

National Health Expenditures 2013 Highlights

In 2013 U.S. health care spending increased 3.6 percent to reach \$2.9 trillion, or \$9,255 per person, the fifth consecutive year of slow growth in the range of 3.6 percent and 4.1 percent. The share of the economy devoted to health spending has remained at 17.4 percent since 2009 as health spending and the Gross Domestic Product increased at similar rates for 2010 - 2013.

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

- **Hospital Care:** Hospital spending increased 4.3 percent to \$936.9 billion in 2013 compared to 5.7 percent growth in 2012. The lower growth in 2013 was influenced by growth in both prices and non-price factors (which include the use and intensity of services). Growth in hospital spending from private health insurance and Medicare both decelerated in 2013 compared to 2012, while Medicaid spending growth was similar in both years.
- **Physician and Clinical Services:** Spending on physician and clinical services increased 3.8 percent in 2013 to \$586.7 billion, from 4.5 percent growth in 2012. Slower price growth in 2013 was the main cause of the slowdown, as prices grew less than 0.1 percent, due in part to the sequester and a zero-percent payment update. Growth in spending from Medicare and private health insurance, the two largest payers of physician and clinical services, was slower in 2013, while Medicaid growth accelerated as a result of temporary increases in payments to primary care physicians.
- **Other Professional Services:** Spending for other professional services reached \$80.2 billion in 2013, and increased 4.5 percent, slower than the 5.0 percent growth in 2012. 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:** Spending for dental services increased 0.9 percent in 2013 to \$111.0 billion, slower than in 2012 when growth was 2.2 percent. Out-of-pocket spending for dental services (which accounted for 42 percent of all dental spending) increased 1.7 percent in 2013, following growth of 2.9 percent in 2012. Private health insurance (which accounted for 47 percent of dental spending in 2013) declined 0.6 percent after growing 1.7 percent in 2012.
- **Other Health, Residential, and Personal Care Services:** Spending for other health, residential, and personal care services grew 5.8 percent in 2013 to \$148.2 billion, the same rate of growth as in 2012. 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:** Spending growth for freestanding home health care agencies decelerated in 2013, increasing 3.4 percent to \$79.8 billion following growth of 4.5 percent in 2012. Medicare and Medicaid spending accounted for approximately 80 percent of total home health care spending in 2013. Medicare spending grew at a slower rate in 2013 than in 2012, while Medicaid spending accelerated.
- **Nursing Care Facilities and Continuing Care Retirement Communities:** Spending for freestanding nursing care facilities and continuing care retirement communities increased 2.4 percent in 2013 to \$155.8 billion, a slight acceleration from growth of 2.0 percent in 2012. The faster growth in 2013 was primarily due to an increase in Medicare spending after a one-time downward rate adjustment for skilled nursing facilities in 2012.

- **Prescription Drugs:** Retail prescription drug spending grew 2.5 percent to \$271.1 billion, compared to 0.5 percent growth in 2012. Faster growth in 2013 resulted from price increases for brand-name and specialty drugs, increased spending on new medicines, and increased utilization.
- **Durable Medical Equipment:** Retail spending for durable medical equipment reached \$43.0 billion in 2013, and increased 4.2 percent, slower than the 5.6 percent growth in 2012. 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, grew 4.0 percent to \$55.9 billion in 2013. This was a faster rate of growth than in 2012, when spending grew 1.8 percent.

Health Spending by Major Sources of Funds:

- **Medicare:** Medicare spending, which represented 20 percent of national health spending in 2013, grew 3.4 percent to \$585.7 billion, a slowdown from growth of 4.0 percent in 2012. This slowdown was attributed largely to slower enrollment growth and impacts of the Affordable Care Act (ACA) and sequestration. Per-enrollee spending in 2013 grew at about the same rate as 2012.
- **Medicaid:** Total Medicaid spending (15 percent of national health spending) grew 6.1 percent in 2013 to \$449.4 billion, an acceleration from 4.0 percent growth in 2012. Federal Medicaid expenditures increased 6.2 percent in 2013, while state and local Medicaid expenditures grew 5.9 percent.
- **Private Health Insurance:** Overall, premiums reached \$961.7 billion in 2013 (representing a 33 percent share of national health spending), and increased 2.8 percent, slower than the 4.0 percent growth in 2012. The net cost ratio for private health insurance—the difference between premiums and benefits as a share of premiums—was 12.0 percent in 2013, the same as in 2012. Private health insurance enrollment increased 0.7 percent to 189.3 million in 2013, but was still 8.2 million lower than in 2007.
- **Out-of-Pocket:** Out-of-pocket spending, which accounted for 12 percent of national health spending, grew 3.2 percent in 2013 to \$339.4 billion, a deceleration from growth of 3.6 percent in 2012.

Health Spending by Type of Sponsor¹:

- In 2013, households accounted for the largest share of spending (28 percent), followed by the federal government (26 percent), private businesses (21 percent), and state and local governments (17 percent).
- Household health spending grew 2.8 percent in 2013—a slower rate of growth than the 4.8 percent rate in 2012—due in part to the low rate of increase in employee contributions to private health insurance premiums. Despite the slower growth in 2013, the household share of health spending has remained steady at 28 percent since 2010.
- Federal government spending for health care increased 3.5 percent in 2013 after declining 0.2 percent in 2012. Faster growth was influenced in part by an increase in Medicaid payments to primary care physicians mandated by the ACA. The Federal government share of health spending has decreased in recent years, from 27 percent in 2011 to 26 percent in both 2012 and 2013, primarily due to the expiration in June 2011 of enhanced federal matching rates for Medicaid mandated by the American Recovery and Reinvestment Act of 2009.

- State and local government spending increased 3.2 percent in 2013. This increase followed strong growth of 6.3 percent in 2012 and 9.3 percent in 2011 that was also due largely to the expiration of enhanced federal Medicaid matching rates for states. During the period 2010 – 2013, the share of health spending financed by state and local governments increased from 16 percent to 17 percent.
- Health care spending financed by private businesses increased 4.0 percent in 2013, much higher than the average increase of 0.7 percent during 2008–10 caused by recession-related job losses and declines in private health insurance enrollment during and just after the recession. The private business share of overall health spending has remained fairly steady since 2009, at about 21 percent.

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.