

State Health Expenditure Accounts by Residence Location Highlights

The article “Health Spending by State of Residence, 1991-2009,” is being published by the journal *Medicare & Medicaid Research Review* in its December 7th Web edition. The article presents aggregate and per capita health spending data by state of residence for 1991-2009, and updates previous estimates for 1991-2004, last published in 2007. 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.

Health care spending by region continued to exhibit considerable variation. In 2009, the New England and Mideast regions had the highest levels of total per capita personal health care spending (\$8,783 and \$7,970, respectively), or 29 and 17 percent higher than the national average of \$6,815 per capita. New England states tended to have higher income levels and higher proportions of elderly residents. In contrast, the Rocky Mountain and Southwest regions had the lowest levels of total personal health care spending per capita (\$5,810 and \$5,937, respectively) with average spending roughly 15 percent lower than the national average. Residents of these regions tended to be younger with less access to care.

States with above average per enrollee Medicare personal health care spending were generally located in the eastern United States. The states with the highest per enrollee Medicare spending in 2009 were New Jersey (\$11,903) and Florida (\$11,893) with spending levels roughly 15 percent above the national average. The states with the lowest spending were generally in the western United States, in less densely populated areas with younger enrollee populations. In 2009, Montana was the state with the lowest per enrollee Medicare personal health care spending, at \$7,576 per enrollee (27 percent below the national average per enrollee).

Of the ten states with the highest Medicaid spending per enrollee, six were also among the top ten in total personal health care spending per capita in 2009. The highest level of per enrollee Medicaid personal health care spending was \$11,569 in Alaska (69 percent higher than the national average), while the lowest level was \$4,569 in California (33 percent below the national average). The distribution of enrollees by basis of eligibility for Medicaid, particularly a state’s share of relatively higher-cost elderly and disabled enrollees, helped to explain some of the variance in spending between states.

Between 1998 and 2009, the New England and Mideast regions consistently had the highest levels of spending per capita, whereas the Southwest and Rocky Mountain regions consistently had the lowest levels. Variation in spending between the highest and lowest spending states was fairly stable over the period, but increased slightly after 2005. After 2005, states with the highest level of personal health care spending per capita increasingly grew faster than the national average, while spending per capita for states with the lowest spending per capita persisted at levels consistently below the national average.

The variation between the states with the highest and lowest levels of Medicare personal health care spending per enrollee declined between 1998 and 2009. The narrowing in the spread was associated with slower spending growth for the higher spending states, as the lowest spending

states maintained their relative spending levels. Though variation in Medicaid personal health care spending per enrollee is much broader than variation observed in Medicare spending per enrollee and total spending per capita for all payers, it narrowed between 1998 and 2009. For Medicaid, this narrowing was influenced by a convergence towards the national average for states at both the high and low end of spending, unlike the trend for both Medicare and all payers.

Several factors contributed to spending growth trends by service. Spending per capita for all payers on hospital care grew fastest in New England (6.2 percent) and slowest in the Southeast (4.3 percent) between 2004 and 2009. Faster growth in Medicare hospital spending per enrollee in New England contributed to faster growth in overall hospital spending per capita over the period. Growth in physician and clinical services spending per capita for all payers was also fastest for New England, growing 5.5 percent annually over 2004-2009, influenced by Massachusetts, which comprised roughly half of spending for the region for these services. Thus the trend in New England for 2004-2009 was likely related to 2006 Massachusetts health reform legislation. After the implementation of Medicare Part D in 2006, prescription drug spendingⁱ per capita grew 10 percent or more in 23 states in 2006, most of which were located in the western U.S. This trend resulted in a one-time increase in the share of total personal health care spending accounted for by Medicare for every state between 2004 and 2009.

The recent recession led to significant impacts in the Great Lakes, New England, and Far West regions, which experienced the most significant per capita personal health care spending growth slowdowns during the recession.

ⁱ Prescription drug spending discussed in the text does not include spending on other non-durable medical products.