Growth in health spending slows in post-ACA era

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A new analysis of data from 2016 shows that health care spending, while still on the rise, is not growing as quickly as it had in the first years after the launch of the Affordable Care Act, in 2014 and 2015.

Health care spending grew 1.5 percentage points faster than U.S. gross domestic product, and health spending grew to 17.9 percent of U.S. GDP in 2016, up from 17.7 percent in 2015.

This is all sorted out in a new AMA report that breaks down how the U.S. spent $3.3 trillion on health in 2016, where it was spent and who paid for it.

That $3.3 trillion, which amounts to $10,348 per capita, represents a 4.3 percent increase from 2015. The increase is also lower than the 5.8 percent growth that occurred in 2015 and 5.1 percent growth in 2014.

The new AMA Policy Research Perspectives report, “National Health Expenditures, 2016: Annual Spending Growth on the Downswing,” is based on Centers for Medicare & Medicaid Services (CMS) data that was released in December 2017 and included revised estimates for data from previous years.

“The deceleration in spending occurred almost across the board for many types of health care services and in many programs,” the report states. “This can be attributed to the leveling off of spending growth in 2016 after relatively high growth rates during the implementation of the Affordable Care Act in 2014 and 2015.”

Where did all the money go?

The report notes that more than $2.8 trillion was spent on personal health care in 2016, which accounted for 84.9 percent of total health spending. This included more than $1.08 trillion for hospital
care, which accounted for 32.4 percent of total health spending.

Other segments of personal health spending include:

- Physician services: $521.7 billion
- Prescription drugs: $328.6 billion
- Services received in nursing care facilities: $162.7 billion
- Clinical services: $143.2 billion

That last category includes outpatient services such as family planning, kidney dialysis, mental health and substance-use disorder treatment, surgery and emergency care, HMO medical, and other not-already-categorized outpatient care centers.

The report notes that these spending shares are similar to what was observed in 2015 and that this distribution has remained relatively stable over the past 25 years—except for prescription drugs, which accounted 5.6 percent of total health spending in 1990, but has remained above 9 percent since 2001.

In November 2016, the AMA launched TruthinRx.org, a grassroots initiative with the goal of collecting patient stories about how rising drug prices are affecting their lives. The Patients Action Network has made drug price transparency one of its top issues.

Spending for physician services grew an average of 3.8 percent a year over the 10 year period ending in 2016, the lowest among the large personal health spending categories. The 4.6-percent growth rate in 2016 was a deceleration from 5.4 percent growth in 2015.

The report explains that similar deceleration occurred with hospital-services spending, and both were the result of the leveling off in spending in 2016 after increased utilization was seen with the implementation of the Affordable Care Act (ACA) in 2014 and 2015.

**Who pays the bill?**

Since 1977, the largest share of health spending was paid through private health insurance, accounting for more than $1.12 trillion (33.7 percent) in 2016. Private health insurance grew by 5.1 percent in 2016, more slowly than 6.9 percent in 2015 and 5.7 percent in 2014. This is partly because enrollment in 2016 increased by only 0.1 percent (compared with 2.7 percent in 2014 and 1.8 percent 2015).

Medicare was the second-highest payer, accounting for $672.1 billion (20.1 percent) of 2016 health spending. This represents a deceleration to a 3.6-percent growth rate from 4.8 percent in 2015.
Medicaid, the third-highest payer, grew by 3.9 percent and accounted for $565.5 billion (16.9 percent) of 2016 health spending.

Out-of-pocket spending share has been on a steady decline for 50 years. But the $352.5 billion in 2016 out-of-pocket spending accounted for 10.6 percent of health care payments and represented a growth rate of about 4 percent.

Across all programs, the federal government was the largest financer of health spending, shelling out $944.1 billion for 28.3 percent of the bill. Households were next, paying $938.8 billion or 28.1 percent of the tab; followed by private businesses, $664.6 billion (19.9 percent); and state and local governments, $564.5 billion (16.9 percent).