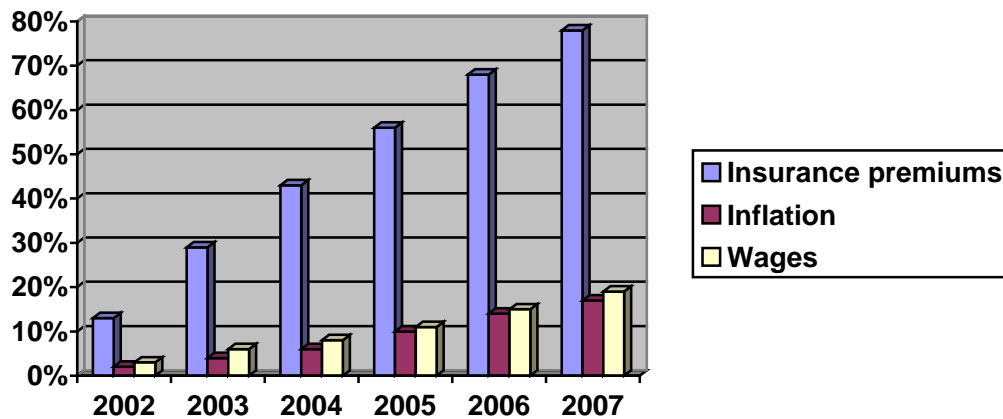


The promise (or threat) of health care reform has been the ever elusive obstacle since at least the Clinton administration. For reasons which are probably too obvious to list, such reform has yet to occur, and the condition of this country's health care system and its citizens continues to deteriorate. The Obama administration is vowing to finally take decisive action to clean up the mess that has become our health care system. However, this partisan promise may be falling on the deaf ears of those who have heard this tune before. Many experts however, now consider our current health care crisis to have finally reached the "breaking point". How can nearly 46 million Americans be uninsured when our country spends more on health care than other industrialized nations?

One reason is the rising cost of health care. The sobering statistics from the National Coalition on Health Care report that in 2007, total health care spending totaled about \$8000 per person (\$2.4 trillion). The total national health expenditure in 2008 rose to 6.9% which was 2.5 times the rate of inflation. U.S. annual medical expenditures are expected to continue their upward trend so that by 2017, we will be spending over \$4 trillion on health care. According to the California Health Care Foundation, our country spends 4.3 times more on health care than on national defense. Much of this rise in cost has been attributed to poor management, inefficiencies, excessive administrative expenses, and inappropriate care within our health care system. But there is plenty of blame to direct elsewhere as well.

The decline in the health of Americans is another contributing factor. The rates of heart disease, diabetes, high blood pressure, and stroke are higher than ever before, and Kentucky ranks among the top of the list of "unhealthy" states. Our country has a growing epidemic of obesity in adults and *now in children*. Type II diabetes and high cholesterol are being diagnosed with increasing frequency in American children. Because our society often demands a quick fix solution, expensive pharmaceutical agents are increasingly prescribed for diseases that lifestyle and behavioral modification could easily resolve in a much more safe and cost effective manner.

No discussion about the rising costs of health care would be complete without mentioning a few words on health insurance. The chart below demonstrates the national trends in insurance rates, wages, and inflation from 2002 through 2007 according to a 2008 report from the Kaiser Family Foundation.



Despite the staggering rise in insurance premiums, the average out-of-pocket patient costs for deductibles and co-payments for medications, physician office visits, and hospital visits has risen 115 percent since 2000. Kentuckians are paying approximately 85 percent more for health insurance premiums than they were in 2000 despite a concomitant rise in wages of only twenty percent. As a result of this dramatic discrepancy, many are forced forego the luxury of health insurance coverage.

As the number of uninsured rises, so does the price tag of health insurance. And who absorbs the medical costs of the uninsured ... **we do**. The insurance companies absolve themselves of any financial liability by passing these expenses on to their policy holders. Over half of a million people in Kentucky lack health insurance and cite expense as their reason. Consequently, insured Kentucky families pay an extra 10% of the average annual premium or approximately an additional \$1000 per year. According to statistics, by 2010, \$951 million will be spent on uncompensated medical care for the uninsured in our state.

American Medical News reports the average health plan premium costs doubled from 1999 to 2008. The annual cost of a family plan in 2008 was approximately \$12,680. Single coverage increased to \$4700 annually. Those who receive health benefits from their workplace can no longer rely on this as a back-up plan for coverage. Premiums for employer-based health insurance have risen as well, and employees have seen a rise in their premium contributions of approximately 12% since 2007. Unfortunately, the higher cost also comes with higher deductibles, fewer out of network benefits, and higher co-payments.

American businesses have also made concessions in employee benefits to accommodate their fastest growing business expense, namely health insurance.

Attempting to reduce costs, larger companies have increased plan deductibles and expect employees to contribute more towards their premiums. Small businesses have less financial leverage than their larger counterparts and cannot weather these increased costs and remain financially sound. In 2008, larger companies saw a rise of 5 percent in premiums while smaller companies' costs rose 6.8%. As a result, a growing number of small businesses have been forced to eliminate health insurance coverage altogether. In fact, only 59% of employers with fewer than 200 employees offer health benefits, down from 68% in 2001.

So...the obvious next question would be "where is all the money going"? While there seems to be no concrete answer, it is curious that the country's two largest health plans, UnitedHealthGroup and WellPoint, together brought in a net income of \$8 billion in 2007. A 2008 report in *AMA News* reported the medial total compensation for the CEO of Wellpoint was \$9.1 million and the CEO of UnitedHealthGroup was \$13.1 million. I will elaborate more on this issue in my next column.