CBO MEMORANDUM

PROJECTIONS OF NATIONAL HEALTH EXPENDITURES: 1993 UPDATE

October 1993
This Congressional Budget Office memorandum updates CBO's study *Projections of National Health Expenditures* (October 1992). The new projections are based on the methodology described in that study and are consistent with CBO's current economic assumptions and baseline budget projections. CBO will use these projections in preparing estimates of health care proposals considered in the first session of the 103rd Congress.

The memorandum and projections were prepared by Jeffrey Lemieux of CBO's Budget Analysis Division, under the direction of Charles E. Seagrace, C.G. Nuckols, and Paul N. Van de Water. Blake Mackey of the Macroeconomic Analysis Division provided research assistance. Christian Spoor edited the manuscript, and Jeanne Burke prepared it for publication.

Questions about the analysis may be addressed to Jeffrey Lemieux at (202) 226-2820.
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This memorandum updates the Congressional Budget Office's (CBO's) health projections, which were first presented in *Projections of National Health Expenditures* (October 1992). In 1965, national health spending constituted less than 6 percent of the gross domestic product (GDP) of the United States. In 1993, CBO estimates, health spending will amount to more than 14 percent of GDP. Assuming that current government policies, patterns of medical practice, and trends in private health insurance continue, CBO projects that national health expenditures will grow to 18 percent of GDP in the year 2000, and to over 20 percent by 2003 (see Table 1).

CBO projects that national health spending will increase from about $900 billion in 1993 to over $1.6 trillion in 2000, and will reach $2 trillion by 2003. (For comparison, CBO estimates that national defense spending in 1993 will be less than $300 billion.) Per capita health spending will more than double, from an estimated $3,358 in 1993 to over $7,000 in 2003. Health care financed by the government will account for 50 percent of total health spending by 2003, up from 46 percent in 1993 (see Table 2).

These current-policy projections were developed not as a forecast of spending on health care but rather as a basis for measuring the impact of policy changes. They are not a prediction that national health expenditures will inevitably rise to 20 percent of GDP, because government and private policies
## TABLE 1. PROJECTIONS OF NATIONAL HEALTH EXPENDITURES, BY TYPE OF SPENDING
(By calendar year)

<table>
<thead>
<tr>
<th>Type of Spending</th>
<th>1965</th>
<th>1980</th>
<th>1985</th>
<th>1990</th>
<th>1993(^a)</th>
<th>1995(^a)</th>
<th>2000(^a)</th>
<th>2003(^a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital</td>
<td>14</td>
<td>102</td>
<td>168</td>
<td>258</td>
<td>340</td>
<td>400</td>
<td>604</td>
<td>778</td>
</tr>
<tr>
<td>Physician</td>
<td>8</td>
<td>42</td>
<td>74</td>
<td>129</td>
<td>168</td>
<td>204</td>
<td>315</td>
<td>401</td>
</tr>
<tr>
<td>Drugs, Other Nondurables</td>
<td>6</td>
<td>22</td>
<td>36</td>
<td>56</td>
<td>70</td>
<td>80</td>
<td>112</td>
<td>137</td>
</tr>
<tr>
<td>Nursing Home</td>
<td>2</td>
<td>20</td>
<td>34</td>
<td>53</td>
<td>74</td>
<td>91</td>
<td>138</td>
<td>176</td>
</tr>
<tr>
<td>All Other</td>
<td>12</td>
<td>64</td>
<td>110</td>
<td>179</td>
<td>245</td>
<td>294</td>
<td>444</td>
<td>560</td>
</tr>
<tr>
<td>Total, National Health Expenditures</td>
<td>42</td>
<td>250</td>
<td>423</td>
<td>675</td>
<td>898</td>
<td>1,069</td>
<td>1,613</td>
<td>2,052</td>
</tr>
</tbody>
</table>

**Average Annual Growth Rate from Previous Year Shown (Percent)**

<table>
<thead>
<tr>
<th>Type of Spending</th>
<th>n.a.</th>
<th>14.2</th>
<th>10.4</th>
<th>8.9</th>
<th>9.7</th>
<th>8.5</th>
<th>8.6</th>
<th>8.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital</td>
<td>n.a.</td>
<td>11.5</td>
<td>12.1</td>
<td>11.7</td>
<td>9.3</td>
<td>10.1</td>
<td>9.1</td>
<td>8.4</td>
</tr>
<tr>
<td>Physician</td>
<td>n.a.</td>
<td>9.1</td>
<td>10.8</td>
<td>9.0</td>
<td>7.9</td>
<td>6.8</td>
<td>7.1</td>
<td>6.8</td>
</tr>
<tr>
<td>Drugs, Other Nondurables</td>
<td>n.a.</td>
<td>17.9</td>
<td>11.3</td>
<td>9.3</td>
<td>11.8</td>
<td>10.2</td>
<td>8.8</td>
<td>8.5</td>
</tr>
<tr>
<td>Nursing Home</td>
<td>n.a.</td>
<td>12.0</td>
<td>11.4</td>
<td>10.2</td>
<td>11.0</td>
<td>9.6</td>
<td>8.6</td>
<td>8.1</td>
</tr>
<tr>
<td>National Health Expenditures</td>
<td>n.a.</td>
<td>12.7</td>
<td>11.1</td>
<td>9.8</td>
<td>10.0</td>
<td>9.1</td>
<td>8.6</td>
<td>8.3</td>
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**Memorandum:**

<table>
<thead>
<tr>
<th>Total U.S. Population (Millions)</th>
<th>204</th>
<th>235</th>
<th>247</th>
<th>259</th>
<th>268</th>
<th>273</th>
<th>284</th>
<th>291</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Per Capita National Health Expenditures (Dollars)</th>
<th>204</th>
<th>1,064</th>
<th>1,712</th>
<th>2,604</th>
<th>3,358</th>
<th>3,921</th>
<th>5,675</th>
<th>7,059</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Gross Domestic Product (Billions of dollars)(^b)</th>
<th>703</th>
<th>2,708</th>
<th>4,039</th>
<th>5,522</th>
<th>6,267</th>
<th>6,951</th>
<th>8,857</th>
<th>10,169</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Average Annual Growth of Gross Domestic Product (Percent)</th>
<th>n.a.</th>
<th>9.4</th>
<th>8.3</th>
<th>6.5</th>
<th>4.3</th>
<th>5.3</th>
<th>5.0</th>
<th>4.7</th>
</tr>
</thead>
</table>

| Ratio of National Health Expenditures to Gross Domestic Product (Percent) | 5.9 | 9.2 | 10.5 | 12.2 | 14.3 | 15.4 | 18.2 | 20.2 |

**SOURCE:** Congressional Budget Office. Population projections are from the 1993 Social Security Trustees' Report.

**NOTES:** n.a. = not applicable. Numbers may not add to totals because of rounding.

a. Projected.

b. Economic assumptions reflect the Congressional Budget Office forecast of September 1993.
TABLE 2. PROJECTIONS OF NATIONAL HEALTH EXPENDITURES, BY SOURCE OF FUNDS
(By calendar year)

<table>
<thead>
<tr>
<th></th>
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<tr>
<td><em>Billions of Dollars</em></td>
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<td></td>
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<tr>
<td>Private</td>
<td>31</td>
<td>145</td>
<td>248</td>
<td>390</td>
<td>488</td>
<td>568</td>
<td>824</td>
<td>1,022</td>
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<tr>
<td>Federal</td>
<td>5</td>
<td>72</td>
<td>123</td>
<td>195</td>
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<td>346</td>
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<td>735</td>
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<tr>
<td>State and local</td>
<td>5</td>
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<td>51</td>
<td>91</td>
<td>130</td>
<td>156</td>
<td>234</td>
<td>295</td>
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<tr>
<td>Total, National Health Expenditures</td>
<td>42</td>
<td>250</td>
<td>423</td>
<td>675</td>
<td>898</td>
<td>1,069</td>
<td>1,613</td>
<td>2,052</td>
</tr>
<tr>
<td><em>Percentage of Total</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>75.3</td>
<td>58.0</td>
<td>58.7</td>
<td>57.8</td>
<td>54.3</td>
<td>53.1</td>
<td>51.1</td>
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<tr>
<td>Federal</td>
<td>11.6</td>
<td>28.8</td>
<td>29.2</td>
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<td>31.2</td>
<td>32.3</td>
<td>34.4</td>
<td>35.8</td>
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<tr>
<td>State and local</td>
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<td>13.3</td>
<td>12.1</td>
<td>13.4</td>
<td>14.5</td>
<td>14.6</td>
<td>14.5</td>
<td>14.4</td>
</tr>
<tr>
<td>Total, National Health Expenditures</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td><em>Average Annual Growth Rate from Previous Year Shown</em> (Percent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>n.a.</td>
<td>10.8</td>
<td>11.3</td>
<td>9.5</td>
<td>7.7</td>
<td>7.9</td>
<td>7.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Federal</td>
<td>n.a.</td>
<td>19.7</td>
<td>11.4</td>
<td>9.5</td>
<td>13.0</td>
<td>11.0</td>
<td>10.0</td>
<td>9.8</td>
</tr>
<tr>
<td>State and local</td>
<td>n.a.</td>
<td>12.8</td>
<td>9.0</td>
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<td>12.9</td>
<td>9.4</td>
<td>8.5</td>
<td>8.0</td>
</tr>
<tr>
<td>National Health Expenditures</td>
<td>n.a.</td>
<td>12.7</td>
<td>11.1</td>
<td>9.8</td>
<td>10.0</td>
<td>9.1</td>
<td>8.6</td>
<td>8.3</td>
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<tr>
<td><em>Memorandum:</em></td>
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</tr>
<tr>
<td>Gross Domestic Product (Billions of dollars)b</td>
<td>703</td>
<td>2,708</td>
<td>4,039</td>
<td>5,522</td>
<td>6,267</td>
<td>6,951</td>
<td>8,857</td>
<td>10,169</td>
</tr>
<tr>
<td>Average Annual Growth of Gross Domestic Product (Percent)</td>
<td>n.a.</td>
<td>9.4</td>
<td>8.3</td>
<td>6.5</td>
<td>4.3</td>
<td>5.3</td>
<td>5.0</td>
<td>4.7</td>
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<tr>
<td>Ratio of National Health Expenditures to Gross Domestic Product (Percent)</td>
<td>5.9</td>
<td>9.2</td>
<td>10.5</td>
<td>12.2</td>
<td>14.3</td>
<td>15.4</td>
<td>18.2</td>
<td>20.2</td>
</tr>
</tbody>
</table>

**SOURCE:** Congressional Budget Office.

**NOTES:**
- n.a. = not applicable. Numbers may not add to totals because of rounding.
- Projected.
- Economic assumptions reflect the Congressional Budget Office forecast of September 1993.
are likely to change, at least in modest ways. CBO uses the projections of national health spending and its components to help evaluate health reform plans.

These new projections reflect updated macroeconomic, demographic, and federal budget projections. The updated assumptions include the impact of the Omnibus Budget Reconciliation Act of 1993 recently signed by President Clinton. The new economic and budget projections are explained in CBO's report *The Economic and Budget Outlook: An Update* (September 1993).

Largely because CBO has lowered its projections of overall inflation, health spending is expected to be $66 billion less in the year 2000 compared with the projection published by CBO last year. Because CBO's forecast of GDP has been reduced by a proportionately greater amount, however, the lower projected health spending amounts to a slightly higher share of GDP--18.2 percent in 2000 compared with the 18.0 percent projected last year. The appendix contains detailed tables that can be compared with the tables in the October 1992 study.

Table 3 shows how the changed assumptions have, as a whole, led to lower projected health expenditures. Macroeconomic changes, especially the
TABLE 3. CHANGES IN PROJECTIONS OF NATIONAL HEALTH EXPENDITURES FROM OCTOBER 1992 (By calendar year, in billions of dollars)

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</thead>
<tbody>
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<td>Macroeconomic Changes</td>
<td>0</td>
<td>0</td>
<td>-1</td>
<td>-5</td>
<td>-9</td>
<td>-15</td>
<td>-23</td>
<td>-32</td>
<td>-42</td>
<td>-53</td>
<td>-67</td>
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<tr>
<td>Demographic Changes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-1</td>
<td>-2</td>
<td>-3</td>
<td>-4</td>
<td>-6</td>
<td>-8</td>
<td></td>
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<tr>
<td>Technical and Other Changes</td>
<td>9</td>
<td>18</td>
<td>16</td>
<td>14</td>
<td>15</td>
<td>12</td>
<td>10</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Total Changes</td>
<td>9</td>
<td>18</td>
<td>15</td>
<td>9</td>
<td>5</td>
<td>-3</td>
<td>-13</td>
<td>-25</td>
<td>-38</td>
<td>-52</td>
<td>-66</td>
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</tbody>
</table>

National Health Expenditures, October 1993 Projection

<table>
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<tr>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>675</td>
<td>752</td>
<td>823</td>
<td>898</td>
<td>982</td>
<td>1,069</td>
<td>1,163</td>
<td>1,263</td>
<td>1,372</td>
<td>1,488</td>
<td>1,613</td>
</tr>
</tbody>
</table>

SOURCE: Congressional Budget Office.

NOTE: Numbers may not add to totals because of rounding.


b. Includes changes in inflation and in growth of real gross domestic product.

c. Includes change in aggregate population growth and updated assumptions about the impact of changes in demographic composition.

d. Includes the impact of data revisions, legislative and technical changes in CBO's Medicare and Medicaid baselines, and other factors and assumptions. CBO estimates that legislative changes made by the Omnibus Budget Reconciliation Act of 1993 will reduce fiscal year outlays of the Medicare and Medicaid programs by $2.0 billion in 1994, $6.4 billion in 1995, $12.4 billion in 1996, $16.0 billion in 1997, and $18.2 billion in 1998.

lower projected inflation rate, account for most of the reduction. Updated
demographic assumptions—including new figures on health care use and
spending by age and sex, and revised population projections from the Social
Security Administration—account for only a small part of the change in
projected health spending.

The revisions to CBO's projections do not stem from major changes in
behavioral assumptions or modeling. The estimates are based on the models
and the assumptions about the workings of the health sector that were
described in Projections of National Health Expenditures. That study explains
the health spending data that are developed by the Health Care Financing
Administration (HCFA) and projected by CBO.

HCFA now estimates that health spending totaled $752 billion in 1991,
and it has revised its estimate for 1990 expenditures upward from $666 billion
to $675 billion. These updated historical estimates do not have a major impact
on CBO's long-run projections of health spending, but they have increased the
base from which the projections begin.

CBO's projections start in 1992, using current data from government
programs, surveys of providers' revenues and patients' use of health care, and
other data to help guide the 1992 and 1993 estimates. HCFA expects to publish a comprehensive historical estimate of national health expenditures for 1992 in the coming months.
Tables A-1 through A-14 update those published in CBO’s study *Projections of National Health Expenditures* (October 1992). That study explains the concepts shown in these tables. Tables A-12 and A-13 give the projections by type of spending and by source of funds, respectively, for all years from 1993 through 2003. Table A-14 gives the projections of health insurance primary coverage for the same years.
TABLE A-I. NATIONAL AND PERSONAL HEALTH SPENDING, DEMOGRAPHIC AND ECONOMIC ASSUMPTIONS (By calendar year)

<table>
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<th></th>
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</thead>
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<tr>
<td>National Health Expenditures</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal health expenditures</td>
<td>36</td>
<td>315</td>
<td>439</td>
<td>591</td>
<td>794</td>
<td>951</td>
<td>1,453</td>
<td>1,860</td>
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<tr>
<td>Other health expenditures</td>
<td>6</td>
<td>44</td>
<td>55</td>
<td>84</td>
<td>105</td>
<td>118</td>
<td>161</td>
<td>192</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>359</td>
<td>494</td>
<td>675</td>
<td>898</td>
<td>1,069</td>
<td>1,613</td>
<td>2,052</td>
</tr>
<tr>
<td>Gross Domestic Product</td>
<td>703</td>
<td>3,405</td>
<td>4,540</td>
<td>5,522</td>
<td>6,267</td>
<td>6,951</td>
<td>8,857</td>
<td>10,169</td>
</tr>
<tr>
<td>Real GDP (Billions of 1987 dollars)</td>
<td>2,471</td>
<td>3,907</td>
<td>4,540</td>
<td>4,877</td>
<td>5,051</td>
<td>5,330</td>
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<td>6,387</td>
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<td>GDP implicit deflator (1987=1)</td>
<td>0.284</td>
<td>0.872</td>
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<td>1.241</td>
<td>1.304</td>
<td>1.476</td>
<td>1.592</td>
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<tr>
<td>Total Population (Millions)</td>
<td>204</td>
<td>242</td>
<td>252</td>
<td>259</td>
<td>268</td>
<td>273</td>
<td>284</td>
<td>291</td>
</tr>
<tr>
<td>Age 65 and over</td>
<td>19</td>
<td>28</td>
<td>30</td>
<td>32</td>
<td>33</td>
<td>34</td>
<td>35</td>
<td>36</td>
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<tr>
<td>Age 75 and over</td>
<td>7</td>
<td>11</td>
<td>13</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Average Annual Growth Rate from Previous Year Shown (Percent)</td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>National Health Expenditures</td>
<td>n.a.</td>
<td>12.9</td>
<td>8.7</td>
<td>10.4</td>
<td>10.3</td>
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<td>Personal health expenditures</td>
<td>n.a.</td>
<td>11.7</td>
<td>5.9</td>
<td>15.1</td>
<td>7.7</td>
<td>6.4</td>
<td>6.3</td>
<td>6.2</td>
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<tr>
<td>Other health expenditures</td>
<td>n.a.</td>
<td>12.7</td>
<td>8.3</td>
<td>11.0</td>
<td>10.0</td>
<td>9.1</td>
<td>8.6</td>
<td>8.3</td>
</tr>
<tr>
<td>All National Health Expenditures</td>
<td>n.a.</td>
<td>9.2</td>
<td>7.5</td>
<td>6.7</td>
<td>4.3</td>
<td>5.3</td>
<td>5.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Gross Domestic Product</td>
<td>n.a.</td>
<td>2.6</td>
<td>3.8</td>
<td>2.4</td>
<td>1.2</td>
<td>2.7</td>
<td>2.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Real GDP</td>
<td>n.a.</td>
<td>6.4</td>
<td>3.5</td>
<td>4.2</td>
<td>3.1</td>
<td>2.5</td>
<td>2.5</td>
<td>2.6</td>
</tr>
<tr>
<td>GDP implicit deflator</td>
<td>n.a.</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Total Population</td>
<td>n.a.</td>
<td>2.8</td>
<td>2.5</td>
<td>2.4</td>
<td>2.3</td>
<td>2.2</td>
<td>2.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Age 65 and over</td>
<td>n.a.</td>
<td>2.1</td>
<td>2.1</td>
<td>1.7</td>
<td>1.5</td>
<td>1.2</td>
<td>0.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Age 75 and over</td>
<td>n.a.</td>
<td>2.8</td>
<td>2.5</td>
<td>2.4</td>
<td>2.3</td>
<td>2.2</td>
<td>2.2</td>
<td>1.4</td>
</tr>
</tbody>
</table>

SOURCES: Population projections are from the 1993 Social Security Trustees' Report. Economic assumptions reflect the Congressional Budget Office baseline of September 1993. Health expenditure projections are by the Congressional Budget Office based on historical estimates from the Health Care Financing Administration.

NOTES: n.a. = not applicable. Numbers may not add to totals because of rounding.

a. Projected.

b. Includes all spending directly related to patient care.

c. Includes administrative, research, and construction spending.
## TABLE A-2. FACTORS ACCOUNTING FOR GROWTH IN PERSONAL HEALTH SPENDING
(Average annual growth rate by calendar year)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Growth in Personal Health Expenditures</td>
<td>12.9</td>
<td>8.7</td>
<td>10.4</td>
<td>10.3</td>
<td>9.4</td>
<td>8.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Factors Accounting for Growth&lt;sup&gt;b&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population increase</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Demographic composition</td>
<td>0.6</td>
<td>0.4</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Use per person&lt;sup&gt;c&lt;/sup&gt;</td>
<td>0.9</td>
<td>-1.3</td>
<td>-0.1</td>
<td>0.5</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>GDP implicit price deflator</td>
<td>6.4</td>
<td>3.5</td>
<td>4.2</td>
<td>3.1</td>
<td>2.5</td>
<td>2.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Other price and intensity&lt;sup&gt;d&lt;/sup&gt;</td>
<td>3.5</td>
<td>5.0</td>
<td>4.6</td>
<td>5.0</td>
<td>4.4</td>
<td>4.0</td>
<td>3.6</td>
</tr>
</tbody>
</table>

**SOURCE:** Congressional Budget Office.

**NOTES:**
- "Use per person" and "Other price and intensity" are net of predicted impacts on use and intensity from changes in demographic composition. CBO has no measure of demographic composition effects for some smaller types of health spending and no independent use or volume measures for some types of spending. In these cases, CBO has approximated the demographic and use contributions to growth in personal health expenditures using data from similar types of spending.
- GDP = gross domestic product.
- a. Projected.
- b. Factors are combined multiplicatively to yield total growth rate.
- c. Consists of basic medical contacts, such as days in the hospital or physician visits.
- d. Includes price increases in excess of the GDP deflator, additional volume of services per unit of use, and increases in the complexity of services.
TABLE A-3.  PROJECTIONS OF NATIONAL HEALTH EXPENDITURES, BY MAJOR TYPES OF SPENDING (By calendar year)

<table>
<thead>
<tr>
<th>Type of Spending</th>
<th>1965</th>
<th>1983</th>
<th>1987</th>
<th>1990</th>
<th>1993(^a)</th>
<th>1995(^a)</th>
<th>2000(^a)</th>
<th>2003(^a)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Billions of Dollars</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Personal Health Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospital expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community hospitals, inpatient</td>
<td>8</td>
<td>104</td>
<td>130</td>
<td>165</td>
<td>207</td>
<td>238</td>
<td>339</td>
<td>422</td>
</tr>
<tr>
<td>Community hospitals, outpatient</td>
<td>1</td>
<td>17</td>
<td>32</td>
<td>51</td>
<td>79</td>
<td>102</td>
<td>188</td>
<td>267</td>
</tr>
<tr>
<td>Federal hospitals</td>
<td>2</td>
<td>11</td>
<td>15</td>
<td>18</td>
<td>22</td>
<td>24</td>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>Other hospitals(^b)</td>
<td>3</td>
<td>15</td>
<td>18</td>
<td>23</td>
<td>33</td>
<td>36</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>Subtotal</td>
<td>14</td>
<td>147</td>
<td>194</td>
<td>258</td>
<td>340</td>
<td>400</td>
<td>604</td>
<td>778</td>
</tr>
<tr>
<td>Physician</td>
<td>8</td>
<td>61</td>
<td>93</td>
<td>129</td>
<td>168</td>
<td>204</td>
<td>315</td>
<td>401</td>
</tr>
<tr>
<td>Drugs, other nondurables</td>
<td>6</td>
<td>31</td>
<td>43</td>
<td>56</td>
<td>70</td>
<td>80</td>
<td>112</td>
<td>137</td>
</tr>
<tr>
<td>Nursing home</td>
<td>2</td>
<td>29</td>
<td>40</td>
<td>53</td>
<td>74</td>
<td>91</td>
<td>138</td>
<td>176</td>
</tr>
<tr>
<td>Smaller types of spending</td>
<td>6</td>
<td>47</td>
<td>69</td>
<td>96</td>
<td>141</td>
<td>176</td>
<td>283</td>
<td>368</td>
</tr>
<tr>
<td>Total, Personal Expenditures</td>
<td>36</td>
<td>315</td>
<td>439</td>
<td>591</td>
<td>794</td>
<td>951</td>
<td>1,453</td>
<td>1,860</td>
</tr>
<tr>
<td><strong>Other Health Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Total, National Health Expenditures</td>
<td>42</td>
<td>359</td>
<td>494</td>
<td>675</td>
<td>898</td>
<td>1,069</td>
<td>1,613</td>
<td>2,052</td>
</tr>
</tbody>
</table>

Average Annual Growth Rate from Previous Year Shown (Percent)

<table>
<thead>
<tr>
<th>Type of Spending</th>
<th>1965</th>
<th>1983</th>
<th>1987</th>
<th>1990</th>
<th>1993(^a)</th>
<th>1995(^a)</th>
<th>2000(^a)</th>
<th>2003(^a)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hospital expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community hospitals, inpatient</td>
<td>n.a.</td>
<td>15.3</td>
<td>5.6</td>
<td>8.4</td>
<td>7.7</td>
<td>7.4</td>
<td>7.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Community hospitals, outpatient</td>
<td>n.a.</td>
<td>18.8</td>
<td>16.7</td>
<td>17.5</td>
<td>15.7</td>
<td>13.5</td>
<td>13.0</td>
<td>12.4</td>
</tr>
<tr>
<td>Federal hospitals</td>
<td>n.a.</td>
<td>10.3</td>
<td>7.7</td>
<td>6.8</td>
<td>6.5</td>
<td>4.7</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Other hospitals(^b)</td>
<td>n.a.</td>
<td>8.5</td>
<td>4.9</td>
<td>9.3</td>
<td>12.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.1</td>
</tr>
<tr>
<td>All Hospital Expenditures</td>
<td>n.a.</td>
<td>13.9</td>
<td>7.2</td>
<td>9.9</td>
<td>9.7</td>
<td>8.5</td>
<td>8.6</td>
<td>8.8</td>
</tr>
<tr>
<td>Physician</td>
<td>n.a.</td>
<td>11.8</td>
<td>11.3</td>
<td>11.5</td>
<td>9.3</td>
<td>10.1</td>
<td>9.1</td>
<td>8.4</td>
</tr>
<tr>
<td>Drugs, other nondurables</td>
<td>n.a.</td>
<td>9.6</td>
<td>8.7</td>
<td>8.8</td>
<td>7.9</td>
<td>6.8</td>
<td>7.1</td>
<td>6.8</td>
</tr>
<tr>
<td>Nursing home</td>
<td>n.a.</td>
<td>17.0</td>
<td>8.3</td>
<td>10.4</td>
<td>11.8</td>
<td>10.2</td>
<td>8.8</td>
<td>8.5</td>
</tr>
<tr>
<td>Smaller types of spending</td>
<td>n.a.</td>
<td>12.4</td>
<td>10.0</td>
<td>11.3</td>
<td>13.7</td>
<td>11.8</td>
<td>10.0</td>
<td>9.1</td>
</tr>
<tr>
<td>All Personal Expenditures</td>
<td>n.a.</td>
<td>12.9</td>
<td>8.7</td>
<td>10.4</td>
<td>10.3</td>
<td>9.4</td>
<td>8.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Other Health Expenditures</td>
<td>n.a.</td>
<td>11.7</td>
<td>5.9</td>
<td>15.1</td>
<td>7.7</td>
<td>6.4</td>
<td>6.3</td>
<td>6.2</td>
</tr>
<tr>
<td>National Health Expenditures</td>
<td>n.a.</td>
<td>12.7</td>
<td>8.3</td>
<td>11.0</td>
<td>10.0</td>
<td>9.1</td>
<td>8.6</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Memorandum:

Average Annual Growth of GDP (Percent)\(^c\)  n.a. | 9.2  | 7.5  | 6.7  | 4.3  | 5.3  | 5.0  | 4.7  |

SOURCE: Congressional Budget Office.
NOTES: n.a. = not applicable; GDP = gross domestic product. Numbers may not add to totals because of rounding.
\(a\) Projected.
\(b\) Includes nonfederal, noncommunity hospitals and nonpatient revenues at community hospitals.
\(c\) Economic assumptions reflect the Congressional Budget Office forecast of September 1993.
### TABLE A-4. FACTORS ACCOUNTING FOR GROWTH IN INPATIENT EXPENDITURES AT COMMUNITY HOSPITALS (Average annual growth rate by calendar year)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in Inpatient Hospital Expenditures</td>
<td>15.3</td>
<td>5.6</td>
<td>8.4</td>
<td>7.7</td>
<td>7.4</td>
<td>7.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Factors Accounting for Growth b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population increase</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Demographic composition</td>
<td>0.4</td>
<td>0.3</td>
<td>0.1</td>
<td>0.2</td>
<td>0</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Use per person e</td>
<td>0.2</td>
<td>-5.4</td>
<td>-2.2</td>
<td>-3.4</td>
<td>-2.3</td>
<td>-1.7</td>
<td>-1.3</td>
</tr>
<tr>
<td>GDP implicit price deflator</td>
<td>6.4</td>
<td>3.5</td>
<td>4.2</td>
<td>3.1</td>
<td>2.5</td>
<td>2.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Other price and intensity d</td>
<td>6.7</td>
<td>6.6</td>
<td>5.1</td>
<td>6.8</td>
<td>6.2</td>
<td>5.4</td>
<td>5.0</td>
</tr>
</tbody>
</table>

**SOURCE:** Congressional Budget Office.

**NOTES:**
- "Use per person" and "Other price and intensity" are net of predicted impacts on use and intensity from changes in demographic composition.
- GDP = gross domestic product.
- a. Projected.
- b. Factors are combined multiplicatively to yield total growth rate.
- c. Consists of basic medical contacts, such as days in the hospital or physician visits.
- d. Includes price increases in excess of the GDP deflator, additional volume of services per unit of use, and increases in the complexity of services.
### TABLE A-5. FACTORS ACCOUNTING FOR GROWTH IN OUTPATIENT EXPENDITURES AT COMMUNITY HOSPITALS (Average annual growth rate by calendar year)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in Outpatient Hospital Expenditures</td>
<td>18.8</td>
<td>16.7</td>
<td>17.5</td>
<td>15.7</td>
<td>13.5</td>
<td>13.0</td>
<td>12.4</td>
</tr>
<tr>
<td>Factors Accounting for Growth&lt;sup&gt;b&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population increase</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Demographic composition</td>
<td>0.3</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Use per person&lt;sup&gt;c&lt;/sup&gt;</td>
<td>4.0</td>
<td>3.8</td>
<td>4.3</td>
<td>4.9</td>
<td>5.0</td>
<td>4.7</td>
<td>4.3</td>
</tr>
<tr>
<td>GDP implicit price deflator</td>
<td>6.4</td>
<td>3.5</td>
<td>4.2</td>
<td>3.1</td>
<td>2.5</td>
<td>2.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Other price and intensity&lt;sup&gt;d&lt;/sup&gt;</td>
<td>6.0</td>
<td>7.3</td>
<td>7.0</td>
<td>5.8</td>
<td>4.3</td>
<td>4.2</td>
<td>3.8</td>
</tr>
</tbody>
</table>

**SOURCE:** Congressional Budget Office.

**NOTES:** 
- "Use per person" and "Other price and intensity" are net of predicted impacts on use and intensity from changes in demographic composition.
- GDP = gross domestic product.

a. Projected.
b. Factors are combined multiplicatively to yield total growth rate.
c. Consists of basic medical contacts, such as days in the hospital or physician visits.
d. Includes price increases in excess of the GDP deflator, additional volume of services per unit of use, and increases in the complexity of services.
TABLE A-6. FACTORS ACCOUNTING FOR GROWTH IN EXPENDITURES FOR PHYSICIAN SERVICES (Average annual growth rate by calendar year)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in Physician Expenditures</td>
<td>11.8</td>
<td>11.3</td>
<td>11.5</td>
<td>9.3</td>
<td>10.1</td>
<td>9.1</td>
<td>8.4</td>
</tr>
<tr>
<td>Factors Accounting for Growth^b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population increase</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Demographic composition</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Use per person^c</td>
<td>0.6</td>
<td>0.3</td>
<td>-0.3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>GDP implicit price deflator</td>
<td>6.4</td>
<td>3.5</td>
<td>4.2</td>
<td>3.1</td>
<td>2.5</td>
<td>2.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Other price and intensity^d</td>
<td>3.0</td>
<td>5.8</td>
<td>5.9</td>
<td>4.7</td>
<td>6.1</td>
<td>5.2</td>
<td>4.5</td>
</tr>
</tbody>
</table>

SOURCE: Congressional Budget Office.

NOTES: "Use per person" and "Other price and intensity" are net of predicted impacts on use and intensity from changes in demographic composition.

GDP = gross domestic product.

a. Projected.
b. Factors are combined multiplicatively to yield total growth rate.
c. Consists of basic medical contacts, such as days in the hospital or physician visits.
d. Includes price increases in excess of the GDP deflator, additional volume of services per unit of use, and increases in the complexity of services.
TABLE A-7. FACTORS ACCOUNTING FOR GROWTH IN EXPENDITURES FOR NURSING HOME SERVICES (Average annual growth rate by calendar year)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<td>Use per person&lt;sup&gt;c&lt;/sup&gt;</td>
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<td>-1.1</td>
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<tr>
<td>GDP implicit price deflator</td>
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<tr>
<td>Other price and intensity&lt;sup&gt;d&lt;/sup&gt;</td>
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<td>3.4</td>
<td>4.8</td>
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<td>4.8</td>
<td>3.4</td>
<td>3.2</td>
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</table>

SOURCE: Congressional Budget Office.

NOTES: "Use per person" and "Other price and intensity" are net of predicted impacts on use and intensity from changes in demographic composition.

GDP = gross domestic product.

a. Projected.
b. Factors are combined multiplicatively to yield total growth rate.
c. Consists of basic medical contacts, such as days in the hospital or physician visits.
d. Includes price increases in excess of the GDP deflator, additional volume of services per unit of use, and increases in the complexity of services.
### TABLE A-8. PROJECTIONS OF NATIONAL HEALTH EXPENDITURES, BY SMALLER TYPES OF SPENDING (By calendar year)

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<td>8</td>
<td>11</td>
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<tr>
<td>Subtotal</td>
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<td>55</td>
<td>84</td>
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<td>494</td>
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<td><strong>Average Annual Growth Rate from Previous Year Shown (Percent)</strong></td>
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<td>8.6</td>
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<td>7.9</td>
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<tr>
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<td>13.2</td>
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<td>13.8</td>
<td>12.6</td>
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<tr>
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<td>7.3</td>
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<td>11.5</td>
<td>8.8</td>
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<td>8.7</td>
<td>10.4</td>
<td>10.3</td>
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<td>7.6</td>
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<td>9.4</td>
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<td>6.7</td>
<td>4.3</td>
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</table>

**SOURCE:** Congressional Budget Office.

**NOTES:**
- n.a. = not applicable; GDP = gross domestic product. Numbers may not add to totals because of rounding.
- Projected.
- Economic assumptions reflect the Congressional Budget Office forecast of September 1993.
TABLE A-9. HEALTH INSURANCE PRIMARY COVERAGE, BY TYPE OF COVERAGE  
(By calendar year)

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<td>14.6</td>
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<tr>
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<td>22.6</td>
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<td>27.7</td>
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<td>37.4</td>
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<td>238.8</td>
<td>246.2</td>
<td>254.2</td>
<td>259.1</td>
<td>270.1</td>
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<td>56.4</td>
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<td>5.5</td>
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<td>10.7</td>
<td>11.3</td>
<td>12.0</td>
<td>12.4</td>
<td>12.8</td>
<td>13.0</td>
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<td>8.7</td>
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<td>13.0</td>
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<td>100.0</td>
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</table>

SOURCE: Congressional Budget Office.

NOTES: CBO is currently revising estimates of the distribution of insurance coverage, 1980-1993. The estimates presented here should be considered preliminary. Estimates and projections are based on data from the March Current Population Surveys. Note that the Current Population Surveys use a more restrictive definition of the population than the Social Security Administration figures used elsewhere in this report.

Numbers may not add to totals because of rounding.

a. Projected.

b. Includes coverage via the military, the Veterans Administration, and CHAMPUS, the Civilian Health and Medical Program of the Uniformed Services.
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<td>494</td>
<td>675</td>
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</table>

### Average Annual Growth Rate from Previous Year Shown (Percent)

| Source of Funds |                  |                |      |      |      |      |      |
| Private        |                  |                |      |      |      |      |      |
| Health insurance | n.a. | 14.3 | 8.6  | 12.7 | 9.2  | 8.9  | 8.6  |
| Out of pocket  | n.a. | 8.4  | 7.5  | 7.8  | 5.8  | 6.2  | 6.2  |
| Other          | n.a. | 12.2 | 5.1  | 12.2 | 5.3  | 7.1  | 7.2  |
| Subtotal       | n.a. | 11.2 | 7.9  | 10.9 | 7.7  | 7.9  | 7.7  |
| Public         |                  |                |      |      |      |      |      |
| Federal        | n.a. | 18.6 | 8.6  | 10.6 | 13.0 | 11.0 | 10.0 |
| State and local | n.a. | 12.3 | 9.7  | 12.0 | 12.9 | 9.4  | 8.5  |
| Subtotal       | n.a. | 15.9 | 8.9  | 11.1 | 12.9 | 10.5 | 9.5  |
| National Health Expenditures | n.a. | 12.7 | 8.3  | 11.0 | 10.0 | 9.1  | 8.6  |

### Memorandum:

|                  | Average Annual Growth of GDP (Percent)b | n.a. | 9.2  | 7.5  | 6.7  | 4.3  | 5.3  | 5.0  | 4.7  |

**SOURCE:** Congressional Budget Office.

**NOTES:**

a. Projected.

b. Economic assumptions reflect the Congressional Budget Office forecast of September 1993.
TABLE A-11. PROJECTIONS OF NATIONAL HEALTH EXPENDITURES IN THE PUBLIC SECTOR, BY SOURCE OF FUNDS (By calendar year)

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Average Annual Growth Rate from Previous Year Shown (Percent)

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Memorandum:
Average Annual Growth of GDP (Percent) b

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SOURCE: Congressional Budget Office.

NOTES: n.a. = not applicable; GDP = gross domestic product. Numbers may not add to totals because of rounding.

a. Projected.
b. Economic assumptions reflect the Congressional Budget Office forecast of September 1993.
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**SOURCE:** Congressional Budget Office.

**NOTE:** Numbers may not add to totals because of rounding.

a. Includes administration, government public health, research, and construction.
## TABLE A-13. PROJECTIONS OF NATIONAL HEALTH EXPENDITURES, 1993-2003, BY SOURCE OF FUNDS (By calendar year)

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**SOURCE:** Congressional Budget Office.

**NOTE:** Numbers may not add to totals because of rounding.
### TABLE A-14. HEALTH INSURANCE PRIMARY COVERAGE, 1993-2003, BY TYPE OF COVERAGE (By calendar year)

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**SOURCE:** Congressional Budget Office.

**NOTES:** Estimates and projections are based on data from the March Current Population Surveys.

Numbers may not add to totals because of rounding.

a. Includes coverage via the military, the Veterans Administration, and CHAMPUS, the Civilian Health and Medical Program of the Uniformed Services.