Health Spending to Hit $4.6 Trillion by 2019

VITALS

Major Finding: U.S. health care spending is projected to rise to about $4.6 trillion by 2019, growing at an average rate of 6.3% a year.

Data Source: Centers for Medicare and Medicaid Services, Office of the Actuary.

Disclosures: The authors had no relevant financial disclosures.

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FROM THE JOURNAL HEALTH AFFAIRS

WASHINGTON – By 2019, nearly 93% of U.S. residents will be covered by health insurance, with nearly 20% of the gross domestic product being consumed in the process, federal actuaries announced at a press briefing.

U.S. health spending is expected to grow at an average annual rate of 6.3% over the next 10 years, 0.2% faster than was projected before passage of the Affordable Care Act (ACA), and reach an estimated $4.6 trillion by 2019, according to an analysis by the Office the Actuary at the Centers for Medicare and Medicaid Services (doi:10.1377/hlfaff.2010.0788 Health Affairs 2010;29:10).

The projections, which update an analysis done in February, take into account the impact of the ACA as well as changes to the COBRA premium subsidies and Medicare physician fee schedule. With those changes, the average annual growth rate for health care spending will increase from 6.1% before reform to 6.3% after, the authors noted.

"While the estimated net impact of the [ACA] and other legislative and regulatory changes on national health spending are moderate, the underlying effects of these changes on coverage and financing are more pronounced," Andrea Sisko, lead author of the analysis and a CMS economist, said during the press briefing. "For example, we projected increases in spending by a greater number of insured persons, which is largely offset by slower projected Medicare spending growth as well as lower Medicaid prices paid to providers."

Meanwhile, the implementation of ACA provisions including the Pre-Existing Condition Insurance Plan and the extension of coverage of dependents under age 26 years are estimated to increase national health spending by $10.2 billion through 2013, according to the analysis.

The authors also looked at administrative spending by federal and state governments, projecting that to cost $71.1 billion over the next decade.

But Nancy-Ann DeParle, director of the White House Office of Health Reform, wrote in a blog post that the report by the Office of the Actuary "confirms a central point of the [ACA] ... The act will make health care more affordable for all Americans with insurance."

She added that by 2019, per capita health spending will average $14,720 instead of the $16,120 projected by the Actuary before the act was enacted into law. "A close look at this report's data suggest that for average Americans, the [ACA] will live up to its promise," she wrote.

This year, health spending is projected to reach $2.6 trillion – 17.5% of the gross domestic product – a 0.2% increase from the pre-reform projections. Authors noted the increase is driven largely by postponement of physician payment cuts under the Medicare sustainable growth rate (SGR) formula and changes to the COBRA legislations.

The major spike in health spending will be in 2014 when an additional 30 million Americans are expected to gain coverage. Overall spending is projected to increase 9.2% that year, compared with the 6.6% that was estimated in February.

Meanwhile, patients' out-of-pocket health care spending is expected to decrease by 1.1%, instead of rising 6.4%, since more people will be insured. By 2019, private health insurance spending is projected to account for 32% of national health spending (compared with 30% in the February analysis); Medicaid and the Children's Health Insurance Program (CHIP) are to account for 20% (up from 18%). Medicare, out-of-pocket expenses and other public programs make up the rest of the spending.

As the provisions are implemented, their impact may "differ considerably from these estimates," the authors wrote. ■

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