

S&P Says A Health Care Cost Crisis Is Not Far Off

NEW YORK Jan. 19, 2011--The health care reforms pushed by President Obama (and passed as the Patient Protection and Affordable Care Act of 2010) do much less to change the health care system than either the proponents or opponents would like voters to believe, according to a Standard & Poor's report published today, titled "The Health Care Crisis Clock Is Ticking."

"The bill won't help lower costs; its emphasis is on increasing coverage," said Standard & Poor's Chief Economist David Wyss.

Higher health insurance costs, the growth in employment at small firms, and the increase in part-time and contract employees have cut the percentage of workers receiving health insurance from their employers. The new health care bill mandates employer coverage or private insurance in most cases and could halve the number of uninsured--but it won't provide 100% coverage.

"Someone has to pay for health care for the uninsured," said Mr. Wyss.

In practice, expenses not paid by Medicare or private insurance fall under Medicaid or are covered as charity, and thus increase other patients' bills. And health care is becoming increasingly expensive, absorbing a greater share of both private and public funds. As the baby boomers retire, the government's share of health care costs will increase from its current 50%.

None of the ways to cut costs on health care are pleasant to consumers or providers. Nearly every solution involves reducing providers' income or the amount of health care provided. Neither option is palatable.

"No change is likely until the situation becomes a crisis," said Mr. Wyss. "That crisis, unfortunately, is not far off."

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