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Now is the Time to Focus on Health Care Affordability

By Karen Ignagni
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Now that the Supreme Court has provided legal certainty on the recent health care reform law, the nation must turn its attention to affordability. While the law expands coverage to millions of Americans, a goal health plans have long supported, major provisions of the law need to be changed to avoid significant cost increases for consumers and employers.

Health care affordability is an issue that touches every part of our nation: single parents struggling to make ends meet; two-income families trying to get ahead in challenging times; and retirees trying to stretch their budgets. As equally important, rising medical costs crowd out government spending on other priorities, such as education and infrastructure, and put our nation's businesses at a competitive disadvantage in a global economy.

The first priority is to address a number of the reforms taking effect in 2014 that will make health care coverage more expensive.

The law imposes a new \$73 billion sales tax on health insurance that will add to the cost of coverage for people purchasing coverage on their own, for small employers, and for Medicare and Medicaid beneficiaries with private coverage. The Congressional Budget Office (CBO) has [said](#) that this tax will be "largely passed through to consumers in the form of higher premiums." And an [analysis by Oliver Wyman](#) estimates that this tax "will increase premiums in the insured market on average by 1.9% to 2.3% in 2014," and by 2023 "will increase premiums 2.8% to 3.7%."

This tax will add a financial burden on families and small businesses at a time when they can least afford it, and it should be [repealed](#).

In addition, all health insurance policies will be required to cover a broad range of [mandated benefits](#), many of which are not included in some policies today. As a result, millions of people will be forced to purchase health insurance that is more comprehensive – and more expensive – than they currently have.

The [CBO found](#) that premiums would increase because policies “would cover a substantially larger share of enrollees’ costs for health care (on average) and a slightly wider range of benefits.”

States should be given [maximum flexibility](#) to create the most affordable coverage options for consumers and employers in their states.

By [limiting how much premiums can vary](#) based on a person’s age, the law compels younger people to subsidize coverage for older individuals. This increases the likelihood that younger, healthier people will choose to pay the penalty and wait to purchase health insurance until after they get sick or injured, thus driving up costs for everyone else. Unless the restrictions on age rating are loosened, younger people will face significant cost increases at the same time the broader coverage expansion begins to take effect in 2014.

To make health care coverage more affordable, the nation must also address the soaring cost of medical care that continues to increase at an unsustainable rate. There needs to be a much greater focus on the [main drivers of medical cost growth](#): soaring prices for medical services, new costly prescription drugs and medical technologies, unhealthy lifestyles, and an outdated fee-for-service system that pays for volume rather than value.

Health plans are doing their part by [partnering](#) with hospitals and doctors [all across the country](#) to change payment models to reward quality and better health outcomes. An AHIP study in [Health Affairs](#) examining private sector accountable care arrangements found that the support health plans provide to clinicians is critical to the success of these initiatives.

Health plans also have pioneered [innovative programs and services](#) to coordinate care for patients with multiple chronic conditions, help patients manage chronic disease, and promote prevention and wellness. These initiatives have [demonstrated results](#) in better health outcomes, improved patient safety, [fewer preventable hospital readmissions](#), and lower health care costs.

The health care reform law includes promising pilot programs aimed at getting public programs to emulate what is working in the private sector. Both sectors need to continue building upon this progress in order to create a health care system that is affordable for consumers and employers and can be sustained in the long run.

Meeting this challenge requires a national conversation involving all stakeholders. The choices the nation will need to make are not easy, but it will help make our system work better for all Americans and result in a more competitive economy. And that is reason enough to roll up our sleeves and get to work.