



Weekly Checkup

The Cycle of Health Expenditure Growth

CONOR RYAN | JANUARY 21, 2015

In his State of the Union Address last night, President Obama pointed out that the country is experiencing the lowest rate of health care inflation in fifty years. While the administration asserts that the low inflation rates are evidence of structural change to the health care system—primarily as a result of the Affordable Care Act—it is primarily a product of the overall low inflation environment. If we examine the growth of health care expenditures relative to GDP, the recent slow down reveals itself to be not terribly uncommon or exceptional. It is an open question as to whether the low health care inflation will endure as the economy recovers, and until there is better evidence of long-term, structural change, we should not claim victory in the fight for health care cost reform.

