Academy Group: Clinton Health Premium Estimates May Be Too Low

By Jeffrey Speicher

Health insurance premiums under the proposed Health Security Act could be as much as 20% more expensive than estimated by the Clinton administration, according to the Academy Cost Estimates Work Group.

Such an underestimation of premium costs would add $125 billion to the federal budget over 5 years because the government would have to pay higher subsidies to small businesses and low-income Americans.

The cost estimates group announced its findings at an April 21 press conference at the National Press Club in Washington, D.C.

The work group's members are health actuaries Phyllis Doran of Milliman & Robertson, Alice Rosenblatt of Coopers & Lybrand, and Dale Yamamoto of Hewitt Associates. The group is one of seventeen organized by the Academy to study actuarial aspects of the administration's health care reform package.

To arrive at its higher estimates, the group varied several key assumptions that underlie the Clinton administration's estimates of premium costs, including the actual cost of health care in today's market and the cost of covering the currently uninsured.

ence, HCFA chief actuary and Academy board member Guy King praised the thoroughness of the work group's effort, but cast doubt on its most pessimistic scenario.

In comments to reporters, Doran emphasized the danger that the administration's premium caps could reduce payments to health insurers "to a level lower than required to cover their costs," thus forcing them to leave the market. The result could be health care shortages and rationing.

In announcing the release of the report, Academy Executive Vice President Jim Murphy noted that since most other current health care reform proposals are based on the HCFA models and data the work group used, "the Academy's work has broad applicability to other bills that are gaining prominence."

After the press conference Rosenblatt and Yamamoto headed to Capitol Hill, where they briefed Congressional Budget Office analysts and key Senate Finance Committee staffers on their findings.

Media coverage for the Cost Estimates Work Group was handled by the actuarial profession's Forecast 2000 campaign. The group's findings were featured on CNN-TV, the Reuters, Associated Press, and UPI news services, and in articles in the Washington Post, the Los Angeles Times, the San Francisco Chronicle, the Washington Times, the White House Bulletin, and Business Insurance.

The work group's report, number seven in the Academy's monograph series, is now available from the Academy's Washington office.