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The Medicaid Costs of Obesity to Vermont

Obesity Trends in the United States

The prevalence of overweight and obese adults in the United States (US) has steadily increased over the past 50 years. Following the Centers for Disease Control and Prevention (CDC) definition, an overweight adult is a person with a body mass index (BMI) between 25 and 29.9. Adults with a BMI over 30 are considered obese.¹ From 1960 to 2005 the prevalence of obesity has increased from 13.4 percent to 35.1 percent amongst adults aged 20 to 74.² This increase had occurred amongst all ages, genders, racial/ethnic groups, education levels, and smoking levels. Today, over two thirds of the U.S. adult population are overweight or obese, and over a third of adults are obese.³

Costs of Obesity

A study from the Research Triangle Institute and the CDC that was published in 2009 lists the health cost of obesity in the US at \$147 billion dollars a year.⁴ The annual national medical costs due to obesity have increased from 6.5% of the total health care dollars spent in 1998 to 9.1% in 2006.⁵ The study included payments from Medicaid, Medicare, and private insurers to determine this number. In 2006, obese people in the US incurred health care costs of an average of \$1,429 more per person per year for medical care than normal weight Americans.⁶

In the US, for each obese patient Medicare pays \$95 more for inpatient services, \$693 more for outpatient services, and \$608 more for prescription drugs than it pays on average for a normal

¹ Centers for Disease Control and Prevention, "Obesity and Overweight: Defining Overweight and Obesity," 8 December 2009, <http://www.cdc.gov/obesity/defining.html>, accessed 10 May 2010.

² Weight control Information Network, National Institutes of Health, "Statistics Related to Overweight and Obesity," February 2010, <http://www.win.niddk.nih.gov/statistics/index.htm>, accessed 10 May 2010.

³ Weight control Information Network, "Statistics Related to Overweight and Obesity."

⁴ Centers for Disease Control and Prevention Division of Media Relations, "Study Estimates Medical Cost of Obesity May Be As High as \$147 Billion Annually."

⁶ Centers for Disease Control and Prevention Division of Media Relations, "Study Estimates Medical Cost of Obesity May Be As High as \$147 Billion Annually."

weight person. Medicaid pays, on average, \$213 per year more for inpatient services, \$175 more for outpatient services, and \$230 more for prescription drugs on obese patients compared to normal weight patients. Private insurers annually pay \$443 more per obese patient for inpatient services, \$398 more for “non inpatient” services,⁷ and \$284 more for prescription drugs, as compared to normal weight patients. In all, for each “obese beneficiary” Medicare pays \$1,723 more, Medicaid pays \$1,021 more, and private insurers pay \$1,140 more than they do for normal weight beneficiaries.⁸

Obesity in Vermont

The Vermonters Status Report⁹ showed that in June 2008, more than one half (59% or 280,000) of VT adults are overweight or obese. Breaking this down further, 23% of VT adults are obese and 35% of VT residents are overweight. Over the past 15 years, adult obesity in VT has increased 60%. The number of obese (35%)

states.¹⁴ In Vermont, Medicaid is available to eligible seniors 65 or older, blind or disabled people, children, pregnant women, and parents. Medicaid in Vermont covers the bulk of medical care such as doctor

was \$141 million every year.²¹ Medicaid pays for \$40 million of this (that includes both Vermont's contribution and that of the Federal Government); Medicare pays for \$29 million.

In order to derive **more up to date** estimates of the **cost to Vermont** in Medicaid dollars attributable to obesity we utilized data from a number of sources cited in the report above. Total Medicaid Spending in VT in 2008 was \$973,326,366 (that's the federal government contribution plus Vermont's contribution).²² We obtained an estimate of the extra cost per obese Medicaid recipient (\$1,201) from Finkelstein et al.'s study (which used Medical Expenditure Panel Survey Data).²³ We multiplied the extra cost per obese recipient by an estimate of the number of obese Medicaid recipients in Vermont and then divided it by Vermont's share of Medicaid costs in the state.

We calculated the number of obese Medicaid recipients by multiplying the total number of adult Medicaid recipients in Vermont²⁴ times the adult obesity rate for low income adults in Vermont.²⁵ We calculated the number of obese Medicaid recipients who are children by multiplying the number of Vermont Medicaid recipients who are children times the childhood obesity rate in Vermont. We then added the estimates of the number of obese adult Medicaid recipients and child Medicaid recipients to get a total number t

We also present the estimated savings from a reduction in obesity in Table 1. If the obesity rate in Vermont were to drop 2 percentage points among adults and children, we estimate that Vermont could save about \$1.3 million in the state's share of Medicaid costs; a drop of 5 percentage points could lead to a savings of about \$2 million.

Prepared by Professor 8P0

		estimated effects of reduction in obesity		
		2 percent reduction	5 percent reduction	
Medicaid Enrollment 2007				
	adults	91,700	91,700	91,700
	children	65,900	65,900	65,900
Percent Obese				