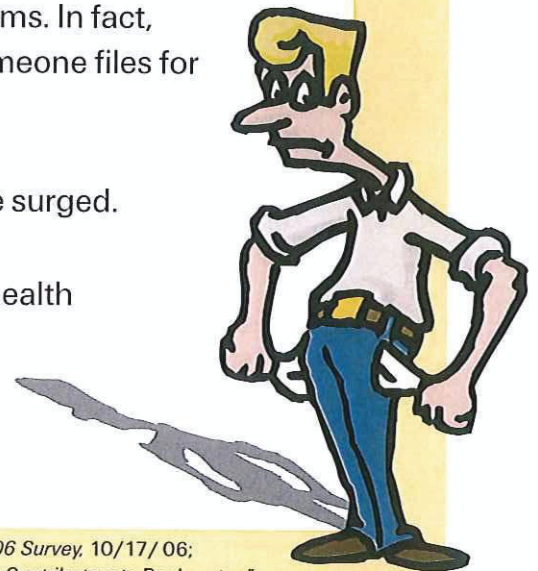


## America's Domestic Concern #1: Exploding Health Costs Are Devastating Working Families

- ▶ One in four Americans say their family has had a problem paying for medical care during the past year—and two-thirds of them had insurance.
- ▶ Nearly 30 percent say someone in their family has delayed medical care in the past year.
- ▶ Health care costs contribute to an estimated 25 percent of housing problems.
- ▶ Health costs are a factor in half of personal bankruptcies. Since 2000, an estimated 5 million families have filed for bankruptcy in the aftermath of serious medical problems. In fact, every 30 seconds in the United States someone files for "medical bankruptcy."
- ▶ Premiums for family health coverage have surged.
- ▶ More than one-third of people who have health insurance worry about losing it.
- ▶ Health care is a major issue in every union contract negotiation.



ABC News/Kaiser Family Foundation/USA Today, *Health Care in America 2006 Survey*, 10/17/06; Himmelstein, D, E. Warren, D. Thorne, and S. Woolhandler, "Illness and Injury as Contributors to Bankruptcy," *Health Affairs Web Exclusive* W5-63, 2/2/05; Elizabeth Warren, testimony before House Judiciary Committee, 7/17/07; Kaiser Health Security Watch, June 2007

## Big Pharma, Big Insurance Flex Muscles in Washington

The drug and insurance industries pour money into influencing policy and legislation. And they often get their way. Favorable treatment for drug companies under the Medicare Part D drug benefit was no accident.

The pharmaceutical industry has the largest lobbying force in Washington, D.C., employing more than twice as many lobbyists as there are members of Congress. Companies that make pharmaceuticals, medical devices and other health products spent nearly \$182 million on federal lobbying from January 2005 through June 2006, according to a 2007 study by the Center for Public Integrity. From 1998-2006, the pharmaceutical/health products industry spent \$1.1 billion lobbying Congress. (*USA Today*, 4/25/05; Alliance for Retired Americans Educational Fund, "Outrageous Fortune," 8/07, citing Center for Responsive Politics, [www.opensecrets.org](http://www.opensecrets.org))

The pharmaceutical and insurance industries also are powerful political campaign funders. In the 2006 election cycle, the insurance industry contributed nearly \$31 million, 64 percent of which went to Republicans. The pharmaceutical industry contributed more than \$19 million, 67 percent of which went to Republicans. ([www.opensecrets.org/industries/indus.asp?Ind=F09](http://www.opensecrets.org/industries/indus.asp?Ind=F09); [www.opensecrets.org/industries/indus.asp?Ind=H04](http://www.opensecrets.org/industries/indus.asp?Ind=H04))

"In the first half of 2007, the health care sector doled out more than \$227 million for lobbying efforts—the first time spending has topped \$200 million...

"With Congress' sharpened focus on health care-related initiatives this year, industry groups have been spending freely to get a piece of the action. The health care industry's lobby spending has risen year-on-year throughout the decade, but the 17 percent jump is the highest since 2000. And health care interest groups comprised five of the 10 highest spending organizations on lobbying in the first six months of the year."

*Congressional Quarterly website, CO.com, 9/17/07*



## Private Insurance Administrative Expenses Are Devastating

The inefficiency of private insurance companies is driving runaway health care cost increases. Insurance administrative overhead has been the fastest rising component of health spending in recent years. (Commonwealth Fund, 2007)

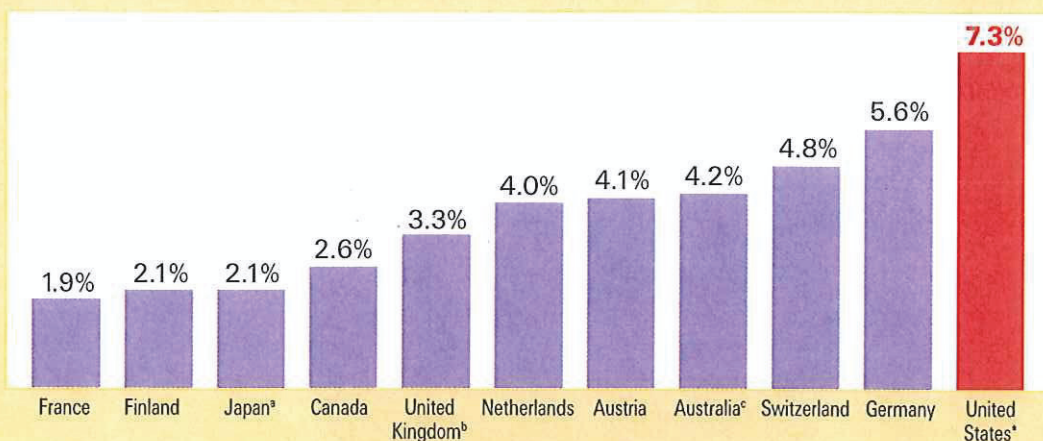
Private insurance companies spend more than five times as much as Medicare on administrative costs, which organizes health care far more efficiently and has worked hard to keep administrative costs low to give its patients a better deal.

Administrative costs for Medicare are under 3 percent. Administrative costs for private insurance companies, on the other hand, average 15 percent—ranging from 10 percent for large employer coverage to 20 percent for small employer coverage and 40 percent for individual coverage. (Government Accountability Office, 10/01; Jacob Hacker, 1/07; Commonwealth Fund, 5/02)

Administrative expenses in the U.S. are far higher than in other countries. In 2004, if the U.S. had been able to lower its share of administrative costs to the level of countries such as Germany and Switzerland with mixed public-private insurance systems, it would have saved \$32 billion to \$46 billion. (Commonwealth Fund, 2007)

## Percentage of National Health Expenditures Spent on Health Administration and Insurance

AS PERCENT OF NATIONAL HEALTH EXPENDITURES, 2003



<sup>a</sup>2002; <sup>b</sup>1999; <sup>c</sup>2001; \*Includes claims administration, underwriting, marketing, profits, and other administrative costs; based on premiums minus claims expenses for private insurance. Data: OECD Health Data 2005.  
Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2006.

## 'Denial Management:' \$20 Billion in Unnecessary Costs

Most companies make money by selling you a product or service.  
Insurance companies profit from denying you service.

It's called "denial management."

Almost a third of physicians' insurance claims are denied initially. Denials have been costing doctors, clinics and hospitals so much they're buying pricey software to maneuver through seemingly impenetrable coverage rules and recover denied and unpaid claims from insurers.

Altogether, this tug-of-war is costing health care providers and insurers about \$20 billion in wasteful, unnecessary administrative costs.

Unfortunately, patients don't have fancy software to win their claims.

*(Wall Street Journal, 2/14/07)*

*Government audits of private insurance companies providing drug benefits under Medicare found that tens of thousands of seniors have had claims improperly denied by private companies and been victims of deceptive sales tactics. Eleven companies were fined \$770,000 in a six-month period alone. Medicare officials have ordered the insurance companies to fix the violations.*

*The New York Times, 10/7/07*



## And the CEOs Are Feeling No Pain

CEOs of health insurance and pharmaceutical companies sure can afford health insurance. The average 2006 compensation for health and disability insurance CEOs was \$8,747,914, and the average pharmaceutical CEO pulled down \$4,355,834. Those are obnoxious numbers, but some of the specifics will spin your head.

## Average Insurance and Pharmaceutical Company CEO Pay in 2006...

HEALTH/DISABILITY INSURANCE CEOS

**\$8.75 million**

PHARMACEUTICAL CEOS

**\$4.36 million**

## ...and Some VERY High Fliers

Aetna Inc. CEO Ronald Williams	\$32,158,245
Wellpoint Inc. CEO Larry Glasscock	\$19,146,675
CIGNA Corp. CEO H. Edward Hanway	\$15,857,323
Schering-Plough Corp. CEO Fred Hassan	\$25,620,197
Wyeth CEO Robert Essner	\$22,934,782
Abbott Laboratories CEO Miles White	\$22,493,447

AFL-CIO totals based on data from The Corporate Library; see [www.paywatch.org](http://www.paywatch.org)

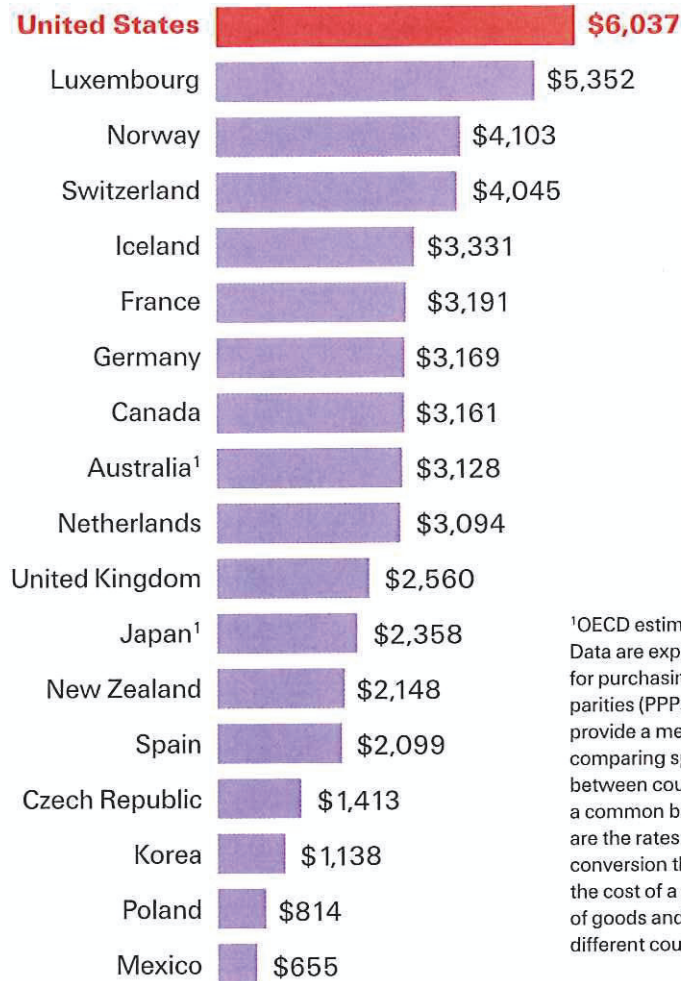


## America Spends More on Health Care Than Other Countries— But We Die Younger

The United States spends much more on health care than other countries. U.S. health care spending totaled \$2 trillion in 2005, representing 16 percent of U.S. gross domestic product (GDP). Health care spending accounted for 11.6 percent of the GDP in Switzerland, 10.7 percent in Germany, 9.8 percent in Canada and 11.1 percent in France.

(Kaiser Family Foundation, Organization for Economic Cooperation and Development)

### Per Capita Health Spending, 2004



<sup>1</sup>OECD estimate  
Data are expressed in U.S. dollars adjusted for purchasing power parities (PPPs), which provide a means of comparing spending between countries on a common base. PPPs are the rates of currency conversion that equalize the cost of a given "basket" of goods and services in different countries.



Organization for Economic Cooperation and Development

But U.S. life expectancy, at less than 78 years, ranks behind Japan, most of Europe, Jordan, Guam and the Cayman Islands. People of color in America fare worse: African American men, for example, have a life expectancy of 69.8 years, slightly longer than in Iran and Syria and slightly shorter than in Nicaragua and Morocco. The United States has a higher infant mortality rate than 40 other countries, including Cuba, Taiwan and most of Europe. (*The Washington Post*, 8/12/07)

## INFANT MORTALITY AND LIFE EXPECTANCY for Selected Countries

2005

COUNTRY	INFANT MORTALITY <sup>1</sup>
<b>United States</b>	<b>6.5</b>
United Kingdom	5.2
Canada	4.8
Switzerland	4.4
Germany	4.2
France	3.5
Japan	2.8

<sup>1</sup>Infant deaths per 1,000 live births  
U.S. Census Bureau, International Database

2005

COUNTRY	LIFE EXPECTANCY <sup>1</sup>
Japan	81.9
Switzerland	80.4
France	80.3
Canada	80.1
Germany	78.7
United Kingdom	78.4
<b>United States</b>	<b>77.7</b>

<sup>1</sup>Life expectancy at birth, in years, both sexes  
U.S. Census Bureau, International Database