

## Growth in health spending slows to pre-ACA level

MAR 4, 2019

### Andis Robeznieks

Senior News Writer

---

The growth in health care spending has slowed to pre-Affordable Care Act (ACA) implementation levels as expenditures on hospital care, physician services and prescription drugs all decelerated in 2017.

Expenditure growth was tracked at 3.9 percent compared to 4.8 percent in 2016 and 5.8 percent in 2015, according to a new AMA Policy Research Perspectives report, “National Health Expenditures, 2017: The Slowdown in Spending Growth Continues.”

The annual report tracked how \$3.5 trillion was spent, who paid for it, and how the payers were financed. New this year, the report examined growth in insurance enrollment, per-enrollee spending and the differences across payers.

Expenditures for 2017 equaled \$10,739 per capita, compared to \$10,410 per capita for the \$3.4 trillion spent in 2016. Health spending remained at 17.9 percent of the U.S. GDP (only slightly below its 18.0 percent of GDP in 2016) as these expenditures grew 0.3 percentage points slower than GDP.

The 2017 growth rate of 3.9 percent compares to the 3.7 percent average annual rate for the 5-year period ending in 2013.

### How \$3.5 trillion was spent

The bulk of U.S. health expenditures went toward personal health spending (84.9 percent), which is the amount spent to treat individuals with medical conditions and includes spending on hospital care, physician services, and prescription drugs. The rest went toward government administration, the net cost of insurance, government public health activities, and investment.

For the three top personal health-spending categories, the total expenditures were:

- | Hospital care, \$1.142.6 trillion, 32.7 percent of expenditures.
- | Physician services, \$544.2 billion, 15.6 percent.
- | Prescription drugs, \$333.4 billion, 9.5 percent.

Growth in hospital care spending averaged 5.1 percent across the previous 10 years, with growth rates of 4.6 percent in 2017 and 5.6 percent in 2016. Growth in spending for physician services averaged 3.8 percent over 10 years, with growth rates of 3.9 percent in 2017 and 5 percent in 2016.

Prescription drugs had a 3.5 percent average growth rate for the previous 10 years. However, this growth rate “masks the extreme fluctuations in prescription drug spending,” the report said. The growth rate for prescription-drug expenditures spiked up 12.4 percent in 2014 and 8.9 percent in 2015, before it flattened to 0.4 percent in 2017 due to lower quantities of drugs dispensed and shifts to lower-cost generics, according to the report. The share of total health spending from prescription drugs has also changed, accounting for 5.6 percent of total health spending in 1990 but remaining at or above 9 percent since 2001.

## How the bill was paid

As it has for 40 years, private health insurance covered the largest of share of health care spending. Here are the biggest contributors and share they paid:

- | Private health insurance, \$1.18 trillion, paying for 33.9 percent of expenditures.
- | Medicare, \$705.9 billion, paying for 20.2 percent of expenditures.
- | Medicaid, \$581.9 billion, paying for 16.7 percent.
- | Out of pocket, \$365.5 billion, paying 10.5 percent.

There was little change in private health insurance enrollment between 2016 and 2017, but spending paid for by private health insurance grew 4.2 percent and spending per enrollee went up 4 percent.

Medicare spending growth was 4.2 percent in 2017, while enrollment grew 2.5 percent, and spending per Medicare enrollee rose 1.7 percent.

Medicaid spending growth was 2.9 percent in 2017. Enrollment growth was 2 percent and spending per enrollee growth was 0.9 percent.

## How spending was financed

In their roles as employers, private businesses contributed \$536.3 billion toward employer-sponsored health insurance premiums, state and local governments contributed \$192.3 billion, while the federal government paid \$37.5 billion. The Federal government contributed another \$45.6 billion to private health insurance spending through marketplace tax credits and subsidies as well as other federal health insurance and programs. Household contributions towards private health insurance spending equaled \$372.4 billion.

From private business, \$107.5 billion of Medicare financing was supplied through employer Medicare Hospital Insurance Trust Fund payroll taxes. Households and self-employed individuals financed \$240.8 billion in Medicare spending through payroll taxes and premiums. Through a variety of channels, the federal government financed \$324.7 billion of Medicare spending, while state and local governments financed \$32.9 billion.

The federal portion of Medicaid spending was \$361.2 billion while states covered \$220.6 billion.