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Are health care costs crippling consumers?

By Alex Vorro
March 24, 2011

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Customers are actually spending far more on their own health care costs than the government traditionally reports.

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A newly released Deloitte report, "**The Hidden Costs of U.S. Health Care for Consumers: A Comprehensive Analysis**," reveals that consumers are spending \$363 billion, or 14.7% more, on health care than what is reported in official government accounts, i.e. doctors, prescriptions, hospitals and health insurance coverage.

When placed into context of how consumers typically allocate their discretionary expenditures, Deloitte finds that they're spending 19.9% of their money on health care (up from 16.2%, according to government reports), compared to 18.8% on housing and utility costs.

More than half of the spending (55%) in these ancillary areas was for the estimated value of supervisory care, or care given by unpaid relatives and friends, the study finds.

Supplemental expenditures included complementary and alternative medicine (CAM) practitioners (8%) and products (1%); functional foods and other nutritional products, vitamin and mineral supplements (15%); health publications (1%); ambulance services (3%); other ambulatory care, such as blood banks, some health promotion programs (6%); mental health services (8%); homes for the elderly (4%) and weight loss facilities (1%).

"It has been one year since the passage of health care reform, and our report sheds new light on the hidden costs of health care, and how these costs can add up significantly to billions of dollars and can even eclipse

People who report low well-being average **50% higher medical costs.**

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housing as a household expense," Paul Keckley, Ph.D., executive director, Deloitte Center for Health Solutions says.

"Our study explores the financial context for the decisions consumers—not simply patients—make about how they spend their money on health care, which will only increase in importance as health care reform continues to take hold," he adds.





Deloitte goes on to highlight numerous other findings:

- According to the study, the total 2009 U.S. per capita expenditures were \$9,217; professional services (29%) and hospital care (27%) were the biggest categories
- The estimated value of supervisory care (\$199 billion) is significantly higher than total spending on nursing homes (\$144 billion) and total spending on home health care (\$72 billion), and was only somewhat less than prescription drug expenditures (\$246 billion)
- Around 70% of spending on nutrition industry items was directed toward functional foods, a category that includes such items as enriched cereals, breads, sports drinks, bars, fortified snack foods, baby foods and prepared meals
- Seniors account for 36% (\$1.01 trillion) of total health care expenditures, but are only 13% of the population
- Nearly 83% of the \$2.83 trillion 2009 U.S. health expenditures were attributed to those with family incomes of \$100,000 or less, who make up 89 % of the total population
- One in five (21%) adults surveyed said they paid a medical bill late in the last 12 months
- A total of 27% of adults estimate that 5% or less of their household budget is spent on health care; 17% said 26% or more is spent on health care
- A majority (80%) of adults surveyed said they would use generic medicines, seek free advice from a pharmacist or other medical professional (70%) and use technology (61%) if it would save money for health care
- Approximately 43% would visit a retail clinic, and one in five (20%) would visit another country for more affordable medical care
- And, 26% would skip a medical test or screening, skip a visit to the dentist or doctor altogether (26%) or skip refilling a prescription (22%) to save money on health care

"The ability of the U.S. economy to recover will be affected in part by how much consumers have in their pockets to spend," Andrew Freeman, executive director of the Deloitte Center for Financial Services, says. "This reveals a tremendous burden on the average consumer."

Vorro writes for Insurance Network News, a SourceMedia publication.

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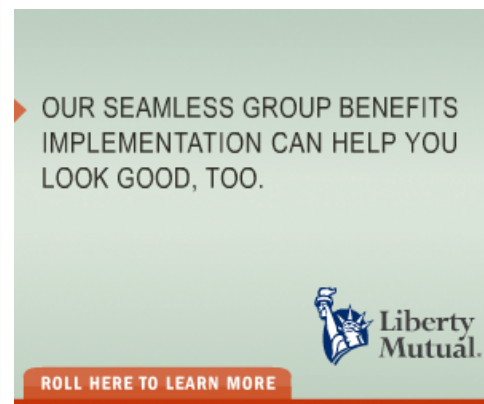
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