

# The Growing Cost of Healthcare & Consumers' Demand for Change

*An opportunity for Self-Funded  
Employers and Benefits Consultants  
to Impact Change*



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## The Healthcare System is Broken

*Our healthcare system in the United States (US) has been broken and geared toward sick care for quite some time, and the COVID-19 pandemic exposed just to what extent.*

Nationally, healthcare costs have been continually rising, and, according to a recent report from Centers for Medicare and Medicaid Services, total healthcare spending will continue to grow at a rate faster than household income. In 2018, almost 20% of people on employer-sponsored insurance incurred healthcare costs greater than 10% of their gross family income.[1]

When comparing the data in 2018 to 2014, there are two important findings. First, the proportion of persons experiencing a high financial burden grew by 13.9% in 4 years. Second, this same population experienced a 48% increase in mean medical care spending. In other words, a greater portion of the population is experiencing a high medical financial burden and the amount of medical financial burden they experience is continuing to increase.[2]

Jumping forward, private health insurance, out

of pocket, hospital, Medicare, Medicaid, and prescription drug spending all grew in 2019. This trajectory of increased spending is expected to continue, with national health spending projected to grow at an average annual rate of 5.4 percent for 2019-28 and to reach \$6.2 trillion by 2028.

Importantly, similar to the disproportionate impact of COVID-19, increased costs exacerbate health disparities across many social characteristics – race, sex, ethnicity, disability, and income to name just a few. Moreover, this increases the magnitude of underlying risk factors, ultimately, increasing the burden and severity of disease. In addition to the moral imperative, there is a strong incentive to support the highest-risk and most marginalized populations to bring down costs and improve health and well-being.

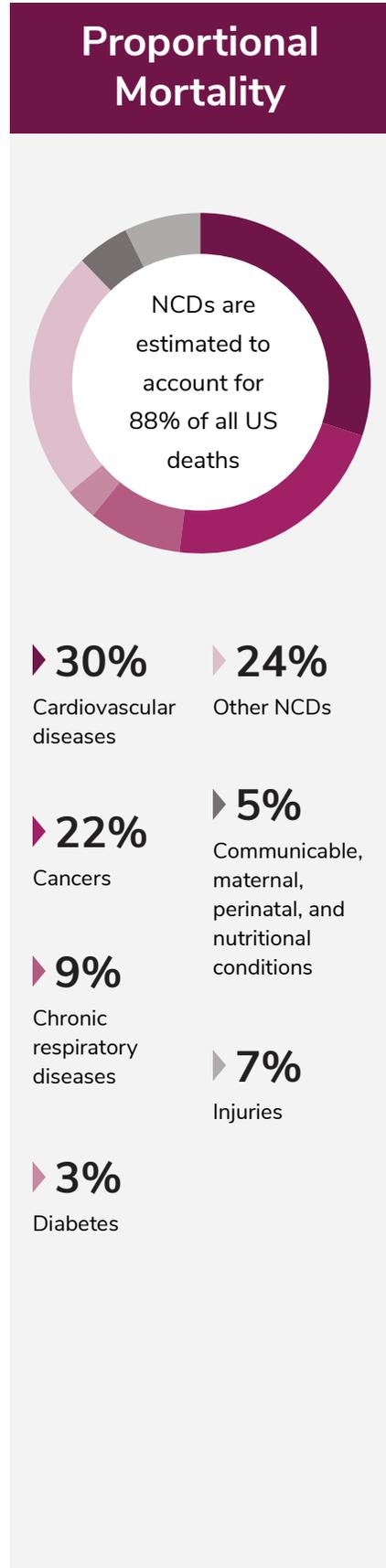
# People are Getting Sicker

*Addressing non-communicable diseases (NCDs) is the only way forward*

It is well documented that, as countries develop, the burden of disease shifts from communicable disease (e.g., malaria, tuberculosis) to non-communicable disease (e.g. heart disease, Type II Diabetes). NCDs are “by far” the leading cause of death worldwide. In 2016, NCDs were responsible for 71% of deaths globally and a staggering 88% in the United States, and both the number of deaths and the proportion of deaths due to NCDs continues to climb. Figure 1 breaks down the mortality rate of NCDs by condition in the US.

When looking at US Gross Domestic Product (GDP) from 2015-2050, scientific evidence demonstrates that NCDs will lead to a total loss of \$116.22 trillion (in today’s dollars) from our GDP. When broken down by diseases, both cardiovascular diseases and mental health conditions will impose the highest burdens, followed by cancer, chronic respiratory diseases, and Type II Diabetes. When broken down per capita, the burden is \$265,000. [3]

Many NCDs, if caught early, can be prevented and even reversed, reducing the heavy burden of disease and associated costs.



# Why the System Won't Change on its Own

*Left untouched, costs will continue to rise.*

*“America’s health care system is neither healthy, caring, nor a system.”*

—  
**Walter Cronkite**

Within the current system, both the insurance and pharmaceutical industries profit tremendously, and there has been little incentive to change this trend given that the risk largely falls on those paying for healthcare, such as employers and individuals. Net earnings for insurance companies rose 145% year-over-year, from 16.1 billion in 2017 to 23.4 billion in 2018.[4] Similarly, the pharmaceutical industry has grown exponentially in recent decades, with revenues reaching \$1.25 trillion dollars in 2019 as compared to \$390 billion in 2001.[5] With significant lobbying power, there are strong influences at play to maintain the status quo and to continue focusing on reactive healthcare vs. proactive health and well-being.

Self-funded employers and their people are shouldering the burden of rising costs! 67% of businesses in the US are self-funded. As costs rise, employers pass some of them down to their employees with higher co-pays, deductibles, out of pocket expenses and reduced wages and benefits. Current conditions simply aren't sustainable.

In fact, while conversations about changing the system from the current fee-for-service paradigm to value-based have been in existence for decades, the shift has been slow at best. This is unfortunate as the fee-for-service model provides healthcare providers and systems financial incentives to produce greater quantity over quality, which has been proven in various studies. Value-based care, on the other hand, offers financial incentives that encourage quality over quantity, by measuring health outcomes rather than the number of procedures. In their Value-Based Assessment: 2020, xtelligent reports a majority of respondents still say over 76% of organizational revenue is reliant on fee-for-service reimbursement. Moreover, reports indicate that COVID-19 hindered the limited growth of value-based care efforts.



### Digital transformation and interoperable data

- Transitioning from standardized clinical protocols to personalized medicine
- Leveraging AI to provide real-time care, interventions, and nudges to change consumer behavior and patterns.

### Work & talent

- Introduction of new business models, exponential technology, and agile ways of working
- Capacity and demand analysis to match the pandemic's needs
- Utilization of remote staff (clinical and nonclinical)

### Socioeconomic shifts

- Programs to support a person's holistic well-being
- Recognition of the need to focus on underserved populations and work with governments to modify policies and programs



### Consumers and the human experience

- Consumer's increased ownership of their health and data
- Provision of clear and concise information on treatment care and cost
- Balance between virtual visits and a trusted physician's relationship

### Care model innovation

- Changing focus from acute care to prevention and well-being
- Transitioning from standardized clinical protocols to personalized medicine
- Evolving payment models: value-based/outcome-focused; universal coverage
- Making financial operation and performance improvements

### Collaborations

- Ecosystems that enable real-time data and analytics and serve as centers for education, prevention, and treatment
- Ecosystems that connect consumers to virtual, home, in-person, and auxiliary care providers

Source: Deloitte Insights: 2021 Global Health Care Outlook

## Consumers are Driving Change

*Our healthcare system in the United States (US) has been broken and geared toward sick care for quite some time, and the COVID-19 pandemic exposed just to what extent.*

Deloitte Insights: 2021 Global Health Care Outlook reports COVID-19 has challenged consumers' sense of well-being and accelerated their desire and determination to become more active, engaged, and empowered in managing their health. Through the escalating cost burden, more active engagement, and increasing demand for a more holistic approach to health and well-being, consumers are catalyzing changes in health care delivery. Consumers increasingly demand convenience, access, and transparency in both treatment and cost. They are

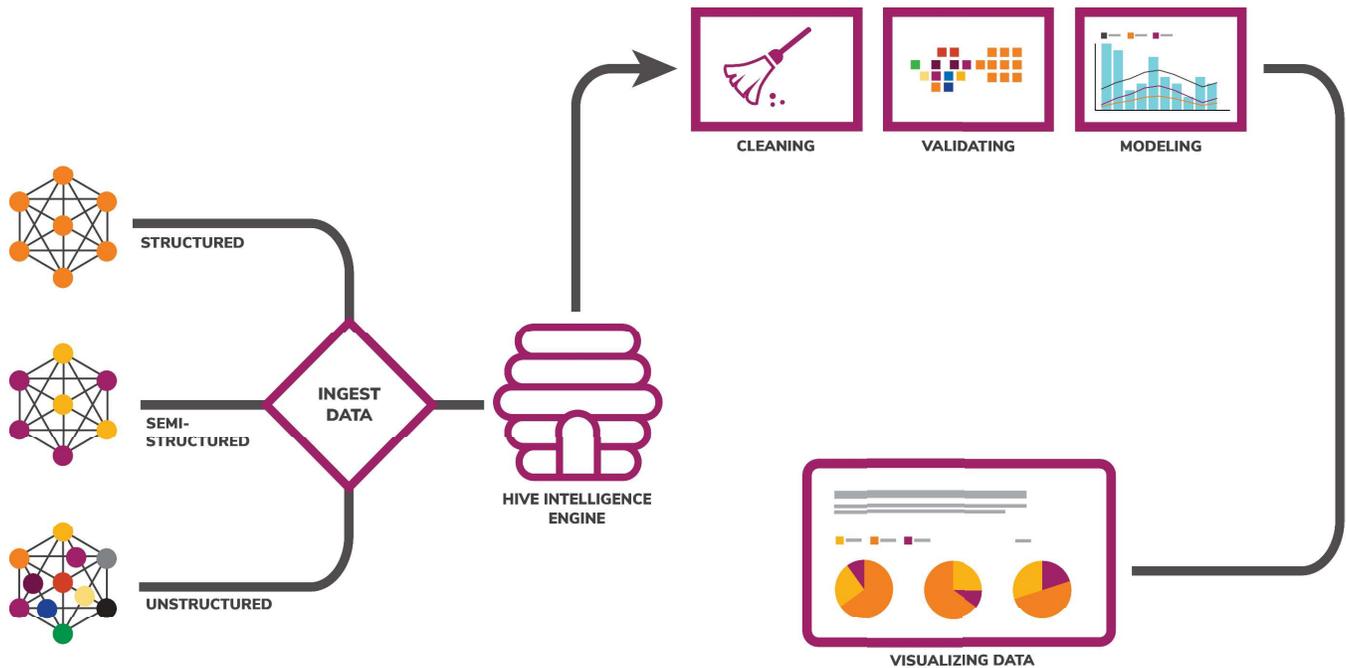
more technically savvy and have quickly adopted on-demand and seamless virtual care. Moreover, consumers are shifting the market from reactive healthcare to proactive health and well-being.

Deloitte expects several foundational shifts in healthcare in 2021. The figure above, developed by Deloitte, shows the six frontiers on which health care will likely innovate and improve, perhaps largely due to consumer discontent with the status quo.



### Comparison





## Benefits Consultants Can be the Catalyst for Change

*Benefits Brokers are in a unique position to catalyze change. They sit between self-funded employers, the payers, and the healthcare networks advocating for the best possible solution for their clients.*

### Technology can help!

There is technology available today that can address and manage many current healthcare issues. For example, AI and machine learning technologies can, with high accuracy, predict chronic disease risk 12-24 months before onset. In fact, when benefits consultants leverage technologies such as this, they can profile the health, stratify the risk, and identify

gaps in care for their clients' populations in an intelligent, data-driven, and customized manner. An added benefit is automated trend reporting which replaces the manual processes often used today. Simply put, savvy benefits consultants now can provide better insights for their clients' populations, helping to prevent the onset of chronic disease, reduce costs, and support more targeted programs to improve people's overall health and well-being.

# Resources

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