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### US will spend one in five dollars on healthcare

Wed Feb 22, 2006 10:26 AM ET

WASHINGTON (Reuters) - Health-care spending is outpacing the growth of the American economy and will consume 20 percent of U.S. gross domestic product (GDP) by 2015, the U.S. Centers for Medicare and Medicaid Services (CMS) said on Wednesday.

By comparison, health-care spending accounted for about 16 percent of U.S. GDP in 2004, the latest year for which data are available, according to a study by CMS economists published in the journal Health Affairs.

National health care spending will grow by an average 7.2 percent annually over the coming decade, the study estimated. This will be slower than in recent years but still 2.1 percent faster than GDP growth, it said.

Recent annual growth in American health-care spending peaked at 9.1 percent in 2002.

U.S. spending on prescription drugs was forecast to soar to \$446 billion in 2015, up from \$188 billion in 2004, according to the study, which is issued annually. However, the average annual spending rise for prescription drugs over the coming decade was seen at 8.2 percent, lower than the projection made in last year's report due to the government's new Medicare Part D prescription drug program.

The Medicare Part D prescription drug benefit began last month as a way to help as many as 42 million elderly and disabled Americans pay drug costs.

"The prescription drug plans were able to negotiate discounts and rebates that came in larger than we thought, and this has helped mitigate what drug spending would have been," said John Poisal, deputy director of the CMS' health statistics group. "It doesn't mean drug spending won't continue to grow, but it has helped to temper that growth."

The Pharmaceutical Care Management Association, a trade group representing pharmacy benefit managers, said the report showed "deeper-than-expected discounts" in both Medicare Part D drugs and overall prescription drugs.

Pharmacy benefit managers administer mail order and other kinds of prescription drug plans for health insurance programs.

The study also forecast the following for specific areas of health care:

- \* Medicare spending will spike by 25 percent in 2006 due to the new prescription drug benefit, then average 7.5 percent growth between 2008 and 2015.
- \* Medicaid spending will average 8.6 percent growth annually from 2008 through 2015 when spending reaches \$670 billion. Medicaid is a joint federal-state program for poor Americans.
- \* Private health insurance premiums slowed for a third consecutive year and grew by 6.8 percent in 2005. However, an upturn in the underwriting cycle in 2007 means that premiums will grow by a forecast 8.3 percent in 2009.
- \* Out-of-pocket spending will decline by 1 percent in 2006 after remaining stable at 5.6 percent growth in 2005. Consumers are expected to spend \$421 billion out of pocket on health care by 2015, up from \$248.8 billion in 2005.

The CMS report, "Health Spending Projections through 2015," was published on the Internet at:

[www.cms.hhs.gov/NationalHealthExpendData/03\\_NationalHealthAccountsProjected.asp](http://www.cms.hhs.gov/NationalHealthExpendData/03_NationalHealthAccountsProjected.asp).

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