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

Stuart Guterman
Senior Scholar in Residence
AcademyHealth

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Good News?

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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.

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.

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

Cumulative NHE, 2010-2019:
March 2010 projection: $34.1 Trillion
August 2015 (actual 2010-13; projected 2014-19): $32.2 Trillion

...and What Does the Future Look Like?
Projected and Actual Per Capita NHE Growth, 2008-13 vs. 2013-24

Annual Rate

<table>
<thead>
<tr>
<th>Year Period</th>
<th>Projected*</th>
<th>Actual*</th>
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<tbody>
<tr>
<td>2008-2013</td>
<td>4.5%</td>
<td>3.1%</td>
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<tr>
<td>2013-2024</td>
<td>4.9%</td>
<td>?</td>
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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.

What if Health Spending Grew at Same Rate As GDP?

Projected cumulative NHE, 2014-2024:
$42.4T assuming same growth rate as GDP, compared to $45.3T under CMS’s current NHE projections. Still, a 65% increase in health spending over 11 years.

19.6% of GDP  
Cumulative Difference: $2.9 T

17.4% of GDP

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