

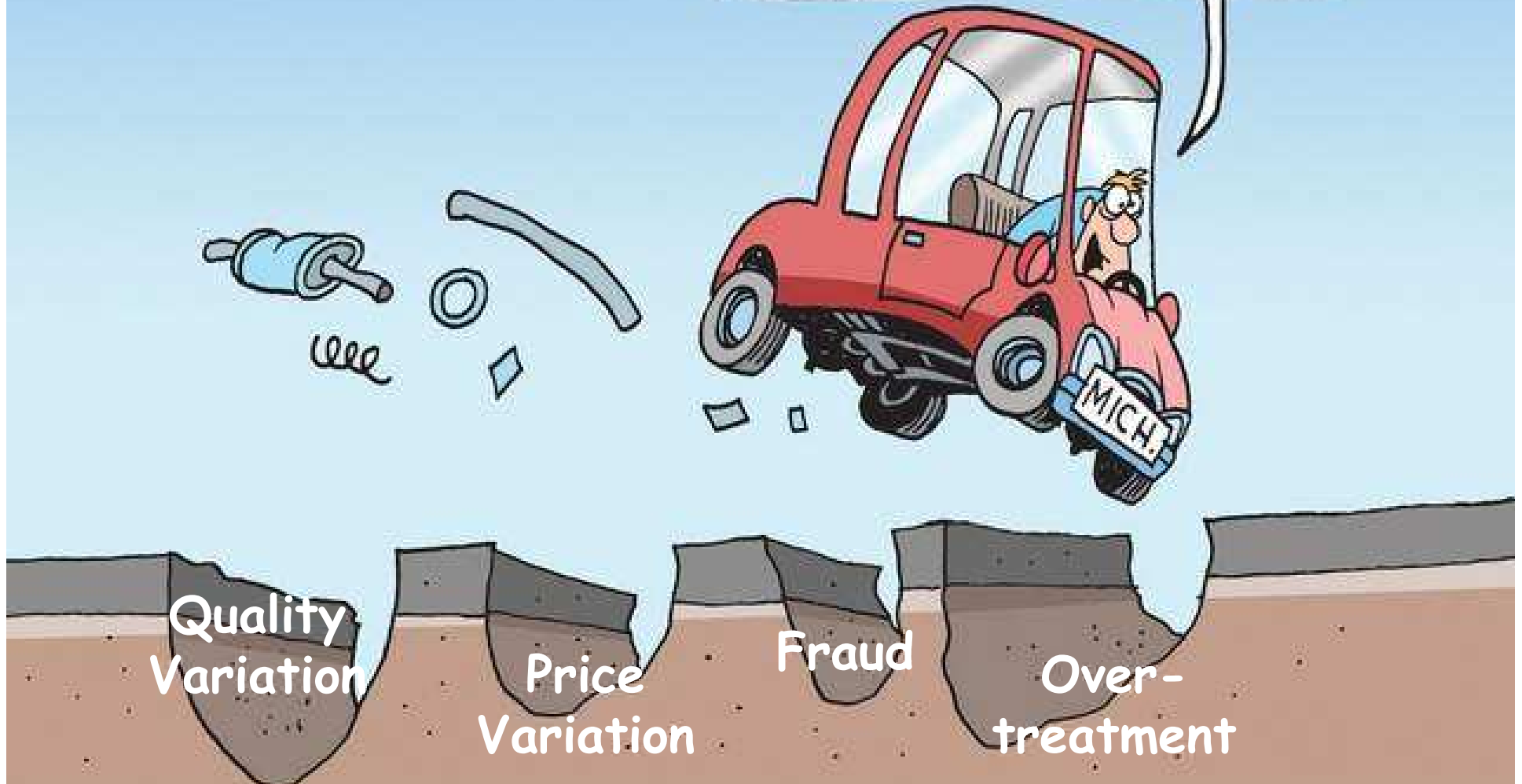
A photograph of a man swimming in a large pothole on a road at night. The pothole is filled with water, and the man is in the middle of a stroke, splashing water. The road has double yellow lines, and the scene is illuminated by a street light, creating a bright glow around the pothole. The background shows trees and a dark sky.

Avoiding the Potholes in Healthcare (*Responding to Opportunities*)

Terry White
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Navigating Healthcare

Is there another route I could have taken?



How to Avoid the Potholes

- Overview of some of the challenges
 - Price Variation
 - Quality Variation
 - Over-Utilization
- Examples and Solutions
- Steps employers and plan sponsors can take
- Actions for Hospital Systems

The Price of Excess

“Our research found that wasteful spending in the health system has been calculated at up to \$1.2 trillion of the \$2.2 trillion (54.5%) spent in the United States.

Redundant, inappropriate or unnecessary tests and procedures were identified as the biggest area of excess, followed by inefficient healthcare administration and the cost of care necessitated by conditions such as obesity, which can be considered preventable by lifestyle changes.”

- The Price of Excess
- PricewaterhouseCoopers, 2008

Exploding Healthcare Costs: The issue of our Generation



\$2.5-\$3 Trillion spent each year
Consumes 20%+ of the GNP

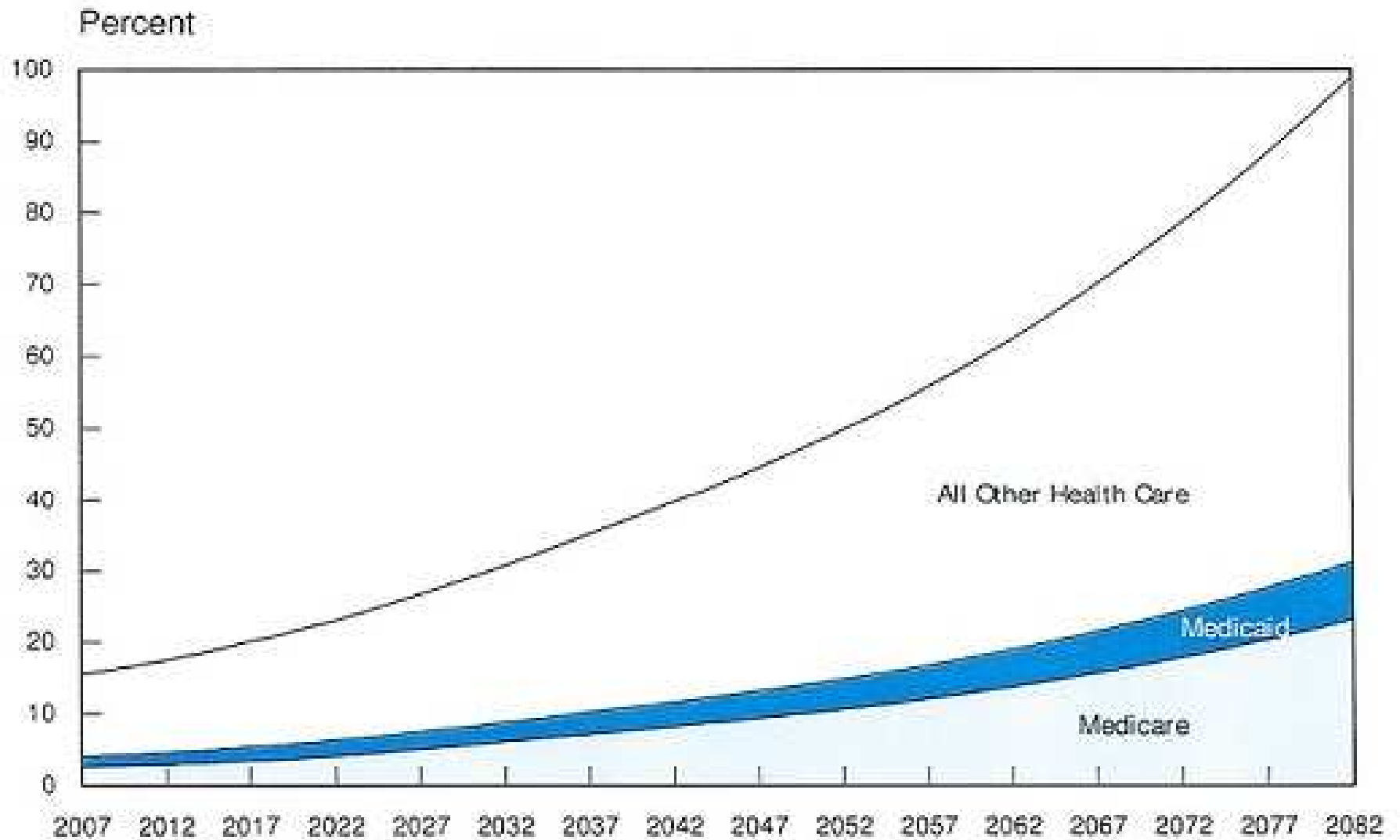
Some Potholes Should be Avoided



Others can be managed...



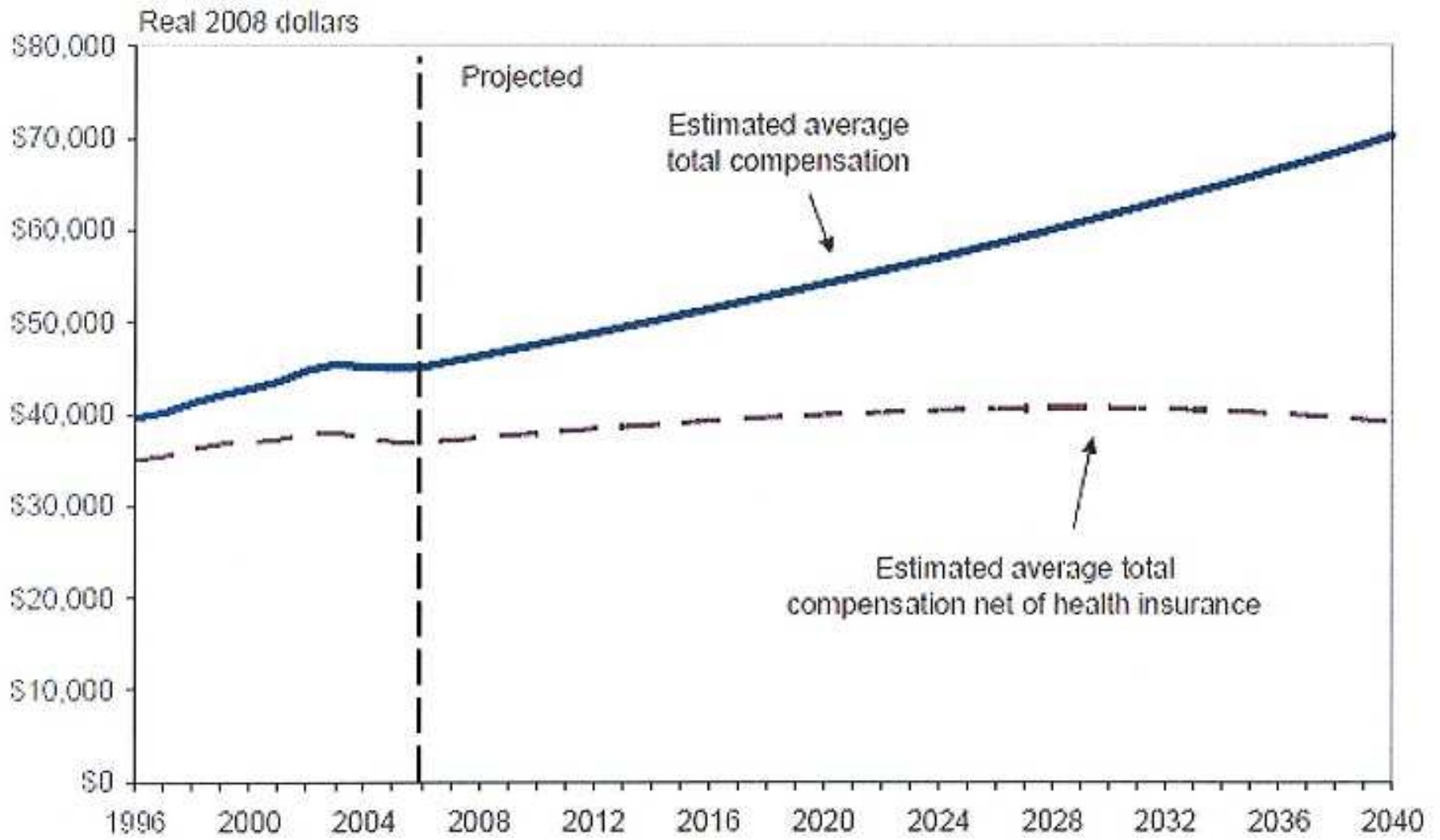
Consumption of the GNP



Shifting the Burden to Employees



Total Comp vs. Comp Net of healthcare



Source: CEA calculations.

The Economic Impact



Impact on Income

In the decade preceding 2009, 79% of all household income growth was siphoned off by health care.

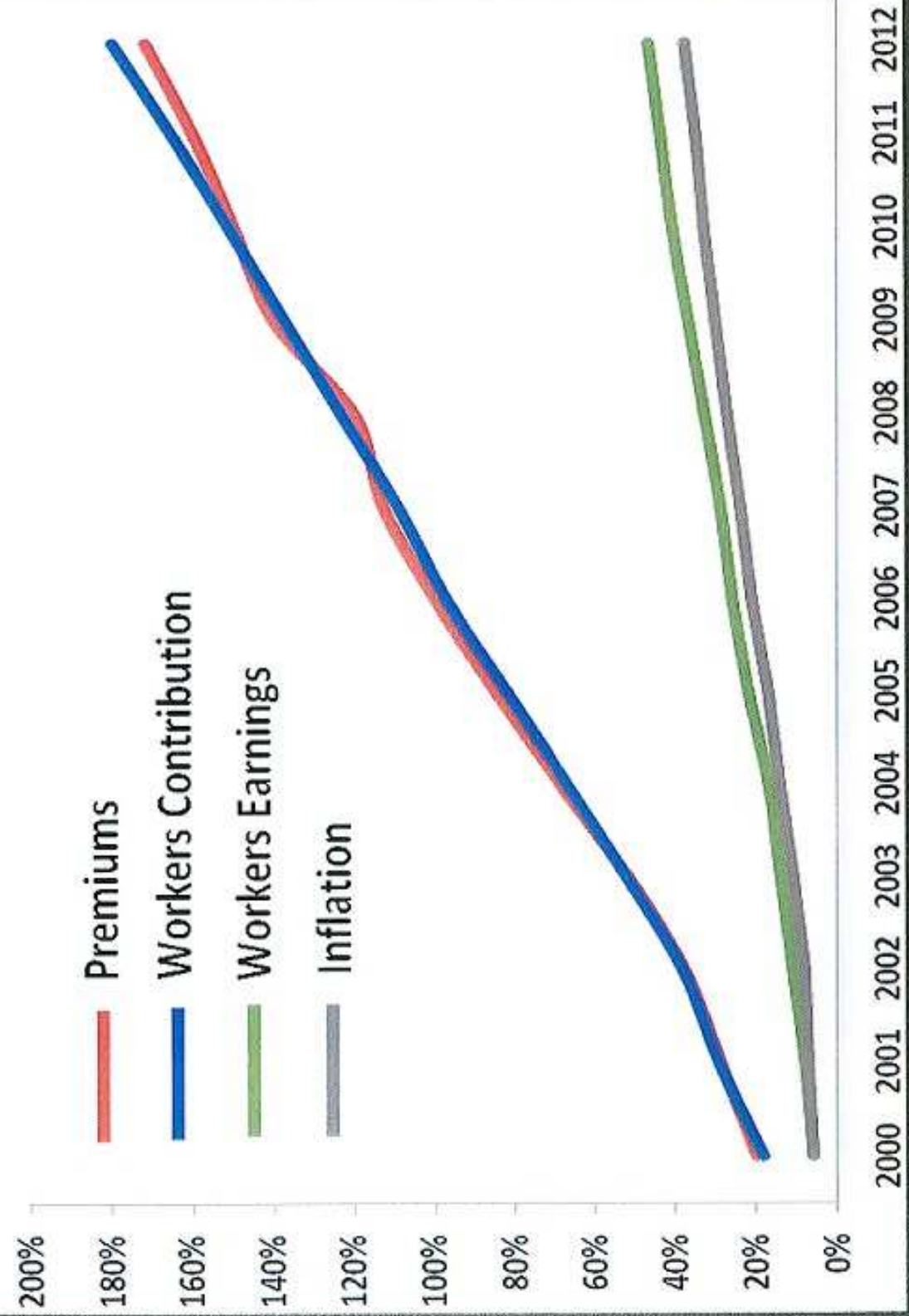
Source: Auerbach DI and Kellermann AL, "A Decade of Health Care Cost Growth Has Wiped Out Real Income Gains for an Average U.S. Family," *Health Affairs*, 30:9, 9/2011.

Tough Choices



“Of course, with the position that has the benefits—medical, dental, et cetera—there is no salary.”

% Increases in Health Insurance Premiums



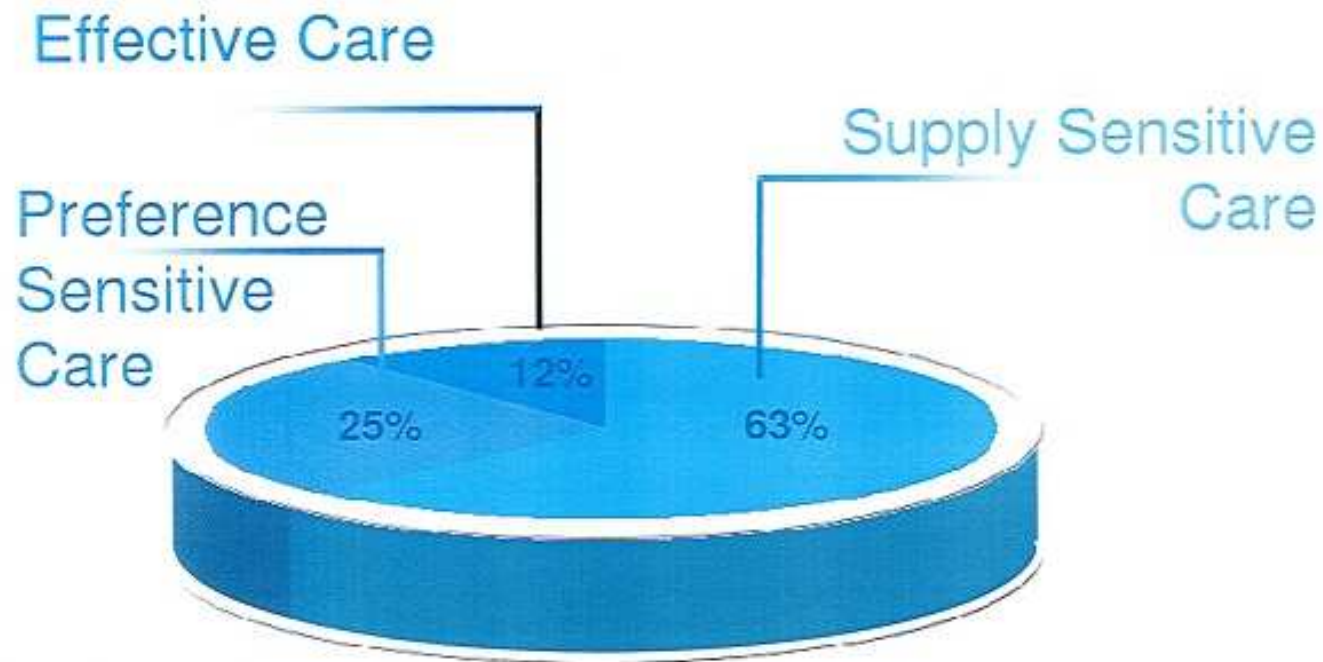
Reduced Coverage



*"The company health plan isn't so bad. If you get hit by a truck...
at least it pays for damage to the truck."*

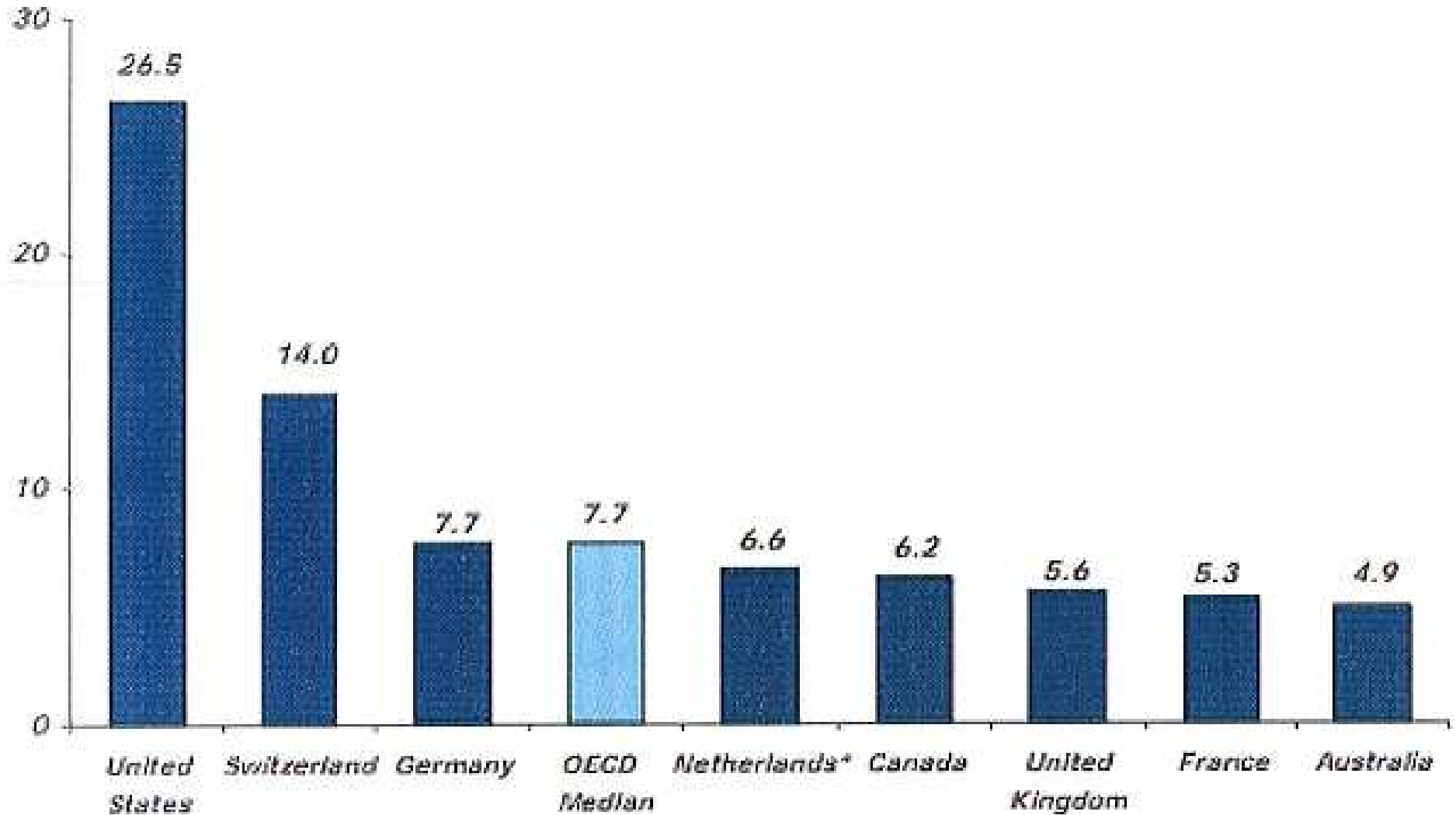
Supply Sensitive Care

Proportion of Medicare Spending Attributed to Each Category of Care

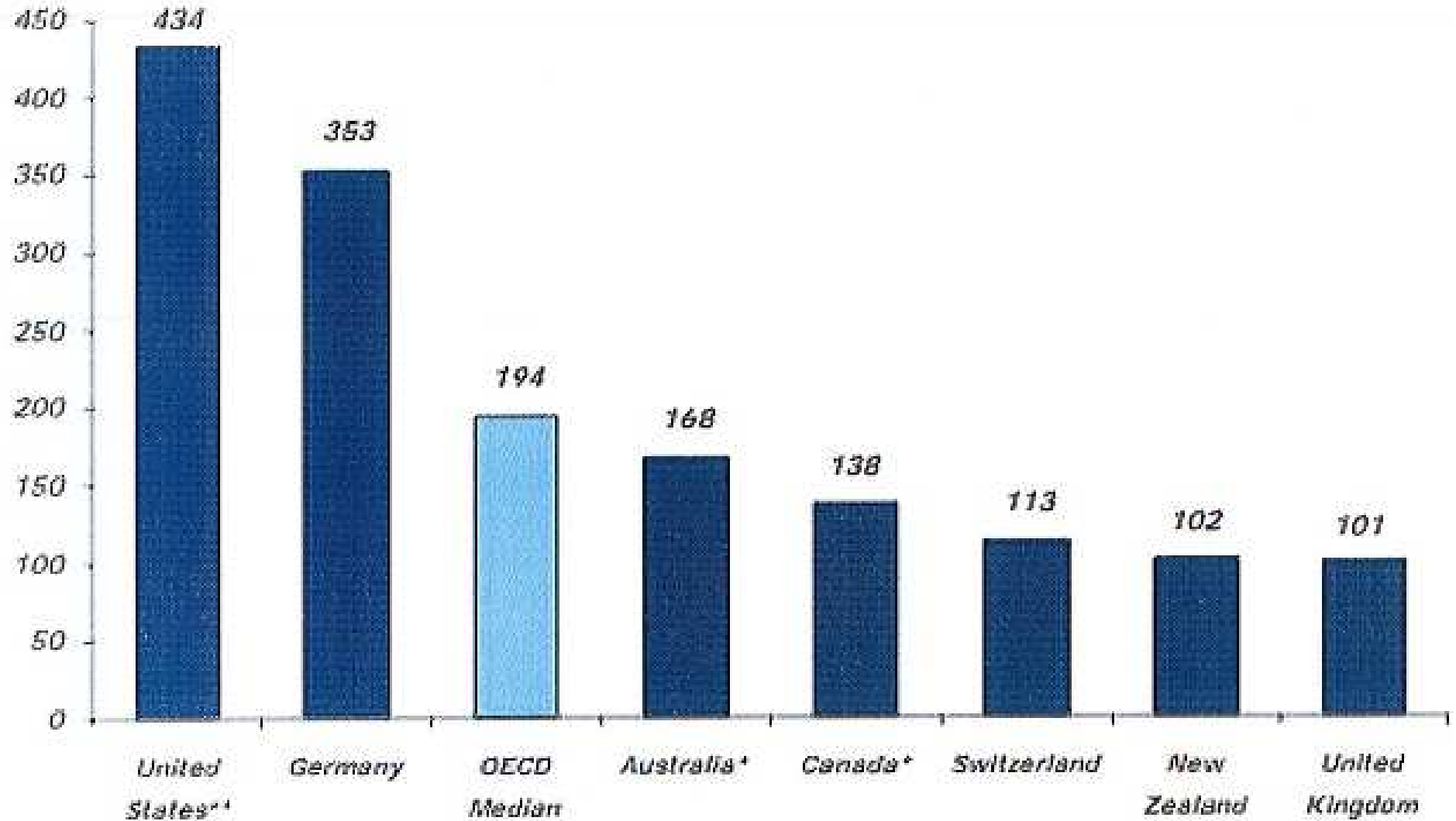


Source: John E. Wennberg and Dartmouth Atlas

MRI per Million Population



PTCA Frequency per Million



Hospital Quality Variation

- Coronary Bypass Surgery
 - Top 10% performing hospitals average 11% complication rate
 - Bottom 10% of hospitals average 59% complication rate
 - Top 20%, mortality rate is less than .5%
 - Bottom 10%, mortality rate is over 7%
- All Surgery In patient cases
 - Top 10% have a complication rate of 1.4%
 - Bottom 10% have a complication rate of 14.9%
 - The average complication generates over \$14,000 in added revenue for hospitals