



benefitNEWS

## Government Provided Benefits More Costly than Private Plans

According to a new report from the American Health Policy Institute published in July 2014, in 2012, employers spent \$578.6 billion providing health coverage for 168.6 million employees, retirees, and dependents. In that same year, the government (federal and state) spent \$1.1 trillion on healthcare for 118.8 million beneficiaries. This translates into an average of \$3,430 per covered life for government healthcare programs. Said another way, these results indicate that government healthcare spending on a cost-per-covered-life basis is 166% higher than private sector employer spending on that same basis.

Other notable conclusions from the report include:

- On average, all U.S. employers spent \$3,430 per covered life on healthcare in 2012, up 13.6% from 2003 after adjusting for inflation.
- On average, large U.S. employers (1,000 or more employees) spent \$4,990 per covered life on healthcare in 2013.
- In 2012, government (federal and state) spent \$1.1 trillion on healthcare, or an average \$9,130 per covered life, up from \$8,010 in 2003, or 14%, after adjusting for inflation.
- The US government spent over \$6,900 per covered life on healthcare for military and veterans health programs in 2012, up 10.6% from 2003 after adjusting for inflation.
- Medicaid spent almost \$7,540 per covered life in 2012, down 2.8% from 2003 after adjusting for inflation.
- Medicare spent \$10,830 per covered life in 2012, up 28.2% from 2003 after adjusting for inflation.
- The average cost of government healthcare spending per covered life has risen almost 30% since 1995 after adjusting for inflation, from \$7,040 to \$9,130.
- Households spent an additional \$2,570 per person on healthcare, up 11.6% from 2003 after adjusting for inflation.

This data demonstrates that, for a variety of reasons, employers pay significantly lower healthcare costs per covered life than government programs, and the trends in healthcare costs are significantly different between employers, Medicare, and Medicaid. The report also suggests that there are likely inherent efficiencies in the private sector as in many instances government coverage may be superior to private plans. Over 350 companies that are members of the HR Policy Association were surveyed.

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