

## National Health Expenditures 2010 Highlights

U.S. health care spending grew 3.9 percent in 2010 following record slow growth of 3.8 percent in 2009; the two slowest rates of growth in the fifty-one year history of the National Health Expenditure Accounts. Total health expenditures reached \$2.6 trillion, which translates to \$8,402 per person or 17.9 percent of the nation's Gross Domestic Product (GDP).

### Health Spending by Type of Service or Product: Personal Health Care

- **Hospital Care:** Hospital spending increased 4.9 percent to \$814.0 billion in 2010 compared to 6.4-percent growth in 2009. Average annual growth in hospital spending between 2007 and 2010 was 5.5 percent. This was slower than the trend between 2003 and 2006, when spending increased an average of 7.4 percent per year. Growth in private health insurance spending for hospital services, which in 2010 accounted for 35 percent of all hospital care, slowed considerably in 2010. These trends occurred at the same time median inpatient hospital admissions declined and emergency department and outpatient hospital visits grew more slowly than in 2009.
- **Physician and Clinical Services:** Spending on physician and clinical services increased 2.5 percent in 2010 to \$515.5 billion, a deceleration from 3.3-percent growth in 2009. The 2010 deceleration reflects a decline in utilization, driven by a drop in total physician visits between 2009 and 2010 and a less severe flu season than in 2009.
- **Other Professional Services:** Spending for other professional services, which includes providers of services such as physical therapy, chiropractic medicine, and mental health, decelerated slightly in 2010, increasing 3.6 percent to \$68.4 billion after growth of 3.8 percent in 2009.
- **Dental Services:** Spending for dental services increased 2.3 percent in 2010 to \$104.8 billion compared to growth of only 0.1 percent in 2009. Out-of-pocket spending for dental services (which accounts for over 40 percent of dental spending) increased 0.5 percent in 2010 following a decline of 5.2 percent in 2009.
- **Other Health, Residential, and Personal Care Services:** Spending for other health, residential, and personal care services grew 5.3 percent in 2010 to \$128.5 billion, a deceleration from growth of 7.7 percent in 2009. This category includes expenditures for medical services delivered in non-traditional settings (such as schools or community centers), ambulance providers, and residential mental health and substance abuse facilities.
- **Home Health Care:** Spending growth for freestanding home health care services slowed in 2010, increasing 6.2 percent to \$70.2 billion following growth of 7.5 percent in 2009, as Medicare and Medicaid spending growth slowed in 2010.
- **Nursing Care Facilities and Continuing Care Retirement Communities:** Spending for freestanding nursing care facilities and continuing care retirement communities increased 3.2 percent in 2010 to \$143.1 billion, a deceleration from growth of 4.5 percent in 2009, driven by slower growth in Medicare and Medicaid spending.
- **Prescription Drugs:** Retail prescription drug spending grew only 1.2 percent to \$259.1 billion in 2010, a substantial slowdown from 5.1-percent growth in 2009. The slowdown was driven by slower growth in the volume of drugs consumed, a continued increase in the use of generic medications, loss of patent protection for certain brand name drugs, fewer new drug introductions, and a substantial increase in Medicaid prescription drug rebates.

- **Durable Medical Equipment:** Spending for durable medical equipment, which includes items such as eyeglasses, contacts and hearing aids, increased 7.3 percent to \$37.7 billion in 2010 after increasing 0.8 percent in 2009.
- **Other Non-durable Medical Products:** Spending for other non-durable medical products, such as over-the-counter medicines, reached \$44.8 billion, an increase of 2.6 percent in 2010, the same rate of growth as in 2009.

#### Health Spending by Major Sources of Funds:

- **Medicare:** Medicare spending grew 5.0 percent in 2010 to \$524.6 billion, a deceleration from growth of 7.0 percent in 2009. Spending for fee-for-service (FFS) Medicare grew 5.0 percent in 2010 following growth of 4.5 percent in 2009. Medicare Advantage (MA) spending increased 4.7 percent in 2010, a steep deceleration from 15.6-percent growth in 2009 that resulted from an adjustment to payment rates in 2010.
- **Medicaid:** Total Medicaid spending grew 7.2 percent in 2010 to \$401.4 billion, a deceleration from 8.9-percent growth in 2009, driven primarily by slower growth in enrollment. Federal Medicaid expenditures increased 8.9 percent, while state Medicaid expenditures grew 3.9 percent. This difference in growth was due to approximately \$41 billion in enhanced federal aid to states—a result of increased Federal Medical Assistance Percentages (FMAP) mandated by the American Recovery and Reinvestment Act of 2009 (ARRA).
- **Private Health Insurance:** Growth in total spending for private health insurance premiums slowed in 2010 to 2.4 percent from 2.6 percent in 2009, continuing a deceleration that began in 2003. Growth in aggregate benefit payments also slowed, from 3.7 percent in 2009 to 1.6 percent in 2010. The slowdown reflects a decline in private health insurance enrollment, increases in cost sharing, and a shift by some consumers to plans with lower premiums. However, for the first time in seven years, growth in total premiums exceeded growth in total benefits; as a result, the private health insurance net cost ratio increased from 11.4 percent in 2009 to 12.1 percent in 2010.
- **Out-of-Pocket:** Out-of-pocket spending grew 1.8 percent in 2010, an acceleration from growth of 0.2 percent in 2009. Faster growth in 2010 partially reflects higher cost-sharing requirements for some employers, consumers' switching to plans with lower premiums and higher deductibles and/or copayments, and the continued loss of health insurance coverage.

#### Health Spending by Type of Sponsor<sup>1</sup>:

- Since 2007, the economic recession and legislative changes led to a noticeable change in the shares of health care spending that were financed by businesses, households, and governments.
- The federal government financed 29 percent of total health spending in 2010, a substantial increase from its share of 23 percent in 2007. Meanwhile, the shares of the total health care bill financed by state and local governments (16 percent), private businesses (21 percent), and households (28 percent) declined during the same time period.

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<sup>1</sup> Type of sponsor is defined as the entity that is ultimately responsible for financing the health care bill, such as a private business, household, or government. These sponsors pay insurance premiums, out-of-pocket costs, or finance health care through dedicated taxes or general revenues.