

Latest Trends in Healthcare Spending: What's Going On Here?

Stuart Guterman
Senior Scholar in Residence
AcademyHealth

23rd Princeton Conference
Princeton, NJ
May 26, 2016

Good News?

December 3, 2014

3:50 pm EDT

BREAKING NEWS

U.S. healthcare spending growth hit 53-year low in 2013

U.S. healthcare spending grew more slowly last year than at any time in the past half-century—including the Great Recession—as Medicare squeezed outlays, millions of Americans continued to go without health insurance and those with health plans spent at a slower pace on hospitals, clinics and pharmacies, a federal estimate shows.

Source: Melanie Evans. "U.S. Healthcare Spending Growth Hit 53-Year Low in 2013." *Modern Healthcare*, December 3, 2014; available at <http://www.modernhealthcare.com/article/20141203/NEWS/312039993>

But For How Long?...

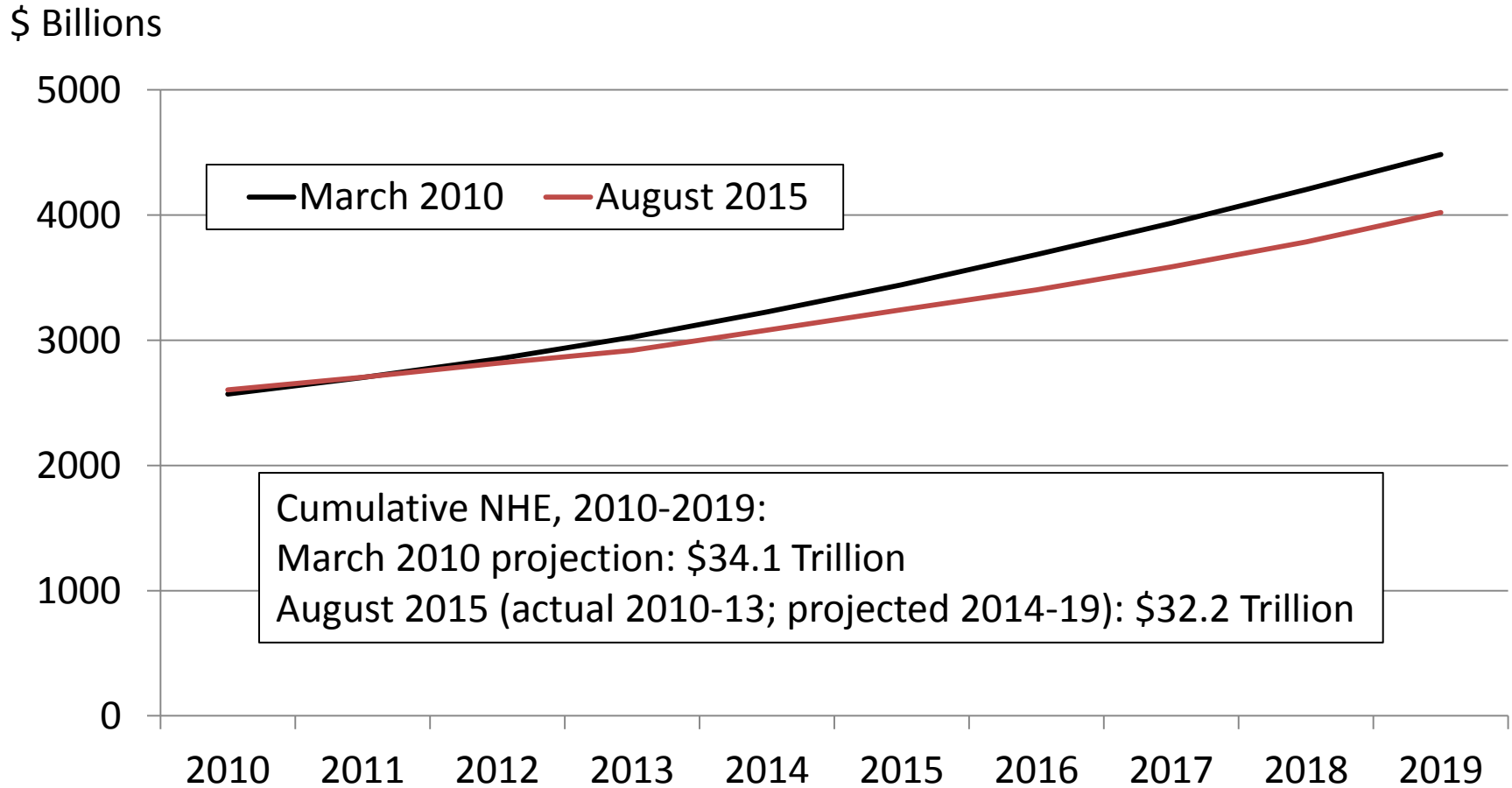
National Health Expenditure Projections, 2014–24: Spending Growth Faster Than Recent Trends

Health spending growth in the United States is projected to average 5.8 percent for 2014–24, reflecting the Affordable Care Act's coverage expansions, faster economic growth, and population aging. Recent historically low growth rates in the use of medical goods and services, as well as medical prices, are expected to gradually increase. However, in part because of the impact of continued cost-sharing increases that are anticipated among health plans, the acceleration of these growth rates is expected to be modest. The health share of US gross domestic product is projected to rise from 17.4 percent in 2013 to 19.6 percent in 2024.

Source: S.P. Keaton et al. "National Health Expenditure Projections, 2014: Spending Growth Faster Than Recent Trends." *Health Affairs* August 2015 34(8):1407-17.

The \$2 Trillion Question: Why Has Health Spending Slowed?

Projected National Health Expenditures (NHE), 2010-2019, as of March 2010 vs. Actual/Projected NHE, 2010-2019, as of August 2015

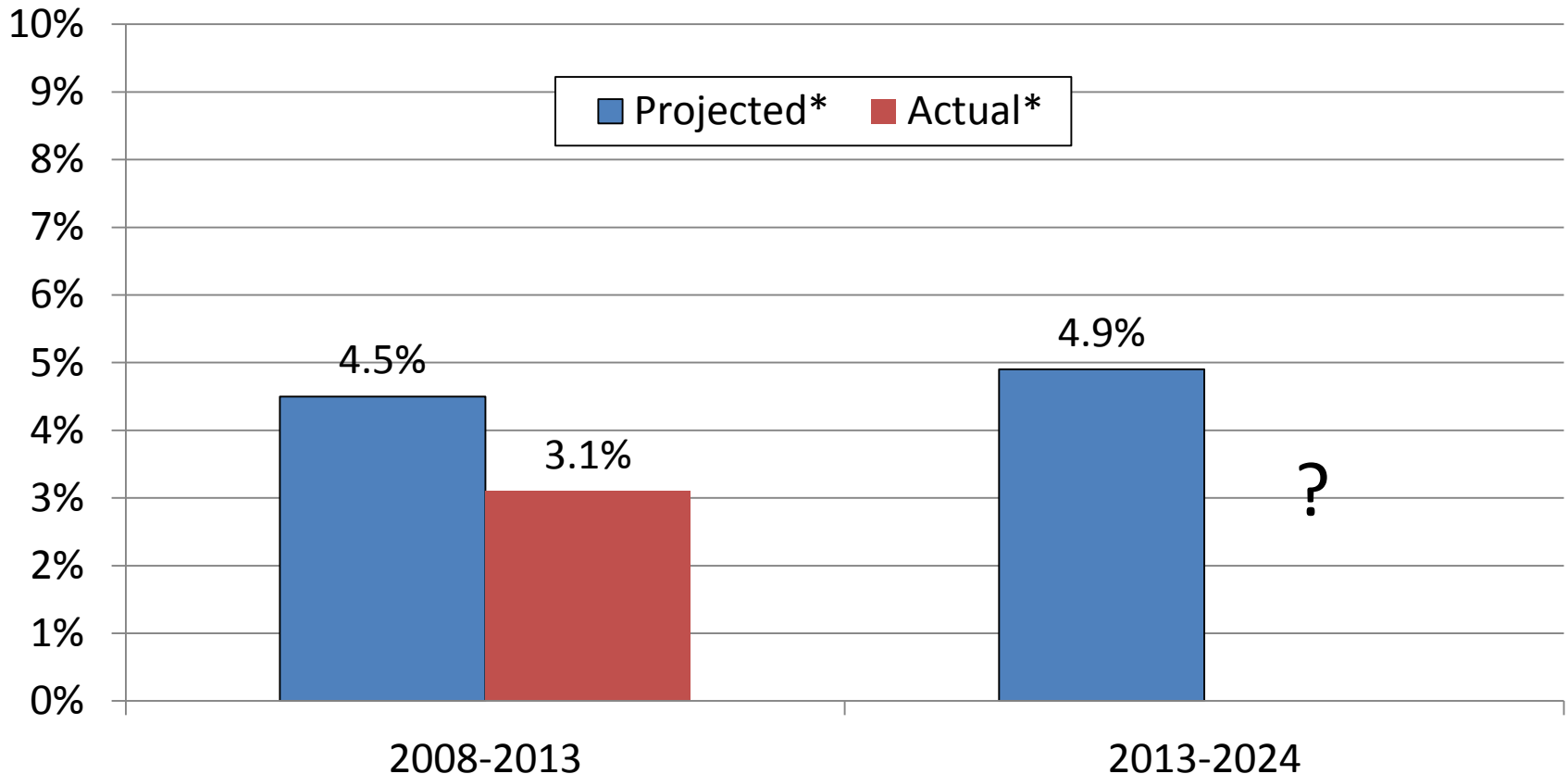


Sources: C.J. Truffer et al. "Health Spending Projections Through 2019: The Recession's Impact Continues." *Health Affairs* March 2010 29(3):522-29; S.P. Keaton et al. "National Health Expenditure Projections, 2014: Spending Growth Faster Than Recent Trends." *Health Affairs* August 2015 34(8):1407-17.

...and What Does the Future Look Like?

Projected and Actual Per Capita NHE Growth, 2008-13 vs. 2013-24

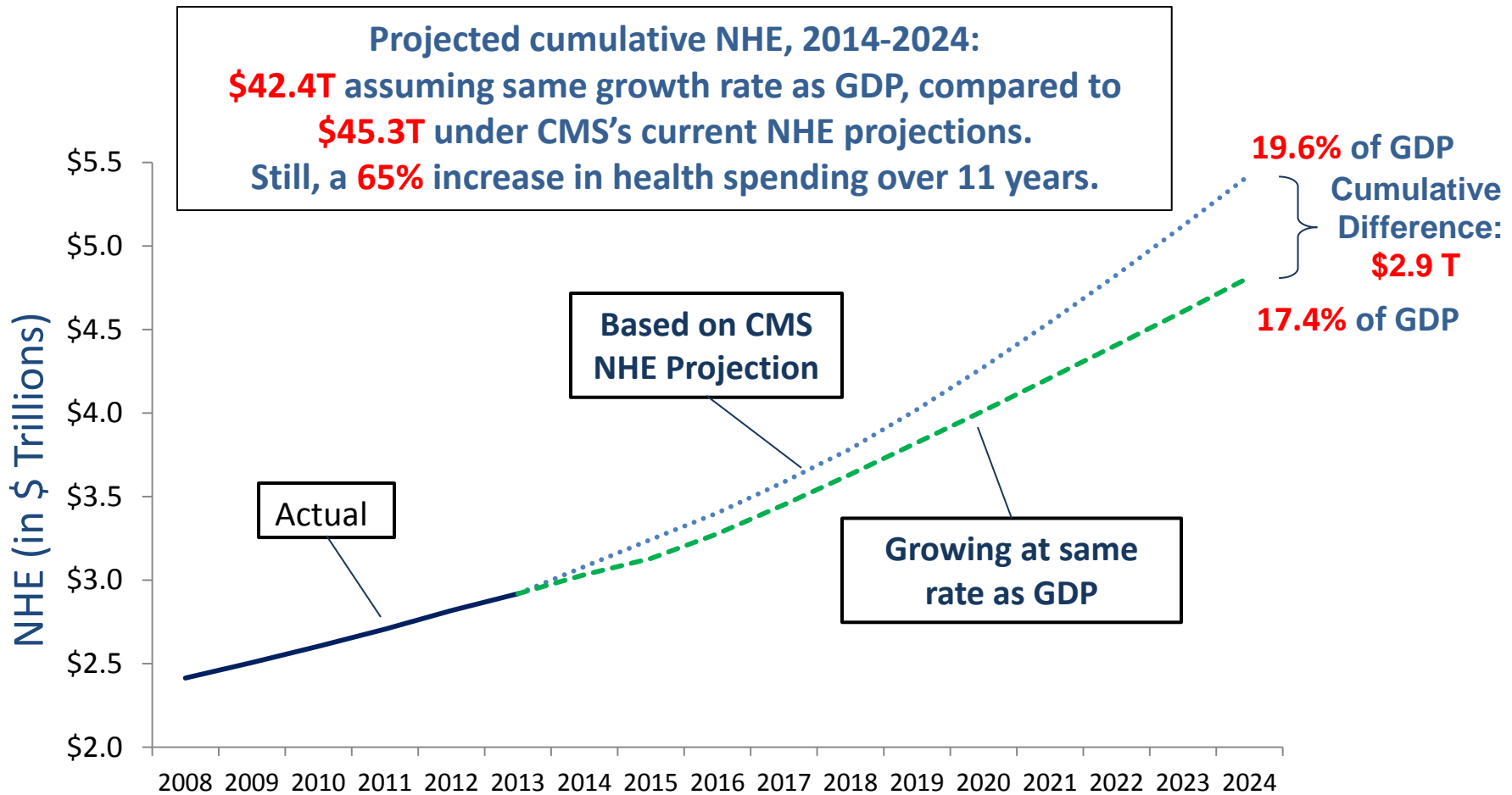
Annual Rate



Note: Projected growth rate for 2008-2013 is as of March 2010; projected growth rate for 2013-2023 is as of August 2015. Actual growth rate for 2008-2013 is as of August 2015.

Sources: C.J. Truffer et al. "Health Spending Projections Through 2019: The Recession's Impact Continues." *Health Affairs* March 2010 29(3):522-29; S.P. Keaton et al. "National Health Expenditure Projections, 2014: Spending Growth Faster Than Recent Trends." *Health Affairs* August 2015 34(8):1407-17.

What if Health Spending Grew at Same Rate As GDP?



Data Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group. 2008-2024 National Health Expenditures, Projected. Available at <http://cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>.

Challenges to Controlling Health Spending

- **Can we maintain or improve quality while controlling costs?**
- **What are the roles of utilization and prices?**
- **What are the roles of drugs and technology?**
- **Can we achieve greater coordination and collaboration without the adverse effects of consolidation?**
- **Can we develop policies that are consistent across public and private payers?**

What Do We Need to Do to Sustain Slower Health Spending Growth?

- **Transparency?**
- **Payment reform?**
- **Competition?**
- **Regulation?**

Our Panel



Charles S. Roehrig
Altarum Institute



Geoffrey C. Sandler
Aetna