National Health Expenditures 2015 Highlights

In 2015, U.S. health care spending increased 5.8 percent to reach $3.2 trillion, or $9,990 per person. The coverage expansion that began in 2014 as a result of the Affordable Care Act continued to have an impact on the growth of health care spending in 2015. Additionally, faster growth in total health care spending in 2015 was driven by stronger growth in spending for private health insurance, hospital care, physician and clinical services, and the continued strong growth in Medicaid and retail prescription drug spending. Lastly, the overall share of the U.S. economy devoted to health care spending was 17.8 percent in 2015, up from 17.4 percent in 2014.

Health Spending by Type of Service or Product:

- **Hospital Care (32 percent share):** Spending for hospital care increased 5.6 percent to $1.0 trillion in 2015 compared to 4.6 percent growth in 2014. The faster growth in 2015 was driven by continued growth in non-price factors such as the use and intensity of services. However, hospital price growth was just 0.9 percent in 2015, which was the lowest rate of growth since 1998. Hospital services, from a payer perspective, experienced faster growth in Medicaid and private health insurance spending; however this strong growth was slightly offset by slower growth in Medicare hospital spending.

- **Physician and Clinical Services (20 percent share):** Spending on physician and clinical services increased 6.3 percent in 2015 to $634.9 billion. This was an acceleration from growth of 4.8 percent in 2014 and was the first time since 2005 that the growth rate exceeded 6.0 percent. As with hospitals, the faster growth in overall physician and clinical services spending was driven by continued growth in non-price factors. Price growth for physician and clinical services, however, declined 1.1 percent in 2015, driven by the expiration of temporary increases in Medicaid payments to primary care physicians.

- **Other Professional Services (3 percent share):** Spending for other professional services reached $87.7 billion in 2015, an increase of 5.9 percent and an acceleration from growth of 5.1 percent in 2014. 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 4.2 percent in 2015 to $117.5 billion, which was an acceleration from 2.4 percent growth in 2014. Out-of-pocket spending for dental services (which accounted for 40 percent of dental spending) increased 1.8 percent in 2015 after increasing 0.8 percent in 2014. Private health insurance (which accounted for 47 percent of dental spending) increased 3.0 percent in 2015 following 2.1 percent growth in 2014.

- **Other Health, Residential, and Personal Care Services (5 percent share):** Spending associated with other health, residential, and personal care services grew 7.8 percent in 2015 to $163.3 billion after increasing 5.0 percent in 2014. The robust growth was driven by 10.0 percent growth in Medicaid spending, which represented nearly 57 percent of all spending in this category. 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 growth for freestanding home health care agencies accelerated in 2015, increasing 6.3 percent to $88.8 billion following growth of 4.5 percent in 2014. Stronger growth in both Medicare (2.6 percent) and Medicaid (6.0 percent)
spending -- the two largest payers which accounted for 76 percent of home health spending --
along with faster growth in private health insurance and out-of-pocket spending drove the overall
acceleration in 2015.

- **Nursing Care Facilities and Continuing Care Retirement Communities (5 percent share):**
  Spending for freestanding nursing care facilities and continuing care retirement communities
  increased 2.7 percent in 2015 to $156.8 billion. The slightly faster growth in 2015 (from 2.3
  percent growth in 2014) was mainly due to the faster growth in Medicare spending of 5.6 percent
  versus 2.5 percent in 2014.

- **Prescription Drugs (10 percent share):** Retail prescription drug spending decelerated in 2015,
  increasing 9.0 percent to $324.6 billion. Although growth in 2015 was slower than the 12.4
  percent growth in 2014, spending on prescription drugs outpaced all other services in 2015. The
  strong spending growth for prescription drugs is attributed to the increased spending on new
  medicines, price growth for existing brand name drugs, increased spending on generics, and
  fewer expensive blockbuster drugs going off-patent.

- **Durable Medical Equipment (2 percent share):** Retail spending for durable medical
  equipment, which includes items such as contact lenses, eyeglasses and hearing aids, reached
  $48.5 billion in 2015, and increased 3.9 percent, slightly faster than the 3.5 percent growth in
  2014.

- **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 3.7 percent to $59.0 billion in 2015.

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

- **Medicare (20 percent share):** Medicare spending grew 4.5 percent to $646.2 billion in 2015,
  which was a slight deceleration from the 4.8 growth percent in 2014. The slightly slower growth
  in 2015 was largely attributable to slower growth in Medicare enrollment, which increased 2.7
  percent to 54.3 million beneficiaries following 3.1 percent growth in 2014.

- **Medicaid (17 percent share):** Total Medicaid spending slowed slightly in 2015 to 9.7 percent,
  but continued the strong growth that began in 2014 (11.6 percent) State and local Medicaid
  expenditures grew 4.9 percent while Federal Medicaid expenditures increased 12.6 percent in
  2015. The increased spending by the federal government was largely driven by newly eligible
  enrollees under the ACA, which were fully financed by the federal government.

- **Private Health Insurance (33 percent share):** Total private health insurance expenditures
  increased 7.2 percent to $1.1 trillion in 2015, faster than the 5.8 percent growth in 2014. The
  acceleration in 2015 was driven by increased enrollment and strong growth in benefit spending.

- **Out-of-Pocket (11 percent share):** Out-of-pocket spending grew 2.6 percent in 2015 to $338.1
  billion, slightly faster than the growth of 1.4 percent in 2014. The increase in 2015 was
  influenced by the expansion of insurance coverage and the corresponding drop in the number of
  individuals without health insurance.

**Health Spending by Type of Sponsor**:1

- In 2015, the federal government accounted for the largest share of health care spending (29
  percent), followed by households (28 percent), private businesses (20 percent), and state and local
  governments (17 percent).
• Federal government spending on health increased 8.9 percent in 2015 after growing 11.0 percent in 2014, and outpaced all other sponsors of health care in both years. In 2015, the federal government was the largest sponsor of health care at 29 percent, up from 28 percent in 2014 and 26 percent in 2013. The main driver for the increased federal share of health care was the continued enrollment of newly eligible adults into Medicaid, who were fully financed by the federal government.

• Health spending by households grew at a rate of 4.7 percent, which was an acceleration from 2.6 percent in 2014. Household spending accounted for 28 percent of health care spending in 2015, unchanged from the year before. The faster growth in spending by households was driven largely by households’ contributions to employer-sponsored private insurance premiums.

• State and local government spending increased 4.6 percent in 2015 compared to 3.2 percent growth in 2014. The acceleration was largely driven by faster growth in state and local Medicaid spending which resulted from increased reimbursement rates and an increased effort to expand care in the home and community setting. Overall, state and local government health care spending represented 17 percent of total health care spending in both 2014 and 2015.

• Health care spending financed by private businesses accelerated slightly, increasing 5.3 percent in 2015 compared to 4.7 percent growth in 2014. The private business share of overall health spending has remained fairly steady since 2010, at about 20 percent.

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1 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.