

Spending on children's health rising faster than adults over past four years, says report

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Spending on health care for children grew faster than spending for adults between 2007 and 2010 due to increasing prices for all categories of goods and services, finds a new report from the Health Care Cost Institute (HCCI). This rise in spending occurred despite a decline in number of commercially insured children and a drop in the use of costly health care services, such as hospital stays and brand-name drugs, says the *Children's Health Care Spending Report: 2007-2010*. This is the first such analysis to track changes in spending, prices, and use of health care services by children covered by private employer-sponsored health insurance.

Price increases surpassed changes in the amount of health care children consumed and outstripped general inflation from 2007-2010, according to the report. Outpatient visit prices rose the fastest, increasing 34.4 percent over four years, nearly six times the rate of inflation, which grew 5.2 percent.

Per capita spending on children's health care rose to \$2,123 in 2010, an 18.6 percent increase from 2007. Spending on health care for infants and toddlers was disproportionately high. Although children under 3 years comprised 17 percent of the covered [child population](#), 31.4 percent of the total children's health care dollars was spent on them in 2010. Per capita spending for this age group reached \$3,896 in 2010. At the same time, teenagers had the highest rate of per capita spending growth, rising 22.3 percent between 2007-2010, with more money going toward [prescription drugs](#) and [outpatient care](#).

Utilization of mental health and substance abuse services by children rose nearly 24 percent over the four year period. Use of these services grew the most for children age 9-18. In addition, use of [central nervous system](#) drugs, such as antidepressants, anti-anxiety drugs, and drugs used to treat attention-deficit hyperactivity disorder, jumped more than 10 percent. Use of central nervous system drugs among teenagers was highest, with prescriptions exceeding 1 per insured child aged 14-18 in 2010.

"Children tend to use less expensive health care, so a bump in children's [health care spending](#) is troubling because it could indicate that kids are getting sicker or receiving unnecessary tests or excess procedures," says HCCI Governing Board Chairman Martin Gaynor, PhD, Professor of Economics and Public Policy at Carnegie-Mellon University. "The data on spending for mental health and substance abuse services is particularly worrying. We need to look further into why there is such a high use of prescription drugs for mental health problems among children and whether this expenditure is yielding valuable health outcomes."

"HCCI's Children's Health Care Spending Report 2007-2010 is based on one of the largest collections of private health insurance claims data ever assembled and provides unprecedented insight into health care spending trends of children who are covered by their parents' or guardians' employer-based health insurance. Employer-sponsored insurance (ESI) is the largest single source of coverage for children in the United States. According to the report, insurers and consumers spent nearly \$88 billion on health care for children in 2010, up nearly 12 percent from 2007. Spending rose even though the number of children covered by ESI declined 5.7 percent from nearly 44 million in 2007 to 41.4 million in 2010.

Most Money Spent on Professional Services

In 2010, the bulk of children's health care dollars (40.3%) was spent on professional procedures such as primary care office visits, immunizations and preventive care, a trend that was consistent across the four-year period. On average, \$855 was spent on professional services per child, a 16.5 percent increase from 2007.

High rates of use helped make professional procedures the largest area of health care spending for children but price increases pushed up how much money was spent. On average, children experienced over 10 professional procedures in 2010, a 6.7 percent increase from 2007. Still, price increases for office visits, preventive care, and other services outpaced this growth, rising 9.2 percent over the four-year period.

Consumers also paid more out-of-pocket for professional procedures, which accounted for almost half of all out-of-pocket spending. For professional procedures, co-pays, deductibles and other out-of-pocket costs averaged \$182 per child in 2010, an increase of 7.1 percent from 2009.

Exceptional Price Growth for Outpatient Care, ER Visits

Facility charges for outpatient visits increased, growing at more than twice the rate of inpatient admission facility charges. Emergency departments were an increasingly expensive place for care, with the average facility fee for an emergency room visit increasing 35 percent over 2007-2010 from \$684 to \$923.

Additional Report Highlights:

- **West Spends Less Than Northeast:** The growth in per capita

spending on children varied considerably across the country but the gap was most notable between the West and Northeast.

Between 2007 and 2010 spending grew over 25 percent in the Northeast, compared to just 14.8 percent in the West. In 2007, per capita spending for children in the West was \$105 less than in the Northeast. By 2010 that difference had increased to \$311.

- **Cost-Sharing Rises:** Consumers shouldered slightly more of the cost of children's health care in 2010. Consumers picked up 17.5 percent of all health care costs in 2010—higher than the cost-sharing rate for the overall population (16.2%). Out-of-pocket costs rose by 6.8 percent, to an average of \$371 per child from 2009-2010. Out-of-pocket spending was highest for children under 4 years (\$491 in 2010), yet grew fastest for teens, increasing 8.8 percent from 2009 to 2010 to \$433.
- **Increase in Prescription Drugs:** While prescription drug use declined 1.6 percent overall compared to 2007, the fastest growing prescription drugs used by children were cardiovascular drugs, which grew 24.8 percent; hormones, which grew 20.8 percent; and central nervous system drugs, which grew 10.4 percent. The rate of use of central nervous system drugs among teens ages 14-18 was nearly double that of children overall (1,191 per 1,000 insured children versus 692 per 1,000 insured children).

"We hope this report gives researchers and others a much clearer picture about why [health care spending](#) for [children](#) has risen so quickly," says HCCI Executive Director David Newman. "While we now know prices are the underlying cause, further research on services with high expenditures and high growth in prices is needed for us to understand what is driving these price increases."

About the Data

Findings are based on de-identified Health Insurance Portability and Accountability Act (HIPAA) compliant data sets from three billion health insurance claims provided by Aetna, Humana, and UnitedHealthcare, three of the nation's largest health plans. Future reports from HCCI will include data from Kaiser Permanente. It does not report on premiums or their determinants.

Provided by Burness Communications

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