
## Net impact in $ billions*

<table>
<thead>
<tr>
<th>Total NHE</th>
<th>Federal government</th>
<th>State and local government</th>
<th>Private employers</th>
<th>Households</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2013–2023</strong></td>
<td>–$2,004</td>
<td>–$1,036</td>
<td>–$242</td>
<td>–$189</td>
</tr>
</tbody>
</table>

* Net effect does NOT include potential impact of spending target policy.

Note: NHE = national health expenditures.

Source: Estimates by Actuarial Research Corporation for The Commonwealth Fund. Current baseline projection assumes that the cuts to Medicare physician fees under the sustainable growth rate (SGR) formula are repealed and basic physician fees are instead increased by 1% in 2013 and held constant from 2014 through 2023.

NHE in $ trillions

- **Current baseline NHE projection**
- **Projected NHE net of policy impacts**

NHE as percentage of GDP—
- Current projection: 18% in 2013 → 21% in 2023
- Under unified strategy: 18% in 2013 → 19% in 2023
- Cumulative NHE savings under synergistic strategy: $2.0 trillion

Note: GDP = gross domestic product.
Source: Estimates by Actuarial Research Corporation for The Commonwealth Fund. Current baseline projection assumes that the cuts to Medicare physician fees under the sustainable growth rate (SGR) formula are repealed and basic physician fees are instead increased by 1% in 2013 and held constant from 2014 through 2023.
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<td><strong>Payment reforms to pay for value to accelerate delivery system innovation</strong></td>
<td>–$442</td>
<td>–$891</td>
<td>–$1,333</td>
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<tr>
<td><strong>Policies to expand and encourage high-value choices by consumers</strong></td>
<td>–$41</td>
<td>–$148</td>
<td>–$189</td>
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<tr>
<td><strong>Systemwide actions to improve how health care markets function</strong></td>
<td>–$203</td>
<td>–$279</td>
<td>–$481</td>
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<td><strong>Cumulative NHE impact</strong></td>
<td>–$686</td>
<td>–$1,318</td>
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Note: NHE = national health expenditures. Totals may not add because of rounding.

* Net savings do NOT include the potential impact of the spending target policy. Malpractice savings included in impact of provider payment reforms.

** Cumulative NHE impact adjusted for potential overlap of component policy impacts.

Source: Estimates by Actuarial Research Corporation for The Commonwealth Fund. Current baseline projection assumes that the cuts to Medicare physician fees under the sustainable growth rate (SGR) formula are repealed and basic physician fees are instead increased by 1% in 2013 and held constant from 2014 through 2023.
Exhibit 1. International Comparison of Spending on Health, 1980–2010

Average spending on health per capita ($US PPP)

Total health expenditures as percent of GDP

Notes: PPP = purchasing power parity; GDP = gross domestic product.
Source: Commonwealth Fund, based on OECD Health Data 2012.
Exhibit 2. Medicare Spending per Enrollee Projected to Increase More Slowly Than Private Insurance Spending per Enrollee and GDP per Capita

Annual rate of growth (percent)

- GDP per capita
- Medicare spending per enrollee
- Employer-sponsored insurance spending per enrollee

2008–2011
- GDP per capita: 2.7%
- Medicare spending per enrollee: 3.7%
- Employer-sponsored insurance spending per enrollee: 4.5%

2011–2021 (projected)
- GDP per capita: 3.8%
- Medicare spending per enrollee: 2.9%
- Employer-sponsored insurance spending per enrollee: 4.6%

Note: GDP = gross domestic product.
Exhibit 3. Premiums Rising Faster Than Inflation and Wages

Cumulative changes in insurance premiums and workers’ earnings, 1999–2012

Projected average family premium as a percentage of median family income, 2013–2021


NHE in $ billions

- **2013**: $2.9 trillion
  - Federal government: 28%
  - State and local government: 18%
  - Private employers (including "other private revenue"): 26%
  - Households: 28%
- **2018**: $4.0 trillion
  - Federal government: 31%
  - State and local government: 18%
  - Private employers (including "other private revenue"): 25%
  - Households: 26%
- **2023**: $5.5 trillion
  - Federal government: 32%
  - State and local government: 18%
  - Private employers (including "other private revenue"): 24%
  - Households: 26%

% GDP:
- 2013: 17.9%
- 2018: 18.7%
- 2023: 20.5%

Note: GDP = gross domestic product.
Source: Estimates by Actuarial Research Corporation for The Commonwealth Fund.
Exhibit 5. High Performance Health System Criteria for Developing Options to Stabilize Spending Growth

• Set targets for total spending growth

• Pay for value to accelerate delivery system reform for better outcomes, better care, at lower costs

• Address the systemwide causes of health spending growth—not just federal health costs

• Align incentives for providers and consumers across public and private payers

• Protect access and enhance equity, but also engage and inform consumers

• Invest in information systems to guide action

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# Exhibit 7. Synergistic Strategy: Cumulative Savings, 2013–2023

## Payment reforms to accelerate delivery system innovation ($1,333 billion)
- Pay for value: replace the SGR with provider payment incentives to improve care
- Strengthen patient-centered primary care and support care teams
- Bundle hospital payments to focus on total cost and outcomes
- Align payment incentives across public and private payers

## Policies to expand and encourage high-value choices ($189 billion)
- Offer new Medicare Essential plan with integrated benefits through Medicare, offering positive incentives for use of high-value care and care systems
- Provide positive incentives to seek care from patient-centered medical homes, care teams, and accountable care networks (Medicare, Medicaid, private plans)
- Enhance clinical information to inform choice

## Systemwide actions to improve how health care markets function ($481 billion)
- Simplify and unify administrative policies and procedures
- Reform malpractice policy and link to payment*
- Target total public and private payment (combined) to grow at rate no greater than GDP per capita**

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Notes: SGR = sustainable growth rate formula; GDP = gross domestic product.
* Malpractice policy savings included with provider payment policies.
** Target policy was not scored.

NHE in $ trillions

Current baseline NHE projection
Projected NHE net of policy impacts

NHE as percentage of GDP—
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Spending in $ billions

Projected growth of hospital spending, 2013–2023:
- Baseline projection: 82% (6.2% annual)
- Net of policy impact: 67% (5.3% annual)

Projected growth of physician spending, 2013–2023:
- Baseline projection: 88% (6.5% annual)
- Net of policy impact: 77% (5.9% annual)