

The Maryland Summit
ON **Health & Aging**

Changing Communities | Strategic Opportunities

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Health Reform
from a
National Perspective

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Policy & Strategy
AARP

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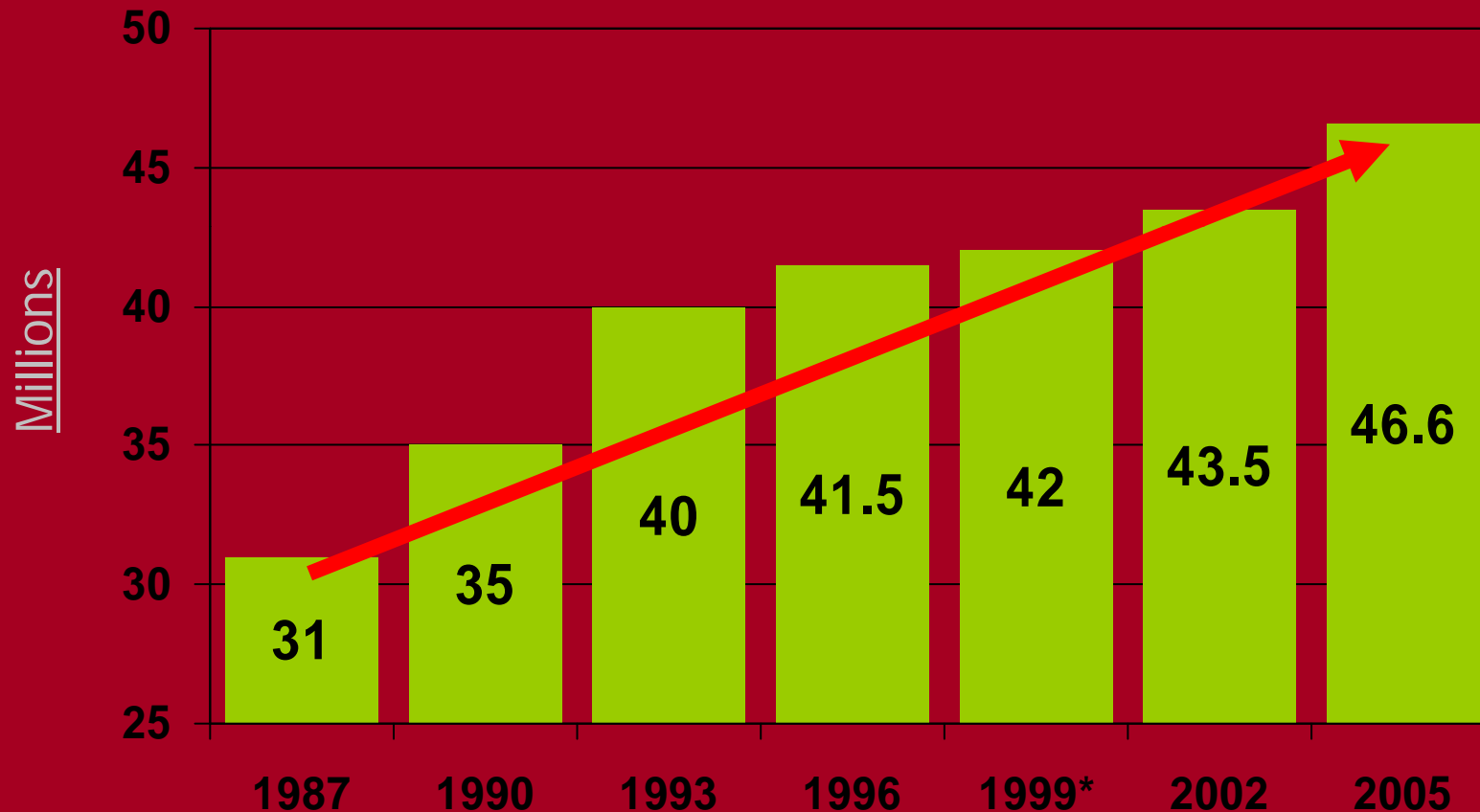
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Problems

Pointing to the Need

Total of Uninsured Continues to Grow

(Lack of insurance contributes to acute episodes)



SOURCE: Bureau of Census, *Income, Poverty and Health Insurance Coverage in the United States: 2005*

*1999 forward -- slight adjustment in statistical methodology for data

Number of age 50-64 Uninsured



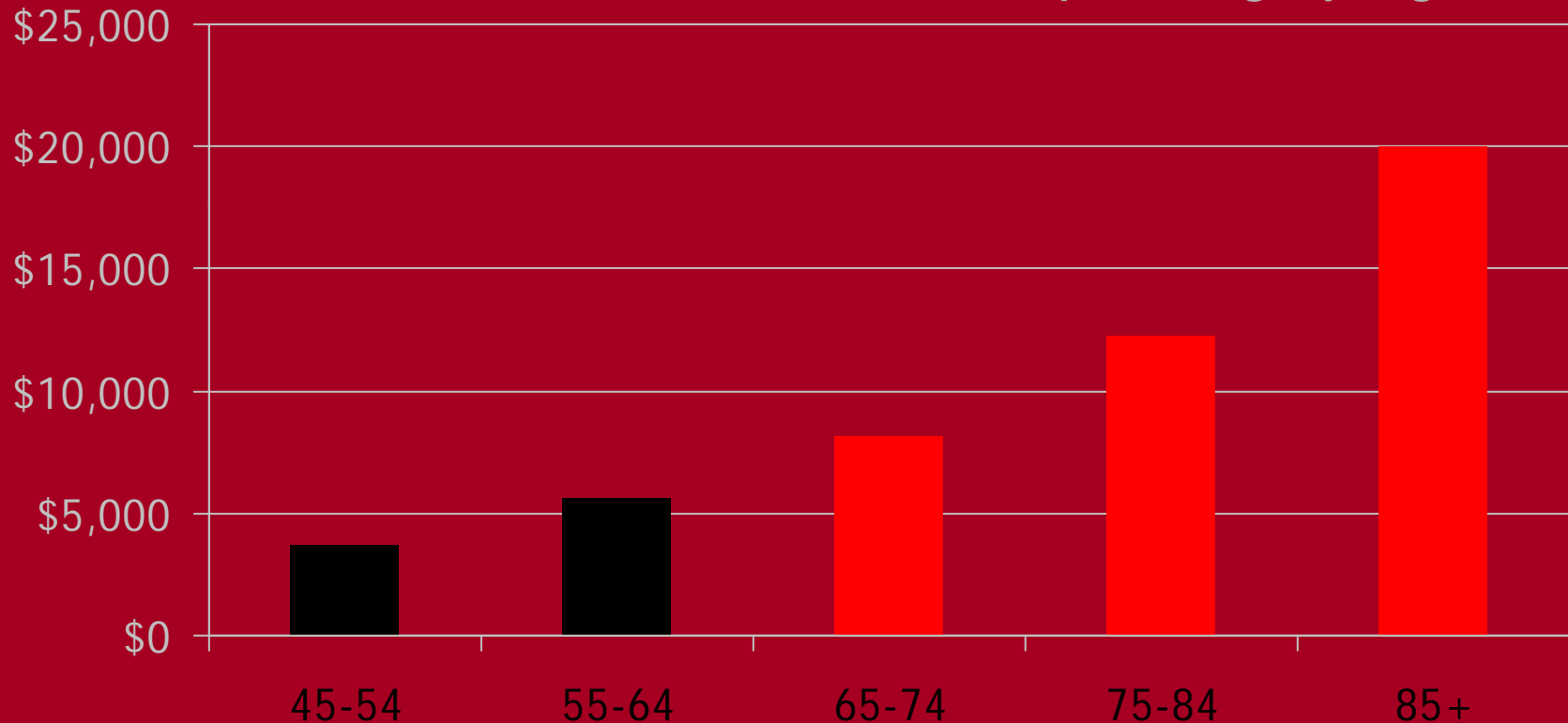
SOURCE: U.S. Census figures, 2005

Why are we concerned about the Uninsured?

- Fastest growing share of the uninsured is the 50-64 age group
- Uninsured care burdens the entire system
- Each insured person (and Medicare) pays more to cover costs of the uninsured
- Emergency rooms are closing due to crush of patients who have no other care
- Delay in care often results in hospitalization for patients who could have been treated earlier and trauma prevented

Older Americans face Increasing Costs

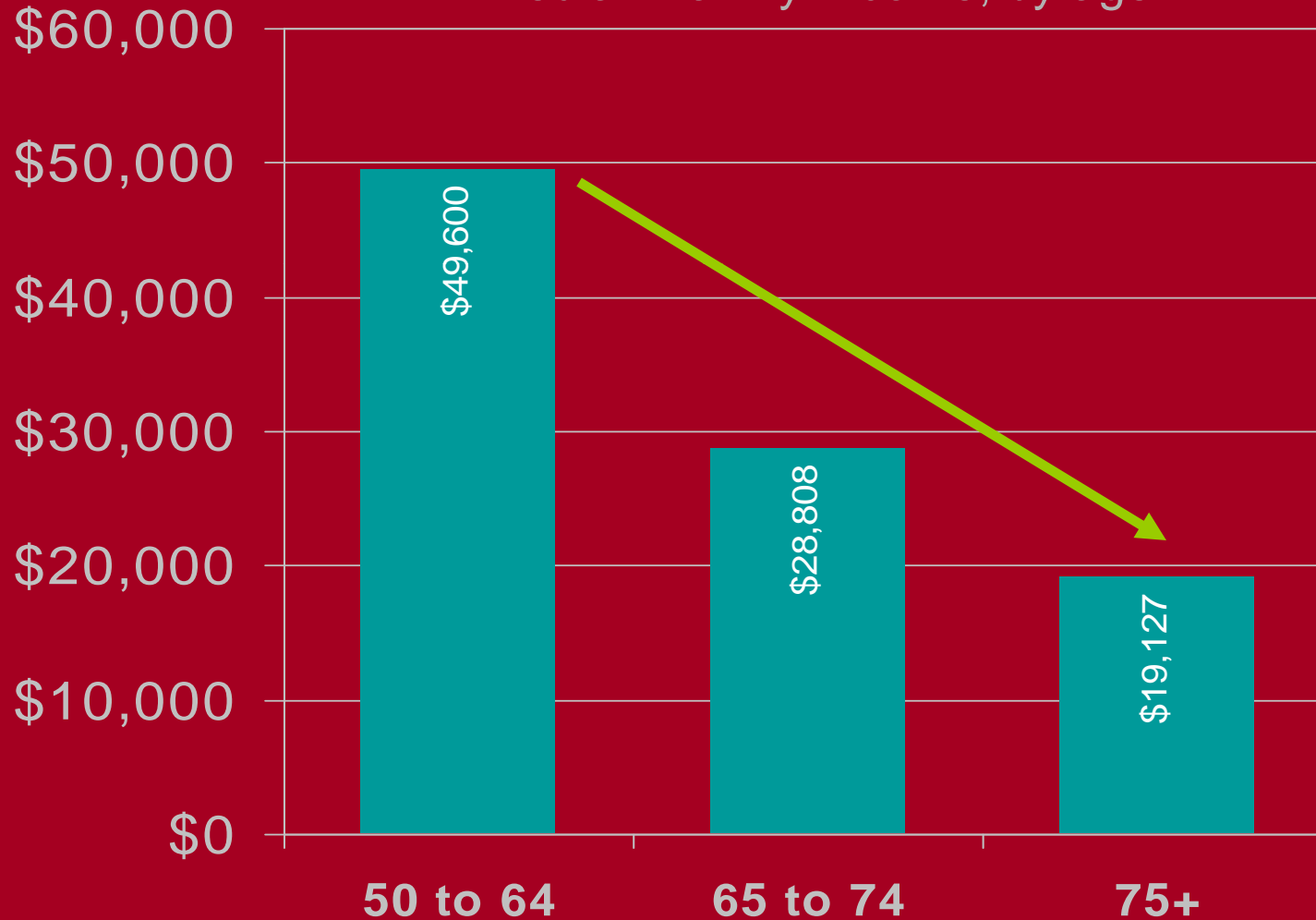
U.S. Personal Health Care Spending by Age



Includes hospital care, physician and clinical services, prescription drugs, nursing home care, home health care, dental care, other professional services, other personal care, non-durables, and durables.
Source: Keehan, S. Lazenby, H. Zezza M, and Catlin, A., "Age Estimates in the National Health Accounts," Health Care Financing Review, Web exclusive, December 2, 2004

Older Americans' Incomes Decline with Age

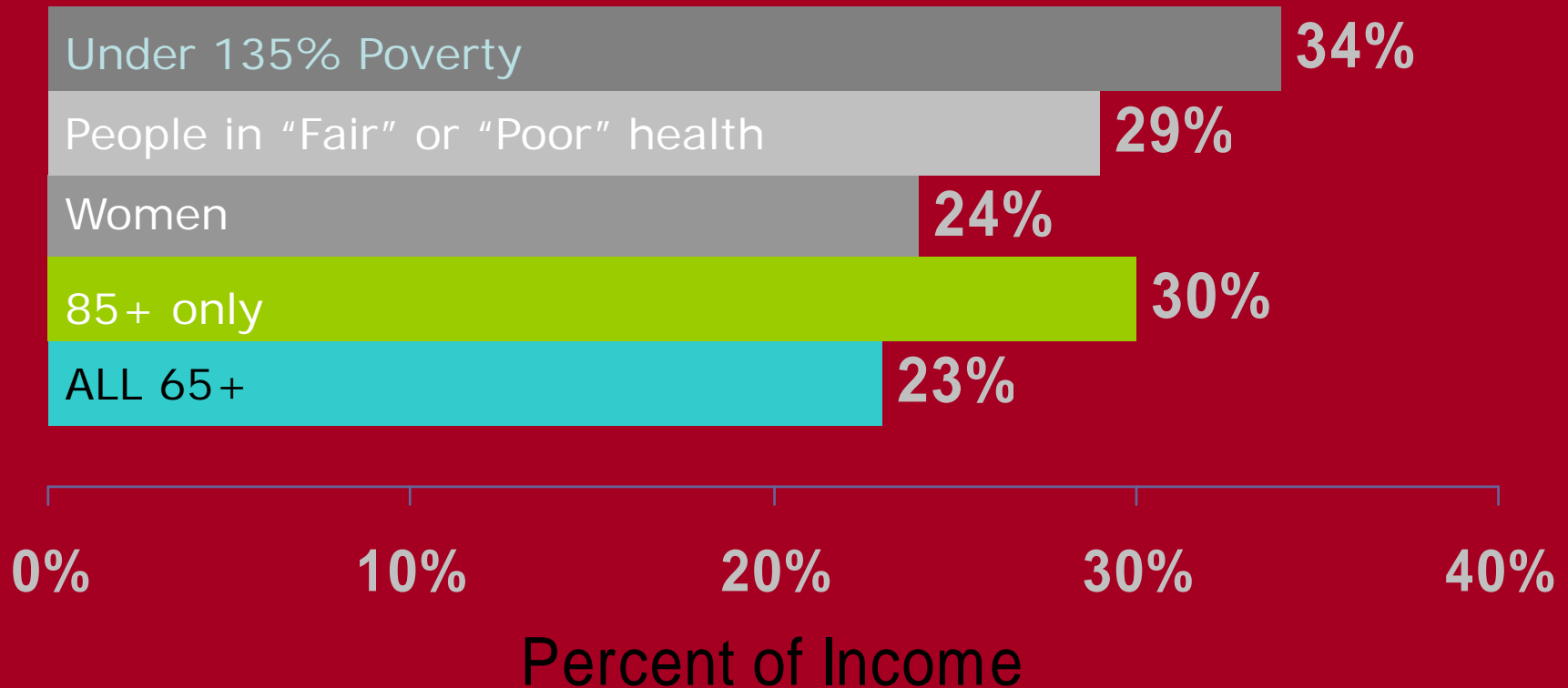
Median Family Income, by age



Source: Report on State of 50+ America by AARP Public Policy Institute

Average Medicare Out-of-Pocket already takes 23% of Income

Average Out-of-Pocket Health Care Spending 2004

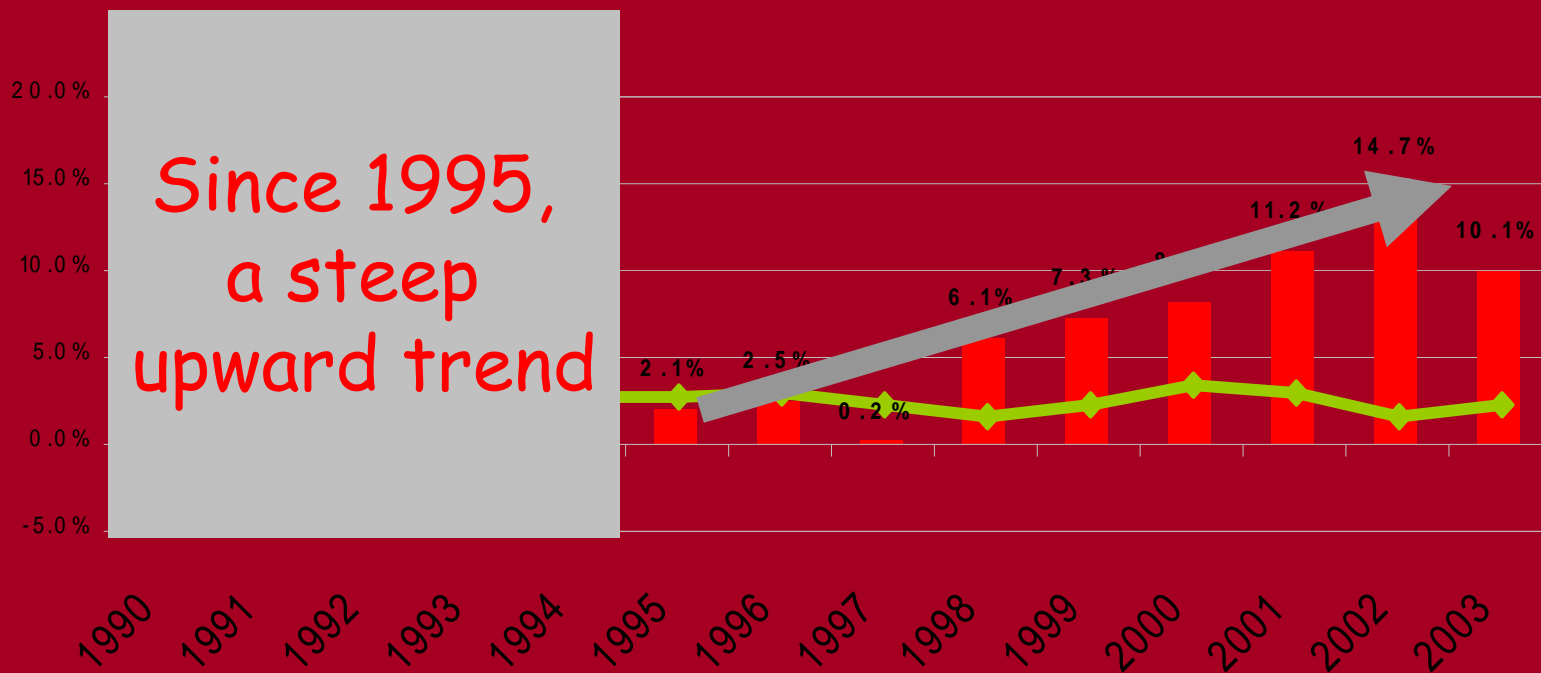


Figures for non-institutionalized Medicare beneficiaries only. "Out-of-Pocket" includes payments for Medicare cost-sharing, Part B & private insurance premiums, physician balance billing, and goods & services not covered by Medicare. It excludes cost of home care and long-term nursing home care.



Employers' Health Care Costs Rising

1990-2003

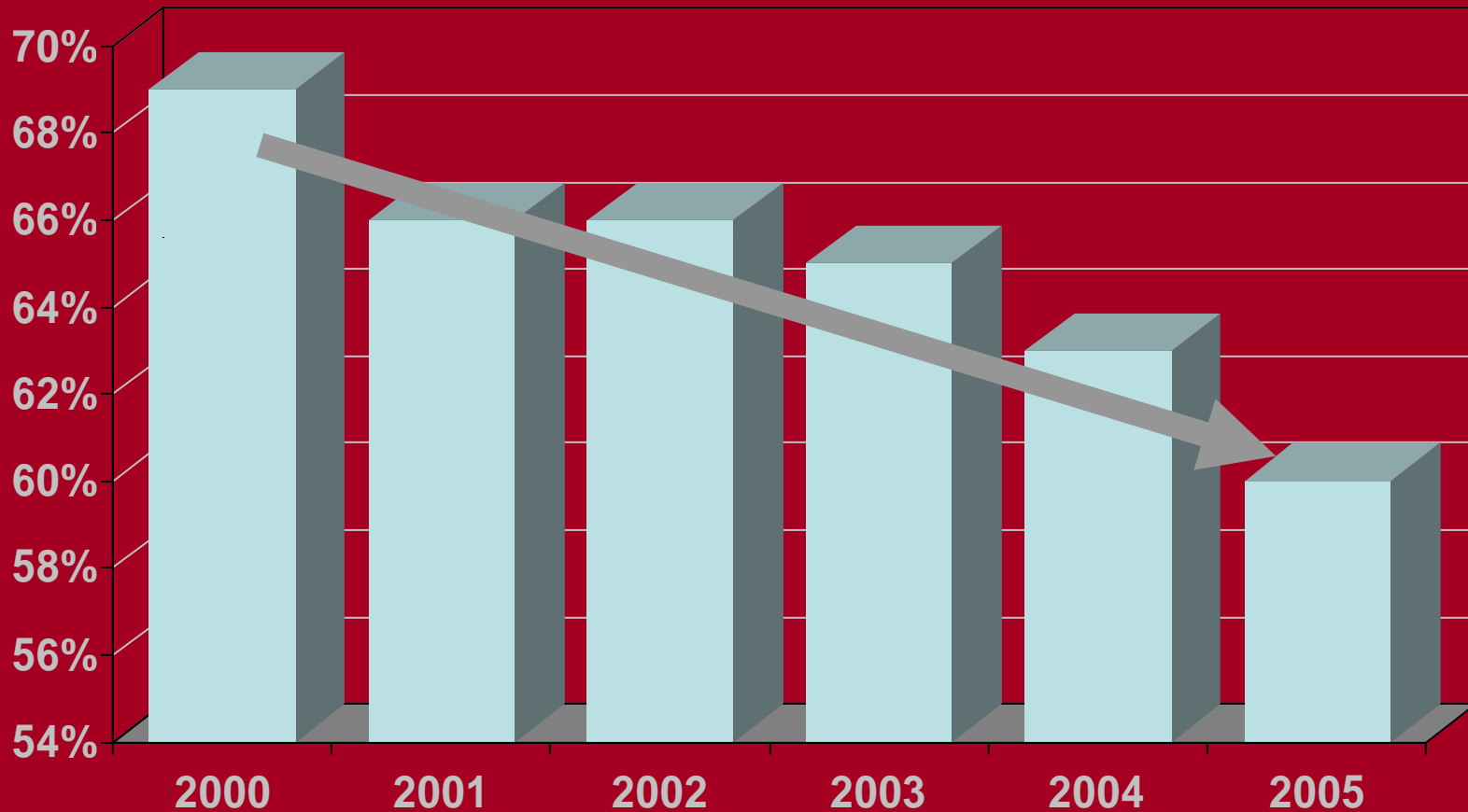


◆ Rate of Inflation
■ Rate of Increase

Sources: U.S. Department of Labor, Bureau of Labor Statistics;
2003 Mercer National Survey of Employer-Sponsored Health Plans

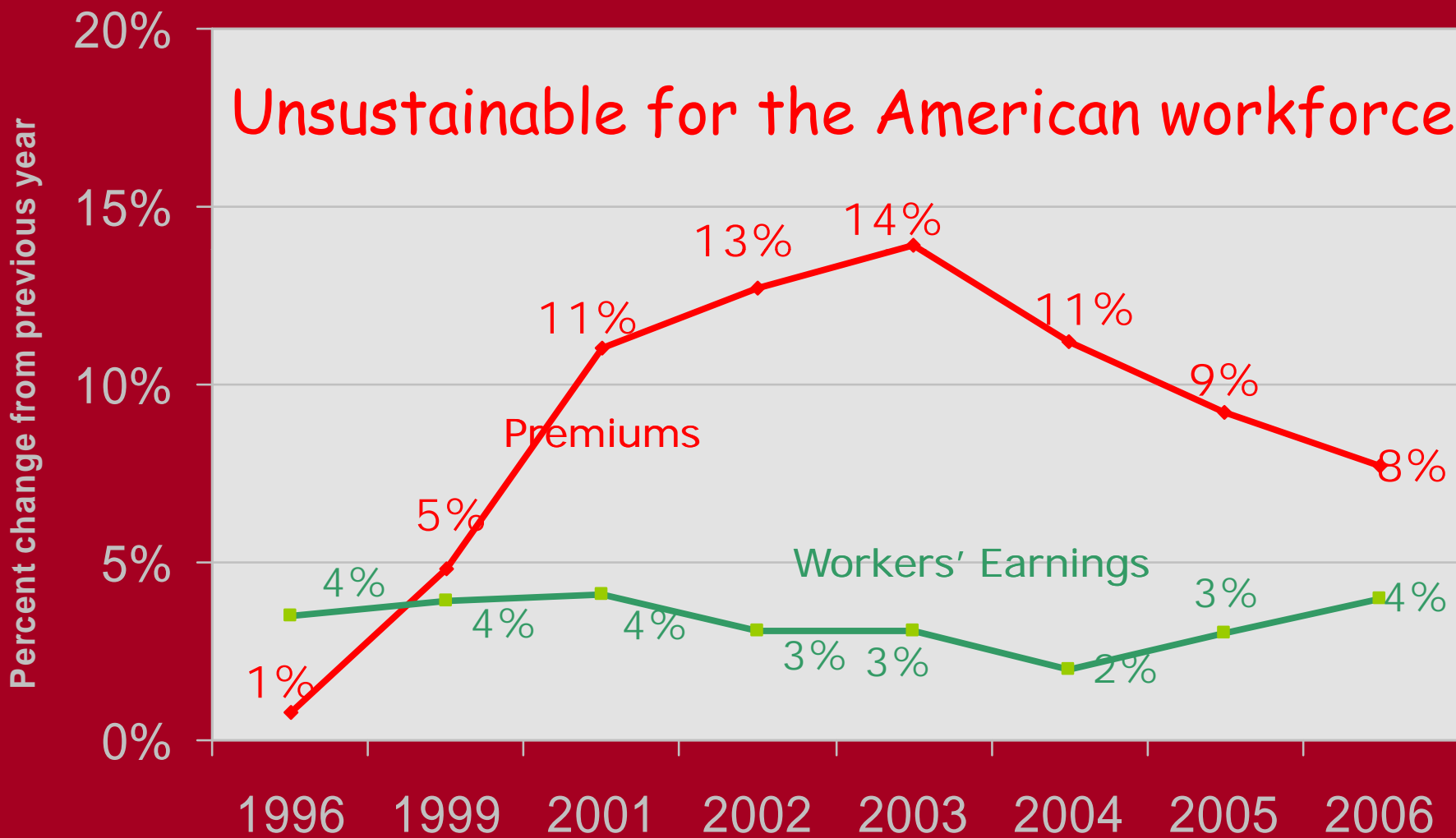
Percent of Firms Offering ANY Coverage Going Down

2000-2005



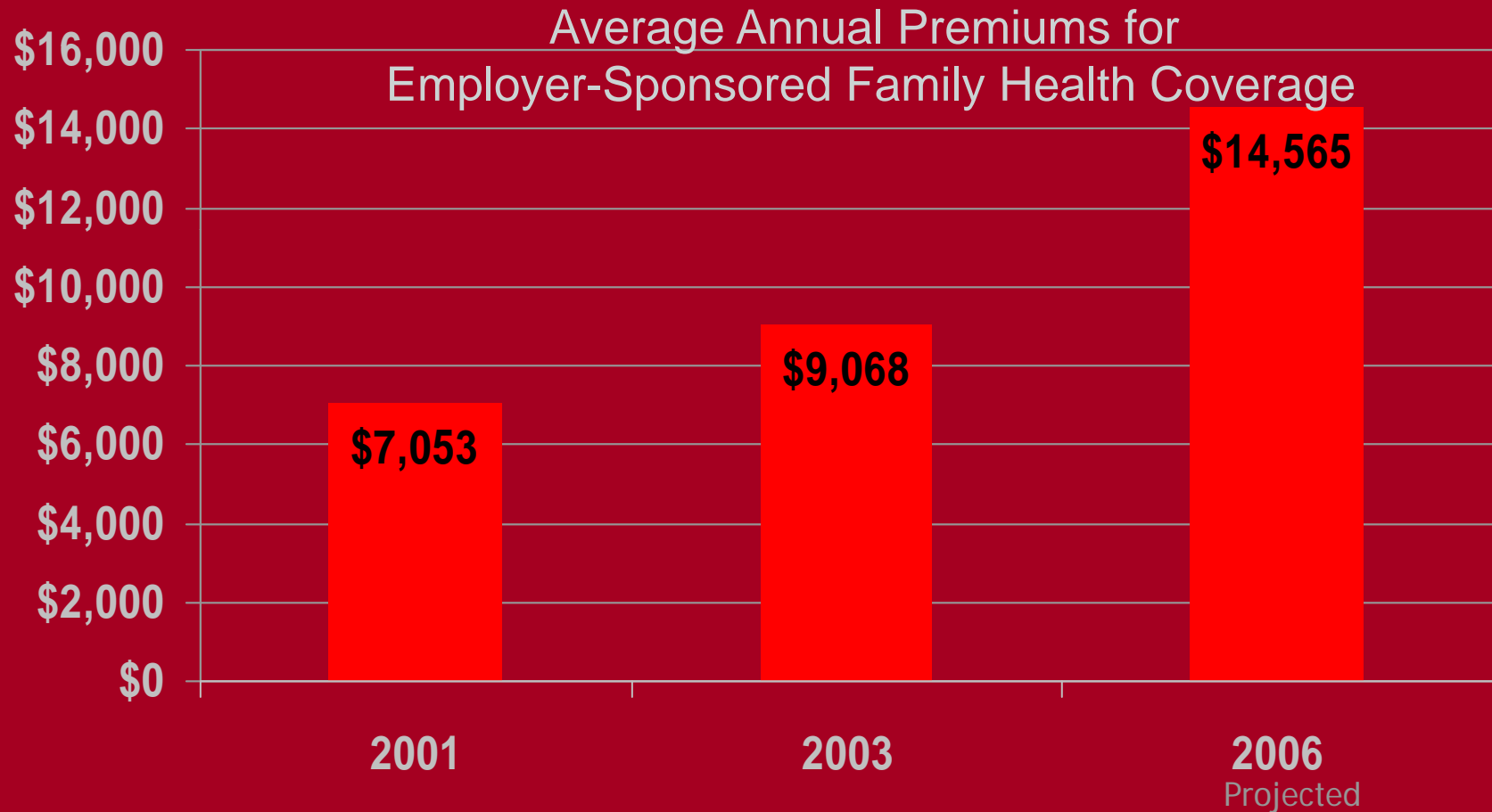
SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2006

Workers' Health Care Premiums Rising Faster than Wages



Families' Health Premiums Soaring

Unsustainable for families



SOURCE: Henry E. Simmons & Mark Goldberg, *Charting the Cost of Inaction*, National Coalition on Health Care 2003, p. 4

Medical Bills the Leading Cause of Bankruptcy

- Half the U.S. personal bankruptcies in one year caused by medical bills
- 2 million affected each year, including 700,000 children
- More than $\frac{3}{4}$ were insured at start of bankrupting illness, 38% had lost coverage by time of filing
- Most were middle class: 56% owned a home, 56% attended college

Knowledge of LT Service & Support Costs

- Only 8% can estimate monthly cost of a nursing home within $\pm 20\%$ of average national cost
- Only 23% can estimate monthly cost of assisted living facility within $\pm 20\%$
- Most have no idea of cost of in-home visit from a skilled nurse nor that of an aide
- Nearly 60% think Medicare will pay for extended nursing home stay
- 52% believe Medicare covers assisted-living costs

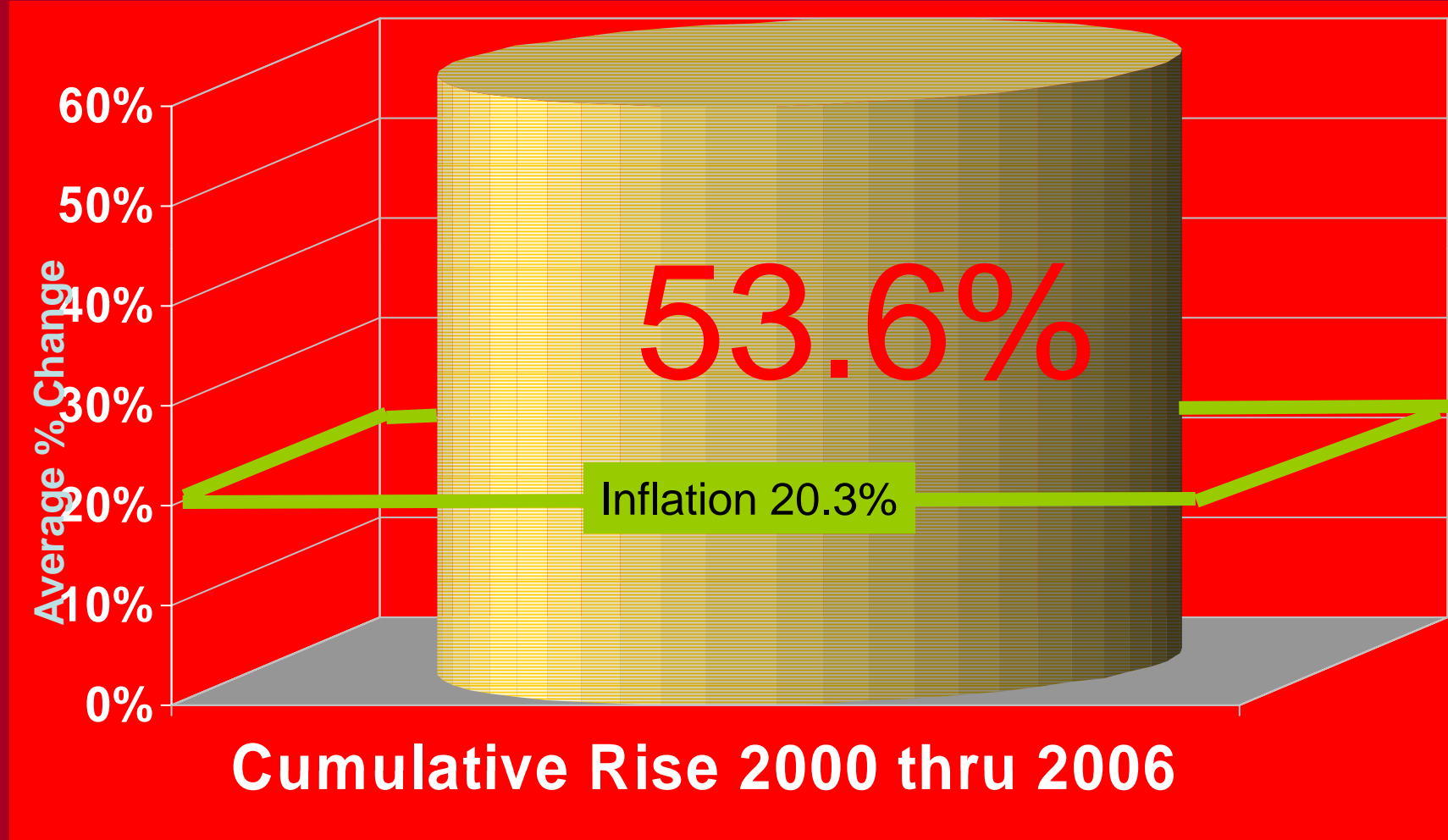
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Health Care Cost Drivers

AARP **RX** WATCHDOG REPORT

Average Rx Manufacturers' Price Increases Far Outpacing Inflation



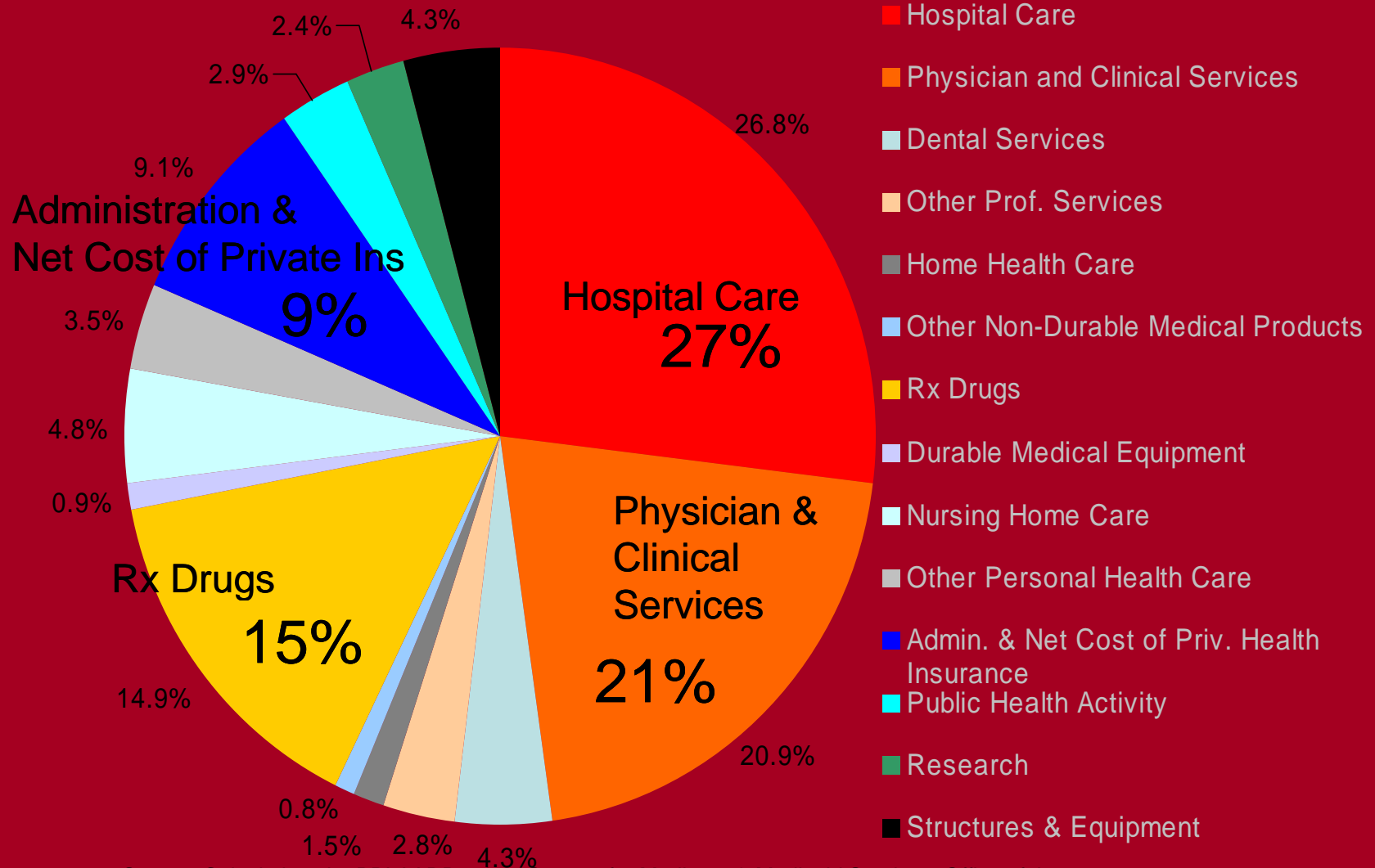
Years refer to change from previous year. Source: AARP Public Policy Institute

Distribution of Gross Revenues for U.S. Drug Companies by Expense Type



Source: Compiled by the PRIME Institute, University of Minnesota from data found in DHHS, CMS, Jan 2003, and from Bloomberg, analysts models, & corporate annual reports. Presented by AARP Rx Watchdog Forum February 2005

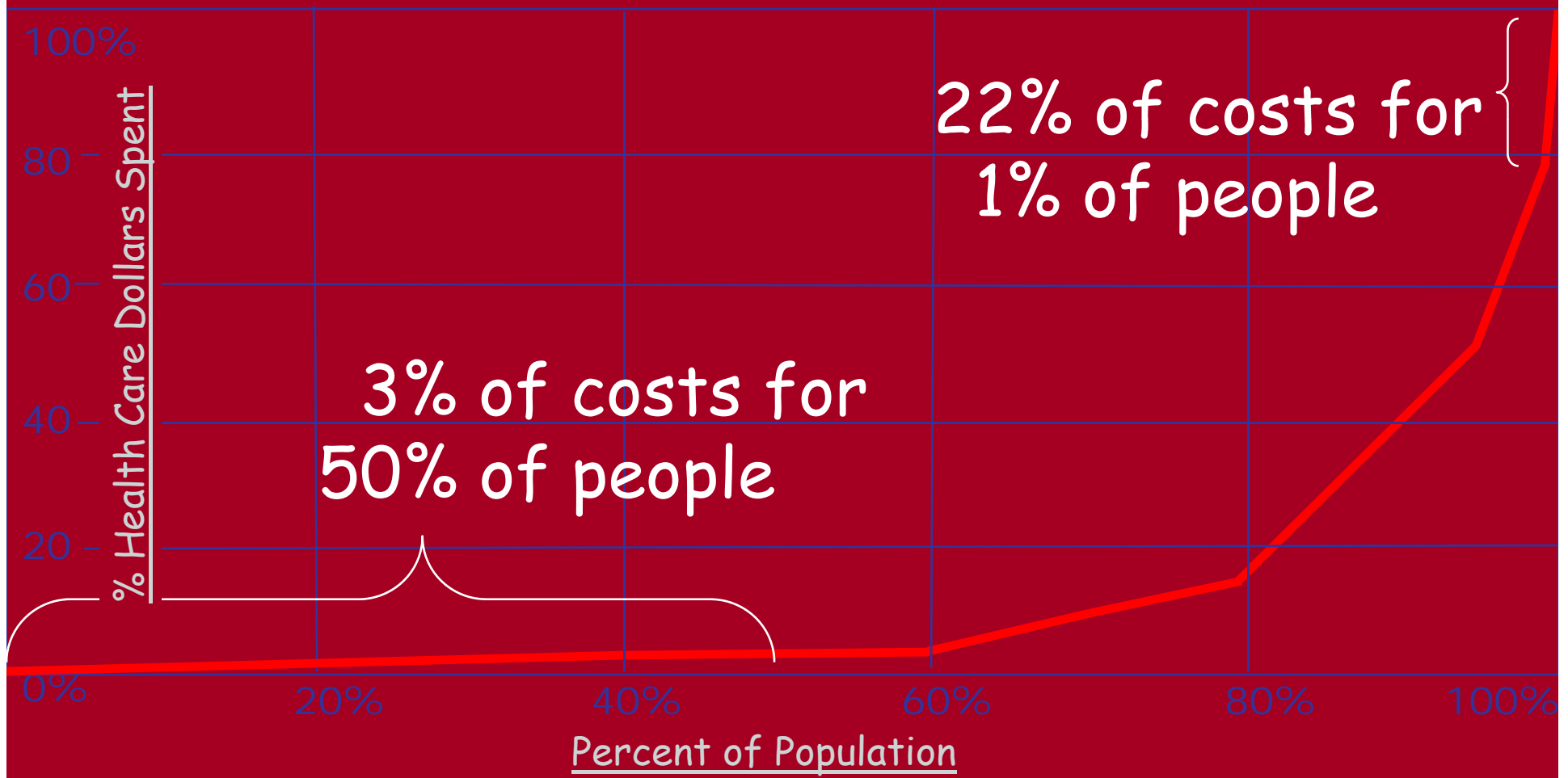
Health Cost Increases in 10 years (1995-2004) are Due to 4 Major Sectors



Source: Calculations by PPI AARP using Centers for Medicare & Medicaid Services, Office of the Actuary, CY 1960-2004 National Health Expenditure Data

Good Chronic Care Management Key to a Large Segment of Cost

SOURCE: Conwell & Cohen, Agency for Healthcare Research and Quality, Statistical Brief #73, March 2005



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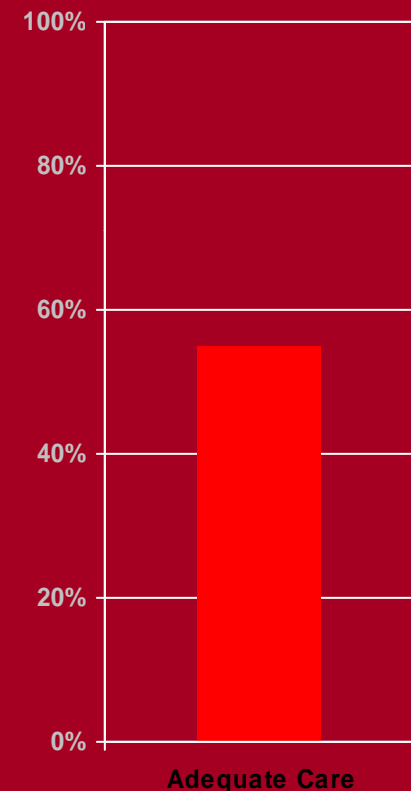
**Health Care
QUALITY
PROBLEMS**

QUALITY PROBLEMS PERVASIVE

1. Under-use of necessary care
2. Over-use of services that are not beneficial
3. Mis-use (medical mistakes)

POOR CARE

- RAND Study:
Only 55% of recommended care was received, regardless of whether care needed was preventive, acute, or chronic



Elizabeth McGlynn, et al, "The Quality of Health Care Delivered to Adults in the United States," *The New England Journal of Medicine*, Vol 348(26):2635-2645, June 26, 2003.

POOR CARE IS COSTLY

- 57,000 deaths per year attributed to failure to provide recommended care
- Missed care opportunities cost more than *\$1 billion a year*:
 - Beta-blocker treatment **\$11m/yr**
 - Cholesterol mgmt/control **\$94m/yr**
 - High blood-pressure control **\$1.2b/yr**

Elizabeth McGlynn, et al, "The Quality of Health Care Delivered to Adults in the United States," *The New England Journal of Medicine*, Vol 348(26):2635-2645, June 26, 2003.

POOR CARE IS COSTLY

- Business cost impact: “30% of all direct health care outlays today are the result of poor-quality care, consisting primarily of overuse, misuse, and waste.”
- “. . . poor quality costs employers \$1900-\$2250 per covered employee each year.”

Source: Midwest Business Group on Health in collaboration with Juran Institute, Inc. and the Severyn Group, Inc., “Reducing the Costs of Poor-Quality Health Care Through Responsible Purchasing Leadership, 2003 Executive Summary

Components of the Perfect Storm

Rising Costs for Consumers

Consumer bankruptcies

Life-threatening delays in seeking care

Rising Costs for Business

Eroding Coverage

Quality Unaddressed

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Health Care Reform: Going Forward

Divided We Fail.

Divided We Fail.

Divided we fail.



Shouldn't the people who live in the strongest, greatest, wealthiest country in the world be able to enjoy a lifetime of long-term financial and health security? Shouldn't our leaders be able to work together to find solutions to the challenges that we all face? The answer is an emphatic and resounding **"yes."**

That's why AARP, Business Roundtable and the Service Employees International Union have come together to urge leadership and action on the issues of health care and long-term financial security.



Business Roundtable



Divided We Fail.

We believe...

All Americans should have access to affordable health care, including prescription drugs, and these costs should not burden future generations.

We believe...

Wellness and prevention efforts, including changes in personal behavior such as diet and exercise, should be top national priorities.

We believe...

Americans should have choices when it comes to long-term care, allowing them to maintain their independence at home or in their communities with expanded and affordable financing options.

Divided We Fail.

GOALS FOR HEALTH & LONG TERM CARE

- **Have access to affordable, quality healthcare, including Rx drugs, and costs not burden future generations**
- **Wellness & prevention efforts, including changes in personal behavior such as diet and exercise, be top national priorities**
- **Have choice in long-term care, to maintain independence at home or in our communities with expanded and affordable financing options**

Divided We Fail.

IMMEDIATE STEPS

- **Cover ALL children**
- **Install Health Information Technology**
- **Defend Medicare and work to strengthen it**
 - **Promote quality reporting and P4P**
- **Support innovative health reform in states**
- **Push for reform and rebalancing of LTC**
 - **Make it about Long-Term Living, where money follows the person**

We need **YOUR** help
to succeed.



DividedWeFail.org

TOGETHER WE CAN DO ANYTHING