



The Daily Dish

Totaling up the Health Care Bill

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Eakinomics: Totaling up the Health Care Bill

This is a special time of year in health policy nerd world — the arrival of another year of data on National Health Expenditures (NHE) from the Centers for Medicare and Medicaid Services (CMS). The journal *Health Affairs* published a [preview](#) on Wednesday, which the authors summarized thusly: “National health expenditures are projected to grow at an average annual rate of 5.5 percent for 2018–27 and represent 19.4 percent of gross domestic product in 2027. Following a ten-year period largely influenced by the Great Recession and major health reform, national health spending growth during 2018–27 is expected to be driven primarily by long-observed demographic and economic factors fundamental to the health sector. Prices for health care goods and services are projected to grow 2.5 percent per year, on average, for 2018–27—faster than the average price growth experienced over the last decade—and to account for nearly half of projected personal health care spending growth.”

Fair enough. But given the enormous political attention paid to health care, what lessons do the NHE data hold? There are three. First, if you listen to the political discourse right now you would be led to believe that prescription drugs are the source of the health care cost problem. Well, personal health care spending (in billions) was \$3,470 in 2018, of which \$1,193 (34 percent) was for hospitals and \$963 (28 percent) was for professional services. Hospitals and docs are nearly 2/3 of the bill. Drugs came in at \$345 (10 percent). (CAVEAT: Some drugs are delivered in hospitals and add to the hospital bill.) If you want to solve the “cost problem,” you have to deal with the nuts and bolts of care delivery.

Second, if you want to demagogue drugmakers, the future is wide open to you. Drug spending grew 3.3 percent in 2018, but is projected to be rising at 6.1 percent annually in 10 years. That’s not a nuanced — or fair — analysis, but the simple appearance is unappealing in the current climate.

Third, and similarly, the numbers are not kind to the single-payer, Medicare-for-All, Medicaid-for-All, and so-forth crowd. The NHE are projected to rise from 17.8 percent of gross domestic product to 19.4 percent, and will accelerate from annual growth of 4.4 percent to 5.7 percent. That’s exactly the kind of cost problem that these policy initiatives promise to solve. The problem? Per person spending in Medicare will be rising 5.0 percent annually and per person spending in Medicaid 4.8 percent annually — both faster than per person spending in private health insurance (4.7 percent). What kind of a solution is it to move people into a system with a bigger cost-control problem? Again, you can make a more nuanced argument, but the numbers are not kind to the basic idea.

The 2019 NHE watch parties are now in the history books, and it’s back to the debate over the policies that will shape the 2027 edition.