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Name the much-criticized federal program that has saved the U.S. $2.3 trillion. Hint: it starts with Affordable

By Ezekiel J. Emanuel

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President Obama signs the Affordable Care Act in the East Room of the White House on March 23, 2010.*Alex Wong/Getty Images*

Even before the Affordable Care Act became law, about 90 percent of the conversation and criticism of it was about coverage. Little has been said about its ability to control costs.

March 23, the ninth anniversary[2] of the ACA's passage, presents a good opportunity to examine its legacy on cost control — a legacy that deserves to be in the foreground, not relegated to the background behind the exchanges, Medicaid expansion, and work requirements.

One month after the ACA had passed, the Office of the Actuary of the Department of Health and Human Services projected its financial impact in a report[3] entitled "Estimated Financial Effects of the 'Patient Protections and Affordable Care Act', as Amended." The government's official record-keeper estimated that health care costs under the ACA would reach $4.14 trillion per year in 2017 and constitute 20.2 percent of the gross domestic product (GDP).

Fast forward to December 2018, when that same office released the official tabulation of health care spending[4] in 2017. The bottom line: cumulatively from 2010 to 2017 the ACA reduced health care spending a total of $2.3 trillion.

Related: [5]

Coverage for pre-existing conditions lives on, even though the Affordable Care Act seemed doomed [5]

In 2017 alone, health expenditures were $650 billion lower than projected, and kept health care spending under 18 percent of GDP — basically a tad over where it was in 2010 when the ACA was passed. It did all of this while expanding health coverage to more than 20 million previously uninsured Americans.

Compared to the 2010 projections, the government's Medicare bill in 2017 was 10 percent ($70 billion) less, and spending for Medicaid and the Children's Health Insurance Program was a whopping $250 billion

below expectations (partially — but only partially — due to the failure of some states to expand the program). The actuary had predicted in 2010 that employer-sponsored insurance would cost $1.21 trillion in 2017, but it came in at $1.04 trillion, a difference of $170 billion for that year.

Put another way, health care spending in 2017 was $2,000 less per person than it was projected to be. And for the 176 million Americans who have private employer-sponsored insurance, their lower premiums averaged just under $1,000 per person.

Barack Obama pledged on the campaign trail[6] and as president that he would sign a health care bill that lowered family health insurance premiums by $2,500. Conservative politicians and pundits roundly mocked him. Yet the ACA has more than delivered on that promise, saving about $4,000 per family. And these lower health care premiums probably contribute to the recent rise in workers' wages[7].

One reason the ACA's enormous success in cost control goes unappreciated is that no one experiences the difference between projections and reality. What could have happened is intangible. All we feel is what actually happens.

At least three trends make it hard for Americans to appreciate these lower costs. First, employers are foisting more of the cost of health insurance onto employees. Employees' share of health premiums has gone up 32 percent[10] since 2012 while the employer portion has gone up just 14 percent. Second, drug prices are rising and Americans are finding copays for them more and more onerous. Third, more and more Americans are enrolled in high-deductible health plans. For them, a

$2,000 or $3,000 deductible is stressful even if they never actually pay it.

Why have health care expenditures risen more slowly than projected? No one is entirely sure. But one thing is certain: The slow growth in health care costs in 2017 is *not* because of the Great Recession of 2008. We are now in the second-longest economic recovery in American history — eight years and counting of continuous economic growth. If the Great Recession had an impact on health care costs, it is long gone. It is possible that high-deductible plans contributed by encouraging people not to use as many services and shop for care.

Hence the most likely explanation has to be the ACA. It changed how physicians and hospitals are paid, shifting toward more value-based payments. It required reducing wasteful and expensive readmissions and encouraged efficient redesign of care. And it spurred the private sector — insurers and employers — to try their own payment reforms, such as reference pricing, to control costs. Indeed, the latest data suggest a real slowdown in utilization of health care services. It will take health economists a few more years to sort out all the contributing factors.

The ACA has helped bend the cost curve. But we should not rest on this $650 billion savings success. We can do more.

Policymakers have increasingly come to understand that high prices are the biggest contributor to the growth in the cost of health care. We need to rein in prices, and there are several good options for doing this. First on the list must be regulating drug prices. We spend about 56 percent more[11] than other developed countries on drugs. We need national — not just Medicare — drug price negotiations, which other countries have employed to great effect.

Related: [12]

The Affordable Care Act is still law. Signing up for health insurance is still hard [12]

Second, Congress might limit the prices that hospitals can charge private insurers to 140 percent of what Medicare charges. This would prevent the exorbitant prices that hospital systems demand when their bargaining leverage is enhanced by creating local monopolies.

Third, we could introduce competitive bidding for Medicare Advantage plans. These are the private insurance plans that Medicare recipients can choose to enroll in instead of traditional Medicare. They now account for one-third of Medicare enrollees and are the fastest-growing part of Medicare. Instead of having Medicare set the benchmark premium it will pay, we should allow insurers to set their premiums and compete in the marketplace.

Other policies to control prices include enhanced anti-trust enforcement of hospital mergers and acquisitions of physician groups, and emulating Massachusetts[13] in setting a public cap on health cost increases, linking the growth in health costs to growth in the state economy, and then shaming providers or payers that exceed the limit.

Despite constant criticism and occasional sabotage, the Affordable Care Act has successfully expanded health insurance coverage — even though it included individuals with pre-existing conditions — and controlled runaway health care costs. We need to build on its tremendous cost-control success.

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