

Health care reform will generate significant financial offsets

Two new studies out this week highlight that the costs of providing health cover to every American will be offset in some ways not previously recognised.

1. Reduced Medicare spending for previously uninsured adults.

This week the Annals of Internal Medicine published a study (<http://www.commonwealthfund.org/Content/Publications/In-the-Literature/2009/Oct/Medicare-Spending-for-Previously-Uninsured-Adults.aspx>) from the Department of Health Care Policy at Harvard Medical School which shows that currently the Medicare program spends significantly more for adults who are uninsured before becoming eligible for the program at age 65 than it does for those who had coverage prior to entering the program.

This is because uninsured adults with chronic, treatable conditions like diabetes or heart disease go without treatment and have more health complications as a result.

The study found:

- Medicare spends on average \$5,796 each year for the previously uninsured versus \$4,773 for the previously insured.
- These differences are largely due to increased inpatient and home health agency spending and are concentrated among the 67% of adults with cardiovascular disease or diabetes.
- Previously uninsured adults have more hospital stays. Those with cardiovascular disease or diabetes are more likely to be hospitalised for complications like a heart attack, heart failure or stroke.
- Among adults with arthritis, those without coverage before enrolling in Medicare were more likely to be hospitalised for joint replacement than those with prior coverage.

This indicates that the cost of providing health coverage to uninsured adults aged 51 to 64, estimated at \$197 billion a year, would reduce subsequent Medicare spending on adults aged 65 to 74 by about \$98 billion – offsetting almost half the original costs.

These findings highlight the fallacy (and the cost to Medicare) of Republican proposals that would provide only catastrophic cover to people who are currently uninsured.

2. Medicaid expansion will generate revenue for the states

Menzies Centre ^{of} Health Policy



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A study

(http://www.gwumc.edu/sphhs/departments/healthpolicy/dhp_publications/pub_uploads/dhpPublication_2F941D82-5056-9D20-3DD55A0250BDAB46.pdf) from the George Washington University School of Public Health and Health Services finds that the Medicaid expansions proposed in the health care reform bills will generate significant economic returns, between \$2 and \$6 for every dollar invested. These returns are as a consequence of new business activities, jobs, salaries and wages. Medicaid represents essential revenue for community health centres, but it is also important to the economic health of medically underserved communities.

Expanding Medicaid is a cost-effective way to expand insurance coverage, but the costs are a significant impost on the budgets of the states, especially given the effects of the present economic downturn on their economies. While states fund a large portion of Medicaid costs (half or less, depending on the federal contribution rate to any particular state matching rate), the majority of funds come from the federal government.

Combined federal and state Medicaid payments for health care are directly translated into revenues to physicians, hospitals, clinics, nursing facilities, community drug stores, and other state and community providers of health care. In turn, these local health care providers pay staff, purchase goods and supply vendors, many of whom also are local. Workers and vendors use this income to pay their mortgages, car loans, grocery bills, state and local income and sales taxes, etc. The resulting cascade of funds raises household spending for consumer goods and eventually leads to increases in state government revenue through income, sales, and property taxes.

The conservative response to the health care crisis: 37 bills, no solutions

This week my analysis of the 37 bills which House Republicans have offered as their 'health care solutions'

(http://rsc.tomprice.house.gov/UploadedFiles/RSC_Health_Care_Bills_Compilation--Sept2009--FINAL.doc) is up on the website of the Center for American Progress.

You can read it here

(http://www.americanprogressaction.org/issues/2009/10/republicans_health_solutions.html).