

# The Most Pressing Issues Facing the U.S. Health Care System in 2002

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## Health Care Financing in U.S.

- U.S. health insurance mix of public and private funding
  - Both state and federal governments finance and regulate health insurance
- The federal Medicare program provides insurance for nearly all Americans 65 years of age and older, along with the disabled and people with end-stage renal disease
- Medicaid: combined federal/state program for the poor
- Most private health insurance obtained through employment

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## Rising Demand for Care

- Aging population: greater prevalence of chronic diseases, need for long-term care
- Most rapid growth among the "oldest old" – 85 years of age and older
- Aging population – fewer contributors to tax base, greater demands on government financed programs

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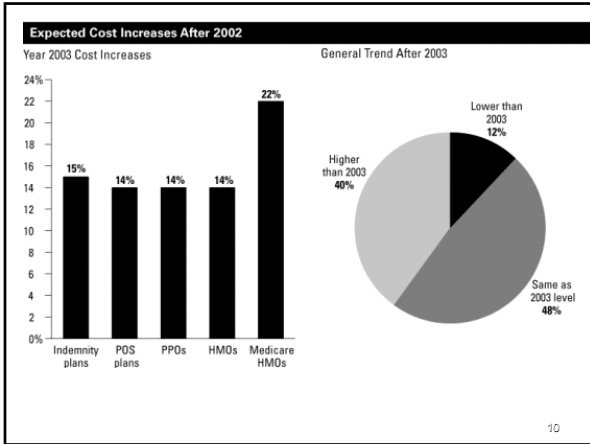
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## Challenges

- Expenditure growth leads to increase in insurance premiums and less complete coverage
- Private insurance eroding: more than 40 million uninsured Americans
- Increasingly difficult for some hospitals to subsidize "uncompensated care"

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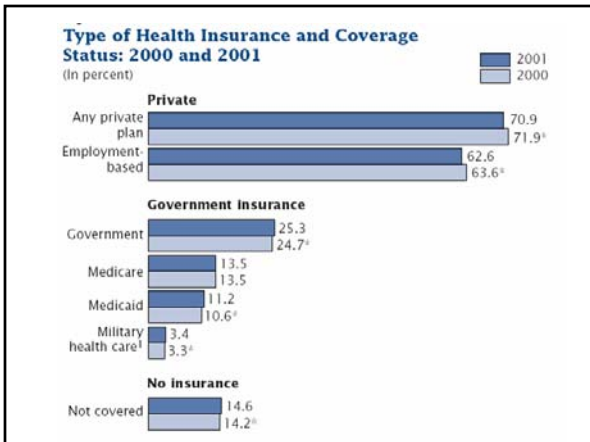
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# Rising Premiums for Health Insurance

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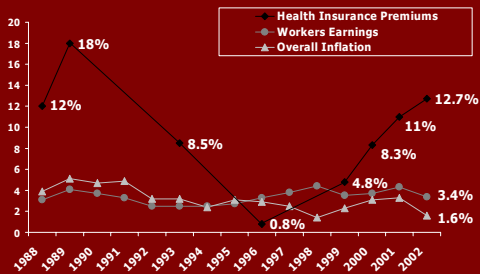
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Chart #1

## Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2002



Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.  
 Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

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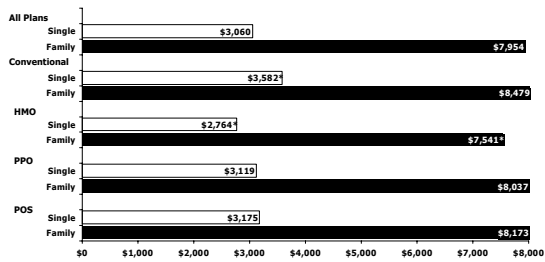
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## Average Annual Premium Costs for Covered Workers, 2002



\* Estimate is statistically different from All Plans by coverage type.  
 Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002.

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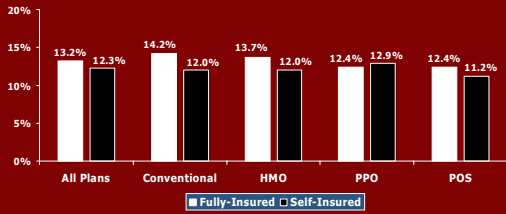
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Chart #3

### Premium/Cost Increases<sup>1</sup> by Plan Type and Funding Arrangement, 2002\*



Note: Fully insured plans measure premium increases, self-insured measures cost increases.  
 \* Tests found no statistically different estimates between Fully Insured and Self-Insured within a plan type.  
 Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2002.

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### Employees Shifting to Plans with Fewer Restrictions

- HMO enrollments declining
- Greatest growth in preferred provider organization (PPO) plans

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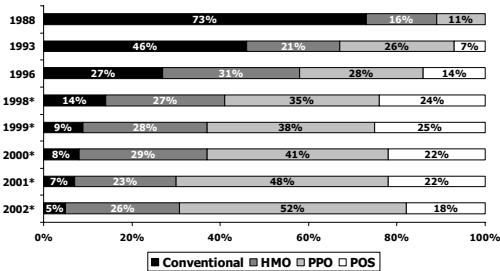
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### Health Plan Enrollments for Covered Workers by Plan Type, 1988-2002



\* Distribution is statistically different from the previous year shown: 1996-1998, 1998-1999, 1999-2000, 2000-2001, 2001-2002.  
 Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

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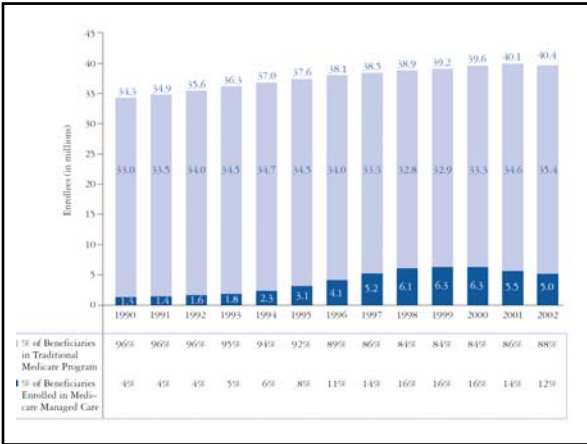
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# The Role of Innovation

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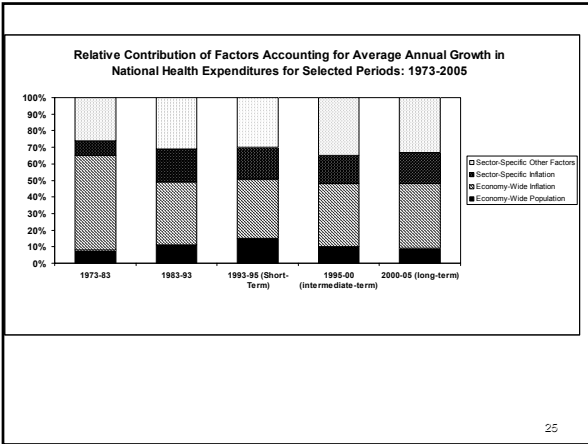
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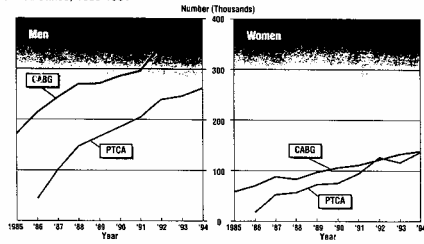
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Figure A—Estimated Number of Coronary Artery Bypass Grafts (CABGs) and Percutaneous Transluminal Coronary Angioplasties (PTCAs) United States, 1985-1994



Note: Data for PTCAs not available prior to 1986.  
Source: American Heart Association and various reports from the National Center for Health Statistics, "Hospital Discharge Survey."

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## The Near Future

- Growth of "defined contribution"
- Variation in health insurance arrangements may reveal which plan types are most satisfactory
- Choice will remain important
- Care without limitations will become too costly for most Americans

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