Health care spending growth rate at its highest since 2007

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New data show spending on health care growing at its fastest rate since 2007, with prescription-drug spending again outpacing all other categories of personal health care expenditures in 2015. The 2015 data, the most recent available, were released by the Centers for Medicare and Medicaid Services late last year. According to a recent AMA report on that data, national health care expenditures grew by 5.8 percent in 2015 to $3.2 trillion dollars, or $9,990 per capita. That compares with a 5.3 percent rise in health care spending in 2014 and an average 3.7 percent per year between 2008 and 2013.

Both 2014 and 2015 saw health care spending growth due to coverage expansions resulting from the Affordable Care Act (ACA), which increased the demand for health care services. Despite 2015 having the highest growth rate in a single year since 2007, when it was 6.5 percent, it is still historically low. Since the 1960s, the only time health care expenditures have grown more slowly than in 2015 or during the 2008–2014 period was during a few years in the mid-1990s, the report said.

The two leading categories of personal health care spending are hospital care and physician services. Thirty-two percent (about $1 trillion) in health care expenditures went for hospital services, while 15.7 percent ($502.8 billion) went to physician services.

Although spending on physician services increased by an annual average of 3.9 percent from 2005 to 2015, this is a lower rate than the 4.8-percent annual average increase for personal health care spending as a whole during that same time period. In 2015, spending on physician services grew by about 6 percent as a result of more people accessing physician care through the ACA. Notably, 2015 prices in the combined category of physician and clinical services actually fell by 1.1 percent, said the report, “National Health Expenditures, 2015: Annual Spending Growth at its Highest Rate Since 2007.”

The category of spending that has seen the biggest growth over the last 25 years is prescription drugs. Prescription drugs accounted for 5.6 percent of spending in 1990, but had nearly doubled to 10.1 percent in 2015. And 2015 “marked the fourth consecutive year in which there was double-digit price growth for existing brand-name drugs,” the report said. There were also increases in spending on new medicines and higher generic drug spending.
The AMA is taking steps to address prescription drug prices. In November 2016, the Association launched a grassroots initiative, TruthinRx.org, with the goal of collecting patient stories about how rising drug prices are affecting their lives. The AMA favors steps to increase transparency about prescription-drug pricing. The AMA House of Delegates also recently adopted policy outlining principles to guide the support of value-based pricing programs, initiatives and mechanisms for pharmaceuticals.

One longer term medical spending trend of note is that only 10.5 percent of health care was paid for out of pocket in 2015, the report said. That stands in contrast to an almost 45-percent share for out-of-pocket spending in 1965. That downward slope in out-of-pocket spending as a share of total health spending has continued in recent years, despite the increasing prevalence of high-deductible health plans and other insurance design elements intended to increase patients’ share of medical costs. A variety of factors have driven this long-term trend away from out-of-pocket health care spending, such as the introduction of Medicare and Medicaid in the 1960s and Medicare Part D in 2006.

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