Health Care Cost Spotlight:

Chronic Conditions

Health care costs are projected to increase substantially this year. According to industry surveys and reports, employers anticipate health care costs to rise by 7% - 8% in 2025. As a result, employer-sponsored health care plans will continue to cost more per employee, impacting employers and employees alike.

The U.S. Centers for Disease Control and Prevention (CDC) reported that treating chronic conditions accounts for a staggering 90% of the nation's health care costs. Furthermore, an increasing percentage of the population has two or more chronic, high-cost diseases. This Health Care Cost Spotlight insight focuses on chronic conditions and how they're impacting health care costs this year and beyond.

Types of Chronic Conditions

According to the CDC, **6 in 10 Americans have at least one chronic disease, and 4 in 10 have two or more chronic diseases.** A chronic disease is defined as a health condition that requires ongoing management over an extended period of time. Some chronic conditions have very few symptoms, while others severely limit a person's ability to perform routine tasks. In general, chronic disease is increasing in prevalence in the United States and is projected to continue to do so in 2025 and the upcoming decades.

There are many chronic conditions affecting the workforce today, some of the most common being:

– **Arthritis: Arthritis is not a single disease but a term used to describe joint pain or disease.** There are currently over 100 different recognized types of arthritis in the United States, affecting 58.5 million Americans. The National Health Interview Survey cites arthritic conditions as the most common cause of disability in the United States. Treating arthritis often involves prescription and specialty drugs—two things that come at a high expense.

   For example, **biologic drugs, which are typically prescribed for treating rheumatoid arthritis, cost about $1,000 to $3,000 per month. Even after insurance, the cost of treating arthritic conditions adds up quickly.**

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- **Cardiovascular Disease: Heart disease is a lifelong condition and can include any type of disease of the heart or blood vessel system.** Having heart disease increases your likelihood of suffering a heart attack or a stroke or developing additional chronic diseases. Cardiovascular disease costs the United States more than $216 billion each year in health care expenses.

- **Obesity: The CDC reported that more than 2 in 5 adults in the United States have obesity, which is defined as having a body mass index of 30 or higher.** Over the past few decades, obesity rates in the United States have gone up dramatically. The CDC found that during August 2021-23, the prevalence of obesity in adults was 40.3%. According to the agency, this is an increase of over- 10% from a 1999-2000 study.

- **Type 2 Diabetes: Unlike Type 1 diabetes, also known as juvenile diabetes, people with Type 2 diabetes make insulin but are unable to process it correctly.** Because of this, individuals with Type 2 diabetes have to purchase special medicine and tools to manage their condition. According to the American Diabetes Association, treating diabetes and prediabetes costs over $327 billion per year. In addition to higher medical costs, having diabetes puts you at higher risk for other serious health conditions like gum disease, glaucoma and kidney disease.

Chronic and mental conditions are closely connected. While some people may experience a couple of short episodes, others may manage their mental health condition consistently throughout their lives. While the severity of mental health conditions can fluctuate, they are often persistent, which would make mental illness chronic. Also, mental illnesses and other chronic conditions often co-occur. Receiving the diagnosis of a chronic illness can be life-altering, triggering strong emotions like grief and sadness. Still, treatment may be focused on the primary condition and not the mental challenges. For example, the CDC notes that Americans who have diabetes are two to three times more likely to develop depression than those without diabetes; however, only 25%-50% of people with diabetes and depression get diagnosed and treated for both.

When considering chronic diseases, employers should account for all types of physical and mental conditions requiring lifelong management and treatment.

Causes of Chronic Conditions

Although genetics may be a contributing factor, unhealthy habits like a lack of exercise, tobacco use, excessive alcohol use and poor nutrition are often the main reasons for developing these chronic health problems. Experts suggest that in 90% of cases, chronic conditions could have been prevented with proper lifestyle changes, such as avoiding smoking, exercising regularly, maintaining a healthy weight, managing stress and receiving routine preventive care.

Furthermore, an aging U.S. population is also partly responsible for the rise of chronic conditions. Despite a decrease during the COVID-19 pandemic, life expectancy in the United States has increased significantly over the past 50 years; meanwhile, birth rates have trended down consistently. Estimates show that there will be almost 80 million people aged 65 and older in the United States by 2040. Older adults are disproportionately impacted by chronic conditions, such as obesity, arthritis, Type 2 diabetes, cardiovascular disease and depression.

Research by the National Council on Aging revealed that 94.9% of adults aged 60 and older have at least one chronic condition, and 78.7 % have two or more conditions.

This finding means that Americans are managing chronic conditions even longer in their lifetimes.

The Cost of Chronic Conditions

When left unchecked and unmanaged—for weeks, months or years—chronic conditions can result in serious illness, hospitalization and death. In addition, treating chronic conditions may involve physician visits, extended hospital stays, prescription drugs and expensive treatments, contributing to increased medical expenditures and lost productivity for employers.

> **As previously mentioned, the CDC reports that 90% of the nation's $4.5 trillion in annual health care costs are for people with chronic and mental health conditions.**

Specifically, cardiovascular diseases are one of the most significant contributors to health care costs. According to the American Heart Association, heart disease and stroke could affect over 60% of old adults in the United States by 2050 and reach $1.8 trillion in related expenses. After adjustments for inflation, this would reflect that costs related to cardiovascular diseases triple over the coming decades.

Other conditions, such as obesity, also drive higher health care costs. Obesity is correlated with other costly chronic conditions, including heart disease, Type 2 diabetes and sleep apnea. The CDC published a report that found that in 2019, annual obesity-related medical care costs in the United States were estimated to be nearly $173 billion.

Related to chronic conditions, an aging U.S. population is also significantly contributing to rising health care costs this year and beyond. In general, health care costs increase as people age. Adults over 65 use health care more frequently and are more likely to incur costs. Per-person personal health care spending for the 65 and older population is around five times higher than spending per child and almost 2.5 times the spending per working-age person. Despite making up a smaller percentage of the population, this category accounts for a sizable proportion of health care spending, largely driven by their likelihood of having one or even multiple chronic conditions. Every year, more Americans enter the 65 and over category. With more Americans entering retirement age, the impact of an aging population is likely to continue increasing overall health care spend.

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Cost-Mitigation Strategies for Employers

Approximately 133 million Americans live with one or more chronic diseases, which translates into an increased cost for employers.

On average, employer health care coverage for an employee with a chronic condition is five times higher than coverage for those without a chronic disease. So, what can employers do to reduce health care costs for themselves and their employees? Think prevention.

Treating chronic diseases involves physician visits, extended hospital stays, prescription drugs and expensive treatments. Prevention is the most cost-effective method of reducing chronic diseases among at-risk employees. To assist in prevention efforts, employers should implement workplace policies that encourage employees to use preventive services and health promotion programs.

Fortunately, employers are uniquely positioned to help combat chronic conditions, which could, in turn, reduce their health care costs and yield a healthier workforce. In addition to focusing on prevention, some employers are pursuing the following strategies related to chronic conditions:

Clearly communicate the value of preventive care. Employees are more likely to seek preventive care when they fully understand the benefits of routine care, checkups, screenings and immunizations. Not only can preventive care help identify chronic diseases early on, but it can also reduce related health care costs. Preventive care habits fuel a happy and healthy lifestyle and can help employees in the long run.

Be accommodating. Adjusting policies and programs can help address the needs of employees affected by chronic conditions. Employers may consider offering arrangements such as alternative worksites or other flexible work options to help make chronic care management and treatment more accessible. When employees can stay on schedule with appointments, medications and treatments to take care of themselves, they'll be more likely to remain productive and engaged at work.

Make it personal. Care for chronic conditions can be complex, time-consuming and inconvenient. Employers might consider identifying programs that offer targeted messaging and support to keep employees informed, engaged and motivated to make healthy choices or changes. Access to health screenings, assessments and wellness coaches can help personalize an employee's experience on their wellness journey.

Consider programs that address the common causes of chronic conditions. The top causes of chronic conditions are tobacco usage, unhealthy diet and a lack of physical activity. Employers might, for example, provide a smoking cessation program or develop exercise programs to pro- mote physical activity. Especially in today's digital world, tools such as fitness apps and wearable devices can help employees make sustainable lifestyle changes.

In the end, employers have an opportunity to influence and encourage employees to successfully manage their conditions and develop healthy lifestyle habits. In general, a healthy workforce is a major boon to an employer's operations.

Summary

Chronic conditions account for a shockingly large part of U.S. health care costs. Fortunately, employers are well positioned to help fight chronic health conditions and strategize ways to contain costs associated with chronic conditions. In addition, employers can promote health and productivity among their workforces. Staying up to date on developing market trends in this fast-moving space can help employ- ers stay educated and inform their decisions.

Contact us for more resources.

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