



The Apothecary, With Avik Roy

INSIGHTS INTO HEALTH CARE AND ENTITLEMENT REFORM.

PHARMA & HEALTHCARE | 9/23/2013 @ 8:00AM | 270,925 views

Obamacare Will Increase Health Spending By \$7,450 For A Typical Family of Four

 [Chris Conover](#), Contributor

It was one of candidate Obama's most vivid and concrete campaign promises. Forget about high minded (some might say high sounding) but gauzy promises of hope and change. This candidate solemnly pledged on June 5, 2008: ["In an Obama administration, we'll lower premiums by up to \\$2,500 for a typical family per year.... We'll do it by the end of my first term as President of the United States."](#) Unfortunately, the experts working for Medicare's actuary have (yet again^[1]) reported that in its first 10 years, Obamacare will boost [health](#) spending by ["roughly \\$621 billion"](#) above the amounts Americans would have spent without this misguided law.



Ron Kirby holds a sign while marching in protest of the Patient Protection and Affordable Care Act in front of the U.S. Supreme Court on March 26, 2012 in Washington, DC. (Image credit: Getty Images North America via @daylife)

What this means for a typical family of four

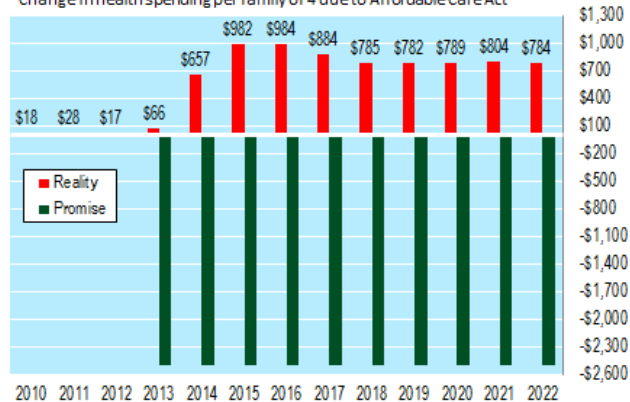
\$621 billion is a pretty eye-glazing number. Most readers will find it easier to think about how this number translates to a typical American family—the very family candidate Obama promised would see \$2,500 in annual savings as far as the eye could see. So I have taken the latest year-by-year projections, divided by the projected U.S. population to determine the added amount per person and multiplied the result by 4.

[Interactive Guide: What Will Obamacare Cost You?](#)

Simplistic? Maybe, but so too was the President's campaign promise. And this approach allows us to see just how badly that promise fell short of the mark. Between 2014 and 2022, the increase in national health spending (which the Medicare actuaries specifically attribute to the law) amounts to \$7,450 per family of 4.

Obamacare will add \$7,450 to average health spending for a family of 4 between 2014 and 2022

Change in health spending per family of 4 due to Affordable Care Act



Let us hope this family hasn't already spent or borrowed the \$22,500 in savings they might have expected over this same period had they taken candidate Obama's promise at face value. In truth, no well-informed American ever should have believed this absurd promise. At the time, Factcheck.org charitably [deemed](#) this claim as "overly optimistic, misleading and, to some extent, contradicted by one of his own advisers." The [Washington Post](#) less charitably awarded it [Two Pinocchios](#) ("Significant omissions or exaggerations"). Yet rather than learn from his mistakes, President Obama on July 16, 2012 essentially doubled-down on his promise, assuring small business owners "[your premiums will go down.](#)" He made this assertion notwithstanding the fact that in three separate reports between [April 2010](#) and [June 2012](#), the Medicare actuaries had demonstrated that the ACA would *increase* health spending. To its credit, the Washington Post dutifully [awarded](#) the 2012 claim [Three Pinocchios](#) ("Significant factual error and/or obvious contradictions.")

The past is not prologue: The burden increases ten-fold in 2014

As it turns out, the average family of 4 has only had to face a relatively modest burden from Obamacare over the past four years—a little over \$125. Unfortunately, this year's average burden (\$66) will be 10 times as large in 2014 when Obamacare kicks in for earnest. And it will rise for two years after that, after which it hit a steady-state level of just under \$800 a year. Of course, all these figures are in nominal dollars. In terms of today's purchasing power, this annual amount will rise steadily.

But what happened to the spending slowdown?

Some readers may recall that a few months ago, there were widespread [reports](#) of a slow-down in health spending. Not surprisingly, the White House has been quick to claim credit for the slowdown in health spending documented in the health spending projections report, [arguing](#) that it "is good for families, jobs and the budget."

On this blog, Avik Roy [pointed out](#) that a) since passage of Obamacare, U.S. health spending actually had risen faster than in OECD countries, whereas prior to the law, the opposite was true. Moreover, to the degree that U.S. health spending was slowing down relative to its own recent past, greater cost-sharing was likely to be the principal explanation. Medicare's actuarial experts confirm that the lion's share of the slowdown in health spending could be chalked up to slow growth in the economy and greater cost-sharing.

As AEI scholar Jim Capretta pithily puts it:

“ An important takeaway from these new projections is that the CMS Office of the Actuary finds *no evidence to link the 2010 health care law to the recent slowdown in health care cost escalation*. Indeed, the authors of the projections make it clear that the slowdown is not out of line with the historical link between health spending growth and economic conditions (emphasis added).

In the interests of fair and honest reporting, perhaps it is time the mainstream media begin using “Affordable” Care Act whenever reference is made to this terribly misguided law. Anyone obviously is welcome to quarrel with the Medicare actuary about their numbers. I myself am hard-put to challenge their central conclusion: Obamacare will not save Americans one penny now or in the future. Perhaps the next time voters encounter a politician making such grandiose claims, they will learn to watch their wallet. Until then, let’s spare strapped Americans from having to find \$657 in spare change between their couch cushions next year. Let’s delay this law for a year so that policymakers have time to fix the poorly designed Rube Goldberg device known as Obamacare. For a nation with the most complicated and expensive health system on the planet, making it even more complicated and even more expensive never was a good idea.

Update #1: September 23, 2013

Igor Volsky at ThinkProgress has declared this article is “[totally wrong](#).” Center for Budget and Policy Priorities’ Paul Van de Water “described this calculation as one of the stupidest things he’s read in a long time” asserting that I’ve calculated “[an average that doesn’t mean anything for anyone](#).” To his credit, MIT economist Jonathan Gruber at least concedes my basic point: “The bottom line is that the government has consistently reported that Obamacare will raise national health spending by about 1 to 2 percent.” But then goes on to say ““This is a small fraction of the typical 5 to 7 percent annual growth rate in health care – and is a small price to pay for insuring 30 million or more Americans.” Notably absent from Mr. Volsky’s scathing critique is any mention of the person who started this use of a “typical American family:” President Obama. Most important, Professor Gruber’s point essentially substantiates my own: it was the President’s claim of \$2500 premium savings for the “typical” family that was and continues to be *totally wrong*. It’s simply not possible for national health spending to rise by \$621 billion and for the “typical” family to expect a \$2500 (per year!!!!) premium reduction. Did Paul Van de Water or anyone else at CBPP call candidate Obama’s promise “one of the stupidest things he’s read in a long time”? If not, why not?

People are welcome to argue that Obamacare is a great deal, that it’s worth all that added spending to get extra coverage for tens of millions of Americans. But of course, that’s not how Obamacare was sold. Rather than tell Americans the truth that they’d have to pay more and that the extra price was worth it, candidate Obama promised the ultimate free lunch: we’ll cover 30 million uninsured AND the typical family will see their premiums go down by \$2500 (per year!!!!). And Jonathan Gruber seems to have changed his tune since the fierce debates about health reform, since as Avik Roy has [recounted](#), “What we know for sure,” Obamacare architect Jonathan Gruber [told](#) Ezra Klein in 2009, “is that [the bill] will lower the cost of buying non-group health insurance.” Obamacare was sold on the promise that it would not increase health spending or the deficit or increase taxes on families making less than \$250,000 a year [[I can make a firm pledge under](#)

[my plan, no family making less than \\$250,000 a year will see any form of tax increase. Not your income tax, not your payroll tax, not your capital gains taxes, not any of your taxes.](#)”] Every one of these promises/claims /predictions turned out to be **totally wrong**. We can start having a productive debate when progressives are willing to concede these simple, easily demonstrable empirical claims. And then perhaps we can move on to junking this unworkable law and replacing it with the world-class patient-centered health system Americans deserve.

Footnotes

[1] The Medicare actuary first issued a report carefully estimating the cost impact of Obamacare on [April 22, 2010](#). Its annual national health expenditure projections reports for 2010, 2011 and 2012 all have contained tabulations showing that Obamacare will increase health spending over the next 10 years compared to a counterfactual scenario in which the law was never enacted.

This article is available online at:

<http://www.forbes.com/sites/theapothecary/2013/09/23/its-official-obamacare-will-increase-health-spending-by-7450-for-a-typical-family-of-four/>