



The Cost of Care

Approximately 85 to 87% of health insurance premiums are spent on the actual delivery of medical care. The following factors all combine to drive increases in this area well beyond that of normal inflation.

Cost shifting

Nationwide and here in Connecticut Medicaid and Medicare payments to hospitals and physicians have not kept pace with the increasing costs charged by these providers. The growing reimbursement gap from these government-run programs gets shifted to private payers in order for these providers to make ends meet. In Connecticut, this under-funding of government programs has its greatest effect on the cost of hospital services and translates to a minimum 15% (and in some cases substantially more) increase in private sector insurance premiums due to cost-shifting.

Government mandated benefits

Nationally there are more than 2100 state mandates that directly impact the cost of health insurance. These mandates fall into three basic categories: benefits, providers, and covered populations. Unfortunately, Connecticut is one of the states leading the way with more than 50 government mandates in place. Benefit mandates alone add an estimated 20% to as much as 50% to the cost of health insurance in Connecticut.

The impact of increased services utilized as a result of individual behaviors such as smoking and obesity

Unhealthy behaviors are having an increasingly significant impact on the cost of care. Obesity, for example, contributed approximately \$78.5 billion to the cost of health care in the U.S. in 1998. This figure is estimated to have grown to \$147 billion in 2008 with the cost to treat obesity related conditions representing 12.9% of private insurance expenditures. When combined with the cost of other unhealthy lifestyle choices such as smoking and alcohol abuse, the impact on insurance costs is daunting.

Increased use of advanced technologies and/or treatment expansion

Technology continues to play a significant role in the increasing cost of health insurance. Multiple studies have concluded that technology either through the use of newer more advanced and expensive technologies or through treatment expansion (vastly greater use of a less expensive solution resulting in overall greater cost to the system) has contributed 38% to more than 65% to the growth in health care spending through the years.

Ask your agent for more information on The Cost of Care.



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Where Does Your Health Insurance Dollar Go?



*Includes prevention, disease management, care coordination, investments in health information technology and health support.

Based on a PricewaterhouseCoopers' analysis, *Factors Fueling Rising Healthcare Costs 2008*. © 2008 America's Health Insurance Plans

