

Health Spending Projections Through 2017

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Federal Forecasters Conference
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NHE Projections Overview

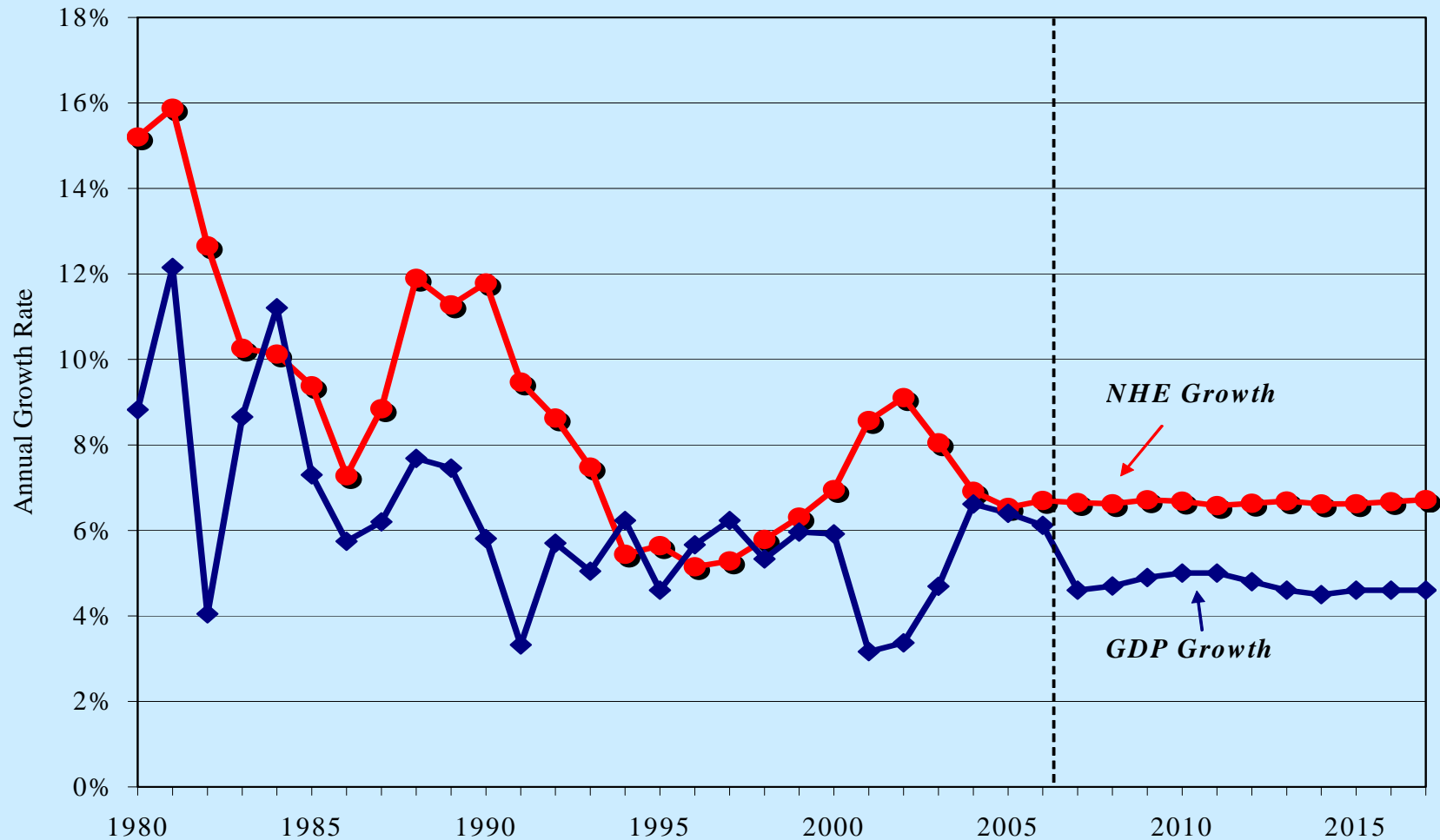
- Health Spending Growth Projection:
 - *Generally steady over projection period; 6.7 percent per year*



What's Going On Under Surface?

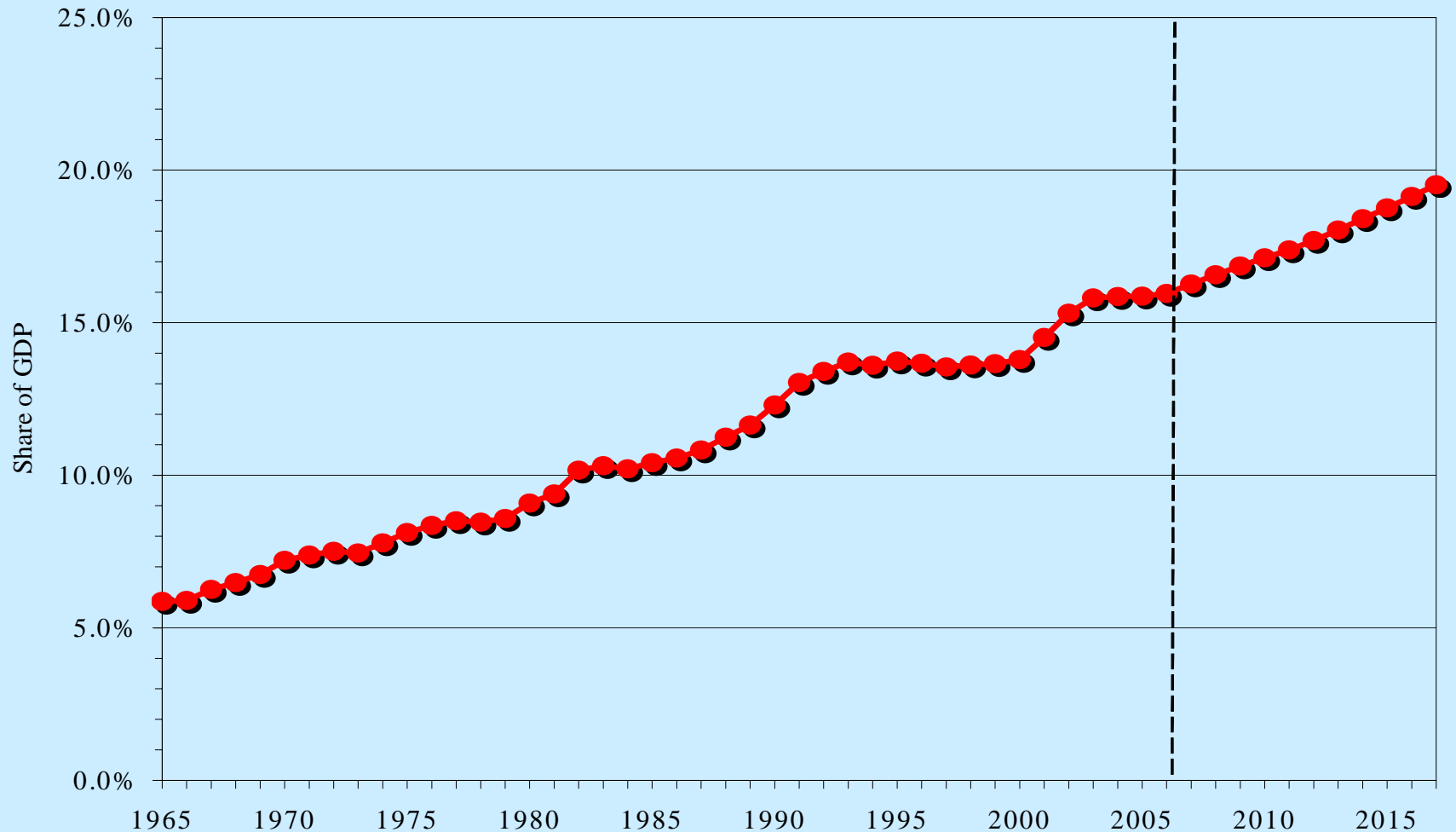
- Health's share of GDP:
 - *Expectation of steady health spending growth combined with slower economic growth results in health share of nearly 20 percent by 2017*
- Divergent payer and sector trends
 - *General acceleration in public spending growth, deceleration in private spending growth expected through 2017*
 - *The really depressing news...*
 - *Hospital, prescription drug growth rates show opposite growth trends*
- New feature
 - *Simulation: the effect of a 0.0 percent Medicare physician payment rate update scenario on projected spending vis-à-vis current law (pre-MMSEA)*
- Other findings and Projection Accuracy

Growth in National Health Expenditures (NHE) vs. Growth in Gross Domestic Product (GDP), 1980-2017



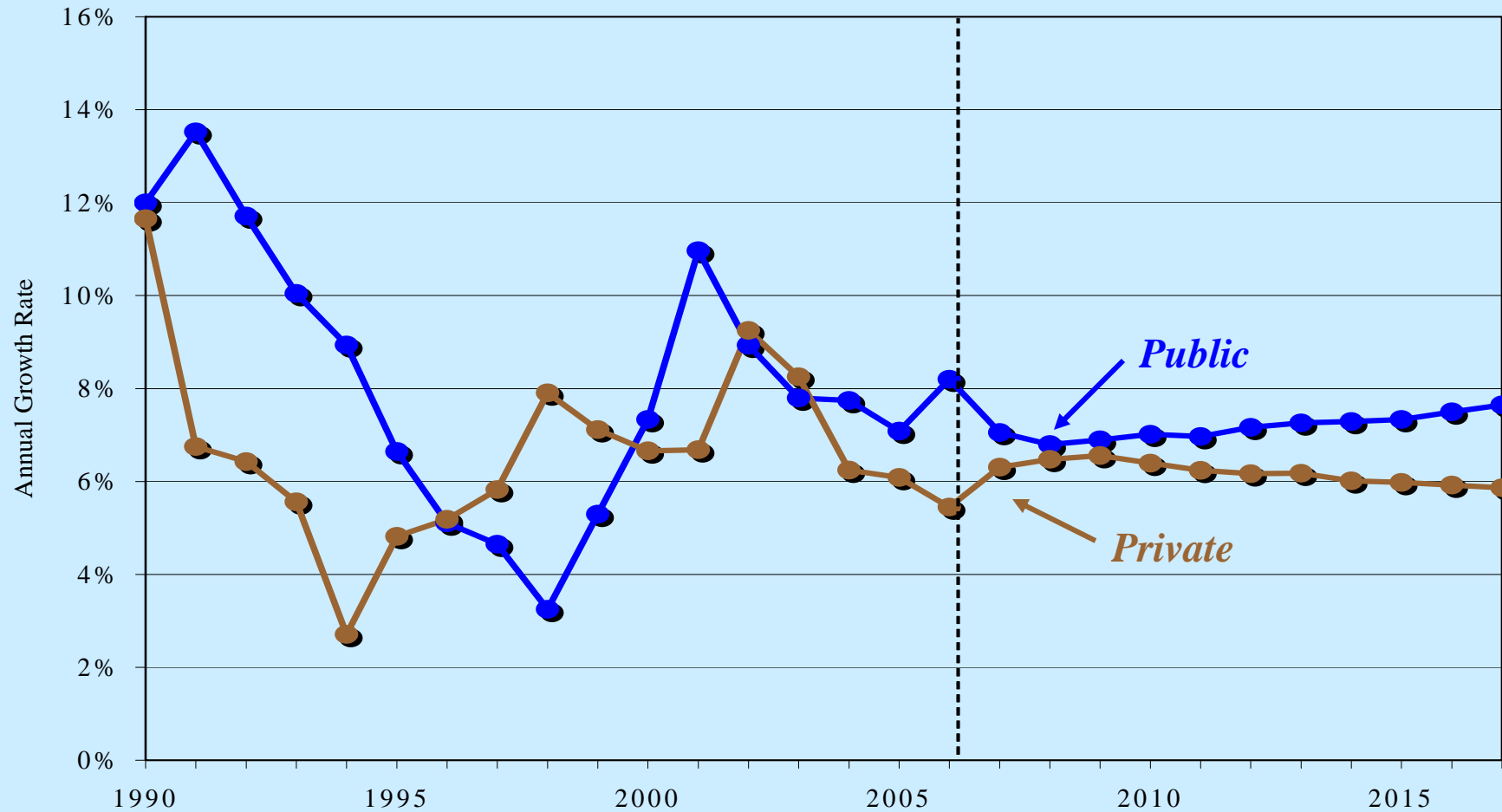
Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).

NHE Share of Gross Domestic Product (GDP), 1965-2017



Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).

Growth in Health Spending by Public and Private Payers, 1990-2017



Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).

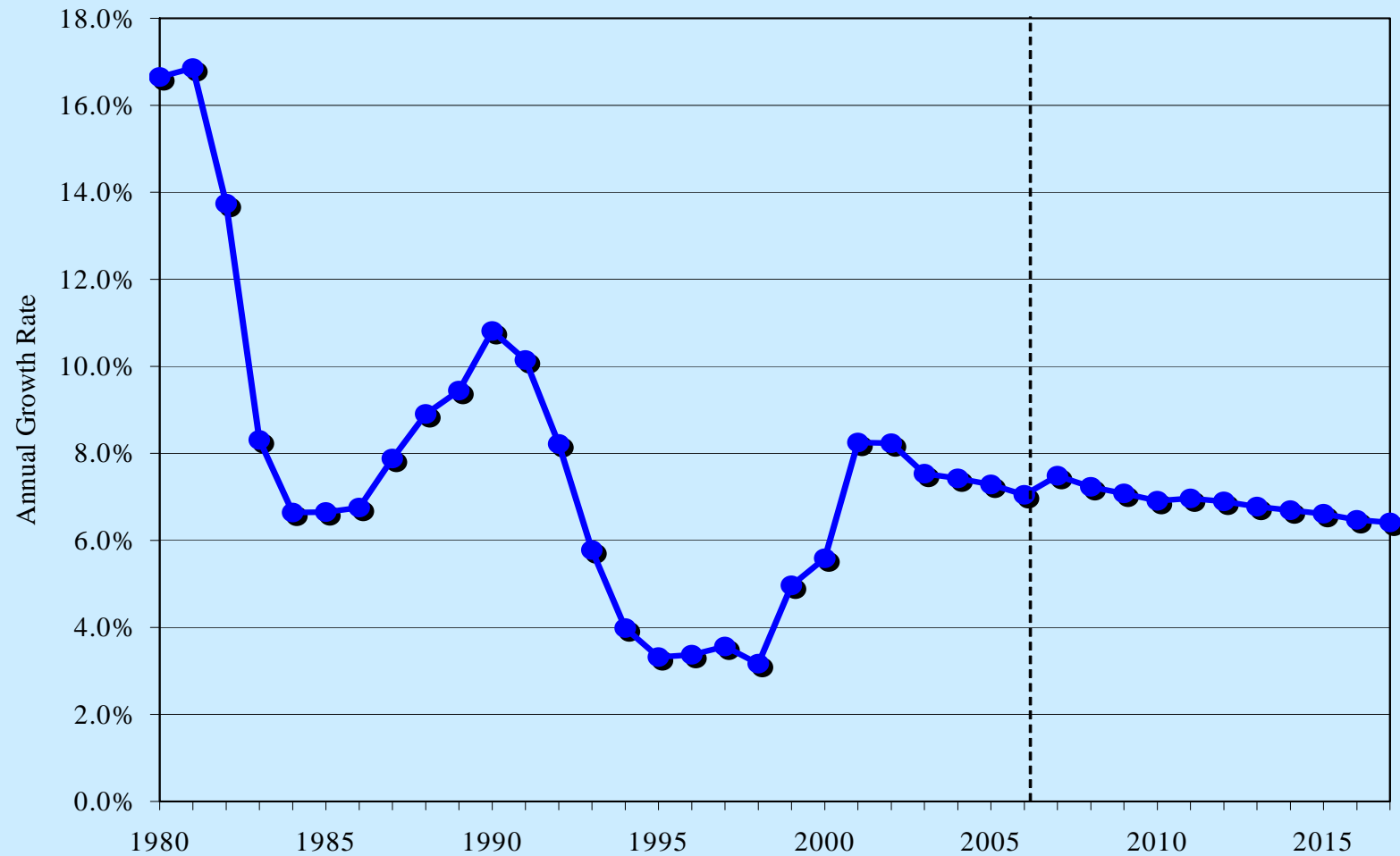
Gary Sheffield



<u>Category</u>	<u>To Date</u>	<u>Projected</u>
Batting Average	.191	.191
Home Runs	1	8
Runs Batted In	2	16

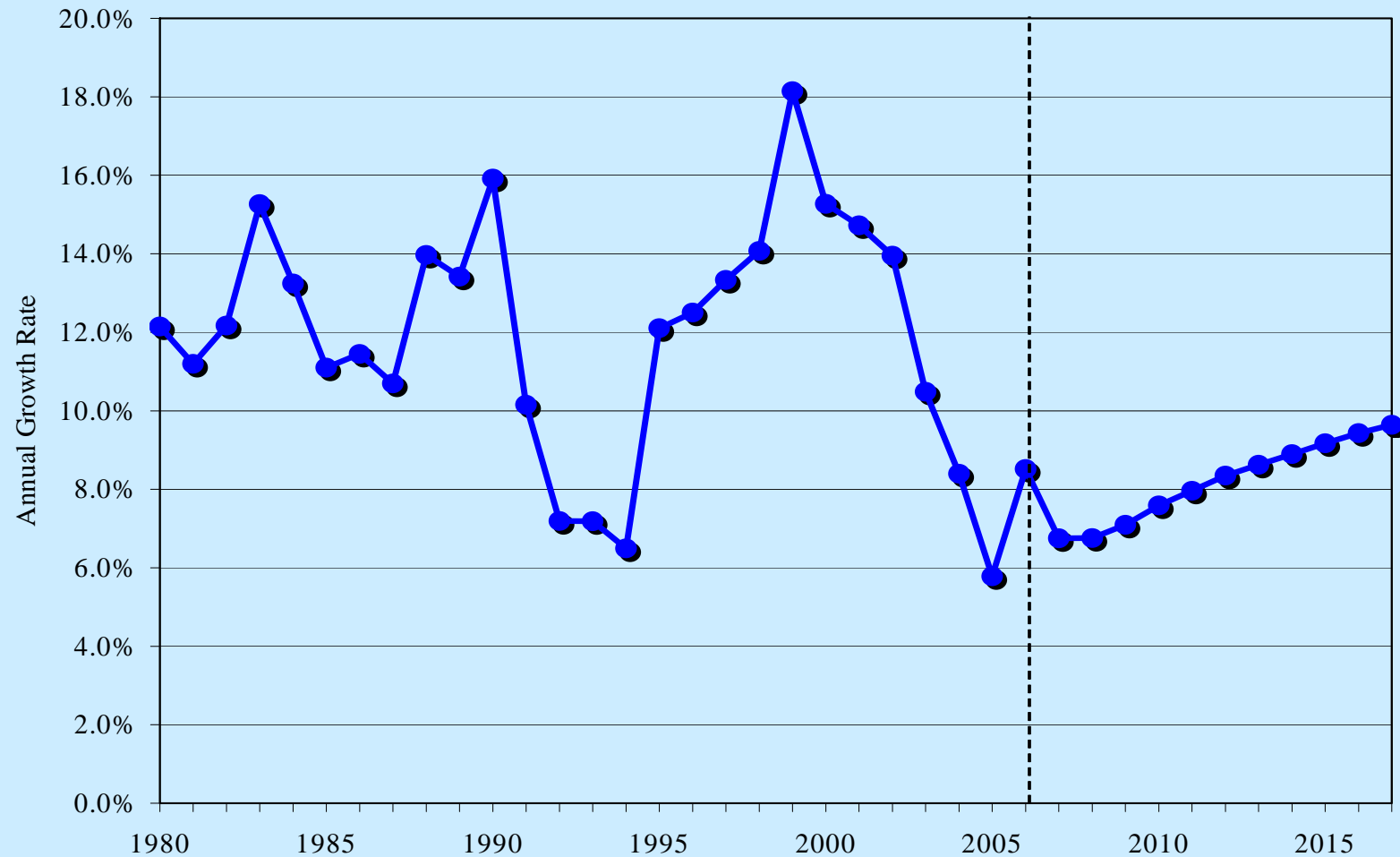
LAST!!!!

Hospital Spending Growth, 1980-2017



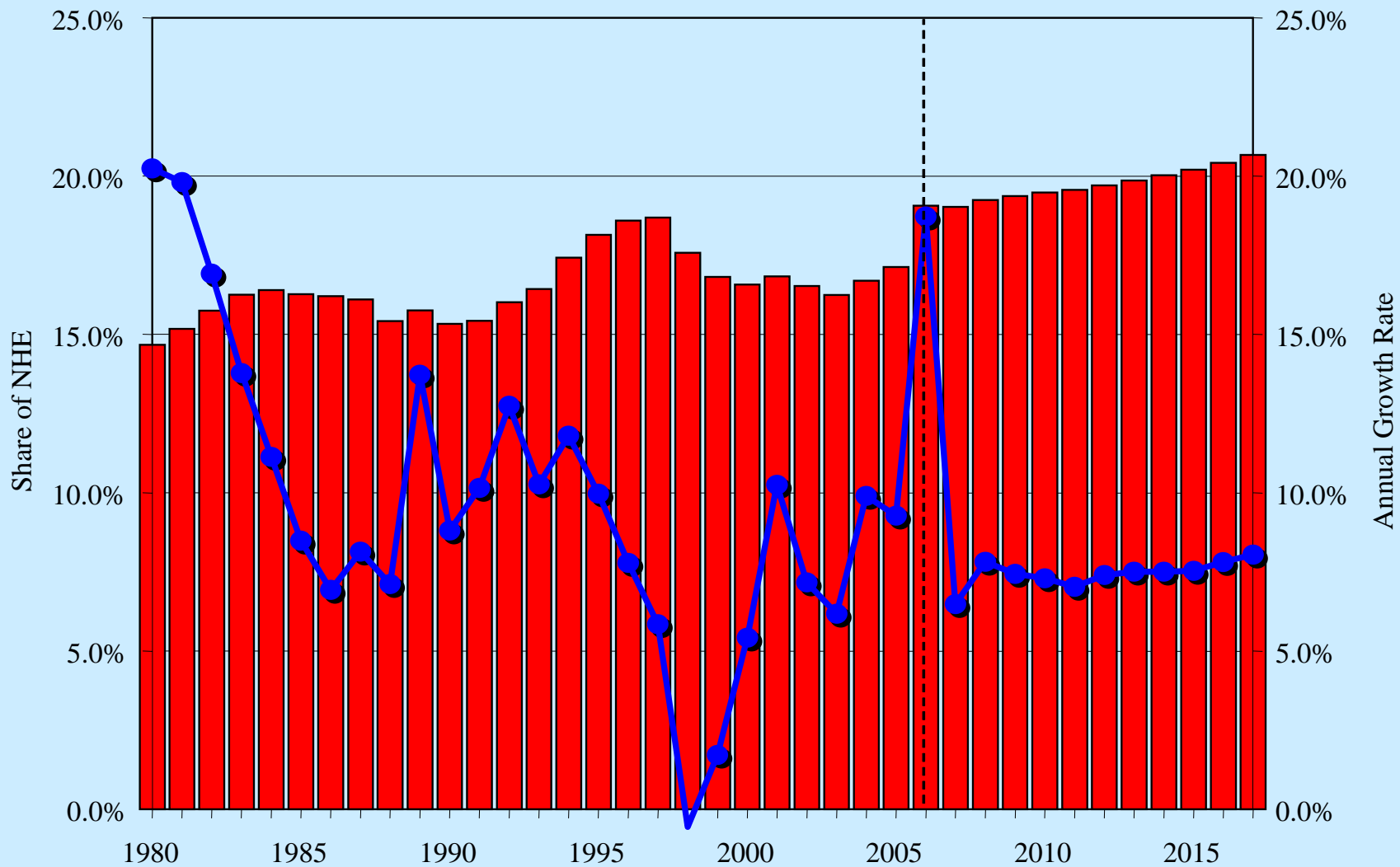
Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).

Growth in Prescription Drug Spending, 1980-2017



Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).

Growth in Medicare Spending and Share of NHE, 1980-2017



Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).

Projected National Health Expenditures (\$ billions) under Current Law and 0.0 Percent Medicare Physician Payment Update Scenario, Selected Years 2007-2017

Spending Category and Scenario	2007	2008	2009	2011	2013	2015	2017
Total Medicare 0% Update Scenario	\$427.3	\$465.3	\$502.7	\$586.4	\$685.6	\$800.6	\$940.2
Total Medicare Current Law	427.3	460.7	495.0	568.5	656.4	758.8	884.0
Percent Difference	0.0%	1.0%	1.6%	3.2%	4.5%	5.5%	6.4%
Medicare Physician 0% Update Scenario	\$98.0	\$106.8	\$114.9	\$133.1	\$154.6	\$178.9	\$207.8
Medicare Physician Current Law	98.0	102.5	108.2	118.9	132.2	147.4	165.8
Percent Difference	0.0%	4.2%	6.2%	11.9%	17.0%	21.4%	25.3%

Note: The Medicare Current Law expenditure projections reflect the direct impact of the substantial reductions in physician payment rates that would be required under the current-law sustainable growth rate (SGR) provisions. Secondary SGR impacts on Parts A, B, and D are not reflected; accordingly, these projections do not represent our best estimate of the actual Medicare expenditures that would result under current law. Such secondary impacts could include (i) substantially reduced beneficiary access to physician services, (ii) a significant shift in enrollment to Medicare Advantage plans, (iii) an increase in emergency room services, (iv) an increase in mortality rates, and/or (v) an increase in hospital services. We have excluded secondary impacts because of their speculative nature, the minimal likelihood that the physician payment reductions will occur in practice, and to retain the usefulness of the current-law baseline for hospital and other non-physician expenditure categories.

Source: S. Keehan et al., "Health Spending Projections Through 2017," Health Affairs 27 (2008): w145 – w155 (published online 26 February 2008).

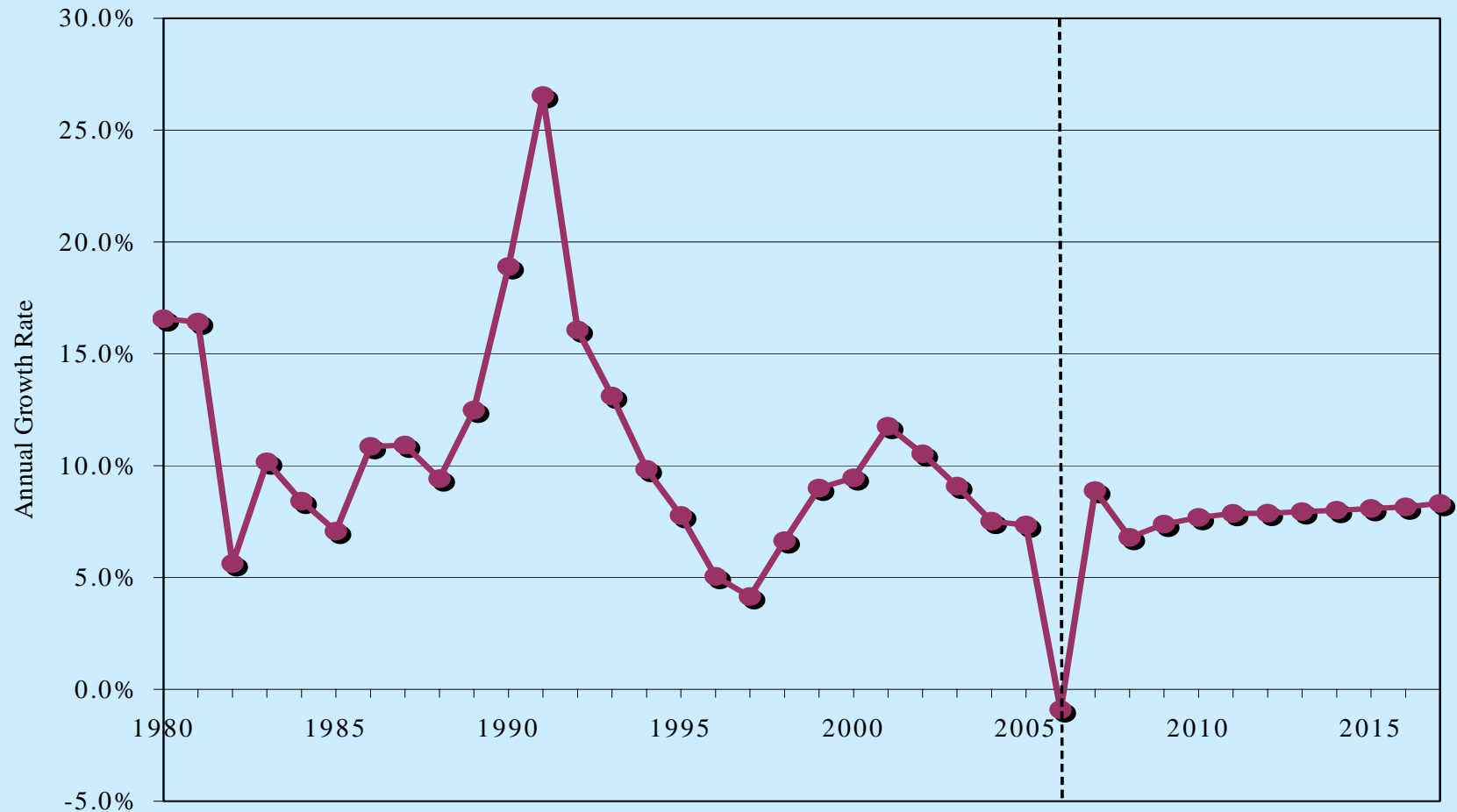
Projected National Health Expenditures (\$ billions) under Current Law and 0.0 Percent Medicare Physician Payment Update Scenario, Selected Years 2007-2017

Spending Category and Scenario	2007	2008	2009	2011	2013	2015	2017
Total NHE 0% Update Scenario	\$2,245.6	\$2,397.4	\$2,560.0	\$2,915.9	\$3,321.7	\$3,780.5	\$4,308.7
Total NHE Current Law	2,245.6	2,394.3	2,555.1	2,905.1	3,305.0	3,757.0	4,277.1
Percent Difference	0.0%	0.1%	0.2%	0.4%	0.5%	0.6%	0.7%
Total Physician 0% Update Scenario	\$473.0	\$504.4	\$536.9	\$609.7	\$688.8	\$773.0	\$866.2
Total Physician Current Law	473.0	501.7	532.8	601.0	675.1	753.6	840.0
Percent Difference	0.0%	0.5%	0.8%	1.4%	2.0%	2.6%	3.1%

Note: The Medicare Current Law expenditure projections reflect the direct impact of the substantial reductions in physician payment rates that would be required under the current-law sustainable growth rate (SGR) provisions. Secondary SGR impacts on Parts A, B, and D are not reflected; accordingly, these projections do not represent our best estimate of the actual Medicare expenditures that would result under current law. Such secondary impacts could include (i) substantially reduced beneficiary access to physician services, (ii) a significant shift in enrollment to Medicare Advantage plans, (iii) an increase in emergency room services, (iv) an increase in mortality rates, and/or (v) an increase in hospital services. We have excluded secondary impacts because of their speculative nature, the minimal likelihood that the physician payment reductions will occur in practice, and to retain the usefulness of the current-law baseline for hospital and other non-physician expenditure categories.

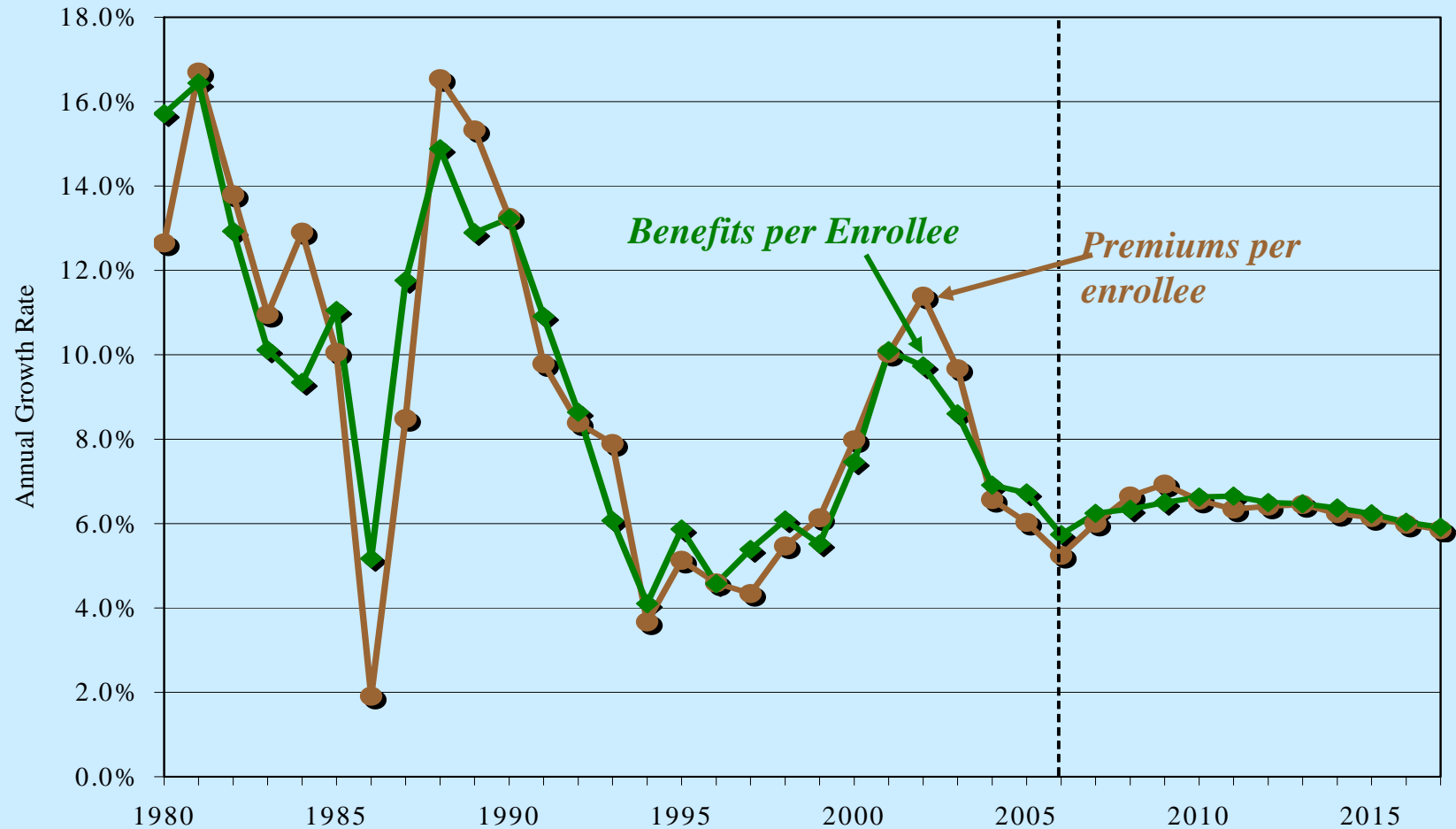
Source: S. Keehan et al., "Health Spending Projections Through 2017," Health Affairs 27 (2008): w145 – w155 (published online 26 February 2008).

Growth in Medicaid Spending, 1980-2017



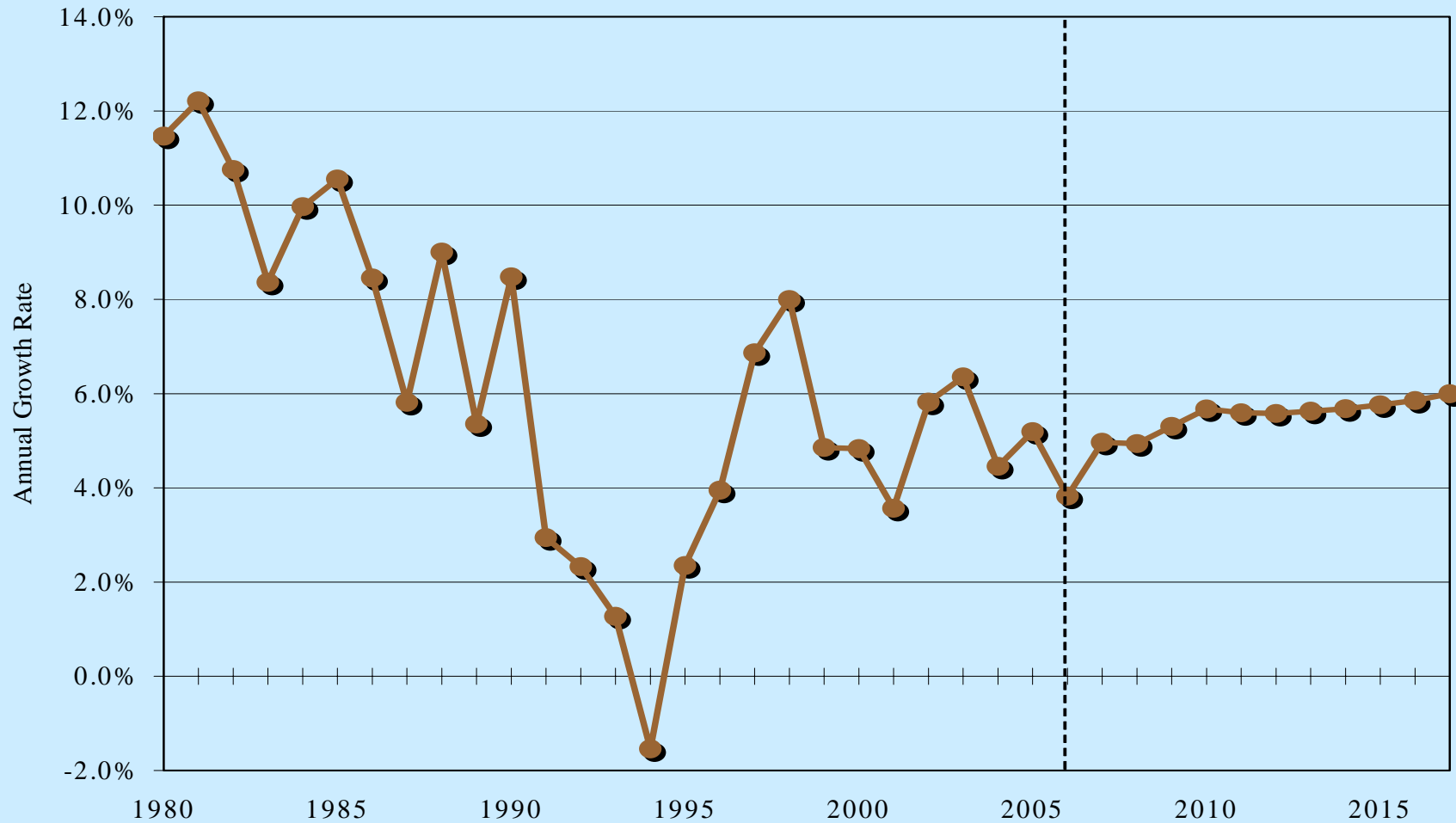
Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).

Growth in Private Health Insurance (PHI) Premiums and Benefits Per Enrollee, 1980-2017



Source: S. Keehan et al., "Health Spending Projections Through 2017," Health Affairs 27 (2008): w145 – w155 (published online 26 February 2008).

Growth in Out-of-Pocket (OOP) Spending, 1980-2017



Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).



Auto Care

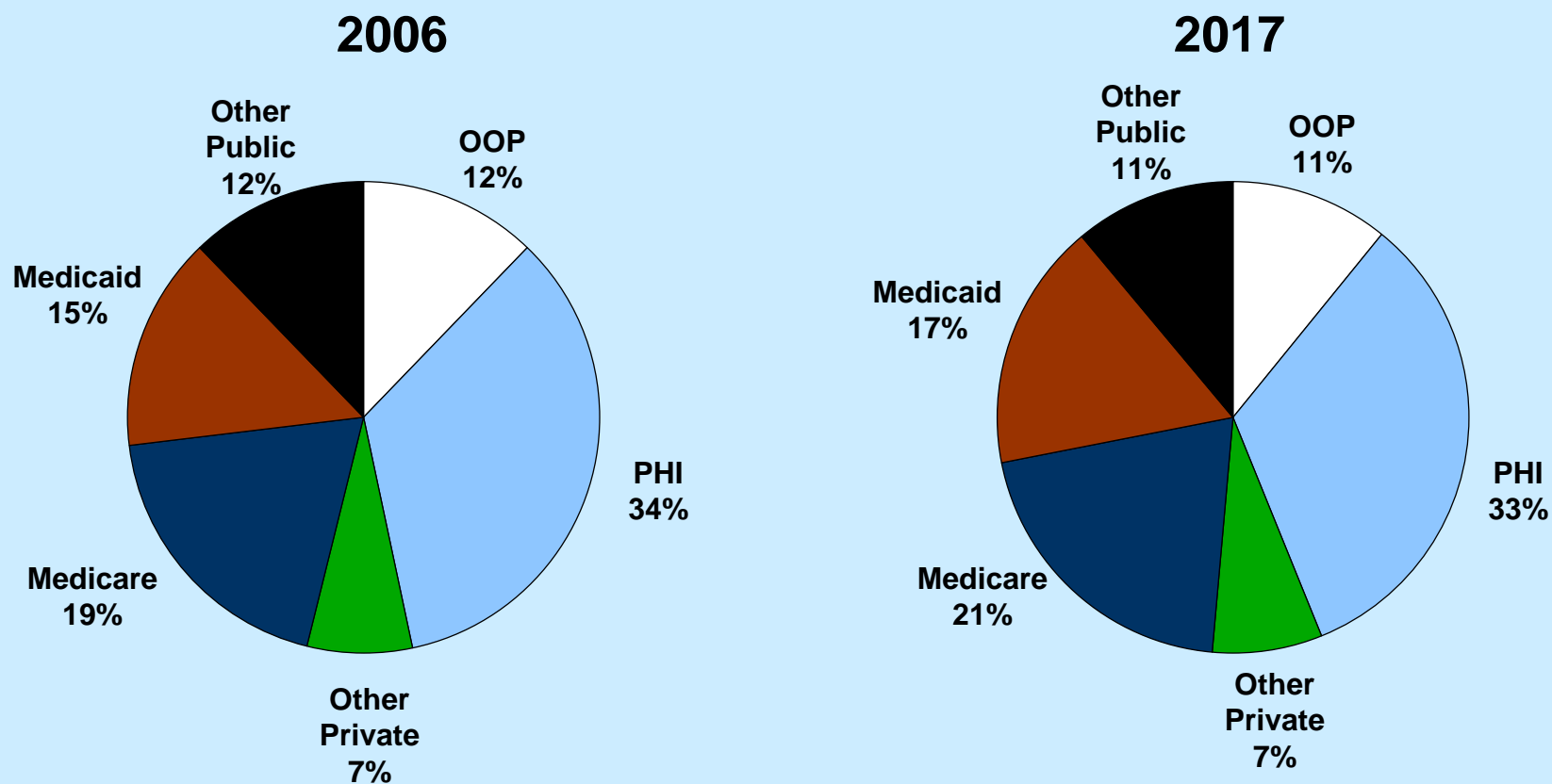
Regular 2 19 ⁹/₁₀

Plus ARM

Premium LEG

Gasoline

Payer trends, 2006 and 2017

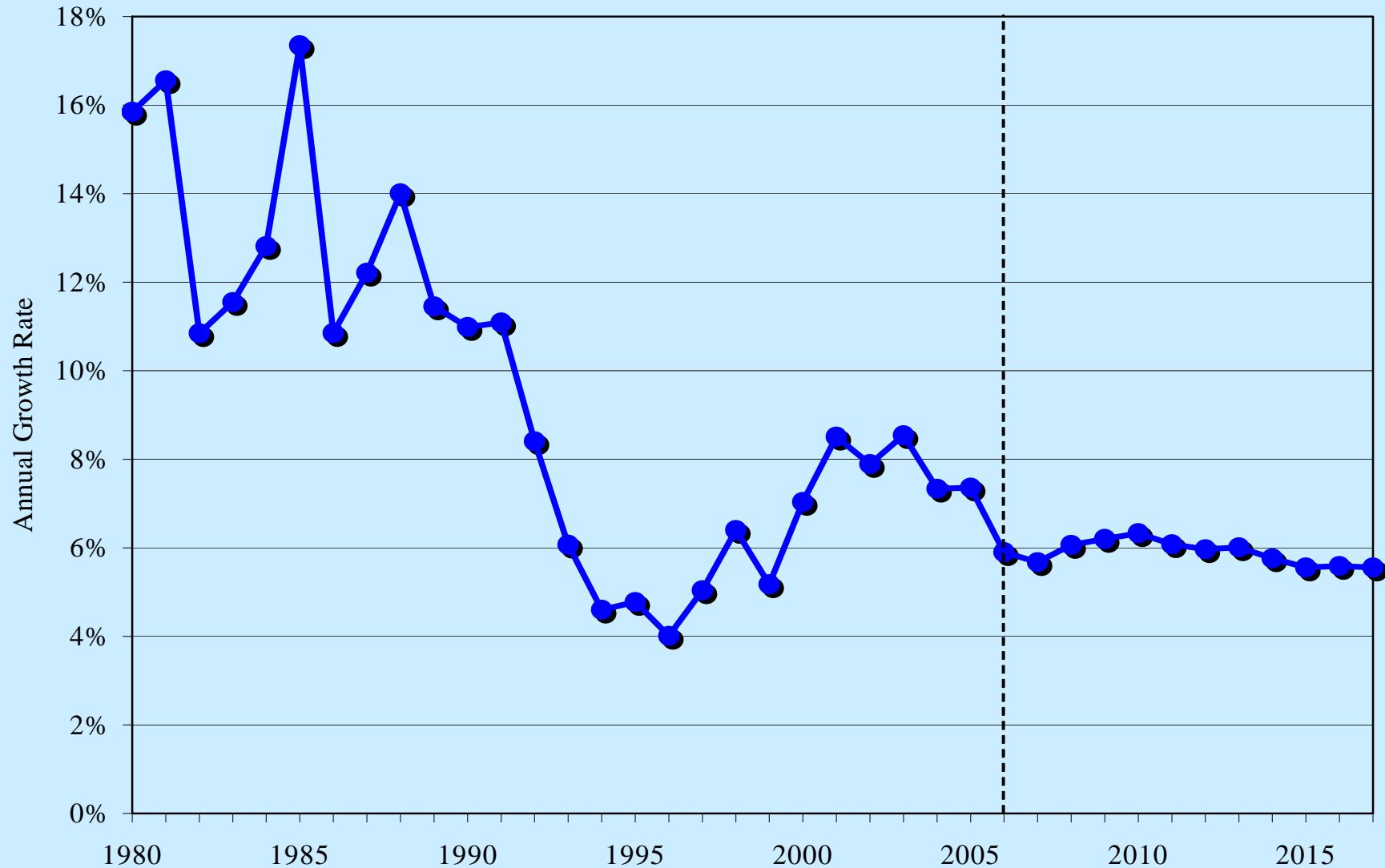


Note: Totals may not sum to 100 due to rounding.

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

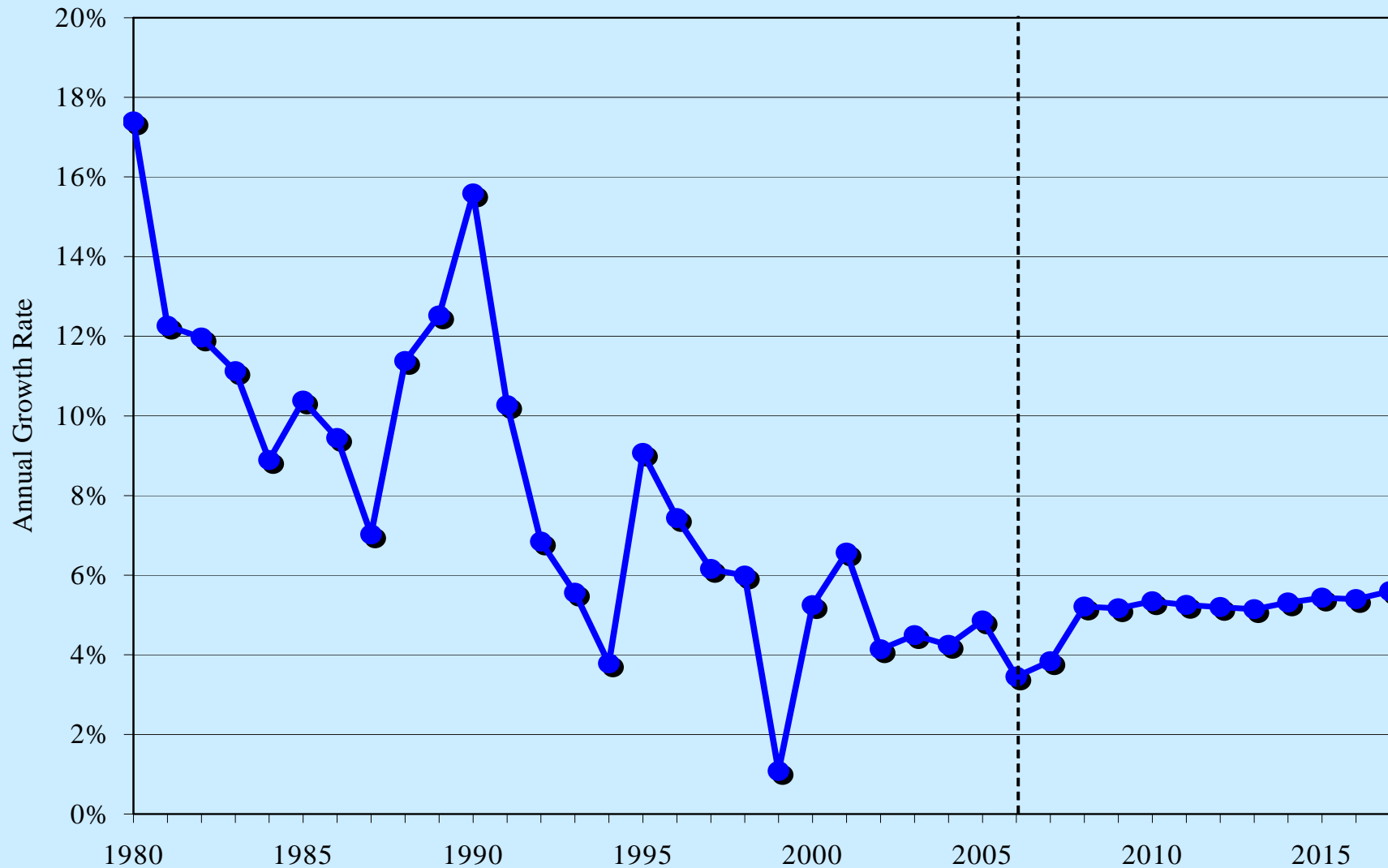
Other Findings

Physician Spending Growth, 1980-2017



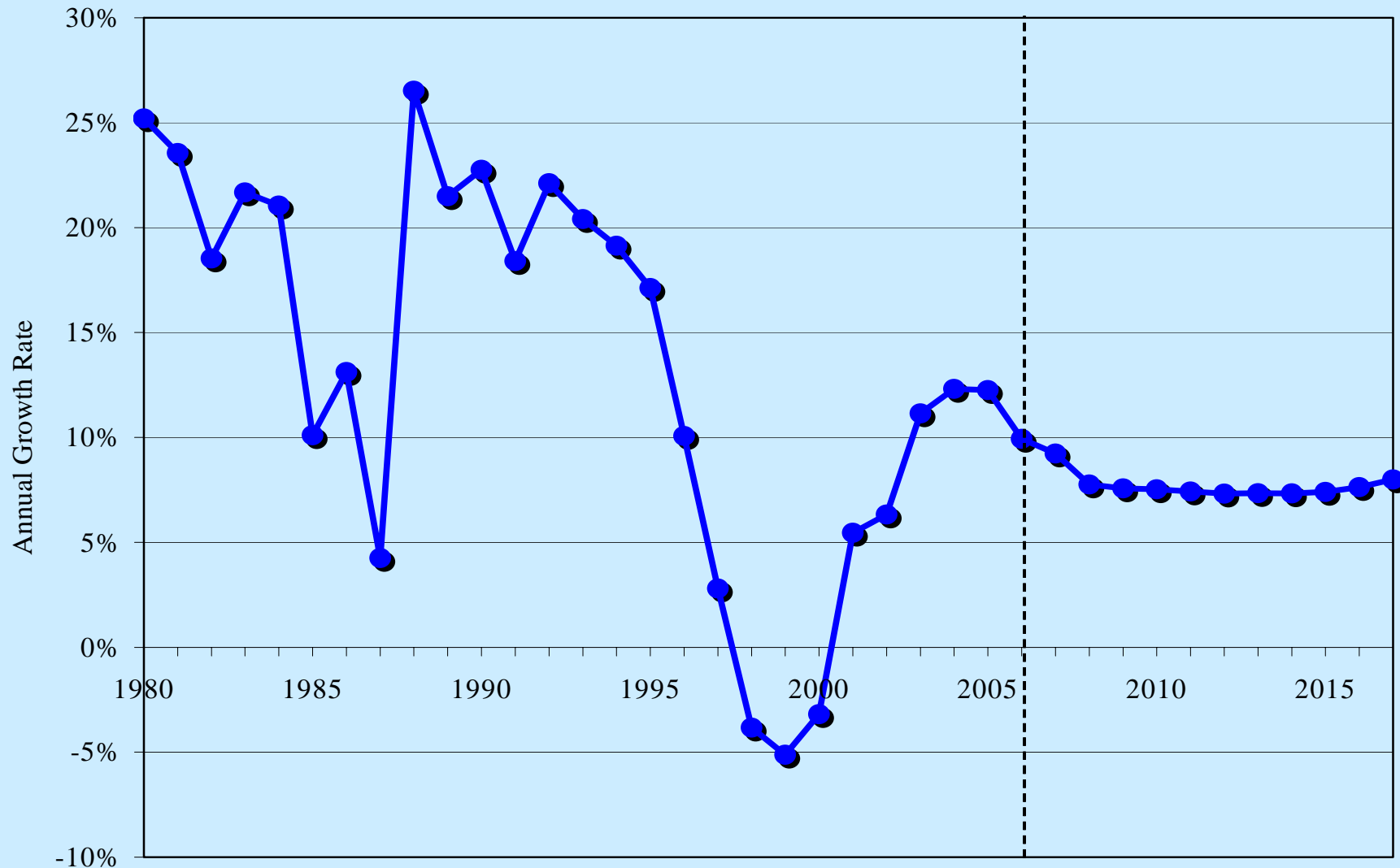
Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).

Nursing Home Spending Growth, 1980-2017



Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).

Home Health Spending Growth, 1980-2017



Source: S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* 27 (2008): w145 – w155 (published online 26 February 2008).

Projection Accuracy

- Comparison of projection vintages to most recent historical NHE (1997-2007)
- Aggregate projections more accurate than sector or payer specific projections
- Reasons for differences:
 - Current-law framework
 - Revisions to source data (historical and projected)
 - Changes to individual models
 - Unanticipated change or magnitude of change

Our Most Recent Projection...

Early male-pattern baldness!



1970



April 24, 2008



Not too distant future

NHE Projections materials on the CMS website:

http://www.cms.hhs.gov/NationalHealthExpendData/03_NationalHealthAccountsProjected.asp

Thank you for your kind attention!