

Health Reform: The Cost of Failure and the Implications of Success

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The Affordable Care Act (ACA): Key Features

- Medicaid Expansions
- Income related tax credits
- Exchange for individual and small group markets
- Insurance market reforms
- Individual mandate
- Employer penalties (more than 50 workers)

What Would Have Happened if Health Reform Had Failed?

- Under three economic scenarios over next ten years, we projected changes in:
 - ❖ Premiums paid by employers
 - ❖ Private coverage
 - ❖ Number of uninsured Americans
 - ❖ Medicaid/CHIP enrollment and spending
 - ❖ Uncompensated care costs
 - ❖ Out-of-pocket spending by individuals and families
- Results for years 2015 and 2020

Three Scenarios for Economic Conditions and Health Care Cost Growth

- *Worst case* – Unemployment stays high (7.1%) in 2015, low growth in incomes, high growth rates for health care costs
- *Intermediate case* – Unemployment at 6.1% in 2015, somewhat faster growth in incomes, but a lower rate of growth for health care costs
- *Best case* – Return to full employment in 2015 (5.1% unemployment), faster income growth, even slower growth in health care costs

Assumptions Under Each Scenario

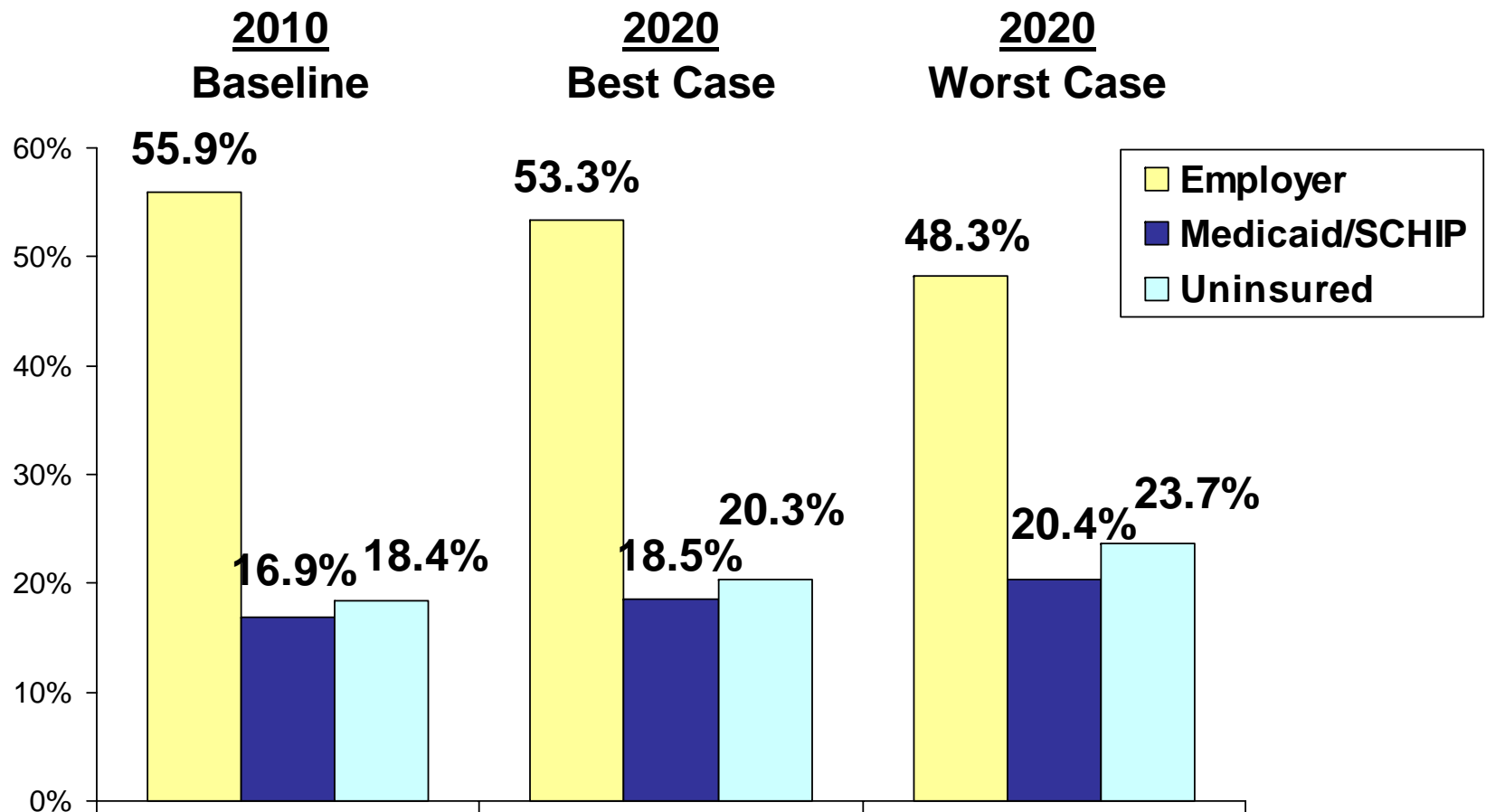
	Unemployment rate (end of period)	Income growth rate (annual)	Private health spending per capita growth (annual)	Out-of-pocket health care cost per capita growth (annual)
2010 to 2015				
<i>Worst</i>	7.1%	1.0%	7.0%	3.5%
<i>Intermediate</i>	6.1%	1.5%	6.0%	3.0%
<i>Best</i>	5.1%	2.0%	5.0%	2.5%
2015 to 2020				
<i>Worst</i>	5.1%	1.5%	7.0%	3.5%
<i>Intermediate</i>	5.1%	2.0%	6.0%	3.0%
<i>Best</i>	5.1%	2.5%	5.0%	2.5%

Source: [The Cost of Failure to Enact Health Reform 2010-2020](#).

Changes in Coverage, 2010-2020

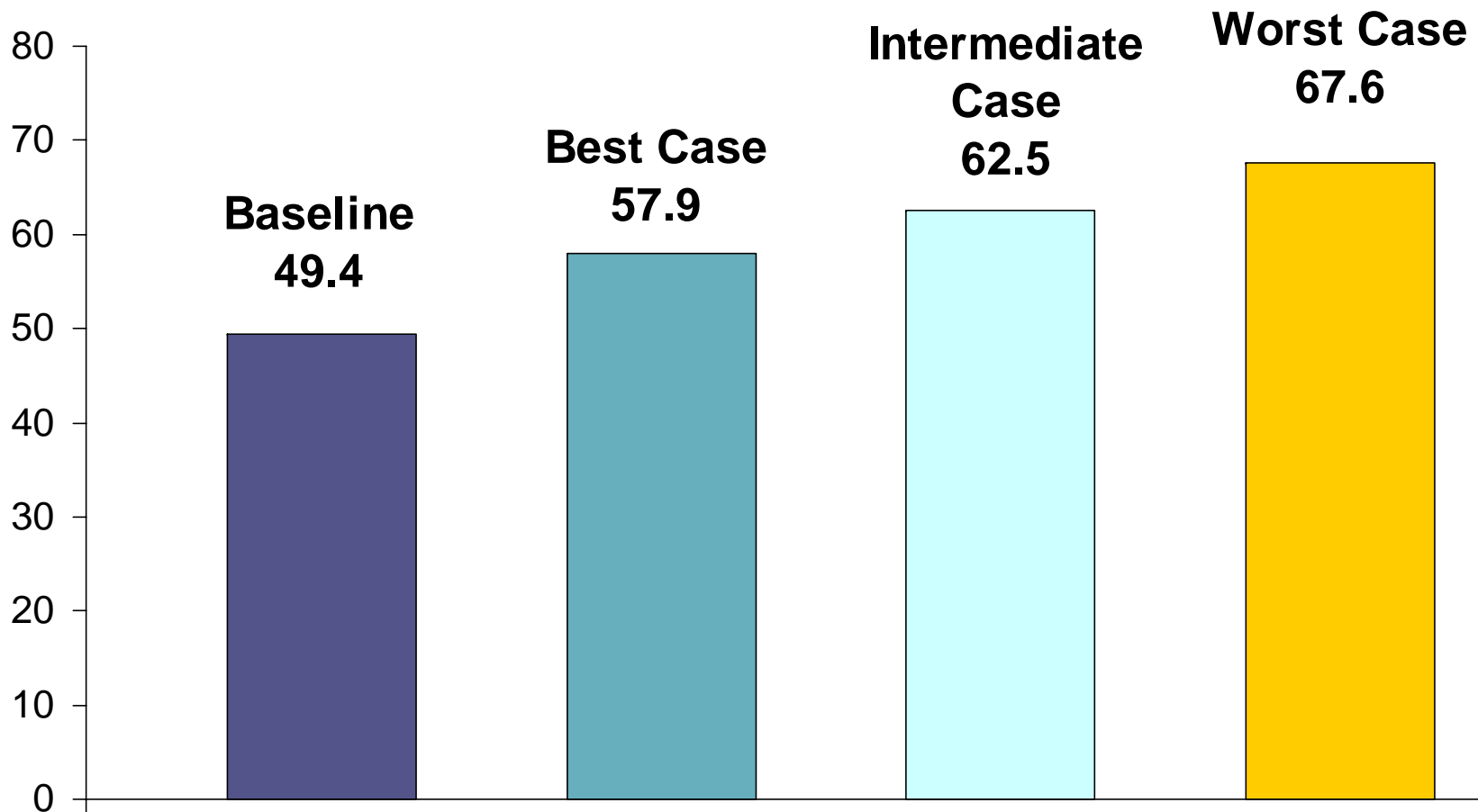
All Non Elderly

(percent of population)



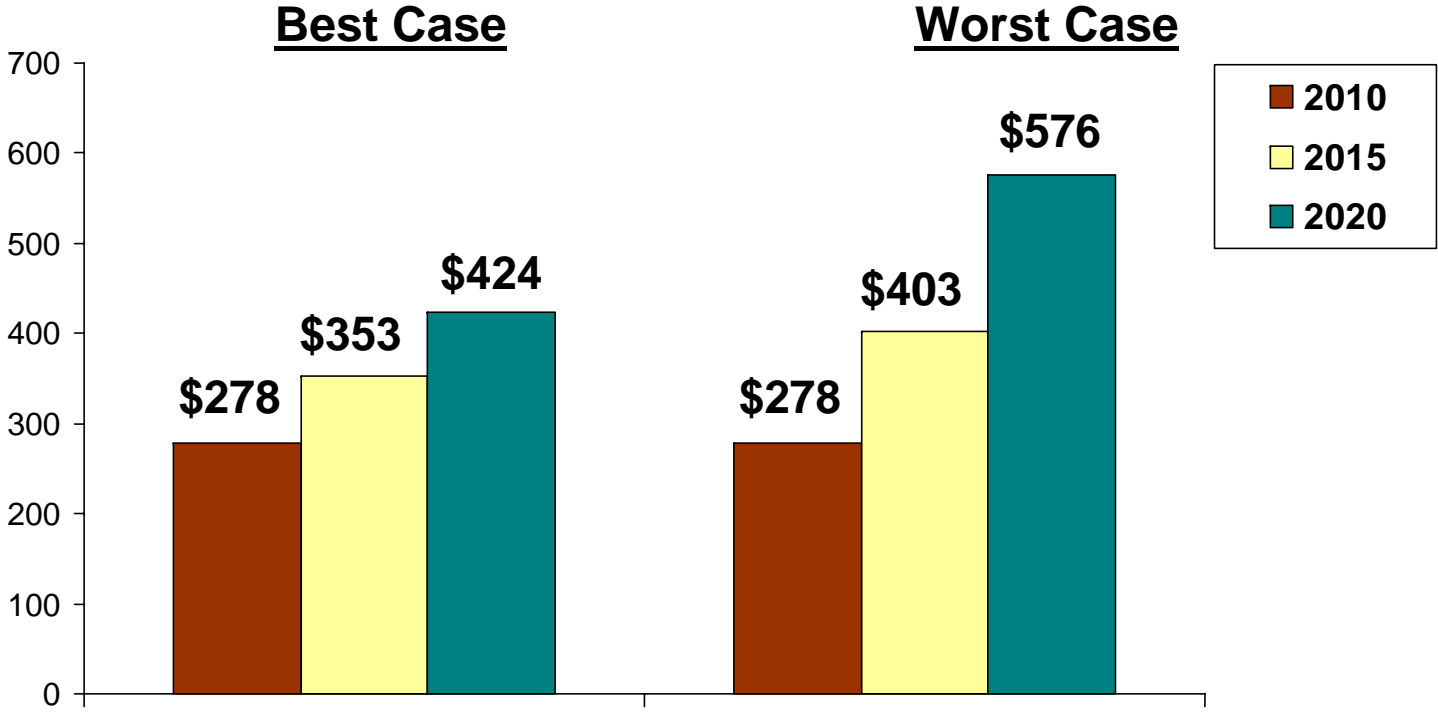
Source: [The Cost of Failure to Enact Health Reform 2010-2020](#).

Increase in the Number of Uninsured 2010-2020 (in millions)



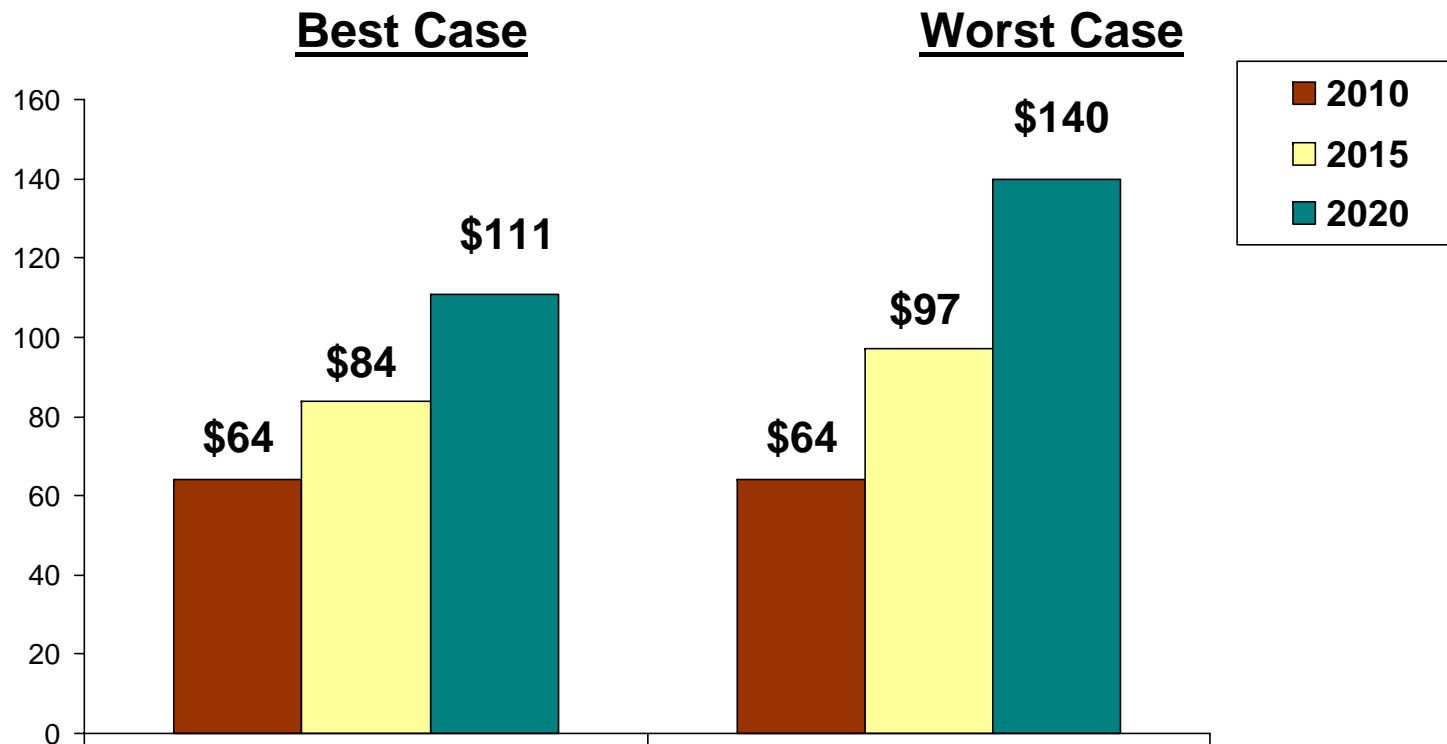
Source: [The Cost of Failure to Enact Health Reform 2010-2020](#).

Change in Medicaid/SCHIP Spending for Acute Care, Non Elderly 2010-2020 (in billions)



Source: [The Cost of Failure to Enact Health Reform 2010-2020](#).

Change in Spending on Uncompensated Care For the Uninsured 2010-2020 (in billions)



Source: [The Cost of Failure to Enact Health Reform 2010-2020](#).

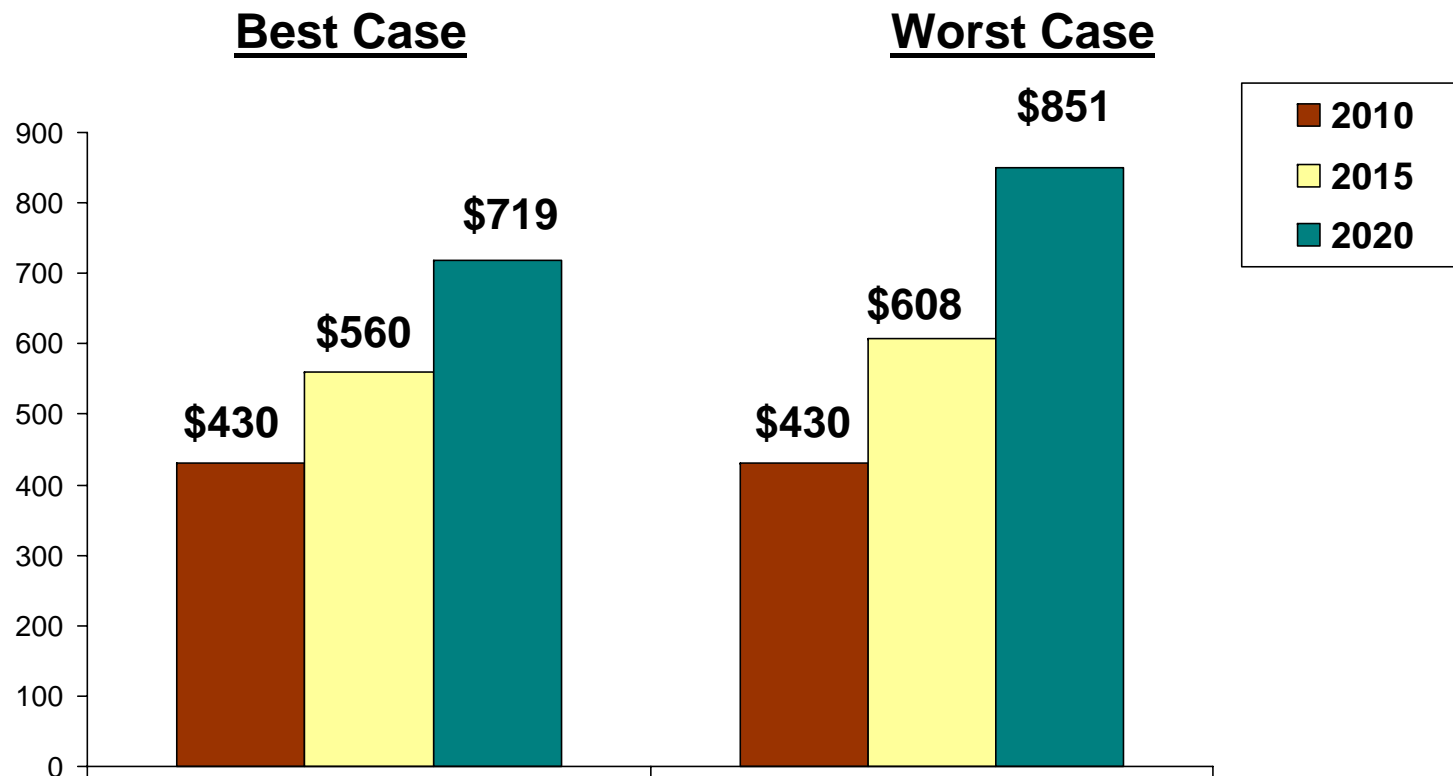
Premiums Employer-Sponsored Coverage 2010-2020

	Single policy	Family policy
2010	\$4,800	\$12,100
2020 – Best Case	\$7,800	\$19,500
2020 – Worst Case	\$10,300	\$25,600

Source: [The Cost of Failure to Enact Health Reform 2010-2020](#).

Employer Spending on Premiums 2010-2020

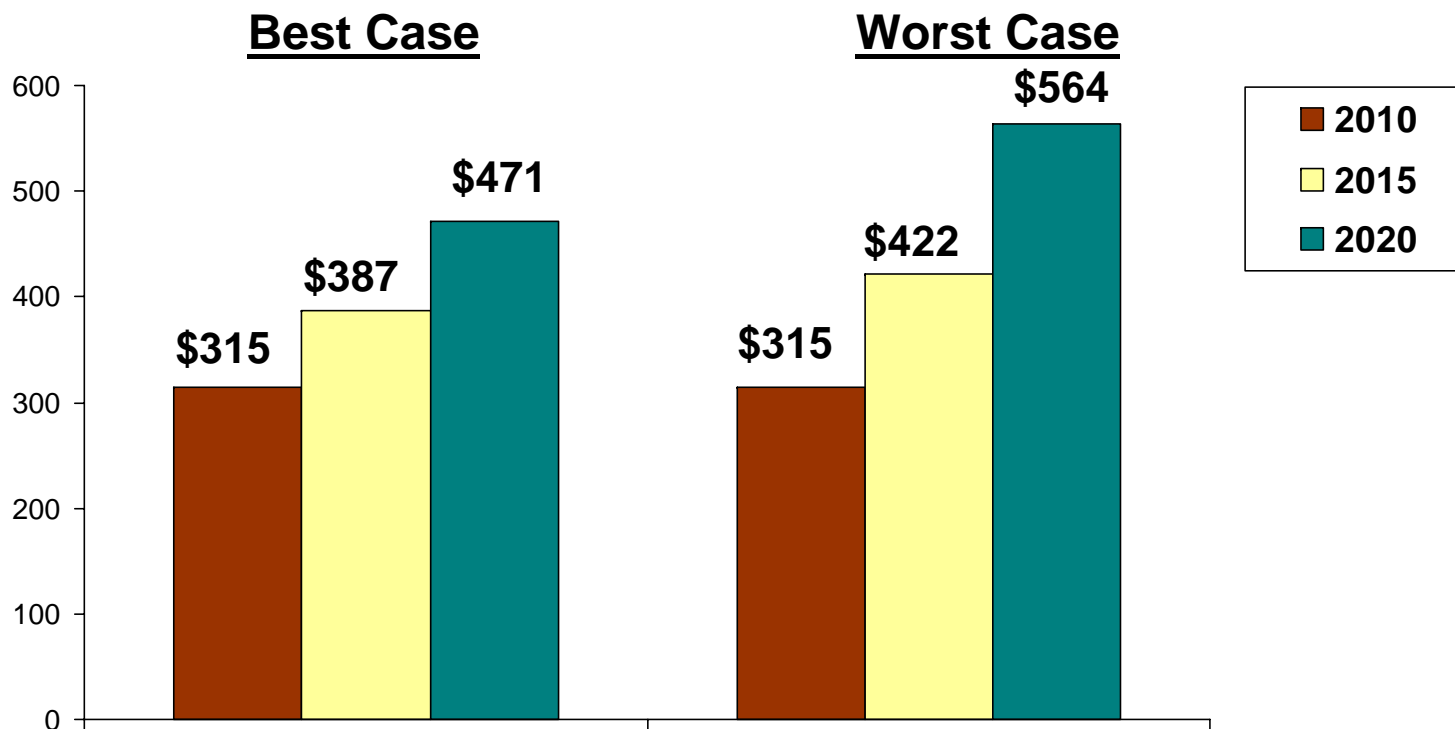
(in billions)



Source: [The Cost of Failure to Enact Health Reform 2010-2020](#).

Individual and Family Spending 2010-2020

(in billions)



Source: [The Cost of Failure to Enact Health Reform 2010-2020](#).

Impact on the Economy Should be Small

- New federal spending net of payment reductions = \$439 billion for 2014-2019 (CBO)
- Increase in National Health Expenditures = \$311 billion from 2010 to 2019 relative to baseline (CMS)
- Gross Domestic Product will be
 - \$116 trillion – 2014-2019
 - \$178 trillion 2010-2019
- Reform should shift resources to health sector and away from others, but effect is small
- Cost containment will do the reverse

The ACA is financed by

- Cuts in Medicare provider payment rates
- Taxes and fees on insurers, drug and medical device manufactures
- Excise tax on high premium plans
- Taxes on payroll and unearned income of those above \$200,000 (\$250,000 Families)

The Impact on the Deficit

- CBO projects deficit reductions of \$143 billion over ten years;
- Coverage expansions more than offset by Medicare cuts and revenue increases

Key issues

- Medicaid enrollment and expenditures
- Sustainability of Medicare cuts
- Inflation adjustment to excise tax and subsidies after 2019
- Cost containment provisions