

## National Health Expenditures 2016 Highlights

U.S. health care spending increased 4.3 percent to reach \$3.3 trillion, or \$10,348 per person in 2016. Health care spending growth decelerated in 2016 after the initial impacts of ACA coverage expansions and strong retail prescription drug spending growth in 2014 and 2015. The overall share of gross domestic product (GDP) related to health care spending was 17.9 percent in 2016, up from 17.7 percent in 2015.

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

- **Hospital Care (32 percent share):** Spending for hospital care increased 4.7 percent to \$1.1 trillion in 2016, slower than the 5.7 percent growth in 2015. The slower growth in 2016 was driven by the slower growth in the use and intensity of services. Hospital care expenditures showed mixed trends across the major payers, with slower growth in Medicaid and private health insurance spending, stable growth in Medicare spending, and faster growth in out-of-pocket spending.
- **Physician and Clinical Services (20 percent share):** Spending on physician and clinical services increased 5.4 percent to \$664.9 billion in 2016. Although growth for physician and clinical services decelerated slightly in 2016 from the (5.9 percent in 2015), it outpaced the growth in all other goods and services categories. The growth in the use and intensity of physician and clinical services was a driving factor in the overall growth in physician and clinical services, accounting for nearly three-quarters of the 5.4 percent increase.
- **Prescription Drugs (10 percent share):** Growth in retail prescription drug spending slowed in 2016, increasing 1.3 percent to \$328.6 billion. The slower growth in 2016 follows two years of strong growth in 2014 and 2015, 12.4 percent and 8.9 percent, respectively. This strong growth reflected increased spending on new medicines and price growth for existing brand-name drugs, particularly for drugs used to treat hepatitis C. Growth slowed in 2016 primarily due to fewer new drug approvals, slower growth in brand-name drug spending as spending for hepatitis C drugs declined, and a decline in spending for generic drugs as price growth slowed.
- **Other Professional Services (3 percent share):** Spending for other professional services reached \$92.0 billion in 2016, an increase of 4.7 percent. This was a deceleration from the 5.9 percent growth in 2015. Spending in this category includes establishments of independent health practitioners (except physicians and dentists) that primarily provide services such as physical therapy, optometry, podiatry, or chiropractic medicine.
- **Dental Services (4 percent share):** Spending for dental services increased 4.6 percent in 2016 to \$124.4 billion, a slight acceleration from 4.4 percent growth in 2015. Private health insurance (which accounted for 46 percent of dental spending) increased 4.8 percent in 2016, the same rate of growth that occurred in 2015. Out-of-pocket spending for dental services (which accounted for 40 percent of dental spending) increased 4.3 percent in 2016, faster than the 3.4 percent increase in 2015.
- **Other Health, Residential, and Personal Care Services (5 percent share):** Spending for other health, residential, and personal care services grew 5.3 percent in 2016 to \$173.5 billion after increasing 8.7 percent in 2015. The slowdown was driven by the slower growth in Medicaid spending, 57 percent of all spending in this category, which slowed to 5.7 percent in 2016 after 10.8 percent growth in 2015. This category includes expenditures for medical services that are generally delivered by providers in non-traditional settings such as schools, community centers, and the workplace; as well as by ambulance providers and residential mental health and substance abuse facilities.

- **Home Health Care (3 percent share):** Spending for freestanding home health care agencies decelerated in 2016, increasing 4.0 percent to \$92.4 billion from 5.8 percent growth in 2015. Slower growth in Medicaid spending (4.6 percent in 2016 from 7.7 percent in 2015), out-of-pocket spending (0.5 percent in 2016 from 3.1 percent in 2015) and private health insurance spending (2.8 percent in 2016 from 6.6 percent in 2015) contributed to slower overall growth in 2016. Medicare and Medicaid together made up 77 percent of home health spending in 2016.
- **Nursing Care Facilities and Continuing Care Retirement Communities (5 percent share):** Spending for freestanding nursing care facilities and continuing care retirement communities decelerated in 2016, growing 2.9 percent to \$162.7 billion, compared to 3.7 percent growth in 2015. The slower growth in 2016 was largely attributed to slower spending growth in both Medicare (1.2 percent in 2016 from 4.0 percent in 2015) and private health insurance (5.9 percent in 2016 from 14.3 percent in 2015).
- **Durable Medical Equipment (2 percent share):** Retail spending for durable medical equipment, which includes items such as contact lenses, eyeglasses and hearing aids, reached \$51.0 billion in 2016 and increased 4.9 percent, which was faster than the 4.1 percent growth in 2015.
- **Other Non-durable Medical Products (2 percent share):** Retail spending for other non-durable medical products, such as over-the-counter medicines, medical instruments, and surgical dressings, grew 4.4 percent (about the rate of growth in 2015, 4.6 percent) to \$62.2 billion in 2016.

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

- **Medicare (20 percent share):** Medicare spending grew 3.6 percent to \$672.1 billion in 2016, which was lower than growth in the previous two years when spending increased 4.8 percent in 2015 and 4.9 percent in 2014. The slower growth in 2016 was due to slower growth in spending for both the Medicare fee-for-service (2.2 percent in 2015 to 1.8 percent in 2016) and Medicare Advantage (11.1 percent in 2015 to 7.4 percent in 2016) portions of Medicare.
- **Medicaid (17 percent share):** Total Medicaid spending decelerated in 2016, increasing 3.9 percent to \$565.5 billion. This was much slower growth than in the previous two years, when Medicaid spending grew 11.5 percent in 2014 and 9.5 percent in 2015. The stronger growth in 2014 and 2015 was due in part to the initial impacts of the ACA's expansion of Medicaid enrollment during that period. State and local Medicaid expenditures grew 3.2 percent, while federal Medicaid expenditures increased 4.4 percent in 2016.
- **Private Health Insurance (34 percent share):** Private health insurance spending increased 5.1 percent to \$1.1 trillion in 2016, which was slower than the 6.9 percent growth in 2015. The deceleration was largely driven by slower enrollment growth in 2016 after two years of robust enrollment growth due in part to ACA coverage expansion.
- **Out-of-Pocket (11 percent share):** Out-of-pocket spending grew 3.9 percent in 2016 to \$352.5 billion, faster than the growth of 2.8 percent in 2015. This was the fastest rate of growth since 2007 and exceeded the average annual of growth 2.0 percent from 2008-15.

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

- In 2016, the federal government and households accounted for the largest shares of spending (28 percent) followed by private businesses (20 percent), and state and local governments (17 percent).

- Federal government spending on health slowed in 2016, increasing 3.9 percent after two consecutive years of strong growth (10.9 percent in 2014 and 8.9 percent in 2015). The deceleration was largely associated with slower federal Medicaid spending and lower Medicaid enrollment growth in 2016. Despite the slower growth, the federal government's share of health care spending remained at 28 percent.
- Health spending by households grew at a rate of 4.6 percent, which was a deceleration from 5.0 percent in 2015. The slower growth in 2016 was largely due to a deceleration in spending for employer-sponsored private health insurance. Despite the slightly slower growth in 2016, households represented 28 of health care spending, a share that has remained unchanged since 2014. Out-of-pocket expenditures, the largest category of household spending (38 percent share), increased 3.9 percent in 2016.
- Health care financed by state and local governments grew 2.8 percent in 2016 compared to 4.8 percent growth in 2015. The deceleration was largely driven by slower growth in spending for state and local government contributions to employer-sponsored private health insurance premiums. Despite the deceleration, state and local government's share of health care spending remained at 17 percent, a share that has been relatively stable since 2014.
- Private businesses spending on health care accelerated slightly, increasing 5.0 percent in 2016 compared to 4.4 percent growth in 2015. The largest category of private business health care costs are employer-sponsored premiums, which increased 4.9 percent in 2016. The private business share of overall health spending remained fairly steady since 2010, at about 20 percent.

---

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