

# CMS Says Medicare Spending to Surge

By JANE ZHANG February 26, 2008

WASHINGTON -- Government spending on health care could nearly double by 2017 to more than \$2 trillion, according to a new federal study, reflecting a surge that promises to complicate the campaign debate about health care.

Driven by the aging of the baby-boom generation and rising costs of new drugs and medical technology, Medicare, the big federal health program for the elderly, will take up 20.7% of national health spending by 2017, according to the report.

Overall, the report projects health-care spending in the U.S. will hit \$4.3 trillion by 2017, nearly double the 2007 amount. That would equate to nearly 20% of gross domestic product. In 2007, health-care spending accounted for 16.3% of GDP, according to the study. But more of that cost is expected to shift to government agencies -- even as the federal government struggles to shrink huge deficits.

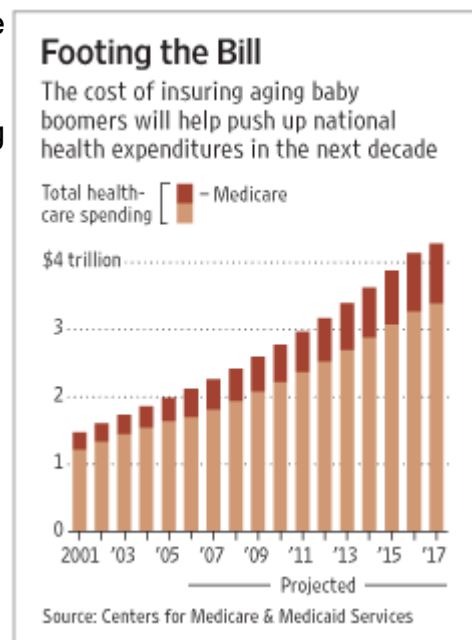
The Bush administration has proposed various steps to curb Medicare spending in its latest budget, but it isn't clear whether those cuts will win approval from Congress.

"The impact of the population aging is expected ... to have a substantial influence on the public share of spending growth, as the leading edge of the baby-boom generation becomes eligible for Medicare," wrote Sean Keehan and his co-authors of the study, economists at the federal agency that runs Medicare and Medicaid. The study expects aging baby boomers to account for a relatively small share of future health-care spending growth on a per enrollee basis.

The annual projections by the Centers for Medicare and Medicaid Services are being published today in the journal *Health Affairs*.

Health care has become a key topic in the presidential campaign and a top voter concern. Sen. John McCain, the Republican front-runner, favors using tax changes to make health care more accessible.

- **What's New:** Government spending on health care is expected to nearly double by 2017 to more than \$2 trillion.



- **The Reasons:** Two main factors are driving up costs: the aging population -- especially baby boomers -- and the rising price of new drugs and medical technology.
- **What's at Stake:** The latest data renews the spotlight on the question of how the government should pay for the bulging cost of health care.

The two Democratic candidates, Sen. Barack Obama and Sen. Hillary Clinton, would spend some \$100 billion a year to provide universal health care. But the two have sparred over how to expand government coverage and whether all Americans should be required to buy health insurance.

Concerns about the bulging health-care budget aren't new, and the Congressional Budget Office recently warned about the federal budget gap as baby boomers retire and start tapping Medicare, Medicaid and Social Security.

Health-care spending will grow on average 6.7% in the next decade, outpacing the general economy by 1.9 percentage points each year, the new federal study said. The growth will mainly be driven by medical prices and increased usage as well as smaller factors such as population growth and its changing mix. Private spending on health care is expected to grow at a slower pace, from 6.6% in 2009 to 5.9% in 2017, the authors said. That is partly because of the cost shift to the government.

Medicare spending is expected to grow to \$844 billion in 2017, up from \$427 billion in 2007. There also will be a shift toward the private arm of Medicare, which tends to cost the government more. By 2017, 27.5% of eligible Medicare enrollees are expected to enroll in managed-care plans, compared with 16.4% in 2006, the study said.