

## U. S. Health Spending in 2009: Largest Increase in 40 Years

In 2009, total national health expenditures (NHE) in the U.S. grew to \$2.5 trillion, a 5.7% increase from 2008.<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup>

As the recession hit the U.S. in 2008, private spending slowed for nearly all health-related goods and services.<sup>4</sup> 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.<sup>5</sup> Overall public health spending continued its acceleration in 2009, increasing by 8.7%.<sup>6</sup> 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.<sup>7</sup> 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.<sup>8</sup>

However, in the Medicare program, for example, higher spending does not translate to better healthcare.<sup>9</sup> 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.<sup>10</sup> 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.<sup>11</sup> Additionally, a recent study from the American Journal of Managed Care indicates that increasing competition is another way of decreasing costs to consumers.<sup>12</sup>

<sup>1</sup> "Health Spending Projections Through 2019: The Recession's Impact Continues" by Christopher J. Truffer, et al, Health Affairs, Vol. 29, no. 3 (March 2010), p. 1.

<sup>2</sup> "National Health Expenditure Projections 2009-2019," Centers for Medicare and Medicaid Studies, <http://www.cms.hhs.gov/NationalHealthExpendData/downloads/proj2009.pdf> (Accessed February 17, 2010)

<sup>3</sup> "Health Spending Growth at Lowest Recorded Rate" by Doug Trapp, American Medical News, January 18, 2010, <http://www.anlaassn.org/amednews/2010/01/18/gvsa0118.htm> (Accessed February 2, 2010)

<sup>4</sup> "Health Spending Growth at a Historic Low in 2008" by Micah Hartman, et al, Health Affairs, Vol.29, no. 1 (January 2010), p. 147; "Healthcare Spending Growth Rate Slowest in Decades: CMS" by Jennifer Lubell, Modern Healthcare, January 5, 2010, <http://www.modernhealthcare.com/article/20100105/FREE/301059969/0> (Accessed February 2, 2010)

<sup>5</sup> "Health Spending Increases May Remain Low as Economy Rebounds" by Steve Davis, AIS Health, January 13, 2010, <http://www.aishealth.com/Bnow/hbd011310.html> (Accessed February 2, 2010)

<sup>6</sup> "Health Spending Projections Through 2019: The Recession's Impact Continues" by Christopher J. Truffer, et al, Health Affairs, Vol. 29, no. 3 (March 2010), p. 1.

<sup>7</sup> "Health Spending Projections Through 2019: The Recession's Impact Continues" by Christopher J. Truffer, et al, Health Affairs, Vol. 29, no. 3 (March 2010), p. 1.

<sup>8</sup> "Health Spending Projections Through 2018: Recession Effects Add Uncertainty to the Outlook" by Andrea Sisko et al, Health Affairs, Vol. 28, no. 2 (February 24, 2009), p. w346; "National Health Expenditure Projections 2009-2019," Centers for Medicare and Medicaid Studies, <http://www.ems.llhs.gov/NationalHealthExpendData/downloads/proj2009.pdf> (Accessed February 17, 2010)

<sup>9</sup> "Geographic Correlation Between Large-Firm Commercial Spending and Medicare Spending" by Michael E. Chernew, PhD, et al, The American Journal of Managed Care, Vol. 16, no. 2 (February 2010), p. 131.

<sup>10</sup> "Health Spending Growth at a Historic Low in 2008" by Micah Hartman, et al, Health Affairs, Vol.29, no. 1 (January 2010), p. 154.

<sup>11</sup> "Combating Fraud in Health Care: An Essential Component of Any Cost Containment Strategy" by Lewis Morris, Health Affairs, Vol.28, No. 5 (September/October 2009), p. 1351.

<sup>12</sup> "Study Finds Competition Actually Lowers Health Care Costs" by Corrinne Hess, The Business Journal of Milwaukee, February 19, 2010, <http://www.bizjournals.com/baltimore/outliercities/milwaukee/stories/2010/02/22/story6.html?b=1266814800%5E2916161> (Accessed February 26, 2010)



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