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New Study Shows U.S. Health Care will “Hit the Wall” in Next 20 Years

*American Health Policy Institute Analyzes Converging Pressures
That Could Lead to a Crisis*

Washington, D.C. – Today, the American Health Policy Institute (AHPI) releases, “Hitting the Wall: When Health Care Costs are No Longer Manageable,” an analysis of the troubling trends characterizing the American health care system and the timing of the convergence of pressures such as the country’s current fiscal situation, increasingly lack of affordability of health care, and the many challenges facing U.S. employers in providing appropriate health care coverage to employees, dependents, and retirees.

The study examines the pressures on the U.S. health care system and points to independent estimates of when each of the elements reaches a crisis point, as outlined below:

- **2025:** Medicaid costs surpass \$1 trillion per year
- **2025:** Worker to retiree ratio dips below 3:1
- **2025:** 53 percent of private sector employees who are heads of families will face an average family premium and deductible that will consume 9.5 percent or more of the family's income
- **2025:** Some predict that fewer than 20 percent of workers will receive health care through their employer (prediction of former White House adviser Dr. Ezekiel Emanuel prediction)
- **2029:** All of the baby boomers are 65 and older
- **2030:** The Medicare HI trust fund is depleted
- **2031:** Cadillac Tax hits average value employer health plan

According to the AHPI study, each system will be facing its own crisis in a narrow window of time, specifically the years between 2025 and 2030, and the meeting of these negative trends in a short window of time could lead employers and the federal government to make drastic changes to their health care delivery models, which in turn will lead to other changes in the health care system. Should all of these problematic trends come together in a short period of time, it is possible that the American health system will at that point be “hitting the wall.”

Tevi D. Troy, President of the American Health Policy Institute and co-author of the paper said, “It is clear that changes are coming to both government programs and to employer sponsored health insurance (ESI), and they are coming as a result of a variety of pressures facing American health care. These pressures have been long in building, but many of them are reaching a state where they will eventually force fundamental changes. The American health care system could potentially handle or absorb any one challenging trend, but in combination they may be too much to bear. The concurrent strains in both ESI and government-run programs, which combined cover

or subsidize the vast majority of Americans, could leave millions of Americans without any affordable health care options.”

The study calls for public policy change in order to prevent such a crisis from occurring in today’s unstable health policy environment, including solving the excise tax facing many employers as well as making changes to future payment policies of government entitlement programs in order to stave off a potential fiscal collapse. According to co-authors Tevi D. Troy and D. Mark Wilson, with respect to the public sector, there is still enough time to make changes now to shore up the public sector programs upon which an increasing number of Americans rely, and from the private sector perspective, policymakers should recognize that ESI is going to be changed and that public policy needs to support the ability of the private sector to make the required changes.

“Wise policies would foster and encourage creative market-based remedies that will benefit employees, employers, the federal treasury and our entire economic system. Such a reformed ESI system can ensure that employers are still actively involved in providing health care to their employees and not turning that burden over to the public sector. The first step, however, in improving such policies is developing an awareness of the problem. This paper is an effort to begin building that awareness,” said Dr. Troy.

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To View, please visit the following link:

http://www.americanhealthpolicy.org/Content/documents/resources/Hitting_the_Wall_2015_Final.pdf

American Health Policy Institute (AHPI) is a non-partisan 501(c)(3) think tank, established to examine the impact of health policy on large employers, and to explore and propose policies that will help bolster the ability of large employers to provide quality, affordable health care to employees and their dependents. The Affordable Care Act has catalyzed a national debate about the future of health care in the United States, and AHPI serves to provide thought leadership grounded in the practical experience of America’s largest employers. To learn more, visit americanhealthpolicy.org.