What Makes Healthcare So Costly? (And What Can You Do About It?)

The past few years have seen an increase in more serious illnesses, as well as an increase in the costs of treating illnesses as they arise. But there are still things you can do to curb the rising cost of healthcare which we will address in this article.

High-Cost Claims

Collectively, Texans are less healthy now than before the pandemic. The lockdowns, staff shortages, and simply avoiding the virus led to a decrease in preventive screenings during the height of the pandemic and predictably, this has resulted in a dramatic rise in high-cost, late-stage treatments, like cancer. From 2021 to 2022, TML Health tracked an 81 percent increase in cancer cost.

Thankfully, this was not due to a significant increase in the prevalence of cancer—about the same percentage of people have received cancer care. But there is a significant increase in the severity of cancers that are diagnosed, with more cases being diagnosed at stage three or four - when they are harder and more expensive to treat. In addition, there are blockbuster new drugs for cancer that are far more costly than older treatments.

Hospitals Are Increasing Fees

With inflation and rising labor costs, especially nursing care, hospitals are asking insurance companies for double-digit increases in their rates to restore their profit margins to pre-pandemic levels. While we can all relate to rising labor costs, increased hospital prices get passed on to patients and their employers in the form of higher insurance premiums.

Price of Medication Is Rising

The price of medications, including specialty drugs and new branded drugs, is going up. While only one to two percent of all prescriptions written, specialty drugs make up more than half of all medication costs. The cost of other prescription drugs also continues to rise faster than inflation, driving up costs for employers and patients.

What Can You Do?

You may already be thinking about next year's budget. Here some things to consider that could decrease healthcare spending:

- Benefit design: if you haven't updated your benefit plan in several years, chances are your deductibles have not kept up with medical inflation. If the deductible has been the same for five years, the employee is paying a smaller and smaller share of the medical costs each year and the employer is picking up more. Its neither bad nor good, but an adjustment may be necessary to keep your premiums within the budget.

- Network options: For many years, a broad PPO network has been the top choice among employers. However, narrow PPO networks and HMOs are gaining traction because of their better outcomes and lower costs. If you really don't want to raise deductibles for your employees, consider an HMO or narrow PPO network.

- Steerage to lower cost providers: It is widely known that hospital prices for certain services are much higher at freestanding imaging centers or ambulatory surgical centers. For most employers, the single greatest savings opportunity is to shift these "shoppable" services from expensive hospitals to more affordable independent centers. Consider a benefit design that offers employees an incentive to choose more affordable care.

There are a lot of contributors to the rising cost of healthcare, but still ways to save healthcare dollars and enjoy better health. ★