

In June, 2016 we asked 1,070 people some questions about health care. One of those questions was “How much did you spend on health care last year?”. Respondents entered a number. Aside from two respondents who entered a number in excess of 2 million dollars, I’ll assume that respondents entered a good faith estimate of their health care costs in 2015.

Table 1. Self-reported amount spent on healthcare in 2015.

<i>Amount</i>	<i>N</i>	<i>%</i>
0	200	19%
\$1 - \$499	304	28%
\$500 - \$999	133	12%
\$1000-\$4,999	321	30%
\$5,000 +	110	10%

These data accurately describe what people THINK they are spending on healthcare, but it doesn’t jibe with what we know about health care spending in the United States. The current US healthcare bill comes out to about \$10,000 per person per year. Healthcare is 17% of the US economy. We use public and private health insurance to spread the risk around because we know that individuals can’t be relied upon to come up with that sort of money. Only a few of us are spending < \$5,000 a year on healthcare. We just don’t know it.

Take me, for example. I work hourly as a nurse and am paid biweekly. I insure myself and my son through a private insurance plan offered by my employer. On my last paycheck I paid \$40 in Medicare taxes and \$94 for my insurance premium. In addition, my employer paid \$380 for my health insurance and an additional \$40 in Medicare taxes. We didn’t consume any healthcare during those two weeks. My contribution to healthcare over those two weeks was \$554. Over the year, I and my employer on my behalf will contribute \$14,404 to fund US healthcare. In 2015, my son and I consumed under \$500 of health care and I spent less than \$200 out of pocket.

If I were like most people, I could report spending \$200 on healthcare. Like most people, I could also report being in good or better health (81% of respondents) and that my recent experiences with health care were good (80%). These common and false perceptions of costs and benefits have real consequences. My husband, a bridge engineer who is quite good with math, had not considered that employer contributions to health insurance could be one reason why raises are increasingly rare and small. My father, a member of the National Academy of Sciences, had assumed that his payment of Medicare taxes over his career fully funded his Medicare expenses - it hasn’t.

Innovation in the health care marketplace is very hard. It’s hard to get people to buy something when they believe they are already getting it for free. Systems for spreading / hiding costs include heavy layers of bureaucracy and regulation. Operating within those systems is constrained and expensive. Operating outside of those systems requires customers who understand the true costs of health care.