

## **Cost-shift: A hidden tax on America's families**

- Government programs, such as Medicare and Medicaid, currently underpay providers for services.
- Those shortfalls get passed through the health care system, and consumers and employers end up paying higher premiums as a result.
- According to a study by Milliman, Inc., an average family of four is paying \$1,500 – or an additional 10 percent – on their premiums to offset the under-reimbursements from government programs.
- As more people move to a government-run plan, there would be fewer people with private coverage to offset these costs, causing premiums to increase even further.
- This would ultimately lead to a “death spiral”, resulting in everyone moving to the new government-run plan.

## **Dobson Paper – Key Findings:**

- If enacted, it is possible and most likely that a new government-run plan would pay less than private health plans for the same services.
- This could have a negative impact on hospitals across the country.
- Hospitals would attempt to alleviate this negative impact by charging private health plans more – exacerbating the cost-shift.
- According to Dobson's analysis, employers and individuals would see an increase in their premiums because of the cost-shift that would take place.
- The Dobson analysis concludes “because public programs often pay less than costs, many hospitals are not otherwise able to cover their costs, modernize, and stay current with emerging technology. To remedy this condition, hospitals may attempt to shift costs to the privately insured to offset other payers' payment shortfalls relative to costs.”
- Even if hospitals do absorb some of the lower payments, this will result in lower quality care because of program cuts and fewer services offered by hospitals.
- The Dobson analysis also suggests as many experts have that a government-run plan could have a substantially negative impact on the health care financing system.
- The Dobson paper concludes “Rising hospital to private-payer payment-to-cost ratios could be followed by rising insurance premiums. The result could be the antithesis of what advocates say is the advantage of a public plan: to curtail cost growth for the average citizen.”