

**SENATOR JEFF BINGAMAN  
HEALTH REFORM 2010**

**CONTROLLING COSTS FOR NEW MEXICAN FAMILIES AND THE GOVERNMENT**

Throughout the nation the **cost of medical care is rising and unaffordable** for individuals and businesses. **This problem is most acute in New Mexico.** Without health reform, our state would have experienced the greatest increase in health insurance premiums in the nation.<sup>1</sup> For example, the average employer sponsored insurance premium for a family in New Mexico was about \$6,000 in 2000.<sup>2</sup> By 2006, this rate had almost doubled to over \$11,000. By 2016 without reform, this amount was projected to rise to an astonishing \$28,000. New Mexicans also spend more on health insurance premiums as a percentage of their income than almost all other Americans.<sup>3</sup>

One of the most important goals of the new health reform law, the *Patient Protection and Affordable Care Act (PPACA)* and the *Health Care and Education Reconciliation Act*, is **to rein in the unsustainable increases in health care costs we have experienced in the last few decades.** It is projected that the insurance market reform and federal tax credits included in the new health reform law may **reduce the cost of coverage on the individual/private market for the average family in New Mexico significantly** – perhaps by 56% to 59%.<sup>3</sup>

Moreover, according to the non-partisan Congressional Budget Office (CBO), **the new law will reduce federal deficits by \$143 billion over the next ten years and as much as \$1 trillion over the following decade.**<sup>3</sup> The independent Actuary for the Centers for Medicare and Medicaid services also found that the legislation has **“noticeable downward effect” on growth of costs over the long term.**<sup>4</sup> Despite reports to the contrary, the Actuary also found that the law modestly **decreases the percentage of federal spending on national healthcare by 2019.**<sup>5</sup>

Twenty-three prominent economists, including Nobel laureates and members of both Democratic and Republican administrations, wrote to President Obama this year urging action on health reform legislation and identifying four key measures that will lower costs and reduce long-term deficits.<sup>6</sup> **The new law includes all four measures:** deficit neutrality, an excise tax on high-cost plans, an Independent Payment Advisory Board, and delivery system reforms. More specifically, these measures include:

- ❖ **A Fundamental Change in the Way Insurance Companies Do Business:** ensures that insurance companies stop spending administrative resources to avoid covering patients, and focus more of their efforts providing efficient, lower-cost care.
- ❖ **Ensuring Efficiency By Limiting Insurance Company Administrative Costs and Profits:** precludes health insurance companies from spending unlimited amounts of premium revenues on administrative costs, such as marketing and profits, by requiring them to spend more on medical services and delivery system innovations, and to provide consumers a rebate if non-medical costs exceed certain thresholds.
- ❖ **Strengthening Medicare:** according to the CMS Office of the Actuary, reform lowers Medicare cost sharing for beneficiaries by about \$200 per person per year by 2018 and extends the life of the Medicare Trust fund by an additional 12 years.<sup>7</sup>
- ❖ **Reducing Insurance Bureaucracy:** standardizes paperwork, including enabling electronic transactions. CBO estimates that the Federal savings alone would be \$20 billion over ten years.
- ❖ **Creating Administrative Savings Through the Health Insurance Exchange:** The health insurance Exchange will lower premiums by providing competition and choice, thereby driving down premiums and cost growth. By precluding insurers from discriminating against individuals who have been sick in the past, reform will eliminate medical underwriting, a substantial part of health insurance costs today.

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<sup>1</sup> Elizabeth Carpenter and Sarah Axeen, “The Cost of Doing Nothing, Why the Cost of Failing to Fix Our Health System is Greater than the Cost of Reform,” New America Foundation (November 2008).

<http://www.newamerica.net/files/nafmigration/NAFCostofDoingNothing.pdf>.

<sup>2</sup> Agency for Healthcare Research and Quality, Center for Financing. Access and Cost Trends. MEPS-Insurance Component, Tables II.D.1, II.D.2, II.D.3.

<sup>3</sup> Congressional Budget Office, “An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act” (November 30, 2009) [<http://www.cbo.gov/ftpdocs/107xx/doc10781/11-30-Premiums.pdf>], p. 7.

<sup>4</sup> Estimated Financial Effects of the “Patient Protection and Affordable Care Act,” as Amended. CMS Office of the Actuary. April 22, 2010. Pages 12 and 18.

<sup>5</sup> Estimated Financial Effects of the “Patient Protection and Affordable Care Act,” as Amended. CMS Office of the Actuary. April 22, 2010. Page 18.

<sup>6</sup> Economists’ Letter to President Obama on Health Care Reform, November 17, 2009.

<http://online.wsj.com/public/resources/documents/econletter111709.pdf>

<sup>7</sup> Estimated Effects of the “Patient Protection and Affordable Care Act,” as Amended, on the Year of Exhaustion for the Part A Trust Fund, Part B Premiums, and Part A and Part B Coinsurance Amounts. CMS Office of the Actuary. April 22, 2010.