



Spending on Health to Rise Dramatically

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WASHINGTON (AP) -- By 2017, total health care spending will double to more than \$4 trillion a year, accounting for one of every \$5 the nation spends, the federal government projects.

The 6.7 percent annual increase in spending -- nearly three times the rate of inflation-- will be largely driven by higher prices and an increased demand for care, the Centers for [Medicare](#) and [Medicaid](#) Services said Monday. Other factors in the mix include a growing and aging population. The first wave of baby boomers become eligible for Medicare beginning in 2011.

With the aging population, the federal government will be picking up the tab for a growing share of the nation's medical expenses. Overall, federal and state governments accounted for about 46 percent of health expenditures in 2006. That percentage will increase to 49 percent over the next decade.

"Health is projected to consume an expanding share of the economy, which means that policymakers, insurers and the public will face increasingly difficult decisions about the way health care is delivered and paid for," CMS economists said.

Overall health care spending in 2017 was estimated to increase to \$4.3 trillion. That would be about 20 percent of U.S. gross domestic product, or GDP, the total monetary value of all finished goods and services produced in a country.

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In 2006, people and the government spent \$2.1 trillion on health care, an average of \$7,026 a person. In 2017, health spending will cost an estimated \$13,101 a person.

In his budget for next year, President Bush recommended slowing the yearly growth of Medicare from about 7 percent to about 5 percent. The slowdown would occur primarily by freezing reimbursement rates for the next three years to scores of health care providers, such as hospitals, nursing homes and home health centers. Bush also proposed requiring wealthier Medicare beneficiaries to pay higher monthly premiums when participating in Medicare's prescription drug coverage plan.

Those recommendations would reduce spending by nearly \$178 billion over five years, but have little chance of passage in Congress. Health and Human Services Secretary Mike Leavitt has acknowledged the unpopularity of the recommendations, but he said politicians must make some hard decisions. The longer lawmakers wait, the more difficult the decisions will be.

"Medicare, on its current course, is not sustainable," Leavitt testified.

Democratic lawmakers also have proposed ways to slow health spending, primarily by trimming payments to private insurers who oversee health coverage for nearly 9 million Medicare beneficiaries. A growing number of the nation's elderly and disabled are electing to get health coverage through private plans that contract with the federal government and government economists predicted that trend will continue. Now, about one in six beneficiaries get their health benefits through a private plan. By 2017, more than one in four beneficiaries will get their coverage that way, Medicare officials said.

Health experts tell Congress that Medicare pays much more for each beneficiary who opts for a private plan than it would if they stayed in the traditional Medicare program, which reimburses providers at a set fee for a particular service. That difference increases the burden on taxpayers as well as beneficiaries, because participants pay higher monthly Medicare premiums.

The government economists say it's hardly a new trend that the health care sector will grow more quickly than the overall economy. Over the past 30 years, health spending has exceeded growth in the gross domestic product by about 2.7 percentage points each year. Over the coming decade, that difference is expected to narrow slightly. Still, the continued gap is worrisome, said the agency's acting administrator, Kerry Weems. He said consumers, particularly businesses, need more information about the quality and cost of care.

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"We have an approaching crisis in this country unless we change the way we do business," Weems said.

Within the health sector, economists project that spending on hospital care will increase at rate of 6.9 percent a year over the coming decade, spending on physician services will rise 5.9 percent annually, and spending on nursing homes will grow 5.2 percent a year.

The economists' report will be published online by the journal Health Affairs.

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