In 2009, total national health expenditures (NHE) in the U.S. grew to $2.5 trillion, a 5.7% increase from 2008. Meanwhile, the nation’s gross domestic product (GDP) shrank by 1.1%, and as a result, NHE increased from 16.2% to 17.3% of the GDP: the largest one-year increase-in history. In contrast, overall health spending in 2008 grew just 4.4% to $2.35 trillion, which is the smallest percentage increase since the Centers for Medicare and Medicaid Services (CMS) began tracking it in 1960.

As the recession hit the U.S. in 2008, private spending slowed for nearly all health-related goods and services. However, federal government spending on health services and supplies increased 10.4% during that time, partly as a result of an 8.6% increase in total Medicare spending and increased Medicaid spending associated with the recession. Overall public health spending continued its acceleration in 2009, increasing by 8.7%. The economy is expected to rebound slightly in 2010, but, private health spending growth is projected to slow from 3% in 2009 to 2.8% because of reduced private health insurance enrollment and high unemployment. Total average annual NHE growth is expected to return to 6.1% per year through 2019, and national health spending is projected to reach $4.5 trillion in that time, which will constitute 19.3% of GDP.

However, in the Medicare program, for example, higher spending does not translate to better healthcare. Therefore, as the growth in spending continues to outpace the growth in the resources available to pay for it, as evidenced by the increased share of GDP devoted to healthcare, policy makers will continue to search for ways to lower health care costs. Combating fraud is one possible way to reduce costs, as the Federal Bureau of Investigation reports that fraudulent billings to both public and private programs comprise between 3 and 10% of total health spending. Additionally, a recent study from the American Journal of Managed Care indicates that increasing competition is another way of decreasing costs to consumers.
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