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## Healthcare Costs in the U.S.

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# Healthcare Costs in the U.S.

## **Abstract**

"What are the ethical considerations regarding the price that pharmaceutical companies charge for medications, and how are those charges passed on to pharmacies and hospitals/clinics?"

Posting about advocating for cost-effective health care from *In All Things* - an online hub committed to the claim that the life, death, and resurrection of Jesus Christ has implications for the entire world.

<http://inallthings.org/healthcare-costs-in-the-u-s/>

## **Keywords**

In All Things, health care, United States, Christian stewardship

## **Disciplines**

Christianity | Medicine and Health Sciences

## **Comments**

*In All Things* is a publication of the [Andreas Center for Reformed Scholarship and Service at Dordt College](#).

# Healthcare Costs in the U.S.

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▫ [inallthings.org/healthcare-costs-in-the-u-s/](http://inallthings.org/healthcare-costs-in-the-u-s/)

Kristin Van De Griend

I have taken omeprazole (prescribed by a physician) since I was 16 years old. During graduate school, I had student health insurance and utilized the student pharmacy. The pharmacy charged my insurance \$249.10 per month, which insurance paid most of, and I had to pay \$58.22 co-insurance. Initially, it seemed the healthcare system was working in my favor because I paid a fraction of the cost, until I compared it to the over-the-counter price (OTC) for omeprazole at \$14.

There are multiple issues in this small example of how we should examine our healthcare system with a critical eye, keeping in mind that we are called to practice good stewardship of our resources. First, what are the ethical considerations regarding the price that pharmaceutical companies charge for medications, and how are those charges passed on to pharmacies and hospitals/clinics? Research and development, including failure to get drugs approved, is cited as the main reason for the price of prescription drugs.<sup>1</sup> How have we arrived at a system where a pharmacy charges \$249.10 for a generic medication? Initially, I thought it might be that the pharmacy was small and lacked the leverage to negotiate lower prices with pharmaceutical companies, so I called retail pharmacies in the area. They all charged at least that much or more and recommended that I purchase the medication OTC. Second, why is our healthcare system set up in such a way that the insurance company routinely pays the pharmacy almost \$200 on my behalf for this generic medication?

Financially, I was left with little choice but to purchase my medication OTC. Because of this I also had the option to stop being seen by my physician for the medication. It was tempting because I would save money on office visit co-pays and co-insurance. This is also a shortcoming of our healthcare system, because the prescription was for a history of recurring bleeding ulcers. How many other Americans have faced the same decisions and made the choice to abstain from seeking medical care because they could treat themselves cheaper somewhere else for potentially serious diseases?

Hospitals and clinics, as well as long-term care facilities, charge similarly high prices for services. When we think of the cost of healthcare, we often think of the price that consumers (patients and our government) pay for services. However, there is also a cost to healthcare from a provider perspective, which is the cost to produce these services. When hospitals have to purchase expensive technology to provide state-of-the-art care, the hospital or clinic needs to charge patients with each use of those diagnostic and surgical tools. In order to keep emergency departments staffed 24 hours per day with highly qualified providers and sophisticated equipment, a threshold of revenue must be met to continue to offer this level of care and to offset the costs the hospital incurs due to uncompensated care.<sup>2</sup>

In 2014, the US spent \$3 trillion on healthcare, including hospital visits (32%), physician and clinical care (20%), prescription drugs (20%), and other expenses. Private health insurance covered one-third of these costs; Medicare was the second highest payer, followed by Federal and State Medicaid. Americans still paid approximately 11% (almost \$330 billion) out-of-pocket for their healthcare expenses.<sup>3</sup>

The rising cost of our healthcare system can be attributed to many things, including: 1) the expectation from patients that all diagnostic capabilities be exhausted, regardless of cost and whether or not that level of care is evidence-based; 2) that specialists should be used even for routine care; 3) improved technology and reduction in infectious diseases has increased our life-expectancy and the prevalence of (expensive) chronic diseases, and 4) extensive life-saving measures for end-of-life care, which may (or may not) lengthen life, but often leave quality of life in question.

Our current model of healthcare focuses on treating diseases. Investing in primary *prevention* of diseases and public

health approaches to health promotion are much more cost-effective than trying to address concerns downstream after they become problems. Seeking healthcare from primary care providers first rather than specialists, reducing the number of second and third opinions we demand, and allowing our healthcare providers to practice medicine without fear of malpractice lawsuits will save the system (and ourselves) money. Whether we support a regulatory approach to cost-containment or a competitive demand-supply approach, we should all continue to educate ourselves on the ethics of the costs of our current healthcare system. There is no “simple solution” to this multifaceted problem. Now is the perfect time to become involved in advocating for policies that will promote the best health for the most Americans, because we are called to promote [shalom](#), while keeping our costs as low as possible as stewards of our God-given resources.

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## Footnotes

1. Shu, L. & Singh, D.A. (2004). *Delivering Health Care in America: A Systems Approach* (3rd ed.) Sudbury, MA: Jones and Bartlett Publishers. [↩](#)
2. Shu, L. & Singh, D.A. (2004). *Delivering Health Care in America: A Systems Approach* (3rd ed.) Sudbury, MA: Jones and Bartlett Publishers. [↩](#)
3. Centers for Medicare and Medicaid Services. (2015). National Health Expenditures 2014 Highlights. Retrieved from: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/highlights.pdf>. [↩](#)