

Report: Feds to pay more than half of health costs

February 4 2010, By RICARDO ALONSO-ZALDIVAR , Associated Press Writer

(AP) -- For all the hue and cry over a government takeover of health care, it's happening anyway.

Federal and state programs will pay slightly more than half the tab for [health care](#) purchased in the United States by 2012, says a report by Medicare number crunchers released Thursday.

That's even if President Barack Obama's health care overhaul wastes away in congressional limbo. Long in coming, the shift to a health care sector dominated by government is being speeded up by the deep [economic recession](#) and the aging of the [Baby Boomers](#), millions of whom will soon start signing up for Medicare.

"This does mark a pretty stark jump in the data," said Christopher Truffer of Medicare's Office of the Actuary, which prepared the analysis published in the [journal Health Affairs](#).

The tipping point is likely to come next year, Truffer said. For technical reasons, the report assumes that Congress is going to allow Medicare to cut doctor fees by 20 percent later this year, as required by a 1990s budget law. But lawmakers have routinely waived such cuts, and they're not likely to allow them in an election year. So government probably will end up picking up most of the nation's medical costs in 2011, instead of 2012.

The report serves as a reality check in the debate over Obama's health care plan, which has been dominated by disagreements over how large a role government should play.

Congressional Democrats want to move forward with the sweeping legislation despite the loss of a Massachusetts Senate seat that cost them undisputed control of the legislative agenda. Republicans have rejected Obama's approach as a top-down, big government solution.

Richard Foster, Medicare's top economic forecaster, said the recession has only worsened the two stubborn problems facing the U.S. health care system, lack of insurance coverage and high costs. "All that argues that some form of [health care reform](#) is a good idea," Foster said.

The Democrats' plan would expand coverage to more than 30 million people now uninsured, while taking some modest steps to slow the pace of future cost increases. It would set up a new insurance marketplace for small businesses and people buying coverage on their own, with government subsidies available for many. Denial of coverage because of health problems would be prohibited.

The report estimated that in 2009, the United States spent \$2.5 trillion for health care, with government programs - mainly Medicare and Medicaid - paying \$1.2 trillion. Employer health insurance and various private sources covered the other \$1.3 trillion. Even as the economy shrank because of the downturn, health care spending grew by 5.7 percent from 2008. Spending by government grew nearly three times faster than private spending, closing in to overtake it.

Driving much of the [government](#) surge was Medicaid, the federal-state program for low-income people, which grew by nearly 10 percent as workers lost jobs with health insurance, and Democrats expanded coverage for children of the working poor.

The swine flu outbreak contributed modestly to higher costs in 2009, as more people went to the doctor and took antiviral medications, the report found. Total spending on prescription drugs grew by slightly more than 5 percent, as higher prices for brand name medications overpowered the widespread availability of generics.

Previous estimates had put the crossover point to a health care system financed mainly by taxpayers at about 2016. There seems to be little chance that the balance will tip back decisively in the direction of private financing, with the Baby Boom generation signing up for Medicare and the lack of health insurance at many new jobs.

Other economically advanced countries - including those with government-run health care - also have problems with costs. But the U.S. spends much more per person than any other nation, without getting better results in life expectancy and many other measures of health.

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