RPC HEALTH CARE FACTS

Administration's Chief Health Actuary: "Reform" Costs More than Status Quo

The Chief Actuary of the Centers for Medicare and Medicaid Services (CMS) issued a report on Senator Reid's "Patient Protection and Affordable Care Act of 2009" which shows that *health care costs would go up, not down, under his bill*. The Chief Actuary warned that the Democrats' health care bill could increase health care costs, threaten access to care for seniors, and force people off of their current coverage. In other words, the Administration's own Chief Actuary conclusively demonstrated that the Democrats' rhetoric does not match the reality of their bills.

The cost curve would bend up, not down. National health expenditures would increase from 16 percent of GDP now (1 out of every 7 dollars) to 20.9 percent under the Reid bill (more than 1 out of every 5 dollars). The Chief Actuary concluded that the federal government and the country would spend $234 billion more under the bill than without it.

The bill "jeopardizes access to care" for seniors. Because of the bill's severe cuts to Medicare, "providers for whom Medicare constitutes a substantive portion of their business could find it difficult to remain profitable and might end their participation in the program (possibly jeopardizing access to care for beneficiaries)."

Savings in the bill are "unrealistic." The Actuary says that many of the Medicare cuts are "unrelated to the providers' costs of furnishing services to beneficiaries." It is therefore "doubtful" that providers could reduce costs to keep up with the cuts.

New Taxes Cost Consumers $11 Billion per Year: The new taxes in the Reid bill would increase drug and device prices and health insurance premium for consumers. The Actuary estimates this would increase costs on consumers by $11 billion per year beginning in 2011 (three years before most benefits).

Health care shortages are "plausible and even probable," particularly for Medicare and Medicaid beneficiaries: Because of the increased demand for health care, the Actuary says that access to care problems are "plausible and even probable" under the Reid bill. The access problems will be the worst for seniors on Medicare and low-income people on Medicaid. The actuary says, "providers might tend to accept more patients who have private insurance (with relatively attractive payment rates) and fewer Medicare or Medicaid patients, exacerbating existing access problems for the latter group."

Premiums for the government-run plan would be higher than for private plans. Agreeing with the Congressional Budget Office, the Chief Actuary said that because the government plan would not encourage higher-value health care and it would attract sicker people, premiums for the government-run plan would be four percent *higher* than for private insurers.

Employers will drop coverage. The Chief Actuary concluded that 17 million people will lose their employer-sponsored coverage. Many smaller employers would be "inclined to terminate their existing coverage" so their workers could qualify for "heavily subsidized coverage" through the exchange.

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The CLASS Act is at a "significant risk of failure." The Chief Actuary also determined that the Community Living Assistance Services and Supports (CLASS) Act long-term care insurance program faces "a significant risk of failure" because the high costs will attract sicker people and lead to low participation. Even though premiums would be $240 a month, the policy would result in "a net Federal cost in the long term."