



Health Care Expenditure Trends in the USA and the Fiscal Cliff: What's Ahead

Presentation to the

Pan American Health Organization

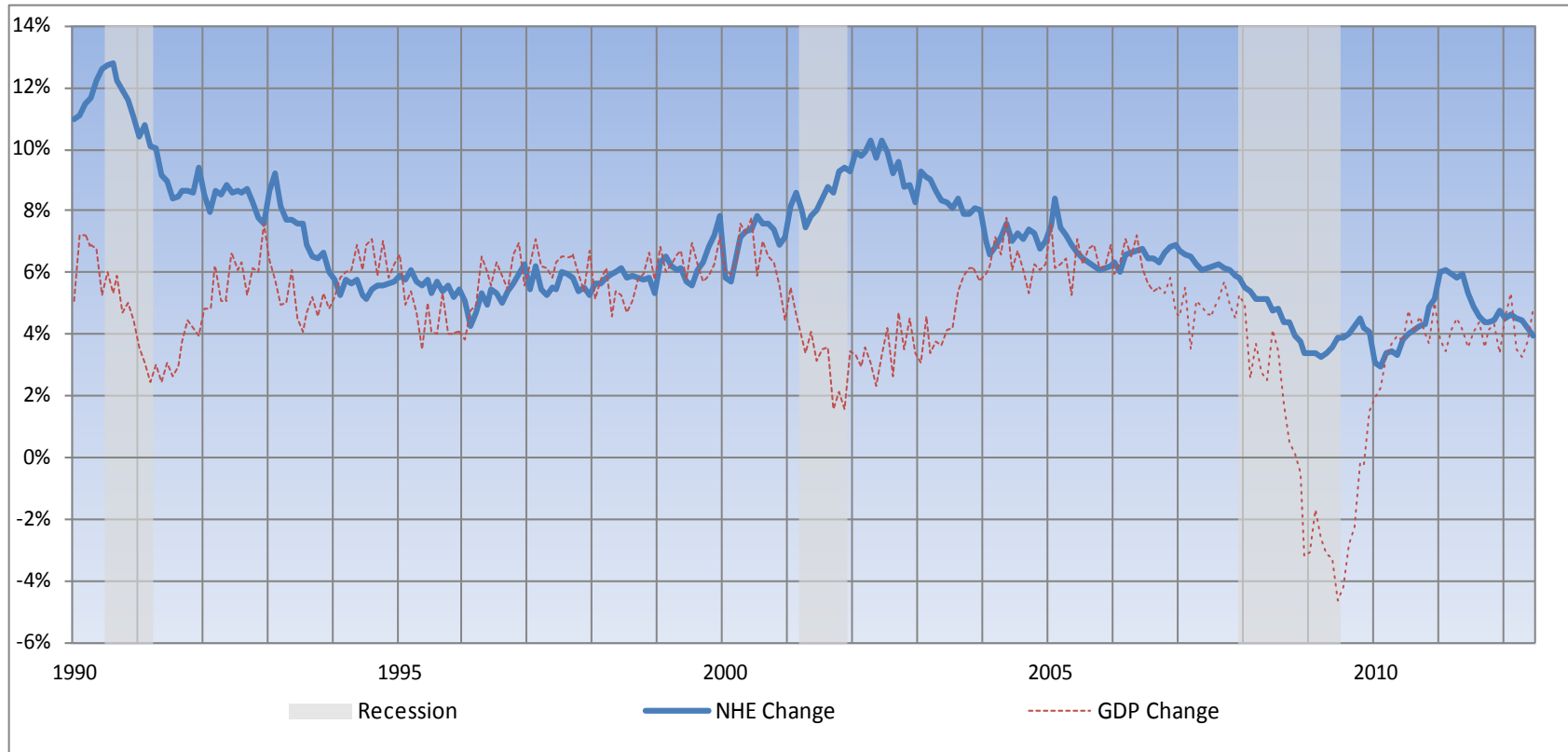
Charles Roehrig

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November 8, 2012

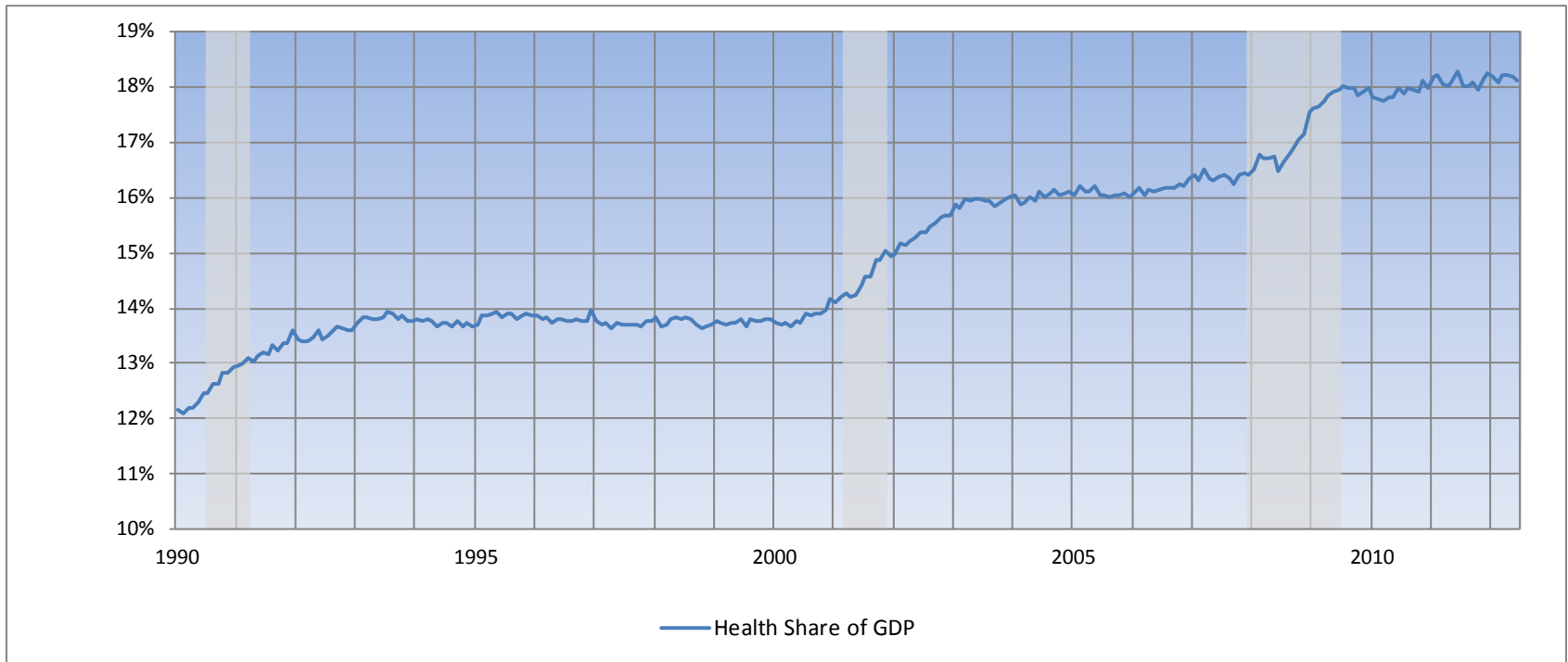
www.altarum.org/csi/cshs

Annual Rate of Growth in Health Spending



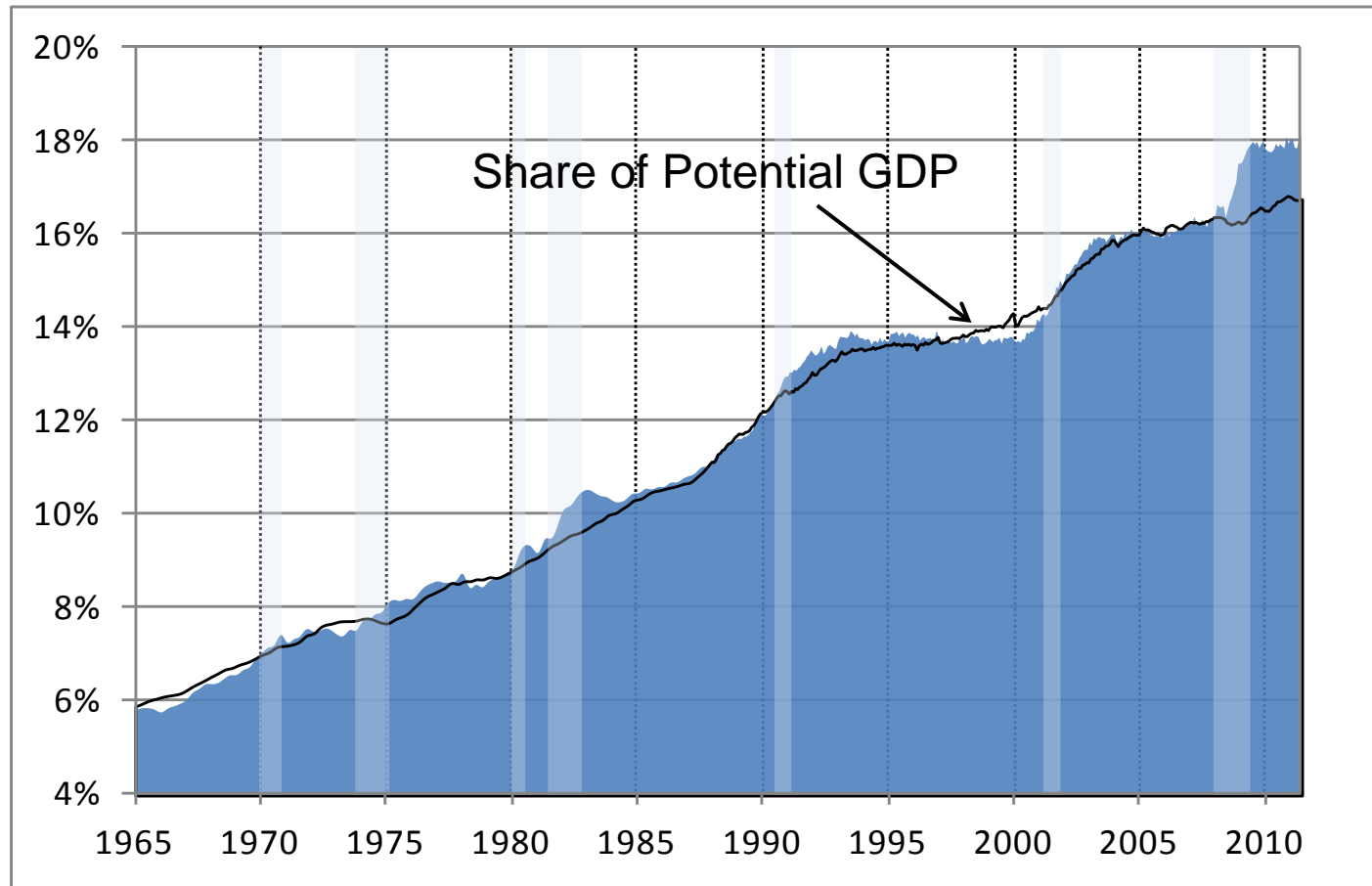
Source: Altarum Health Sector Economic Indicators -- Spending Brief – August 2012

Health Spending Share of GDP



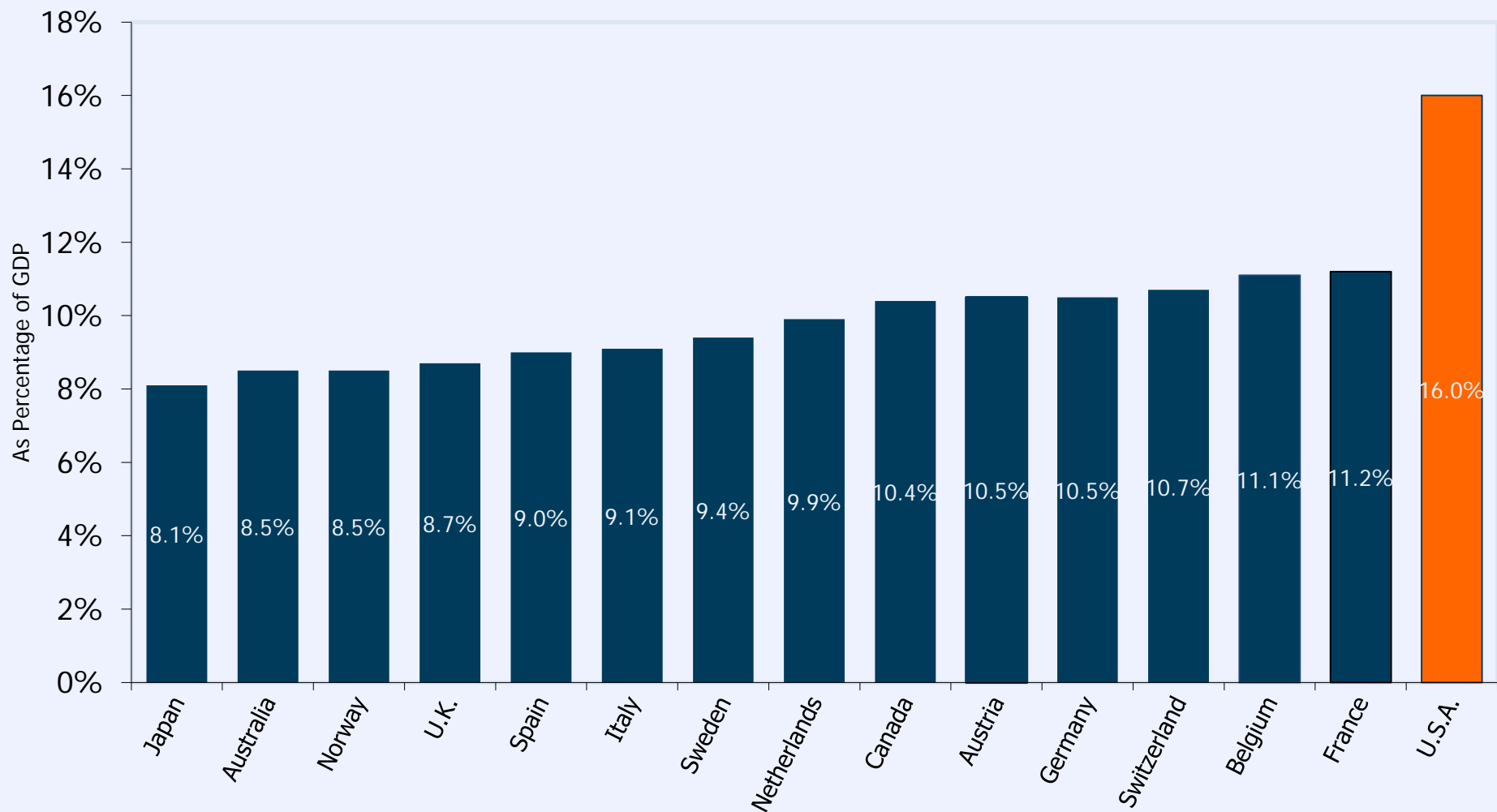
Source: Altarum Health Sector Economic Indicators -- Spending Brief – August 2012

Health Spending Share of GDP Since Medicare



Source: Altarum Center for Sustainable Health Spending

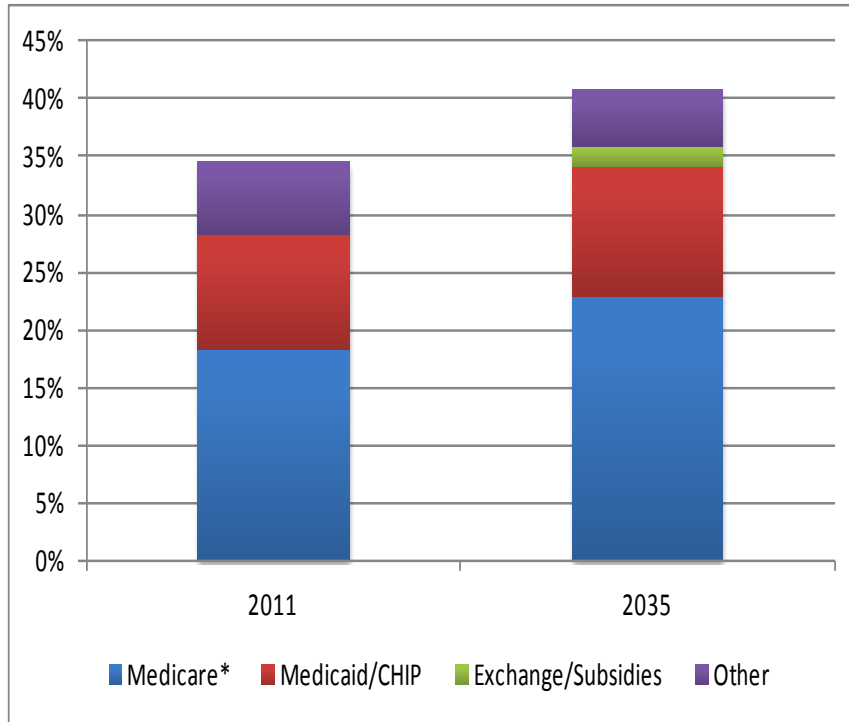
Total Health Expenditure as a Share of GDP, U.S. and Selected Countries, 2008



Source: Organisation for Economic Co-operation and Development (2010), "OECD Health Data", OECD Health Statistics (database). [doi: 10.1787/data-00350-en](https://doi.org/10.1787/data-00350-en) (Accessed on 14 February 2011).

Notes: Data from Australia and Japan are 2007 data. Figures for Belgium, Canada, Netherlands, Norway and Switzerland, are OECD estimates. Numbers are PPP adjusted.

Federal Share of Health Spending



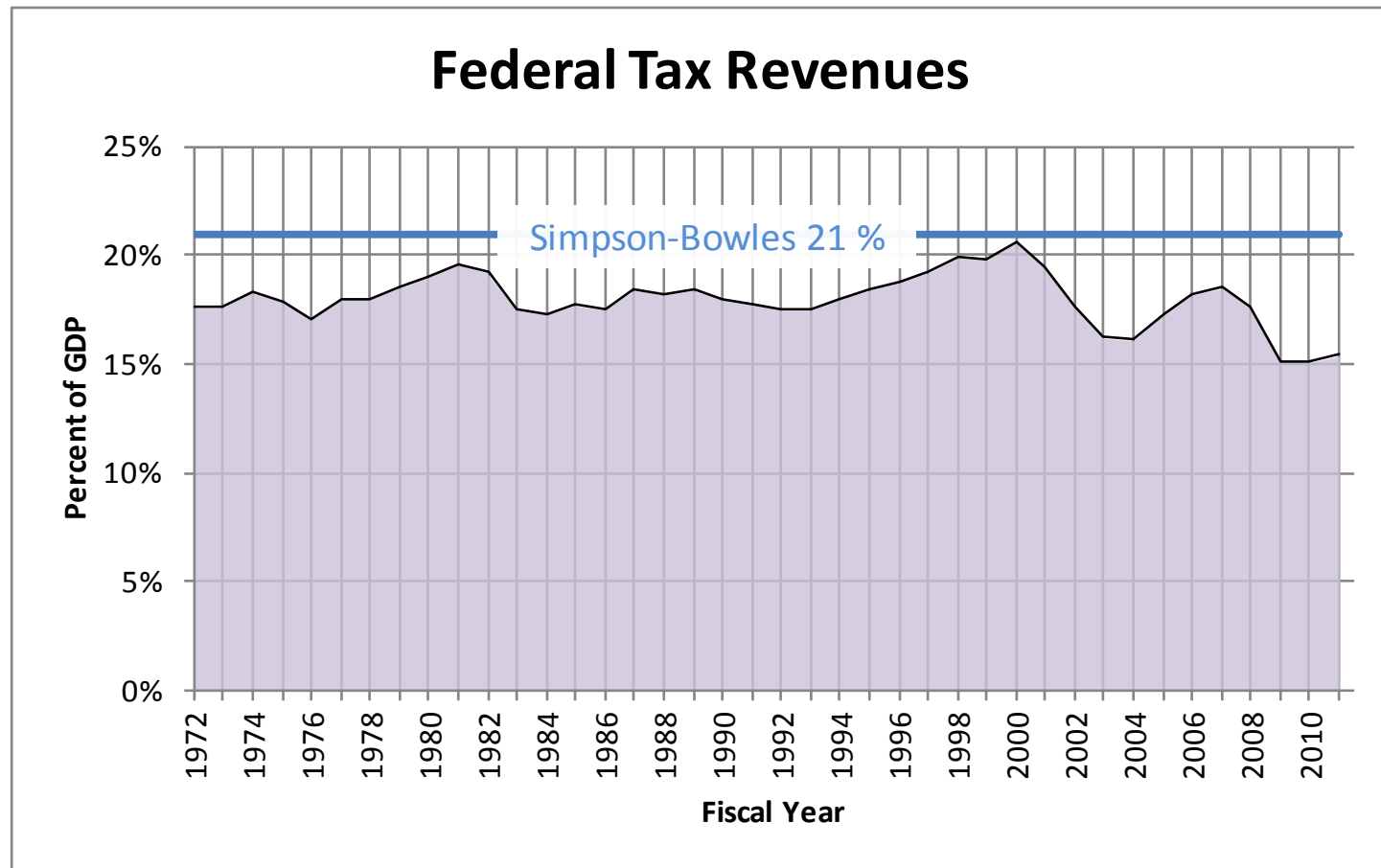
Federal health spending is a large and growing share of total health spending. The move to universal coverage is a relatively small contributor to future growth.

Source: Altarum Center for Sustainable Health Spending

Health Spending and the U.S. Federal Budget: Forget the Cliff and Consider the Longer Term

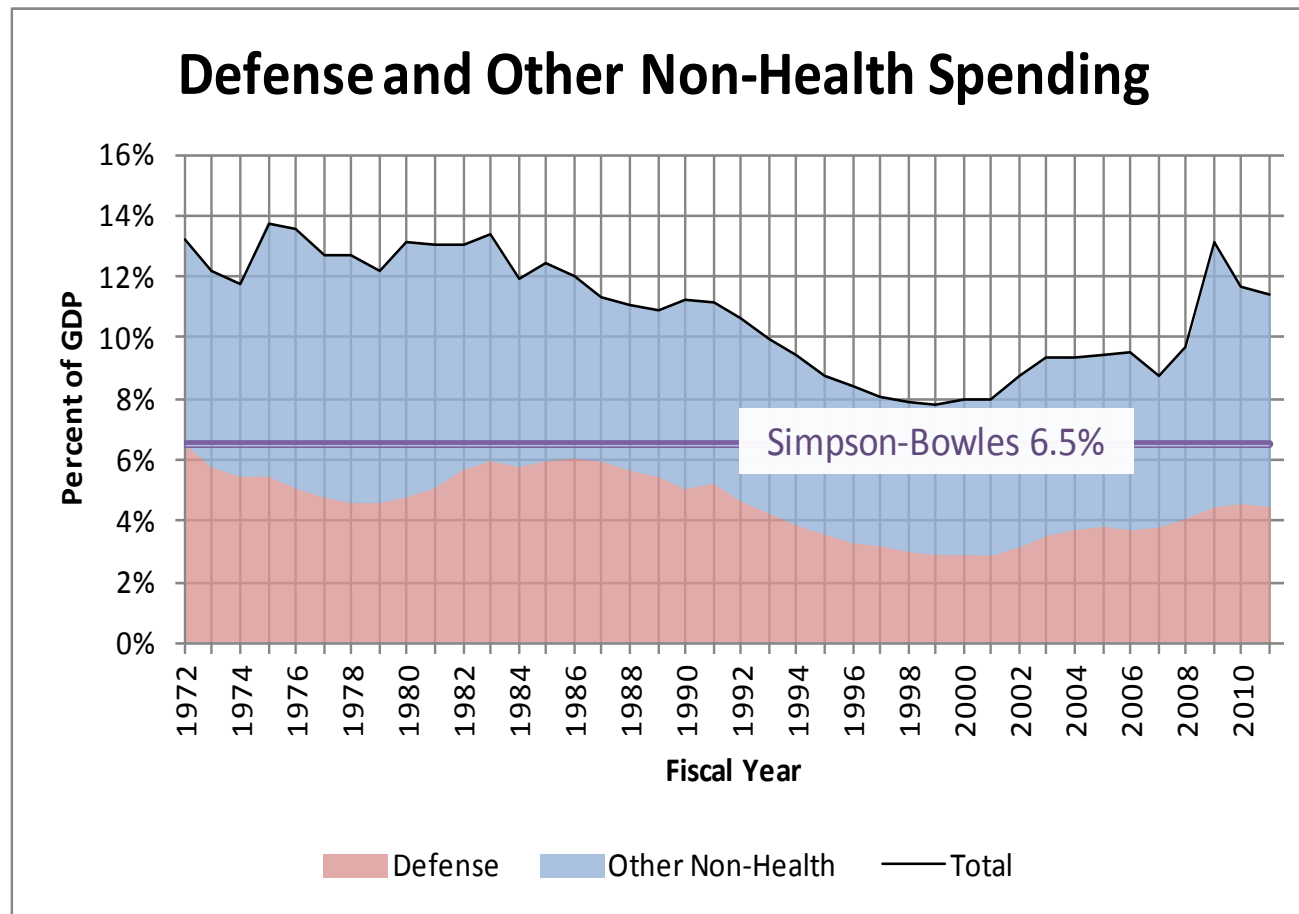
- ▲ Let us define sustainable health spending growth in the eyes of the federal government
 - By 2035, federal health spending should be consistent with a balanced budget
 - This means that federal health spending should equal tax revenues minus federal dollars devoted to non-health spending (social security, defense, other non-health)
- ▲ Suppose that there is a single underlying cost trend that impacts the entire health system, both public and private
- ▲ Then the sustainable rate of increase in national health spending is linked directly to federal tax revenues and the amount of federal dollars set aside for non-health items
 - Let's look at the Simpson-Bowles deficit reduction plan in this context

Simpson-Bowles Deficit Reduction Plan



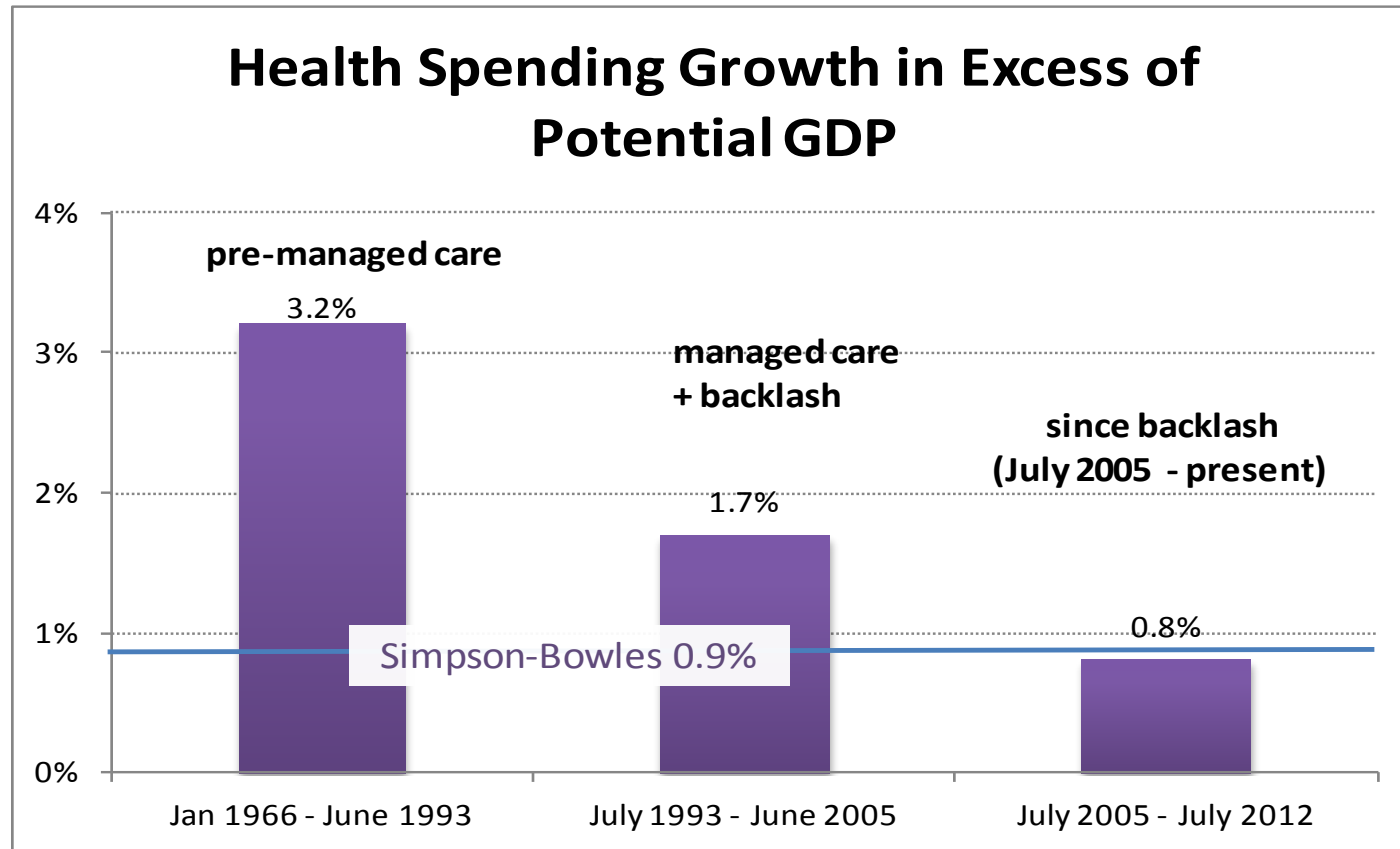
Source: CBO Long Term Budget Outlook, June 2012

Simpson-Bowles Deficit Reduction Plan



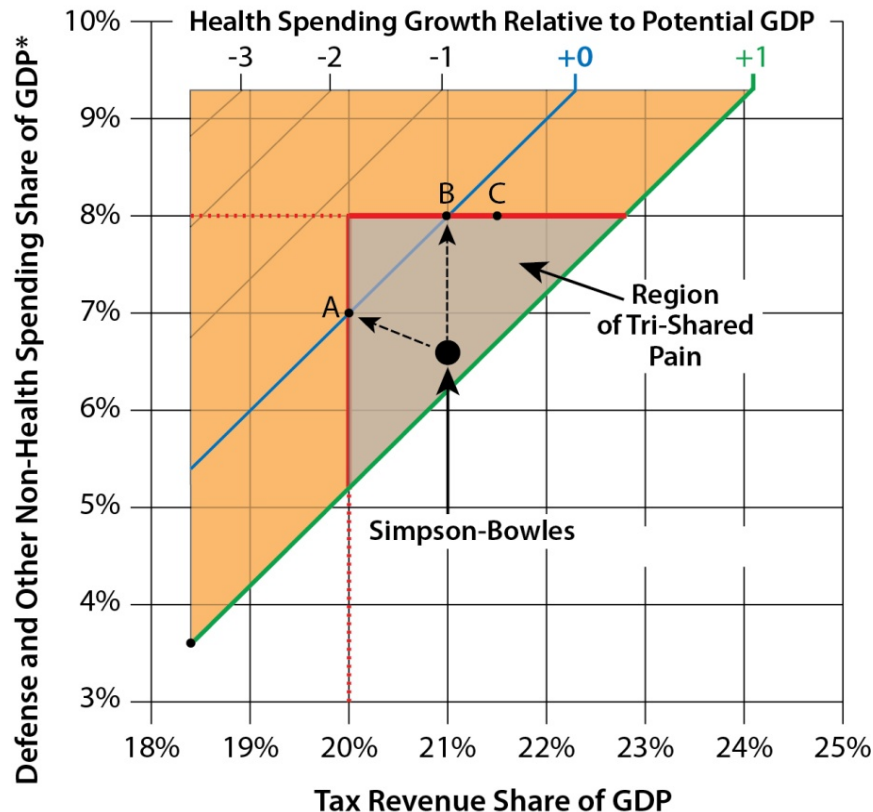
Source: CBO Long Term Budget Outlook, June 2012 with author's adjustments

Simpson-Bowles Deficit Reduction Plan



Source: Altarum Center for Sustainable Health Spending

Triangle of Painful Choices Policy Options for a Balanced Budget in 2035



* Excludes 5.8% of GDP spent on Social Security and 0.5% of GDP spent on interest

Source: Altarum Center for Sustainable Health Spending

A long term fiscal solution will likely involve a combination of (1) record high tax revenues; (2) record low spending on defense and other non-health items; and (3) record low growth in health spending.

<http://theincidentaleconomist.com/wordpress/how-big-a-departure-from-history-is-simpson-bowles/>

Altarum Health Sector Economic Indicators

SYSTEMS RESEARCH FOR BETTER HEALTH

Center for Sustainable Health Spending *Health Sector Economic IndicatorsSM*

September 13, 2012



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SPENDING BRIEF

Insights from Monthly National Health Expenditure Estimates through July 2012 Spending growth continues moderate trend

HIGHLIGHTS

- ▲ National health expenditures (NHE) in July 2012 grew by 4.2% relative to July 2011, up from the 3.9% growth rate observed in June.
- ▲ The NHE growth rate of 3.9% from June 2011 to June 2012 was 0.8 percentage points less than gross domestic product (GDP) growth over the same period. (The GDP growth rate for July is not yet available.)
- ▲ The health spending share of GDP was 18.1% in June 2012, down from the all-time high of 18.3% in June 2011, but up from 16.4% at the start of the recession (December 2007). The increase since the start of the recession is largely attributable to slow GDP growth rather than high health spending growth, as the June share of potential GDP¹ was 17.2%.
- ▲ Spending in July increased in all major categories over the past year.

National Health Expenditures (NHE) and Gross Domestic Product (GDP)*

	July 2010	July 2011	June 2012	July 2012
GDP	14.54	15.13	15.65	**
NHE	2.60	2.73	2.83	2.84
NHE Share of GDP	17.9%	18.0%	18.1%	**
NHE Share of PGDP	16.9%	17.0%	17.1%	**
Growth from Prior 12 Months				
NHE	4.0%	4.9%	3.9%	4.2%
GDP	4.7%	4.1%	4.8%	**
NHE minus GDP	-0.7%	0.8%	-0.8%	**
NHE minus PGDP	1.0%	0.7%	0.5%	**

Source: Altarum monthly NHE estimates (see Methods on page 4); monthly GDP is from Macroeconomic Advisers and Altarum estimates; potential GDP (PGDP), defined as what GDP would be at full employment, is from the quarterly Congressional Budget Office estimates converted to monthly by Altarum.

*Note: Spending in trillions of dollars, seasonally adjusted annual rate

**Data not yet available

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Altarum's Center for Sustainable Health Spending works to guide the transition of the United States to sustainable health spending growth by analyzing and tracking spending, developing solutions, and advocating for meaningful change.