

National Health Expenditure Projections, 2013–23: Faster Growth Expected With Expanded Coverage And Improving Economy

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Centers for Medicare and Medicaid Services
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CMS Office of the Actuary

- Staff:
 - Over 100 Actuaries, economists and statisticians
- Work:
 - Conduct the actuarial program for all public health care financing issues
 - Estimate the financial effects of public health policy
 - Develop studies, market baskets, and projections
 - Report on trend and outlook (Trustees report)
 - Consult internal components and external government organizations

Major Findings

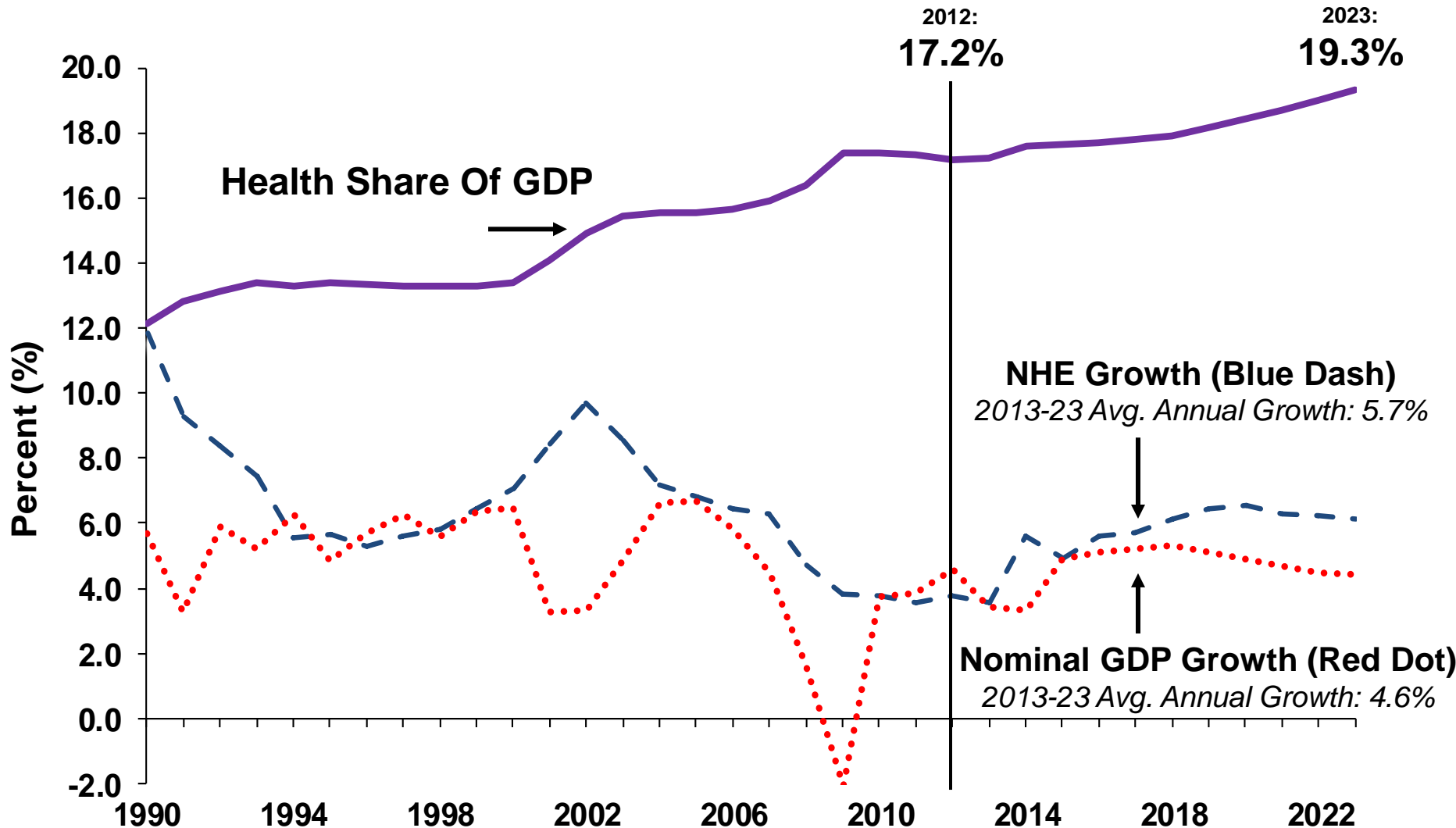
National Health Expenditure Projections, 2013–23

- Health spending growth is expected to have remained slow, at 3.6 percent in 2013.
- The combined effects of the Affordable Care Act's coverage expansions, faster economic growth, and population aging are expected to contribute to health spending growth in 2014 and beyond (5.6 percent in 2014 and 6.0 percent per year for 2015–23).
- Although projected growth is faster than in the recent past, it is still slower than the growth experienced over the last two decades.
- For 2013-23, health spending is projected to grow at an average rate of 5.7 percent per year, 1.1 percentage points faster than GDP growth.
- The health share of GDP is expected to rise to 19.3 percent by 2023, up from 17.2 in 2012.

NHE Projections Methods

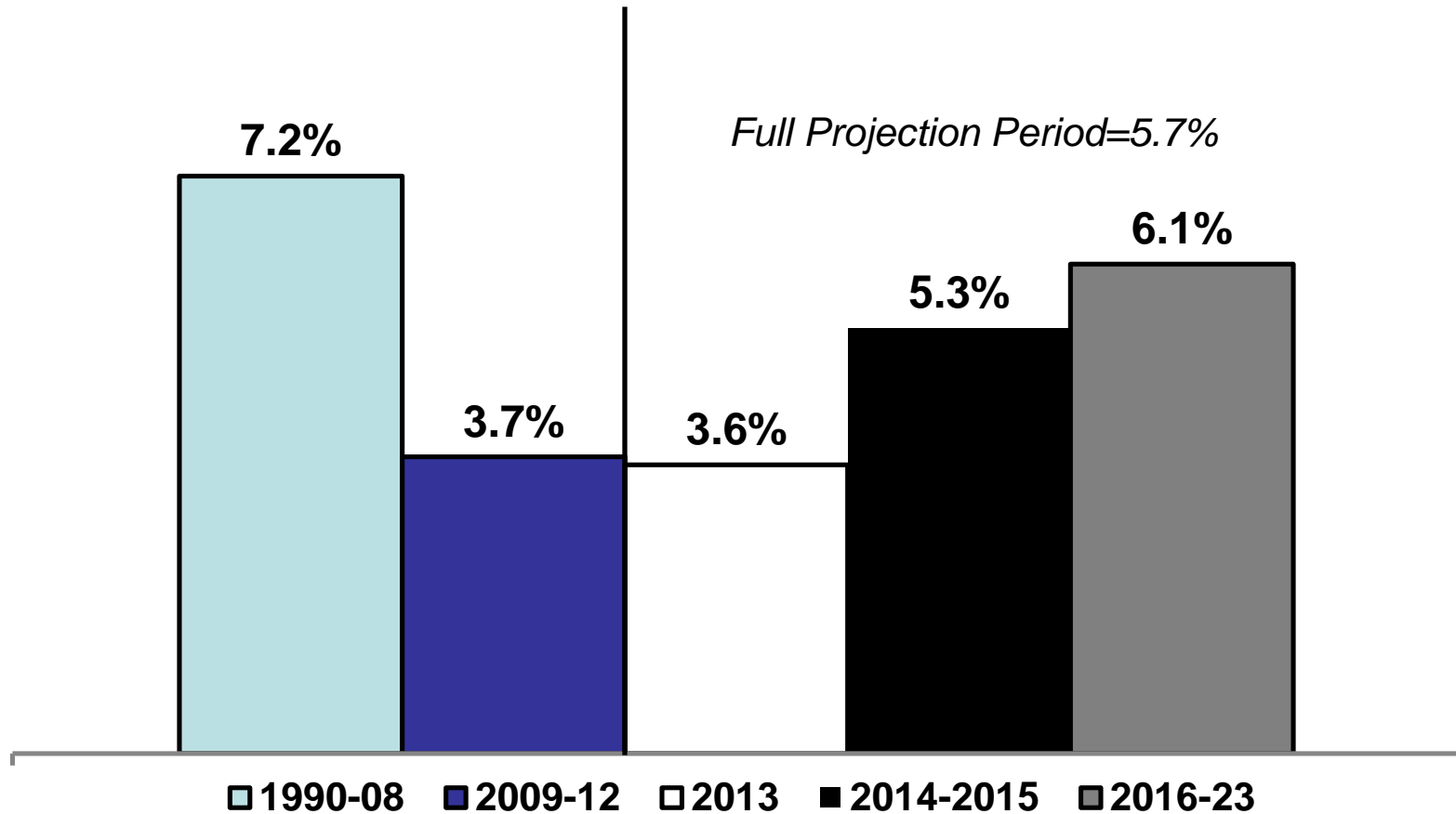
- Projections for 2013-23 were developed using actuarial and econometric modeling techniques, by type of service/good, payer, and sponsor
- Impacts of ACA coverage expansions were estimated using the most recent and updated version of the Office of the Actuary Health Reform Model (OHRM)
- Projections consistent with projected baseline scenario of the *2014 Medicare Trustees Report*

Growth in National Health Expenditures (NHE), Gross Domestic Product (GDP), and the Health Share of GDP, 1990-2023

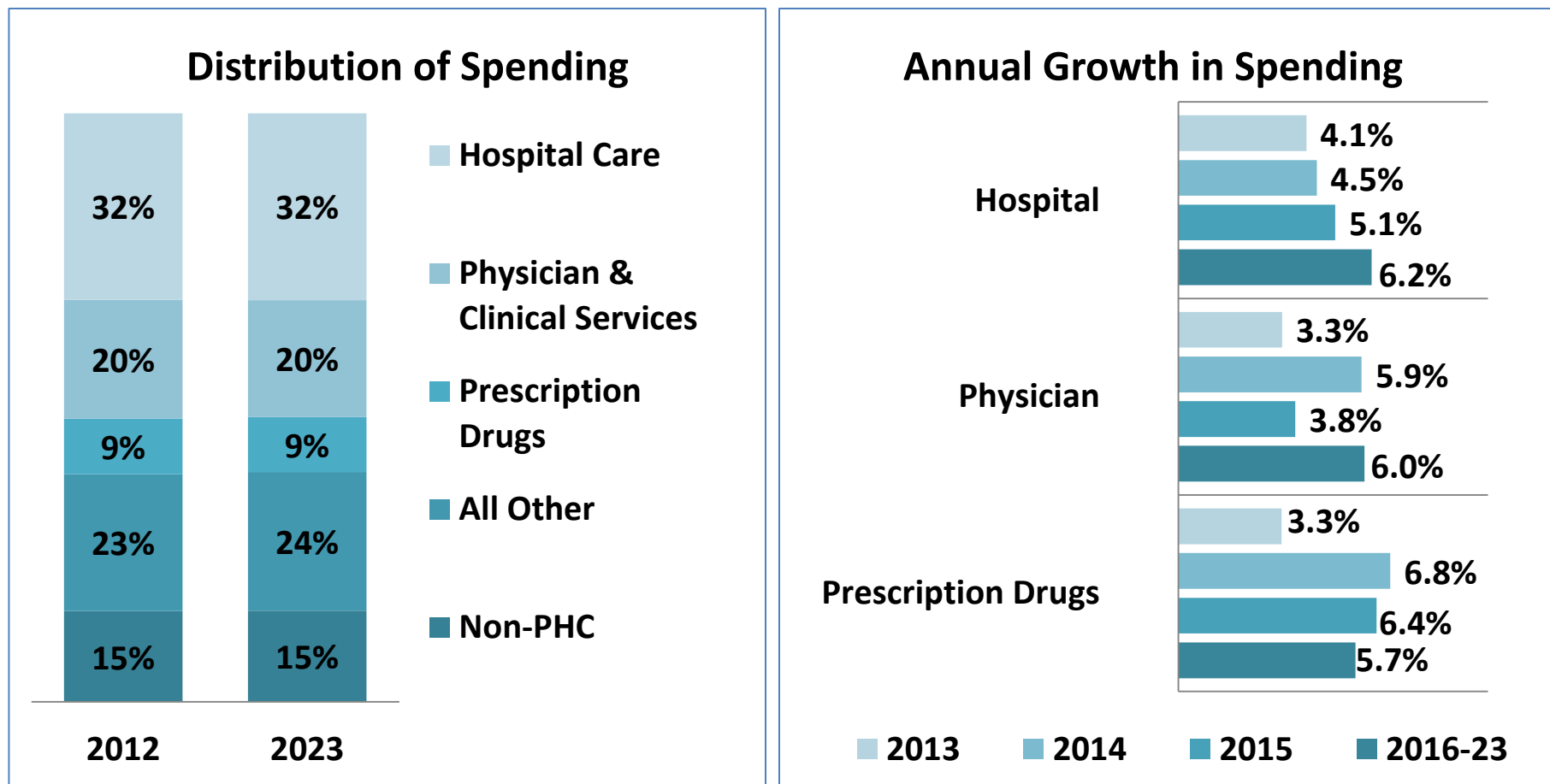


Source: Sisko AM et al., "National health expenditure projections, 2013–23: faster growth expected with expanded coverage and improving economy," Health Aff (Millwood) 2014; 33 (10) (To be published online 3 September 2014).

Although projected NHE growth is faster than in the recent past, it is still slower than the growth experienced over the last two decades.



Projected NHE Distribution and Average Annual Growth by Type of Service, 2012-2023

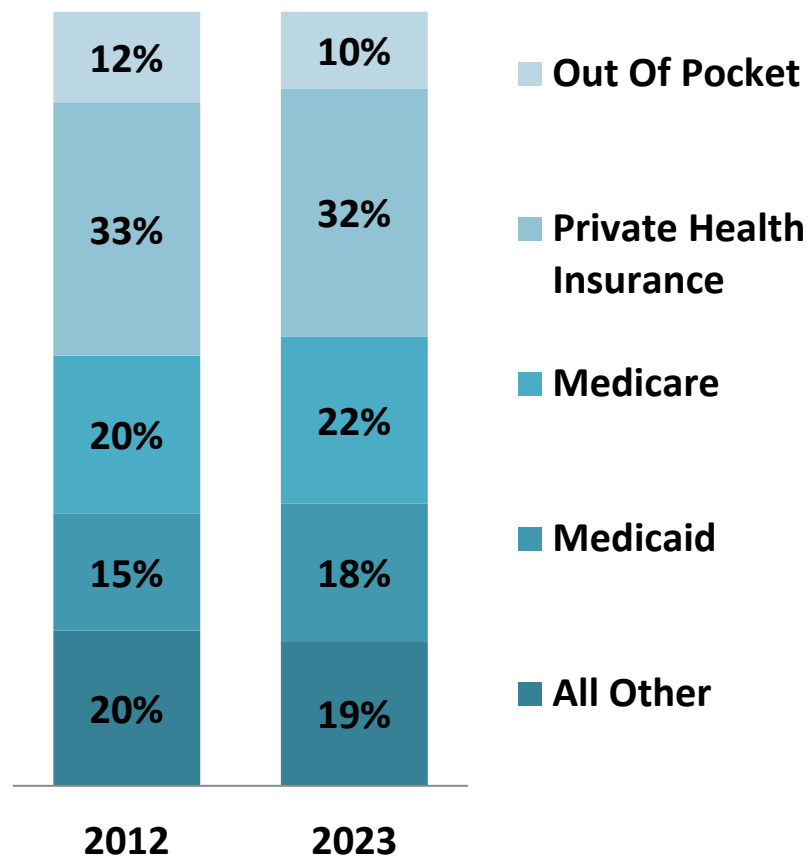


NOTE: Sum of pieces may not equal 100% due to rounding. All Other PHC includes spending for the categories of: Dental, Other Professional, Nursing Home, Home Health, Durables, Other Nondurables, and Other Personal Health Care. The Non-PHC categories are: Government Administration, Net Cost of Private Health Insurance, Government Public Health, Research, Structures, and Equipment.

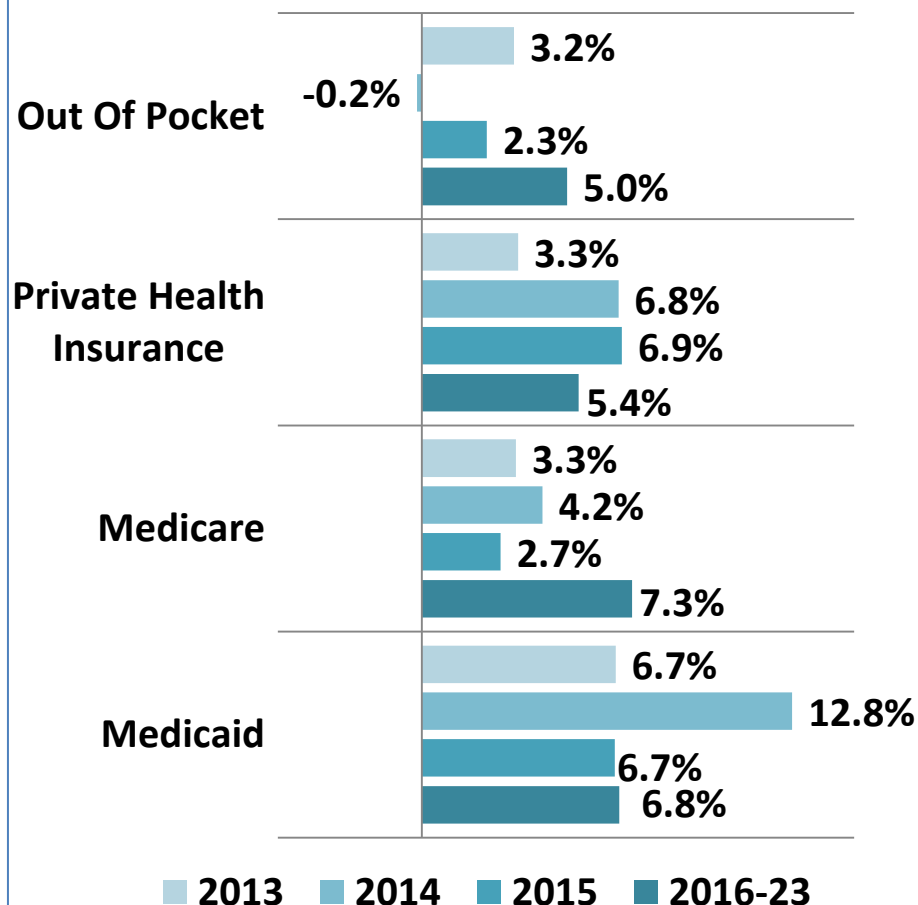
SOURCE: CMS, Office of the Actuary, National Health Statistics Group.

Projected NHE Distribution and Average Annual Growth by Payer, 2012-2023

Distribution of Spending



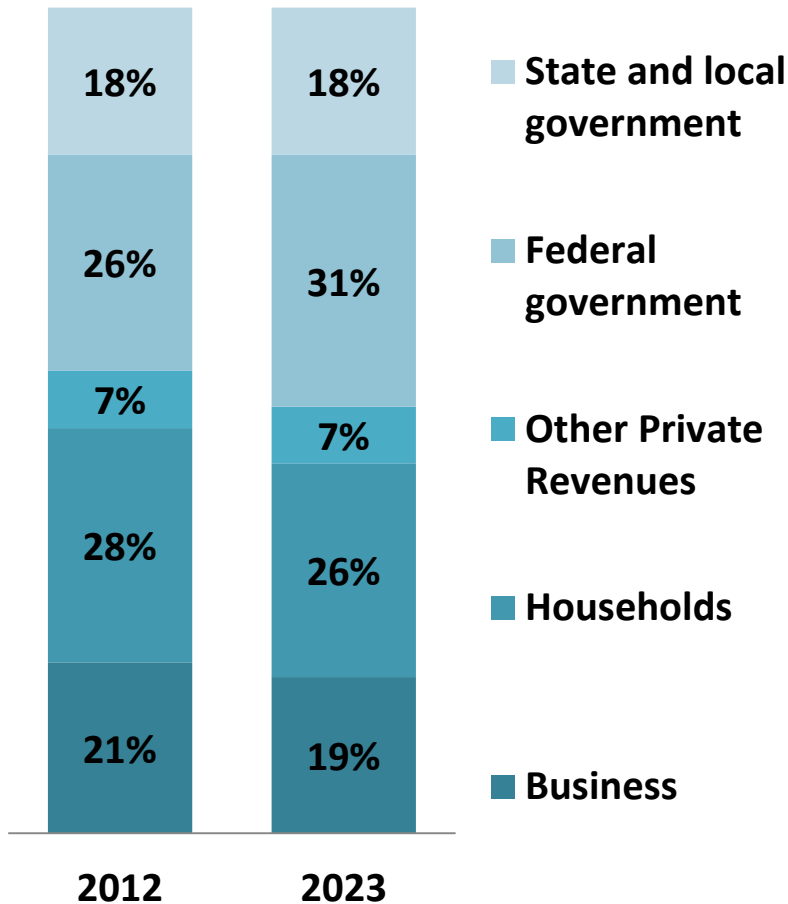
Annual Growth in Spending



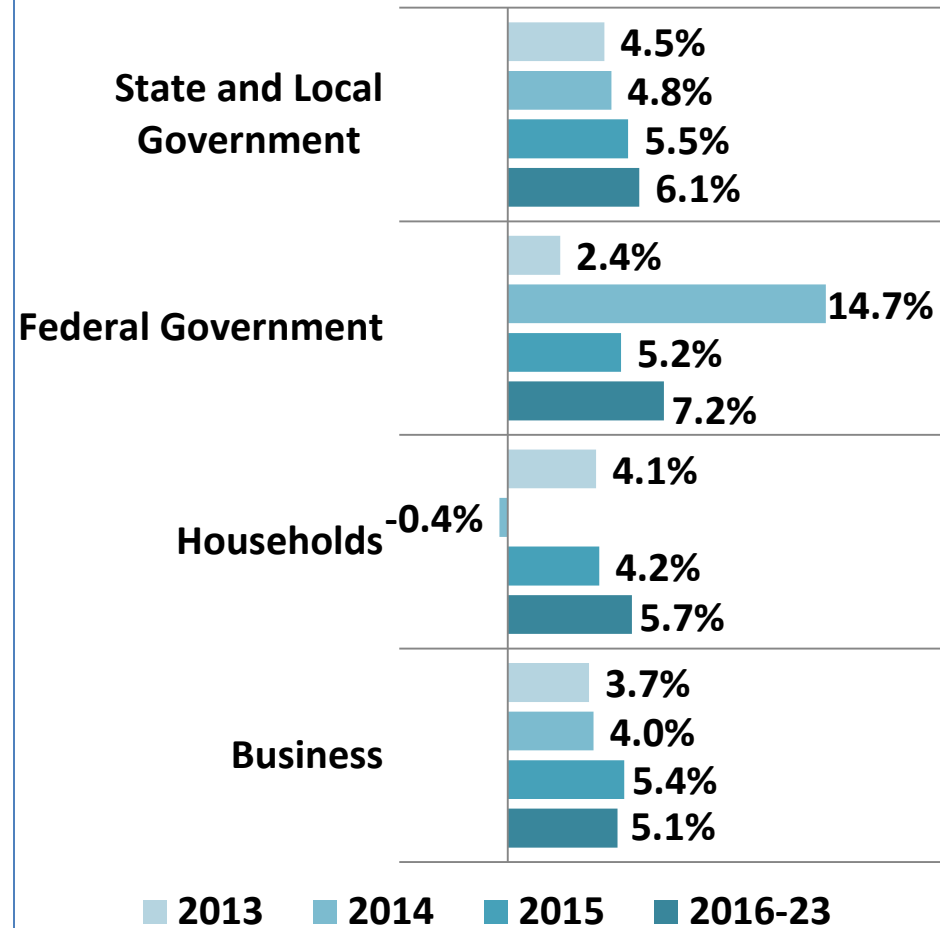
NOTE: Sum of pieces may not equal 100% due to rounding.
 SOURCE: CMS, Office of the Actuary, National Health Statistics Group.

Projected NHE Distribution and Average Annual Growth by Type of Sponsor, 2012-2023

Distribution of Spending



Annual Growth in Spending



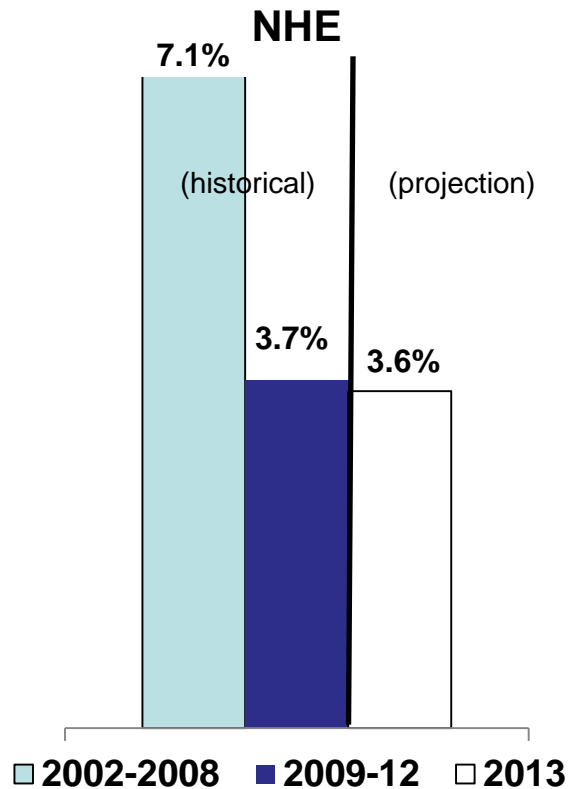
NOTE: Sum of pieces may not equal 100% due to rounding.
 SOURCE: CMS, Office of the Actuary, National Health Statistics Group.

A Detailed Review of Key Findings by Time Period



Overview: 2013 Projection

Annual growth in NHE, in historical context



- NHE growth projected to be 3.6 percent in 2013, which would mark the 5th consecutive year of growth under 4 percent
- With GDP growth estimated at 3.4 percent in 2013, NHE as a percent of GDP remained constant (from its 2012 level) at 17.2 percent.

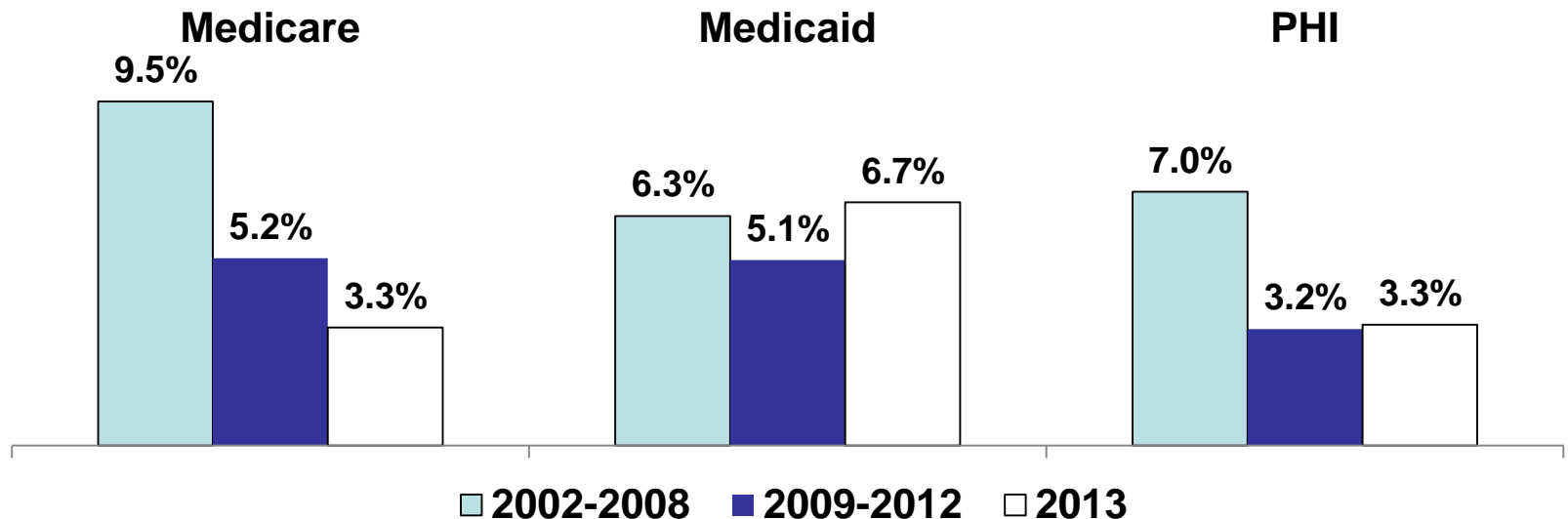
SOURCE: CMS, Office of the Actuary, National Health Statistics Group.



Findings By Payer: 2013 Projection

Annual growth for Medicare, Medicaid, & Private Health Insurance (PHI) Spending in 2013, in historical context

- *Medicare: lower projected growth from sequestration and slower growth in utilization across all services*
- *Medicaid: faster projected growth partly attributable to ACA-mandated temporary payment increase for primary care physicians*
- *PHI: low projected growth from continued increases in cost-sharing requirements for the privately insured*



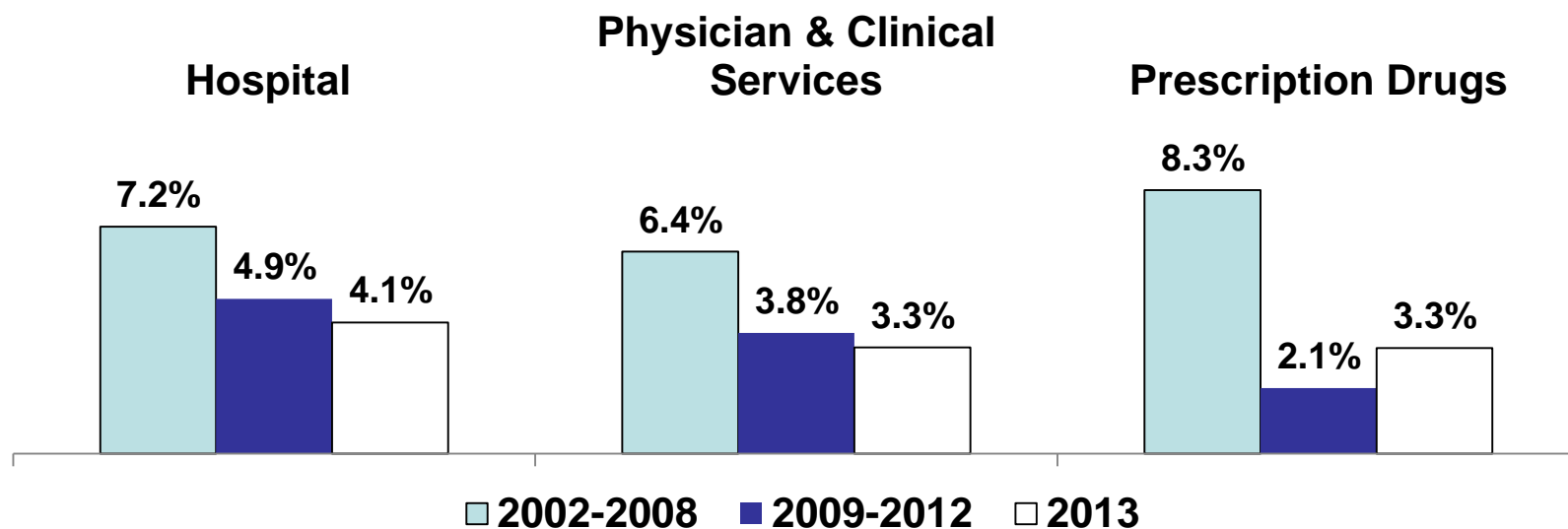
SOURCE: CMS, Office of the Actuary, National Health Statistics Group.



Findings By Sector: 2013 Projection

Trends in Hospital, Physician, & Prescription Drugs, in historical context

- *Hospital: Slower growth in utilization; Medicare impacted by sequestration*
- *Physician: Slower growth in prices*
- *Drugs: Higher growth driven by a smaller effect of brand name drugs losing patent protection*



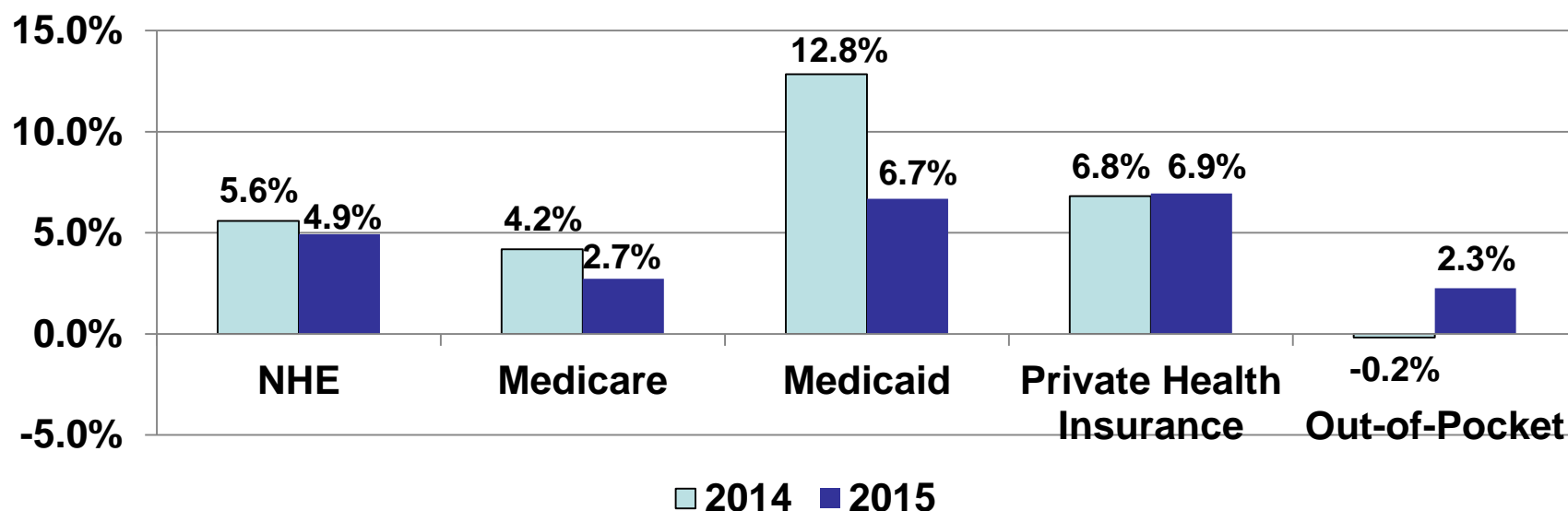
SOURCE: CMS, Office of the Actuary, National Health Statistics Group.



Key Findings for 2014-15

Projected growth in 2014-15 by Payer

- *Medicaid, PHI: higher growth due to ACA coverage expansions; expected reductions in the uninsured of 9 million in 2014 & an additional 8 million in 2015*
- *OOP: influenced by expanded insurance coverage, some with cost-sharing subsidies*
- *Medicare: continued slow growth in use and payment increases; 2015 slowdown partially attributable to lower payments to Medicare Advantage plans*



SOURCE: CMS, Office of the Actuary, National Health Statistics Group.

2013

2014

2015

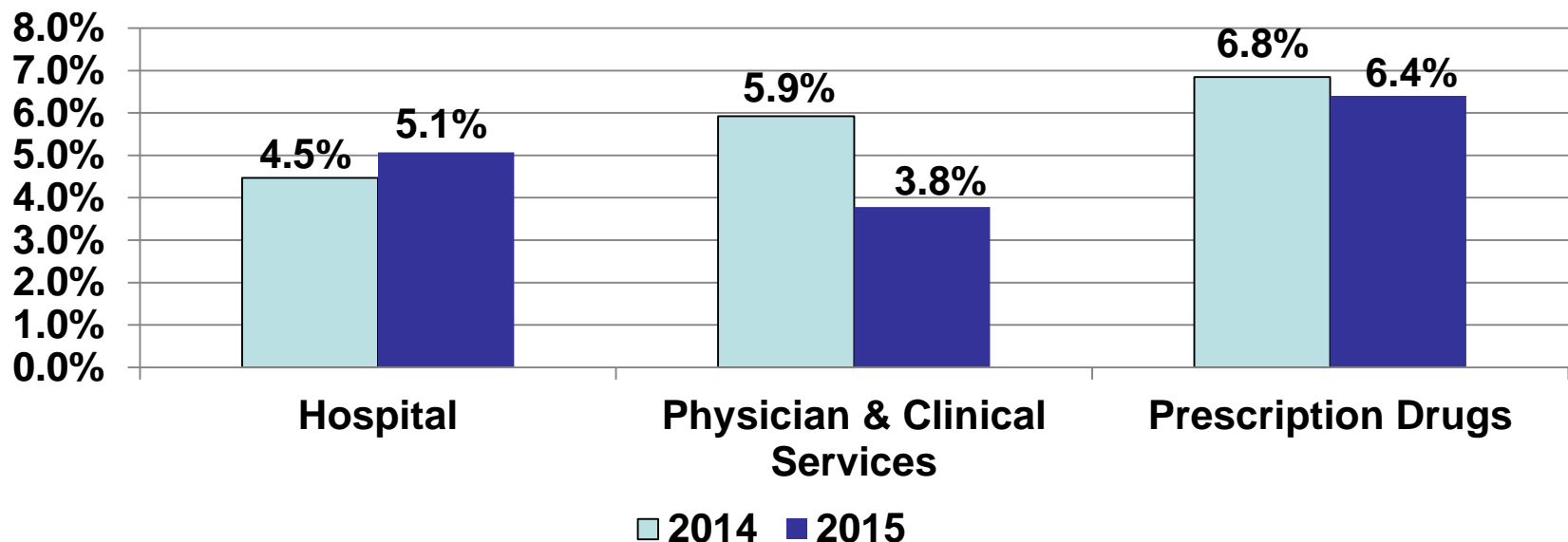
2016

2023

Key Findings for 2014-15

Projected Growth in Major Medical Services And Goods for 2014-15

- *Hospital: Modest acceleration driven by increases in utilization*
- *Physician: Higher growth in 2014 from expanded insurance coverage; slower growth in 2015 as temporary Medicaid payment increases expire*
- *Drugs: Higher use of drugs from those with new or more generous insurance coverage; also impacted by expensive new Hepatitis C treatments*



SOURCE: CMS, Office of the Actuary, National Health Statistics Group.

2013

2014

2015

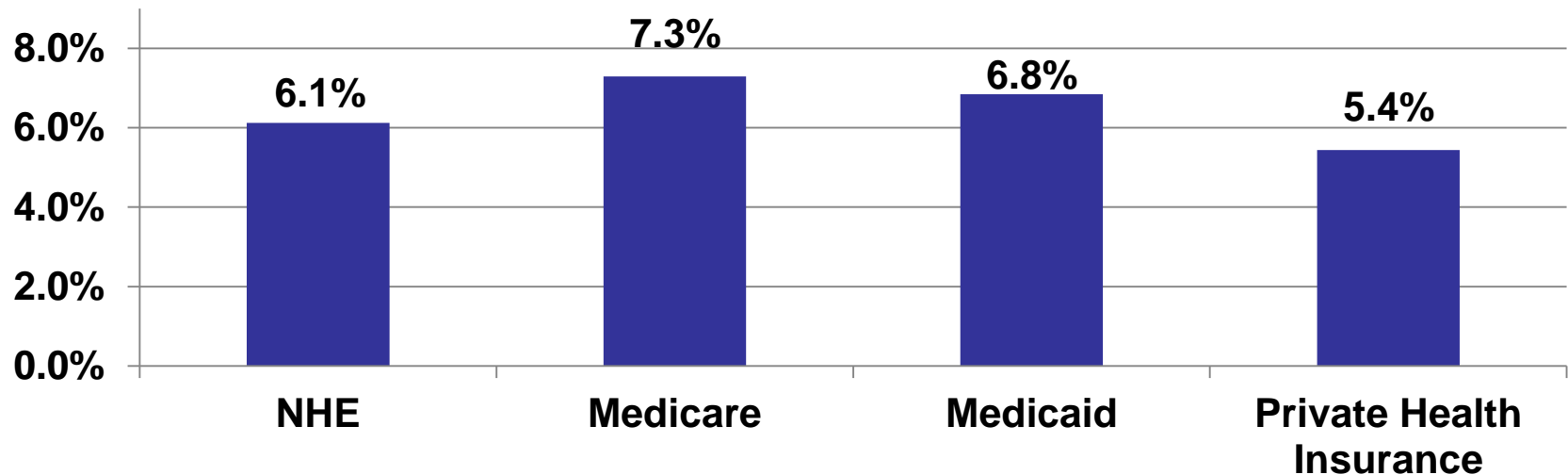
2016

2023

Key Findings for 2016-2023

Average Annual Growth For Major Payers, 2016-23

- *Medicare growth influenced by strong enrollment growth and faster per enrollee spending growth as a result of modest increases in utilization and payment rates*
- *Medicaid growth during this period driven by higher use from aged and disabled Medicaid beneficiaries*
- *Private health insurance growth influenced by faster projected economic growth*



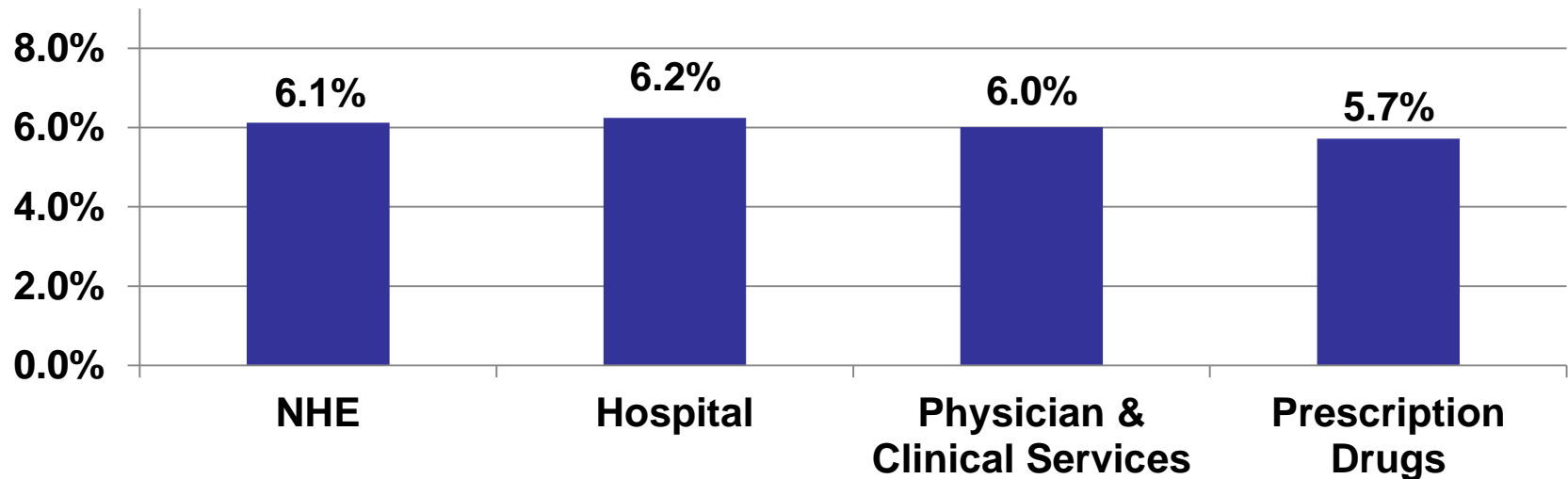
SOURCE: CMS, Office of the Actuary, National Health Statistics Group.



Key Findings for 2016-2023

Average Annual Growth For Medical Services And Goods, 2016-23

- *Both hospital and physician growth during this period are expected to be driven by modest increases in use of services from improved economic conditions as well as population aging.*
- *Prescription drug spending growth during this period is expected to be influenced by continued increases in spending on expensive specialty drugs.*



SOURCE: CMS, Office of the Actuary, National Health Statistics Group.



Summary of Major Findings

- Health spending growth is expected to have remained slow, at 3.6 percent in 2013.
- The combined effects of the Affordable Care Act's coverage expansions, faster economic growth, and population aging are expected to contribute to health spending growth in 2014 and beyond (5.6 percent in 2014 and 6.0 percent per year for 2015–23).
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Links

- <http://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/>
- <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>
- <http://content.healthaffairs.org/content/33/10/1841>
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