

National Health Expenditure Projections 2017–26

Office of the Actuary
Centers for Medicare and Medicaid Services
February 14, 2018



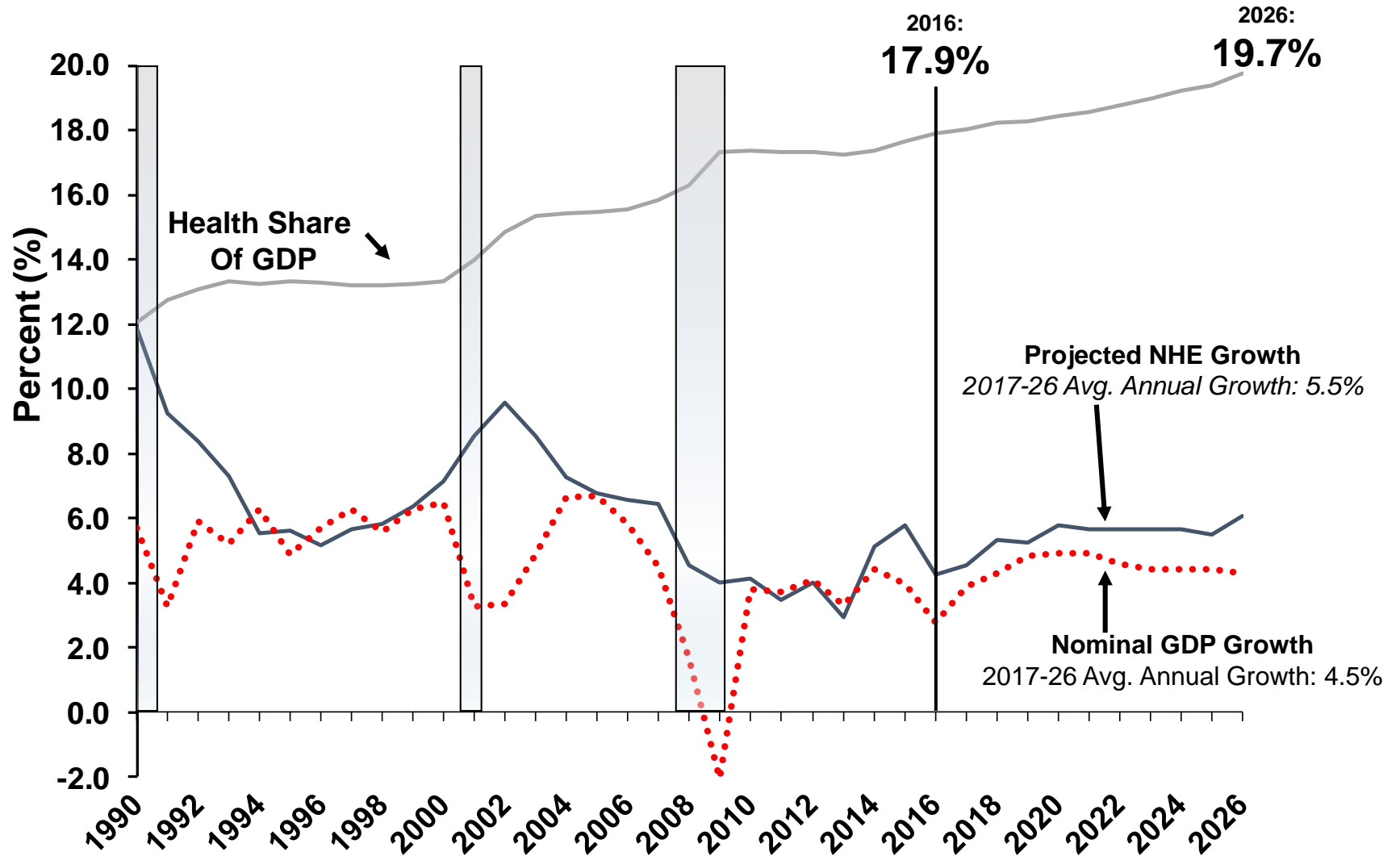
Major Findings

- National health spending is projected to grow 5.5 percent per year on average for 2017-26 and to reach \$5.7 trillion by 2026
- Health spending is projected to grow 1.0 percentage point faster than Gross Domestic Product (GDP) per year over 2017-26 period
 - Health share of GDP expected to rise: 17.9 percent in 2016 to 19.7 percent by 2026
- Projected national health spending and enrollment growth over the next decade is largely driven by fundamental economic and demographic factors
- Federal, state and local governments are projected to sponsor 47 percent of national health spending by 2026 (from 45 percent in 2016)

NHE Projections Methods

- The NHE Projections for 2017-26 were developed using actuarial and econometric modeling techniques to project spending by type of service/good, payer, and sponsor
- These projections are consistent with current-law
 - Medicare projections and economic assumptions consistent with the *2017 Medicare Trustees Report*
 - Tax Cuts and Jobs Act repeal of individual mandate reflected in projections
 - Health tax provisions from CR passed January 22, 2018 reflected in projections
- These projections do not assume potential legislative changes over the projection period

Growth in National Health Expenditures (NHE), Gross Domestic Product (GDP), and the Health Share of GDP, 1990-2026



SOURCES Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, Shaded boxes indicate 1990-91, 2001, and 2007-09 recessionary periods as identified by the National Bureau of Economic Research.

Major Payers

Average Annual Growth 2017-26

- Medicare – 7.4 percent average
 - Overall growth largely driven by enrollment
 - To a lesser extent, modest growth in utilization rising from near historic lows contributes to overall growth
- Medicaid – 5.8 percent average
 - Slower than expansion period growth in 2014-16 (8.3 percent)
 - Faster spending per enrollee by second half of projection due to increasing share of aged, disabled enrollees
- Private health insurance – 4.7 percent average
 - Faster than recession/post-recession period growth 2008-13 (3.4 percent)
 - Slower than longer term historical growth 1990-2007 (7.7 percent)
 - Use and intensity influenced by lagged growth in income, high-deductible plans and to a lesser extent repeal of individual mandate in 2019
 - Spending slightly impacted by excise tax on high cost insurance plans

Major Findings (cont.)

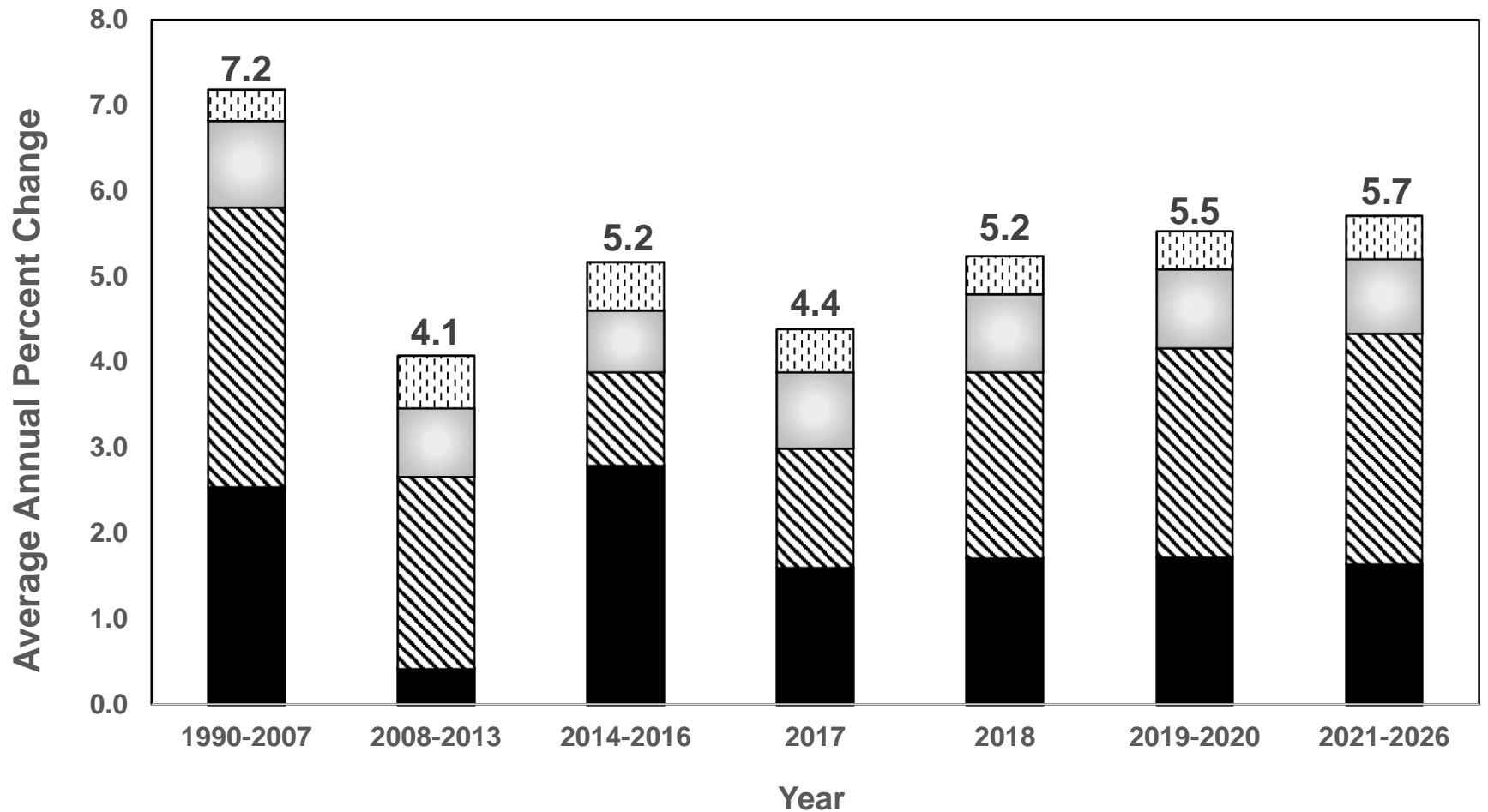
- Insured share of the population projected to decline slightly: 91.1 percent in 2016 to 89.3 percent in 2026
 - Elimination of the individual mandate is expected to lead to a reduction in the insured rate
 - Decline also influenced by factors influencing employer sponsored insurance
- Demographics expected to significantly influence enrollment trends
 - Shifts from private health insurance into Medicare resulting from the continued aging of the baby-boom generation into eligibility

Health Insurance Enrollment

Enrollment (millions)	2013	2016	2017	2026
Private Health Insurance	187.6	196.4	196.8	201.5
Medicare	51.3	55.8	57.6	73.7
Medicaid	58.9	71.2	72.7	81.3
Uninsured	44.2	28.6	29.4	37.7
Insured Share of Total Population	86.0%	91.1%	91.0%	89.3%

SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

Factors Accounting for Growth in Personal Health Care Expenditures, Selected Calendar Years 1990-2026



■ Use and Intensity ▨ Personal Health Care Price Index □ Population ▩ Age-Sex Mix

SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

NOTES: Use and Intensity include quantity and mix of services. As a residual, this factor also includes any errors in measuring prices or total spending. Medical prices reflect a chain-weighted index of the price for all personal health care deflators.

Key Findings by Time Period

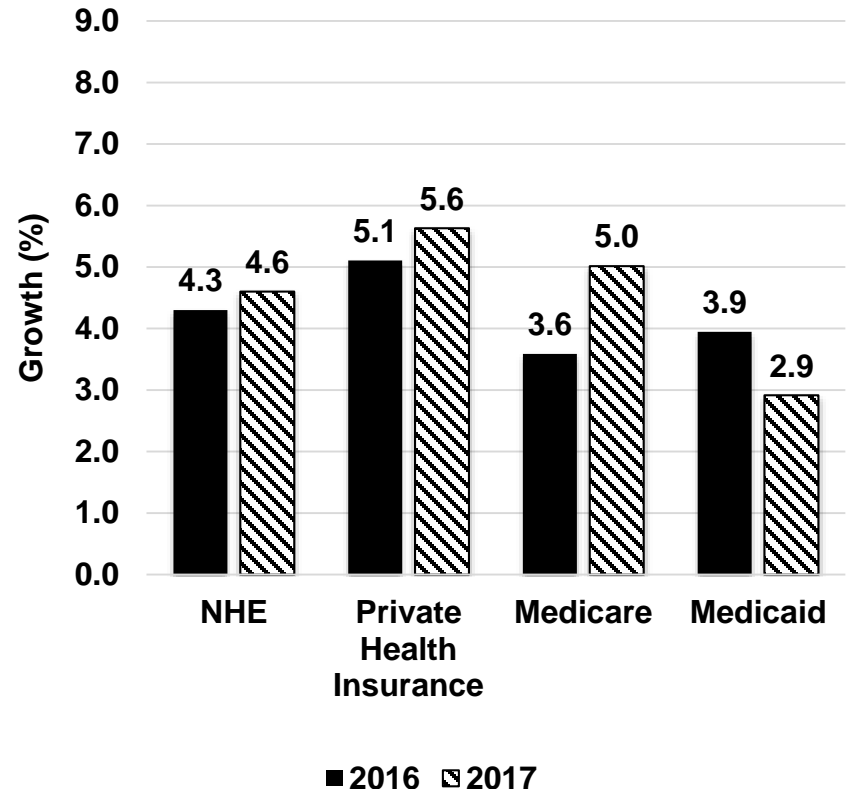
Special Topics



Projected Spending Growth by Time Period 2017

Slight acceleration in NHE growth from 2016

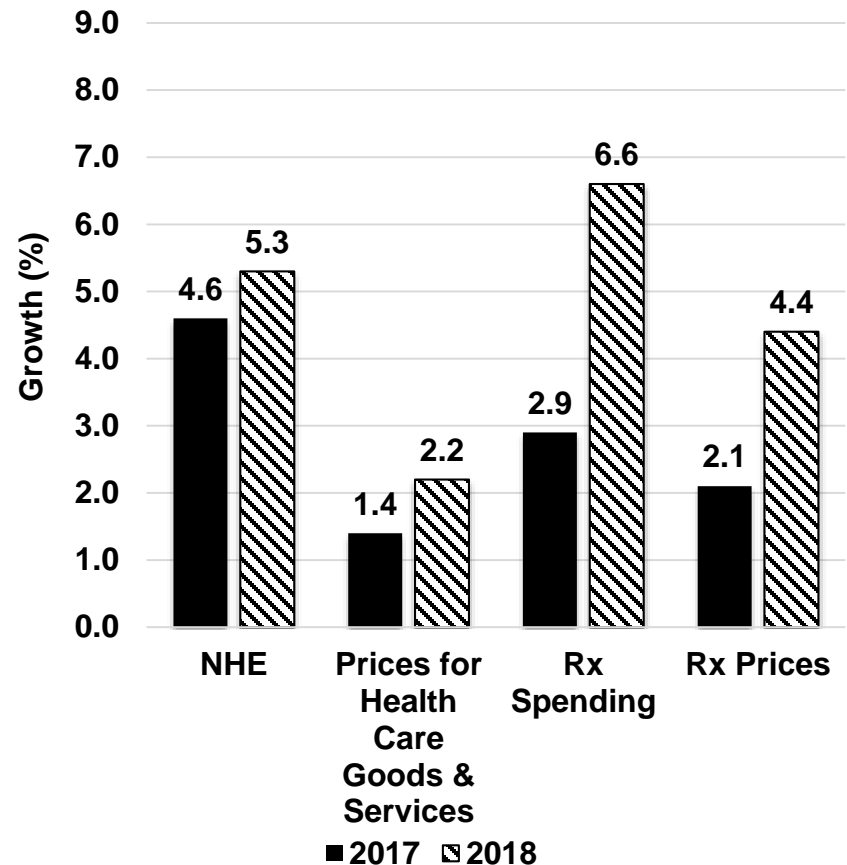
- **Medicare:** acceleration in growth primarily due to growth in use, payment updates
- **Private health insurance:** acceleration in growth related to growth in net cost of insurance for Marketplace plans
- **Medicaid:** slower projected growth due to recoveries of risk mitigation payments



Projected Spending Growth by Time Period 2018

0.7 percentage point increase in projected NHE growth from 2017

- **Prices for goods and services:**
Faster growth driven by Rx price growth reflecting lower dollar-value of drugs losing patents in 2018

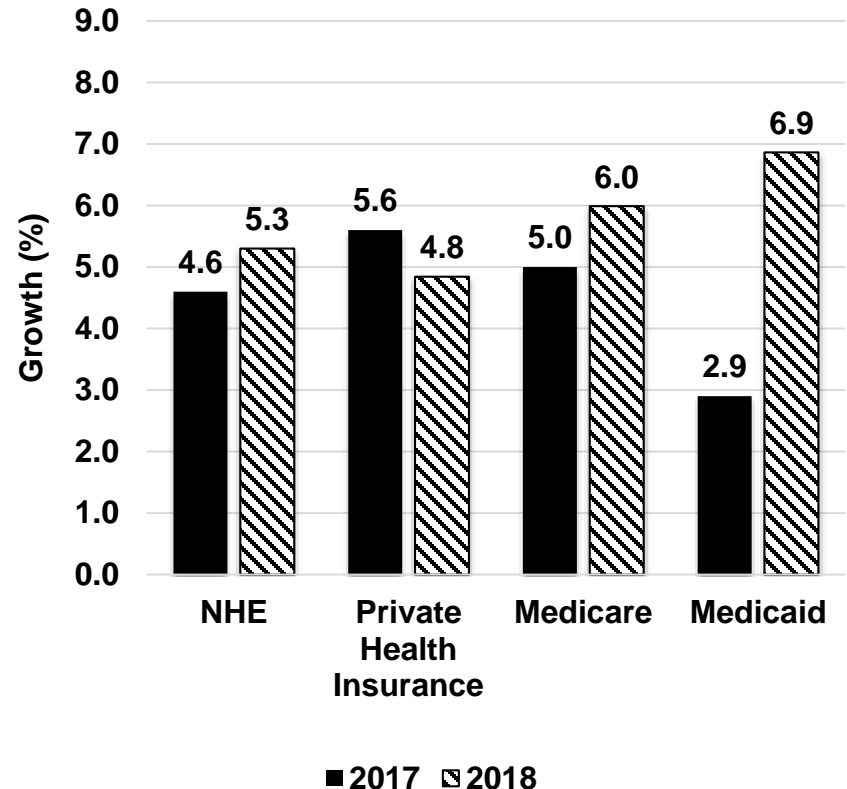


Projected Spending Growth by Time Period 2018

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Key Payer Trends:

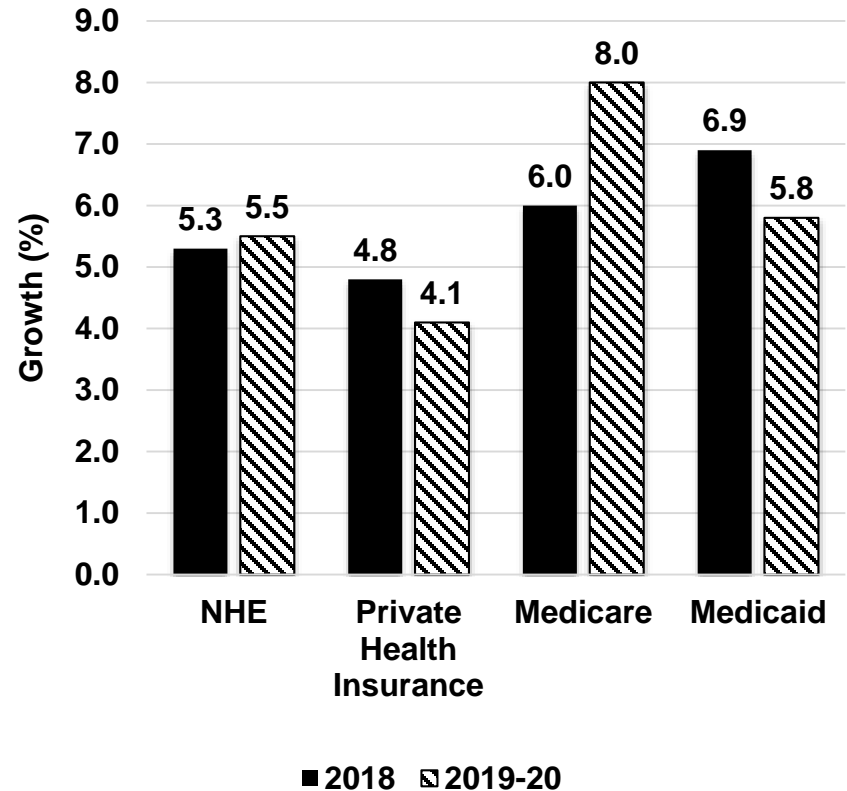
- **Medicaid:** acceleration in growth due to smaller recoveries of risk mitigation payments
- **Private health insurance:** slower growth due to net cost trend reflecting slower projected Marketplace premium growth



Projected Spending Growth by Time Period 2019-20

*Average NHE Growth 0.2
percentage point faster than 2018*

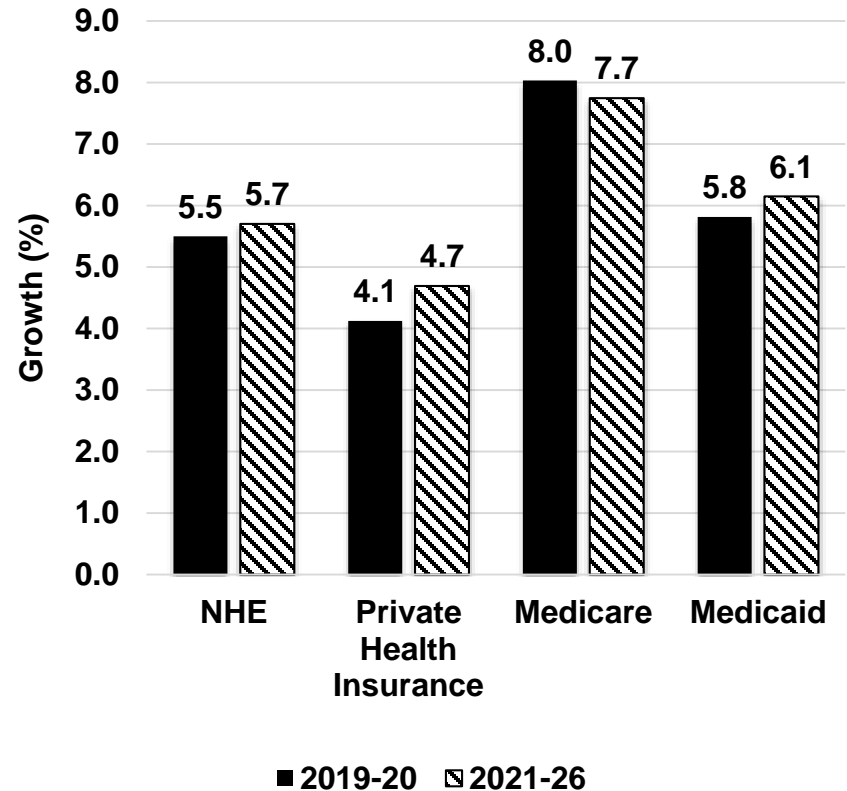
- **Medicare:** spending growth projected to accelerate
 - Partly due to incentive payments under MACRA
 - Partly due to modest increase in growth in use and intensity
- **Private health insurance:** spending growth projected to slow in part due to repeal of individual mandate



Projected Spending Growth by Time Period 2021-26

0.2 percentage point increase in average NHE growth

- **Medicare:** fastest projected spending growth among major payers; reflects sustained growth in both enrollment and per enrollee spending
- **Medicaid:** acceleration in growth mostly due to increasing share of relatively more expensive aged and disabled enrollees
- **Private health insurance:** projected growth slower than other payers primarily reflecting modest enrollment growth



Special Topics

- Prescription Drug Rebates
 - Effect on spending expected to level off in second half of projection
 - Slower increase in rebate share of prescription drug spending assumed in 2018 and beyond
 - Contributes to expectation of faster prescription drug spending growth than might have been expected otherwise
 - Faster price growth reflecting greater influence of relatively more costly specialty drugs
- Prescription drug spending growth for 2017-26: **6.3 percent**
 - Fastest among largest health care goods and services

Special Topics

- Effect of High-Deductible Plans
 - Again expected to influence utilization now that major impacts of ACA coverage expansions realized; consistent with past evidence
 - Contributor to slower projected growth in private health insurance spending for hospital and physician and clinical services in 2017
 - Latter half of projection period: growth in private health insurance and out-of-pocket spending projected to be similar and driven by same underlying factors (e.g., growth in disposable personal income)

Major Findings

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