

CALIFORNIA Health Care Almanac



MAY 2020

Health Care Costs 101: US Spending Growth Relatively Steady in 2018

Executive Summary

Health Care Costs 101: US Spending Growth Relatively Steady in 2018 provides a detailed look at national health care spending in 2018, as well as projections for the next decade. Please note that these projections were made before the onset of the COVID-19 pandemic.

National health spending growth accelerated in 2018, with total US health spending exceeding \$3.6 trillion. That translates to \$11,172 of health spending per person, more than twice the rate of most other developed countries. Health spending accounted for 17.7% of the economy in 2018, down slightly from 17.9% due to strong economic growth. Looking ahead, national health spending is projected to grow at an average rate of 5.4% per year from 2019 to 2028, faster than the economy’s 4.3% projected growth. By 2028, health care spending is expected to reach \$6.2 trillion and account for nearly one-fifth of GDP.

KEY FINDINGS INCLUDE:

- Medicare spending is projected to increase as the population ages — it accounted for \$1 in \$5 spent on health care in 2018 and will account for \$1 in \$4 spent on health care in 2028.
- Public health insurance, including Medicare and Medicaid, paid 41% of the health bill in 2018. Private insurance paid 34%, and consumers’ out-of-pocket spending accounted for 10%.
- The “net cost of health insurance”* was the fastest-growing category of spending, both in 2018 (13.2%) and as measured by its 20-year average (8.6%). This category accounts for 7% of spending.
- Prescription drug spending totaled \$335 billion in 2018 and grew 2.5%, as compared to 1.4% in 2017. While drug prices decreased in 2018, the number of prescriptions dispensed increased.
- Households and the federal government each accounted for 28% of health spending in 2018. Private business accounted for 20%.
- Federal subsidies for ACA marketplace (individual coverage) premiums and cost sharing totaled \$51 billion, accounting for 5% of federal health spending.

See current and past editions of *Health Care Costs 101* at www.chcf.org/collection/health-care-costs-spending-almanac.

*Net cost of health insurance reflects the difference between premiums and benefit costs for private insurance, and includes administrative costs, taxes, and profits.

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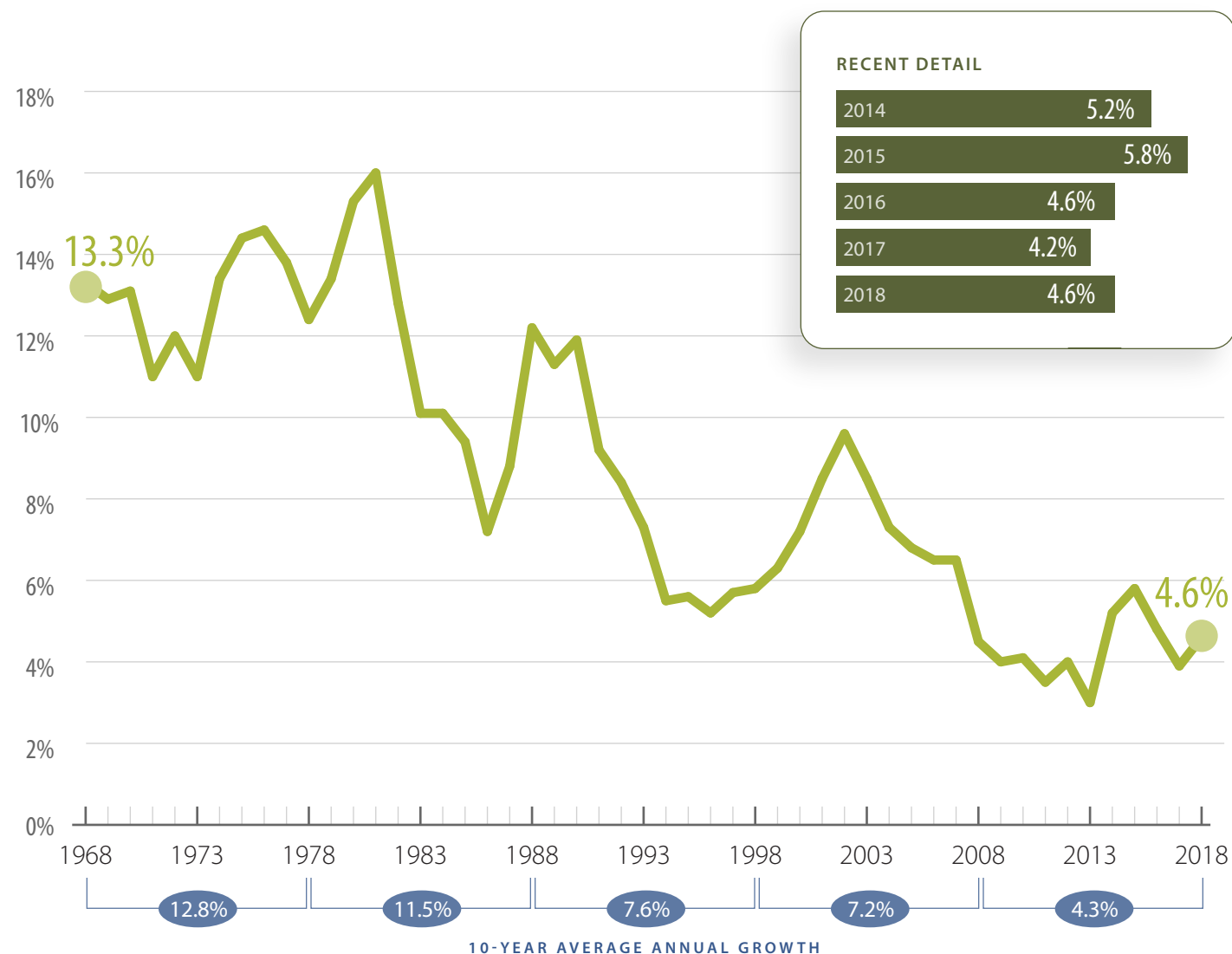
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Annual Growth Rates in Health Spending

United States, 1968 to 2018



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

Source: Author calculations based on [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Spending Levels

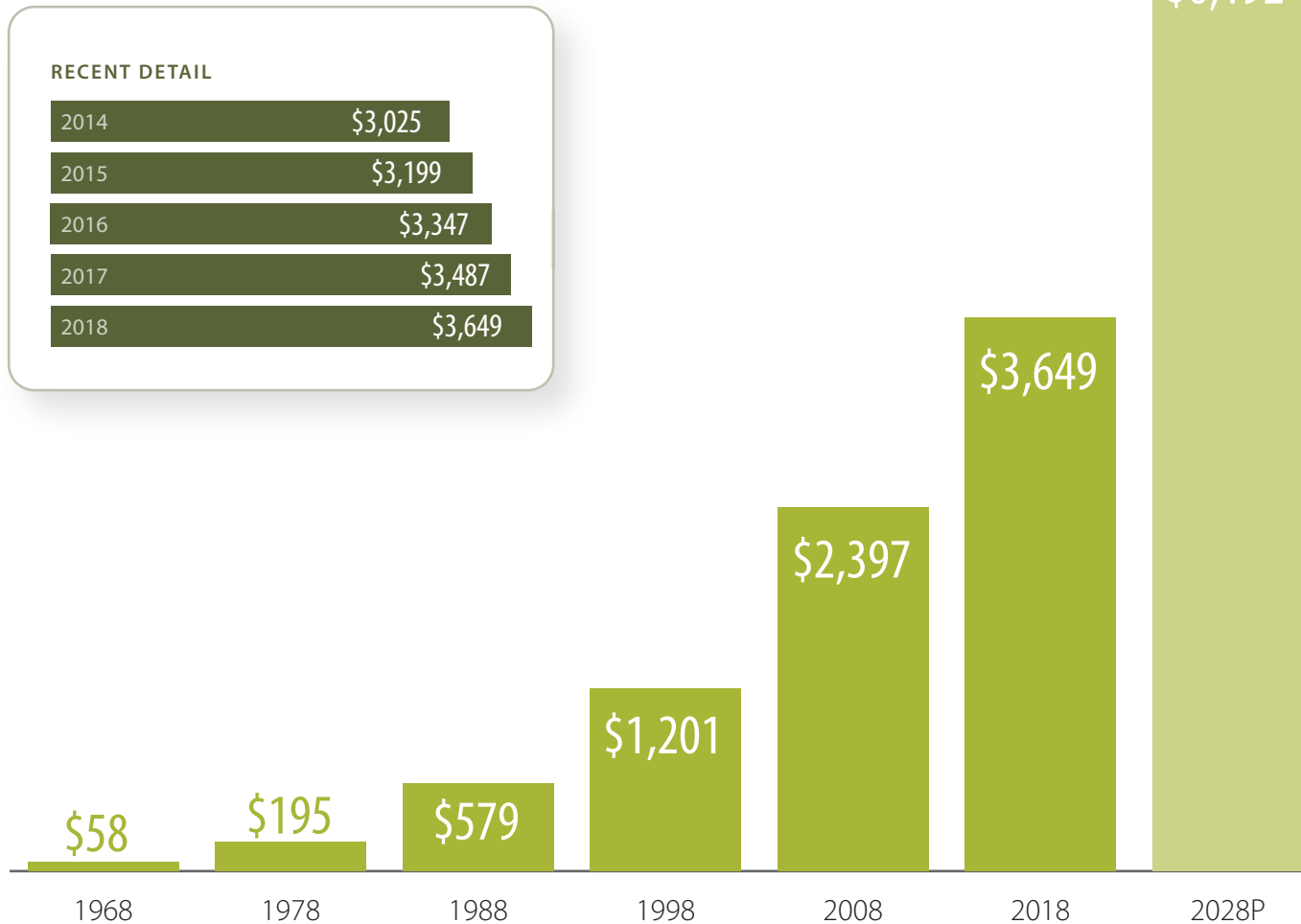
Spending grew 4.6% in 2018, compared to 4.2% in 2017. The slight uptick in 2018 reflects in part the reinstatement of the health insurance tax.* Following a one-year suspension in 2017, fees collected from health insurance providers totaled \$14.3 billion in 2018.

* Affordable Care Act provision 9010 — health insurance providers fee.

Health Spending

United States, 1968 to 2018, Selected Years, and 10-Year Projection

IN BILLIONS



Health Care Costs 101

Spending Levels

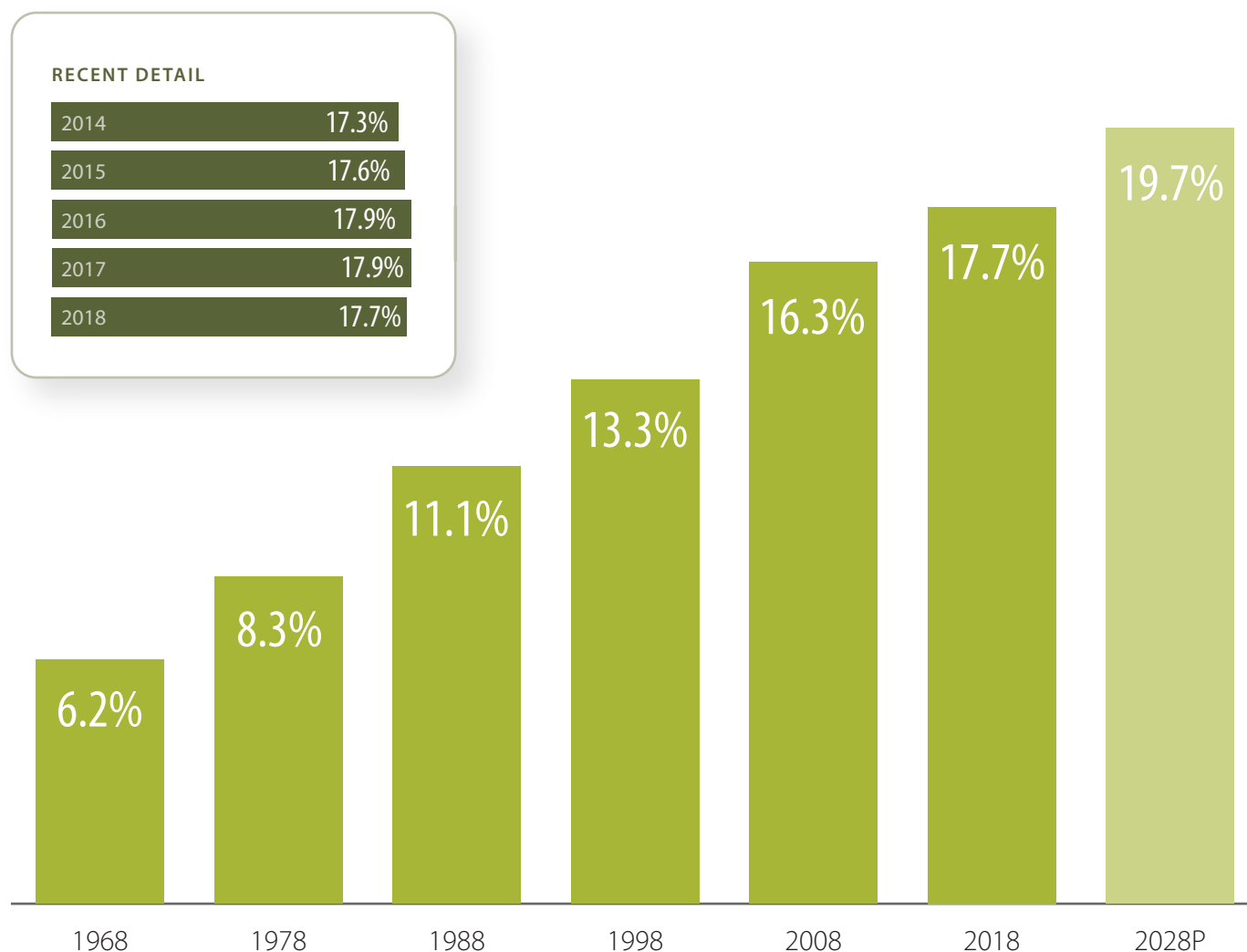
Health spending reached \$3.6 trillion in 2018 and is projected to reach \$6.2 trillion in 2028. Between 2019 and 2028, health spending is projected to grow at an average rate of 5.4% per year (not shown).

Notes: *Health spending* refers to national health expenditures. Projections shown as *P* and based on current law as of December 2019.

Sources: [National Health Expenditure \(NHE\) historical data](#) (1960–2018), Centers for Medicare & Medicaid Services (CMS); and [NHE projections](#) (2019–28), CMS.

Health Spending as a Share of GDP

United States, 1968 to 2018, Selected Years, and 10-Year Projection



Notes: *Health spending* refers to national health expenditures. Projections shown as *P* and based on current law as of December 2019. The 2018 figure reflects a 5.4% increase in gross domestic product (GDP) and a 4.6% increase in national health spending over the prior year. See page 30 for a comparison of economic growth and health spending growth.

Sources: [National Health Expenditure \(NHE\) historical data](#) (1960–2018), Centers for Medicare & Medicaid Services (CMS); and [NHE projections](#) (2019–28), CMS.

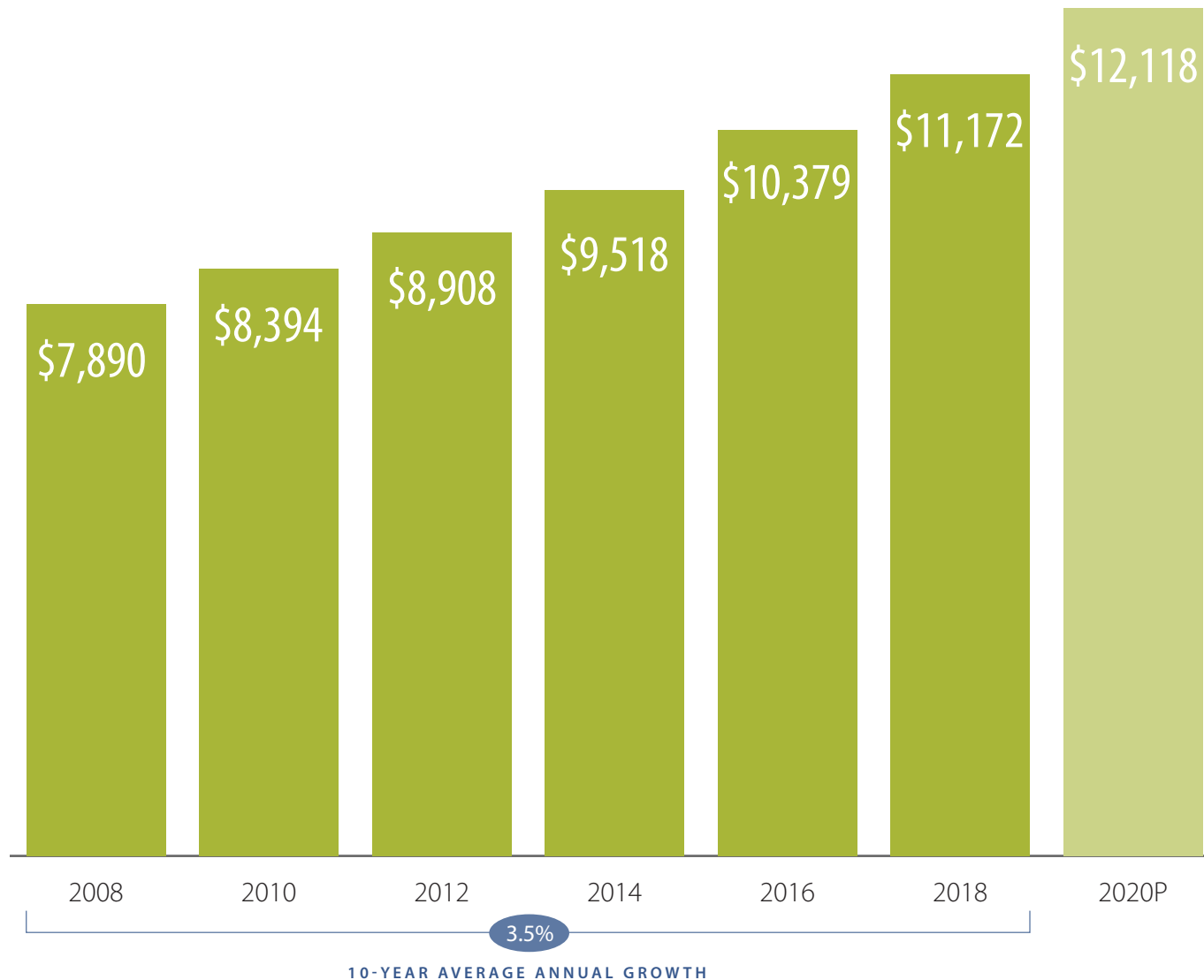
Health Care Costs 101

Spending Levels

Over the past 50 years, health care has accounted for a growing share of gross domestic product (GDP). In 2018, health care's share of GDP remained relatively stable, due to strong economic growth and moderate growth in health care spending. Health care's share of GDP is projected to reach 19.7% by 2028, or nearly one of every five dollars in the economy.

Health Spending per Capita

United States, 2008 to 2018, Selected Years, and Two-Year Projection



Health Care Costs 101

Spending Levels

In 2018, US health spending reached \$11,172 per person and is projected to reach \$12,118 per person in 2020. Per capita spending grew at a 10-year average rate of 3.5% per year between 2008 and 2018.

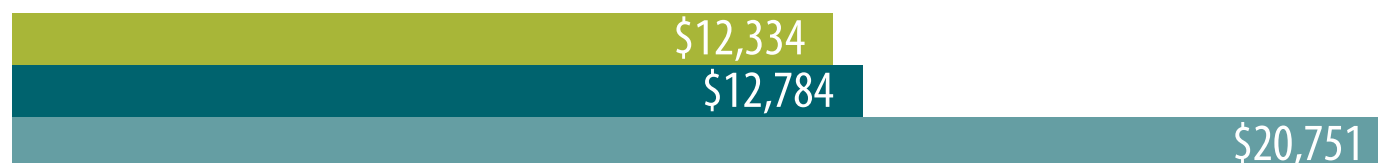
Notes: *Health spending* refers to national health expenditures. Projections shown as *P* and based on current law as of December 2019.

Sources: [National Health Expenditure \(NHE\) historical data](#) (1960–2018), Centers for Medicare & Medicaid Services (CMS); and [NHE projections](#) (2019–28), CMS.

Health Insurance Spending per Enrollee

United States, 2017, 2018, and 10-Year Projection

Medicare



Medicaid



Employer-Sponsored



Marketplace



N/A

■ 2017
■ 2018
■ 2028P

Health Care Costs 101

Spending Levels

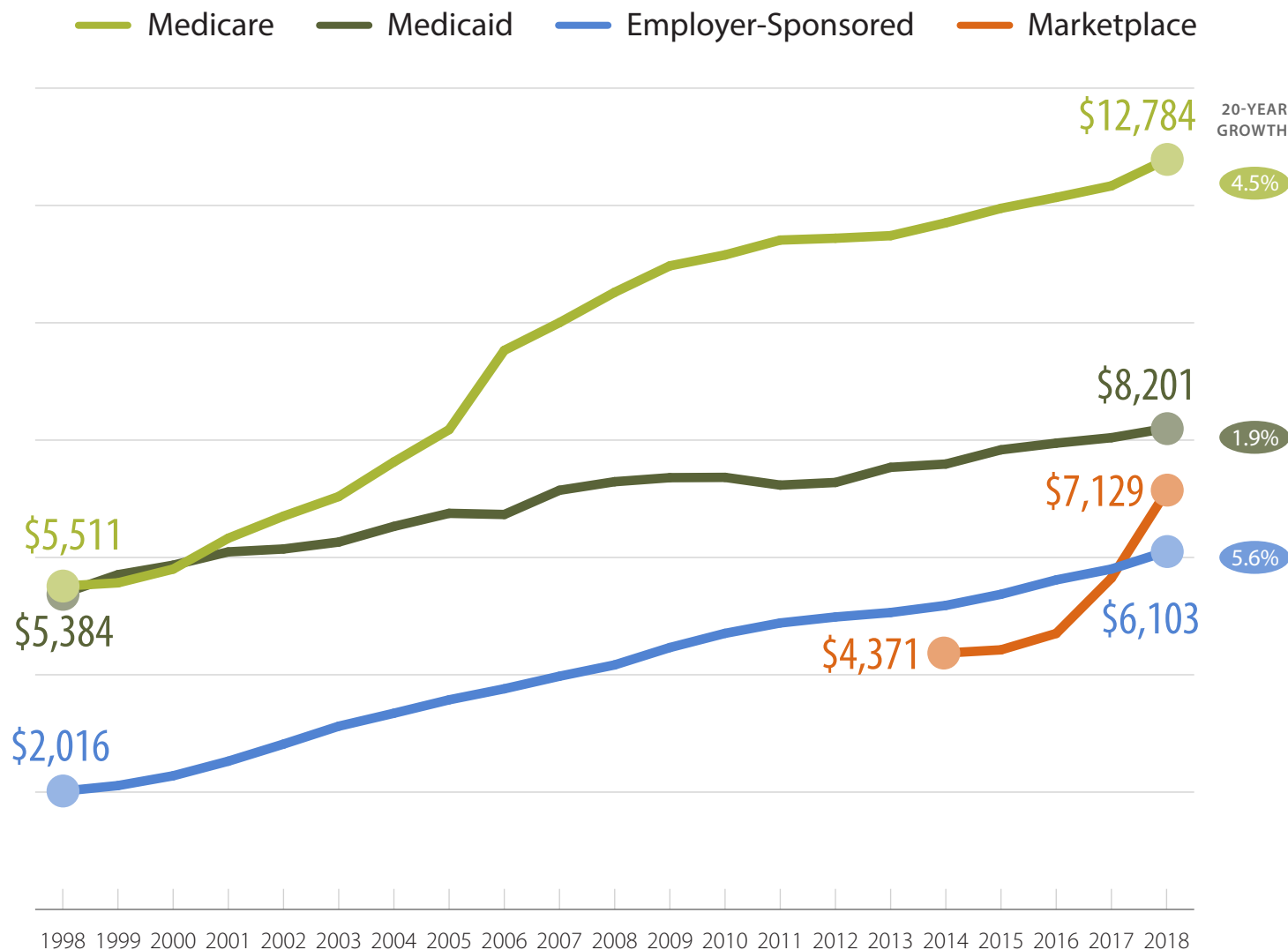
In 2018, per enrollee spending on marketplace insurance exceeded per enrollee spending for employee-sponsored insurance (ESI). Compared to 2017, marketplace spending per enrollee rose 26% while ESI per enrollee spending increased 5%. At \$12,784 per enrollee in 2018, Medicare spending was more than double ESI. Medicare spending per enrollee is projected to reach nearly \$21,000 in 2028.

Notes: *Employer-sponsored* figures include both the employer and worker contribution to premiums. *Marketplace* is individual health coverage purchased on federal- and state-run health exchanges such as healthcare.gov and Covered California. Marketplace per enrollee spending includes premium and cost-sharing subsidies. Per enrollee spending in 2018 not shown: Medigap (\$2,740), other direct purchase insurance (\$5,700), and Children's Health Insurance Program (\$2,636). The 2028 projection reflects the 10-year (2019 to 2028) average annual per enrollee spending growth of 5.0% for Medicare, 4.3% for Medicaid, and 1.2% for employer-sponsored insurance. Projections shown as P and based on current law as of December 2019.

Sources: [National Health Expenditure \(NHE\) historical data](#) (1960–2018), Centers for Medicare & Medicaid Services (CMS); and [NHE projections](#) (2019–28), CMS.

Health Insurance Spending per Enrollee

United States, 1998 to 2018



Notes: *Marketplace* is individual health coverage purchased on federal- and state-run health exchanges such as [healthcare.gov](https://www.healthcare.gov) and Covered California. Marketplace per enrollee spending includes premium and cost-sharing subsidies. Twenty-year growth percentages are average annual (1998–2018).

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

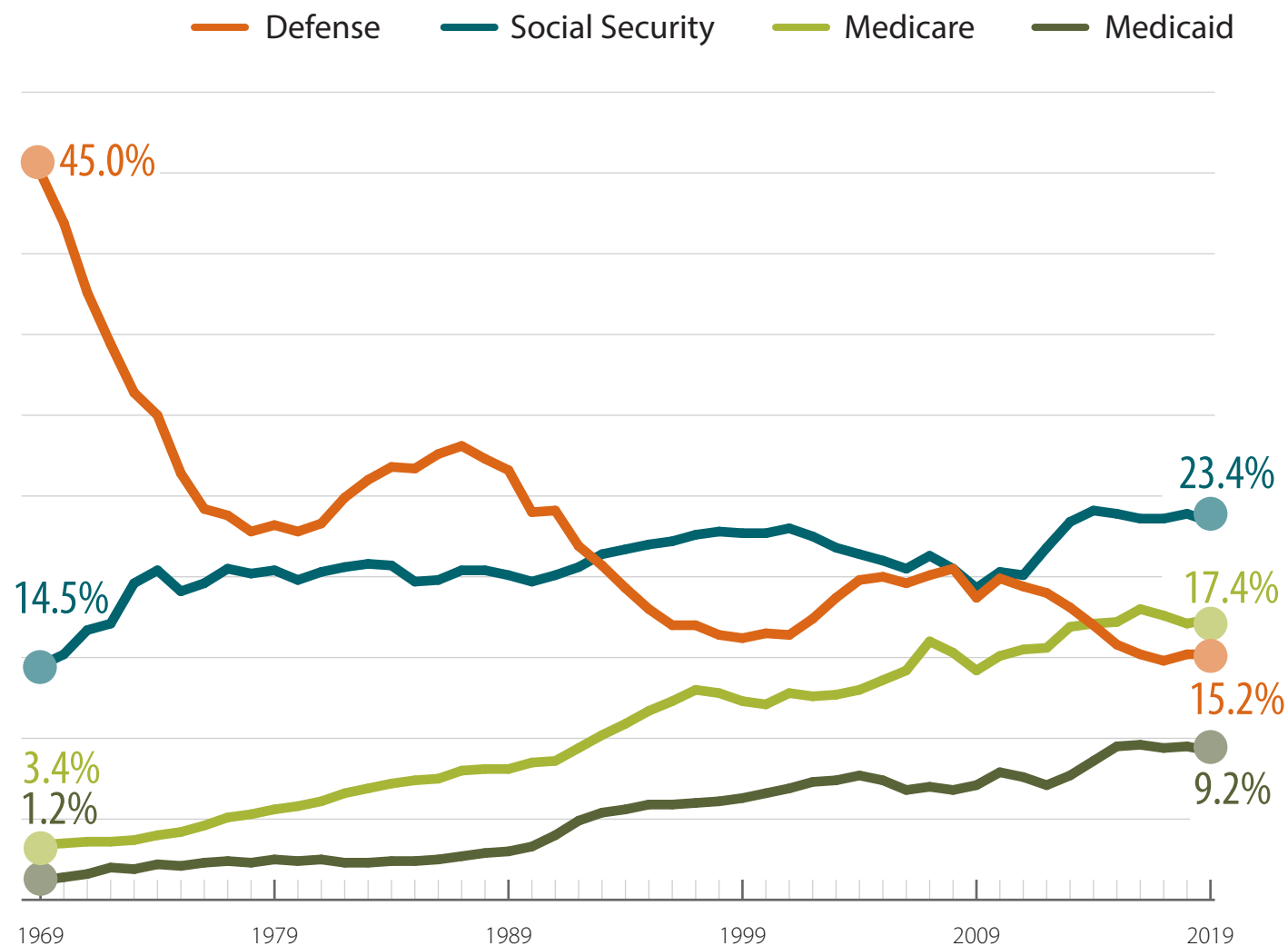
Health Care Costs 101

Spending Levels

Since 1998, Medicaid and Medicare spending have diverged. Shifts in Medicaid eligibility to cover more children and nondisabled adults have helped hold down Medicaid's per enrollee spending.

Major Programs as a Share of the Federal Budget

United States, 1969 to 2019



Health Care Costs 101

Spending Levels

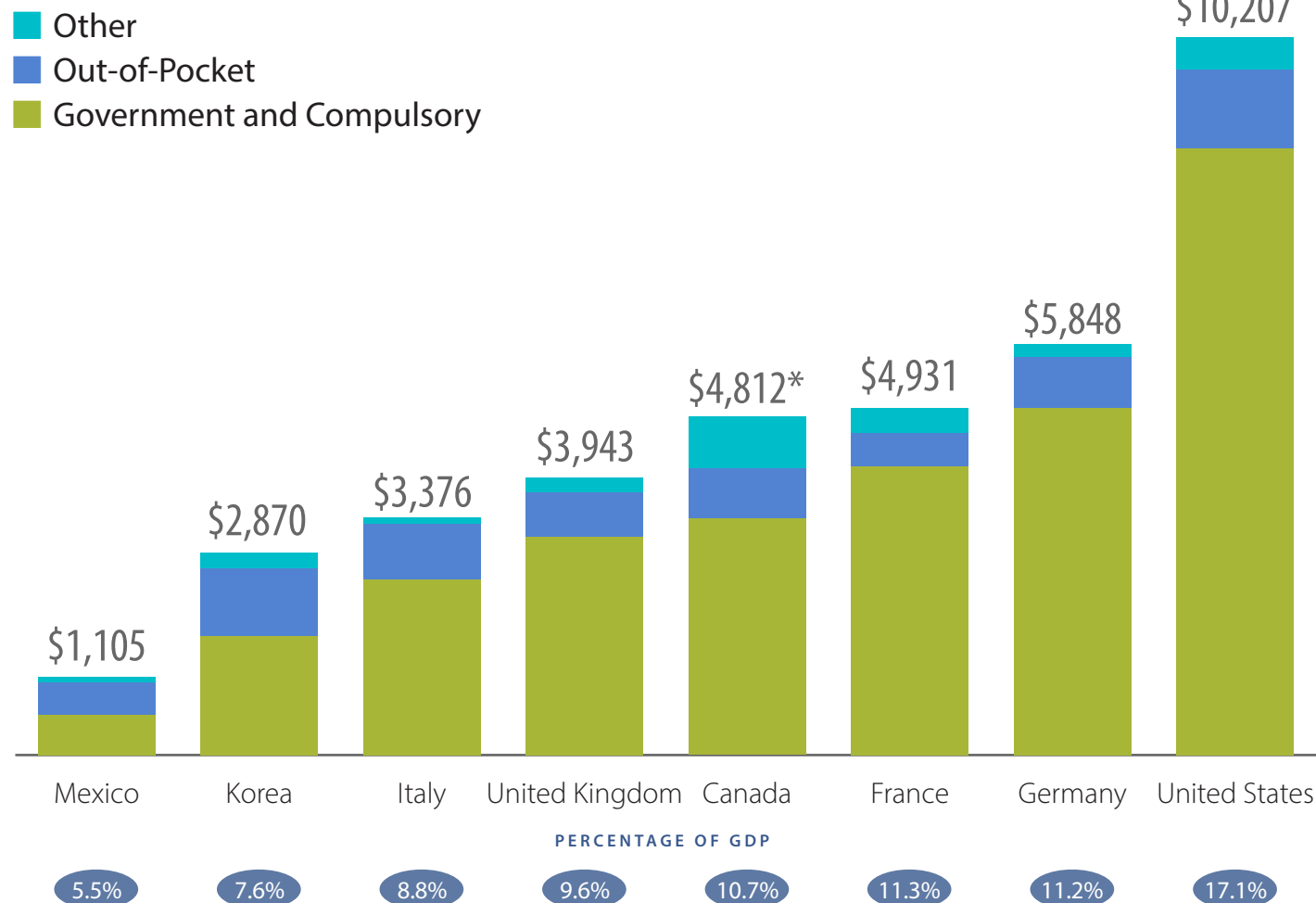
Since 2014, defense has consumed a smaller share of the federal budget than the Medicare program.

Notes: Shares are calculated as a percentage of federal outlays. All outlays reflect federal spending only (i.e., Medicaid outlays shown reflect federal portion).

Source: Author calculations based on "Historical Budget Data," in *The Budget and Economic Outlook: 2020 to 2030*, Congressional Budget Office, January 2020.

Health Spending per Capita and as a Share of GDP

Selected Developed Countries, 2017



*Provisional value.

Notes: US spending per capita as reported by the Organisation for Economic Co-operation and Development (OECD) differs from figures reported elsewhere in this report. GDP is gross domestic product. *Government and compulsory* includes publicly funded (including Medicare, Medicaid, Veterans Affairs, and Dept. of Defense), employer-sponsored, and individually purchased health insurance. *Out-of-pocket* is consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums. *Other* is total spending less government and compulsory spending and out-of-pocket spending.

Source: "OECD Health Statistics 2019: Frequently Requested Data," OECD, last updated November 15, 2019.

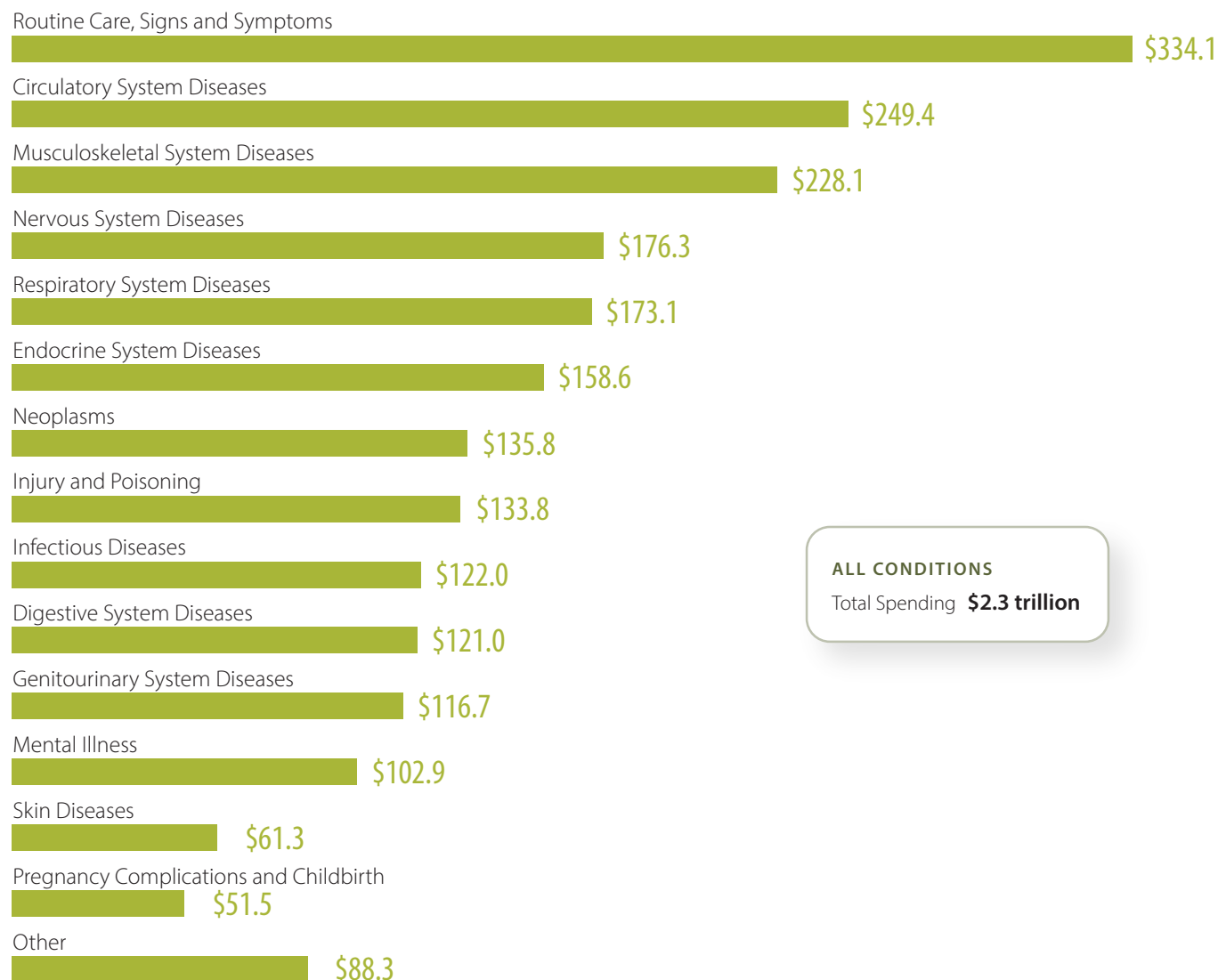
Health Care Costs 101

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. US health spending per capita was more than twice that of most other developed countries.

Health Spending by Type of Medical Condition

United States, Total and Annual Growth, 2016



Notes: Spending classified by medical condition (shown above) accounted for 84% of the trillion dollars in 2016 health care spending under the health care satellite accounts. Not shown: spending not classified by disease, including dental services, nursing homes, and medical products, appliances, and equipment. See Appendix C for more detail.

Source: *Blended Account, 2000-2016*, US Bureau of Economic Analysis, September 16, 2019.

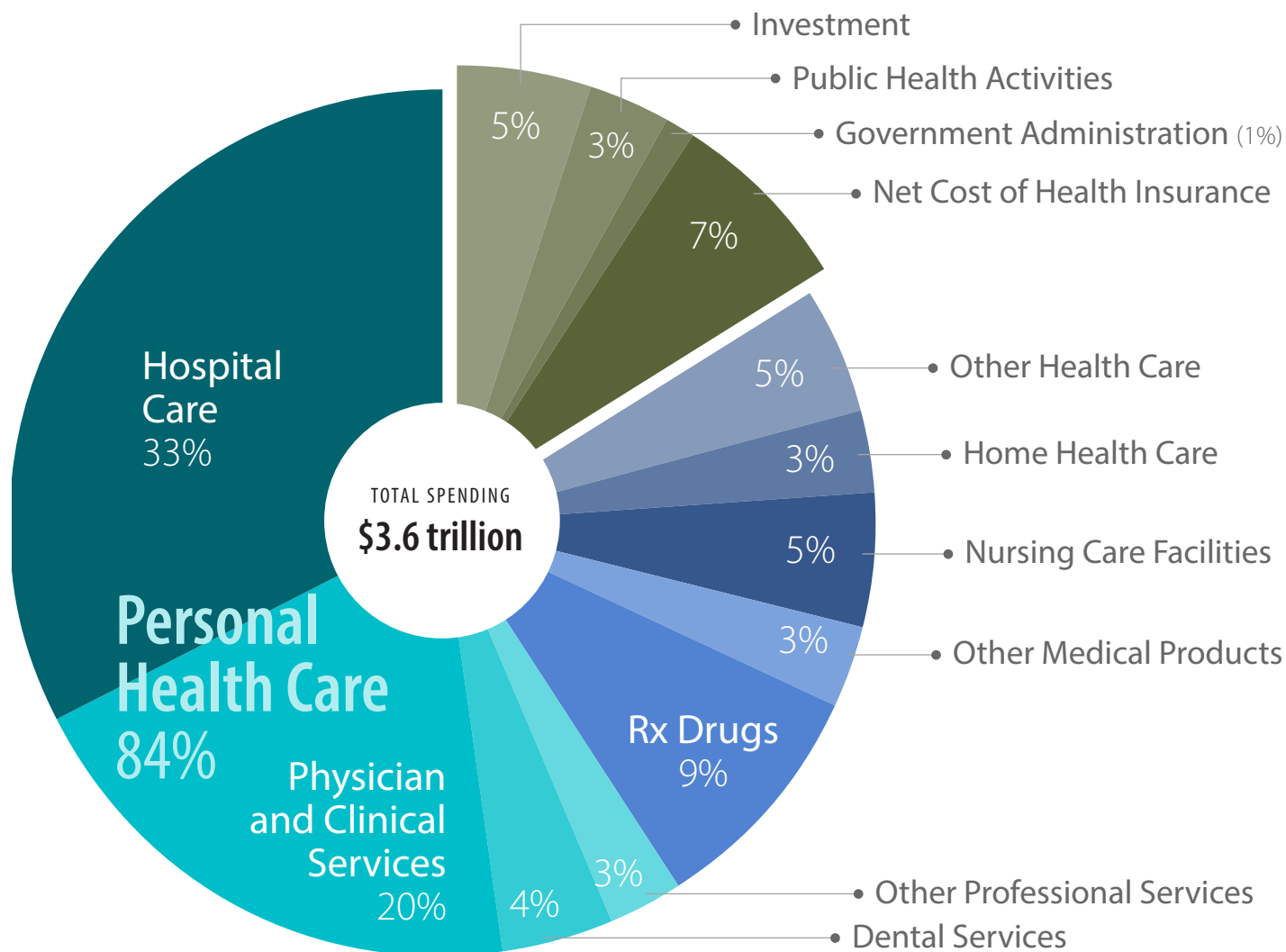
Health Care Costs 101

Spending Levels

When looking at health spending by medical condition, the highest expenditures were for routine care (\$334 billion), followed by circulatory system conditions (includes hypertension and heart disease). Respiratory and infectious diseases were the fifth- and ninth-largest categories.

Health Spending Distribution, by Category

United States, 2018



Notes: *Health spending* refers to national health expenditures. Segments may not total 100% due to rounding. For additional detail on spending categories, see page 15 and Appendix A.

Source: **National Health Expenditure historical data** (1960–2018), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Spending Levels

In 2018, over half of health care spending was on hospital care and physician and clinical services.

SPENDING CATEGORY DEFINITIONS

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

Investment includes noncommercial 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.

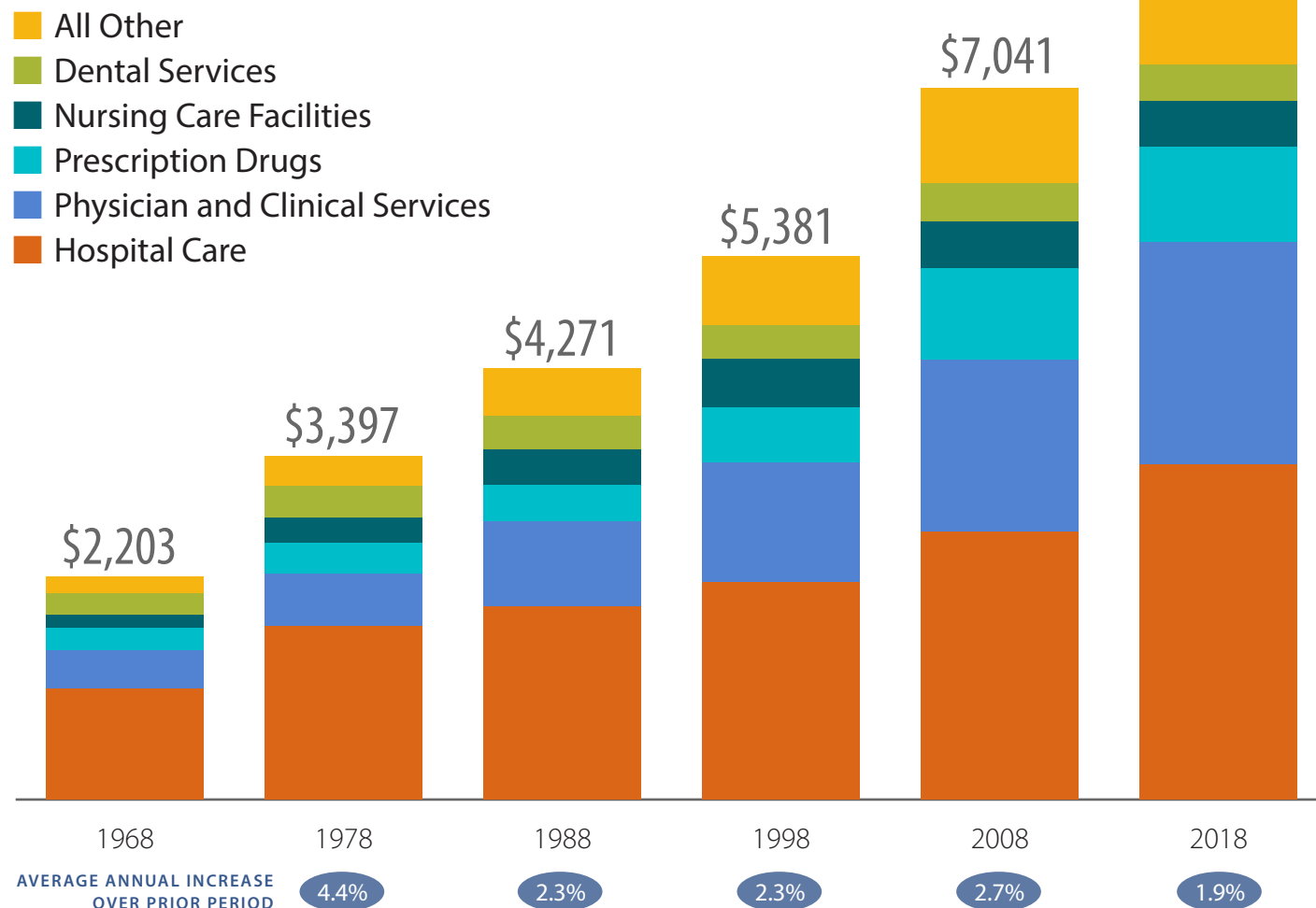
Other health care refers to the category other health, residential, and personal care.

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

Personal Health Care Spending, Adjusted for Inflation

United States, 1968 to 2018, Selected Years

IN 2012 REAL DOLLARS PER CAPITA



Notes: *Personal health care spending* excludes government administration, the net cost of health insurance, public health activities, and investment. For additional detail on spending categories, see Appendix A.

Source: Author calculations based on unpublished data associated with "Table 23: National Health Expenditures; Nominal Dollars, Real Dollars, Price Indexes, and Annual Percent Change: Selected Calendar Years 1980-2018," in *NHE Tables*, Centers for Medicare & Medicaid Services.

Health Care Costs 101

Spending Levels

The rise in health spending is not simply due to medical price increases or population growth. In inflation-adjusted dollars,* per capita spending grew nearly fourfold, from \$2,203 per person in 1968 to \$8,459 in 2018. Possible 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, and Methods* and *NHE Deflator Methodology* at www.cms.gov.

Factors Contributing to Per Capita Spending Growth

United States, 2014 to 2018

	2014	2015	2016	2017	2018
Nonprice Factors					
Volume and Mix of Services	2.1%	3.6%	1.9%	1.6%	1.3%
Age and Gender	0.6%	0.6%	0.6%	0.6%	0.6%
Price Factors					
Economy-Wide Inflation	1.9%	1.0%	1.0%	1.9%	2.4%
Medical-Specific Price Inflation	-0.1%	-0.2%	0.3%	-0.6%	-0.3%
Net Growth Per Capita	4.5%	5.0%	3.8%	3.5%	4.0%

Health Care Costs 101

Spending Levels

The biggest driver of per capita spending growth in 2018 was economy-wide inflation. In 2014 and 2015, ACA coverage expansion was the key driver of the volume and mix of services. Medical-specific price inflation — above and beyond economy-wide inflation — did not drive spending increases from 2014 to 2018.

Note: *Volume and mix of services*, also referred to as “residual use and intensity,” is calculated by removing the effects of population, age, and sex factors, and price growth from the nominal expenditure level.

Sources: Micah Hartman et al., “Exhibit 3,” in “[National Health Care Spending in 2018: Growth Driven by Accelerations in Medicare and Private Insurance Spending](#),” *Health Affairs* 39, no. 1 (January 2020): 8–17; and unpublished data points related to article’s Exhibit 3 provided by Office of the Actuary, Centers for Medicare & Medicaid Services.

Health Spending Summary, by Category

United States, 2017, 2018, and 20-Year Look Back

	SPENDING (IN BILLIONS)			DISTRIBUTION			GROWTH		
	1998	2017	2018	1998	2017	2018	1998–2018	2017	2018
National Health Expenditures	\$1,201.5	\$3,487.3	\$3,649.4	100%	100%	100%	5.7%	4.2%	4.6%
Hospital Care	374.9	1,140.6	1,191.8	31%	33%	33%	6.0%	4.7%	4.5%
Physician and Clinical Services	256.5	696.9	725.6	21%	20%	20%	5.3%	4.7%	4.1%
Dental Services	53.6	129.6	135.6	4%	4%	4%	4.8%	3.8%	4.6%
Other Professional Services	33.4	97.5	103.9	3%	3%	3%	5.8%	5.2%	6.5%
Nursing Care Facilities	79.1	166.2	168.5	7%	5%	5%	3.9%	2.0%	1.4%
Home Health Services	34.1	97.1	102.2	3%	3%	3%	5.6%	4.5%	5.2%
Other Health Care	55.6	183.2	191.6	5%	5%	5%	6.4%	5.5%	4.6%
Prescription Drugs	88.5	326.8	335.0	7%	9%	9%	6.9%	1.4%	2.5%
Other Medical Products	49.9	116.5	121.2	4%	3%	3%	4.5%	2.5%	4.1%
Net Cost of Health Insurance	49.9	228.3	258.5	4%	7%	7%	8.6%	4.3%	13.2%
Government Administration	13.3	44.8	47.5	1%	1%	1%	6.6%	-0.2%	6.0%
Public Health Activities	37.5	91.4	93.5	3%	3%	3%	4.7%	3.0%	2.4%
Investment	75.1	168.3	174.4	6%	5%	5%	4.3%	7.4%	3.6%

Notes: *Health spending* refers to national health expenditures. Growth for 1998–2018 is average annual rate; 2017 and 2018 are annual rates. For additional detail on spending categories, see Appendix A. Further definitions available at www.cms.gov.

Source: **National Health Expenditure historical data** (1960–2018), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Spending Levels

The 2018 growth rate in US health spending (4.6%) was higher than the previous year (4.2%), but lower than the 20-year average (5.7%). Over the past 20 years, hospital care has remained the largest spending category. Net cost of insurance had the highest growth in 2018, and the largest 20-year average growth.

SPENDING CATEGORY DEFINITIONS

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

Investment includes noncommercial research, structures, and equipment.

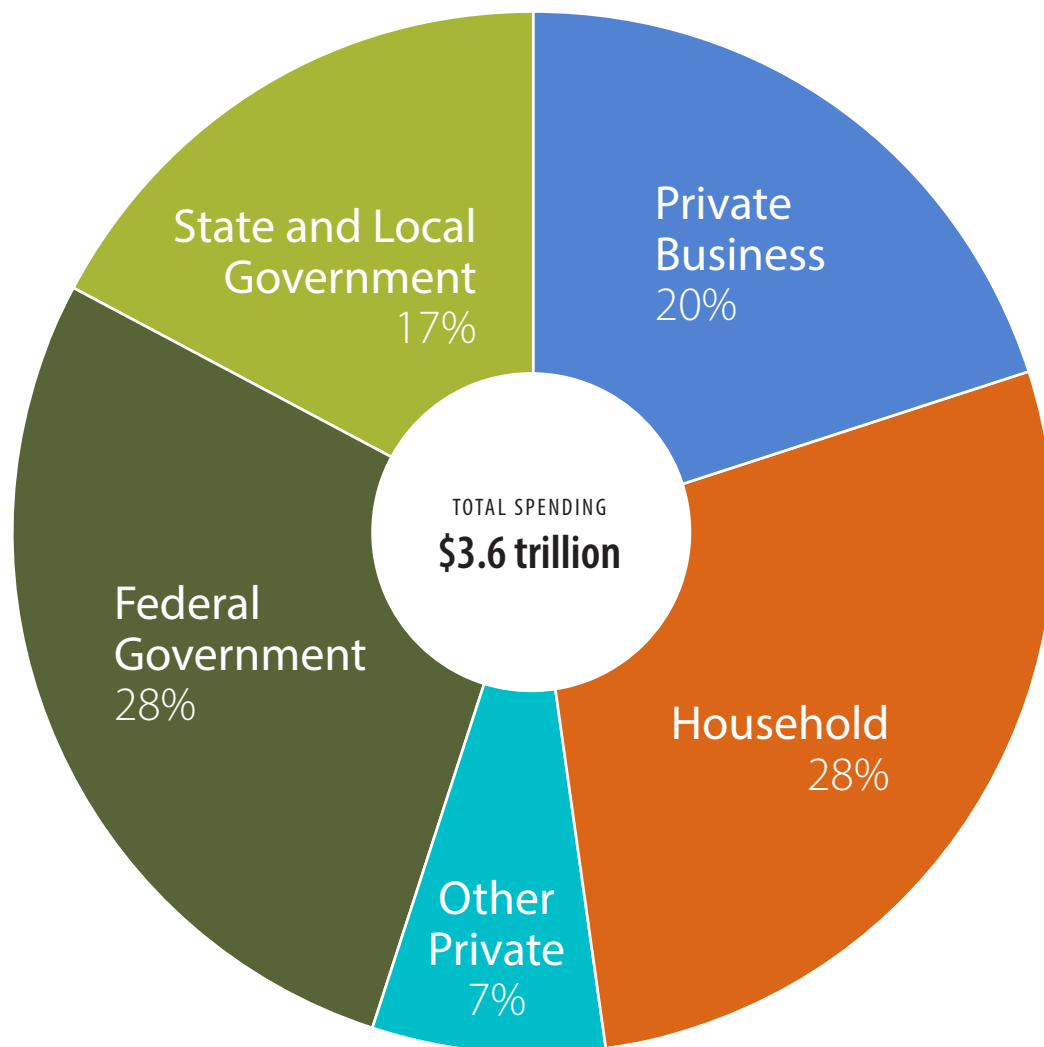
Net cost of health insurance reflects the difference between benefits and premiums for private insurance and includes administrative expenses, premium taxes, and profits.

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, 2018



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 historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Sponsors

Sponsors finance the nation's health care by paying insurance premiums, out-of-pocket expenses, and payroll taxes, or by directing general tax revenues to health care. In 2018, the federal government and households were the largest sponsors, each accounting for 28% of health spending.

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.

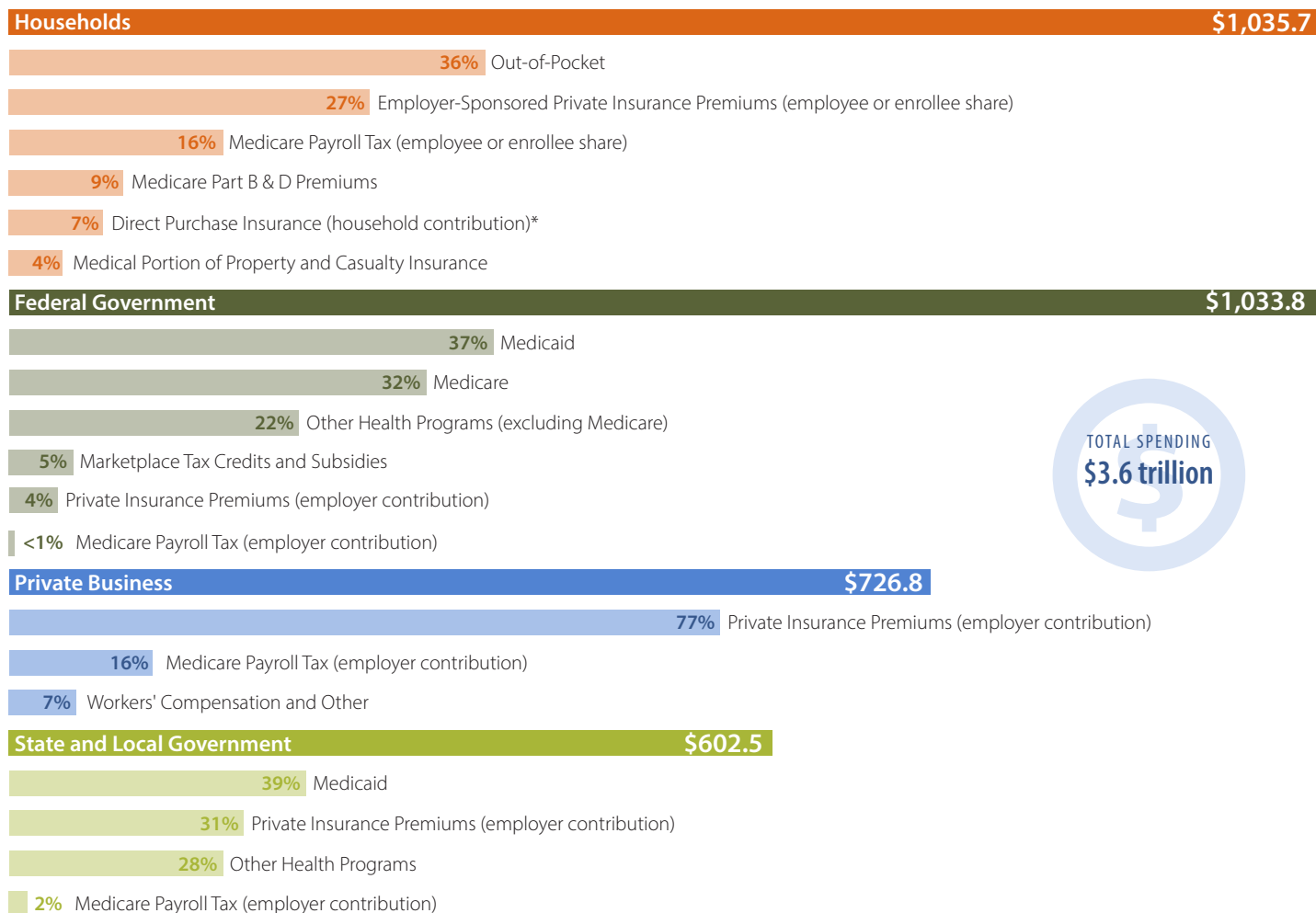
Other private revenues include philanthropy, investment income, and private investment in research, structures, and equipment.

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, 2018



TOTAL SPENDING
\$3.6 trillion

Health Care Costs 101

Sponsors

Out-of-pocket spending was the largest component of household health spending at 36%. Medicaid accounted for the largest share (37%) of federal spending on health care. Marketplace tax credits and subsidies totaled 5% of federal health spending. Employer contributions to workers' health insurance premiums made up the majority (77%) of private business health spending.

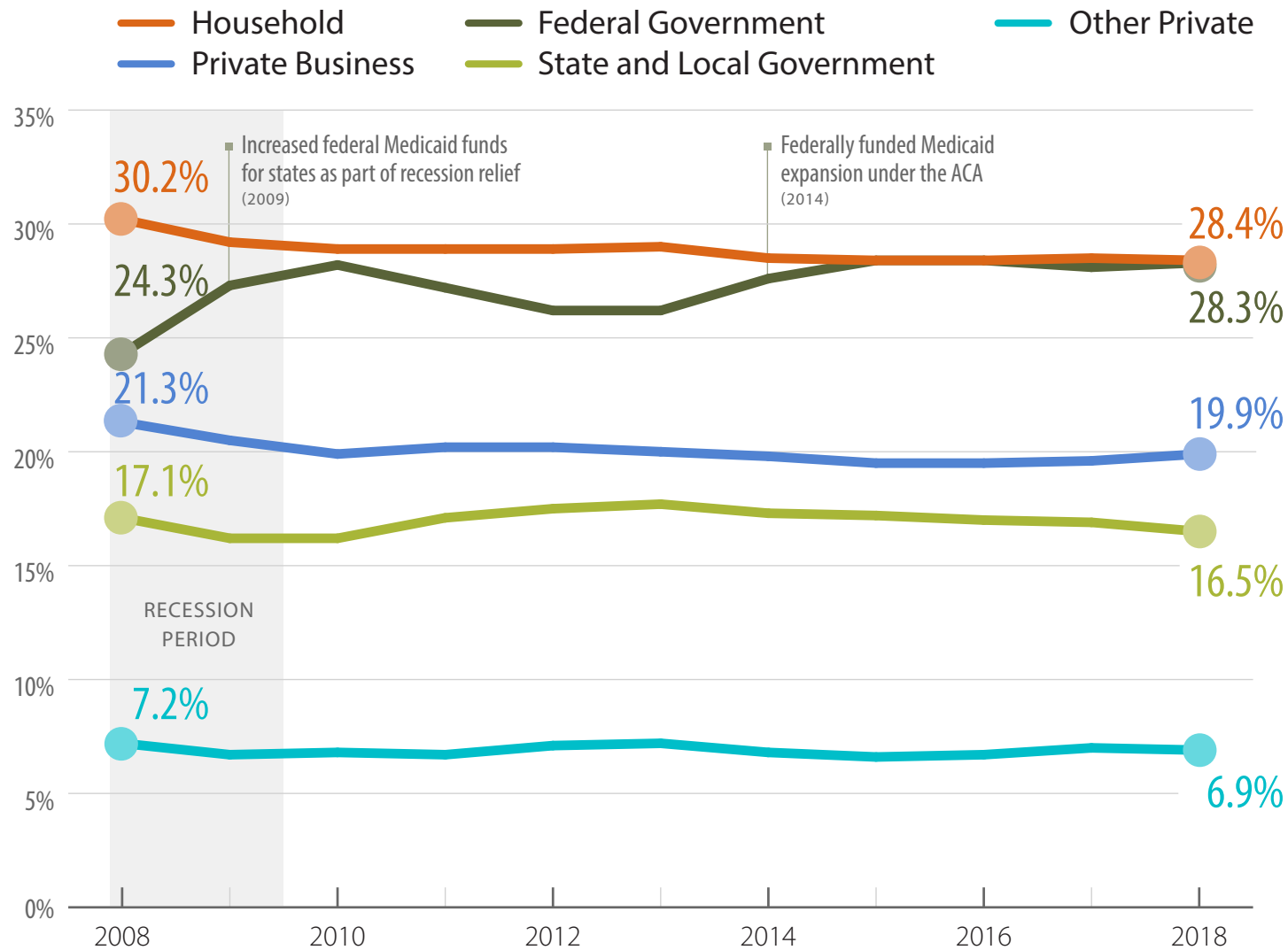
*Includes premiums paid by individuals for marketplace plans, Medigap, and other directly purchased health insurance, such as non-marketplace plans.

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 healthcare.gov and Covered California. Medicaid buy-in premiums for Medicare are reflected under Medicaid. Household spending excludes government-paid advance premium tax credit and cost-sharing reductions. Not shown: other private revenues (\$250.7 billion), which includes philanthropy, investment income, and private investment in research, structures, and equipment. Figures may not total 100% due to rounding.

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Health Spending Distribution, by Sponsor

United States, 2008 to 2018



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

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Sponsors

Overall, the federal share of health spending increased between 2008 and 2018. In contrast, the share of spending by private business and households declined slightly during the period. Between 2016 and 2018, sponsor shares have remained relatively stable.

Health Spending Summary, by Sponsor

United States, 2017, 2018, and 20-Year Look Back

	SPENDING (IN BILLIONS)			DISTRIBUTION			GROWTH		
	1998	2017	2018	1998	2017	2018	1998–2018	2017	2018
National Health Expenditures	\$1,201.5	\$3,487.3	\$3,649.4	100%	100%	100%	5.7%	4.2%	4.6%
Private Business	278.8	684.2	726.8	23%	20%	20%	4.9%	4.8%	6.2%
Household	391.0	992.5	1,035.7	33%	28%	28%	5.0%	4.4%	4.4%
Other Private Revenues	101.2	244.3	250.7	8%	7%	7%	4.6%	8.7%	2.6%
Federal Government	235.2	978.5	1,033.8	20%	28%	28%	7.7%	2.8%	5.6%
State and Local Government	195.2	587.8	602.5	16%	17%	17%	5.8%	3.6%	2.5%

Health Care Costs 101

Sponsors

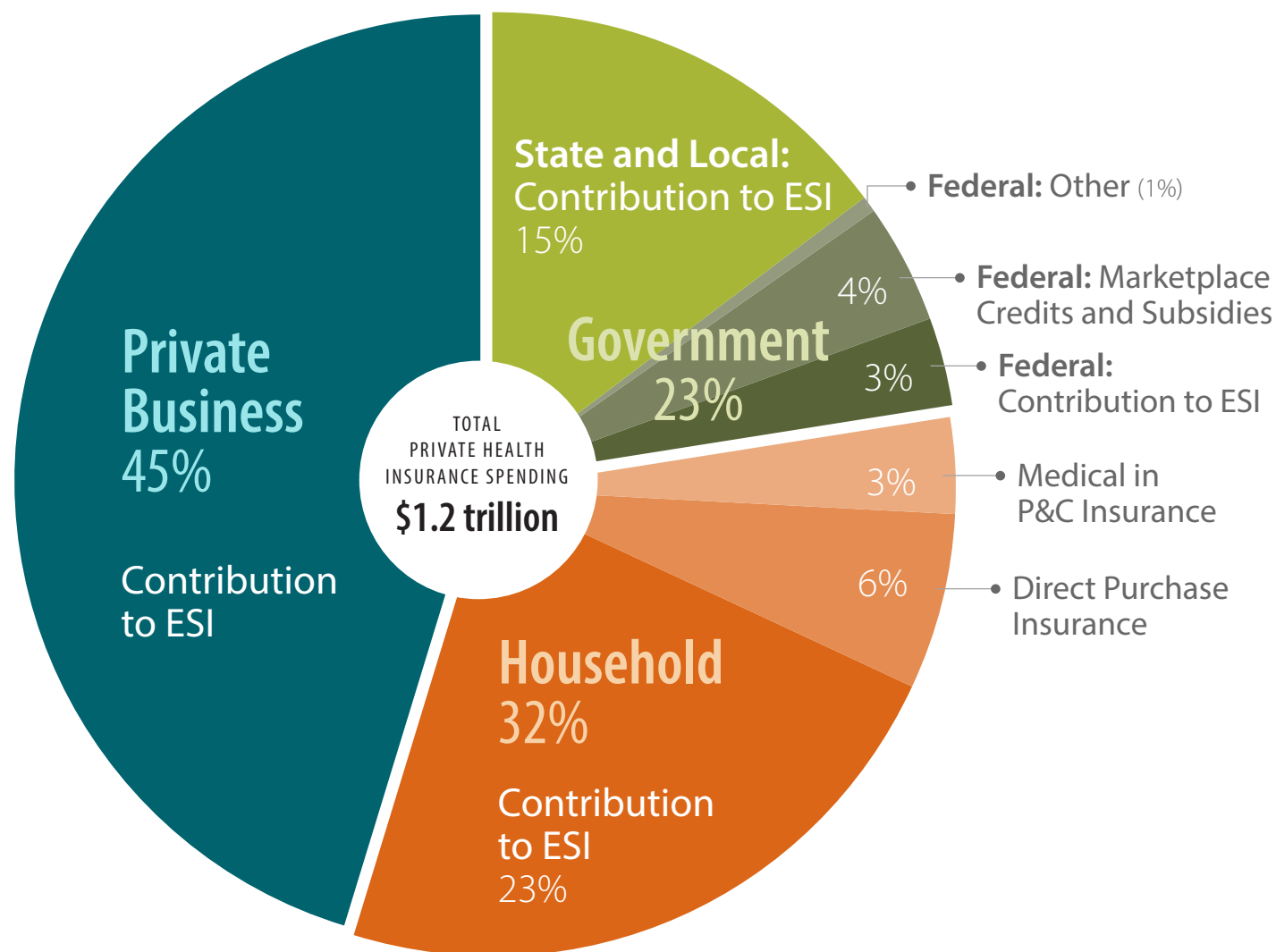
Over the past 20 years, federal government spending grew at an average rate of 7.7% per year, faster than spending by other government and private sponsors. The share of health spending sponsored by households decreased from 33% in 1998 to 28% in 2018.

Notes: *Health spending* refers to national health expenditures. *Sponsors* are the entities that are ultimately responsible for financing the health care bill. Growth for 1998–2018 is average annual rate; 2017 and 2018 are annual rates. *Other private revenues* includes philanthropy, investment income, and private investment in research, structures, and equipment. Figures may not total 100% due to rounding. See page 17 for detail on how sponsors finance health care spending.

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Sponsors of Private Health Insurance

United States, 2018



Notes: *Sponsors* are the entities that are ultimately responsible for financing the health care bill. *ESI* is employer-sponsored insurance; *P&C* is property and casualty. *Marketplace* is individual health insurance coverage purchased on federal- and state-run health exchanges, such as [healthcare.gov](https://www.healthcare.gov) and Covered California. *Direct purchase insurance* includes premiums paid by individuals for marketplace plans, Medigap, and other directly purchased health insurance, such as non-marketplace plans. Segments may not total 100% due to rounding.

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

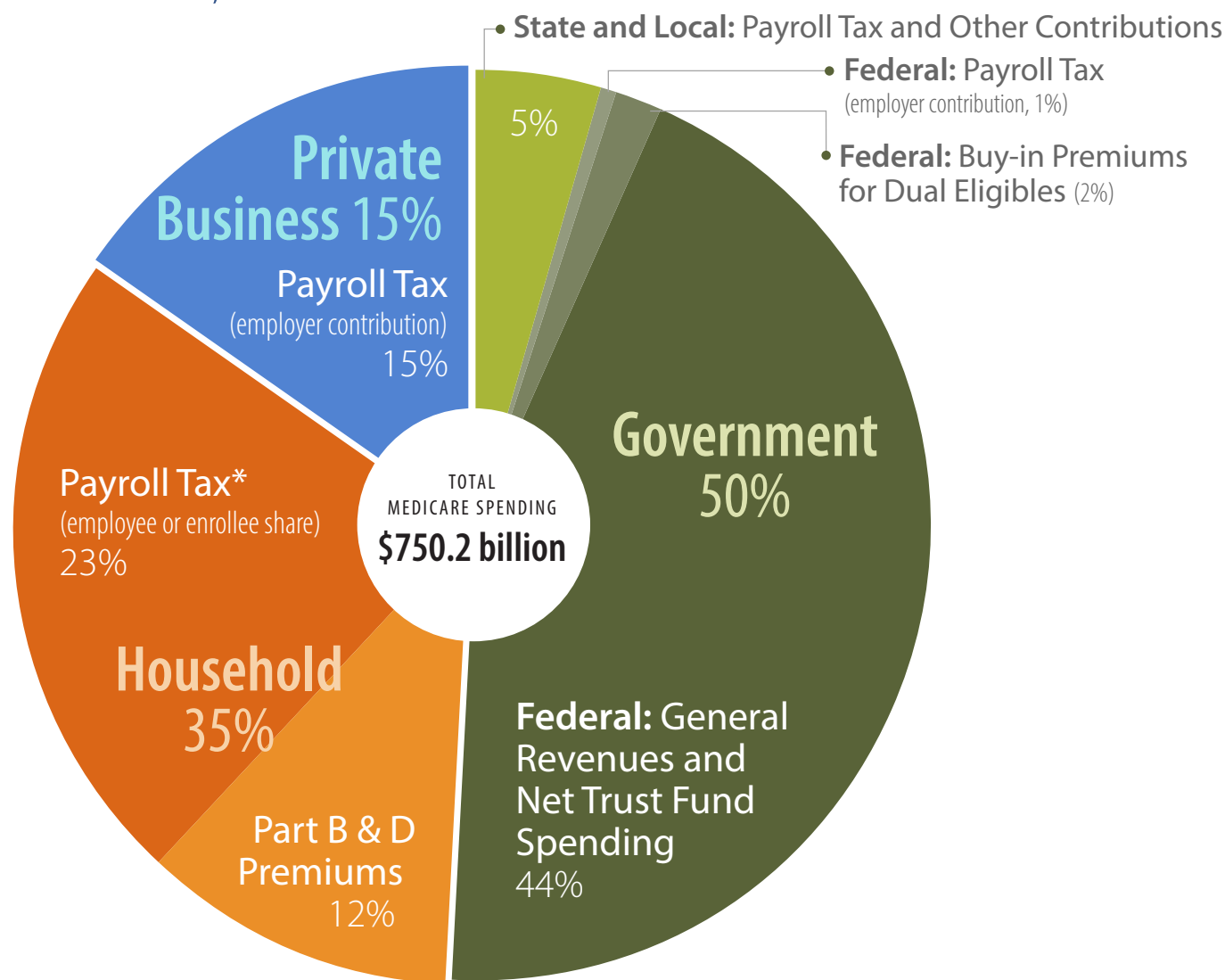
Health Care Costs 101

Sponsors

Spending on private health insurance totaled \$1.2 trillion in 2018. Private business and households were the largest funders of private health insurance, accounting for 45% and 32%, respectively. In addition to contributing to government workers' insurance premiums, the federal government spent \$51 billion on marketplace tax credits and cost-sharing subsidies.

Sponsors of Medicare

United States, 2018



*Household payroll tax category includes employee and self-employed tax, and voluntary premiums paid to Medicare Hospital Insurance Trust Fund (Part A).

Notes: *Sponsors* are the entities that are ultimately responsible for financing the health care bill. Medicare Part B premiums cover professional services, and Part D premiums cover prescription drugs. Segments may not total 100% due to rounding.

Source: **National Health Expenditure historical data** (1960–2018), Centers for Medicare & Medicaid Services.

Health Care Costs 101

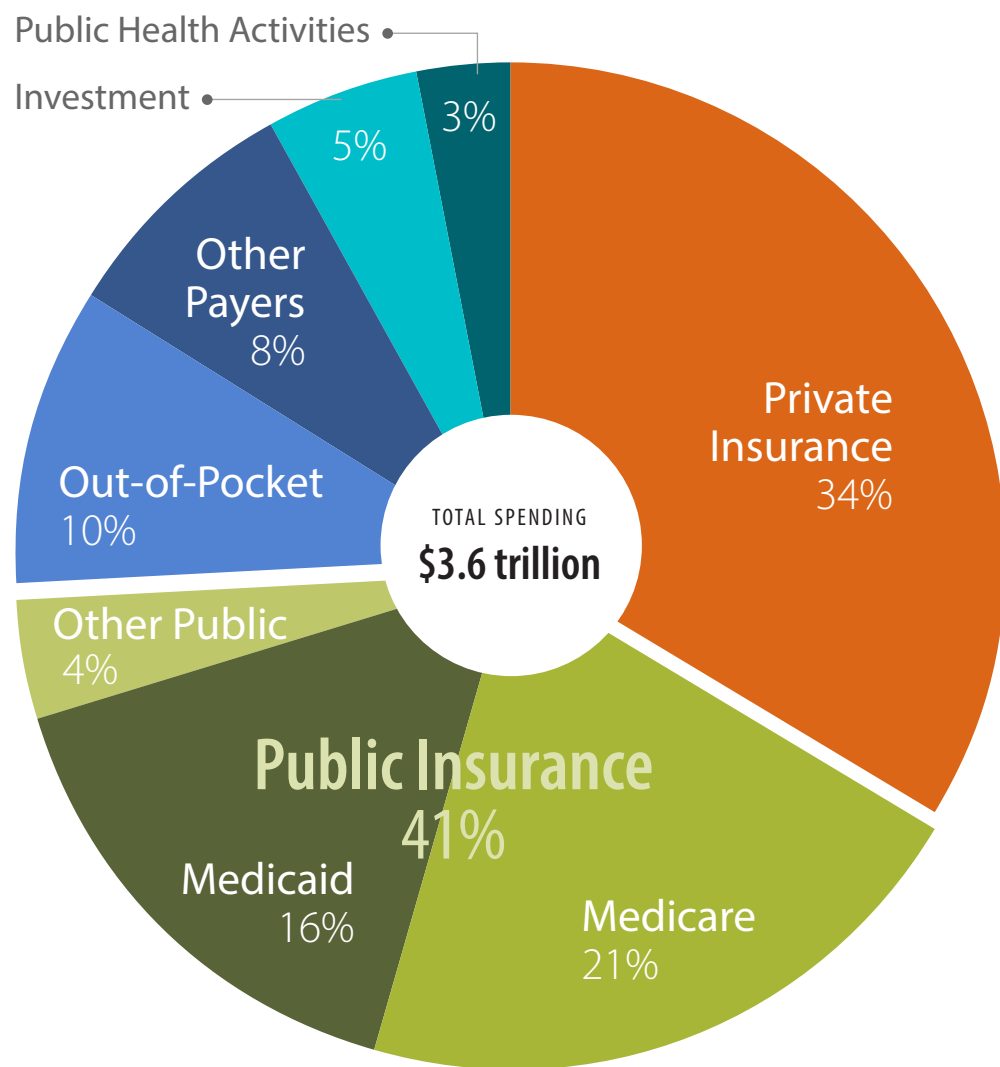
Sponsors

Medicare is financed by general revenue, payroll taxes, and premiums. In 2018, the payroll taxes contributed by employees, businesses, and government accounted for about 40%[†] of Medicare spending. Part B and Part D premiums paid by individuals were 12%, while general revenue and other sources accounted for the remaining half.

[†]Payroll contributions by sponsor: households (23%), business (15%), federal government (1%), and state and local government (2%).

Health Spending Distribution, by Payer

United States, 2018



PRIVATE INSURANCE \$1.2 TRILLION

Employer-Sponsored	86%
Marketplace	6%
Medical in P&C Insurance	3%
Medigap	3%
Other Direct Purchase	2%

Health Care Costs 101

Payment Sources

In 2018, public health insurance accounted for the largest share of health care costs (41%). Medicare was 21% of all health spending while Medicaid was 16%. Private health insurance paid for 34% of health spending. Consumers' out-of-pocket spending accounted for 10%.

PAYER DEFINITIONS

Investment includes noncommercial research, structures, and equipment.

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

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

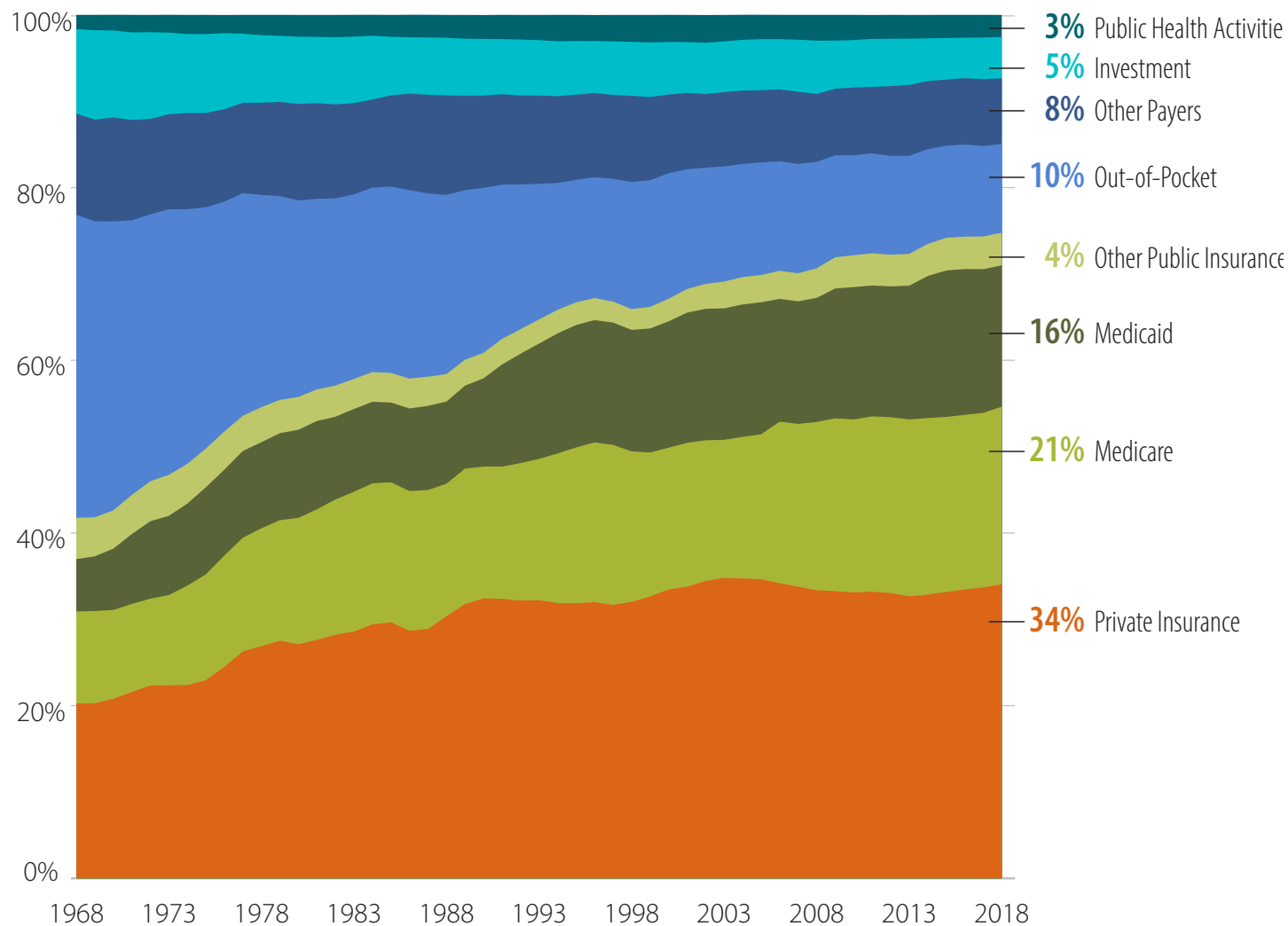
Out-of-pocket includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

Notes: Health spending refers to national health expenditures. P&C is property and casualty. Segments may not total 100% due to rounding.

Source: National Health Expenditure historical data (1960–2018), Centers for Medicare & Medicaid Services.

Payment Sources

United States, 1968 to 2018



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

Source: **National Health Expenditure historical data** (1960–2018), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Payment Sources

Over time, the out-of-pocket share of spending has shrunk while Medicare and Medicaid's share has expanded. Public insurance represented a larger payment source (41%) than private insurance in 2018.

PAYER DEFINITIONS

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

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

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

Investment includes noncommercial research, structures, and equipment.

Health Spending Distribution, by Payer

United States, 2017, 2018, and 10-Year Projection

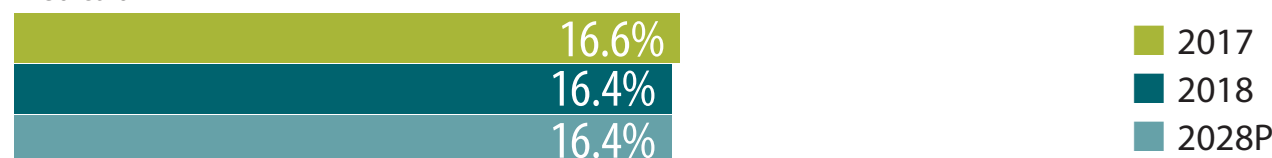
Private Health Insurance



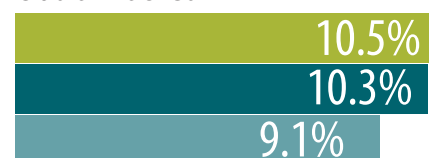
Medicare



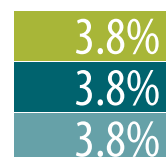
Medicaid



Out-of-Pocket



Other Public Insurance



■ 2017
■ 2018
■ 2028P

Notes: *Health spending* refers to national health expenditures. Projections shown as *P* and based on current law as of December 2019. See page 23 for historical distribution. Not shown: other payers, public health activities, and investment, which totaled 15.2%, 14.9%, and 13.5% in 2017, 2018, and 2028P, respectively.

Sources: [National Health Expenditure \(NHE\) historical data](#) (1960–2018), Centers for Medicare & Medicaid Services (CMS); and [NHE projections](#) (2019–28), CMS.

Health Care Costs 101

Payment Sources

Private health insurance is projected to remain the largest health care payer in 2028. With the population aging, Medicare's share is expected to grow. While Medicare paid for \$1 of every \$5 of health spending in 2018, it will pay for \$1 of every \$4 of health spending in 2028.

PAYER DEFINITIONS

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

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

Health Spending Summary, by Payer

United States, 2017, 2018, and 20-Year Look Back

	SPENDING (IN BILLIONS)			DISTRIBUTION			GROWTH		
	1998	2017	2018	1998	2017	2018	1998–2018	2017	2018
National Health Expenditures	\$1,201.5	\$3,487.3	\$3,649.4	100%	100%	100%	5.7%	4.2%	4.6%
Out-of-Pocket	176.8	365.2	375.6	15%	10%	10%	3.8%	2.2%	2.8%
Private Insurance	384.7	1,175.0	1,243.1	32%	34%	34%	6.0%	4.9%	5.8%
Medicare	209.4	705.1	750.2	17%	20%	21%	6.6%	4.2%	6.4%
Medicaid	169.0	580.1	597.4	14%	17%	16%	6.5%	2.6%	3.0%
• Federal	98.6	359.3	370.9	8%	10%	10%	6.8%	0.3%	3.2%
• State and Local	70.4	220.8	226.5	6%	6%	6%	6.0%	6.5%	2.6%
Other Public Insurance	28.9	132.1	138.3	2%	4%	4%	8.1%	5.3%	4.7%
Other Payers	119.9	270.1	276.9	10%	8%	8%	4.3%	5.0%	2.5%
Public Health Activities	37.5	91.4	93.5	3%	3%	3%	4.7%	3.0%	2.4%
Investment	75.1	168.3	174.4	6%	5%	5%	4.3%	7.4%	3.6%

Notes: *Health spending* refers to national health expenditures. Growth for 1998–2018 is average annual rate; 2017 and 2018 are annual rates. Columns may not sum due to rounding.

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Payment Sources

The out-of-pocket share of health spending declined from 15% to 10% between 1998 and 2018. During the same time, Medicare's share of spending, as well as Medicaid's, increased. Federal spending accounted for most of the increase in Medicaid.

PAYER DEFINITIONS

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

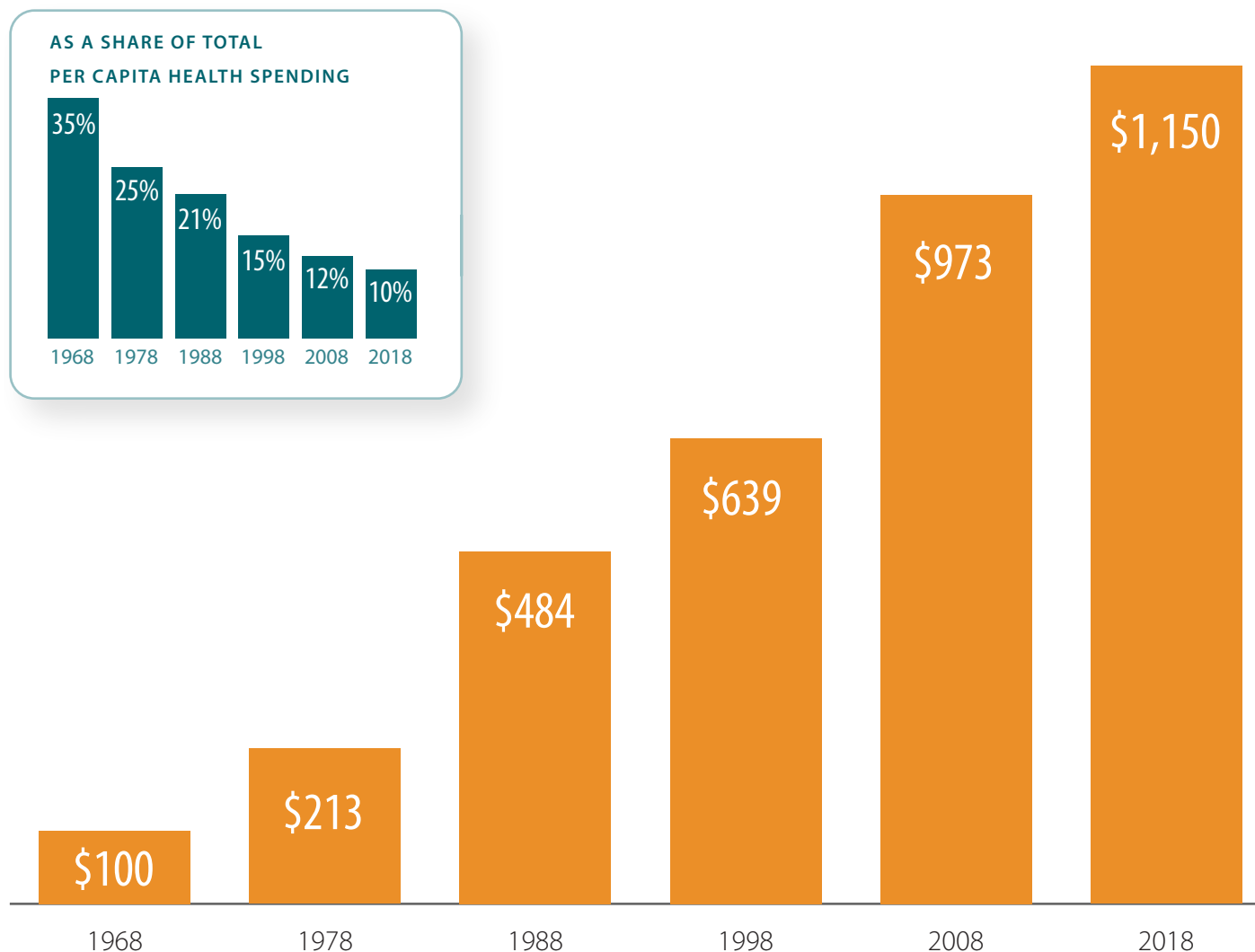
Other public insurance includes Departments of Defense and Veterans Affairs health care and the Children's Health Insurance Program.

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

Investment includes noncommercial research, structures, and equipment.

Out-of-Pocket Spending per Capita

United States, 1968 to 2018, Selected Years



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

Sources: Author calculations based on [National Health Expenditure historical data](#) (1968–2018), Centers for Medicare & Medicaid Services (CMS); and related unpublished CMS data.

Health Care Costs 101

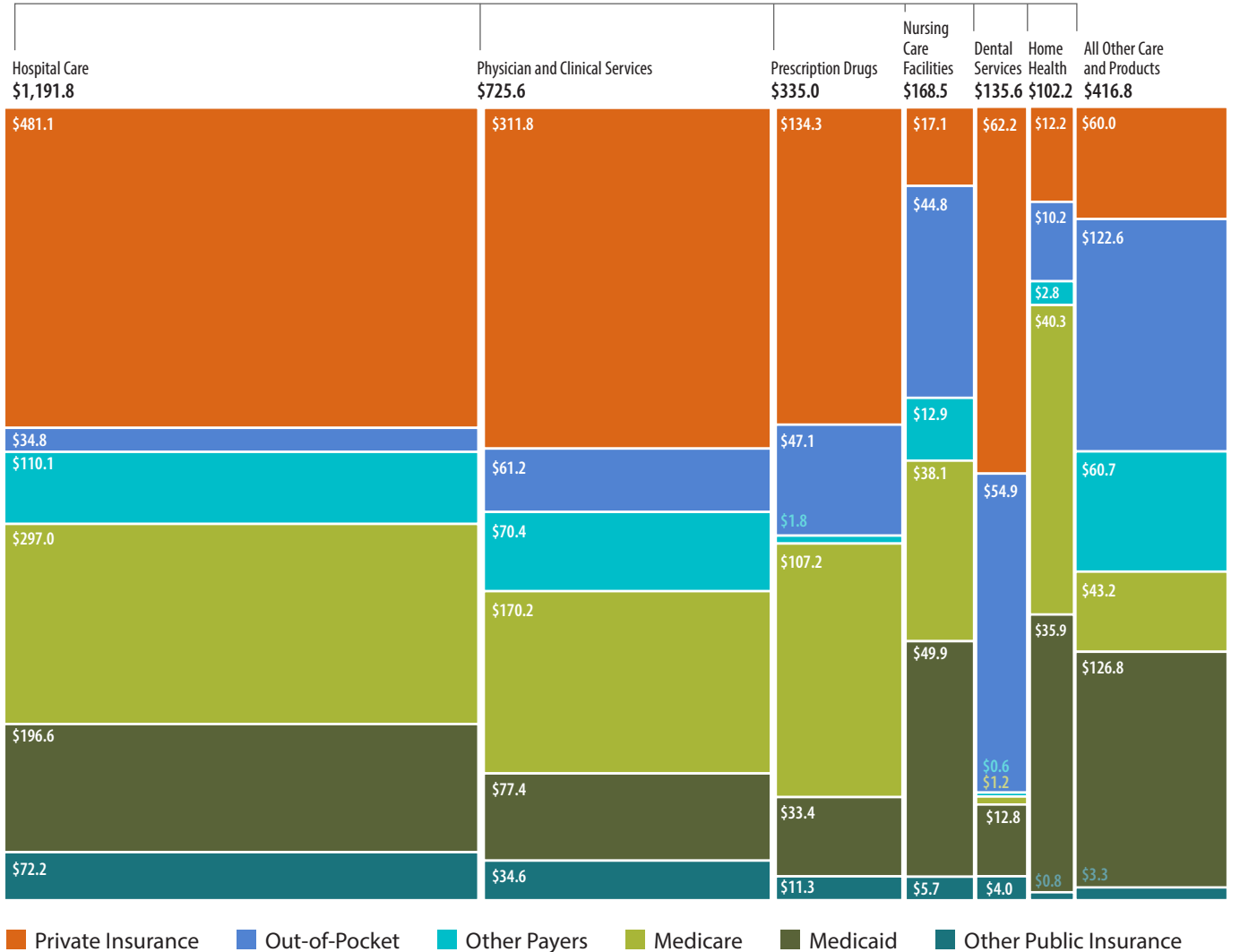
Payment Sources

Out-of-pocket spending on health care reached \$1,150 per person in 2018. Although out-of-pocket spending has been rising steadily, it has declined as a share of total per capita health spending. In 1968, the \$100 spent out of pocket accounted for 35% of the \$284 per capita health spending. In 2018, the \$1,150 spent out of pocket was 10% of the \$11,172 spent per capita.

Payer Mix, by Service Category

United States, 2018

PAYER SEGMENTS IN BILLIONS



Notes: *All other care and products* consists of other medical products (durable medical equipment and 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 historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

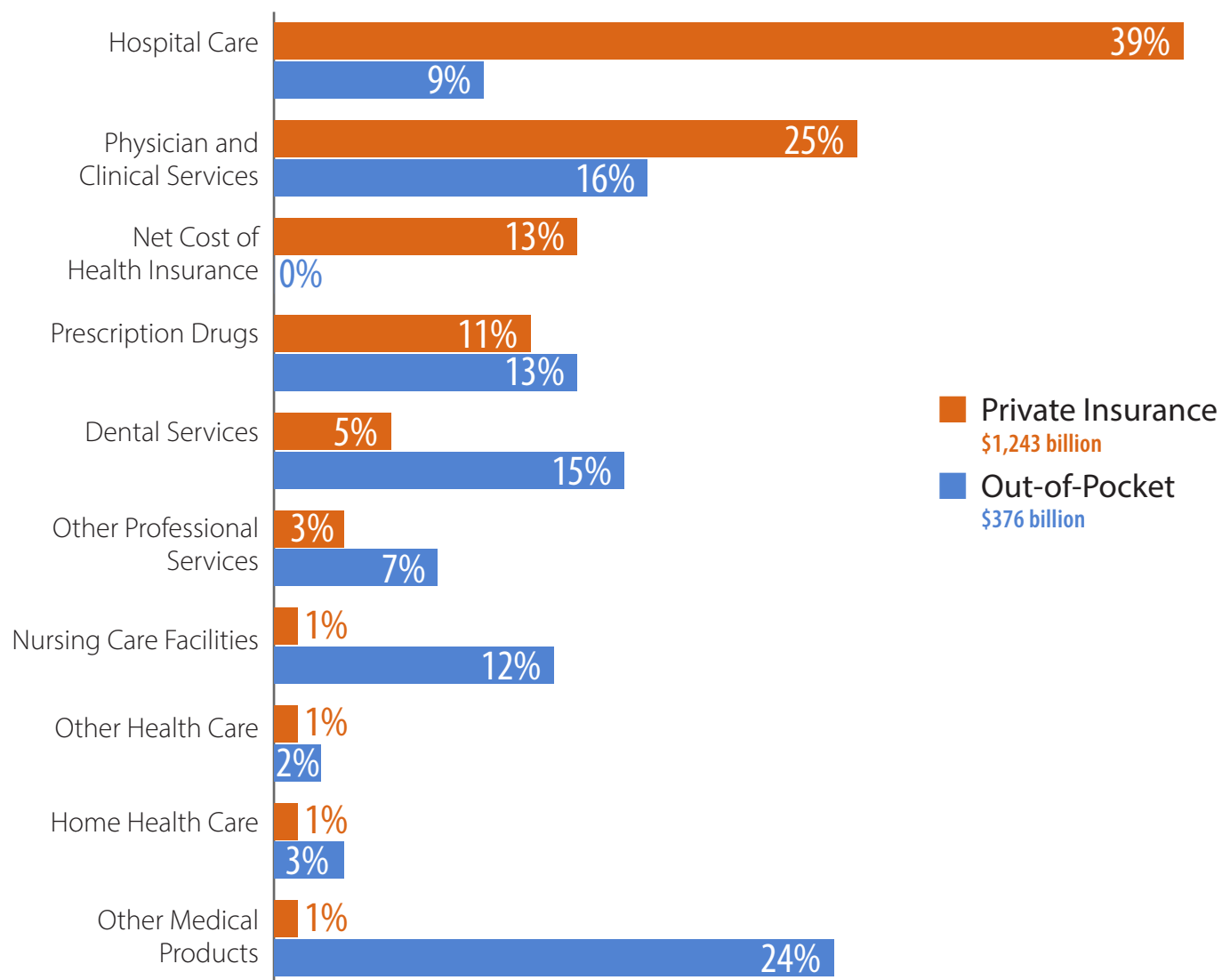
Health Care Costs 101

Payment Sources

The payer mix for health care differed by service provided. For example, home health services were most commonly paid for by Medicare and Medicaid, while most dental services were paid for by private health insurance and out of pocket.

Spending Distribution, Private Insurance vs. Out-of-Pocket

United States, 2018



Health Care Costs 101

Payment Sources

In 2018, hospital care was the largest expense category for private insurance. In contrast, the largest expense category for out-of-pocket spending was other medical products, which includes eyeglasses and over-the-counter medications.

SPENDING CATEGORY DEFINITIONS

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.

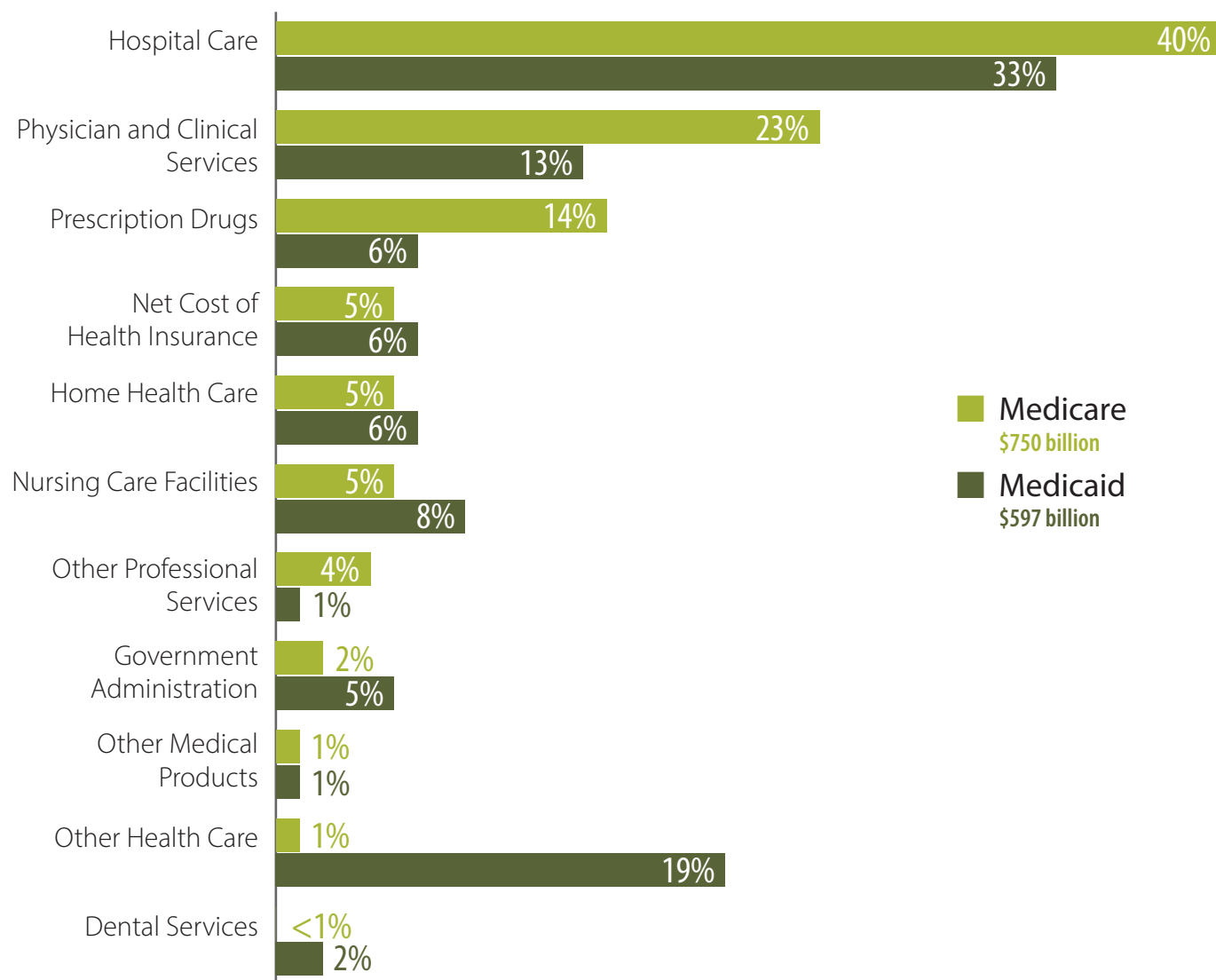
Other medical products refers to durable medical equipment and nondurable medical products.

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: Author calculations based on [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Spending Distribution, Medicare vs. Medicaid

United States, 2018



Health Care Costs 101

Payment Sources

The largest expense category for both Medicare and Medicaid was hospital care. Medicaid's second-largest spending category was other health care, which includes Medicaid home- and community-based waiver programs that provide alternatives to long-term institutional services.

SPENDING CATEGORY DEFINITIONS

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

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.

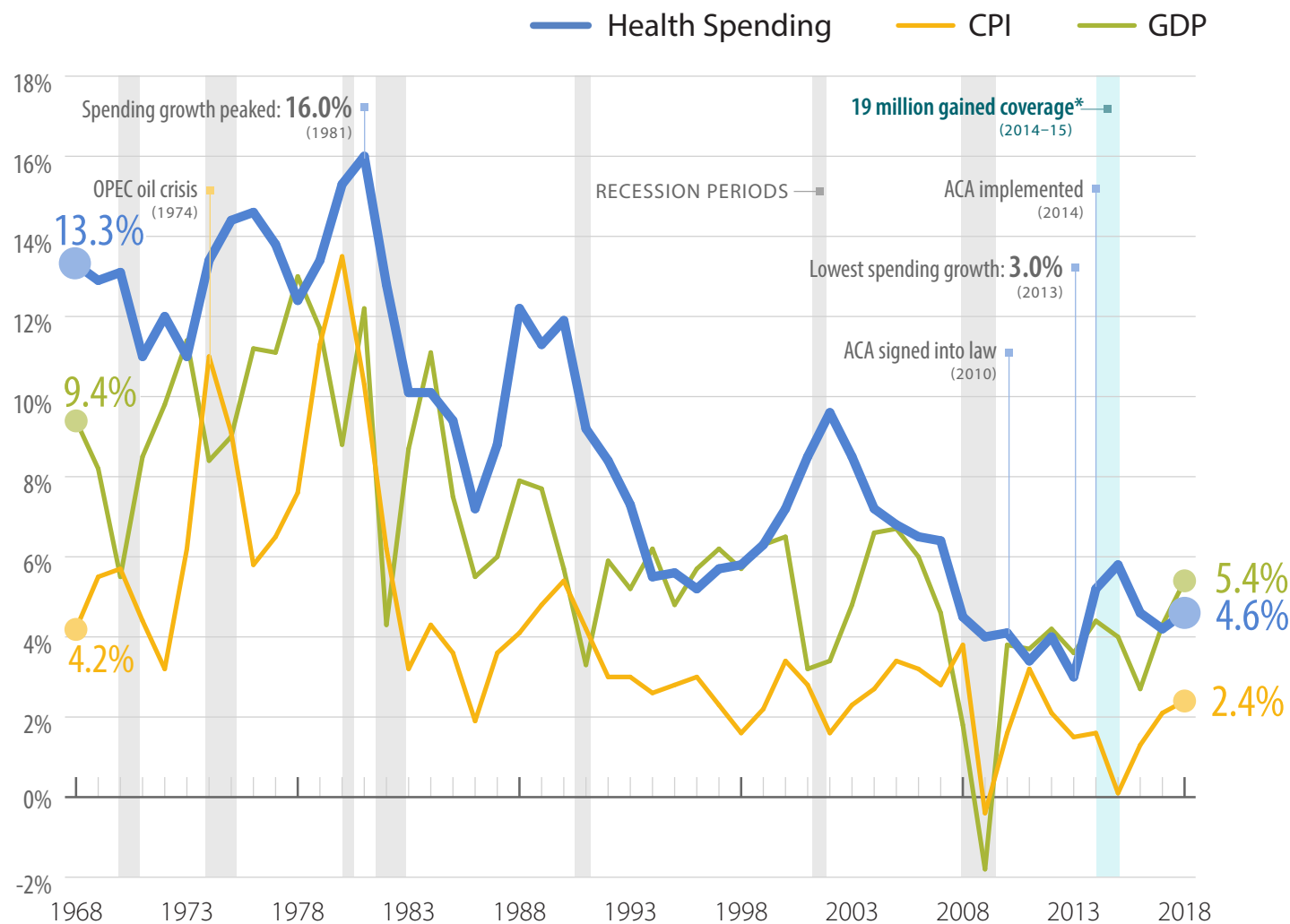
Other medical products refers to durable medical equipment and nondurable medical products.

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: Author calculations based on [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Health Spending vs. Inflation and the Economy

United States, 1968 to 2018



*10 million additional Medicaid enrollees (+17.3%); 9 million additional privately insured (+4.6%).

Notes: *Health spending* refers to national health expenditures. *CPI* is consumer price index; *GDP* is gross domestic product. See page 14 for detail on the components of health spending growth.

Sources: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services; and [“Consumer Price Index,”](#) US Bureau of Labor Statistics, n.d.

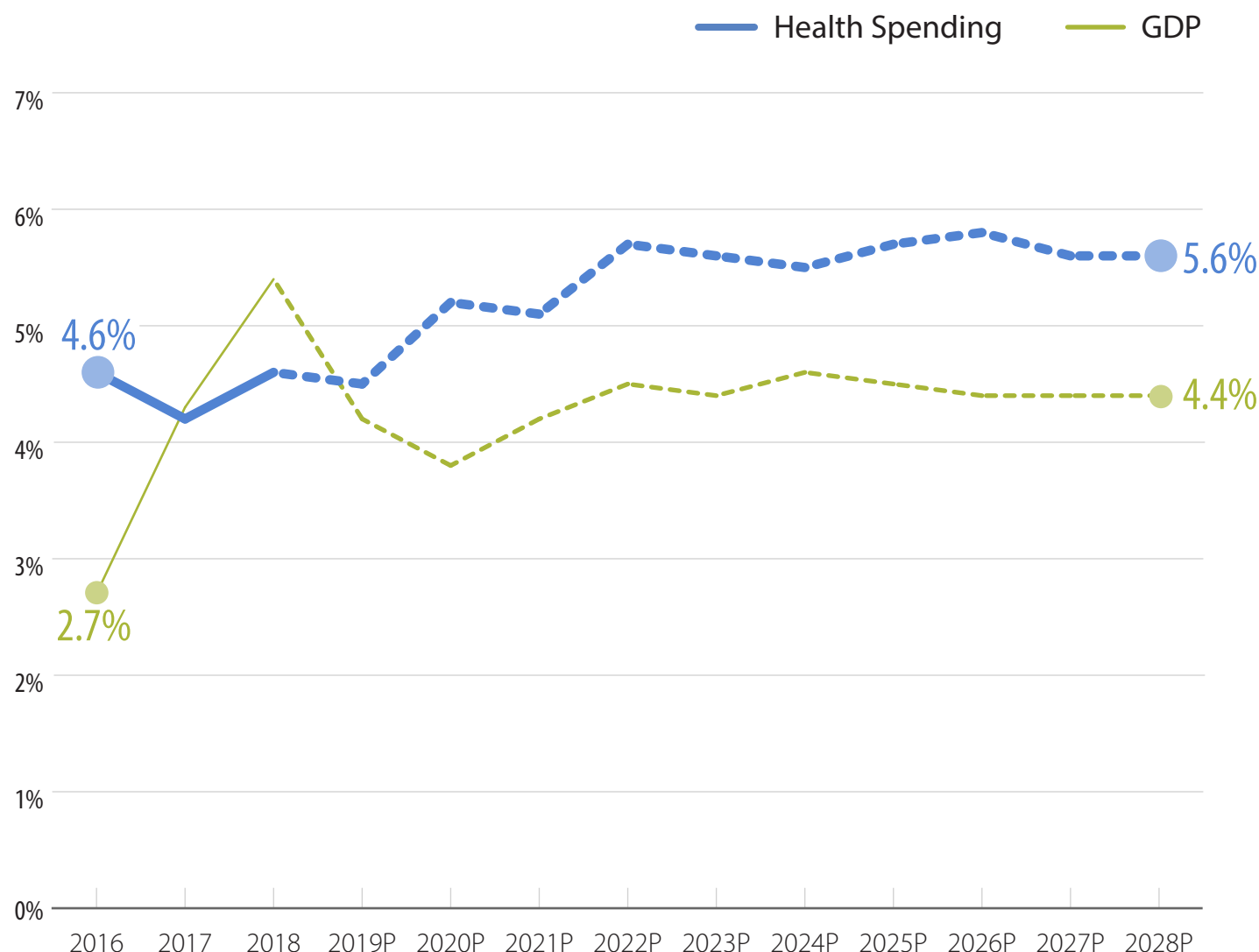
Health Care Costs 101

Growth Trends

In general, health spending has outpaced both inflation and economic growth over the last 50 years. However, in 2018, with strong economic growth and moderate increases in health spending, the economy grew slightly faster than health spending.

Annual Growth Rates, Health Spending vs. the Economy

United States, 2016 to 2018, and 10-Year Projections



Notes: Health spending refers to national health expenditures. GDP is gross domestic product. Projections shown as P and based on current law as of December 2019.

Sources: [National Health Expenditure \(NHE\) historical data](#) (1960–2018), Centers for Medicare & Medicaid Services (CMS); and [NHE projections](#) (2019–28), CMS.

Health Care Costs 101

Growth Trends

Over the 10-year projection period, 2019 to 2028, health spending is expected to increase at an average rate of 5.4% per year, about one percentage point higher than gross domestic product (GDP). Based on these estimates, health care is projected to account for almost one-fifth of the economy by 2028.

Growth Rates, by Spending Category

United States, 2018

Net Cost of Health Insurance



Other Professional Services

6.5%

Government Administration

6.0%

Home Health Care

5.2%

Dental Services

4.6%

Other Health Care

4.6%

Hospital Care

4.5%

Physician and Clinical Services

4.1%

Other Medical Products

4.1%

Investment

3.6%

Prescription Drugs

2.5%

Public Health Activities

2.4%

Nursing Care Facilities

1.4%

OVERALL: 4.6%

Personal Health Care
Other Spending Categories

20-YEAR
GROWTH

8.6%

5.8%

6.6%

5.6%

4.8%

6.4%

6.0%

5.3%

4.5%

4.3%

6.9%

4.7%

3.9%

Health Care Costs 101

Growth Trends

Growth rates in 2018 for the major categories ranged from 1.4% for nursing care facilities to 13.2% for the net cost of health insurance (impacted in part by the reinstatement of a federal health insurance tax* in 2018). Spending on prescription drugs in 2018 increased more slowly than overall health spending (2.5% vs. 4.6% growth, respectively).

*Affordable Care Act provision 9010 — health insurance providers fee.

SPENDING CATEGORY DEFINITIONS

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

Investment includes noncommercial 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.

Notes: Twenty-year growth percentages are average annual (1998–2018). For additional detail on spending categories, see Appendix A. Further definitions available at www.cms.gov.

Source: **National Health Expenditure historical data** (1960–2018), Centers for Medicare & Medicaid Services.

Annual Growth in Health Spending, by Sponsor United States, 2018

Private Business

6.2%

Federal Government

5.6%

Household

4.4%

Other Private Revenues

2.6%

State and Local Government

2.5%

OVERALL: 4.6%

20-YEAR
GROWTH

4.9%

7.7%

5.0%

4.6%

5.8%

Health Care Costs 101

Growth Trends

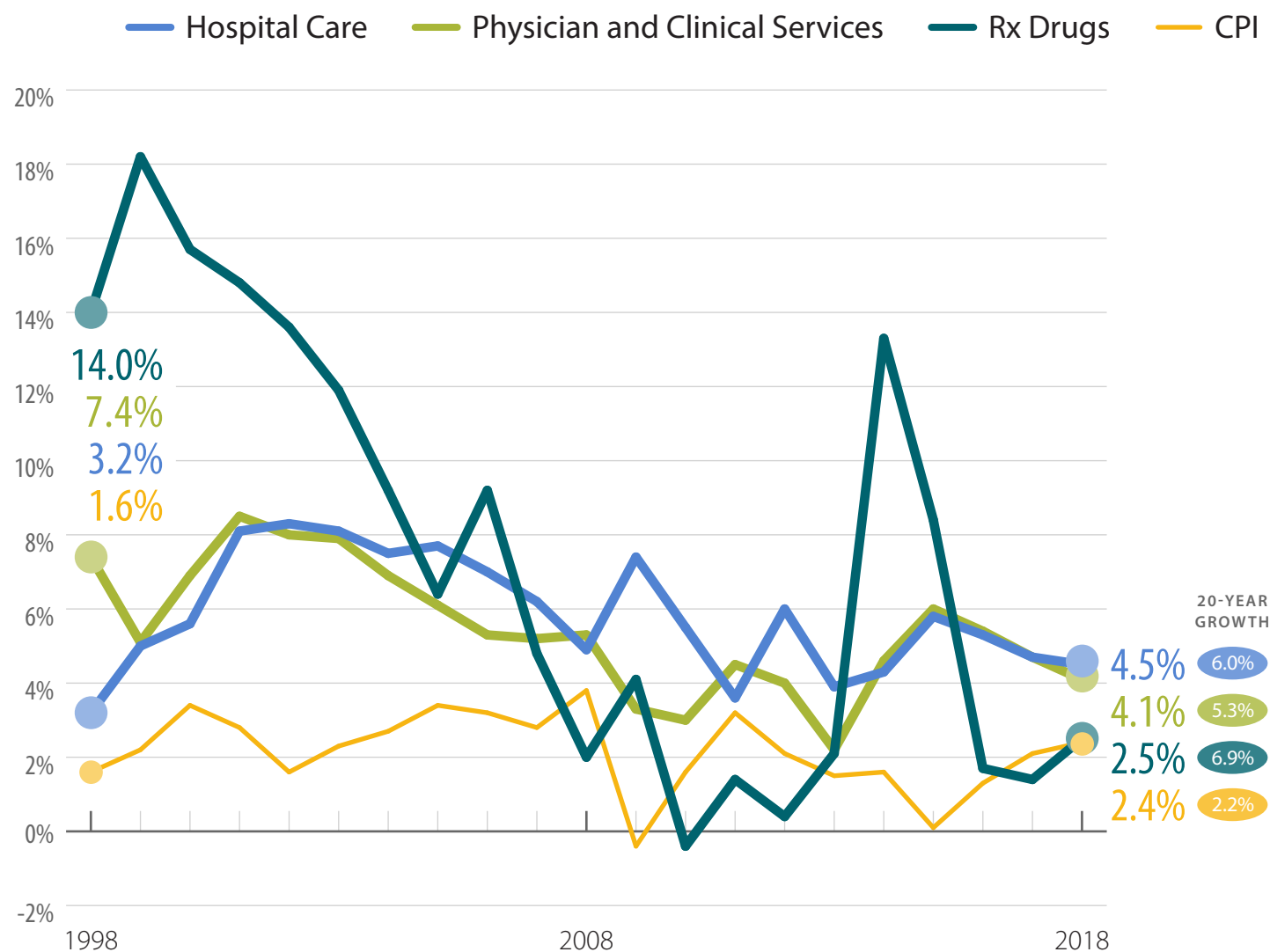
Among sponsors of health care, spending by private business grew the fastest, primarily due to increases in employer contributions to employee health insurance premiums. Federal spending increases were driven mainly by increased spending for Medicare.

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, investment income, and private investment in research, structures, and equipment. See pages 16, 17, and 19 for detail on how sponsors finance health care spending. Twenty-year growth percentages are average annual (1998–2018).

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Annual Growth Rates, Largest Spending Categories

United States, 1998 to 2018



Health Care Costs 101

Growth Trends

Over the past 20 years, annual growth in prescription drug spending has been more volatile than other major spending categories, ranging from -0.4% to 18.2%. While growth in prescription drug spending was low between 2016 and 2018, the 20-year average growth rate for prescription drugs (6.9%) exceeded that of other major categories.

Notes: Health spending refers to national health expenditures. CPI is consumer price index. Twenty-year growth percentages are average annual (1998–2018).

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Growth in Household Health Care Spending

United States, 2018

Medicare Part B and D Premiums

14.7%

Medical Portion of Property and Casualty Insurance

7.4%

Medicare Payroll Tax

4.2%

Employer-Sponsored Insurance

3.4%

Direct Purchase Insurance

3.0%

Out-of-Pocket

2.8%

Overall Household

4.4%

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 non-marketplace plans. *Marketplace* is individual health insurance coverage purchased on federal- and state-run health exchanges, such as healthcare.gov and Covered California. Household health care spending excludes any subsidies provided for premiums or cost sharing by the ACA.

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

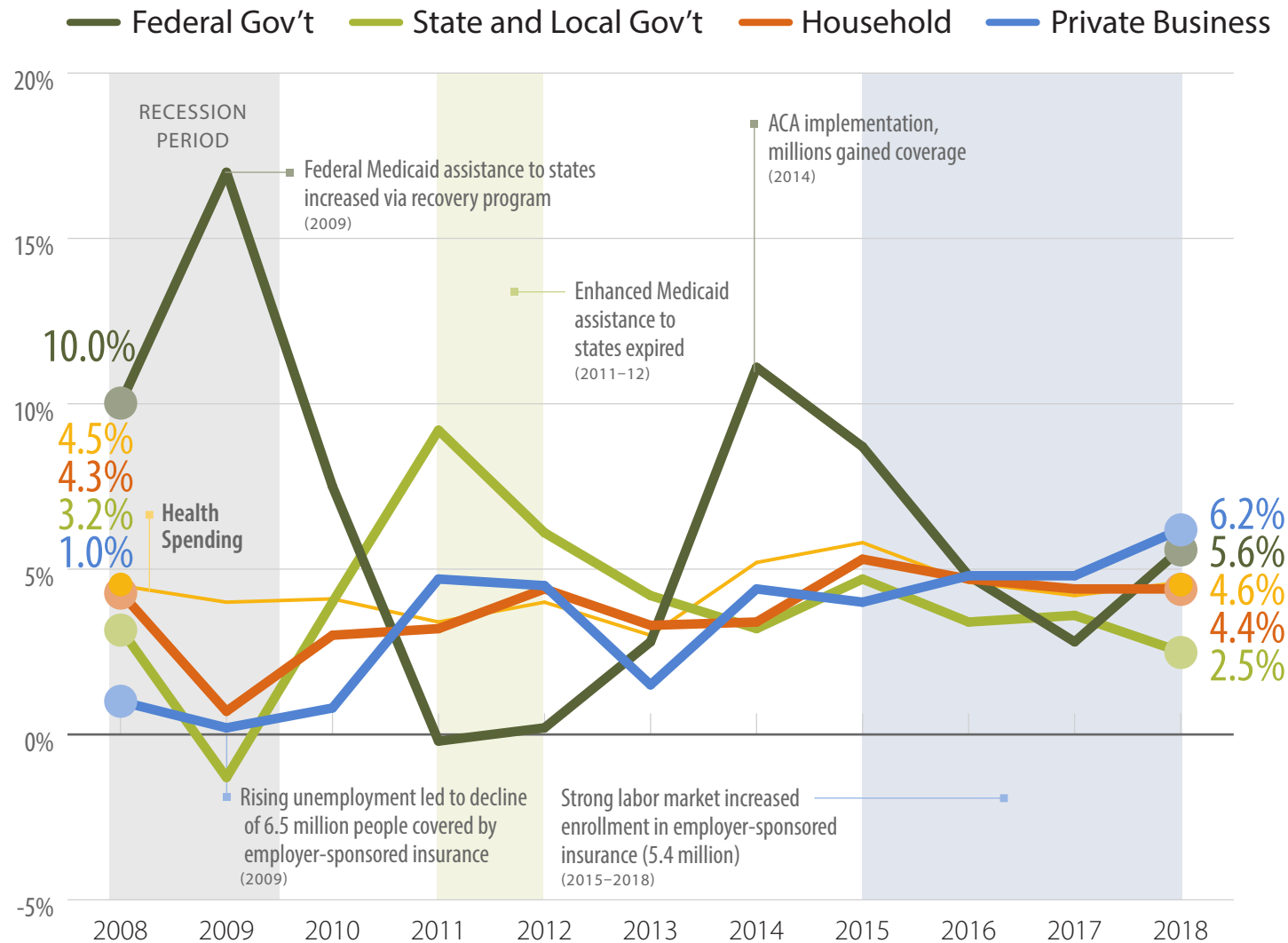
Health Care Costs 101

Growth Trends

Overall household spending grew by 4.4% in 2018. Household spending on Medicare Part B and D premiums had the largest growth (14.7%) and out-of-pocket spending had the smallest (2.8%). Spending on direct purchase insurance increased more slowly than household spending overall, likely a result of enrollment declines in other direct purchase insurance (e.g., non-marketplace plans).

Annual Growth in Health Spending, by Sponsor

United States, 2008 to 2018



Health Care Costs 101

Growth Trends

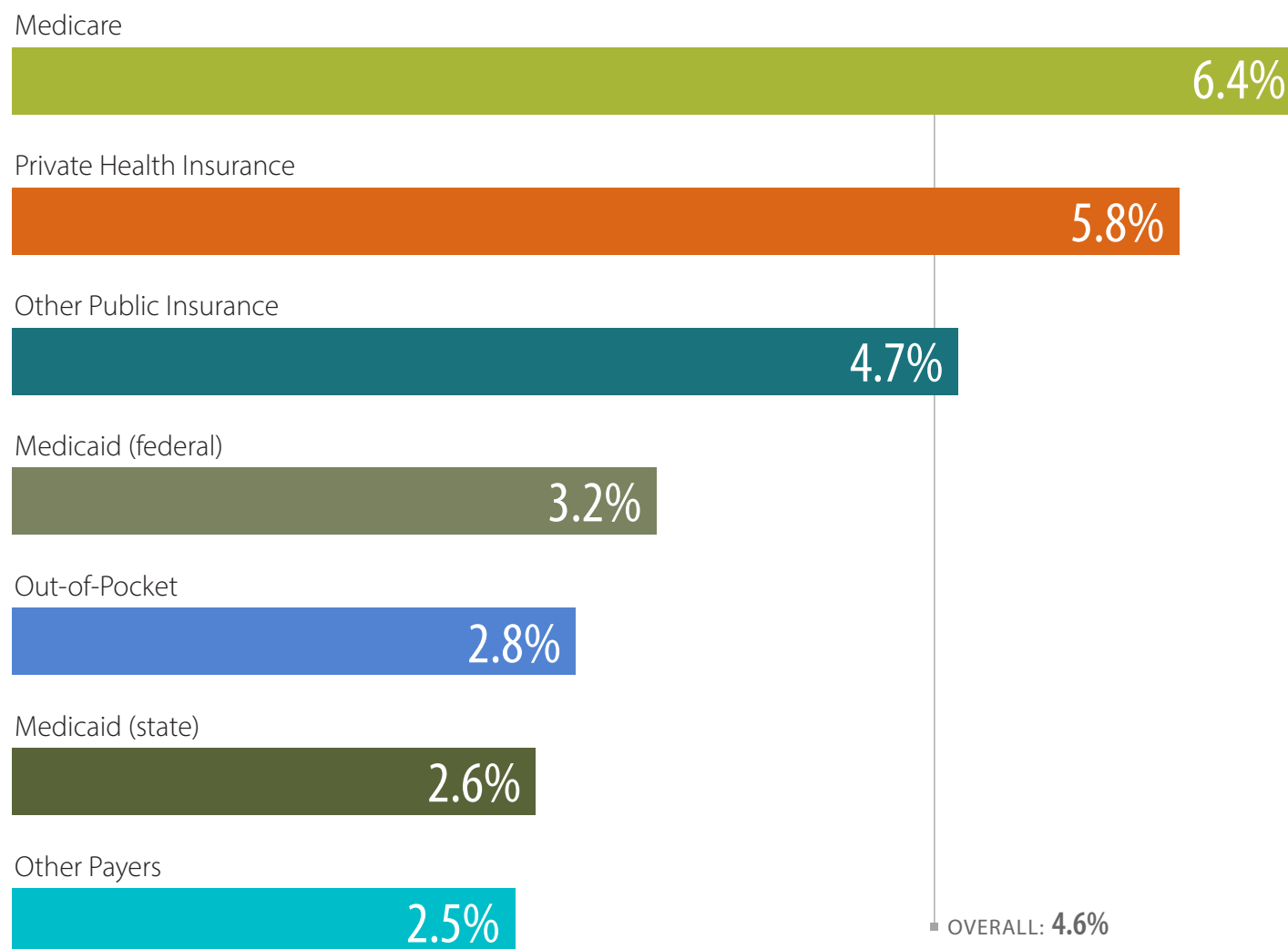
The impact of federal policy decisions and economic conditions can be seen in the acceleration and deceleration of health care spending. For example, in 2009, the recession led to a decline in private business spending and an increase in federal government spending as Medicaid payments to states were increased.

Notes: *Health spending* refers to national health expenditures. *Sponsors* are the entities that are ultimately responsible for financing the health care bill. See pages 16, 17, and 19 for detail on how sponsors finance health care spending.

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Annual Growth in Health Spending, by Payer

United States, 2018



Notes: *Health spending* refers to national health expenditures. Not shown: public health activities (2.4%) and investment (3.6%). Overall Medicaid, federal and state combined, grew 3.0%.

Source: **National Health Expenditure historical data** (1960–2018), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Growth Trends

Among payers, spending growth ranged from 2.5% to 6.4%. Medicare spending increased at the fastest rate (6.4%), due to rising enrollment (2.6%).

PAYER DEFINITIONS

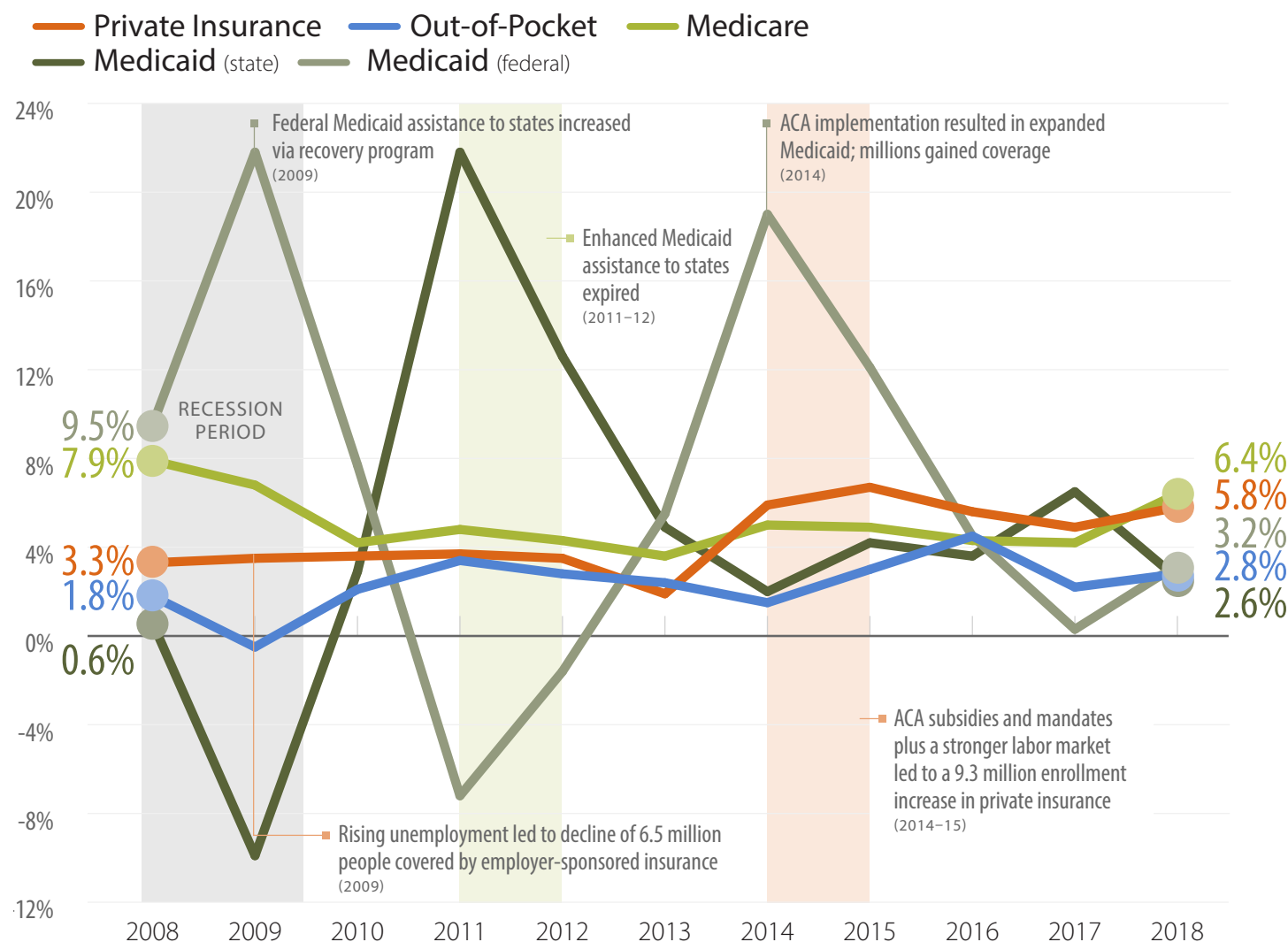
Other payers includes worksite health care, Indian Health Services, workers' compensation, Maternal and Child Health, and vocational rehabilitation.

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

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, 2008 to 2018



Notes: Not shown: other public health insurance, other payers, public health activities, investment. See page 39 for projected growth rates.

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Growth Trends

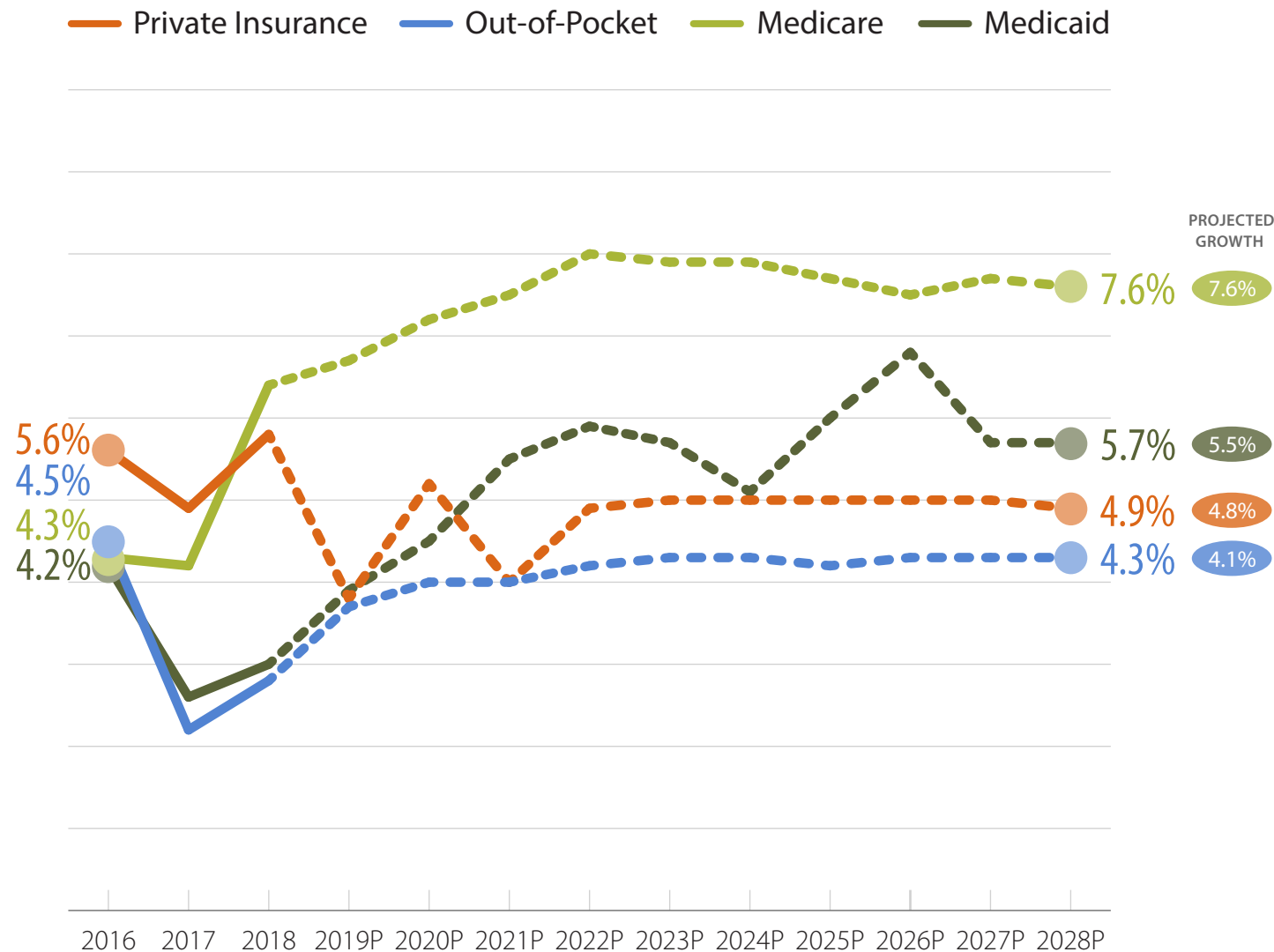
Changes in government policy and large economic shifts affect health spending. During the recession, out-of-pocket spending slowed as consumers tightened their belts; federal Medicaid spending accelerated as part of the economic recovery program. More recently, federal spending accelerated with ACA implementation in 2014. In 2017 states began to pay a portion (5%) of expansion costs.

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, 2016 to 2018 and 10-Year Projections



Health Care Costs 101

Growth Trends

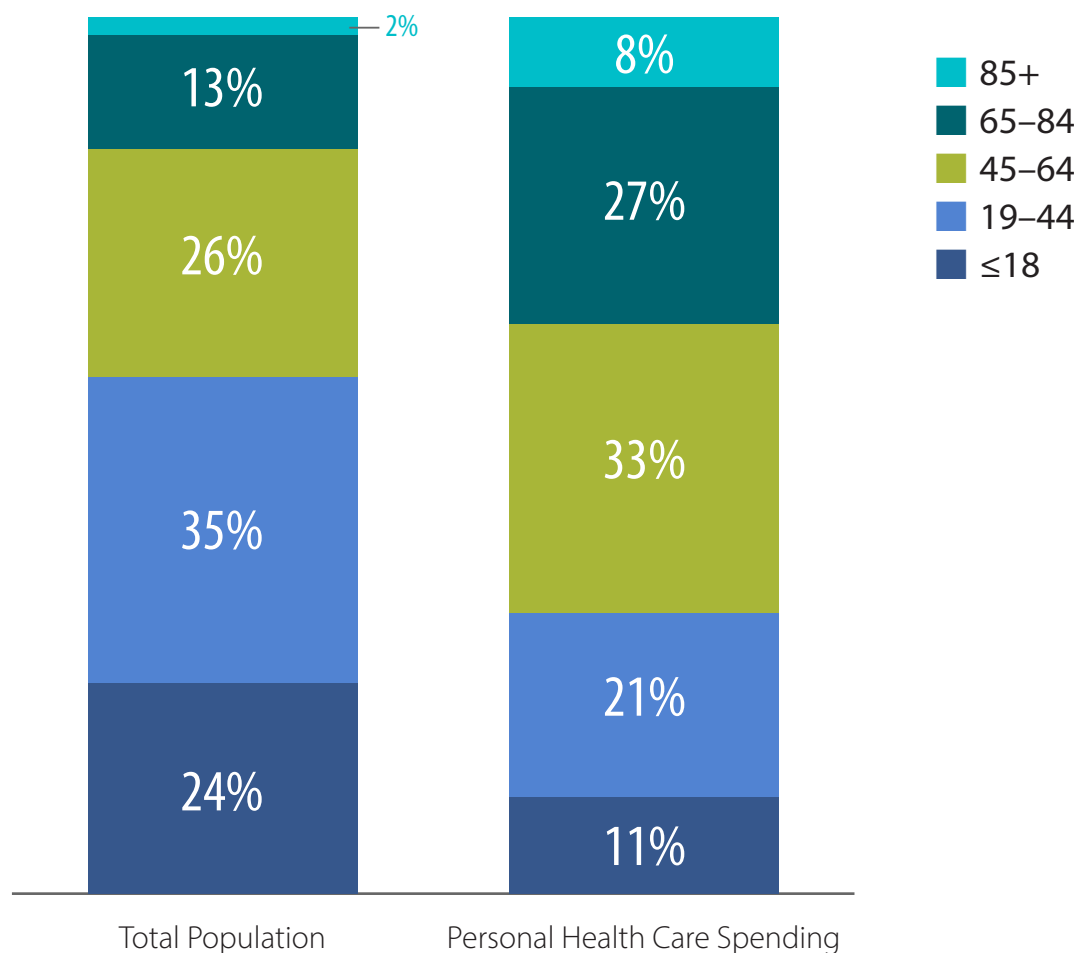
Overall health spending is projected to increase 5.4% per year from 2019 to 2028 (not shown). Medicare is expected to have the highest growth rate as baby boomers age into the program. Medicaid projections reflect the impact of 2019 and 2020 eligibility expansion to five states and increased enrollment in the “aged and disabled” category between 2024 and 2028.

Notes: Projections shown as P and based on current law as of December 2019. Projected growth percentages are average annual (2019–28).

Sources: [National Health Expenditure \(NHE\) historical data](#) (1960–2018), Centers for Medicare & Medicaid Services (CMS); and [NHE projections](#) (2019–28), CMS.

Share of Population vs. Personal Health Care Spending

by Age Group, United States, 2014



Health Care Costs 101

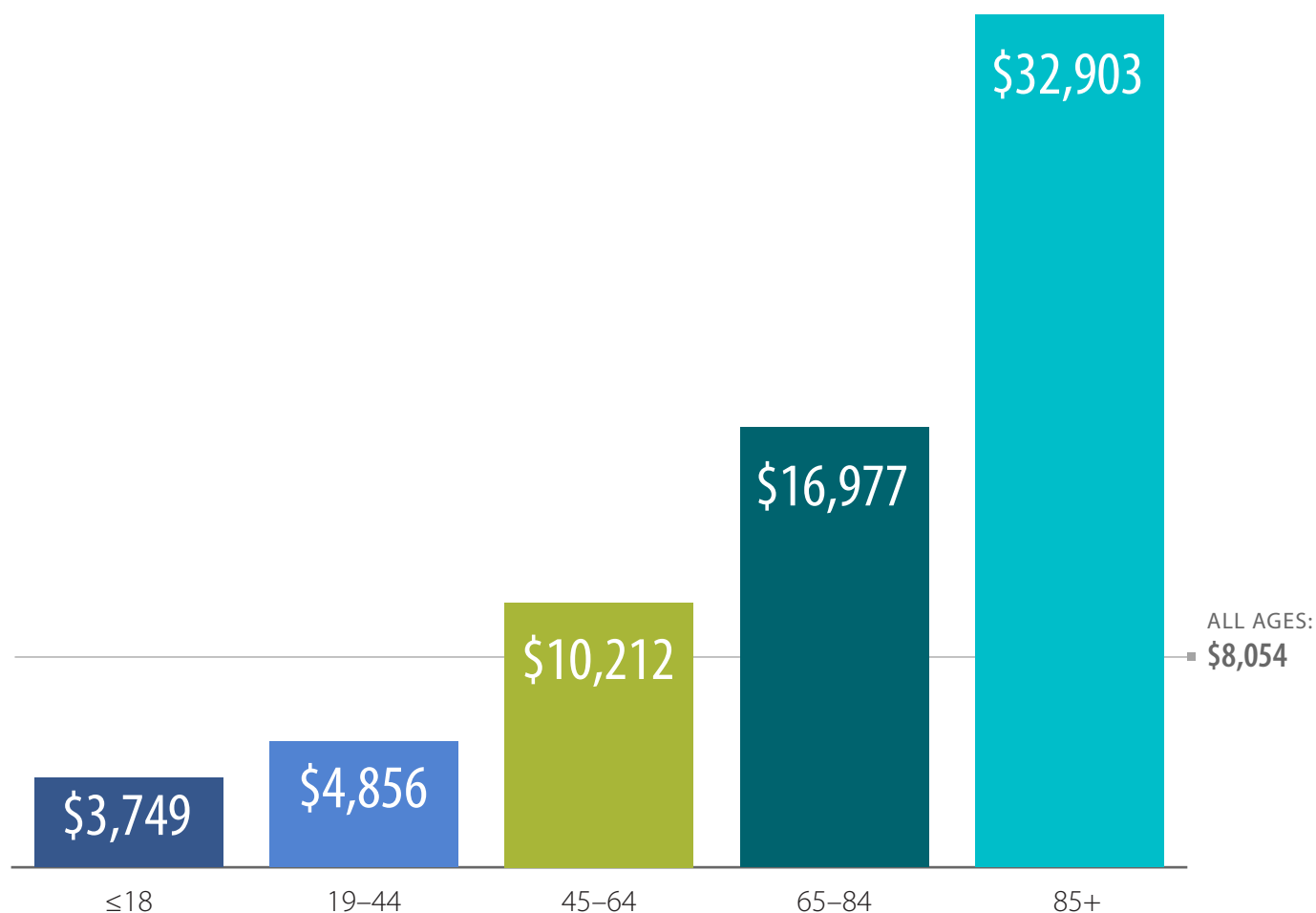
Age and Gender

In 2014, the elderly population, 65 and over, made up nearly 15% of the US population and accounted for 35% of personal health care spending. In contrast, children made up 24% of the population and accounted for 11% of 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 details by age group and gender.

Sources: [National Health Expenditure age and gender data](#) (2002–14), Centers for Medicare & Medicaid Services (CMS); and unpublished data points, population by age (2014) from Office of the Actuary, CMS.

Personal Health Care Spending per Capita by Age Group, United States, 2014



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 \$19,098. See Appendix B for spending category details by age group and gender.

Source: [National Health Expenditure age data](#) (2002–14), Centers for Medicare & Medicaid Services.

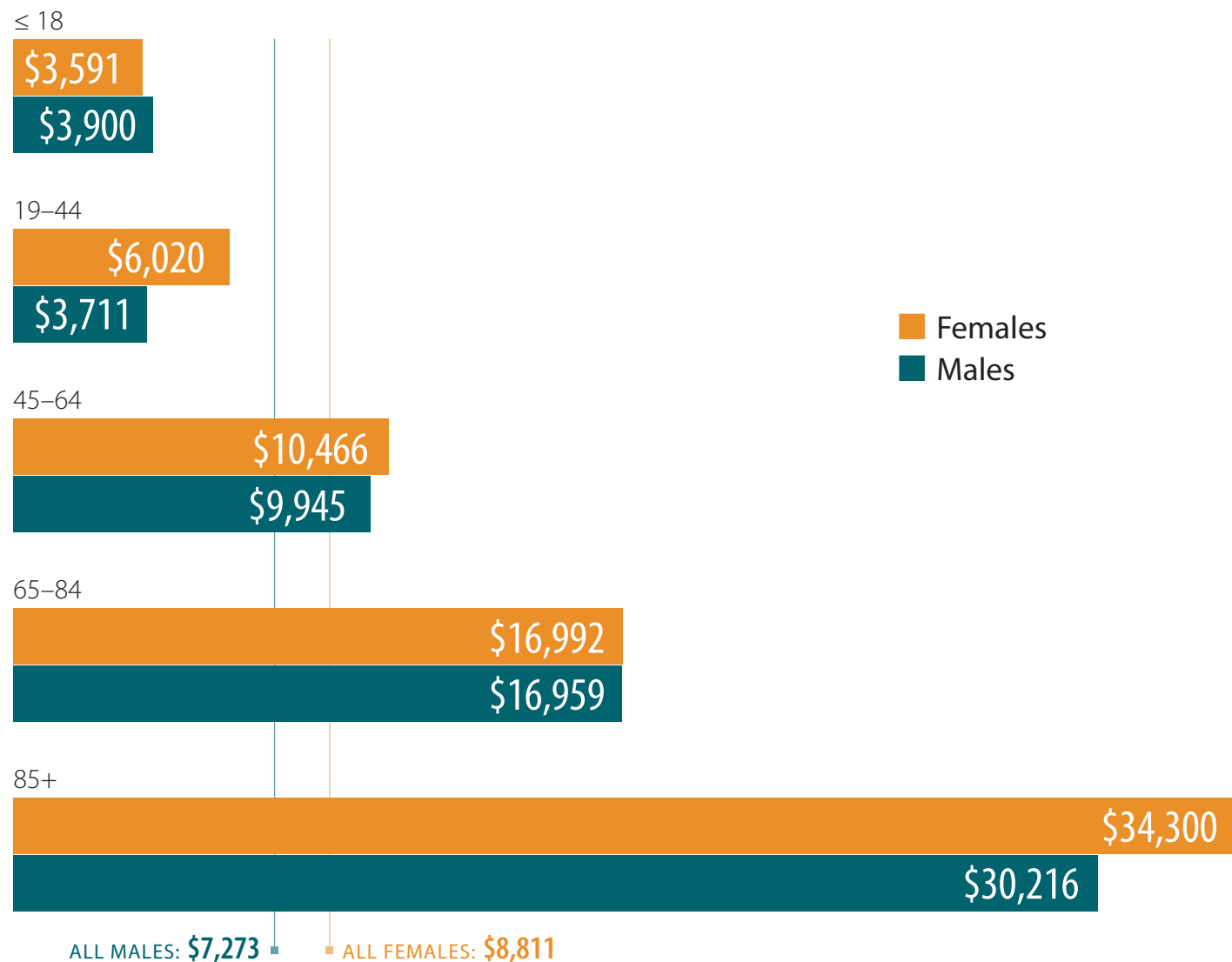
Health Care Costs 101

Age and Gender

Per capita health spending varies by age. Personal health care spending among young, working-age adults (19 to 44) totaled \$4,856 per person, 30% more than children, but less than half as much as older working adults (45 to 64). Spending on those age 85 and over averaged \$32,903 per person.

Personal Health Care Spending per Capita

by Gender and Age Group, United States, 2014



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 \$19,098 (\$19,700 for females and \$18,331 for males). See Appendix B for spending category details by age group and gender.

Source: **National Health Expenditure age data** (2002–14), Centers for Medicare & Medicaid Services.

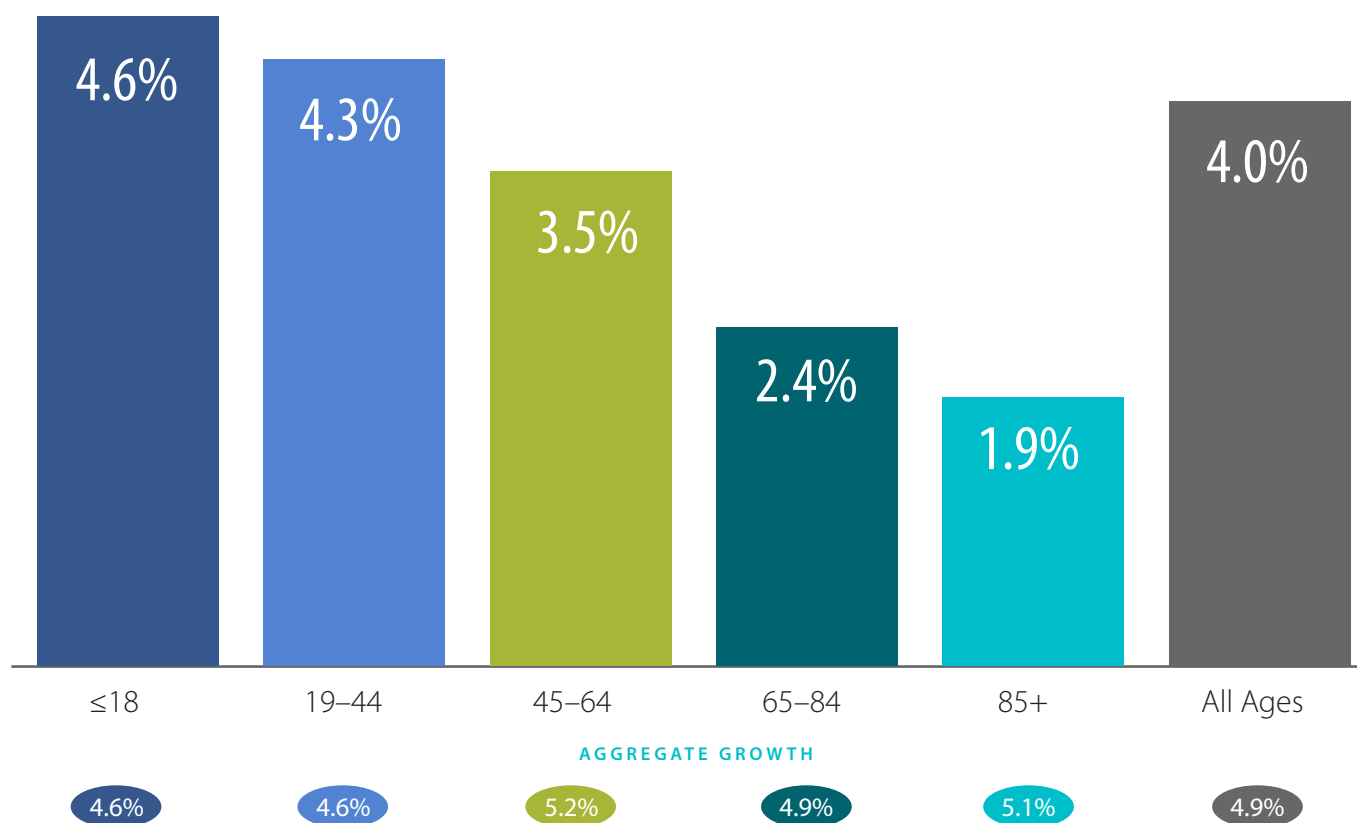
Health Care Costs 101

Age and Gender

Women bear a greater burden of spending on health care than men. Overall, females spent \$1,538 (or 21%) more than males on personal health care in 2014. This higher spending shows up in women of childbearing age (19 to 44), due to costs of maternity care, and in older women (85 and older), largely due to spending more on nursing facility care.

Annual Average Personal Health Care Spending Growth, by Age Group

Per Capita and Aggregate Growth, United States, 2004 to 2014



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

Source: **National Health Expenditure age data** (2002–14), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Age and Gender

Between 2004 and 2014, the elderly had the slowest per capita growth for personal health care spending and children had the fastest. In contrast, the elderly had the fastest growth in aggregate personal health care spending due to the growing elderly population.

Personal Health Care Spending per Capita

by Category and Age Group, United States, 2014

	≤18	19–44	45–64	65–84	85+	ALL AGES
Personal Health Care	\$3,749	\$4,856	\$10,212	\$16,977	\$32,903	\$8,054
Hospital Care	1,546	1,986	4,016	6,162	9,254	3,076
Physician and Clinical Services	921	1,251	2,549	3,657	4,372	1,873
Dental Services	390	225	437	496	382	358
Other Professional Services	120	171	325	578	722	261
Nursing Care Facilities	13	29	267	1,659	9,691	479
Home Health Care	111	90	170	727	3,734	267
Other Health Care	277	436	590	607	1,348	476
Prescription Drugs	283	509	1,442	2,176	2,018	937
Durable Medical Equipment	62	85	178	350	595	147
Other Nondurable Medical Products	27	74	237	566	788	181

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

Source: [National Health Expenditure age data](#) (2002–14), Centers for Medicare & Medicaid Services.

Health Care Costs 101

Age and Gender

Spending on health services varied by age. Spending for the oldest category (85+) was about nine times spending for children (\$32,903 vs. \$3,749). A third of all spending for those 85 and older was for nursing care facilities. Prescription drug spending for young working-age adults (\$509) was about a third of that for older working-age adults (\$1,442).

Impact of COVID-19

The full impact of COVID-19 on health care spending will depend on a number of unknown factors. In addition to what portion of the population will become infected, the unknowns include:

- **Testing and treatment.** While per test costs may be low (\$36–\$51 per test under Medicare), the total costs will increase as testing becomes more widespread. If an effective treatment is identified, the new drugs could add costs to the system. Vaccines will also have associated costs.
- **Hospitalizations.** Roughly 15% of COVID-19 cases could require hospitalization. Typical cost of hospitalization in 2018 for pneumonia with major complications was roughly \$20,000 or more with ventilator support.
- **Delayed or foregone care.** The delay or crowding out of elective procedures may reduce some health care costs. In addition, individuals may forego care as a result of loss of employment and insurance.

The costs of COVID-19 are expected to reach from tens to hundreds of billions of dollars, depending on the extent of the outbreak. In future health care cost reporting, the COVID-19 pandemic might result in increased spending in the following:

- Public health for the Centers for Disease Control and Prevention, and for local contact tracing
- Noncommercial research to support vaccine research
- Nondurable medical products for personal protective equipment, such as masks and gowns
- Investment for ventilators
- Hospital care (spending could also decrease)

At the time of this publication (May 2020), the country is in the midst of the novel coronavirus pandemic (COVID-19).

Data Resources

Economic Data

- *The Budget and Economic Outlook: 2020 to 2030*, Congressional Budget Office, January 28, 2020, www.cbo.gov/publication/56020.
- Consumer Price Index, US Bureau of Labor Statistics, www.bls.gov/data
- "Gross Domestic Product," US Bureau of Economic Analysis, www.bea.gov.
- "OECD Health Statistics 2019: Frequently Requested Data," Organisation for Economic Co-operation and Development, last updated November 15, 2019, www.oecd.org

Journal Publications Authored by CMS Staff

- Hartman, Micah et al. "National Health Care Spending in 2018: Growth Driven by Accelerations in Medicare and Private Insurance Spending." *Health Affairs* 39, no. 1 (January 2020): 8–17. doi:10.1377/hlthaff.2019.01451.
- Keehan, Sean P. et al. "National Health Expenditure Projections, 2019–28: Expected Rebound In Prices Drives Rising Spending Growth." *Health Affairs* 39, no. 4 (April 2020): 704–14. doi:10.1377/hlthaff.2020.00094.

COVID-19 Costs

- Cox, Cynthia et al. "How Health Costs Might Change with COVID-19." Peterson-KFF Health System Tracker. April 15, 2020. www.healthsystemtracker.org

National Health Expenditures

AGE AND GENDER

- Data and Resources, Centers for Medicare & Medicaid Services www.cms.gov

HEALTH CARE SATELLITE ACCOUNT

Disease-Based Health Care Measures, US Bureau of Economic Analysis

- Introduction <https://apps.bea.gov> (PDF)
- Data and Resources www.bea.gov

HISTORICAL INFORMATION / OVERVIEW

- Data by Service Category, Payer, and Sponsor www.cms.gov
- Definitions, Sources, and Methods www.cms.gov (PDF)
- Overview of National Health Expenditure Resources www.cms.gov
- Quick Reference Definitions www.cms.gov (PDF)
- Highlights 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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Oakland, CA 94612
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www.chcf.org

Appendix A: Health Spending, by Category, United States, 1998 to 2018, Selected Years

	SPENDING (IN BILLIONS)				DISTRIBUTION				GROWTH *			
	1998	2008	2017	2018	1998	2008	2017	2018	1998–2018	2008–2018	2017	2018
National Health Expenditures	\$1,201.5	\$2,397.1	\$3,487.3	\$3,649.4	100%	100%	100%	100%	5.7%	4.3%	4.2%	4.6%
Health Consumption Expenditures	\$1,126.3	\$2,249.0	\$3,319.0	\$3,475.0	94%	94%	95%	95%	5.8%	4.4%	4.0%	4.7%
▶ Personal Health Care	1,025.6	2,008.8	2,954.5	3,075.5	85%	84%	85%	84%	5.6%	4.4%	4.1%	4.1%
▶ Hospital Care	374.9	725.6	1,140.6	1,191.8	31%	30%	33%	33%	6.0%	5.1%	4.7%	4.5%
▶ Professional Services	343.5	649.1	924.0	965.1	29%	27%	26%	26%	5.3%	4.0%	4.6%	4.4%
▶ Physician and Clinical Services	256.5	481.9	696.9	725.6	21%	20%	20%	20%	5.3%	4.2%	4.7%	4.1%
▶ Dental Services	53.6	102.7	129.6	135.6	4%	4%	4%	4%	4.8%	2.8%	3.8%	4.6%
▶ Other Professional Services	33.4	64.5	97.5	103.9	3%	3%	3%	3%	5.8%	4.9%	5.2%	6.5%
▶ Nursing Care Facilities	79.1	130.5	166.2	168.5	7%	5%	5%	5%	3.9%	2.6%	2.0%	1.4%
▶ Home Health Services	34.1	62.3	97.1	102.2	3%	3%	3%	3%	5.6%	5.1%	4.5%	5.2%
▶ Other Health Care	55.6	114.5	183.2	191.6	5%	5%	5%	5%	6.4%	5.3%	5.5%	4.6%
▶ Retail Outlet Sales	138.4	326.8	443.2	456.3	12%	14%	13%	13%	6.1%	3.4%	1.7%	2.9%
▶ Prescription Drugs	88.5	239.6	326.8	335.0	7%	10%	9%	9%	6.9%	3.4%	1.4%	2.5%
▶ Durable Medical Equipment	21.4	37.7	52.4	54.9	2%	2%	2%	2%	4.8%	3.8%	2.9%	4.7%
▶ Other Nondurable Medical Products	28.6	49.5	64.1	66.4	2%	2%	2%	2%	4.3%	3.0%	2.2%	3.6%
▶ Administration	63.2	168.7	273.2	306.0	5%	7%	8%	8%	8.2%	6.1%	3.6%	12.0%
▶ Net Cost of Health Insurance	49.9	139.4	228.3	258.5	4%	6%	7%	7%	8.6%	6.4%	4.3%	13.2%
▶ Government Administration	13.3	29.3	44.8	47.5	1%	1%	1%	1%	6.6%	5.0%	-0.2%	6.0%
▶ Public Health Activities	37.5	71.6	91.4	93.5	3%	3%	3%	3%	4.7%	2.7%	3.0%	2.4%
Investment	\$75.1	\$148.0	\$168.3	\$174.4	6%	6%	5%	5%	4.3%	1.7%	7.4%	3.6%
▶ Noncommercial Research	21.5	44.3	50.1	52.6	2%	2%	1%	1%	4.6%	1.7%	5.7%	5.0%
▶ Structures and Equipment	53.6	103.7	118.2	121.8	4%	4%	3%	3%	4.2%	1.6%	2.5%	5.7%

*Growth rates for the 1998–2018 and 2008–2018 periods are average annual; 2017 and 2018 are the growth/decline over previous year.

Notes: *Health spending* refers to national health expenditures. Figures may not sum due to rounding. Further definitions available at www.cms.gov.

Source: [National Health Expenditure historical data](#) (1960–2018), Centers for Medicare & Medicaid Services.

Appendix B: Personal Health Care Spending, by Gender, Age, and Category, 2014

	FEMALES						MALES						TOTAL					
	0-18	19-44	45-64	65-84	85+	ALL	0-18	19-44	45-64	65-84	85+	ALL	0-18	19-44	45-64	65-84	85+	ALL
PER CAPITA	\$3,591	\$6,020	\$10,466	\$16,992	\$34,300	\$8,811	\$3,900	\$3,711	\$9,945	\$16,959	\$30,216	\$7,273	\$3,749	\$4,856	\$10,212	\$16,977	\$32,903	\$8,054
Hospital Care	1,486	2,588	3,884	5,763	9,025	3,261	1,603	1,394	4,155	6,641	9,694	2,885	1,546	1,986	4,016	6,162	9,254	3,076
Physician and Clinical Services	878	1,644	2,827	3,582	3,998	2,097	962	863	2,258	3,747	5,093	1,642	921	1,251	2,549	3,657	4,372	1,873
Dental Services	432	268	470	499	363	393	350	183	403	493	417	321	390	225	437	496	382	358
Other Professional Services	115	214	382	627	725	304	124	129	265	519	716	217	120	171	325	578	722	261
Nursing Care Facilities	11	27	243	1,859	11,191	607	15	31	293	1,419	6,806	347	13	29	267	1,659	9,691	479
Home Health Care	103	103	184	821	4,117	322	119	76	155	614	2,996	209	111	90	170	727	3,734	267
Other Health Care	238	390	541	680	1,405	458	314	481	642	520	1,238	495	277	436	590	607	1,348	476
Prescription Drugs	240	600	1,484	2,212	2,050	1,003	325	419	1,397	2,132	1,955	869	283	509	1,442	2,176	2,018	937
Durable Medical Equipment	64	99	205	347	559	164	59	71	150	352	663	129	62	85	178	350	595	147
Other Nondurable Medical Products	24	87	247	603	867	203	29	62	227	521	637	158	27	74	237	566	788	181
10-YEAR GROWTH	4.5%	4.1%	3.2%	2.4%	1.8%	3.8%	4.6%	4.5%	3.9%	2.4%	2.2%	4.4%	4.6%	4.3%	3.5%	2.4%	1.9%	4.0%
Hospital Care	5.3%	5.6%	4.8%	2.0%	1.6%	4.6%	5.3%	6.2%	5.0%	1.8%	1.8%	5.0%	5.3%	5.8%	4.9%	1.9%	1.7%	4.8%
Physician and Clinical Services	4.1%	3.5%	2.3%	2.4%	4.4%	3.3%	4.2%	3.8%	2.7%	2.0%	4.0%	3.7%	4.2%	3.6%	2.5%	2.2%	4.4%	3.5%
Dental Services	3.1%	0.9%	1.6%	4.3%	5.1%	2.4%	2.5%	0.8%	2.6%	3.4%	4.4%	2.5%	2.8%	0.9%	2.0%	3.9%	5.0%	2.5%
Other Professional Services	5.6%	3.4%	2.4%	4.2%	4.1%	4.0%	5.4%	3.4%	3.6%	4.5%	4.3%	4.8%	5.5%	3.4%	2.9%	4.3%	4.1%	4.3%
Nursing Care Facilities	4.6%	2.1%	4.1%	1.3%	-0.2%	2.3%	5.2%	1.0%	4.6%	2.2%	0.4%	4.2%	5.0%	1.5%	4.4%	1.6%	-0.2%	2.9%
Home Health Care	8.2%	7.5%	3.1%	2.7%	5.5%	5.5%	8.0%	6.4%	4.0%	3.4%	4.8%	6.1%	8.1%	7.2%	3.5%	2.9%	5.2%	5.7%
Other Health Care	4.1%	3.7%	4.3%	5.1%	5.6%	4.6%	5.1%	4.1%	4.3%	3.9%	1.8%	4.5%	4.6%	3.9%	4.3%	4.6%	4.4%	4.6%
Prescription Drugs	3.1%	2.4%	1.8%	3.3%	1.4%	3.0%	3.5%	3.5%	3.3%	4.4%	2.7%	4.4%	3.3%	2.9%	2.4%	3.8%	1.8%	3.6%
Durable Medical Equipment	5.6%	3.2%	2.7%	1.6%	0.4%	3.1%	6.3%	4.2%	2.6%	2.4%	1.8%	4.1%	6.2%	3.5%	2.7%	2.0%	1.0%	3.5%
Other Nondurable Medical Products	2.9%	2.8%	2.5%	1.9%	1.8%	3.0%	2.3%	3.3%	3.1%	2.2%	2.1%	3.8%	3.0%	2.8%	2.7%	2.0%	1.8%	3.4%

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

Source: [National Health Expenditure age data](#) (2002–14), Centers for Medicare & Medicaid Services.

Appendix B: Personal Health Care Spending, by Gender, Age, and Category, 2014, *continued*

	FEMALES						MALES						TOTAL					
	0-18	19-44	45-64	65-84	85+	ALL	0-18	19-44	45-64	65-84	85+	ALL	0-18	19-44	45-64	65-84	85+	ALL
AGGREGATE SPENDING (IN BILLIONS)	\$136.4	\$331.2	\$446.6	\$370.3	\$138.7	\$1,423.2	\$154.8	\$207.5	\$404.0	\$308.6	\$63.5	\$1,138.3	\$291.2	\$538.7	\$850.6	\$678.9	\$202.2	\$2,561.5
Hospital Care	56.44	142.36	165.74	125.58	36.49	526.61	63.60	77.98	168.77	120.85	20.37	451.56	120.04	220.33	334.51	246.44	56.86	978.17
Physician and Clinical Services	33.37	90.46	120.61	78.07	16.16	338.67	38.16	48.26	91.73	68.19	10.70	257.05	71.53	138.73	212.34	146.26	26.86	595.72
Dental Services	16.40	14.73	20.04	10.87	1.47	63.51	13.87	10.24	16.35	8.96	0.88	50.30	30.27	24.97	36.39	19.84	2.35	113.81
Other Professional Services	4.39	11.78	16.31	13.65	2.93	49.06	4.93	7.24	10.78	9.45	1.50	33.90	9.32	19.02	27.08	23.10	4.44	82.96
Nursing Care Facilities	0.43	1.50	10.35	40.50	45.24	98.03	0.61	1.74	11.89	25.82	14.30	54.37	1.04	3.25	22.24	66.33	59.54	152.40
Home Health Care	3.92	5.68	7.87	17.90	16.65	52.01	4.73	4.25	6.30	11.17	6.30	32.74	8.64	9.93	14.17	29.07	22.94	84.76
Prescription Drugs	9.10	32.99	63.33	48.21	8.29	161.92	12.91	23.46	56.75	38.81	4.11	136.03	22.01	56.45	120.08	87.02	12.40	297.95
Durable Medical Equipment	2.43	5.45	8.74	7.57	2.26	26.45	2.35	3.97	6.10	6.41	1.39	20.23	4.78	9.42	14.84	13.98	3.66	46.68
Other Health Residential and Personal Care	9.03	21.44	23.08	14.81	5.68	74.05	12.45	26.90	26.08	9.46	2.60	77.49	21.48	48.34	49.17	24.27	8.28	151.54
Other Nondurable Medical Products	0.92	4.77	10.53	13.13	3.51	32.85	1.16	3.47	9.22	9.49	1.34	24.67	2.07	8.24	19.75	22.62	4.84	57.52
10-YEAR GROWTH	4.6%	4.5%	4.9%	4.6%	4.4%	4.6%	4.6%	4.7%	5.5%	5.3%	6.7%	5.2%	4.6%	4.6%	5.2%	4.9%	5.1%	4.9%
Hospital Care	5.4%	6.0%	6.5%	4.1%	4.3%	5.5%	5.3%	6.5%	6.6%	4.7%	6.3%	5.8%	5.3%	6.1%	6.6%	4.4%	4.9%	5.6%
Physician and Clinical Services	4.1%	3.8%	4.0%	4.6%	7.1%	4.2%	4.2%	4.1%	4.3%	4.8%	8.6%	4.5%	4.2%	3.9%	4.1%	4.7%	7.7%	4.3%
Dental Services	3.1%	1.2%	3.3%	6.5%	7.8%	3.3%	2.5%	1.1%	4.2%	6.3%	9.0%	3.4%	2.8%	1.2%	3.7%	6.4%	8.3%	3.3%
Other Professional Services	5.6%	3.8%	4.1%	6.3%	6.8%	4.8%	5.4%	3.7%	5.2%	7.5%	8.9%	5.6%	5.5%	3.7%	4.5%	6.8%	7.4%	5.1%
Nursing Care Facilities	5.6%	2.6%	5.8%	3.4%	2.4%	3.1%	5.1%	1.2%	6.3%	5.0%	4.9%	5.1%	5.3%	1.8%	6.0%	4.0%	2.9%	3.8%
Home Health Care	8.3%	7.8%	4.9%	4.9%	8.3%	6.4%	8.1%	6.7%	5.6%	6.3%	9.5%	7.0%	8.2%	7.3%	5.2%	5.4%	8.6%	6.6%
Prescription Drugs	3.1%	2.7%	3.4%	5.5%	4.1%	3.8%	3.5%	3.8%	4.9%	7.3%	7.2%	5.2%	3.3%	3.1%	4.1%	6.3%	5.0%	4.4%
Durable Medical Equipment	5.5%	3.5%	4.4%	3.7%	3.0%	4.0%	6.5%	4.4%	4.2%	5.3%	6.4%	5.0%	6.0%	3.9%	4.3%	4.4%	4.1%	4.4%
Other Health Care	4.1%	4.1%	6.0%	7.3%	8.3%	5.5%	5.1%	4.4%	5.9%	6.8%	6.3%	5.3%	4.7%	4.2%	5.9%	7.1%	7.7%	5.4%
Other Nondurable Medical Products	3.1%	3.0%	4.2%	4.0%	4.4%	3.9%	2.5%	3.5%	4.6%	5.0%	6.6%	4.6%	2.7%	3.2%	4.4%	4.4%	5.0%	4.2%

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

Source: [National Health Expenditure age data](#) (2002–14), Centers for Medicare & Medicaid Services.

Appendix C: Health Spending, by Medical Condition, United States, 2015 and 2016

	SPENDING (IN BILLIONS)		DISTRIBUTION		GROWTH*
	2015	2016	2015	2016	2016
All Diseases/Conditions	\$2,144.3	\$2,253.0	100%	100%	5.1%
Routine Care, Signs and Symptoms	291.2	334.1	13%	14%	14.7%
Circulatory Conditions	253.5	249.4	12%	12%	-1.6%
Musculoskeletal Conditions	213.0	228.1	10%	10%	7.1%
Nervous System Conditions	160.7	176.3	7%	7%	9.7%
Respiratory Conditions	165.9	173.1	8%	8%	4.3%
Endocrine System Conditions	147.9	158.6	7%	7%	7.2%
Neoplasms	137.7	135.8	6%	6%	-1.4%
Injury and Poisoning	132.6	133.8	6%	6%	0.9%
Infectious Diseases	111.6	122.0	5%	5%	9.3%
Digestive Conditions	113.0	121.0	5%	5%	7.1%
Genitourinary Conditions	125.6	116.7	6%	6%	-7.1%
Mental Illness	104.5	102.9	5%	5%	-1.5%
Other	85.3	88.3	4%	4%	3.5%
Skin Conditions	54.8	61.3	3%	3%	12.0%
Pregnancy	47.0	51.5	2%	2%	9.7%

Notes: Spending classified by medical condition accounted for 84% of personal health care spending in 2016. Medical condition spending does not include the spending on dental services, nursing homes, or medical products and equipment.

Source: *Blended Account*, 2000-2016, US Bureau of Economic Analysis, September 16, 2019.