

# AFFORDABLE CARE ACT

## THE HEALTH CARE LAW CONTAINS COSTS

The health care law has numerous provisions to slow health care cost growth – including requiring new transparency and accountability for insurance companies; key delivery system reforms; fighting waste, fraud, and abuse; better coordinating care; and preventing diseases before they happen – which are now beginning to be implemented.

### SINCE ENACTMENT OF THE HEALTH CARE LAW, PREMIUMS ARE GENERALLY LOWER OR STABLE

Opponents claimed that the health care law would result in dramatically increased costs for American families and American seniors, but that has not proved to be the case:

- Average premiums for Medicare Advantage enrollees are 7 percent lower in 2012 than they were in 2011, and, since the health care law was enacted, these premiums have fallen by 16 percent.
- Average premiums for Medicare Part D (the Medicare prescription drug program) in 2012 have seen no increase from the 2011 level.
- The Medicare Part B deductible has fallen by \$22 to \$144 in 2012, the first time in Medicare history the deductible has fallen.
- For most Medicare Part B enrollees, the standard Part B premium in 2012 is quite stable, 3.6 percent higher than the premium they paid in 2011 – matching the 3.6 percent COLA increase seniors are receiving in their Social Security checks. For others, the premium is actually lower than the premium they paid in 2011.
- The growth in private plan premiums has also slowed. In September 2011, Mercer, an independent benefits consulting firm, released a survey of employers showing that health insurance premium increases will average 5.4 percent in 2012, the smallest increase it has measured since 1997.
- Despite claims to the contrary, the health care law has played essentially no role in recent private plan premium increases. Aetna estimates the reforms implemented so far have raised premiums by less than one-third of one percent.

## OVERALL HEALTH CARE SPENDING GROWTH HAS ALSO DECREASED TO RECORD LOWS

Opponents also claimed that the health care law would result in overall health care spending rising dramatically, but this has also not proved to be the case:

- Overall U.S. health care spending grew by only 3.9 percent in 2010 (the latest year available) – which, other than 3.8 percent growth in 2009, is lower than any other year during the 51 years of the National Health Expenditure Accounts.
- After soaring at an annual average rate of 9 percent from 2000 to 2009, total Medicare spending increased by just 4.3 percent in FY 2010 and by only 3.8 percent in FY 2011.

## HEALTH CARE LAW CONTAINS KEY PROVISIONS TO PUT DOWNWARD PRESSURE ON PREMIUMS

### Rate Review

- Under the health care law, there is new transparency and accountability for insurers, with insurers required to publicly justify on the Internet any premium increases they are seeking that are over 10 percent, and HHS having “rate review” authority to publicly deem these increases to be unreasonable. For example, on January 12, 2012, HHS deemed proposed premium increases in five states to be “unreasonable” and called upon the insurers to rescind them.
- The health care law also provides \$250 million in Health Insurance Rate Review Grants to the states. As a result of the law, many states are using these grants to strengthen their ability to review and prevent excessive premium increases. For example, thanks to new rate review authority, North Carolina saved policyholders \$14.5 million by reducing a rate increase from the state’s largest insurance company. Similarly, Oregon forced a large insurer to lower its request for a rate hike by nearly 10 percent, saving money for 60,000 policyholders.

### Giving Consumers More Value for Their Dollar

- Under the health care law, insurers must spend at least 80 percent of premiums on medical care and quality improvement – rather than CEO pay, profits and administrative costs. Insurers that do not meet this standard must pay rebates to their customers, starting this summer. This rule will bring costs down and give insurance companies the incentive to focus on what matters most for patients – high quality health care.