

Report: Health Spending To Increase Moderately Under Reform Law

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Overall U.S. health care spending under the federal health reform law will grow by 6.3% annually, slightly higher than the 6.1% growth rate predicted before the overhaul became law, according to a new CMS report published on Thursday in the journal *Health Affairs*, the *New York Times* reports (Pear, *New York Times*, 9/9).

For most U.S. residents, annual out-of-pocket health spending under the reform law would average about \$13,652 per person in 2019, up from \$13,387 without the law, the analysis found. U.S. residents currently spend \$8,389 annually on health care, according to the AP/Chicago Tribune (Alonso-Zaldivar, AP/Chicago Tribune, 9/9).

The report -- prepared by CMS' Office of the Actuary -- also projected that overall health spending will increase to about \$4.6 trillion by 2019 and account for 19.6% of the nation's economy. In a report released in February before the reform law was enacted, CMS actuaries predicted that health spending would increase to \$4.3 trillion, or 19.3% of the economy (Norman, CQ HealthBeat, 9/9).

U.S. health care spending totaled \$2.5 trillion in 2009, which is 17.3% of the gross domestic product.

Efforts to extend health benefits to more than 32 million uninsured U.S. residents over the next few years would be a key factor in the increases, the report said. (*New York Times*, 9/9). The national spending figures account for all payers -- public and private -- and they are analyzed by CMS annually (CQ HealthBeat, 9/9).

The report also estimated:

- Overall health spending is expected to increase by 9.2% by 2014 -- up from more than 6.6% predicted in February -- when the requirement for most U.S. residents to have insurance takes effect;
- Private health insurance spending would increase by 12.8% in 2014, to \$1.1 trillion, up from 6.7% before the reform law's enactment (*New York Times*, 9/9);
- The overhaul has the potential to control health spending past 2020 if Congress continues to follow the cost controls in the law, because projections indicate a slowdown in spending beginning around 2018 (AP/Chicago Tribune, 9/9);

- The number of uninsured residents will decline from 56.9 million to 24.2 million by 2019, and about 92.7% of all U.S. residents will be insured, an increase of 10 percentage points than before the overhaul (CQ HealthBeat, 9/9);
- Out-of-pocket spending by employees will be higher in 2018, when many businesses are expected to scale back their coverage benefits to avoid the new tax on high-cost health plans;
- At least 30.6 million individuals will be enrolled in the new health exchanges by 2019, up from the Congressional Budget Office's estimate of more than 24 million (New York Times, 9/9);
- Enrollment in Medicaid and the Children's Health Insurance Plan will increase by one-third to 82.2 million; and
- HHS will spend \$2.4 billion over the next decade to implement the overhaul, while states and the federal government will spend \$37.7 billion to operate the health exchanges created under the reform law, and states and federal government will spend an extra \$31 billion to administer Medicaid (CQ HealthBeat, 9/9).

The Report's Effect

The report "is guaranteed to provide ammunition" for proponents and critics of the overhaul, the AP/Tribune reports (AP/Chicago Tribune, 9/9). The report comes at a crucial time for both sides, less than two months before the midterm elections (CQ HealthBeat, 9/9).

Critics of the overhaul likely will point out that the analysis indicates that the new law will not address the issue of controlling health spending, as the Obama administration repeatedly promised it would. However, proponents of the reform law can point to the expansion of coverage and the potential for greater cost control beyond 2020.

The White House Responds

On Wednesday, the White House released its own analysis of the CMS report. In a blog post, White House Office of Health Reform Director Nancy-Ann DeParle wrote, "A close look at this report's data suggest that for average Americans, the [reform law] will live up to its promise" (AP/Chicago Tribune, 9/9).

She noted that per capita health care spending will average \$14,720 under the new CMS analyses, compared with \$16,120 that CMS projected prior to the law's enactment (CQ HealthBeat, 9/9).