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Two Percent of Population in the Top Ten Percent of Health Spending for Five Years

Persistency in high-cost health claims revealed, with four percent of the population being in the top ten percent of health spending for three to four years; 21 percent being in the top ten percent of health spending for one to two years

Washington, D.C. – October 24, 2019 — A new study from the Employee Benefit Research Institute (EBRI) finds that the majority of health spending is consistently spent by a small minority of health care consumers.

Generally, 20 percent of those insured by employer-based health benefits in the U.S. account for 80 percent of total spending on health care services, with ten percent of the population accounting for 70 percent of spending, five percent responsible for 56 percent of spending, and one percent accounting for 28 percent of spending. The Issue Brief, *Persistency in High-cost Health Care Claims: "It's Where the Spending is, Stupid"*, examines the concentration of health spending among individuals with employment-based health benefits, as well as persistency in those expenditures over a five-year period.

When considering persistency of these high-cost claims, the study found 27 percent were in the top ten percent of spending for at least one year, while 73 percent were never in the top ten percent. Among the 27 percent who were ever in the top ten percent, 21 percent were in the top ten percent only one or two years, four percent were in the top ten percent for three or four years, and only two percent were in the top ten percent each of the five years.

Despite a small percentage of employees controlling most of the spending on health care services, employers offer health plans that largely look and feel the same to plan enrollees regardless of healthcare usage. Although targeting frequent users would have the biggest impact on spending, it is also the most challenging population to address.

"The characteristics of the persistently high-cost claimant group were different from the characteristics of the population never in the top ten percent," said Paul Fronstin, Director, Health Research and Education Program, EBRI, and co-author of the report. "Individuals temporarily in the top ten percent of claimants had characteristics similar to those in the top ten percent for all five years studied. Sixty-three percent of those persistently in the top ten percent of claimants, as well as 59 percent those in the top ten percent for three to four years, were ages 50-64, compared with 30 percent among those never in the top ten percent. In addition, persistently high-cost claimants were also much more likely to be the spouse of the policyholder."

EBRI's findings show that cost-sharing may be ineffective in addressing a large portion of health care costs. "Consumer engagement through cost-sharing may be effective in addressing day-to-day use of health care services, but it will not address the bulk of health spending that is not only above deductibles, but also above out-of-pocket maximums," said Fronstin.

The 5.8 million individuals examined in this study used \$38 billion in health care in 2017. The two percent of the population in the top ten percent of spending every year between 2013 and 2017 accounted for 19 percent of total spending in 2017. In contrast, the 73 percent of the population who were never in the top ten percent in spending during 2013-2017 accounted for only 20 percent of spending in 2017.

The presence of certain medical conditions impacts the likelihood of becoming a persistent high-cost claimant. One-third of individuals persistently in the top ten percent of claimants had diabetes. Among individuals in the top ten percent of claimants for five years, 51 percent of those with diabetes also had hypertension; and about one-quarter of those with diabetes also had respiratory disease, back problems and/or connective tissue disease, among other less prevalent conditions.

The study also finds that individuals persistently in the top ten percent of claimants have a different distribution of spending than those without persistently high claims. Outpatient services, such as diagnostic services, accounted for 46 percent of total health care spending for those never in the top ten percent. Prescription drugs accounted for 26 percent of total health care spending, and office visits to primary care physicians and specialists accounted for 18 percent. In contrast, among those in the top ten percent for all five years, prescription drugs accounted for 52 percent of total health care spending, outpatient services accounted for 29 percent, and office visits accounted for three percent of spending.

Inpatient services accounted for 27 percent of total spending for those in the top ten percent for one to two years, and 22 percent among those in the top ten percent three to four years, but only 15 percent among those in the top ten percent in all five years. "This suggests that one-time events that individuals recover from, such as knee and hip replacements, drove more of the spending for those temporarily in the top ten percent than those persistently in the top ten percent. Similar findings emerged for outpatient surgery and diagnostics," said Fronstin.

The data on use of health care services, health conditions, and spending for this study comes from claims on 5.8 million policyholders and dependents with employment-based health benefits who could be followed for the entire 2013-2017 period.

This study was conducted through the EBRI Center for Research on Health Benefits Innovation, with funding support from Aon Hewitt, Blue Cross Blue Shield Association, ICUBA, JP Morgan Chase, Mercer, Milliman, Pfizer, and PhRMA.

Persistency in High-cost Health Care Claims: "It's Where the Spending is, Stupid" is available at ebri.org.

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