

Health Care Reform Reference: 2008 Oregon Health Care Spending Estimates

Estimates of state health care spending have become increasingly important to private industry and government as costs continue to rise and there is increasing interest in health care financing and delivery reforms. Although national estimates of health care spending are useful for understanding national trends, they do little to illuminate what is happening at the state level. While we have detailed state-level data on health care spending by specific service category, very little information is available by payer source. Spending by the four main categories of health care payers – Medicare, Medicaid, Employer-Sponsored Insurance and Individual Market Insurance – can be estimated for 2006 using a variety of published and unpublished sources.¹ Spending is projected to 2008 by applying a 7% annual medical inflation factor. Ideally, this brief will provide a common understanding during health care reform discussions of Oregon's current health care payer structure.

It is important to note that these estimates do not include any public or private spending for long term care.

Data Sources and Methodology

Medicare: Health care spending estimates for Medicare are derived from Centers for Medicare and Medicaid Services, Office of the Actuary, National Statistics Group. Assumes 531,000 Oregon Medicare Enrollees multiplied by Oregon average Medicare Program payments per enrolled beneficiary of \$6,466 (2002 Oregon average of \$4,933 inflated at 7%) or \$3.4B total.²

Medicaid: Estimates for Medicaid are based on the Oregon

Division of Medical Assistance Programs (DMAP), Department of Human Services (DHS) "Fall 2006 Forecast for the 2007-2009 Biennium" and the actuarial analysis provided by

Oregon Health Care Spending Estimate, 2006 with 2008 projections		
	2006 <i>(Estimated)</i>	2008 <i>(Projected)</i>
Medicare:	\$3.4 billion	\$4.0 billion
Medicaid:	\$1.9 billion	\$2.2 billion
Employer-Sponsored Health Insurance:	\$6.4 billion	\$7.3 billion
Individual Market Health Insurance:	\$0.5 billion	\$0.6 billion
<i>Total</i>	<i>\$12.2 billion</i>	<i>\$14.1 billion</i>

¹ Estimates for this brief were developed for the Office for Oregon Health Policy and Research and the Oregon Health Policy Commission by John McConnell, PhD, a Research Assistant Professor in the Emergency Medicine Department at the Oregon Health and Sciences University (OHSU), Chris Allanach, Oregon Legislative Revenue Office (LRO), and Bill Kramer of Kramer Healthcare Consulting, Portland, OR.

² Note: Using the national average calculation of payments per Medicare beneficiary rather than the Oregon average results in estimated Medicare spending of \$4.4 billion in 2006 and \$5.0 billion in 2008.

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PriceWaterhouseCoopers.³ This estimate includes all eligible categories of Oregon's Medicaid program, the Oregon Health Plan.

Employer-Sponsored (ESI) and Individual Market Health Insurance: Estimates for employer-sponsored and individual market health insurance are derived from the most recent Annual Social and Economic Supplement to the Current Population Survey (CPS), conducted by the U.S. Census Bureau in 2006. The estimates imply various levels of coverage and adult versus child rates in 2006 dollars (adjusted by 7% inflation for medical cost growth in 2008). Also included in the ESI estimate is cost-shifting resulting from hospital uncompensated care given to the uninsured or underinsured.

Other Health Care Spending Categories: Health care spending for household out-of-pocket and other federal and state spending are estimated to add another \$4.6 billion in 2006 and \$5.2 billion in 2008. Household out-of-pocket spending is the amount of money which an enrollee or family is required to pay directly to a provider for a medical service. The Other Federal and State spending estimates include Veterans Affairs, CHAMPUS, TRICARE, and state and federal public health spending as well as corrections health and university health clinics. The estimates for this data are from the Centers for Medicare and Medicaid Services, Office of the Actuary, National Statistics group⁴.

Other Health Care Spending Categories		
	2006 (Estimated)	2008 (Projected)
Household Out-of-pocket	\$2.3 billion	\$2.6 billion
Other Federal	\$1.4 billion	\$1.6 billion
Other State	\$0.9 billion	\$1.0 billion
<i>Total "Other" Spending Categories</i>	<i>\$4.6 billion</i>	<i>\$5.2 billion</i>

Total health care spending in the state for all payers--public, private and individual-- is estimated at \$16.8 billion in 2006 and projected to be \$19.3 billion in 2008.

³ PriceWaterhouseCoopers, Oregon Health Plan Demonstration, "Analysis of Federal Fiscal Years, 2006-2007, Average Costs", March 7, 2005. Available at www.oregon.gov/DHS/healthplan/data_pubs/rates-costs/pcc-report2005-2007.pdf.

⁴ Heffler et al., "U.S. Health Projections for 2004-2014," *Health Affairs*, Web Exclusive (23 February 2005) W5.74-85.