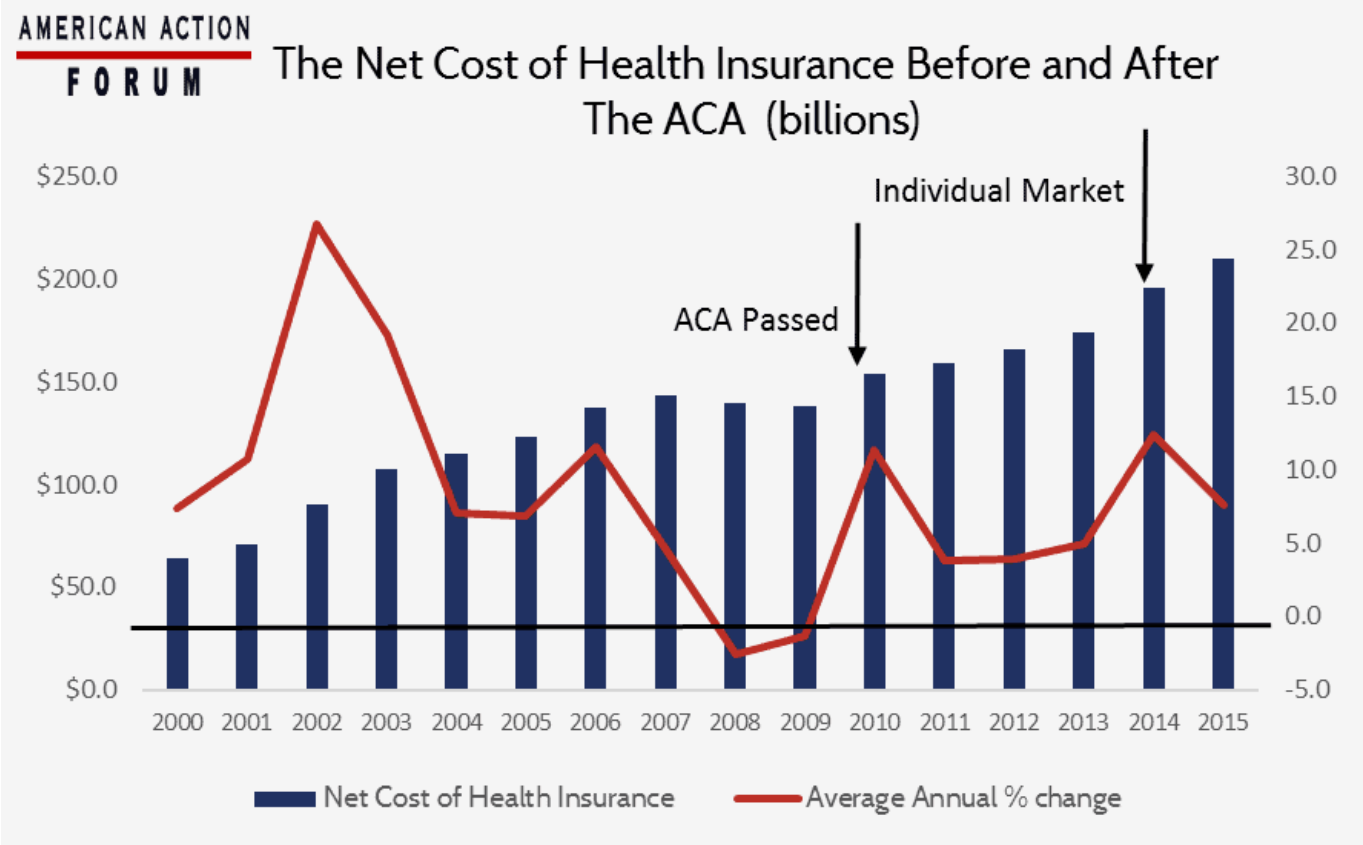
Weekly Checkup

What Happened to Bending the Cost Curve?

JANUARY 24, 2017

One of President Obama's promises with the passage of the Affordable Care Act (ACA) was that it would lower health care costs for all Americans. Six years ago, he made the following statement: "Every single good idea to bend the cost curve and start actually reducing health care costs [is] in this bill." Despite this promise, the passage and implementation of the ACA has done little to change the net cost of health insurance. The Centers for Medicare and Medicaid Services (CMS) defines the net cost of health insurance as the difference between incurred premiums earned and benefits paid for private health insurance during a calendar year. Private health insurance companies that insure the enrollees of Medicare, Medicaid, Children's Health Insurance Program, and the health portion of workers' compensation are included in the calculation. Administrative costs, and in some cases, additions to reserves, rate credits and dividends, premium taxes, and plan profits or losses are also counted.

In 2009, the year prior to passage of the law, the net cost of health insurance was at a relative low point with a price tag of $138 billion, it has risen to $210 billion in 2015. The annual percent growth in the net cost of health insurance has also dramatically increased since 2009. Percent growth in the years after the individual markets were implemented were 12.4 percent in 2014 and 7.6 percent in 2015. Costs and growth in future years will not buck this trend. Insurance companies in the individual and employer markets are raising premiums substantially to cover costs. The ACA will not be able to live up to the President's promise.



https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html Table 02 National Health Expenditures; Aggregate and Per capita Amounts, by Type of Expenditure