



Center for American Progress



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RELEASE: Report Shows Health Reform Will Reduce Health Care Spending by Nearly \$600 Billion While Improving Access to Care for 32 Million Uninsured

Comprehensive analysis estimates law will reduce growth in health spending from 6.3 percent to 5.7 percent per year and lower annual premiums by nearly \$2,000 per family

May 21, 2010 - The Center for American Progress and The Commonwealth Fund released a report today that details the effects of the health reform law passed in March.

The report, "The Impact of Health Reform on Health System Spending," concludes that the Patient Protection and Affordable Care Act of 2010's significant payment and system reform provisions will begin to realign health care system incentives and reduce cost growth far in excess of that predicted by the Congressional Budget Office and the Office of the Actuary within the Centers for Medicare and Medicaid Services.

The report projects the new law's effects on total national health expenditures and the insurance premiums families are likely to pay. Most assessments of the law have focused only on how it will affect the federal budget. The new report by CAP Senior Fellow and Harvard economist David Cutler, Commonwealth Fund President Karen Davis, and Senior Research Associate Kristof Stremikis takes into account implications of important research not reflected in previous analyses and estimates that the health reform law will result in:

- Total reductions in health care spending of \$590 billion from 2010 to 2019
- Reduction in the annual growth rate in national health expenditures from 6.3 percent to 5.7 percent from 2010 to 2019
- Savings of nearly \$2,000 on annual health care premiums for the typical family by 2019
- Deficit reduction of up to \$400 billion over 10 years
- Medicare savings of \$524 billion

The authors find that establishing new insurance market rules, health insurance exchanges, and innovative provider payment and delivery system reforms will result in substantial health system modernization and improved access to care for millions of previously uninsured and underinsured Americans.

"The Patient Protection and Affordable Care Act is the most significant piece of health care cost-reducing legislation ever passed in the United States," said David Cutler, CAP Senior Fellow and Harvard economist. "It gives us the tools to improve the quality and lower the cost of medical care. Now we need to use those tools to make reform work."

"With passage of the Affordable Care Act we have entered a new era in American health care—one in which all Americans will be able to get the care they need, and in which families will be protected from high health care costs," said Commonwealth Fund President Karen Davis. "By changing the way we pay for and deliver care to reward high performance, we will begin to bend the health care cost curve, and all Americans will see real economic benefits."

The Commonwealth Fund is a private foundation that supports independent research on health policy reform and a high-performance health system.