

Health-Care Costs

A Resource for
Employers and Employees

I. Shopping for Services

There is no silver bullet to reduce health-care costs. However, there are actions we can all take to contain costs, and it is up to us to fight back. The best defense is education — understanding where health care costs come from and what we can do about them. Progress will not occur overnight, but it will be a slow and steady process and a cultural shift over the next decade.



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Introduction

Health-Care Costs and What You Can Do

PROBLEM: The cost of health insurance is always a top concern for small and medium-sized businesses, and it is not going away. According to the federal government total spending on health care is forecast to increase at least 5.4 percent annually for the next 10 years. As the cost of insurance spirals upward, employers in many cases have no choice but to shift more costs onto employees and increase the use of high-deductible plans. For the employee, premiums, co-pays, deductibles and out-of-pocket costs may increase. If you do not have a high deductible plan now, you may have one soon. Consider the facts:

"Twenty-eight percent of all covered workers and 45 percent of those in small companies have high-deductible plans with a \$2,000 or higher deductible requirement. Both are significant increases from 2009 when 7 percent in all companies and 16 percent of small company workers had \$2,000 deductible requirements."

— *The Keckley Report, Survey Result: U.S. Employers taking Health Matters into their Own Hands, September 30, 2019*

According to the Internal Revenue Service (IRS), here is what you could pay with a high deductible health plan (HDHP).

- A deductible of at least \$1,400 per individual and \$2,800 per family.
- Total yearly out-of-pocket expenses – including deductibles, copayments and coinsurance – can be up to \$6,900 per individual and \$13,800 per family.

Where does your health insurance premium dollar go?

"America's Health Insurance Plans (AHIP) tapped research firm Milliman to examine 2014-2016 data gathered from commercial health plans – coverage that people get through their jobs or buy on their own in the individual market – to take a closer look at how the premium dollar is spent:

- 23.2 cents – Prescription drugs
- 22.2 cents – Doctors
- 20.2 cents – All other costs at doctors' offices and clinics
- 16.1 cents – Hospital stays
- 4.7 cents – Federal, state, and local taxes."

— *"Where Does Your Health Care Dollar Go? AHIP Has the Answer," May 22, 2018 Business Wire*

We calculated 13.5 cents goes to the insurer and of that 2.3 cents is profit.

SOLUTION: There is no silver bullet to contain health-care costs but there are actions we can take. Nothing will happen overnight. It is a cultural shift that will take place slowly over the next decade.

Here are the five main drivers of health-care costs:

1. Increased utilization due to aging, population growth and social disparities
2. Unit prices for drugs, devices, specialty care and hospitals
3. Volume-based incentives for providers (meaning the more they do the more they get paid)
4. Lack of transparency re: prices, costs, business relationships: and,
5. Consumer ignorance and passivity

— *"Reining in the Costs of Healthcare: Strategic Considerations for Small Businesses," Paul Keckley Ph.D., National Small Business Association, March 20, 2019*

Although employers and employees cannot do much about Nos. 1 - 4, they can act on No. 5. Consumers are ignorant and passive because for years we have been shielded from the true cost of health care by the “third party payer” system, meaning that the insurer pays the bills. That model changes with high-deductible health plans (HDHPs). You pay more of the bill so it is in your best interest to learn where the costs come from and what you can do about them.

The more you know the more you can engage in your own health care. As HDHPs become more common, you will have more decision-making power along with more responsibility and accountability for costs and choices. The best defense is arming yourself with knowledge. There are several key concepts that will make health-care costs easier to understand.

- The health-care marketplace does not operate like other marketplaces. We buy without knowing the price ahead of time.
- More health care is not better health care. Sometimes more is not needed and can be harmful.
- More expensive health care is not better health care. Cost and quality are not related. When we pay more for a product, we expect a better product, but that does not necessarily apply to health care.

Another key concept is that it is up to us to fight back and challenge health-care costs. All the players in the health-care system, including the federal government, are happy with the status quo because it is a cost-plus system. Everyone adds on their cut – for drugs, hospitals, insurers, and physicians – while small and medium-sized businesses end up bearing an inordinate amount of the costs. The U.S. government always pays less than the actual cost of Medicare and Medicaid. Those unpaid costs do not go away. They are shifted onto those in the commercially insured market.

We must educate ourselves about health-care costs so we can make more effective decisions about our own health and do our part to contain health-care costs.

For questions, contact Eileen Anderson, director, Government Relations, SMC/Manufacturer & Business Association at eileenanderson@smc.org.

August 14, 2020

I. Shopping for Services

RESOURCE LINKS FOR CONSUMER EDUCATION & LEARNING ABOUT HEALTH CONDITIONS

Choosing Wisely is an initiative of the American Board of Internal Medicine. Beginning in 2012, national organizations representing medical specialists have asked their members to identify tests or procedures commonly used in their field whose necessity should be questioned and discussed. Their goal is to encourage a national dialogue around avoiding unnecessary medical tests and treatments by promoting conversations between physicians and patients by helping patients choose care that is:

- Supported by evidence
- Not duplicative of other tests or procedures already received
- Free from harm
- Truly necessary

The site is easy to use and navigate and has lots of resources for patients and employers. Here is the suggested starting place: <https://www.choosingwisely.org/>.

>From the Mission tab click the link titled “**Things Providers and Patients Should Question.**” There you will find complete lists of recommendations by different medical societies. For example, by clicking the society name The American Society of Family Physicians, you can read about “**Twenty Things Physicians and Patients Should Question.**”

>Next from the Mission tab click the link titled “**Patient-Friendly Materials.**” The materials listed were developed in partnership with medical specialty societies to help patients engage their health-care provider in conversation and empower them to ask questions about what tests and procedures are right for them and what may be unnecessary.

For instance, <http://www.choosingwisely.org/patient-resources/lower-back-pain/> “Treating Lower Back Pain” has information about the condition on the website and a PDF download.

How Choosing Wisely Helps Employers

The resources can help employers educate their employees about avoiding overtreatment and how to engage in conversations about appropriate care with their physician.

<https://www.choosingwisely.org/how-can-i-implement-choosing-wisely-in-my-workplace/>

Learning More About Health

These sites are organized differently than Choosing Wisely and make for interesting browsing. Each organization is renowned for their expert care and world-class facilities. Their sites cover symptoms, diseases, conditions, tests and procedures, drugs and supplements, and healthy lifestyles.

- <https://www.hopkinsmedicine.org/health/>
- <https://www.mayoclinic.org/>
- <https://my.clevelandclinic.org/>

RESOURCE LINKS FOR CONSUMER EDUCATION & SHOPPING FOR SERVICES

The first step is to check your insurance carrier's website for shopping tools. The tools available vary by carrier.

Get the right care at the right time and the right place. The three services that may save you time and cost less at different providers:

- **Blood tests** – try an independent lab instead of the hospital.
- **Imaging tests** such as X-rays, CT scan, MRI, ultrasound or nuclear medicine scan – try an independent imaging center instead of the hospital
- **Urgent care centers** – Use an urgent care center if you have a non-life-threatening emergency. They treat injuries or illnesses requiring immediate care but not serious enough to require an emergency room visit. Examples include broken bones, sprains, cuts, asthma, dehydration etc.
OR
- **Emergency rooms** – Use the emergency room if you have life-threatening symptoms like difficulty breathing, shortness of breath, chest or upper abdominal pain or pressure, fainting, sudden dizziness etc.
OR
- **New retail clinics** – Some states now have health-care walk-in clinics available inside retail stores. Check your insurance coverage first. Offerings may include primary care, optometry, counseling, audiology, fitness, nutrition, X-ray, dental, lab services and pharmacy all under one roof. They often have pricing lists. Some examples include CVS, Walmart and Walgreens.

Why should you shop for services?

"The negotiated rates that insurers pay hospitals and other health-care providers often vary widely. In Ohio, the average price of a pregnancy ultrasound in Cleveland was \$522, almost three times the \$183 charged in Canton, Ohio, just 60 miles away according to a 2016 study in Health Affairs. These negotiated rates are typically closely held secrets, often shielded by contractual gag clauses."

— *The Wall Street Journal, "Hospitals, Insurers Set to Resist Price Transparency Proposal,"
Stephanie Armour and Anna Wilde Mathews, March 11, 2019.*

Shopping for Procedures – HealthCare Bluebook** <http://www.healthcarebluebook.com/>

This site has an explanation of transparency and lets you try a free tool that allows you to see the range of pricing for many procedures. For instance, a search based on zip code and a bilateral digital screening mammogram resulted in a price range of \$171 to \$903 or higher with a fair price of \$230 including the physician and technician. A phone app is also available. Searches can be done on hospitals, physicians, x-rays and imaging, labs and dental etc.

A search for a prescription drug, metformin, yielded three prices at three locations. With the free tool, you can search for drug prices that in some cases links to **GoodRX** for discounts.

Doctor and facility names are not available with the free tool.

Employers can join for a fee and have access to much more detail.

Shopping for Drugs

GoodRX Discount Drug Coupons** <http://www.goodrx.com/>

The coupons cannot be combined with health insurance, Medicare or Medicaid but they can be used in place of insurance for example, when the discounted drug is cheaper than your co-pay.

This site features shopping for prescriptions by store and cost and has coupons for a discounted price. No membership or signup is required. Try entering your existing prescription with number of tablets and milligrams. They claim they can do the following:

- Collect and compare prices for every FDA-approved prescription drug at more than 70,000 U.S. pharmacies.
- Find coupons to use at the pharmacy; and,
- Show the lowest price at each of the pharmacies near you.

***Note: We would like to hear about your experiences with **HealthCare Bluebook** and **GoodRX**. This information was taken from several online sources but not our own experience. Contact Eileenanderson@smc.org*

Assistance from pharmaceutical companies — Patient assistance programs are run by some pharmaceutical companies to provide free medications to people who cannot afford to buy their medicine.

Rxassist Patient Assistance Program Center — <https://www.rxassist.org>

RxAssist helps patients learn about ways to use pharmaceutical company programs and other resources to help reduce medication costs. Explore the Patient Center at <https://www.rxassist.org/patients>

RxAssist offers a comprehensive database of these patient assistance programs and a FAQ (frequently asked questions).

Shopping for Providers – CMS Open Payments Data

- <https://openpaymentsdata.cms.gov/>
- <https://openpaymentsdata.cms.gov/search/physicians/by-name-and-location>
On this site, you can see if your doctor has received any money or gifts from drug companies and equipment makers.

PENNSYLVANIA HEALTH CARE COST CONTAINMENT COUNCIL (PHC4)

The Pennsylvania Health Care Cost Containment Council – A Trusted Independent Health Care Data Resource at <http://www.phc4.org>.

What is PHC4?

- PHC4 is an independent state agency charged with collecting data from PA hospitals and ambulatory surgery centers — data that is essential to understanding health-care quality and costs.
- PHC4 is governed by a 25-member board of directors representing business, labor, consumers, health-care providers, insurers and state government.

What does PHC4 do?

- Visitors to PHC4's website download more than 800,000 copies of health-care quality/cost reports each year.
- PHC4 informs the public of important trends in health care. Recent examples include increases in hospitalizations for opioid overdose and substance-related admissions for new mothers and babies.
- PHC4 provides data to state government to meet statutory, regulatory and grant obligations. Last fiscal year alone, PHC4 filled data requests from fellow state agencies valued at \$135,000. PHC4 also provides data to many of PA's top universities to help them pursue critical academic research goals.

Why is PHC4 Important? PHC4's Public Reporting Saves Lives and Health-Care Costs

- PHC4's reporting of opioid overdoses has shed important light on dramatic increases in hospital admissions for overdose of heroin and pain medicine among PA adults, new moms and newborns.
- PHC4's public reporting has been associated with lower mortality rates when compared to other states (*American Journal of Medical Quality, 2008; Medical Care, 2003*). Further analyses estimated that PHC4's public reporting in six treatment categories prevented 1,500 deaths in one year.
- Lehigh University researchers recently found that PHC4's online reporting of heart surgery data led hospitals to commit additional resources to saving more patient lives — and achieved an 8 to 10-percent reduction in patient mortality.
- Overall mortality rates in PA hospitals dropped from above to well below national averages between 1998 and 2017. PHC4 estimated a savings of 72,000 lives and \$2.8 billion in hospital charges could be attributed to this trend.
- Between 2012 and 2017, mortality rates in Pennsylvania hospitals decreased significantly in 12 of 15 major illness categories studied in PHC4's Hospital Performance Report.
- In part due to PHC4's public reporting, mortality rates for heart bypass patients have dropped more than 50 percent since reporting began in 1992.

Shopping on PHC4 website

Under the Reports Tab, you can link to Common Procedures and see hospital results for knee replacements, hip replacements, spinal fusion and others. Results are organized by hospital and show number of procedures performed, complications and average hospital charge. See <http://www.phc4.org/reports/commonprocedures/18/>

CARES Act Expands FSA and HRA Eligible Items

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) passed by Congress on March 27, 2020 expanded the list of eligible items that can be purchased from medical flexible spending accounts (FSAs) and health reimbursement arrangement accounts (HRAs).

Over-the-Counter (OTC) Medicines – Previously, these OTC medicines listed below were only eligible from FSAs and HRAs if a medical provider wrote a prescription.

- Allergy medicine
- Antacids
- Antibiotic products
- Anti-diarrhea medicine
- Cold/cough/flu medicines

- Cold sore remedies
- Cough drops/throat lozenges
- First aid cream/Neosporin
- Headache medicines
- Laxatives
- Motion sickness pills
- Pain relievers
- Visine and other eye products
- Sinus medications
- Smoking cessation
- Special diaper rash ointment
- Wart remover treatments
- Menstrual care products

What is an FSA?

A flexible spending account is a special account you put money into that you use to pay for certain out-of-pocket health care costs. You do not pay taxes on this money. This means you will save an amount equal to the taxes you would have paid on the money you set aside. Employers may make contributions to your FSA, but it is not a requirement. There is a limit to how much of the unused funds can be rolled over into the next year.

What is an HRA?

A health reimbursement arrangement is an employer-funded account that helps employees pay for qualified medical expenses not covered by their health plans. Your employer sets aside a fixed amount of money in your HRA each year for you to use. Only your employer can put money into your HRA unlike other health spending accounts. The money is available to you at the beginning of the year and, based on your employer's plan, unused funds may roll over into the next year.

MEDICAL WASTE AND OVERTREATMENT – USE YOUR CHOOSING WISELY WALLET CARDS!

What is medical waste?

Health care is big business in the United States, with costs approaching 18 percent of the country's gross domestic product (GDP). But a new review of estimates published in the ***Journal of American Medicine Network***, October 7, 2019 found that nearly \$1 trillion of annual spending can be considered medical waste!

— “Waste in the U.S. Health Care System, Estimated Costs and Potential for Savings,”
William H. Shrunk, MD, MSHS1, <https://jamanetwork.com/journals/jama/article-abstract/2752664>

Another article estimated waste between \$760 billion and \$935 billion, which is about 25 percent of the \$3.8 trillion in total U.S. spending on health care in 2019. The authors reviewed 71 estimates from 54 publications, government reports and other sources written between 2012 and 2019 to calculate their estimates. See the link below for a very clear breakdown of forms of medical waste.

— “New Study Estimates U.S. health-Care Waste Costs Nearly \$1 Trillion Each Year,”
Keith A Reynolds, October 9, 2019

<https://www.medicaleconomics.com/view/new-study-estimates-us-healthcare-waste-costs-nearly-1-trillion-each-year>

What is overtreatment?

“From duplicate blood tests to unnecessary knee replacements, millions of Americans undergo screenings, scans and treatments that offer little or no benefit every year. Doctors have estimated that 21 percent of medical care is unnecessary — a problem that costs the health-care system at least \$210 billion a year. Such “overtreatment” is not just expensive. It can harm patients.”

— Kaiser Health News, September 27/2018, KHN Conversation on Overtreatment

<https://khn.org/news/khn-conversation-on-overtreatment/#:~:text=Doctors%20have%20estimated%20that%20in%202021,It%20can%20harm%20patients.>

“Over 80 percent of surveyed physicians cited fear of malpractice as the top reason for medical overuse.... The majority of the physicians who responded to the survey said they believed that at least 15 to 30 percent of medical care is not needed.... Breaking down the types of unnecessary medical care, survey respondents reported that **22 percent of prescription medications, 24.9 percent of medical tests, 11.1 percent of procedures and 20.6 percent of overall medical care delivered is unnecessary.**”

— “Unneeded Medical Care is Common and Driven by Fear of Malpractice, Physician Survey Concludes, Patient Demand and Profit Motives Also Factor In,”
Johns Hopkins Medicine, News and Publications, September 6, 2017

https://www.hopkinsmedicine.org/news/media/releases/unneeded_medical_care_is_common_and_driven_by_fear_of_malpractice_physician_survey_concludes

“Professional societies and other health-care organizations have focused on campaigns to address the unnecessary medical care issue. Initiatives such as **Choosing Wisely**... focus on reducing unneeded tests and procedures and are endorsed by multiple physician societies and have increased awareness of appropriateness in testing and treatment.” — <https://www.choosingwisely.org/>

What can the consumer/patient do? This is an area where the consumer/patient can take action. Carry a **Choosing Wisely** card in your wallet and use it. Download a card here and become an informed consumer by asking your provider these five questions.

See https://www.choosingwisely.org/wp-content/uploads/2018/03/5-Questions-Wallet-Card_3.5x2-Eng.pdf.

Five questions to ask your doctor before you get any test, treatment or procedure

1. Do I really need this test or procedure?
2. What are the risks and side effects?
3. Are there simpler, safer options?
4. What happens if I do not do anything?
5. How much does it cost, and will my insurance pay for it?

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