

National Health Expenditure Accounts

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and The NHEA Team

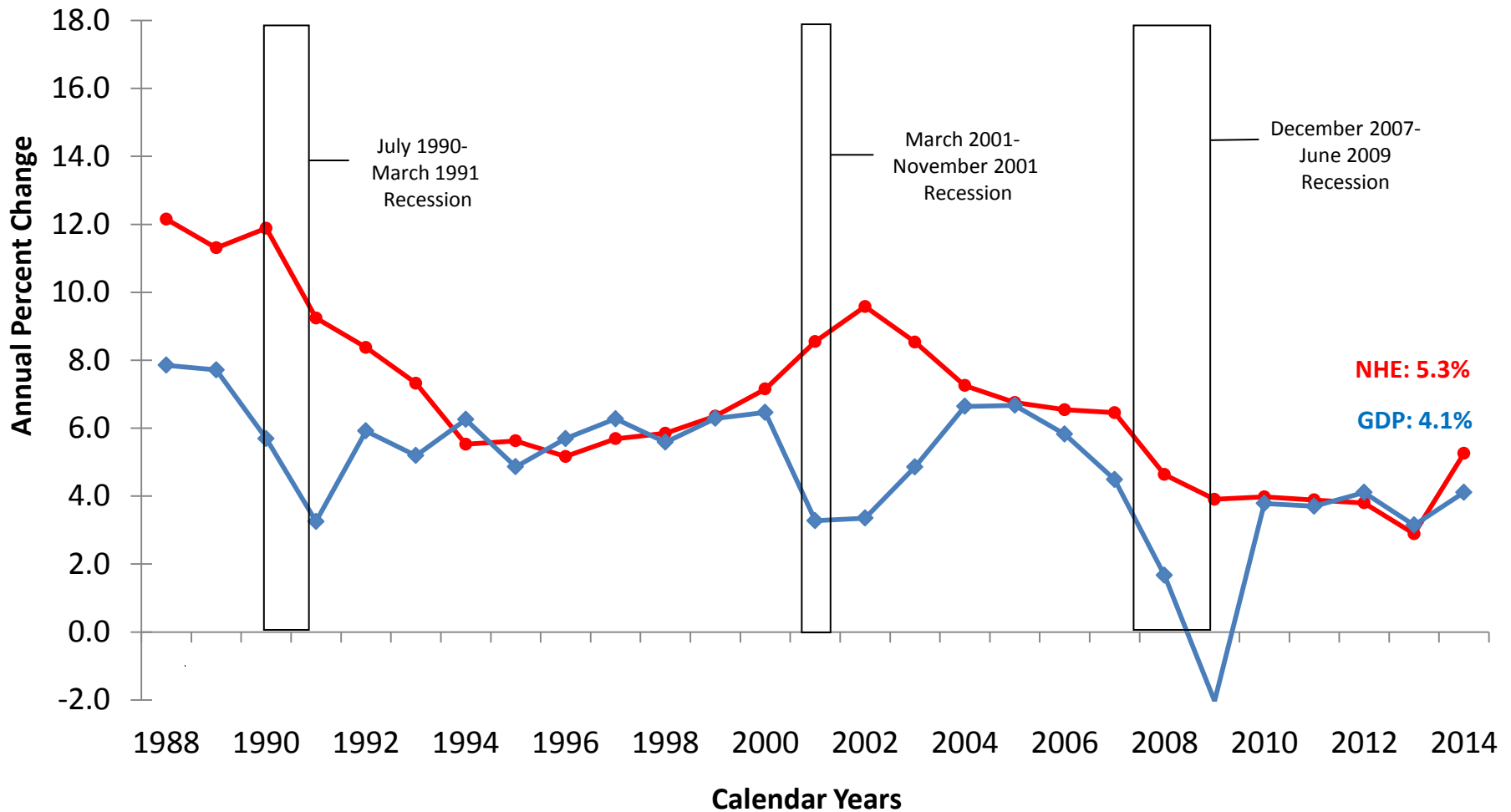
American Academy of Actuaries Webinar
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Overview

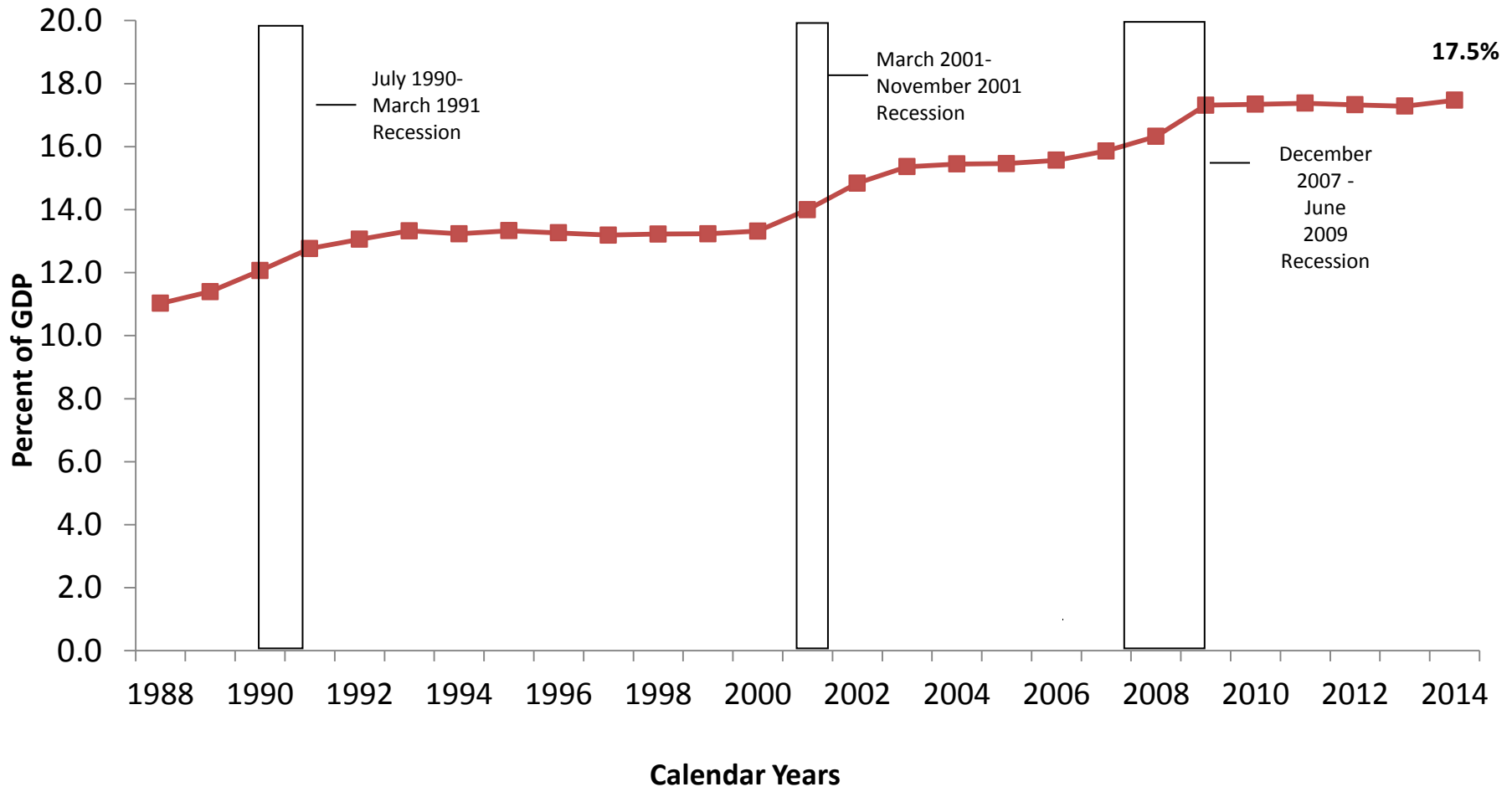
- National health spending reached \$3.0 trillion, or \$9,523 per person in 2014.
- National health spending increased 5.3 percent in 2014 following 2.9 percent growth in 2013.
- The share of Gross Domestic Product (GDP) devoted to health was 17.5 percent in 2014—up from a 17.3 percent share in 2013.

Growth in National Health Expenditures and Gross Domestic Product, 1988-2014



SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis and National Bureau of Economic Research, Inc.

National Health Expenditures as a Share of Gross Domestic Product, 1988-2014



SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis and National Bureau of Economic Research, Inc.

Drivers of Faster Growth in 2014

- Coverage expansions as a result of the ACA
 - Medicaid
 - Private Health Insurance

- Rapid growth in total retail prescription drug spending

Enrollment in Private Health Insurance and Medicaid, 2013 and 2014

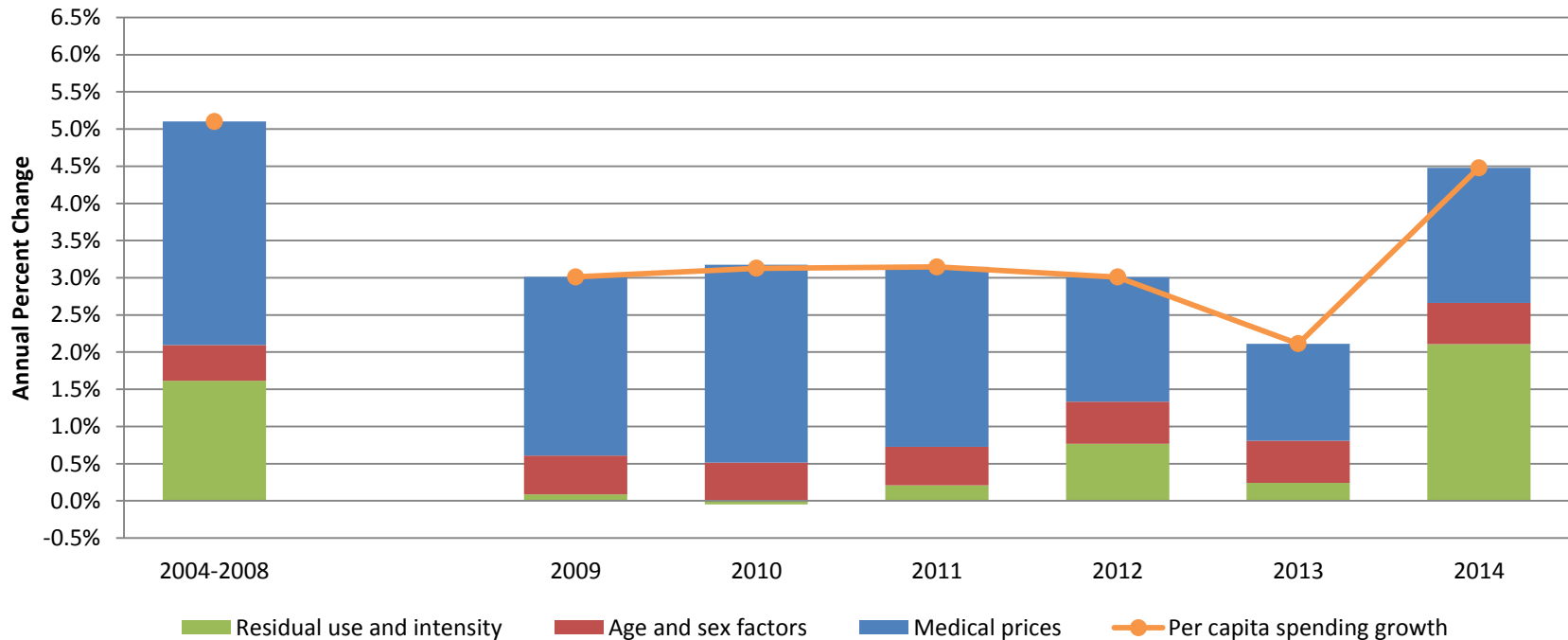
| | <u>2013</u> | <u>2014</u> | <u>Difference</u> |
|--------------------------------|-------------|-------------|-------------------|
| Private Health Insurance (PHI) | 187.7 | 189.9 | +2.2 |
| Medicaid | 58.2 | 65.9 | +7.7 |
| Medicaid Newly Eligible | | 6.3 | +6.3 |
| Uninsured | 44.2 | 35.5 | -8.7 |
| Uninsured Share of Population | 14.0% | 11.2% | -2.8% |

NOTE: Enrollment estimates are not mutually exclusive. Marketplace enrollment is included in the private health insurance category of the National Health Expenditure Accounts. The estimate of Marketplace enrollment for 2014 was 5.4 million and reflects average monthly enrollment and not enrollment at the end of the year.

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

Factors Accounting for Growth in Per Capita National Health Expenditures, Selected Calendar Years 2004-2014

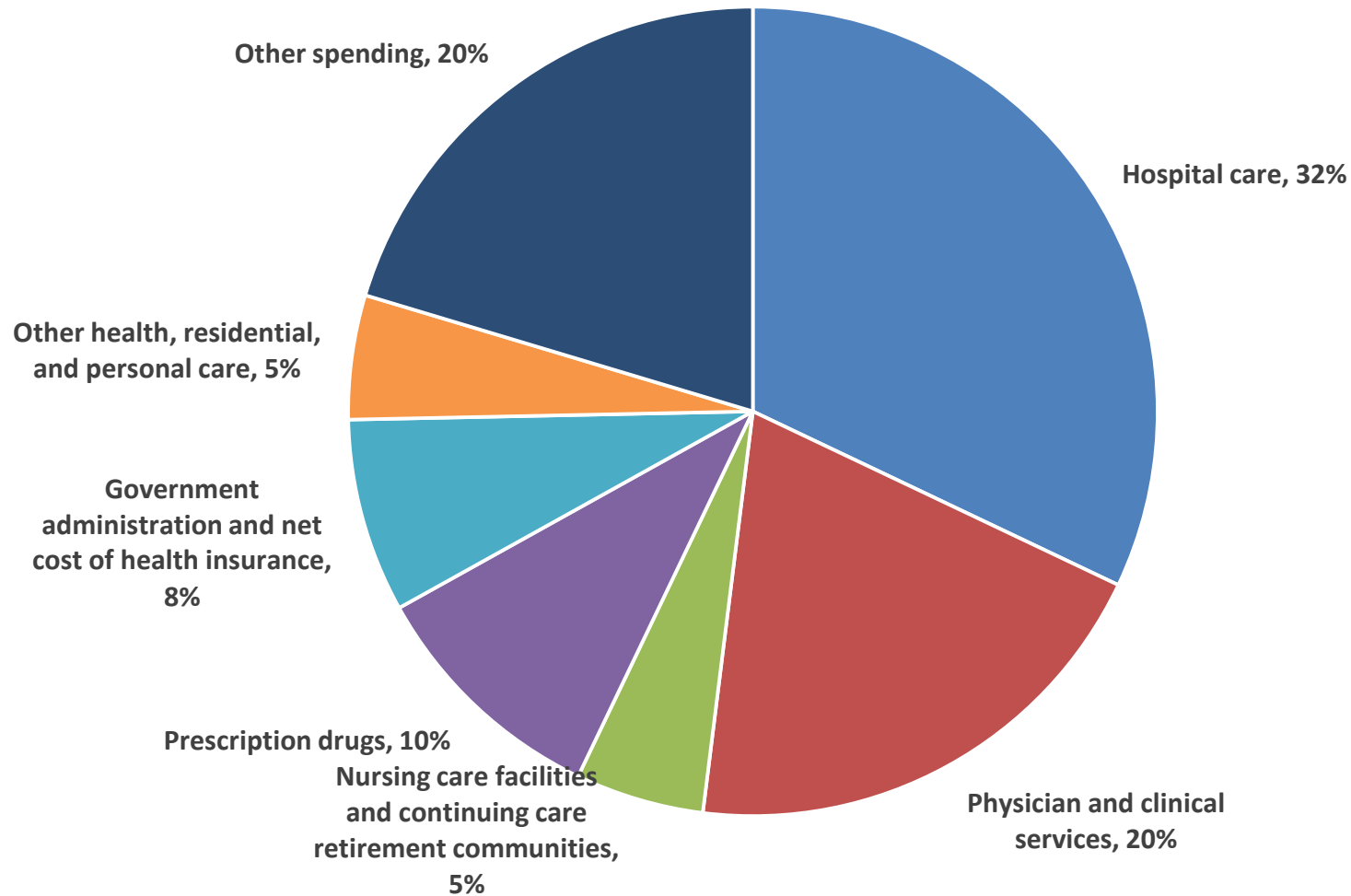
Per capita health spending grew 4.5% in 2014



NOTES: Medical price growth, which includes economywide and excess medical-specific price growth (or changes in medical-specific prices in excess of economywide inflation), is calculated using the chain-weighted national health expenditures (NHE) deflator for NHE. "Residual use and intensity" is calculated by removing the effects of population, age and sex factors, and price growth from the nominal expenditure level.

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

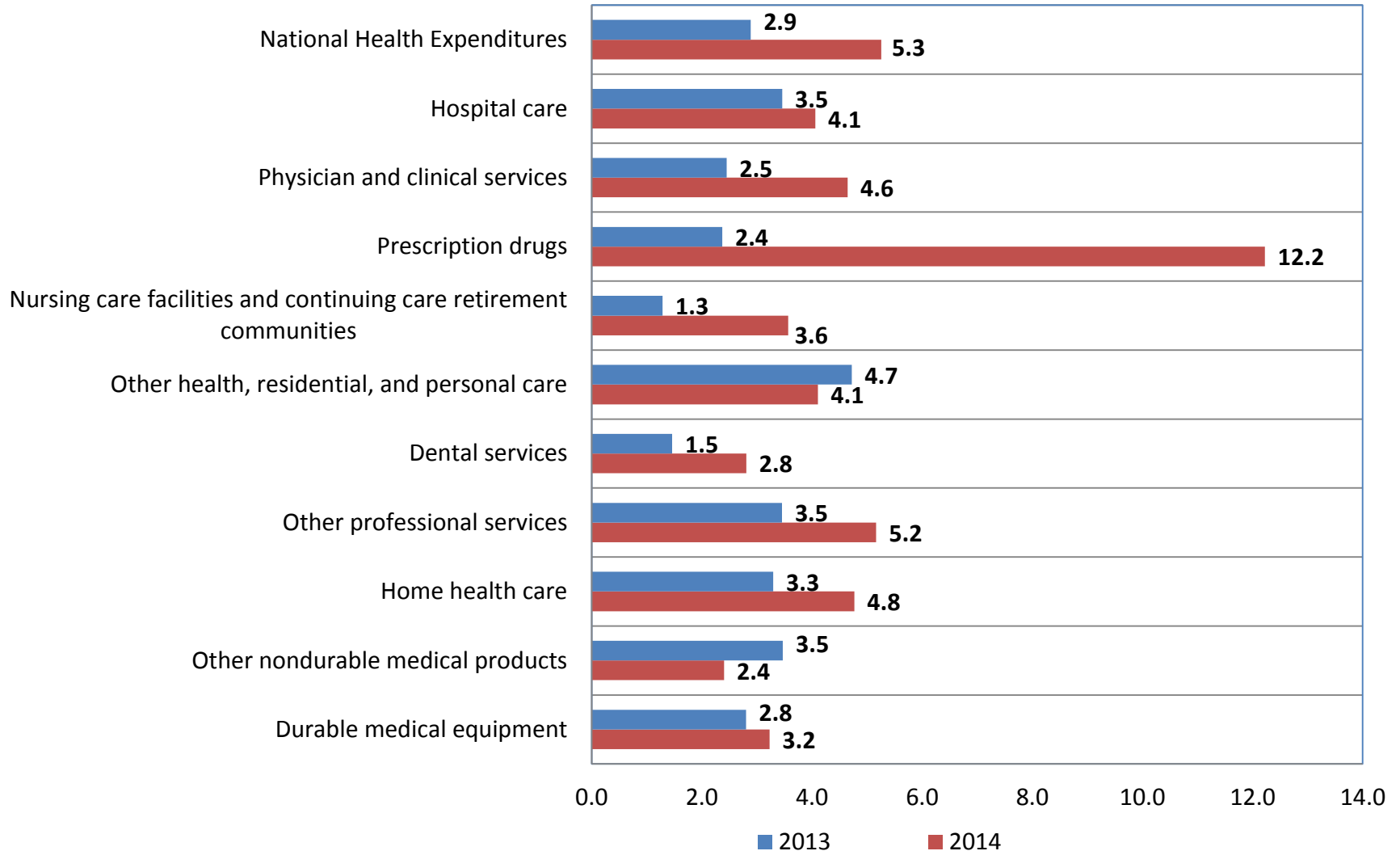
The Nation's Health Dollar, Calendar Year 2014: Where It Went



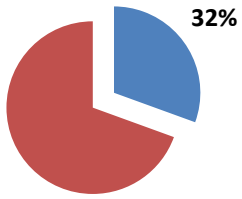
NOTE: "Other spending" includes Dental services, Other professional services, Home health care, Durable medical equipment, Other nondurable medical products, Government public health activities, and Investment.

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

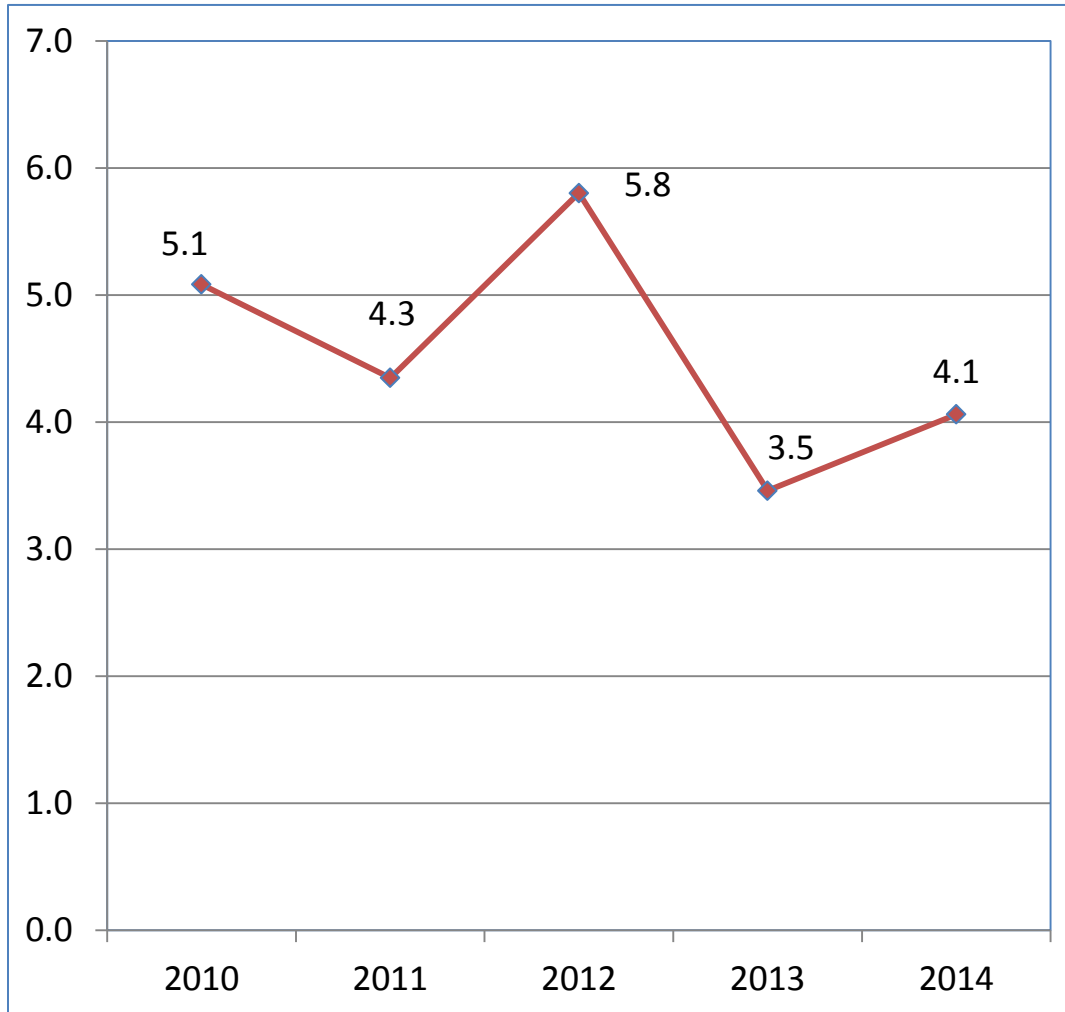
Annual Growth in Spending by Type of Good and Service, 2013 and 2014



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



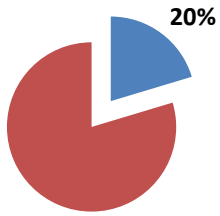
Annual Growth in Hospital Spending, 2010 - 2014



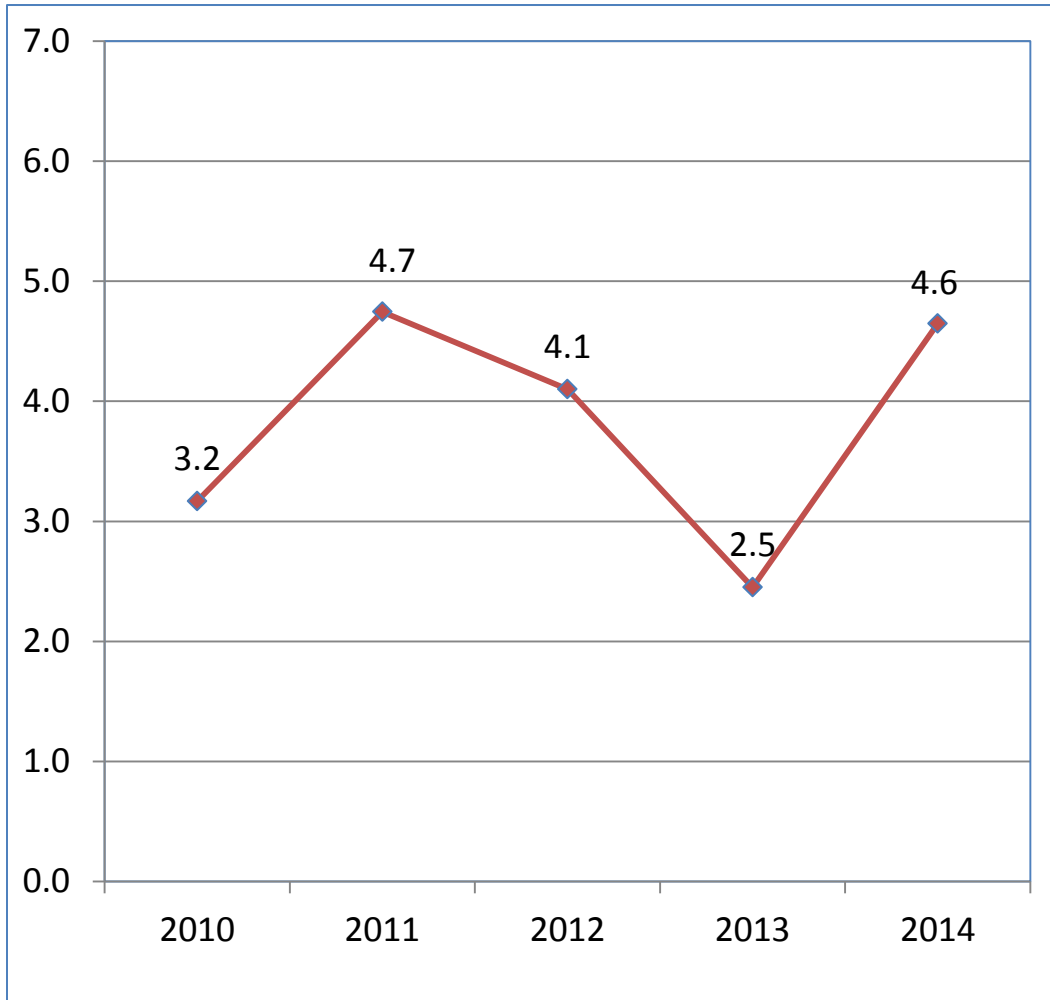
2014 highlights:

- Total spending = \$971.8 billion
- Spending increased 4.1%
- Faster growth in 2014 driven by:
 - Medicaid
 - Private Health Insurance
 - Medicare
 - Residual use and intensity

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



Annual Growth in Physician and Clinical Services Spending, 2010 - 2014



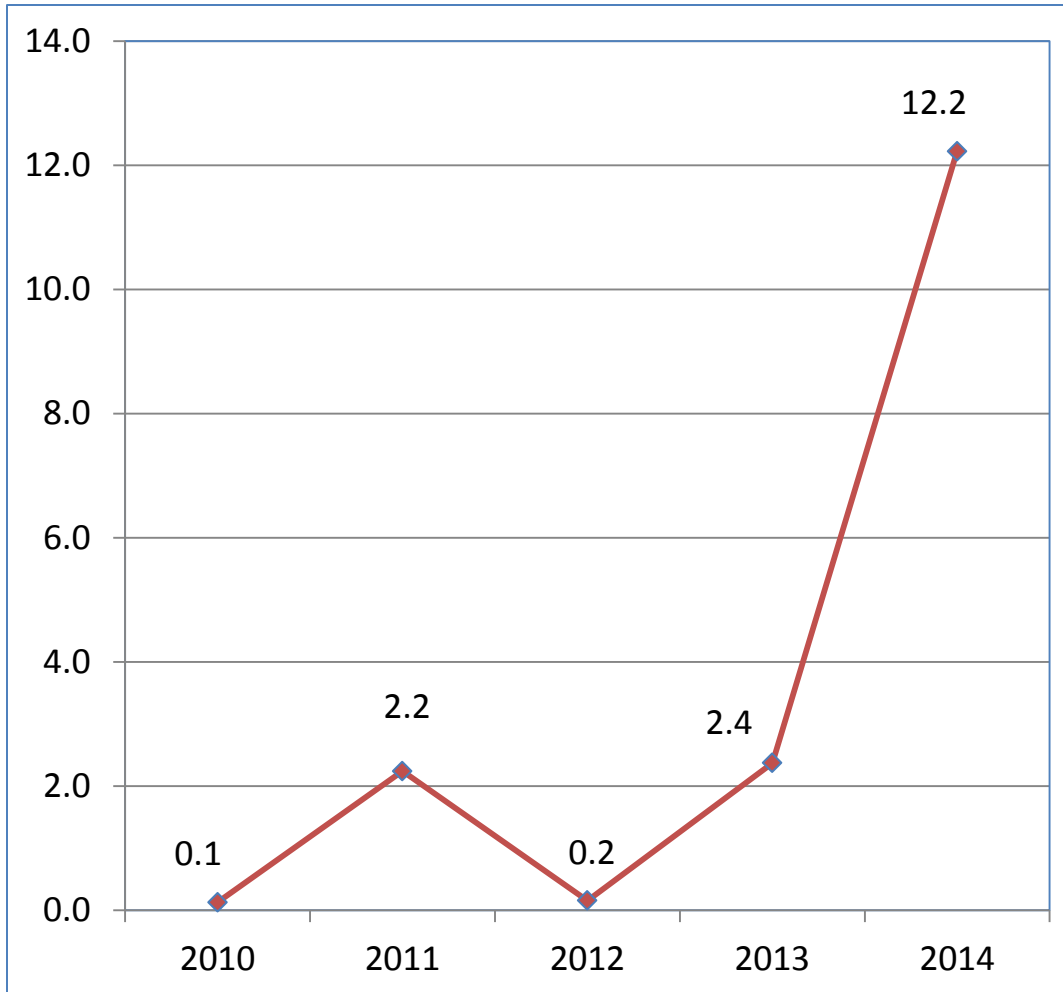
2014 highlights:

- Total spending = \$603.7 billion
- Spending increased 4.6%
- Faster growth in 2014 driven by:
 - Medicaid
 - Private Health Insurance
 - Medicare
 - Residual use and intensity
 - Prices

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



Annual Growth in Retail Prescription Drug Spending, 2010- 2014

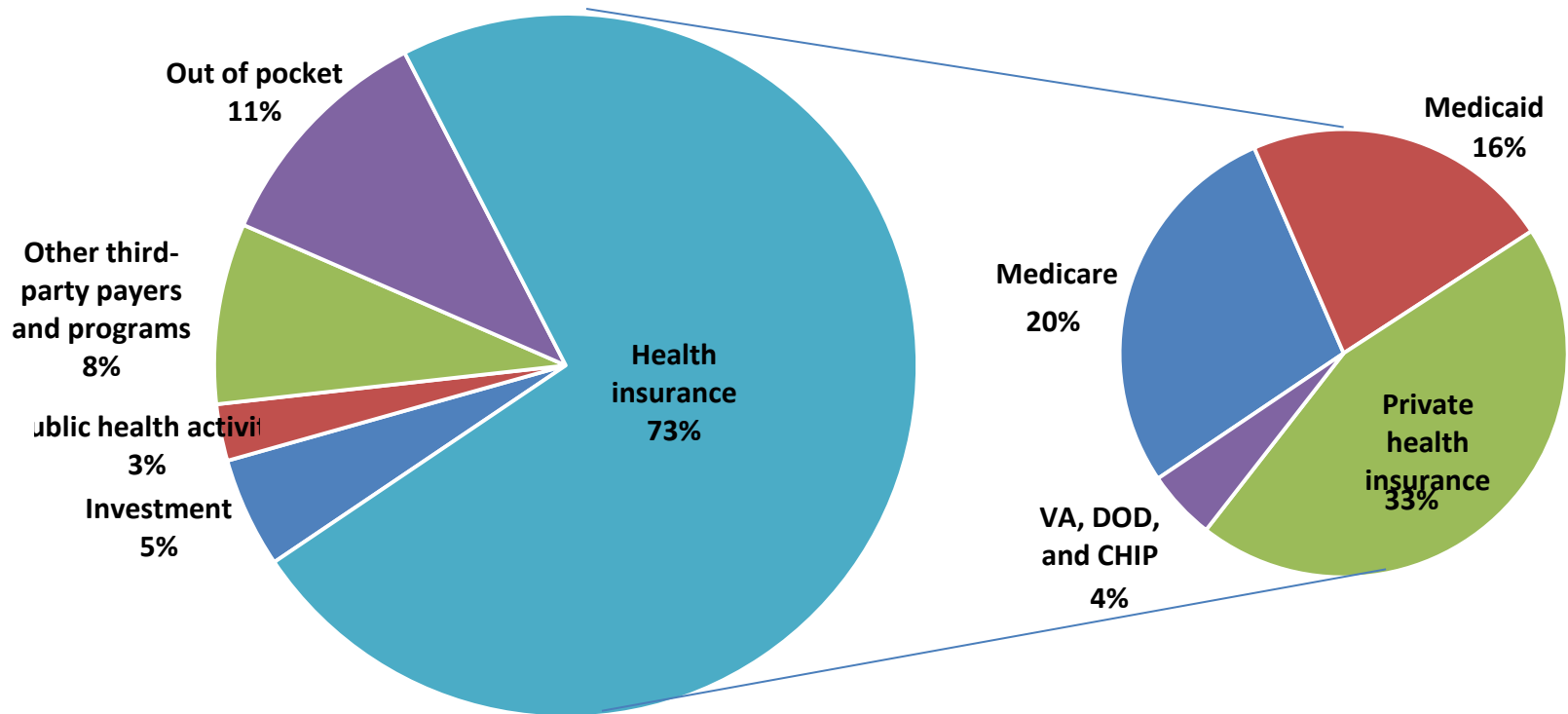


2014 highlights:

- Total spending = \$297.7 billion
- Spending increased 12.2%
- Faster growth in 2014 driven by:
 - Increased spending on new medicines
 - Hepatitis C
 - Smaller impact from patent expirations
 - Price increases for brand-name drugs

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

The Nation's Health Dollar, Calendar Year 2014: Where It Came From



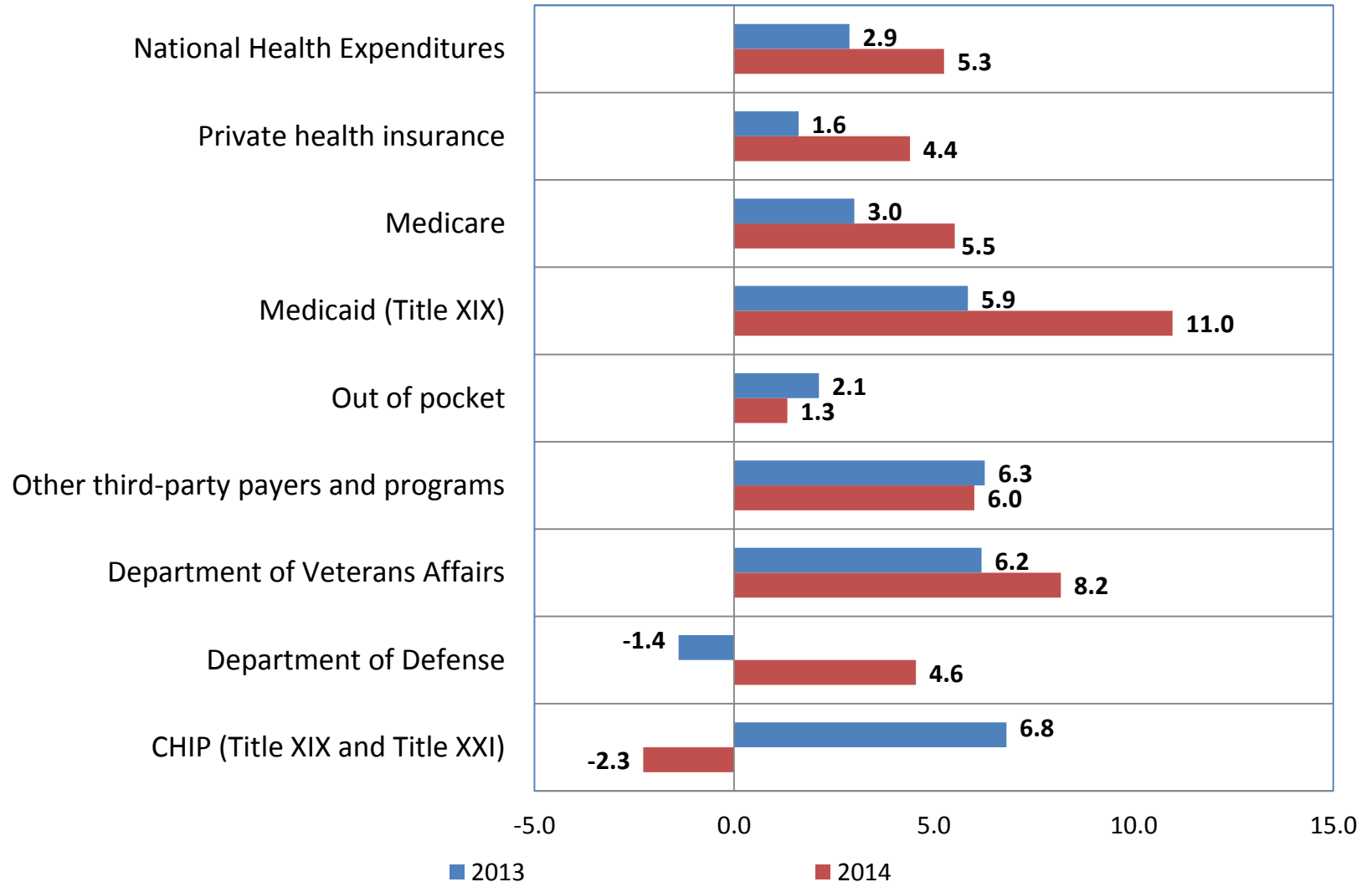
NOTES: "Other third-party payers and programs" includes Worksite health care, Other private revenues, Indian Health Service, Workers' compensation, General assistance, Maternal and child health, Vocational rehabilitation, Substance Abuse and Mental Health Services Administration, School health, and Other federal and state local programs.

"Out of pocket" includes co-payments, deductibles, and any amounts not covered by health insurance.

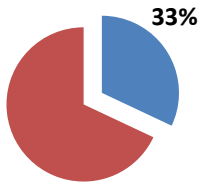
Note: Sum of pieces may not equal 100% due to rounding.

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

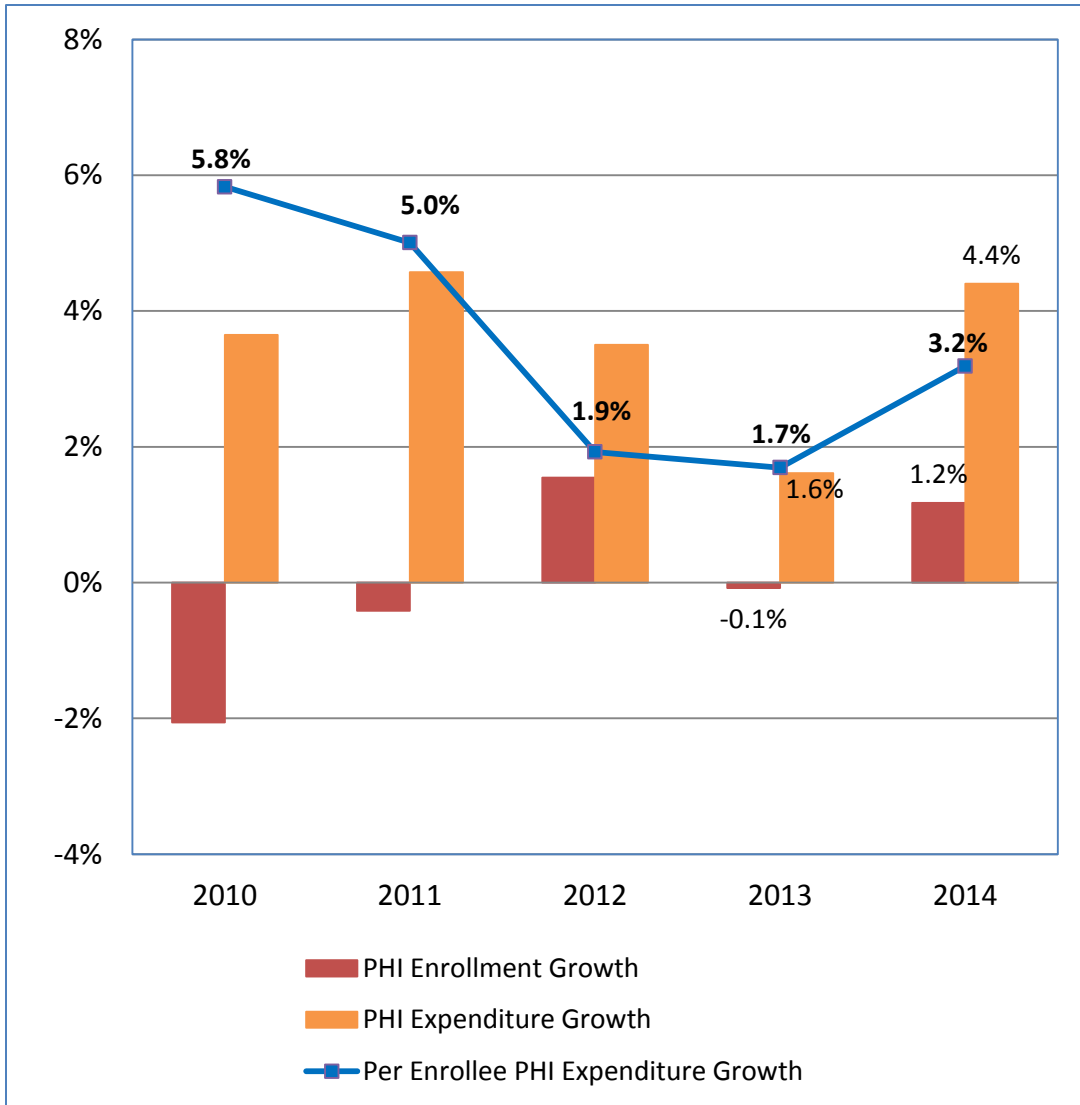
Annual Growth in Spending by Source of Funds, 2013 and 2014



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

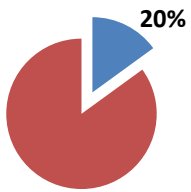


Private Health Insurance: Growth in Enrollment, Total, and Per Enrollee Expenditures, 2010 – 2014

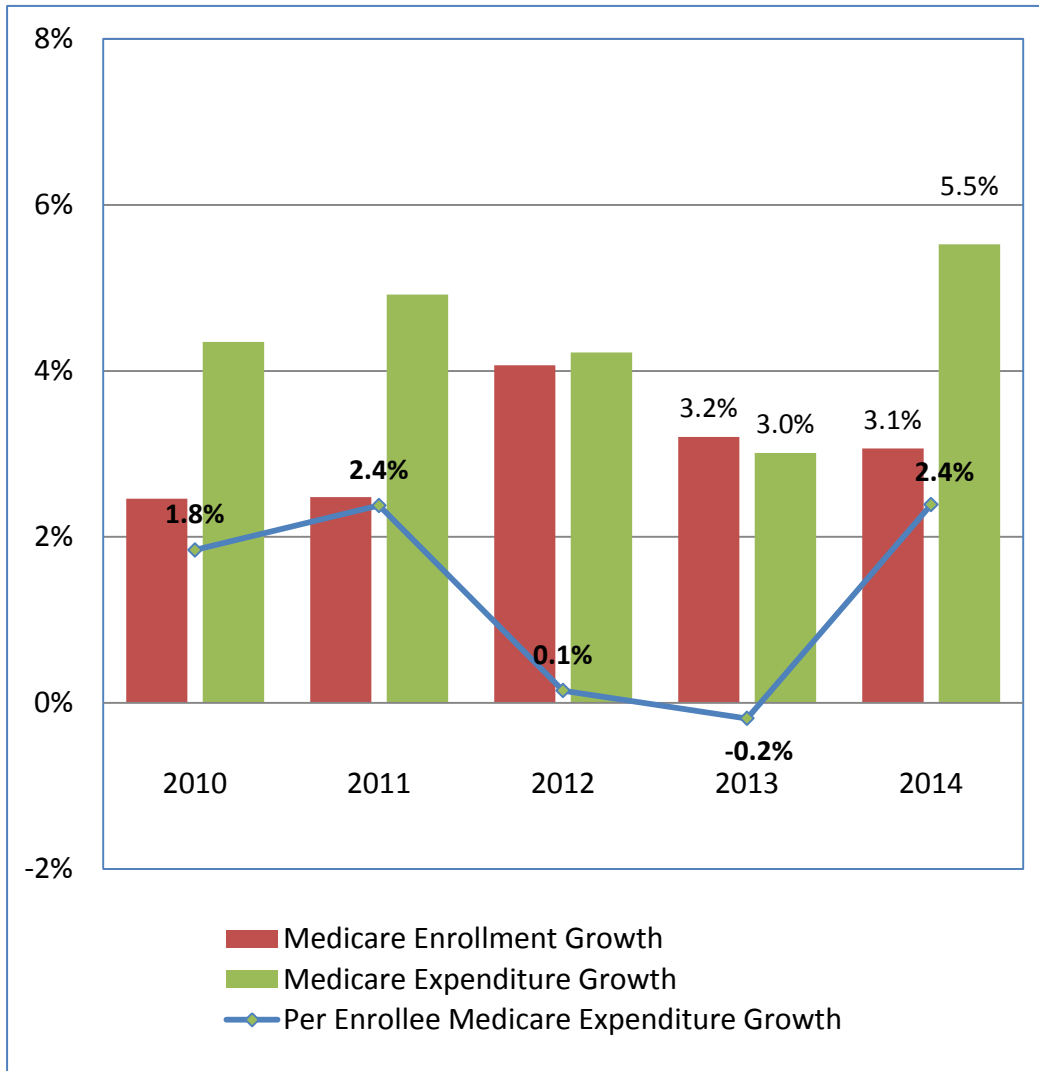


2014 highlights:

- Total Spending = \$991.0 billion
- Spending increased 4.4%
- Enrollment grew 1.2%
- Per enrollee growth 3.2%
- Faster growth driven by:
 - ACA expansion
 - Retail prescription drugs

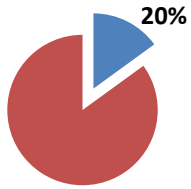


Medicare: Growth in Enrollment, Total and Per Enrollee Expenditures, 2010 – 2014



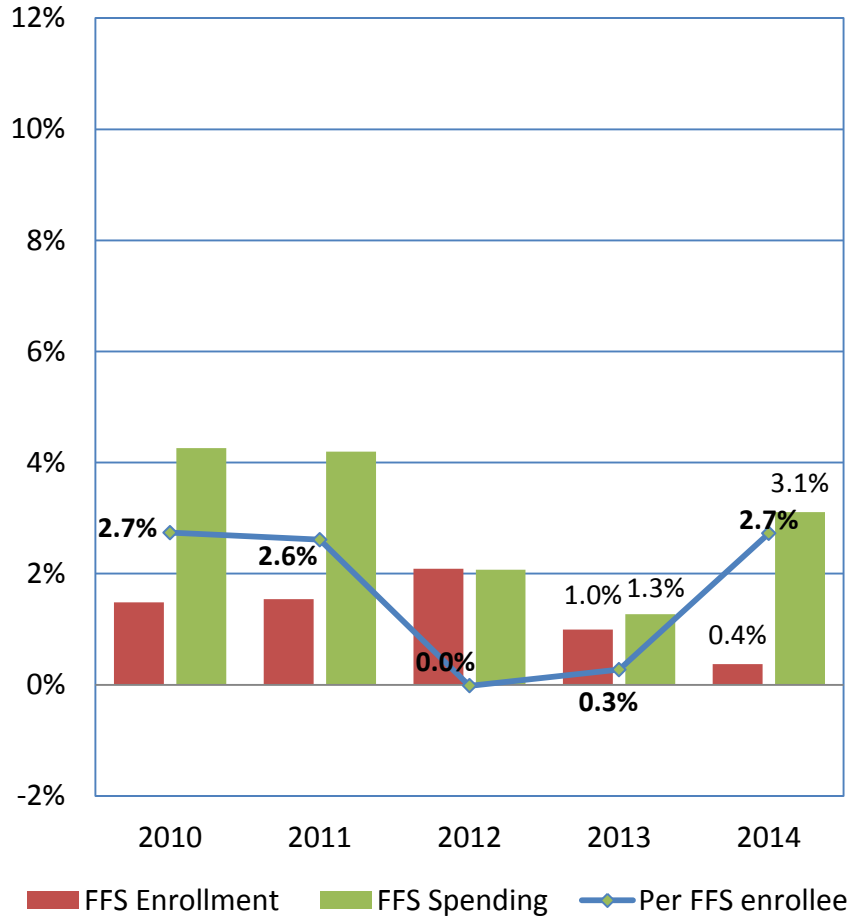
2014 highlights:

- Total Spending = \$618.7 billion
- Spending increased 5.5%
- Enrollment increased 3.1%
- Per enrollee growth 2.4%
- Faster growth in 2014 due to:
 - Increased utilization of services
 - Increased prescription drug spending
 - Increased physician and clinical services spending

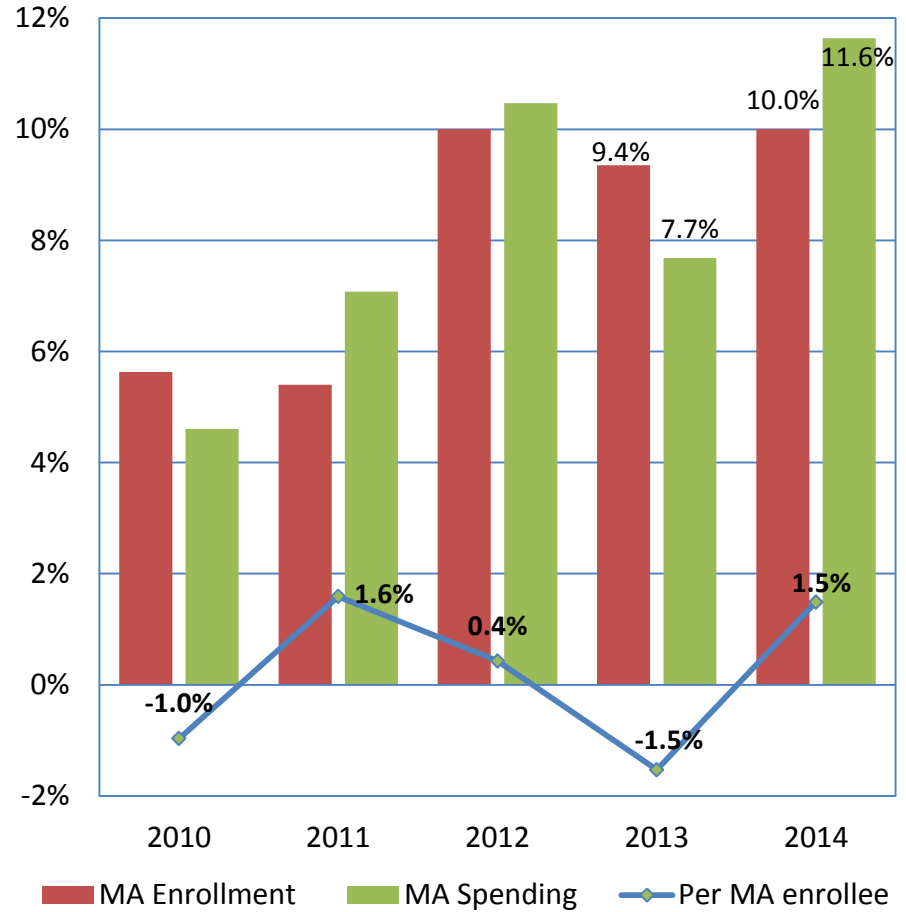


Medicare: Growth in FFS and Medicare Advantage Enrollment, Total Spending, and Per Enrollee Spending, 2010 – 2014

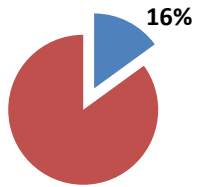
Fee-for-Service (70%)



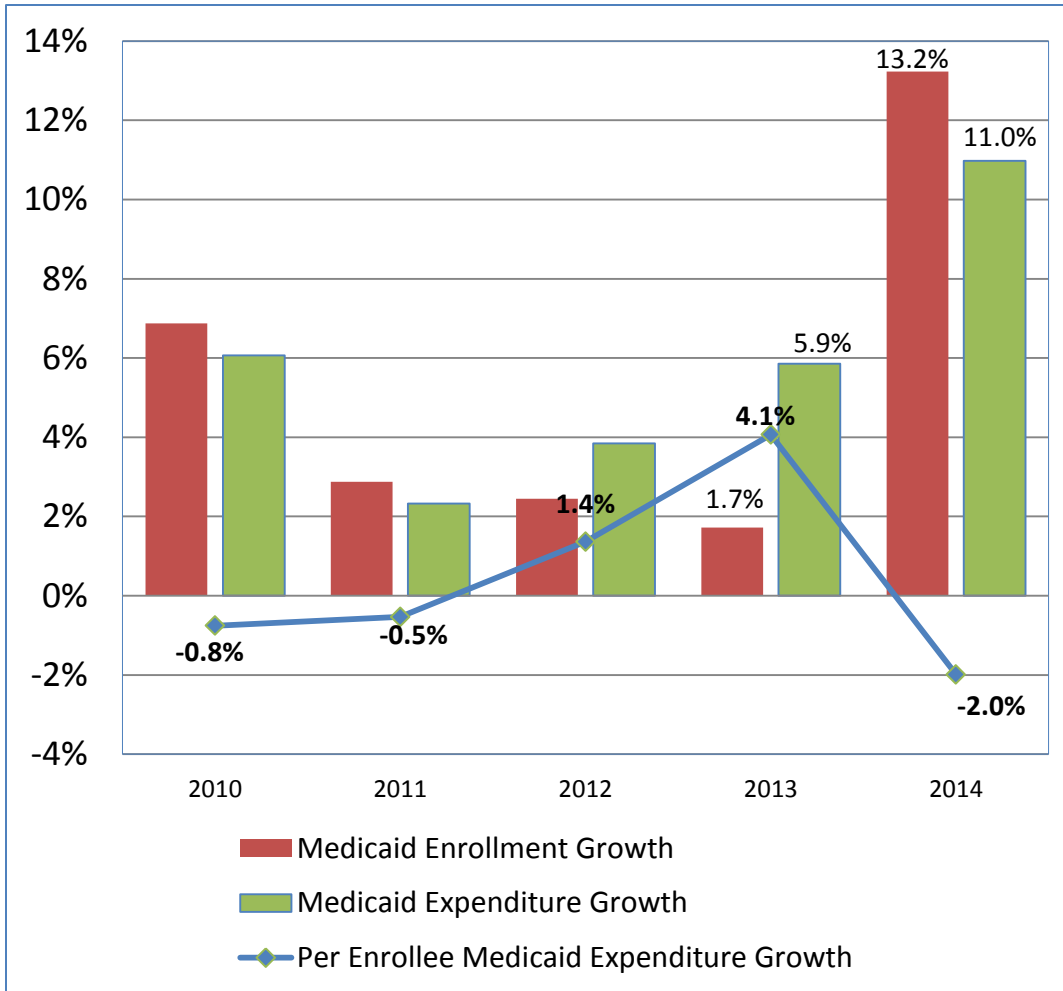
Medicare Advantage (30%)



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



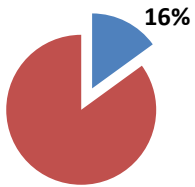
Medicaid: Growth in Enrollment, Total, and Per Enrollee Expenditures, 2010 – 2014



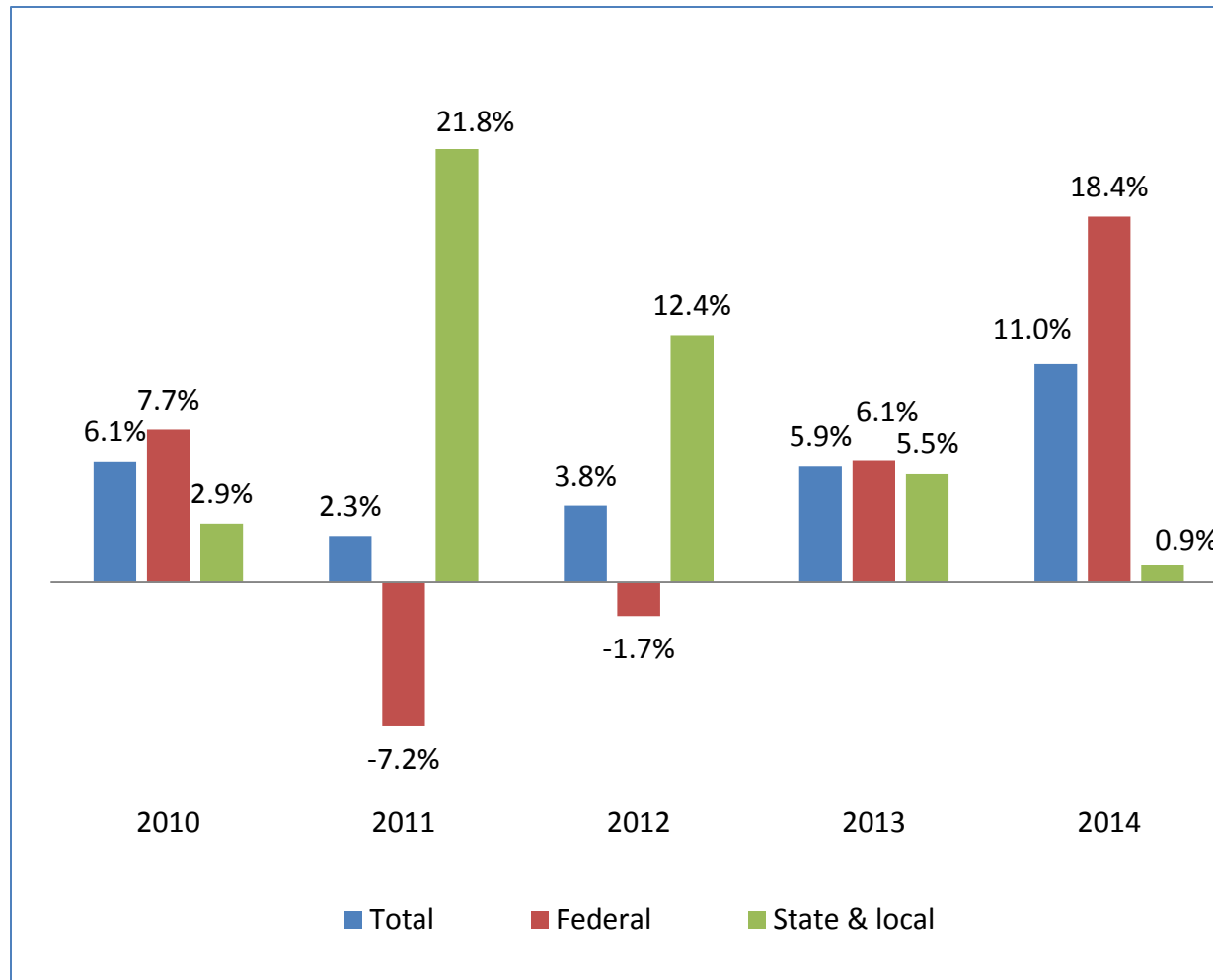
2014 highlights:

- Total Spending = \$495.8 billion
- Spending increased 11.0%
- Enrollment increased 13.2%
- Faster growth in 2014 due to:
 - ACA enrollment expansion
- Per enrollee declined 2.0%
 - Newly insured tended to be lower cost adults and children

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



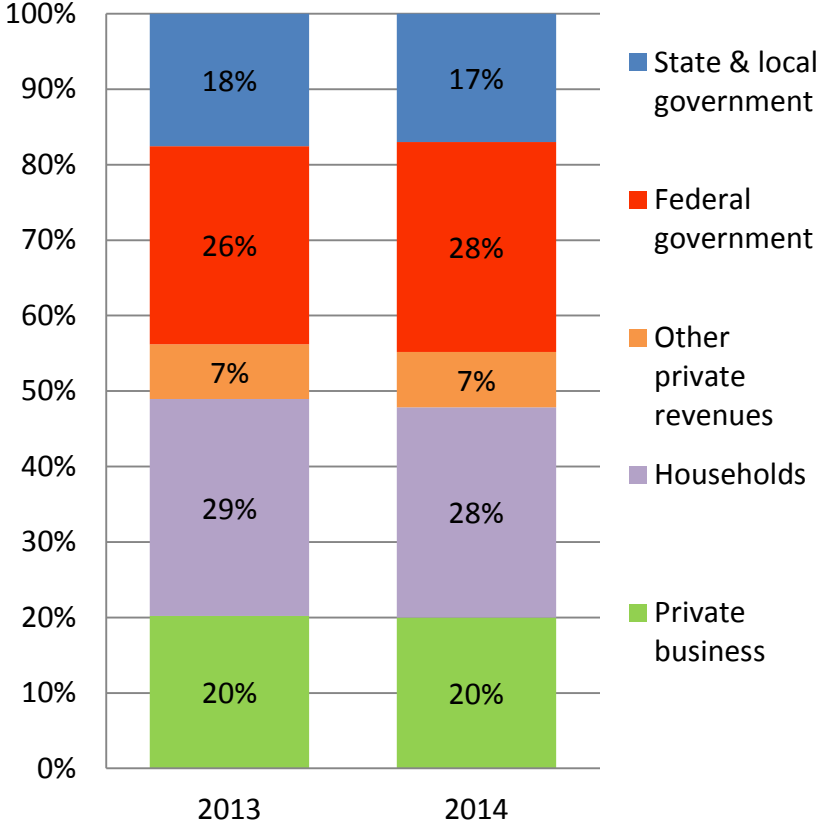
Medicaid: Growth in Total, Federal, and State & Local Expenditures, 2010 – 2014



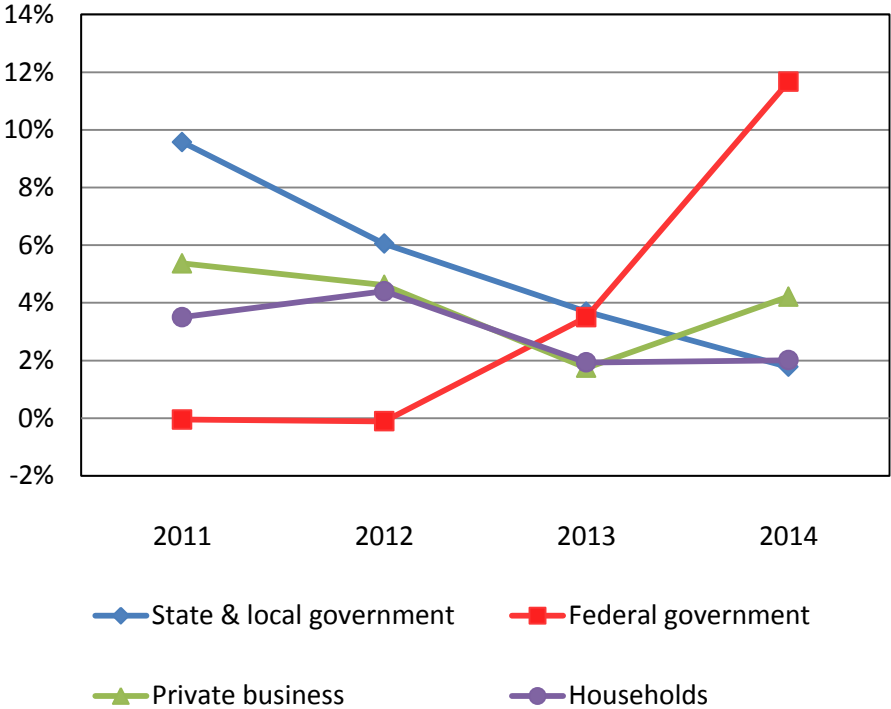
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

National Health Expenditures: Distribution and Growth by Type of Sponsor

Distribution by Type of Sponsor



Annual Growth by Type of Sponsor



Note: Sum of pieces may not equal 100% due to rounding.

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

2014 National Health Expenditure Accounts: Summary

- National Health Expenditures reached \$3.0 trillion, or \$9,523 per person in 2014
- National Health Expenditures represented a 17.5 percent share of Gross Domestic Product (GDP)
- Health spending grew faster at 5.3% in 2014 after several years of low growth
- Return to faster growth and increased share of GDP were largely influenced by the coverage expansions of the ACA and rapid prescription drug spending growth

*National Health Expenditure
Projections, 2015–24*



Major Findings

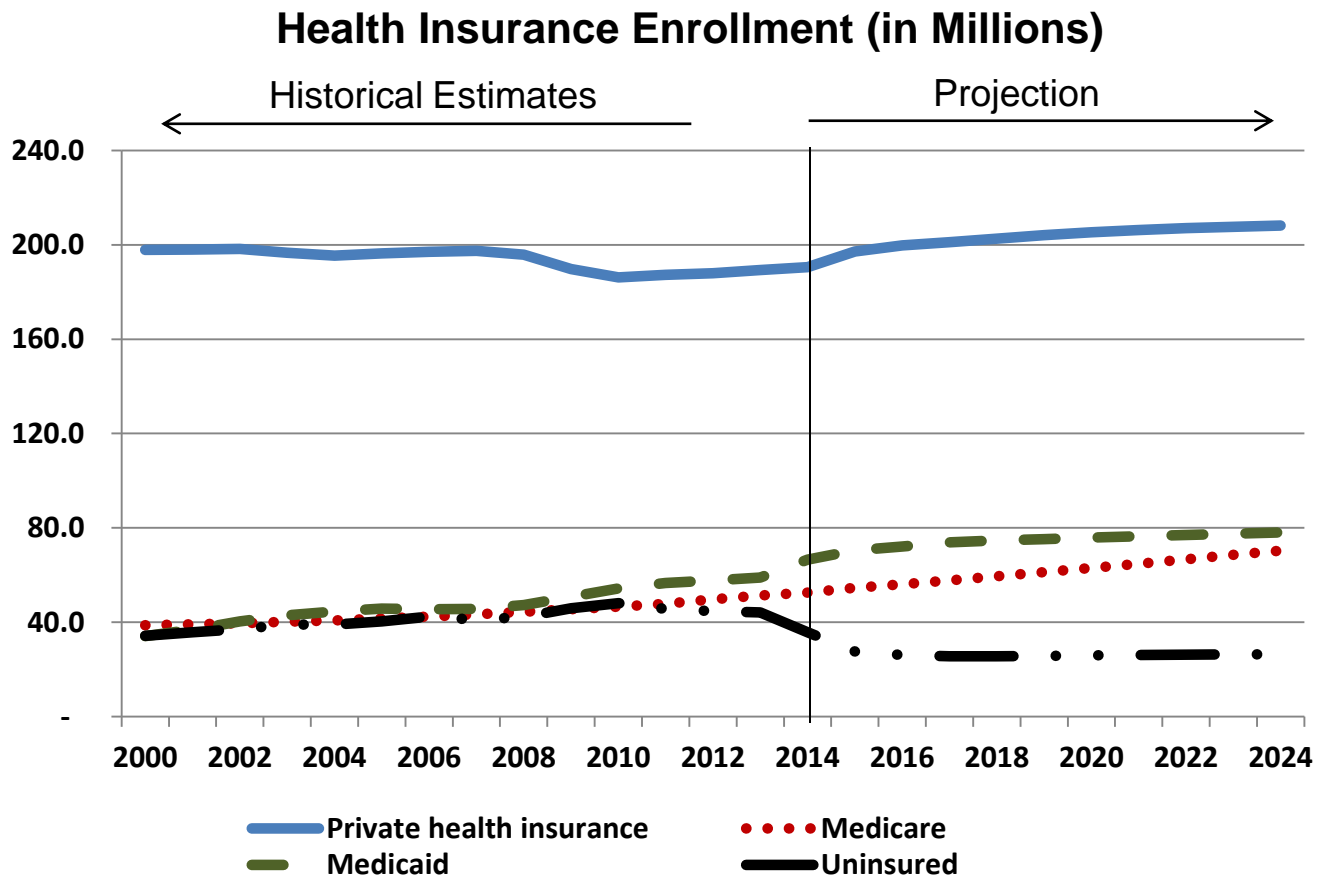
National Health Expenditure Projections, 2015–24

- For 2015-24, health spending is projected to grow at an average rate of 5.8 percent per year due to the combined effects of the Affordable Care Act's (ACA's) major coverage expansions, stronger expected economic growth, and population aging.
- Although projected health spending growth is faster than in the recent past, it is still slower than the growth experienced over the last three decades prior to this most recent recession.
- Given the ACA's coverage expansions and premium subsidies together with population aging, federal, state and local governments are projected to finance 47 percent of national health spending by 2024 (from 45 percent in 2014).
- Health spending is projected to grow 1.1 percent faster than Gross Domestic Product (GDP) per year over this period; the health share of GDP is expected to rise from 17.5 percent in 2014 to 19.6 percent by 2024.

NHE Projections Methods

- Projections for 2015-24 were developed using actuarial and econometric modeling techniques, by type of service/good, payer, and sponsor.
- Projections consistent with the *2015 Medicare Trustees Report*, which incorporates recently enacted legislation that affects future Medicare physician fee schedule updates.
- Impacts of ACA coverage expansions were estimated using the most recent and updated version of the Office of the Actuary Health Reform Model (OHRM).

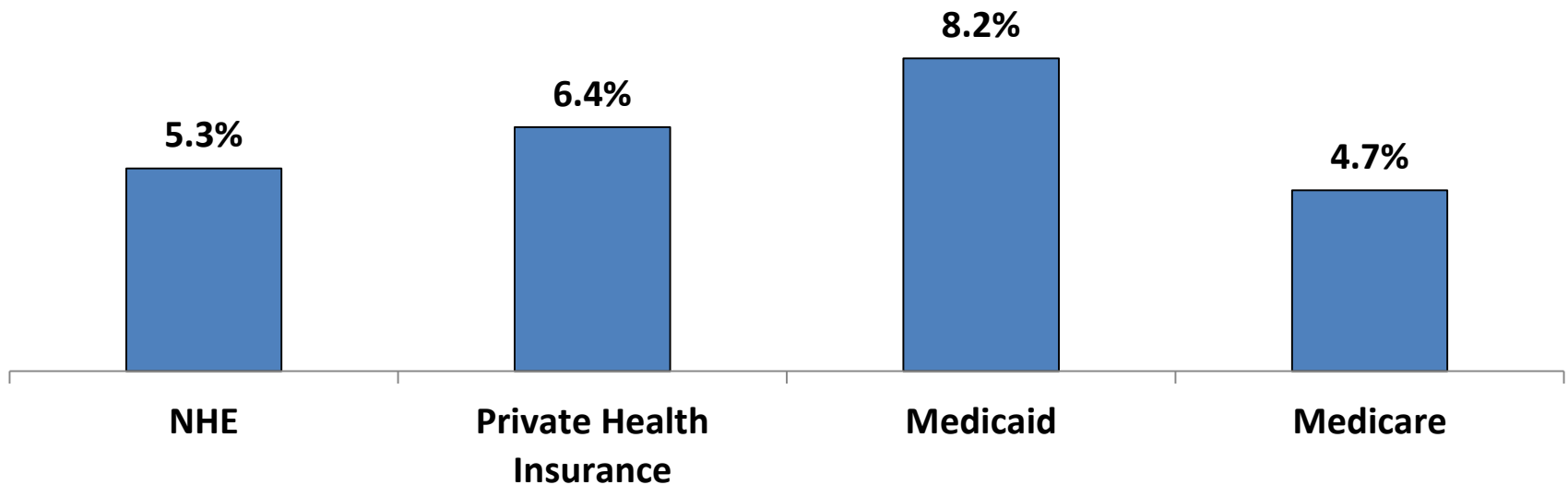
Health Insurance Enrollment and the Uninsured



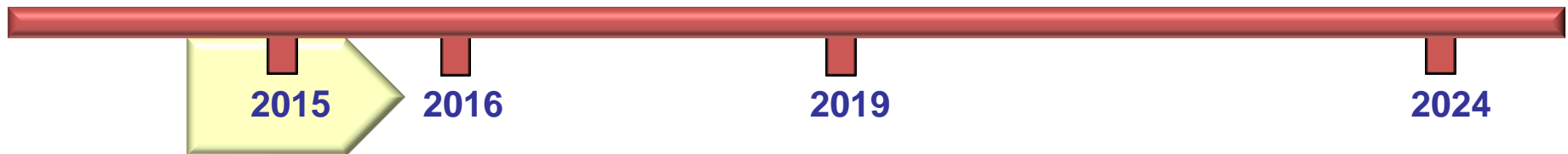
Key Findings for 2015

Projected growth by Payer

- *Medicaid: growth faster than other payers due to coverage expansion.*
- *PHI: faster growth than NHE due to continued Marketplace implementation.*
- *Medicare: slower growth than other payers related to slowdown in spending on prescription drugs and physician and clinical services.*



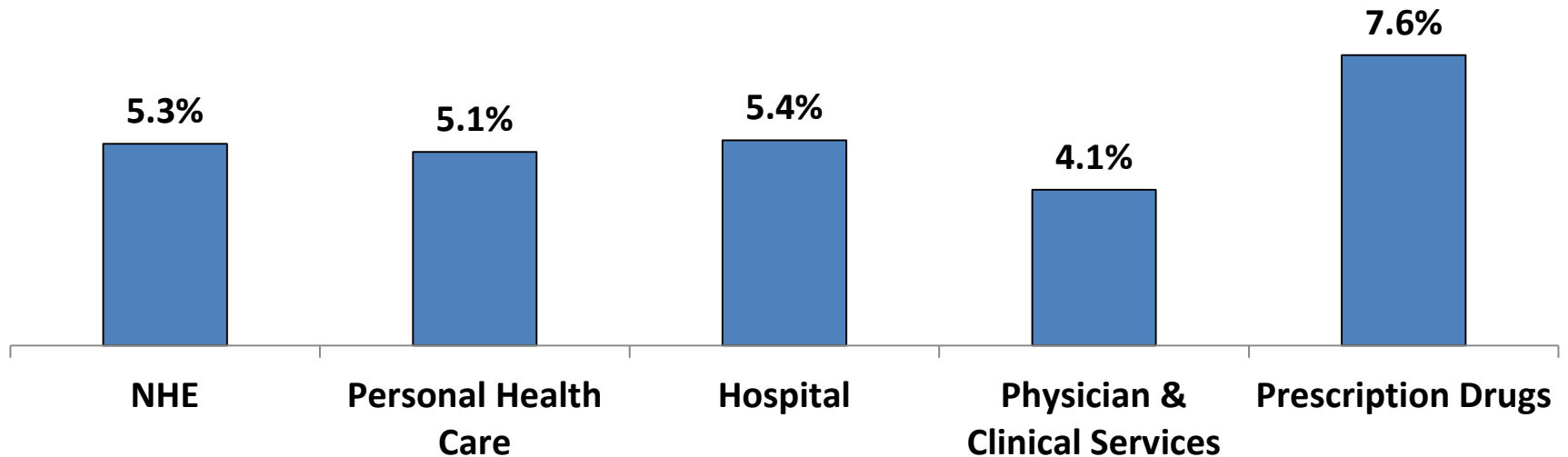
SOURCE: CMS, Office of the Actuary, National Health Statistics Group.



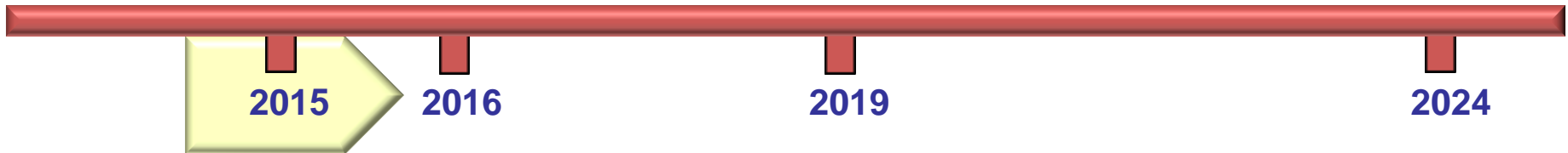
Key Findings for 2015

Projected Growth by Sector

- *Drugs: faster growth than other services in 2015, but slower growth than 2014 due to lower costs associated with expensive specialty treatments for hepatitis C.*
- *Hospital: faster growth than NHE and faster growth than 2014, driven by coverage expansions.*
- *Physician: slower growth than other services in 2015 as temporary Medicaid payment increases to primary care providers expire.*



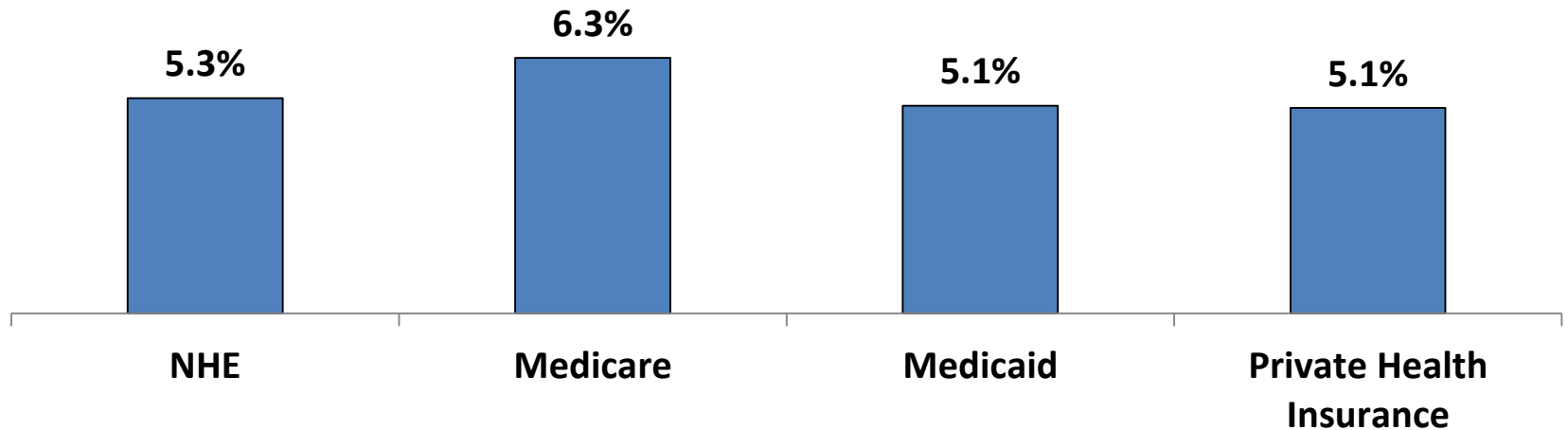
SOURCE: CMS, Office of the Actuary, National Health Statistics Group.



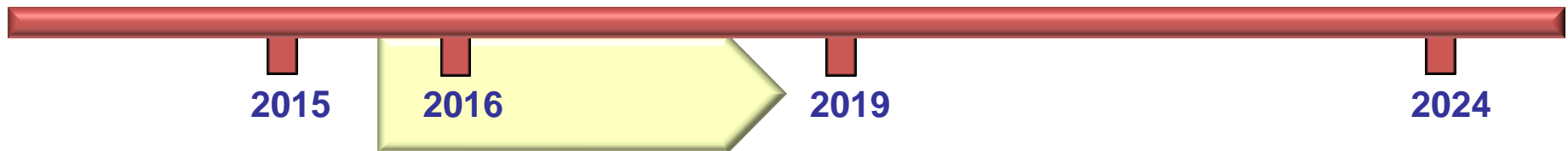
Key Findings for 2016-2018

Average Annual Growth For Major Payers

- *Medicare: faster growth than other payers because of expectations that growth in the use and intensity of services will return closer to historic norms.*
- *Medicaid: slower growth than other payers due to slower enrollment growth.*
- *PHI: slower growth than NHE due to more employers anticipated to shift toward high-deductible health plans, increased utilization of narrow networks, and the implementation of the excise tax on high-cost employer-based insurance plans.*



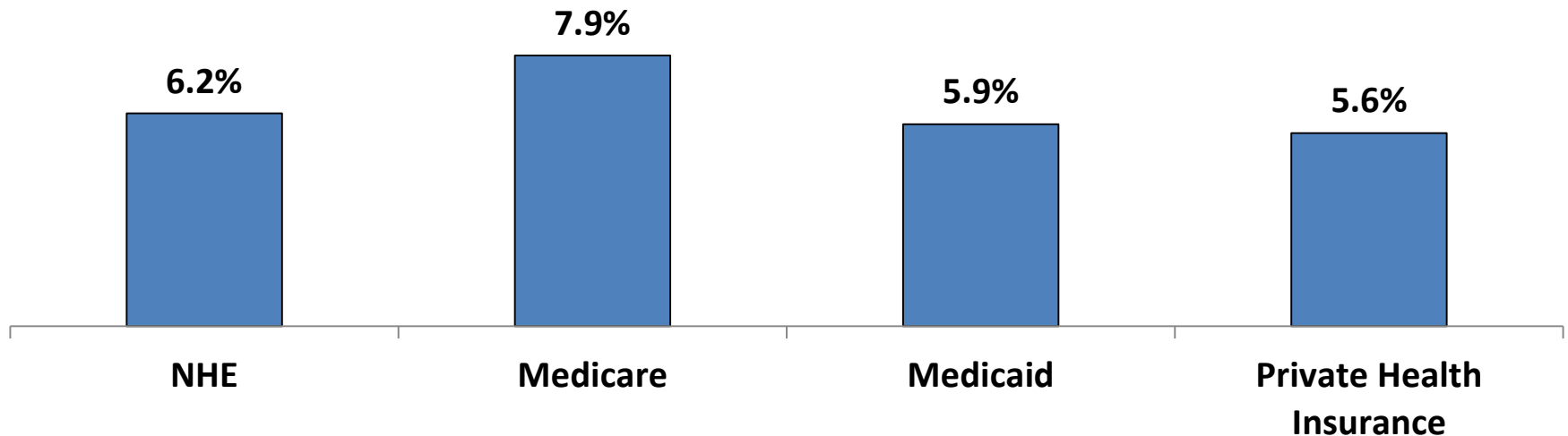
SOURCE: CMS, Office of the Actuary, National Health Statistics Group.



Key Findings for 2019-2024

Average Annual Growth For Major Payers

- *Medicare: faster growth than other payers because of continued strong enrollment growth and faster per enrollee spending growth as a result of aging of previously enrolled beneficiaries.*
- *Medicaid: slower growth than NHE due to enrollment growth, despite increased use associated with aged and disabled beneficiaries.*
- *PHI: slower growth than other payers as enrollees continue to shift into Medicare and out of PHI, despite faster projected economic growth.*



SOURCE: CMS, Office of the Actuary, National Health Statistics Group.



Additional Resources

- National Health Expenditure Accounts

<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/index.html>

- Historical data

<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>

- Projections

<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>