

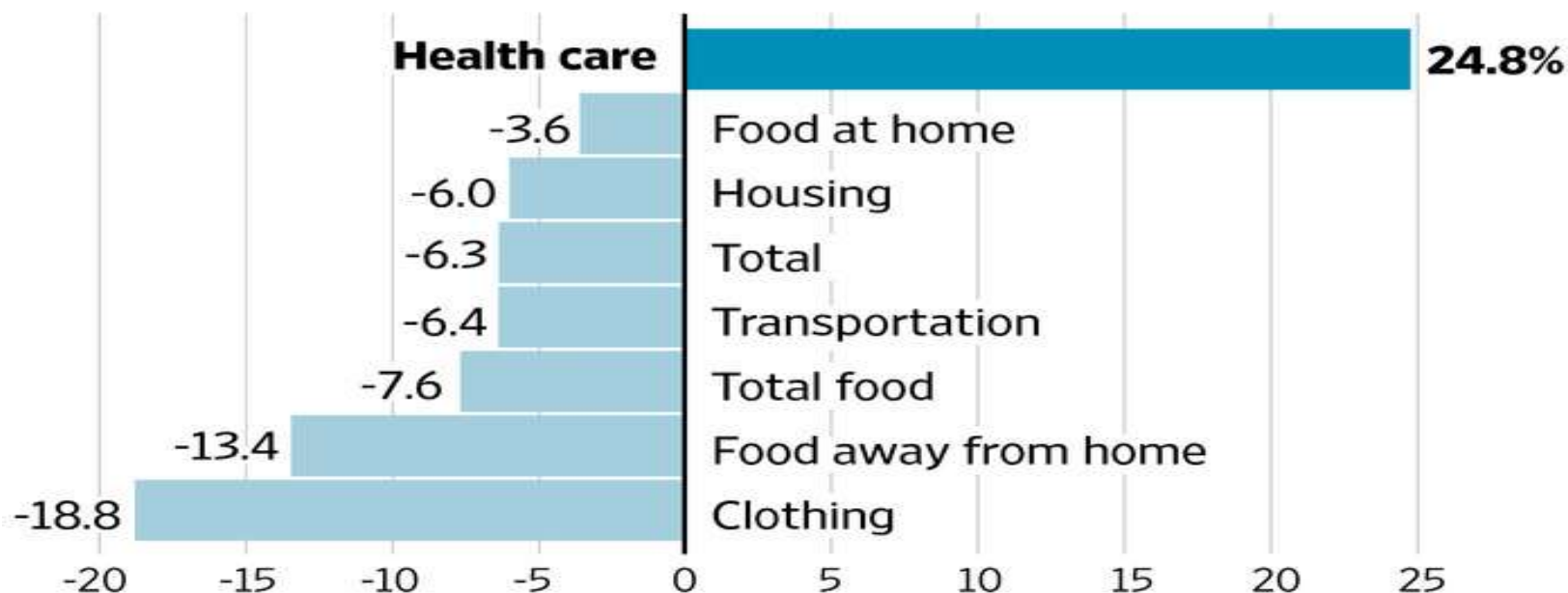
Status quo results gallery



A Bigger Bite

Middle-class families' spending on health care has increased 25% since 2007. Other basic needs, such as clothing and food, have decreased.

Percent change in middle-income households' spending on basic needs (2007 to 2014)



Sources: Brookings Institution analysis of Consumer Expenditure Survey, Labor Department
THE WALL STREET JOURNAL.

DOI: 10.1177/0361687810385858
HEALTH AFFAIRS 30,
NO. 9 (2011): 1630-1636
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The People-to-People Health
Foundation, Inc.

By David I. Auerbach and Arthur L. Kellermann

A Decade Of Health Care Cost Growth Has Wiped Out Real Income Gains For An Average US Family

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Arthur L. Kellermann is vice president and director of RAND Health, in Santa Monica, California.

ABSTRACT Although a median-income US family of four with employer-based health insurance saw its gross annual income increase from \$76,000 in 1999 to \$99,000 in 2009 (in current dollars), this gain was largely offset by increased spending to pay for health care. Monthly spending increases occurred in the family's health insurance premiums (from \$490 to \$1,115), out-of-pocket health spending (from \$135 to \$235), and taxes devoted to health care (from \$345 to \$440). After accounting for price increases in other goods and services, the family had \$95 more in monthly income to devote to nonhealth spending in 2009 than in 1999. By contrast, had the rate of health care cost growth not exceeded general inflation, the family would have had \$545 more per month instead of \$95—a difference of nearly \$5,400 per year. Even the \$95 gain was artificial, because tax collections in 2009 were insufficient to cover actual increases in federal health spending. As a result, we argue, the burdens imposed on all payers by steadily rising health care spending can no longer be ignored.

In 2009 the US economy contracted, millions of Americans lost their jobs, and nearly seven million people lost employer-based health insurance. Nevertheless, health spending in 2009 continued to increase, as it has routinely year by year. In fact, US health spending grew by \$96 billion in 2009, an increase of 4 percent from the previous year.^{1,2} This produced the largest one-year jump in health care spending as a percentage of gross domestic product (GDP) since the government began keeping records. That year also capped a ten-year period in which US health spending nearly doubled, from \$1.3 trillion to \$2.5 trillion. During this period, the percentage of GDP devoted to health care climbed from 13.8 percent to 17.6 percent,³ and per capita health spending grew from \$4,600 to just over \$8,000.⁴

Although these figures are sobering, they don't easily translate to real-world consequences for American families—or for any taxpayer,

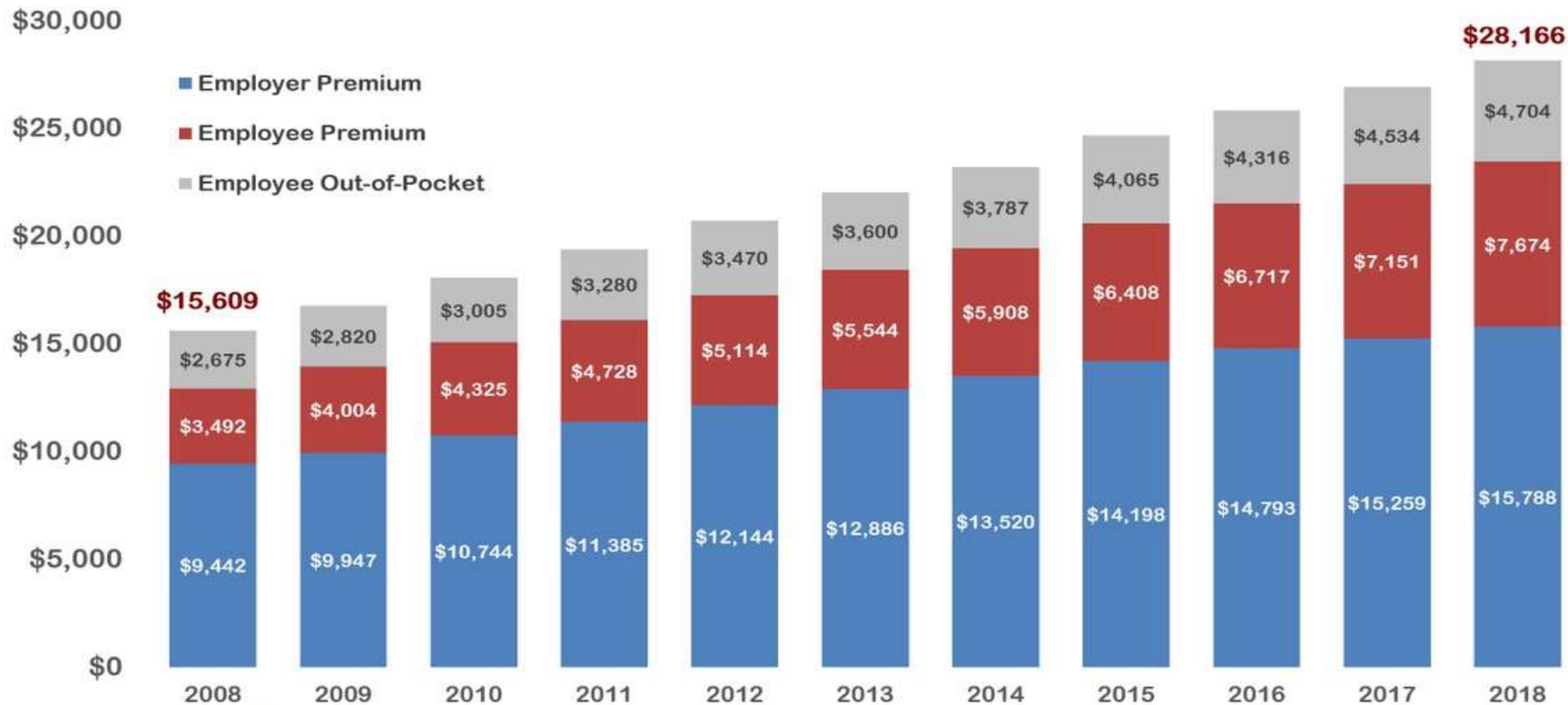
working adults, for that matter—because many health care costs are hidden from their view.⁵ In this article we describe the burden of health care costs borne by a typical US family in 1999 and 2009. We also project what family spending for other items would have been if health care cost growth had turned out differently.

Because no single data source can provide a complete picture of an average family's finances and health care spending, our analysis relies on data from several sources and therefore lacks some precision. However, it fairly depicts the manner in which the changing health care cost burden has affected a representative family: substantially eroding what is left for them to spend on everything else.

Study Data And Methods

We use a median-income married couple with two children and employer-sponsored health

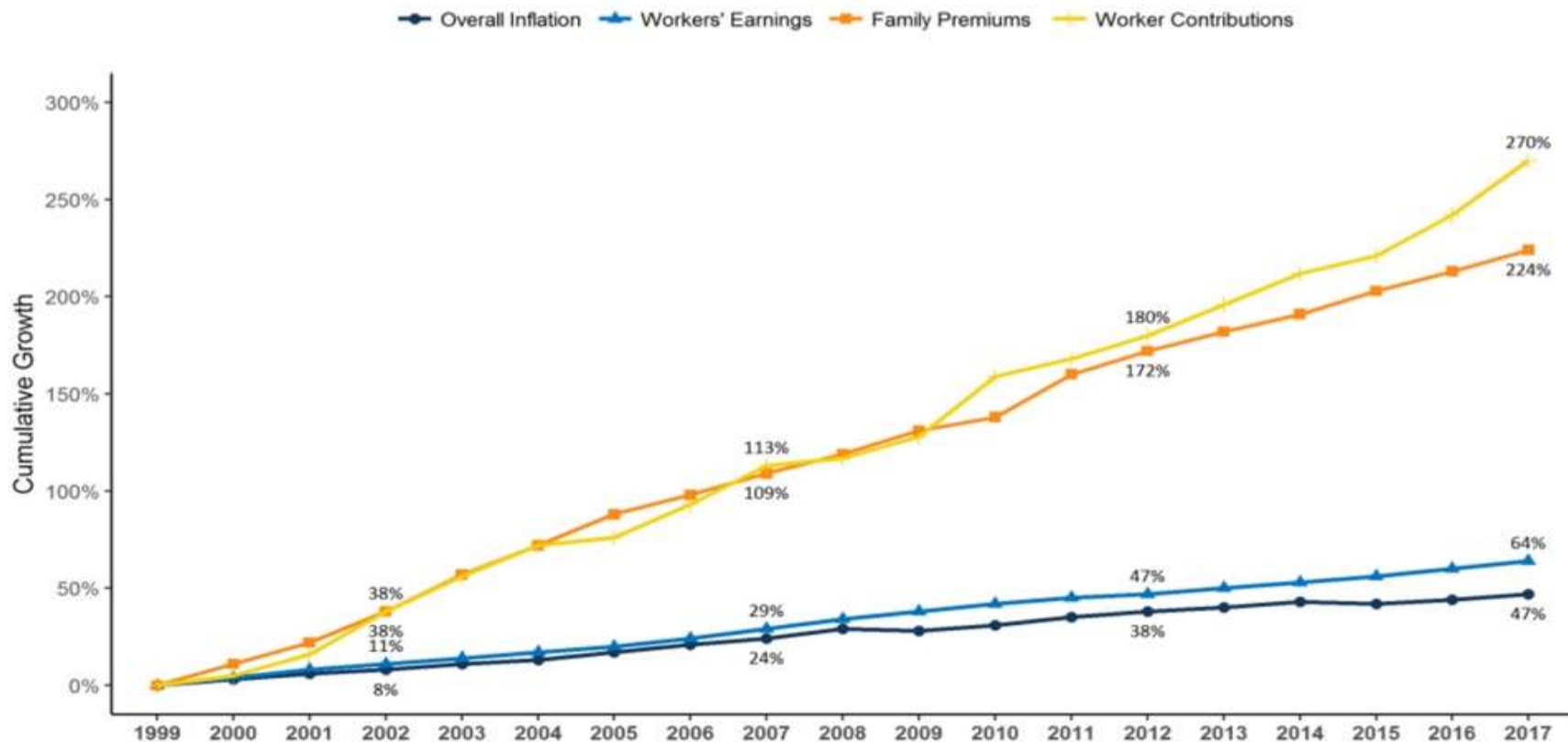
Average Cost of Employer-Sponsored PPO Coverage - Family of 4



Data:  Milliman <http://us.milliman.com/MMI>

Chart by: @danmunro

Cumulative Increases in Family Premiums, Worker Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2017



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2017; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2017 (April to April).

CATASTROPHIC MISALLOCATION OF RESOURCES

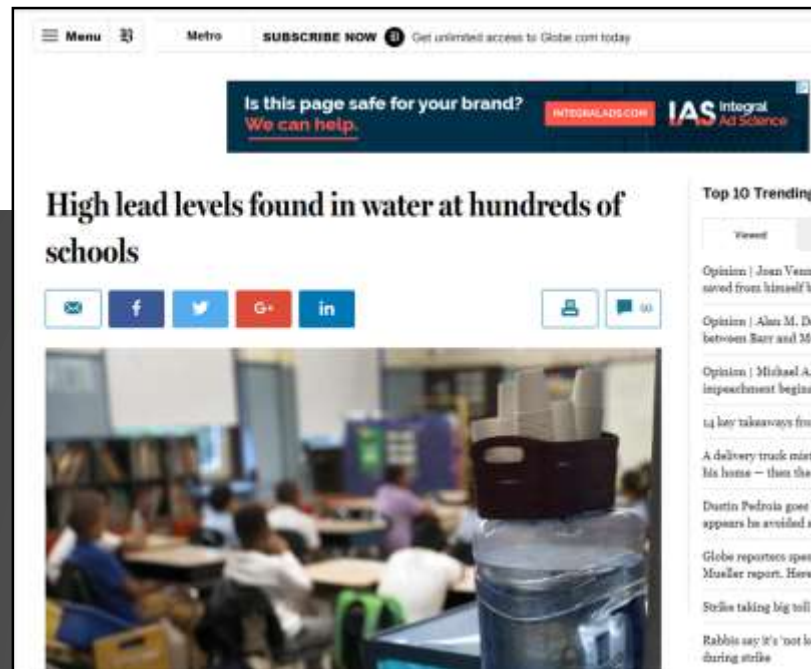
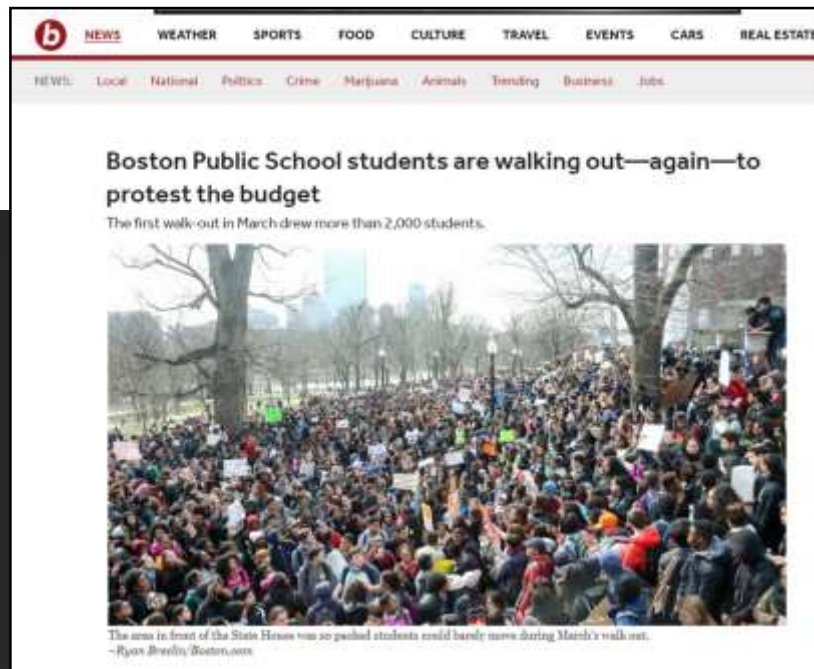
HEALTHCARE SPENDING DEVASTATES SOCIAL DETERMINANTS OF HEALTH (FY01-14, STATE OF MASSACHUSETTS)



+37
%
Healthcare
Spending

- ↓ **50%** Local Aid
- ↓ **31%** Public Health
- ↓ **22%** Mental Health
- ↓ **14%** Infrastructure, Housing & Economic Development
- ↓ **13%** Law & Public Safety
- ↓ **12%** Education
- ↓ **11%** Human Services

DEVASTATING IMPACT ON OUR KIDS



Massachusetts Hospitals Stockpile \$1.6 Billion in Cayman Islands and other Offshore Accounts; Nurses Call for Financial Transparency



A bill pending on Beacon Hill will allow the public to see how hospital executives are spending tax dollars

NEWS PROVIDED BY

[Massachusetts Nurses Association →](#)

May 30, 2019, 09:50 ET

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CANTON, Mass., May 30, 2019 /PRNewswire/ -- Hospital corporations across Massachusetts have placed at least \$1.6 billion in the Cayman Islands and other well-known offshore tax havens, leading nurses and lawmakers to call for legislation requiring financial transparency from hospitals and the returning of excess profits and CEO pay to the public good.

"We can improve our health care system by shining a light on hospital finances, limiting excessive CEO pay and ensuring that the public has a stronger voice in shaping how our health care dollars are spent," said Karen Coughlin, a 35-year RN from Mansfield and Vice President of the Massachusetts Nurses Association.

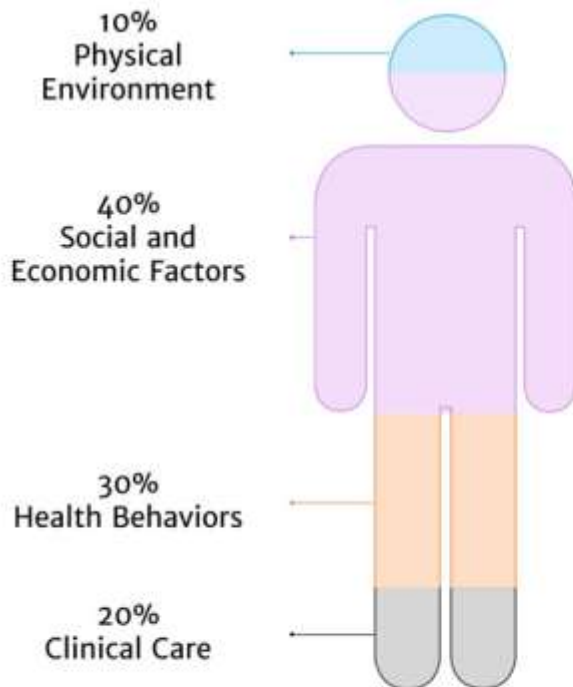
DESPITE HEALTHCARE BEING FUNDAMENTALLY LOCAL, THE MAJORITY OF EVERY \$1 IS **EXTRACTED FROM LOCAL COMMUNITIES**

EXTRACTIVE OR NO-VALUE	OFTEN EXTRACTIVE	GENERALLY NOT EXTRACTIVE
<ul style="list-style-type: none">• Fraud• Misdiagnosis and inappropriate treatment<ul style="list-style-type: none">- High-cost, commonly overrated areas: spine, stents, etc.- High-misdiagnosis areas: oncology, MSK, etc. (25-67%)• Abusive and arbitrarily high prices Massive pricing failure: prices for similar quality often vary 2-10x.	<ul style="list-style-type: none">• Carrier or provider org admin bloat and overhead• Often national, unnecessary and/or wasteful (e.g., "wellness" programs)	<ul style="list-style-type: none">• Paying high-value care providers• A treating physician often receives only \$.10-\$.15 on a given procedure
~\$0.45	~\$0.30	~\$0.25

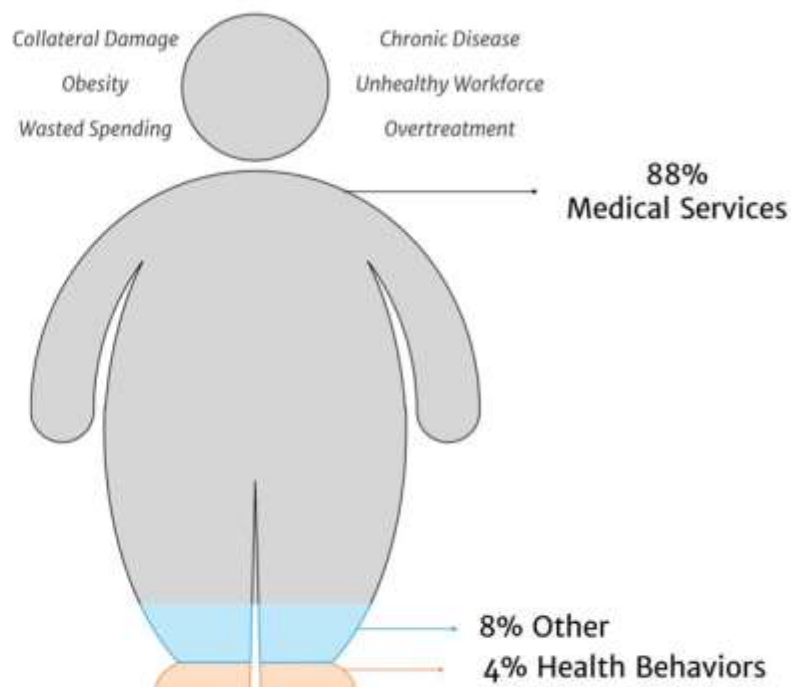
Note: these are very, very high-level approximations for illustrative purposes. They're based on multiple widely recognized sources and generally accepted data.

A STARK IMBALANCE WITH DRAMATIC REPERCUSSIONS

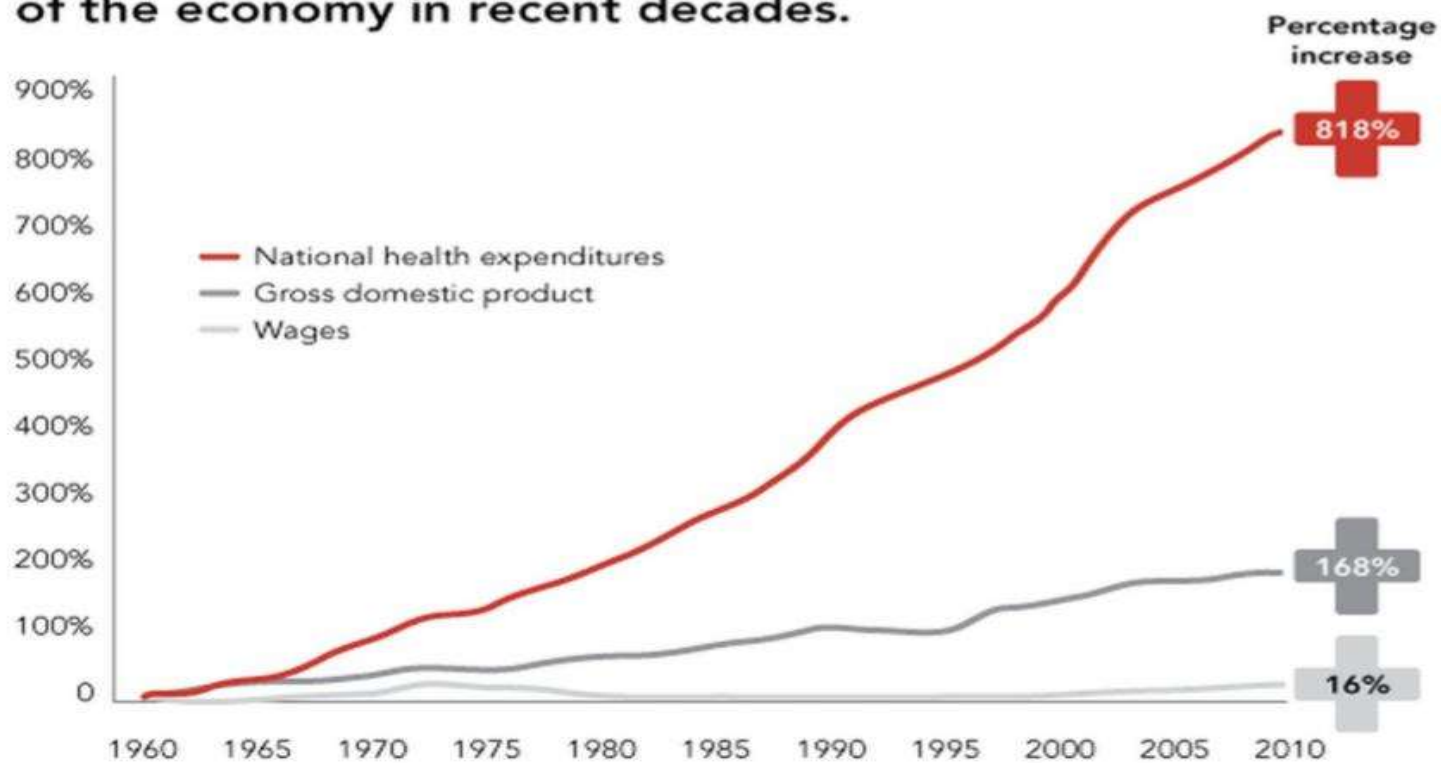
What Drives Outcomes?



Where Do We Spend Money?



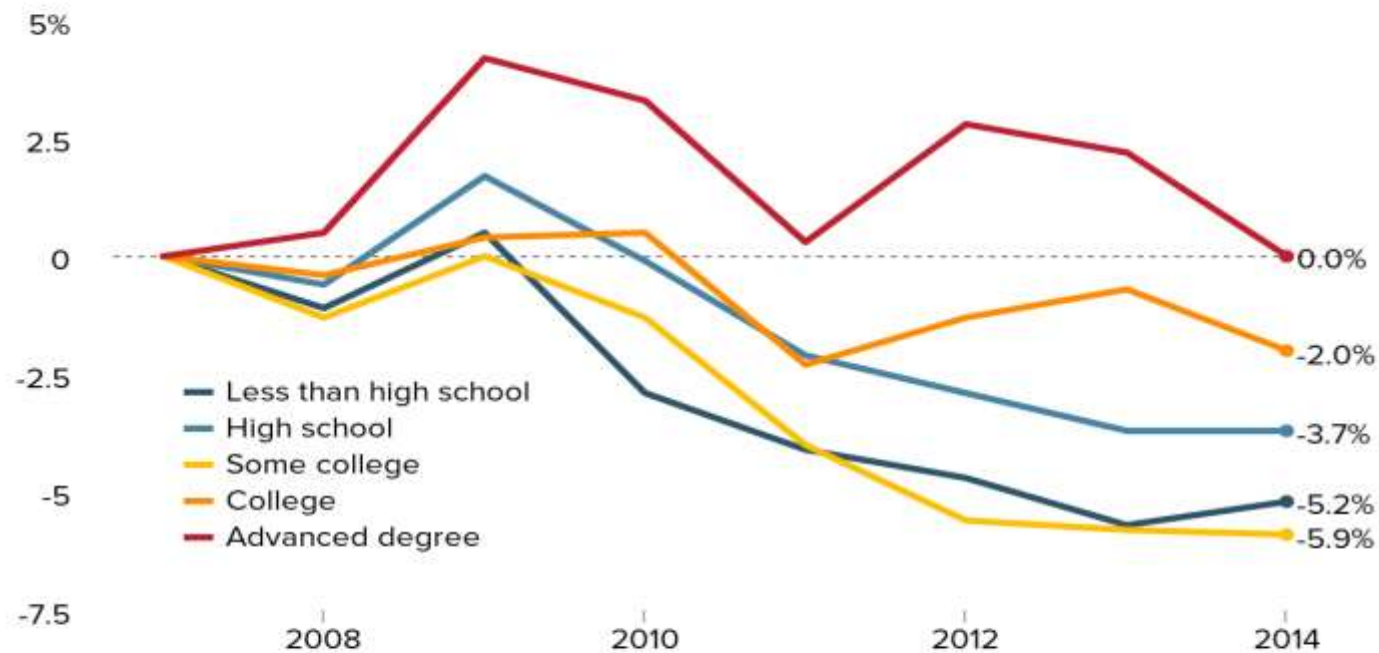
Health care spending has grown much faster than the rest of the economy in recent decades.



Sources: McKinsey, "Accounting for the Cost of U.S. Health Care" (2011),
Center for American Progress

THE HUFFINGTON POST

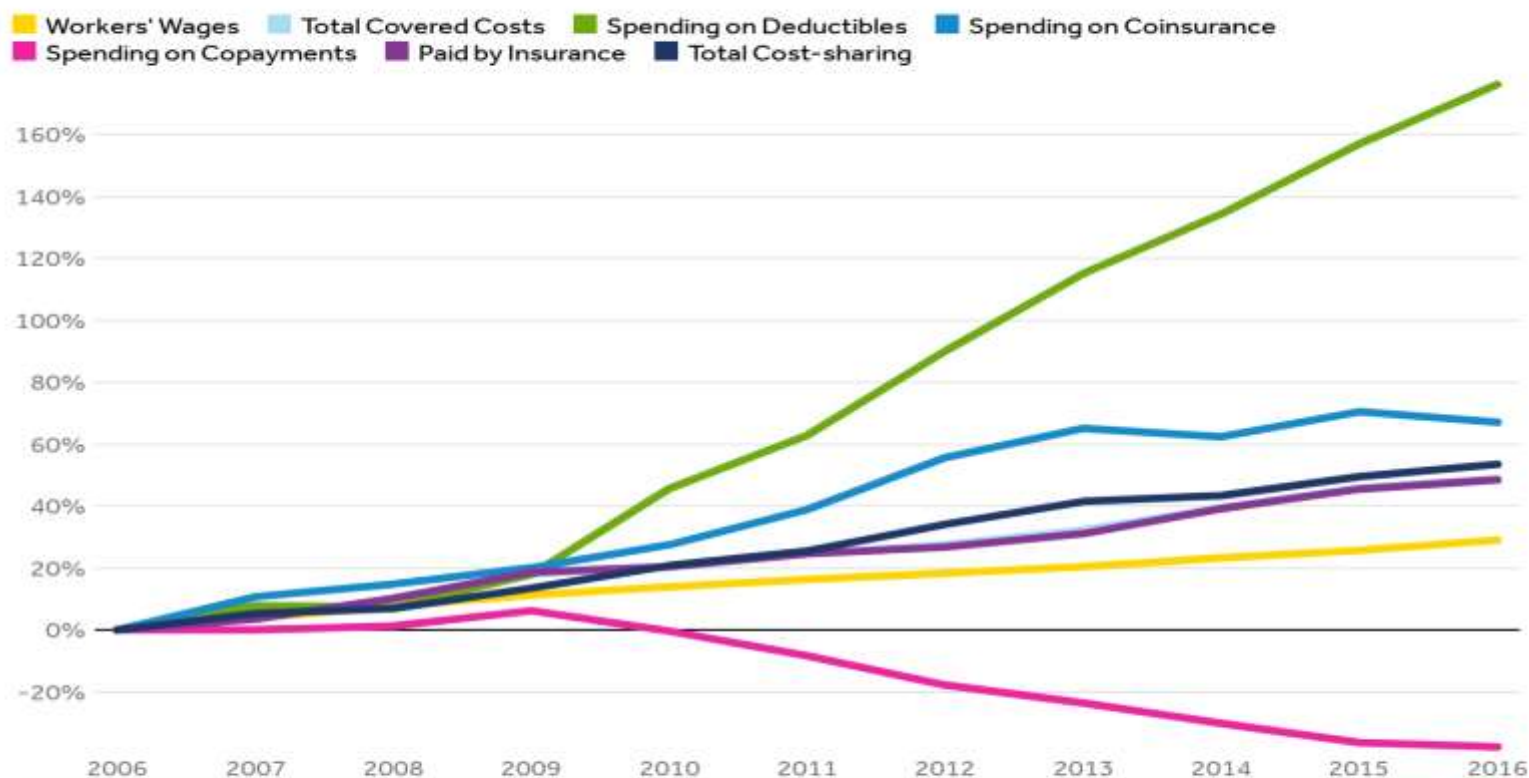
Cumulative percent change in real average hourly wages, by education, 2007–2014



Note: Sample based on all workers age 18–64.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

Cumulative increases in health costs, amounts paid by large employer insurance coverage, amounts paid for cost sharing and workers wages, 2006-2016

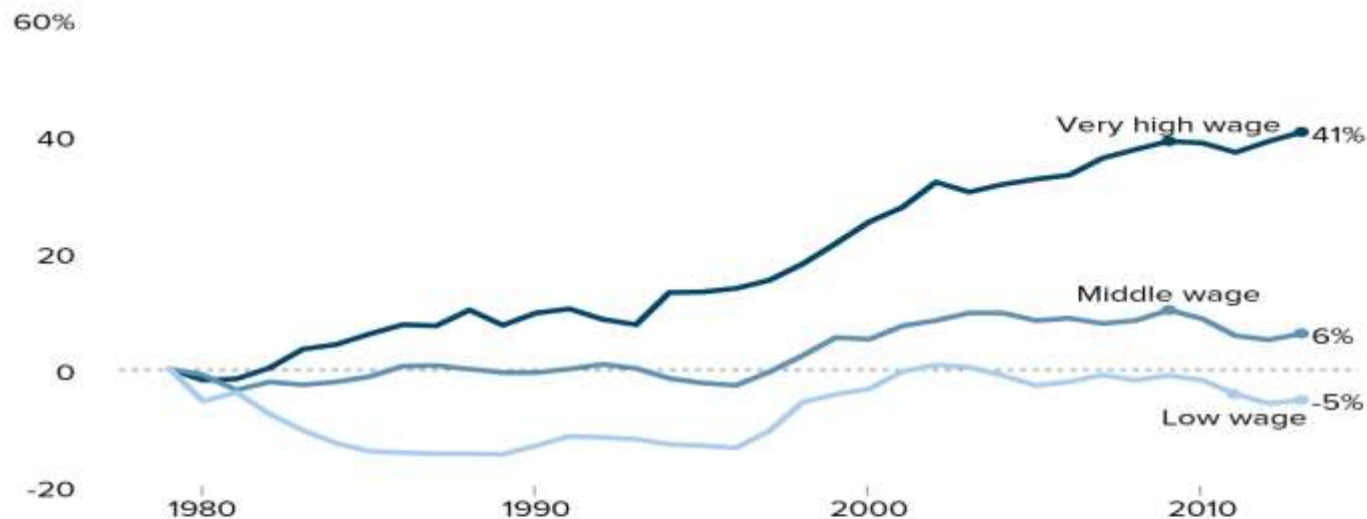


Source: Kaiser Family Foundation analysis of Truven Health Analytics MarketScan Commercial Claims and Encounters Database, 2006-2016; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey (April to April) 2006-2016. • [Get the data](#) • [PNG](#)

Peterson-Kaiser
Health System Tracker

Middle-class wages are stagnant—Middle-wage workers' hourly wage is up 6% since 1979, low-wage workers' wages are down 5%, while those with very high wages saw a 41% increase

Cumulative change in real hourly wages of all workers, by wage percentile,* 1979–2013



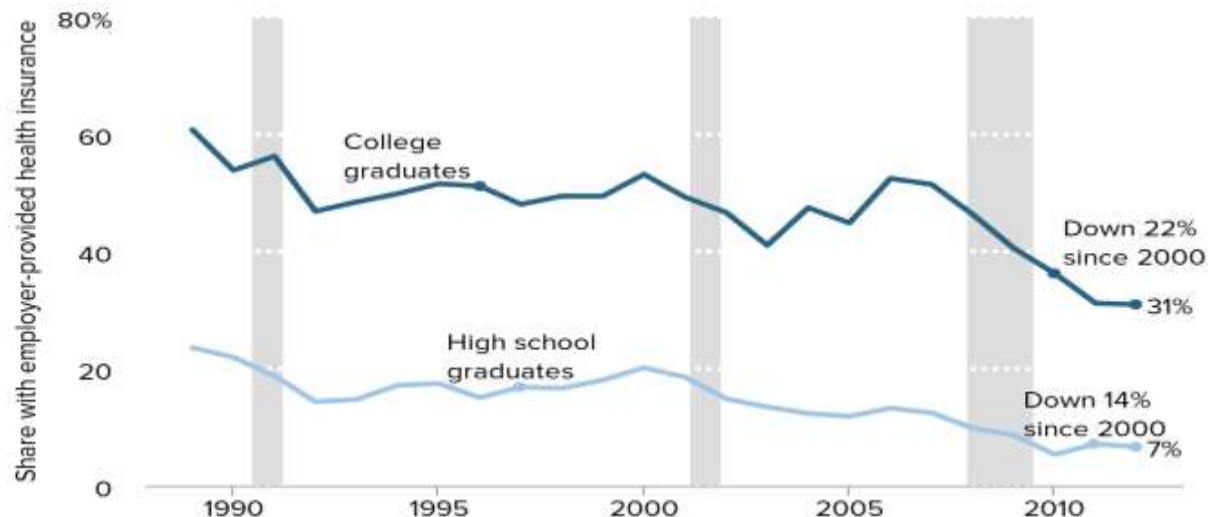
* Low wage is 10th percentile, middle wage is 50th percentile, very high wage is 95th percentile.

Source: EPI analysis of Current Population Survey Outgoing Rotation Group microdata

Reproduced from Figure F in *Why America's Workers Need Faster Wage Growth—And What We Can Do About It*

Employers are cutting health care for young workers, both college and high school graduates

Share of employed recent high school and college graduates with health insurance provided by their own employer, 1989–2012



Note: Coverage is defined as being included in an employer-provided plan where the employer paid for at least some of the coverage. Data are for college graduates age 21–24 who do not have an advanced degree and are not enrolled in further schooling, and high school graduates age 17–20 who are not enrolled in further schooling. Shaded areas denote recessions.

Source: EPI analysis of Current Population Annual Social and Economic Supplement microdata

Reproduced from Figure O in *The Class of 2014: The Weak Economy Is Idling Too Many Young Graduates*

LARGEST GENERATION IN HISTORY (**MILLENNIALS**) SLATED TO SPEND > HALF OF LIFETIME EARNINGS ON HEALTHCARE

MEDICARE TAXES & PREMIUMS
DEDUCTIBLES & OUT-OF-POCKET EXPENSES
INSURANCE PREMIUMS

**VISIBLE
PAYMENTS** **\$.6M**
+

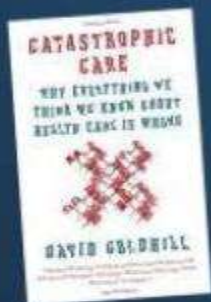
EMPLOYER PREMIUMS
EMPLOYER MEDICAID TAXES
FEDERAL & STATE TAXES

HIDDEN PAYMENTS **\$1.3M**

GRAND TOTAL **_____**

\$1.9M

TOTAL LIFETIME EARNINGS \$3.8M



Cumulative growth in per-enrollee spending, 2008-18

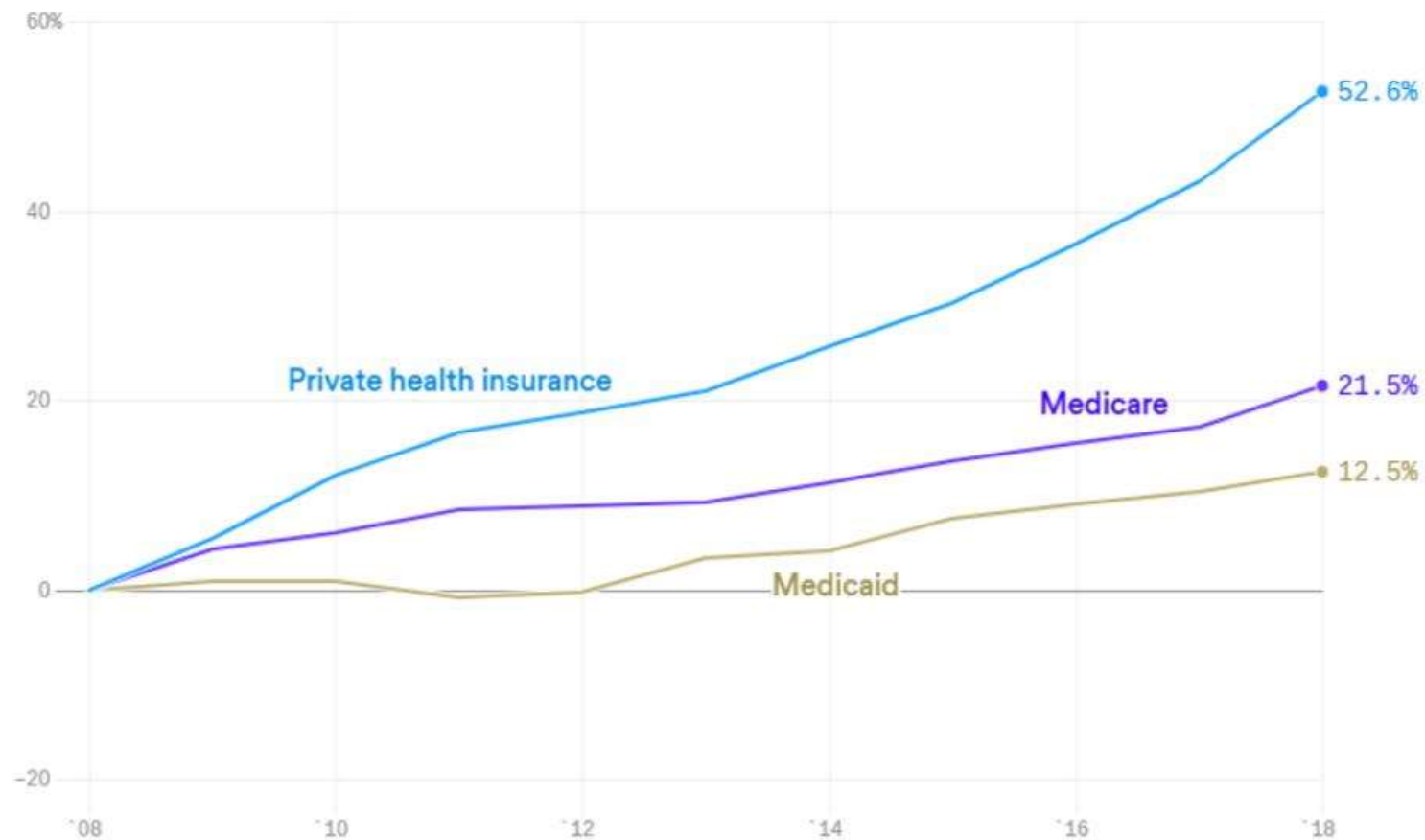
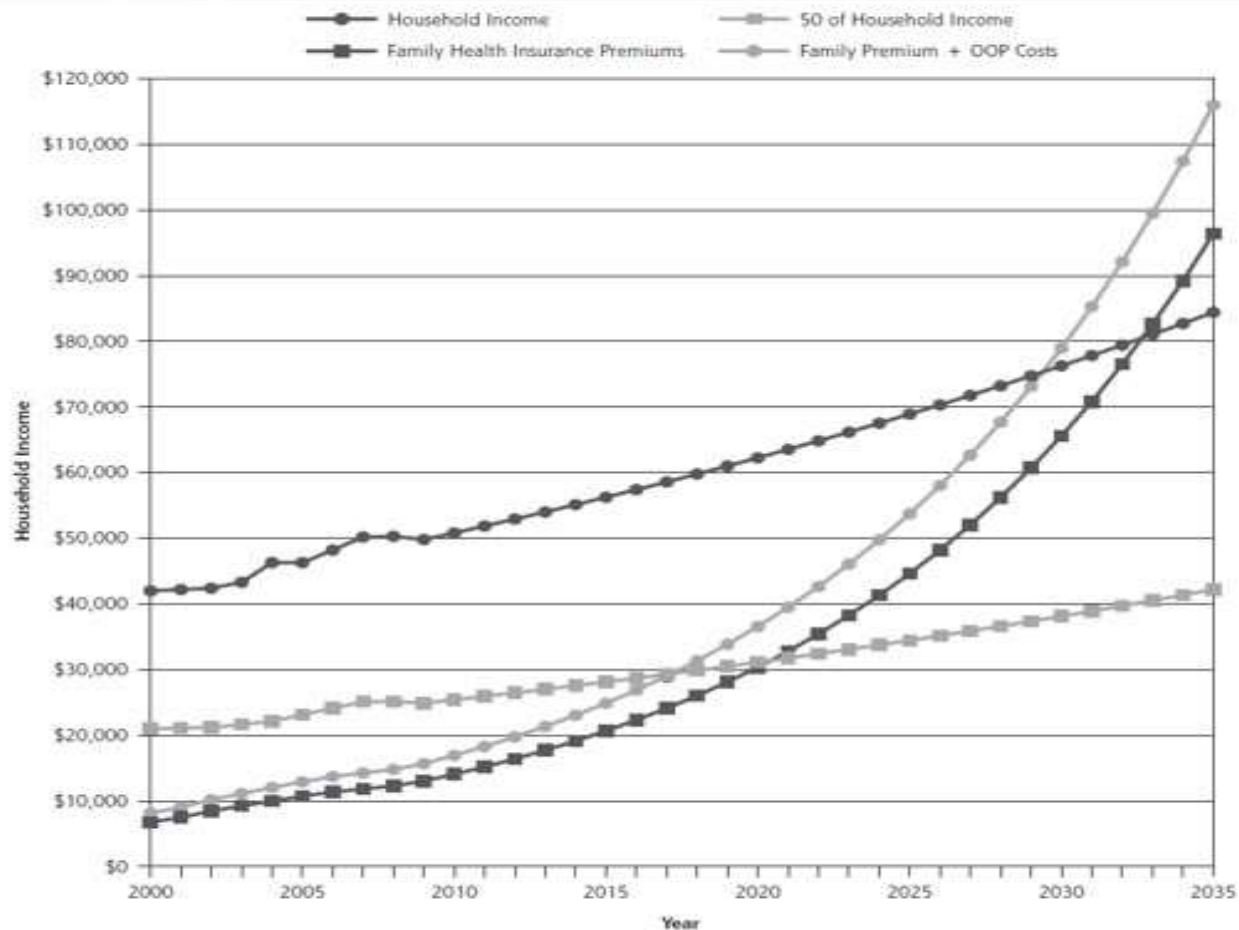
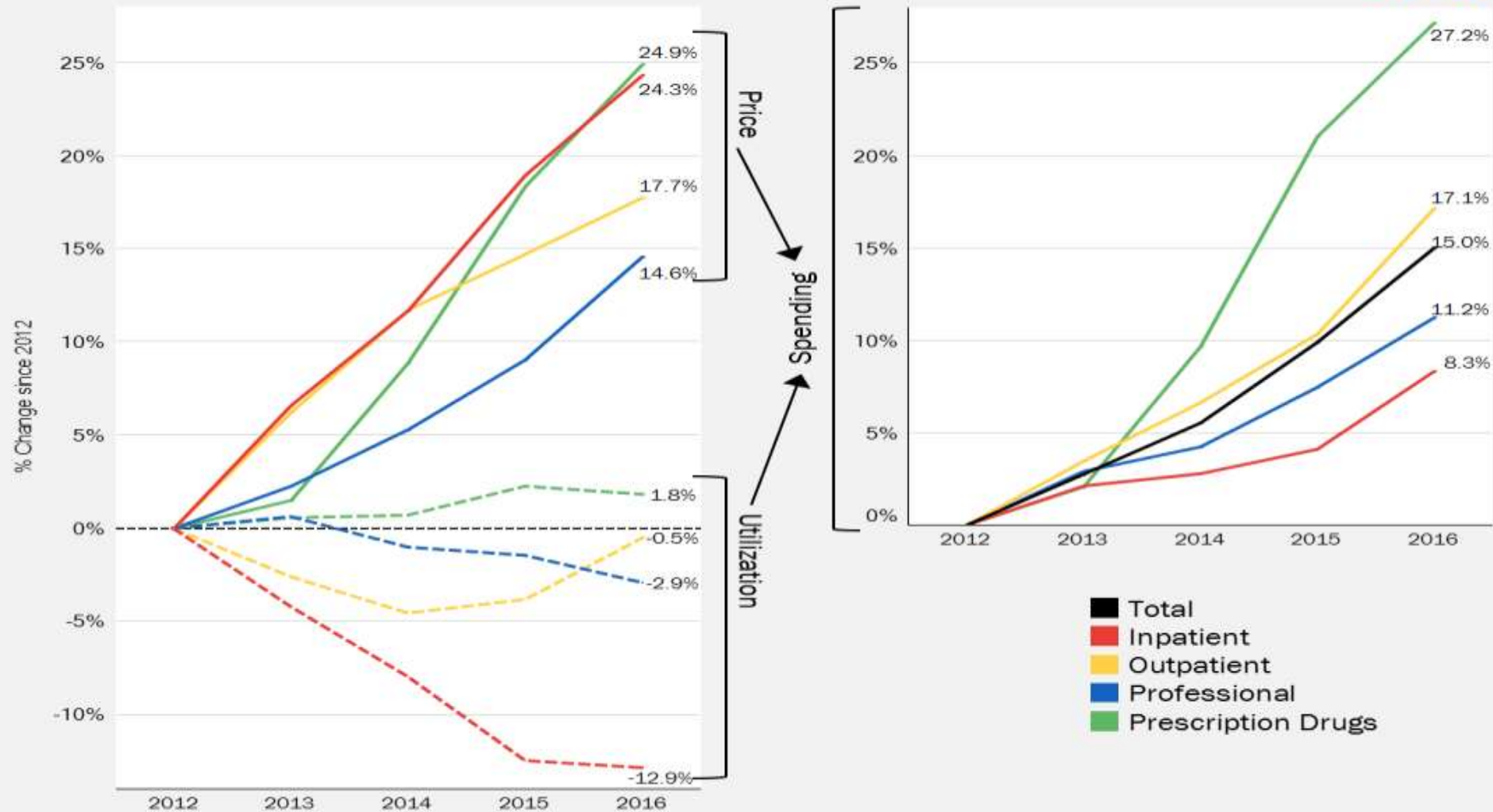


Figure 2. Projected annual family health insurance premium costs and average household income in the United States.



OOP = out-of-pocket.

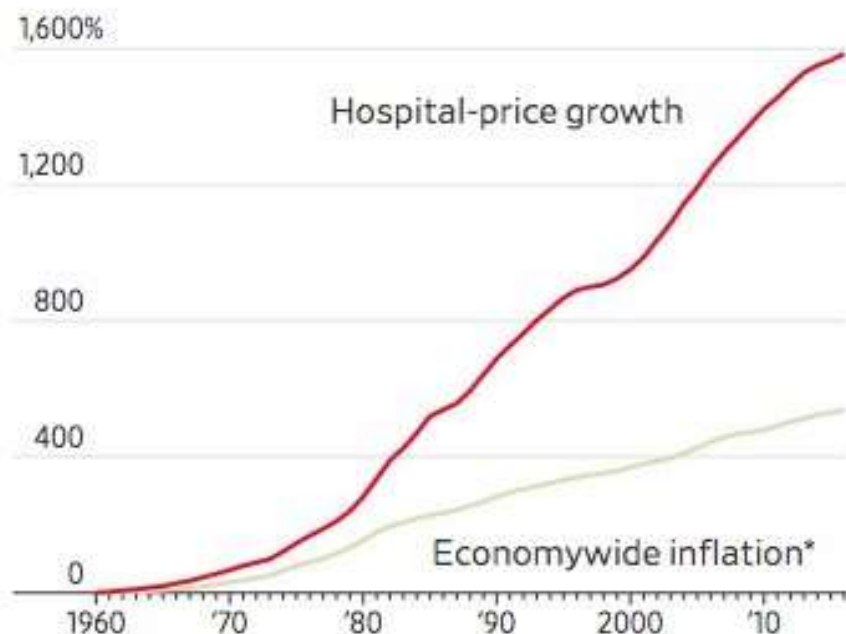
Figure 3: Cumulative Change in Price, Utilization and Spending, 2012-2016



Explosion in Spending

Hospital-price growth, which has outpaced overall inflation for decades, is a major driver of the increase in health spending.

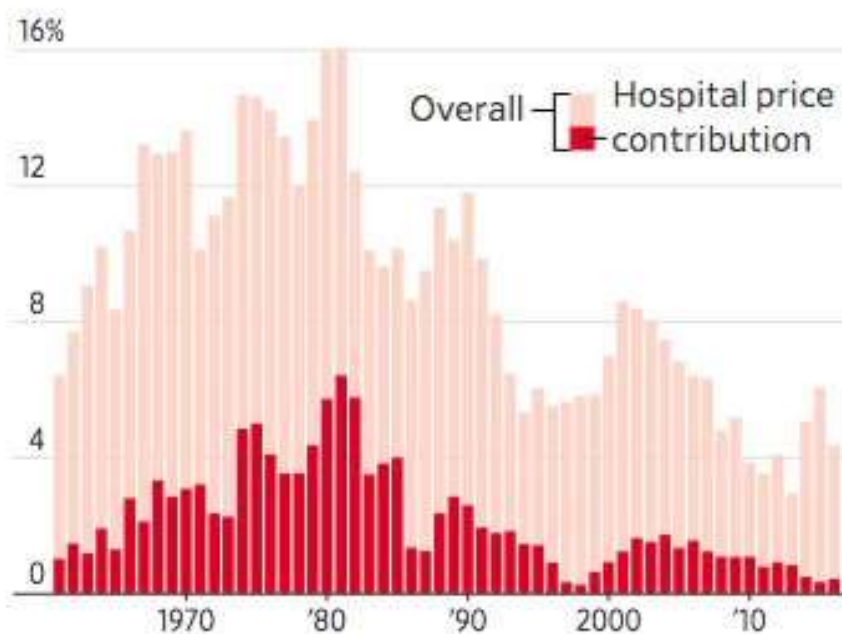
Inflation since 1960



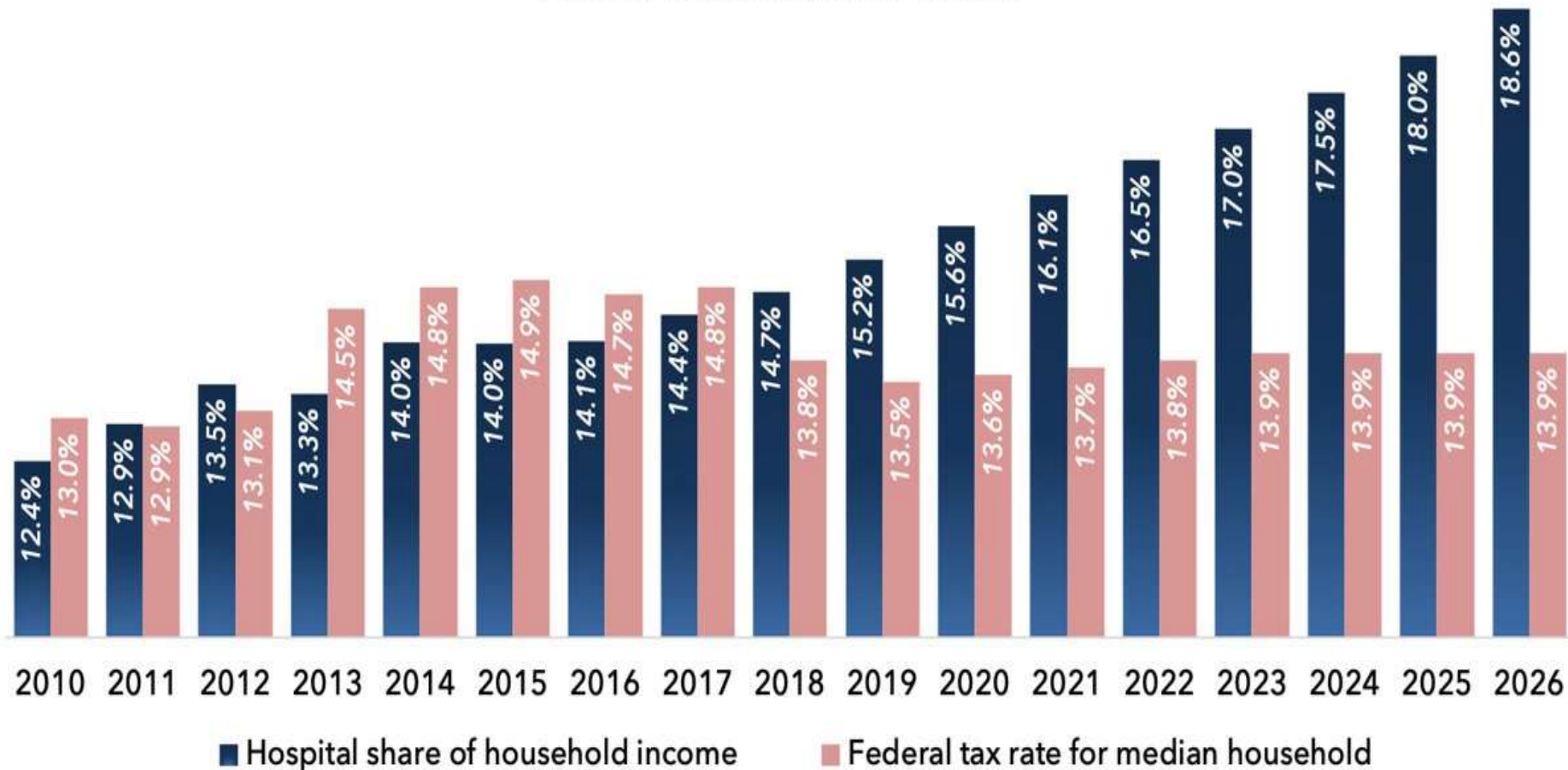
*Gross domestic product deflator, a measure of inflation for domestically produced goods and services that is used by Centers for Medicare & Medicaid Services

Sources: Altarum (economywide inflation); Centers for Medicare and Medicaid Services

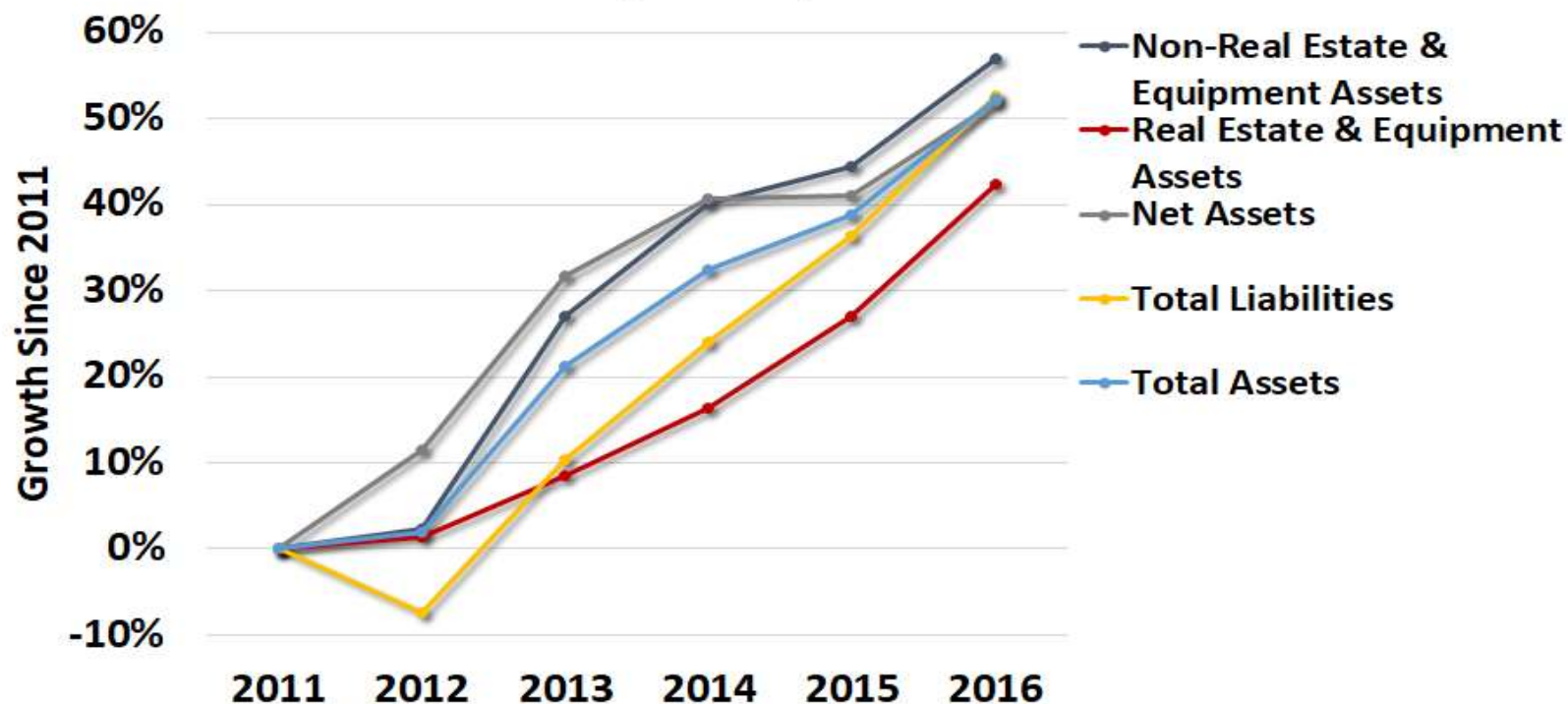
Annual change in personal-health spending



U.S. Hospital Spending as a Share of Median Household Income vs. Federal Tax Rates, 2010-2026E

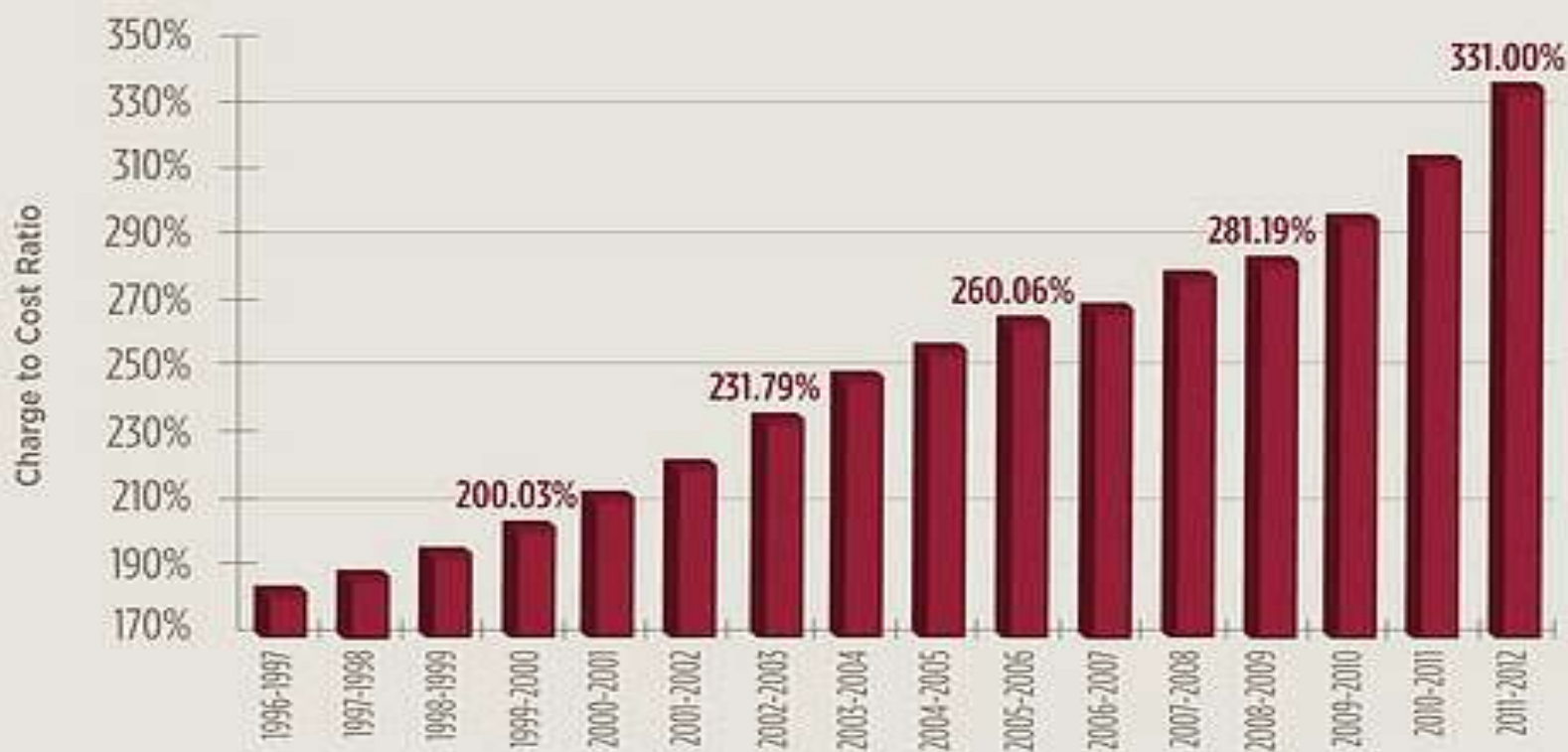


Cumulative Asset Growth of Top 6* Ranked Private Non-Profit Hospital Systems FY2011 - 2016



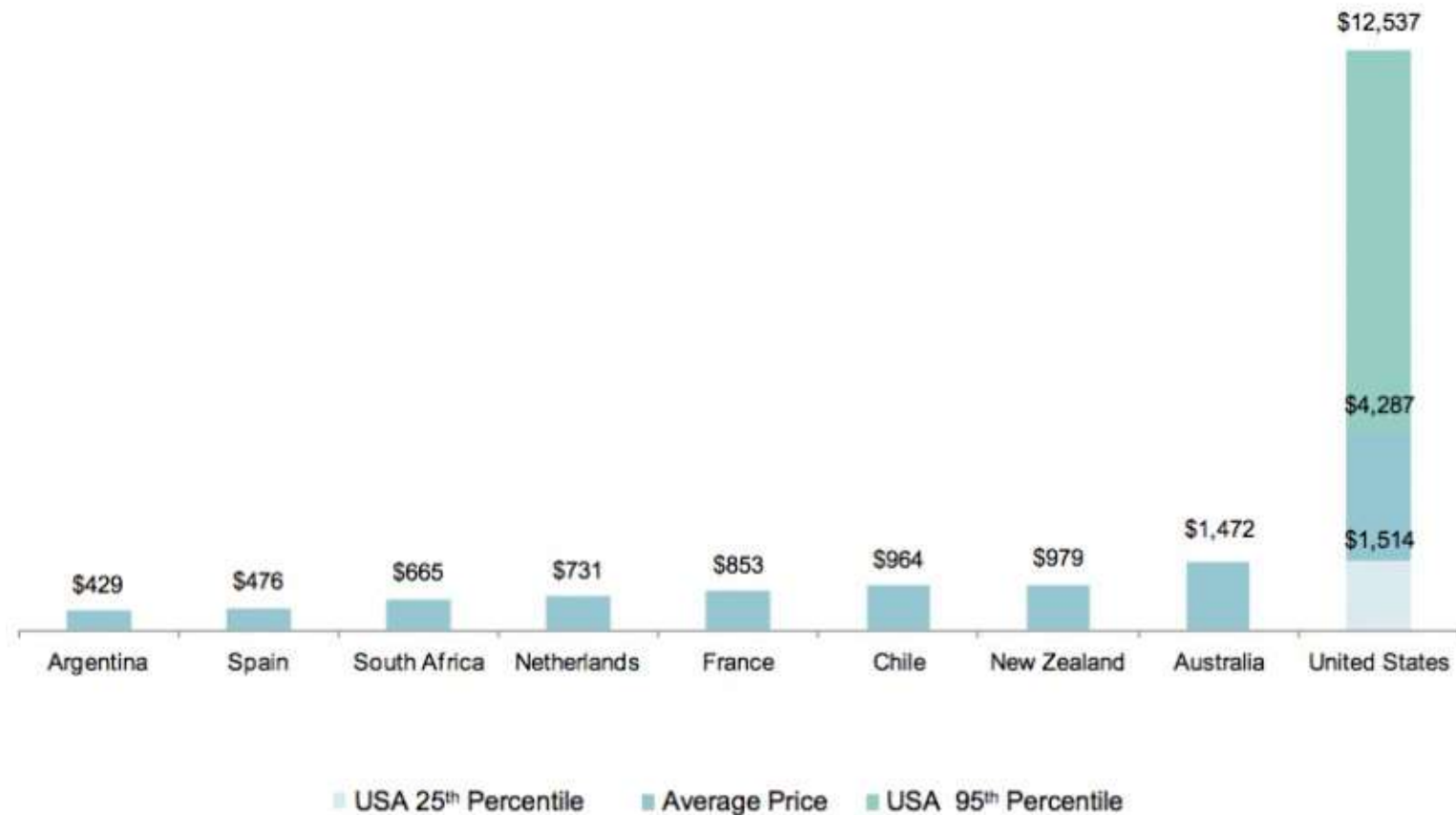
**Note: One provider organization in the top 7 was dropped due to lack of data. Rankings from US News and World Report. For FYs done mid-year and FY's with missing data, amounts were linearly interpolated to Year Ending 12/31. These financials include all non-profit subsidiaries of parent health systems, including foundations and providers.*

Hospital Charge to Cost Ratios FY's 1996-1997 through 2011-2012



Source: IHSP calculations of Federal Hospital Cost Reports, FY 1996-1997 through 2011-2012

2012 Cost Per Hospital Day



(\$ USD)

Top 10 Fails of All-Time



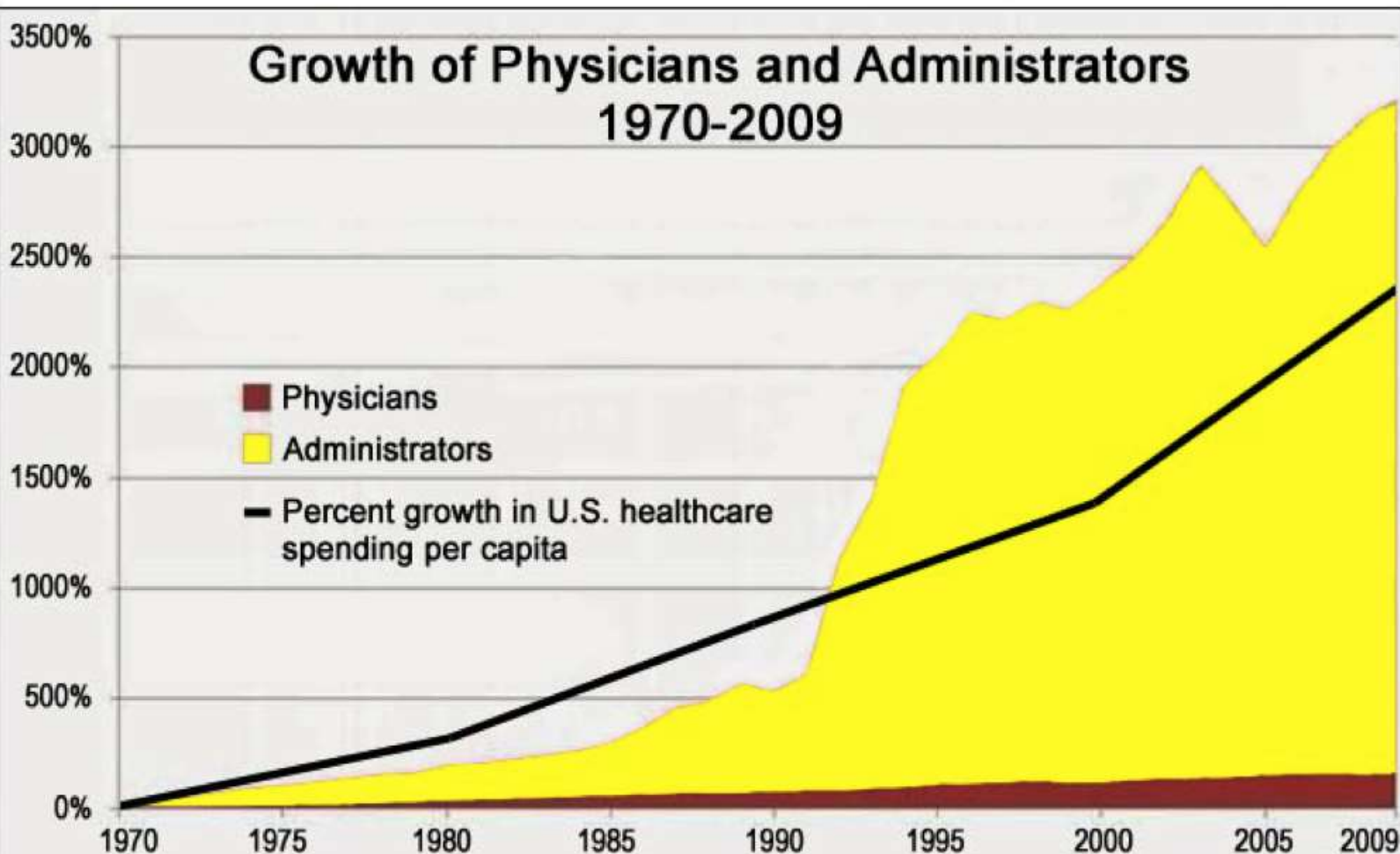
Meet The Biggest Price Failures Ever

We have seen a lot of procedures that are wildly overpriced.
This is the short list of some of the worst ever price fails.



Growth of Physicians and Administrators 1970-2009

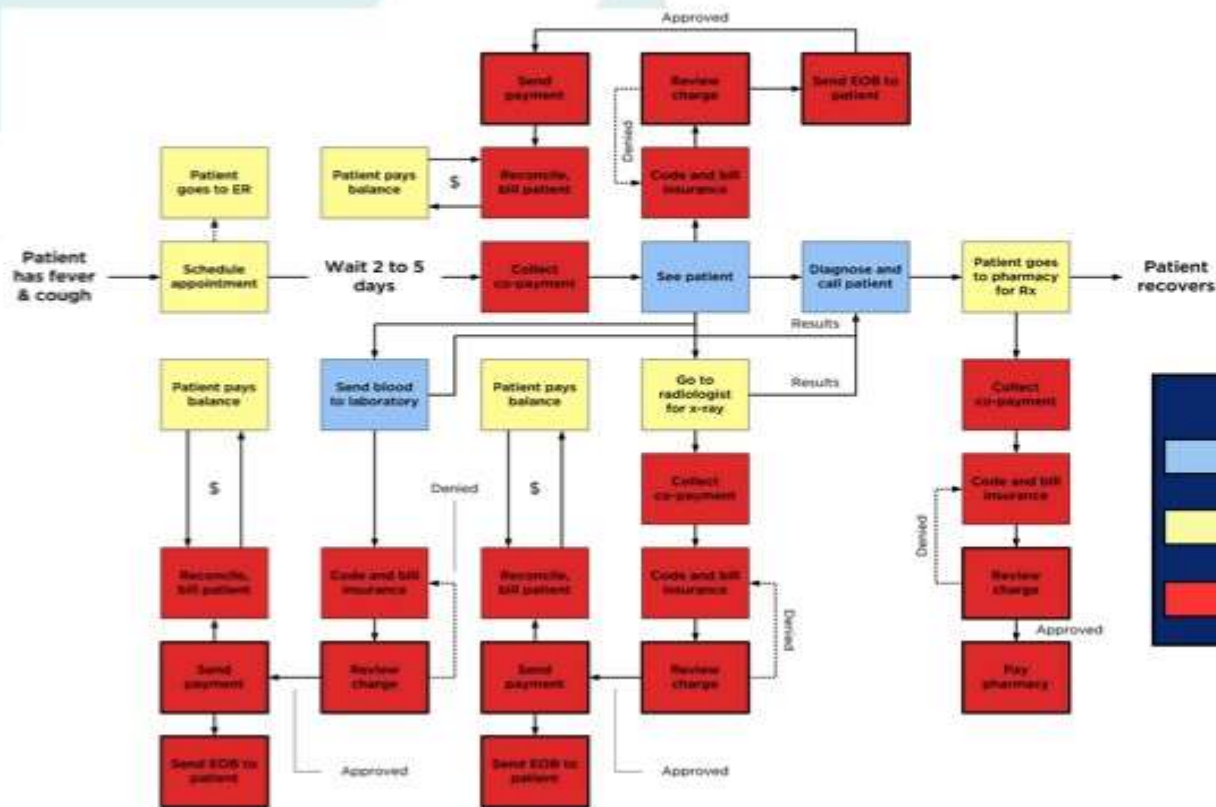
- Physicians
- Administrators
- Percent growth in U.S. healthcare spending per capita



* 2300% increase in U.S. healthcare spending per capita between 1970-2009
(Source: Health Care Costs: A Primer, The Henry J. Kaiser Family Foundation)

Source: Bureau of Labor Statistics; NCHS; and Himmelstein/Woolhandler analysis of CPS

High FFS Primary Care Admin Cost Promotes Visit Volume vs. Time with Patient

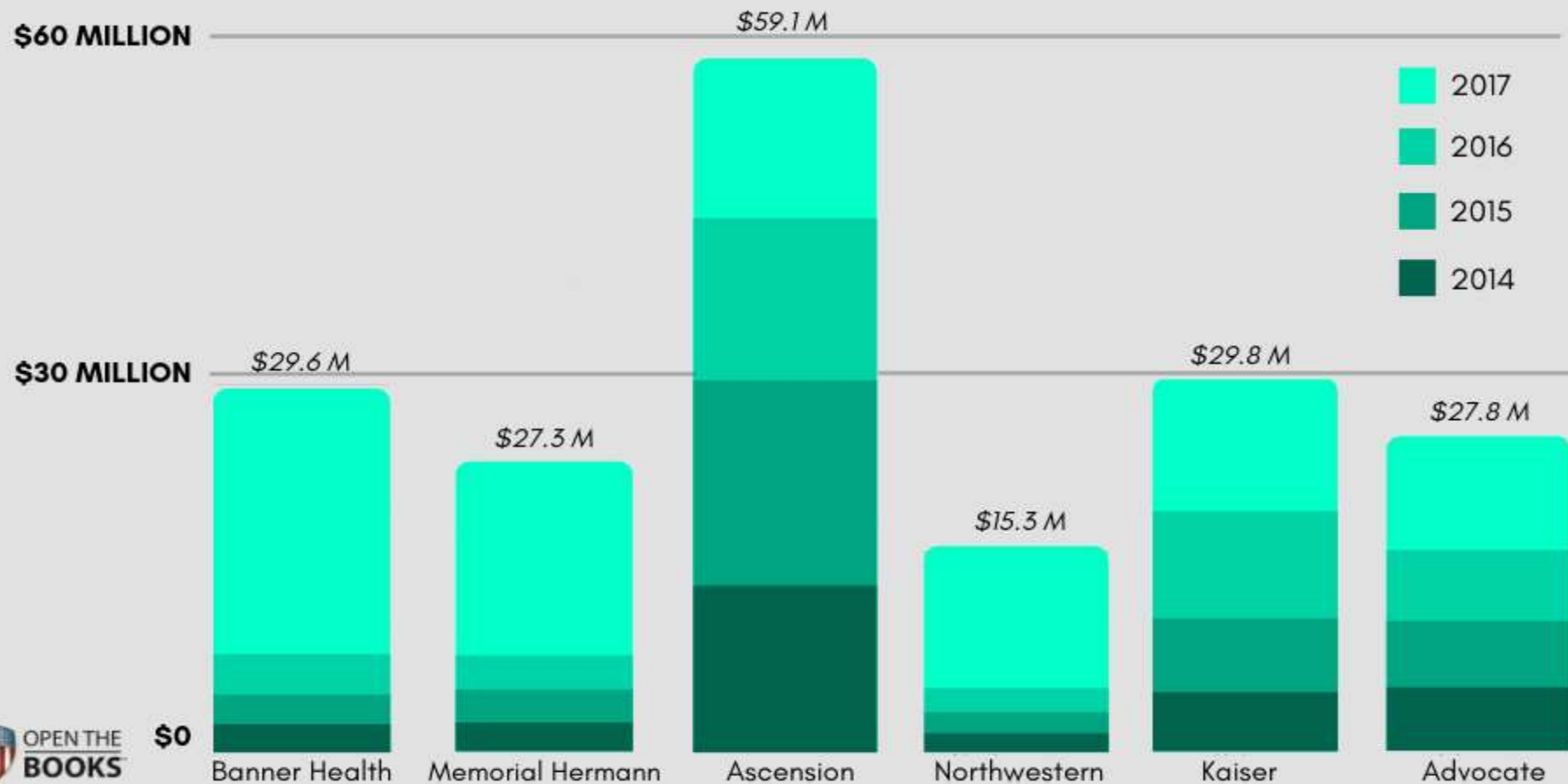


PwC IDENTIFIED WASTE - \$1.2 TRILLION



Top Earning Non-Profit Healthcare Executives - 2017

- How much they made over a four year period -

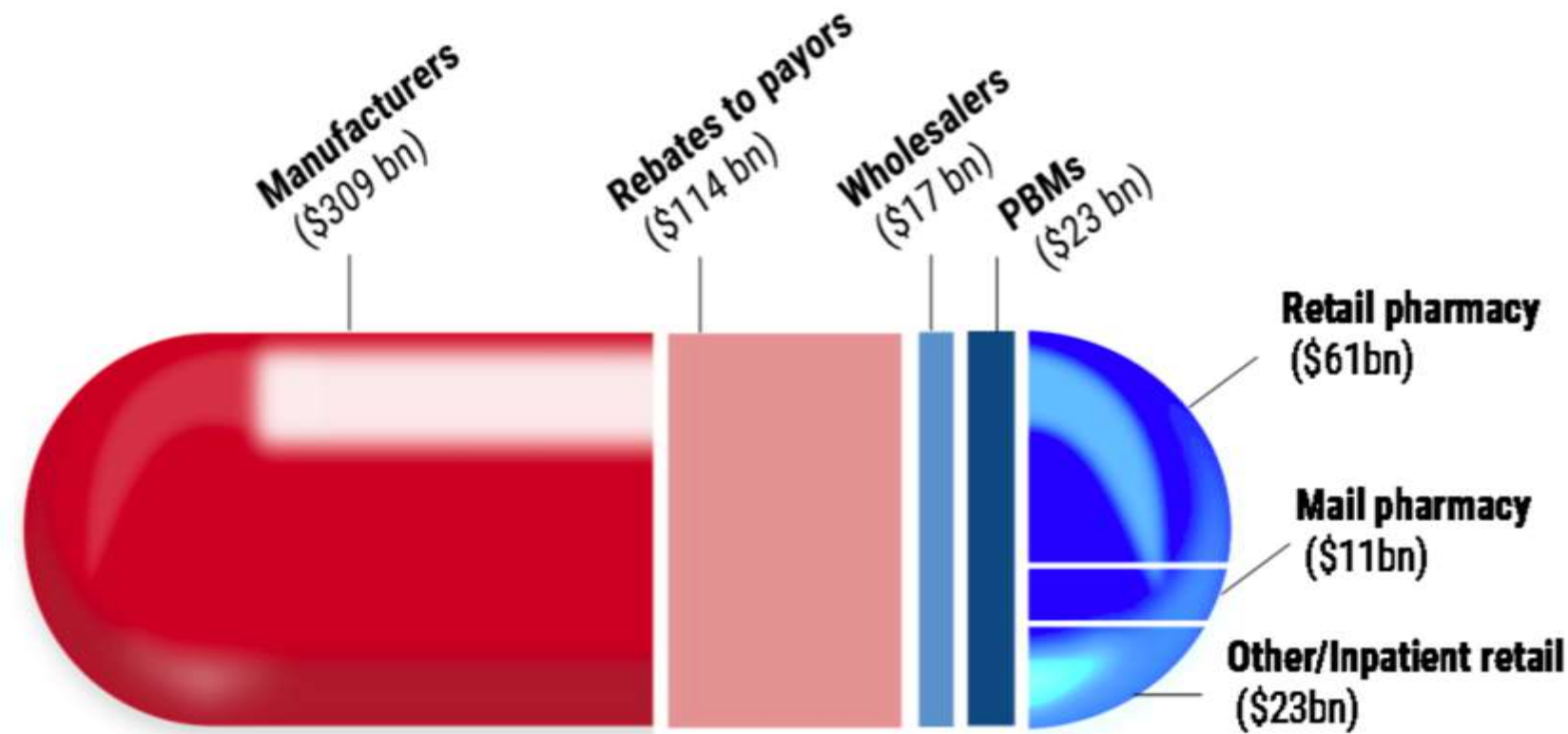


TOP 10 EXECUTIVE SALARIES IN NON-PROFIT HOSPITALS

HOSPITAL	JOB TITLE	SALARY
Banner Health	President and CEO	\$21,629,920
Memorial Hermann Health System	Special Advisor	\$18,169,121
Ascension	President and CEO	\$13,559,831
Kaiser Foundation	Chairman and CEO	\$10,709,503
Northwestern Memorial HealthCare	(Former) Chairman	\$10,557,321
Advocate HealthCare	President and CEO	\$10,051,752
Dignity Health	CEO	\$8,712,814
MedStar Georgetown Medical Center	Director	\$7,675,042
Cleveland	Director, President, CEO	\$7,662,783
New York and Presbyterian	President, CEO, Trustee	\$7,255,558

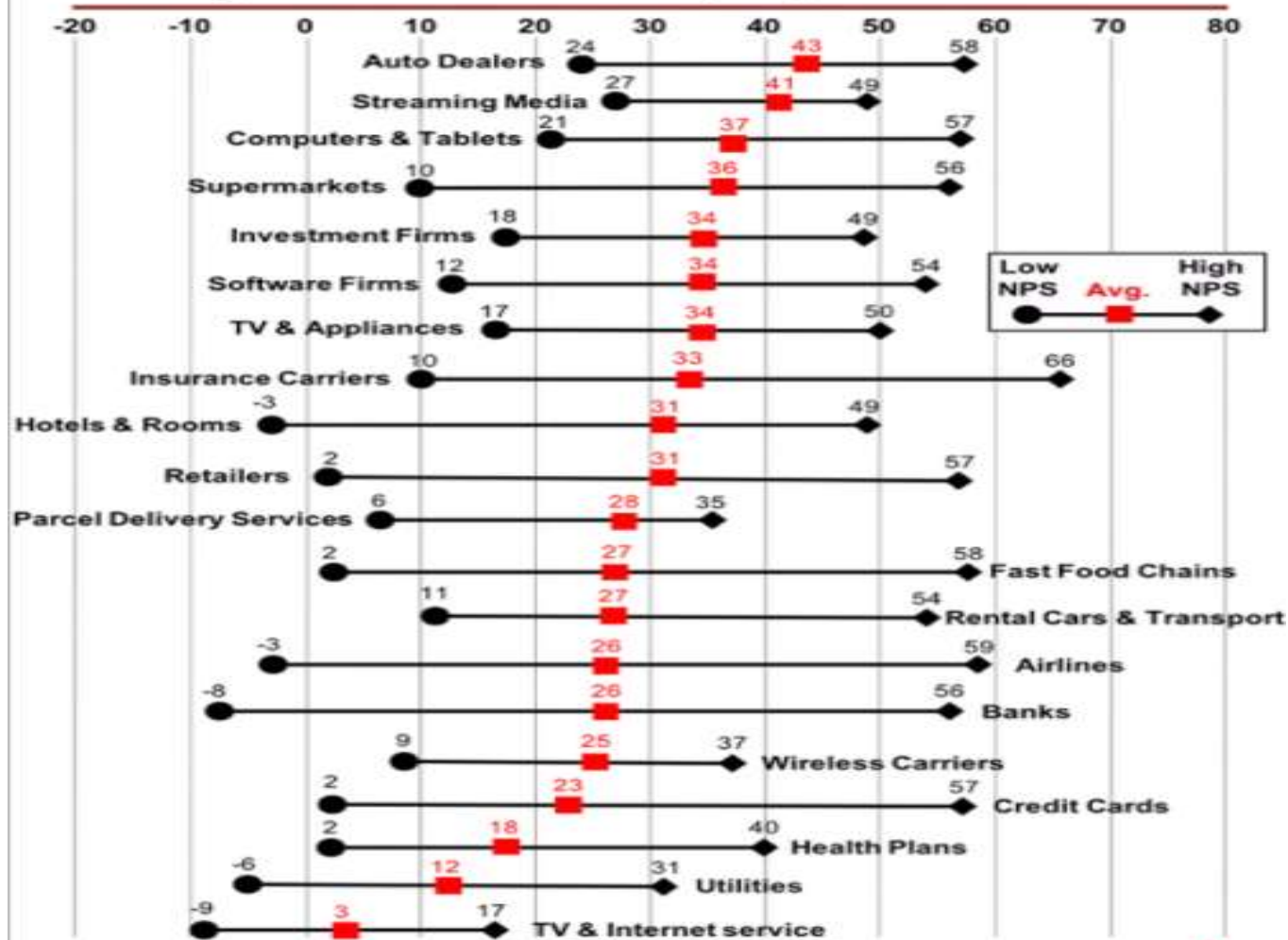
Exhibit 2: Where does all the drug money go?

2016 gross profit breakdown of the pharma supply chain



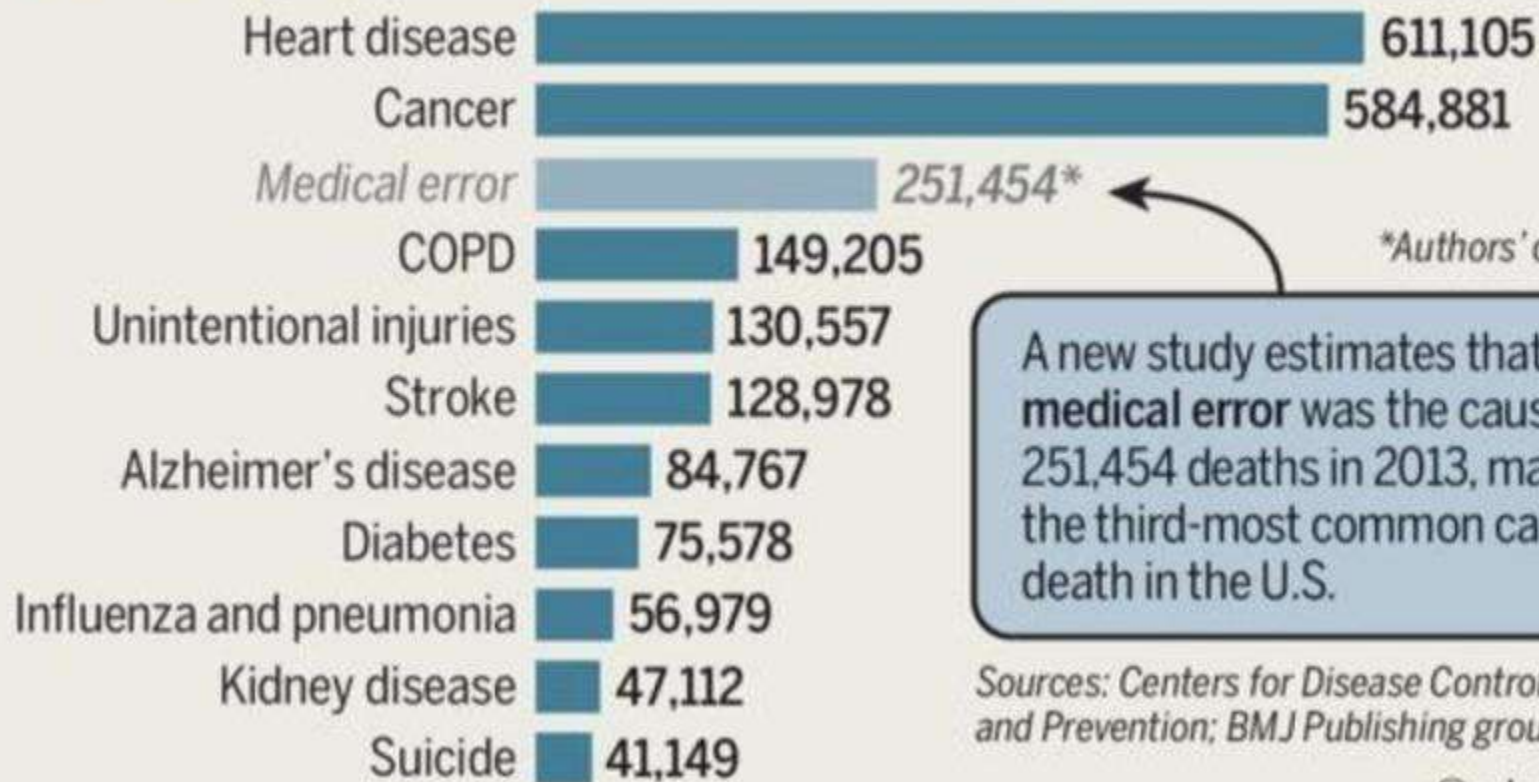
Source: Company data, QuintilesIMS, Pembroke Consulting, Goldman Sachs Global Investment Research.

Range of Net Promoter Scores (NPS) Across Industries



■ Top ten causes of death, 2013

■ *Estimate*



**Authors' calculation*

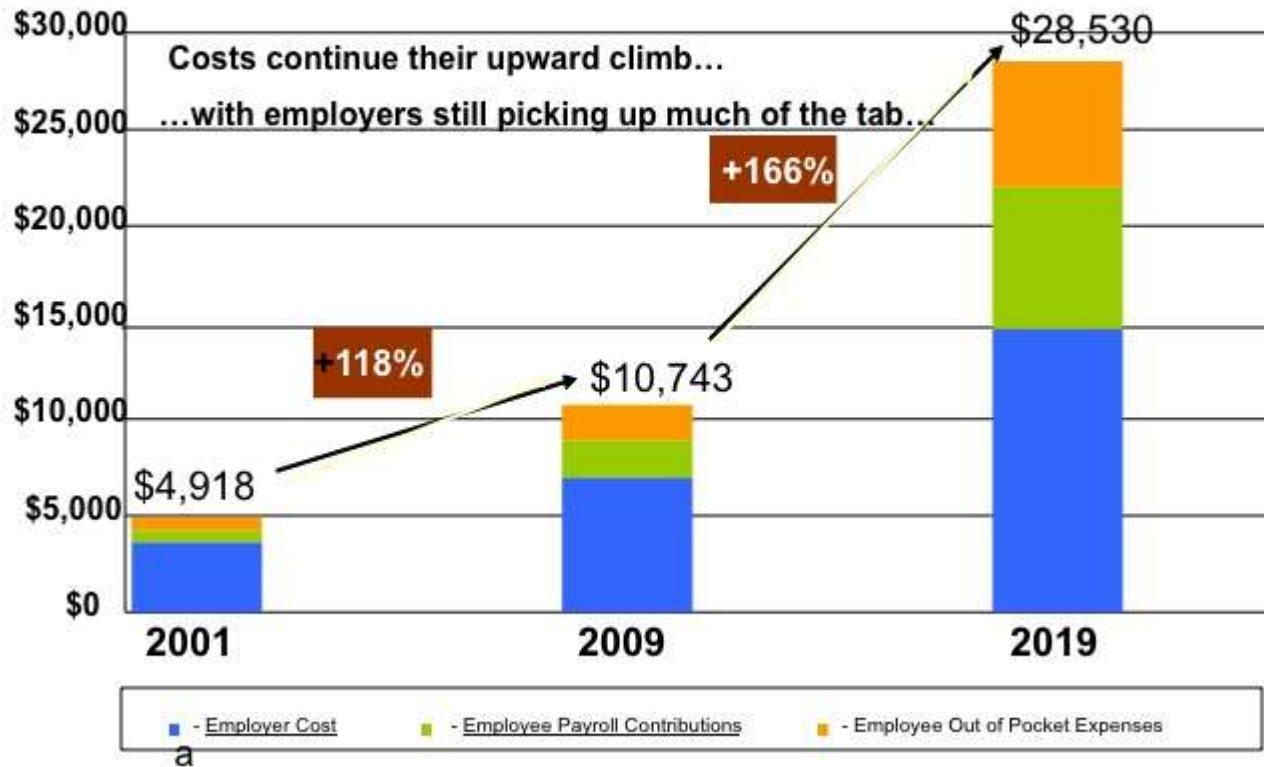
A new study estimates that **medical error** was the cause of 251,454 deaths in 2013, making it the third-most common cause of death in the U.S.

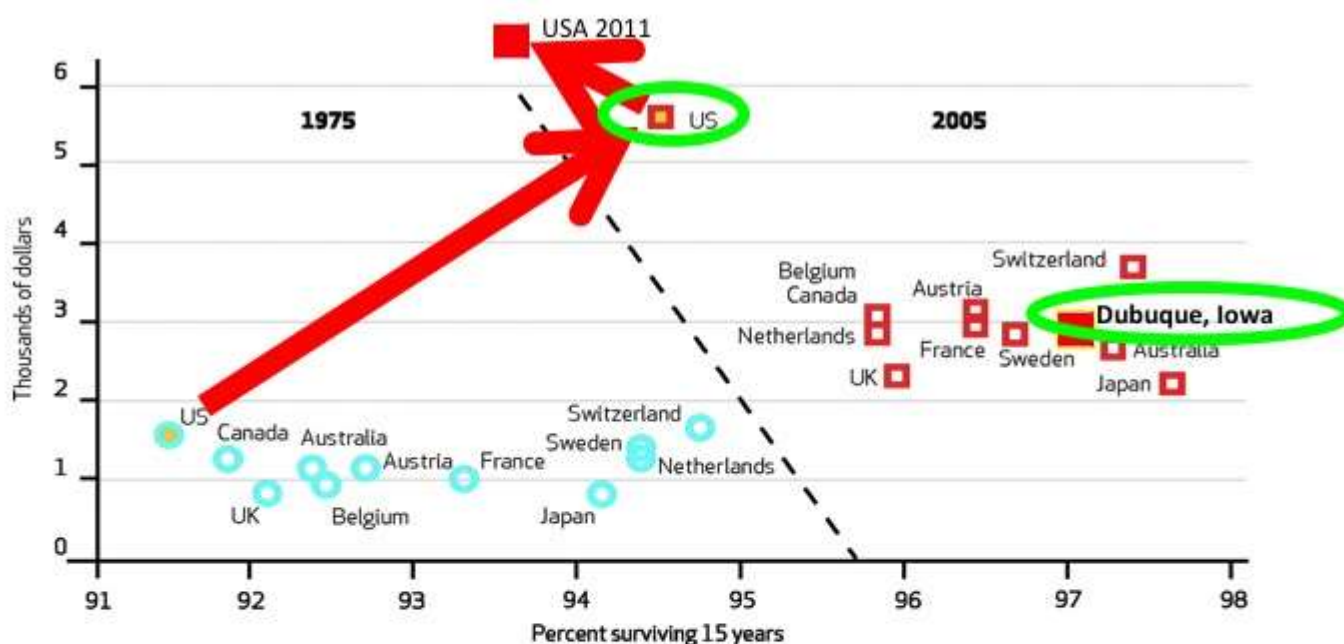
Sources: Centers for Disease Control and Prevention; BMJ Publishing group Ltd.

@sdutgraphics

Why Innovate → Affordability

The Elephant in the room



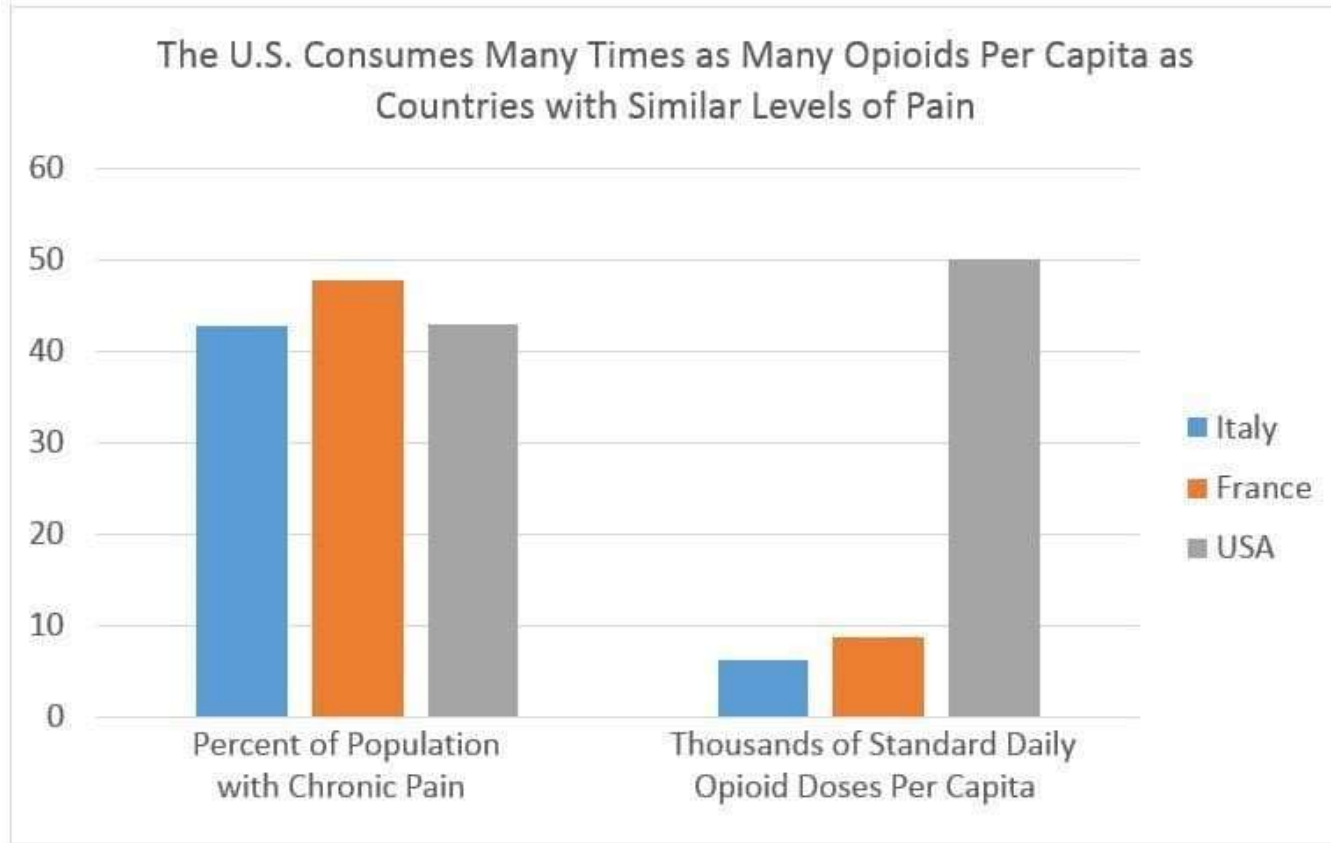


The Cause? Mostly due to **unregulated fee-for-service payments and an over reliance on rescue/specialty care**. This is stark evidence that the U.S. health care industry has been failing us for years. "Commonly cited causes for the nation's poor performance are not to blame - **it is the failure of the delivery system!!**"

- "Unaccountable Care Organizations"

Source: Paul Grundy MD,
head of worldwide healthcare, IBM

Over-prescribing enabled by status quo health plans

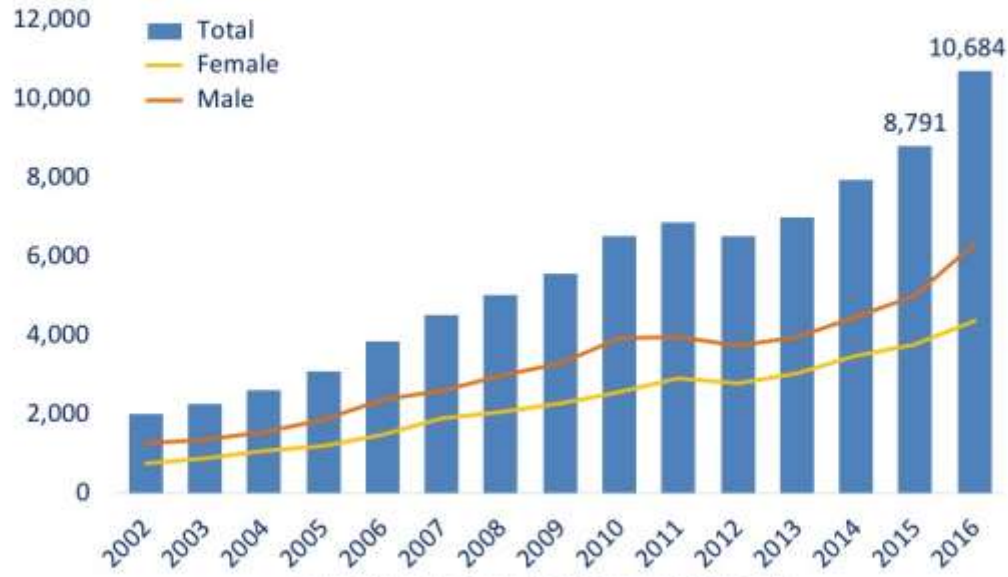


Source: [The Journal of Pain](#) and [United Nations International Narcotics Control Board](#)

Over-prescribing enabled by status quo health plans



National Overdose Deaths Number of Deaths Involving Benzodiazepines



Source: National Center for Health Statistics, CDC Wonder

Source: National Center for Health Statistics, CDC Wonder

Hospital Pricing Comparison vs International

Figure 3: International Comparisons of Median Health Care Prices

Hospital
Admissions

Physician/
Outpatient

Administered
Drugs

Prescription
Drugs

Hospital Admission Prices in 2017

Bypass Surgery

Surgical procedure that restores blood flow to the heart by diverting blood flow around a blocked blood vessel

Select Type of Admission:
Bypass Surgery

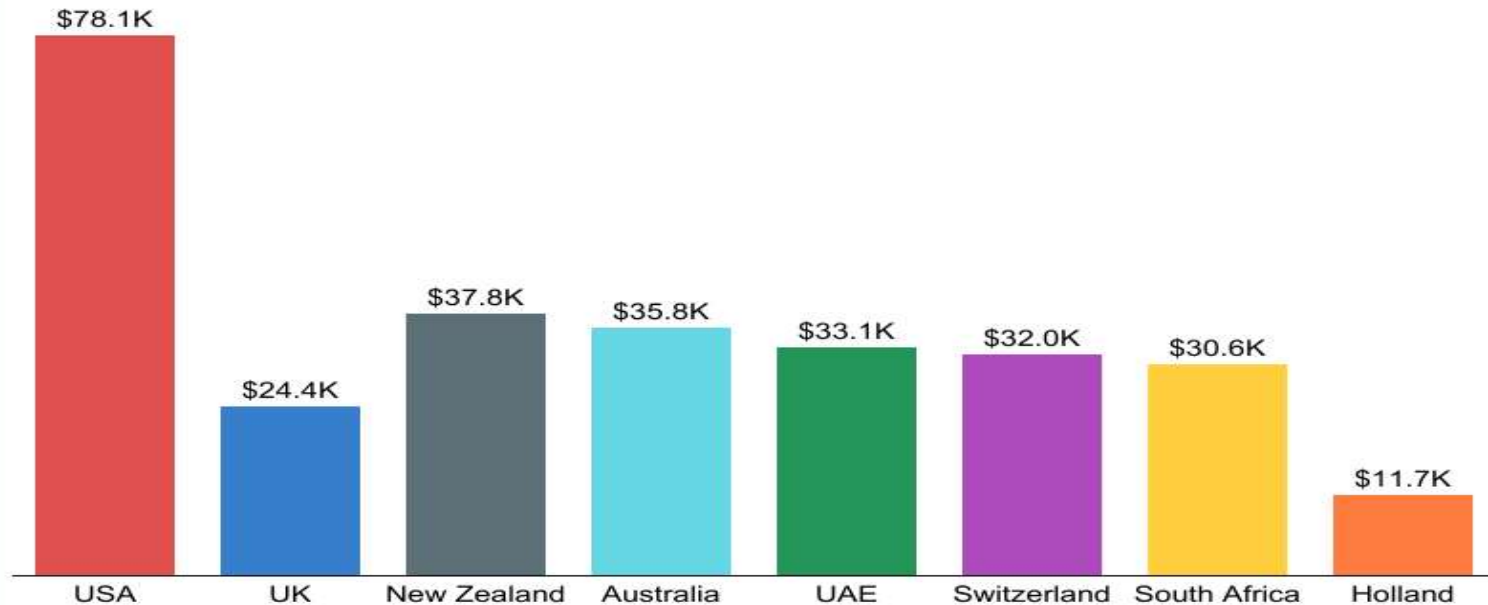


Figure 3: International Comparisons of Median Health Care Prices

Hospital Admissions	Physician/ Outpatient	Administered Drugs	Prescription Drugs
---------------------	-----------------------	--------------------	--------------------

Hospital Admission Prices in 2017

Angioplasty

Surgical procedure that inserts a stent in a blocked blood vessel to improve blood flow

Select Type of Admission:
Angioplasty

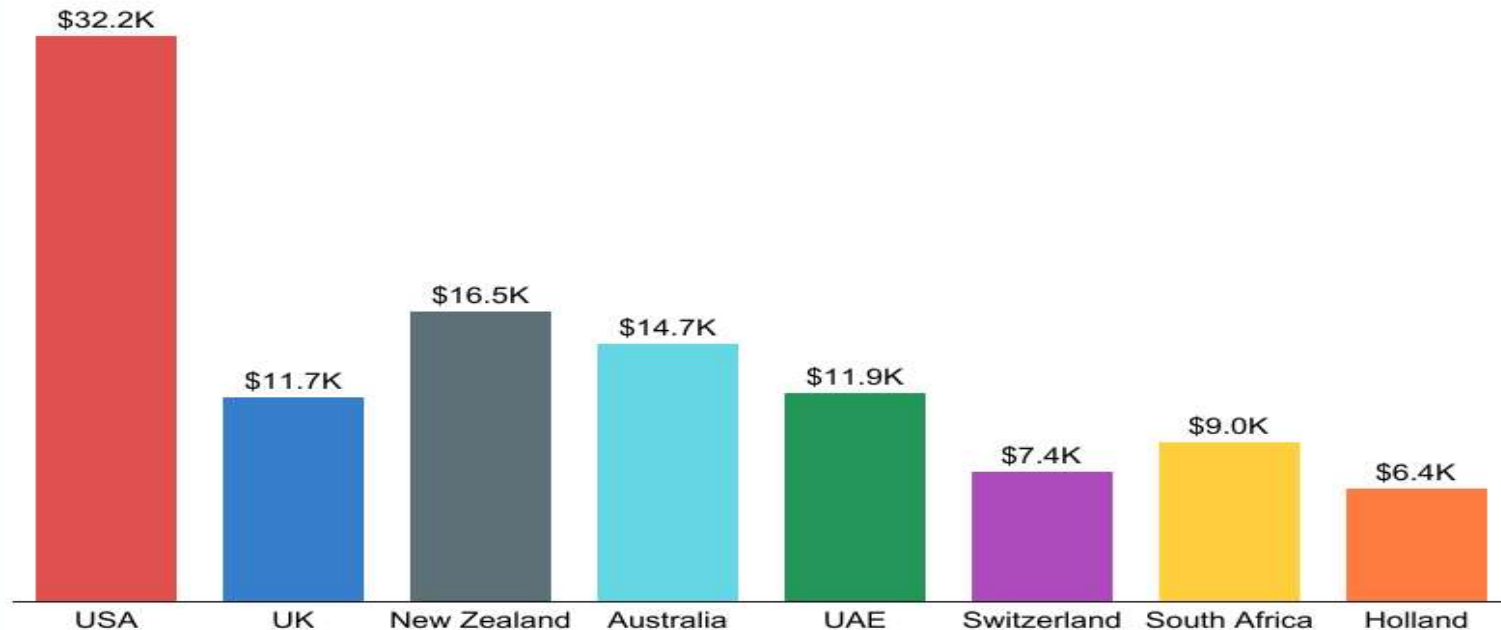


Figure 3: International Comparisons of Median Health Care Prices

**Hospital
Admissions**

**Physician/
Outpatient**

**Administered
Drugs**

**Prescription
Drugs**

Hospital Admission Prices in 2017

Hip Replacement

Surgical procedure that replaces the hip joint with a prosthetic implant

Select Type of Admission:
Hip Replacement



Figure 3: International Comparisons of Median Health Care Prices

Hospital Admissions	Physician/ Outpatient	Administered Drugs	Prescription Drugs
---------------------	-----------------------	--------------------	--------------------

Hospital Admission Prices in 2017

Inpatient Appendectomy

Surgical admission for removal of appendix

Select Type of Admission:
Inpatient Appendectomy



Figure 3: International Comparisons of Median Health Care Prices

**Hospital
Admissions**

**Physician/
Outpatient**

**Administered
Drugs**

**Prescription
Drugs**

Hospital Admission Prices in 2017

Knee Replacement

Surgical procedure that replaces the knee joint with a prosthetic implant

Select Type of Admission:
Knee Replacement



Figure 3: International Comparisons of Median Health Care Prices

**Hospital
Admissions**

**Physician/
Outpatient**

**Administered
Drugs**

**Prescription
Drugs**

Hospital Admission Prices in 2017

Normal Delivery

Childbirth via vaginal delivery

Select Type of Admission:
Normal Delivery



Figure 3: International Comparisons of Median Health Care Prices

**Hospital
Admissions**

**Physician/
Outpatient**

**Administered
Drugs**

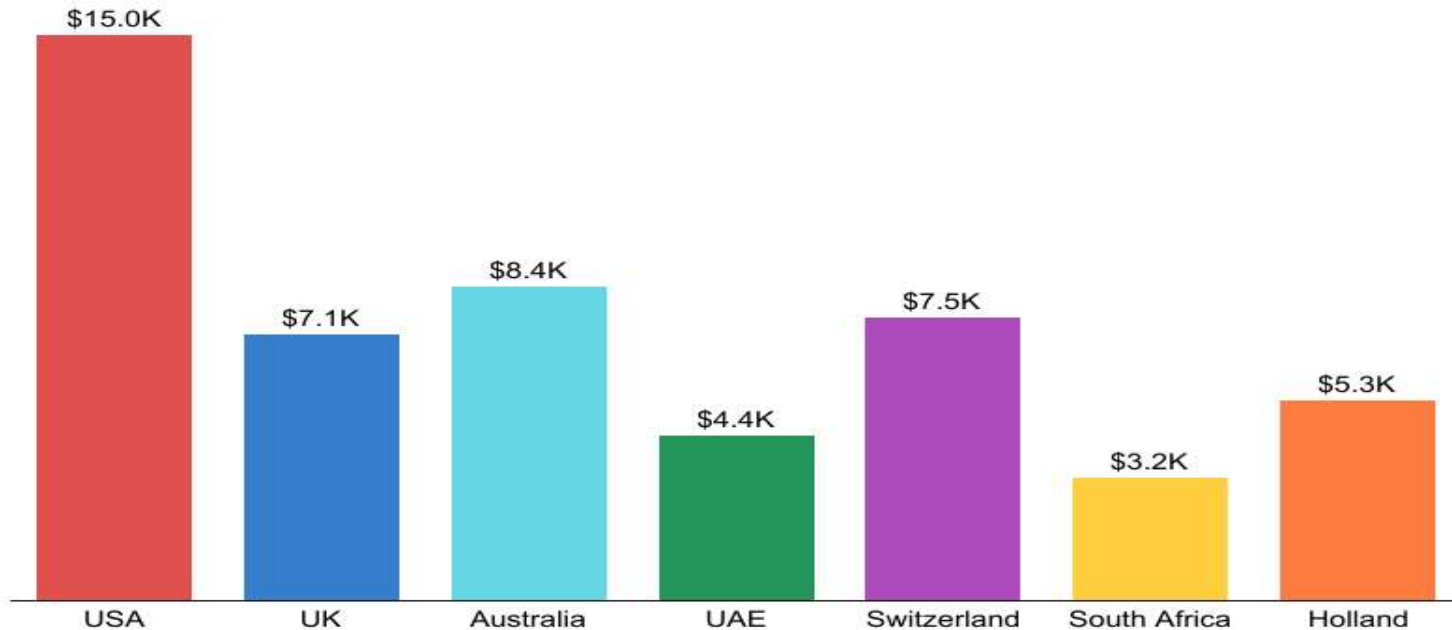
**Prescription
Drugs**

Hospital Admission Prices in 2017

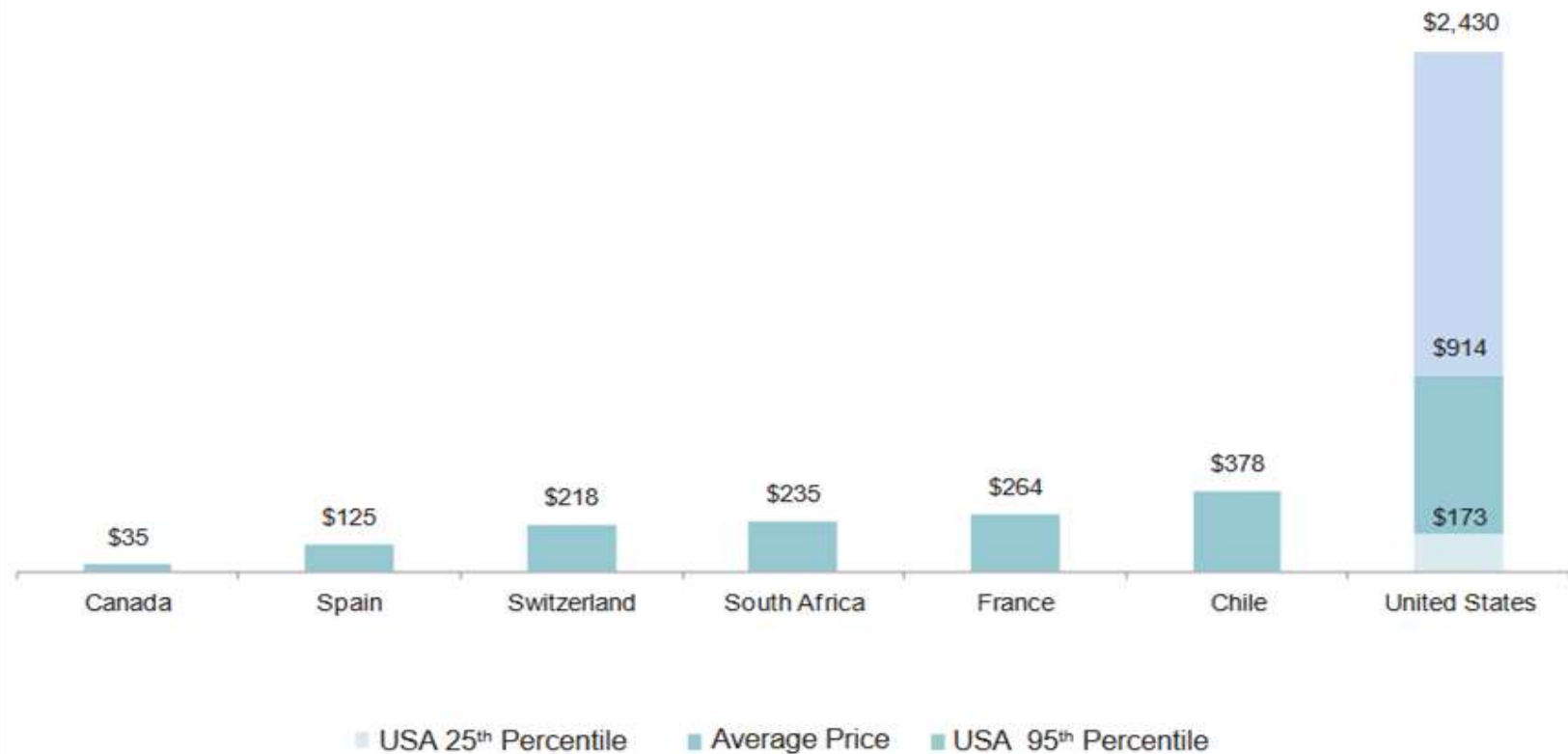
C-Section

Childbirth via Caesarean section delivery

Select Type of Admission:
C-Section

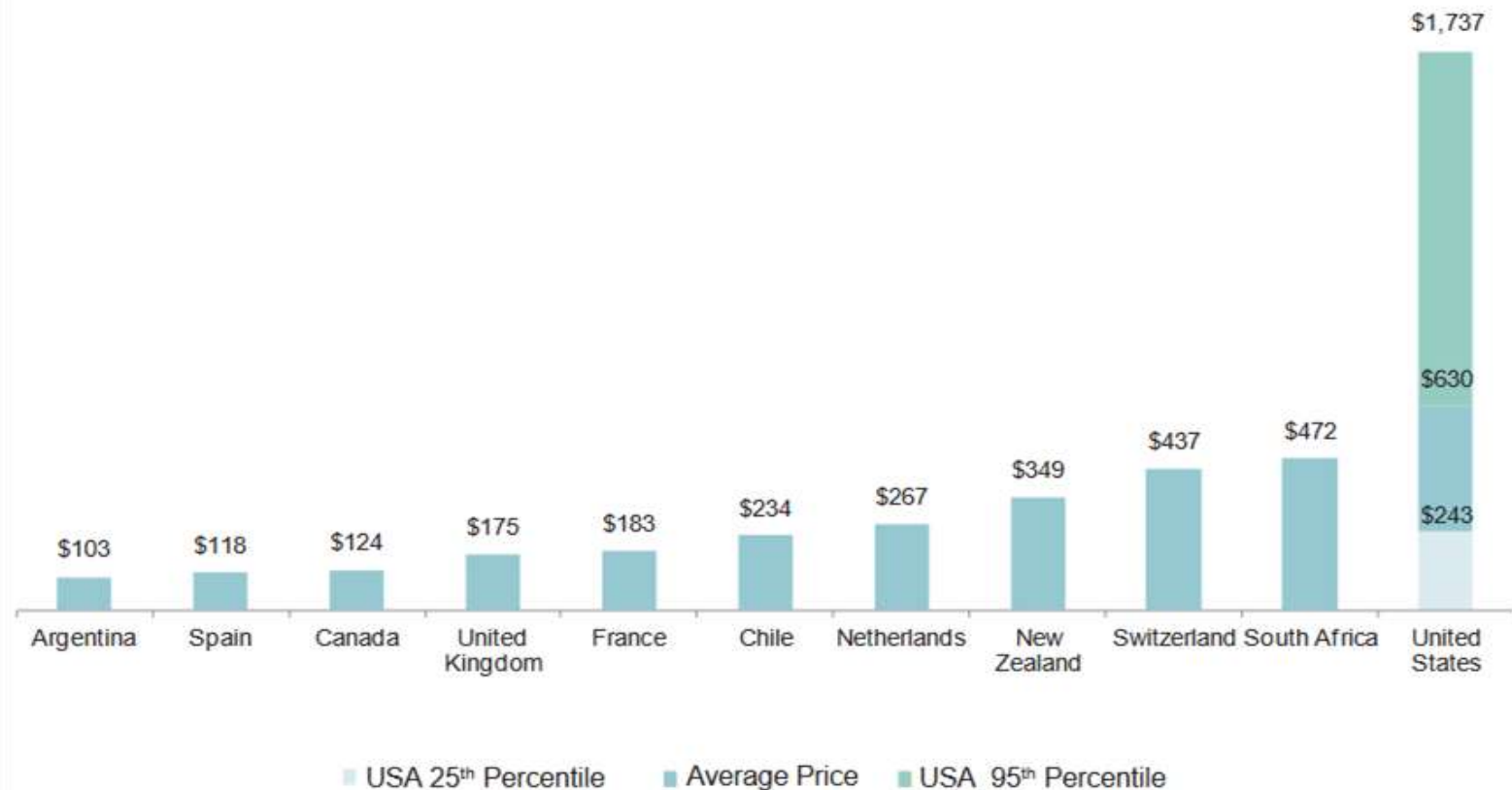


2012 Scanning and Imaging: Angiogram



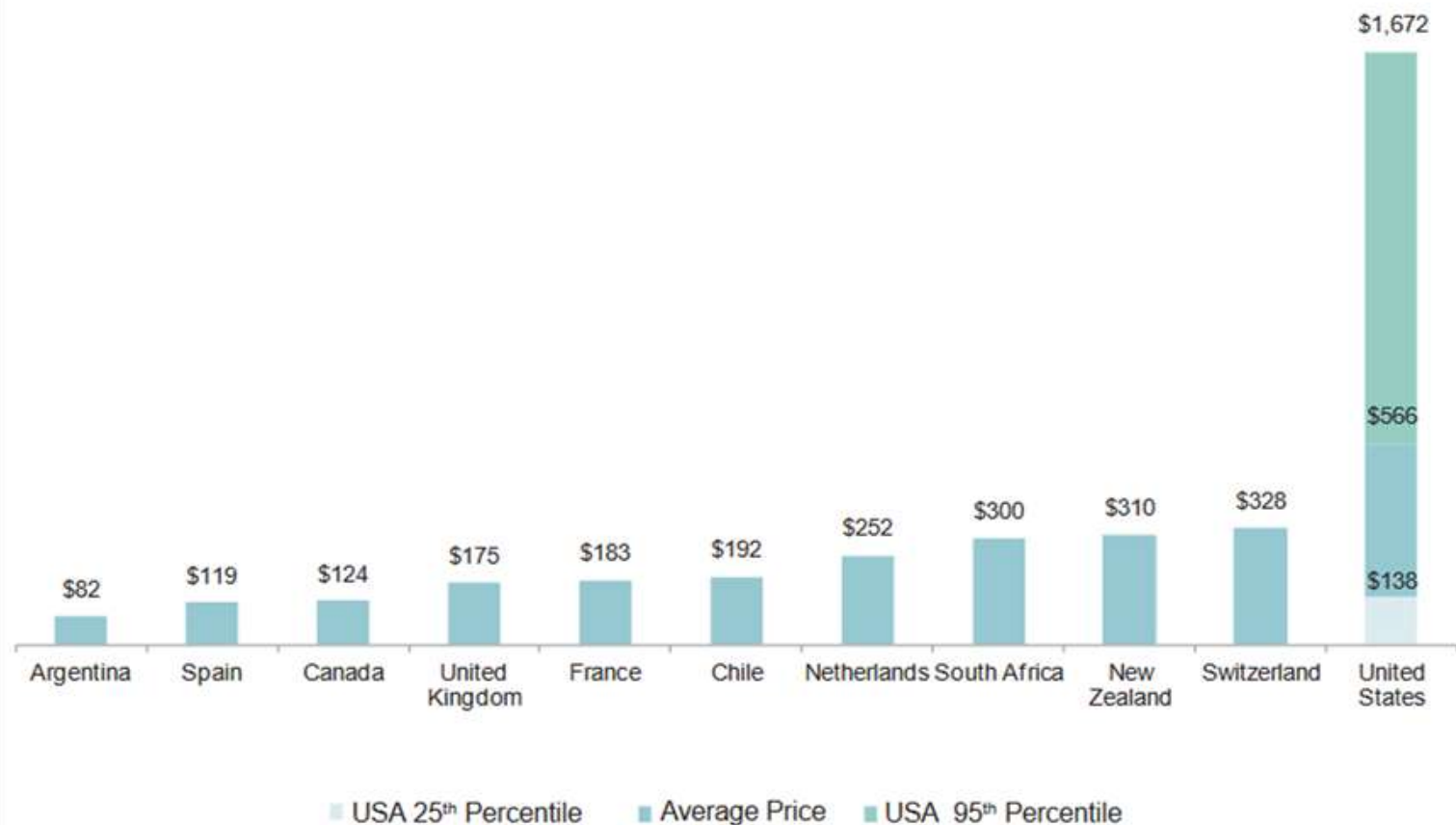
(\$ USD)

2012 Scanning and Imaging: CT Scan, Abdomen



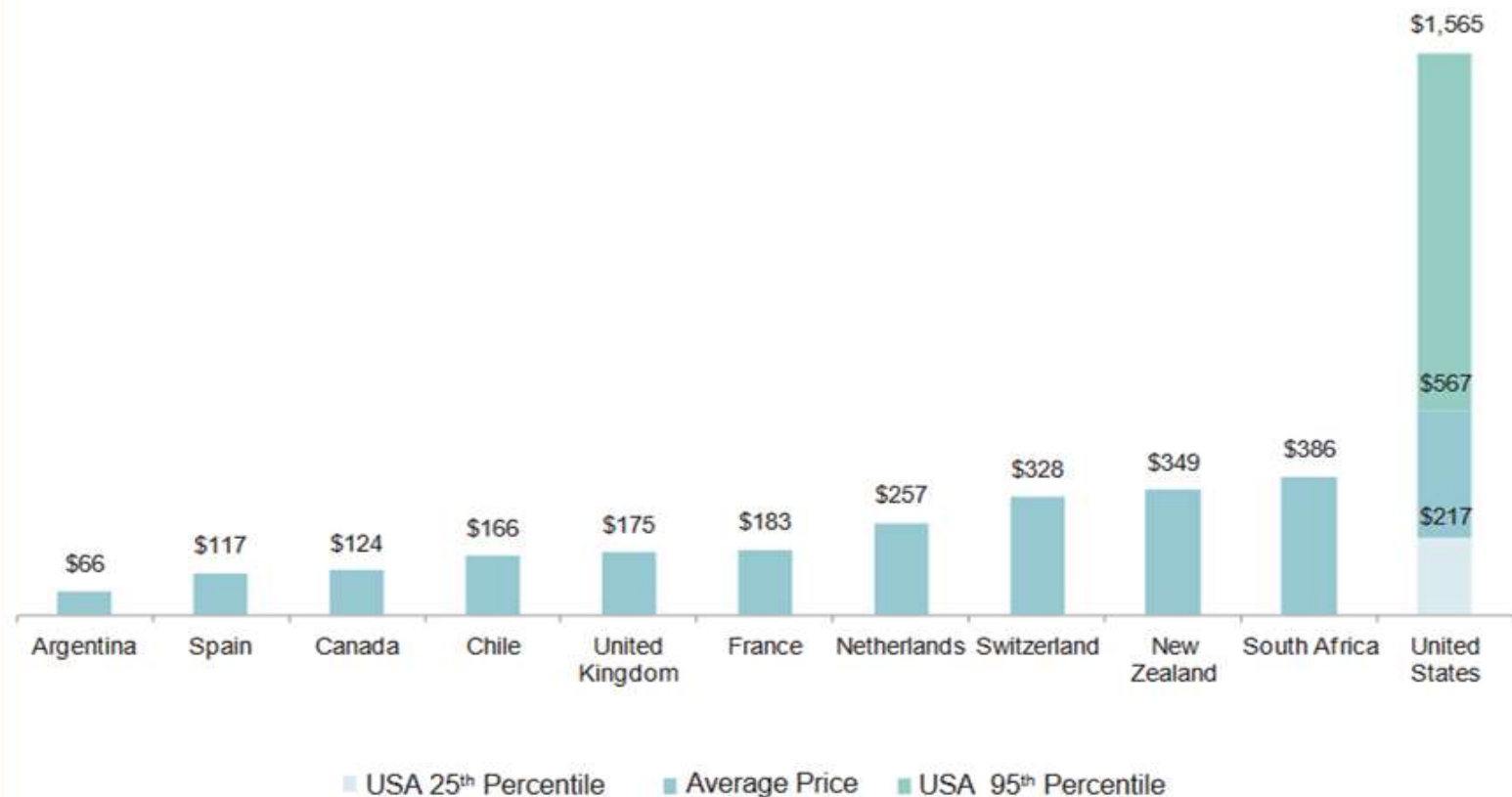
(\$ USD)

2012 Scanning and Imaging: CT Scan, Head



(\$ USD)

2012 Scanning and Imaging: CT Scan, Pelvis



(\$ USD)

2012 Scanning and Imaging: MRI



(\$ USD)

2012 Cost Per Hospital Day



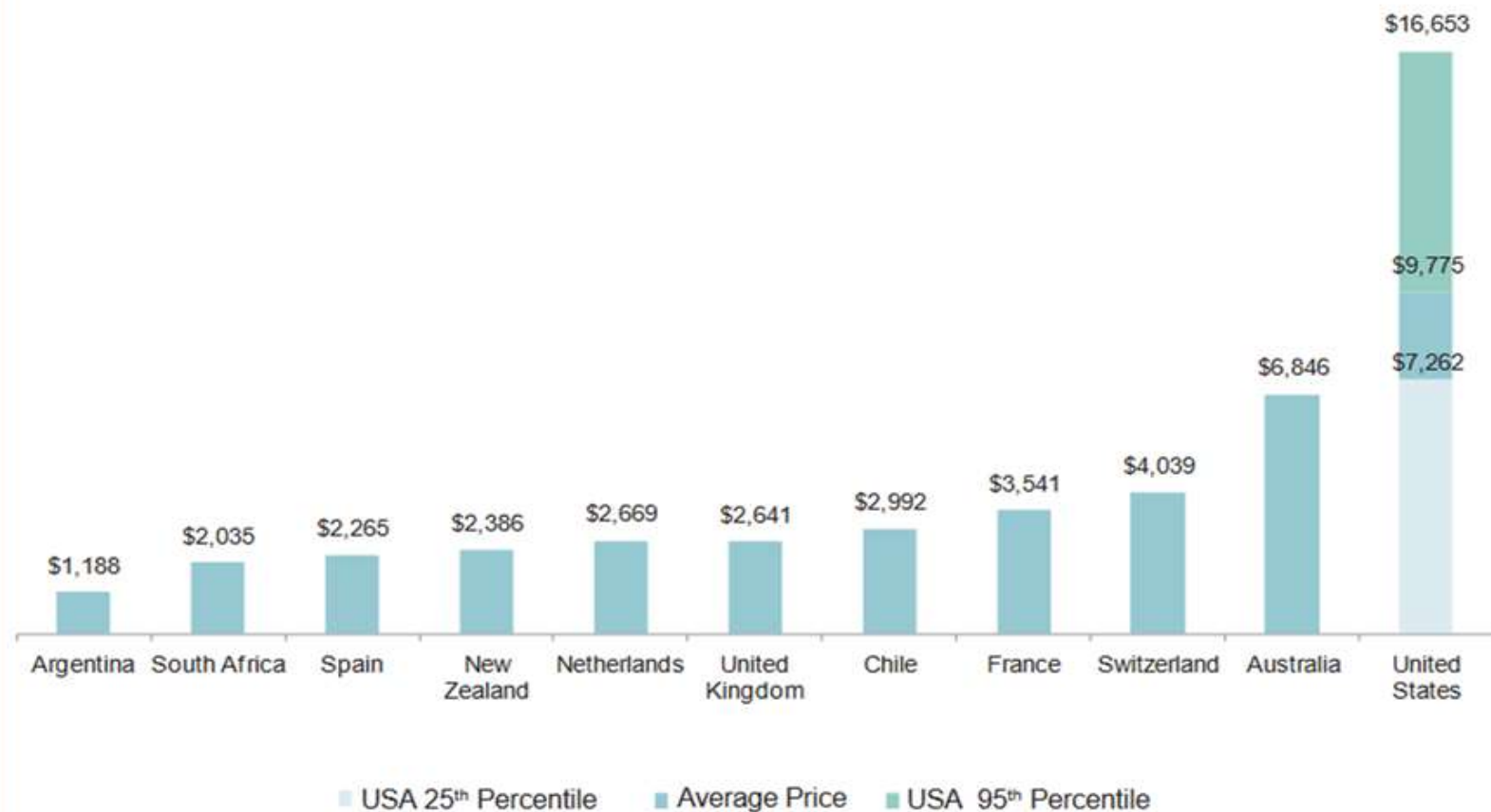
(\$ USD)

2012 Total Hospital and Physician Cost: Appendectomy



(\$ USD)

2012 Total Hospital and Physician Cost: Normal Delivery



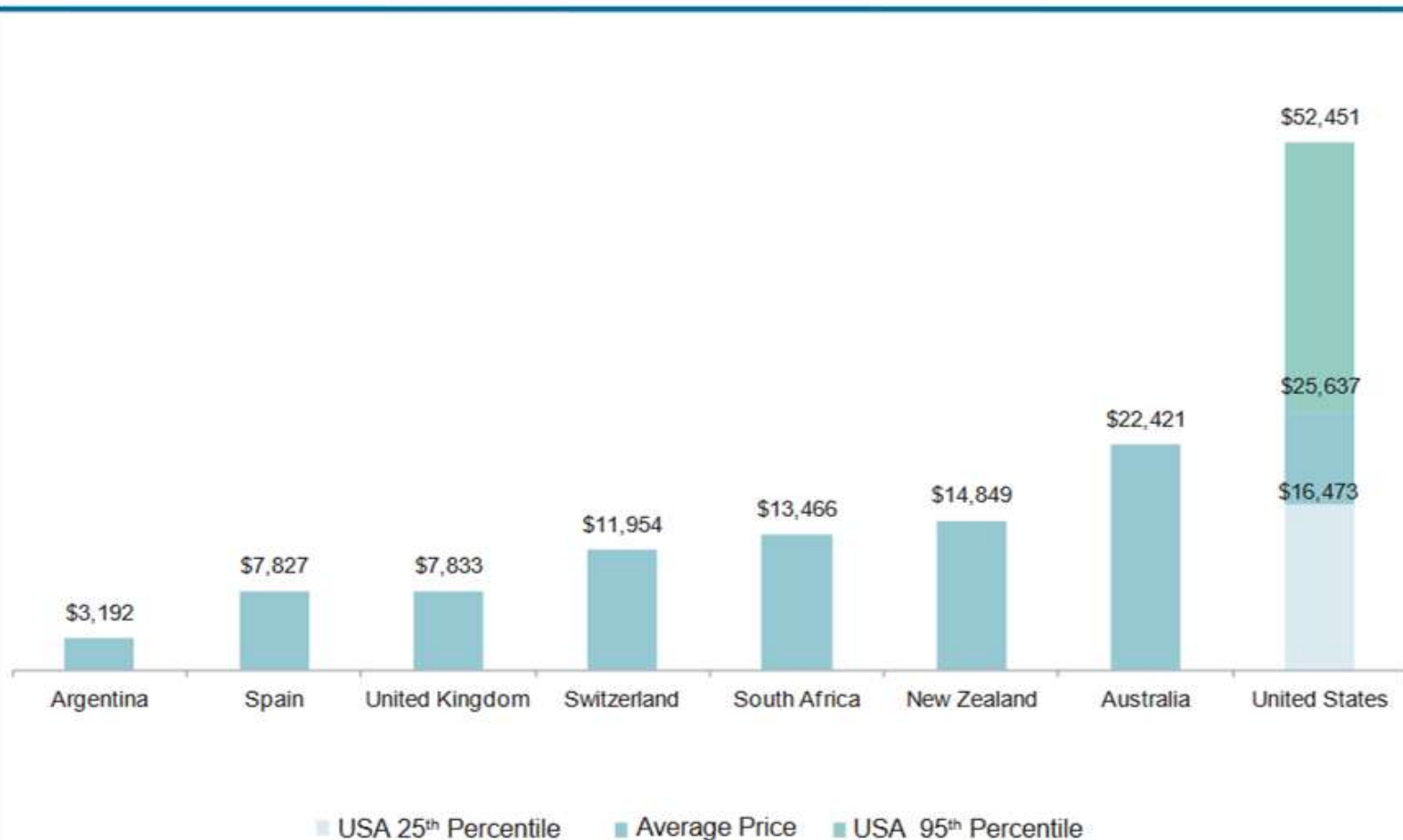
(\$ USD)

2012 Total Hospital and Physician Cost: Normal Delivery



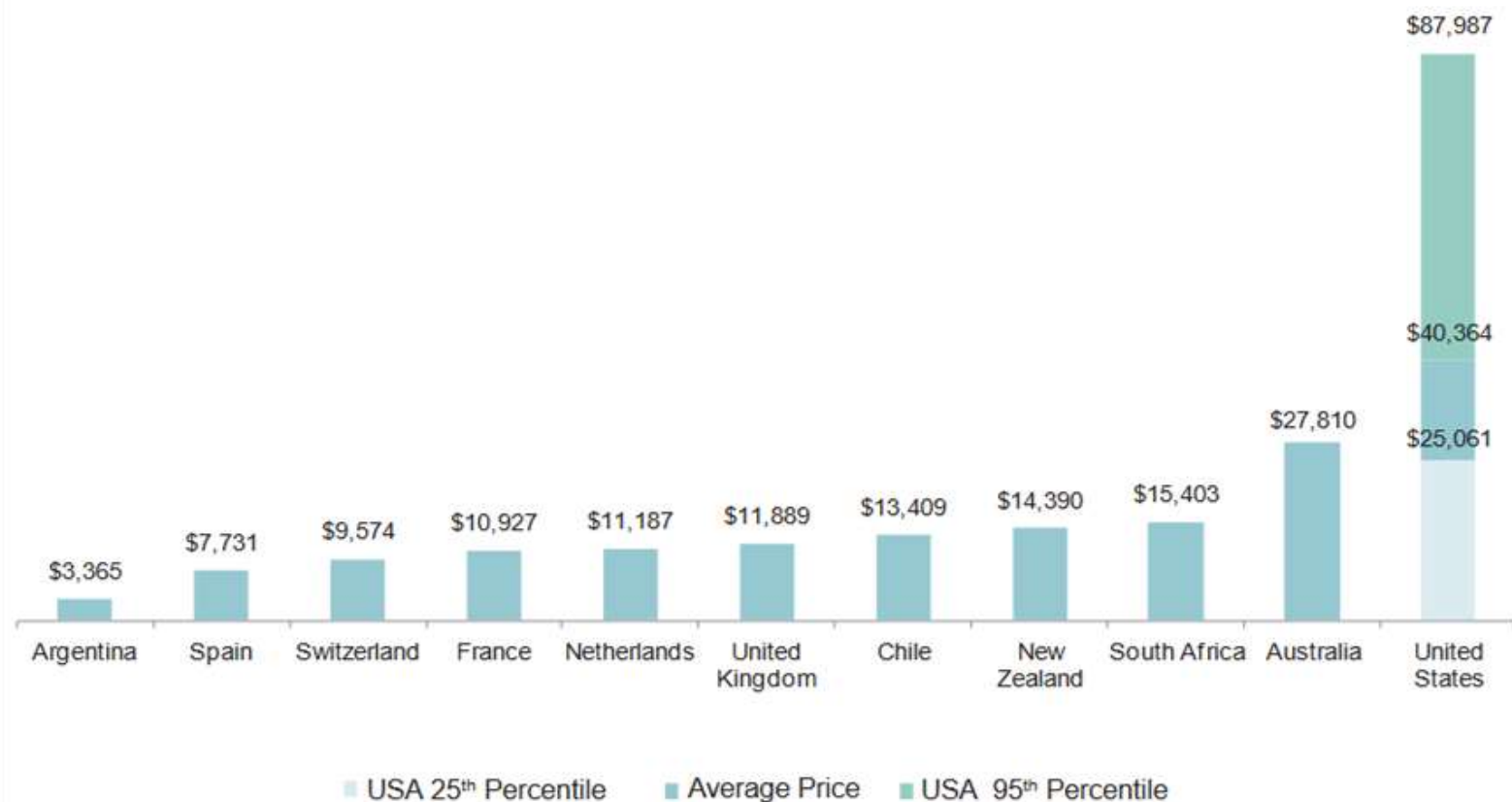
(\$ USD)

2012 Total Hospital and Physician Cost: Knee Replacement Surgery



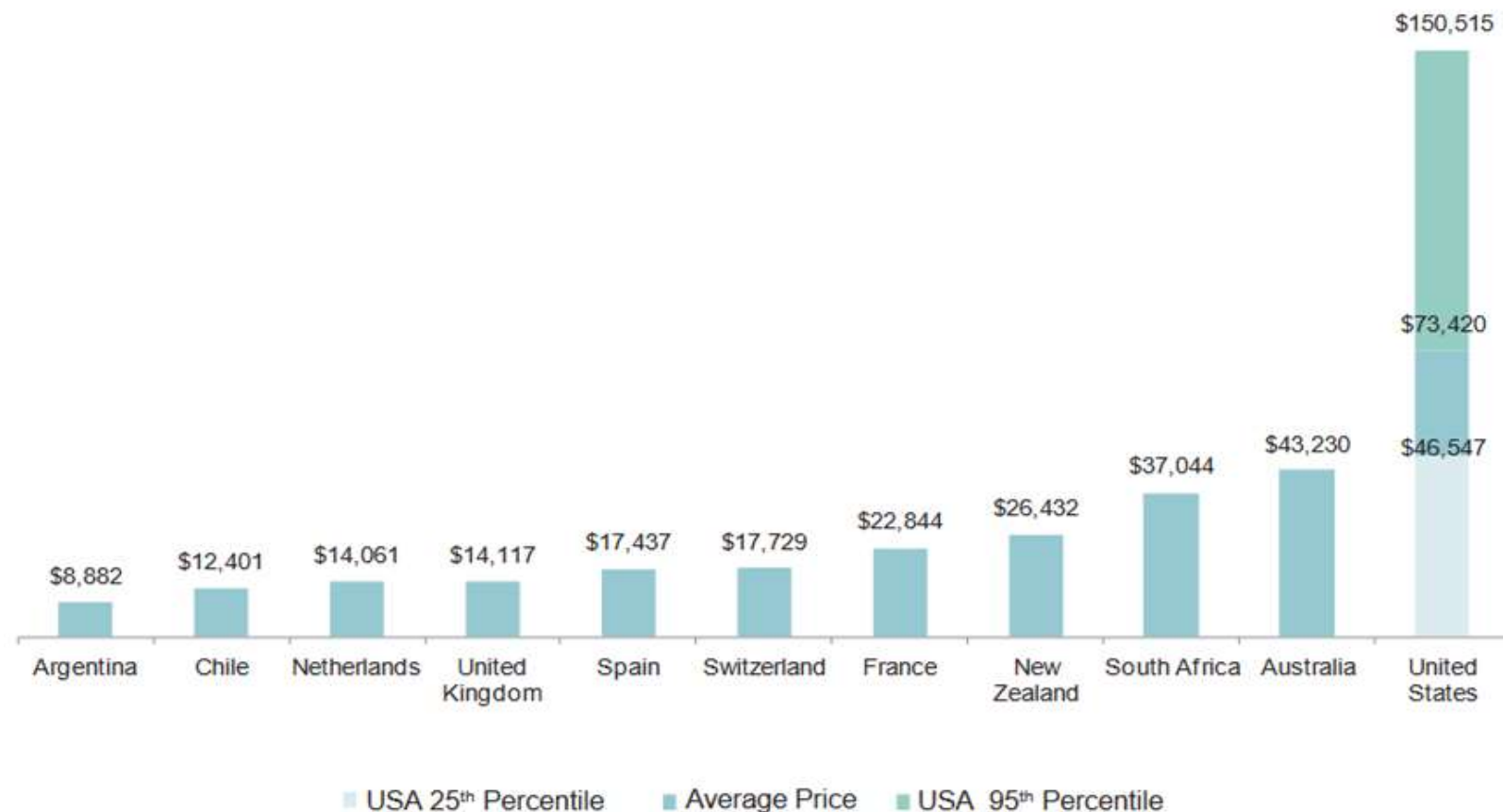
(\$ USD)

2012 Total Hospital and Physician Cost: Hip Replacement



(\$ USD)

2012 Total Hospital and Physician Cost: Bypass Surgery



(\$ USD)

2012 Total Hospital and Physician Cost: Angioplasty



(\$ USD)

“You can always count on
Americans to do the right thing —
after they’ve tried everything else.”

Winston Churchill



Fed up yet? Proven blueprint to achieve Quadruple Aim

HEALTH ROSETTA **FRAMEWORK**

Sourced from real-life successes of employers everywhere. Collectively, it sustainably reduces health care spending by 30% or more.

