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New Study Shows Importance of Calculating Full Cost Savings of Chronic Disease Prevention

In face of rising obesity-related health costs, economists warn of crippling expenses, recommend 25-year window for scoring legislative proposals

(Washington DC) Cost estimates for legislative proposals to address chronic health conditions like obesity use a time period that is too short to capture the potential economic value of preventing related diseases such as diabetes and heart disease. That is the finding of a study released today by the Campaign to End Obesity. The study concludes that this failure limits policymakers' ability to consider effective policies to address these costly conditions.

The study, "Assessing the Economics of Obesity and Obesity Interventions," addresses how policymakers measure the benefits of policies to address chronic diseases. Authors Michael O'Grady and James Capretta describe how Congressional Budget Office (CBO) cost estimates, which generally cover a 10-year period, do not capture the costly complications of chronic diseases, including those associated with obesity. Those complications often take more than 10 years to manifest themselves. They suggest that a 25-year budget window would be more appropriate and effective when there is strong and reliable disease modeling to inform longer-term estimates. In assessing how cost estimates are conducted, the study also examines the large and still-growing health care costs associated with obesity and catalogues an array of programs to prevent and treat it.

O'Grady served as Assistant Secretary of Health and Human Services from 2003 to 2005. Capretta served as an Associate Director of the Office of Management and Budget from 2001 to 2004.

"Despite the abundance of evidence that obesity is crippling America's fiscal and physical health—something the authors deftly describe—policies to reduce its prevalence have often been hampered by our federal budget scoring process," said Stephanie Silverman, co-founder of the Campaign to End Obesity. "By widening our lens to reflect the reality of health care costs, we can target meaningful prevention programs that yield the greatest cost savings and lessen the burden of the obesity epidemic on our economy."

"While the CBO 10-year budget window may be appropriate for many federal programs, when the health and financial impacts of a disease play out over longer periods, policymakers need a longer time horizon to get an accurate view of their policy options," remarked O'Grady and Capretta.

Over the past half century, the percentage of Americans who are obese has been on a pronounced upward trajectory. In 1961 about 14.3 percent of the public was obese or extremely obese; by 2008 more than 40 percent fell into these categories. As a result, obesity-related medical costs in the United States also have climbed. Recent estimates show that they make up almost 10 percent of all medical spending and may

amount to \$147 billion per year. Under CBO's most optimistic cost modeling scenario, per-person, obesity-related medical spending is set to grow by 59 percent from 2007 levels, or an average of 3.6 percent a year.

These data forewarn of a looming crisis for the long-term financial viability of public and private health insurance programs as spending growth outstrips revenue growth. Particularly, the authors note that obesity has a large enough effect on cost trends that it can make the difference between a health care program being financially viable or vulnerable in the long term.

Data included in the study indicate that past increases in obesity rates are responsible for \$34.3 billion and \$27.6 billion in additional spending in Medicare and Medicaid, respectively. Obesity also contributes to \$74.6 billion in high spending by private health insurers.

O'Grady and Capretta also conducted an extensive examination of peer-reviewed programs aimed at addressing or preventing obesity, including government, community and workplace wellness programs. The authors reviewed the programs' clinical benefits, cost-effectiveness and economic considerations and found that certain interventions can be both clinically successful and cost-effective. The authors note that it is extremely important to use both success and cost-effectiveness data to inform future policy action.

"If we are to address the problem of obesity in any kind of an effective way, it will be through the sober, clear-headed analysis of experts like Capretta and O'Grady," noted Tevi Troy, former Deputy Secretary of the U.S. Department of Health and Human Services, who penned the study's foreword. "The authors have given policymakers real choices for how to proceed."

"It's crucial for the nation to recognize that efforts to prevent obesity and related health problems are vital for our health and economic future," said James S. Marks, senior vice president and director of the Health Group at the Robert Wood Johnson Foundation, which funded the study. "Using the best economic data available, this report shows that reversing the nation's obesity epidemic can have a strong return on investment."

Michael J. O'Grady, PhD, is a senior fellow at the National Opinion Research Center (NORC) at the University of Chicago and Principal at O'Grady Health Policy, LLC. James C. Capretta, MA, is a Principal at Civic Enterprises, LLC and a fellow at the Ethics and Public Policy Center.

The executive summary and full study are available on the Campaign to End Obesity's website, www.obesitycampaign.org, along with the study foreword by Tevi Troy.

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About the Campaign to End Obesity

By bringing together leaders from across industry, academia and public health with policymakers and their advisors, the Campaign to End Obesity provides the information and guidance that decision-makers need to make the changes necessary to reverse one of the nation's costliest and most prevalent diseases.