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DELAWARE SPENDS \$5.8 BILLION ON HEALTH CARE

DELAWARE HEALTH CARE COMMISSION RECEIVES REPORT ON TOTAL HEALTH SPENDING IN DELAWARE

October 6, 2006

About \$5.8 billion is spent on personal health care in Delaware according to a report commissioned by the Delaware Health Care Commission. The report was presented at the Commission's monthly business meeting on Thursday, October 5, 2006.

According to the report Delaware is generally in the mainstream among states with regard to personal spending, but is expected to see growth in consumption of services as the population increases and ages. While medical prices (the cost of services) are inflating at 4 percent per year, the total cost of care in Delaware is increasing about 8 percent per year. The total cost of care is affected by three variables: population size, price of services, and utilization.

Health care spending in the US and Delaware is poised to increase, largely due to a growing population and the aging Baby Boomer generation, but also fueled by advances in technology and greater consumption of services and treatments, such as prescription drugs. Utilization increases are largely driven by the relaxation of tight managed care restrictions, which held overall spending down in the mid 1990's. Also, the drug sector is rapidly expanding and the outlook for expenditures is strong continued growth.

Although Delaware's per capita costs (\$7,000 per person) are higher than the national average (\$5,500 per person), so are those of states in the Mid-Atlantic region.

The structure of the health care industry is becoming leaner and more efficient. While the population has increased just over 19 percent during the period of 1993 to 2004, the number of hospital beds, admissions and inpatient days declined. Much of this can be attributed to

The Delaware Health Care Commission is an independent public body reporting to the Governor and the General Assembly working to promote accessible, affordable, quality health care for all Delawareans.

technological improvements, allowing for fewer hospital admissions, shorter lengths of stay and an increase in the provision of outpatient services.

Economic Importance of Health Care to Delaware's Economy

The health care industry is an engine for job growth in Delaware. A large proportion of the state's workforce is in the health care sector, with 11 percent of the workforce and 11 percent of reportable wages. Today about 47,000 people are employed in the health care industry, compared to 29,000 people in 1990. Projections show that employment in the industry will continue to grow.

While the US devotes 16 percent of gross domestic product to health care and Delaware only 13 percent, health care remains an increasing portion of the total output in both the state and the nation. This is expected to increase between now and 2030. Between 2010 and 2030 the 45-54 year age group is projected to actually decline by about 15,000 while the over-65 year group will increase by over 100,000. This will place increased demands on the health care sector and contribute to its consuming a greater portion of the state GDP.

As a share of total health care expenditures, 42 percent is spent on hospital care and 24 percent on physicians and other health professionals. Most of the remainder is comprised of drugs (15%), nursing home care (7%), and dental care (4%). The study also found that individuals pay out-of-pocket for the majority of costs for drugs, vision products, and dental services. The government pays for the majority of hospital charges, and private insurers are the primary payers for physicians.

“Analyzing Delaware's consumption of health services helps us better to prepare to meet the state's needs for tomorrow,” said Lt. Governor John C. Carney, Chair of the Delaware Health Care Commission. “Important public policy issues can better be framed using information contained in the Total Cost of Health Care report. These issues range from preparing for an adequate health professional workforce to understanding trends in how our health dollars will affect our infrastructure and utilization patterns in the future.

As with all annual reports received by the Commission, the Total Cost of Health Care report will be evaluated and additional data points considered in order to give policymakers the most complete snapshot of spending trends in Delaware and the nation.

The report was prepared for the Commission by Simon Condliffe and Edward C. Ratledge of the Center for Applied Demography and Survey Research at the University of Delaware.