Written by Thomas R. Eddlem on April 23, 2010

Obama's HHS Concludes His Healthcare Reform Will Increase Costs

The Obama administration's own financial experts have estimated that the recently passed Patient Protection and Affordable Care Act will increase — rather than cut — overall medical expenses. During presidential campaign, Obama had sold his healthcare reform package as (in the words of his campaign website) providing "lower costs to make our health care system work for people and businesses." But that's not the healthcare package Obama delivered as President.

The administration's chief actuary of the U.S. Centers for Medicare and Medicaid Services concluded that although the bill would accomplish Obama's goal of increasing overall healthcare insurance coverage, it would also increase overall healthcare spending even more than the increases expected in the then-current law:

> Total national health expenditures in the U.S. during 2010-2019 would increase by about 0.7 percent. The additional demand for health services could be difficult to meet initially with existing health provider resources and could lead to price increases, cost-shifting, and/or changes in providers' willingness to treat patients with low-reimbursement health coverage.

Chief Actuary Richard S. Foster concluded that while the new law would amount to "raising projected spending by about 1 percent over 10 years," he also concluded that many of the "cuts" in the bill were not realistic: "That increase could get bigger, since Medicare cuts in the law may be unrealistic and unsustainable."

Republican opponents to the law were hardly astonished at the prospect that more federal control over health care would increase costs. "A trillion dollars gets spent, and it's no surprise — health care costs are going to go up," Rep. Dave Camp (R-Mich.) told the Associated Press.

Foster's study assumes insurance exchanges created by the bill will cut the costs for many customers, though not enough to reduce overall costs. But even that analysis may be too optimistic. Massachusetts has had a healthcare insurance exchange in place for four years already, has the highest insurance costs in the nation and has yet to see any cost savings. Foster's analysis assumes that the additional 33 million Americans would increase costs, but some of these increased costs would be offset by insurance exchange rate cuts:

> The availability of coverage would typically result in a fairly substantial increase in the utilization of health care services, with a corresponding impact on total health expenditures. These higher

> costs would be partially offset by the sizable discounts imposed on providers by State Medicaid payment rules, as well as the significant discounts negotiated by private and public health insurance plans.

Foster qualifies these "savings" in his study by stating that "the responses of individuals, employers, insurance companies, and Exchange administrators to the new coverage mandates, Exchange options, and insurance reforms could differ significantly from the assumptions underlying the estimates presented here." In other words, the cost increases as a result of Obama's health care legislation may be even larger than Foster estimated.

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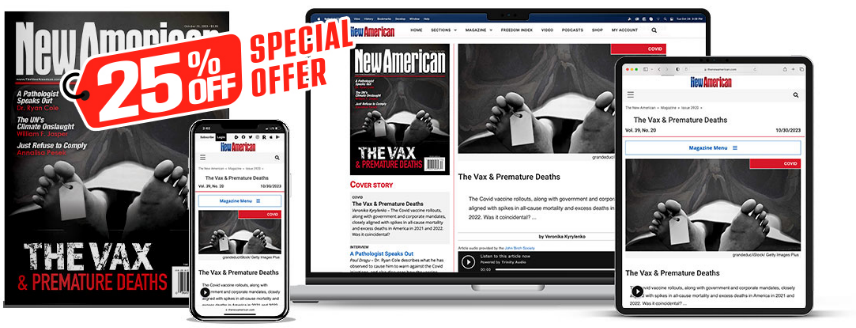

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