

## National Health Expenditures 2009 Highlights

U.S. health care spending decelerated in 2009, increasing 4.0 percent compared to 4.7 percent in 2008. Total health expenditures reached \$2.5 trillion, which translates to \$8,086 per person or 17.6 percent of the nation's Gross Domestic Product (GDP).

### Health Spending by Type of Service or Product: Personal Health Care

- **Hospital Care:** Hospital spending increased 5.1 percent to \$759.1 billion in 2009 compared to 5.2-percent growth in 2008. Growth in 2008 and 2009 was much slower than the trend between 1999 and 2007, when spending increased an average of 7.2 percent per year. The slower growth in 2009 was influenced by decelerating private health insurance spending and slower price growth. Partially offsetting these factors was an increase in Medicaid spending, as Medicaid enrollment increased considerably in 2009.
- **Physician and Clinical Services:** Spending on physician and clinical services increased 4.0 percent in 2009 to \$505.9 billion, a deceleration from 5.2-percent growth in 2008. Slower growth in the use and intensity of services in 2009 was partially offset by increasing prices.
- **Other Professional Services:** Spending for other professional services, which include providers of services such as physical therapy, chiropractic medicine, and mental health, decelerated in 2009, increasing 5.3 percent to \$66.8 billion after increasing 6.6 percent in 2008.
- **Dental Services:** Spending for dental services declined 0.1 percent in 2009 to \$102.2 billion compared to 5.1-percent growth in 2008. Out-of-pocket spending for dental services (which accounts for over 40 percent of dental spending) declined 5.5 percent in 2009.
- **Other Health, Residential, and Personal Care Services:** Spending for other health, residential, and personal care services accelerated in 2009, increasing 8.3 percent to \$122.6 billion compared to 4.6-percent growth in 2008. This category includes expenditures for medical services delivered in non-traditional settings, such as schools or community centers, ambulance providers, and residential mental health and substance abuse facilities.
- **Home Health Care:** Spending for freestanding home health care services accelerated in 2009, increasing 10.0 percent to \$68.3 billion following growth of 7.5 percent in 2008.
- **Nursing Care Facilities and Continuing Care Retirement Communities:** Spending for freestanding nursing care facilities and continuing care retirement communities increased 3.1 percent in 2009 to \$137.0 billion, a deceleration from growth of 5.0 percent in 2008.
- **Prescription Drugs:** Prescription drug spending accelerated in 2009 to \$249.9 billion, increasing 5.3 percent after 3.1-percent growth in 2008, driven by faster growth in both prices and utilization.
- **Durable Medical Equipment:** Spending for durable medical equipment, which includes items such as eyeglasses and hearing aids, decreased 0.8 percent to \$34.9 billion after increasing 2.3 percent in 2008.
- **Other Non-durable Medical Products:** Spending for other non-durable medical products, such as over-the-counter medicines, decelerated in 2009, increasing 2.2 percent to \$43.3 billion compared to 3.1-percent growth in 2008.

## Health Spending by Major Sources of Funds:

- **Medicare:** Medicare spending grew 7.9 percent in 2009 to \$502.3 billion, the same rate of growth as in 2008. Spending for fee-for-service (FFS) Medicare accelerated in 2009, increasing 5.5 percent compared to 4.4-percent growth in 2008. Medicare Advantage (MA) spending increased 15.8 percent in 2009 following 21.4-percent growth in 2008 and was primarily attributable to a continuation of significant increases in MA enrollment. Total Part D spending (which includes spending for benefits, government administration, and the net cost of health insurance) increased 9.3 percent to \$54.5 billion in 2009.
- **Medicaid:** Total Medicaid spending grew 9.0 percent in 2009 to \$373.9 billion, an acceleration from 4.9-percent growth in 2008, and was driven by a 7.4-percent increase in Medicaid enrollment. Federal Medicaid expenditures increased 22.0 percent, while state Medicaid expenditures declined 9.8 percent. This difference in growth is due to a significant increase in the Federal Medical Assistance Percentages (FMAP) used to determine federal Medicaid payments to states—a provision of the American Recovery and Reinvestment Act of 2009 (ARRA).
- **Private Health Insurance:** Private health insurance premiums grew 1.3 percent in 2009, a deceleration from 3.5-percent growth in 2008. Benefit payment growth also slowed, from 4.4 percent in 2008 to to 2.8 percent in 2009. These trends were heavily influenced by the recession as private health insurance enrollment declined. In 2009, spending for benefits increased faster than premiums, and as a result, the net cost of private health insurance (or the difference between premiums and benefits) fell to an 11.1-percent share of total private health insurance spending from 12.4 percent in 2008—a continuation of its recent decline.
- **Out-of-Pocket:** Out-of-pocket spending grew 0.4 percent in 2009, a deceleration from 3.1-percent growth in 2008 as out-of-pocket expenditures declined for dental services, nursing care facilities and continuing care retirement communities, and physician and clinical services.

## Health Spending by Type of Sponsor<sup>1</sup>:

- Shares of total national health spending financed by businesses (21 percent), households (28 percent), governments (44 percent), and other private sponsors (7 percent) have remained relatively steady over time. Between 2008 and 2009, however, the federal government share increased significantly (from 23 to 25 percent), while the state and local government share declined (from 19 to 18 percent).
- In 2009, health spending by households and state and local governments decelerated (0.2 percent and 1.0 percent, respectively), while health spending by private businesses declined 0.5 percent.
- In contrast, federal government health care spending accelerated from 10.7 percent in 2008 to 17.3 percent in 2009 due primarily to provisions associated with the ARRA.

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<sup>1</sup> Type of sponsor is defined as the entity that is ultimately responsible for financing the health care bill, such as a private business, household, or government. These sponsors pay insurance premiums, out-of-pocket costs, or finance health care through dedicated taxes or general revenues.