

ACA Implementation – Monitoring and Tracking

**Executive Summary:
The Widespread Slowdown
in Health Spending Growth
Implications for Future
Spending Projections and the
Cost of the Affordable Care Act**

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With support from the Robert Wood Johnson Foundation (RWJF), the Urban Institute is undertaking a comprehensive monitoring and tracking project to examine the implementation and effects of the Patient Protection and Affordable Care Act of 2010 (ACA). The project began in May 2011 and will take place over several years. The Urban Institute will document changes to the implementation of national health reform to help states, researchers and policymakers learn from the process as it unfolds. Reports that have been prepared as part of this ongoing project can be found at www.rwjf.org and www.healthpolicycenter.org. The quantitative component of the project is producing analyses of the effects of the ACA on coverage, health expenditures, affordability, access and premiums in the states and nationally.

This brief updates an April 2015 report in which we analyzed the widespread slowdown in health spending growth leading up to 2014 and the implications for national health expenditure projections and the cost of the Affordable Care Act (ACA). In that report, we compared health expenditure projections produced by the Centers for Medicare and Medicaid Services (CMS) from 2010, just after the ACA passed, to the CMS forecast in late 2014. We found that from 2010 to 2014, cumulative projected spending for the years 2014 to 2019 had fallen by approximately \$2.5 trillion.

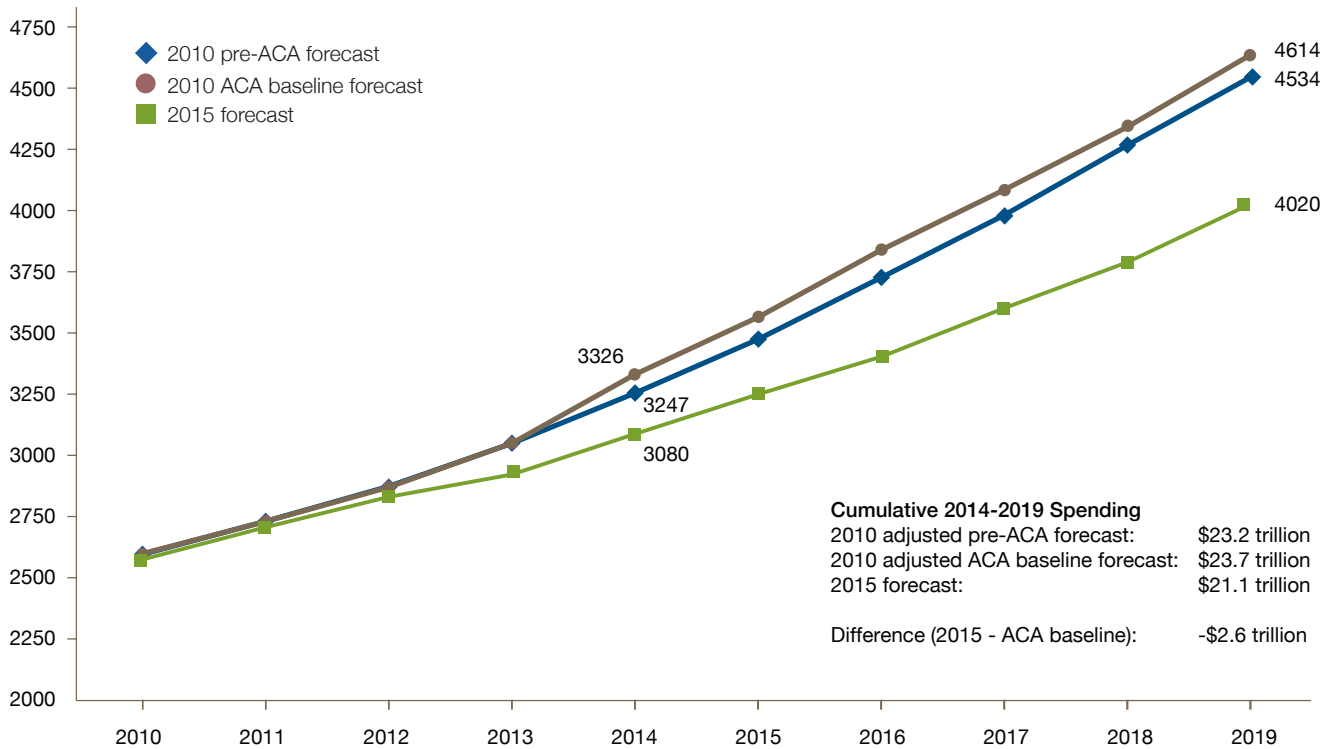
In this report, we update our previous analysis by comparing the most recent CMS forecast, released in July 2015, to the 2010 ACA baseline forecast. The 2015 forecast incorporates the Medicare Access and CHIP Reauthorization Act (MACRA), which permanently eliminated the sustainable growth rate system for setting physician payment rates in Medicare; our earlier work used CMS forecasts that assumed adherence to the sustainable growth rate system. Here, to be consistent with the most recent forecast, we use an adjusted ACA baseline forecast that assumes a rate freeze for physician payments rather than the cuts projected under the sustainable growth rate system.

Using the 2015 forecast, we find that projected national health spending for 2014 to 2019 had fallen by about \$2.6 trillion since the 2010 ACA baseline (figure 1), reflecting large declines in Medicare, Medicaid, private insurance,

and other health spending projections. Thus it appears that the US continues to be on track to spend much less on health care over the next several years than projected in late 2010. Policy changes such as the Supreme Court decision on the ACA Medicaid expansion and the Budget Control Act of 2011 contributed to the reduced spending projections, but the recession and sluggish economic recovery were also important factors. If the economy was the primary driver of slower health spending growth, then we should expect returns to higher growth with a robust recovery. But if there were other factors, including the ACA and other delivery system reforms, slower growth may continue.

Researchers at the Altarum Institute reported increases in spending growth throughout 2014, peaking at 6.2 percent in the fourth quarter, compared with the average growth of under 4 percent from 2008 to 2013. Some interpreted this as a sign that the slowdown in health spending growth had ended, but evidence is growing that this spike was largely caused by the ACA coverage expansion and has already begun to dissipate. The most recent estimates from the Altarum Institute show that by the end of 2015, spending growth had again slowed to less than 5 percent. This suggests that factors beyond the economy, including the ACA, are contributing to sustained health care cost containment. And if these patterns persist, even the current CMS forecast predicting a return to annual growth rates above 6 percent in 2019 and beyond may prove too high.

Figure 1. National Health Expenditure Projections (\$ billions)



Source: Authors' analysis of Centers for Medicare and Medicaid Services national health expenditure projections. Adjusted forecasts reflect alternative scenarios that assume the cuts to physician payments under the sustainable growth rate system are replaced with a rate freeze. 2015 forecast reflects permanent fix under the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015.

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