The Economic Burden of Health Inequalities

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Hopkins Center for Health Disparities Solutions

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The Economic Burden of Health Inequalities

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Age-adjusted mortality rates by race/ethnicity and gender, 2003

Note: API = Asian/Pacific Islander

Source: CDC NCHS The Health, United States List 2006 Edition Table 35, pg. 198
“A key test for any new system is its ability to provide access to quality care for the poorest and sickest among us. The elimination of health disparities must be a critical goal: No American can be left out.”

Former Speaker of the House Newt Gingrich
“African American males die sooner than other males do, which means the system is inherently unfair to a certain group of people. And that needs to be fixed.”

President George W. Bush, January 2005
The Economic Burden of Health Inequalities in the United States
Acknowledgements

- Joint Center for Political and Economic Studies
- C-Change Cancer Health Disparities Advisory Workgroup
- Direct Medical Care Costs
- Indirect Costs
- Cost of Premature Death
Direct Medical Care Costs

- Medical Expenditure Panel Survey (MEPS)
- 2002-2006
We divided the sample into 14 cohorts based on gender and seven age groups: 18-24, 25-34, 35-44, 45-54, 55-64, 65-74, and 75 and over.
- We determined which racial/ethnic group had the best health outcomes within each age/gender group.
The Leading Causes of Death by Race/Ethnicity

Blacks
- Septicemia
- HIV/AIDS

Whites
- Alzheimer’s
- Suicide
- Nephritis, nephrosis, Nephrotic syndrome

Asians
- Heart Disease
- Cancer
- Stroke
- Lower Respiratory Accidents
- Diabetes

Hispanics
- Homicide
- Influenza/Pneumonia
- Chronic Liver Perinatal

For each age group, we estimated health care expenditures for each racial/ethnic group using each racial/ethnic group’s actual health status as recorded in MEPS.
Direct Medical Care Costs

- Re-estimated the models assuming that each racial/ethnic group had health status equal to that of the racial/ethnic group with the best health status in its age/gender group.
Direct Medical Care Costs

- Difference between cost estimate with actual health status and health status for best group equal estimated excess costs.
30.6% of direct medical care expenditures for African Americans, Asians, and Hispanics were excess costs due to health inequalities.

Direct medical care expenditures by $229.4 billion for the years 2003-2006. (2008 constant dollars)
Indirect Costs

- MEPS 2002-2006
- Estimate productivity loss associated with health inequalities for racial/ethnic minorities.
Indirect Costs

- Estimated number of lost workdays due to illness or disability
Indirect Costs

- Then we estimated the number of disability days for 2003-2006 with health inequalities eliminated.
- Re-estimated the model assuming disability days same as group with fewest disability days.
Indirect Costs

- Indirect costs of health inequalities were due to the costs of disability and illness
- $50.3 billion (in 2008 constant dollars)
Premature Death is Costly

- Years of Potential Life Lost Are Valuable.
  - Parents
  - Children
  - Workers and entrepreneurs.
  - Grandparents are valuable too.
What is the value of a year of life?

- Is it merely a years worth of (potential) earning.
- I prefer to valued the years of a life lost at society’s willingness to pay for a quality adjusted life year.
  - Cost effectiveness analysis norm: $50,000 (Hirth et al 2000).
  - Braithwaite et al (2008) suggest $95,000 to $264,000.
Costs Due to Premature Death

- National Vital Statistics Reports
- Number of deaths and crude death rates by age and race/ethnicity
Costs Due to Premature Death

- Estimated number of deaths that would have occurred if each group had death rate of group with lowest death rate.
Costs Due to Premature Death

- Difference between actual number of deaths and estimated number of death is excess deaths.
- Assigned cost of $50,000 for each year of potential life lost.
Premature deaths were $957.5B

Between 2003 and 2006, the combined direct and indirect cost of health disparities in the United States was $1.24 trillion (in 2008 inflation-adjusted dollars).
- Direct Medical Care Costs $229.4 billion for the years 2003-2006.
- Indirect Costs of disability and illness $50.3 billion
- Cost of Premature deaths were $957.5B
- Total $1.24 trillion (in 2008 inflation-adjusted dollars).
Cancer Health Disparities are Costly

- The annual costs of racial/ethnic disparities are almost $197 billion:
  - $193 billion for premature death;
  - $2.3 billion for direct medical costs; and
  - $471.5 million for lost productivity.
For more information, email us at: Administrator@COA360.org
Questions