Health Reform WK-EDGE Wrap Up, GENERAL REFORM TOPICS—NEWS: Recession more likely cause of spending growth reduction, not ACA, (Apr. 15, 2015)

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Even with the savings from reductions in Medicare and Medicaid payments, the Patient Protection and Affordable Care Act (ACA) (P.L. 111-148) and its coverage expansions were originally predicted to add $577 billion to national health expenditures (NHE) between 2014 and 2019. However, since those predictions were made, health spending in the U.S. has grown at historically low rates, according to a report by the Urban Institute and the Robert Wood Johnson Foundation. As a result, the current NHE prediction for 2014 to 2019 is $21 trillion—$2.5 trillion less than the original forecast.

Original projections. In February 2010, CMS actuaries predicted that the ACA would result in NHE of $3.2 trillion in 2014, rising to $2.5 trillion in 2019 for a total of $23 trillion between 2014 and 2019 for a total increase in the NHE of 2.5 percent, or $577 billion. These costs were to be offset somewhat by reductions in Medicare payments, disproportionate share hospital (DSH) payments, and out-of-pocket spending.

Reduced projections. Every subsequent NHE prediction from CMS showed reductions, with the current forecast, released in October 2014, estimating NHE of $3.1 trillion in 2014 and $4 trillion in 2019, for a total NHE of $21 trillion from 2014 to 2019. These new predictions represent a $2 trillion decline compared to the pre-ACA prediction. New projections also show Medicare spending at $384 billion less than originally predicted, private health insurance spending $927 less than expected, and Medicaid spending $688 billion less.

Explaining the trend. While some of the changes can be explained by legislation and policy developments that occurred since the baseline forecast in 2010, such as the Budget Control Act of 2011 and the Supreme Court decision making Medicaid expansion optional, the report states that the decline in projected spending seems to be related to historically low growth in health spending that began with the recession in 2008 and has continued since then. Low growth rates are not projected to continue beyond 2016. In fact, even with the reduced projections compared to the 2010 baseline, the current projections only show slower growth from 2014 to 2016. By 2019, the growth rate is expected to be the same as in the 2010 baseline.

Effect of the ACA. The report notes that CMS does not seem to attribute any of the spending reduction to the effects of the ACA. However, the agency did incorporate some of the ACA's cost containment provisions in the original projections. The report posits that the ACA could have contributed to the slow in spending growth, including Medicare payment adjustments, lower Medicare payment rates, and payment policy changes. Other Medicare policies under the ACA, such as financial penalties for hospital readmissions, "may have spilled over to other payers and contributed to slower spending growth." Finally, the report notes states that it is unlikely that accountable care organizations (ACOs) and other delivery system reforms played a significant role in reducing spending growth. "But taken together," the report says, “the various components of the ACA could have contributed to a cultural shift that has affected provider behavior and, in turn, spending.”

Companies: Urban Institute; Robert Wood Johnson Foundation