

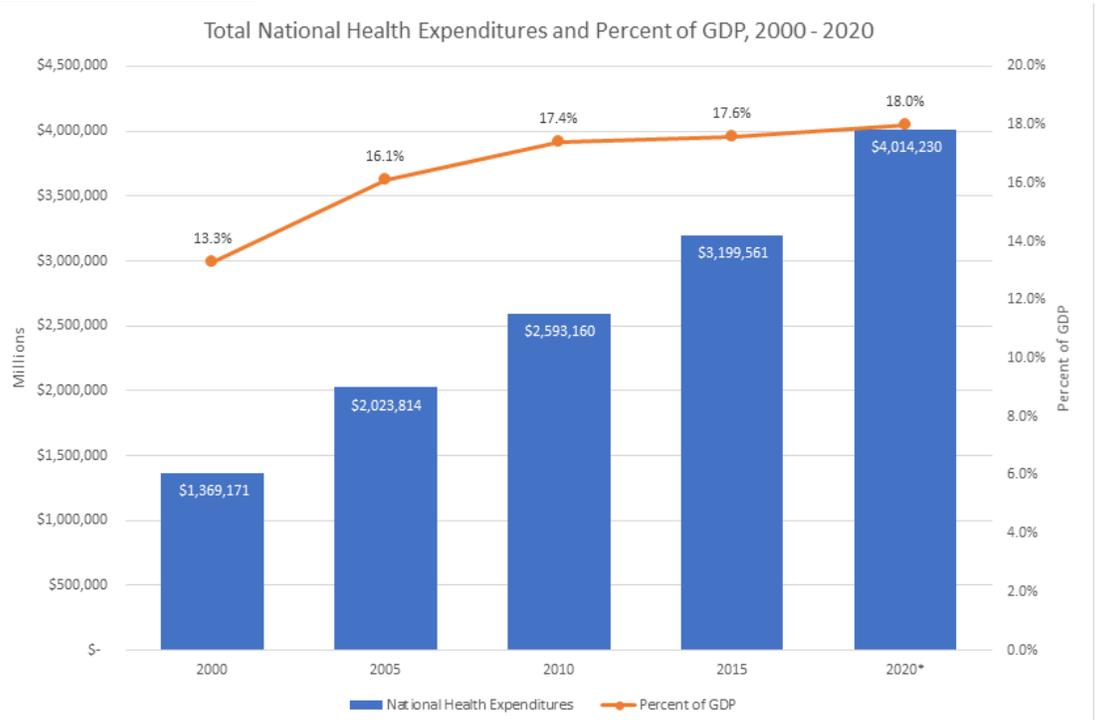
Getting Warmer: Health Expenditure Trends and Health System Reform



The Health Care Transformation Task Force conducted an analysis examining long-term trends in health care spending from 2000 to 2020. When it comes to the goal of bending the cost curve, are we getting warmer or colder? This evaluation of national health expenditure (NHE) trends found a systemic slow-down in both projected and actual health spending growth over the past decade. Furthermore, we believe that payment reform efforts have been a contributing factor to this slowdown. While reform efforts have rarely taken the most direct route, it appears that the system is indeed getting warmer to the goal of slowing spending growth.

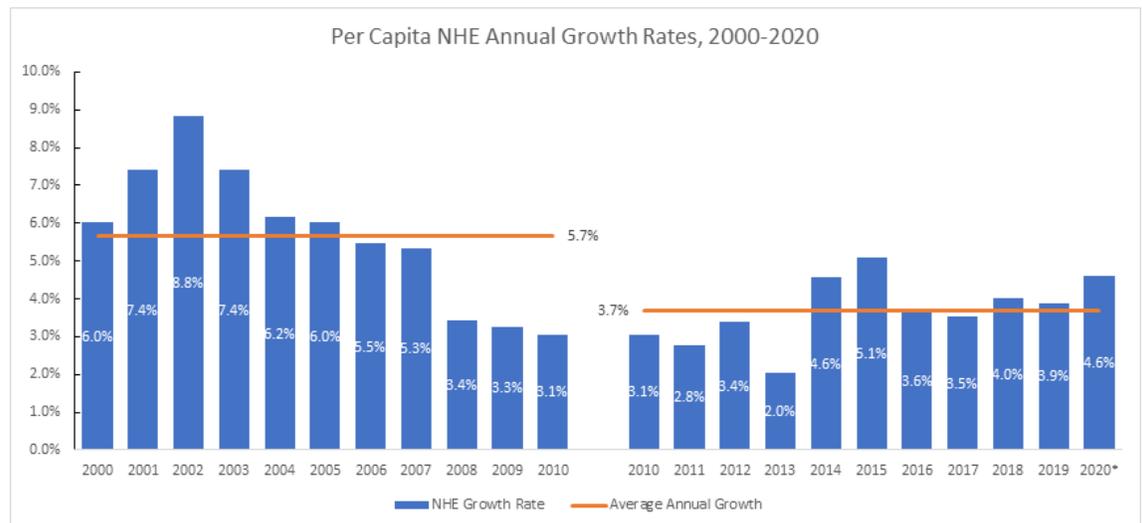
Total NHE and Share of GDP

NHE increased steadily over the past two decades, however, the growth of NHE as a proportion of GDP has slowed considerably over the last decade.



NHE Average Annual Growth Rates

The annual growth rate in NHE from 2000 to 2020 peaked in 2002 at 8.8% and hit a nadir in 2013 at 2.0%. Average growth over the decade spanning 2000 to 2010 was 5.7%, higher than the 2010 to 2020 period which saw average growth of 3.7%.

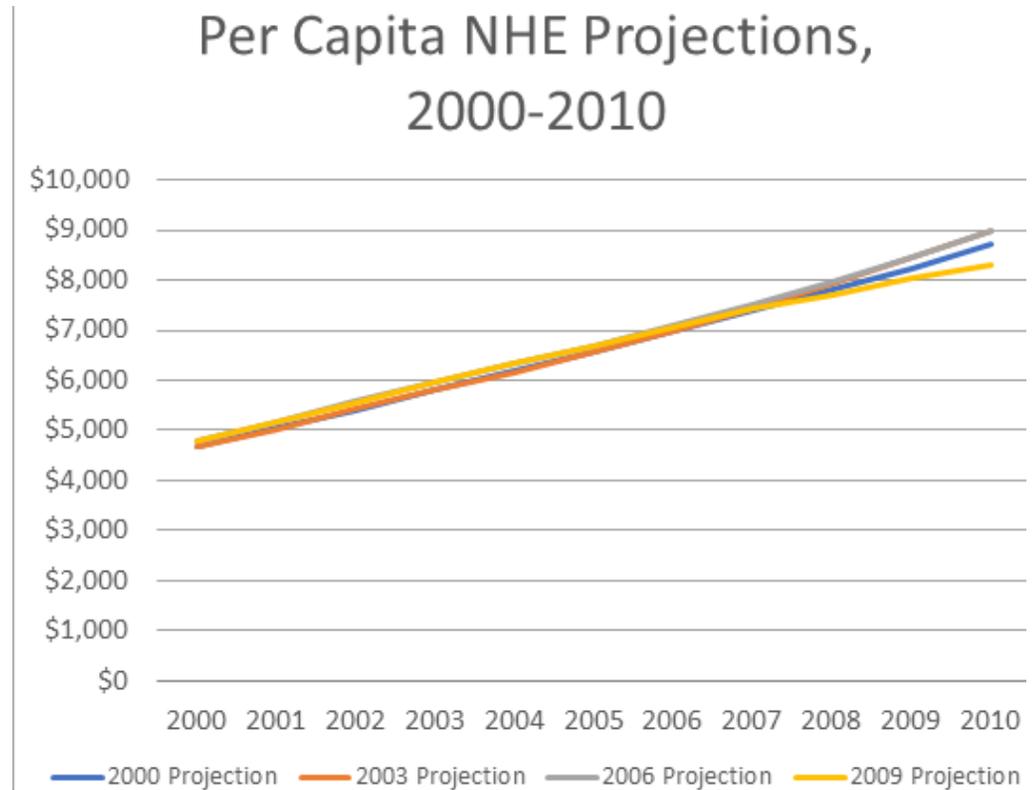


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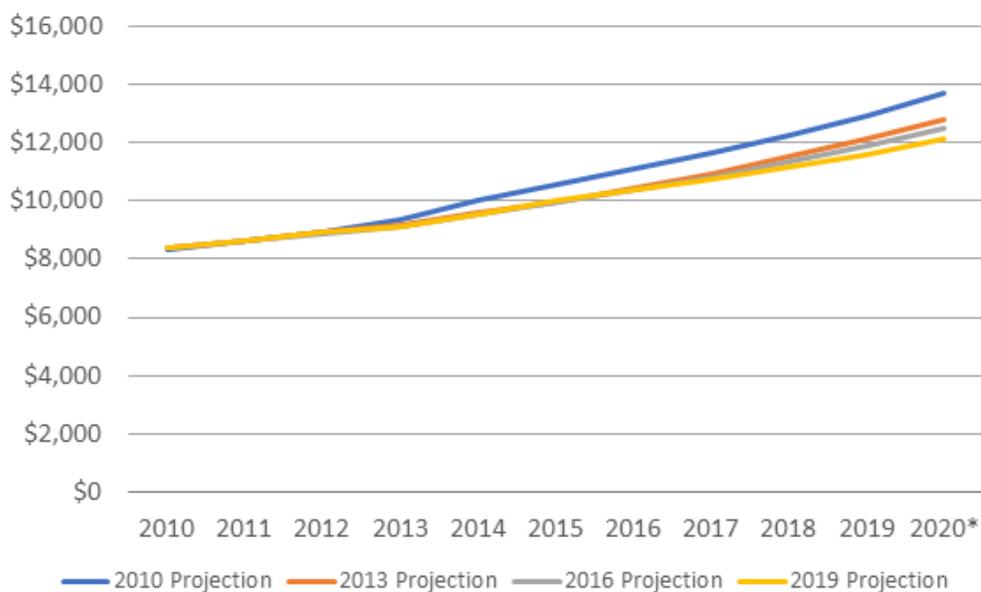


Per Capita NHE Projections

NHE projections were relatively consistent over the first decade of the 2000's. The 2000 vintage NHE projections estimated that NHE would reach \$8,704 per person by 2010. Later revisions in 2003 and 2006 increased that estimate over \$8,900 before the 2009 projection downgraded the forecast to \$8,289, roughly 5 percent below the initial forecast from 2000.



Per Capita NHE Projections, 2010-2020



In comparison, NHE projections for the second decade of the 2000's consistently overestimated spending. The 2010 vintage NHE projections estimated that NHE would reach \$13,723 per person by 2020. Later projections from 2013, 2016, and 2019 consistently decreased projected 2010 per capita spending, which in 2019 was estimated to be \$12,128 or 11.6 percent below the initial forecast from 2010

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OACT estimates of NHE rely on multiple data sources and there are several factors that can impact the accuracy of NHE projections. In a 2019 report, OACT cites four categories of particular interest for the HCTTF analysis:

- 1. Assumptions:** NHE projections are based on a set of assumptions about factors that impact the pricing and utilization of services.
- 2. Changes in Law:** NHE projections are based on current law at the time a given projection vintage is generated. New legislation and related policy changes can dramatically alter federal and state programs and regulations results in impacts to health expenditures.
- 3. Historical Data Revisions:** OACT makes periodic revisions to NHE projections to incorporate updated data sources and account for methodological improvements. Often the effects of these adjustments are minor, but some can have larger impacts.
- 4. Unforeseen Developments in the Health Care Industry:** The health care landscape is dynamic and unexpected shifts in patient behavior or practice patterns can greatly impact national health expenditures over time.

Events Impacting NHE

- ▼ **December 2003:** The Medicare Prescription Drug, Improvement, and Modernization Act (MMA) is signed into law, creating Medicare Part D
- ▼ **January 2006:** Medicare Part D goes into effect
- ▼ **December 2007 - June 2009:** the Great Recession
- ▼ **March 2010:** The Patient Protection and Affordable Care Act is signed into law
- ▼ **June 2012:** The U.S. Supreme Court finds the ACA's Medicaid expansion unconstitutionally coercive of states, making Medicaid expansion optional for states
- ▼ **January 2014:** The ACA is fully implemented
- ▼ **April 2015:** The Medicare Access and CHIP Reauthorization Act is signed into law, repealing the Sustainable Growth Rate formula, and creating the Quality Payment Program
- ▼ **January 2017:** MACRA goes into effect
- ▼ **December 2017:** The ACA individual mandate penalty is repealed
- ▼ **January 2019:** Repeal of the ACA's individual mandate penalty goes into effect