

ACA Implementation – Monitoring and Tracking

# The Widespread Slowdown in Health Spending Growth Implications for Future Spending Projections and the Cost of the Affordable Care Act

An Update

June 2016

Stacey McMorrow and John Holahan

  
Robert Wood Johnson  
Foundation

  
URBAN  
INSTITUTE

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](http://www.rwjf.org) and [www.healthpolicycenter.org](http://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.

## INTRODUCTION

In April 2015, we published a report that analyzed the widespread slowdown in health care spending growth leading up to 2014 and the implications for national health expenditure projections and the cost of the Affordable Care Act (ACA).<sup>1</sup> We examined six consecutive Centers for Medicare and Medicaid Services (CMS) forecasts of national health expenditures, focusing on the pre-ACA forecast made in February 2010, the ACA baseline forecast made in September 2010, and the 2014 forecast.<sup>2</sup> In 2010, CMS estimated that national health expenditures for the years 2014 to 2019 would increase by \$577 billion under the ACA. This reflected the increased costs of coverage expansion offset by reductions in Medicare and Medicaid payments.

Over the next four years, however, CMS repeatedly reduced its annual forecasts of 2014 to 2019 expenditures. Ultimately, the 2014 forecast suggested that national health expenditures for 2014 to 2019 would be about \$2.5 trillion less than the ACA baseline forecast from September 2010. Projections were lower overall and for Medicare, Medicaid, and private health insurance, with some of the reductions explained by policy changes over time, such as the 2012 Supreme Court decision on Medicaid expansion and the Budget Control Act of 2011 (i.e., sequestration).

A critical factor in the reduced spending projections over time, however, was the historic slowdown in health spending growth that began in 2008. At the time of the 2014 forecast, the average annual growth rate from 2010

to 2013 was about 3.6 percent compared with the 5.4 percent that had been projected in 2010. This slower growth clearly lowered the level of spending on which later forecasts were based and therefore contributed to reduced spending projections for 2014 to 2019. Unclear, however, is how much slower growth leading up to 2014 informed assumptions about the projected future rate of growth. Although the CMS actuaries did acknowledge the proliferation of high-deductible private health plans and cost-containment efforts in state Medicaid programs as contributors, they mainly attributed the slowdown to the Great Recession and sluggish economic recovery. Consequently, those actuaries assumed that a robust recovery would ultimately lead to returns to higher growth rates in the later years of the forecast.

In our earlier report, we discussed several factors beyond the recession, including several ACA provisions, that may have contributed to the health spending slowdown. We also suggested that if these other factors kept spending growth low following economic recovery, then CMS spending projections may continue to fall. Since that report, CMS has released another round of national health spending projections for 2014 to 2024, and additional estimates of health spending growth in 2014 and 2015 have become available through CMS and the Altarum Institute. This brief uses the CMS projections released in July 2015 to update our previous analysis and considers the implications of other recent data for interpreting future spending projections.

# DATA & METHODS

This paper compares the most recent CMS forecast released in July 2015 to the 2010 ACA baseline forecast. The 2015 forecast incorporates actual spending data from 2013 and projects spending for 2014 through 2024.<sup>3</sup> Importantly, the 2015 forecast also incorporates the Medicare Access and CHIP Reauthorization Act (MACRA), passed in April 2015, that permanently eliminated the sustainable growth rate (SGR) system for setting physician payment rates in Medicare.<sup>4</sup> Our earlier work used the “current-law” forecasts for Medicare spending, which included the projected effects of large cuts to Medicare physician payments that were required by the SGR system at the time of each forecast.

To be consistent with the new law reflected in the 2015 forecast, we have adjusted the ACA baseline Medicare forecast to assume that the cuts to physician payments

under the SGR system would be replaced with a rate freeze.<sup>5</sup> We made a similar adjustment to the 2014 forecast used in our earlier report, and these adjustments change two main findings from that report.<sup>6</sup> First, when comparing the adjusted 2014 forecast to the adjusted ACA baseline forecast, we now find a decline in projected Medicare spending for 2014 to 2019 of \$518 billion compared with our earlier finding of \$384 billion (table 1).<sup>7</sup> Second, this additional \$134 billion decline in Medicare spending is directly reflected in the additional decline in total national health expenditures for 2014 to 2019 when comparing the adjusted forecasts (-\$2,672 billion) versus the original forecasts (-\$2,538 billion). For simplicity, we omit “adjusted” from future references to the forecasts, but all estimates hereafter use the adjusted forecasts that assume SGR-related cuts to physician payments are replaced with rate freezes or modest increases.

**Table 1. Cumulative Spending Projections for 2014 to 2019**

	Original 2014 forecast (2014–2019) relative to original ACA baseline		Adjusted 2014 forecast (2014–2019) relative to adjusted ACA baseline		2015 forecast (2014–2019) relative to adjusted 2014 forecast		2015 forecast (2014–2019) relative to adjusted ACA baseline	
	\$	% change	\$	% change	\$	% change	\$	% change
NHE	-2538	-10.8%	-2672	-11.3%	49	0.2%	-2623	-11.0%
Medicare	-384	-8.4%	-518	-10.9%	63	1.5%	-455	-9.6%
Medicaid	-927	-20.3%	-927	-20.3%	-123	-3.4%	-1050	-23.0%
Private	-688	-8.9%	-688	-8.9%	24	0.3%	-664	-8.6%
OOP	-20	-0.9%	-20	-0.9%	22	1.0%	2	0.1%
Other	-519	-11.5%	-519	-11.5%	63	1.6%	-456	-10.1%

Source: Authors’ analysis of Centers for Medicare and Medicaid Services national health expenditure projections.

Table Notes: OOP = out-of-pocket. NHE = national health expenditures. Dollar estimates in billions. Original 2014 forecast and ACA baseline included the projected effects of required cuts to physician payment rates under the sustainable growth rate system. Adjusted forecasts reflect alternative scenarios that assume the cuts to physician payments under the sustainable growth rate system will be replaced with rate freezes or small increases.

# RESULTS

On the whole, cumulative 2014 to 2019 national health spending in the 2015 forecast is \$49 billion higher than in the 2014 forecast (table 1). The 2015 forecasts for Medicare, private health insurance, out-of-pocket spending, and other health spending are also slightly higher for the 2014 to 2019 period than in the 2014 forecast. Medicaid spending for 2014 to 2019, however, is now projected to be \$123 billion lower than in the 2014 forecast. Despite the modest increase in projected national health spending since the 2014 forecast, however, the 2015 forecast still reflects a decline of \$2.6 trillion from 2014 to 2019 compared with the 2010 ACA baseline forecast (figure 1). In the sections that follow, we compare the 2015 forecast to the ACA baseline forecast for each major component of national health spending.

## Medicare

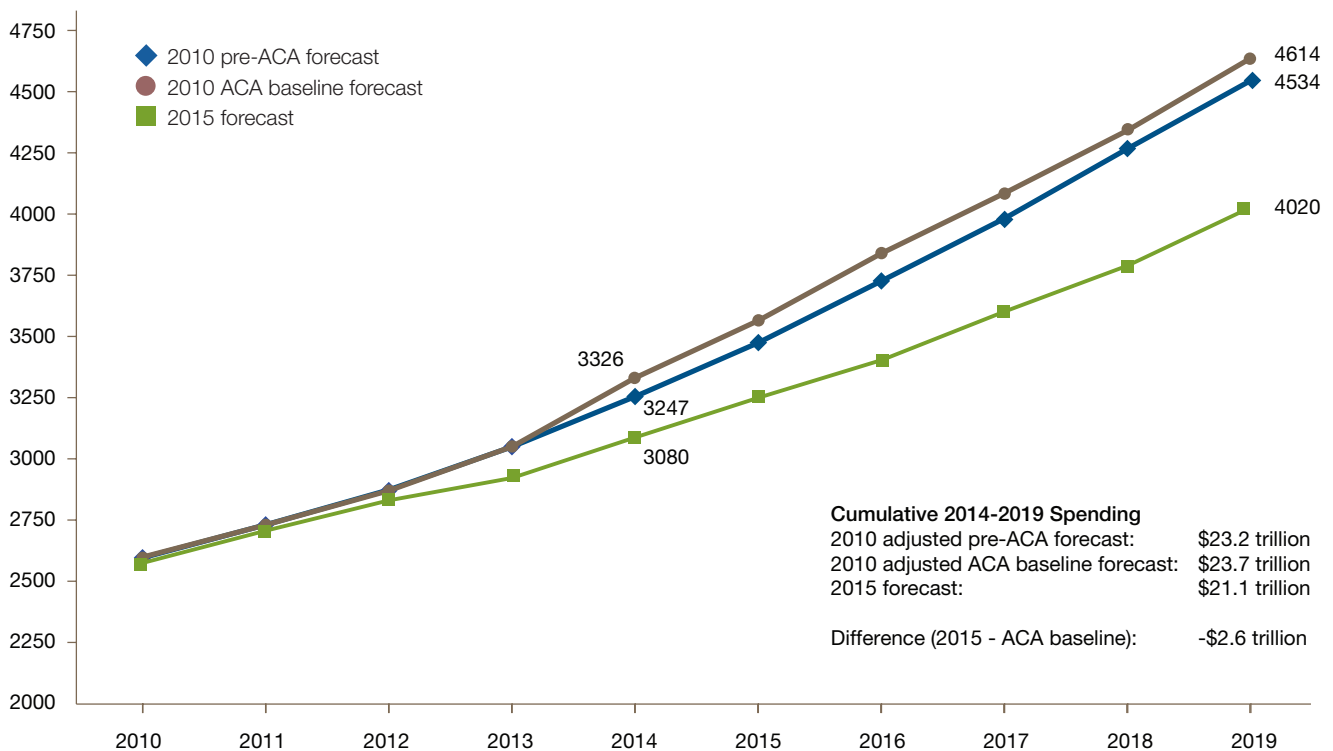
Medicare spending was reduced in the 2010 ACA baseline forecast compared with the pre-ACA forecast because of reductions in payments to Medicare Advantage plans and the reductions in annual payment updates for most

institutional providers (figure 2). By 2015, the CMS actuaries predicted that total Medicare spending for 2014 to 2019 would be \$455 billion lower than in the ACA baseline forecast. One reason is the Budget Control Act of 2011 (i.e., sequestration), which required Medicare payments for all types of services be reduced 2 percent beginning in April 2013; another reason is the slower-than-expected spending growth between 2010 and 2014. CMS currently assumes spending growth would increase to an average annual rate of 6.3 percent from 2014 to 2019 compared with 4.4 percent from 2010 to 2014 (table 2). This faster growth from 2014 to 2019 is driven by spending per enrollee, which is expected to grow at an average annual rate of 3.1 percent for 2014 to 2019 compared with 1.3 percent for 2010 to 2014 while projected enrollment growth remains stable.

## Medicaid

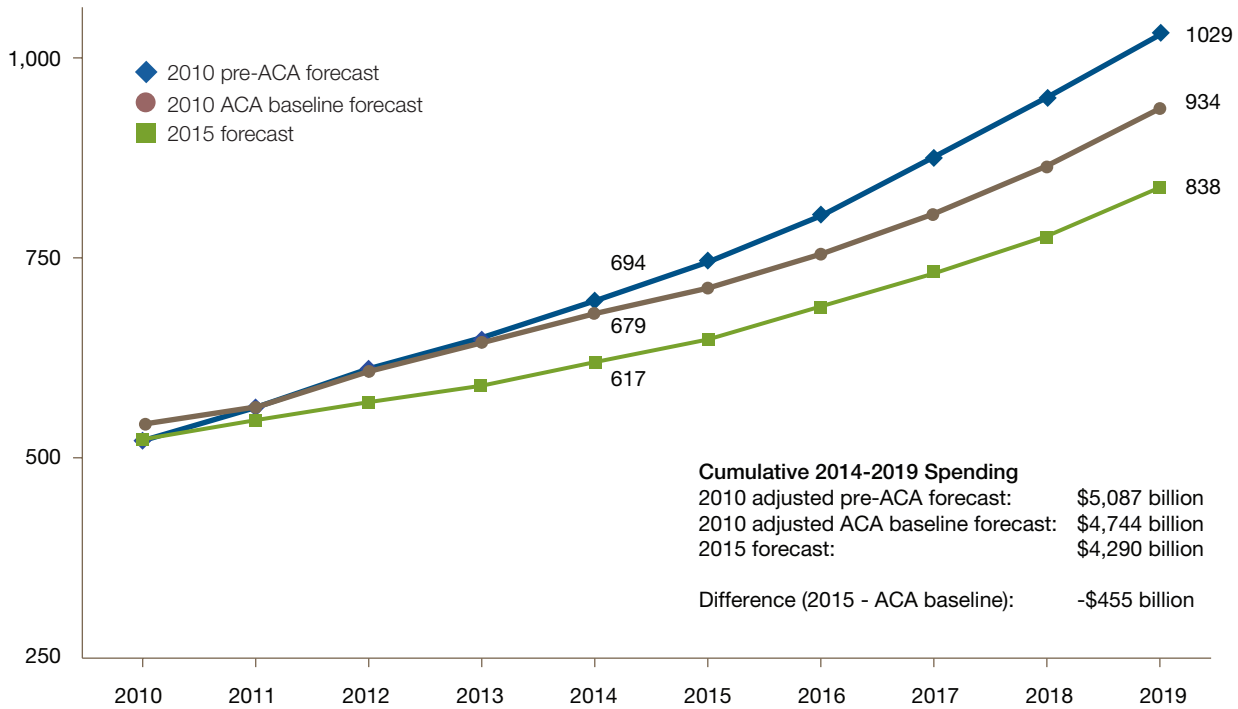
Medicaid spending under the 2010 ACA baseline forecast was higher than the pre-ACA forecast because of the eligibility expansion (figure 3). Compared with the ACA

**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.

**Figure 2. Medicare 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.

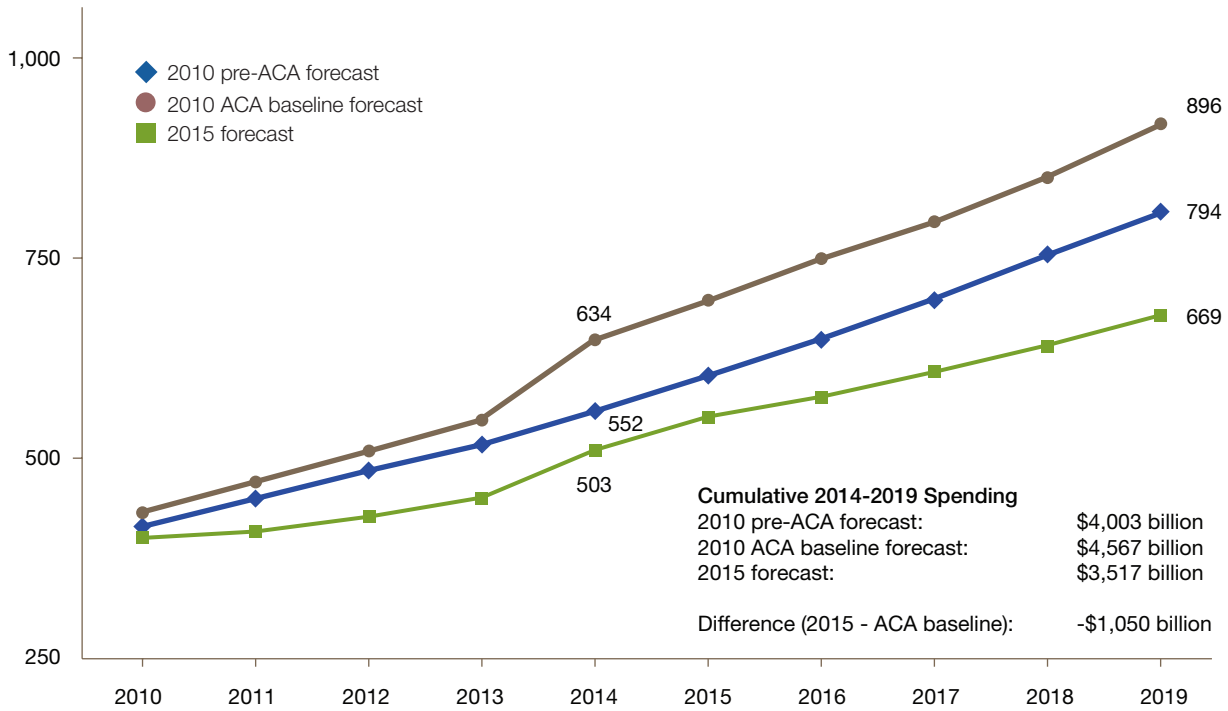
**Table 2. Medicare Spending, Enrollment and Spending per Enrollee Projections, 2014 to 2019**

	2010	2014	2019	2010–2014	2014–2019
Medicare spending	\$ billions			Cumulative spending	
Adjusted ACA baseline	537	679	934	3,025	4,744
Average annual growth rate				6.0%	6.6%
2015 forecast	520	617	838	2,834	4,290
Average annual growth rate				4.4%	6.3%
Medicare enrollment	millions			Average enrollment	
ACA baseline	46.8	52.4	60.5	49	56
Average annual growth rate				2.9%	2.9%
2015 forecast	46.6	52.6	61.2	50	57
Average annual growth rate				3.1%	3.1%
Medicare spending per enrollee	\$			Average spending per enrollee	
Adjusted ACA baseline	11,479	12,961	15,440	12,211	13,990
Average annual growth rate				3.1%	3.6%
2015 forecast	11,157	11,726	13,686	11,424	12,527
Average annual growth rate				1.3%	3.1%

Source: Authors' analysis of CMS national health expenditure projections.

Table Notes: Adjusted forecasts reflect alternative scenarios that assume the cuts to physician payments under the sustainable growth rate system are replaced with rate freezes or small increases. 2015 forecast reflects permanent fix under the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015.

**Figure 3. Medicaid Expenditure Projections (\$ billions)**



Source: Authors' analysis of Centers for Medicare and Medicaid Services national health expenditure projections.

baseline forecast, projected Medicaid spending for 2014 to 2019 fell by \$1,050 billion in the 2015 forecast. This was partly because of the Supreme Court decision in 2012 that made the ACA Medicaid expansion optional for states and significantly reduced enrollment projections. For example, the ACA baseline forecast predicted 2014 Medicaid enrollment of 78.8 million enrollees, but this fell to 66.5 million enrollees in the 2015 forecast after accounting for the Supreme Court decision (table 3). Projected average annual growth in spending per enrollee for 2014 to 2019 also fell between the ACA baseline forecast and the 2015 forecast, from 6.8 percent to 3.3 percent.

### Private Health Insurance

Like Medicaid spending, private health insurance spending projections were higher in the 2010 ACA baseline forecast than in the pre-ACA forecast mainly because of the

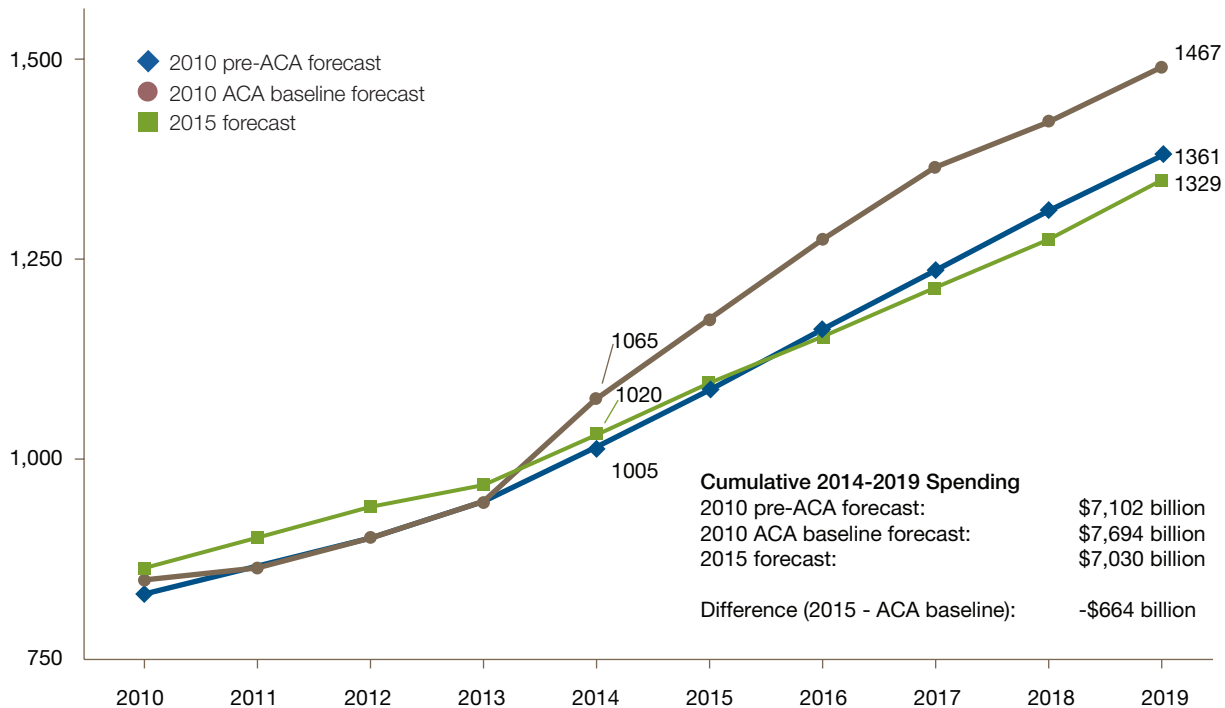
marketplace expansion (figure 4). But private spending projections for 2014 to 2019 were lower in the 2015 forecast by \$664 billion than in the ACA baseline forecast. Much of this decline was driven by slower spending growth between 2010 and 2014 than had been expected in 2010. Contributors to slower growth likely included the sluggish economic recovery as well as lower-than-expected prescription drug spending because of patent expirations and increases in generic drug prescribing. Another likely contributor was a substantial shift toward higher deductibles and cost sharing in private plans, some of which may have been adopted in anticipation of the ACA excise tax on high-cost plans. The average annual growth rate for 2014 to 2019 is currently projected to be 5.4 percent, which is somewhat faster than estimated growth from 2010 to 2014 of 4.3 percent. This uptick in spending growth in the later period is driven primarily by higher projected enrollment growth (table 4).

**Table 3. Medicaid Spending, Enrollment and Spending per Enrollee Projections, 2014 to 2019**

	2010	2014	2019	2010–2014	2014–2019
Medicaid spending	\$ billions			Cumulative spending	
ACA baseline	427	634	896	2,569	4,567
Average annual growth rate				10.4%	7.2%
2015 forecast	398	503	669	2,182	3,517
Average annual growth rate				6.1%	5.9%
Medicaid enrollment	millions			Average enrollment	
ACA baseline	54.9	78.8	80.2	61	79
Average annual growth rate				9.5%	0.4%
2015 forecast	54.3	66.5	75.3	59	72
Average annual growth rate				5.2%	2.5%
Medicaid spending per enrollee	\$			Average spending per enrollee	
ACA baseline	7,783	8,047	11,175	8,491	9,647
Average annual growth rate				0.8%	6.8%
2015 forecast	7,322	7,568	8,888	7,413	8,111
Average annual growth rate				0.8%	3.3%

Source: Authors' analysis of Centers for Medicare and Medicaid Services national health expenditure projections.

**Figure 4. Private Health Insurance Expenditure Projections (\$ billions)**



Source: Authors' analysis of Centers for Medicare and Medicaid Services national health expenditure projections.

**Table 4. Private Health Insurance Spending, Enrollment and Spending per Enrollee Projections, 2014 to 2019**

	2010	2014	2019	2010–2014	2014–2019
Private health insurance spending	\$ billions			Cumulative spending	
ACA baseline	845	1,065	1,467	4,613	7,694
<i>Average annual growth rate</i>				6.0%	6.6%
2015 forecast	862	1,020	1,329	4,679	7,030
<i>Average annual growth rate</i>				4.3%	5.4%
Private health insurance enrollment	millions			Average enrollment	
ACA baseline	189.2	198.1	207.1	191	204
<i>Average annual growth rate</i>				1.2%	0.9%
2015 forecast	186.3	190.6	204.1	188	199
<i>Average annual growth rate</i>				0.6%	1.4%
Private spending per enrollee	\$			Average spending per enrollee	
ACA baseline	4,466	5,375	7,085	4,832	6,285
<i>Average annual growth rate</i>				4.7%	5.7%
2015 forecast	4,628	5,353	6,512	4,968	5,873
<i>Average annual growth rate</i>				3.7%	4.0%

Source: Authors' analysis of Centers for Medicare and Medicaid Services national health expenditure projections.

### Out-of-Pocket Spending and Other Health Spending

In the 2010 ACA baseline forecast, the CMS actuaries predicted a significant reduction in out-of-pocket expenditures caused by the ACA coverage expansions (figure 5). Subsequent forecasts have varied slightly, most notably because of reductions in the projected effects of the ACA excise tax on high-cost plans. But by 2015, projected out-of-pocket spending for 2014 to 2019 was just \$2 billion more than in the 2010 ACA baseline forecast.

Finally, CMS estimates a residual category of “other health spending” that includes spending on the Children’s Health Insurance Program, the US Department of Defense and US Department of Veterans Affairs health programs, public health activity, and investments such as new construction and capital equipment. The 2010 ACA baseline forecast projected a small decline in other spending under the ACA (figure 6). By 2015, however, projected spending in the other category fell by \$456 billion for 2014 to 2019 compared with the ACA baseline forecast. Most of the reduction was driven by declines in investment spending, perhaps related to the

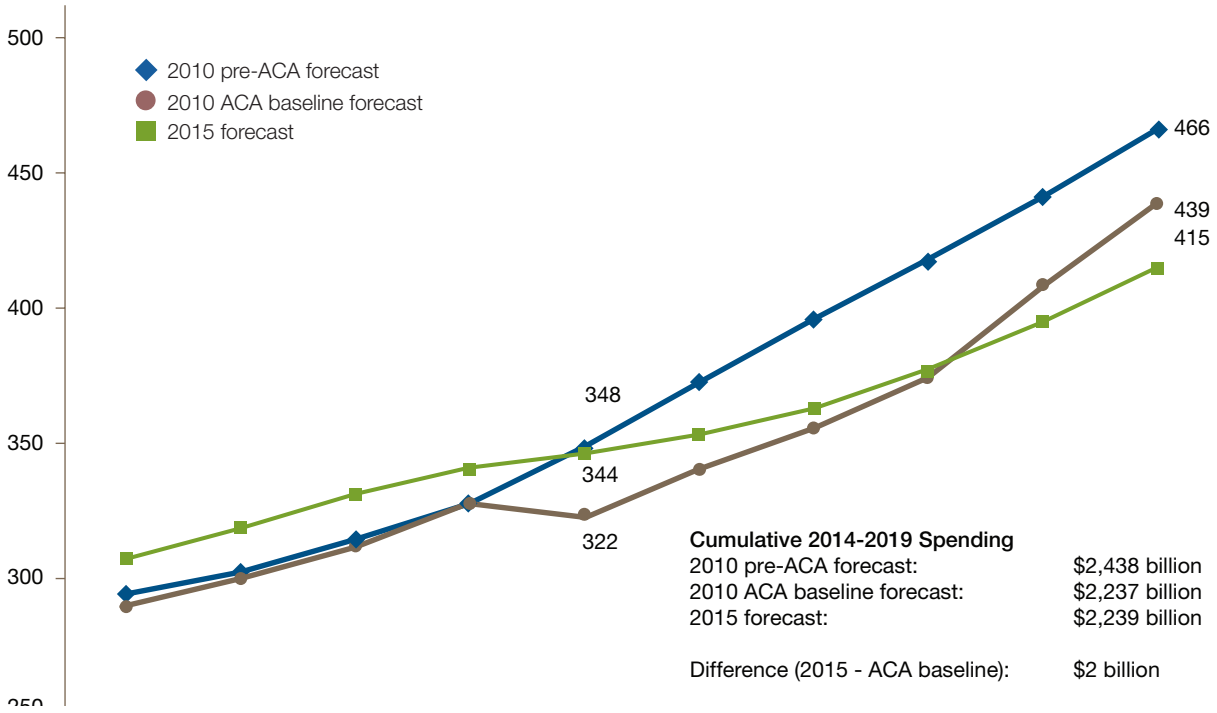
slow economic recovery and anticipation of less demand for new construction and medical devices because of payment constraints in the ACA.

### Congressional Budget Office (CBO) Projections of Federal Spending

Although CMS projects health expenditures by all payers, CBO makes independent projections of ACA-related federal spending as well as federal spending on Medicare and Medicaid (table 5). In 2010, after the passage of the ACA, CBO estimated that exchange subsidies would amount to \$464 billion from 2014 to 2019. In its most recent forecast, CBO projects \$313 billion, a reduction of 32.5 percent. In its 2010 forecast, CBO projected federal Medicaid and CHIP outlays for the expansion population would be \$434 billion from 2014 to 2019 compared with \$366 billion in its current forecast, a reduction of 15.7 percent. Small-employer tax credits are also 85 percent smaller than originally projected because of limited use. Consequently, CBO’s projected gross cost of all ACA coverage provisions for 2014 to 2019 has fallen from \$938 billion in the 2010 forecast to \$686 billion in the 2015 forecast, a reduction of 26.9 percent.

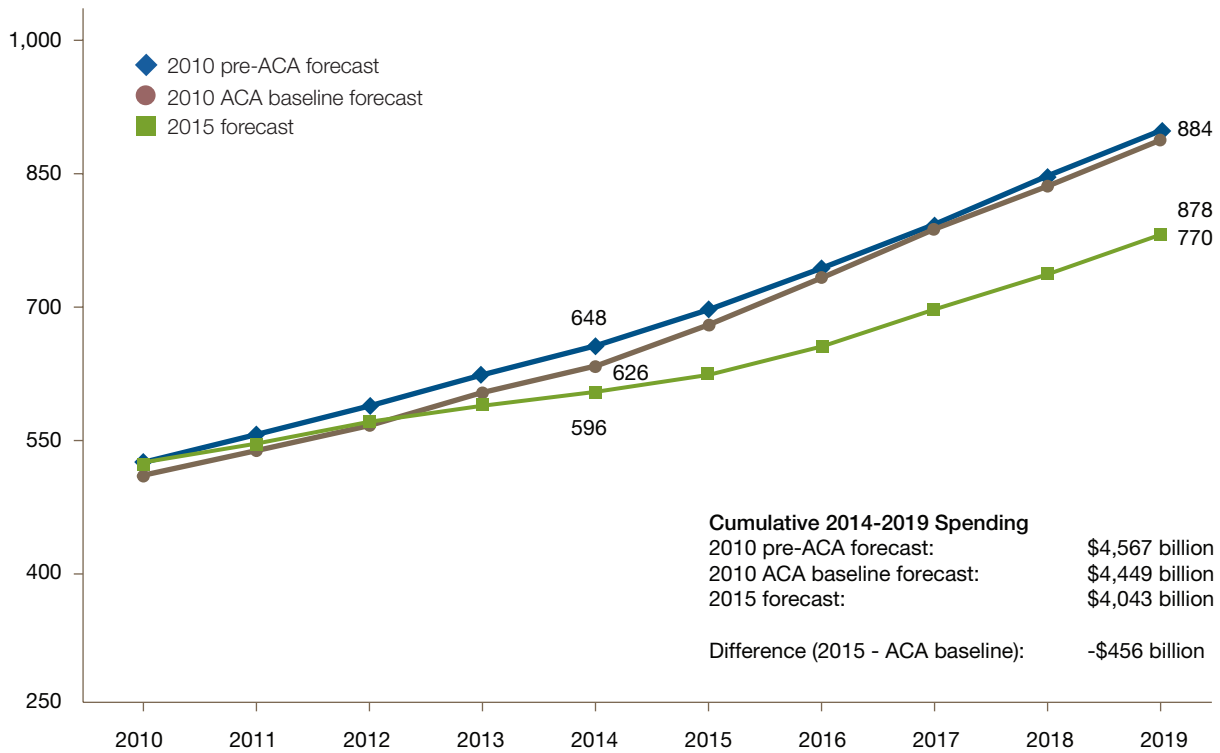


**Figure 5. Out-of-Pocket Expenditure Projections (\$ billions)**



Source: Authors' analysis of Centers for Medicare and Medicaid Services national health expenditure projections.

**Figure 6. Other Health Expenditure Projections (\$ billions)**



Source: Authors' analysis of Centers for Medicare and Medicaid Services national health expenditure projections.

**Table 5. Congressional Budget Office Projections, 2014 to 2019**

	Cumulative Federal Spending 2014-2019			
	2010 ACA baseline	2016 forecast	2016 forecast relative to ACA baseline	
	\$ billions	\$ billions	Difference	% Change
<b>ACA insurance coverage provisions</b>				
Medicaid and CHIP outlays	434	366	-68	-15.7%
Exchange subsidies and related spending	464	313	-151	-32.5%
Small-employer tax credits	40	6	-34	-85.0%
Gross cost of provisions	938	686	-252	-26.9%
<b>Medicare</b>				
Gross outlays	4,713	4,185	-528	-11.2%
Net outlays	4,044	3,527	-517	-12.8%
<b>Medicaid</b>				
Total federal outlays, excluding ACA expansion population	2,188	1,901	-287	-13.1%
<b>Total gross outlays</b>	<b>7,170</b>	<b>6,114</b>	<b>-1,056</b>	<b>-14.7%</b>

Source: Authors' analysis of Congressional Budget Office federal spending projections.

*Table Notes: In order to compare like budget windows, the 2016 forecast incorporates historical data from previous years projections. The Medicare and Medicaid projections are from their respective 2015 and 2016 baselines. The ACA insurance coverage provision projections are from 2014, 2015, and 2016 since no historical data is included.*

CBO also currently forecasts a reduction of \$528 billion in Medicare mandatory outlays from 2014 to 2019, or 11.2 percent relative to their 2010 forecast. Finally, federal Medicaid outlays for 2014 to 2019 for those not newly eligible under the ACA Medicaid expansion are now projected to be \$287 billion lower than in their 2010 forecast, a reduction of 13.1 percent. Thus, although we cannot compare CBO's specific estimates to those

produced by CMS because of differences in the spending categories and other methodological inconsistencies, the patterns generally parallel those in the CMS forecasts over time. That is, current CBO projections are far below those made when the ACA was enacted in 2010. Altogether, federal spending for Medicare, Medicaid, and ACA coverage provisions for 2014 to 2019 are now projected to be \$1.1 trillion, or 14.7 percent, below CBO's 2010 ACA forecasts.

## CONCLUSIONS

Relative to the 2014 forecast, the 2015 CMS forecast includes a relatively modest increase in projected national health spending for 2014 to 2019 of \$49 billion. Despite this increase, comparing the 2015 forecast to the 2010 ACA baseline forecast still reveals dramatic declines in spending projections for 2014 to 2019. National health spending is projected to be \$2.6 trillion lower than in the 2010 ACA baseline forecast for the same period. Declines in projected 2014 to 2019 spending on Medicare (\$455 billion), Medicaid (\$1050 billion), private health insurance (\$664 billion) and other health spending (\$456 billion) since the 2010 ACA baseline forecast continue to be quite large as well.

CMS did not attribute any of the reductions in their projections over time for 2014 to 2019 to the ACA.<sup>9</sup> They had of course incorporated the law's significant cost containment provisions in their 2010 ACA baseline forecast. But the ACA could have contributed to the lower 2015 projections in several ways. First, the ACA payment adjustments that began in 2011 seemed to have had a greater effect on utilization than anticipated. Unexpected reductions occurred in Medicare hospital days, outpatient visits, skilled nursing facility days, and advanced imaging between 2010 and 2014.<sup>10</sup> Second, lower payment rates in Medicare may have affected payment rates by other payers, with commercial insurers following

Medicare in their negotiations with hospitals and physicians.<sup>11</sup> Third, Medicare policies, such as financial penalties for hospital readmissions, may have spilled over to other payers. Fourth, premiums in marketplaces are below expectations because of strong competition, intense negotiations over provider payment rates, and narrow networks.<sup>12</sup>

In addition, CMS has thus far not attributed any cost savings to accountable care organizations, medical homes, or other delivery system reforms that have been proliferating over the past several years. But the presence of such reforms, together with payment reductions in Medicare and dramatically increased cost sharing in private plans, may have heightened uncertainty among providers over the flow of revenues. All of this could have caused providers to make substantial structural changes to adapt to the new environment.

If the ACA and other factors discussed above have contributed to slower spending growth in unmeasured ways, then slower growth may persist beyond current projections.<sup>13</sup> But if the economy was the primary driver of slower growth, then we should expect a return to faster growth with a robust recovery.<sup>14</sup> Researchers at the Altarum Institute have been tracking health spending growth ahead of the official

CMS estimates, and they reported increases in spending growth throughout 2014, peaking at 6.2 percent in the fourth quarter; compare this with the average growth of under 4 percent from 2008 to 2013.<sup>15</sup> 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.<sup>16</sup>

More recent evidence from the Altarum Institute seems to confirm the temporary nature of the 2014 spike; their researchers reported that spending growth continued to increase through the first quarter of 2015, but by the last quarter of 2015, spending growth had again slowed to below 5 percent. If this persists, even the current CMS forecast could prove too high. CMS projects returns to national health expenditure growth rates of at least 6 percent from 2019 to 2024, but the Altarum Institute's estimates seem to support the notion that factors beyond the economy have contributed to persistently slower spending growth. If current CMS projections do not fully reflect this pattern, spending projections will continue to fall and it will become harder not to attribute at least some of the sustained cost containment to the ACA.

# ENDNOTES

1. Holahan J and McMorrow S. *The Widespread Slowdown in Health Spending Growth*. Washington: Urban Institute, 2015. <http://www.urban.org/research/publication/widespread-slowdown-health-spending-growth>. Accessed May 26, 2016.
2. Centers for Medicare and Medicaid Services. National Health Expenditure Projections 2009–2019, 2010; Truffer CJ, Keehan S, Smith S, Cylus J, Sisko A, Poisal JA, et al. Health Spending Projections Through 2019: The Recession's Impact Continues. *Health Affairs* 2010;29(3):522-29; Centers for Medicare and Medicaid Services. National Health Expenditure Projections 2009–2019 (September 2010), 2010; Sisko AM, Truffer CJ, Keehan SP, Poisal JA, Clemens MK, and Madison AJ. National Health Spending Projections: The Estimated Impact of Reform Through 2019. *Health Affairs* 2010;29(10):1933-41; Centers for Medicare and Medicaid Services. National Health Expenditure Projections 2013–2023, 2014; Sisko AM, Keehan SP, Cuckler GA, Madison AJ, Smith SD, Wolfe CJ, et al. National Health Expenditure Projections, 2013–23: Faster Growth Expected with Expanded Coverage and Improving Economy. *Health Affairs*. 2014;33(10):1-10.
3. Centers for Medicare and Medicaid Services. National Health Expenditure Projections 2014–2024, July 2015. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>. Updated July 30, 2015. Accessed May 26, 2016; and Keehan SP, Cuckler GA, Sisko AM, Madison AJ, Smith SD, et al. National Health Expenditure Projections, 2014–24: Spending Growth Faster Than Recent Trends. *Health Affairs*. 2015;34(8):1407–1417.
4. In practice, the Medicare Access and CHIP Reauthorization Act of 2015 included a payment rate freeze for the first six months of 2015, a 0.5 percent increase for the rest of that year, and a 0.5 percent increase for each year from 2016 to 2019.
5. We adjusted both the pre-ACA baseline and ACA baseline forecasts using information provided by CBO on the increase in Part B spending projections that would occur assuming a physician payment rate freeze rather than the required SGR cuts (<https://www.cbo.gov/sites/default/files/111th-congress-2009-2010/dataandtechnicalinformation/health2.pdf> and <https://www.cbo.gov/sites/default/files/111th-congress-2009-2010/dataandtechnicalinformation/SGR-Menu.pdf>). We calculated this spending adjustment as a share of Medicare Part B spending in each year using the CBO forecasts (March 2009 Medicare Baseline <https://www.cbo.gov/sites/default/files/51302-2009-03-Medicare.pdf> and August 2010 Baseline <https://www.cbo.gov/sites/default/files/51302-2010-08-Medicare.pdf>), and applied the equivalent adjustment to CMS forecasts of Medicare Part B spending (CMS Projected Medicare Part B Expenditures under Two Illustrative Scenarios with Alternative Payment Updates, May 12, 2009; and CMS Projected Medicare Expenditures under an Illustrative Scenario with Alternative Payment Updates to Medicare Providers, August 5, 2010).
6. For the 2014 CMS forecast, we used the “projected baseline” provided by CMS, which used assumptions that were very close to the actual provisions implemented under the Medicaid Access and CHIP Reauthorization Act of 2015 (CMS Projected Medicare Expenditures under Current Law, the Projected Baseline and an Illustrative Alternative Scenario, August 28, 2014, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/2014TRAlternativeScenario.pdf>). In 2014, the alternative scenario assumed a freeze in 2015 and a 0.6 percent increase for 2016 to 2019. We did not use the CMS illustrative alternative scenarios in earlier years because they generally assumed more generous physician updates than those that were actually implemented in later “doc fix” bills.
7. The additional decline in projected spending reflects the fact that the ACA baseline forecast assumed the effects of adherence to the sustainable growth rate system over a longer period, leading to a more substantial underestimate of Medicare spending than in the 2014 forecast.
8. To compare like budget windows, we have combined data from several reports to get the 2016 forecast because those reports do not include historical projections. The Medicare and Medicaid outlays use the March 2015 baselines combined with the March 2016 to get the full 2014 to 2019 budget window. The cost of ACA insurance coverage provisions use three years of baseline projections because no historical data are included. For 2016 estimates, see Congressional Budget Office's March 2015 Medicare Baseline: By Fiscal Year. Congressional Budget Office. <https://www.cbo.gov/sites/default/files/51302-2015-03-Medicare.pdf>. Accessed May 26, 2016; Congressional Budget Office's March 2016 Medicare Baseline: By Fiscal Year. Congressional Budget Office. <https://www.cbo.gov/sites/default/files/51302-2016-03-Medicare.pdf>. Accessed May 26, 2016; Detail of Spending and Enrollment for Medicaid—CBO's March 2015 Baseline (By Fiscal Year). Congressional Budget Office. <https://www.cbo.gov/sites/default/files/51301-2015-03-Medicaid.pdf>. Accessed May 26, 2016; Detail of Spending and Enrollment for Medicaid for CBO's March 2016 Baseline (By Fiscal Year). Congressional Budget Office. <https://www.cbo.gov/sites/default/files/51301-2016-03-Medicaid.pdf>. Accessed May 26, 2016; Federal Subsidies for Health Insurance Coverage for People under Age 65: Tables From CBO's March 2016 Baseline. Congressional Budget Office. <https://www.cbo.gov/sites/default/files/51298-2016-03-HealthInsurance.pdf>. Accessed May 26, 2016; Insurance Coverage Provisions of the Affordable Care Act—CBO's March 2015 Baseline. Congressional Budget Office. <https://www.cbo.gov/sites/default/files/51298-2015-03-ACA.pdf>. Accessed May 26, 2016; Insurance Coverage Provisions of the Affordable Care Act—CBO's April 2014 Baseline. Congressional Budget Office. <https://www.cbo.gov/sites/default/files/51298-2014-04-ACA.pdf>. Accessed May 26, 2016. For 2010, see CBO's August 2010 Baseline: Medicare. Congressional Budget Office. <https://www.cbo.gov/sites/default/files/51302-2010-08-Medicare.pdf>. Accessed May 26, 2016; Douglas W. Elmendorf. Congressional Budget Office Letter to Speaker Nancy Pelosi, March 20, 2010. <https://www.cbo.gov/sites/default/files/111th-congress-2009-2010/costestimate/amendconprop.pdf>. Accessed May 26, 2016; Spending and Enrollment Detail for CBO's March 2010 Baseline: Medicaid. Congressional Budget Office. <https://www.cbo.gov/sites/default/files/111th-congress-2009-2010/dataandtechnicalinformation/MedicaidBaseline.pdf>. Accessed May 26, 2016.
9. Centers for Medicare and Medicaid Services. Analysis of Factors Leading to Changes in Projected 2019 National Health Expenditure Estimates: A Comparison of April 2010 and September 2013 Projections. Baltimore: Centers for Medicare and Medicaid Services, 2013.
10. White C, Cubanski J, and Neuman T. *How Much of the Medicare Spending Slowdown Can Be Explained? Insights and Analysis from 2014*. Menlo Park, CA: Kaiser Family Foundation, 2014.
11. Clemens J and Gottlieb JD. Bargaining in the Shadow of a Giant: Medicare's Influence on Private Payment Systems. Working Paper No. 19503. Cambridge, MA: National Bureau of Economic Research, 2013.; White C, Contrary To Cost-Shift Theory, Lower Medicare Hospital Payment Rates for Inpatient Care Lead to Lower Private Payment Rates. *Health Affairs*. 2013;32(5):935–943; White C and Wu YV. How Do Hospitals Cope with Sustained Slow Growth in Medicare Prices? *Health Services Research*. 2014;49(1):11–31.
12. Holahan J, Blumberg LJ, and Wengle E. *Marketplace Premium Changes throughout the United States, 2014–2015*. Washington: Urban Institute, 2015
13. Chandra A, Holmes J, and Skinner J. *Is This Time Different? The Slowdown in Healthcare Spending*. Working Paper No. 19700. Cambridge, MA: National Bureau of Economic Research, 2013; Cutler D and Sahni NR. If Slow Rate of Health Care Spending Growth Persists, Projections May Be Off by \$770 Billion. *Health Affairs*. 2013;32(5):841–850; Ryu AJ, Gibson TB, McKellar MR, and Chernew ME. The Slowdown in Health Care Spending in 2009–11 Reflected Factors Other Than the Weak Economy and Thus May Persist. *Health Affairs*. 2013;32(5): 835–840; Holahan J and McMorrow S. *What Drove the Recent Slowdown in Health Spending Growth and Can It Continue?* Washington: Urban Institute, 2013.
14. Dranove D, Garthwaite C, and Ody C. Health Spending Slowdown Is Mostly Due to Economic Factors, not Structural Change in the Health Care Sector. *Health Affairs*. 2014;33(8):1399–1406; Kaiser Family Foundation. Assessing the Effects of the Economy on the Recent Slowdown in Health Spending. Menlo Park, CA: Kaiser Family Foundation, 2013. <http://kff.org/health-costs/issue-brief/assessing-the-effects-of-the-economy-on-the-recent-slowdown-in-health-spending-2/>. Accessed May 26, 2016.
15. Roehrig C, Turner A, Hughes-Cromwick P, and Miller G. *Health Sector Trend Report: March 2015- Expanded Report Covering All of 2014*. Washington: Altarum Institute, 2015. [http://altarum.org/sites/default/files/uploaded-publication-files/ltarumpercent20RWJFpercent-20Trendpercent20Reportpercent20Marchpercent202015percent20FINAL\\_0\\_0.pdf](http://altarum.org/sites/default/files/uploaded-publication-files/ltarumpercent20RWJFpercent-20Trendpercent20Reportpercent20Marchpercent202015percent20FINAL_0_0.pdf). Accessed May 26, 2016.
16. Holahan J and McMorrow S. *Has Faster Health Care Spending Growth Returned?* Washington: Urban Institute, 2015. <http://www.urban.org/research/publication/has-faster-health-care-spending-growth-returned>. Accessed May 26, 2016; Lerner L. Health Affairs Web First: National Health Spending Growth Accelerates in 2014. *Health Affairs*. December 2, 2015 <http://healthaffairs.org/blog/2015/12/02/health-affairs-web-first-national-health-spending-growth-accelerates-in-2014/>. Accessed May 26, 2016; Martin AB, Hartman M, Benson J, Catlin A, and the National Health Expenditure Accounts Team. National Health Spending in 2014: Faster Growth Driven by Coverage Expansion and Prescription Drug Spending. *Health Affairs*. 2015;35(1):150-160.
17. Roehrig C, Turner A, Hughes-Cromwick P, Miller G, and Rhyan C. *Health Sector Trend Report: March 2016- Expanded Report Covering Fourth Quarter of 2015*. Washington: Altarum Institute, 2016. [http://altarum.org/sites/default/files/uploaded-publication-files/Altarum%20RWJF%20Trend%20Report%20March%202016\\_1.pdf](http://altarum.org/sites/default/files/uploaded-publication-files/Altarum%20RWJF%20Trend%20Report%20March%202016_1.pdf). Accessed May 26, 2016.

Copyright© June 2016. The Urban Institute. Permission is granted for reproduction of this file, with attribution to the Urban Institute.

### **About the Authors and Acknowledgements**

Stacey McMorrow is a senior research associate and John Holahan is an Institute Fellow with the Urban Institute's Health Policy Center. The authors are grateful to Bowen Garrett and Stephen Zuckerman for their comments and suggestions as well as to Patricia Solleveld and Erik Wengle for research assistance.

### **About the Robert Wood Johnson Foundation**

For more than 40 years the Robert Wood Johnson Foundation has worked to improve health and health care. We are working with others to build a national Culture of Health enabling everyone in America to live longer, healthier lives. For more information, visit [www.rwjf.org](http://www.rwjf.org). Follow the Foundation on Twitter at [www.rwjf.org/twitter](https://twitter.com/rwjf) or on Facebook at [www.rwjf.org/Facebook](https://www.facebook.com/rwjf).

### **About the Urban Institute**

The Urban Institute is a nonprofit, nonpartisan policy research and educational organization that examines the social, economic and governance problems facing the nation. For more information, visit [www.urban.org](http://www.urban.org). Follow the Urban Institute on Twitter [www.urban.org/twitter](https://twitter.com/urbanorg) or Facebook [www.urban.org/facebook](https://www.facebook.com/urbanorg). More information specific to the Urban Institute's Health Policy Center, its staff, and its recent research can be found at [www.healthpolicycenter.org](http://www.healthpolicycenter.org).