S. hospital;<sup>10</sup> and, joint replacement surgery,<sup>11</sup> with additional articles pending future publication. As evidenced by the growing body of criticism, opportunities to reduce healthcare cost and spending abound; the challenge that the industry faces, however, is how to effectively combat the increasing spending curve without reducing availability and quality of care.

Many of the proposed agendas for reducing healthcare waste (and cost) target the underlying issues that impact many of the topics that were described in such unforgiving terms in *The New York Times* article cited at the beginning of this article. Those agendas include tackling administrative and provider errors and inefficiency; addressing lagging care coordination and delivery; reducing unnecessary care; reducing the incidence of preventable conditions; addressing failures and transparency of pricing; and, continuing to combat and reduce fraud and abuse.<sup>12</sup> Based on one estimate, six of these focus areas accounted for approximately 34% of costs to the U.S. healthcare system in 2011.<sup>13</sup> While many of these focus areas are being addressed by various segments of the healthcare reform legislation and separately with efforts at both local and state levels, these efforts often fail to sustain consistent and standardized improvements. Although awareness of the industry’s failings is increasing among policymakers, providers, and consumers alike, it remains to be seen whether current efforts to address these hurdles toward improvement will have the outcomes that both the industry and consumers desire.

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<sup>1</sup> “NHE Fact Sheet”, by Centers for Medicare and Medicaid Services, 2013, <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet.html> (Accessed August 13, 2013)

<sup>2</sup> “Diagnosis: Insufficient Outrage”, by H. Gilbert Welch, The New York Times, July 4, 2013, <http://mobile.nytimes.com/2013/07/05/opinion/diagnosis-insufficient-outrage.html> (Accessed August 3, 2013)

<sup>3</sup> *Ibid.*, H. Gilbert Welch, July 4, 2013

<sup>4</sup> “Bitter ill: Why Medical Bills are Killing Us”, by Steven Brill, February 20, 2013, Time, <http://www.time.com/time/magazine/article/0,9171,2136864,00.html> (Accessed February 22, 2013)

<sup>5</sup> “2012 Comparative Price Report: Variation in Medical and Hospital Prices by Country”, by the International Federation of Health Plans, 2012, p. 11

<sup>6</sup> *Ibid.*, International Federation of Health Plans, 2012, p. 12

<sup>7</sup> “The Cost of Having a Baby in the United States”, by Truven Analytics, January 2013, p. 7, 24

<sup>8</sup> “High-Deductible Health Plans and Costs and Utilization of Maternity Care”, by Kozhimannil et al. (2011), American Journal of Managed Care, Vol. 17, No. 1, p. e20-e22

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<sup>9</sup> “The \$2.7 Trillion Medical Bill”, by Elisabeth Rosenthal, The New York Times, June 1, 2013, <http://www.nytimes.com/2013/06/02/health/colonoscopies-explain-why-us-leads-the-world-in-health-expenditures.html> (Accessed June 12, 2013)

<sup>10</sup> “American Way of Birth, Costliest in the World”, by Elisabeth Rosenthal, The New York Times, June 30, 2013, [http://www.nytimes.com/2013/07/01/health/american-way-of-birth-costliest-in-the-world.html?\\_r=0](http://www.nytimes.com/2013/07/01/health/american-way-of-birth-costliest-in-the-world.html?_r=0) (Accessed August 11, 2013)

<sup>11</sup> “In Need of a Hip, but Priced Out of the U.S.” by Elisabeth Rosenthal, The New York Times, August 3, 2013, <http://www.nytimes.com/2013/08/04/health/for-medical-tourists-simple-math.html> (Accessed August 13, 2013)

<sup>12</sup> “A Path to Eliminating \$3.6 Trillion in Wasteful Healthcare Spending”, by B. Kelley and R. Fabius, Truven Health Analytics, January 2012, p. 7-24; “Eliminating Waste in US Health Care”, by Donald M. Berwick and Andrew D. Hackbarth, Journal of the American Medical Association (April 11, 2012), Vol. 307, No. 14, p. 1513-1514

<sup>13</sup> *Ibid.*, Donald M. Berwick and Andrew D. Hackbarth, April 11, 2012, p. 1514



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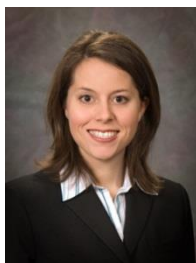
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