

*New Drug Attacks
Cold Virus Directly*

*Small Business to Pay Higher
Health Care Premiums*

*Medical technology costs
outpace inflation*

*Millions still
uninsured in U.S.*

*FDA approves
new heart device*



**The Cost
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These days, Minnesotans see two kinds of health care headlines. Good news: A new medical breakthrough will improve our health, lengthen our lifespan or enhance our lifestyle. Bad news: We're paying higher and higher insurance premiums and millions of people are still uninsured.

The two types of headlines are closely related. Minnesotans enjoy unprecedented advancements in prescription drugs, surgical techniques and new medical devices. At the same time, health care costs are rising faster than we, our employers or the government, can readily pay for them.

As a result, health plans, employers, government officials, the media and everyday Minnesotans are asking:

What can we do about it?

The first step is developing a greater understanding of the how and why surrounding increasing costs. With greater understanding we can begin to make informed decisions that will keep health care affordable.

Why Costs Are Going Up

The factors driving up health care costs are many and complex, but they fall into two basic categories. Just as your grocery bill is determined by how many groceries you purchase and how much each item costs, health care costs are determined by how many medical services patients receive and how much each service costs. In health care, we're buying more groceries and paying a premium price to get the best of everything.

How Many

Health care is a toolbox: the more tools we have, the more we use. There also are more problems to be fixed. Today, we see two things happening at once: more drugs, medical devices and methods of treatment, along with more use of medical services because the population is aging and our overall health care needs are growing.

How Much

At the same time, overall health care costs are rising within their individual components. Inflation, labor costs, better drugs, better treatments and better technologies all add to the bill. Health care administrative costs are a factor, yet even if health care administration employees worked for free, it would not stop health care costs from rising.

A Common Goal: Better Understanding

All health care stakeholders have a common goal: the best health care at the most affordable cost. This report highlights several medical topics to describe the trends that have occurred in the price (how much) and volume (how many) of medical services in Minnesota. It also includes a listing of retail prices for a sampling of medical treatments and drugs. You'll quickly see that the \$20 office or \$25 drug co-pay is a small part of what it costs to provide you the care.

Rather than dealing in theory, this document contains real numbers and real Minnesota examples.

NOTE: Prices are "retail" prices...that means the price listed is what the bill would be if you paid it on your own. Insurers and health plans negotiate discounts with many providers and therefore the actual amount paid by the health plans is less than "retail."

Parkinson's Disease



CASE STUDY

David R.

- 55 years old
- Bank Manager
- Lives in Bloomington with wife (52 years) and 2 children (17 and 21)

David was diagnosed with Parkinson's disease two years ago. Before the mid-1980s, people like him were treated with drugs primarily developed to treat stuffy noses. They made people sicker, and didn't successfully treat the disease.

The Advancements

A new drug developed in 1988 greatly lessens Parkinson's symptoms with fewer side effects. Now David can do daily tasks, such as drinking from a glass or buttoning a shirt. When this drug loses its effectiveness, he can now move to a higher-powered drug. In 2002, we've already seen another great Parkinson's improvement—this time through technology. A new device implanted in a patient's brain helps slow tremors even further.

The Price

The Parkinson's drug developed in 1988 has an average retail price of \$50-60 a month. The newest drug costs \$410 a month. In 2000, medical bills for the average patient with Parkinson's disease totaled \$6,460.

The Future

What will the Parkinson's toolkit hold in the future, and how much will it cost? The future is already here. A new device to help slow tremors costs \$20,000 just for the device. In addition, the procedure involves a neurosurgeon, hospital care and ongoing visits to a neurologist. We're likely to see better surgical techniques, continued research, nerve protection procedures, stem-cell treatments and genetic-link research. Even with these advances, however, a cure will likely remain elusive. In the meantime, we know for sure that new drugs and technologies will make people's lives better.

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How Many and How Much

The Minnesota Numbers

How Many	1998 *	1999	2000	2001
New diagnosis each year	4,976	3,827	3,707	5,143

Drug	Year approved	How many				How much each month **
		1998	1999	2000	2001	
Carbidopa/Levodopa (Sinemet®)	1988	39,755	45,634	48,641	52,033	\$50-60
Pergolide (Permax®)	1988	2,289	2,093	2,032	1,722	\$383-575
Pramipexole (Mirapex®)	1997	4,250	7,548	10,660	14,739	\$185
Selegiline (Eldelpryl®)	1989	5,538	4,962	4,244	3,705	\$149
Ropenerole (Requip®)	1997	676	1,241	1,728	2,153	\$75
Tolcapone (Tasmar®)	1998	755	539	342	261	\$228-233
Entacapone (Comtan®)	1999	0	47	1,148	1,713	\$410
		TOTAL				
		53,263	62,164	68,795	76,326	

Average wholesale price of monthly prescriptions used to treat Parkinson's disease, and number of prescriptions filled.

* 1998 number is artificially high due to coding changes in that year.

** Price reflects maximum dose once an effective level is reached.



Knee Repair



CASE STUDY

Karalyn C.

- 17-year old high school student
- Top student, talented athlete
- Earned a college hockey scholarship

An active high school athlete, Karalyn “blew out a knee” during a varsity hockey practice. Karalyn feared not only the loss of her college scholarship, but also a life of chronic knee pain.

The Advancements

Not too long ago, everyday activities such as walking up stairs were difficult for people like Karalyn. Now, thanks to improved treatments, many people who injure their knees remain active. Improvements in surgery techniques allow physicians to treat more patients more effectively. Arthroscopic knee surgeries have become one-day procedures. Drugs help patients heal, and much more is known about rehabilitating the knee. Gone are the days of simple Ace bandage wrappings. Now remarkable braces and other equipment help protect knees from further injury. Amazingly, Karalyn can expect to be back on the ice next season. And that scholarship isn't going away.

The Price

While the prices for surgeries vary by injuries, Karalyn's surgery and rehabilitation bill totaled more than \$20,000. This included diagnosis, surgery, medications, extensive rehabilitation, and other care that allows her to continue an active life. Today, a knee brace costs \$1,013; and MRI is \$935; and hospital charges for the surgery total about \$9,433. As knee surgeries have become less painful and more common, it's not just athletes who routinely seek this care.

The Future

Studies show that young adults with knee injuries are at considerably higher risk for “wear and tear” arthritis later in life. It is expected that surgical techniques and equipment will continue to improve, resulting in better medicine at an increased price.

How Many and How Much

The Minnesota Numbers

	1998	1999	2000	2001
Overall number of outpatient knee surgeries (arthroscopic)	13,208	15,017	14,764	14,258
Approximate physician charge for each arthroscopic knee surgery	\$1,362	\$1,495	\$1,514	\$1,576

The Minnesota Council of Health Plans looks at health care costs in Minnesota.

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Babies



CASE STUDY

Twin boys

- Tim: 1.64 pounds at birth
- John: 2.2 pounds at birth
- Born: 6.25 months into pregnancy (25 weeks)

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The Advancements

Some of the most exciting medical advancements in the last decade have been in our ability to care for premature and sick babies.

In the 1980s, only 13 percent of babies weighing between 1 pound to 1.6 pounds survived. Now, thanks to remarkable technology and drugs, 80 percent of these babies live. Survival for infants who are born before 6.5 months increased from 7 percent in 1982-83 to 63 percent in 1994-95.

Yet, all is not well. Most babies whose birth weight is below 1.6 pounds have additional needs later in life. Support is often needed to help children who have learning disabilities, emotional-behavioral disorders, visual impairments and impaired social skills.

The Price

Tim's and John's hospital bills included ventilators, infant intensive care charges, physician fees, plus lab and other tests.

Tim spent 232 days in intensive care and the charges were \$548,768. In addition, Tim needed \$123,305 in respiratory services.

John stayed 101 days in intensive care to grow stronger, and that bill totaled \$224,025. His respiratory care services were \$38,304.

The boys were eventually strong enough to go home. While the needs and costs of premature babies vary greatly, in this case, Tim's hospital bill was more than \$1 million, while John's totaled \$406,154.

In 2000, the average charge for an uncomplicated, "normal" birth was \$7,747.

How Many and How Much

The Minnesota Numbers

	1998	1999	2000	2001
Number of live births	41,712	44,102	44,805	46,867
Number of live births that were multiple births	445	553	583	593
Number of live births who were "extremely" immature, less than 2.18 pounds and/or born prior to the 7th month of pregnancy	363	465	315	358
Number of live births who were "preterm," 2.18 to 5.5 pounds and/or born after 7 and before 9 months	1,654	1,979	1,775	1,997

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Infertility



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CASE STUDY

Ann C.

- Age 35
- Lawyer
- Lives in Eden Prairie with her husband

After diagnostic tests and infertility treatments, Anne and her husband did not conceive a child. They decided to proceed with In Vitro fertilization. While some employers/purchasers include In Vitro fertilization in the coverage they buy, many do not nor is it included in MinnesotaCare or government-supported health coverage. However, aspects of infertility treatments including diagnosis and oral medications are often covered, as are the pregnancy and delivery.

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The Advancements

In the 1980s, a couple that could not conceive a child had few options. If the cause of the infertility was anatomy related, surgery may work to correct it. A few drugs were available to induce ovulation. These treatments were effective for 40 percent and not effective for 40 percent of women. For the final 20 percent, no cause or treatment was identified.

Today, better technology means treatment is more specific and successful. The diagnostic tests more precisely identify the problem. These days, safer and more effective hormonal therapy means more viable eggs. And in recent years, couples have benefited from In Vitro technology. While in 2000, 20 percent of infertile couples still have no identified cause, great improvements have been made in the treatment of the 40 percent of infertile couples that in the past were not successfully treated.

The Price

In the 1980s diagnostic tests cost about \$2,000. Hormone therapy drugs were \$60 a month retail. Today, diagnostic tests are from \$6,000 to \$8,000. Drugs retail between \$40 and \$98 per average dose. In Vitro therapy is about \$8,000 to \$12,000 a "cycle" retail. While some employers choose to include In Vitro as part of the company's health care benefit, many do not.

The Future

Diagnosis and treatment will continue to be refined.

How Many and How Much

The Minnesota Numbers

	1998	1999	2000	2001
Average charge for an in vitro "cycle"		\$8,000-12,000	\$8,000-12,000	
Number of women undergoing in vitro fertilization that is included as a health benefit	554	513	515	502
Drug Cost Examples				
Number of Clomiphene (fertility pill) prescriptions filled	5,874	9,017	10,603	10,688
Wholesale cost of each prescription			\$40-98	
Injectable fertility drugs prescriptions filled	5,854	6,148	6,013	5,691

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How much does it cost?



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OFFICE VISIT CHARGE	\$109
<i>Your office co-pay</i>	\$15
<i>Purchaser's discount</i>	\$20
Health plan's payment	\$74

We all need to better understand how much health care services cost. In this section, we provide the average retail price for a variety of health care services. We all know that good shoppers can usually beat the list price. The same thing happens with health care. Most health plan companies, employers and government agencies shop on behalf of their members and employees. The shoppers usually get a mark-down from the retail price from those health care service providers with whom they have contracts. Discounts are based on the number of health plan members who go to the clinic, historical payments, scientific research and mathematical calculations.

These prices listed below are average billed charges, prior to any discounts negotiated by purchasers. Depending on the provider and location, payments made by health plans or other purchasers are lower than the average price. Figures were determined by an analysis of claims data of Minnesota health plans, along with available national comparisons. Actual prices vary by clinic or hospital. The 'prices' are intended to give consumers a glimpse of the price of common services in comparison to a consumer's co-pay.

Outpatient & Clinic Procedures

Office visit for a cold\$68.50

You feel rotten, go to the doctor and are told to go home, get plenty of rest and drink fluids.

Office visit for sore throat\$109

Your throat hurts, you go to the doctor. Price includes visit with physician and Strep test. Test was negative.

ER visit for sore throat\$328

It's the middle of the night and your throat really hurts. You decide to go the emergency room. Includes ER charges and test for Strep. The test was negative.

Ear ache office visit\$104

Your 2-year-old daughter is pulling on her ear. You go to the clinic. Office visit and exam. No infection is diagnosed.

Tubes in ears\$2,719

Your child has had chronic ear infections. The decision is made to insert tubes his ears. Price includes office visit 30 days before procedure and 30 days after, day surgery charges, antibiotics, drops and decongestants.

Early Lyme disease diagnosis\$74

A small red bump appears behind your knee, and you've felt achy. You make an appointment at the clinic. Price includes office visit and blood test. If the diagnosis is delayed, complications develop and the price jumps to \$2,228 to \$6,724.

Diabetes check-up\$307

You have been diabetic for six years and your diabetes treatment has been going well. This is your annual trip to the clinic to see the doctor for a diabetes checkup, including cholesterol and blood sugars (HbA1c) checks.



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X-rays of chest\$147

You go to the clinic with a bad cough. Your physician thinks it may be pneumonia and orders a set of X-rays to help make the diagnosis. Price includes clinic visit, X-ray and reading of the results.

Diagnosis and treatment of Gonorrhea\$180

The prevalence of sexually transmitted diseases is once again increasing and is a public health concern. This price includes an office visit, test and treatment of Gonorrhea with an antibiotic injection or oral antibiotic.

Allergies diagnosis\$770 to \$1,070

Office visit & consultation.....\$470

Skin tests,\$300 to \$600

Weekly allergy shots.....\$31

Your diagnosis means you need weekly allergy shots at the clinic. If you need to see the doctor, the price is \$172.

Colonoscopy.....\$1,716

Colon scope test conducted by specialist. Includes test and reading of the results.

GI endoscopy\$970

Conducted by a specialist. Scope exam of the gastro-intestinal track. Includes conducting the test and reading the results.

Skin cancer diagnosis.....\$1,255

A black, purple odd shaped mark on your arm requires a consultation with a specialist, biopsy and removal of skin lesion.

Stress test \$1,466

Your primary care doctor orders a stress test. This price includes a trip to the specialist, administering test, reading results.

Eye exam.....\$116

Exam by ophthalmologist.

Allergic reaction to a bee sting \$263

Price includes the ER visit and diagnosis, in addition to drugs to treat allergic reaction.

Broken ankle.....\$429

Sliding into second base wasn't such a good idea. Includes trip to Urgent Care, X-ray of ankle and applying short leg cast.

Step on a rusty nail.....\$356

You step on a nail while playing in the park. Price includes laceration on foot, ER fee, simple repair, tetanus shot if needed.

Broken arm.....\$646

Your son jumped off the jungle gym at the playground. Price includes ER visit, X-ray, simple cast.

Tonsillectomy\$5,914

Your child (under 12) needs her tonsils removed. This price includes a pre-surgical office visit, one-day surgery and any related post surgical visits with in 30 days.

Frostbite treatment for a hand\$205

Your child loses her mitten on one of the coldest days of the year. You make an urgent office or ER visit. The price includes diagnosis and treatment and excludes critical cases.

Diagnose mono\$118

Your teenager is run down, extremely tired. A trip to the clinic and Heterophile antibodies test shows mono.

Flu shot\$102

You make an appointment to see your physician and get a flu shot. Price includes administration of vaccine and associated labs with visit to a clinic.

Testing for tuberculosis.....\$155

Office visit for physical exam, administering and reading the test.

10 therapy sessions\$1,050

You see a licensed therapist for 10 sessions. Does not include prescriptions drugs or psychiatrist evaluation.

Outpatient chemical dependency treatment \$3,556

You attend 21 to 30 days of alcohol- or drug-related chemical dependency counseling through a hospital's outpatient program.



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Cut on the hand.....\$1,934

You're using that new knife to clean fish, and you slice into the tendon in your hand. Price includes an ER visit, complicated stitches, tetanus shot if needed.

General physical:

Child & teen checkup,\$151

18-39.....\$222

40-64.....\$283

65+\$287

Exam of a person in good health. Simply a physical, not a problem-focused clinic visit. Of course as a person ages, more tests are part of routine physicals.

Immunizations.....\$148

Includes all charges from a clinic visit during which an immunization was administered, includes drugs and administration charge.

PAP test\$182

Woman of childbearing age, includes exam by gynecologist, test and reading of results.

Routine mammogram.....\$108

Women 35 and older, includes the test and reading of results.

Prostate cancer screening test (PSA).....\$240

Includes office visit for man age 50 or older, blood draw and PSA test.

Inpatient Visits

Having a baby.....\$7,747

Price is based on "perfect" pregnancy, including routine prenatal costs, no risk factors to mother, uncomplicated vaginal birth.

Emergency appendectomy\$13,500

Includes emergency room visit, hospital stay and emergency appendectomy.

Gunshot wound to chest..... \$72,144

"Clean" wound, no damage to critical organs or bone.

Gunshot would to the abdomen.....\$43,280

"Clean" wound, no damage to critical organs or bone

Hysterectomy.....\$15,490

Simple hysterectomy, not caused by trauma, cancer, etc. Includes physician charges, hospital surgical and room and board charges and follow-up visit.

Prescription Drugs

2000 Average Wholesale Price. Prices show difference between a prescription drug co-pay of \$10, for example, and the retail price of the drugs received. Prices are based on common dosages for co-pay arrangements.

Ortho-Novum.....\$116

84, 1/35 tablet, (standard three-month prescription with one co-pay) birth control.

Prozac\$89

30, 20 mg tablets. Used to treat depression.

Fluoxetine.....\$63

30, 20 mg tablets. Generic for Prozac.

Zyrtec.....\$60

30, 10 mg tablets. Used to treat allergies.

Claritin\$88

30, 10 mg tablets. Used to treat allergies.

Lipitor.....\$100

30, 20 mg tablets. Used to treat high cholesterol.

Adderall.....\$107

60, 20 mg tablets. Used to treat ADD/ADHD.

Ritalin\$69

100, 10 mg tablets. Used to treat ADD/ADHD.

Methylphenidate.....\$43

100, 10 mg. Tablets. Generic for Ritalin.

Concerta\$134

60, 18 mg tablets. Used to treat ADD/ADHD.

Celebrex.....\$156

60, 200 mg capsule. Used to treat arthritis.



NOTES

Parkinson's Disease

- Drug prices: Average Wholesale Price, 2000, First Databank and comparison with retail pharmacy prices.
- Device: Based on reports from device manufacturer
- Number of Minnesota cases: Based on analysis of Minnesota health plans' claims data.

Infertility

- Most health coverage provided by employers does not cover in vitro fertilization or injected fertility drugs. These numbers represent women who have coverage of In Vitro and injectable drugs as part of their health plan.
- Cost of drugs: Reflect average wholesale price, as listed in First Databank.
- The number of prescriptions filled are based on an analysis of Minnesota health plans' data.

Babies

- Tim and John's costs are approximate and based on health plan data analysis. Overall costs include claims received for the first year of the babies' lives.
- Survival rate information based on a study at the University of Southern California by AJ Teberg, JE Hodgman, and L. Barton, et al. Nursery survival for infants of birth weight between 500 and 1500 grams during in 1982-1995. *Journal of Perinatology* 2001; 97-106.
- Special services support: M. Hack, HG Taylor, N. Klein, et al. Functional limitations and special health care needs of 10 to 14-year old children weighing less than 750 grams at birth. *Pediatrics*, 2000; 105.
- Minnesota numbers reflect analysis of Minnesota health plans' claims data.
- "Normal" birth defined as no complications for mother or baby during full-term pregnancy. Vaginal delivery.

Knee Surgeries

- It's rare to find two cases exactly alike. Numbers in this report were based on averages and analysis of specified procedures in 2000 claims data.
- Karalyn's process: based on analysis of Minnesota health plan claims data.
- Overall number of outpatient knee surgeries (arthroscopic): Based on three arthroscopic procedure codes and data from Minnesota health plans
- Approximate physician charge for each arthroscopic knee surgery: Based on analysis of Minnesota health plan average claim data.
- Wholesale cost of a knee brace: based on claims data analysis
- Charges for a diagnostic MRI of the knee: based on Minnesota health plan claims data analysis
- Hospital charges for an arthroscopic knee procedure: Based on claims data analysis.

How Much Does it Cost?

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Analysis Notes

Gun shot wounds are based on a small sample from examples in Minnesota. Most gun shot wounds are not "clean" and therefore require complicated and lengthy treatment. Sample selected for this project included hospital stays of under 13 days and limited surgeries. The major treatment concern was the risk of infection surrounding the open wound.

About This Report

Analysis of claims data, health coverage benefits and estimates of prices are provided by participating health plans and Data Intelligence, Inc., Angie Carlson, Ph.D., Director of Research. She may be contacted at angie@dataintelligence.com.

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Data was derived from claims records only and not verified by chart audit.

