

U.S. House and Senate Notification
Tuesday, January 5, 2010

To: Congressional Health Staff

From: Amy Hall, Director, Office of Legislation
Centers for Medicare & Medicaid Services

Subject: CMS Issues Annual Report on National Health Expenditures

The Centers for Medicare & Medicaid Services (CMS) issued a report today on national health expenditures, which was prepared by the CMS Office of the Actuary and will be published today in the health policy journal *Health Affairs*. This report states that nominal health spending increased by 4.4 percent in 2008, to \$2.3 trillion or \$7,681 per person. This growth rate was down from 6.0 percent in 2007 and was the slowest rate of growth since CMS began tracking expenditures in 1960.

Despite the slower growth rate, health care spending continued to outpace overall nominal economic growth, which grew by 2.6 percent in 2008, as measured by the Gross Domestic Product (GDP). Health spending as a percentage of GDP continued to climb and reached 16.2 percent of GDP in 2008, up from 15.9 percent in 2007.

The economic downturn significantly impacted health spending, leading in part to slower growth in personal health care paid by private sources of funds, which increased only 2.8 percent in 2008, the slowest rate of growth in this category since the mid-1990s. This slower growth was driven by a decline in private health insurance enrollment as a result of unemployment, a decline in other private revenues, and a slowdown in out-of-pocket spending growth.

Health spending was also impacted by the American Recovery and Reinvestment Act of 2009 (ARRA), which provided a temporary 27-month increase in Federal Medical Assistance Percentages (FMAP) used to determine the federal Medicaid payments to states. The legislation led to approximately \$7 billion of Medicaid spending shifting from states to the federal government for the last quarter of 2008.

To read the complete report, visit

http://www.cms.hhs.gov/NationalHealthExpendData/02_NationalHealthAccountsHistorical.asp#TopOfPage

If you have any questions, please contact the CMS Office of Legislation. Thank you.