

## National Health Expenditures 2011 Highlights

U.S. health care spending reached \$2.7 trillion in 2011, or \$8,680 per person. Health spending grew 3.9 percent in 2011, the same rate of growth as in 2009 and 2010. National health spending and nominal Gross Domestic Product (GDP) grew similarly in 2010 and 2011, and health spending as a share of GDP has remained stable from 2009 through 2011, at 17.9 percent.

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

- **Hospital Care:** Hospital spending increased 4.3 percent to \$850.6 billion in 2011 compared to 4.9-percent growth in 2010. The slower growth in 2011 was influenced by a slowdown in price growth and continued low growth in the use of hospital services. Medicaid spending on hospital services slowed in 2011, while private health insurance and Medicare hospital spending accelerated.
- **Physician and Clinical Services:** Spending on physician and clinical services increased 4.3 percent in 2011 to \$541.4 billion, accelerating from 3.1- percent growth in 2010. Although growth in prices slowed, nonprice factors such as use and intensity of services increased faster in 2011. Spending by private health insurance and Medicare, the two largest payers of physician and clinical services, both accelerated in 2011.
- **Other Professional Services:** Spending for other professional services reached \$73.2 billion in 2011, increasing 4.9 percent and slightly faster than growth of 4.6 percent in 2010. Spending in this category includes establishments that provide services such as physical therapy, optometry, podiatry, and chiropractic medicine.
- **Dental Services:** Spending for dental services increased 3.0 percent in 2011 to \$108.4 billion, increasing slightly faster than in 2010 when growth was 2.7 percent. Out-of-pocket spending for dental services (which accounts for approximately 40 percent of all dental spending) increased 4.1 percent in 2011 following growth of 0.7 percent in 2010.
- **Other Health, Residential, and Personal Care Services:** Spending for other health, residential, and personal care services grew 4.0 percent in 2011 to \$133.1 billion, a deceleration from growth of 4.5 percent in 2010. This category includes expenditures for medical services that are generally delivered by providers in non-traditional settings such as schools, community centers, the workplace, ambulance providers, and residential mental health and substance abuse facilities.
- **Home Health Care:** Spending growth for freestanding home health care agencies slowed in 2011, increasing 4.5 percent to \$74.3 billion following growth of 5.8 percent in 2010. Medicare and Medicaid spending, which account for slightly over 80 percent of total home health care spending, both grew at a slower rate in 2011 than in 2010.
- **Nursing Care Facilities and Continuing Care Retirement Communities:** Spending for freestanding nursing care facilities and continuing care retirement communities increased 4.4 percent in 2011 to \$149.3 billion, an acceleration from growth of 3.2 percent in 2010. The faster growth in 2011 was primarily due to a one-time sharp increase in Medicare spending for skilled nursing facilities, which increased 16.5 percent in 2011 following 7.2-percent growth in 2010.

- **Prescription Drugs:** Retail prescription drug spending grew 2.9 percent to \$263.0 billion in 2011, following a historically low growth rate of 0.4 percent in 2010. The acceleration in 2011 was partly due to both faster growth in prescription drug prices, particularly for brand-name and specialty drugs, and increased spending on new brands. However, the relatively low rate of growth in 2011 continued to be influenced by slower growth in the number of prescriptions dispensed, increased use of generics, and continuation of patent expirations for brand-name drugs.
- **Durable Medical Equipment: Retail** spending for durable medical equipment reached \$38.9 billion in 2011, increasing 5.3 percent, but slightly slower than its' increase of 5.8 percent in 2010. Spending in this category includes items such as contact lenses, eyeglasses and hearing aids.
- **Other Non-durable Medical Products: Retail** spending for other non-durable medical products, such as over-the-counter medicines, medical instruments, and surgical dressings, reached \$47.0 billion in 2011. Spending in this category increased at the same rate in both 2010 and 2011, at 4.0 percent.

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

- **Medicare:** Medicare spending, which represented 21 percent of national health spending in 2011, grew 6.2 percent to \$554.3 billion, an acceleration from growth of 4.3 percent in 2010. Contributing to the increase in 2011 was faster growth in spending for skilled nursing facilities and physician' services, as well as an increase in Medicare Advantage spending growth.
- **Medicaid:** Total Medicaid spending grew 2.5 percent in 2011 to \$407.7 billion, a deceleration from 5.9-percent growth in 2010. This was partly due to slower growth in Medicaid enrollment of 3.2 percent in 2011 compared to 4.9 percent-growth in 2010. Federal Medicaid expenditures decreased 7.1 percent in 2011, while state Medicaid expenditures grew 22.2 percent—a result of the expiration of enhanced federal aid to states in June 2011.
- **Private Health Insurance:** In 2011, private health insurance premiums and benefits each increased 3.8 percent—accelerating from growth in 2010 of 3.4 percent and 2.7 percent, respectively. The net cost ratio for private health insurance – the difference between premiums and benefits as a share of premiums - remained unchanged from 2010 at 12.3 percent. Private health insurance enrollment increased 0.5 percent in 2011 after declining each year 2008-2010. Even so, on a per enrollee basis, private health insurance benefits grew 3.2 percent in 2011, decelerating from growth of 4.6 percent in 2010, and was partly a result of additional enrollees aged twenty-six and under who gained coverage under the Affordable Care Act.
- **Out-of-Pocket:** Out-of-pocket spending grew 2.8 percent in 2011 to \$307.7 billion, an acceleration from growth of 2.1 percent in 2010 that reflects higher cost-sharing and increased enrollment in consumer-directed health plans.

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

- Since 2007, the economic recession and more recent legislative changes (the American Recovery and Reinvestment Act of 2009 and the Affordable Care Act of 2010) had an impact on the shares of health care spending being financed by businesses, households, and governments.
- The federal government financed 28 percent of total health spending in 2011, a substantial increase from its share of 23 percent in 2007. Meanwhile, the shares of the total health care bill financed by households (28 percent), businesses (21 percent), state and local governments (17 percent), and other private revenues (7 percent) all declined during the same time period.

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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 a private business, household, or government. These sponsors pay insurance premiums, out-of-pocket costs, or finance health care through dedicated taxes or general revenues.