

HEALTH CARE: THE NEXT MORTGAGE CRISIS

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Disclosure

1. TheSE views are mine, not the NIH's.
2. No financial conflicts of interest with drug, device, or insurance companies

THE HEALTH CARE TRAIN WRECK

We're wasting \$600 – 800 BILLION
annually on unnecessary care

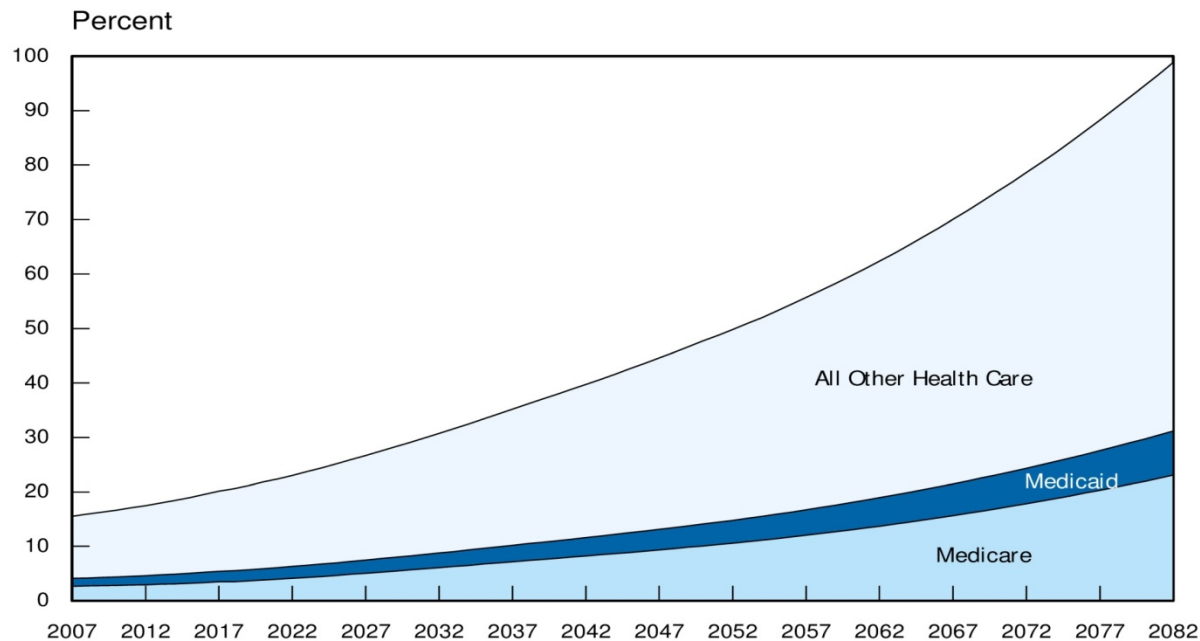
Unnecessary care KILLS an estimated
30,000 Medicare recipients each year



THINGS WE KNOW... BUT DON'T WANT TO FACE



Spending on Health Care as a Percentage of Gross Domestic Product Under an Assumption That Excess Cost Growth Continues at Historical Averages



Source: CBO



Sources of Growth in Projected Federal Spending on Medicare and Medicaid

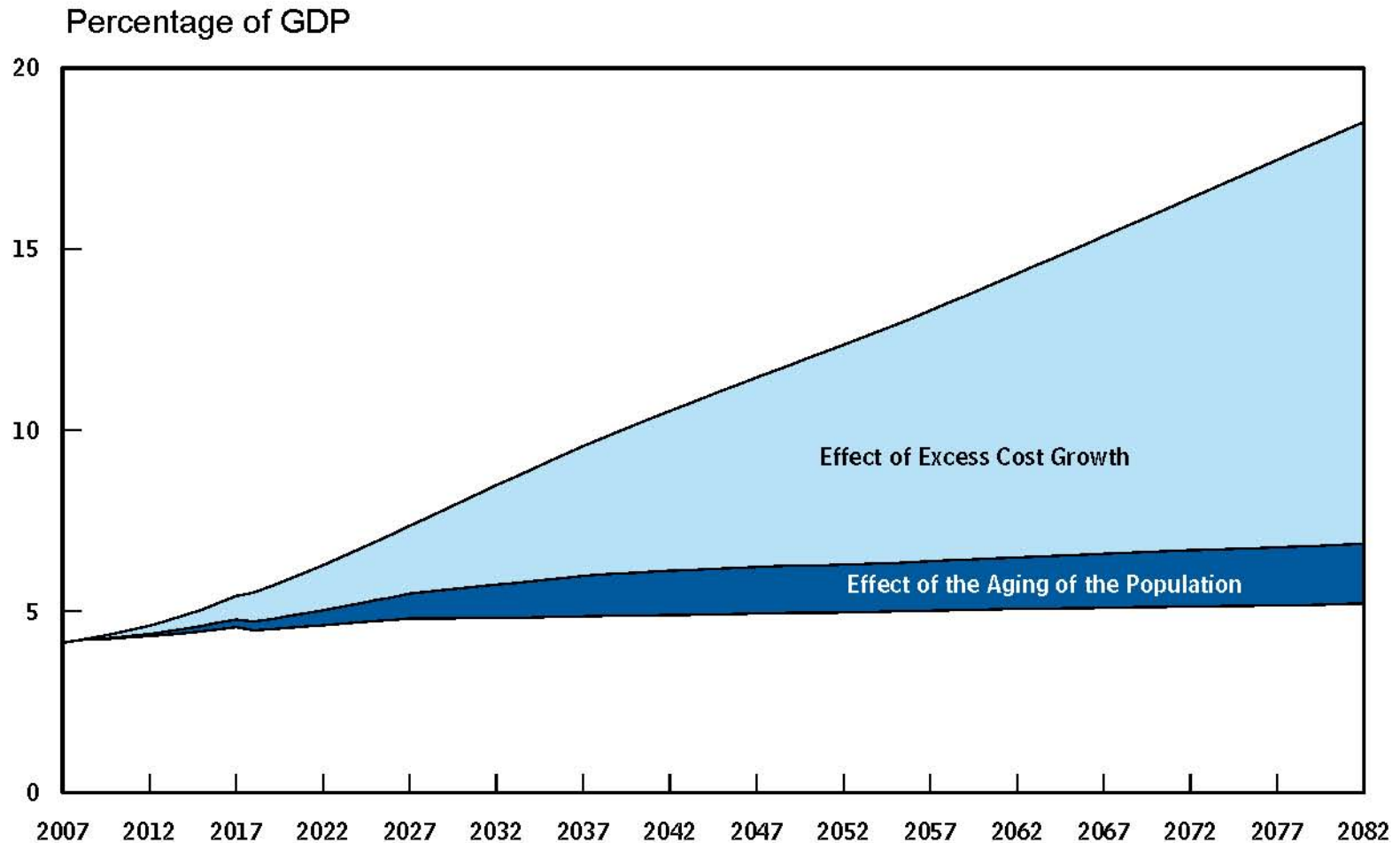
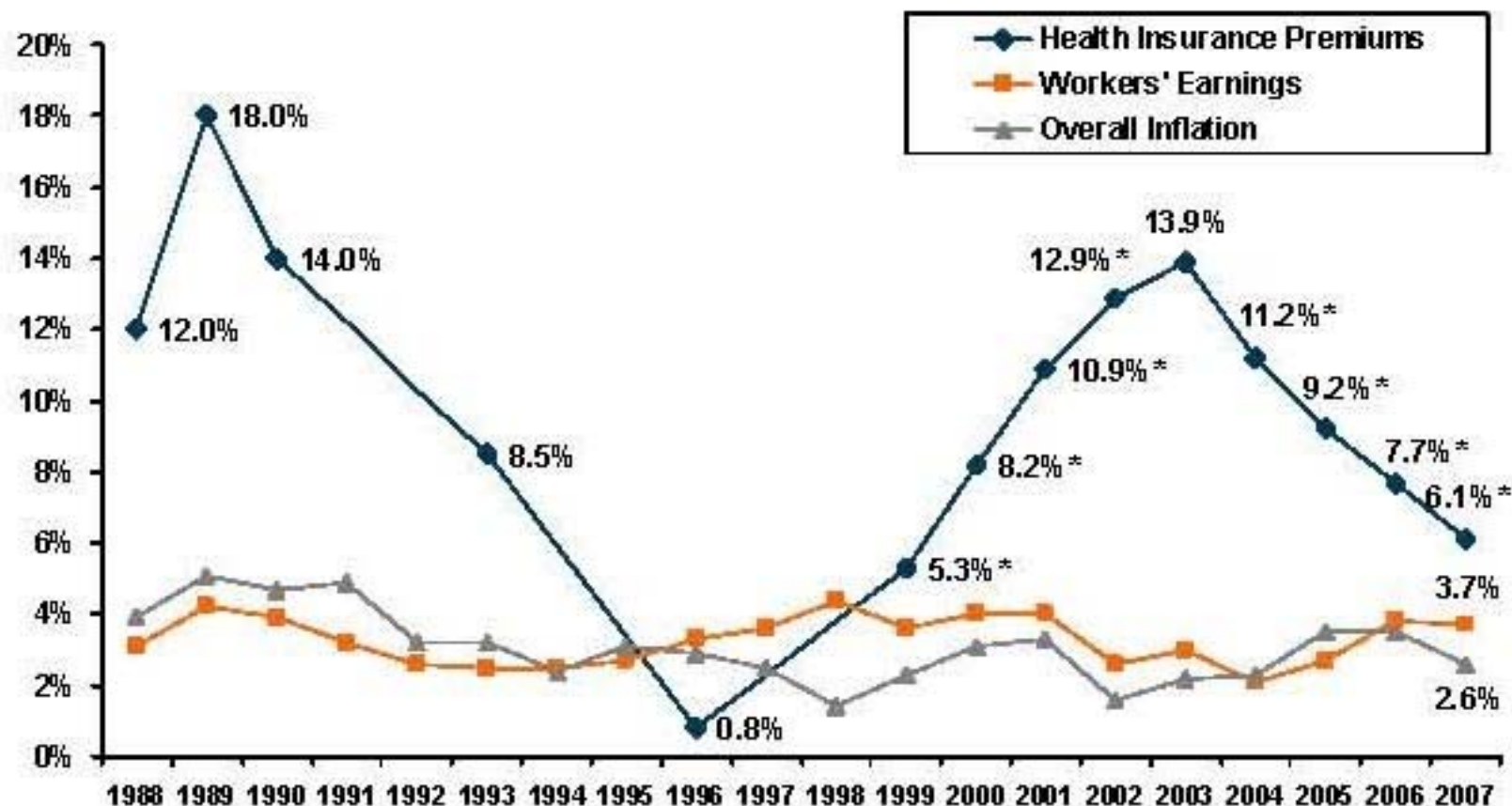


Exhibit 4: Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2007

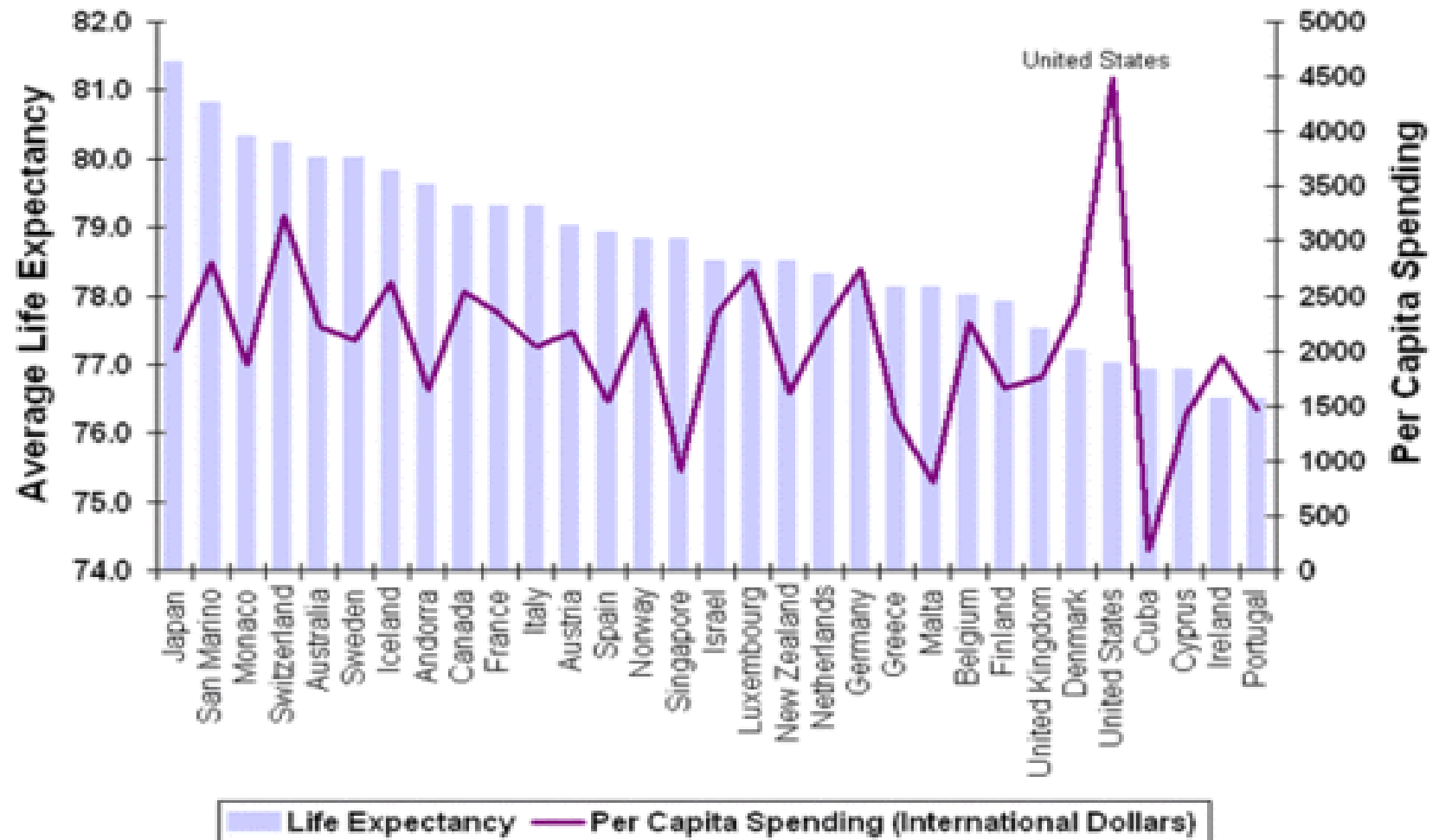


*Estimate is statistically different from estimate for the previous year shown ($p < 0.05$). No statistical tests are conducted for years prior to 1999.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

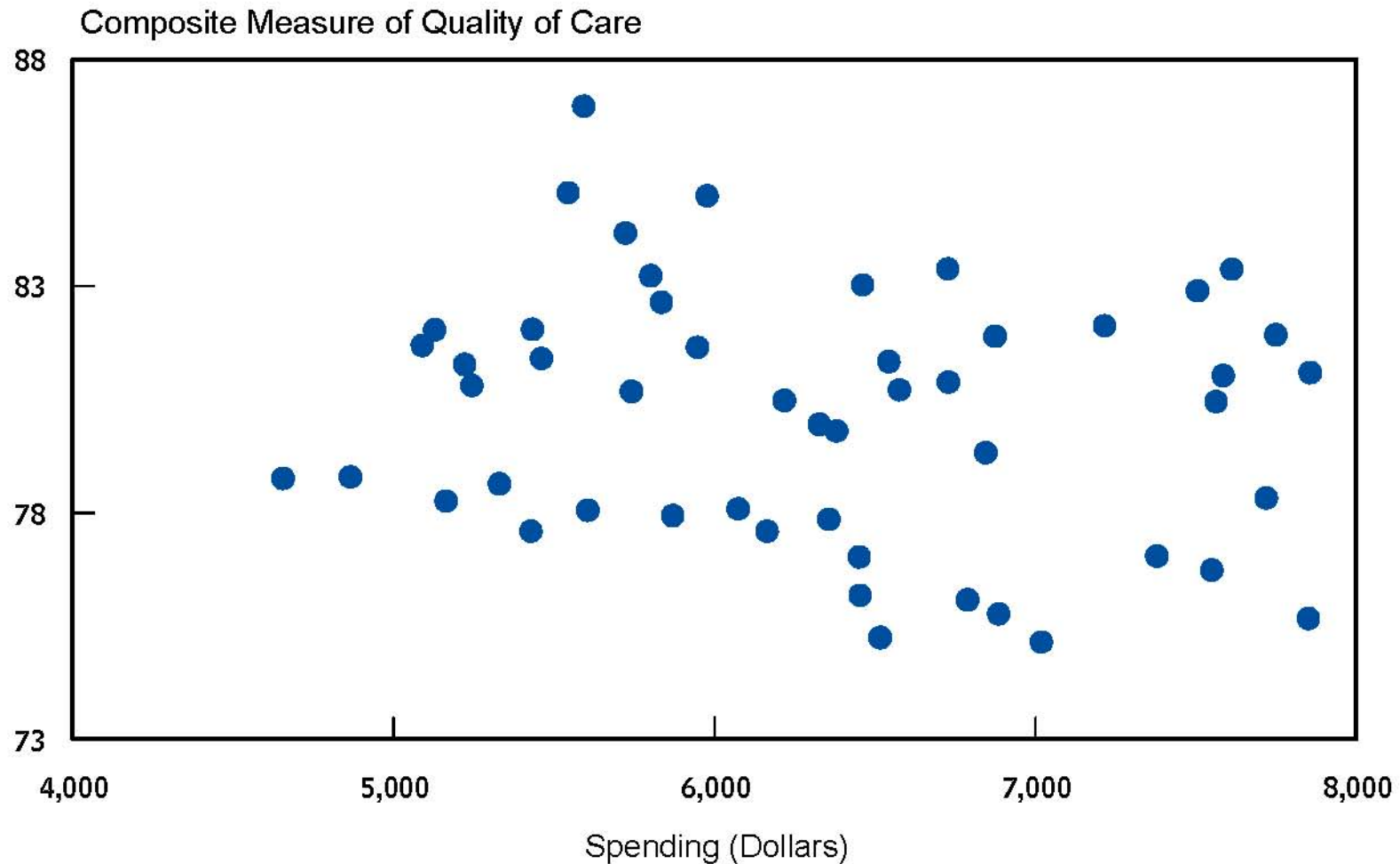
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2007; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988-2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988-2007 (April to April).

The Cost of a Long Life





The Relationship Between Quality and Medicare Spending, by State, 2004

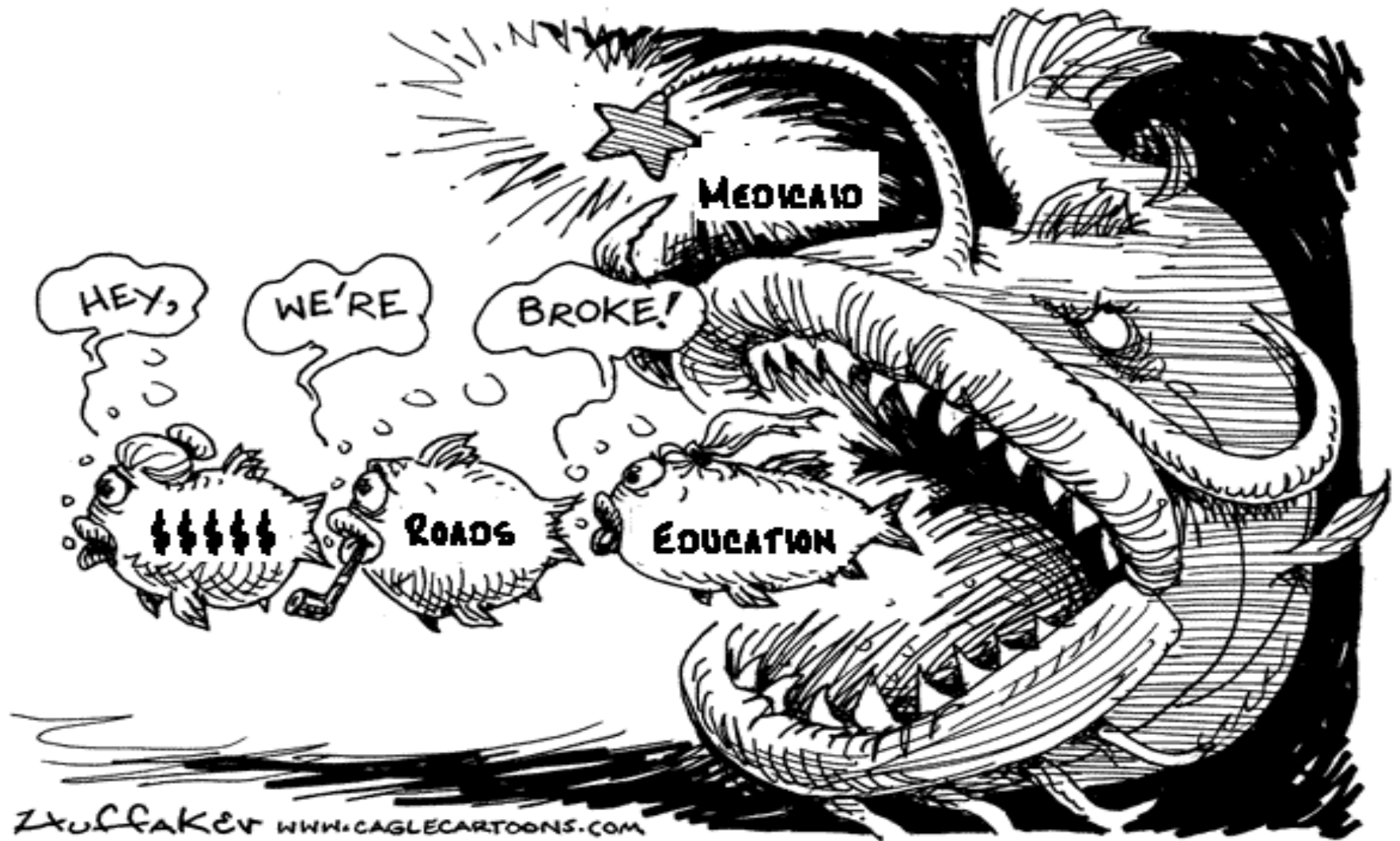


Source: Data from AHRQ and CMS.

MORE THINGS WE KNOW (but would rather not think about)

1. 47 million uninsured and growing
2. \$2.3 trillion -- health care costs put U.S. at competitive disadvantage
3. Poor value for the dollar

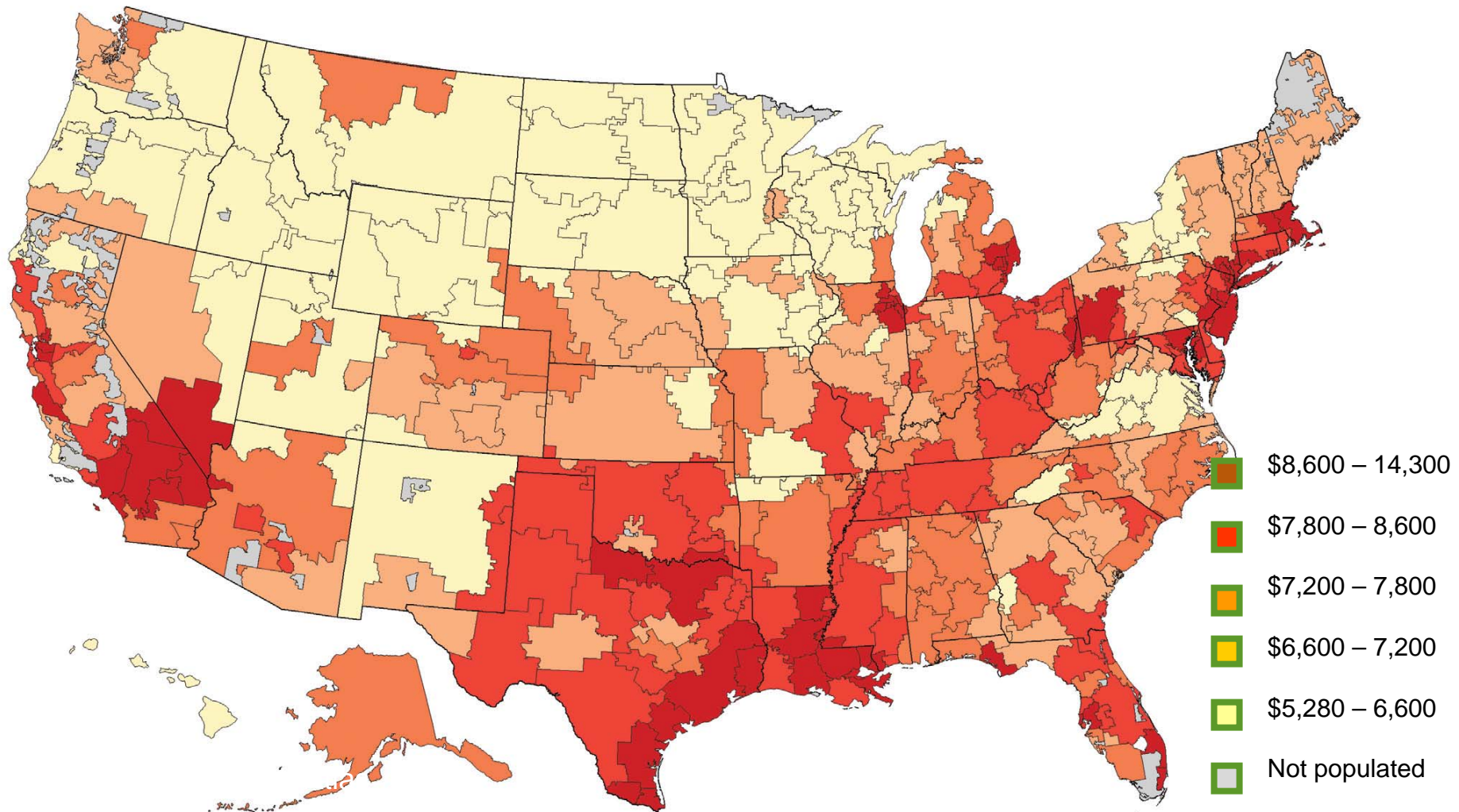
Busting state budgets



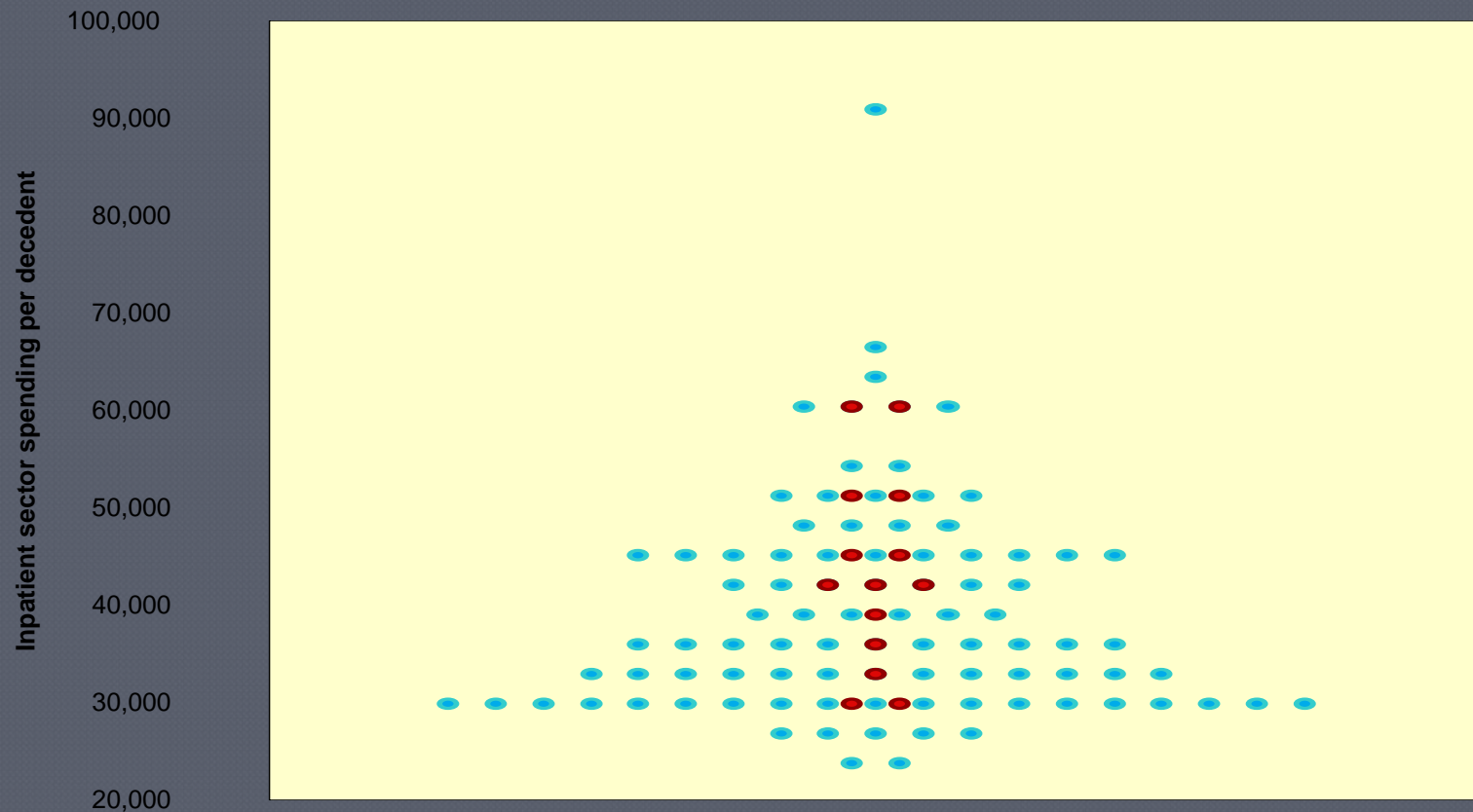
Critical Questions

1. Why are health care costs rising so fast?
2. Why don't we get better quality and outcomes?
3. Can we control costs, improve quality and outcomes, AND cover everybody?

Medicare Spending per Beneficiary, 2005

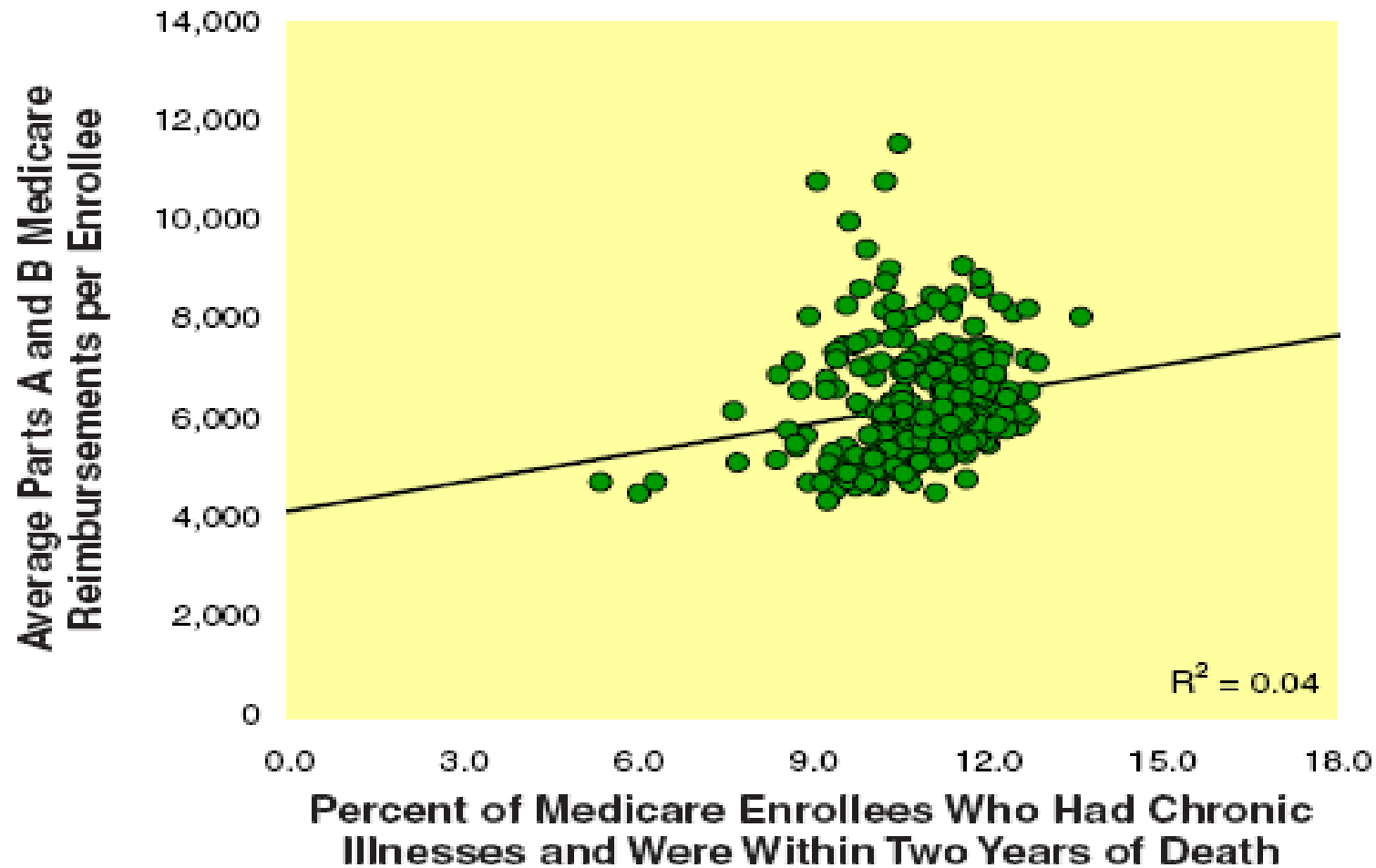


Medicare Spending During Inpatient Hospitalizations per Decedent in the Last Two Years of Life Among Patients with At Least One of Nine Chronic Conditions



“Our patients are
sicker.”

Relationship Between Prevalence of Severe Chronic Illness and Medicare Parts A and B Reimbursements per Enrollee (2000-01)



Source: 2006 Dartmouth Atlas

Note: Each dot represents Medicare spending in a single hospital referral region.

IT'S UTILIZATION

- Patients are getting more hospitalizations, more tests, more visits with physicians
- How much Medicare spends per capita is reflects the amount of care being delivered

WHAT DRIVES UTILIZATION?

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MODERN MEDICINE



"Well, Bob, it looks like a paper cut, but just to be sure let's do lots of tests."

WHAT DRIVES UTILIZATION?

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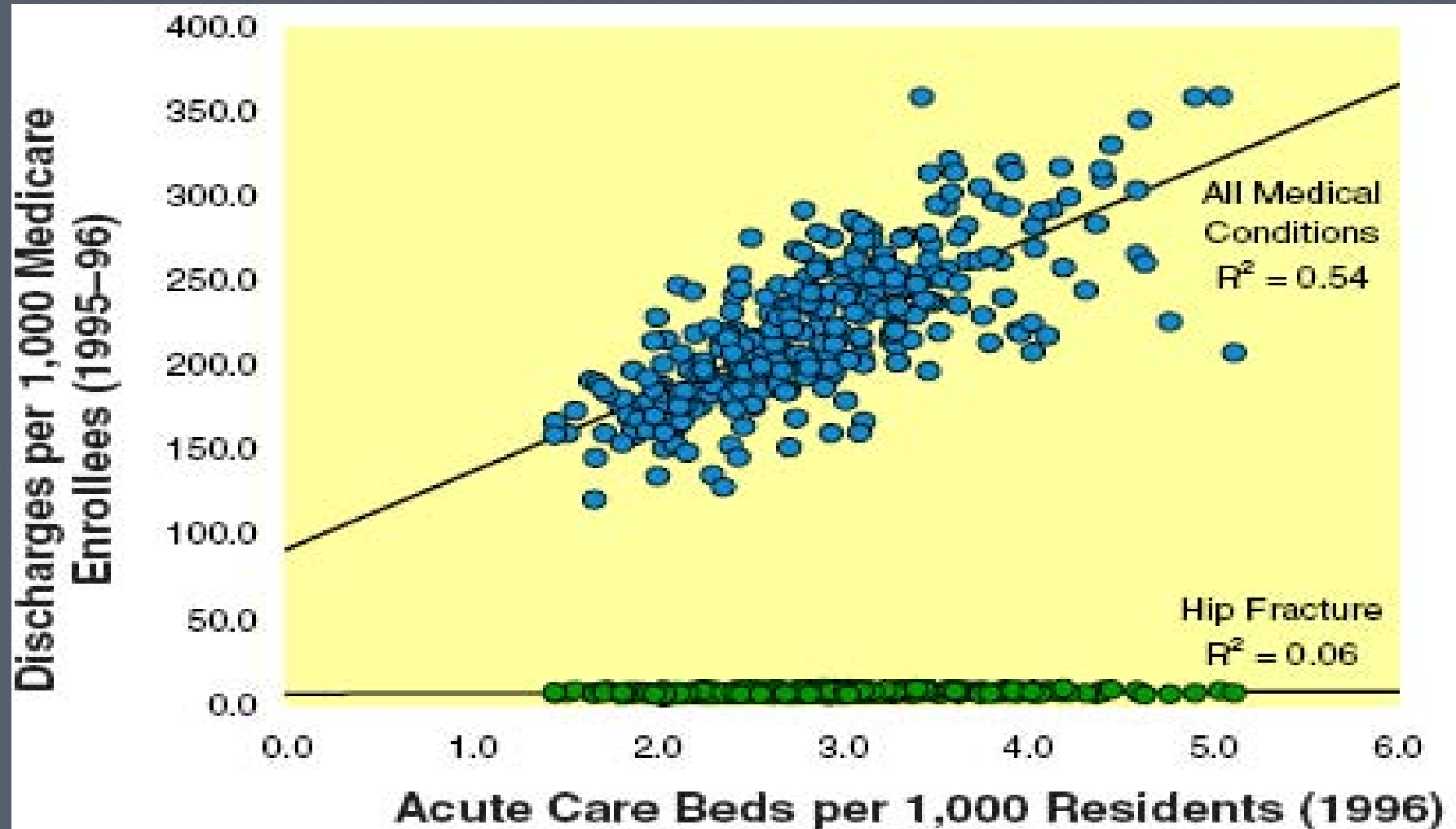


"Ask your doctor if taking a pill to solve all your problems is right for you."

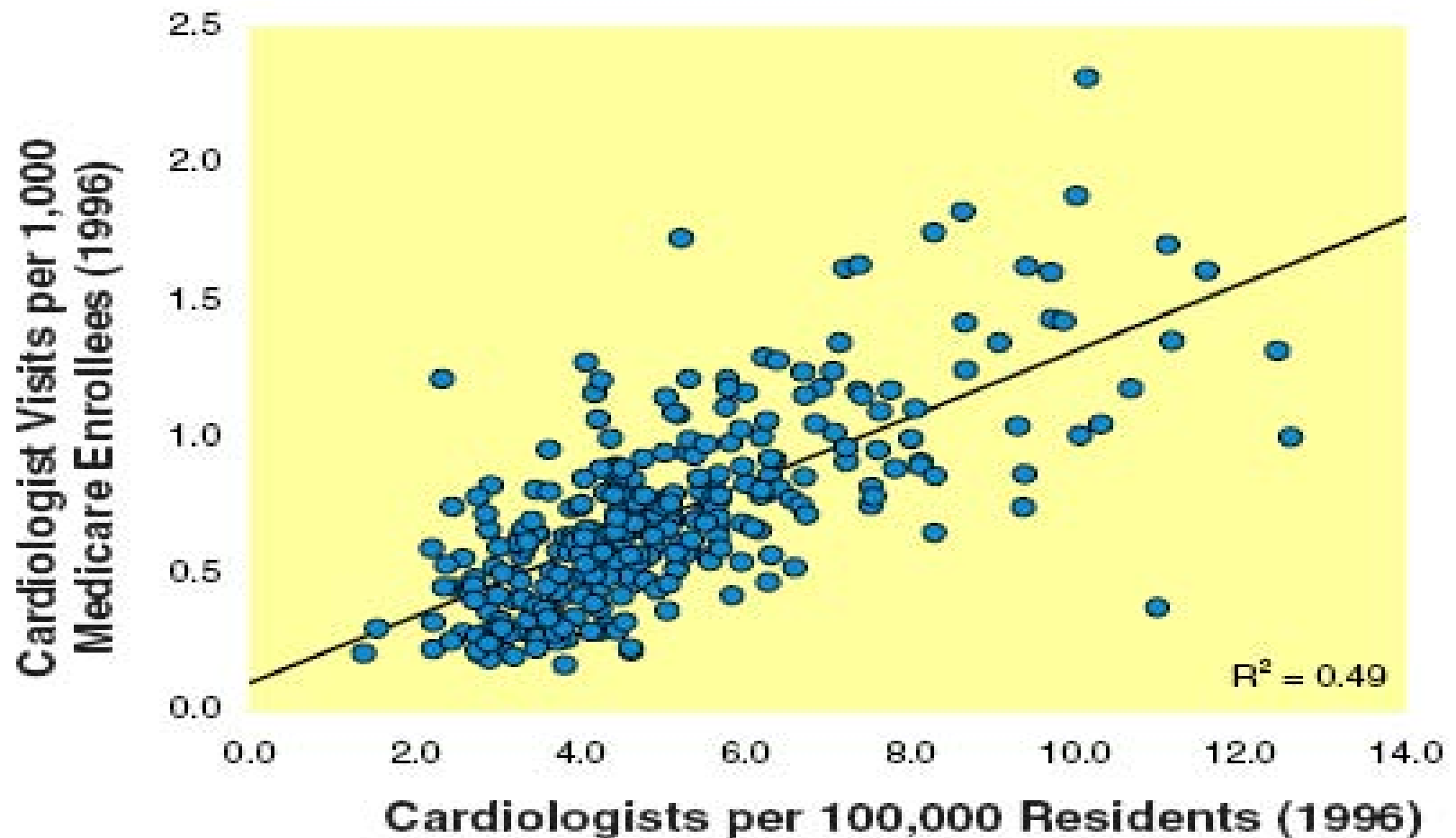
WHAT DRIVES UTILIZATION?

1. *Defensive medicine – maybe 15 percent of variation*
2. *Patient demand – not variation*
3. *Direct to consumer advertising*
4. *Tech arms race*
5. ***PRACTICE PATTERNS AND LOCAL CAPACITY***

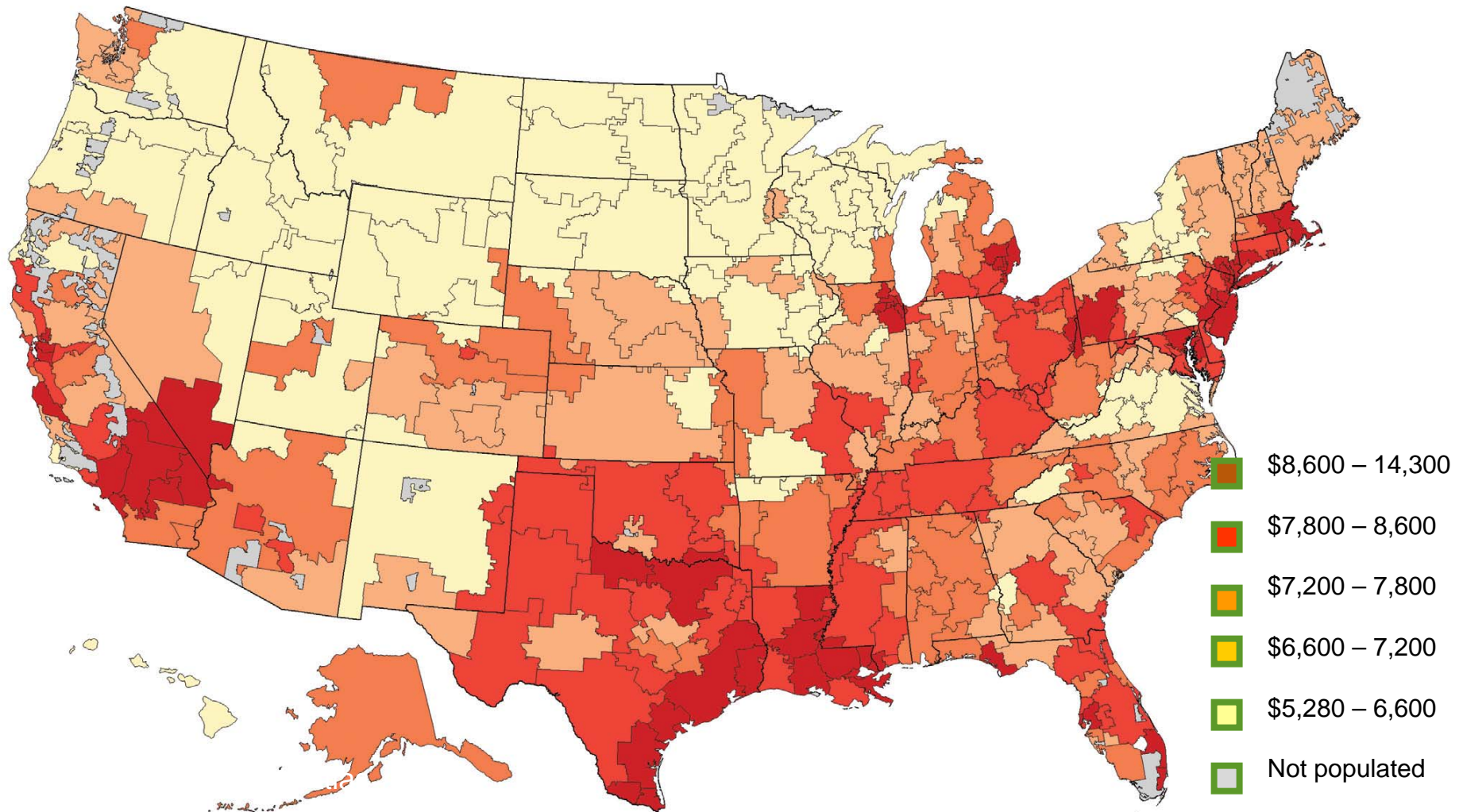
The Association Between Hospital Beds per 1,000 Residents (1996) and Discharges per 1,000 Medicare Enrollees (1995-96)



Cardiologists per 100,000 Residents and Visits to Cardiologists per 1,000 Medicare Enrollees (1996)



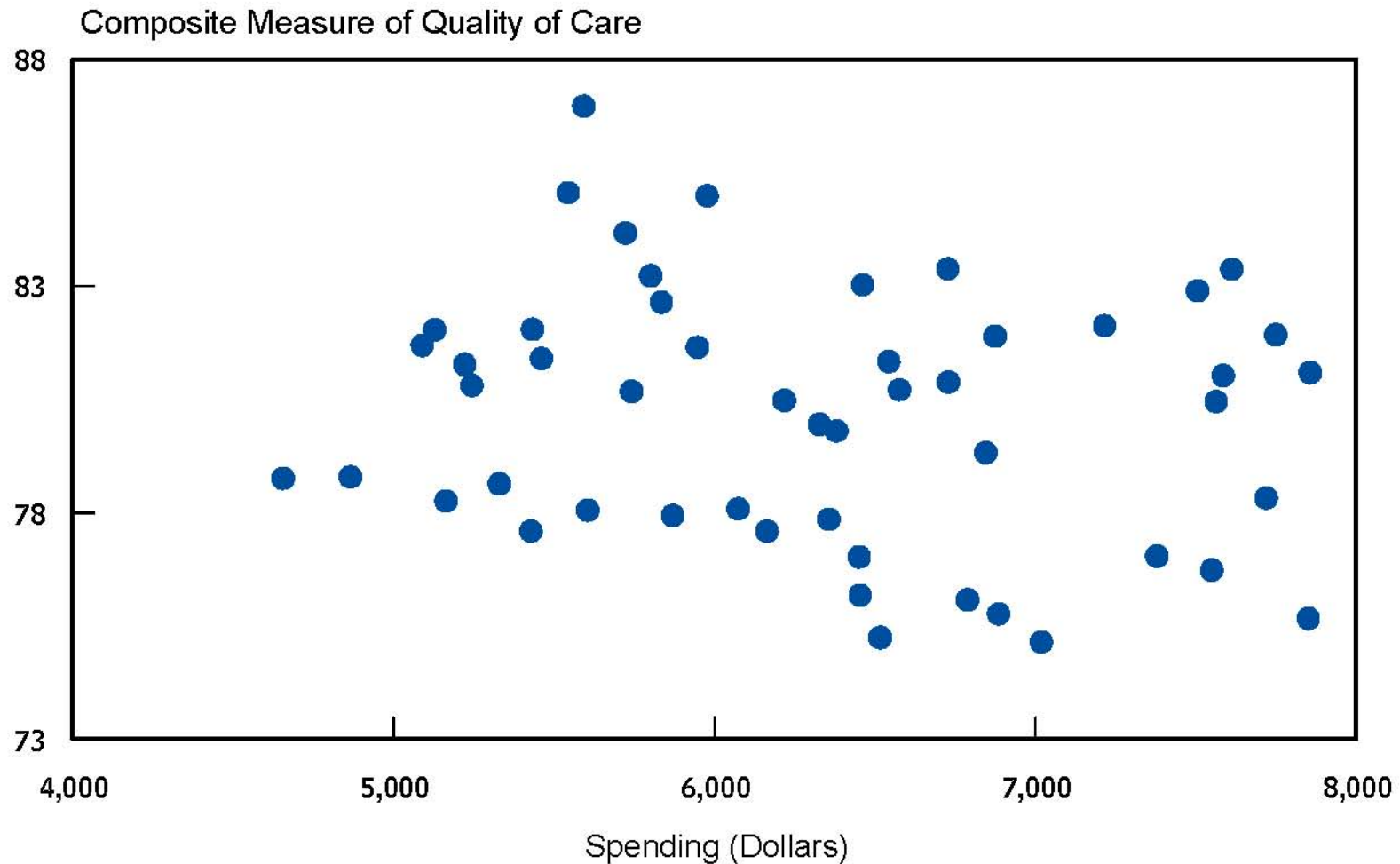
Medicare Spending per Beneficiary, 2005



Is higher spending (and
higher utilization)
buying better care
and better
outcomes?



The Relationship Between Quality and Medicare Spending, by State, 2004



Source: Data from AHRQ and CMS.

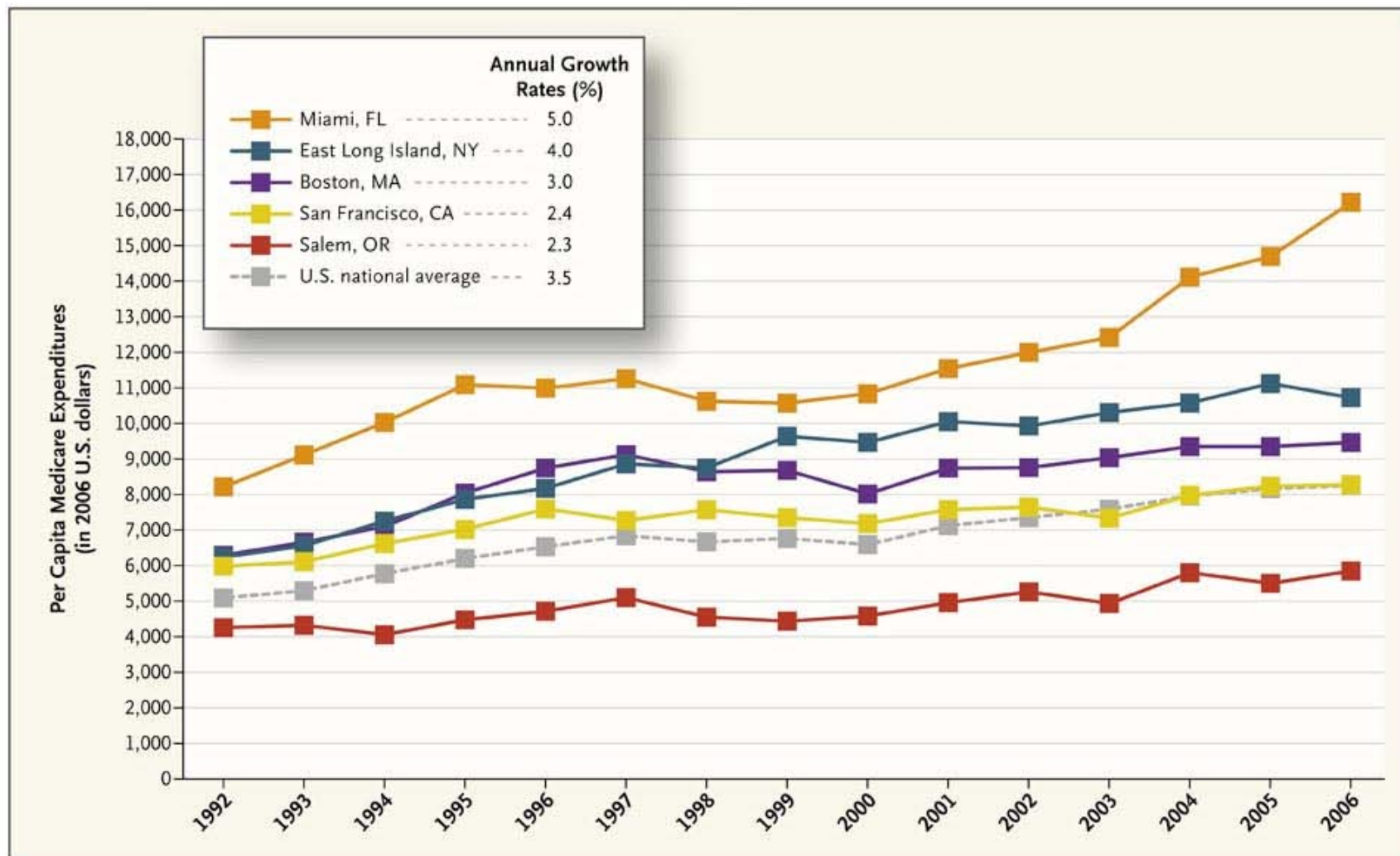
The paradox of plenty: What do regions and systems get out of more spending and higher utilization ?

- *Worse technical quality on average*
- *More hospital stays, physician visits, test, procedures, **but no more elective surgery***
- *Worse communication among physicians*
- *Worse continuity of care*
- *Lower satisfaction with care*
- *Worse access to primary care*
- ***Higher mortality***

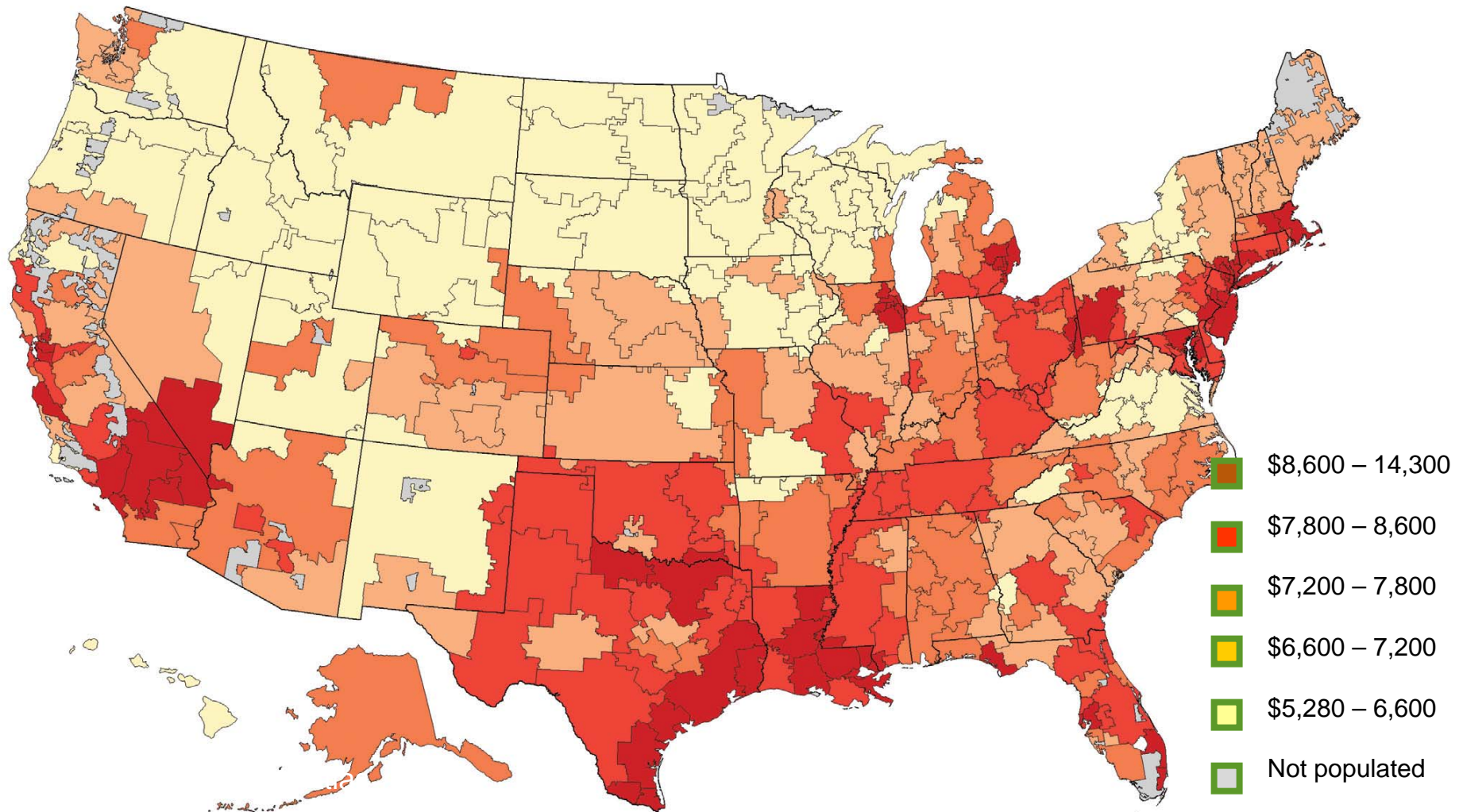
BOTTOM LINE

- We're wasting \$600 – 800 BILLION annually on unnecessary care
- That's \$766 for the average family of four . . . per MONTH
- \$9,200 per FAMILY per YEAR
- An estimated 30,000 Medicare recipients die prematurely each year from unnecessary care

Annual Growth Rates of per Capita Medicare Spending in Five U.S. Hospital-Referral Regions, 1992-2006



Medicare Spending per Beneficiary, 2005



Critical Questions

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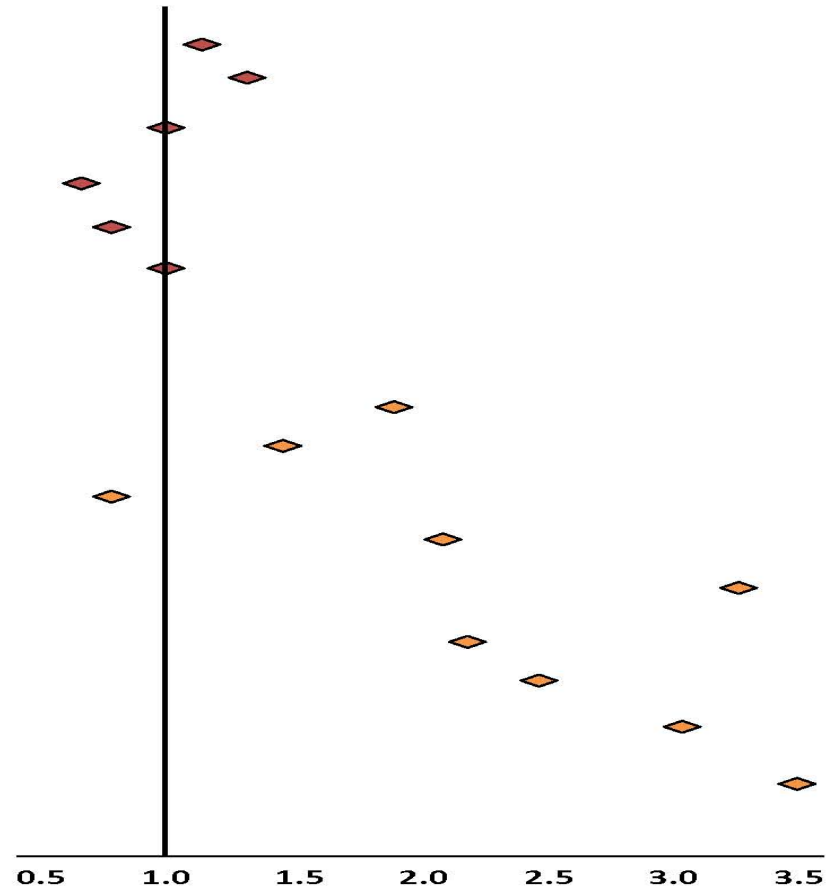
Relative rate of Specific procedures provided to patients with AMI, colon resection, and hip fracture in highest spending hospital regions compared to lowest spending

Major Surgery

Angioplasty
CABG
Hip Replacement
Knee Replacement
Back Surgery
Hernia Repair

Tests & Minor Procedures

Brain CT or MRI
Lumbar Spine CT or MRI
Breast Biopsy
Skin Biopsy
Laryngoscopy
PSA Test
Pulmonary Function Test
Electroencephalography
Vena Cava Filter



HOTEL

OK, stranger...
What's the circumference
of the Earth?.. Who
wrote "The Odyssey"
and "The Iliad?.." What's
the average rainfall of
the Amazon Basin?

Bart, you fool!
You can't shoot
first and ask
questions later!



REGIONAL VARIATION IN RATES OF AAA

