

# Health Cost Containment – What, Why, How

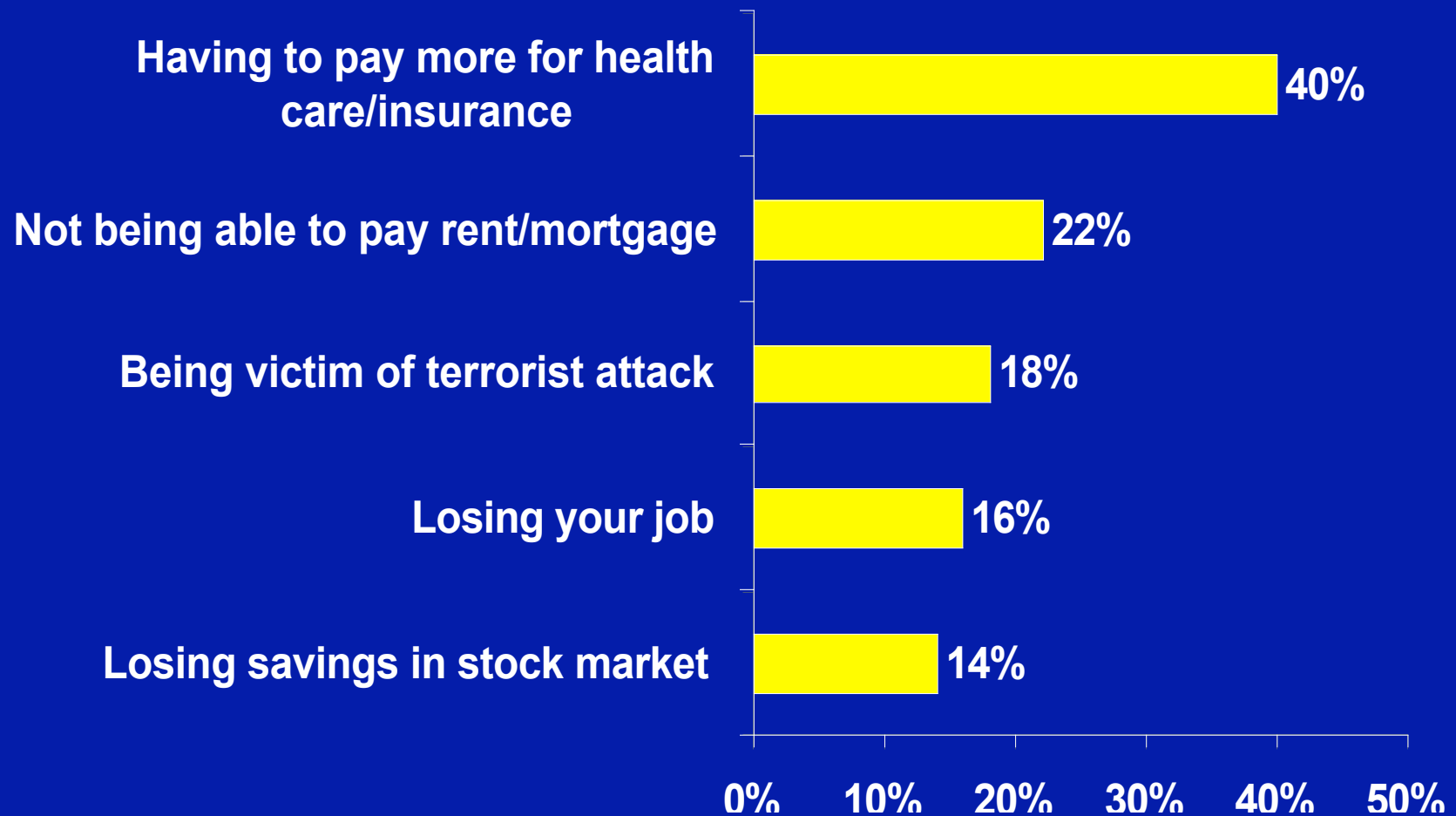
Insure the Uninsured Project  
Conference

February 8, 2006

Larry Levitt  
Vice President, Kaiser Family  
Foundation

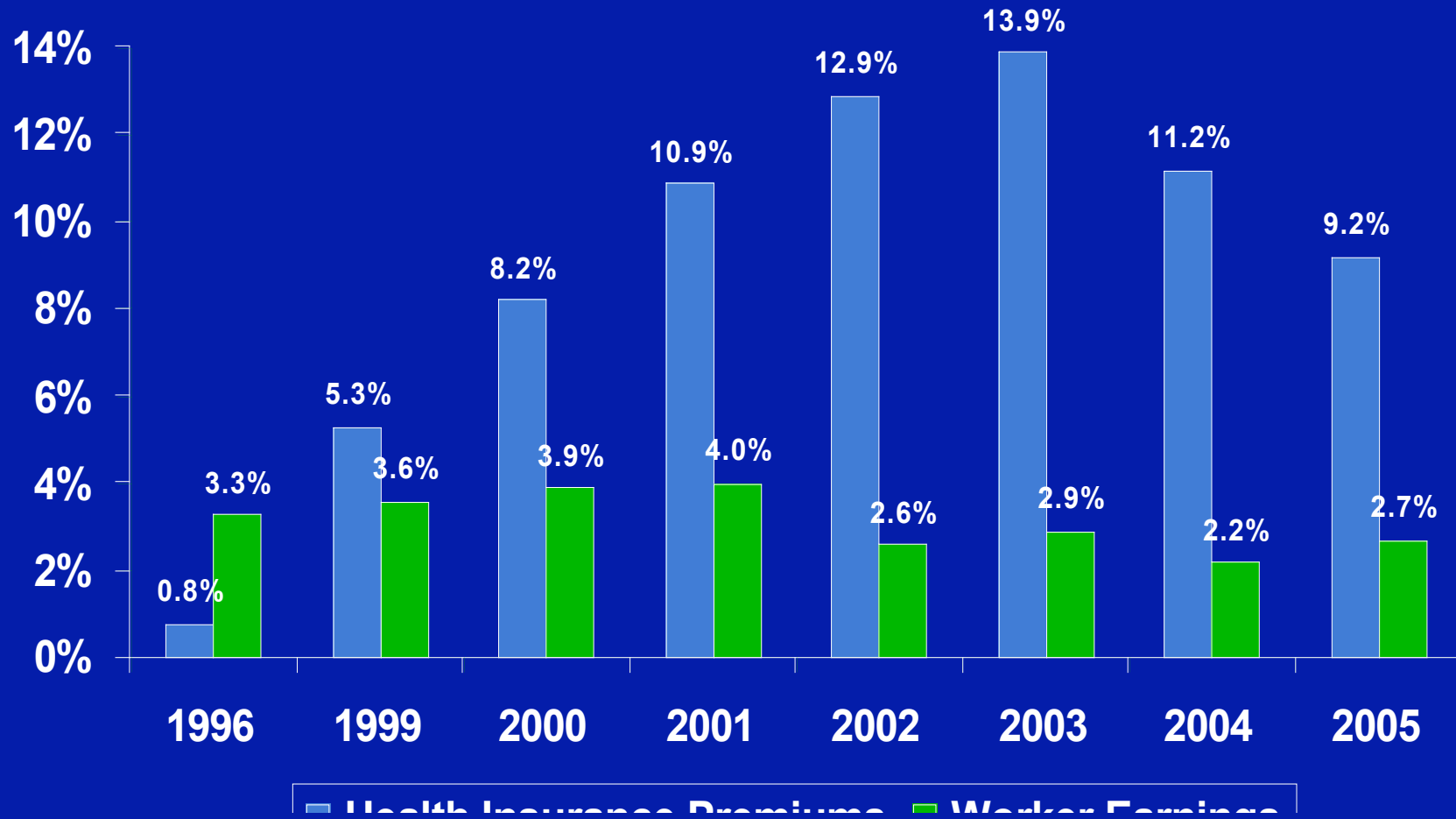
# How Worried Are You About...

% "very worried"



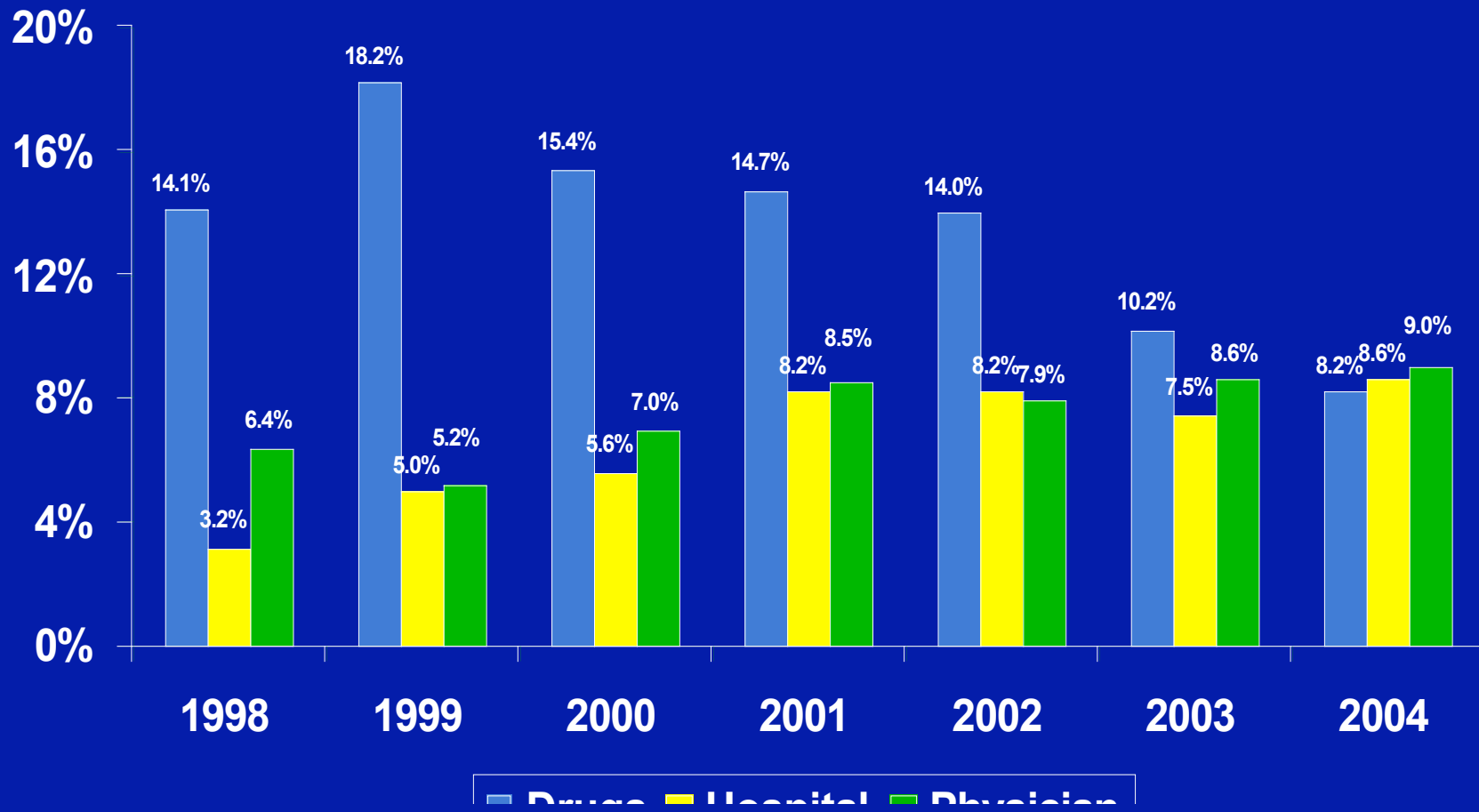
Source: Kaiser Health Poll Report October 2005

# Premium Growth Slows, But Far Outpaces Wages



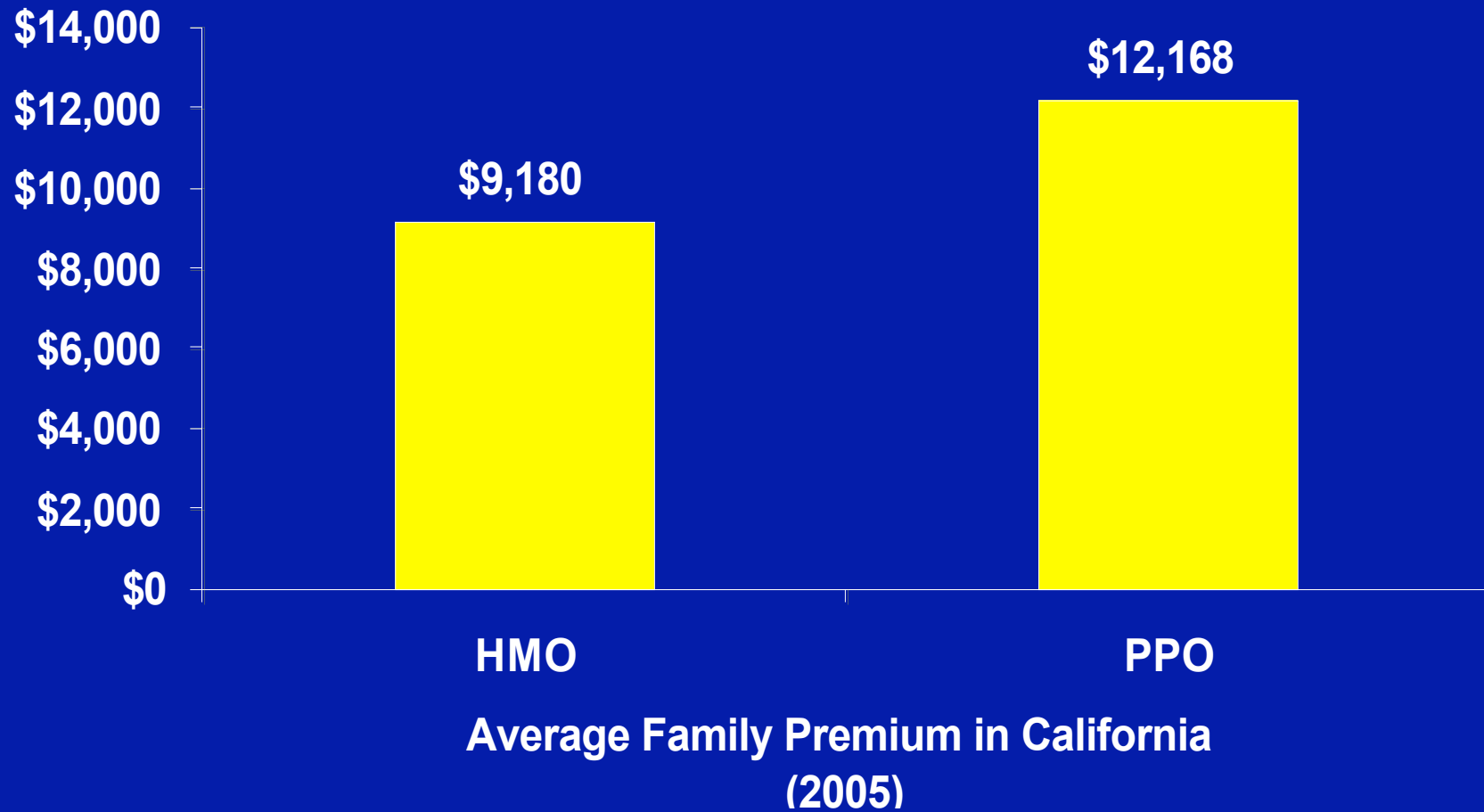
Source: Kaiser/HRET Employer Health Benefits Survey

# Drug Increases Down, Hospital Costs Up



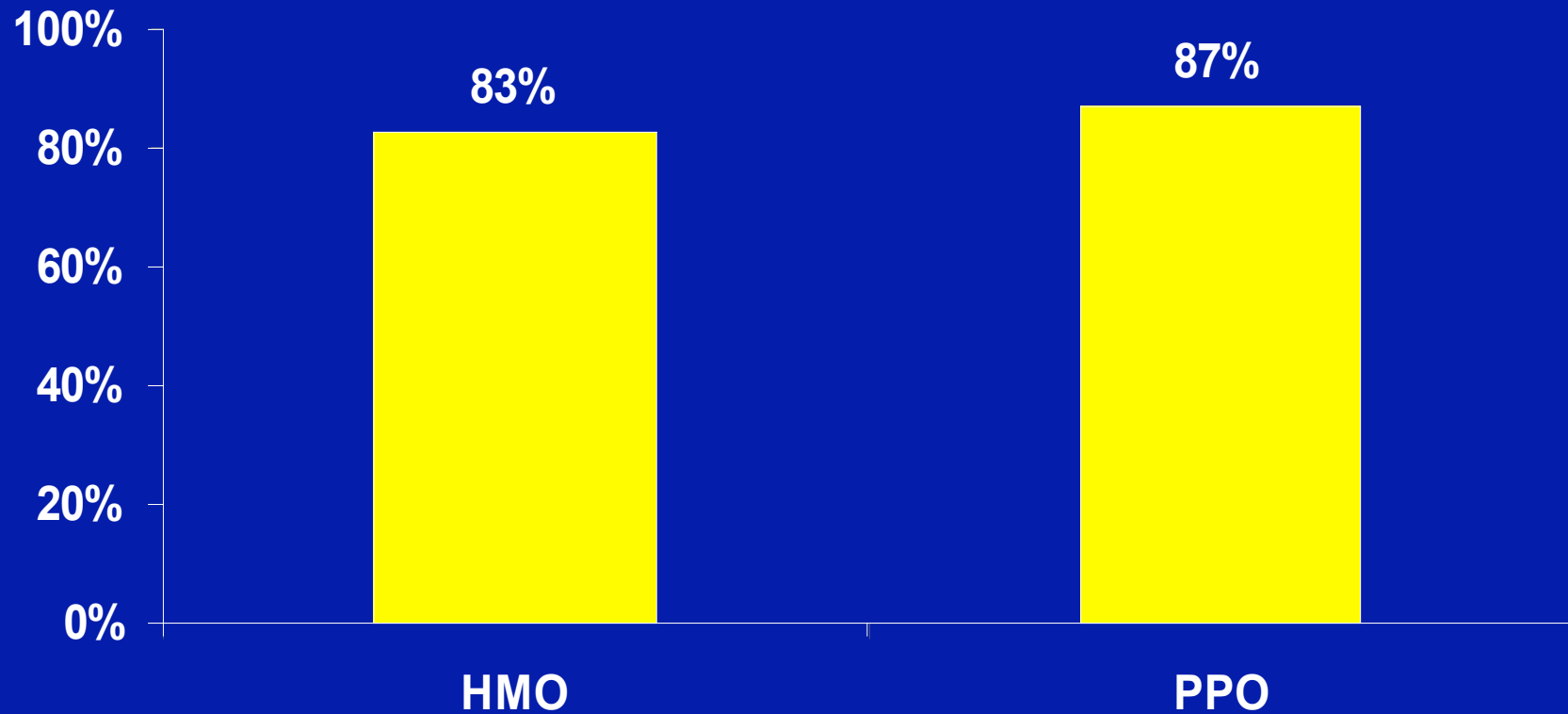
Source: CMS

# HMOs Are Less Expensive Than PPOs...



Source: KFF Calculations Based on CHCF

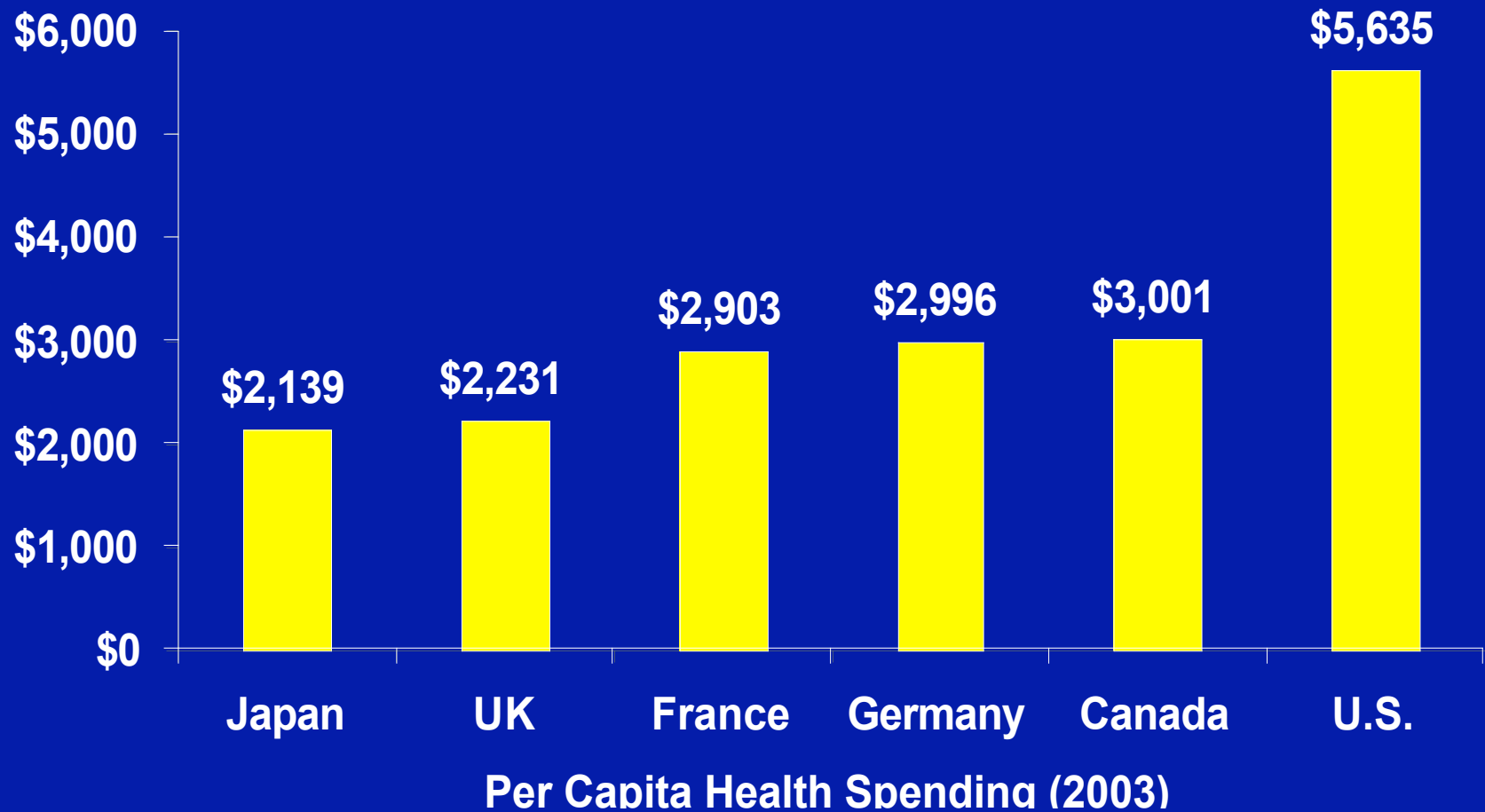
# ...But Costs Are Rising Just As Fast



Growth in Premiums in California  
(1999-2005)

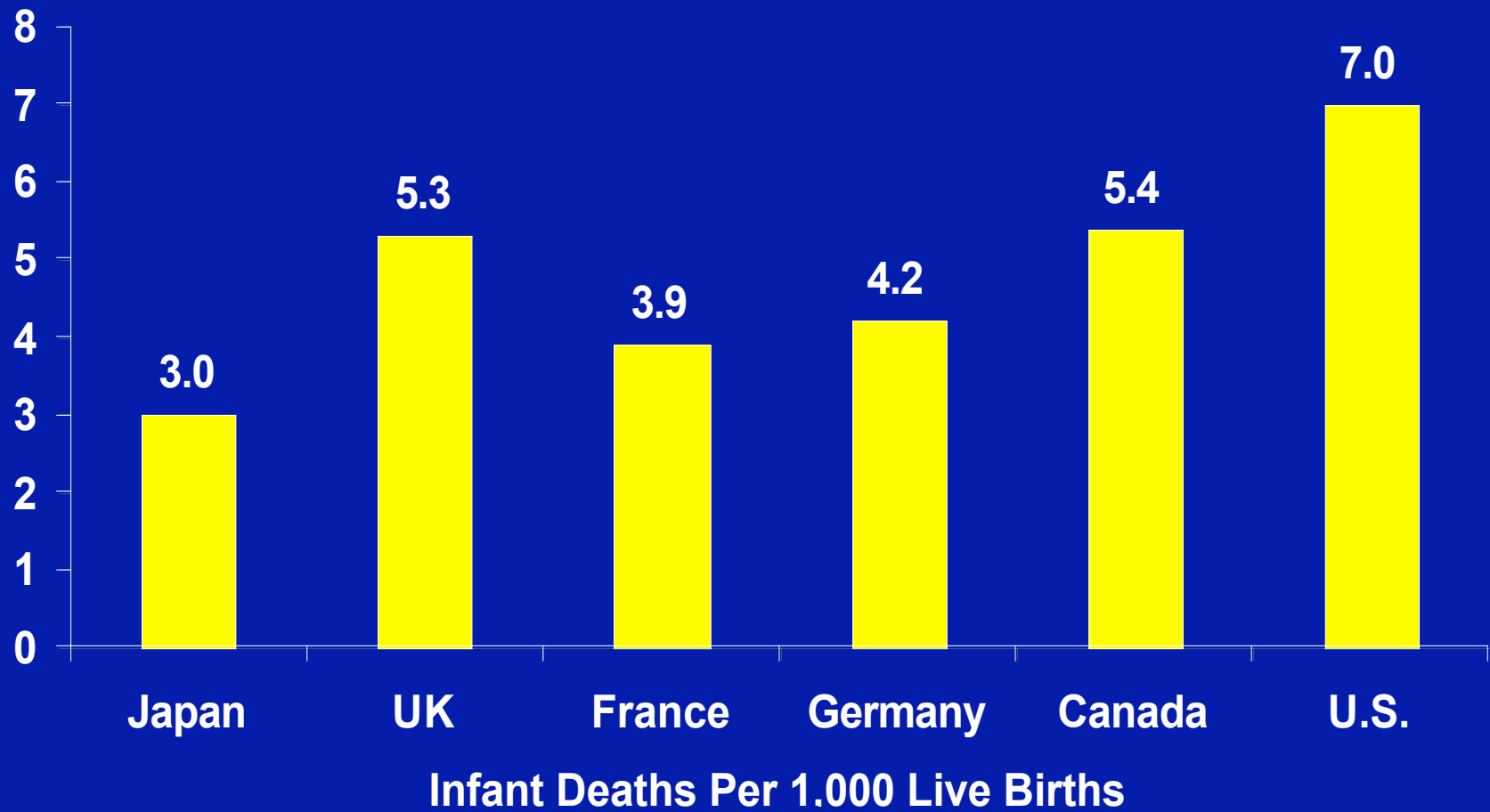
Source: KFF Calculations Based on CHCF

# We Spend Far More Than Anyone Else...



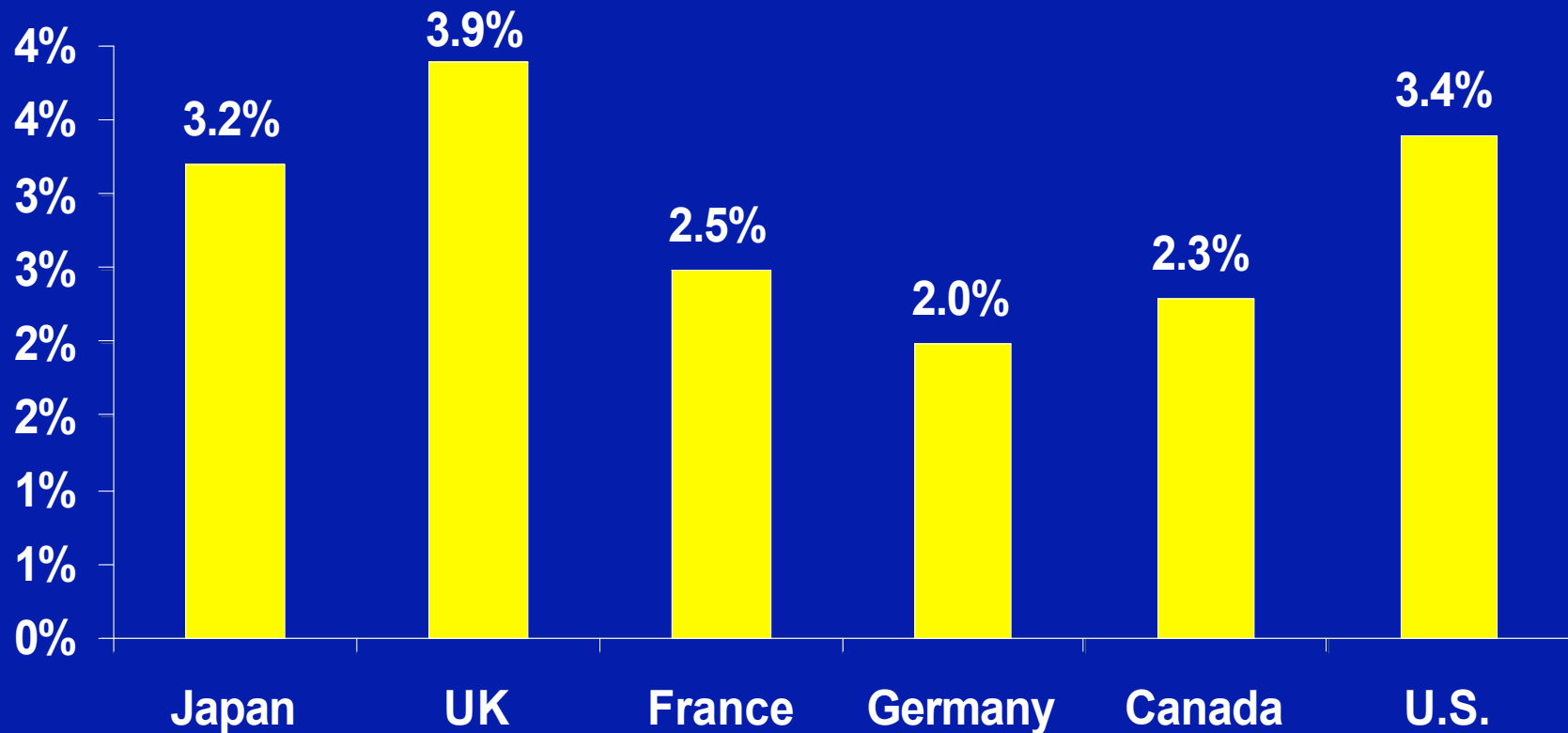
Source: OECD

# ...And Get Less



Source: OECD

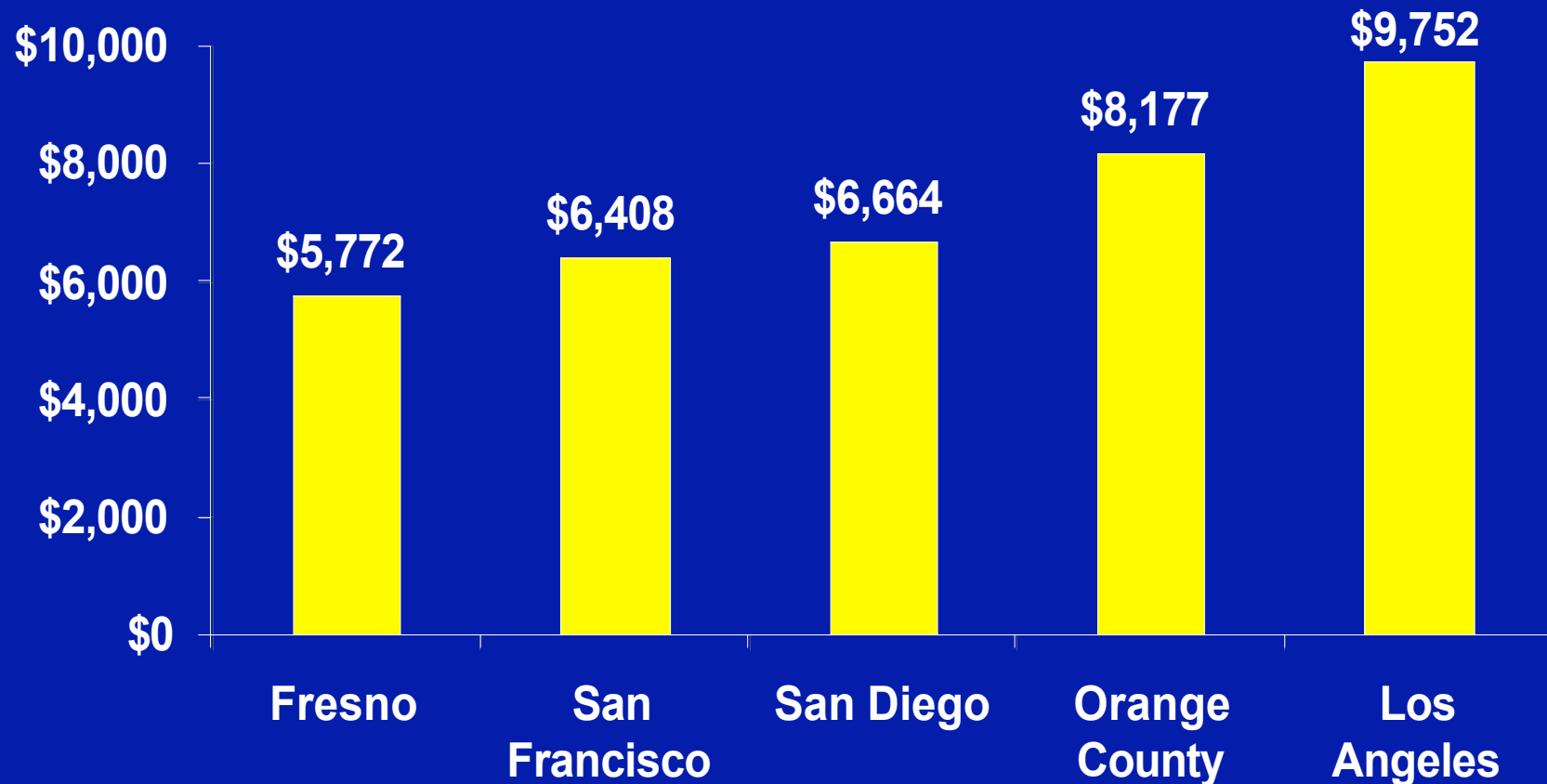
# But Cost Pressures Are Similar Everywhere



Average Annual Growth in Health Costs, Adjusted for Inflation  
(1992-2003)

Source: KFF Calculations Based on OECD

# Big Variations in Practice Patterns Exist Even Within CA



Per Capita Health Spending in Medicare (2003)

Source: Dartmouth Atlas

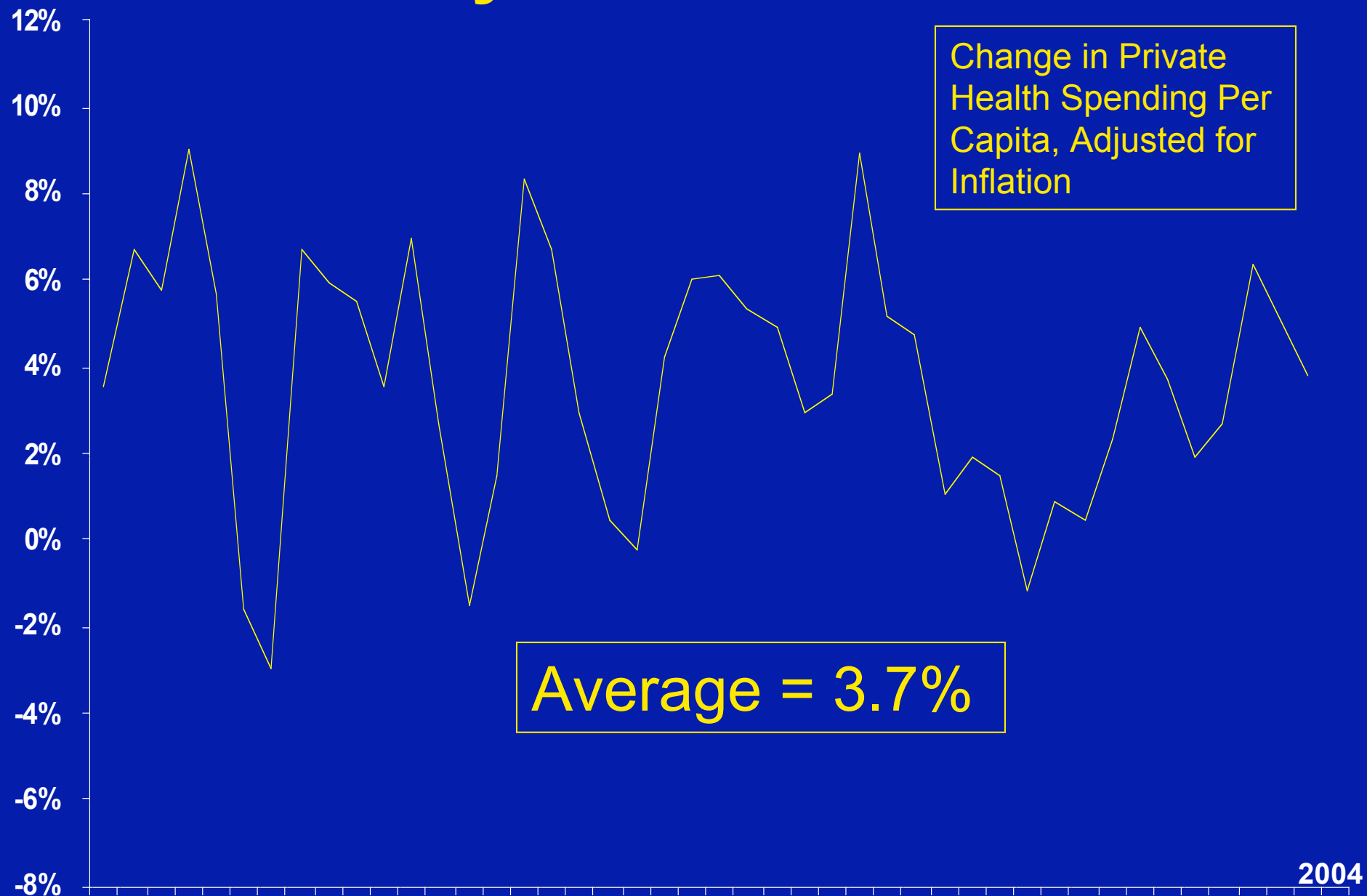
# **Why Does it Matter? *or* How to Squeeze an Average Premium Into a Wal-Mart Associate's Wage?**

Avg Family Premium in CA:	\$10,301
Avg Single Premium in CA:	\$3,853
Minimum Wage (FT, Full Year):	\$14,040
Avg Wal-Mart Wage (FT, Full Year):	\$21,029

# What Can Be Done?

- Higher patient cost sharing, "consumer-driven" plans
- Increased bargaining clout or regulation of price/budgets
- Review of costs and benefits of new technology
- The R-word -- Rationing by the public or private sectors

# Sad History of Cost Containment



Source: KFF analysis of data from CMS, BLS, and BEA. Based on *Health Affairs*, January 2002.