



Strategic Planning Associates, LLC

CREATIVE BUSINESS SOLUTIONS – FOR A CHANGE

1480 Spalding Drive
Atlanta, Georgia 30350
Tel: 404/374-1433
Fax: 770/698-9086

www.StrategicPlanningAssociates.com

Health Care Costs vs. the CPI

Last week, the Bureau of Labor Statistics released data on Consumer Price Index (CPI) changes over the past 20 years. Since September 1986, CPI has increased by 84%. But, over the same period, the cost of health care has risen by an average of 191%. In fact, health-related services comprise four of the five highest cost categories.

The Top Five drivers of U.S. inflation since 1986 are as follows:

1. College tuition: 289.5%
2. Hospital services: 280.4%
3. Prescription drugs: 177.6%
4. Medical care: 173.5%
5. Doctor services: 137.3%

Clearly, with an increase in the use (and cost) of technology, the prevalence of specialty medications, and an aging population, it's unlikely that health care costs will start trending downward. The implications for employers are staggering.

As the data show, traditional cost-management strategies are not the answer – and never really have been effective. It therefore makes no sense to assume that tweaks in benefit design, and continued cost shifting, can reverse the upward cost trend. For this reason, many employers are starting to embrace non-traditional approaches that have proven successful at reducing health care risk (and ultimate cost).

One thing is certain: If employers don't shift benefit direction, they'll end up exactly where they've been heading.