

Trends in National Healthcare Expenditures

Health care in the United States is paid through a combination of private and public funds. Private funds are comprised of insurance, out-of-pocket monies and monies given through philanthropy, while public funds are obtained from Medicare, Medicaid, State Child Healthcare Insurance Program (SCHIP), veteran's programs, state and local programs and workman's compensation programs. Taken together, the amounts paid out by these sources represent the health care expenditures for the nation.

Trends

Since 1994, national expenditures for health care while growing (from a total of \$936.7 billion in 1994 to \$1,299.5 billion in 2000) have remained approximately 13 - 13.5% of the Gross Domestic Product (GDP), which is the total value of goods and services produced in the United States. Contributing to this stability were a fast rate of economic growth (with low inflation) and a slowdown of Medicare spending due to the Balanced Budget Act of 1997, which resulted in a tightening of spending to curb fraud and abuse (Medicare spending accounts for 17% of overall healthcare spending).¹

The table below gives an overview of where this money was spent. (The full table and article it was taken from can be found at:

<http://www.hcfa.gov/stats/nhe%2Doact/tables/t2.htm>)

National Health Expenditures Aggregate Amounts by Type of Expenditure: 1994 - 2000

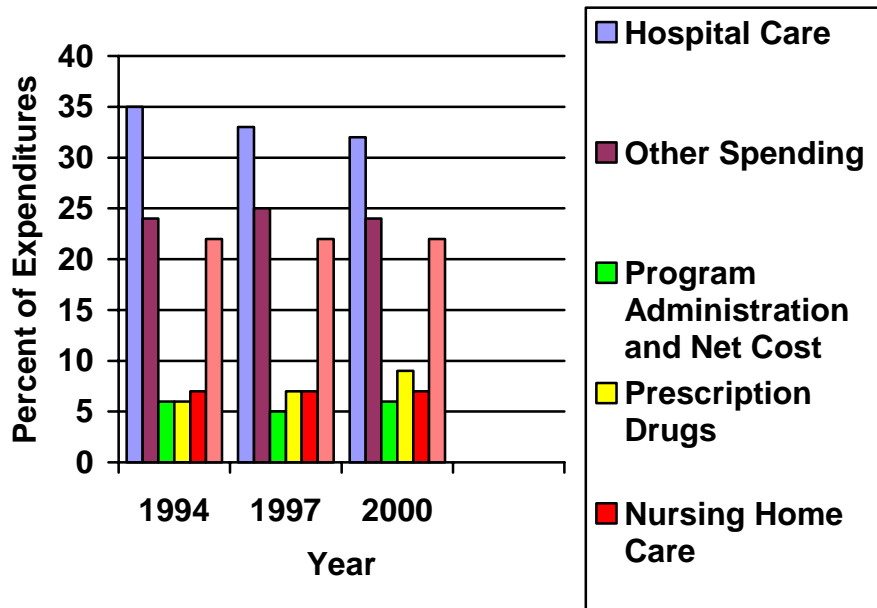
Expenditure Type	1994	1995	1996	1997	1998	1999	2000
Amount in Billions							
National Health Expenditures	\$937.2	\$990.3	\$1,040.0	\$1,091.2	\$1,149.8	\$1,215.6	\$1,299.5
Health Services and Supplies	904.8	957.7	1005.7	1053.9	111.5	1175.0	1255.5
Personal Health Care	816.5	865.7	911.9	959.2	1009.9	1062.6	1130.4
Hospital Care	332.4	343.6	355.9	367.5	379.2	392.2	412.1
Professional Services	297.5	316.5	332.9	352.3	375.7	397.0	422.1
Physician and Clinical	210.5	220.5	229.4	241.0	256.8	270.2	286.4
Other Professional	25.7	28.5	30.9	33.4	35.5	36.7	39.0
Dental	41.4	44.5	46.8	50.2	53.2	56.4	60.0
Other Personal Health Care	19.9	22.9	25.8	27.8	30.2	33.7	36.7
Nursing Home and Home Health	94.4	105.1	113.5	119.6	122.7	121.6	124.7

¹ Highlights - National Health Expenditures, 2000, HCFA, www.hcfa.gov/stats/nhe-oact/hilites.htm

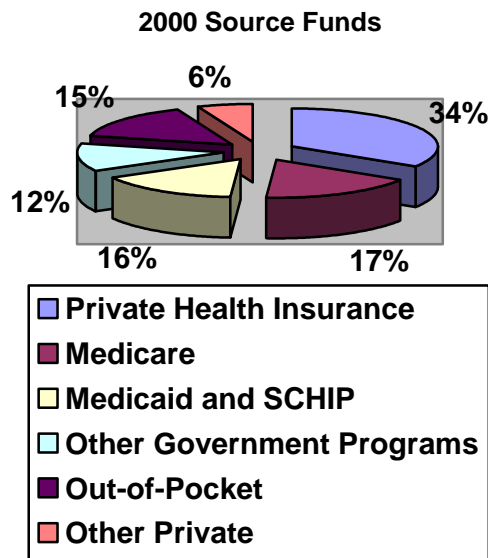
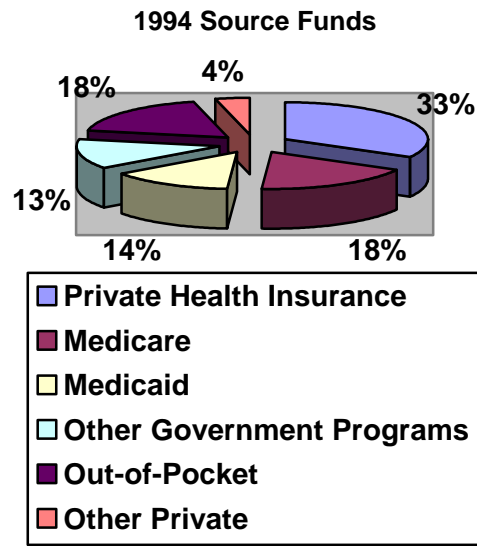
Home Health Care	26.1	30.5	33.6	34.5	33.6	32.3	32.4
Nursing Home Care	68.3	74.6	79.9	85.1	89.1	89.3	92.2
Retail Outlet Sales of Medical Products	92.2	100.5	109.5	119.8	132.3	151.8	171.5
Prescription Drugs	54.6	60.8	67.2	75.7	87.2	103.9	121.8
Other Medical Products	37.6	39.7	42.4	44.0	45.1	48.0	31.2
Gov. Admin. & Net Cost of Private Health Insurance	58.3	60.6	60.9	59.2	63.7	71.5	80.9
Government Public Health Activities	30.0	31.4	33.0	35.5	37.9	40.9	44.2
Investment	32.5	32.6	34.2	37.2	38.3	40.5	43.9

Due to the aging of the American population, the introduction of newer (and often more expensive) drug therapies and increasing consumer demand for expensive drugs driven by direct to consumer advertising, prescription drug spending grew from approximately \$54.6 billion in 1994 to approximately \$121.8 billion in 2000. While spending for prescription drugs increased by staggering rates during this time period, spending for hospital care grew at the slowest rates, from \$332.4 billion in 1994 to only \$412.1 billion in 2000.

While hospital care was the slowest growing category of expenditures from 1994 to 2000, over time it has counted for one of the largest shares of the nation's health dollar as illustrated below:



Much as the amount of money spent on health care changed from 1994 to 2000, the source of these funds also changed, though not nearly as dramatically. In 1994, private insurance comprised approximately 33% of expenditures, while by 2000, this figure had only risen to 34%. In contrast, out-of-pocket expenses, decreased from 18% to 15% during this time period. A comparison of source funds² is shown below:



² Information sources: 1994 – Health Care Financing Review, Spring 1996, Vol. 17, No. 3
 2000 – www.hcfa.gov/stats/nhe-oact/tables/chart.htm

Projections/Implications

In the 21st century, the Health Care Financing Agency (HCFA), projects that national health spending will double its current rate and reach approximately \$26 trillion by 2010, comprising 15.9% of the GDP.³ A projected slowdown of the GDP closer to 2010 along with increases in private health spending (due to Medicare spending cuts and increased consumer spending on prescription drugs) will lead to an increase in the amount of economic resources devoted to health care.

Additional Information

The Centers for Medicare and Medicaid Services (CMS) has produced many articles on trends in national healthcare expenditures. Their journal, *Healthcare Financing Review* (<http://www.hcfa.gov/pubforms/ordpub.htm>) provides a wealth of information regarding expenditure statistics and projections. Additional information may be obtained on the HCFA (<http://www.hcfa.gov>) website.

³ National Health Expenditures, HCFA, www.hcfa.gov/pubforms/actuary/ormedmed/default2.htm