RPC HEALTH CARE FACTS

Administration's Chief Health Actuary: "Reform" = Higher Costs, Less Access, Unsustainable Spending

> **"If any bill arrives from Congress that is not controlling costs, that's not a bill I can support. It's going to have to control costs."**
>
> — President Obama, June 23, 2009[i]

The Chief Actuary of the Centers for Medicare and Medicaid Services (CMS) has issued a report on the effects of the "Patient Protection and Affordable Care Act" along with the subsequent reconciliation measure, which showed that Democrats' health care takeover is anything but affordable.[i] The Chief Actuary warns that **the two new laws will increase health care costs, raise federal spending, threaten access to care for seniors, and result in higher premiums**. In other words, the Administration's own actuary demonstrates that the Democrats' rhetoric about health care reform has diverged from reality.

Higher Costs

The cost curve would bend up, not down. National health expenditures are expected to increase from 17 percent of GDP now (more than any other country) to 21 percent under the new law. The Actuary concluded that the federal government and the country will spend $310 billion more under the new law than we would have without it.

Health care shortages and price increases are "plausible and even probable." Because of the increased demand for health care, "supply constraints might interfere with providing the services desired by the additional 34 million insured persons." The result could be "some of this demand being unsatisfied," meaning that people will not have access to care. Additionally, providers are expected to negotiate for higher rates, meaning that health care costs and premiums would increase.

"Negligible financial impact" for most provisions. The actuary found "a negligible financial impact over the next 10 years" for most provisions in the legislation "intended to help control future health care cost growth."

Less Access

The law "jeopardizes access to care" for seniors. Because of the law's payment reductions, "providers for whom Medicare constitutes a substantive portion of their business could find it difficult to remain profitable and, absent legislative intervention, might end their participation in the program (possibly jeopardizing access to care for beneficiaries)." About "15 percent of Part A providers would become unprofitable within the 10-year projection period" absent further legislative action.

Medicare Advantage access cut in half. Because of the law's significant cuts to Medicare Advantage (MA) plans, the actuary projects that "enrollment in MA plans will be lower by about 50 percent (from its projected level of 14.8 million under the prior law to 7.4 million under the new law)."

Employers will drop coverage. The Chief Actuary concludes that 14 million people will lose their employer-sponsored coverage. Smaller employers will be inclined to terminate coverage so their workers can qualify for "heavily subsidized coverage" through the exchange.

"Cadillac Tax" will hit "Chevy" health insurance plans. The actuary notes that the excise tax on high-cost health plans—also known as the "Cadillac tax"—would hit 12 percent of insured workers initially, but "this percentage would increase rapidly thereafter….The effect of the excise tax on reducing health care cost growth would depend on its ongoing application to an expanding share of employer plans and on an increasing scope of benefit reductions for affected plans."

Medicaid insurance card not a guarantee of care. The actuary notes that "it is reasonable to expect that a significant portion of the increased demand for Medicaid would be difficult to meet, particularly over the first few years." According to the actuary, the estimated 18 million new Medicaid beneficiaries would comprise more than half of the law's expansion of insurance coverage.

Higher taxes will lead to higher premiums. The actuary concludes that the new taxes on medical devices, prescription drugs, and insurance plans "would generally be passed on through to health consumers in the form of higher drug and device prices and higher insurance premiums."

Unsustainable Spending

Federal spending will rise. The actuary calculates that net federal spending on health care will increase by $251.3 billion over the ten year budget window.

Budgetary double-counting does NOT improve Medicare's solvency. The actuary notes that the bill's Medicare provisions "cannot be simultaneously used to finance other federal outlays (such as the coverage expansions) and to extend the [life of the Medicare] trust fund, despite the appearance of this result from the respective accounting conventions."

The law uses budget gimmicks to claim that it is in balance. The Chief Actuary notes that the health care takeover relies on revenues from the CLASS Act,[ii] but that the CLASS Act will result "in a net Federal cost in the longer term." The Chief Actuary also has determined that the program faces "a significant risk of failure" because the high costs will attract sicker people and lead to low participation.

The law does almost nothing to limit actual fraud and abuse. One new report found that Medicare paid $47 billion in suspect claims last year.[iii] Now the Chief Actuary estimates that the fraud provisions in the law will save only about two percent of that annual total.

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[i] Press Conference by the President, June 23, 2009, http://www.whitehouse.gov/the-press-office/press-conference-president-6-23-09

[i] Richard Foster, Department of Health and Human Services, Estimated Financial Effects of the "Patient Protection and Affordable Care Act," as amended, April 22, 2010, http://republicans.waysandmeans.house.gov/UploadedFiles/OACT_Memorandum_on_Financial_Impact_of_PPACA_as_Enacted.pdf .

[ii] The CLASS Act creates a new federal long-term care insurance program that provides cash benefits to purchase non-medical services and supports. The *Washington Post* called the CLASS Act a "gimmick" "designed to pretend that health care is fully paid for." The *Post* goes on to say that "…the money that flows in during the 10 year budget window will flow back out again. These are not 'savings' that can honestly be counted on the balance sheet of reform." *Washington Post*, "How Not to Fix Health Care," July 10, 2009.

[iii] Associated Press, "Govt: Medicare paid $47 billion in suspect claims," November 15, 2009.