

## National Health Expenditures 2018 Highlights

U.S. health care spending increased 4.6 percent to reach \$3.6 trillion, or \$11,172 per person in 2018. The growth in 2018 was faster than in 2017 when health care spending increased 4.2 percent. The faster growth in 2018 was associated with faster growth in the net cost of health insurance, which increased 13.2 percent following growth of 4.3 percent in 2017, due primarily to the reinstatement of the health insurance tax in 2018. The overall share of gross domestic product (GDP) related to health care spending was 17.7 percent in 2018, down from 17.9 percent in 2017. The insured share of the population was 90.6 percent in 2018 and 90.8 percent in 2017, as the number of uninsured increased by 1 million to 30.7 million in 2018.

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

- **Hospital Care (33 percent share):** Spending for hospital care services increased at about the same rate in 2018 as in 2017 (4.5 percent and 4.7 percent, respectively) and reached \$1.2 trillion in 2018. Faster growth in hospital prices was partly offset by slower growth in non-price factors, such as the use and intensity of services.
- **Physician and Clinical Services (20 percent share):** Spending on physician and clinical services increased 4.1 percent to \$725.6 billion in 2018. This was slower than the 4.7 percent growth for physician and clinical services in 2017 and was largely due to a slowdown in non-price factors such as use and intensity services. Although slowing, growth in clinical services continued to outpace the growth in physician services in 2018.
- **Retail Prescription Drugs (9 percent share):** Growth in retail prescription drug spending accelerated in 2018, increasing 2.5 percent to \$335.0 billion. The faster growth in 2018 followed 1.4 percent growth in 2017. In 2018, faster growth in non-price factors helped to drive the increase in total retail prescription drug spending growth, while retail prescription drug prices declined by 1.0 percent.
- **Other Health, Residential, and Personal Care Services (5 percent share):** 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. Spending for other health, residential, and personal care services grew 4.6 percent in 2018 to \$191.6 billion after increasing 5.5 percent in 2017. The deceleration was driven largely by slower growth in Medicaid non-waiver spending.
- **Nursing Care Facilities and Continuing Care Retirement Communities (5 percent share):** Growth in spending for services provided at freestanding nursing care facilities and continuing care retirement communities decelerated in 2018, increasing 1.4 percent to \$168.5 billion compared to 2.0 percent growth in 2017. The slower growth in 2018 is largely attributable to slower spending growth in private health insurance spending and a decline in Medicaid spending.
- **Dental Services (4 percent share):** Spending for dental services increased 4.6 percent in 2018 to \$135.6 billion, accelerating from 3.8 percent growth in 2017. Private health insurance (which accounted for 46 percent of dental spending) increased 5.7 percent in 2018—faster growth than 4.6 percent in 2017. Out-of-pocket spending for dental services (which accounted for 40 percent of dental spending) also experienced faster growth, increasing 3.5 percent in 2018 from 2.1 percent in 2017.

- **Home Health Care (3 percent share):** Spending for services provided by freestanding home health care agencies increased 5.2 percent in 2018, a higher rate than in 2017 of 4.5 percent, to \$102.2 billion. Slower growth in Medicaid spending and private health insurance spending was more than offset by faster growth in Medicare and out-of-pocket spending. Medicare and Medicaid together made up 75 percent of home health spending in 2018.
- **Other Professional Services (3 percent share):** Spending for other professional services reached \$103.9 billion in 2018 and increased 6.5 percent, a faster rate of growth compared to the increase of 5.2 percent in 2017. 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.
- **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, increased 3.6 percent to \$66.4 billion in 2018, compared to a rate of 2.2 percent in 2017.
- **Durable Medical Equipment (2 percent share):** Retail spending for durable medical equipment, which includes items such as contact lenses, eyeglasses and hearing aids, reached \$54.9 billion in 2018 and increased 4.7 percent, which was faster than the 2.9 percent growth in 2017. The faster growth was driven by an acceleration in out-of-pocket spending (a 46 percent share) as well as strong growth in Medicare spending (a 16 percent share).

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

- **Private Health Insurance (34 percent share):** Private health insurance spending increased 5.8 percent to \$1.2 trillion in 2018, which was faster than 4.9 percent growth in 2017. The acceleration was driven in part by faster growth in the net cost of private health insurance, which was primarily due to reinstatement of the health insurance tax in 2018 following a one-year moratorium in 2017. On a per enrollee basis, spending for private health insurance was \$6,199 in 2018, an increase of 6.7 percent over 2017.
- **Medicare (21 percent share):** Medicare spending increased 6.4 percent to \$750.2 billion in 2018, compared to a rate of 4.2 percent in 2017. The growth in 2018 reflected faster growth in Medicare spending for non-personal health care, which includes government administration and the net cost of insurance for Medicare private health plans. The acceleration in the net cost of insurance was largely a result of private Part C and Part D plans adjusting their premiums to reflect the reinstatement of the health insurance tax. On a per enrollee basis, spending for Medicare was \$12,784 in 2018, an increase of 3.7 percent over 2017.
- **Medicaid (16 percent share):** Total Medicaid spending accelerated in 2018, increasing 3.0 percent to \$597.4 billion compared to growth of 2.6 percent in 2017. The faster growth in 2018 was influenced by faster growth in the net cost of insurance, again influenced in part by the reinstatement of the health insurance tax. On a per enrollee basis, spending for Medicaid was \$8,201 in 2018, an increase of 2.0 percent over 2017.
- **Out-of-Pocket (10 percent share):** Out-of-pocket spending grew 2.8 percent in 2018 to \$375.6 billion, which was faster than 2.2 percent growth in 2017.

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

- In 2018, the federal government and households each accounted 28 percent of health care spending (the largest shares) followed by private businesses (20 percent), state and local governments (17 percent), and other private revenues (7 percent).
- Federal government spending on health accelerated in 2018, increasing 5.6 percent after 2.8 percent growth in 2017. The acceleration was largely associated with faster growth in the federally-sponsored portions of Medicare and Medicaid expenditures.
- Households' health care spending grew at a rate of 4.4 percent, the same rate experienced in 2017. Out-of-pocket expenditures, the largest category of household spending (36 percent share), increased 2.8 percent in 2018 compared to growth of 2.2 percent in 2017. Concurrently, household contributions to employer-sponsored private health insurance premiums (27 percent share) decelerated from 6.8 percent growth in 2017 to 3.4 percent in 2018.
- State and local government health care spending grew 2.5 percent in 2018 after a rate of 3.6 percent in 2017. The deceleration in 2018 was driven by slower growth in state and local Medicaid spending.
- Spending on health care by private businesses increased 6.2 percent in 2018, accelerating from growth of 4.8 percent in 2017. The largest category of private business' health care costs are employer-sponsored premiums (77 percent share), which increased 7.2 percent in 2018.

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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 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.