

Trends in health care spending

Health spending in the U.S. increased by 4.6% in 2018 to \$3.6 trillion or \$11,172 per capita. This growth rate is slightly faster than what was observed in 2017 (4.2 percent) and the same as 2016 (4.6 percent). After a period of relatively fast growth in 2014 and 2015 during the implementation of the Affordable Care Act, 2018 was characterized by slower and stable growth that continued from 2016 and 2017. Likewise, health spending was only 17.7 percent of GDP in 2018 compared to 17.9 percent of GDP in 2017 and 2016.

Policy research perspective

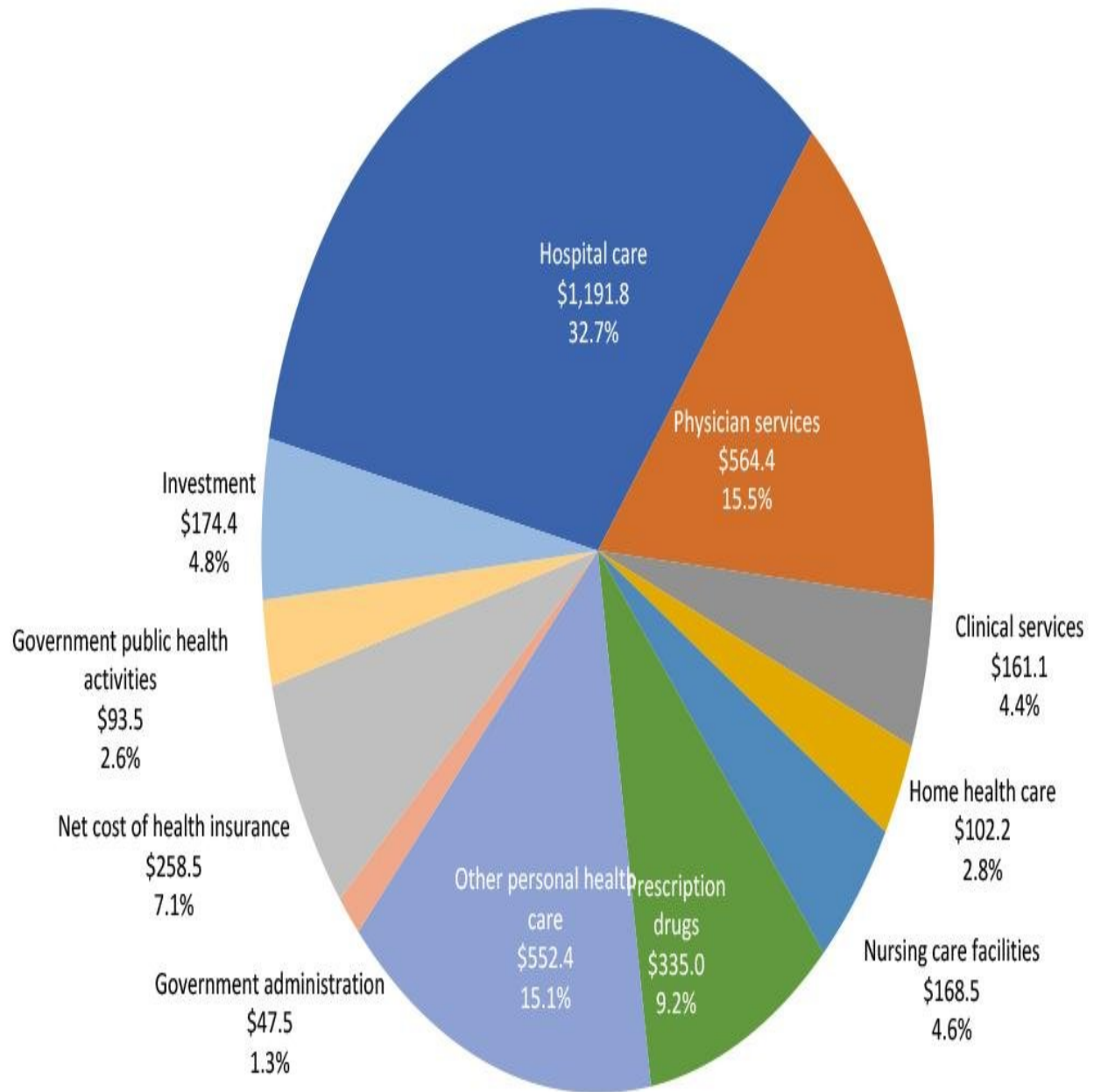
A new AMA Policy Research Perspective provides an in-depth look at U.S. health spending in 2018.

Policy Research Perspectives: National Health Expenditures, 2018: Spending growth remains steady even with increases in private health insurance and Medicare spending (PDF, members only)

Health care spending explained

The United States spent \$3,649.4 billion on health care in 2018.

The U.S. spent \$3,649.4 billion on health care in 2018 – where did it go?



Source: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>, Tables 6, 7, 9, 10, and 16 in NHE Tables [ZIP].

This spending can be broken down into the following categories:

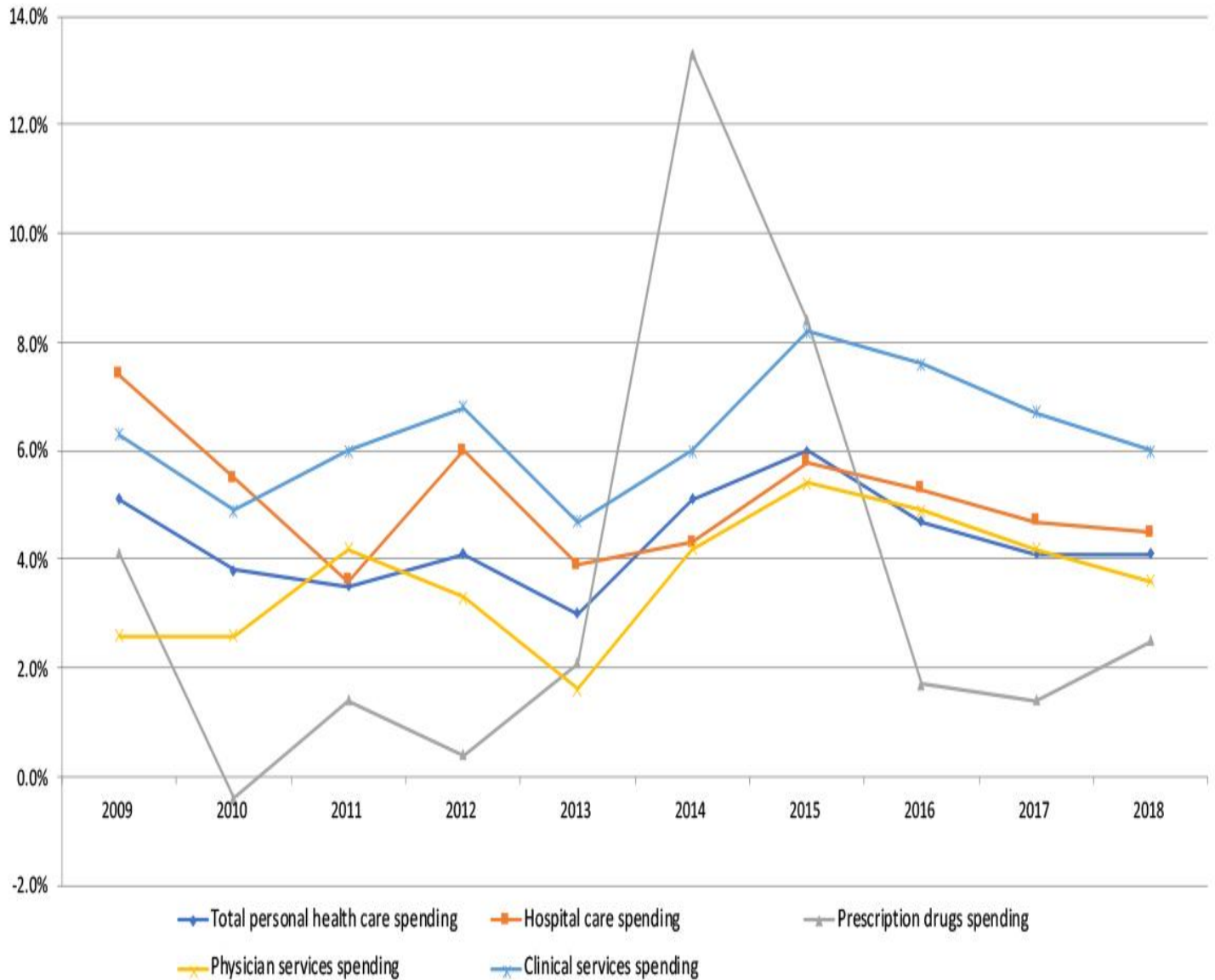
- | Hospital care
- | Physician services
- | Clinical services
- | Prescription drugs
- | Nursing care facilities
- | Home health care
- | Other personal health care costs
- | Government administration: includes all administrative costs associated with insuring individuals in health insurance programs
- | Net cost of health insurance: The difference between what insurers incur in premiums and the amount paid in benefits. This includes administrative costs, additions to reserves, rate credits and dividends, premium taxes and fees, and net underwriting gains or losses
- | Government public health activities
- | Investment spending

Slow growth for physician services

Over the last 10 years, spending on physician services has grown more slowly than spending in the other large categories of personal health care. Physician spending grew by an average of 3.6% per year between 2008 and 2018.

In comparison, spending on hospital services grew by 5.1%. Clinical spending, which is often reported with physician spending, also grew more quickly than physician spending, at an average rate of 6.3% per year over that period. Prescription drugs spending had an average annual growth rate of 3.4%. Although this is similar to that of physician spending, growth in prescription drug spending was the most erratic of the large spending categories; while it fell to near 0% in 2010 and 2012, it also spiked to 13.3% in 2014.

Spending growth rates by type of expenditure (2009-2018)



Source: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>. Tables 6, 7, 9, 10, and 16 in NHE Tables [ZIP].

Reducing the growth of spending

The AMA is engaged in a number of efforts that have the potential to further reduce the rate of growth in health care costs:

Reducing administrative burdens to decrease practice costs.

- | Working to improve and reform manual, burdensome processes, such as prior authorization, and increase efficiency in physician practices to help reduce administrative costs in health care spending.
- | Supporting the creation, maintenance and adoption of standard electronic transactions. The AMA is an active participant in standard development organizations, such as the X12N Insurance Subcommittee, National Council for Prescription Drug Programs (NCPDP) and Health Level 7 International (HL7).
- | Supporting physicians' interests in reducing administrative burden through advocacy to appropriate agencies and policymakers, including testimony before the National Committee on Vital and Health Statistics Subcommittee on Standards, an advisory body that makes recommendations to the HHS Secretary regarding the standard transactions.

Promoting participation in evidence based lifestyle modification programs such as the National Diabetes Prevention Program (DPP) to reduce or delay the onset of diabetes among those with prediabetes.

- | AMA research shows that lifestyle modifications can reduce annual health care costs by nearly \$2,700 per participant and have a 3 year ROI as high as 42%*. Use the AMA Diabetes Prevention Program Cost Savings Calculator to determine potential savings for your organization.
- | The AMA is working with the Centers for Disease Control and Prevention to increase physicians' awareness of and referrals to the CDC-recognized lifestyle change program to mitigate the burdens associated with prediabetes**.
- | The rise in medical spending associated with diabetes begins well in advance of the first diagnosis, supporting the need to encourage physicians to implement timely prevention efforts. Those diagnosed with diabetes spent approximately \$8,491 more than those that were not diagnosed over a span of 5 years prior to the first diagnosis. Approximately \$4,828 was spent in the year of diagnosis***.

*Source: Khan, Tamkeen, Stavros Tsipas and Gregory D. Wozniak. Medical Care Expenditures for Individuals with Prediabetes: The Potential Cost Savings in Reducing the Risk of Developing Diabetes. *Population Health Management*.

****Source:** Nhim, Kunthea, Tamkeen Khan, Stephanie M. Gruss, Gregory D. Wozniak, Kate Kirley, Patricia Schumacher, Elizabeth Luman and Ann Albright. Primary Care Providers' Behaviors toward Screening, Testing, and Referring Patients with Prediabetes to CDC's National Diabetes Prevention Program. *American Journal of Preventative Medicine*.

*****Source:** Khan, Tamkeen, Jianing Yang, and Gregory Wozniak. "Trends in Medical Expenditures Prior to Diabetes Diagnosis: The Early Burden of Diabetes." *Population Health Management* (2020).

Previous policy research perspectives

- | Policy research perspectives: National health expenditures, 2017: The slowdown in spending growth continues (PDF, members only)
- | Policy research perspectives: National health expenditures, 2016: Annual spending growth on the downswing (PDF, members only)
- | Policy research perspectives: National health expenditures, 2015: Annual spending growth at its highest rate since 2007 (PDF, members only)
- | Policy research perspectives: National health expenditures, 2014: Spending grows by more than 5% for first time since 2007 (PDF, members only)
- | Policy research perspectives: National health expenditures, 2013: Another year, another record low for growth (PDF, members only)
- | Policy research perspectives: What's behind the recent spending slowdown? An overview of literature that tries to explain it (PDF, members only)
- | Policy research perspectives: Perspectives on the recent slowdown In health spending growth (PDF, members only)
- | Policy research perspectives: National health expenditures, 2010: slow growth continues ((PDF, members only)
- | Policy research perspectives: National health expenditures: What do they measure? What's new about them? What are the trends? (PDF, members only)