Hartman et al., “National Health Spending In 2013”

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Overall trends

- US healthcare spending increased by 3.6% in 2013
- US healthcare spending was 17.4% of GDP in 2013, and has been steady as a share of GDP since 2009
- the growth is spending decelerated by 0.5% from 2012 to 2013
- main reason: slower private health insurance and Medicare spending growth
- slower spending growth is also attributable to slower growth in hospital care spending, investments in medical and structure and equipment, and spending for physician and clinical care
- private health insurance spending growth decelerated: slower growth in hospital services, physician, and clinical services
- Medicare spending growth decelerated:
  - slower growth in enrollment
  - ACA: lower FFS payment updates
  - ACA: adjustments in Medicare Advantage benchmark payment rates
  - federal budget sequestration
- typically GDP growth and healthcare spending growth converge a few years after the end of a recession, stabilizing healthcare’s share of GDP
- national health spending growth can generally be disaggregated into:
– economywide price inflation
– changes in population
– shifts in age and sex mix of population
– residual: use and intensity of services

• currently: relatively high growth in residual but slow growth in prices due to payment adjustments, MLR requirements, and private insurance rate reviews under ACA and budget sequestration

Impact of ACA and budget sequestration

• negative spending impact of ACA:
  – productivity adjustment of FFS payments
  – reduced Medicare Advantage base rates
  – increased Medicaid prescription drug rebates
  – MLR requirement for private insurers

• positive spending impact of ACA:
  – early Medicaid expansion initiatives
  – temporary increase in Medicaid PCP payments
  – reducing the size of the doughnut hole in Medicare Part D
  – implementation of drug industry fees

• budget sequestration:
  – 2% reduction in spending on Medicare benefits
  – reduced funding for federal research, federal public health activities, and some other federal programs

By source of insurance

• Medicare:
  – slower enrollment growth
  – ACA changes
  – sequestration

• Private health insurance:
  – low overall enrollment growth
continuing shift to enrollment in consumer-directed high-deductible plans
other benefit design changes
low underlying benefit cost trends
ACA: MLR requirement and rate review

By spending type

• OOP spending:
  - faster growth
  - improved economy
  - higher cost sharing for group health insurance
  - increased enrollment in consumer-directed plans (higher deductibles, higher copayment)

• hospital spending:
  - private health insurance: increased cost-sharing requirements, shift towards higher-deductible plans
  - Medicare: ACA productivity adjustment reductions in inpatient readmissions, overall lower use, sequestration

• physician and clinical services:
  - Medicare: decline in physician fee schedule
  - Medicaid: temporary increases in PCP payments

• retail prescription drugs:
  - 2012 had the “patent cliff”: drugs accounting for $35 billion in sales went off-patent
  - expensive new specialty drugs
  - increased utilization of newly available cheap generics
  - growth in Part D enrollment
  - increased subsidies for expanding number of Part D enrollees reaching the catastrophic phase of the benefit
Looking ahead

• key question looking ahead: will health spending growth accelerate as economic conditions improve significantly?

• changes coming up:
  – ACA Marketplaces
  – ACA Medicaid expansion
  – shift to private coverage with high deductibles