

US spent \$2.7 trillion on healthcare in 2011, but growth remains steady

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Total US healthcare spending reached \$2.7 trillion in 2011, or \$8680 (£5410; €6625) per person, show figures released by the Center for Medicare and Medicaid Services.¹ The relatively low 3.9% rise from 2010 was roughly in line with growth in the economy, and for the third straight year spending remained at 17.9% of gross domestic product. Previous years had seen higher rises in healthcare spending, such as 7.6% in 2007.

The intriguing but unanswered question is whether this deceleration in healthcare spending is the effect of the economic recession or whether it represents a fundamental restructuring of healthcare delivery and costs.

Among the fastest growing components of healthcare spending in 2011 were increases in personal spending, prescription drugs, and physician and clinical services. These were balanced by a “slower growth in the cost of health insurance and non-commercial research and a decline in government public health activities,” said Micah Hartman in a telephone conference call with reporters. He is the lead author of the analysis, which was published in *Health Affairs*, and a statistician with the Center for Medicare and Medicaid Services.

Spending on physician and clinical services rose more rapidly in 2011 (4.3%) than in 2010 (3.1%). Greater use of services, rather than higher costs of the services, accounted for the major share of the increase.

Medicare spending was the largest single component of the overall increase, growing by 6.2%, whereas the previous year the rise was 4.3%. A one-off rise in spending for skilled nursing facilities accounted for much of the increase.

Medicaid spending increased by 5.9% in 2010 but slowed by half to a rate of 2.5% in 2011. “Slower growth was due to states’ efforts to control cost growth as enhanced federal matching rates [with economic stimulus funding] expired,” said Hartman. “Federal Medicaid expenditures declined 7.1%, while state Medicaid expenditures accelerated 22.2%.”

Yet, despite these short term gyrations, Hartman said, “By 2010 the federal government financed 28% of total health spending, a substantial increase from its share of 23% in 2007.” Over the

same period spending by state and local governments (a share of 16%), private businesses (21%), and households (28%) declined slightly. But the state and local government share ratcheted up to 18% in 2011 as stimulus money ended. These numbers help to explain the continuing resistance of many states to expand future access to Medicaid next year under provisions of the Affordable Care Act.

Spending on prescription drugs rose by 2.9% in 2011, up from the record low increase of 0.4% in 2010. Hartman said that this was largely because of “more rapid growth in brand name and specialty drug prices and increased spending on new brands.”

The Affordable Care Act had a “minimal impact” on healthcare spending in 2011, as most of its major provisions do not come into effect for another year, Hartman said. The main exception was expansion of private health insurance coverage by one million people, primarily young adults aged 21 to 26 who now can continue to be covered under their parents’ health insurance policies.

That increase in private health insurance coverage was a dramatic turnaround from the previous year, when coverage shrank by 11.2 million people. That loss was a direct effect of the recession and people losing their job and their employment related health insurance. Although the increase in coverage in 2011 was welcome news, it largely affected the healthiest segment of the population.

Aggregate federal and state spending on public health fell by about \$2bn or 0.5% in 2011. It was the first such decline in the 52 years that the tally has been kept. Hartman said that it was largely explained by a single year bump in spending in 2010 to tackle the H1N1 flu threat.

1 Hartman M, Martin AB, Benson J, Catlin A, and the National Health Expenditure Accounts Team. National health spending in 2011: overall growth remains low, but some payers and services show signs of acceleration. *Health Aff* 2013;32:87-99.

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