The Daily Dish

Eakinomics: Bending the Cost Curve Is Back

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The poster child for "affordability" problems is health insurance. In the political warfare, the focus is on the Affordable Care Act (ACA) and the sunsetting of the enhanced subsidies put in place during the pandemic. But the challenge is more widespread, with large premium increases in individual, ACA, small group, and employer-sponsored insurance (ESI). What's going on?

Do not get your health policy education from the ridiculous television ads in which one member of the health sector assaults another. Instead, consider this: Health care spending has been rising. In 2023, national health expenditures rose at a 7.2-percent pace, and at 7.4 percent in 2024. In 2025, growth is expected to have moderated slightly to 7.3 percent, before dropping to 6.3 percent this year. Someone has to pay each dollar of that national health care bill. If it is not the patient, it's most likely going to be the insurance. The growth of health care spending is the real problem.

Based on survey work, PwC projects that health care costs will grow at 9.0 percent in 2026 and 2027 for those covered by ESI. In the individual market, the projection is 8.5 percent. Insurance premiums will have to rise to cover those costs. And since insurance just shifts the bill from one person to another, the affordability issue affects everyone.

The situation is eerily similar to two decades ago when rising health care premiums prompted competing health care reform plans in the presidential campaigns. In the lingo of the era, the basic issue was the degree to which a plan could reach universal coverage and the amount it could "bend the cost curve" — make health care less expensive. While one could imagine doing both, each plan inevitably focused on one or the other.

The victor, Barack Obama, supported the ACA and, effectively, opted to focus on coverage expansion. Bending the cost curve got left in the dustbin of health policy history. For a while this focus continued, with increasingly ludicrous universal payer, Medicare-for-All, and other coverage expansion fantasies being floated.

The cost of health care has now reclaimed the spotlight. But remember, health care is an economic activity, and the rules of economics do not get waived by the Hippocratic oath. High prices are always and everywhere a supply problem, and promoting greater supply is the only way to make real progress. Taxpayer subsidies, price controls, and other proposals will simply fail.

Bending the cost curve is back. Effective ways to do so have yet to appear.