

# Health Spending Expected To Hit \$4.6 Trillion by 2019

BY NASEEM S. MILLER

FROM 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). It is expected to reach an estimated \$4.6 trillion by 2019, according to an analysis by officials in the Office the Actuary at the Centers for Medicare and Medicaid Services (Health Affairs 2010 Sept. 9 [doi:10.1377/hlthaff.2010.0788]).

The projections update an analysis done in February. This time, they take into account the impact of the ACA as well as changes to the Consolidated Omnibus Budget Reconciliation Act (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, according to the authors.

“While the estimated net impact of the Affordable Care Act 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 increased 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, is 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 Affordable Care Act passed by Congress and signed by Pres-

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.

ident Obama: 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 Affordable Care Act 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.

The authors said that they didn’t change any of the economic or demographic information from their February report, and that the analysis focuses on health spending only. The data analysis was done at payer level only and the authors said they had no sector-level data.

They cautioned that “As the provisions are implemented over time, their actual impact may well differ considerably from these estimates.”

The office’s 2011 national health spending projections will shift the analysis to an additional year into the future, the authors wrote, “and continue the work of estimating the impact of reform on overall national health spending.” ■



## POLICY & PRACTICE

WANT MORE HEALTH REFORM NEWS?  
SUBSCRIBE TO OUR PODCAST – SEARCH  
‘POLICY & PRACTICE’ IN THE iTunes STORE

### Stop-Smoking Coverage Expanded

Physicians will be reimbursed for counseling any Medicare patient about smoking cessation, not just those with tobacco-related illness, under new guidelines approved by the Centers for Medicare and Medicaid Services. Previously, a patient needed to at least show signs of illness related to smoking before Medicare would pay. Under the new guidelines, any smoker covered by Medicare can have up to eight smoking-cessation sessions per year from a physician or other Medicare-recognized health practitioner, CMS said. American Medical Association President Cecil B. Wilson applauded the agency’s coverage expansion. “More than 400,000 Americans die needlessly every year as a direct result of tobacco use,” Dr. Wilson said in a statement. “This expansion of coverage takes an important step toward helping Medicare patients lead healthier, tobacco-free lives.”

### BP Will Pay for Health Studies

Oil company BP is contributing \$10 million to the National Institutes of Health to jump-start the company’s \$500 million research project aimed at determining the health effects from the Deepwater Horizon spill in the Gulf of Mexico. The NIH, with local advice from people in the Gulf region, thus takes over distribution of the first funds from the company’s 10-year Gulf of Mexico Research Initiative. The effort will focus on the potential health consequences of workers’ exposure to oil and dispersants, such as respiratory, neurobehavioral, carcinogenic, and immunologic conditions. It also will evaluate “mental health concerns and other oil spill-related stressors such as job loss, family disruption, and financial uncertainties,” according to the NIH. Distribution of the remaining funds for the project will be determined in consultation with Gulf state governors, BP said.

### Prescription Drug Use Rises Again

The percentage of Americans who said they took at least one prescription drug in the past month increased from 44% to 48% from 1999 to 2008, according to a report from the Centers for Disease Control and Prevention. At the same time, the number of people who said they had taken two or more drugs in the previous month increased from 25% to 31%, and the number of people who took five or more drugs increased from 6% to 11%, the report found. One out of every five children used one or more prescription drugs, as did 90% of adults aged 60 years and older. Women were more likely to have tak-

en a prescription drug, while those who did not have health insurance, prescription drug coverage, or a regular place to receive health care tended to take fewer prescriptions. The data came from the National Health and Nutrition Examination Survey.

### Patients See Pharma’s Influence

Almost 70% of Americans who take prescription drugs believe that drug makers have too much influence over doctors when it comes to those prescriptions, and 50% believe that doctors prescribe drugs even when a person’s condition could be managed without medication. The data are the result of a Consumer Reports magazine poll. On the basis of the survey of more than 1,150 adults, the magazine asserted that 51% of Americans don’t think that their doctors consider patients’ ability to pay for prescribed drugs and 47% think gifts from pharmaceutical companies influence doctors’ drug choices.

### Drug Information Found Lacking

The printed consumer information that is provided with prescription drugs often fails to provide easy-to-understand information about the product’s use and risks, a study by the National Association of Boards of Pharmacy found. Secret shoppers visited pharmacies and filled prescriptions for lisinopril and metformin. Only about three-fourths of the consumer information, which pharmacies routinely staple to the outside of prescription bags, met the Food and Drug Administration’s minimum criteria for usefulness. The FDA does not regulate the consumer information that accompanies prescriptions. Pharmacies usually purchase it from contractors. The study was published in the Archives of Internal Medicine.

### First EHR Certifying Bodies Named

A nonprofit organization that is dedicated to health information technology and a software-testing lab have been chosen as the first two bodies to officially test and certify electronic health record (EHR) systems for the federal government. The Certification Commission for Health Information Technology and the Drummond Group can immediately begin certifying EHR systems as HHS compliant, the Department of Health and Human Services announced. Now that HHS has named the certifying organizations, vendors can apply for certification of their EHR systems and physicians soon should be able to purchase certified products, the HHS said.

–Alicia Ault