

U.S. Health Care: Treating Our Ills, Killing Our Prospects Revisited



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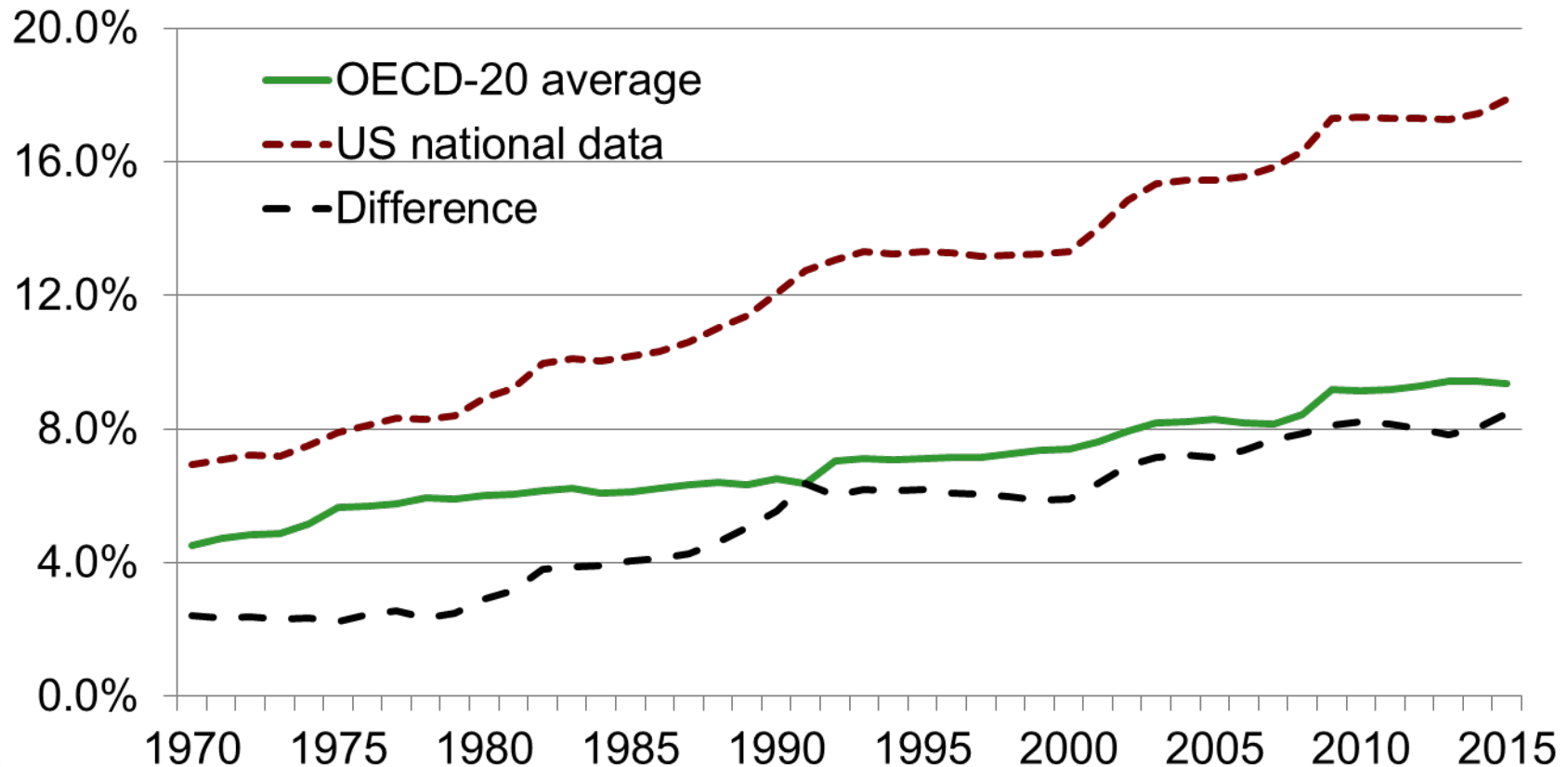


Overview

- A macro perspective
 - Comparative health expenditures across the developed world
 - A rough measure of the marginal benefits
- At the micro level...
 - A cancer on compensation rewards for workers' productivity improvements
 - Implications for the measured distribution of income

Percentage of GDP Spent on Average on Health Care in 20 OECD Countries and the United States

Since 1970, the United States has diverted 6 percent more of total output to health care than other OECD countries!



Source: <http://stats.oecd.org/Index.aspx?DataSetCode=SHA> and <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>.



The 20 OECD Countries Included in the Comparisons

Australia

Austria

Belgium

Canada

Denmark

Finland

France

Germany

Iceland

Ireland

Japan

Luxembourg

Netherlands

New Zealand

Norway

Portugal

Spain

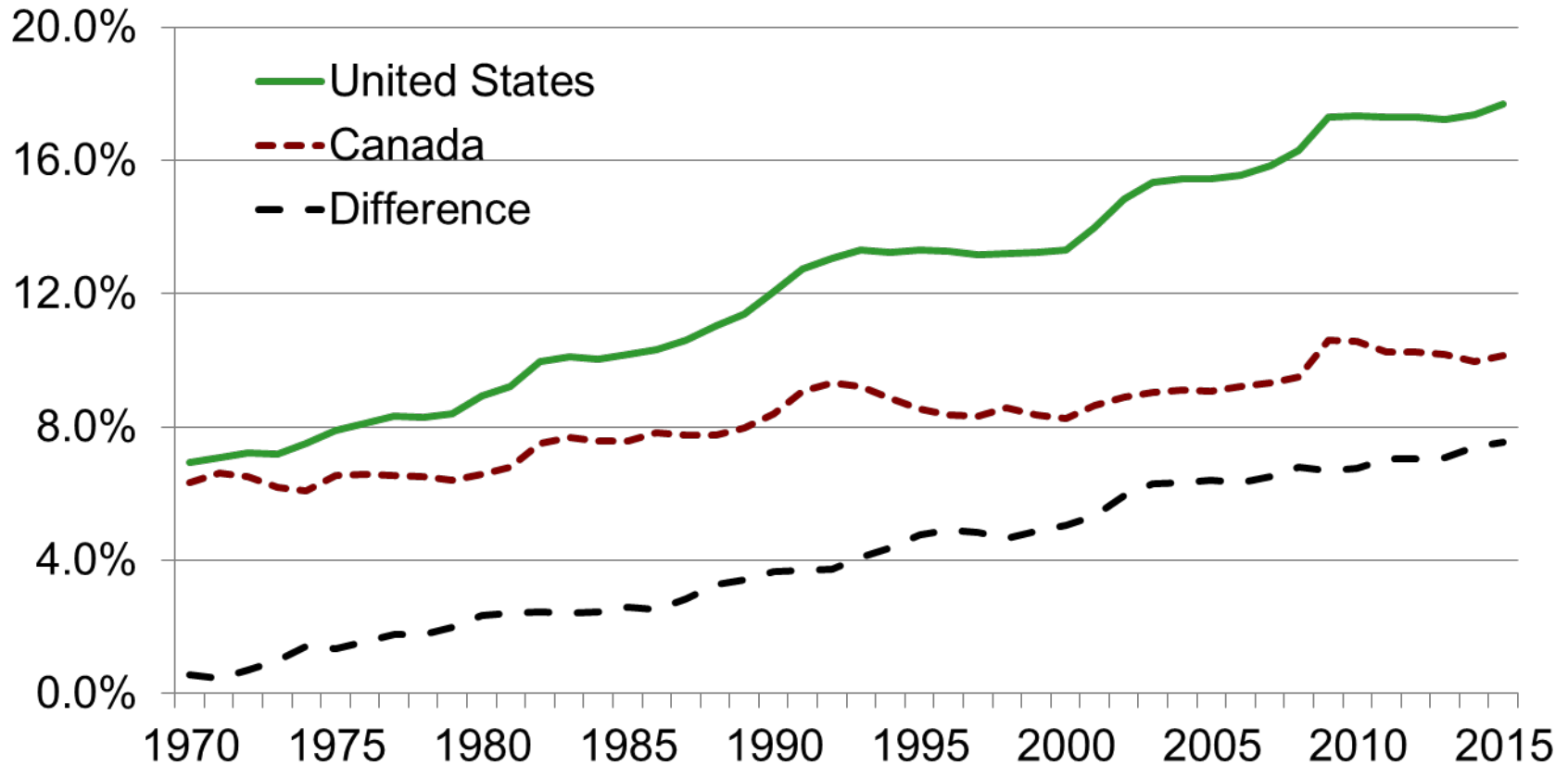
Sweden

Switzerland

United Kingdom

Percentage of GDP Spent on Average on Health Care in Canada and the United States

Since 1970, the United States has diverted 7 percent more of total output to health care than Canada!



Sources: <https://www.cihi.ca/en/national-health-expenditure-trends>

and <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>



Life Expectancy at Birth: Average of OECD 20 Countries, Canada and the United States

	United States	OECD 20 average	Canada	United States minus:	
	-----			OECD average	Canada
	Life expectancy at birth			-----	-----
1970	70.9	71.8	72.7	-0.9	-1.8
1980	73.7	74.3	75.3	-0.6	-1.6
1990	75.3	76.3	77.2	-1.0	-1.9
2000	76.7	78.5	79.0	-1.8	-2.3
2010	78.6	81.1	81.1	-2.5	-2.5
2015	78.8	82.0	82.1	-3.2	-3.3

Source: http://stats.oecd.org/Index.aspx?DataSetCode=HEALTH_STAT#.

Remaining Life Expectancy at Age 65: Average of OECD 20 Countries, Canada and the United States

	United States	OECD 20 average	Canada	OECD average	Canada
	-----			average	Canada
	Life expectancy at age 65			-----	-----
1970	15.2	14.5	15.7	0.8	-0.4
1980	16.4	15.7	16.9	0.7	-0.5
1990	17.2	16.9	17.7	0.3	-0.5
2000	17.7	18.2	18.5	-0.6	-0.8
2010	19.1	20.0	20.1	-0.8	-0.9
2015	19.4	20.4	20.7	-1.0	-1.3

Source: http://stats.oecd.org/Index.aspx?DataSetCode=HEALTH_STAT#.



The Implications of High Health Costs

- Other things equal, if we spend more on health care, we have less to spend on other things
- If workers spend more of their compensation on health care, they have less for retirement and wages
 - CAHC: *Treating Our Ills and Killing Our Prospects* (2011)
 - Updated with Steven Nyce at Willis Towers Watson

Hourly Compensation Growth and Its Distribution from 1980 through 1990 for Full-Time, Full-Year Workers

Comp decile	1980 comp	1980s increase	Share of compensation gains devoted to:			
			OASDHI	Pension-saving	Health benefits	Cash wage
2	\$10.92	\$0.13	94%	-32%	230%	-193%
4	15.71	1.24	19%	1%	41%	38%
6	20.98	1.64	20%	5%	32%	42%
8	28.23	2.39	19%	9%	27%	46%
10	44.55	6.81	14%	9%	10%	67%

Source: Willis Towers Watson, updated from Steven A. Nyce and Sylvester J. Schieber, "Treating Our Ills and Killing Our Prospects," (August 2011), found at: <https://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2011/08/Treating-Our-Ills-and-Killing-Our-Prospects?webSyncID=d3bd9307-031a-253d-9ee8-54586d947957&sessionGUID=c30ca90c-9182-cb97-3c11-7b698e9192d3>.

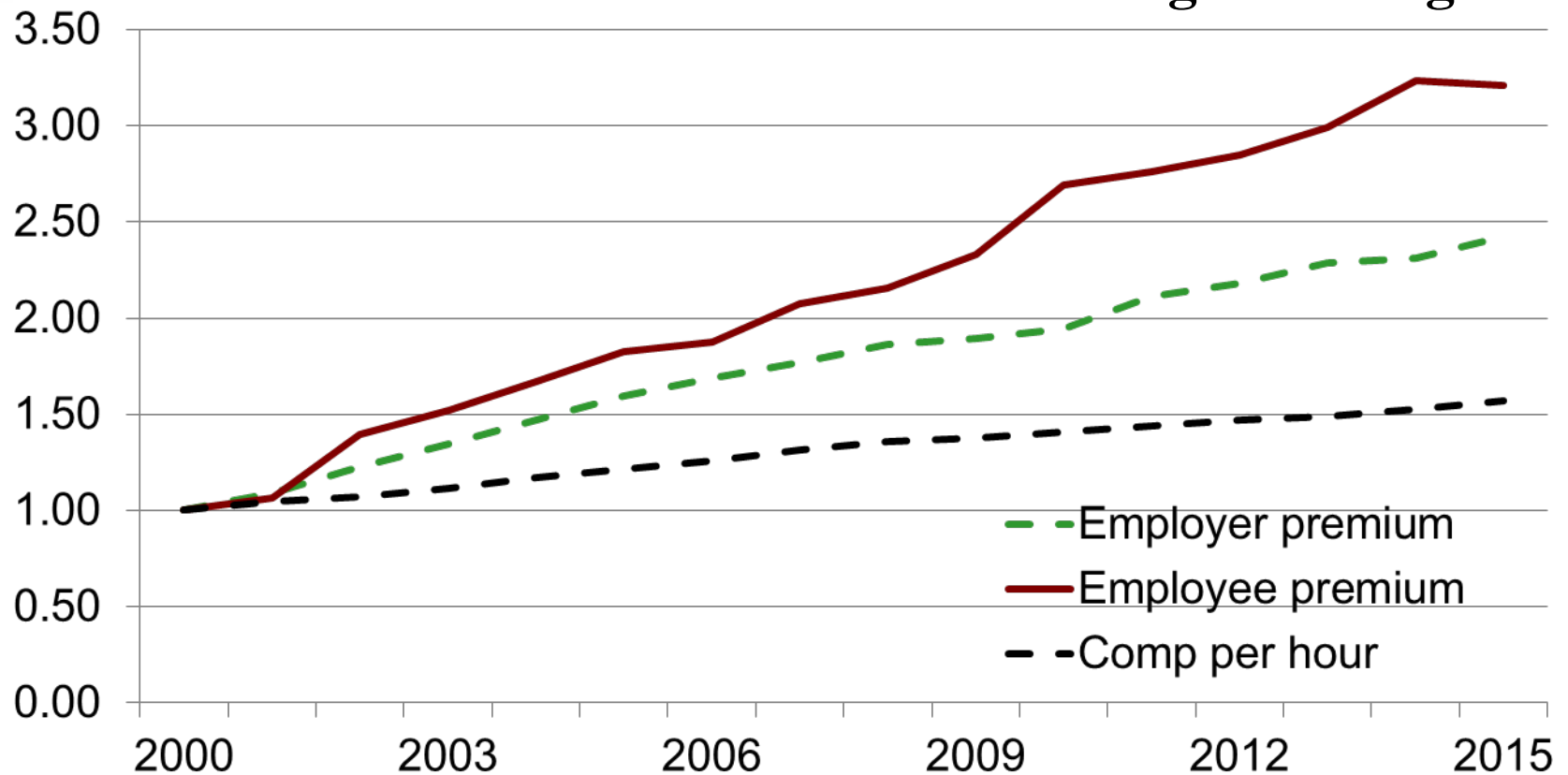
Hourly Compensation Growth and Its Distribution from 1990 through 2000 for Full-Time, Full-Year Workers

Comp decile	1990 comp	1990s increase	Share of compensation gains devoted to:			
			OASDHI	Pension-saving	Health benefits	Cash wage
2	\$11.05	\$1.61	6%	1%	17%	76%
4	16.95	2.11	6%	1%	15%	79%
6	22.62	2.65	6%	0%	15%	79%
8	30.62	4.13	6%	0%	9%	85%
10	51.37	19.15	4%	5%	2%	89%

Source: Willis Towers Watson, updated from Steven A. Nyce and Sylvester J. Schieber, "Treating Our Ills and Killing Our Prospects," (August 2011), found at: <https://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2011/08/Treating-Our-Ills-and-Killing-Our-Prospects?webSyncID=d3bd9307-031a-253d-9ee8-54586d947957&sessionGUID=c30ca90c-9182-cb97-3c11-7b698e9192d3>.

Take-Home Pay Is Reduced by Both Employer and Employee Premiums

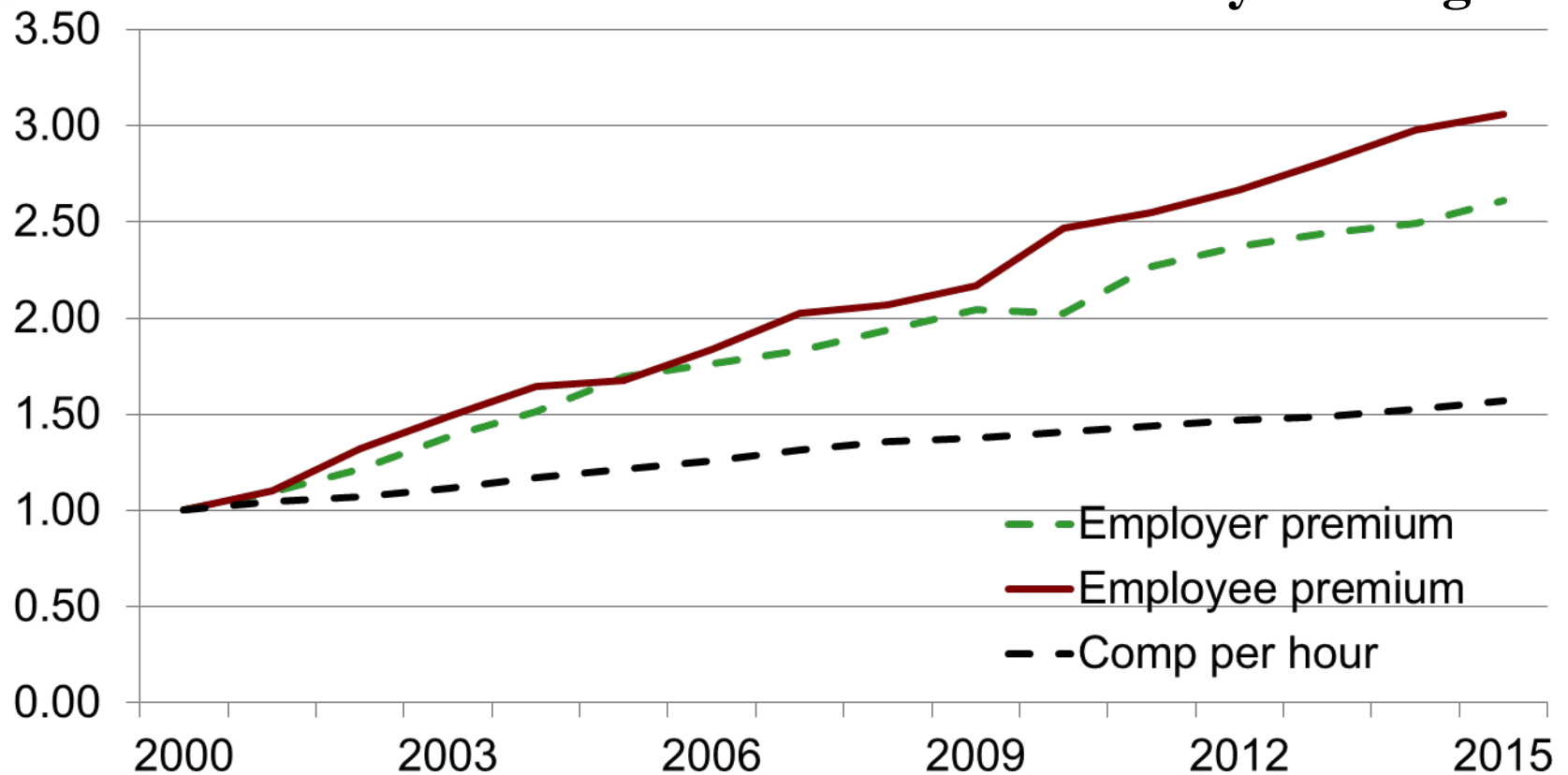
Average hourly premiums and compensation relative to 2000 baseline values for workers with single coverage.



Sources: Gary Claxton, et al., *Employer Health Benefits, 2017 Annual Survey*, The Kaiser Family Foundation and Health Research and Educational Trust, p. 77, and U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts*.

Take-Home Pay Is Reduced by Both Employer and Employee Premiums

Average hourly premiums and compensation relative to 2000 baseline values for workers with family coverage.



Sources: Gary Claxton, et al., *Employer Health Benefits, 2017 Annual Survey*, The Kaiser Family Foundation and Health Research and Educational Trust, p. 77, and U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts*.



Compensation Levels by Decile Rank

Comp decile	Average hourly compensation in 2015 \$s:		
	2000	2010	2015
2	\$12.65	\$13.73	\$13.52
4	19.05	20.86	20.37
6	25.27	28.40	27.27
8	34.75	38.84	39.25
10	70.51	72.42	76.12

Source: Willis Towers Watson, updated from Steven A. Nyce and Sylvester J. Schieber, "Treating Our Ills and Killing Our Prospects," (August 2011), found at: <https://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2011/08/Treating-Our-Ills-and-Killing-Our-Prospects?webSyncID=d3bd9307-031a-253d-9ee8-54586d947957&sessionGUID=c30ca90c-9182-cb97-3c11-7b698e9192d3>.



Compensation Net of Employer OASDHI and Pension-DC Contributions by Decile

Comp decile	Average hourly compensation in 2015 \$s:		
	2000	2010	2015
2	\$11.53	\$12.46	\$12.31
4	17.10	18.52	18.23
6	22.44	24.88	24.10
8	30.57	33.75	34.33
10	62.85	63.22	67.18

Source: Compensation net of employer contributions for OASDHI and employer retirement plan contributions is derived from Nyce and Schieber, updated.

Compensation Net of Employer Retirement Contributions and Employer and Employee Health Premiums (Single Coverage)

Comp decile	Average hourly compensation in 2015 \$s:		
	2000	2010	2015
2	\$9.93	\$9.82	\$9.31
4	15.50	15.88	15.23
6	20.84	22.24	21.10
8	28.98	31.11	31.33
10	61.25	60.58	64.18

Source: Compensation net of employer contributions for OASDHI and employer retirement plan contributions is derived from Nyce and Schieber, updated. Employer and employee premium costs taken from Gary Claxton, et al., *Employer Health Benefits, 2017 Annual Survey*, The Kaiser Family Foundation and Health Research and Educational Trust, p. 77.

Compensation Net of Employer Retirement Contributions and Employer and Employee Health Premiums (Family Coverage, 1 earner)

Comp decile	Average hourly wages in 2015 dollars:		
	2000	2010	2015
2	\$7.37	\$5.26	\$3.87
4	12.94	11.33	9.79
6	18.28	17.68	15.66
8	26.41	26.56	25.89
10	58.69	56.03	58.74

Source: Compensation net of employer contributions for OASDHI and employer retirement plan contributions is derived from Nyce and Schieber, updated. Employer and employee premium costs taken from Gary Claxton, et al., *Employer Health Benefits, 2017 Annual Survey*, The Kaiser Family Foundation and Health Research and Educational Trust, p. 77.

Compensation Net of Employer Retirement Contributions and Employer and Employee Health Premiums (Family Coverage, 2 earners)

Comp decile	Average hourly wage in 2015 dollars:		
	2000	2010	2015
2	18.90	17.72	16.19
4	30.04	29.86	28.03
6	40.72	42.56	39.76
8	56.99	60.31	60.22
10	121.54	119.25	125.92

Source: Compensation net of employer contributions for OASDHI and employer retirement plan contributions is derived from Nyce and Schieber, updated. Employer and employee premium costs taken from Gary Claxton, et al., *Employer Health Benefits, 2017 Annual Survey*, The Kaiser Family Foundation and Health Research and Educational Trust, p. 77.

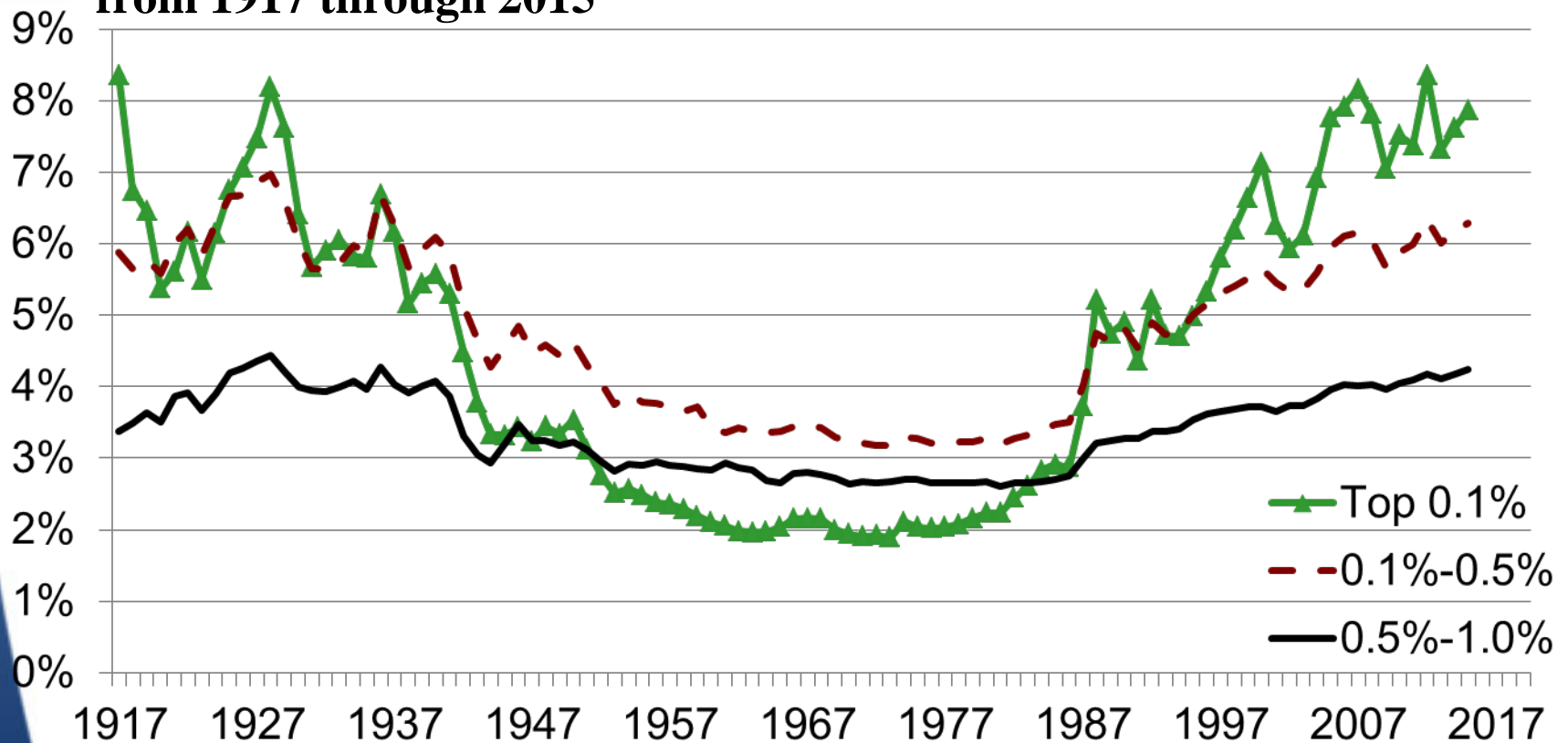


But There Is More...

- None of these results include out-of-pocket consumer expenditures on health care
- The shift to account based health plans (ABHPs) is likely increasing workers' exposure
 - Willis Towers Watson estimates 82 percent of firms with 1000 or more employees offered an ABHP in 2015, up from 33 percent in 2006
 - For 20 percent of firms it was the only plan
 - Where offered, median enrollment in 2016 was 45 percent of those insured up from 8 percent in 2006

Evidence Raising Concerns about the Distribution of U.S. Pre-Tax Income

Share of national income accruing to top 1 percent of U.S. households from 1917 through 2015



Source: *The World Wealth and Income Database*
found at: <http://www.wid.world/#Database>.



Concerns and the Lack Thereof

- The concentration of income at upper levels may be a problem but health costs are comparable in magnitude but not public interest
- US health expenditure growth since 1970 relative to the OECD 20 or Canada...
 - Exceeds the growing share of income to the top 0.1 percent and is more than 75 percent of the shift of income to the top 1 percent
 - We know that added health expenditures are highly regressive, disproportionately larger for workers with lower earnings
 - What are we getting for it?



In the Final Analysis...

- We are spending disproportionately more on health care than other well-off societies and costs compound at higher rates against a higher base
- It is not clear that we are doing a particularly good job of treating our ills
- It is clear that health costs are a large and growing threat to the future prosperity of large segments of the population