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Medicare Health Center

National Health Spending Slated to Increase by 2020

Study Estimates How Far the Health Care Dollar Will Stretch in 2020

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WebMD Health News

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July 28, 2011 -- The health reform law -- the Affordable Care Act -- is slated to change how our health care dollar is spent and how far it can stretch during the ensuing decade.

Health care spending will increase substantially in 2014, when the Affordable Care Act expands access to insurance via federal programs and new state insurance exchanges or marketplaces where small businesses and individuals who don't get health insurance through their employer can shop, compare, and purchase health plans.

In 2010, health care spending grew at a historic low rate of 3.9% primarily because of the effects of the recently ended economic recession. But by 2014, health care spending growth is expected to reach 8.3%. The average annual growth is estimated to be 5.8% from 2010 to 2020, according to the new projections that appear in the health policy journal *Health Affairs*.

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The Numbers

By 2020, 30 million previously uninsured Americans are expected to gain health insurance coverage as a result of health care reform. Health care spending is projected to comprise a greater chunk of the gross domestic product (GDP) in 2020 compared with 2008, 19.8% vs. 17.6%, respectively. By 2020, government spending on health care is expected to reach 49% of national health spending, up from 47% in 2014.

Although the federal, state, and local government will be picking up a greater share of our health care tab, individual costs may also increase.

"As spending as a whole goes up, each person's share goes up," says study author Sean Keehan, an economist for the Office of the Actuary Centers for Medicare & Medicaid Services in Baltimore. The projected increases in out-of-pocket expenditures will be mainly driven by higher use of services, increases in deductibles, and co-payments, he says.

Michael Cannon, director of health policy studies at the Cato Institute, a nonprofit libertarian think tank based in Washington, D.C., says that the Affordable Care Act is not a done deal. Efforts to repeal health care reform are under way at federal and state levels.

"Its future is highly uncertain," he says. "The fact that we are spending more money is not a positive," he says of projected increases in health care spending. "Health care reform would comprise a larger chunk of the GDP without demanding that health care become more efficient."

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SOURCES:

Keehan S. *Health Affairs*, August 2011.

Sean Keehan, economist, Office of the Actuary Centers for Medicare & Medicaid Services, Baltimore.

Michael Cannon, director of health policy studies, Cato Institute, Washington, D.C.

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