U.S. health spending grew at 4.6% pace before pandemic hit

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A detailed recent report from the AMA provides a revealing window into U.S. health care spending trends before the pandemic's onset and offers a preliminary glimpse at COVID-19's impact throughout 2020.

Drawing on data from the Centers for Medicare & Medicaid Services (CMS), the AMA Policy Research Perspective, “National Health Expenditures, 2019: Steady Spending Growth Despite Increases in Personal Health Care Expenditures in Advance of the Pandemic,” shows that health spending in 2019 accounted for 17.7% of U.S. gross domestic product. Health care spending increased by 4.6% in 2019 to $3.8 trillion—$11,582 for each person.

Here are some other highlights on 2019 spending included in the report:

- Spending in hospital care (6.2%) and prescription drugs (5.7%) grew faster than physician services (4.2%).
- Spending growth for out-of-pocket payments (4.6%) reached its highest rate in the last decade, although this trend could be disrupted by shifts in personal health care spending during the pandemic.
- Spending growth in Medicare (6.7%) also reached its highest rate in the last decade, while private health insurance (3.7%) and Medicaid (2.9%) were on a downswing.
- The federal government financed the largest share of health spending (29.0%) as it has since 2015; households were the second largest financiers (28.4%).

Overall, health spending in 2019 was affected by the suspension of the Affordable Care Act health insurance tax and an acceleration in personal health care spending, such as hospital care and prescription-drug spending.

Meanwhile, preliminary estimates from nonprofit research and consulting organization Altarum suggest an unprecedented decline in 2020 national health spending driven by drops in spending for most personal health expenditure categories. That includes a 7% drop in hospital care spending and
a 4.2% decline in physician and clinical services spending. Spending on dental services, meanwhile, fell by 20.2%, according to Altarum’s preliminary estimates, which were provided in February.

CMS is not expected to release official 2020 spending figures until the end of this year, and preliminary figures are likely to be revised multiple times until they are finalized.

A previous AMA Policy Research Perspective, “Changes in Medicare Physician Spending During the COVID-19 Pandemic,” sheds some light on how patients and doctors’ use of health care was affected during the early months of COVID-19.

Learn more about COVID-19’s financial impact on physician practices.

Physicians have been threatened with Medicare payment cuts of 2% or more due to previous budget-sequestration agreements. Todd Askew, the AMA’s senior vice president of advocacy, shared some news on the situation during a recent episode of the “AMA COVID-19 Update.”