

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 2008.¹ 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.² 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 1960.³

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

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

¹ "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.

² "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)

³ "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)

⁴ "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)

⁵ "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)

⁶ "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.

⁷ "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.

⁸ "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.lhs.gov/NationalHealthExpendData/downloads/proj2009.pdf> (Accessed February 17, 2010)

⁹ "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.

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

¹¹ "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.

¹² "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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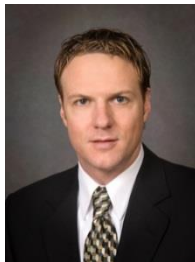
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Robert James Cimasi, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as President of **HEALTH CAPITAL CONSULTANTS (HCC)**, a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.

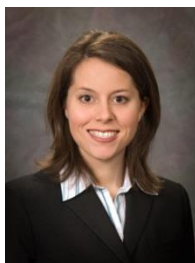
Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: *“The U.S. Healthcare Certificate of Need Sourcebook”* [2005 - Beard Books], *“An Exciting Insight into the Healthcare Industry and Medical Practice Valuation”* [2002 – AICPA], and *“A Guide to Consulting Services for Emerging Healthcare Organizations”* [1999 John Wiley and Sons].

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious *“Shannon Pratt Award in Business Valuation”* conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows.



Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the Senior Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia, and is a Fellow of the American College of Healthcare Executives. He has co-authored *“Research and Financial Benchmarking in the Healthcare Industry”* (STP Financial Management) and *“Healthcare Industry Research and its Application in Financial Consulting”* (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser's Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.



Anne P. Sharamitaro, Esq., is the Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the Journal of Health Law, published by the American Health Lawyers Association. She has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in *“Healthcare Organizations: Financial Management Strategies,”* published in 2008.