



The Daily Dish

Health Policy and 2018

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Eakinomics: Health Policy and 2018

It is always dangerous to say that something is the most important policy issue, but it is safe to say that federal health policy is on the short list. Every year. After all, in 2016 U.S. [health care spending](#) grew by 4.3 percent, reaching \$3.3 trillion, \$10,348 per person, and 17.9 percent of Gross Domestic Product (GDP) (up from 17.7 percent in 2015). Spending on [major federal health programs](#) (Medicare, Medicaid, Affordable Care Act, and Children's Health Insurance Program) was \$1.1 trillion or nearly 30 percent of total federal spending in 2016. In short, the health sector is a major share of the U.S. economy and health programs are a dominant part of the federal budget. Those are two reasons that health policy is a big deal every year. But the most important is that the health of the U.S. population is paramount to personal welfare and to nearly every goal society may pursue.

What should one look for in 2018? The first is to monitor the overall performance of the sector. Since the health sector is nearly one-fifth of the economy, it is imperative that productivity growth improve in the health sector. It will not be possible to generate higher productivity growth, faster real wage growth and improved growth in GDP with one-fifth of the economy as an anchor on progress.

Faster productivity growth is closely related to the pace of health price inflation — greater productivity reduces upward price pressure — and, thus, the overall pace of national health spending. Both health inflation and spending bear scrutiny in 2018. It is also useful to track the rate at which upward pressures in spending translates into higher insurance premiums. While the Affordable Care Act (ACA) exchanges get all the attention, the vast majority of coverage remains employer-provided insurance; that's the area to focus on.

From a policy perspective, 2018 is unlikely to be the year that entitlement reforms shore up the financial foundations of Medicare, Medicaid and the ACA, and in the process puts the overall federal budget on a sustainable trajectory. I hope I'm wrong. But it should be the year the Children's Health Insurance Program (CHIP) is (finally) reauthorized and legislation to stabilize the ACA exchange markets gets consideration. However, the bulk of the policy activity is likely to take place in administrative actions to grant more state flexibility in Medicaid and the ACA, move to more innovative contracts for expensing drugs, and enhance competitive pressures throughout the federal health programs.

Health care and health care policy will be important in 2018, just like every year.