

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Room 352-G

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## CMS NEWS

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### **CMS Office of the Actuary projects modest health spending growth**

Consistent with past years' findings, a report today from the Centers for Medicare & Medicaid Services (CMS) Office of the Actuary found that U.S. health care spending growth over the next ten years will be modest in comparison to historical trends, with increased spending the result of an improving economy and more accessible and affordable health coverage. Low rates of health spending growth are anticipated to continue through 2013 in key areas such as hospital and drug spending. The study is currently available online and will be published in the October issue of the journal Health Affairs.

The National Health Expenditure projections report, issued annually, contains estimates of spending for health care in the U.S. over the next decade by type of service and source of funding.

As past years' reports have found, this year's report projected that health spending growth would rise in coming years from historically low levels due to more available and affordable care and an influx of baby boomers into the Medicare program with a greater need for health care as they age. The Actuary's office also projected that rates of health care spending over the next decade in several major categories would be below their peak rates in the previous decade, including hospital and prescription drug spending, out-of-pocket spending, and Medicare spending.

"We are on the right track to controlling health care costs, thanks in part to the Affordable Care Act," said CMS Administrator Marilyn Tavenner. "More Americans will have the ability to get the health care they need, and that is a good thing. We have identified several areas where our reforms to control costs are making progress and we must build on those efforts in the years ahead."

The report's findings include:

**Medicare spending growth has slowed.** Medicare spending growth is estimated to have slowed to 4.6 percent in 2012, down from 6.2 percent in 2011 for a total of \$579.9 billion. While increases in the number of Medicare enrollees, utilization and input prices will lead to an annual increase of 7.4 percent between 2015 and 2022 according to the report, it will be well below the previous decade's 9.3 percent rate of growth as the Affordable Care Act constrains fee-for-service and private plan payment growth.

**Out-of-pocket spending will be lower as people have more affordable coverage.** By 2022, the share of total health spending attributable to out-of-pocket spending is projected to fall from 11.4 percent in 2012 to 9.1 percent, largely as a result of expanded insurance coverage through Medicaid and the Marketplaces.

**Low growth in hospital spending.** For the third consecutive year, spending increases on hospital services are projected to be below five percent. For 2015 to 2022, growth in total hospital spending is projected to average 6.3 percent per year. Over this period, hospital spending is impacted by a number of factors, including increases in spending among the newly covered, improvements in the economy that are expected to lead to more use of services, aging of the US population, and Medicare hospital payment update reductions that have been cumulatively impacting spending since 2012.

**Prescription drug spending is lower.** In 2012, prescription drug spending is estimated to have declined 0.8 percent, which is down from 2.9 percent growth in 2011, as several popular brand-name drugs lost patent protection. From 2015 to 2022, projected annual average growth in prescription drug spending will be 6.5 percent as increases in insurance coverage and disposable income enable more consumers to fill prescriptions. This rate is below the average annual growth of 8.6 percent between 2000 and 2009.

**Physician and clinical services spending has remained low compared to previous years.** Spending on physician and clinical services is estimated to have grown 4.6 percent in 2012, compared to 4.3 percent in 2011. The Actuary's office projects that physician and clinical services spending will rise to 7.1 percent in 2014, when more Americans will have health insurance and utilize physician services. These projections do not take into account Medicare physician payment cuts under the Sustainable Growth Rate formula, which—if not overridden by Congress—would restrain growth in spending for physicians' services to 4.7 percent.

**Medicaid spending per person will fall in 2014.** According to the report, per enrollee Medicaid spending is expected to decline by 2.8 percent in 2014, due to the entry of non-disabled children and younger and nondisabled adults into the Medicaid program. The program will cover nearly 9 million newly insured Americans, leading to a rise in Medicaid spending of 12.2 percent in 2014.

To read "National Health Expenditure Projections, 2012-22" in *Health Affairs*, go to:  
<http://content.healthaffairs.org/lookup/doi/10.1377/hlthaff.2013.0721>

For more information, including historical data on national health expenditures, visit:  
<http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/index.html>

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