

Why Does Healthcare Keep Getting More Expensive?

It's no secret that the cost of healthcare keeps going up. But why? There are a number of contributors, but the three biggest factors in the rising cost of healthcare are drug prices, especially the increasingly expensive specialty drugs, the rising cost of treating chronic conditions, and rising hospital prices. Average hospital stays are getting longer, and hospital prices have increased 10-30 percent depending on where patients live.

Drug Prices

The rising cost of new specialty drugs is a major contributor to increasing healthcare costs. A recent report shows the average annual price of specialty drugs has tripled over the last ten years from nearly \$18,000 to more than \$52,000 today. Specialty drugs account for about one to two percent of all prescriptions written, but over 50 percent of all medication costs. The average annual cost of new drugs approved in 2022 was over \$218,000 per year. A lesser but significant contributor to total medication costs is the rising cost of prescription drugs that are still on-patent and have no generic alternative. The cost of prescription drugs continues to rise faster than inflation.

Chronic Conditions

A condition is considered chronic when it persists for a year or more and requires ongoing medical care or limits the person's daily activities.

Almost half the United States population (47 percent) lives with at least one chronic disease, including 27 percent of children and around 60 percent of adults.

Major chronic conditions include heart disease and stroke, diabetes, and cancer.

Heart disease affects millions of Americans, including 16 percent of TML Health's Texas public employee members with high blood pressure, which is a major risk factor for other medical complications.

The prevalence of diabetes and other metabolic conditions is increasing, with a 40 percent increase year-over-year in medical and pharmacy costs for this category of diseases alone.

Cancer

Of all the long-term conditions mentioned above, one deserves special mention, for being curable, sometimes preventable, and an extraordinary cost to patients and employers. The good news is that early screenings and preventative techniques, such as sunscreen to decrease the risk of skin cancer and the HPV vaccine to guard against cervical cancer, can help prevent certain cancers or catch them early when they can more easily be treated. The even better news is that as knowledge of these measures spreads, cancer rates are decreasing, and more people who do get diagnosed are surviving.

However, the cost of cancer treatment keeps going up dramatically. Since the pandemic, TML Health has seen cancer costs among Texas municipal employers increase 47 percent compared to pre-COVID numbers.

About TML Health Benefits Pool

TML Health Benefits Pool offers health benefits created by Texans exclusively for Texas cities and political subdivisions. TML Health brings together hundreds of Texas public entities to leverage collective purchasing power and risk sharing to stabilize the cost of health benefits and deliver the lowest long-term net costs, while offering additional services such as wellness programs, virtual health checkups, telemedicine, and online and phone enrollment. By sharing in the Pool, TML Health's members share the rewards of superior health coverage—lower costs, better health outcomes, and more personalized service. ★