

MEDICARE NEWS

FOR IMMEDIATE RELEASE

Monday, January 09, 2012

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Growth in U.S. Health Spending Remains Slow in 2010

Health spending growth at historic lows for second consecutive year

U.S. health care spending experienced historically low rates of growth in 2009 and 2010 according to the annual report of national health expenditures (NHE) published in the January issue of the journal *Health Affairs*.

Analysts at the Centers for Medicare & Medicaid Services (CMS) report in the article that the increase in spending for 2009 represents the lowest rate of increase in the entire 51 year history of the NHE. The low rate of growth, the data show, reflects lower utilization in health care than in previous years. The report notes that U.S. health care spending grew only 3.9 percent in 2010, reaching \$2.6 trillion or \$8,402 per person, just 0.1 percentage point faster than in 2009.

In 2010, as health spending growth remained low, growth in U.S. economy as reflected in gross domestic product (GDP) (4.2 percent) rebounded. As such in 2010, the health spending share of the overall economy was unchanged at 17.9 percent. In the past, this share has increased, rising over time from 5.2 percent in 1960.

“We have worked hard since the passage of the Affordable Care Act in 2010 to lower health care cost growth,” said Marilyn Tavenner, acting CMS administrator. “We believe that the tools in health reform will help keep health care cost growth low while improving the value of care for consumers.”

Key findings from the new report include:

- Household health care spending equaled \$725.5 billion in 2010 and represented 28 percent of total health spending, slightly lower than its 29 percent share in 2007. Growth in total private health insurance premiums slowed in 2010 to 2.4 percent from 2.6 percent in 2009, continuing a slowdown that began in 2003. Despite this deceleration, for the first time in seven years, the growth in premiums exceeded the growth in insurer spending on health care benefits, with the net cost of insurance increasing by 8.4 percent or \$11.3 billion in 2010. Out-of-pocket spending by consumers increased 1.8 percent in 2010, accelerating from 0.2-percent growth in 2009.
- Retail prescription drug spending (10 percent of total health care spending) grew only 1.2 percent to \$259.1 billion in 2010, a substantial slowdown from 5.1-percent growth in 2009 and the slowest rate of growth for prescription drug spending recorded in the NHE.

- The federal government financed 29 percent of the nation's health care spending in 2010, an increase of six percentage points from its share in 2007 of 23 percent, and reached \$742.7 billion. Part of that increase came from enhanced Federal matching funds for State Medicaid programs under the American Recovery & Reinvestment Act which expired in 2011. Medicare spending grew 5.0 percent in 2010, a deceleration from growth of 7.0 percent in 2009.
- Medicaid spending increased 7.2 percent in 2010, slowing from 8.9-percent growth in 2009.
- The state and local government share of total health spending declined from 18 percent in 2007 to 16 percent in 2010 and totaled \$421.1 billion, in part due to the temporary assistance in the Recovery Act.
- Hospital spending, which accounted for roughly 30 percent of total health care spending, grew 4.9 percent to \$814.0 billion in 2010, compared to growth of 6.4 percent in 2009.
- Growth in private health insurance spending for hospital services, which in 2010 accounted for 35 percent of all hospital care, slowed considerably in 2010.
- Physician and clinical services spending, which accounted for 20 percent of total health care spending, grew 2.5 percent to reach \$515.5 billion in 2010, slowing from 3.3-percent growth in 2009.
- Private businesses financed \$534.5 billion, or 21 percent of total health spending in 2010, down from a 23-percent share in 2007.

The NHE report, prepared annually by the Centers for Medicare & Medicaid Services' (CMS) Office of the Actuary, summarizes recent trends in health care spending based on the most current data sources. Available historically since 1960, the NHE represents the official estimates of total health care spending in the United States and measures annual health spending by the types of goods and services delivered (hospital care, physician services, retail prescription drugs, etc.), by the programs and payers that pay for that care (private health insurance, Medicare, Medicaid, etc.), and by the sponsors who are ultimately responsible for financing that care (private business, households, and governments).

Information in this report can be accessed at the following web location:

http://www.cms.gov/NationalHealthExpendData/02_NationalHealthAccountsHistorical.asp#TopOfPage

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