



## **Administration’s Chief Health Actuary: “Reform” = more spending, less access, more debt**

The Chief Actuary of the Centers for Medicare and Medicaid Services (CMS) has issued a report on Speaker Pelosi’s “Affordable Health Choices Act,” which showed that the House-passed bill is anything but affordable.<sup>[i]</sup> The Chief Actuary warned that the Democrats’ health care bill could increase health care costs, threaten access to care for seniors, drive up the deficit, and result in higher premiums. In other words, the Administration’s own Chief Actuary conclusively demonstrated that the Democrats’ rhetoric about health care reform has completely diverged from the reality of their bills.

**The cost curve would bend up, not down.** National health expenditures would increase from 17 percent of GDP now (more than any other country) to 21.1 percent under the House bill. The Chief Actuary concluded that the federal government and the country would spend more under the bill than without it.

**The bill “jeopardizes access to care” for seniors.** Because of the bill’s severe cuts to Medicare, “providers for whom Medicare constitutes a substantive portion of their business could find it difficult to remain profitable and might end their participation in the program (possibly jeopardizing access to care for beneficiaries).”

**Savings in the bill are “unrealistic.”** Because Medicare cuts would likely have to be reduced to avoid jeopardizing access to care for seniors, the provisions “will likely result in significantly smaller actual savings” than assumed. Beyond the Medicare cuts, the other provisions designed to reduce the rate of growth in health care costs would have “a relatively small savings impact.”

**Health care shortages and price increases are “plausible and even probable.”** Because of the increased demand for health care, “supply constraints might interfere with providing the services desired by the additional 34 million insured persons.” The result could be “some of this demand being unsatisfied,” meaning that people would not have access to care. Additionally, providers would negotiate for higher rates, meaning that health care costs and premiums would increase.

**Premiums for the government-run plan would be higher than for private plans.** Agreeing with the Congressional Budget Office, the Chief Actuary said that because the government plan would not encourage higher-value health care and it would attract sicker people, premiums for the government-run plan would be four percent higher than for private insurers.

**Employers will drop coverage.** The Chief Actuary concluded that 12 million people will lose their employer-sponsored coverage. Smaller employers would be inclined to terminate coverage so their workers could qualify for “heavily subsidized coverage” through the exchange.

**The bill uses budget gimmicks to claim that it is in balance.** The Chief Actuary noted that the House bill relies on revenues from the CLASS Act,<sup>[iii]</sup> but that the CLASS Act would result “in a net Federal cost in the longer term.” The Chief Actuary also determined that the program faces “a significant risk of failure” because the high costs will attract sicker people and lead to low participation.

**The bill does almost nothing to limit actual fraud and abuse.** At the same time a new report found that Medicare paid \$47 billion in suspect claims last year,<sup>[iii]</sup> the Chief Actuary found that the fraud provisions in the House bill would save a miniscule \$60 million per year.

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<sup>[i]</sup> Richard Foster, Department of Health and Human Services, Estimated Financial Effects of the “America’s Affordable Health Choices Act of 2009” (H.R. 3962), as Passed by the House on November 7, 2009. Available at:

[http://republicans.waysandmeans.house.gov/UploadedFiles/OACT\\_Memorandum\\_on\\_Financial\\_Impact\\_of\\_H\\_R\\_3962\\_11-13-09.pdf](http://republicans.waysandmeans.house.gov/UploadedFiles/OACT_Memorandum_on_Financial_Impact_of_H_R_3962_11-13-09.pdf)

<sup>[ii]</sup> The CLASS Act creates a new federal long-term care insurance program that provides cash benefits to purchase non-medical services and supports. The *Washington Post* called the CLASS Act a “gimmick” “designed to pretend that health care is fully paid for.” The *Post* goes on to say that “...the money that flows in during the 10 year budget window will flow back out again. These are not ‘savings’ that can honestly be counted on the balance sheet of reform.” *Washington Post*, “How Not to Fix Health Care,” July 10, 2009.

<sup>[iii]</sup> Associated Press, “Govt: Medicare paid \$47 billion in suspect claims,” November 15, 2009.