



Containing the Cost of Health Care

ACTION NEEDED:

NAHU urges Congressional awareness of the fact that rapidly rising medical costs are driving health insurance rates in this country, reducing access to affordable health care, and increasing the number of uninsured. Congress needs to investigate private market solutions to contain the cost of health care.

BACKGROUND:

According to a recent study in *Health Affairs*, spending on health will consistently outpace the Gross Domestic Product during the next decade, and will represent 20 percent of the GDP by 2015. In other words, one out of five dollars in the U.S. economy will be spent on health care. Health insurance costs will continue to rise if medical care costs remain unchecked. Like the problem of the uninsured, there is no one solution to this systemic problem.

Americans need to thoroughly examine all of the factors that are causing this dramatic increase in health care spending. Medical cost transparency is particularly important, because medical care is perhaps the only thing American consumers regularly purchase without having any knowledge of actual price. Expansion of access to consumer-directed health insurance products, like Health Savings Accounts and Health Reimbursement Arrangements, will do much to help curb the problems and costs associated with over-utilization of health care services. However, these new products will not reach their full cost-savings potential unless American consumers are fully aware of what various medical services cost when doing their health care spending. NAHU is watching the development of measures that would compel providers to publish the costs of common procedures in a consumer-friendly and accessible way.

NAHU is also beginning to explore public policy initiatives regarding wellness promotion. Employer requirements regarding smoking, wellness incentives in health plan offerings, and other means to encourage healthy lifestyles are all under debate.

Other ideas NAHU is monitoring closely include pay-for-performance initiatives, the cost of medical errors, the use of electronic medical records, prescription drug costs, over-utilization of health care services, the reimbursement rates for Medicaid and Medicare and related cost-shifting, and the ability of health plans to negotiate with providers and establish adequate networks, particularly in rural areas.

