The Economic Record of the Obama Administration: Reforming the Health Care System

Council of Economic Advisers

December 13, 2016
I. Expanding and Improving Health Insurance Coverage
Uninsured Rate Has Fallen to the Lowest Level Ever

Because of the Affordable Care Act, 20 million adults have gained health insurance coverage. The coverage gains since the end of 2013 are the most rapid since the decade following the creation of Medicare and Medicaid, and the uninsured rate is now below 9 percent, the lowest level ever.

Source: National Health Interview Survey and supplemental sources described in CEA (2014).
Note: Estimate for 2016 reflects only the first two quarters. Other estimates reflect the full year.
The Uninsured Rate Among Children Has Fallen by Nearly Half Since 2008

Uninsured Rates by Age, 1997-2016

Because of the decline in the uninsured rate for children since 2008, more than 3 million additional children have health insurance coverage in 2016. The increase in insurance coverage among children reflects, in large part, improvements to the Children’s Health Insurance Program enacted in the President’s first month in office and the broader ACA coverage expansions that took effect in 2014.

Source: National Health Interview Survey; CEA calculations.

Note: Estimates for 2016 reflect only the first two quarters. Estimates of the uninsured rate for 0-18 year olds have not yet been reported for 2016, so the reported uninsured rate for 0-18 year olds was calculated by extrapolating the 2015 estimate using the percentage point change for 0-17 year olds. Similarly, estimates of the uninsured rate for 26-64 year olds were extrapolated using the percentage point change for the larger group consisting of 18 year olds and 26-64 year olds.
The Young Adult Uninsured Rate Has Fallen by More Than Half Since 2010

The uninsured rate among young adults ages 19-25 has fallen by 53 percent through the second quarter of 2016. Young adults have benefited both from the option to remain on a parent’s plan until age 26 and from the law’s broader coverage expansions through Medicaid and the Health Insurance Marketplaces.

Source: National Health Interview Survey; CEA calculations.

Note: The reported percent decline reflects the percent change from the four quarters before the ACA’s dependent coverage provision took effect (2009:Q4-2010:Q3) through 2016:Q2. Estimates of the uninsured rate for 26-64 year olds have not yet been reported for 2016, so the reported uninsured rates for 26-64 year olds were calculated by extrapolating the 2015 estimate using the percentage point changes for the larger group consisting of 18 year olds and 26-64 year olds.
States that Expanded Their Medicaid Programs Have Seen Much Larger Gains in Health Insurance Coverage

While all states have seen insurance coverage gains since 2013, Medicaid expansion states have seen much larger gains, despite starting with lower uninsured rates. Medicaid expansion states that had relatively high uninsured rates in 2013 have seen the largest gains. If all states that have not yet expanded their Medicaid programs did so, an additional 4 million people would gain health insurance.

Source: American Community Survey; CEA calculations.
Note: States are classified by Medicaid expansion status as of July 1, 2015.
Insurance Coverage Has Risen at All Income Levels

The uninsured rate has declined in all income groups since 2013. Coverage gains above the Medicaid eligibility threshold of 138 percent of the Federal Poverty Level show that the ACA’s interlocking reforms to the individual health insurance market—banning discrimination based on pre-existing conditions, providing financial assistance to make coverage affordable, and implementing an individual responsibility provision—are working to increase insurance coverage.

Source: National Health Interview Survey; CEA calculations
Coverage Gains Under the ACA Have Been Broad-Based

The uninsured rate has declined in a wide range of population groups, including all racial and ethnic groups and people living in both urban and rural areas. Among racial and ethnic groups, gains in insurance coverage have been largest for groups with the largest uninsured rates in 2010, indicating that recent years’ coverage gains are helping to reduce economic disparities.

Source: National Health Interview Survey; American Community Survey; CEA calculations.
Note: Estimates by race and ethnicity were calculated using National Health Interview Survey. Estimates by geography were calculated using the American Community Survey, which provides more detailed geographic breakdowns. Counties inside a metropolitan statistical area were categorized as urban and all others as rural. Medicaid expansion status is as of July 1, 2015.
A growing body of evidence shows that broader insurance coverage is improving access to care, financial security, and health. These findings are consistent with research examining earlier, similar coverage expansions. If experience matches what was observed under Massachusetts health reform, 24,000 deaths are already being avoided annually because of expanded coverage under the ACA.

Source: Behavioral Risk Factor Surveillance System; CEA calculations.
Note: Sample limited to non-elderly adults.
Uncompensated care as a share of hospital costs has fallen by more than a quarter since 2013. Medicaid expansion states have seen even larger declines, with uncompensated care as a share of hospital costs falling by almost half over that period. The nationwide decline corresponds to a reduction in hospital uncompensated care costs of $10.4 billion in 2015.

Source: Centers for Medicare and Medicaid Services, Hospital Cost Reports; CEA calculations.
Note: State Medicaid expansion status is as of July 1, 2015. Data for 2015 are incomplete.
The ACA requires almost all private insurance plans to cap enrollees’ annual out-of-pocket spending, one of many ways the law has improved coverage for people who were already insured. In 2010, 18 percent of workers with job-based single coverage had no limit on their annual out-of-pocket costs, which left them financially vulnerable if they became seriously ill. In 2016, just 2 percent of workers lacked this protection. Due to this decline, an estimated 22 million more plan enrollees have an out-of-pocket limit.

Source: Kaiser Family Foundation and Health Research and Education Trust, Employer Health Benefits Survey.
The Private Sector Has Added 15.6 Million Jobs Starting the Month the Affordable Care Act Became Law

Businesses have added 15.6 million jobs since private-sector job growth turned positive in March 2010, the month the Affordable Care Act became law. Comparing states that did and did not expand their Medicaid programs and states that were more and less affected by the law’s other coverage provisions shows that the law has not had the adverse employment effects that critics predicted.

II. Reforming the Health Care Delivery System
Since the Affordable Care Act became law, health care prices have risen at the slowest rate in 50 years. The Affordable Care Act’s reforms to Medicare payment rates, along with “spillover” effects on prices in the private sector, have been major contributors to this recent slow price growth.
Health Care Spending Per Enrollee Has Grown Exceptionally Slowly in Both the Public and Private Sectors

Under the ACA, per-enrollee health care spending has grown exceptionally slowly in both the public and private sectors. Real private insurance spending per enrollee has grown at less than one-third the rate seen over the pre-ACA decade. Real Medicare spending per enrollee has actually fallen in recent years. The ACA’s payment reforms have made a substantial contribution to these trends.

Source: National Health Expenditure Accounts; National Income and Product Accounts; CEA calculations.
Note: Medicare growth rate for 2005-2010 was calculated using the growth rate of non-drug Medicare spending in place of the growth rate of total Medicare spending for 2006 to exclude effects of the creation of Medicare Part D. Inflation adjustments use the GDP price index.
Recent years’ slow growth in per enrollee health care spending has been seen across all major spending categories. In both private insurance and Medicare, per enrollee spending growth has slowed substantially in all three of the largest health care spending categories: hospital services, physician services, and prescription drugs.

Source: National Health Expenditure Accounts; National Income and Product Accounts; CEA calculations.
Note: To exclude effects of the creation of Medicare Part D, the average growth rate of Medicare spending for 2000-2010 was calculated using the growth rate of non-drug Medicare spending in place of the growth rate of total Medicare spending for 2006. Similarly, the average growth for Medicare prescription drug spending reflects 2006-2010 rather than 2000-2010.
Cost Growth Has Slowed Markedly in Employer Coverage

Growth in Real Costs for Employer-Based Family Coverage

Average annual percent growth

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Premium growth in job-based coverage has been sharply lower since the Affordable Care Act became law than over the preceding decade. Slower growth in premiums is not being “canceled out” by faster growth in out-of-pocket spending. Growth in total spending—encompassing both premiums and out-of-pocket cost—has slowed slightly more than growth in premiums alone.

Source: KFF/HRET Employer health Benefits Survey; Medical Expenditure Panel Survey, Household Component; CEA calculations.
Note: Out-of-pocket costs were estimated by first using the Medical Expenditure Panel Survey to estimate the out-of-pocket share in employer coverage for 2000-2014 and then applying that amount to the premium for each year to infer out-of-pocket spending. The out-of-pocket share for 2015 and 2016 was assumed to match 2014. Inflation adjustments use the GDP price index. GDP price index for 2016 is a CBO projection.
National health expenditures are projected to be sharply lower than expected prior to the ACA, even though millions more Americans now have health insurance. National health expenditures over the 2010 through 2019 period are projected to be $2.6 trillion lower than projected just before the ACA became law. Health care spending is projected to be lower despite expanded coverage because projections of underlying per enrollee health care spending have fallen dramatically.

Source: National Health Expenditures Accounts and Projections; CEA calculations.
Note: Pre-ACA projections have been adjusted to reflect a permanent repeal of the SGR following the methodology used by McMorrow and Holahan (2016). For consistency, actuals reflect the current estimates as of the most recently released projections.
Workers are receiving major benefits from slower cost growth. If premium growth since 2010 had matched the pre-ACA decade, the average premium for job-based family coverage would have been $3,600 higher in 2016. Accounting for out-of-pocket costs increases those savings to $4,400. Much of these savings accrues directly to workers, and the remainder will ultimately show up in their paychecks.

Source: Kaiser Family Foundation and Health Research and Educational Trust, Employer Health Benefits Survey; CEA calculations.
Slow growth in Medicare costs is reducing premiums and cost sharing for Medicare beneficiaries. The typical beneficiary enrolled in traditional Medicare will incur around $700 less in premiums and cost sharing in 2016 than if Medicare cost trends had matched projections issued in 2009. The ACA’s provision closing the Medicare Part D coverage gap and lower-than-expected prescription drug costs are producing additional savings for beneficiaries that are not counted here.

Source: Medicare Trustees; Centers for Medicare and Medicaid Services; CEA calculations.
Note: Premium amounts reflect the standard Part B premium and the base Part D premium. The 2009 Trustees Projections were adjusted to reflect a scenario in which physician payment rates are held fixed in nominal terms, rather than being reduced sharply in accordance with the Sustainable Growth Rate formula then in law.
Since the ACA Became Law, the Life of the Medicare Trust Fund Has Been Extended by 11 Years

Medicare’s Trustees project that the program’s hospital insurance trust fund will remain solvent until 2028, 11 years later than the last projection before the Affordable Care Act became law. The Affordable Care Act’s reforms to Medicare have played a major role in improving Medicare’s financial outlook.

Source: Medicare Trustees.
CBO has estimated that the ACA will generate substantial deficit savings that grow over time, implying total savings of more than $3 trillion over the next two decades. Lower long-term deficits boost national saving, thereby increasing capital accumulation and reducing foreign borrowing, which raises wages and overall national income over time.

Source: Congressional Budget Office; CEA calculations.

Note: CBO reports second-decade effects as a share of GDP. Amounts are converted to dollars using GDP projections from CBO’s long-term budget projections.
The rate of hospital-acquired conditions has fallen by 21 percent since 2010. The reduction in the rate of hospital-acquired conditions, including infections and adverse drug events, translates to a cumulative 125,000 avoided deaths. The Affordable Care Act incentivizes hospitals to provide high-quality care and makes investments that help hospitals learn from each other how to keep patients safe.
Hospital Readmission Rates Have Fallen Sharply in Recent Years

The hospital readmission rate for Medicare patients has fallen sharply in recent years. If the readmission rate had remained at its level before the Affordable Care Act’s passage, a cumulative 565,000 additional readmissions would have occurred through May 2015. The Affordable Care Act created incentives for hospitals to reduce readmissions and supported initiatives that help hospitals identify and share strategies for doing so.

Source: Centers for Medicare and Medicaid Services; CEA calculations.