



Health-care costs topped \$2 trillion

By Ricardo Alonso-Zaldivar, Seattle Times (Los Angeles Times), 01/08/08

WASHINGTON — The nation's health-care bill climbed above \$2 trillion in 2006, averaging a record \$7,026 per person, according to a government report released today. The report is likely to intensify debate over curbing costs and covering the nation's 47 million uninsured people. Costs increased 6.7 percent over 2005, according to the report by Medicare's actuaries — only slightly higher than the 6.5 percent rate in 2005. But it was still well above the overall rate of inflation.

"Many people involved in health care will say, 'Hey, wait a minute, 6.7 percent ... things are moderating,' but for average people around the country, they don't see this as moderation," said Ron Pollack, executive director of Families USA, a liberal advocacy group that promotes coverage for all. "People just see that health-care costs are rising faster than their wages." Much of those costs are incurred by the sickest patients. For example, some 10 percent of the population accounts for more than 60 percent of health-care costs.

Democratic and Republican presidential candidates agree on the need to curb costs, but there is little consensus on how. Democrats generally favor giving government a stronger hand; Republicans want to foster greater competition in the health-insurance market and are divided over the role of government. In addition to assessing overall costs, the report found that the federal share of prescription costs increased significantly during the first full year of the Medicare drug benefit while the shares paid by states, private insurance and consumers shrank. In 2005, Medicare paid just 2 percent of the total tab for prescriptions purchased at the retail level. That share grew to 18 percent in 2006.

"What we are seeing here is a blip on a path to the government being a larger and larger payer for health care and, in the long term, being the majority payer," said health economist Jack Rodgers of the consulting company PricewaterhouseCoopers. Federal, state and local governments already pay 47 percent of the nation's health-care costs through public programs. Under current policies, the total government share would creep up to more than half the bill by 2017. The Democratic presidential candidates' plans to expand health-care coverage would accelerate the tipping point to 2011, according to a PricewaterhouseCoopers analysis.

The report did not provide a final verdict on whether the Medicare prescription benefit is a good deal for taxpayers, a topic of intense debate among Democrats and Republicans, as well as for fiscal conservatives. On the negative side, it found that the private insurance plans that provide the prescription benefit were not able to obtain discounts from drug makers as deep as those that state governments got through their Medicaid programs. On the positive side, the report found that senior citizens who previously had to buy medications at list prices are now getting discounts and are buying more prescription drugs. In the long run, greater use of medications could reduce costly hospitalizations among those with chronic conditions such as heart disease and diabetes.