State Health Expenditure Accounts
by Residence Location
Highlights

The article "Health Spending by State of Residence, 1991-2004", is being published by the journal *Health Affairs* in its September 18 Web edition. The article presents aggregate and per capita health spending data by state of residence for 1991-2004, and updates previous estimates for 1991-1998, last published in 2002. These data provide a resident-based view of health care spending by service and payer that are consistent in methodology and definition over time, offering a context for understanding variation in health spending across states.

In 2004, healthcare spending by state of residence continued to vary significantly, ranging from an average of $6,683 per resident in Massachusetts to $3,972 in Utah. The national average spent for personal health care services in the United States was $5,283 per resident.

Eight of the top ten states in terms of per capita personal health care spending in 2004 were located in the New England and Mideast regions.

The highest per capita spending occurred in Massachusetts, Maine, New York, Alaska and Connecticut, with spending 20 percent or more above the U.S. average in 2004. The states with the lowest spending per capita were Utah, Arizona, Idaho, New Mexico and Nevada, with spending 14 percent or more below the U.S. average.

Medicare expenditures per beneficiary were highest in Louisiana ($8,659) and lowest in South Dakota ($5,640) in 2004; for Medicaid, expenditures per enrollee were highest in Alaska ($10,417) and lowest in California ($3,664).

Through descriptive analysis, the article compares states with high and low per capita spending relative to a state's demographic and economic factors. Differences in state spending are attributed to factors such as the age distribution of a state's population, level of personal income, and the supply of health providers and facilities.

The more varied nature of Medicaid spending has a larger influence in explaining differences in health care spending by state. When comparing total per capita spending and per enrollee Medicaid spending, most states were simultaneously above or below the national average. However, for per enrollee Medicare spending, nearly half of the fifty states exhibited an inverse relationship to total per capita spending.

An analysis of the tendency of residents to cross state borders for health care is presented, detailing the states where border crossing is more prevalent and in which direction residents tend to travel to receive health care services.

Residents cross state borders for health care for reasons such as ease of travel, proximity to state borders, and the availability of facilities and services that cannot be found in one's home state.

In 2004, states where spending by state-of-residence was significantly greater than spending by state-of-provider included Wyoming, Idaho, West Virginia, New Mexico, and Vermont. This indicates that residents of these states travel outside of their state for health care in greater proportions than others travel into that state for care. On the other hand, spending by state-of-residence was less than spending by state-of-provider for North Dakota, Tennessee, South Dakota, Minnesota, and the District of Columbia.

The report also examines per capita spending growth over time, and finds that growth between two distinct time periods (1991-1998 and 1998-2004) can be partly attributed to the effects of managed care and public policy changes. The data showed that the percentage difference between per capita spending in the highest and lowest states and regions widened over the 1991-1998 period, then remained relatively stable over the 1998-2004 period.

Just as in national trends, the one-time effect of managed care appears to have had, in part, a similar slowing effect on individual state health spending growth trends in the 1991-1998 period. California was a notable case, experiencing per capita growth of just 3.3 percent from 1991 through 1998. As managed care-related cost and utilization controls fell out of favor in the 1998-2004 period, per person spending growth typically accelerated more quickly in states with higher HMO penetration.