

# US Healthcare Annual Spending Estimated to Rise by 5.8% on Average Through 2024

By Laura Morgan

According to a new report from actuaries at the Centers for Medicare & Medicaid Services (CMS) by Sean P. Keehan and colleagues, the growth of spending on healthcare in the United States dropped to historical lows in the past few years but rose up in 2014 to 5.5% and is expected to continue increasing by an average of 5.8% annually through at least 2024.<sup>1</sup>

Although this growth is still slower than what had been seen in the 3 decades before the recent economic recession, healthcare spending may be even higher than is currently estimated, in large part as a result of consumers carrying a greater share of their medical care burden. Healthcare consumers paying for more of their medical care can lead to delayed medical care for many patients and can result in more dire clinical consequences, and thus, greater costs overall.

**Healthcare consumers paying for more of their medical care can lead to delayed medical care for many patients and can result in more dire clinical consequences, and thus, greater costs overall.**

According to the team of actuaries at CMS, this rise in healthcare spending represents 3 main reasons—the expansion of health insurance coverage under the Affordable Care Act (ACA), faster economic growth in the United States, and the aging of the US population, which further leads to increased utilization of Medicare and Medicaid healthcare services.<sup>1</sup>

By 2024, the share of healthcare in the US economy will be 20%; thus, the growth rate will be 1.1% greater than the expected gross domestic product (GDP) average growth. This will translate to an annual growth rate for healthcare spending of 6.2% in 2024. Furthermore, healthcare spending is projected to represent 9.6% of the GDP in the United States by 2024 compared with the 17.4% share of the GDP in 2013.<sup>1</sup>

Of note, according to the new CMS report, 8.4 million Americans have gained health insurance in 2014

under the ACA, leading to increased overall healthcare utilization and costs; spending on expensive medications, in part as a result of costly new treatments for hepatitis C, is estimated to have grown to 12.6% in 2014 (the highest growth rate since 2002).<sup>1</sup>

Also according to this report, Medicaid, which was expanded under the ACA, is projected to enroll 78.1 million people by 2024 compared with the projected 70.3 million beneficiaries in Medicare.<sup>1</sup> “Those Medicare beneficiaries will become increasingly expensive, however, as they age and seek more care, from hospitals in particular,” suggests Louise Radnofsky in a commentary about the new report.<sup>2</sup> Furthermore, the costs of Medicare beneficiaries “could trigger action from the Independent Payment Advisory Board, created by the health law,” Ms Radnofsky notes.<sup>2</sup>

Indeed, according to the CMS report, the projected 70.3 million Medicare beneficiaries in 2024 will represent 22.5% of the national health spending paid by Medicare in 2024 compared with 20.1% in 2013. Also, the 78.1 million projected enrollees in Medicaid will account for 16.4% of the national health spending in 2024 compared with the 15.4% rate in 2013. Overall, federal, state, and local governments are anticipated to foot the bill for 47% of the national health spending in 2024, with total spending by the government estimated to reach \$2.5 trillion.<sup>1</sup>

Nevertheless, Keehan and colleagues conclude, “Ultimately, these longer-lasting factors result in relatively modest projected health spending growth over the next decade, averaging close to 6 percent per year (compared to the average annual growth of about 9 percent over the three decades prior to the recession), even during a period when the uninsured population is expected to decline by almost eighteen million.”<sup>1</sup> ■

## References

1. Keehan SP, Cuckler GA, Sisko AM, et al. National health expenditure projections, 2014-24: spending growth faster than recent trends. *Health Aff (Millwood)*. 2015;34:1407-1417.
2. Radnofsky L. US health-spending growth jumped to 5.5% in 2014. *Wall Street Journal*. July 28, 2015. [www.wsj.com/articles/u-s-health-spending-growth-jumped-to-5-5-in-2014-1438114020](http://www.wsj.com/articles/u-s-health-spending-growth-jumped-to-5-5-in-2014-1438114020). Accessed August 10, 2015.