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Health savings depends on who you ask

Matthew Daneman • Staff writer • March 28, 2010

After months of heated debate and political wrangling, the United States has made a fundamental change in how health care is paid for and delivered.

The federal legislation signed into law last week expands insurance coverage to 94 percent of Americans. It closes the gap in prescription drug coverage for Medicare recipients. It requires that American citizens have insurance or pay a penalty. And it stops insurance companies from denying coverage because of pre-existing conditions.

Employee health insurance is one of the fastest-growing expenses for businesses. Family premiums increased 5 percent last year, according to a survey by the Kaiser Family Foundation and the health Research & Educational Trust. Since 1999, premiums have gone up 131 percent far faster than workers' wages or inflation.

So is the controversial health care reform package going to slow the growth of those premiums?

Is it going to save employers or workers money?

Depends on who you ask.

YES: "This legislation will ... lower costs for families and for businesses and for the federal government," President Barack Obama said last week while signing the reforms into law. "It is fiscally responsible. And it will help lift a decades-long drag on our economy."

According to the White House, the economic impact will come in the form of tax credits that will be available starting this year to small businesses to help offset the cost of providing health coverage to their workers and the creation of health insurance exchanges where the uninsured and small businesses will be able to buy insurance in pools.

On top of that are measures in the bill dealing with such issues as fraud prevention and detection and requirements that hospitals post the price of services, according to the National Coalition on Health Care, a Washington-based health care advocacy organization. Those health insurance exchanges also will include multi-state plans competing for consumers' dollars, which also should help manage costs, according to the coalition.

NO: "There's no cost containment," said Lawrence Southwick Jr., professor emeritus in the State University of New York at Buffalo School of Management. Cost management only will come when people directly buy their health insurance themselves, instead of going through their employers, Southwick said. "The market would respond to that very dramatically," he said.

The sources of funding for the bill's provisions actually are not well defined, raising the likelihood taxes will go up to pay for the provisions, said Gerald J. Wedig, associate professor of business administration at University of Rochester's Simon Graduate School of Business Administration.

One prominent tax in the reforms is an excise tax

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on insurance plans where the premiums are above a threshold — the so-called "Cadillac health plan" tax. But health economists likely would point to that Cadillac tax as being one of more effective means for trying to fight the rising cost of health care premiums, since it offsets the preferential tax treatment health care benefits receive now, he said.

MAYBE: According to a Congressional Budget Office estimate, the premiums paid by small businesses could go anywhere from up 1 percent to down 2 percent, while large employers' premiums could remain unchanged or decline by 3 percent.

"No one can say for certain how much of an impact the new federal health care legislation will have on premium rates because the legislation is still changing, said Jim Redmond," spokesman for Excellus BlueCross BlueShield. And even once the various amendments are voted on and passed, he said, "The feds would have to translate the law into regulations."

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