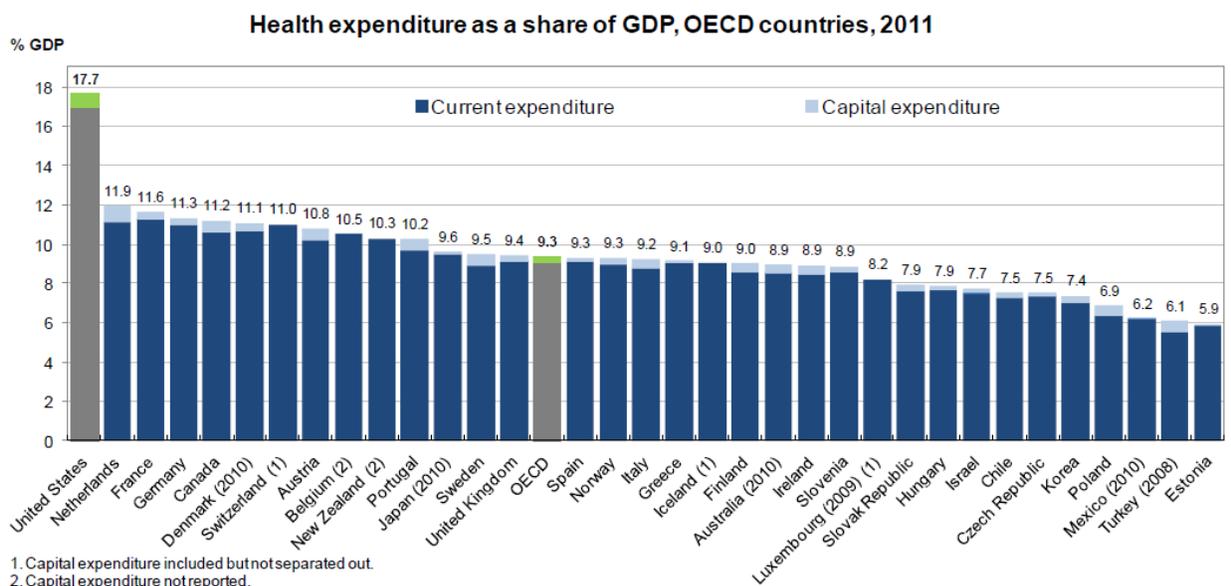


The Danger for America's Seniors: The Cost of Healthcare

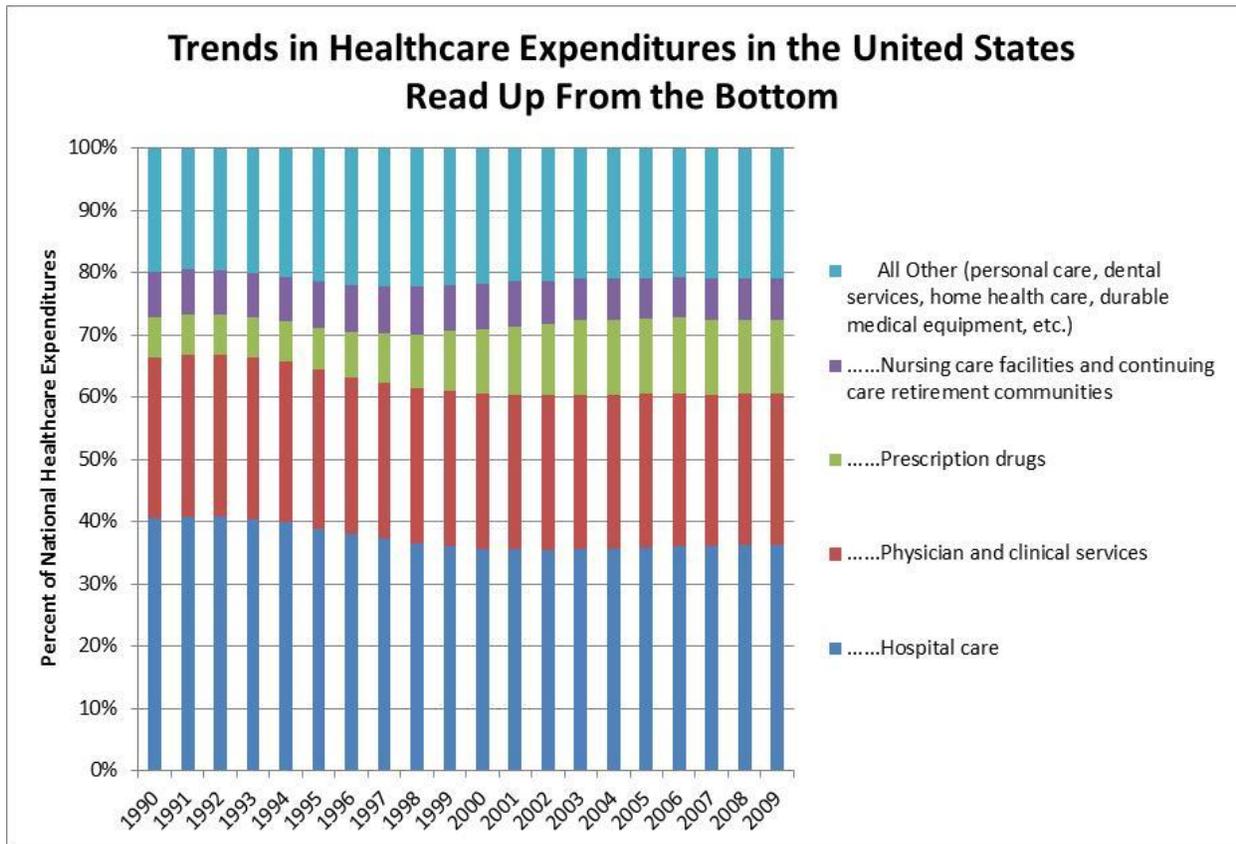
Seniors use more healthcare services than any other segment of the population. Moreover, America spends much more than any other nation on healthcare services. Yet, the incidence of unnecessary office visits, misdiagnoses, medication errors, lack of integrated care, and little consideration for eldercare long term assistance services is unacceptably high.

What can Active Aging Advocates do? Active Aging Advocates can be a voice of reason in a world of misinformation and special interest lobbying. That is a unique opportunity. Our interests are aligned solely with our members and they want the care they need at a price they can afford. We can help.

Let's start with the problem. Here's a recent snapshot of how our cost of care compares with that elsewhere. Despite the hype, the Affordable Care Act has only addressed the cost challenge by cutting reimbursement, especially for the post-acute care which impacts many older Americans, and has not addressed the core challenges – i.e., the uneconomic deployment of hospitals and physicians.



Atul Gawande tells us that, whereas in 1970, the hospitalization of a patient required the services of 2 full time equivalents, today, with the proliferation of medical specialization, it is 15. [Click on paragraph for source.]

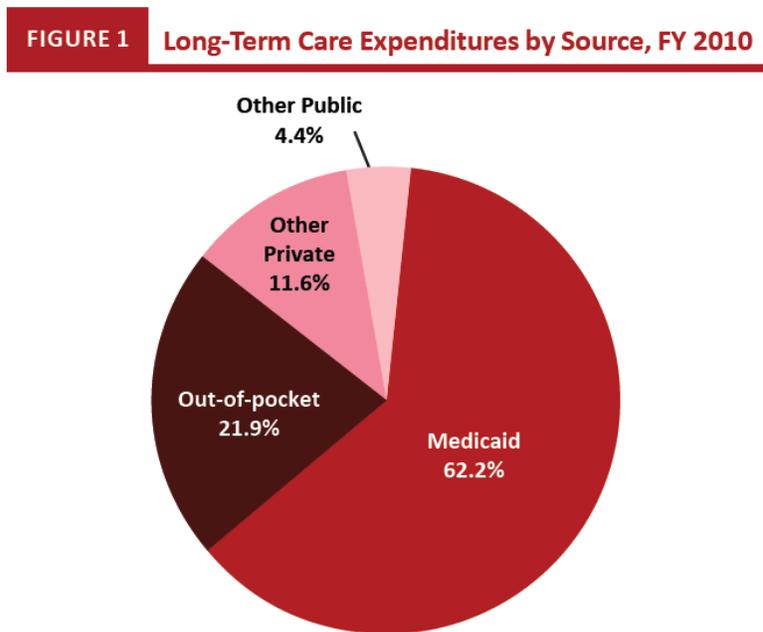


Clearly we can't bring our healthcare cost down enough to free funds to provide for the care needs of the elderly unless we have lower hospital and physician costs. It can be done and, as is true when nearly any system is improved, lowering costs will mean improved quality of care – greater convenience, improved accuracy, and better outcomes. Quality care is central to healthy aging and can improve the lives of all of us.

The Impact of Long Term Frailty and Dependence. Eventually, for many aging Americans, the cost of care for those who need long term supportive services

consumes all their wealth and they are forced to accept the humiliation of becoming wards of the state. I experienced this with my mother who eventually took her own life (by refusing food and drink) rather than continue to live with mortification of dependence on Medicaid, which she experienced as demeaning. Nursing homes, with their fondness for euphemism, call such deaths “failure to thrive,” and it is one of the fastest rising causes of death in the United States.

In the meantime, Medicaid is the biggest payer for long term care in the United States even though the care provided is pared down (no hairdos for the indigent) and even though the Medicaid reimbursement rates are below the cost of care incurred in most Skilled Nursing Facilities.



Source: O’Shaughnessy CV. The Basics: National Spending for Long-Term Services and Supports. 2012

This ignores the value of the care provided voluntarily by family members and friends, the imputed value of which is estimated to be roughly double or more the cost of paid caregivers. Proposals to add these costs to the already costly government run program of care for the elderly are likely to go nowhere as long

as the overall cost challenge goes unaddressed, leaving the United States uncompetitive in world markets. Out of control healthcare costs, and the requirement that ailing seniors end their days stripped of dignity as wards of the state and confined to share a bathroom with a stranger is a national scandal, which no political leader is willing to address forthrightly. In the meantime, it is America's seniors who suffer.

And it's only going to get worse as the demographic bulge known as the baby boomers ages and begins to need long term care supportive services. They are a vocal group now, and always have been, but they will no longer be able to make demands when they reach the stage of permanent residence in a semi-private room in a skilled nursing facility.

What can Active Aging Advocates do? We don't have the funds to buy our way into the political dialogue as others have done. We can only rely on our ability to be the voice of reason in a world in which spin has replaced understanding and pandering has supplanted civil discourse. We are the unbiased voice for America's seniors. AARP's insurance interests tilt its perspective on these matters. Since AARP sells insurance to the elderly, its interest is to keep that insurance low priced but profitable. Hence, AARP made its condition for its support of the Affordable Care Act a requirement that premiums for the elderly be no more than three times the premiums for the young even though the pooled cost of that care is seven times or more. The young are subsidizing the old. We can be a force if we keep our message simple and help Americans to see the path forward. That's not easy but it can be done.

How do the special interests stack up to prevent a solution on the merits? There are some who blame the pharmaceutical companies. Others blame the insurance companies, though they disingenuously fail to distinguish insurance companies and managed care companies. Pharmaceuticals are claiming a bigger share of our

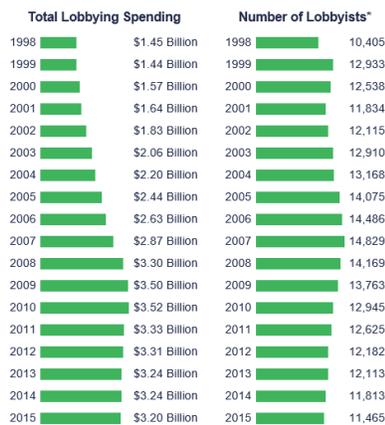
cost problem, up from less than 8% to close to 13% (and that 13% is a percent of a much bigger pie). Insurance company and managed care costs, aside from conduit payment of care costs, are just 5% to 7% of the overall total. So the two demons of political ire consume just 20%, at most, of the total.

But our American cost of healthcare is 50% higher than that of the next higher nations. Even eliminating all pharmaceuticals and administration would only give us 20% of the 150% problem, i.e. 30%, not the 50% reduction that is needed.

That’s simple logic.

And pharmaceuticals more than doctors’ visits are what are keeping us vital, vibrant, and vigorous to increasingly advanced ages.

Follow the Money. Below we document an interesting trend that shows that politicians have little incentive to solve the nation’s problems. The cost of television advertising has consumed so much money that politicians are forced to serve their paymasters. It’s no wonder that there is no political solution to the nation’s healthcare challenge. Click on the chart to see it larger.



NOTE: Figures are on this page are calculations by the Center for Responsive Politics based on data from the Senate Office of Public Records. Data for the most recent year was downloaded on January 22, 2016.

Note that these numbers peaked in 2010 when the Affordable Care Act was under discussion. And here are the data on who is protecting their special interests by spending the most on lobbying in 2015.

Lobbying Client	Total
US Chamber of Commerce	\$84,730,000
National Assn of Realtors	\$37,788,407
American Medical Assn	\$28,610,000
Blue Cross/Blue Shield	\$23,214,280
Boeing Co	\$21,921,000
General Electric	\$20,920,000
American Hospital Assn	\$20,677,935
Business Roundtable	\$19,250,000
Pharmaceutical Rsrch & Mfrs of America	\$18,445,000
National Assn of Broadcasters	\$17,360,000
National Assn of Manufacturers	\$16,950,000
Alphabet Inc	\$16,660,000
AT&T Inc	\$16,370,000
Comcast Corp	\$15,680,000
CVS Health	\$15,230,000
National Cable & Telecommunications Assn	\$14,120,000
Lockheed Martin	\$13,794,053
Southern Co	\$12,860,000
American Bankers Assn	\$12,690,000
FedEx Corp	\$12,405,835

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The American Medical Association ranks third and the American Hospital Association ranks seventh. No wonder the candidates do no more than pander when it comes to questions of the cost of healthcare. They've been bought and paid for by the doctors and the hospitals.

The Role of Government. Our healthcare system is managed by the government's Centers for Medicare and Medicaid (CMS) in Baltimore. CMS sets the standard reimbursement rates and the standards for acceptable hospital and physician practice in the United States. We don't have cost control because there is no incentive for the government, with its power to borrow or tax, to contain cost. The benefits go to those with the most effective lobbyists. And the Supreme Court has endorsed this pattern with the Citizens United case [*Citizens United v. Federal Election Commission*, No. 08-205, 558 U.S. 310 (2010)].

That means that success in healthcare is not determined by demonstrating to consumers that they can have improved quality of care for reduced cost by contracting, say, with the Mayo Clinic than with Kaiser, but rather by who can best influence the central planners at CMS and their Congressional associates.

What can Active Aging Advocates do? If you give us your support, we can be your voice arguing that you, your children, and your grandchildren are the only interests that Washington politicians and agency administrators should be serving. Help us to help you.

Active Aging Advocates