

## Nancy Pelosi says Obamacare is bringing down health care costs

By: Becky Bowers – May 16, 2013

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"The Affordable Care Act is bringing the cost of health care in our country down."

-Nancy Pelosi on Monday, May 13th, 2013 in an interview on MSNBC

House Minority Leader Nancy Pelosi says Democrats care about frugality — and the president's health care law is one example.

It's bringing down the cost of health care, she told MSNBC host Chris Hayes.

While key elements of the Affordable Care Act don't go into effect until 2014, we wondered if the law has already brought down the cost of care.

It depends partly on what you mean by "down."

Growth rate

Hayes and Pelosi chatted May 13, 2013, about Republicans' focus on reducing the deficit.

"It strikes me that they have been remarkably successful in doing that," Hayes said.

"When you look at the debt ceiling debacle that led to the Budget Control Act, which has now led to the sequester, that actually ..."

Pelosi interrupted.

"Oh, please, thank you for this question. This is so far off the course.

"First of all, the actions taken by President Obama and the House Democratic Congress, House and Senate, when he became president was the American Recovery and Reinvestment Act.

"Many of the initiatives that he passed are what are coming to bear now, including the Affordable Care Act. The Affordable Care Act is bringing the cost of health care in our country down in both the public and private sector.

"And that is what is largely responsible for the deficit coming down."

We asked Pelosi's office for evidence that the Affordable Care Act "is bringing the cost of health care in our country down."

She meant that the law has reduced the speed of growth in health care costs — not that they're actually lower than before, a spokesperson said.

"Down does not mean below zero," said spokesperson Drew Hammill. "It means below recent projections and compared to historical trends."

U.S. health care spending has grown at historically low levels, just 3.9 percent a year in 2011 and 2010. But it was also at 3.9 percent in 2009, before the law passed.

"Health care costs have not been going down. They have been rising more slowly," said Michael Tanner, a senior fellow at the libertarian Cato Institute who's a vocal critic of the law.

What's behind the change?

There's controversy among health care economists over just why that slowdown's happening, whether it'll continue, and what role the law may play.

The recent slowdown actually began in 2003, noted Jessica Stone, a policy analyst for budget-hawk group Committee for a Responsible Federal Budget, and continued to fall as the economy weakened.

But four recent studies agree that there's more at work than just the economy.

Does the Affordable Care Act play a role?

It might.

"They all agree that the unexplained part is large, making the ACA one likely explanation," said David Cutler, a Harvard economist who advised Obama during the 2008 campaign.

His study, published in the May issue of Health Affairs, says the 2007-09 recession accounted for 37 percent of the slowdown. Eight percent he attributes to a decline in private insurance coverage and cuts to some Medicare payments.

That leaves 55 percent of the slowdown "unexplained."

He points to a few ways the Affordable Care Act is involved, including a reduction in Medicare Advantage payments and greater efficiency from health care providers — such as a reduction in hospital-acquired infections and readmissions, which he says are directly related to payment incentives in the health care law.

"So, the ACA is a big deal in this — not the only factor, to be sure, but one important factor," he said.

A second analysis, by the Kaiser Family Foundation and the Altarum Institute, found a much larger role for broader changes in the economy: 77 percent. Structural changes in the health care system "may be playing a modest role."

And, it noted, changes yet to come under the Affordable Care Act could also affect such trends "significantly." Savings in Medicare and creation of health insurance exchanges could curb growth.

Meanwhile, spending might bump upward as people who were previously uninsured get covered next year. (Indeed, the Medicare actuary assumed back in 2009 that increasing the number of folks who are insured would for a time outweigh the law's downward impact on growth rates.)

But that will likely happen around the same time as the economy strengthens, which may raise health care spending on its own.

So once again, it'll take closer study to tease out the role of changes under the law.

"We will only know a couple of years after robust economic growth is occurring and the current round of innovation has had some time to play itself out," said Gail Wilensky, a health care analyst who ran the Medicare program under President George H.W. Bush. "Everything until then is reading tea leaves — frequently through a biased filter."

Our ruling

Pelosi said "the Affordable Care Act is bringing the cost of health care in our country down." But it's the rate of growth that's dropped, not the actual cost of care — which is still rising.

Meanwhile, recent studies agree that something more than just the recent recession has driven that lower growth rate. Some experts argue that includes provisions of the health care law, such as lower Medicare Advantage payments and incentives for greater efficiency from hospitals. Others say it's simply too soon to say.

Spending may increase as more people become insured, but for now, there's divided support for Pelosi's statement. We rate it Half True.