

# Mitigating Health Care Costs

Provided by ENV Insurance Agency

It's no secret—health care costs in the United States have risen sharply over the past two decades. In fact, a study by the Journal of the American Medical Association found that U.S. health care spending increased by nearly \$1 trillion from 1996 to 2015. In 2020, the average premium rose by 4% for both single coverage and family coverage, according to the Kaiser Family Foundation's (KFF) Employer Health Benefits 2020 Annual Survey. The average premiums were \$7,470 and \$21,342, respectively, and employers shouldered the majority of those costs. As costs continue to climb at a steady rate each year, employers across the country are feeling the pressure.

## Why are health care costs rising?

When considering the problem of rising health care costs, it's important to explore the reasons behind the cost increases. It's also important to note that each organization will likely experience different cost drivers, but the following are among the most common across the country:

**Skyrocketing prescription costs**—Prescription drug costs continue to represent an increasingly large portion of health care expenditures. The Centers for Medicare & Medicaid Services (CMS) projects that from 2012 to 2022, annual expenditures on prescription drugs will grow by 75% to \$455 billion, and outpatient prescription drugs will account for about 9% of total health care spending.

**Increase in chronic conditions**—Chronic conditions not only deeply affect those who suffer from them, but can also lead to increased medical expenditures and lost productivity for employers. Approximately 133 million Americans live with one or more chronic diseases, which translates into an increased cost for employers. As a nation, 86% of our health care dollars go to treatment of chronic diseases.



**Increased usage**—Utilization of many health care services has risen over the last decade. A number of factors such as improvements in medical technology, the influence of managed care, elevated consumer awareness and demand, and a boost in the number of practicing physicians caused health services—like the number of surgical procedures and the number of prescription drugs dispensed—to rise significantly. Other services such as breast cancer screenings, immunizations for children, and diagnostic procedures like CT scans and MRIs have also experienced sharp utilization increases.

**Aging population**—According to the U.S. Census Bureau, the number of Americans ages 65 and older is expected to nearly double by 2025, and the elderly population (80 and older) will increase by 80%. As this population ages, there is a subsequent rise in the occurrence of chronic diseases such as asthma, heart disease and cancer, and the need for more resources to fight these diseases. This leads to the increased use of prescription drugs and other medical services, and an overall increase in health care spending.

**Low health literacy**—More than 1 in 3 Americans have difficulty with common health tasks like reading a prescription drug label or making a wise health care decision, according to the U.S. Department of Education's National Assessment of Adult Literacy. Low health literacy often results in higher utilization of basic and expensive health services like emergency care and inpatient visits, which add up quickly. It is estimated that low health literacy costs the United States \$106 billion to \$238 billion annually and accounts for 7% to 17% of all personal health care expenditures. The 2018 Broker Services Survey found that 41% of survey respondents believe helping employees become better consumers of health care was a top benefits challenge.

**To read the entire article that explains how high performing companies are *addressing rising costs* please email Sheila at [sdion@insurewithenv.com](mailto:sdion@insurewithenv.com).**

