

The Healthcare Cost Problem

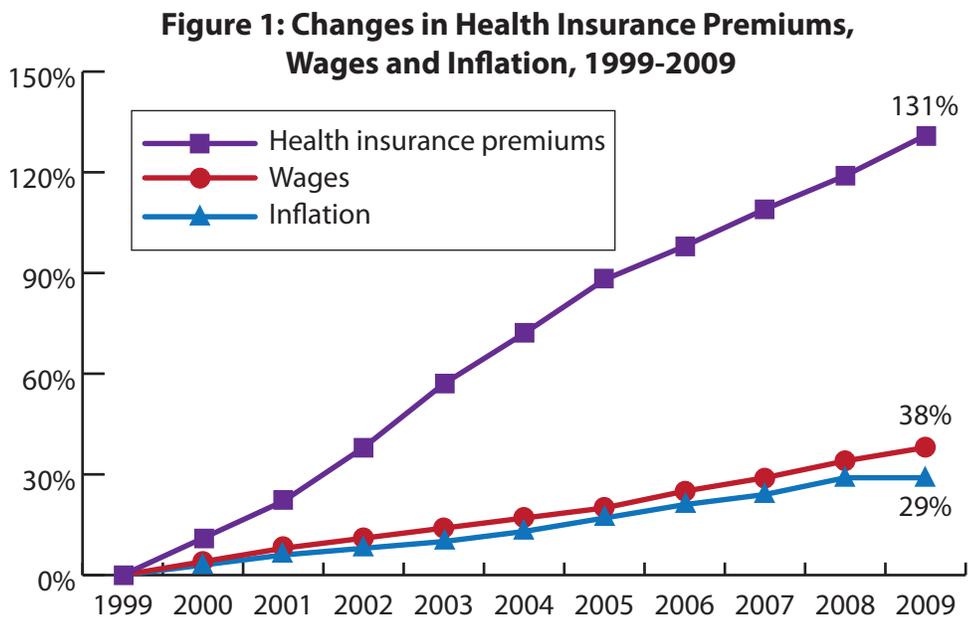
The **Affordable Care Act (ACA)** was passed in March 2010. The independent Congressional Budget Office says that the ACA will reduce the deficit. Critics point out that the law will increase healthcare spending because it insures more people. Supporters point out the new revenue from people paying their share and from new cost-control tools. Healthcare costs are a serious national problem. They have reduced workers' wages, made insurance unaffordable for some and caused rapid growth in government spending on healthcare.

Question: Why do I have a stake in the cost of healthcare?

Answer: Because rising costs have eaten up workers' raises and forced them to spend more on healthcare.

Between 1999 and 2009, workers' health insurance premiums rose at 8.8% a year, more than three times faster than their wages grew. Their premiums rose more than four times faster than inflation. (**Figure 1**). Because costs rose faster than wages, workers spent more of their earnings on healthcare and less on other things.

On a larger scale, in 1999 healthcare spending made up 13.8% of the United States' gross domestic product (GDP). GDP is the total value of all goods and services made in the U.S. In 2009, healthcare spending made up 17.6% of



Sources: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2009; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2009.

GDP. That's a \$1.2 trillion hike in spending in just 11 years. By 2020, healthcare spending is projected to reach 19.8% of GDP.

Likewise, federal spending on healthcare has jumped. In 2008 the govern-

ment spent 36% of its income on healthcare. In 2009 it spent 54% of its income on healthcare.

No one can afford for this trend to continue. Several elements of the ACA were designed to bring costs down.