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Lowering Health Care Cost Growth to Get More Value for Consumers



Nancy-Ann DeParle

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Today, we got some good news when the official statistics for health care spending were released. The new statistics from the Office of the Actuary at the Centers for Medicare & Medicaid Services show that health care spending growth in 2009 and 2010 decreased to record lows.

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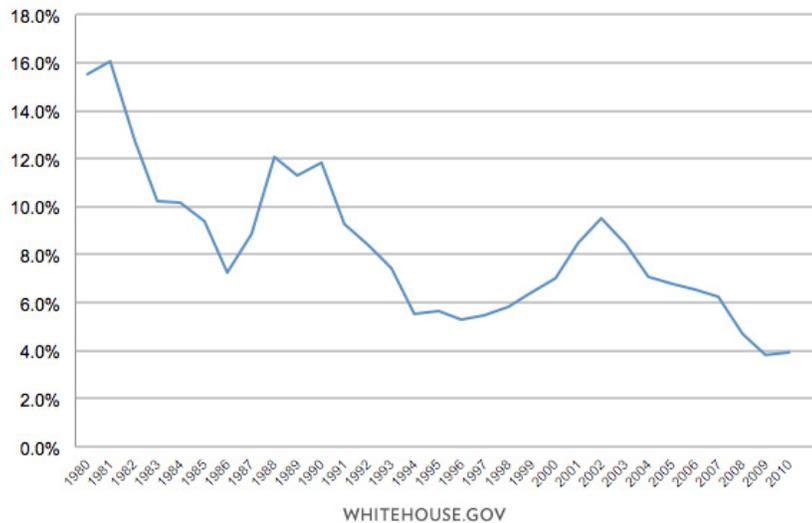


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The [Affordable Care Act](#) was signed into law by President Obama on March 23, 2010. These numbers do not take into account all of the cost saving provisions in the Affordable Care Act that are still being implemented. But they do show why the Affordable Care Act is so important. And we're confident the law will continue to help hold down cost growth in the years ahead. Here are some important facts to remember if you're looking at the new stats:

- The analysis shows that we need the kind of policies included in the [Affordable Care Act](#) to keep insurance companies in check. In 2010, the net cost of health insurance – which includes the overhead and insurance company profits – increased by 8.4 percent. That's more than twice the increase in the cost of health care and represents \$11.3 billion more than was spent on insurance overhead in 2009. But starting in 2011, insurance companies are required to publicly disclose and justify any premium increases larger than 10 percent. Many states have the authority to reject unreasonable premium increases and the Affordable Care Act gives states \$250 million to strengthen their rate review programs. Additionally, insurers are required to [spend at least 80 percent of your premium dollars](#) on health care expenses instead of overhead and profits. Insurers that do not meet that standard must pay rebates to their customers.
- The report released today found no spike in health care costs due to health reform. Of a total increase of 3.9% in national health spending, less than 0.1% was related to the law's first-year provisions, such as the [\\$250 in assistance to nearly 4 million Medicare beneficiaries](#) who hit the Medicare prescription drug "donut hole." And this modest increase will be offset over time. The Medicare Trustees project that the Affordable Care Act savings to Medicare will more than cover these initial costs while extending the life of the Medicare Trust Fund. Moreover, the important Patient's Bill of Rights protections – such as policies that ensure preventive service coverage and certain choice of doctors and end lifetime dollar limits on coverage and pre-existing condition exclusions for children – did not have a measurable effect on health spending.
- The analysis also suggests that health care cost growth can be kept down. The report noted: "U.S. health spending grew more slowly in 2009 and 2010 – at rates of 3.8 percent and 3.9 percent, respectively – than in any other years during the fifty-one year history of the National Health Expenditures Accounts." The Affordable Care Act includes numerous policies to continue this slow growth. By fighting fraud, better coordinating care, preventing disease and illness before they happen and creating a new state-based insurance marketplace, we are helping to keep health care cost growth low. And experts agree these policies will work. Dr. Mark McClellan, President Bush's pick to run Medicare recently said, "These reforms really have the potential for a

longer term impact on healthcare costs.”

- Early evidence from 2011 and 2012 suggest that these policies are beginning to take hold. [Medicare spending growth in 2011](#) was even slower than in 2010. On September 20th, 2011, Mercer, a well-known independent benefits consulting firm released a survey of employers showing that their health insurance cost increases will average 5.4 percent for 2012, the smallest increase it has measured since 1997. States are reporting that very few insurers are proposing double-digit rate increases for 2012. In fact, some are providing rebates and premiums lower in 2012 than they were in 2011.

Keeping health care costs down will take work. We will continue to test and adopt best practices that lower costs and improve quality through the [Affordable Care Act's Innovation Center](#). We will increase transparency and accountability in the insurance industry this year through the implementation of simple summaries of coverage and benefits by insurers, improved notices on the 80 / 20 medical loss ratio, and State-specific thresholds for rate review. And we will step up our work with States to create Affordable Insurance Exchanges, competitive private insurance marketplaces. But thanks to the [Affordable Care Act](#), we're keeping costs down and making health care more affordable.

Nancy-Ann DeParle is the Assistant to the President and Deputy Chief of Staff

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