The Daily Dish

Health Care Déjà Vu

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Roughly a decade ago (October 1, 2013) the ignominious launch of the Affordable Care Act's (ACA's) healthcare.gov website signaled the end of an era. The years leading up to the passage of the ACA had featured two pressing national health policy issues: covering more (all) Americans with health insurance and the cost (or value) of health care.

Which should be the top priority? How should the goals be pursued? It was a vigorous debate and featured a first: every Republican running for president in 2008 had a comprehensive health care reform plan in the primary. With the passage of the ACA, however, the die was cast. Despite some messaging ("it will bend the cost curve"), the ACA was a coverage-heavy reform that did nothing to alter the growth of costs.

Roll the clock forward to 2024, and the top concern is over the cost of health care. Discussion of Medicare for All and other universal coverage fantasies has evaporated and the data help one see why. The National Health Expenditures (NHE) for 2023 show that:

> *Health care spending in the US reached $4.9 trillion and increased 7.5 percent in 2023, growing from a rate of 4.6 percent in 2022.*
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> *The health sector's share of the economy in 2023 was 17.6 percent, which was similar to its share of 17.4 percent in 2022.*
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> *The acceleration in health care spending growth (from 4.6 percent in 2022 to 7.5 percent in 2023) reflected growth in non-price factors, such as use and intensity of services (after notably slower growth in 2022). When adjusted for health care price inflation (as measured by the National Health Expenditure (NHE) deflator), real health care spending increased 4.4 percent in 2023—a higher rate than the increase of 1.4 percent for such spending in 2022 and higher than the growth rate of real GDP, which was 2.9 percent in 2023.*

That final fact is especially telling. The real growth rate of spending (4.4 percent) exceeds the growth rate of the income (2.9 percent) to finance that spending. This is a return to the bad old days that permitted NHE to grow from a small fraction of economic activity to nearly 20 percent of gross domestic product (GDP).

One of the basic features of the pressing U.S. fiscal problems is that Medicare grows at 7.0 percent, much faster than the growth of the economy, which dictates the growth of revenue. The cost trends indicate a near future in which health care could lie at the intersection of pressure on both federal and family finances.