

Trends in the Financial Burden of Health Care Spending for Families

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Why Does Financial Burden of Medical Care Matter?

- ▶ Health care costs rising faster than general inflation
- ▶ High medical expenses contributes to indebtedness and bankruptcies
- ▶ High medical expenses can be a barrier to getting necessary medical care
- ▶ Lowering financial burden and barriers to care is the primary objective of the Affordable Care Act

Topics to be covered

- ▶ National trends in out-of-pocket spending and the financial burden of medical care
- ▶ How does Virginia compare with other southern states and the rest of the U.S.?
- ▶ Increasing affordability of prescription drugs
- ▶ Potential Impact of the ACA on financial burden of care

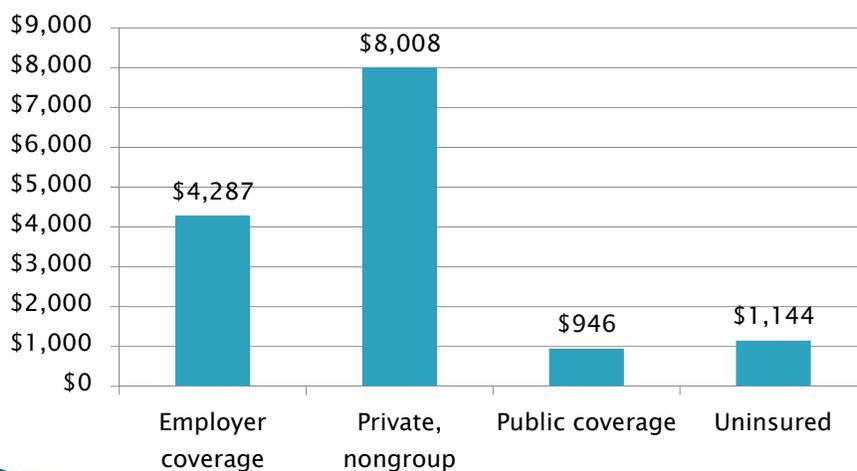
National Trends

National Trends In Out-of-Pocket Spending

	Family Income	Premiums	Health Services	Spent More than 10% of Income (%)
2011	\$63,900	\$2,069	\$1,193	19.2
2010	64,800	2,107	1,250	19.5
2007-09	65,900	1,914	1,336	18.2
2004-06	68,100	1,856	1,471	17.8
2001-03	68,920	1,589	1,360	15.7

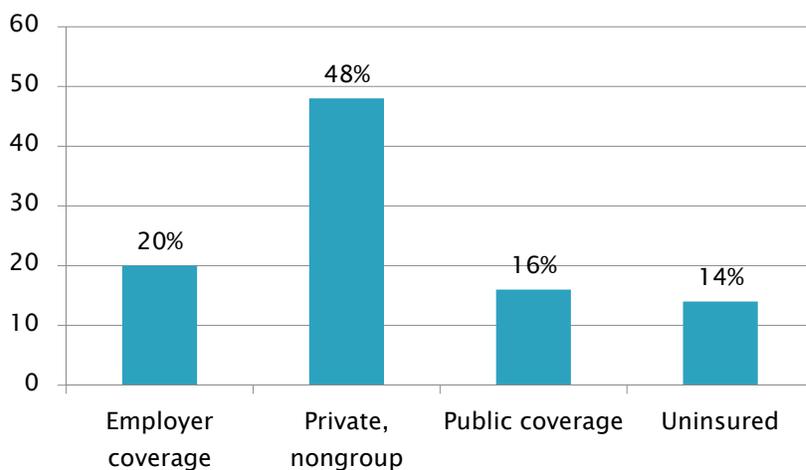
Source: 2001-2011 Medical Expenditure Panel Survey

Average Annual Out-of-Pocket Spending for Families (age < 65), 2011



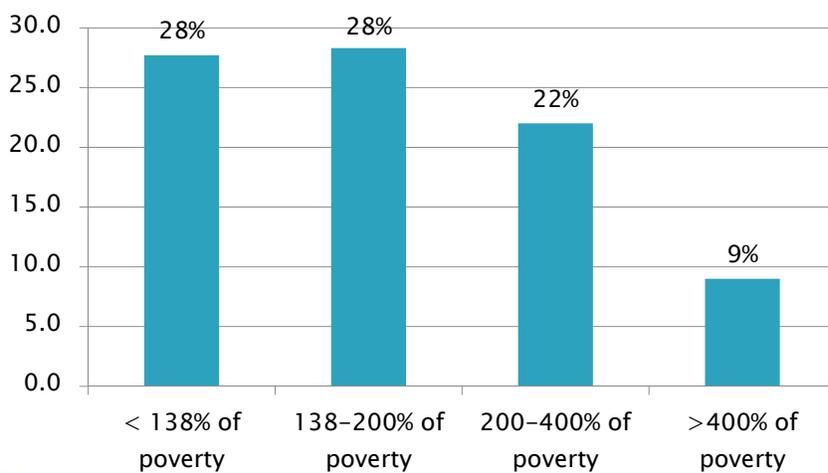
Source: 2011 Medical Expenditure Panel Survey

Percent Spent More than 10% of Family Income on Health Care, 2011



Source: 2011 Medical Expenditure Panel Survey

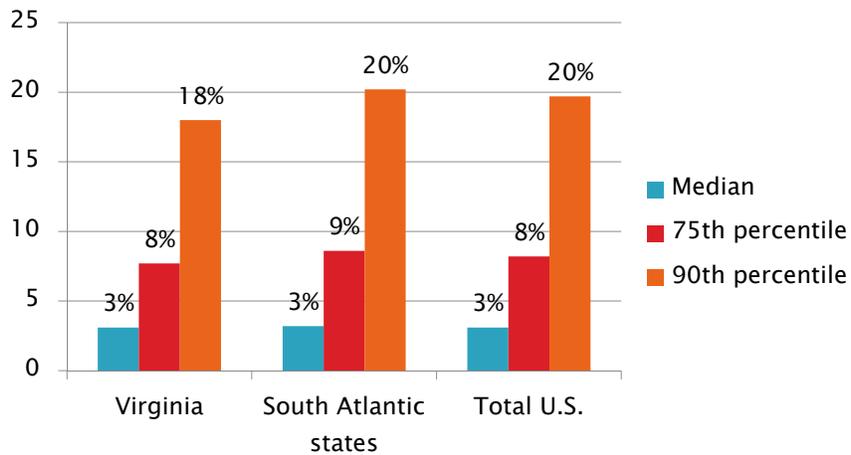
Percent Spent More than 10% of Family Income on Health Care, 2011



Source: 2011 Medical Expenditure Panel Survey

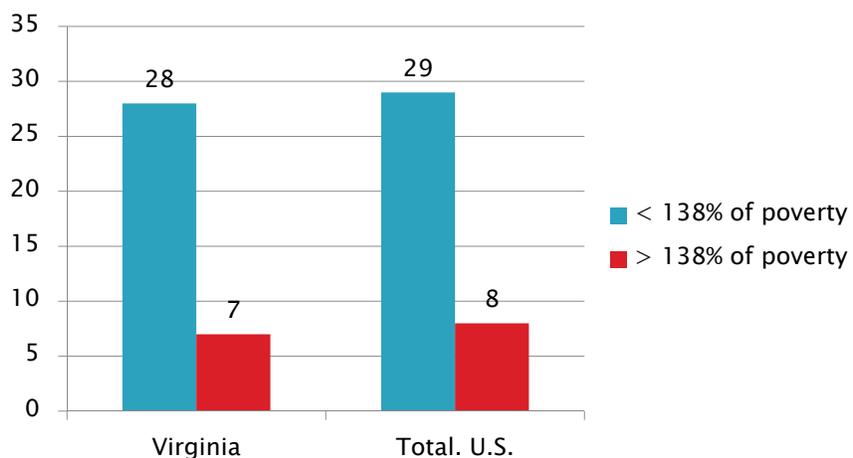
How Does Virginia Compare With Other States?

Health Spending as a Percentage of Family Income, 2011 and 2012



Source: Estimates based on CPS, ASEC. Obtained from Caswell, K.J., Waidman, T., and Blumberg, L.J., Financial Burden of Medical Spending by State and the Implications of the 2014 Medicaid Expansions (April, 2013), Washington, D.C.: The Urban Institute

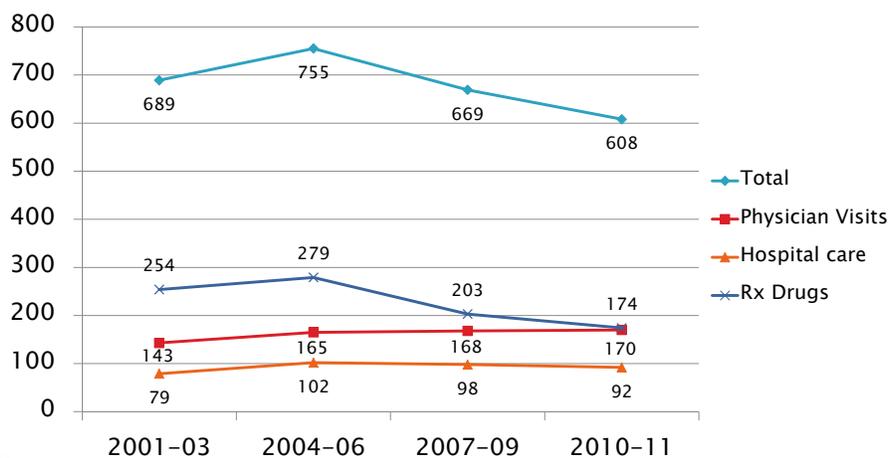
Health Spending as a Percentage of Family Income, at 75th Percentile



Source: Estimates based on CPS, ASEC. Obtained from Caswell, K.J., Waidman, T., and Blumberg, L.J., Financial Burden of Medical Spending by State and the Implications of the 2014 Medicaid Expansions (April, 2013), Washington, D.C.: The Urban Institute

Good News: Many Prescription
Drugs are Becoming Less
Expensive

Out-of-Pocket Spending on Services, by Type of Service



Source: 2001-2011 Medical Expenditure Panel Survey

Implications of Cheaper Drugs: Diabetes Care as a Case Study

- ▶ Diabetes can be effectively managed through prescription drug treatment (Metformin is most frequently prescribed drug for Type 2 diabetes)
- ▶ Non-adherence to treatment regimen can result in costly hospitalizations and emergency department visits
- ▶ Generic versions of Metformin became available in early 2000's

Trends in out of pocket spending for persons with diabetes

	2001-03	2004-06	2007-09
Out-of-pocket spending (\$)			
Adults with diabetes	1,647	1,624	1,373
All persons ages 18-64	626	695	618
Spent more than 10% of family income on medical care (%)			
Persons with diabetes	24	22	19
All persons ages 18-64	8	9	8

Source: 2001-2009 Medical Expenditure Panel Survey

Changes in the costs of diabetes-related prescriptions

	2005-06	2007-09
Brand-name prescriptions		
Percent of all diabetes-related prescriptions	53%	47%
Average out-of-pocket cost per prescription	\$34	\$40
Generic prescriptions		
Percent of all diabetes-related prescriptions	47%	53%
Average out-of-pocket costs per prescription	\$18	\$9

Source: 2005-2009 Medical Expenditure Panel Survey

Trends in access to care and utilization for persons with diabetes

	2001–03	2004–06	2007–09
Spent more than 10% of income on health care	25	21	17
Percent who used prescriptions to control diabetes	84	87	89
Percent who reported that they could not afford prescriptions	7	7	5
Percent with inpatient hospital stay	18	15	14
Percent with emergency-department visit	24	21	21

Source: 2001–2009 Medical Expenditure Panel Survey

Potential Impact of ACA on Financial Burden of Care

- ▶ Out-of-pocket maximums for qualified medical expenses (\$6,350 for individual plan; \$12,700 for family plan)
- ▶ Expansion of Medicaid to 138% of poverty (little or no cost-sharing)
- ▶ More affordable options in ACA through insurance exchanges
 - Larger and more varied risk pools
 - Stricter regulations on underwriting practices and premiums
 - Premium and cost-sharing subsidies for lower-income persons
- ▶ Delivery and payment reforms designed to contain health care costs could also reduce financial burden on families
 - Reducing the rate of cost growth means reducing the amount of cost increases passed on to individuals and families
 - Lower costs associated with unnecessary and avoidable utilization
 - Value-based health plans: Lower cost-sharing for clinically effective services

Impact of Premium Subsidies on Financial Burden of Non-group Plans

	Family income between 138–250% of poverty	Family income between 250–400% of poverty
Average premium for non-group plans before ACA	\$5,435	\$5,711
As a percent of family income	16%	11%
Average premium for exchange plan after subsidies	\$1,797	\$4,753
As a percent of family income	5%	9%

Source: 2009–2011 Medical Expenditure Panel Survey

Conclusion

- ▶ During first decade of 2000's, rising health care costs consumed a larger chunk of family budgets, despite increase in cheaper generic drugs
- ▶ Greater affordability can save downstream costs by enabling increased access to care and management of chronic conditions
- ▶ ACA expands coverage, but also provides much less expensive options for those with non-group coverage
- ▶ Affordability of care in the long run depends on ability to control growth in the cost of care