



Policy Research Perspectives

National Health Expenditures: What Do They Measure? What's New About Them? What Are The Trends?

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Introduction

The term National Health Expenditures (NHE) refers to the official estimate of how much the U.S. spends on health care in a particular year. The National Health Statistics group at the Centers for Medicare and Medicaid Services (CMS) is responsible for updating the annual estimates of the level of and growth in NHE. NHE data are made public via a number of sources including detailed tables available on the CMS website and, in recent years, an article in the January issue of Health Affairs. The most recent data year is 2009. Health spending projections are typically released in February or March.

NHE expenditures reached \$2,486.3 billion in 2009, an increase of 4.0 percent over the prior year (Table 1). This marked the slowest annual rate of growth in the 50 year history that NHE has been tracked in its current framework. The U.S. now spends 17.6 percent of its gross domestic product (GDP) on health care, up from 16.6 percent in 2008. This one percentage point increase was the largest increase in fifty years due to slow—in fact, negative—economic growth. To this point, GDP decreased by 1.7 percent in 2009.

The National Health Statistics group made a number of changes to the presentation of NHE data this year. While some changes were already underway prior to the passage of the Patient Protection and Affordable Care Act (ACA) in March 2010, it heightened the need for a more flexible NHE framework. In particular, the National Health Statistics group has noted that the importance of being able to accurately capture changing components of health spending made changes to the NHE framework even more relevant and timely.

The following three sections of this Policy Research Perspective are organized by the three dimensions along which the National Health Statistics group breaks down the components of NHE. They are:

- **Type of Expenditure.** This refers to the types of health services that people consume. Two examples are hospital care and physician services.
- **Source of Funds.** This term defines the entity, often a third party insurer, that is responsible for paying the health care bill. Examples include private health insurance, Medicare, Medicaid, and payments made directly by the consumer (out of pocket expenses). In some NHE tables Source of Funds is also referred to as “Program” or “Payer.”

- **Sponsor.** The Sponsor categorization gets at the individual, business, or tax source that is responsible for financing the payments made by the various Programs in the bullet above. Medicare, for example, receives financing from households (payroll taxes, premium payments), businesses (payroll taxes), and government (financing through general revenues).

Each one of those three sections provides an overview of that categorization scheme, a summary of the recent changes made to its presentation, and a summary of spending trends in the components of that category. Following that is a conclusion, and then a final section that includes links to related materials with more specific information on NHE.

Type of Expenditure

Overview

Type of Expenditure classifies spending according to the types of medical goods and services that are consumed. The top-level categories in this type of classification are:

- Hospital care
- Professional services
- Other health, residential, and personal care
- Home health care
- Nursing care facilities and continuing care retirement facilities
- Retail outlet sales of medical products
- Government administration
- Net cost of private health insurance
- Government public health activity
- Investment

In the aggregate, spending in the categories on the left is referred to as Personal Health Care Expenditures (PHC). PHC plus spending on government administration, the net cost of private health insurance, and spending on government public health activity is called Health Consumption Expenditures. When you add investment to that mix, you get NHE.

Changes in Presentation

The professional services category includes physician and clinical services, other professional services, and dental services. Starting with the release of the 2009 data, the National Health Statistics group will provide separate estimates for the levels of spending on physician services and on clinical services.¹ This allows us to more accurately track the growth in spending on physician services, and to compare it to growth in other categories. For this, and all other changes described in this PRP, the changes have also been put in place for prior years of data, so that it is possible to track NHE in a consistent fashion over time.

Another change is that separate estimates are now provided for government administration and the net cost of private health insurance. Previously, this was a combined category. This allows for more accurate tracking of *private sector* profitability plus administration (net cost) because the administrative costs that accrue to governments have been taken out and identified separately.

¹ The separate estimates are available in Tables 14 (physician) and 15 (clinical) at <http://www.cms.gov/NationalHealthExpendData/downloads/tables.pdf>.

It should be noted, however, that a breakdown of private net cost into the separate elements of administration and profitability is, as it was previously, still not available.²

Trends

Table 2 of this report shows the levels of spending in each of the Type of Expenditure categories, their percentage contributions to total NHE, and the annual growth rate in each over the 1999 through 2009 period. In 2009, spending on hospital services accounted for 30.5 percent of total spending, and physician/clinical services 20.3 percent. These shares were largely constant over the past 10 year period. Spending on physician services made up 81.3 percent of the combined physician/clinical category, and on its own accounted for 16.6 percent of NHE. Spending on clinical services grew 7.3 percent in 2009, more than twice the rate for physician services, which grew only 3.3 percent, its lowest annual rate of growth over the 1999 through 2009 period. Since 2005 the growth in clinical spending has generally outpaced that for physician spending.

Spending on prescription drugs (retail outlet sales only) accounts for 10.1 percent of total health spending. In the first half of the 2000s growth in prescription drug spending routinely outpaced that in the rest of NHE. Since 2005, that has less often been the case and consequently, its share of total spending has not changed very much.

Source of Funds

Overview

The Source of Funds categorization gets at who makes the payment to the provider of health care services. The categories include out of pocket payments (e.g., copayments and coinsurance paid by households), private health insurance, Medicare, Medicaid, and other smaller sources. Source of Funds is sometimes referred to as Program or Payer by the National Health Statistics group.

Changes in Presentation

One of the most substantive changes the National Health Statistics group made to the NHE framework this year involves the classification scheme for Source of Funds. Prior to the release of the 2009 data, all Source of Funds tables made the distinction between Sources that were public and Sources that were private. Each Source fell in to one of those two categories. The National Health Statistics group explained that this distinction had become problematic. Many programs have both public and private components. In some cases, the distinction was misleading. Out of pocket payments, for example, were categorized as private even though they included coinsurance amounts for services covered by the Medicare program. The integration of the public and private in terms of programs (and also, as discussed in the next section, in terms of their financing) will become even greater as various aspects of ACA are implemented.

Starting with the release of the 2009 data, public and private designations will no longer be made. Going forward, programs will be broadly categorized as to whether they are considered to be health insurance under ACA (no tax penalty), or whether they are other payers, but ones that do not qualify as health insurance per se (e.g., payments made by a vision insurer). It is likely that

² <http://www.cms.gov/NationalHealthExpendData/downloads/dsm-09.pdf> explains how administrative costs in the Medicare, Medicaid, and SCHIP programs are allocated to the government (government administration) or the private sector (net cost of private health insurance).

we will see new Programs listed under the broad category of health insurance as ACA is implemented. The old and new classification schemes for Source of Funds are shown below:

Through 2008	2009 and Onward
Private	Health consumption expenditures
Consumer payments	Out of pocket
Out of pocket	Health insurance
Private health insurance	Private health insurance
Other private funds	Medicare
Public	Medicaid
Federal	Federal
Medicare	State & local
Medicaid	Other health insurance programs
Other federal	Other 3 rd party payers & programs &
State & local	public health activity
Medicaid	Investment
Other state & local	

Trends

Table 3 of this report shows the levels of spending by each of the Sources of Funds, their percentage contributions to total NHE, and the annual growth rate in each over the 1999 through 2009 period. It highlights how the economic downturn has had different effects on the various “programmatically” aspects of health care. The impact of the recession was evident in the extremely low growth in out of pocket spending and private health insurance spending, whose rates of growth in 2009 were well below any in the prior 10 year period.

Out of pocket spending grew by only 0.4 percent in 2009. Out of pocket spending now accounts for 12.0 percent of NHE. Its share has declined steadily since the NHE accounts have been kept. Ten years ago, in 1999, it was 14.8 percent, and in 1980, 22.8 percent.

Job loss, and the subsequent loss of employer sponsored coverage, resulted in a deceleration in the rate of growth in private health insurance spending, from 3.5 percent in 2008 to 1.3 percent in 2009. In 2009, private health insurance spending accounted for about one-third of NHE.

In 2009, Medicaid spending reached \$373.9 billion (15.0 percent of total NHE), an increase of 9.0 percent over spending in the prior year. This annual growth rate was higher than any in that category since the last recession. This is natural consequence of the recession, as the number of persons enrolled in Medicaid increases. Federal Medicaid spending increased by 22.0 percent because of the American Recovery and Reinvestment Act, which provided funding for an estimated \$34 billion in additional federal matching funds for Medicaid. State Medicaid spending decreased by 9.8 percent.

Sponsor

Overview

The classification of NHE by Sponsor gets at the financing of health care. It shows the various revenue streams that the Sources of Funds, or Programs, rely on to pay for health care. The five top-line Sponsor categories are private business, household, other private revenues, federal government, and state & local government. To better illustrate the distinction between Source of

Funds and Sponsor, Medicare payments, for example, receive financing from a number of Sponsors: private business (payroll taxes), households (payroll taxes and premiums) and the federal government (general tax revenues). Private health insurance payments are financed from employer or employee contributions to the premium, which are reflected in the private business and household Sponsor categories, respectively. The financing of five major Program categories in 2009 is shown in Table 4. The financing of total NHE over the 1999 through 2009 period is presented in Table 5.³

The National Health Statistics group categorizes a few components of the Medicare, Medicaid, and private health insurance Programs differently when it looks at the financing of those Programs. Therefore, there is a difference in the totals for those categories in Tables 3 and 4 of this report. For example, the 2009 private health insurance total is \$801.2 billion in Table 3 and \$795.3 billion in Table 4. These differences are driven by the treatment of Medicaid buy-ins (payments made by state Medicaid programs for Medicare Part A and Part B premiums for eligible individuals) and Medicare Retiree Drug Subsidy payments.⁴

Changes in Presentation

One specific change made by the National Health Statistics group is that prior to the release of the 2009 data, investment spending was excluded when health spending was categorized by Sponsor. Moving forward, it will be included. Another change is that the Sponsor analyses will receive greater emphasis, as health spending continues to rely on an increasing complex array of public and private financing. The National Health Statistics group expects that they will track this closely, and emphasize particular components of financing in “sidebar” tables that provide detail on the financing of specific Programs, some that are new and result from ACA.

Trends

From Table 4, of the \$795.3 billion in health spending paid for by private health insurance in 2009, 31.1 percent was financed from employee contributions to their premiums and premiums paid for individually purchased insurance. The remaining 68.9 percent was financed through employer contributions to premiums, including 50.0 percent from private business, 3.4 percent from the federal government as an employer, and 15.5 percent from state and local governments as employers.

For the \$487.8 billion in health care paid for by the Medicare program, 15.9 percent was financed by private business through payroll tax revenues for the Medicare Hospital Insurance (HI) Trust Fund. Another 33.1 percent was financed by households. This 33.1 percent share consisted of payroll tax revenue from employees and the self-employed to the HI Trust Fund (22.2 percent) and premiums paid by individuals to the Medicare Supplementary Medical Insurance Trust Fund (10.9 percent). A small portion, 3.2 percent in total, of Medicare spending was financed from the payroll tax revenue that is paid by the federal and state and local governments as employers. The remaining 47.8 percent that is categorized as “Adjusted Medicare” is roughly equal to trust fund income plus federal general revenue contributions. This category is a measure of the amount of

³ Table 5 at <http://www.cms.gov/NationalHealthExpendData/downloads/tables.pdf> contains a less specific (with regard to Sponsor) version of this for each of the years, 2003 through 2009. The tables at <http://www.cms.gov/NationalHealthExpendData/downloads/bhg09.pdf> provide the sponsor data (levels, growth, shares) over the 1987 through 2009 period.

⁴ See http://www.cms.gov/NationalHealthExpendData/downloads/bhg_methodology_09.pdf for a detailed explanation.

Medicare spending that has to be financed out of general revenues and trust fund income because the “dedicated” funding sources, such as payroll tax revenues, are not sufficient.

For Medicaid spending in 2009, about two-thirds was financed from the federal government through general tax revenues, and one-third from the tax revenues of state and local governments. Out of pocket spending is financed entirely by households, and payments in the other category from a variety of sources.

The rightmost column of Table 4 shows the financing of overall NHE. This information was featured prominently in the article that appeared in the January 2011 issue of *Health Affairs*. In 2009, 20.8 percent of health expenditures were financed by private business, 28.5 percent by households, 27.3 percent by the federal government, 16.3 percent by state and local governments, and the remaining 7.1 percent from other private sources. This information has the potential to be misinterpreted. If one were interested in the extent to which health expenditures were financed by tax revenue, one might add the federal and state and local shares to get 43.6 percent. This would be incorrect because “dedicated” tax revenue sources (payroll taxes) appear under private business.⁵

Table 5 shows the financing of total NHE for the 1999 through 2009 period. The data for 2009 correspond to the rightmost column of Table 4. As was the case for the Programmatic aspects of health spending, the recession’s impact on the financing of health care is evident as well. The contributions of private businesses and households to the financing of Medicare via payroll taxes fell by 6.1 and 3.3 percent in 2009, due to job loss. Partly as a result of that, federal adjusted Medicare financing grew by 21.2. For Medicaid, federal financing grew by 21.8 percent while state financing fell by 10.0 percent.

In 2009 federal financing accounted for 27 percent of NHE up from 24 percent in 2008. This is a huge increase in comparison to any other of the previous 10 year period. Although the 2009 increase is partly due to the aging of the population, the magnitude of the increase is very much recession related, and may abate as the economy recovers. That said, there is a marked long term trend upward in the federal government’s share of financing, particularly for Medicare. Medicare financing out of general revenues more than doubled over the 1999 to 2009 period, increasing from 4 percent to 9 percent of total NHE. As a percentage of Medicare spending *only*, it increased from 24.0 to 47.8 percent. To reiterate, in 1999, less than one-quarter of Medicare spending had to be financed out of general tax revenues. Now, because payroll tax revenues are not sufficient, that share is approaching 50 percent.

Summary

U.S. national health expenditures (NHE) reached \$2,486.3 billion in 2009, an increase of 4.0 percent over the prior year. This marked the slowest annual rate of growth in the 50 year history that NHE has been tracked in its current framework. The second slowest rate of growth was in 2008, at 4.7 percent. As a point of comparison, annual growth rates over the 2000 through 2007 period ranged from a low of 6.1 percent in 2007 to a high of 9.5 percent in 2002.

Even though health spending grew slowly from a historical standpoint, NHE as a percentage of GDP increased to 17.6 percent in 2009 up from 16.6 percent in 2008. This one percentage point increase was the largest increase in fifty years due to slow—in fact, negative—economic growth.

⁵ In addition, the federal and state and local components include financing sources other than tax revenue. To that point, they include contributions made by those governments to health insurance premiums in their role as employers.

The recession left a mark on many sub-components of NHE as well. Out of pocket spending and private health insurance spending grew by only 0.4 percent and 1.3 percent in 2009. In contrast, because job loss resulted in an increase in Medicaid enrollment, Medicaid spending increased by 9.0 percent.

There are long term trends in NHE that bear close consideration. One that stands out is the increasing reliance on general federal tax revenues for Medicare financing. In 1999, premiums and combined payroll tax revenues from employers and households were sufficient to cover about three-quarters of Medicare spending. Less than 25 percent had to be financed out of general federal tax revenues. By 2009, the share of Medicare spending financed by premiums and payroll tax revenue shrank to about 52 percent, and 48 percent was financed out of general revenues.

Partly tied to ACA, the NHE framework has been modified in several places in order to better track upcoming changes to the health care system. For one, the National Health Statistics group has made it explicit in the Source of Funds categorization which types of insurance are considered health insurance under ACA (no tax penalty) and which are not. Recognizing the integration of the public and private sectors in many aspects of health care, the Source of Funds categorization has also been modified so that Programs will not longer be designated as public or private. Not directly related to ACA, but important for physicians and their advocates, separate estimates for physician spending and for clinical spending are also now available. In the past, they were only available as a single combined category.

Links to Related Materials

1. January 2011 Health Affairs article:

Martin, Anne, David Lassman, Lekha Whittle, Aaron Catlin and the National Health Expenditure Accounts Team. "Recession Contributes To Slowest Annual Rate Of Increase In Health Spending In Five Decades" *Health Affairs*, 30, no.1 (2011):11-22. *Health Affairs*, 30, no.1 (2011):11-22, available at <http://content.healthaffairs.org/content/30/1/11.full.pdf+html>

2. *NHE Web Tables* <http://www.cms.gov/NationalHealthExpendData/downloads/tables.pdf>

This "Tables" document contains 15 tables. Two that were not already mentioned in this PRP and that may be particularly useful are:

Table 4. National Health Expenditures, by Source of Funds and Type of Expenditure: Calendar Years 2003-2009. There is one table per year. For each of the types of spending (hospital, physician and clinical...) you can use this table to figure out the shares of spending paid for by each of the various Sources, or Programs. So, for example, you could find out the percentage of physician and clinical spending that is paid out of pocket.

Table 12. Private Health Insurance Premiums, Benefits and Net Cost, Selected Calendar Years 1960-2009. This table shows how the aggregate amount spent on private health insurance premiums is distributed across the different types of Personal Health Care Expenditures (e.g., hospital, physician), and the amount that goes to the net cost of private health insurance. This information can be used to create a private "national medical expense ratio," and a "national administrative expense ratio," and track their changes over time.

3. *Summary of National Health Expenditure Account 2009 Comprehensive Revisions*, available at <http://www.cms.gov/NationalHealthExpendData/downloads/benchmark2009.pdf>

This document summarizes the changes in methods, definitions, and source data that were introduced for the 2009 comprehensive revision of the NHE framework. Particularly useful is the discussion of the motivations behind changes to the Source of Funds classification of NHE.

4. *Sponsors of Health Care Costs: Private Business, Households, and Governments, 1987 - 2009*, available at <http://www.cms.gov/NationalHealthExpendData/downloads/bhg09.pdf>
 - a) The document provides information on the financing (Sponsor) of NHE over the 1988 through 2009 period (Tables 1 through 3). The Sponsor categories here are more specific than those presented in the "NHE Web Tables" (under item 1, above).
 - b) Table 4 shows the total amount of private health insurance premiums paid over that period, and the contributions of employers, employees, and persons with individual policies to those totals. The employer and employee contributions are also laid out by sector (private business, federal government, and state & local governments). This Table also provides an estimate of the number of enrollees, which can be used with the total premium data to estimate the average amount paid per enrollee for private health insurance.
 - c) Finally, Table 5 shows Medicare payments over the 1997 through 2009 period (also 1987 and 1992), and how they were financed. From this table and as discussed in this Policy Research Perspective, you can see that "dedicated" sources of financing for Medicare decreased from 76 percent of the total in 1987 to 52 percent in 2009.

5. *Methodology for Estimates by Sponsor*, available at http://www.cms.gov/NationalHealthExpendData/downloads/bhg_methodology_09.pdf

This article walks through the different sources of financing (Sponsor) for each of the major Source of Funds categories. It also explains that Medicaid buy-ins (payments made by state Medicaid programs for Medicare Part A and Part B premiums for eligible individuals) and Medicare Retiree Drug Subsidy payments are categorized differently when looking at the financing of the Medicare, Medicaid and Private Health Insurance Programs. This is why the spending totals for those Programs will be slightly different in tables that show only the Sources of Funds (or Programs) than the totals in cross tables that show the Sources of Funds *and their financing*.

6. CMS National Health Expenditure website: <http://www.cms.gov/NationalHealthExpendData>

The main NHE page includes a number of sub-pages, links to which are at the upper left of the main page. Items 2 and 3, above, can be found on the Historical Page, and items 4 and 5, on the Sponsor page. NHE projections appear on the Projected page.

Table 1. National Health Expenditures and Gross Domestic Product, 1999 - 2009

		Levels of NHE and GDP in Billions of Dollars										
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
NHE		\$1,286.8	\$1,378.0	\$1,495.3	\$1,637.0	\$1,772.2	\$1,894.7	\$2,021.0	\$2,152.1	\$2,283.5	\$2,391.4	\$2,486.3
GDP		\$9,354	\$9,952	\$10,286	\$10,642	\$11,142	\$11,868	\$12,638	\$13,399	\$14,062	\$14,369	\$14,119
		Annual Percentage Change										
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
NHE			7.1%	8.5%	9.5%	8.3%	6.9%	6.7%	6.5%	6.1%	4.7%	4.0%
GDP			6.4%	3.4%	3.5%	4.7%	6.5%	6.5%	6.0%	4.9%	2.2%	-1.7%
		NHE as a Percentage of GDP										
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
		13.8%	13.8%	14.5%	15.4%	15.9%	16.0%	16.0%	16.1%	16.2%	16.6%	17.6%

Source: Table 1 at <http://www.cms.gov/NationalHealthExpendData/downloads/tables.pdf>.

Table 2. National Health Expenditures by Type of Expenditure, 1999 – 2009 (continued)

	Annual Percentage Change in Spending										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Personal health care expenditures		6.9%	8.6%	8.5%	7.8%	7.2%	6.8%	6.3%	5.9%	4.9%	4.6%
Hospital care		5.6%	8.1%	8.3%	8.1%	7.4%	7.4%	6.9%	5.9%	5.2%	5.1%
Physician & clinical services		7.0%	8.5%	8.3%	8.1%	6.8%	6.6%	5.3%	4.8%	5.2%	4.0%
Physician services		8.3%	9.7%	8.8%	8.2%	6.8%	6.5%	4.9%	4.8%	4.9%	3.3%
Clinical services		1.5%	3.5%	5.8%	7.7%	6.8%	6.9%	6.9%	4.7%	6.4%	7.3%
Retail outlet sales of prescription drugs		15.4%	14.7%	14.0%	10.7%	8.6%	6.0%	9.0%	4.7%	3.1%	5.3%
Nursing and retirement; home health; other health, residential, and personal care		5.0%	7.5%	6.6%	7.2%	7.2%	7.2%	5.6%	7.7%	5.3%	6.4%
Other		6.8%	6.3%	7.2%	4.7%	5.9%	5.5%	4.8%	6.8%	4.7%	1.6%
Government administration		17.9%	11.7%	11.5%	9.4%	8.1%	6.6%	5.6%	3.1%	0.1%	2.0%
Net cost of health insurance		14.3%	10.5%	22.8%	17.8%	6.4%	5.5%	10.9%	4.4%	1.5%	-1.2%
Government public health activities		5.5%	10.4%	9.2%	3.6%	0.5%	4.1%	11.4%	9.9%	6.0%	5.9%
Investment		3.1%	4.9%	12.2%	8.2%	6.8%	7.3%	3.4%	9.8%	6.0%	-0.6%
TOTAL		7.1%	8.5%	9.5%	8.3%	6.9%	6.7%	6.5%	6.1%	4.7%	4.0%

Source: Tables 2, 14 and 15 at <http://www.cms.gov/NationalHealthExpendData/downloads/tables.pdf>.

Notes:

For “physician services” and “clinical services,” Spending as a Percentage of NHE is as a percentage of the combined “physician & clinical services” category—the two shares add to 100%.

The “other” category includes dental services, other professional services, retail outlet sales of durable medical equipment, and retail outlet sales of other non-durable medical equipment.

“Government administration” includes all administrative costs (federal and state and local employees' salaries, contracted employees including fiscal intermediaries, rent and building costs, computer systems and programs, other materials and supplies, and other miscellaneous expenses) associated with insuring individuals enrolled in the following health insurance programs: Medicare, Medicaid, Children's Health Insurance Program, Department of Defense, Department of Veterans' Affairs, Indian Health Service, workers' compensation, maternal and child health, vocational rehabilitation, Substance Abuse and Mental Health Services Administration, and other federal programs.

“Net cost of health insurance” is calculated as the difference between CY incurred premiums earned and benefits paid for private health insurance. This includes administrative costs, and in some cases, additions to reserves, rate credits and dividends, premium taxes, and plan profits or losses. Also included in this category is the difference between premiums earned and benefits paid for the private health insurance companies that insure the enrollees of the following programs: Medicare, Medicaid, Children's Health Insurance Program, and workers' compensation (health portion only).

Table 3. National Health Expenditures by Source of Funds (Program), 1999 – 2009 (continued)

	Annual Percentage Change in Spending										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Out of pocket		6.0%	3.6%	6.4%	6.4%	4.9%	6.0%	3.2%	6.3%	3.1%	0.4%
Health insurance		8.5%	10.3%	10.5%	8.9%	8.0%	7.2%	7.3%	5.5%	5.3%	5.1%
Private health insurance		9.4%	9.4%	11.6%	9.5%	6.8%	6.7%	5.2%	4.1%	3.5%	1.3%
Medicare		5.4%	10.2%	7.1%	6.6%	10.2%	9.2%	18.6%	7.0%	7.9%	7.9%
Medicaid (Title XIX)		9.3%	11.9%	10.6%	8.6%	8.1%	6.3%	-0.8%	6.5%	4.9%	9.0%
Federal		9.1%	13.2%	9.8%	10.8%	7.1%	2.9%	-1.9%	6.9%	8.7%	22.0%
State & local		9.5%	10.1%	11.8%	5.3%	9.5%	11.2%	0.8%	5.9%	0.0%	-9.8%
Other health insurance programs		12.4%	13.6%	15.8%	16.8%	9.1%	6.3%	9.5%	7.6%	9.5%	9.2%
Other third party payers and programs		2.5%	5.2%	4.9%	7.9%	3.9%	3.9%	5.4%	6.5%	0.9%	2.7%
Public health activity		5.5%	10.4%	9.2%	3.6%	0.5%	4.1%	11.4%	9.9%	6.0%	5.9%
Investment		3.1%	4.9%	12.2%	8.2%	6.8%	7.3%	3.4%	9.8%	6.0%	-0.6%
TOTAL		7.1%	8.5%	9.5%	8.3%	6.9%	6.7%	6.5%	6.1%	4.7%	4.0%

Source: Table 3 at <http://www.cms.gov/NationalHealthExpendData/downloads/tables.pdf>.

Notes:

For “federal Medicaid” and “state & local Medicaid,” Spending as a Percentage of NHE is as a percentage of the total Medicaid category—the two shares add to 100%.

“Other health insurance programs” includes Children's Health Insurance Program (Titles XIX and XXI), Department of Defense, and Department of Veterans' Affairs.

“Other third party payers and programs” includes worksite health care, other private revenues, Indian Health Service, workers' compensation, general assistance, maternal and child health, vocational rehabilitation, other federal programs, Substance Abuse and Mental Health Services Administration, other state and local programs, and school health.

Table 4. National Health Expenditures by Sponsor and Source of Funds, 2009 (billions of dollars)

SPONSOR	SOURCE OF FUNDS									
	Out of Pocket Level	Private Level Percentage		Medicare Level Percentage		Medicaid Level Percentage		Other Level	TOTAL NHE Level Percentage	
Private business										
Employer contrib. to private HI prem's		\$397.5	50.0%						\$397.5	16.0%
Employer Medicare Hospital Insurance				\$77.7	15.9%				\$77.7	3.1%
Payroll Taxes										
<u>WC, TDI, WHC</u>								\$43.1	\$43.1	1.7%
Total private business	\$0	\$397.5	50.0%	\$77.7	15.9%	\$0	0%	\$43.1	\$518.3	20.8%
Household										
Private health insurance premiums		\$247.6	31.1%						\$247.6	10.0%
Medicare payroll taxes and HI premiums				\$108.5	22.2%				\$108.5	4.4%
Individual premiums paid to Medicare SMI Trust Fund				\$53.0	10.9%				\$53.0	2.1%
<u>Out of pocket</u>	\$299.3								\$299.3	12.0%
Total household	\$299.3	\$247.6	31.1%	\$161.5	33.1%	\$0	0%	\$0	\$708.4	28.5%
Other private	\$0	\$0	0%	\$0	0%	\$0	0%	\$176.4	\$176.4	7.1%
Federal										
Employer contrib. to private HI prem's		\$26.8	3.4%						\$26.8	1.1%
Employer Medicare Hospital Insurance										
Payroll Taxes				\$3.9	0.8%				\$3.9	0.2%
Adjusted Medicare				\$233.1	47.8%				\$233.1	9.4%
Medicaid						\$254.3	66.1%		\$254.3	10.2%
<u>Other health program expenditures</u>								\$160.3	\$160.3	6.4%
Total federal	\$0	\$26.8	3.4%	\$237.0	48.6%	\$254.3	66.1%	\$160.3	\$678.4	27.3%
State & local										
Employer contrib. to private HI prem's		\$123.4	15.5%						\$123.4	5.0%
Employer Medicare Hospital Insurance										
Payroll Taxes				\$11.6	2.4%				\$11.6	0.5%
Medicaid						\$130.5	33.9%		\$130.5	5.2%
<u>Other health program expenditures</u>								\$139.3	\$139.3	5.6%
Total state & local	\$0	\$123.4	15.5%	\$11.6	2.4%	\$130.5	33.9%	\$139.3	\$404.8	16.3%
TOTAL NHE	\$299.3	\$795.3	100%	\$487.7	100%	\$384.8	100%	\$519.2	\$2,486.3	100%

See page 19 for sources and notes for Tables 4 and 5.

Table 5. National Health Expenditures by Sponsor, 1999 - 2009

	Spending in Billions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Private business	\$315.0	\$345.5	\$370.9	\$397.2	\$427.4	\$451.9	\$478.3	\$492.0	\$511.4	\$521.0	\$518.3
Employer contrib. to private HI premiums	\$230.8	\$254.1	\$274.8	\$299.6	\$325.8	\$345.1	\$367.3	\$376.3	\$390.6	\$395.9	\$397.5
Employer Medicare Hospital Insurance Payroll Taxes	\$57.6	\$62.3	\$63.3	\$63.0	\$64.6	\$68.7	\$72.6	\$77.3	\$81.7	\$82.7	\$77.7
WC, TDI, WHC	\$26.7	\$29.1	\$32.7	\$34.6	\$37.1	\$38.0	\$38.4	\$38.4	\$39.1	\$42.4	\$43.1
Household	\$406.1	\$434.2	\$457.0	\$494.6	\$528.2	\$559.7	\$595.5	\$634.9	\$671.2	\$707.2	\$708.4
Private health insurance premiums	\$123.9	\$133.1	\$146.4	\$167.5	\$183.0	\$194.6	\$205.9	\$218.9	\$228.1	\$247.1	\$247.6
Medicare payroll taxes and HI premiums	\$75.1	\$82.6	\$83.0	\$84.3	\$86.3	\$91.5	\$96.5	\$103.6	\$109.3	\$112.3	\$108.5
Individual premiums paid to Medicare SMI Trust Fund	\$16.3	\$16.4	\$18.1	\$19.9	\$21.8	\$24.8	\$29.3	\$40.3	\$44.5	\$49.6	\$53.0
Out of pocket	\$190.7	\$202.1	\$209.5	\$222.8	\$237.1	\$248.8	\$263.8	\$272.1	\$289.4	\$298.2	\$299.3
Other private revenues	\$109.9	\$109.9	\$110.0	\$119.3	\$129.3	\$135.9	\$145.7	\$156.9	\$176.2	\$177.8	\$176.4
Federal	\$245.1	\$261.1	\$306.5	\$347.4	\$389.3	\$425.9	\$452.6	\$494.6	\$525.0	\$575.5	\$678.4
Employer contrib. to private HI premiums	\$13.2	\$14.3	\$15.8	\$17.7	\$19.7	\$21.6	\$23.1	\$24.3	\$24.6	\$25.1	\$26.8
Employer Medicare Hospital Insurance Payroll Taxes	\$2.5	\$2.7	\$2.7	\$2.9	\$3.1	\$3.3	\$3.3	\$3.4	\$3.6	\$3.7	\$3.9
Adjusted Medicare	\$50.1	\$48.8	\$67.6	\$81.1	\$92.4	\$107.4	\$120.5	\$157.5	\$168.6	\$192.3	\$233.1
Medicaid	\$109.6	\$119.3	\$135.0	\$148.3	\$164.4	\$176.5	\$182.4	\$179.6	\$192.0	\$208.8	\$254.3
Other health program expenditures	\$69.6	\$76.0	\$85.4	\$97.5	\$109.7	\$117.2	\$123.2	\$129.8	\$136.2	\$145.6	\$160.3
State & local	\$210.8	\$227.4	\$251.0	\$278.5	\$297.9	\$321.3	\$349.0	\$373.6	\$399.7	\$410.0	\$404.8
Employer contrib. to private HI premiums	\$51.1	\$56.6	\$64.1	\$74.6	\$83.8	\$92.4	\$100.9	\$110.3	\$116.6	\$118.6	\$123.4
Employer Medicare Hospital Insurance Payroll Taxes	\$7.0	\$7.5	\$8.0	\$8.4	\$8.7	\$9.0	\$9.4	\$10.0	\$10.6	\$11.3	\$11.6
Medicaid	\$78.0	\$85.3	\$94.0	\$105.1	\$110.6	\$121.3	\$135.4	\$137.0	\$145.1	\$145.0	\$130.5
Other health program expenditures	\$74.7	\$78.0	\$84.9	\$90.4	\$94.9	\$98.5	\$103.3	\$116.5	\$127.3	\$135.0	\$139.3
TOTAL NHE	\$1,286.9	\$1,378.1	\$1,495.4	\$1,637.0	\$1,772.1	\$1,894.7	\$2,021.1	\$2,152.0	\$2,283.5	\$2,391.5	\$2,486.3

Table 5. National Health Expenditures by Sponsor, 1999 – 2009 (continued)

	Annual Percentage Change in Spending										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Private business		9.7%	7.4%	7.1%	7.6%	5.7%	5.8%	2.9%	3.9%	1.9%	-0.5%
Employer contrib. to private HI premiums		10.1%	8.2%	9.0%	8.7%	5.9%	6.4%	2.5%	3.8%	1.4%	0.4%
Employer Medicare Hospital Insurance Payroll Taxes		8.2%	1.7%	-0.4%	2.5%	6.4%	5.6%	6.5%	5.7%	1.2%	-6.1%
WC, TDI, WHC		8.9%	12.4%	5.7%	7.3%	2.6%	1.1%	0.1%	1.7%	8.6%	1.6%
Household		6.9%	5.2%	8.2%	6.8%	6.0%	6.4%	6.6%	5.7%	5.4%	0.2%
Private health insurance premiums		7.4%	10.0%	14.4%	9.3%	6.3%	5.8%	6.3%	4.2%	8.4%	0.2%
Medicare payroll taxes and HI premiums		10.0%	0.4%	1.6%	2.3%	6.1%	5.5%	7.3%	5.5%	2.7%	-3.3%
Individual premiums paid to Medicare SMI Trust Fund		0.1%	10.9%	9.9%	9.5%	13.6%	18.0%	37.9%	10.3%	11.3%	6.9%
Out of pocket		6.0%	3.6%	6.4%	6.4%	4.9%	6.0%	3.2%	6.3%	3.1%	0.4%
Other private revenues		0.0%	0.1%	8.4%	8.4%	5.1%	7.2%	7.7%	12.3%	0.9%	-0.8%
Federal		6.5%	17.4%	13.3%	12.1%	9.4%	6.3%	9.3%	6.1%	9.6%	17.9%
Employer contrib. to private HI premiums		8.2%	10.2%	12.1%	11.6%	9.4%	7.3%	5.0%	1.5%	2.0%	6.5%
Employer Medicare Hospital Insurance Payroll Taxes		5.0%	2.8%	6.8%	6.0%	5.9%	2.3%	2.9%	3.0%	3.7%	7.2%
Adjusted Medicare		-2.7%	38.5%	20.0%	14.0%	16.2%	12.2%	30.7%	7.1%	14.1%	21.2%
Medicaid		8.9%	13.1%	9.8%	10.9%	7.3%	3.3%	-1.5%	6.9%	8.7%	21.8%
Other health program expenditures		9.1%	12.5%	14.1%	12.5%	6.9%	5.1%	5.3%	4.9%	6.9%	10.1%
State & local		7.9%	10.4%	11.0%	7.0%	7.8%	8.6%	7.1%	7.0%	2.6%	-1.3%
Employer contrib. to private HI premiums		10.9%	13.1%	16.5%	12.2%	10.3%	9.3%	9.3%	5.8%	1.7%	4.0%
Employer Medicare Hospital Insurance Payroll Taxes		6.9%	6.9%	5.2%	3.0%	4.2%	4.3%	5.8%	6.9%	5.9%	2.7%
Medicaid		9.3%	10.1%	11.8%	5.3%	9.7%	11.6%	1.1%	5.9%	0.0%	-10.0%
Other health program expenditures		4.3%	9.0%	6.5%	4.9%	3.8%	4.8%	12.8%	9.3%	6.1%	3.2%
TOTAL NHE		7.1%	8.5%	9.5%	8.3%	6.9%	6.7%	6.5%	6.1%	4.7%	4.0%

Table 5. National Health Expenditures by Sponsor, 1999 – 2009 (continued)

	Spending as a Percentage of NHE										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Private business	24%	25%	25%	24%	24%	24%	24%	23%	22%	22%	21%
Employer contrib. to private HI premiums	18%	18%	18%	18%	18%	18%	18%	17%	17%	17%	16%
Employer Medicare Hospital Insurance Payroll Taxes	4%	5%	4%	4%	4%	4%	4%	4%	4%	3%	3%
WC, TDI, WHC	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Household	32%	32%	31%	30%	30%	30%	29%	30%	29%	30%	28%
Private health insurance premiums	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Medicare payroll taxes and HI premiums	6%	6%	6%	5%	5%	5%	5%	5%	5%	5%	4%
Individual premiums paid to Medicare SMI Trust Fund	1%	1%	1%	1%	1%	1%	1%	2%	2%	2%	2%
Out of pocket	15%	15%	14%	14%	13%	13%	13%	13%	13%	12%	12%
Other private revenues	9%	8%	7%	7%	7%	7%	7%	7%	8%	7%	7%
Federal	19%	19%	20%	21%	22%	22%	22%	23%	23%	24%	27%
Employer contrib. to private HI premiums	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Employer Medicare Hospital Insurance Payroll Taxes	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Adjusted Medicare	4%	4%	5%	5%	5%	6%	6%	7%	7%	8%	9%
Medicaid	9%	9%	9%	9%	9%	9%	9%	8%	8%	9%	10%
Other health program expenditures	5%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
State & local	16%	17%	17%	17%	17%	17%	17%	17%	18%	17%	16%
Employer contrib. to private HI premiums	4%	4%	4%	5%	5%	5%	5%	5%	5%	5%	5%
Employer Medicare Hospital Insurance Payroll Taxes	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%
Medicaid	6%	6%	6%	6%	6%	6%	7%	6%	6%	6%	5%
Other health program expenditures	6%	6%	6%	6%	5%	5%	5%	5%	6%	6%	6%
TOTAL NHE	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

See page 19 for sources and notes for Tables 4 and 5.

Sources and Notes for Tables 4 and 5

Source: Table 5 at <http://www.cms.gov/NationalHealthExpendData/downloads/tables.pdf> and Table 1 at <http://www.cms.gov/NationalHealthExpendData/downloads/bhg09.pdf>

Notes:

WC, TDI, WHC stands for workers compensation, temporary disability insurance, and worksite health care.

Private business employer contributions to private health insurance premiums excludes 2006-2009 retiree drug subsidy (RDS) payments to private plans.

Private business Medicare Hospital Insurance payroll taxes includes one half of self employment payroll taxes.

Household private health insurance premiums includes employee contributions to employer-sponsored health insurance and individually purchased health insurance. It excludes 2009 subsidized COBRA payments.

Household Medicare payroll taxes and Hospital Insurance (HI) premiums includes employee and one half of self-employment payroll taxes, and voluntary premiums paid to the Medicare Hospital Insurance Trust Fund.

Other private revenues includes health-related philanthropic support, nonoperating revenue, investment income, and privately funded structures and equipment.

Adjusted Medicare includes trust fund interest income, federal general revenue contributions to Medicare less the net change in the trust fund balance, and payments for the Retiree Drug Subsidy. It excludes Medicare Hospital Insurance Trust Fund payroll taxes and premiums, Medicare Supplementary Medical Insurance premiums, state phase-down payments, Medicaid buy-ins, and taxation of benefits.

Federal Medicaid includes Medicaid buy-ins for the Medicare premiums of people eligible for both Medicaid and Medicare (dual eligibles).

Federal other health programs includes maternal and child health, vocational rehabilitation, Substance Abuse and Mental Health Services Administration, Indian Health Service, Office of Economic Opportunity (1965-74), Federal workers' compensation, and other federal programs, public health activities, Department of Defense, Department of Veterans Affairs, Children's Health Program (CHIP), investment (research, structures and equipment) and COBRA subsidies.

State & local other health programs includes other public and general assistance, maternal and child health, vocational rehabilitation, public health activities, hospital subsidies, other state and local programs, state phase-down payments and investment (research, structures and equipment).