



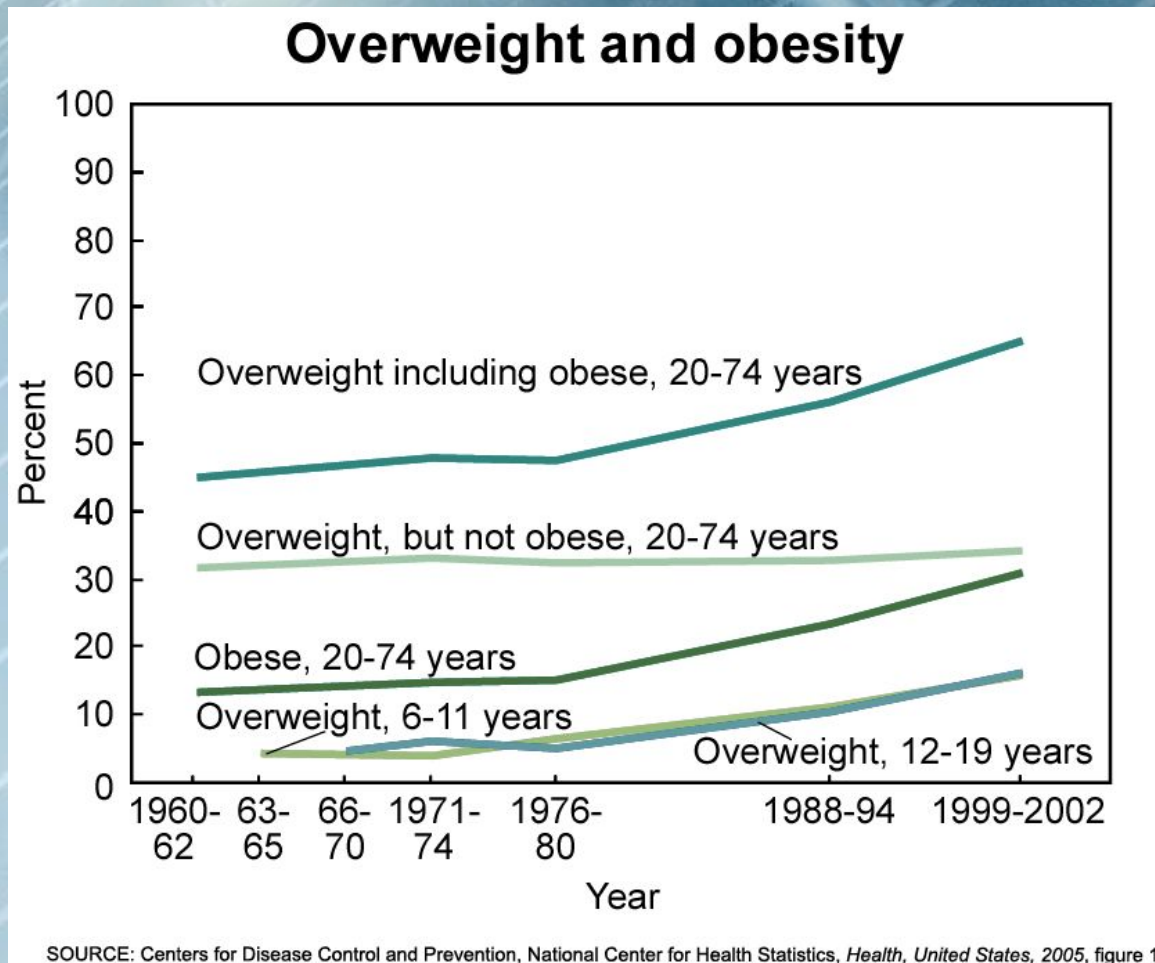
Health Insurance in the United States

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Agenda

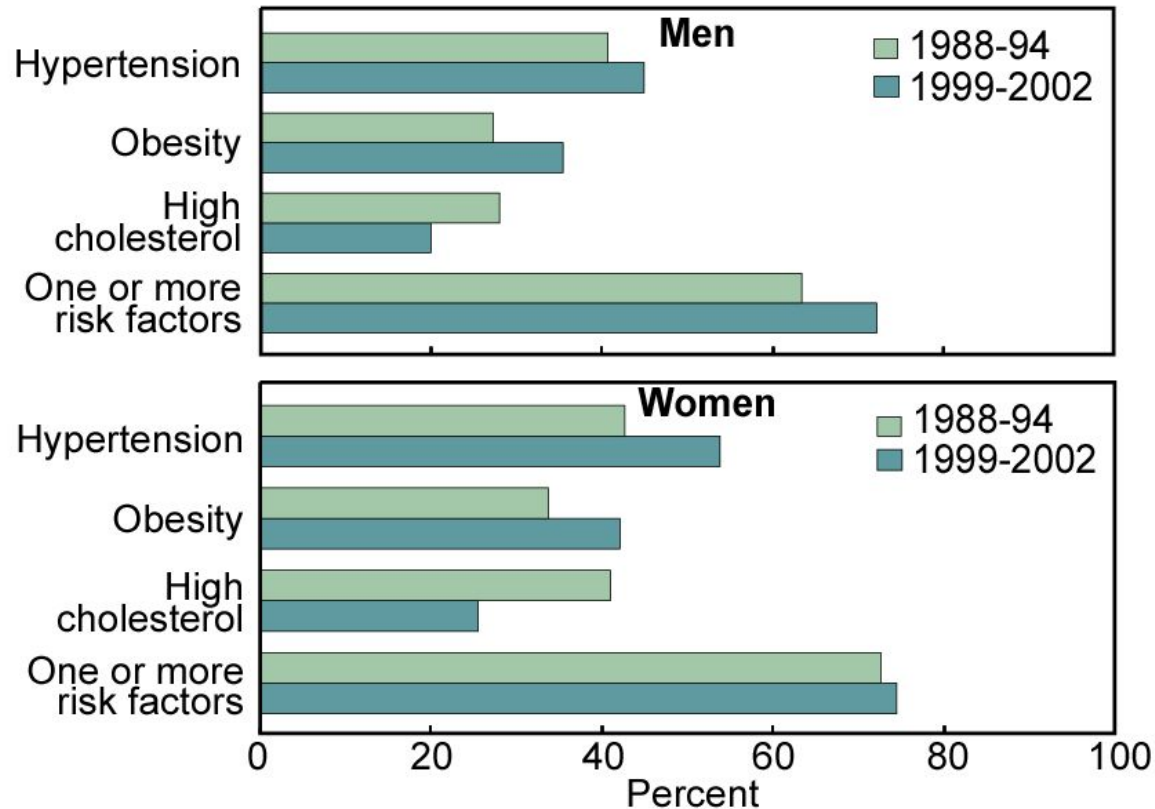
- Current State of Health in US
- US Health Care System
- Types of Health Care
- Current Spending Levels
- Trends in Spending
- Fraud
- Future of Healthcare

Current State of Health in the US



Current State of Health in the US

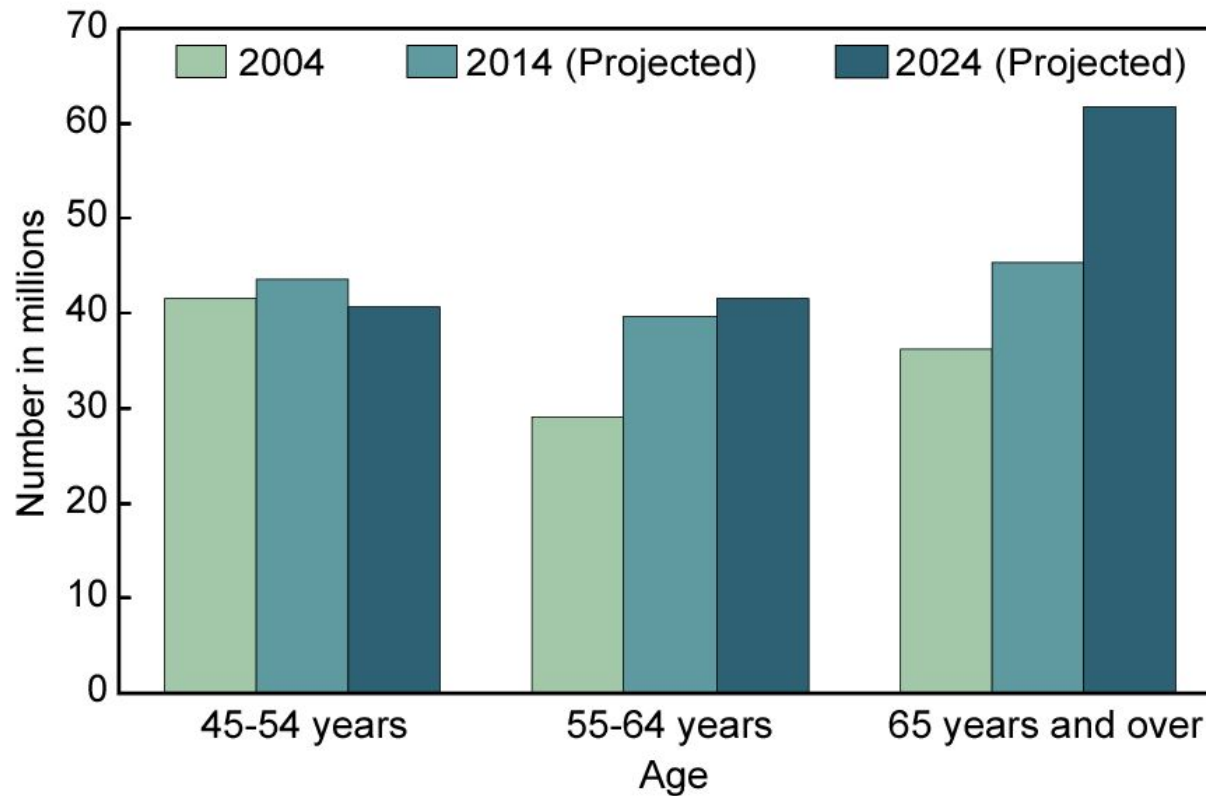
Cardiovascular risk factors, adults 55-64 years



SOURCE: Centers for Disease Control and Prevention, National Center for Health Statistics, *Health, United States, 2005*, figure 34.

United States is Aging

Aging of the population 45 years and over



SOURCE: Centers for Disease Control and Prevention, National Center for Health Statistics, *Health, United States, 2005*, figure 30.

Life Expectancy at Birth

COUNTRY	MALE	FEMALE
Japan	77	83.6
Canada	75.4	81.6
United Kingdom	74.4	79.3
Germany	73.6	79.9
United States	72.7	79.4

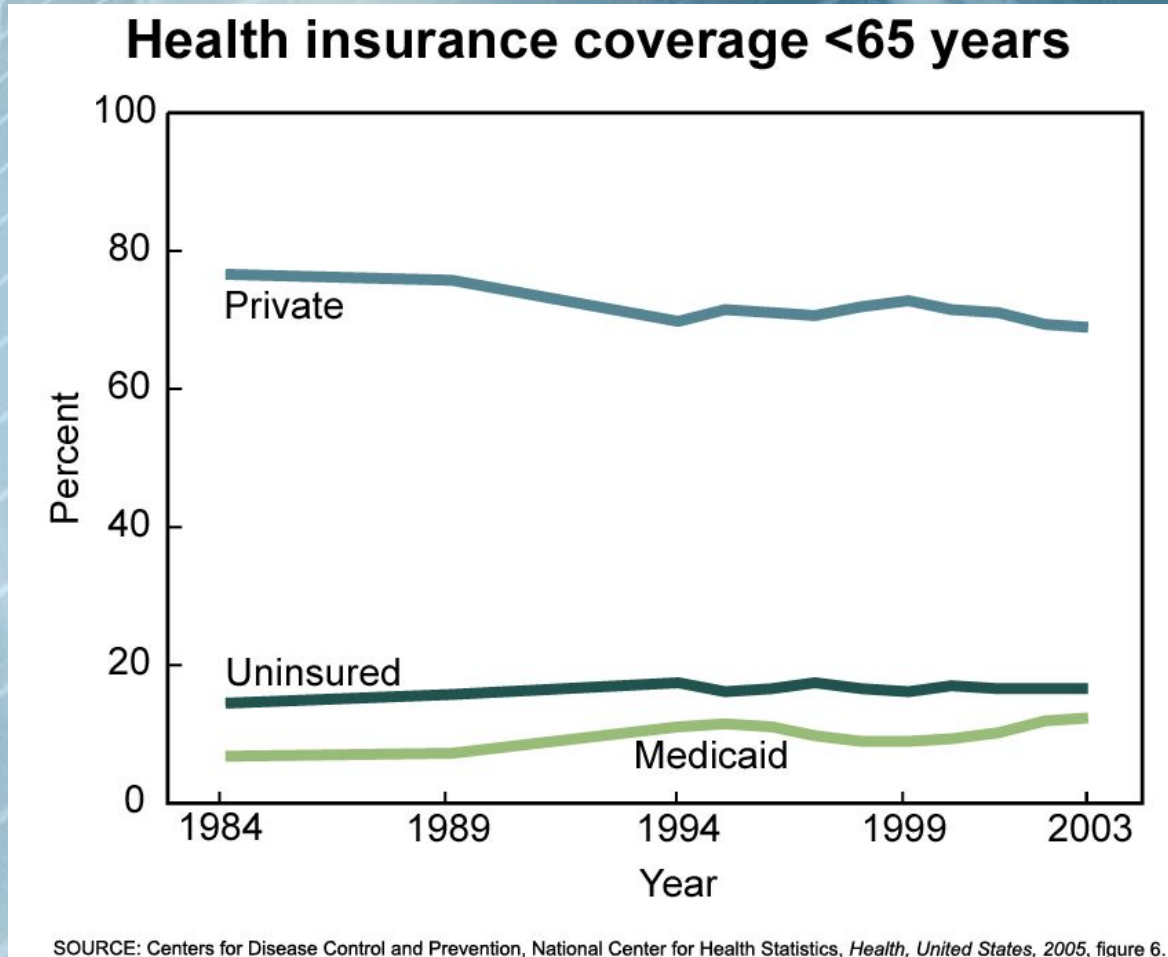
US Health Care System

- United States distinctive in several ways:
 - Much larger portion of GDP spent on health care than other developed countries
 - Majority of global health care innovation is a result of research and development from the United States
 - Formal insurance coverage is not universal in the United States
 - Elderly and poor rely on the government
 - Most others depend on their employers

How is Health Care Provided?

- Public/Social Programs
 - Medicare
 - Medicaid
- Corporate
 - Benefit plans
 - Pensions
- Individual
 - Self employed
- No coverage – pay as you go

Breakdown of Coverage

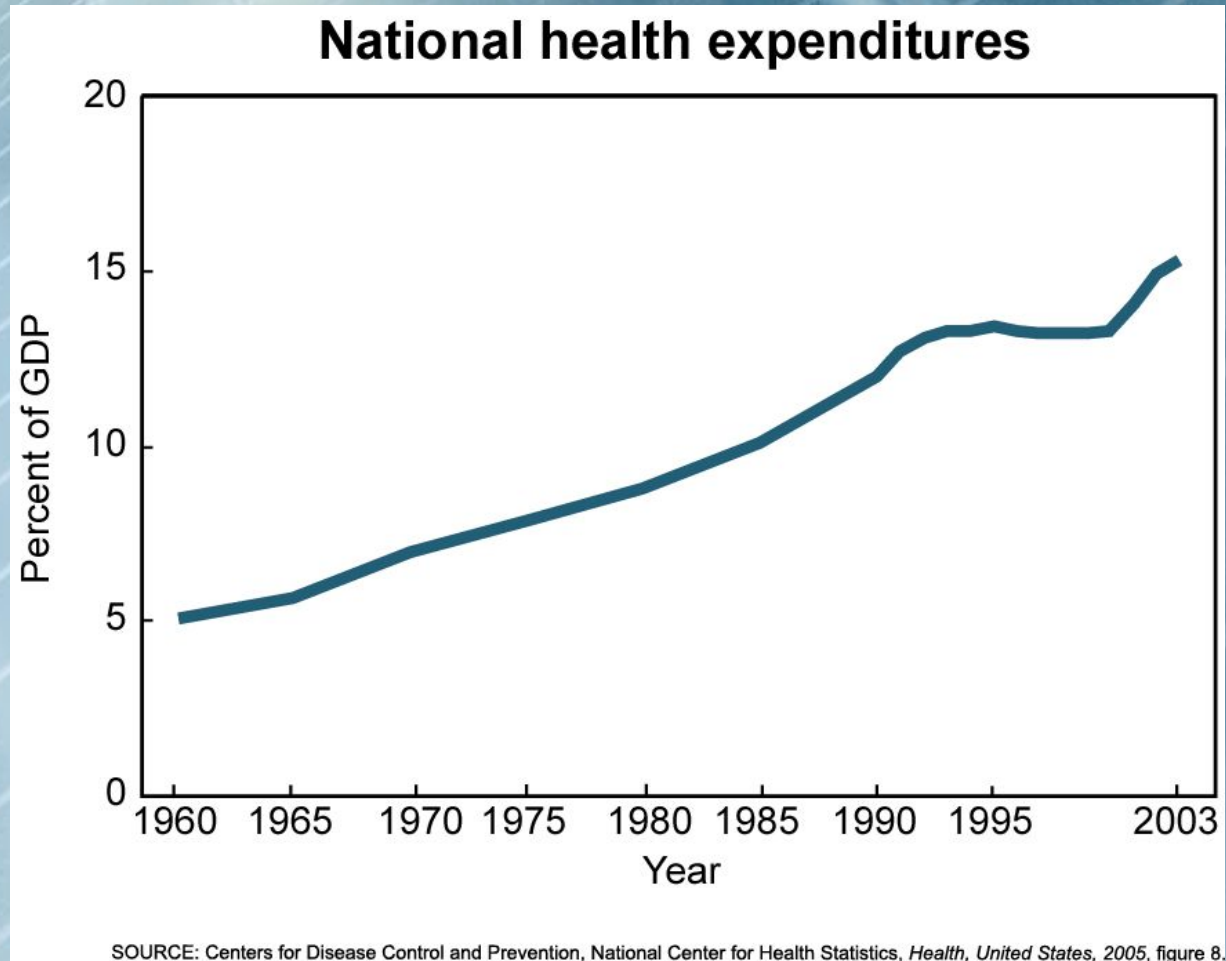


Current Expenditure Levels

- Per Capita Spending (2002)
 - United States: \$5,267 [Highest]
 - Switzerland: \$3,446 [2nd Highest]
 - Global median: \$2,193
- Percent of GDP
 - United States: 14.6%
 - Only two other countries over 10%
 - Germany
 - Switzerland

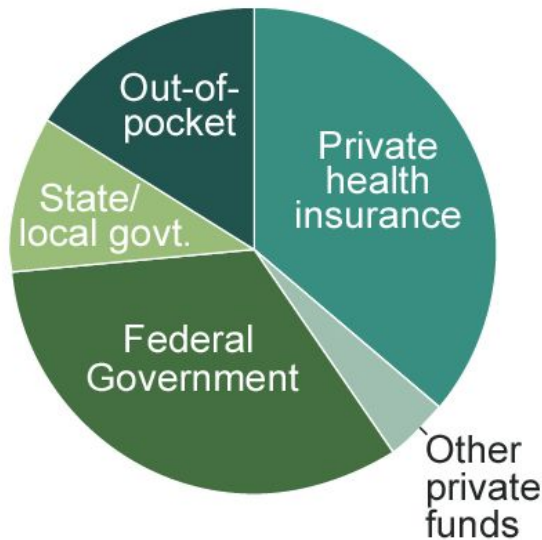
*Source: Anderson, et al, Health Affairs, Jul/Aug 2005, Vol. 24, Issue 4, pg. 903
Professor Jeffrey R. Brown, Employee Benefits.*

Expenditures per GDP

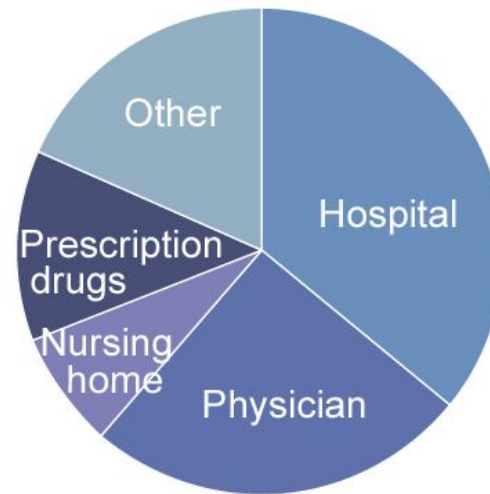


Breakdown of Expenditures

Personal health care expenditures, 2003 Expenditures \$1.4 trillion



Source of funds



Type of expenditures

SOURCE: Centers for Disease Control and Prevention, National Center for Health Statistics, *Health, United States, 2005*, figure 9.

Spending Growth is High

- Health Care spending is growing faster than GDP in most countries
 - United States: Grew from 13% (1992) to 14.6% (2002)
 - Increase is twice the growth of other OECD median
 - Note: Increase occurred during a time when managed care and increase cost sharing were credited for holding spending down in the United States

What causes growth in costs?

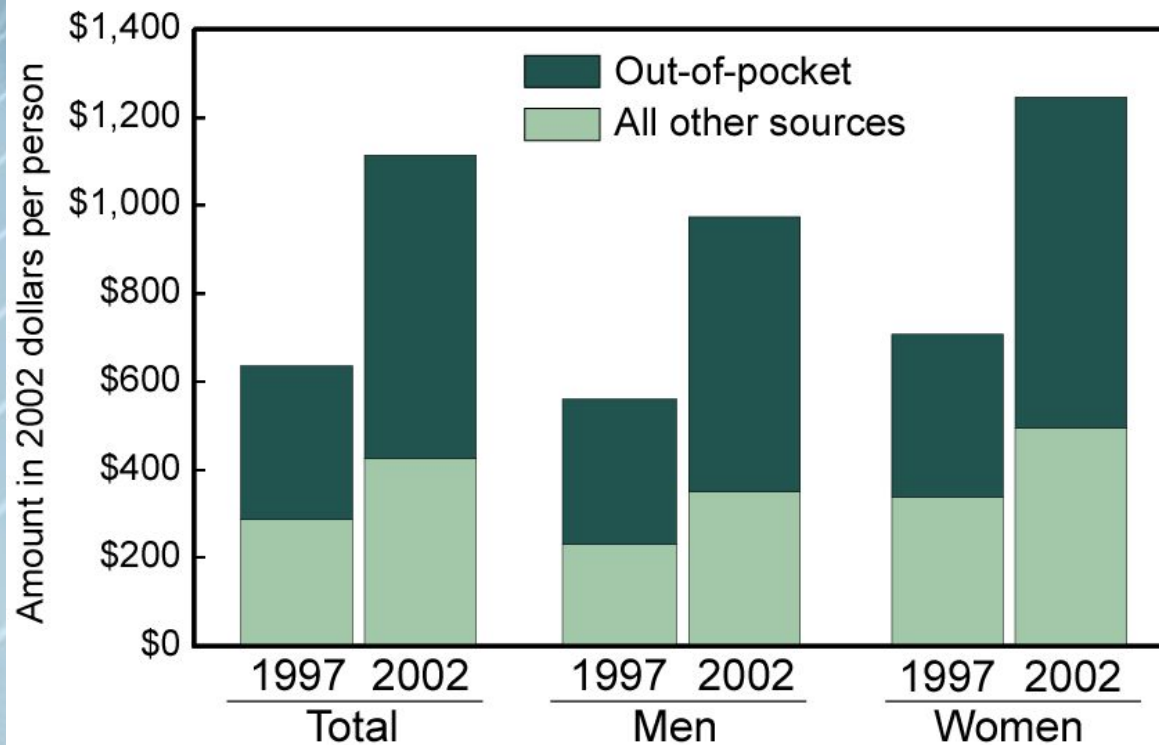
- Technological progress
- Rising income
- Increased third party payments
- Aging population
- More doctors
- More expensive illnesses
- Increasing malpractice awards
- Easy Access

■ Note: Average cost of a day spent in a hospital (2002)

- United States: \$2,434
- Canada: \$870

Prescribed Medicine Expense

**Prescribed medicine expense, adults
55-64 years, 1997 and 2002**



SOURCE: Centers for Disease Control and Prevention, National Center for Health Statistics, *Health, United States, 2005*, figure 37.

Fraud and Abuse

- Fraud increases costs by as much as 15%
- Priority for public and private insurers
- Increasingly complex schemes
- HIPAA Act of 1996
- *Qui Tam*
- Blue Cross / Blue Shield lead the charge
- Considerable investment in IT resources to identify fraud

Who's Responsible ?

- Physicians
- Large publicly traded companies
- Medical equipment dealers
- Laboratories
- Hospitals
- Nursing Homes
- Home health care agencies
- Contract carriers for Medicare and Medicaid
- Pharmacies
- Individual scam artists
- Other unscrupulous, dishonest and generally unpleasant people

Future of Health Care

- US Health care costs could consume up to 20% of GDP by 2010
 - Booming health care industry: West grows old and the East is transformed by exploding middle class
 - Advances continue to expand average life span, driving changes in health care insurance philosophy
- Health care moves out of the hospital

Costs increase, benefits decrease

- Private insurers:
 - Cut costs
 - Aggressively pursue fraud
 - Reduce benefits
 - Increase screening for “high risk” policy holders
- Government:
 - DOJ will step up enforcement
 - Considerable expenditures on IT / technology
- Individuals:
 - Number of uninsured will grow
 - Policies with high deductibles and reduced benefits are becoming popular

Questions?