

# Emergency Care: Just 2%

**“Emergency care represents less than 2 percent of the nation’s health care expenditures.”**

“Ninety-two percent of emergency visits are from very sick patients who need care within 1 minute to 2 hours.”

**Emergency Medicine is Critical  
at Any Hour of Any Day.**

**It Must Be There When You Need It.**



American College of  
Emergency Physicians®

ADVANCING EMERGENCY CARE 

# U.S. Health Care Expenditures and Emergency Care:

## Can Emergency Visits Be Prevented? Will Significant Costs Be Saved?

Health care is a big business in the United States, representing more than 16 percent of U.S. Gross Domestic Product. Yet there are misconceptions about the costs and efficiencies of emergency rooms and “unnecessary” care. According to U.S. government statistics, emergency care represents less than 2 percent (1.9 percent)<sup>1</sup> of the \$2.4 trillion<sup>2</sup> spent on health care.

Emergency care requires specialists, advanced technology and the tools to save lives within hours of entry into an ER. Can care be provided more cost effectively? Are there really “unnecessary” visits to the emergency room? And where do emergency visits fall within the bigger picture of health care spending and potential cost savings?

The need to reduce health care costs is clear. Health care expenditures increased to \$2.4 trillion in 2008, according to the Department of Health and Human Services Office of the Actuary,<sup>3</sup> more than three times the \$714 billion spent in 1990, and more than eight times the \$253 billion spent in 1980.<sup>4</sup> Expenditures are forecast to reach \$2.6 trillion in 2010. Since 1999, family premiums for employer-sponsored health coverage increased by 131 percent.<sup>5</sup> And many states, because of the economic crisis, are struggling to meet their health care budget obligations, particularly the rising costs of Medicaid.

### What Percentage of Health Care Expenditures is Emergency Care?

The total U.S. expenditure on emergency care was \$47.3 billion in 2008, according to the Agency for Healthcare Research and Quality.<sup>6</sup> This includes all services provided in the emergency department, including physician services. Given that total health care expenditures are

estimated at \$2.4 trillion in 2008, this means that emergency care represents less than 2 percent (0.019894896 percent) of the nation’s health care expenditures.<sup>7</sup>

**The total U.S. expenditure on emergency care was \$47.3 billion in 2008, according to the Agency for Healthcare Research and Quality.**

While it may cost more for patients to visit an emergency department than to visit a physician’s office, the total cost is small relative to the entire health care system. Unlike a physician’s office, emergency departments have all the diagnostic resources available 24 hours a day, seven days a week, 365 days a year, and the availability and use of this equipment contribute to the costs of care.

**Emergency care represents less than 2 percent of the nation’s health care expenditures.**

### Overview of Emergency Care

Emergency care is a unique form of medical care. Emergency departments are available around the clock, and emergency physicians are medical specialists who are prepared to care for every type of medical emergency. They tap multiple resources on a daily basis within a hospital, such as diagnostic testing and consultation by other medical specialists, to respond to the emergency at hand; to set the course of a patient’s diagnosis and treatment, including what happens after a patient has been admitted to the hospital; and to coordinate the further care of patients who can be discharged home directly from the emergency department.

Emergency physicians treat patients of all ages and all incomes. Unlike other medical providers, emergency physicians never turn patients away, primarily because of a moral obligation – but also because federal law requires hospital emergency departments to care for all patients, regardless of ability to pay. According to the American Medical Association, emergency physicians provide four to 10 times as much charity care as any other physician specialist.<sup>8</sup>

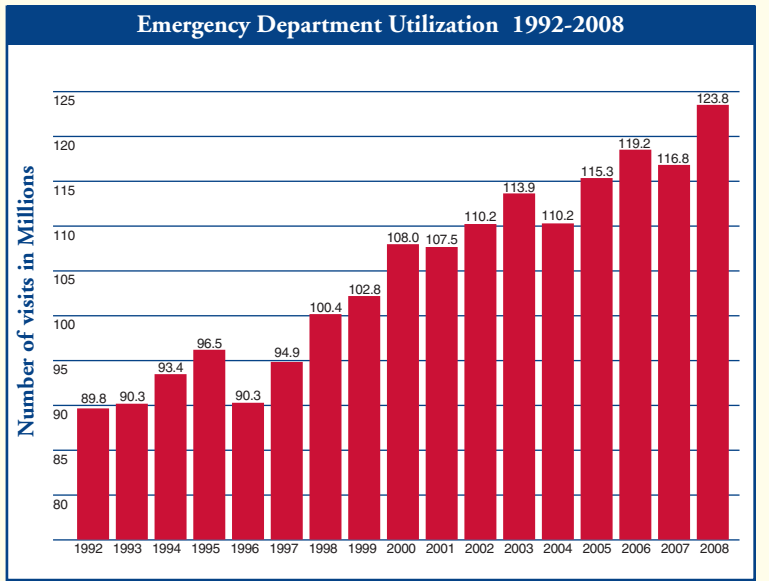
In 2008, there were nearly 124 million visits to the nation’s nearly 4,000 emergency departments.<sup>9</sup> Two-thirds of the visits occurred after business hours and on weekends and holidays when doctors’ offices were closed.<sup>10</sup> Ninety-two percent of emergency visits were from very sick patients who needed care within 1 minute to 2 hours. Emergency visits have increased at twice the rate of the U.S. population.<sup>11</sup> As the number of visits

**Two-thirds of emergency visits occur after business hours, when doctors’ offices are closed.**

to the emergency department has increased, the number of hospital emergency departments has decreased from 4,019 to 3,833.<sup>12</sup>

**Table 6: Emergency Room Services-Median and Mean Expenses per Person With Expense and Distribution of Expenses by Source of Payment: United States, 2008**

Population with characteristic	Population (thousands)	Percent with expense	Per person with an expense		Total Expenses (in millions)	Percent distribution of total expenses by source of payment				
			Median	Mean		Out of pocket	Private insurance <sup>a</sup>	Medicare	Medicaid	Other <sup>b</sup>
Total	304,376	12.3	\$60	\$128	47,322	10.0	47.0	22.1	8.6	11.4
<b>Age in years</b>										
Under 65	204,634	11.4	\$85	\$198	36,104	13.3	58.9	3.7	11.0	13.0
Under 5	20,073	15.2	\$51	\$76	1,839	13.1	40.5	1.0 <sup>c</sup>	26.0	11.3 <sup>c</sup>
5-17	53,420	9.8	\$12	\$17	4,260	13.3	62.2	0.3 <sup>c</sup>	16.0	8.2 <sup>c</sup>
18-44	110,985	11.4	\$59	\$155	14,578	17.1	57.5	1.8 <sup>c</sup>	12.9	10.7
45-64	79,356	11.6	\$78	\$161	15,427	9.7	60.5	5.8	6.2	16.8
65 and over	39,742	18.2	\$31	\$54	11,219	3.0	8.6	81.4	0.7	6.2
<b>Sex</b>										
Male	149,302	11.5	\$55	\$141	19,675	11.0	52.6	13.5	7.3	14.7
Female	155,074	13.0	\$60	\$137	27,646	10.2	42.9	28.3	9.5	9.1
<b>Race/ethnicity</b>										
Hispanic	47,898	10.1	\$40	\$129	6,175	9.7	40.7	24.2 <sup>c</sup>	14.9	10.4
White, Non-Hispanic	198,750	12.6	\$10	\$133	34,845	11.4	48.2	23.3	6.0	11.2
Black, Non-Hispanic	37,072	14.4	\$43	\$86	4,615	9.4	45.3	14.2	18.5	12.4
Amer. Indian/Alk. Native/Multi. Race, non-Hisp.	7,008	16.3	\$35	\$63	983	8.6	39.1	10.5 <sup>c</sup>	13.5	28.3 <sup>c</sup>
Asian/Pacific Islander	...	...	...	...	...	...	...	...	...	...



## Can Significant Costs Be Saved?

According to the PricewaterhouseCoopers' Health Research Institute,<sup>13</sup> the top three areas of waste in the health care system are (1) defensive medicine (estimated at \$210 billion annually), (2) inefficient claims processing (up to \$210 billion annually), and (3) care spent on preventable conditions related to obesity (\$200 billion annually).<sup>14</sup>

Reducing the practice of defensive medicine in emergency departments could result in significant cost savings. Emergency departments care for the most severely ill and injured patients who are most at risk of dying, which can result in lawsuits. Physicians will order a test out of fear of being sued for NOT ordering the test. Nearly 50 percent of emergency physicians responding to an ACEP poll said diagnostic testing was the largest expense on a patient's emergency department bill, and nearly half (44 percent) said the fear of lawsuits is the biggest challenge to cutting emergency department costs.<sup>15</sup>

Medical liability reform would help cut costs by reducing the amount of defensive medicine practiced by emergency physicians and other physicians treating patients in emergency departments.

The costs of staffing and equipping emergency departments to be ready to treat all patients with a myriad of conditions—24 hours a day, 7 days a week—are fixed. Given these requisite expenses, the extra (or marginal) costs of seeing an additional patient for an urgent or nonurgent medical problem are actually much less than the costs to open a private physician's office after hours or on the weekend, or to build an urgent care center.<sup>16</sup>

## Are Most Emergency Visits Really “Unnecessary”?

Emergency medicine is essential to America, providing lifesaving and critical care to millions of patients each year, and most of the visits are necessary. Emergency physicians are at the front lines of any disaster—whether it's a multi-car crash on the highway or a shooting at a mall—and treat more than 120 million of the sickest patients each year using only 2 percent of the health care dollar.

**Emergency physicians are at the front lines of any disaster—whether it's a multi-car crash on the highway or a shooting at a mall.**

2007) and has been dropping since 2005 when it was 13.9 percent. The CDC defines “nonurgent” as “needing care in 2 to 24 hours.” According to the CDC, “The term ‘nonurgent’ does not imply an unnecessary visit.”

The fastest-growing segment of the U.S. population is patients over age 85. The rates of emergency visits by the elderly are increasing more rapidly than for any other group, and research has predicted this will lead to catastrophic overcrowding.<sup>17</sup> Elderly patients tend to be sicker and are more likely to be admitted from the emergency department to the hospital than other emergency patients.

Emergency departments are prepared to diagnose and care for the most complex medical conditions, and physicians regularly refer their patients to the emergency department. Ninety-seven percent of emergency physicians responding to an ACEP poll reported that patients are referred daily to their ERs by primary care physicians.<sup>18</sup> In the same poll, 82 percent

**Nearly half (44 percent) of emergency physicians responding to a poll said the fear of lawsuits is the biggest challenge to cutting emergency department costs.**

**The rates of emergency visits by the elderly are increasing more rapidly than for any other group.**



of emergency physicians reported that their emergency department saves lives on a daily basis.

Despite the growth of urgent care centers in America, emergency visits continue to increase. Part of the reason is because urgent care centers are not substitutes for emergency care. While urgent care centers can treat common medical problems when a physician's office is closed or unable to provide an appointment, they don't have the same equipment or trained staff that emergency departments keep ready on demand.

**Dissuading patients from using emergency departments is not likely to be an effective strategy.**

Many emergency physicians dedicate their lives to injury prevention and educating the public about how to prevent medical emergencies. However, the reality of the nation's population demographics, as well as physician shortages and an analysis of those seeking emergency care, show that dissuading patients from using emergency departments is not likely to be an effective strategy. In addition, the nature of emergencies, which are unscheduled events, and the needs of patients must be taken into account as policymakers and health care stakeholders develop new paradigms for how health care will be provided in the future.

## What Goes into an Emergency Department Bill?

The costs of providing emergency care correspond to the severity of a patient's illness or injury. The bill will be higher when extensive diagnostic testing is necessary, such as when an emergency physician must treat a patient quickly without knowing the person's medical history (e.g., allergies, medical problems, recent medical procedures), which is often the case.

The major categories of an emergency department bill are not directly comparable to a bill from a primary care physician's office. The emergency bill may include fees for radiologists and other on-call specialists, pharmacy and other hospital services involved in the diagnosis and treatment of a patient. In an emergency department, physician consultations and medical tests are conducted in a few hours instead of a patient being referred to multiple medical providers over several days or weeks. The fee for an emergency physician's services on an emergency department bill typically is about 20 to 25 percent of the total charges for a visit. Hospital facility fees usually represent about two-thirds of the bill.





The most significant economic issue in emergency medicine, since the passage of the Emergency Medical Treatment and Labor Act in 1985,<sup>19</sup> has been uncompensated care. Charity care provided to uninsured patients and poor reimbursement by insurance plans, both private and public, have contributed to the closure of hundreds of emergency departments in the United States, straining the remaining ERs that care for increasing numbers of patients. Half of emergency services go uncompensated.<sup>20</sup>

### Half of emergency services go uncompensated.

The new health care reform law<sup>21</sup> will add 16 million more people to the Medicaid rolls, which could reduce the rate of uninsured patients visiting emergency departments. However, since health insurance coverage does not guarantee access to medical care, many more people may seek care in emergency departments if they cannot find physi-

cians who accept Medicaid because of its low reimbursement rates. According to a 2007 study, payments for emergency services declined for all patients over an 8-year period, with Medicaid paying less overall than uninsured patients do.<sup>22</sup> The proportion of emergency department charges paid were higher for uninsured patients (35 percent of the bills paid) than for Medicaid patients (33 percent of the bills paid).

## What are the Biggest Drivers of Health Care Costs?

According to the Kaiser Family Foundation, the three biggest drivers of rising health care costs are (1) technology, (2) prescription drugs, and (3) chronic disease. The Congressional Budget Office (CBO) in 2008<sup>23</sup> said: *"... On the basis of a review of the economic literature, [the CBO] concludes that about half of all growth in health care spending in the past several decades was associated with changes in medical care made possible by advances in technology.... Major advances in medical science have allowed health care providers to diagnose and treat illnesses in ways that were previously impossible. Many new services are very costly; others are relatively inexpensive but raise aggregate costs quickly as ever-growing numbers of patients use them."*

Spending on prescription drugs will continue to be a cost issue, related to the aging population and the costs of prescription drugs. According to the Kaiser Family Foundation, the increases in prescription drug costs *"have outpaced other categories of health care spending, rising rapidly throughout the latter half of the 1990s and early 2000s. While the rate of growth in spending has slowed somewhat, it is projected to exceed the growth rates for hospital care and other professional services in 2010 and through 2019."*<sup>24</sup>

According to the Milken Institute, *"More than 109 million Americans report having at least one of the seven [chronic] diseases, for a total of 162 million cases....The total impact of these diseases on the economy is \$1.3 trillion annually....On our current path, in 2023 we project a 42 percent increase in cases of the seven chronic diseases....Lower obesity rates alone could produce productivity gains of \$254 billion and avoid \$60 billion in treatment expenditures per year."*<sup>25</sup>

<sup>1</sup> "Medical Expenditure Panel Survey," Department of Health and Human Services, Agency for Healthcare Research and Quality, 2008, <http://tinyurl.com/489fao6>.

<sup>2</sup> "National Health Expenditure Projections 2008-2018," Department of Health and Human Services Office of the Actuary, Centers for Medicare & Medicaid Services, 2010, <https://www.cms.gov/NationalHealthExpendData/downloads/tables.pdf>

<sup>3</sup> "National Health Expenditure Projections 2008-2018," Department of Health and Human Services Office of the Actuary, Centers for Medicare & Medicaid Services, 2010, <https://www.cms.gov/NationalHealthExpendData/downloads/tables.pdf>

<sup>4</sup> "U.S. Healthcare Costs," Kaiser Family Foundation, March 2010, <http://www.kaiseredu.org/Issue-Modules/US-Health-Care-Costs/Background-Brief.aspx>.

<sup>5</sup> "U.S. Healthcare Costs," Kaiser Family Foundation, March 2010, <http://www.kaiseredu.org/Issue-Modules/US-Health-Care-Costs/Background-Brief.aspx>.

<sup>6</sup> "Medical Expenditure Panel Survey," Department of Health and Human Services, Agency for Healthcare Research and Quality, 2008, <http://tinyurl.com/489fao6>.

<sup>7</sup> "Medical Expenditure Panel Survey," Department of Health and Human Services, Agency for Healthcare Research and Quality, 2008, <http://tinyurl.com/489fao6>.

<sup>8</sup> American Medical Association poll, 2003.

<sup>9</sup> CDC Website, National Center for Health Statistics, Centers for Disease Control and Prevention, 2010, <http://www.cdc.gov/nchs/data/ahcd/preliminary2008/Table22.pdf>.

<sup>10</sup> National Hospital Ambulatory Medical Care Survey: 2007 Emergency Department Summary," Centers for Disease Control and Prevention, Number 26, August 6, 2010, <http://www.cdc.gov/nchs/data/nhsr/nhsr026.pdf>.

<sup>11</sup> "Trends and Characteristics of U.S. Emergency Department Visits, 1997-2007," *JAMA*, 304: 6, August 11, 2010.

<sup>12</sup> "National Hospital Ambulatory Medical Care Survey: 2006 Emergency Department Summary," Centers for Disease Control and Prevention, Number 7, August 6, 2008, <http://www.cdc.gov/nchs/data/nhsr/nhsr007.pdf>.

<sup>13</sup> "The Price of Excess: Identifying Waste in Healthcare Spending," Pricewaterhouse-Coopers LLP Health Research Institute, 2008.

<sup>14</sup> "The Price of Excess: Identifying Waste in Healthcare Spending," Pricewaterhouse-Coopers LLP Health Research Institute, 2008.

<sup>15</sup> ACEP Poll, 2011.

<sup>16</sup> "The Costs of Visits to Emergency Departments," Williams, R.M., *The New England Journal of Medicine*, 334:642-646, 1996.

<sup>17</sup> "Increasing Rates of Emergency Department Visits for Elderly Patients in the United States, 1993 to 2003," Roberts, D.C., McKay, M.P., Shaffer, A. *Annals of Emergency Medicine*, 2007, 51:3, 291-298.

<sup>18</sup> ACEP Poll, 2011.

<sup>19</sup> Emergency Medical Treatment and Labor Act, 1986, <https://www.cms.gov/EMTALA/>.

<sup>20</sup> "Decreasing Reimbursements for Outpatient Emergency Department Visits Across Payer Groups From 1996 to 2004," Hsia, R.Y.; Maclsaac, D; Baker, L.C.; *Annals of Emergency Medicine*. 51:3; 265-274.

<sup>21</sup> "The Patient Protection and Affordable Care Act," Public Law 111-148, 2010.

<sup>22</sup> "Decreasing Reimbursements for Outpatient Emergency Department Visits Across Payer Groups From 1996 to 2004," Hsia, R.Y.; Maclsaac, D; Baker, L.C.; *Annals of Emergency Medicine*. 51:3; 265-274.

<sup>23</sup> "Technological Change and the Growth of Health Care Spending," Congressional Budget Office, January 2008

<sup>24</sup> "Prescription Drug Costs," KaiserEDU.org. 2010.

<sup>25</sup> "An Unhealthy America: The Economic Burden of Chronic Disease — Charting a New Course to Save Lives and Increase Productivity and Economic Growth," Milken Institute, October 2007.