

CALIFORNIA HEALTH CARE ALMANAC



California
Health Care
Foundation



Health Care Costs 101: ACA Spurs Modest Growth

MAY 2016

Introduction

After five years of slow growth, national health spending grew by 5.3% in 2014, up from 2.9% in 2013. The faster growth was due in part to coverage expansion under the Affordable Care Act (ACA) and increased spending on prescription drugs. US health spending reached \$3.0 trillion in 2014, or \$9,523 per capita, and accounted for 17.5% of gross domestic product (GDP).

Health Care Costs 101: ACA Spurs Modest Growth, which relies on the most recent data available, details how much is spent on health care in the US, which services are purchased, and who pays.

KEY FINDINGS INCLUDE:

- Federal subsidies for ACA Marketplace premiums and cost sharing totaled \$18.5 billion, accounting for 12% of the \$151 billion in new health spending in 2014.
- Federal spending on Medicaid increased 18.4% (compared to 0.9% for states), as the federal government fully funded the ACA’s expansion of Medicaid eligibility in participating states.
- Spending on prescription drugs increased by \$32.4 billion, or 12.2%, much faster than recent years. New Hepatitis C drugs accounted for \$11.3 billion, more than one-third of the increase in all prescription drug spending.
- Household spending on direct purchase insurance rose only 2.2% (more slowly than overall spending at 5.3% and similar to overall household spending at 2.0%), despite a 19.5% increase in enrollment levels for direct purchase insurance.
- Growth rate in per capita spending more than doubled from 2.1% in 2013 to 4.5% in 2014.

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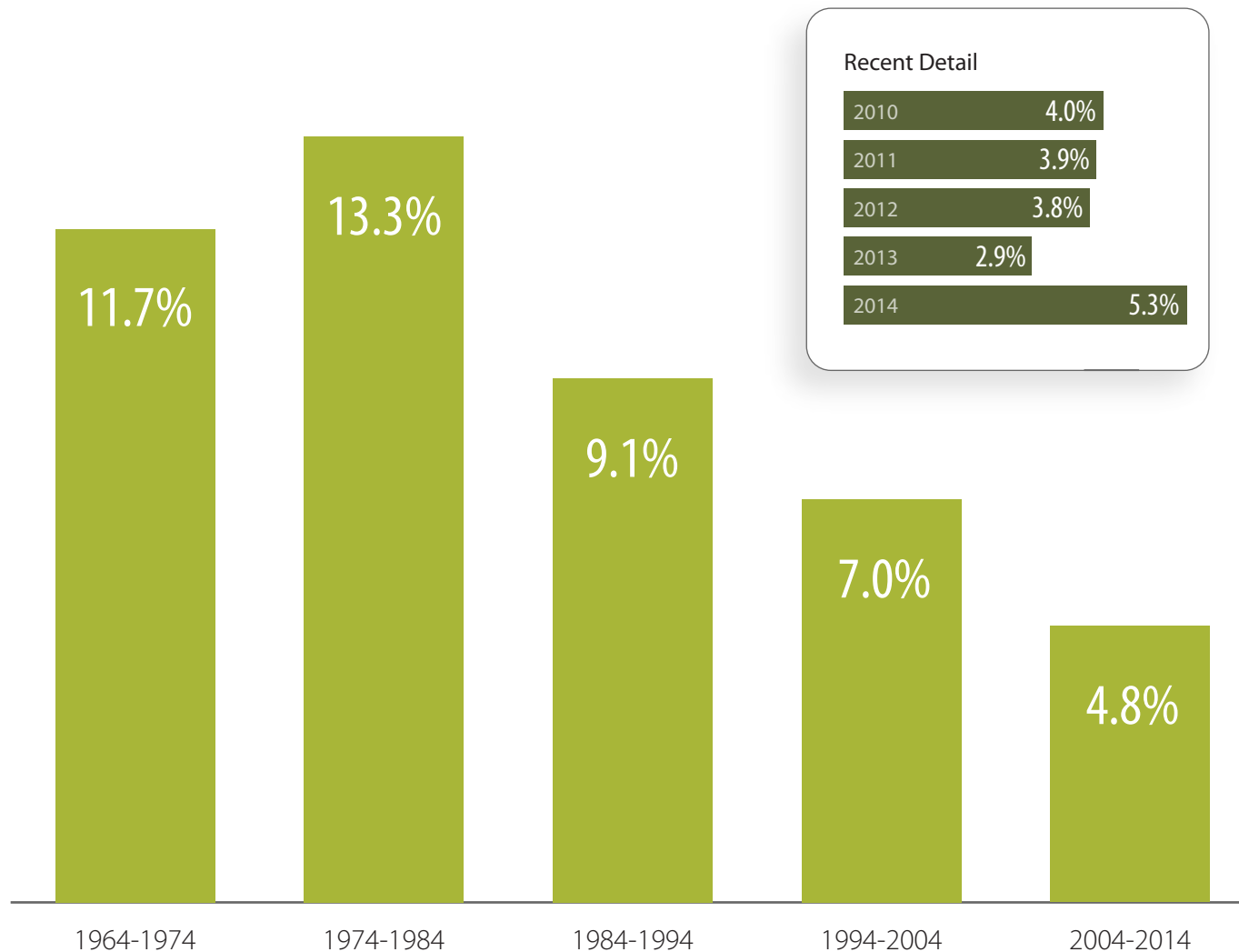
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Average Annual Growth Rates in Health Spending

United States, 1964 to 2014



Note: *Health spending* refers to national health expenditures.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

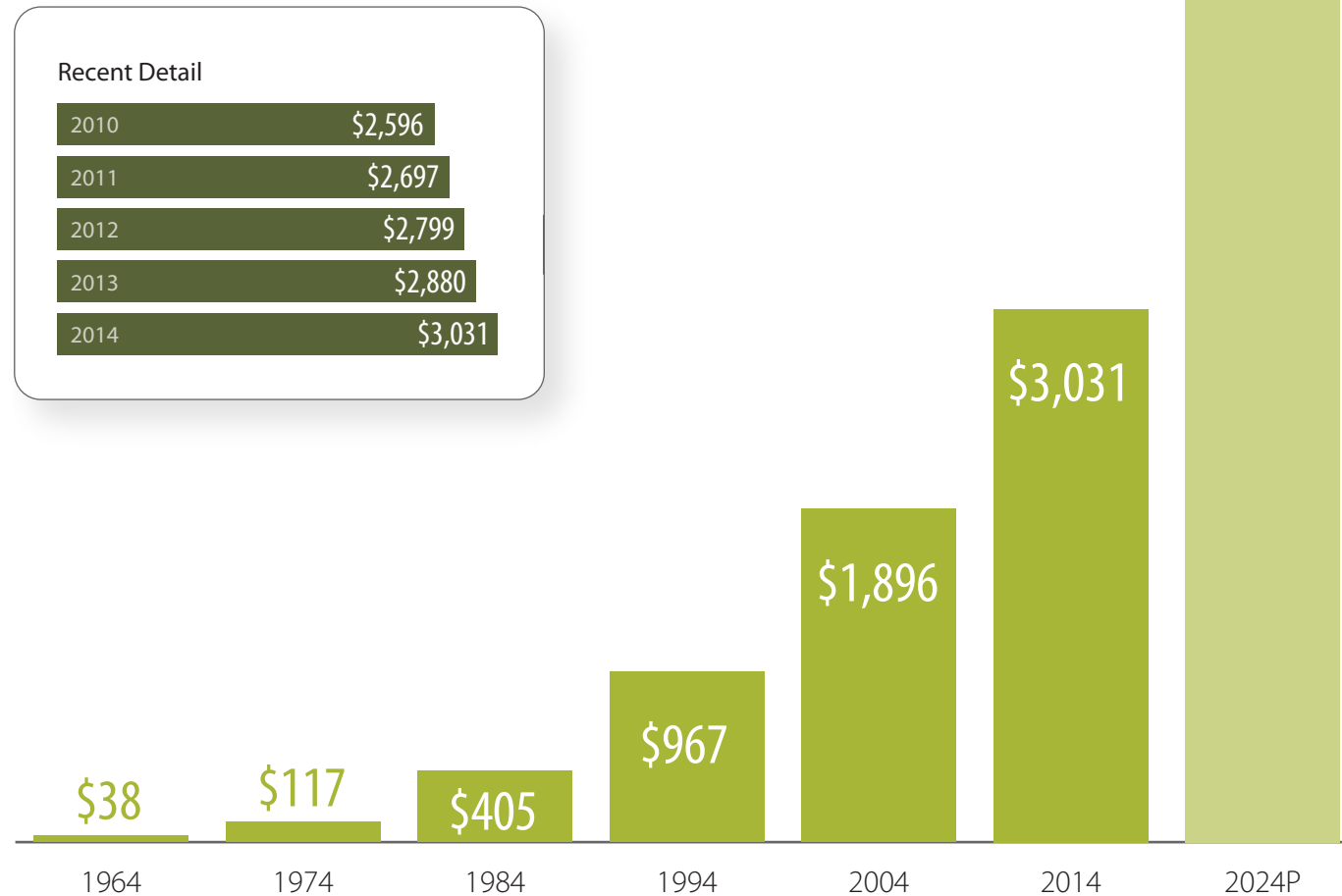
Spending Levels

Growth in 2014 accelerated to 5.3%, ending a multiyear run of stable low growth. Health spending growth in 2014 was faster than the last decade but slower than the decades between 1964 and 2004.

Health Spending

United States, 1964 to 2024, Selected Years

IN BILLIONS



Notes: *Health spending* refers to national health expenditures. Projections shown as *P*.

Sources: National Health Expenditure Data, Historical, 1960-2014 (www.cms.gov) and Projections, 2013-2024 (www.cms.gov), Centers for Medicare & Medicaid Services, 2015.

Health Care Costs 101

Spending Levels

National health spending reached \$3.0 trillion in 2014 and is projected to reach \$5.4 trillion by 2024.

Between 2014 and 2024, health spending is projected to grow at an average rate of 6.0% per year.

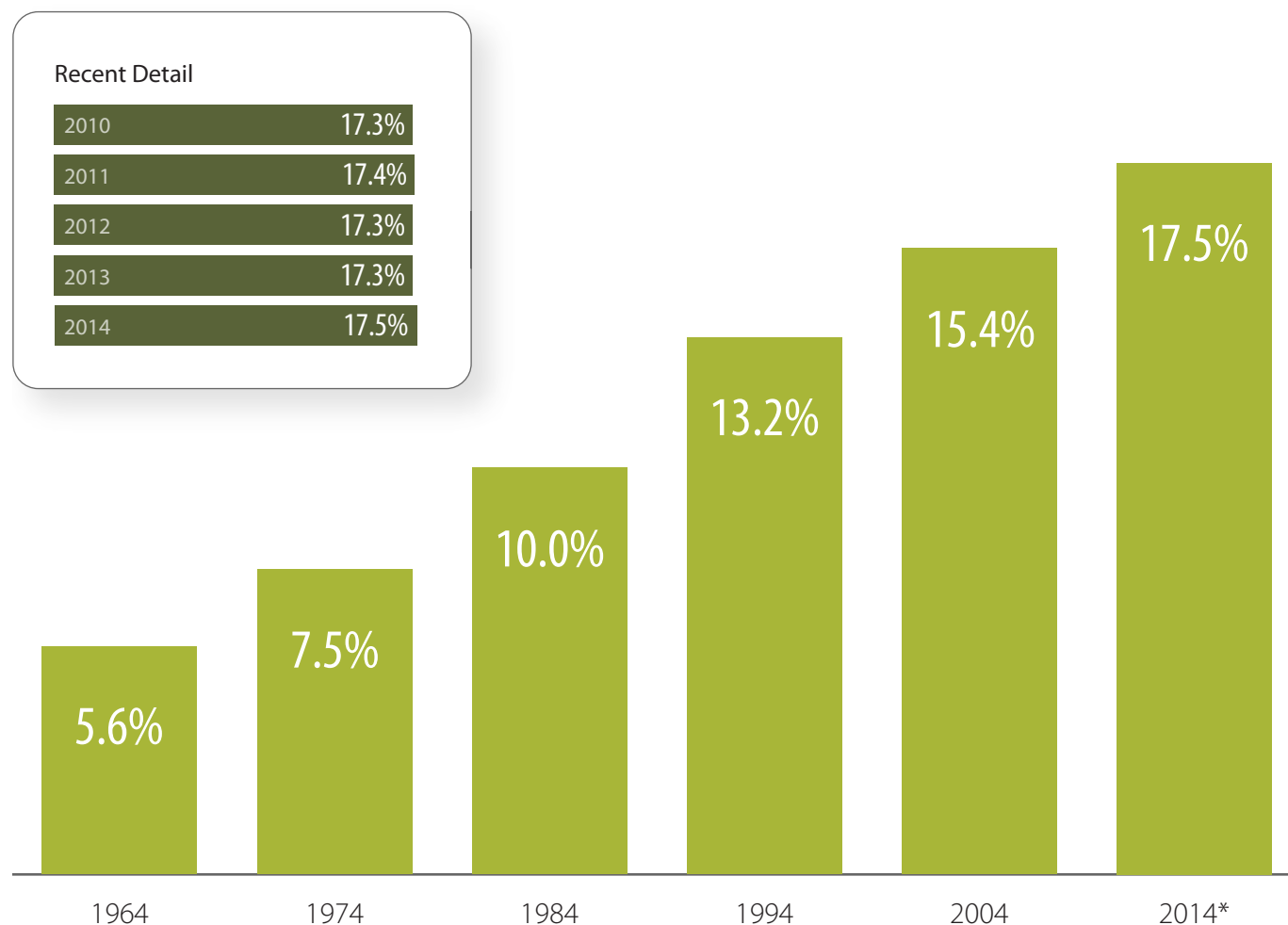
Health Spending as a Share of GDP

United States, 1964 to 2014, Selected Years

Health Care Costs 101

Spending Levels

Health spending as a share of GDP increased 0.2 percentage points in 2014 following a four-year flat period in which the economy and health spending grew at a similar pace. Over the past 50 years, health spending has accounted for an increasing share of GDP.



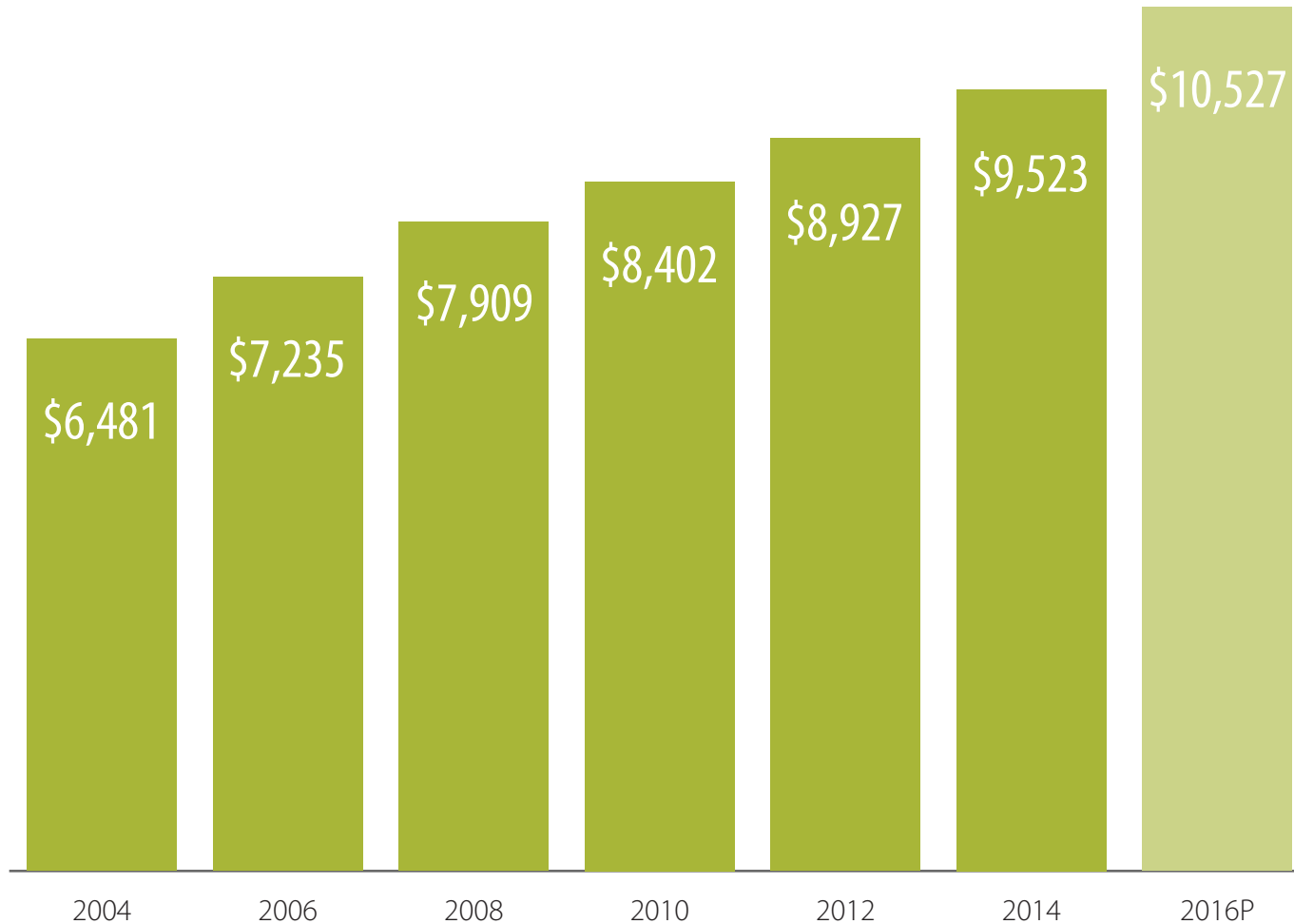
*2014 figure reflects a 4.1% increase in gross domestic product (GDP) and a 5.3% increase in national health spending over the prior year. See page 30 for a comparison of economic growth and health spending growth.

Note: *Health spending* refers to national health expenditures.

Sources: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov; "Interactive Data Table 1.1.5. Gross Domestic Product," Bureau of Economic Analysis, bea.gov.

Health Spending per Capita

United States, 2004 to 2016, Selected Years



Health Care Costs 101

Spending Levels

Health spending per capita increased 47% between 2004 and 2014, or an average of 3.9% annually. In 2016, US health spending is projected to reach \$10,527 per person.

Notes: *Health spending* refers to national health expenditures. Projections shown as P.

Sources: National Health Expenditure Data, Historical, 1960-2014 (www.cms.gov) and Projections, 2013-2024 (www.cms.gov), Centers for Medicare & Medicaid Services, 2015.

Health Insurance Spending per Enrollee

United States, 2013 to 2024, Selected Years

Medicare



Medicaid



Employer-Sponsored



Marketplace



■ 2013
■ 2014
■ 2024P

Health Care Costs 101

Spending Levels

Per enrollee amounts for Medicaid declined slightly as the ACA took effect in 2014 and more nondisabled adults gained eligibility for the program. Spending per enrollee for ACA's marketplace plans, first available in 2014, was lower than employer-sponsored plans by about \$1,200 (23%).* Medicare spending per enrollee is projected to remain about twice that of employer-sponsored per enrollee spending due to the greater needs of the senior population.

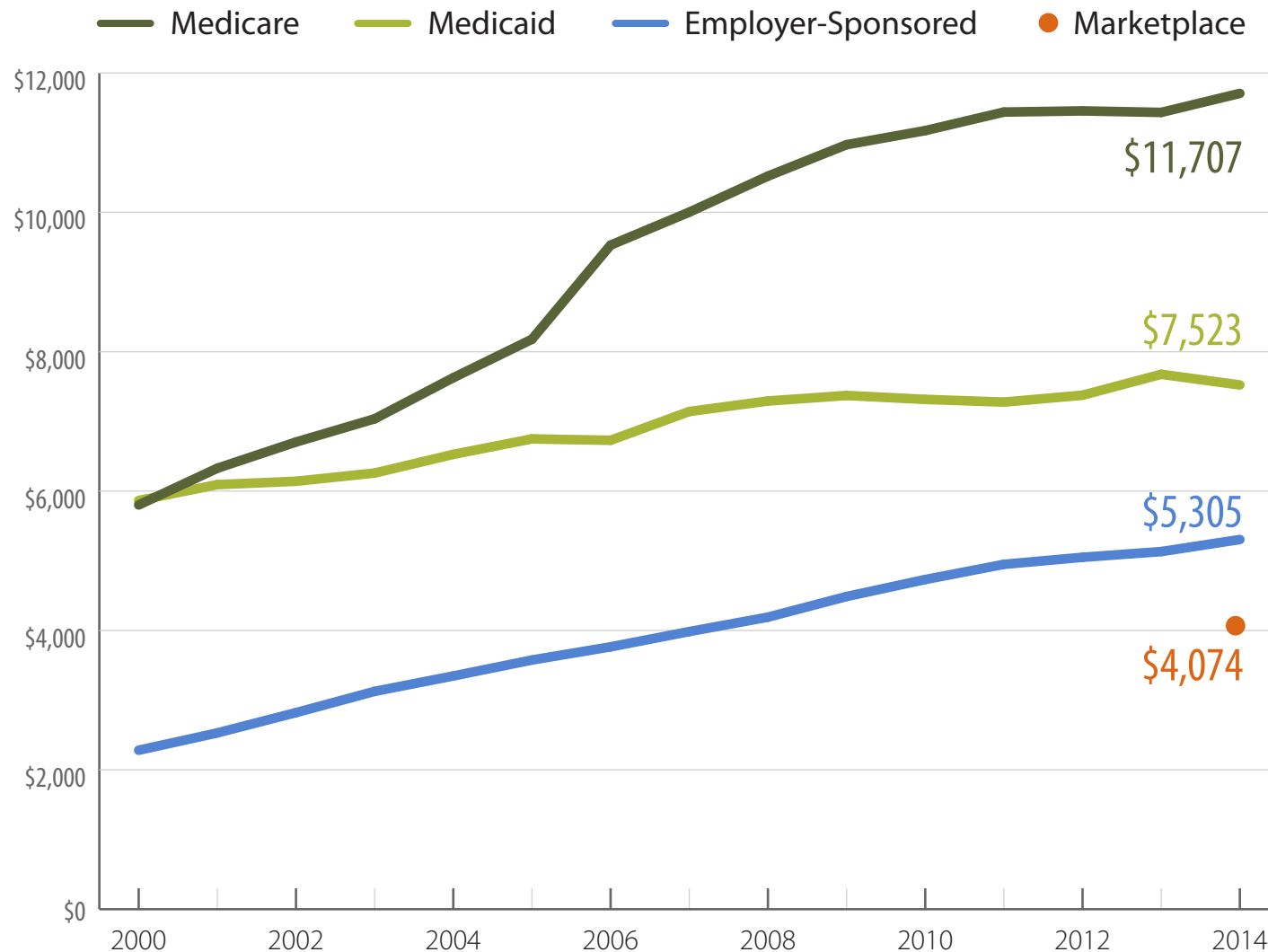
Notes: Projections shown as *P*. *Marketplace* is individual health insurance coverage purchased on federal- and state-run health exchanges such as Covered California and healthcare.gov.

Sources: National Health Expenditure Data, Historical, 1960-2014 (www.cms.gov) and Projections, 2013-2024 (www.cms.gov), Centers for Medicare & Medicaid Services, 2015.

*Differences in per enrollee costs can include differences in risk and benefit levels.

Health Insurance Spending per Enrollee

United States, 2000 to 2014



Note: *Marketplace* is individual health insurance coverage purchased on federal and state-run health exchanges, such as Covered California and HealthCare.gov.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

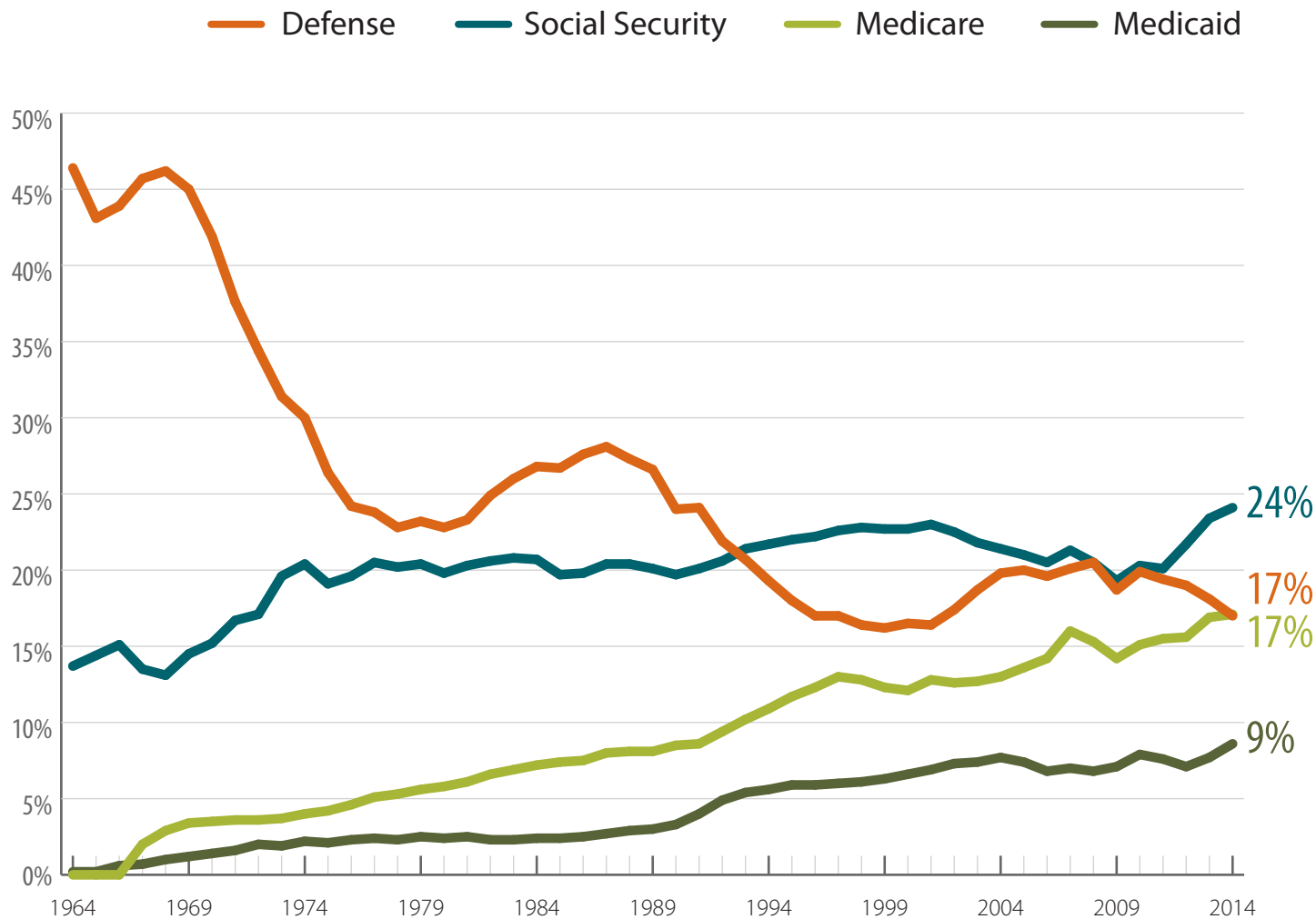
Health Care Costs 101

Spending Levels

Despite covering a much older population, spending per enrollee was about the same for Medicare and Medicaid in 2000. By 2014, Medicare was 56% higher than Medicaid, a difference of more than \$4,000 a year.

Major Programs as a Share of the Federal Budget

United States, 1964 to 2014



Health Care Costs 101

Spending Levels

For the first time since the introduction of the Medicare program, spending on Medicare and defense consumed the same share (17%) of federal outlays.

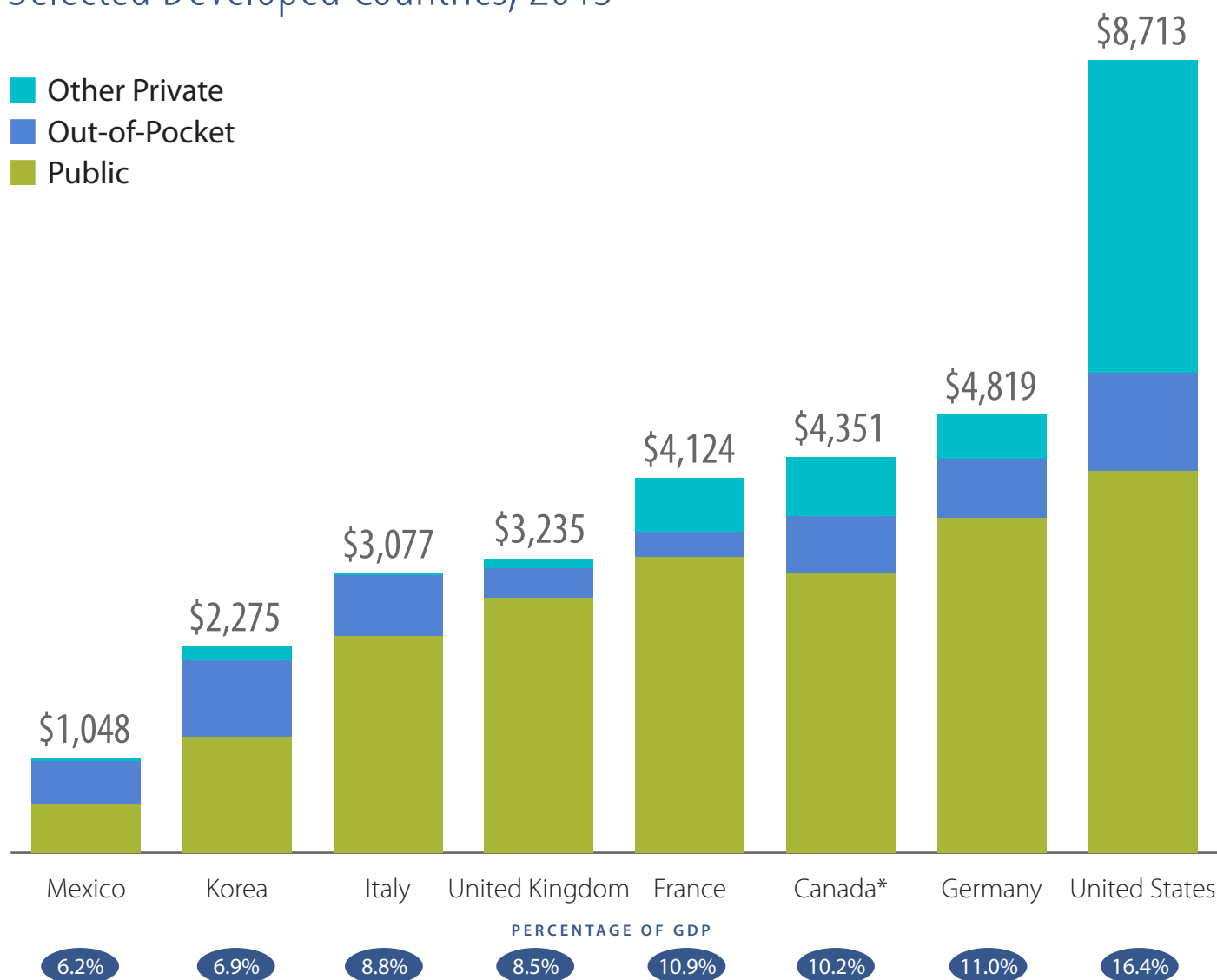
Notes: Spending shares computed as a percentage of federal outlays. All outlays reflect federal spending only (i.e., Medicaid outlays shown reflect federal portion).

Sources: *The Budget and Economic Outlook: 2015 to 2025*, Congressional Budget Office (CBO), January 2015, www.cbo.gov; *The Budget and Economic Outlook: Fiscal Years 2003 to 2012*, CBO, January 2002, www.cbo.gov.

Health Spending per Capita and as a Share of GDP

Selected Developed Countries, 2013

Other Private
Out-of-Pocket
Public



*Estimate.

Note: US spending per capita as reported by OECD differs from figures reported elsewhere in this report.

Source: "OECD Health Statistics 2015, Frequently Requested Data," Organisation for Economic Co-operation and Development, July 2015, www.oecd.org.

Health Care Costs 101

Spending Levels

Health spending in the US far exceeded that of other developed countries, both in per capita spending and as a percentage of GDP. Unlike the US, in most developed countries the public sector dominated health spending.

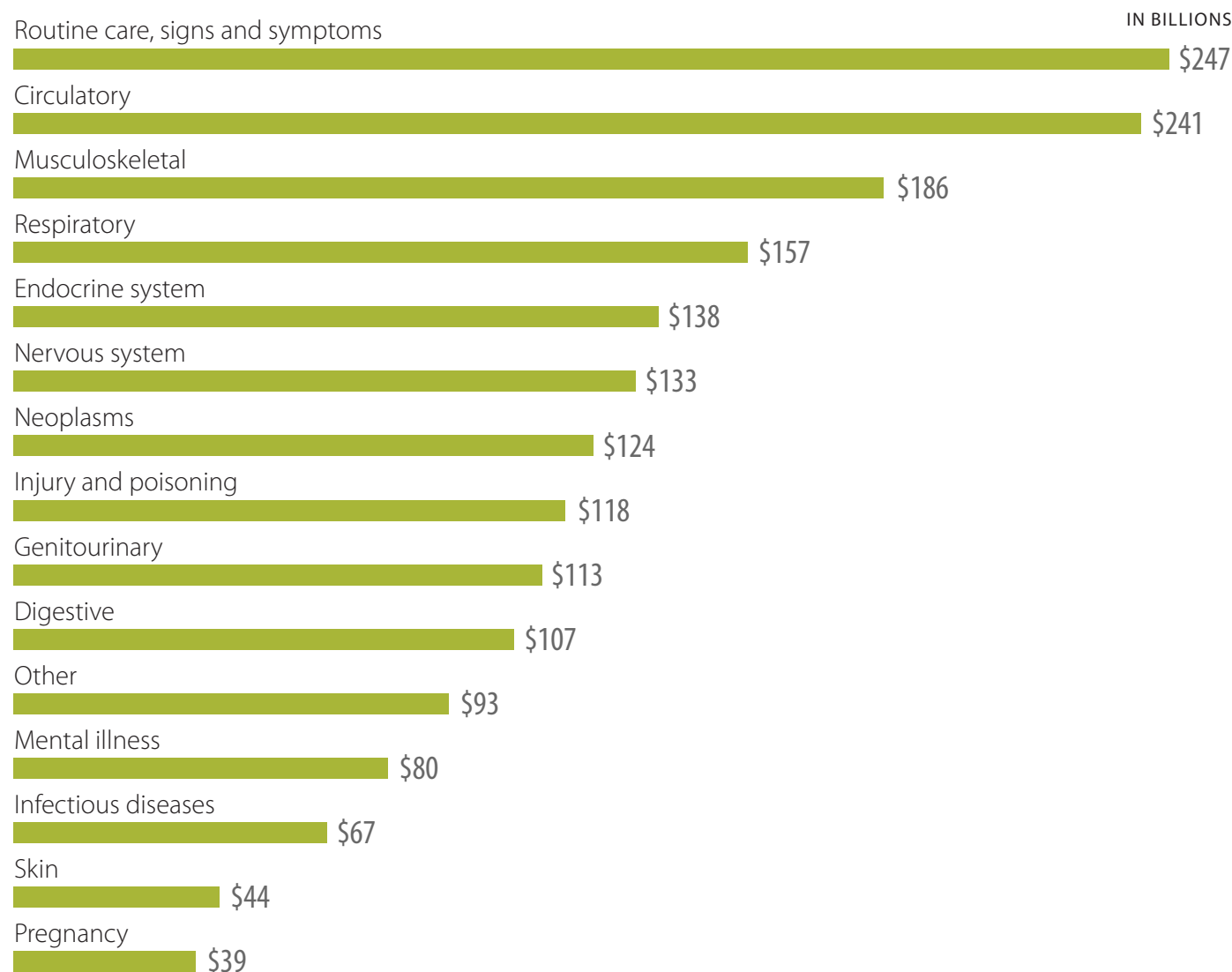
PAYER DEFINITIONS

Out-of-pocket is consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

Other private is computed as total spending less public spending and out-of-pocket spending.

Health Spending, by Type of Medical Condition

United States, 2012



Notes: Spending by medical condition accounted for 83% of personal health spending in 2012. Medical condition spending does not account for spending on dental services, nursing homes, or medical products and equipment. The most recent data series ends with 2012. See Appendices C and D for medical condition detail.

Source: "Health Care Satellite Account: Blended Account, 2000-2012," Bureau of Economic Analysis, www.bea.gov.

Health Care Costs 101

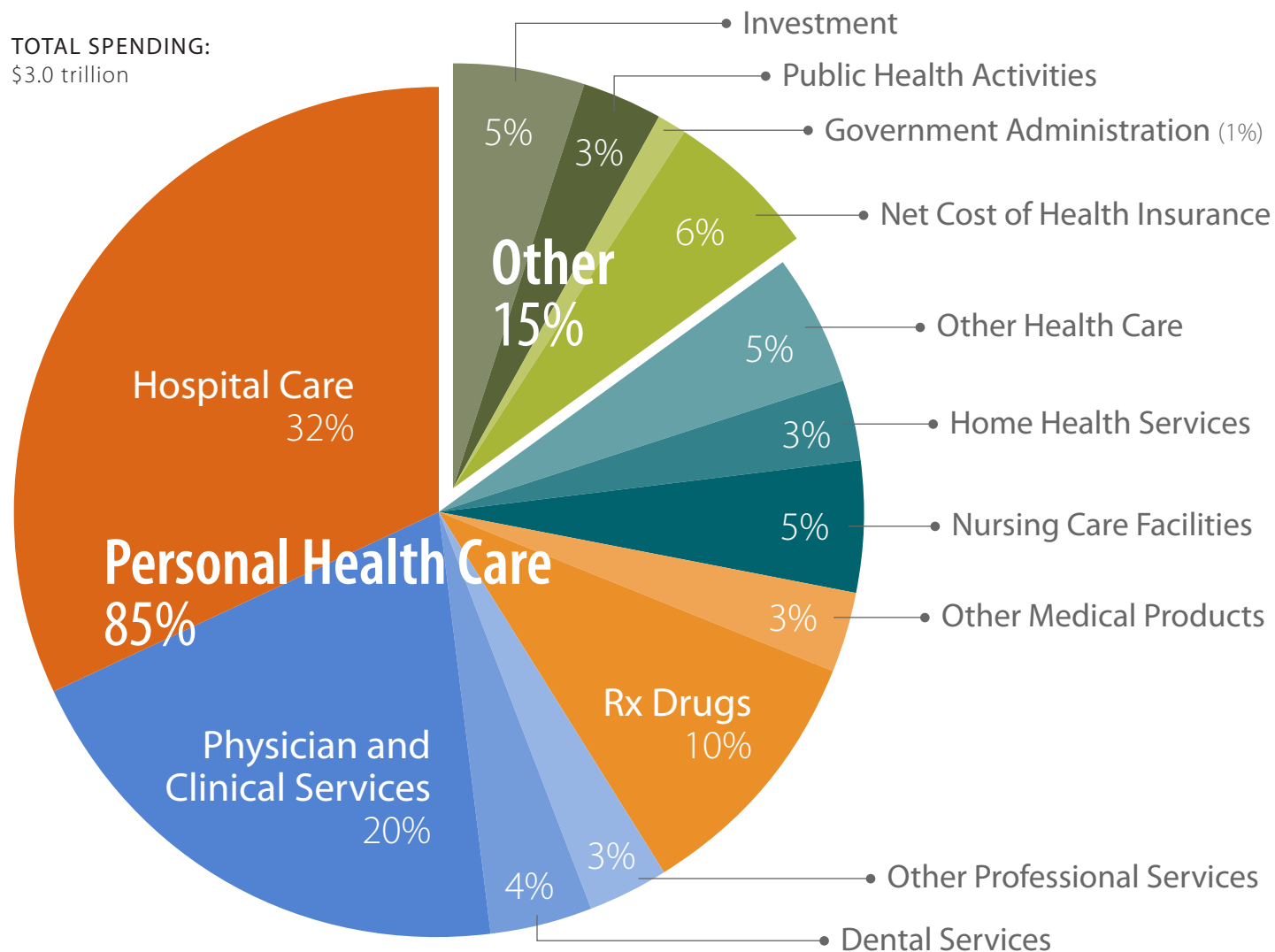
Spending Levels

When spending was classified by medical condition, routine care ranked highest, accounting for \$247 billion in spending. It was closely followed by circulatory system conditions (which include hypertension and heart disease). Pregnancy was the smallest of the 15 spending categories, despite being the most common reason for hospitalization.

Health Spending Distribution, by Category

United States, 2014

TOTAL SPENDING:
\$3.0 trillion



Health Care Costs 101

Spending Levels

Hospital and physician services combined accounted for just over half of health care spending. Prescription drugs, the third-largest category, accounted for another 10%.

SPENDING CATEGORY DEFINITIONS

Government administration includes the administrative costs of government health care programs such as Medicare and Medicaid.

Investment includes research, structures, and equipment.

Net cost of health insurance reflects the difference between benefits and premiums for private insurance.

Other health care refers to the category other health, residential, and personal care.

Other medical products refers to durable medical equipment and nondurable medical products.

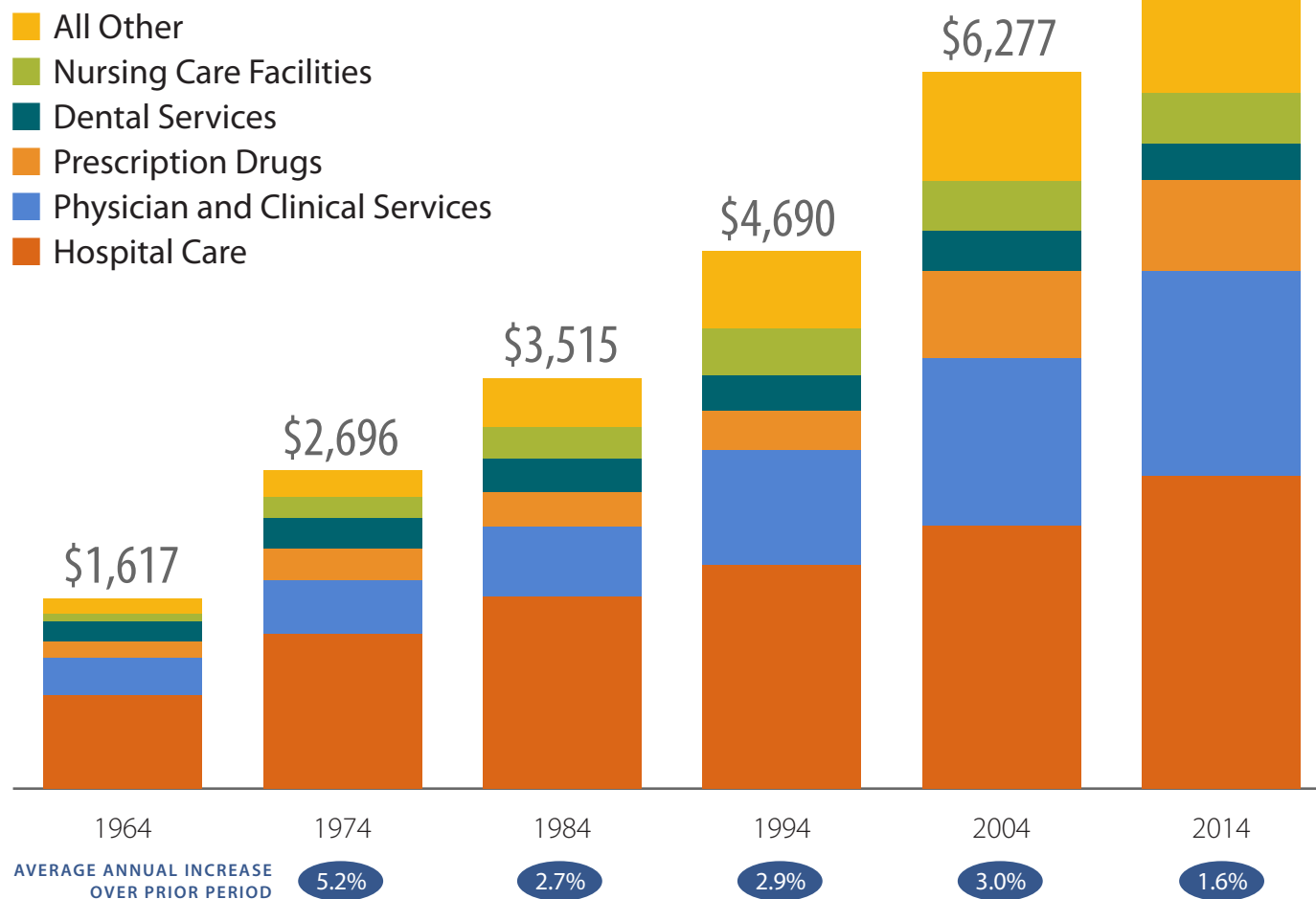
Notes: *Health spending* refers to national health expenditures. For additional detail on spending categories, see Appendix A. Further definitions available at www.cms.gov.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Personal Health Care Spending, Adjusted for Inflation

United States, 1964 to 2014, Selected Years

IN 2009 REAL DOLLARS PER CAPITA



Notes: Because aggregate categories are deflated using chain-weighted price indexes, the sum of real spending for the deflated categories will not equal the totals. *Personal health care spending* excludes government administration, the net cost of health insurance, research, and investment. For additional detail on spending categories, see Appendix A.

Sources: Author calculation using National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services (CMS), 2014, including unpublished CMS data (complete 1960-2014 series), associated with Table 23, "National Health Expenditures; Nominal Dollars, Real Dollars, Price Indexes, and Annual Percent Change: Selected Calendar Years."

Health Care Costs 101

Spending Levels

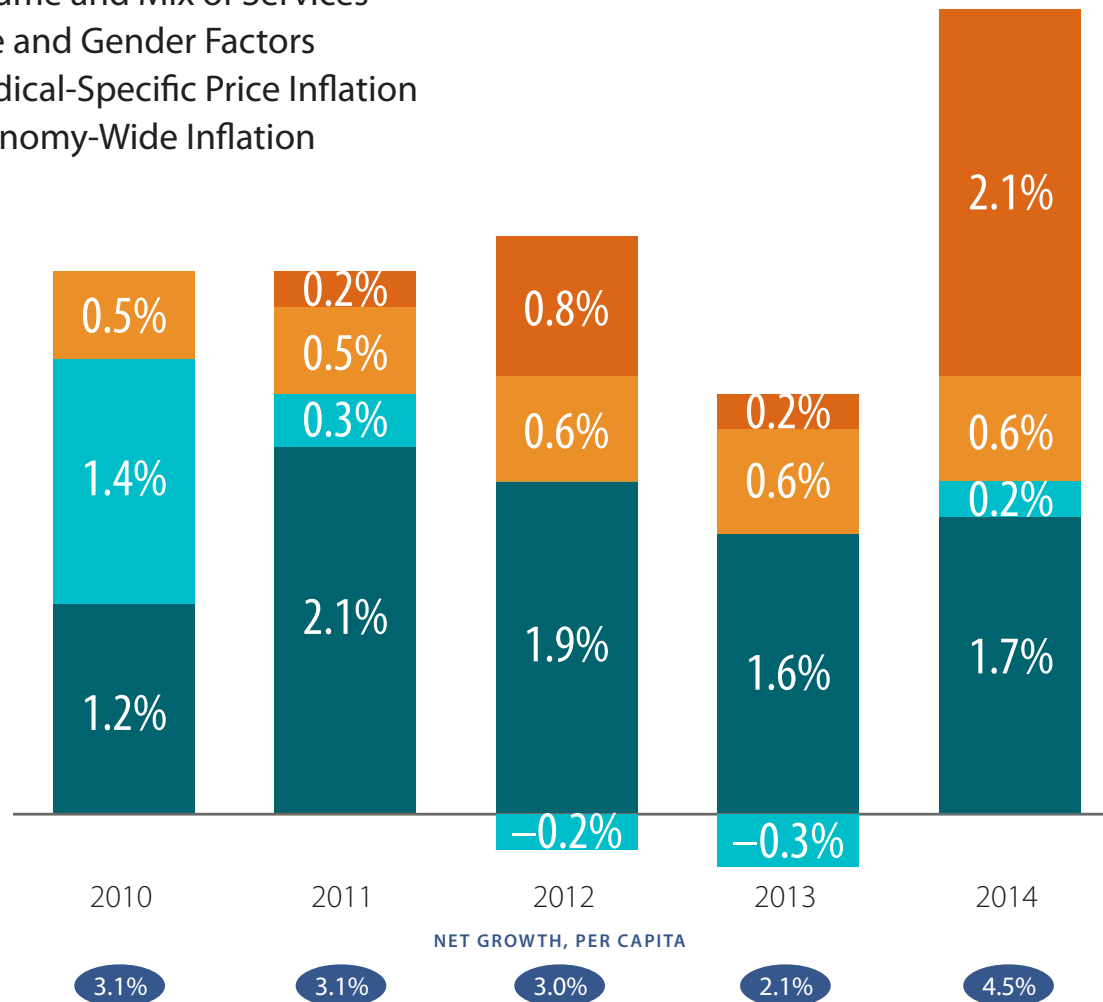
The rise in health spending is not simply due to medical price increases. In inflation-adjusted dollars,* per capita spending grew more than four-fold, from \$1,617 per person in 1964 to \$7,331 in 2014. Reasons for this growth include changes in the volume and mix of services, technological advances, and shifts in the age and gender mix of the population.

*Inflation adjustments remove the impact of changes in health care prices. For further information on price deflators, see *Definitions, Sources, Methods* and *NHE Deflator Methodology* at www.cms.gov.

Factors Contributing to per Capita Spending Growth

United States, 2010 to 2014

- Volume and Mix of Services
- Age and Gender Factors
- Medical-Specific Price Inflation
- Economy-Wide Inflation



Notes: Price factors (*economy-wide inflation* and *medical-specific inflation*) and nonprice factors (*age, gender, and volume and mix of services*) contribute to spending growth. *Volume and mix of services*, also referred to as *use and intensity*, is computed as a residual and includes any measurement error. The impact of population growth is removed.

Sources: Anne B. Martin et al., "National Health Spending in 2014: Faster Growth Driven by Coverage Expansion and Prescription Drug Spending," *Health Affairs* 35, No. 1 (December 2, 2015), Exhibit 4; unpublished data points related to article's Exhibit 4 provided by Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Health Care Costs 101

Spending Levels

The overall growth rate of per capita spending more than doubled from 2013 to 2014. Increases in insurance coverage led to expanded use of health care services, as seen in the increase in the volume and mix of services. The portion of the population covered by insurance rose during this period from 86.0% to 88.8%.

Health Spending Summary, by Category

United States, 1994 to 2014, Selected Years

	SPENDING LEVEL (IN BILLIONS)			DISTRIBUTION			GROWTH RATE*		
	1994	2013	2014	1994	2013	2014	1994-2014	2013	2014
National Health Expenditures	\$967.2	\$2,879.9	\$3,031.3	100%	100%	100%	5.9%	2.9%	5.3%
Hospital Care	328.4	933.9	971.8	34%	32%	32%	5.6%	3.5%	4.1%
Physician and Clinical Services	210.5	576.8	603.7	22%	20%	20%	5.4%	2.5%	4.6%
Dental Services	41.6	110.4	113.5	4%	4%	4%	5.2%	1.5%	2.8%
Other Professional Services	24.0	80.3	84.4	2%	3%	3%	6.5%	3.5%	5.2%
Nursing Care Facilities	58.4	150.2	155.6	6%	5%	5%	5.0%	1.3%	3.6%
Home Health Services	27.3	79.4	83.2	3%	3%	3%	5.7%	3.3%	4.8%
Other Health Care	37.5	144.5	150.4	4%	5%	5%	7.2%	4.7%	4.1%
Prescription Drugs	53.0	265.3	297.7	5%	9%	10%	9.0%	2.4%	12.2%
Other Medical Products	39.6	100.5	103.3	4%	3%	3%	4.9%	3.2%	2.8%
Net Cost of Health Insurance	44.9	173.2	194.6	5%	6%	6%	7.6%	5.3%	12.4%
Government Administration	11.0	36.3	40.2	1%	1%	1%	6.7%	8.5%	10.7%
Public Health Activities	29.6	76.6	79.0	3%	3%	3%	5.0%	0.7%	3.1%
Investment	61.6	152.5	153.9	6%	5%	5%	4.7%	-0.5%	0.9%

*Growth rate for 1994-2014 is average annual; others are annual changes.

Notes: *Health spending* refers to national health expenditures. For additional detail on spending categories, see Appendix A. Further definitions available at www.cms.gov.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Spending Levels

Health spending in 2014 accelerated, growing 5.3% compared to 2.9% in the prior year. Nearly all categories grew faster in 2014 than 2013, especially prescription drugs (12.2% vs. 2.4% the prior year). The share of total spending accounted for by prescription drugs doubled in the past 20 years, from 5% to 10%.

SPENDING CATEGORY DEFINITIONS

Government administration includes the administrative costs of government health care programs such as Medicare and Medicaid.

Investment includes research, structures, and equipment.

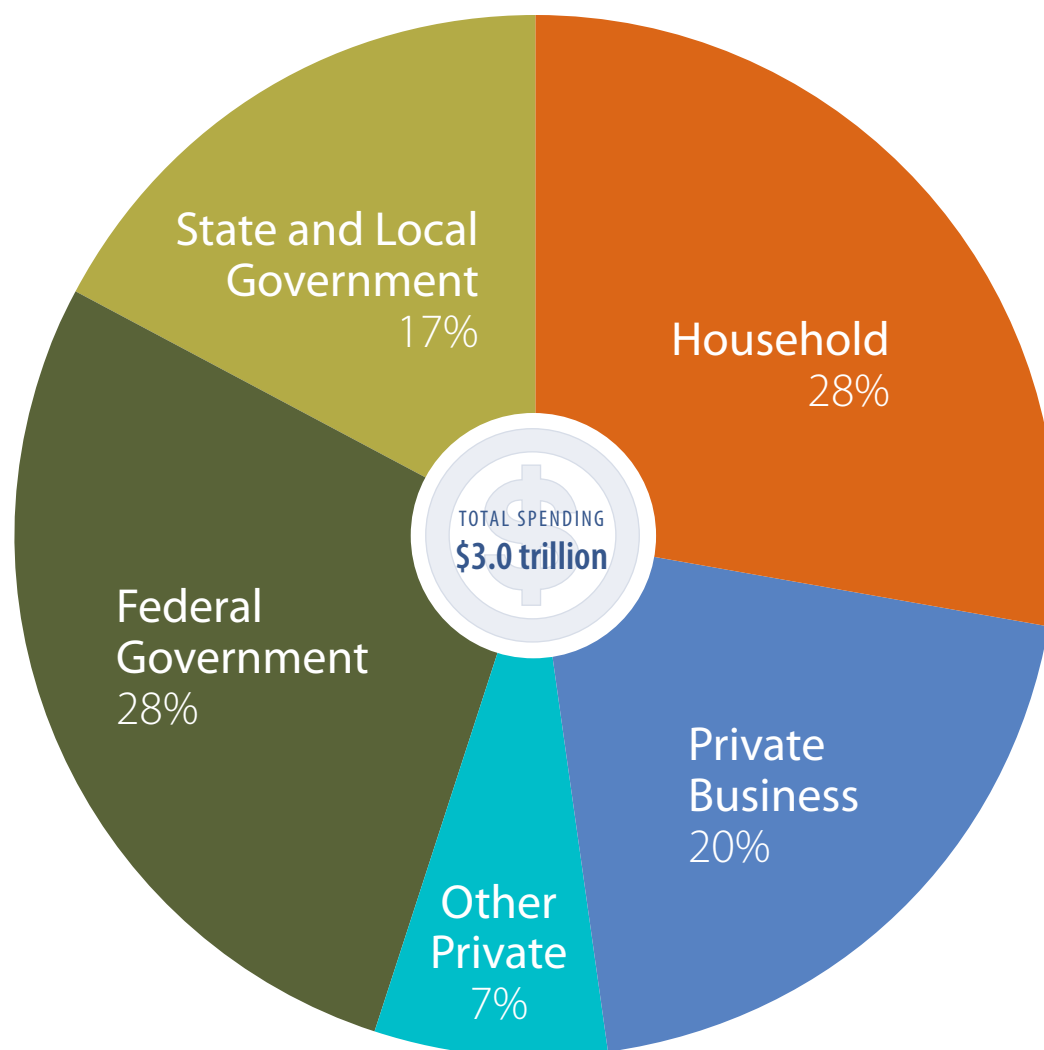
Net cost of health insurance reflects the difference between benefits and premiums for private insurance and includes administrative expenses, premium taxes, and profits.

Other health care refers to the category other health, residential, and personal care.

Other medical products refers to durable medical equipment and nondurable medical products.

Health Spending Distribution, by Sponsor

United States, 2014



Notes: *Health spending* refers to national health expenditures. *Sponsors* are the entities that are ultimately responsible for financing the health care bill. See page 18 for trend data.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Sponsors

Sponsors finance the nation's health care bill by paying insurance premiums, out-of-pocket expenses, and payroll taxes, or by directing general tax revenues to health care. In 2014, the federal government and households accounted for the largest share of health spending, 28% each.

SPONSOR DEFINITIONS

Federal government sponsors health care via general tax revenues, plus payroll tax and employer contributions to health insurance premiums for its workers.

Households sponsor health care through out-of-pocket costs, health insurance premiums, and payroll taxes.

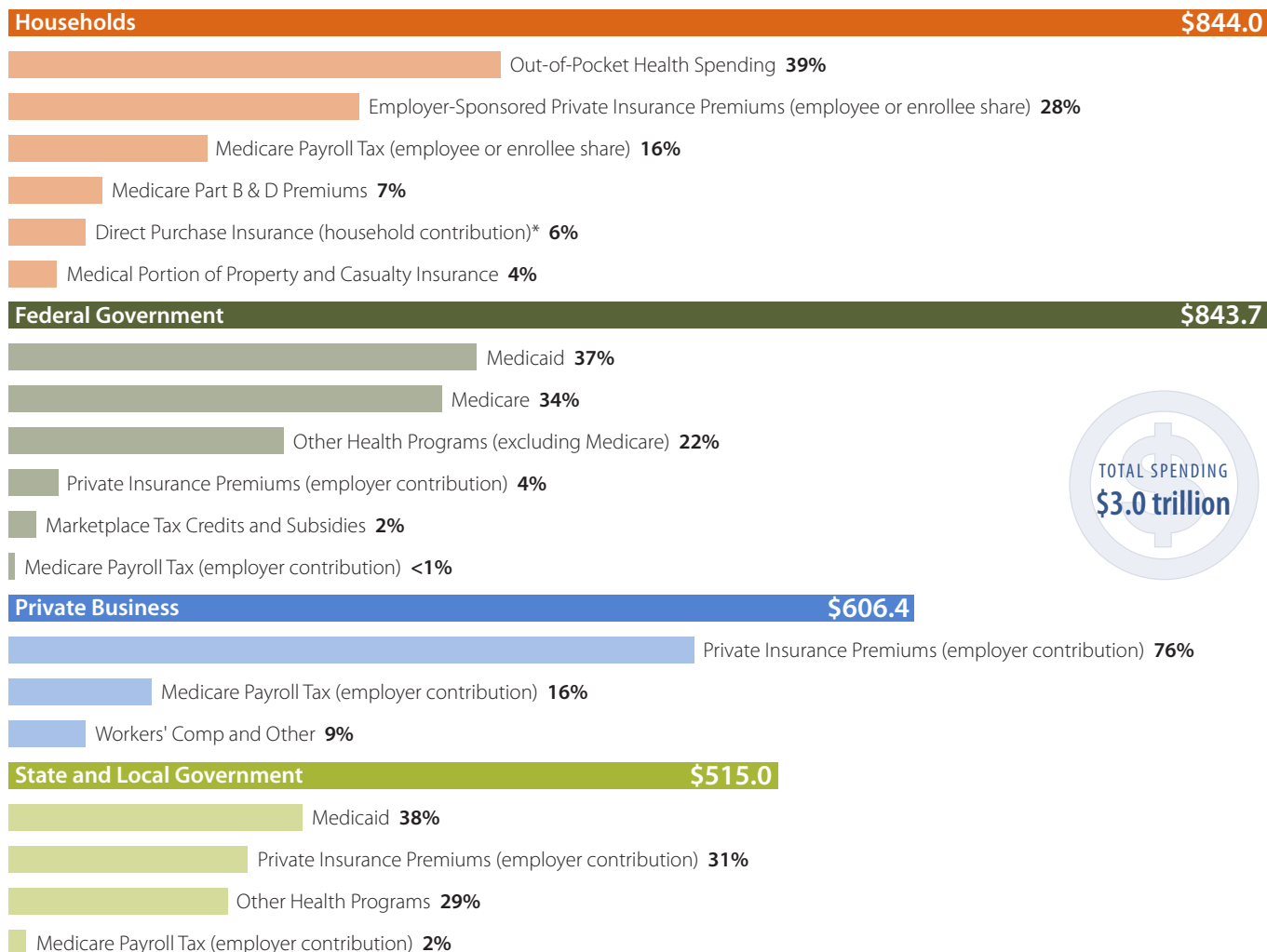
Other private contributions include philanthropy, privately funded structures and equipment, and investment income.

Private business sponsors health care through employer contributions to health insurance premiums and payroll taxes.

State and local government sponsors health care programs and pays payroll taxes and health insurance premiums for its workers.

Health Spending Distribution, Sponsor Detail

United States, 2014



TOTAL SPENDING
\$3.0 trillion

Health Care Costs 101

Sponsors

Out-of-pocket spending consumed the largest share of health spending for households, with contributions to employer-sponsored insurance representing the second-largest health expense. In contrast, households allocated 6% of their health care spending toward the direct purchase of insurance, a portion unchanged from the previous year. Federal spending on the new ACA marketplace premium tax credits and subsidies totaled 2% of federal health spending.

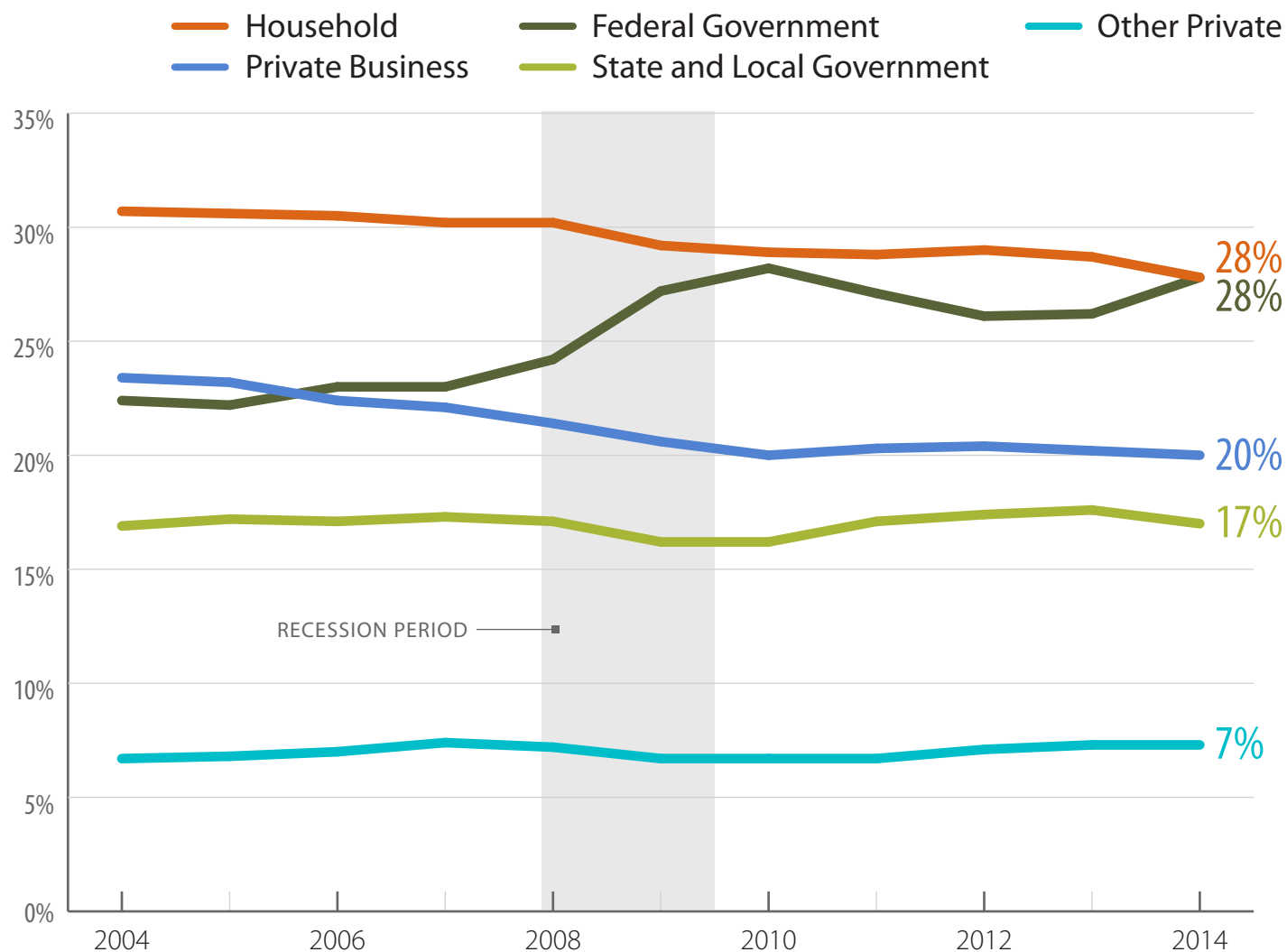
*Includes premiums paid by individuals for marketplace plans, Medigap, and other directly purchased health insurance, such as coverage purchased off-exchange.

Notes: *Health spending* refers to national health expenditures. *Sponsors* are the entities that are ultimately responsible for financing the health care bill. *Other health programs* includes Department of Defense and Veterans Affairs health care, maternal and child health, and Children's Health Insurance Program (CHIP). *Marketplace* is individual coverage purchased on federal- and state-run health exchanges, such as Covered California and healthcare.gov. Medicaid buy-in premiums for Medicare are reflected under Medicaid. Not shown: other private revenues (\$222.2 billion), which includes philanthropy, investment income, and private investment in research, structures, and equipment. Figures may not sum due to rounding.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Spending Distribution, by Sponsor

United States, 2004 to 2014



Notes: *Health spending* refers to national health expenditures. *Sponsors* are the entities that are ultimately responsible for financing the health care bill. See page 34 for additional detail on factors contributing to the increase in the federal share of health spending.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Sponsors

Over the past 10 years, the share of health care spending by households and private businesses declined while the federal government share increased. The 2014 increase in the federal share reflects, in part, federal funding of ACA Medicaid expansion and the premium tax credit subsidies for insurance purchased through the health care exchanges.

Health Spending Summary, by Sponsor

United States, 1994 to 2014, Selected Years

	SPENDING LEVEL (IN BILLIONS)			DISTRIBUTION			GROWTH RATE*		
	1994	2013	2014	1994	2013	2014	1994-2014	2013	2014
National Health Expenditures	\$967.2	\$2,879.9	\$3,031.3	100%	100%	100%	5.9%	2.9%	5.3%
Household	312.1	827.4	844.0	32%	29%	28%	5.1%	1.9%	2.0%
Private Business	220.3	581.9	606.4	23%	20%	20%	5.2%	1.7%	4.2%
Federal Government	203.0	755.5	843.7	21%	26%	28%	7.4%	3.5%	11.7%
State and Local Government	158.1	506.0	515.0	16%	18%	17%	6.1%	3.7%	1.8%
Other Private Revenue	73.8	209.1	222.2	8%	7%	7%	5.7%	5.9%	6.3%

*Growth rate for 1994-2014 is average annual; others are annual increases.

Notes: *Health spending* refers to national health expenditures. *Sponsors* are the entities that are ultimately responsible for financing the health care bill. *Other private revenues* includes philanthropy, privately funded structures and equipment, and investment income. See page 17 for detail on how sponsors finance health care spending.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

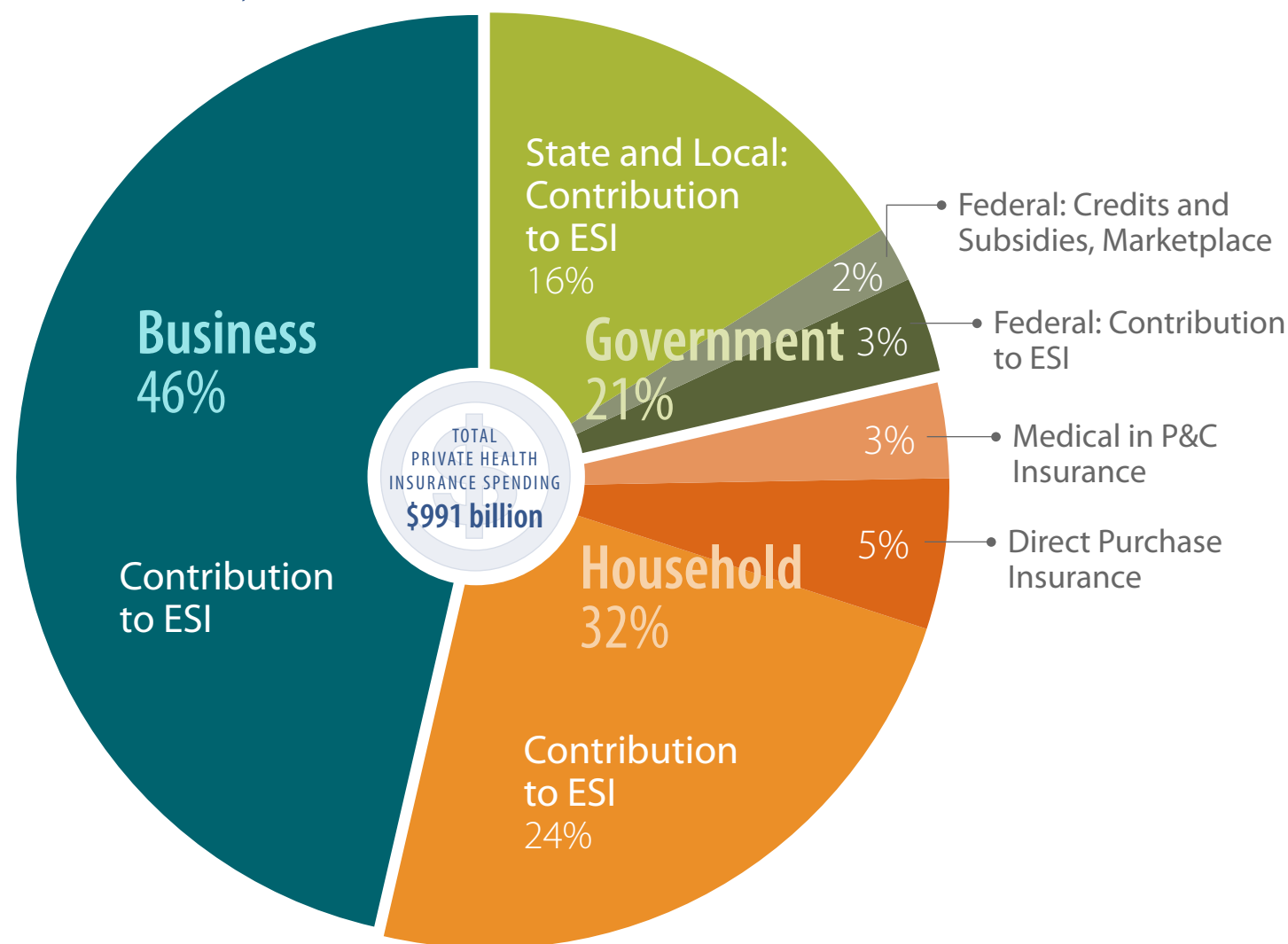
Health Care Costs 101

Sponsors

Over the past 20 years, the federal government has become a more significant sponsor of health care, with its share increasing from 21% to 28% in this period. During this same time, the share of health spending sponsored by households and private business declined. In 2014, the federal government's spending grew 11.7%, much faster than other sponsors.

Sponsors of Private Health Insurance

United States, 2014



Notes: *Sponsors* are the entities that are ultimately responsible for financing the health care bill. *ESI* refers to employer-sponsored insurance; *P&C* refers to property and casualty insurance. *Direct purchase insurance* includes premiums paid by individuals for marketplace plans, Medigap, and other directly purchased health insurance, such as coverage purchased off-exchange. *Marketplace* is individual health insurance coverage purchased on federal- and state-run health exchanges, such as Covered California and healthcare.gov. Not shown: other federal (<1%). Segments don't add to 100% due to rounding.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

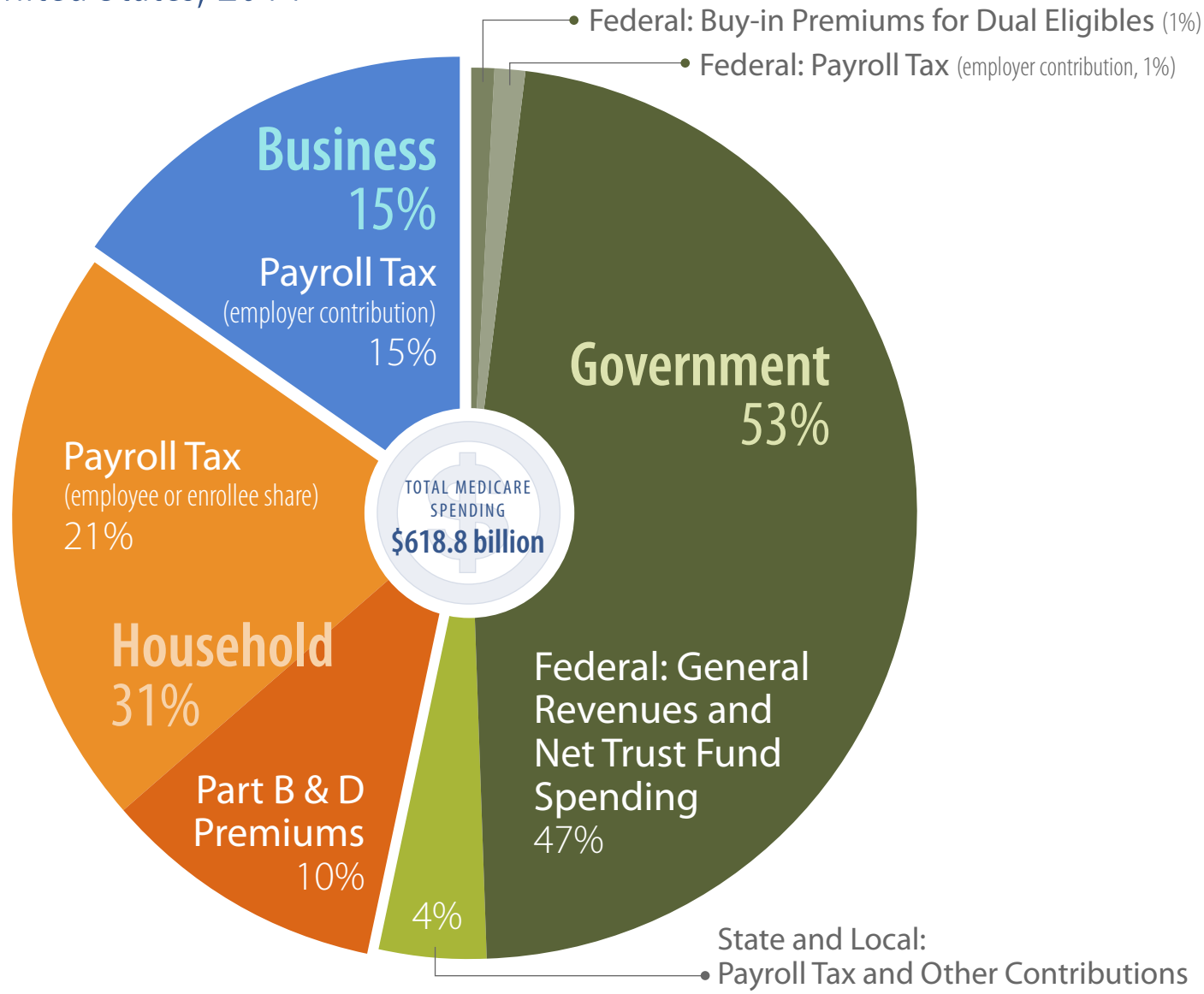
Health Care Costs 101

Sponsors

Private business and households were the largest funders of private insurance. The federal government spent \$18.5 billion (2% of all private health insurance spending) on premium tax credits and cost-sharing subsidies for the newly implemented marketplace plans.

Sponsors of Medicare

United States, 2014



Health Care Costs 101

Sponsors

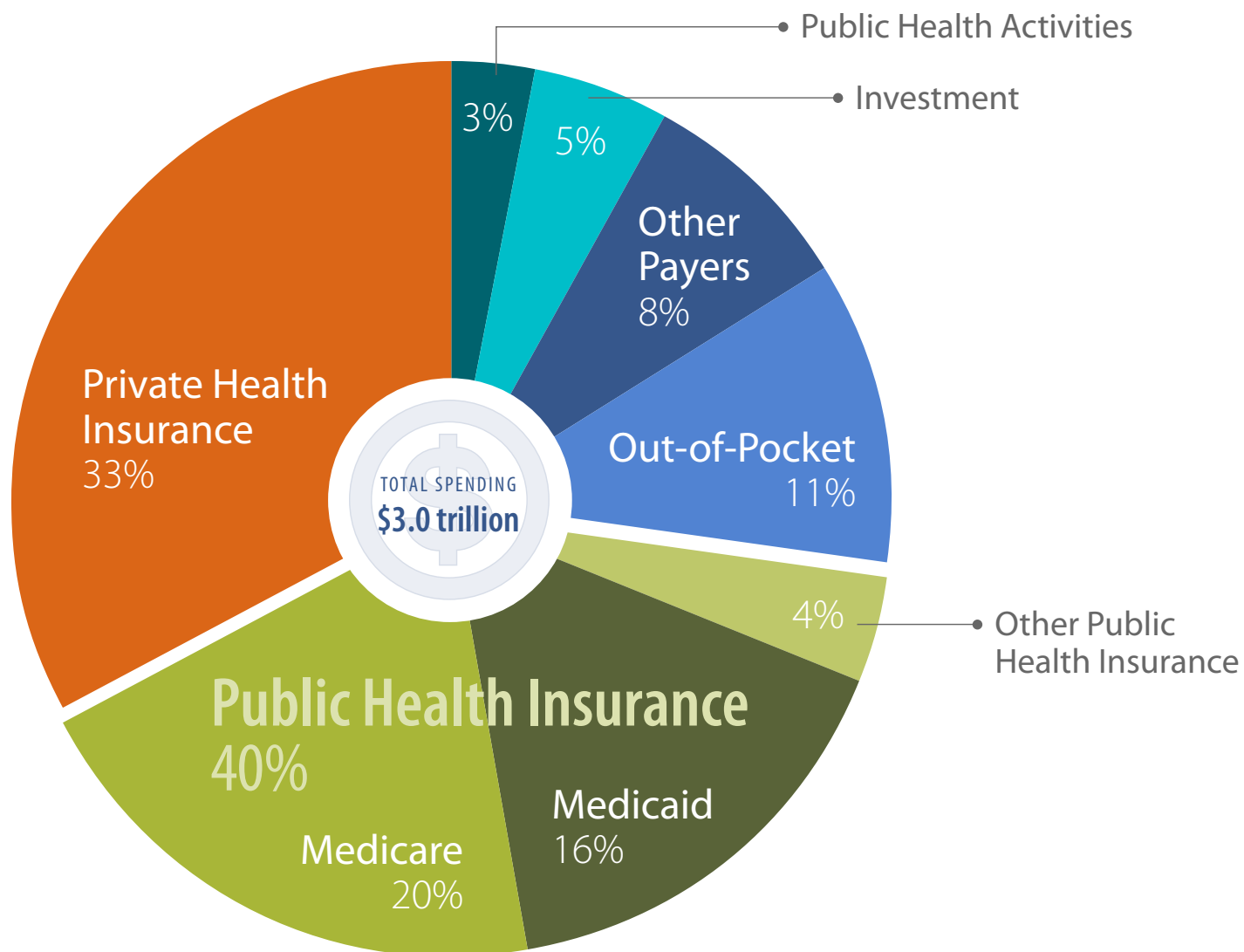
Government funds paid for more than half of Medicare spending.

Notes: *Sponsors* are the entities that are ultimately responsible for financing the health care bill. Segments don't add to 100% due to rounding.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Spending Distribution, by Payer

United States, 2014



Notes: *Health spending* refers to national health expenditures. See page 23 for historical distribution.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Payment Sources

In 2014, public health insurance paid the largest share of health care costs (40%). Private health insurance paid for 33% of health spending, while consumers' out-of-pocket spending accounted for 11%.

PAYER DEFINITIONS

Other payers includes worksite health care, Indian Health Services, workers' compensation, maternal and child health, and vocational rehabilitation.

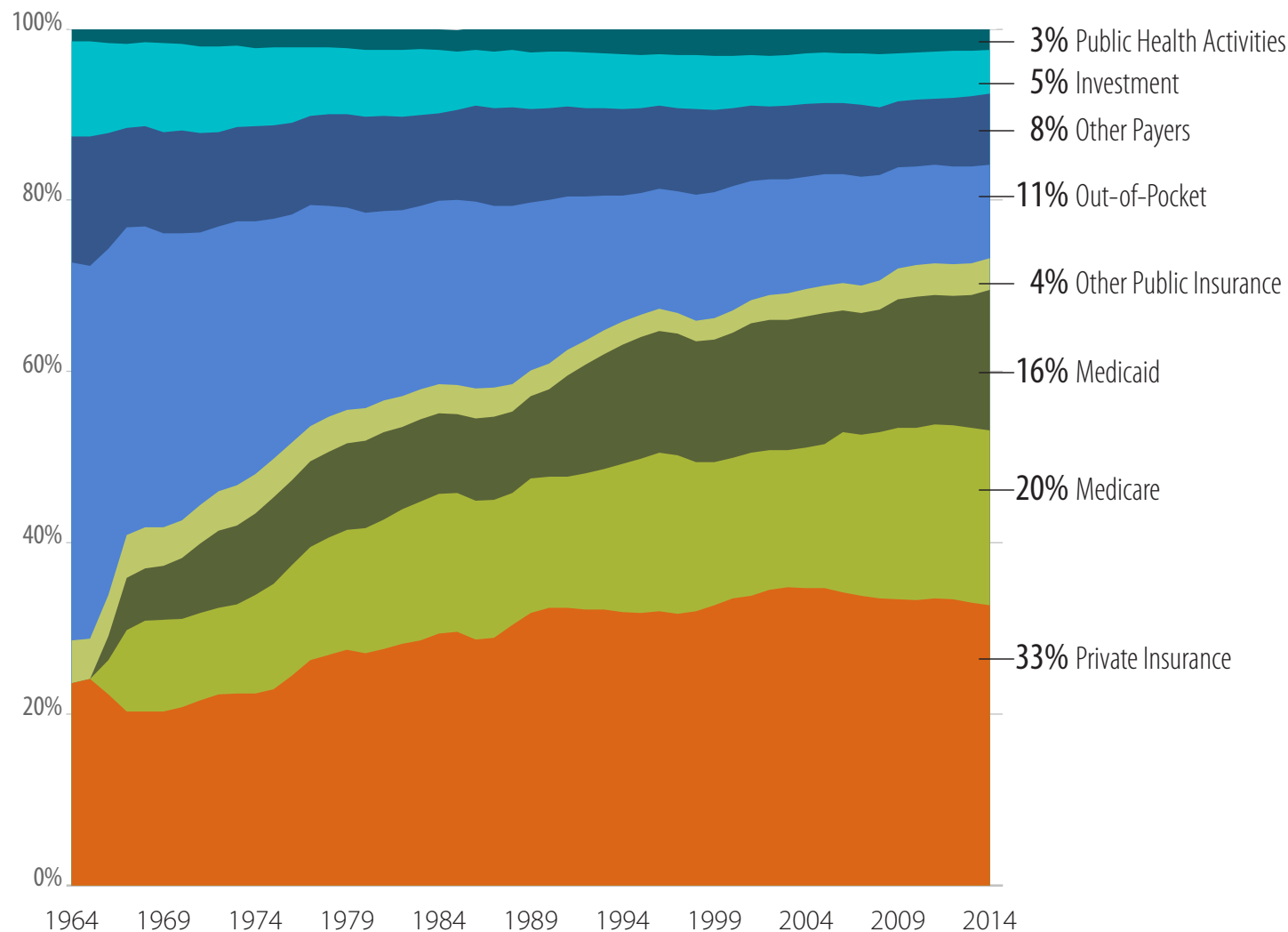
Other public health insurance includes Departments of Defense and Veterans Affairs health care and the Children's Health Insurance Program (CHIP).

Out-of-pocket includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

Investment includes research, structures, and equipment.

Payment Sources

United States, 1964 to 2014



Note: *Health spending* refers to national health expenditures.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Payment Sources

Out-of-pocket spending, as a share of all health spending, has shrunk dramatically over time as the share of spending by Medicare and Medicaid has expanded.

PAYER DEFINITIONS

Other payers includes worksite health care, Indian Health Services, workers' compensation, maternal and child health, and vocational rehabilitation.

Other public health insurance includes Departments of Defense and Veterans Affairs health care and the Children's Health Insurance Program (CHIP).

Out-of-pocket includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

Health Spending Distribution, by Payer

United States, 2013 to 2024, Selected Years

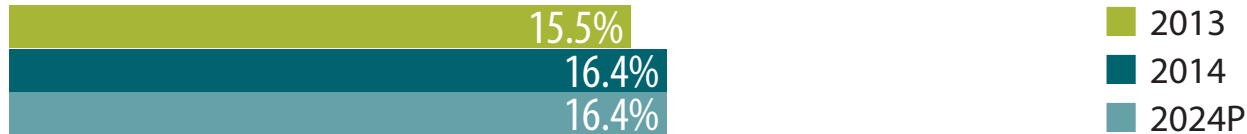
Private Health Insurance



Medicare



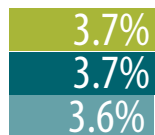
Medicaid



Out-of-Pocket



Other Public Health Insurance



Health Care Costs 101

Payment Sources

Medicaid's share of health spending increased slightly in 2014 as the ACA was introduced, while Medicare's share remained unchanged. Projections for 2024 show a larger share of spending by Medicare as the population ages.

Notes: *Health spending* refers to national health expenditures. Projections shown as *P*. See page 23 for historical distribution. Not shown: other payers, public health activities, and investment, which totaled 16.2%, 16.0%, and 15.5% in 2013, 2014, and 2024P, respectively.

Sources: National Health Expenditure Data, Historical, 1960-2014 (www.cms.gov) and Projections, 2013-2024 (www.cms.gov), Centers for Medicare & Medicaid Services, 2015.

Health Spending Summary, by Payer

United States, 2014

	SPENDING LEVEL (IN BILLIONS)			DISTRIBUTION			GROWTH RATE*		
	1994	2013	2014	1994	2013	2014	1994-2014	2013	2014
National Health Expenditures	\$967.2	\$2,879.9	\$3,031.3	100%	100%	100%	5.9%	2.9%	5.3%
Out-of-Pocket	142.0	325.5	329.8	15%	11%	11%	4.3%	2.1%	1.3%
Private Health Insurance	308.2	949.2	991.0	32%	33%	33%	6.0%	1.6%	4.4%
Medicare	167.7	586.3	618.7	17%	20%	20%	6.7%	3.0%	5.5%
Medicaid	134.4	446.7	495.8	14%	16%	16%	6.7%	5.9%	11.0%
Other Public Insurance	26.5	105.6	111.4	3%	4%	4%	7.5%	3.3%	5.5%
Other Payers	97.3	237.5	251.7	10%	8%	8%	4.9%	6.3%	6.0%
Public Health	29.6	76.6	79.0	3%	3%	3%	5.0%	0.7%	3.1%
Investment	61.6	152.5	153.9	6%	5%	5%	4.7%	-0.5%	0.9%

*Growth rate for 1994-2014 is average annual; others are annual changes.

Notes: *Health spending* refers to national health expenditures. Figures may not sum due to rounding.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Payment Sources

For most payers, spending grew faster in 2014 than in 2013. The Medicaid growth rate nearly doubled. Over the past 20 years, the share of out-of-pocket spending fell, while the share of spending by Medicare and Medicaid increased.

PAYER DEFINITIONS

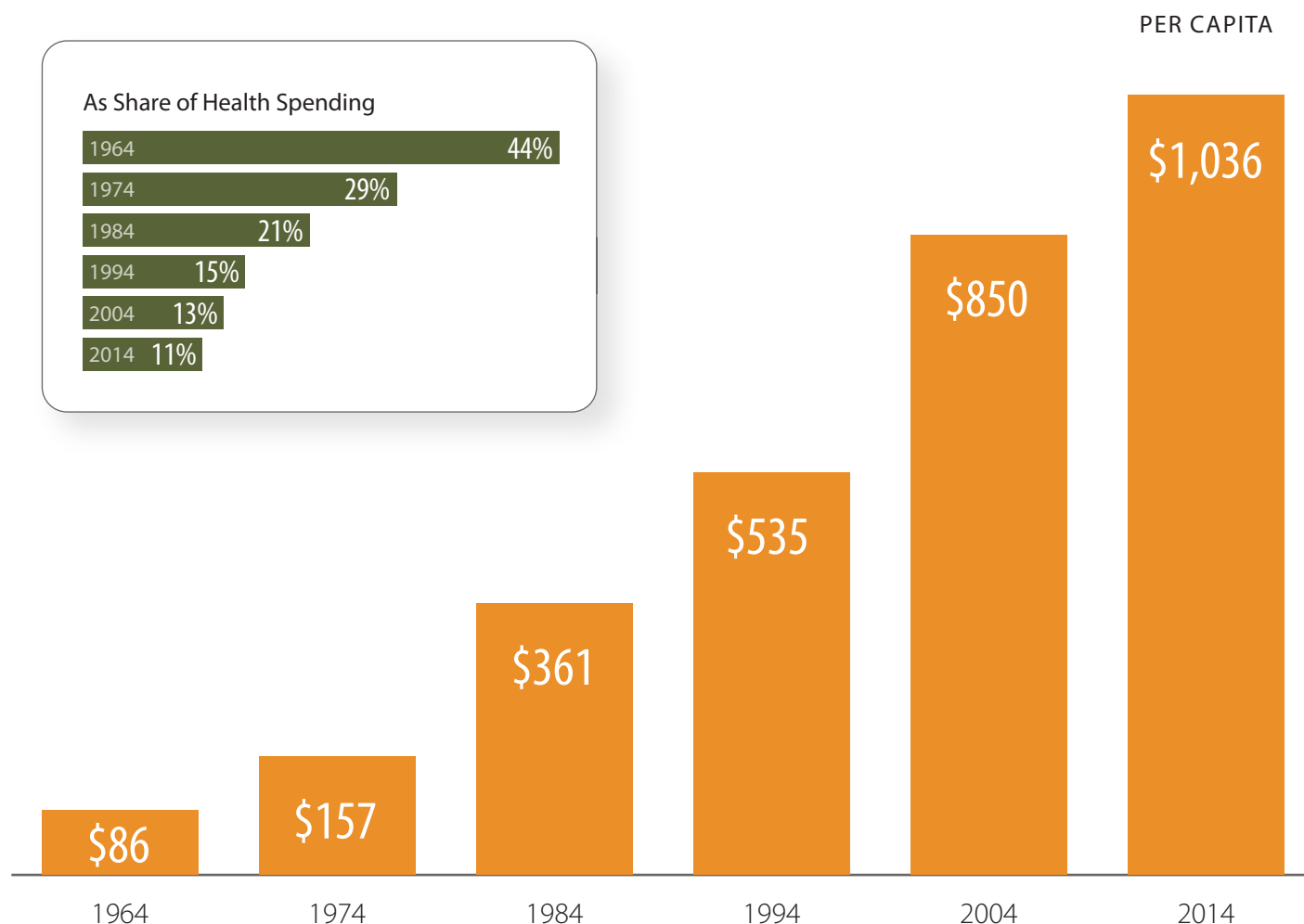
Other payers includes worksite health care, Indian Health Services, workers' compensation, maternal and child health, and vocational rehabilitation.

Other public health insurance includes Departments of Defense and Veterans Affairs and the Children's Health Insurance Program (CHIP).

Out-of-pocket includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

Out-of-Pocket Spending, per Capita vs. Share of Spending

United States, 1964 to 2014, Selected Years



Health Care Costs 101

Payment Sources

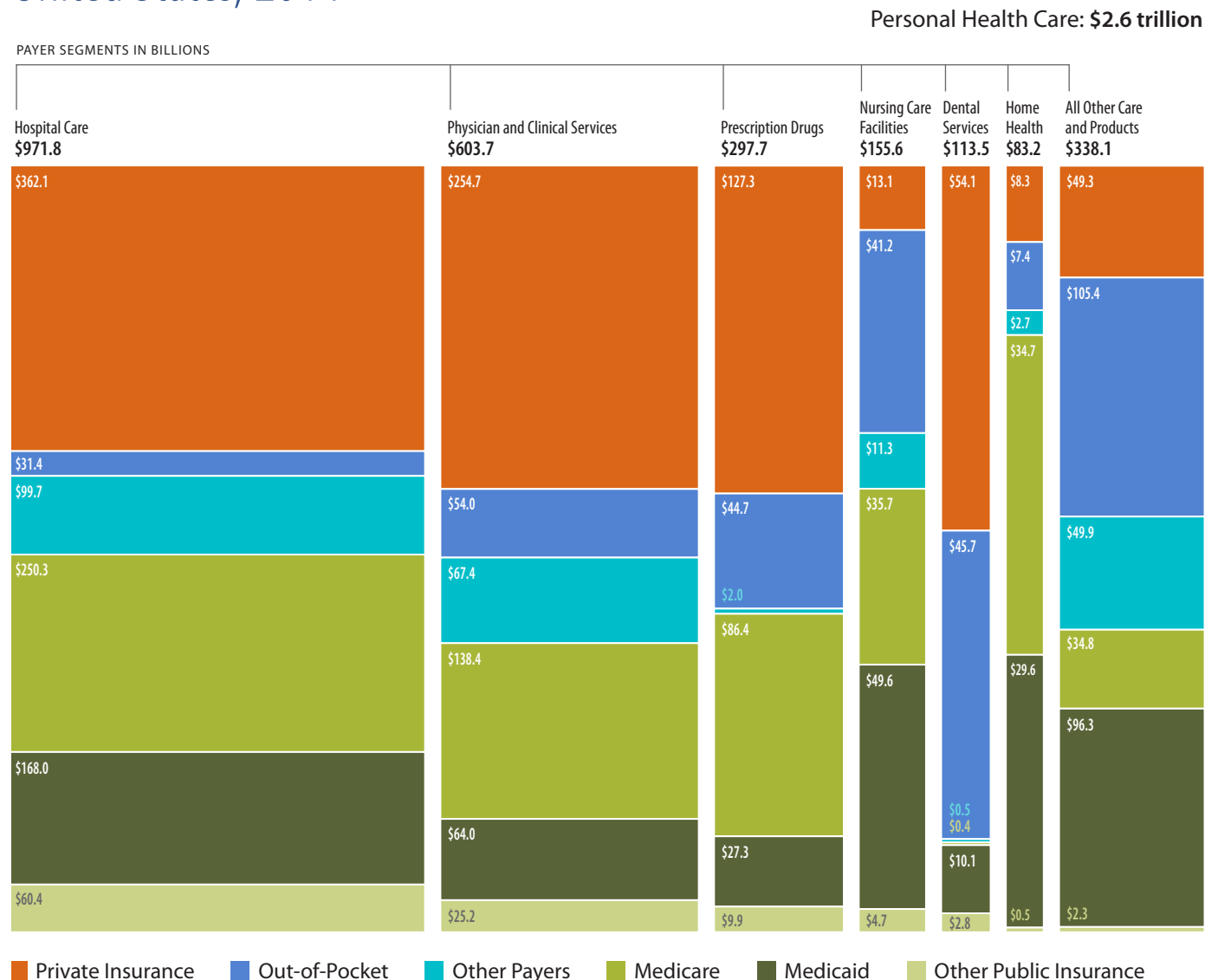
While consumer out-of-pocket spending, as a share of all health spending, has declined steadily since 1964, the dollar amount each person spent has risen steadily. In 2014, an individual spent out of pocket an average of \$1,036 for coinsurance, deductibles, and other health care expenses not covered by insurance (not including premiums).

Notes: *Health spending* refers to national health expenditures. Figures not adjusted for inflation.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Payer Mix, by Service Category

United States, 2014



Notes: *All other care and products* consists of durable medical equipment, nondurable medical products, other professional services, and other health, residential, and personal care. Segments may not sum due to rounding. For additional detail on spending categories, see Appendix A. Further definitions available at www.cms.gov.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Payment Sources

Private insurance paid for more than 40% of prescription drugs and physician and clinical services, while Medicare and Medicaid paid for most of home health care. A substantial portion of dental expenses are paid for out of pocket.

For an interactive look at how the payer mix by service category has changed over time, visit www.chcf.org/hcc101.

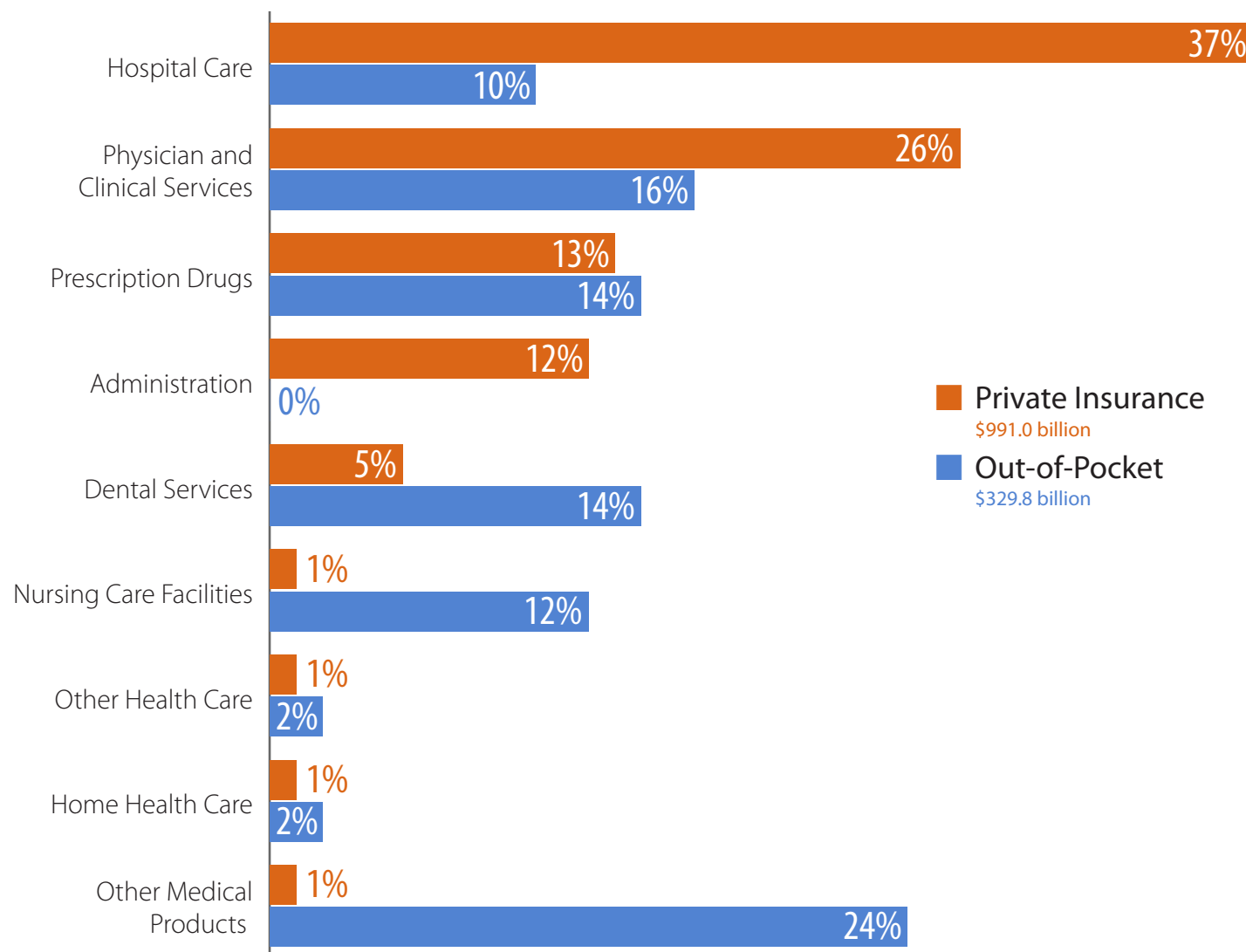
PAYER DEFINITIONS

Other payers includes worksite health care, Indian Health Services, workers' compensation, maternal and child health, and vocational rehabilitation.

Other public health insurance includes Departments of Defense and Veterans Affairs and the Children's Health Insurance Program (CHIP).

Out-of-pocket includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

Spending Distribution, Private Insurance vs. Out-of-Pocket United States, 2014



Notes: *Health spending* refers to national health expenditures. Not shown: other professional services (3% of private health insurance and 6% of out-of-pocket). For additional detail on spending categories, see Appendix A. Further definitions available at www.cms.gov.
Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Payment Sources

Hospital care was the largest expense category for private health insurance, and accounted for 37% of total private insurance spending. In contrast, the other medical products category, which includes items such as eyeglasses and over-the-counter medications, was the largest category for out-of-pocket spending.

SPENDING CATEGORY DEFINITIONS

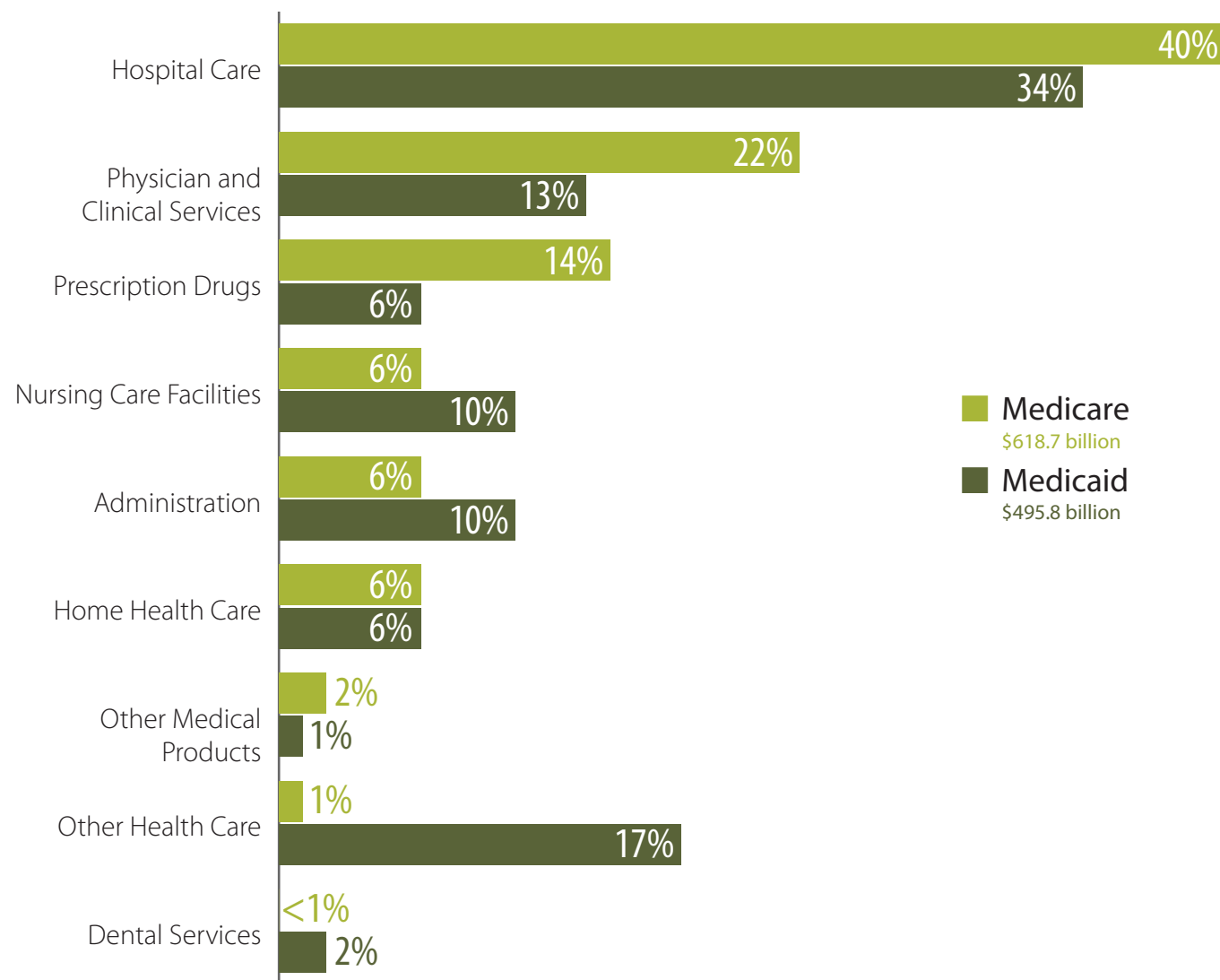
Administration includes the administrative costs of government health care programs such as Medicare and Medicaid as well as the net cost of health insurance.

Other health care refers to the category other health, residential, and personal care.

Other medical products refers to durable medical equipment and nondurable medical products.

Spending Distribution, Medicare vs. Medicaid

United States, 2014



Notes: *Health spending* refers to national health expenditures. Not shown: other professional services (3% of Medicare and 1% of Medicaid). For additional detail on spending categories, see Appendix A. Further definitions available at www.cms.gov.
 Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Payment Sources

The largest expense category for both Medicare and Medicaid was hospital care. Medicaid's second-largest spending category, at \$84 billion or 17% of spending, was other health care, which includes the Medicaid home and community-based waiver programs that provide alternatives to long-term institutional services.

SPENDING CATEGORY DEFINITIONS

Administration includes the administrative costs of government health care programs such as Medicare and Medicaid as well as the net cost of health insurance.

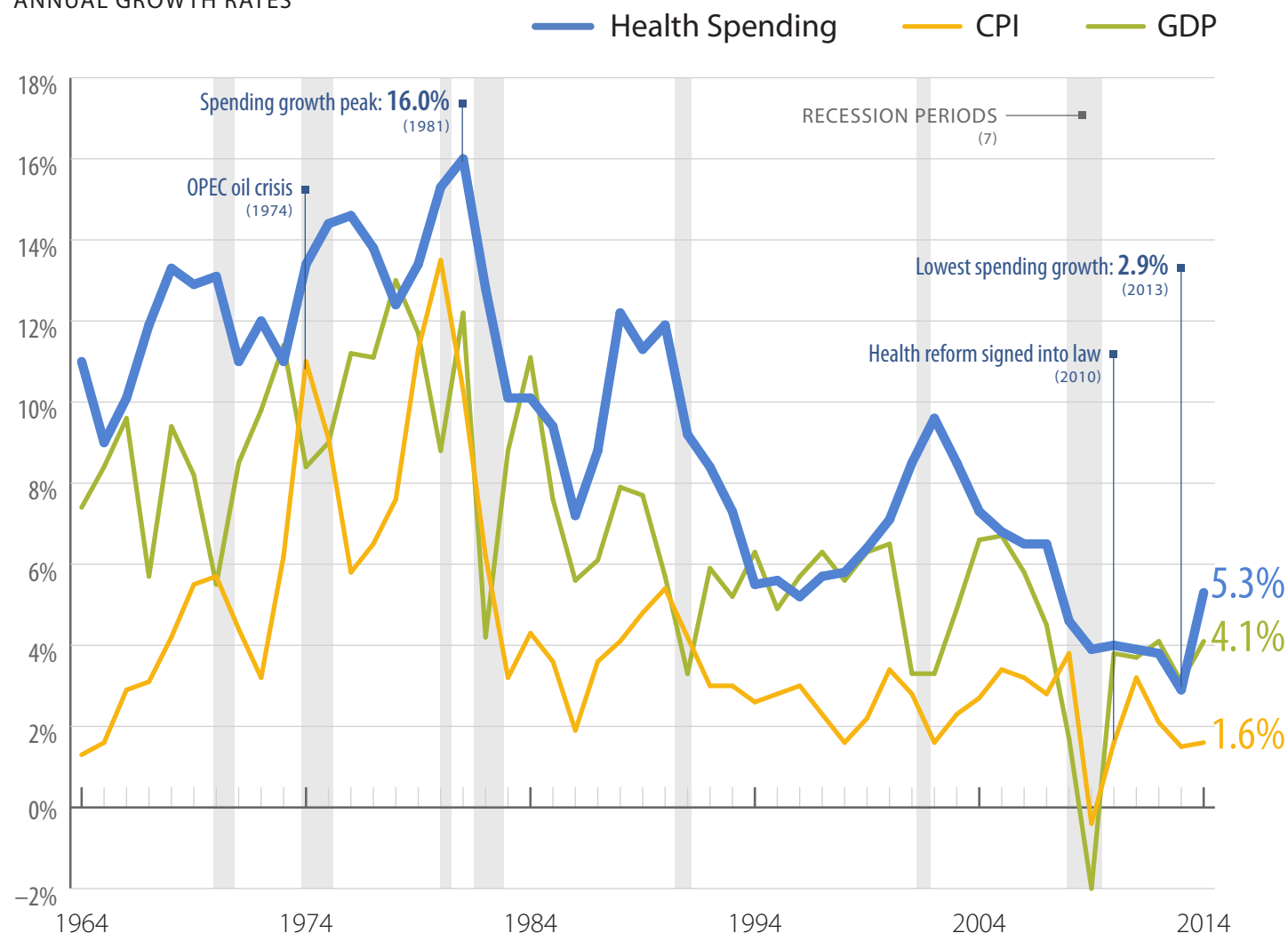
Other health care refers to the category other health, residential, and personal care.

Other medical products refers to durable medical equipment and nondurable medical products.

Health Spending vs. Inflation and the Economy

United States, 1964 to 2014

ANNUAL GROWTH RATES



Notes: *Health spending* refers to national health expenditures. *CPI* refers to consumer price index and *GDP* refers to gross domestic product.

Sources: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov; CPI-U: US City Average, Annual Figures, Bureau of Labor Statistics.

Health Care Costs 101

Growth Trends

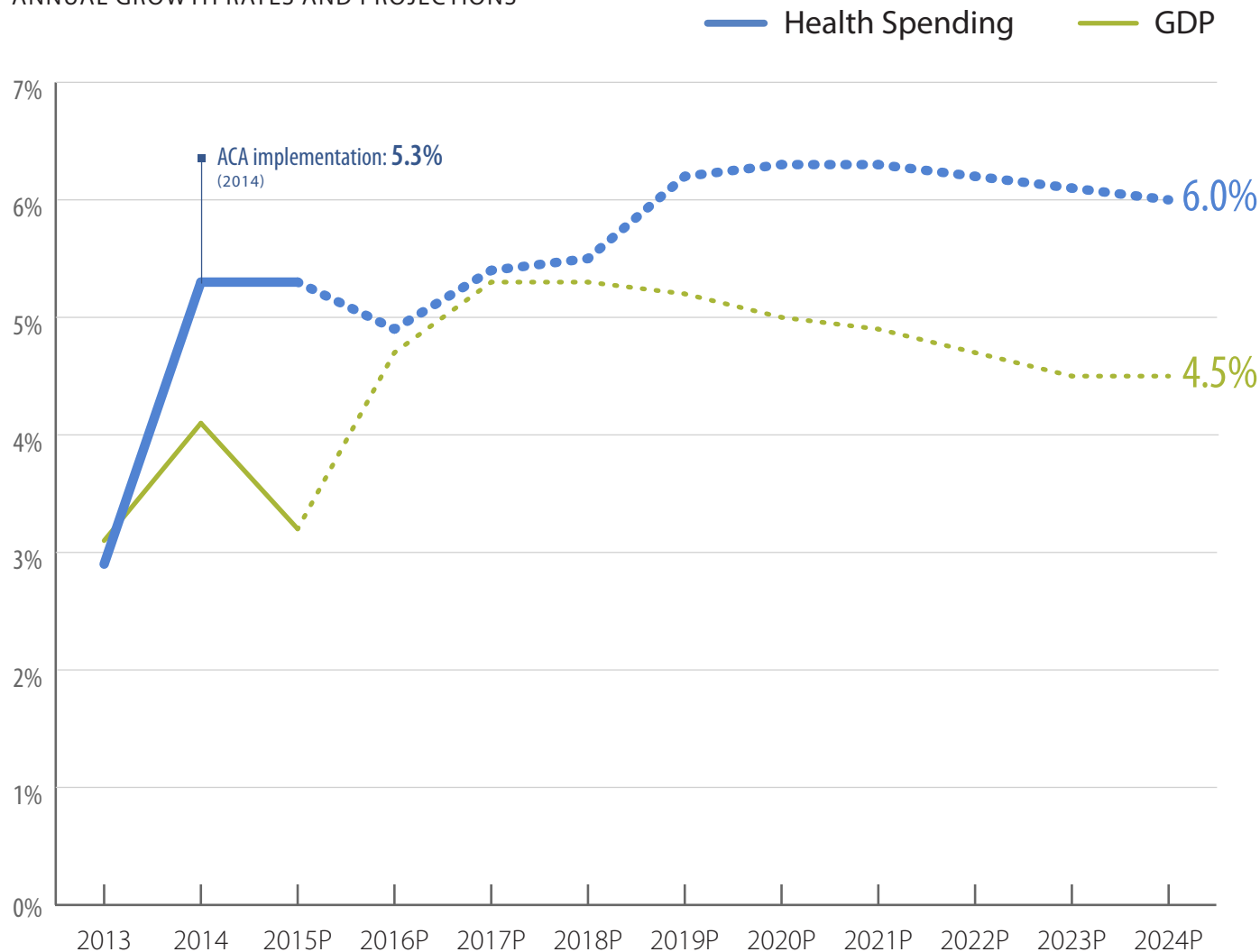
Over the past 50 years, health spending growth has consistently outpaced inflation. For most of this period, health spending also grew faster than the economy, with the exception of 2010-2013, when GDP and health spending grew at a similar rate.*

*See page 14 for detail on the components of health spending growth.

Health Spending vs. the Economy

United States, 2013 to 2024

ANNUAL GROWTH RATES AND PROJECTIONS



Notes: *Health spending* refers to national health expenditures. *GDP* refers to gross domestic product. Projections shown as *P*.

Sources: National Health Expenditure Data, Historical, 1960-2014 (www.cms.gov) and Projections, 2013-2024 (www.cms.gov), Centers for Medicare & Medicaid Services, 2015.

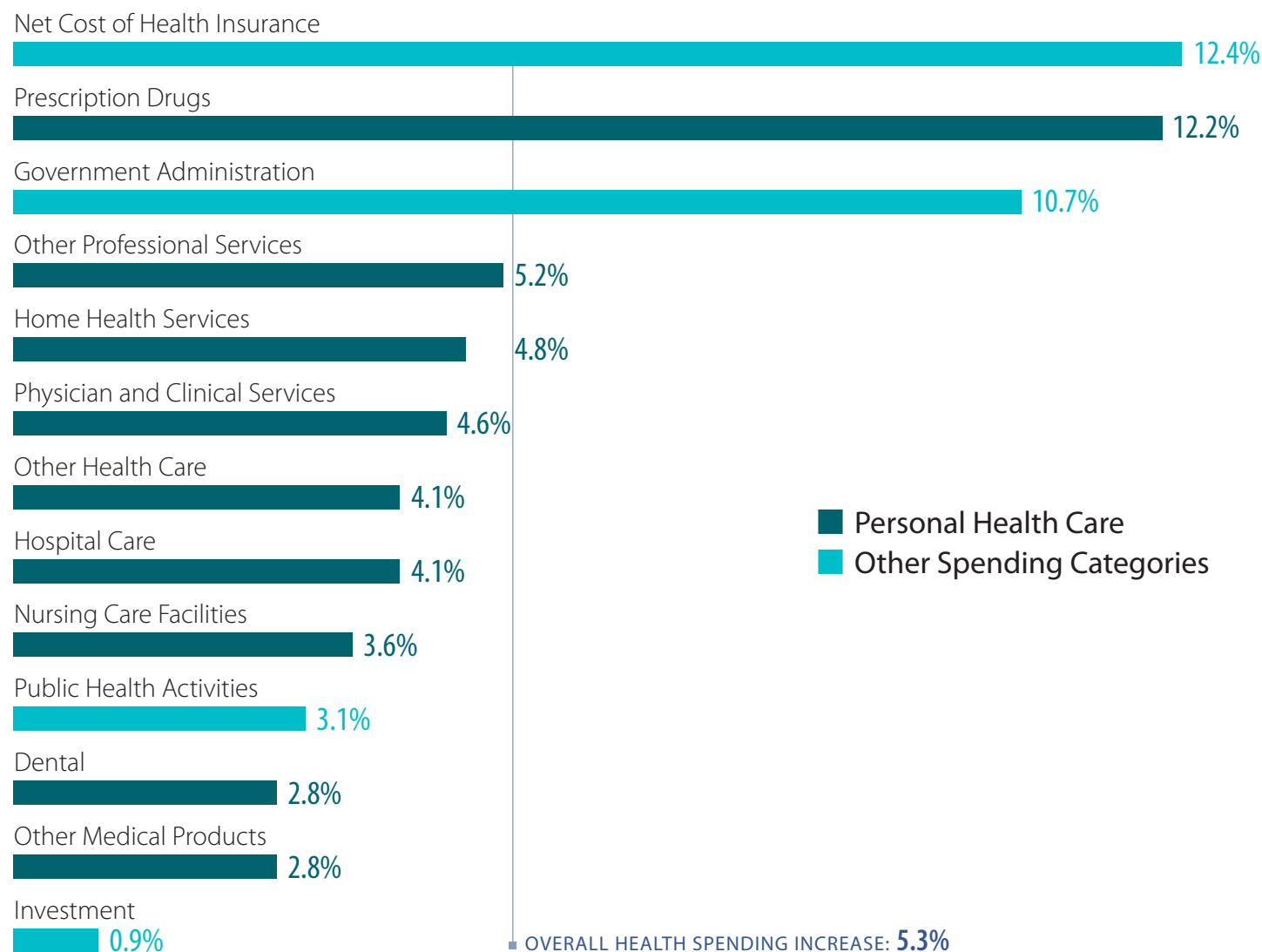
Health Care Costs 101

Growth Trends

During the 2014 to 2024 period, health spending is projected to grow at an average rate of 5.8% per year, 1.1 percentage points faster than gross domestic product (GDP). Based on these projections, health care's share of GDP is projected to reach 19.6% by 2024.

Growth Rates, by Spending Category

United States, 2014



Notes: For additional detail on spending categories, see Appendix A. Further definitions available at www.cms.gov.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Growth Trends

The net cost of insurance, prescription drugs, and government administration categories of spending grew more than twice as fast as any other category. Prescription drug increases were due in part to spending on new medicines, especially specialty drugs. New hepatitis C drugs were the largest driver of specialty drug increases in 2014 and contributed \$11.3 billion in new spending.

SPENDING CATEGORY DEFINITIONS

Government administration includes the administrative costs of health care programs such as Medicare and Medicaid.

Net cost of health insurance refers to the difference between private health insurance expenditures and benefits, and includes administrative costs, additions to reserves, rate credits and dividends, premium taxes and fees, and profits or losses.

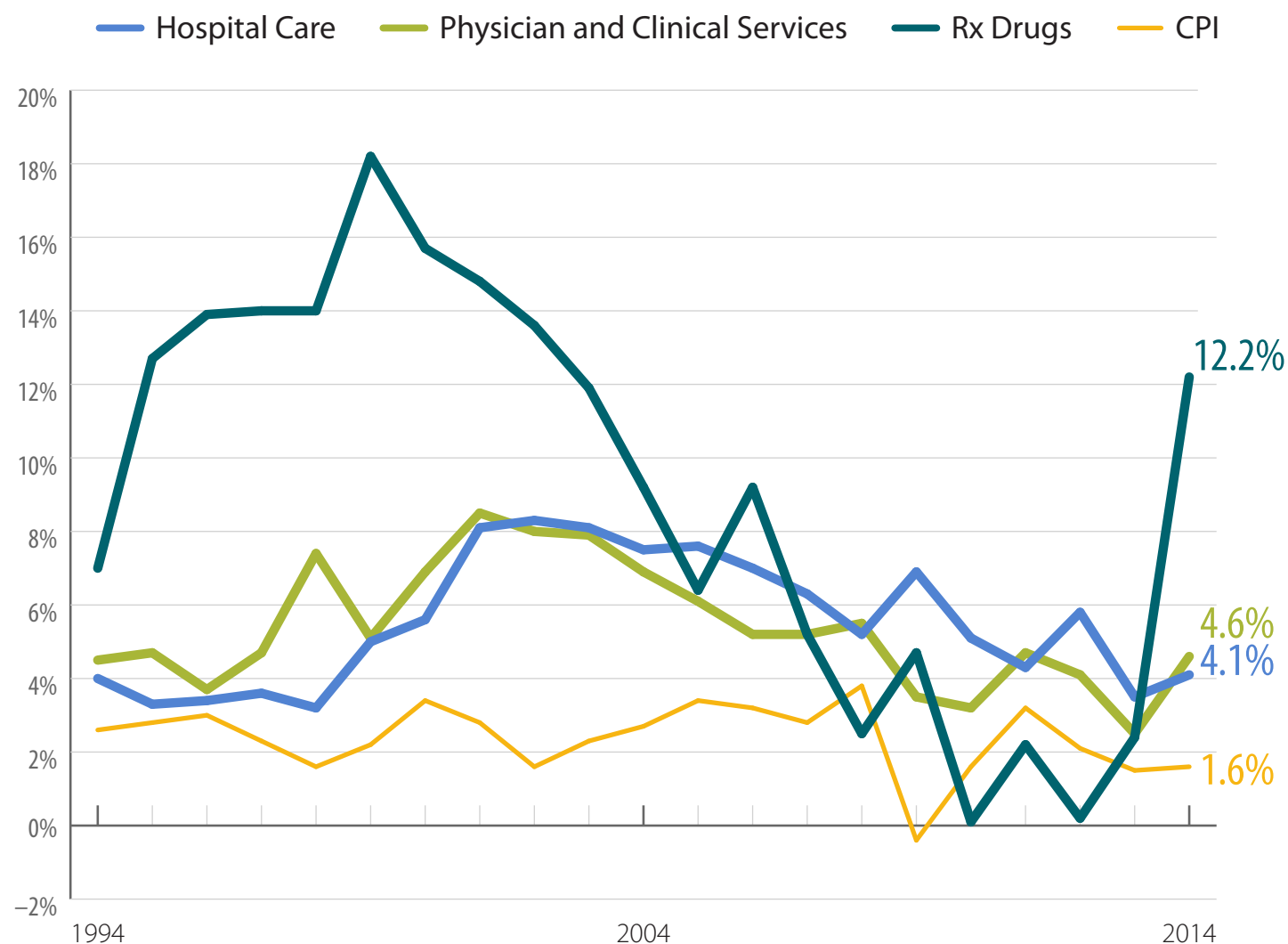
Other health care refers to the category other health, residential, and personal care.

Other medical products refers to durable medical equipment and nondurable medical products.

Other professional services consists of care provided in establishments operated by health care providers other than physicians or dentists, such as chiropractors, podiatrists, and speech therapists.

Annual Growth Rates, Largest Spending Categories

United States, 1994 to 2014



Notes: Health spending refers to national health expenditures. CPI is consumer price index.

Sources: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov; CPI-U: US City Average, Annual Figures, Bureau of Labor Statistics.

Health Care Costs 101

Growth Trends

Historically, prescription drug spending has been more volatile than the other major spending categories. After a period of low growth, spending on prescription drugs skyrocketed in 2014. Growth in spending on hospital and physician services remained moderate.

Annual Growth in Health Spending, by Sponsor United States, 2014

Federal Government

11.7%

Other Private Revenue

6.3%

Private Business

4.2%

Household*

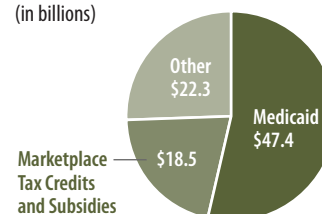
2.0%

State and Local Government

1.8%

OVERALL HEALTH SPENDING INCREASE: 5.3%

FEDERAL GOVERNMENT'S \$88.2 BILLION
SPENDING INCREASE...
(in billions)



Health Care Costs 101

Growth Trends

In 2014, health spending by the federal government grew 11.7%, outstripping growth by households, private business, and state and local governments. The federal increase totaled \$88.2 billion and included spending for the ACA's initial year of marketplace premium tax credits and cost-sharing subsidies, as well as the expansion of Medicaid eligibility in 27 states.

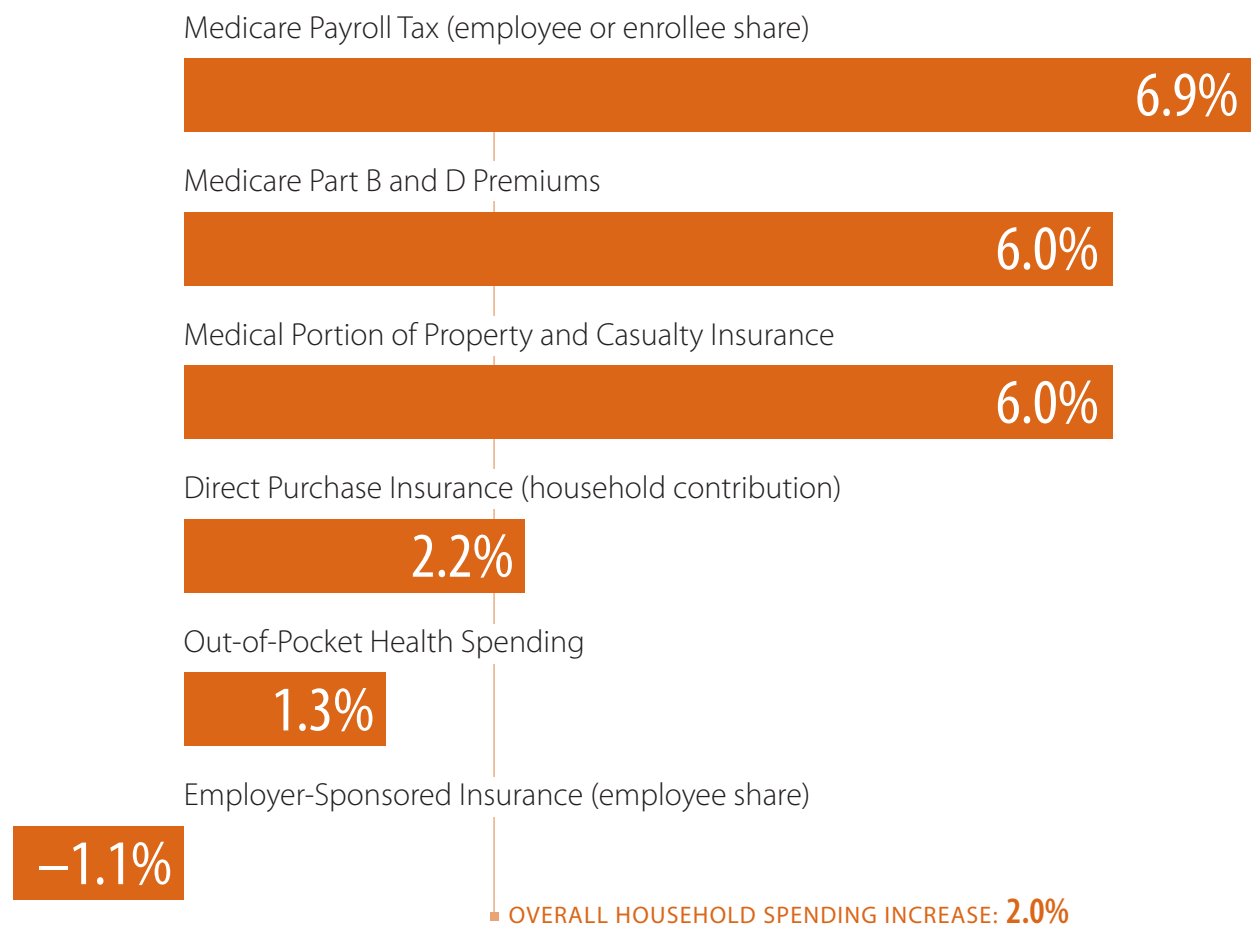
*See page 35 for detail on changes in household spending.

Notes: *Health spending* refers to national health expenditures. *Sponsors* are the entities that are ultimately responsible for financing the health care bill. *Other private revenues* includes philanthropy, privately funded structures and equipment, and investment income. *Marketplace* is individual health insurance coverage purchased on federal- and state-run health exchanges, such as Covered California and healthcare.gov. See page 16 for detail on how sponsors finance health care spending.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Changes in Household Health Care Spending

United States, 2014



Health Care Costs 101

Growth Trends

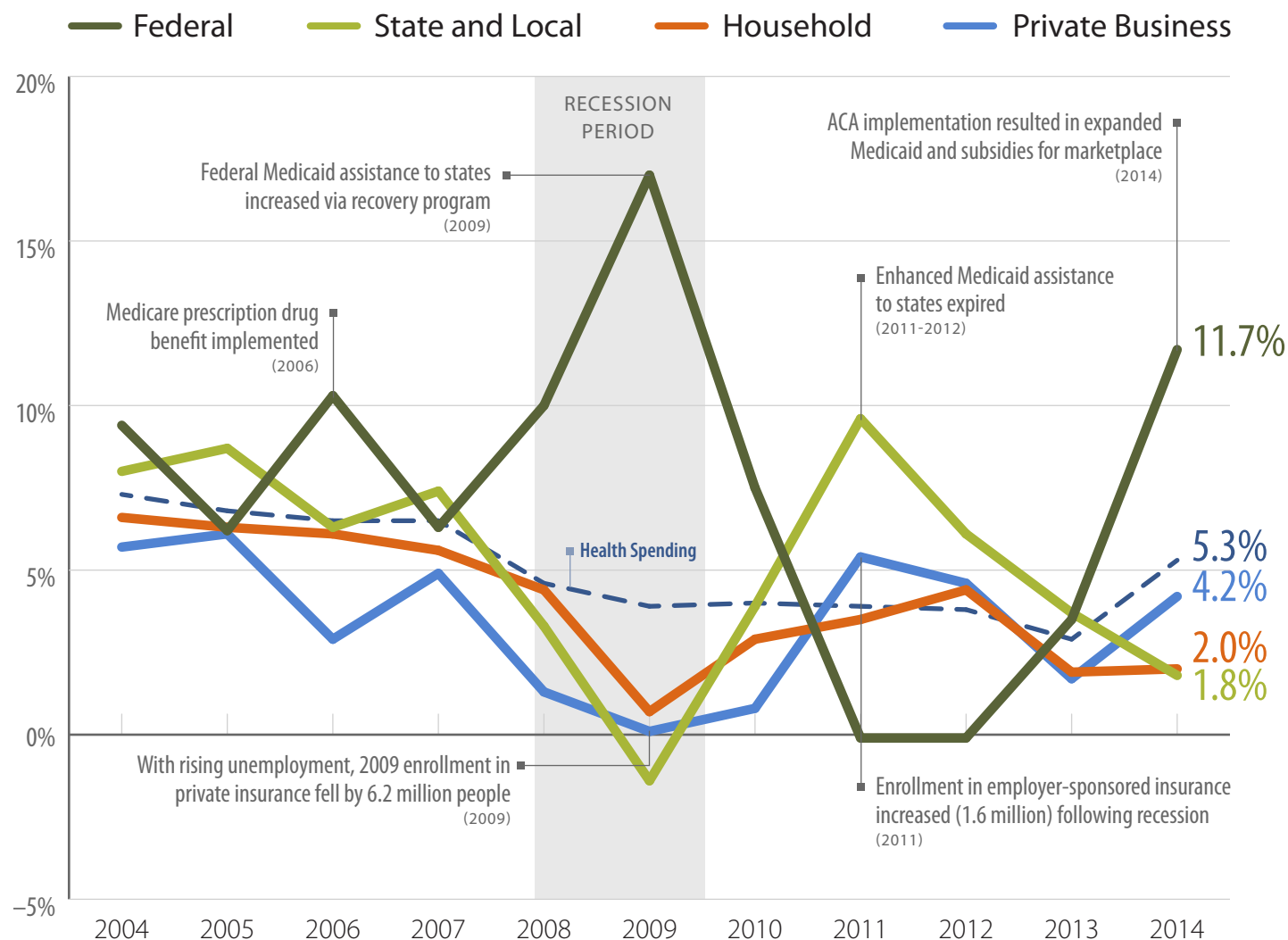
The 2014 ACA requirement that individuals be covered by insurance appeared to have little effect on household health spending. Household spending on direct purchase insurance grew 2.2%. In contrast, household spending on Medicare premiums and payroll taxes had the largest growth, due in part to higher employment levels and increased numbers of people eligible for Medicare.

Notes: *Health spending* refers to national health expenditures. *Direct purchase insurance* includes premiums paid by individuals for marketplace plans, Medigap, and other directly purchased health insurance, such as coverage purchased off-exchange. *Marketplace* is individual health insurance coverage purchased on federal- and state-run health exchanges, such as Covered California and healthcare.gov. Enrollment in direct purchase insurance increased by 19.5%; enrollment in employer-sponsored health insurance declined by 1.0%.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Annual Growth in Health Spending, by Sponsor

United States, 2004 to 2014



Notes: *Health spending* refers to national health expenditures. *Sponsors* are the entities that are ultimately responsible for financing the health care bill. *Federal* refers to federal government; *state and local* refers to state and local governments. *Marketplace* is individual health insurance coverage purchased on federal and state-run health exchanges, such as Covered California and healthcare.gov. Not shown: other private revenues. See pie chart on page 34 for breakdown of increase in federal spending.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Growth Trends

Federal spending increased sharply in 2014 with implementation of the ACA. That year, the federal government funded Medicaid expansion, and premium and cost-sharing subsidies for eligible individuals in marketplace plans.

Annual Change in Health Spending Levels, by Payer

United States, 2014

Medicaid (Federal)

18.4%

Other Payers

6.0%

Medicare

5.5%

Other Public Insurance

5.5%

Private Insurance

4.4%

Out-of-Pocket

1.3%

Medicaid (State)

0.9%

OVERALL HEALTH SPENDING INCREASE: 5.3%

Notes: *Health spending* refers to national health expenditures. Not shown: public health activities (3.1%) and investment (0.9%).

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Growth Trends

Federal Medicaid spending grew by 18.4% as the federal government funded 100% of ACA-expanded Medicaid eligibility. Out-of-pocket and state Medicaid spending growth remained far below the overall 5.3% increase in spending.

PAYER DEFINITIONS

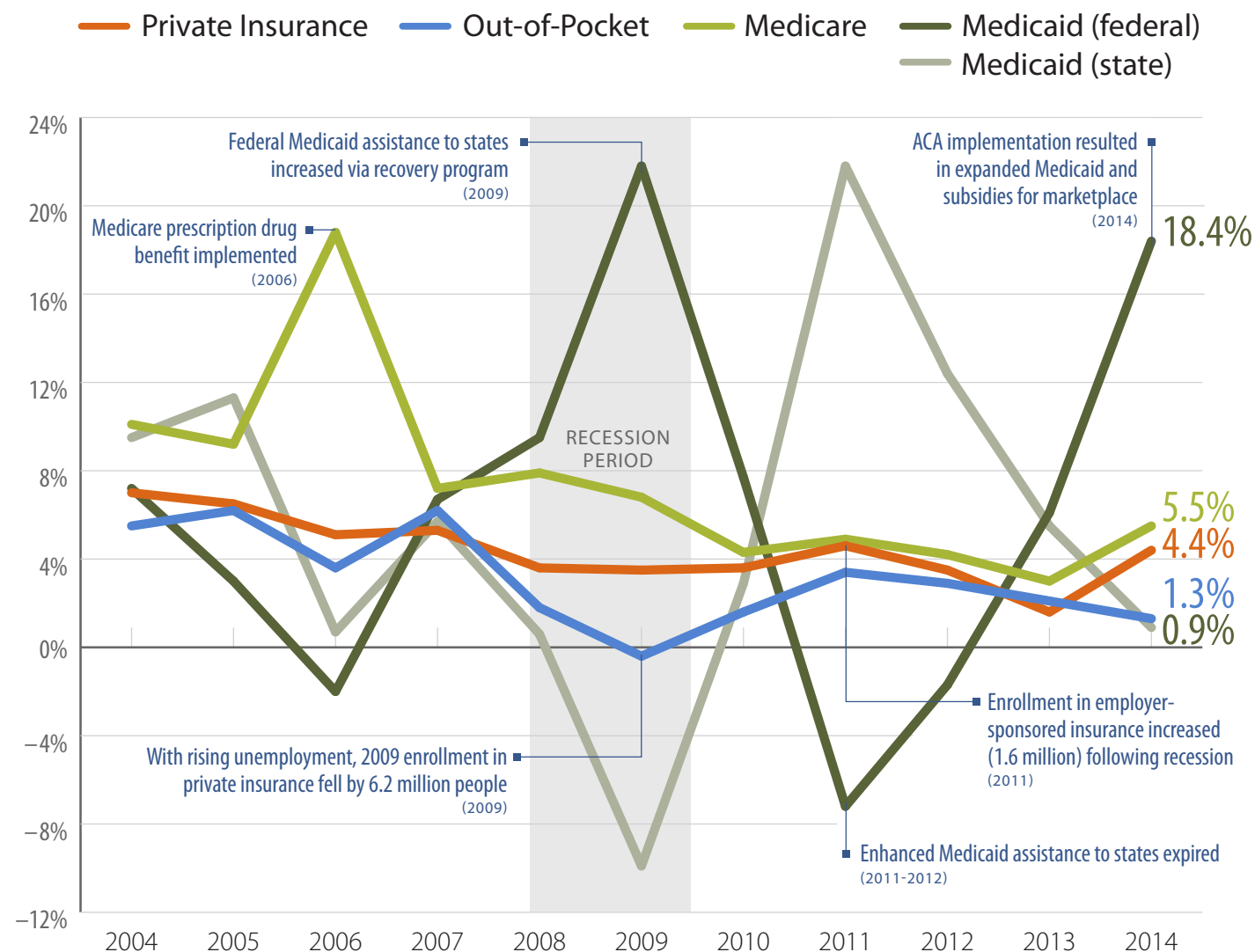
Other payers includes worksite health care, Indian Health Services, workers' compensation, maternal and child health, and vocational rehabilitation.

Other public health insurance includes Departments of Defense and Veterans Affairs and the Children's Health Insurance Program (CHIP).

Out-of-pocket includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

Annual Growth Rates, by Payer

United States, 2004 to 2014



Notes: *Marketplace* is individual health insurance coverage purchased on federal- and state-run health exchanges, such as Covered California and healthcare.gov. Not shown: other public health insurance, other payers, public health activities, investment. See page 25 for historical and page 39 for projected growth rates.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Health Care Costs 101

Growth Trends

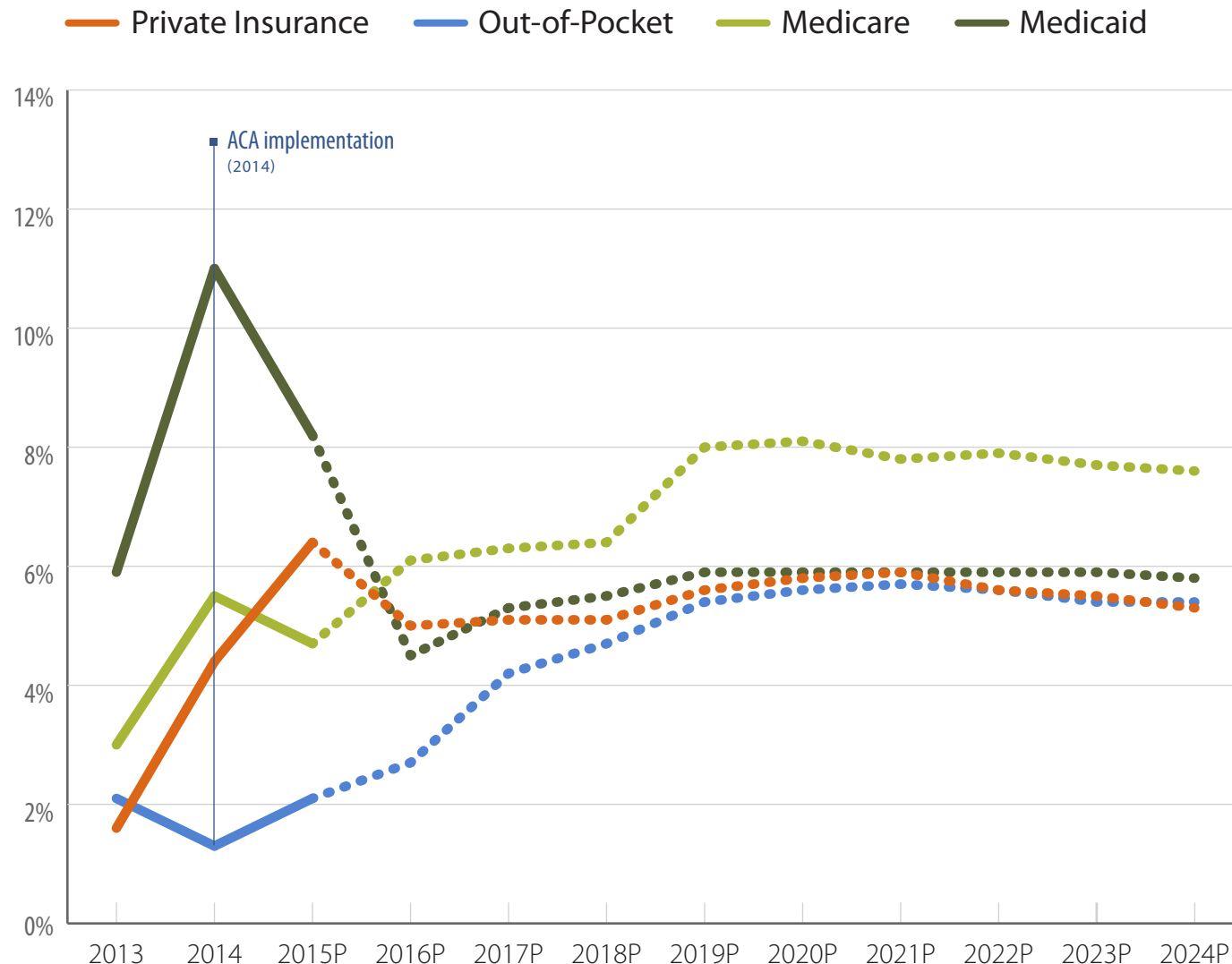
Major policy changes are visible in the growth rates of health care payers. The 2014 spike (18.4%) in federal Medicaid growth reflects the federal funding of the ACA Medicaid expansion. This 2014 increase was similar in scale to the 2006 implementation of Medicare Part D drug coverage and the 2009 federal Medicaid assistance to states for recession relief.

PAYER DEFINITION

Out-of-pocket includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

Annual Growth Projections, by Payer

United States, 2013 to 2024



Note: Projections shown as P.

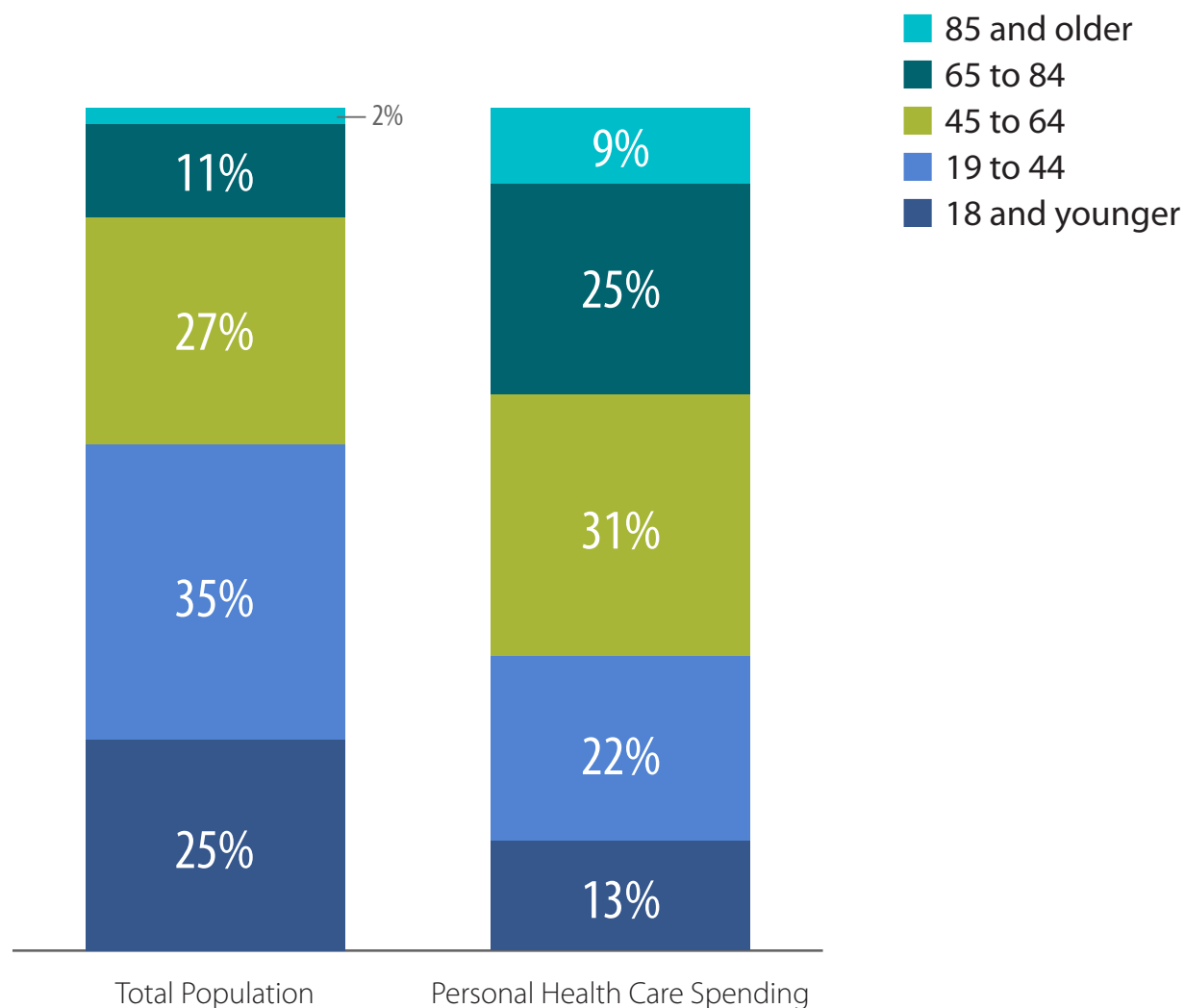
Sources: National Health Expenditure Data, Historical, 1960-2014 (www.cms.gov) and Projections, 2013-2024 (www.cms.gov), Centers for Medicare & Medicaid Services, 2015.

Health Care Costs 101

Growth Trends

Medicaid spending accelerated and out-of-pocket spending slowed in 2014. By 2016, Medicaid growth is expected to return to levels similar to other payers, and Medicare growth will be the highest as the elderly population expands.

Share of Population vs. Personal Health Care Spending by Age Group, United States, 2010



Health Care Costs 101

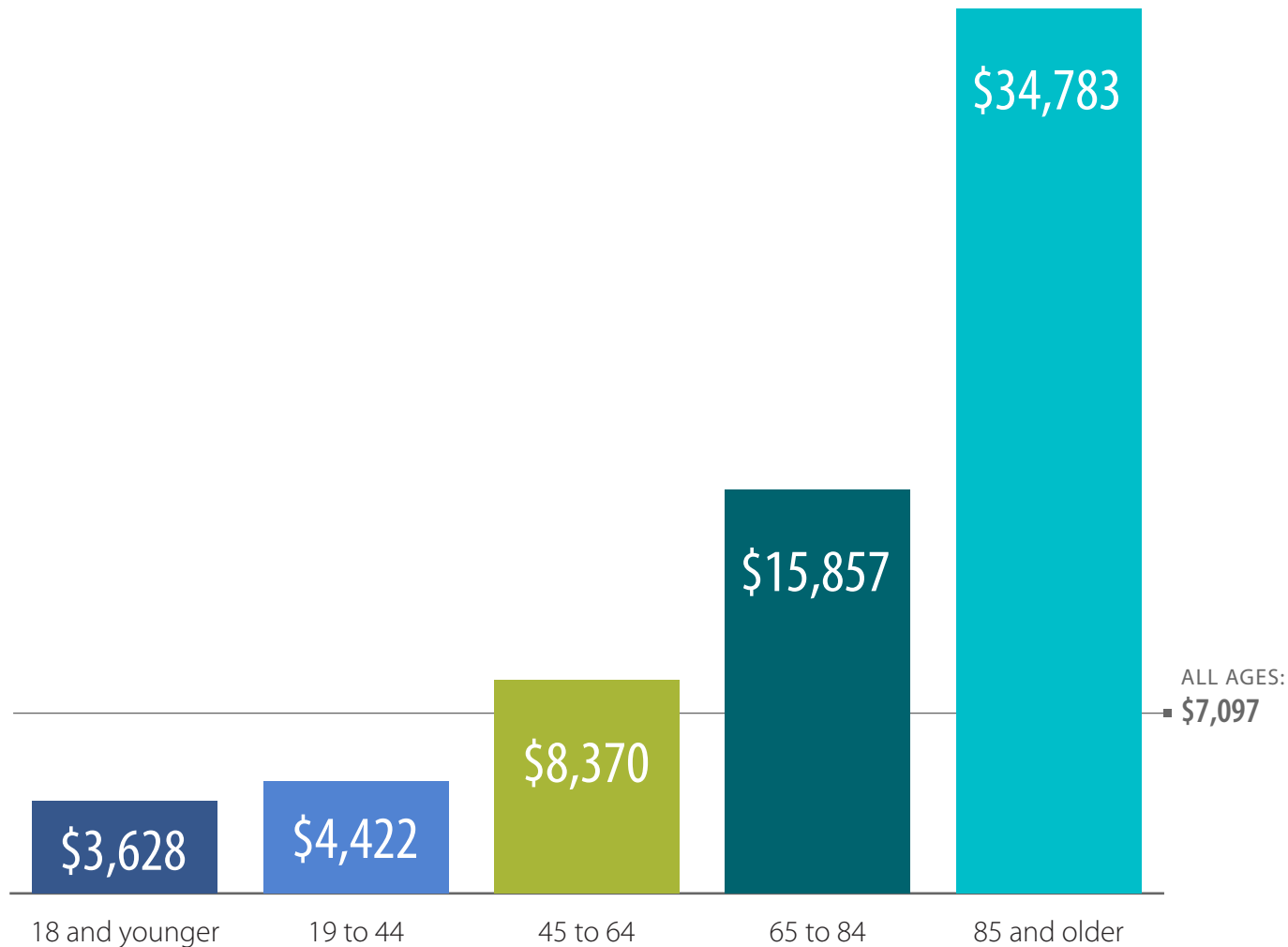
Age and Gender

The elderly population, 65 and over, accounted for one-third of personal health care spending but made up 13% of the population. In contrast, children made up 25% of the population and accounted for only 13% of personal health care spending.

Notes: *Personal health care spending* excludes net cost of health insurance, government administration, public health activities, and investment. See Appendix B for spending category detail by age group and gender.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2014, www.cms.gov.

Personal Health Care Spending per Capita by Age Group, United States, 2010



Health Care Costs 101

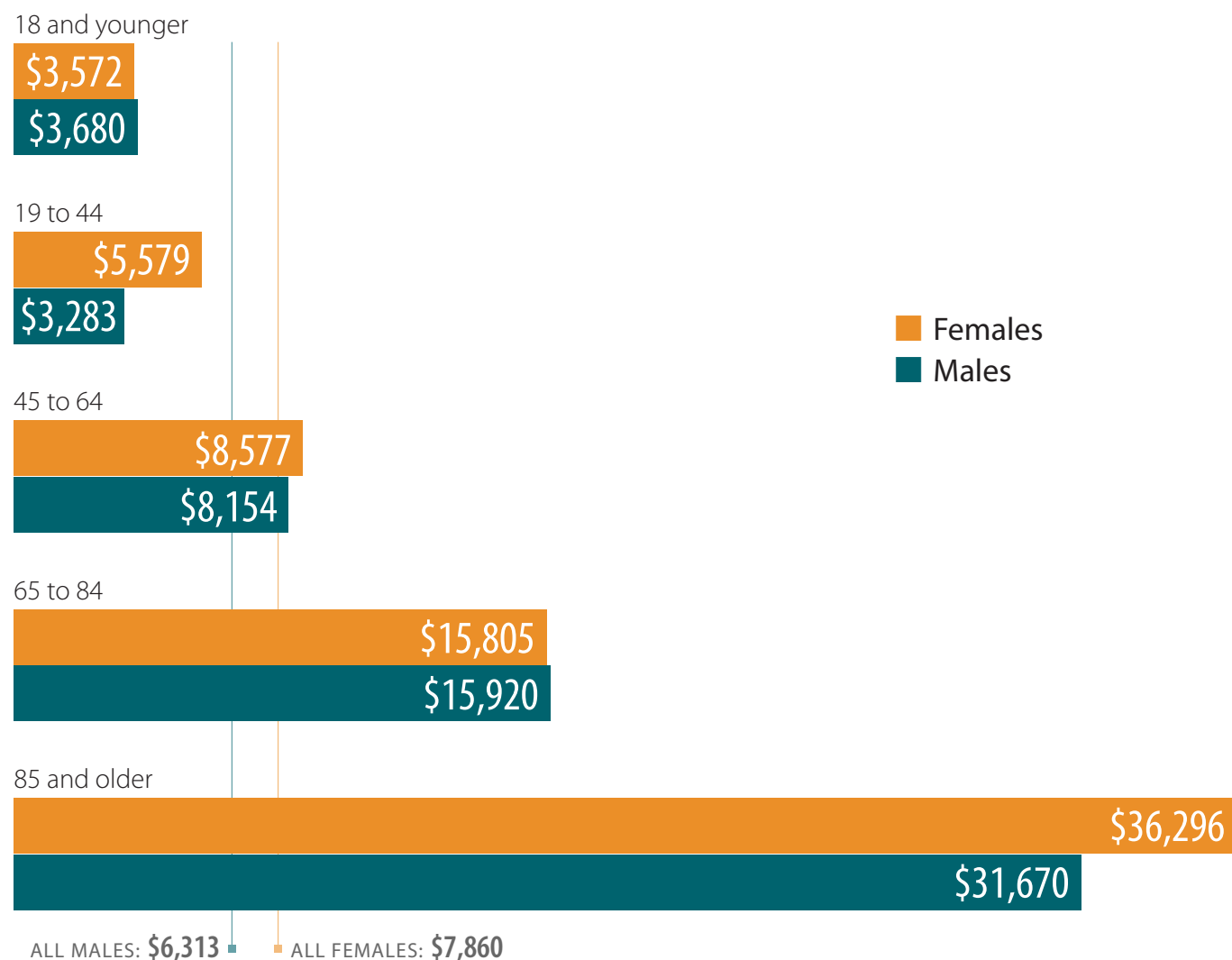
Age and Gender

Per capita spending illustrates the relationship between health spending and age. Young working-age adults (19 to 44) spent \$4,422 per person in 2010 on personal health care, 20% more than children, but half as much as older working adults. Those age 85 and over spent nearly \$35,000 per person.

Notes: *Personal health care spending* excludes net cost of health insurance, government administration, public health activities, and investment. Per capita spending for all people age 65 and older was \$18,424. See Appendix B for spending category detail by age group and gender.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2014, www.cms.gov.

Personal Health Care Spending per Capita by Gender and Age Group, United States, 2010



Notes: *Personal health care spending* excludes net cost of health insurance, government administration, public health activities, and investment. Per capita spending for all people age 65 and older was \$18,424 (\$19,110 for females and \$17,530 for males). See Appendix B for spending category detail by age group and gender.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2014, www.cms.gov.

Health Care Costs 101

Age and Gender

Overall, females spent 25% more than males, a difference of \$1,547 per year. Gender differences were greatest for women of childbearing age due to increased hospital and physician services and for women age 85 and older, due largely to more nursing facility care.

Personal Health Care Spending per Capita by Category and Age Group, United States, 2010

	18 AND YOUNGER	19 TO 44	45 TO 64	65 TO 84	85 AND OLDER	ALL AGES
Personal Health Care	\$3,628	\$4,422	\$8,370	\$15,857	\$34,783	\$7,097
Hospital Care	\$1,538	\$1,696	\$3,001	\$5,887	\$10,405	\$2,630
Physician and Clinical Services	\$972	\$1,272	\$2,035	\$3,281	\$4,342	\$1,680
Dental Services	\$375	\$241	\$427	\$377	\$311	\$341
Other Professional Services	\$103	\$176	\$281	\$459	\$672	\$226
Nursing Care Facilities	\$11	\$28	\$224	\$1,782	\$10,690	\$463
Home Health Care	\$85	\$66	\$143	\$736	\$3,640	\$230
Other Health Care	\$244	\$366	\$494	\$622	\$1,307	\$415
Prescription Drugs	\$229	\$432	\$1,398	\$1,886	\$1,935	\$827
Other Medical Products	\$70	\$145	\$366	\$827	\$1,481	\$286

Health Care Costs 101

Age and Gender

Spending on health services varied with age. For example, those 85 and older differed from those age 65 to 84 largely in their use of hospital care, nursing care facilities, and home health care.

Note: *Personal health care spending* excludes net cost of health insurance, government administration, public health activities, and investment.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2014, www.cms.gov.

Data Resources

Economic Data

- *The Budget and Economic Outlook: 2015 to 2025*, Congressional Budget Office, January 2015, www.cbo.gov.
- *The Budget and Economic Outlook: Fiscal Years 2003-2012*, Appendix F, Congressional Budget Office, January 2002, www.cbo.gov (PDF).
- Consumer Price Index, Bureau of Labor Statistics, www.bls.gov/cpi.
- Gross domestic product, Bureau of Economic Analysis, www.bea.gov.
- "OECD Health Statistics 2015: Frequently Requested Data," Organisation for Economic Co-operation and Development, July 2015, www.oecd.org.

Journal Publications Authored by CMS Staff

- Martin, Anne B., Micah Hartman, et al. "National Health Spending in 2014: Faster Growth Driven by Coverage Expansion and Prescription Drug Spending." *Health Affairs* 35, no. 1: 150-160, healthaffairs.org.
- Keehan, Sean P., et al. "National Health Expenditure Projections, 2014-24: Spending Growth Faster Than Recent Trends." *Health Affairs* 34, no. 8 (August 2015): 1407-17, healthaffairs.org.
- Lassman, David, et al. "US Health Spending Trends by Age and Gender: Selected Years 2002-10," *Health Affairs* 33, no. 5 (May 2014): 815-822, healthaffairs.org.

National Health Expenditures

AGE AND GENDER

- Data and Resources: www.cms.gov

HEALTH CARE SATELLITE ACCOUNT

Disease-Based Health Care Measures, Bureau of Economic Analysis

- Introduction: www.bea.gov (PDF)
- Data and Resources: www.bea.gov

HISTORICAL INFORMATION / OVERVIEW

- Data by Service Category, Payer, and Sponsor: www.cms.gov
- Definitions, Sources, Methods: www.cms.gov (PDF)
- Overview of National Health Expenditure Resources: www.cms.gov
- Quick Reference Definitions: www.cms.gov (PDF)
- Summary of Benchmark Changes: www.cms.gov (PDF)

PROJECTIONS

- Data and Methodology: www.cms.gov
- Forecast Summary: www.cms.gov (PDF)

Health Care Costs 101

ABOUT THIS SERIES

The California Health Care Almanac is an online clearinghouse for data and analysis examining the state's health care system. It focuses on issues of quality, affordability, insurance coverage and the uninsured, and the financial health of the system with the goal of supporting thoughtful planning and effective decisionmaking. Learn more at www.chcf.org/almanac.

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FOR MORE INFORMATION



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www.chcf.org

Appendix A: Health Spending, by Category, 1994 to 2014, Selected Years

	SPENDING LEVEL (IN BILLIONS)				DISTRIBUTION				GROWTH RATE*		
	1994	2004	2013	2014	1994	2004	2013	2014	1994–2014	2004–2014	2013–2014
National Health Expenditures	967.2	1,896.5	2,879.9	3,031.3	100%	100%	100%	100%	5.9%	4.8%	5.3%
Health Consumption Expenditures	905.7	1,785.1	2,727.4	2,877.4	94%	94%	95%	95%	6.0%	4.9%	5.5%
▶ Personal Health Care	820.2	1,588.2	2,441.3	2,563.6	85%	84%	85%	85%	5.9%	4.9%	5.0%
▶ Hospital Care	328.4	565.4	933.9	971.8	34%	30%	32%	32%	5.6%	5.6%	4.1%
▶ Professional Services	276.0	522.1	767.5	801.6	29%	28%	27%	26%	5.5%	4.4%	4.4%
▶ Physician and Clinical Services	210.5	390.4	576.8	603.7	22%	21%	20%	20%	5.4%	4.5%	4.6%
▶ Dental Services	41.6	81.7	110.4	113.5	4%	4%	4%	4%	5.2%	3.3%	2.8%
▶ Other Professional Services	24.0	49.9	80.3	84.4	2%	3%	3%	3%	6.5%	5.4%	5.2%
▶ Nursing Care Facilities	58.4	105.4	150.2	155.6	6%	6%	5%	5%	5.0%	4.0%	3.6%
▶ Home Health Services	27.3	44.6	79.4	83.2	3%	2%	3%	3%	5.7%	6.4%	4.8%
▶ Other Health Care	37.5	89.3	144.5	150.4	4%	5%	5%	5%	7.2%	5.3%	4.1%
▶ Retail Outlet Sales	92.6	261.3	365.8	401.0	10%	14%	13%	13%	7.6%	4.4%	9.6%
▶ Prescription Drugs	53.0	192.8	265.3	297.7	5%	10%	9%	10%	9.0%	4.4%	12.2%
▶ Other Nondurable Medical Products	24.3	38.1	55.6	56.9	3%	2%	2%	2%	4.3%	4.1%	2.4%
▶ Durable Medical Equipment	15.3	30.4	44.9	46.4	2%	2%	2%	2%	5.7%	4.3%	3.2%
▶ Administration	55.9	142.0	209.5	234.8	6%	7%	7%	8%	7.4%	5.2%	12.1%
▶ Net Cost of Health Insurance	44.9	115.0	173.2	194.6	5%	6%	6%	6%	7.6%	5.4%	12.4%
▶ Government Administration	11.0	27.0	36.3	40.2	1%	1%	1%	1%	6.7%	4.1%	10.7%
▶ Federal Government Administration	6.8	16.5	26.8	30.1	1%	1%	1%	1%	7.8%	6.2%	12.1%
▶ State and Local Government Administration	4.2	10.5	9.5	10.1	0%	1%	0%	0%	4.5%	-0.4%	6.6%
▶ Public Health Activities	29.6	54.9	76.6	79.0	3%	3%	3%	3%	5.0%	3.7%	3.1%
Investment	61.6	111.4	152.5	153.9	6%	6%	5%	5%	4.7%	3.3%	0.9%
▶ Noncommercial Research	17.8	38.6	46.5	45.5	2%	2%	2%	2%	4.8%	1.7%	-2.0%
▶ Structures and Equipment	43.8	72.8	106.0	108.3	5%	4%	4%	4%	4.6%	4.1%	2.2%

*Growth rates for the 1994–2014 and 2004–2014 periods are average annual; 2013–2014 is the increase of 2014 over 2013 levels.

Notes: *Health spending* refers to national health expenditures. Further definitions available at www.cms.gov.

Source: National Health Expenditure Data, Historical, 1960–2014, Centers for Medicare & Medicaid Services, 2015, www.cms.gov.

Appendix B: Personal Health Care Spending, by Gender, Age, and Category, 2010

	FEMALES						MALES						TOTAL					
	0 to 18	19 to 44	45 to 64	65 to 84	85+	ALL	0 to 18	19 to 44	45 to 64	65 to 84	85+	ALL	0 to 18	19 to 44	45 to 64	65 to 84	85+	ALL
PER CAPITA	\$3,572	\$5,579	\$8,577	\$15,805	\$36,296	\$7,860	\$3,680	\$3,283	\$8,154	\$15,920	\$31,670	\$6,313	\$3,628	\$4,422	\$8,370	\$15,857	\$34,783	\$7,097
Hospital Care	1,548	2,205	2,728	5,429	10,076	2,763	1,528	1,195	3,284	6,445	11,080	2,493	1,538	1,696	3,001	5,887	10,405	2,630
Physician and Clinical Services	937	1,741	2,279	3,150	3,935	1,911	1,005	810	1,782	3,440	5,179	1,441	972	1,272	2,035	3,281	4,342	1,680
Dental Services	404	285	464	376	309	374	348	197	388	379	313	307	375	241	427	377	311	341
Other Professional Services	102	229	342	478	669	269	105	124	217	435	677	182	103	176	281	459	672	226
Nursing Care Facilities	9	24	206	2,003	12,379	602	14	32	243	1,512	7,218	320	11	28	224	1,782	10,690	463
Home Health Care	80	83	161	869	3,909	289	90	49	124	575	3,087	170	85	66	143	736	3,640	230
Other Health Care	223	319	464	678	1,408	404	263	413	525	553	1,099	426	244	366	494	622	1,307	415
Prescription Drugs	199	514	1,537	1,937	1,994	919	257	350	1,254	1,823	1,814	734	229	432	1,398	1,886	1,935	827
Other Medical Products	70	178	397	885	1,617	330	72	112	336	758	1,203	240	70	145	366	827	1,481	286
AGGREGATE (BILLIONS)	\$137.2	\$298.9	\$358.1	\$302.8	\$133.7	\$1,230.7	\$147.9	\$178.9	\$328.1	\$250.6	\$56.8	\$962.2	\$285.1	\$477.7	\$686.2	\$553.4	\$190.5	\$2,192.9
Hospital Care	59.5	118.1	113.9	104.0	37.1	432.6	61.4	65.1	132.2	101.4	19.9	379.9	120.9	183.2	246.0	205.5	57.0	812.6
Physician and Clinical Services	36.0	93.3	95.2	60.4	14.5	299.3	40.4	44.1	71.7	54.2	9.3	219.7	76.4	137.4	166.9	114.5	23.8	519.0
Dental Services	15.5	15.3	19.4	7.2	1.1	58.5	14.0	10.7	15.6	6.0	0.6	46.9	29.5	26.0	35.0	13.2	1.7	105.4
Other Professional Services	3.9	12.3	14.3	9.2	2.5	42.1	4.2	6.8	8.7	6.8	1.2	27.8	8.1	19.0	23.0	16.0	3.7	69.8
Nursing Care Facilities	0.4	1.3	8.6	38.4	45.6	94.2	0.5	1.7	9.8	23.8	12.9	48.8	0.9	3.0	18.4	62.2	58.5	143.0
Home Health Care	3.1	4.5	6.7	16.6	14.4	45.3	3.6	2.7	5.0	9.1	5.5	25.9	6.7	7.1	11.7	25.7	19.9	71.2
Other Health Care	8.6	17.1	19.4	13.0	5.2	63.2	10.6	22.5	21.1	8.7	2.0	64.9	19.2	39.6	40.5	21.7	7.2	128.1
Prescription Drugs	7.6	27.6	64.2	37.1	7.3	143.8	10.3	19.1	50.5	28.7	3.3	111.8	18.0	46.6	114.6	65.8	10.6	255.7
Other Medical Products	2.7	9.5	16.5	16.9	6.0	51.7	2.9	6.1	13.5	11.9	2.2	36.6	5.6	15.6	30.1	28.9	8.1	88.2
DISTRIBUTION	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Hospital Care	43%	40%	32%	34%	28%	35%	42%	36%	40%	40%	35%	39%	42%	38%	36%	37%	30%	37%
Physician and Clinical Services	26%	31%	27%	20%	11%	24%	27%	25%	22%	22%	16%	23%	27%	29%	24%	21%	12%	24%
Dental Services	11%	5%	5%	2%	1%	5%	9%	6%	5%	2%	1%	5%	10%	5%	5%	2%	1%	5%
Other Professional Services	3%	4%	4%	3%	2%	3%	3%	4%	3%	3%	2%	3%	3%	4%	3%	3%	2%	3%
Nursing Care Facilities	0%	0%	2%	13%	34%	8%	0%	1%	3%	9%	23%	5%	0%	1%	3%	11%	31%	7%
Home Health Care	2%	1%	2%	5%	11%	4%	2%	1%	2%	4%	10%	3%	2%	1%	2%	5%	10%	3%
Other Health Care	6%	6%	5%	4%	4%	5%	7%	13%	6%	3%	3%	7%	7%	8%	6%	4%	4%	6%
Prescription Drugs	6%	9%	18%	12%	5%	12%	7%	11%	15%	11%	6%	12%	6%	10%	17%	12%	6%	12%
Other Medical Products	2%	3%	5%	6%	4%	4%	2%	3%	4%	5%	4%	4%	2%	3%	4%	5%	4%	4%

Note: *Personal health care spending* excludes net cost of health insurance, government administration, public health activities, and investment.

Source: National Health Expenditure Data, Historical, 1960-2014, Centers for Medicare & Medicaid Services, 2014, www.cms.gov.

Appendix C: Medical Conditions

TYPE OF CONDITION	EXAMPLES
Routine care, signs, and symptoms	preventive care, allergies, flu symptoms
Circulatory system	hypertension, heart failure, heart attack
Musculoskeletal	back problems, arthritis
Respiratory	COPD, pneumonia, asthma, influenza
Endocrine system	diabetes, high cholesterol, thyroid disorders
Nervous system	cataract, migraines, epilepsy, chronic nerve pain
Neoplasms	cancers, tumors
Injury and poisoning	trauma
Genitourinary	kidney and reproductive system diseases
Digestive	gastrointestinal disorders
Mental illness	depression, dementia, substance abuse
Infectious diseases	septicemia, HIV, hepatitis
Skin	infections, ulcers, acne, sunburn
Pregnancy	deliveries, contraceptives

Appendix D: Health Spending, by Medical Condition, United States, 2002 to 2012

TYPE OF CONDITION	SPENDING LEVEL (IN BILLIONS)			DISTRIBUTION			GROWTH RATE*		
	2002	2011	2012	2002	2011	2012	2002-2012	2011	2012
All conditions	1,081.0	1,804.7	1,885.2	100%	100%	100%	5.7%	4.8%	4.5%
Routine care, signs, and symptoms	113.6	233.4	247.3	11%	13%	13%	8.1%	7.9%	5.9%
Circulatory system	179.0	237.7	240.9	17%	14%	13%	3.0%	0.8%	1.3%
Musculoskeletal	99.8	178.0	185.9	9%	10%	10%	6.4%	4.3%	4.4%
Respiratory	105.5	152.7	156.5	10%	8%	8%	4.0%	5.0%	2.5%
Endocrine system	73.6	133.6	138.0	7%	7%	7%	6.5%	4.6%	3.4%
Nervous system	72.6	126.4	133.1	7%	7%	7%	6.2%	5.1%	5.3%
Neoplasms	74.0	122.8	123.5	7%	7%	7%	5.3%	4.7%	0.6%
Injury and poisoning	74.0	115.8	117.7	7%	6%	6%	4.8%	5.5%	1.6%
Genitourinary	62.9	109.4	112.7	6%	6%	6%	6.0%	2.1%	3.0%
Digestive	67.0	102.0	107.1	6%	6%	6%	4.8%	2.9%	4.9%
Other	43.2	78.2	93.4	4%	4%	4%	8.0%	12.8%	19.5%
Mental illness	43.2	75.4	79.6	4%	4%	4%	6.3%	4.2%	5.6%
Infectious diseases	25.7	62.6	66.9	2%	3%	3%	10.0%	6.8%	6.9%
Skin	25.6	41.7	44.2	2%	2%	2%	5.6%	5.7%	6.2%
Pregnancy	21.3	35.3	38.6	2%	2%	2%	6.1%	6.0%	9.3%

*Growth rate for 2002-2012 is average annual; others are annual change.

Notes: Spending by medical condition accounted for 83% of personal health spending in 2012. Medical condition spending does not account for spending on dental services, nursing homes, or medical products and equipment. The most recent data series ends with 2012. See Appendix C for medical condition detail.

Source: "Health Care Satellite Account: Blended Account, 2000-2012," Bureau of Economic Analysis, www.bea.gov.