Written by Michael Tennant on July 30, 2011

With ObamaCare's Help, Healthcare Spending to Reach $4.6 Trillion in 2020

The report begins by noting that 2009 and 2010 actually saw historically low growth rates (about four percent each year) in healthcare spending. The primary cause of the slowdown is the recession, which threw many people out of work, costing them their health insurance. Also, because of the weak economy, "many people continued to restrain their use of health care goods and services," according to the report, so out-of-pocket costs did not climb as rapidly as before.

Assuming the economy improves, the years 2011 through 2013 are expected to see significantly faster growth in healthcare spending, averaging 4.9 percent per year. Two ObamaCare provisions, one helping those with pre-existing conditions to obtain insurance and another allowing children to remain on their parents' health plans until age 26, are expected to contribute to this increase by an average of 0.1 percent. Medicare spending, meanwhile, is projected to grow much more slowly, but only if a scheduled 29.4 percent cut in physician rates takes place in 2012. Since Congress invariably overrides these scheduled rate reductions, these savings are unlikely to materialize; and if they do materialize, seniors can expect to see their healthcare options dwindle as fewer doctors are willing to work for Uncle Sam's wages.

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Spending is really expected to take off in 2014, the year the major provisions of ObamaCare go into effect, with overall healthcare spending projected to rise by 8.3 percent. With more individuals, including solidly middle-class retirees too young for Medicare, able to obtain coverage through Medicaid, that program is forecast to spend 20.3 percent more that year. Meanwhile, the new state insurance exchanges are expected to contribute to a 9.4 percent growth rate in spending on private health insurance. In addition, as a direct result of ObamaCare, prescription drugs, physician and clinical services, and hospital care are all expected to experience significantly faster spending increases than they otherwise would. Moreover, says the report, these spending hikes will “more than offset the Medicare savings provisions found in the Affordable Care Act,” assuming those savings actually occur.

Things only get worse in 2015 and beyond. “For 2015-20,” the actuaries state, “national health spending growth is projected to average 6.2 percent per year.” As if that weren’t bad enough, they add that “during this period, some large employers with low-wage employees are expected to discontinue offering health insurance to their workers and instead pay the penalty mandated in the Affordable Care Act.” Those workers will then become the taxpayers’ problem, either being covered by Medicaid or obtaining subsidies for purchasing private insurance through state exchanges. On the other hand, the actuaries expect the penalty for high-cost (“Cadillac”) insurance plans to lead to less generous employer-based insurance and, in turn, “a slowdown in the growth of health services, health insurance premiums, and health spending overall.”

Of course, as the report points out:

> These projections remain subject to substantial uncertainty given the variable nature of future economic trends and a lack of historical experience for many Affordable Care Act health system reforms. Moreover, “supply-side” impacts of the Affordable Care Act, such as changes in provider behavior in reaction to an influx of newly insured patients, remain highly uncertain and are not estimated at this time.

In other words, if the economy fails to improve or the Washington commissars’ 10-year plan doesn’t quite turn out as advertised — the former a likely consequence of the latter — then all these projections go out the window.

Of one projection, however, one can be fairly certain: “As the major coverage expansions of the Affordable Care Act are implemented in 2014, health care financing is anticipated to further shift toward governments” — very much an intended consequence of ObamaCare. Government already accounts for 45 percent of healthcare spending, with Washington alone picking up 29 percent of the tab. By 2020, government is expected to be paying 49 percent, or $2.3 trillion, of healthcare costs, two thirds of which are forecast to come from the federal government.

With the national debt already at a nearly unmanageable stage and politicians bound and determined to grow it even more, such a level of healthcare spending — the equivalent of the entire 1993 federal budget — will surely be impossible to sustain. Repeal or nullification of ObamaCare, followed by the dismantling of the rest of the government healthcare apparatus, now appears more urgent than ever.