

Health Care Cost Reduction

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The contemporary United States experiences a rapid growth of health care costs, which increases even faster than other spheres and the economy as a whole. As a result, people face a lack of money to meet their needs since prices become unaffordable. In this context, two major drivers of these tendencies, the government policy and changes in lifestyle, together with more specific aspects and factors, should be addressed in terms of the corresponding strategies and policies.

First of all, it is worth referring to statistics, which allow reaching a clear understanding of what occurs in the field of health care in the United States. In fact, 2016 was the year when the U.S. health care costs were \$3.3 trillion or 17.9 percent of the gross domestic product, automatically making health care one of the country's largest industries (Amadeo, 2018). Interestingly, in 1960, the annual health care cost was \$146 per person, while in 2016, this number was equal to \$10,348 per person (Amadeo, 2018). Moreover, the costs have risen by 31% between 2005 and 2015 (Amadeo, 2018). As a result, health care costs are rising not only extremely fast, but even faster than the annual income of Americans.

As a result, the question is about the factors driving such a blazing rise of health care costs. In his article, Taube analyzes nationwide health care costs in 2015 and argues that the most costly spheres refer to the maintenance of hospitals, physicians, drugs, insurance, equipment, and other spendings (2016). Amadeo, in turn, highlights two major causes of such a significant increase in health care costs, which refer to government policy and lifestyle changes (2018). First of all, indeed, in terms of the government policy, it is worth emphasizing that the United States relies on company-sponsored private health insurance, which also makes the government create various programs, such as Medicare and Medicaid, in order to assist those without insurance (Amadeo, 2018). Consequently, these programs have increased the demand for health care

services, automatically allowing providers to raise prices (Amadeo, 2018). According to data provided by Princeton University, Americans use the same amount of health care as residents of other nations—however, they pay more (as cited in Amadeo, 2018). As a result, much higher prices for health care is among the major reasons for the increase in health care costs caused by government policy.

Simultaneously, the umbrella of specific health care policy in the United States also covers more specific aspects, such as high administrative costs. Both Mack (2016, p.30) and Taube (2016) agree that administrative costs, including the management of patient records and billing, also add to rising costs for governments, physicians, hospitals, and health insurance companies. For instance, as the statistics provided by the Centers for Medicare and Medicaid demonstrate, administrative costs will account for \$2.8 trillion from 2014 and 2022 (Taube, 2016). Moreover, when speaking about the gaps existing in the health care system, it is important to highlight wasteful spending and service provider consolidation (Mack, 2016, p.28). For instance, the first category usually appears as redundant, inappropriate, or unnecessary tests and procedures that are recommended by physicians (Mack, 2016, p.28).

As already mentioned, the second major aspect driving the rise of health care costs refers to lifestyle changes (Amadeo, 2018). In this context, both Taube (2016) and Amadeo (2018) agree that chronic illnesses, such as diabetes and heart disease, have increased, being responsible for 85 percent of health care costs. In such a context, the sickest 5 percent of the population consumes 50 percent of the total health care costs, while the healthiest 50 percent only consume 3 percent of the nation's health care costs (Amadeo, 2018). As a result, it is worth referring to an inappropriate lifestyle as leading to chronic disease. Mack highlights that increases in addictions, obesity rates, and inactivity are indeed linked to chronic health conditions (2016, p.29).

Finally, along with government policy and changes in lifestyle, it is worth emphasizing the advances in medical technology. Indeed, the Congressional Budget Office (CBO) testimony points to the rapid development of health care technologies as a primary driver of increasing health care costs (as cited in Mack, 2016, p.28). Although there is no evidence that the innovations are better for the patients, American society is characterized by extreme consumerism, which makes the health care provider buy more and more new technologies, automatically increasing costs.

As a result, to address such a wide range of factors causing the increase in health care costs, a multi-dimensional and thorough strategy should be implemented. To fulfill this need, it is possible to refer to the work produced by the Alliance for Health Reform, which defines key elements of addressing health care costs (2012, p.7). Among them are decreasing waste, using payment reform to change incentives, imposing a budget constraint, managing different groups of patients differently, increasing the role of primary care, increasing transparency, placing greater importance on prevention, and many others (Alliance for Health Reform, 2012, p.7). All in all, being deeply aware of the major drivers of increasing health care costs allows utilizing this knowledge while constructing corresponding programs aimed at eliminating those drivers.

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