

America Hits The Brakes On Health Care Spending

BY RICARDO ALONSO-ZALDIVARÉS
Associated Press

WASHINGTON — Is health-care relief finally in sight?

Health spending stabilized as a share of the nation's economy in 2010 after two back-to-back years of historically low growth, the government reported Monday.

Experts debated whether it's a fleeting consequence of the sluggish economy, or a real sign that cost controls by private employers and government at all levels are starting to work.

The answers will be vital for Medicare's sustainability, as well as for workplace coverage.

U.S. health care spending grew by 3.9 percent in 2010, reaching \$2.6 trillion, according to the report by the Health and Human Services department.

That's an average of \$8,402 per person — far more than any other economically advanced country.

Still, the increases for 2010 and 2009 were the lowest measured in 51 years. And health care as a share of the economy leveled off at 17.9 percent, the first time in a decade there's been no growth.

The main reason for the slowdown was that Americans were more frugal in their use of health

care, from postponing elective surgery to using generic drugs and thinking twice about that late-night visit to the emergency room.

"Although medical goods and services are generally viewed as necessities, the latest recession has had a dramatic effect on their utilization," said the report published in the Journal Health Affairs. "Though the recession officially ended in 2009, its impact on the health care sector appears to have continued into 2010."

Independent economists issued conflicting assessments.

"I think it could signal slower growth in the future," said Ken Thorpe, professor of health policy at Emory University in Atlanta. "Any discussion about reducing the deficit is going to focus on how we reduce the growth in health-care costs. And employers are adopting more effective tools to keep putting downward pressure on health-care cost increases."

But his counterpart Len Nichols at George Mason University in Virginia said people are getting less medical care because too many have lost jobs and insurance, and they just can't afford to pay.

"The slowdown is mostly due to postponement of care, due to anticipated inability to pay," said

Nichols. If he's right, that could mean costs will spike once the economy is on solid footing.

The report provided relief for a jittery White House facing a 2012 reelection campaign in which President Barack Obama's health care overhaul is a top target for Republicans.

The nonpartisan number crunchers at HHS found that the health care law barely contributed to cost increases in 2010 — just one-tenth of 1 percentage point. Major provisions expanding coverage to more than 30 million uninsured don't take effect until 2014, well after the presidential election.

The federal government's share of the total health care tab — another issue in this year's political debate — grew to 29 percent in 2010, up from 23 percent as recently as 2007. Counting state and local spending, the overall government share stood at 45 percent of the total.

Medicare spending grew by 5 percent in 2010. That was slower growth than in 2009, due mainly to reductions in what the government paid private Medicare Advantage insurance plans. Medicaid spending increased by 7.2 percent, less than the 2009 rate because of fewer people covered by the program.

However, the main finding of the report was a continued slowdown in the use of services across major health-care categories, one its authors termed "dramatic." Higher copayments for those with private insurance are part of the reason.

Hospital care, which accounts

for just over 30 percent of what Americans spend, grew more slowly because of a decline in a key measure of inpatient admissions, and slower growth in emergency room visits, outpatient appointments, and outpatient surgery.

Spending on doctor visits and

related care — about 20 percent of the total — grew at a historically low rate of 2.5 percent, due to an overall drop in visits and a milder 2010 flu season. But spending on dental care increased faster than in 2009.

School

From Page 1

"We look forward to a tremendous amount of input. Call Dr. (Joseph) Gertsema. Call (business manager) Jason Bietz and talk about what you want as an individual in terms of an opt-out amount. What do you want to see brought back? What do you want to see cut? We are looking for public input. Consistent with our board policy, we will be taking public comment on the 23rd."

Board members stressed that a decision has to be made sooner rather than later or else it will put itself in a similar situation as last year when it was forced to cut staff during the middle of the opt-out attempt.

"We have studied and studied and studied the issues and numbers," Specht said. "I think we have tried to be extremely respectful of those folks in the community who chose to vote no on the last opt-out. I appreciate that. I appreciate the message. But, I do believe it is time for the board to come together and decide on an amount and a number of years so that we can plan and move forward."

"At this time we have not come to a consensus as a group. It is still a maybe, but I would say we need to make a decision to move forward in order to properly fund the district for our students as they deserve."

During the meeting, Bietz presented two scenarios that used a combination of capital outlay funds, self-insurance funds and a potential \$1.9 million opt-out for two years.

For the last couple of years the district has used almost \$800,000 of money from the capital outlay fund to fund general fund expenses as allowed by state law. That allowance is scheduled to end in 2014. Yet, one proposal suggested using additional capital outlay funds over the next two years.

Board member Verlin Ailts said that is not a course he wants to see used as it postpones repairs and upkeep for which that money was intended.

The other component, using money from the self-insurance fund, is available only because the district made the decision to move to self-insurance 10 years ago. But

the board warned the fund needs to stay viable, so the district can't deplete the balance.

"The self-insurance fund, health insurance program has been extremely valuable to the district and taxpayers in reducing overall district expenses for health insurance costs," Specht said. "The nearly \$8 million that is in that fund right now would not be available to the district had the district and the board not made the decision 10 years ago to go to a self-insurance fund. What would have happened, is all of that money would have been with a commercial health insurance carrier, not the Yankton Public School System and its tax payers."

Faced with several options, the board has two weeks to come to a decision.

"If the board discussion tonight is indicative of what the board will choose to do in a couple of weeks, that would be a two-year opt-out," Specht said. "That would only be a Band Aid unless the Legislature comes forward and does something different than they have in the last 15-years in terms of education funding, or unless the state-wide initiative to pass a sales tax increase is approved (this November)."

Board member Jay Williams — who participated in the meeting via telephone — warned if the community was upset with the cuts made this year, the cuts that would have to be made to balance the budget for next year would be extreme.

"There would have to be extremely dramatic cuts if we can't get an opt-out passed in the terms of \$2 million - \$2.5 million," Specht agreed. "When 85 percent of your budget is personnel expense, there is really only one place to cut. Many people say, 'Well, that sounds like a threat.' It is just the reality of the situation. If you don't have the money, you have to cut the positions to balance the budget."

Also during the meeting, the board accepted the resignation of YSD activity director Wally Bosch effective at the end of the school year.

"I have known for many years that the school year I turned 62, which is this year, I would most likely resign from my position," Bosch said following the meeting. "I have been in the school district

25 years, I have been in education 38 years and an administrator for 35 years."

Bosch said he has had an incredible experience while at YHS.

"The best part of being in Yankton has been the opportunity to see my family raised here, to have my children attend school here and provide them with the foundation as they go on through life," he said. "I have nothing but the best to say about the Yankton School District and the Yankton community."

Other business Monday included:

- approving a relations with parent organizations policy;
- hearing a report on the educator/business expo planned for Friday, Jan. 27;
- changing the date of the April school board meeting from April 9 to April 16.

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