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National Health Spending: Faster Growth In 2015 As Coverage Expands And Utilization Increases

ABSTRACT Total nominal US health care spending increased 5.8 percent and reached \$3.2 trillion in 2015. On a per person basis, spending on health care increased 5.0 percent, reaching \$9,990. The share of gross domestic product devoted to health care spending was 17.8 percent in 2015, up from 17.4 percent in 2014. Coverage expansions that began in 2014 as a result of the Affordable Care Act continued to affect health spending growth in 2015. In that year, the faster growth in total health care spending was primarily due to accelerated growth in spending for private health insurance (growth of 7.2 percent), hospital care (5.6 percent), and physician and clinical services (6.3 percent). Continued strong growth in Medicaid (9.7 percent) and retail prescription drug spending (9.0 percent), albeit at a slower rate than in 2014, contributed to overall health care spending growth in 2015.

Total US health care spending increased 5.8 percent and reached \$3.2 trillion in 2015, or \$9,990 per person (Exhibit 1). Following five consecutive years of historically low growth, from 2009 through 2013, health spending growth accelerated in 2014 (to 5.3 percent) and 2015 (to 5.8 percent). The faster growth in 2014 and 2015 occurred as the Affordable Care Act (ACA) expanded health insurance coverage for individuals through Marketplace health insurance plans and the Medicaid program.

Following the Great Recession, which extended from December 2007 through June 2009, growth in the overall economy and in health spending converged from 2010 through 2013. During this period, gross domestic product (GDP) and total health spending increased at similar average annual rates—3.7 percent and 3.6 percent, respectively—and the health spending share of GDP stabilized at an average of 17.3 percent (Exhibit 2). In 2014 and 2015, while growth in GDP averaged 4.0 percent, health spending growth accelerated, increasing at an

average annual rate of 5.5 percent. As a result, the health spending share of GDP increased by 0.6 percentage point over the two-year period, reaching 17.8 percent in 2015. In 2015 alone, the health spending share of GDP increased 0.4 percentage point, as an acceleration in health spending growth (from 5.3 percent in 2014 to 5.8 percent in 2015) was accompanied by a slowdown in overall economic growth (from 4.2 percent in 2014 to 3.7 percent in 2015).

Over the fifty-five-year history of the National Health Expenditure Accounts, the largest increases in the health spending share of the economy have typically occurred around periods of economic recession.¹ However, the increase in the health spending share of GDP in 2014 and 2015 occurred more than five years after the end of the last recession and coincided with millions of people gaining health insurance coverage after 2013 and with rapid growth in retail prescription drug spending.

In 2013 the insured share of the population was 86.0 percent (Exhibit 3), which is approximately where it had been in 2008. However, from 2013 to 2015 the number of uninsured in-

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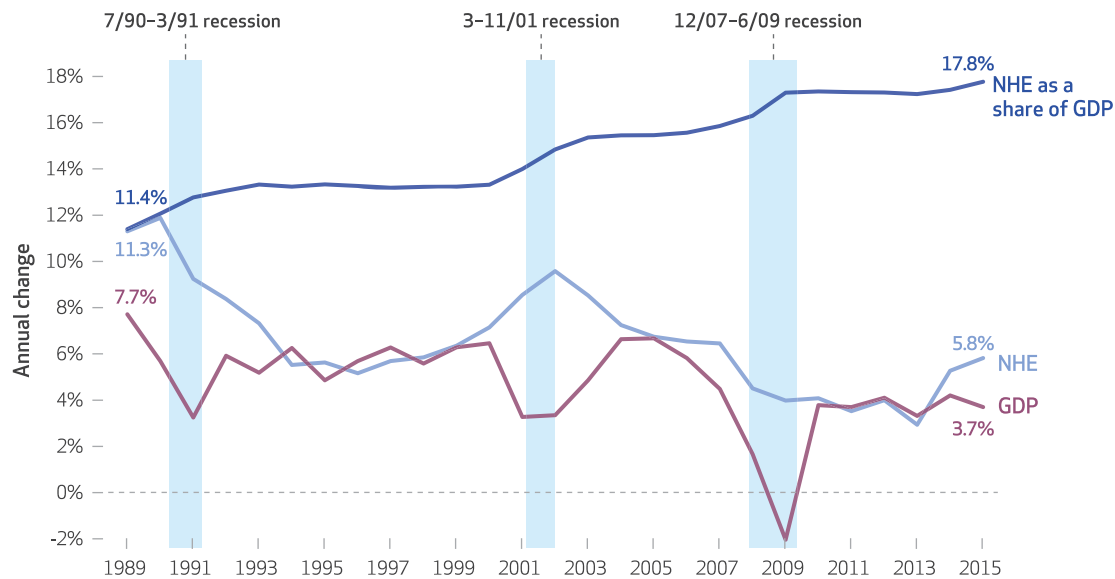
The National Health Expenditure Accounts Team is recognized in the acknowledgments at the end of the article.

EXHIBIT 1

National health expenditures (NHE), aggregate and per capita amounts, share of gross domestic product (GDP), and annual growth, by source of funds, calendar years 2009–15

Source of funds	2009 ^a	2010	2011	2012	2013	2014	2015
EXPENDITURE AMOUNT							
NHE, billions	\$2,494.7	\$2,596.4	\$2,687.9	\$2,795.4	\$2,877.6	\$3,029.3	\$3,205.6
Health consumption expenditures	2,355.7	2,453.7	2,538.4	2,642.2	2,724.5	2,878.4	3,050.8
Out of pocket	293.1	298.7	308.5	317.6	325.1	329.7	338.1
Health insurance	1,796.1	1,875.1	1,948.2	2,019.6	2,086.3	2,228.2	2,384.5
Private health insurance	832.6	863.1	895.1	925.1	944.9	1,000.0	1,072.1
Medicare	498.9	519.3	546.3	569.5	590.4	618.5	646.2
Medicaid	374.4	397.2	406.7	422.7	445.4	497.2	545.1
Federal	247.3	266.4	247.1	243.3	256.9	305.5	344.0
State and local	127.1	130.9	159.6	179.5	188.5	191.7	201.1
Other health insurance programs ^b	90.3	95.6	100.1	102.2	105.6	112.6	121.1
Other third-party payers and programs and public health activity	266.5	279.8	281.8	305.0	313.1	320.5	328.2
Investment	139.0	142.7	149.5	153.2	153.0	150.9	154.7
Population (millions) ^c	306.4	309.0	311.2	313.5	315.9	318.4	320.9
GDP, billions of dollars	\$14,418.7	\$14,964.4	\$15,517.9	\$16,155.3	\$16,691.5	\$17,393.1	\$18,036.6
NHE per capita	\$8,141	\$8,404	\$8,638	\$8,915	\$9,110	\$9,515	\$9,990
GDP per capita	\$47,053	\$48,436	\$49,870	\$51,525	\$52,843	\$54,631	\$56,210
Prices (2009 = 100.0)							
Chain-weighted NHE deflator	100.0	102.7	105.2	106.9	108.3	110.2	111.5
GDP price index	100.0	101.2	103.3	105.2	106.9	108.8	110.0
Real spending							
NHE, billions of chained dollars	\$2,495	\$2,528	\$2,556	\$2,614	\$2,657	\$2,749	\$2,874
GDP, billions of chained dollars	\$14,419	\$14,784	\$15,021	\$15,355	\$15,612	\$15,982	\$16,397
NHE as percent of GDP	17.3	17.4	17.3	17.3	17.2	17.4	17.8
ANNUAL GROWTH							
NHE	4.0%	4.1%	3.5%	4.0%	2.9%	5.3%	5.8%
Health consumption expenditures	4.6	4.2	3.5	4.1	3.1	5.6	6.0
Out of pocket	-0.6	1.9	3.3	2.9	2.4	1.4	2.6
Health insurance	5.9	4.4	3.9	3.7	3.3	6.8	7.0
Private health insurance	3.7	3.7	3.7	3.4	2.1	5.8	7.2
Medicare	6.8	4.1	5.2	4.3	3.7	4.8	4.5
Medicaid	8.8	6.1	2.4	3.9	5.4	11.6	9.7
Federal	21.8	7.7	-7.2	-1.6	5.6	18.9	12.6
State and local	-9.9	3.0	22.0	12.4	5.0	1.7	4.9
Other health insurance programs ^b	10.1	5.9	4.7	2.2	3.3	6.6	7.5
Other third-party payers and programs and public health activity	2.5	5.0	0.7	8.2	2.7	2.4	2.4
Investment	-6.1	2.7	4.7	2.5	-0.1	-1.4	2.6
Population ^c	0.9	0.8	0.7	0.8	0.7	0.8	0.8
GDP, billions of dollars	-2.0	3.8	3.7	4.1	3.3	4.2	3.7
NHE per capita	3.1	3.2	2.8	3.2	2.2	4.4	5.0
GDP per capita	-2.9	2.9	3.0	3.3	2.6	3.4	2.9
Prices (2009 = 100.0)							
Chain-weighted NHE deflator	2.4	2.7	2.4	1.7	1.3	1.8	1.2
GDP price index	0.8	1.2	2.1	1.8	1.6	1.8	1.1
Real spending							
NHE, billions of chained dollars	1.5	1.4	1.1	2.3	1.6	3.5	4.6
GDP, billions of chained dollars	-2.8	2.5	1.6	2.2	1.7	2.4	2.6

SOURCES Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group; and US Department of Commerce, Bureau of Economic Analysis and Bureau of the Census. **NOTES** Definitions, sources, and methods for NHE categories can be found in Centers for Medicare and Medicaid Services. National Health Accounts methodology paper, 2015: definitions, sources, and methods [Internet]. Baltimore (MD): CMS; 2016 [cited 2016 Dec 2]. Available from: <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/dsm-15.pdf>. Numbers may not add to totals because of rounding. Percentage changes are calculated from unrounded data. ^aAnnual growth, 2008–09. ^bIncludes health-related spending for Children's Health Insurance Program (CHIP) Titles XIX and XXI; Department of Defense; and Department of Veterans Affairs. ^cEstimates reflect the Bureau of the Census's definition of *resident-based population*, which includes all people who usually reside in the fifty states or the District of Columbia but excludes residents living in Puerto Rico and areas under US sovereignty, members of the US Armed Forces overseas, and US citizens whose usual place of residence is outside of the United States. Estimates also include a small (typically less than 0.2 percent of the population) adjustment to reflect census undercounts.

EXHIBIT 2**Growth in national health expenditures (NHE) and gross domestic product (GDP), and NHE as a share of GDP, 1989–2015**

SOURCES Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group; US Department of Commerce, Bureau of Economic Analysis; and National Bureau of Economic Research Inc.

dividuals fell by 15.0 million, and the insured share of the population reached 90.9 percent.

Over the two-year period 2014–15, 9.7 million people gained private health insurance coverage (average growth of 2.5 percent), while an estimated 10.3 million more people enrolled in the Medicaid program (average growth of 8.4 percent).^{2,3} This increased coverage was largely due to provisions of the ACA that expanded coverage through Marketplace plans, provided subsidies for some enrollees in those plans, and expanded eligibility for Medicaid.

The acceleration in total health care spending growth in 2015 was primarily driven by faster growth in spending on private health insurance, hospital care, and physician and clinical services. Private health insurance spending increased 7.2 percent in 2015 (up from 5.8 percent in 2014) (Exhibit 1), as enrollment increased 2.6 percent (Exhibit 3). Faster growth in spending on private health insurance benefits occurred largely as a result of increased spending for hospital care and physician and clinical services.

Total spending for hospital care (by all payers) increased at a faster rate in 2015 than in 2014 (5.6 percent versus 4.6 percent), as did spending for physician and clinical services (6.3 percent versus 4.8 percent) (Exhibit 4). Increased use and intensity, associated in part with expanded insurance coverage,⁴ drove the growth in spending for hospital care and physician and clinical

services, which together accounted for 52 percent of total national health spending in 2015.

Factors Accounting For Growth

Per capita national health spending grew 5.0 percent in 2015 (Exhibit 1). Changes in the age and sex mix of the population accounted for 0.6 percent of the per capita spending growth in 2015 (Exhibit 5). Increases in medical prices and residual use and intensity of health care goods and services accounted for 1.2 percent and 3.2 percent, respectively, of the growth in 2015.

Growth in medical prices, which includes both overall economywide price inflation and medical-specific price inflation, was slower in 2015 (1.2 percent) than in 2014 (1.8 percent). All of the slowdown was in economywide price inflation, as measured by the GDP price index—which increased 1.1 percent in 2015 compared to 1.8 percent in 2014 (Exhibit 1). Medical-specific price inflation increased 0.1 percent in 2015, after experiencing no growth in 2014. Medical price growth can be decomposed into personal health care and non-personal health care, and in 2015, price growth decelerated in both categories.⁵ Among personal health care services, prices increased at a slower rate in 2015 than in 2014 for hospital care and other professional services, while prices declined for physician and clinical services, durable medical equipment, and other nondurable medical products.

EXHIBIT 3

National health expenditures (NHE) and health insurance enrollment, aggregate and per enrollee amounts, and annual growth, by source of funds, calendar years 2009–15

Source of funds	2009 ^a	2010	2011	2012	2013	2014	2015
PRIVATE HEALTH INSURANCE							
Expenditure (billions)	\$832.6	\$863.1	\$895.1	\$925.1	\$944.9	\$1,000.0	\$1,072.1
Expenditure growth	3.7%	3.7%	3.7%	3.4%	2.1%	5.8%	7.2%
Per enrollee expenditure	\$4,389	\$4,647	\$4,839	\$4,925	\$5,036	\$5,200	\$5,433
Per enrollee expenditure growth	7.1%	5.9%	4.1%	1.8%	2.2%	3.3%	4.5%
Enrollment (millions)	189.7	185.7	185.0	187.8	187.6	192.3	197.3
Enrollment growth	–3.2%	–2.1%	–0.4%	1.5%	–0.1%	2.5%	2.6%
MEDICARE							
Expenditure (billions)	\$498.9	\$519.3	\$546.3	\$569.5	\$590.4	\$618.5	\$646.2
Expenditure growth	6.8%	4.1%	5.2%	4.3%	3.7%	4.8%	4.5%
Per enrollee expenditure	\$10,971	\$11,146	\$11,442	\$11,462	\$11,514	\$11,702	\$11,904
Per enrollee expenditure growth	4.3%	1.6%	2.7%	0.2%	0.4%	1.6%	1.7%
Enrollment (millions)	45.5	46.6	47.7	49.7	51.3	52.8	54.3
Enrollment growth	2.4%	2.5%	2.5%	4.1%	3.2%	3.1%	2.7%
MEDICAID							
Expenditure (billions)	\$374.4	\$397.2	\$406.7	\$422.7	\$445.4	\$497.2	\$545.1
Expenditure growth	8.8%	6.1%	2.4%	3.9%	5.4%	11.6%	9.7%
Per enrollee expenditure	\$7,354	\$7,361	\$7,233	\$7,271	\$7,553	\$7,585	\$7,869
Per enrollee expenditure growth	0.9%	0.1%	–1.7%	0.5%	3.9%	0.4%	3.8%
Enrollment (millions) ^b	50.9	54.0	56.2	58.1	59.0	65.5	69.3
Enrollment growth	7.8%	6.0%	4.2%	3.4%	1.4%	11.1%	5.7%
UNINSURED AND POPULATION							
Uninsured (millions)	45.9	48.1	45.6	44.8	44.2	35.6	29.2
Uninsured growth	8.9%	4.7%	–5.1%	–1.9%	–1.3%	–19.5%	–17.9%
Population (millions) ^c	306.4	309.0	311.2	313.5	315.9	318.4	320.9
Population growth	0.9%	0.8%	0.7%	0.8%	0.7%	0.8%	0.8%
Insured share of total population	85.0%	84.4%	85.3%	85.7%	86.0%	88.8%	90.9%

SOURCES Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Statistics Group; and US Department of Commerce, Bureau of the Census. **NOTES** Definitions, sources, and methods for NHE categories can be found in the National Health Accounts methodology paper (see Exhibit 1 Notes). Numbers may not add to totals because of rounding. Percentage changes are calculated from unrounded data. ^aAnnual growth, 2008–09. ^bBased on an unpublished analysis by the CMS Office of the Actuary of the following sources: (1) enrollment data from the Medicaid Statistical Information System state summary database: Medicaid.gov. Medicaid Statistical Information System (MSIS) [Internet]. Baltimore (MD): CMS; [cited 2016 Nov 3]. Available from: <http://medicaid.gov/medicaid-chip-program-information/by-topics/data-and-systems/msis/medicaid-statistical-information-system.html>; and (2) CMS-64 quarterly expense reports: Medicaid.gov. Medicaid enrollment data collected through MBES (Note 2 in text). ^cEstimates are explained in Exhibit 1 Notes.

Growth in the residual use and intensity of health care goods and services reflects changes in utilization, such as the quantity of goods and services purchased, as well as changes in the mix (intensity) of those goods and services. It is measured as growth in nominal expenditures minus the effects of population growth, changes in the age and sex mix of the population, and medical price growth. Because it is a residual, it also includes any potential measurement errors. In 2015 the growth rate for residual use and intensity was 3.2 percent—greater than in 2014, when this factor's growth rate was 2.1 percent—and it was the primary driver of per capita health spending growth (Exhibit 5). Growth in residual use and intensity of services accelerated for almost all personal health care services, most notably for hospital care and physician and clinical services, while it slowed for nursing care facilities and prescription drugs.

Sponsors Of Health Care

Households, private businesses, and federal and state and local governments are the main sponsors of health care spending and are responsible for financing the nation's health care bill. In 2015 the federal government accounted for the largest share of spending (29 percent), followed by households (28 percent), private businesses (20 percent), and state and local governments (17 percent) (Exhibit 6).

Over the past two years, spending by the federal government on health care grew faster than spending by any other sponsor, increasing 8.9 percent in 2015 after an 11.0 percent increase in 2014. Although increasing at a slower rate than in 2014, the federal government's share of health spending continued to move upward, from 26 percent in 2013 to 28 percent in 2014 and 29 percent in 2015. Federal health spending growth in 2015 remained high mainly because of

EXHIBIT 4
National health expenditures (NHE) amounts and annual growth, by spending category, calendar years 2009–15

Spending category	2009 ^a	2010	2011	2012	2013	2014	2015
EXPENDITURE AMOUNT							
NHE, billions	\$2,494.7	\$2,596.4	\$2,687.9	\$2,795.4	\$2,877.6	\$3,029.3	\$3,205.6
Health consumption expenditures	2,355.7	2,453.7	2,538.4	2,642.2	2,724.5	2,878.4	3,050.8
Personal health care	2,114.2	2,194.6	2,272.6	2,365.9	2,435.6	2,562.8	2,717.2
Hospital care	779.7	822.4	852.0	902.7	937.9	981.0	1,036.1
Professional services	668.2	688.0	716.2	743.2	758.5	792.8	840.2
Physician and clinical services	498.7	513.1	536.4	558.0	569.5	597.1	634.9
Other professional services	67.2	69.8	72.7	76.4	78.8	82.8	87.7
Dental services	102.3	105.0	107.1	108.8	110.1	112.8	117.5
Other health, residential, and personal care	123.4	129.1	131.7	139.1	144.3	151.5	163.3
Home health care	67.3	71.0	73.8	77.1	80.0	83.6	88.8
Nursing care facilities and continuing care retirement communities	134.9	140.0	145.0	147.4	149.2	152.6	156.8
Retail outlet sales of medical products	340.8	344.2	353.8	356.5	365.8	401.4	432.0
Prescription drugs	252.7	253.0	258.7	259.1	265.1	297.9	324.6
Durable medical equipment	37.8	39.9	42.3	43.7	45.1	46.6	48.5
Other nondurable medical products	50.3	51.2	52.8	53.7	55.7	56.9	59.0
Government administration	29.6	30.1	32.4	33.5	37.2	41.2	42.6
Net cost of health insurance	137.9	153.5	159.3	165.5	173.8	195.3	210.1
Government public health activities	74.1	75.5	74.2	77.2	77.9	79.0	80.9
Investment	139.0	142.7	149.5	153.2	153.0	150.9	154.7
Noncommercial research	45.4	49.2	49.6	48.4	46.7	45.9	46.7
Structures and equipment	93.6	93.5	99.8	104.8	106.4	105.0	108.0
ANNUAL GROWTH							
NHE	4.0%	4.1%	3.5%	4.0%	2.9%	5.3%	5.8%
Health consumption expenditures	4.6	4.2	3.5	4.1	3.1	5.6	6.0
Personal health care	5.1	3.8	3.6	4.1	2.9	5.2	6.0
Hospital care	7.4	5.5	3.6	5.9	3.9	4.6	5.6
Professional services	2.9	3.0	4.1	3.8	2.1	4.5	6.0
Physician and clinical services	3.3	2.9	4.5	4.0	2.1	4.8	6.3
Other professional services	4.0	4.0	4.2	5.1	3.1	5.1	5.9
Dental services	0.4	2.7	2.0	1.6	1.3	2.4	4.2
Other health, residential, and personal care	7.7	4.6	2.0	5.6	3.7	5.0	7.8
Home health care	8.3	5.5	4.0	4.4	3.7	4.5	6.3
Nursing care facilities and continuing care retirement communities	3.5	3.8	3.6	1.6	1.3	2.3	2.7
Retail outlet sales of medical products	3.7	1.0	2.8	0.8	2.6	9.7	7.6
Prescription drugs	4.7	0.1	2.3	0.2	2.3	12.4	9.0
Durable medical equipment	0.4	5.6	5.8	3.4	3.2	3.5	3.9
Other nondurable medical products	1.7	1.8	3.1	1.7	3.6	2.2	3.7
Government administration	1.4	1.7	7.7	3.5	11.0	10.9	3.2
Net cost of health insurance	–1.3	11.3	3.8	3.9	5.0	12.4	7.6
Government public health activities	3.6	1.9	–1.8	4.2	0.9	1.4	2.4
Investment	–6.1	2.7	4.7	2.5	–0.1	–1.4	2.6
Noncommercial research	2.5	8.5	0.9	–2.5	–3.7	–1.7	1.8
Structures and equipment	–9.8	–0.1	6.7	5.0	1.5	–1.3	2.9

SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group. **NOTES** Definitions, sources, and methods for NHE categories can be found in the National Health Accounts methodology paper (see Exhibit 1 Notes). Numbers may not add to totals because of rounding. Percentage changes are calculated from unrounded data. ^aAnnual growth, 2008–09.

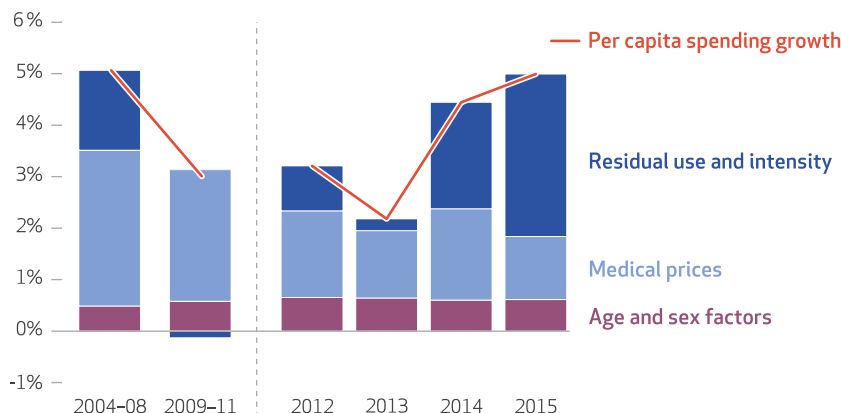
the continuation of enrollment increases in Medicaid, as newly eligible adults are fully financed by the federal government. Federal Medicaid payments, which accounted for 37 percent of total federal health spending, increased 12.6 percent in 2015—following an even higher growth rate of 18.9 percent in 2014 (Exhibit 1).

In 2015, health spending by households grew

at a rate of 4.7 percent, accelerating from 2.6 percent in 2014 (Exhibit 6). Household health spending includes out-of-pocket spending, contributions to private health insurance premiums, and contributions to Medicare through payroll taxes and payment of premiums. Households accounted for 28 percent of total health spending in 2015, a share that was unchanged from

EXHIBIT 5

Factors accounting for growth in per capita national health expenditures (NHE), selected calendar years 2004–15



SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group. **NOTES** Medical price growth, which includes economywide and excess medical-specific price growth (or changes in medical-specific prices in excess of economywide inflation), is calculated using the chain-weighted NHE deflator. "Residual use and intensity" is calculated by removing the effects of population, age and sex factors, and price growth from the nominal expenditure level.

2014. Although out-of-pocket spending represented the largest share of household health spending (38 percent), the acceleration in 2015 was driven mostly by households' contributions to employer-sponsored private health insurance premiums (from a decline of 0.5 percent in 2014 to growth of 6.9 percent in 2015). These contributions were linked, in part, to increased enrollment in employer-sponsored health insurance.

Health spending by private businesses accounted for 20 percent of total health spending in 2015, a share that has remained stable since 2010 (Exhibit 6). Growth in this spending accelerated slightly in 2015, increasing at a rate of 5.3 percent compared to 4.7 percent in 2014. Just over three-quarters of private business health spending stems from contributions to employer-sponsored private health insurance premiums; in 2014 and 2015 these contributions increased 4.9 percent per year, on average.

State and local governments accounted for 17 percent of health spending in both 2014 and 2015 (Exhibit 6). Growth in this spending accelerated from 3.2 percent in 2014 to 4.6 percent in 2015, driven by faster growth in state and local Medicaid spending (which represented 37 percent of state and local government health spending). The faster growth resulted from increased reimbursement rates, as states' financial conditions improved, and from increased efforts to expand care in home and community settings.^{6,7}

Private Health Insurance

Total expenditures for private health insurance reached \$1.1 trillion and increased 7.2 percent in 2015, compared to 5.8 percent in 2014 and 2.1 percent in 2013. Private health insurance continued to be the largest payer of health care in the United States, accounting for 33 percent of total health care spending.

Strong growth in 2014 and 2015 was due, in part, to increased enrollment in private health insurance in both years associated with coverage expansions under the ACA. Additionally, in 2015 there was a notable increase in enrollment in employer-sponsored plans (1.4 percent) as the labor market continued to improve.⁸ Over the two-year period, the number of people enrolled in private health insurance increased by 9.7 million (average growth of 2.5 percent): Directly purchased private health insurance, which includes insurance in the Marketplaces, added 6.6 million enrollees (average growth of 15.4 percent), and employer-sponsored insurance added 3.0 million enrollees (average growth of 0.9 percent).⁹ However, even with the overall gain in private health insurance enrollment, the share of the total population that was privately insured in 2015 (61 percent) was still below the most recent peak of 66 percent in 2007, just before the start of the Great Recession of 2007–09.

Private health insurance benefit payments increased 7.9 percent in 2015—faster than the growth of 5.5 percent in 2014—and reached \$944.7 billion. The strong growth in 2015 was largely due to accelerated growth in hospital and physician and clinical services spending, which increased 9.1 percent and 6.5 percent, respectively. This result reflected, in part, an increase in both the number of enrollees and per enrollee spending. Moreover, some of the newly insured individuals may have been sicker, used more services, and had higher medical costs, compared to previously insured individuals.¹⁰ On a per enrollee basis, private health insurance spending for medical benefits increased 5.2 percent in 2015, faster than the growth of 3.0 percent in 2014.

The net cost of private health insurance, or the portion of total private health insurance spending that paid for nonmedical benefit expenses (such as administrative costs, taxes, and net gains or losses to reserves and profits), grew more slowly in 2015, increasing just 2.0 percent after growth of 8.0 percent in 2014. This slower growth caused the net cost of private health insurance share of total private health insurance spending to fall from 12.5 percent in 2014 to 11.9 percent in 2015.

EXHIBIT 6
National health expenditures (NHE) amounts, annual growth, and percent distribution, by type of sponsor, calendar years 2009–15

Type of sponsor	2009 ^a	2010	2011	2012	2013	2014	2015
EXPENDITURE AMOUNT							
NHE, billions	\$2,494.7	\$2,596.4	\$2,687.9	\$2,795.4	\$2,877.6	\$3,029.3	\$3,205.6
Businesses, households, and other private revenues	1,409.4	1,444.6	1,496.4	1,576.2	1,611.1	1,662.8	1,739.4
Private businesses	513.7	518.0	541.9	567.0	578.5	605.6	637.5
Household	728.1	750.2	773.6	807.2	824.9	846.6	886.8
Other private revenues	167.6	176.3	181.0	201.9	207.7	210.5	215.1
Governments	1,085.3	1,151.8	1,191.5	1,219.2	1,266.5	1,366.5	1,466.2
Federal government	680.2	730.3	731.4	731.2	759.4	843.1	918.5
State and local governments	405.1	421.6	460.0	488.1	507.1	523.4	547.7
ANNUAL GROWTH							
NHE	4.0%	4.1%	3.5%	4.0%	2.9%	5.3%	5.8%
Businesses, households, and other private revenues	0.1	2.5	3.6	5.3	2.2	3.2	4.6
Private businesses	0.3	0.8	4.6	4.6	2.0	4.7	5.3
Household	0.7	3.0	3.1	4.4	2.2	2.6	4.7
Other private revenues	–2.7	5.2	2.6	11.6	2.9	1.4	2.2
Governments	9.5	6.1	3.4	2.3	3.9	7.9	7.3
Federal government	17.1	7.4	0.2	0.0	3.9	11.0	8.9
State and local governments	–1.3	4.1	9.1	6.1	3.9	3.2	4.6
PERCENT DISTRIBUTION							
NHE	100%	100%	100%	100%	100%	100%	100%
Businesses, households, and other private revenues	56	56	56	56	56	55	54
Private businesses	21	20	20	20	20	20	20
Household	29	29	29	29	29	28	28
Other private revenues	7	7	7	7	7	7	7
Governments	44	44	44	44	44	45	46
Federal government	27	28	27	26	26	28	29
State and local governments	16	16	17	17	18	17	17

SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group. **NOTES** Definitions, sources, and methods for NHE categories can be found in the National Health Accounts methodology paper (see Exhibit 1 Notes). Numbers may not add to totals because of rounding. Percentage changes are calculated from unrounded data. ^aAnnual growth, 2008–09.

Out-Of-Pocket Spending

Total out-of-pocket spending—which consists of direct consumer payments such as copayments, deductibles, coinsurance, and any spending on noncovered services—reached \$338.1 billion and increased 2.6 percent in 2015, following growth of 1.4 percent in 2014. Out-of-pocket spending was affected in both years by changes in health care coverage, as there was a decrease in the number of people without coverage who were paying their expenses out of pocket. At the same time, however, faster growth in utilization associated with expanded insurance enrollment and increased cost sharing associated with a larger percentage of workers enrolled in high-deductible health plans¹¹ led to more out-of-pocket spending. On balance, in 2015 these factors contributed to the acceleration in out-of-pocket spending.

From 2008 through 2015, average annual growth in out-of-pocket spending was 1.9 percent, lower than the average annual growth in

overall health care spending of 4.3 percent during the same period. As a result, the out-of-pocket spending share of total health care expenditures fell from roughly 13 percent in 2007 to 11 percent in 2015.

Medicaid

Total Medicaid spending by federal and state and local governments reached \$545.1 billion in 2015 (Exhibit 1) and accounted for 17 percent of total national health expenditures. Medicaid spending continued to grow at a strong rate of 9.7 percent in 2015, following growth of 11.6 percent in 2014 (Exhibit 1).

The slightly slower growth in Medicaid spending in 2015 was driven by slower growth in Medicaid enrollment. Changes in Medicaid eligibility related to the ACA drove an 11.1 percent increase in enrollment in 2014, followed by slower estimated growth of 5.7 percent in 2015 (Exhibit 3). On a per enrollee basis, Medicaid spending grew

just 0.4 percent in 2014, reflecting changes in the mix of the Medicaid population: On average, newly eligible enrollees tended to have lower costs.¹² In 2015, however, Medicaid per enrollee spending grew 3.8 percent as many states adopted higher reimbursement rates.⁶

Slower Medicaid spending growth for physician and clinical services and prescription drugs in 2015, compared to 2014, was partially offset by faster growth in spending on hospital care and other health, residential, and personal care services.¹³ The slower growth in physician and clinical services expenditures of 9.6 percent in 2015 followed stronger growth of 22.3 percent in 2014 and was due, in part, to the expiration of the temporary ACA provision that increased Medicaid payments to primary care physicians in 2013 and 2014. Growth in Medicaid spending for prescription drugs slowed to 13.6 percent in 2015 after growth of 24.6 percent in 2014, the highest rate since 1986. The faster growth in 2014 was primarily due to increased spending for hepatitis C drugs, while in 2015 spending growth was tempered by a higher amount of total rebates on prescription drugs, compared to 2014.¹⁴ Medicaid hospital spending grew 9.5 percent in 2015, up from growth of 8.6 percent in 2014—in part as a result of increases in supplemental payments, which some states continued to use to drive delivery system reforms.¹⁵ Spending growth for other health, residential, and personal care services accelerated in 2015, as nearly every state took steps to expand care in the home and community.⁶

Medicare

Total Medicare spending reached \$646.2 billion in 2015 (Exhibit 1) and accounted for 20 percent of total health care spending. Medicare spending grew 4.5 percent in 2015, slightly slower than the growth of 4.8 percent in 2014 (Exhibit 1), as a result of trends in Medicare enrollment. Overall, Medicare enrollment increased 2.7 percent in 2015 (slower than the growth of 3.1 percent in 2014), reaching 54.3 million beneficiaries (Exhibit 3).

Medicare per enrollee spending growth remained fairly steady in 2015 (1.7 percent, compared to 1.6 percent in 2014). Mixed trends among services contributed to the relatively stable growth in 2015, as Medicare hospital and prescription drug spending growth slowed, while spending growth for nursing home and home health care accelerated. Physician and clinical services spending, which accounted for just over one-fifth of all Medicare spending, grew at about the same rate in 2015 as in 2014 (4.6 percent and 4.4 percent, respectively).

The slowdown in Medicare hospital spending growth (from 2.6 percent in 2014 to 1.7 percent in 2015) was driven both by reductions in disproportionate-share hospital payments and by a continued decline in utilization that was partially due to reductions in hospital readmissions from 2011 to 2015.¹⁶ For Medicare prescription drug spending, which slowed from growth of 14.5 percent in 2014 to 11.0 percent in 2015, spending associated with covering beneficiaries' prescription drug costs after they have reached the Medicare Part D catastrophic threshold increased at a slower rate than in 2014. Despite this slowdown, spending for catastrophic coverage has grown at double-digit rates in recent years primarily because of beneficiaries' use of higher-cost specialty drugs, such as those used to treat hepatitis C.¹⁷

Slightly offsetting the slowdown in Medicare hospital and prescription drug spending growth was faster growth in Medicare spending for nursing home care (which increased 5.6 percent in 2015, compared to growth of 2.5 percent in 2014) and home health care (which increased 2.6 percent in 2015 after growth of 1.7 percent in 2014).

Fee-for-service Medicare expenditures accounted for 68 percent of total Medicare spending in 2015 and increased 1.9 percent, which was slower than the growth of 2.6 percent in 2014. Fee-for-service enrollment grew 0.7 percent in 2015 (up slightly from the growth of 0.4 percent in 2014). Medicare Advantage expenditures accounted for a larger share of total Medicare spending in 2015 than in 2014—32 percent versus 30 percent. In 2015, Medicare Advantage expenditures increased 10.6 percent, a slightly faster rate than the growth of 10.2 percent in 2014. Medicare Advantage enrollment increased 7.6 percent in 2015, after growing 10.0 percent in 2014.

Hospital Care

Growth in expenditures for hospital care increased from 4.6 percent in 2014 to 5.6 percent in 2015, reaching \$1.0 trillion (Exhibit 4). The faster growth in hospital spending reflected continued strong growth in nonprice factors, such as the use and intensity of services. The number of inpatient days and hospital discharges increased by 1.8 percent and 1.2 percent, respectively, in 2015.^{18,19} This was the first time there have been two consecutive years of growth for both measures since the Census Bureau began tracking these utilization categories in 2005. On the other hand, hospital price growth, as measured by the Hospital Producer Price Index, was just 0.9 percent in 2015, slower than the growth

in 2014 of 1.3 percent and the slowest rate since 1998.²⁰

From the payer perspective, the main drivers of faster growth in hospital spending in 2015 were private health insurance and Medicaid. After growth of 5.7 percent in 2014, private health insurance spending for hospital care increased 9.1 percent in 2015, as enrollment grew 2.6 percent. Medicaid spending for hospital services increased 9.5 percent in 2015, following growth of 8.6 percent in 2014; the increase was primarily due to expanded Medicaid coverage and strong growth in supplemental payments.

Slower growth in Medicare hospital spending somewhat offset the accelerations in growth for private health insurance expenditures and Medicaid spending for hospital services. Medicare spending for hospital services increased just 1.7 percent in 2015 (the smallest increase in seventeen years), compared to growth of 2.6 percent in 2014. The low growth was driven, in part, by Medicare inpatient spending—which declined 1.9 percent in 2015 as a result of reductions in hospital readmissions and disproportionate-share hospital payments under certain provisions of the ACA.¹⁶

Physician And Clinical Services

Total expenditures for physician and clinical services grew 6.3 percent in 2015, reaching \$634.9 billion (Exhibit 4). This was an increase from the growth of 4.8 percent in 2014 and the first growth rate above 6.0 percent in ten years.

The faster growth in spending on physician and clinical services was driven by growth in nonprice factors, such as residual use and intensity of services. Increased insurance coverage through private health insurance and Medicaid contributed to this growth in nonprice factors. Conversely, price growth for physician and clinical services declined 1.1 percent in 2015 (compared to growth of 0.6 percent in 2014),²¹ driven by the expiration of temporary increases in Medicaid payments to primary care physicians.

For private health insurance, spending growth for physician and clinical services increased 6.5 percent in 2015, up from 2.6 percent growth in 2014. Medicare spending growth for physician and clinical services remained fairly stable (4.6 percent in 2015 and 4.4 percent in 2014), while Medicaid spending growth slowed from 22.3 percent in 2014 (the highest rate since 1992) to 9.6 percent in 2015.

Spending for physician services accounted for 79 percent of total physician and clinical services expenditures in 2015, a share that fell consistently over the past decade (it was 83 percent in 2005) as expenditure growth for clinical services

outpaced that for physician services. This pattern continued in 2015, though the trends converged: Spending for physician services increased 6.1 percent (from growth of 4.2 percent in 2014), while spending for clinical services increased 7.2 percent (the same growth rate as in 2014). In 2015, growth in clinical services spending was driven by continued fast growth in outpatient care centers, such as community health centers, kidney dialysis centers, and outpatient mental health and substance abuse centers.

Retail Prescription Drugs

In 2015, total retail prescription drug spending grew 9.0 percent, reaching \$324.6 billion, and represented 10 percent of overall health spending (Exhibit 4). Although slower than the rate of 12.4 percent in 2014, growth in prescription drug spending was faster than that of any other service in 2015. Its recent rapid growth was primarily due to increased spending on new medicines, price growth for existing brand-name drugs, increased spending on generics, and a decrease in the number of expensive blockbuster drugs whose patents expired.²²

Spending on new brand-name medications (defined by IMS Health as drugs launched in the past twenty-four months) continued to drive overall growth in prescription drug spending in 2015, as it did in 2014. Strong growth in new specialty medications such as those used to treat hepatitis C, cancer, autoimmune diseases, and multiple sclerosis, as well as in more traditional (nonspecialty) brand-name medications such as those used to treat diabetes, contributed to the rapid growth in drug spending in 2014 and 2015.²² An increase in the number of new drugs approved for use in 2015 also contributed to the strong growth in spending on new brand-name drugs. In 2015, forty-five new drugs were approved, more than in any one year over the past decade and more than the forty-one in 2014—when new drugs for the treatment of rare diseases and cancer were introduced.²³

Price growth for existing brand-name drugs remained strong in 2015 (albeit slower than in 2014), reaching a double-digit rate for the fourth consecutive year.²⁴ Prices of generic prescription drugs increased less than 1 percent in 2015 following many years of declines,²⁴ and the use of generics continued to climb. In 2015 the generic dispensing rate (excluding brand-name generics) was 83.0 percent, up from 81.7 percent in 2014.²² Increased spending on generics was driven, in part, by recent expirations of patents for certain blockbuster drugs in 2014 and 2015.²⁵

Retail prescription drug utilization, measured

by the number of retail prescriptions dispensed, increased 1.2 percent in 2015 after growing at a slightly higher rate in 2014 (1.8 percent).²² The increase in the number of prescriptions dispensed for Medicaid patients drove overall utilization growth in both 2014 and 2015, as the number of prescriptions dispensed for Medicaid increased faster than for other payers (cash, commercial third parties, and Medicare) because of enrollment expansion under the ACA.²²

Although growth was slower than observed in 2014, Medicare and Medicaid prescription drug spending continued to increase at double-digit rates in 2015—11.0 percent and 13.6 percent, respectively. Private health insurance spending growth for prescription drugs slowed from 12.9 percent in 2014 to 9.0 percent in 2015. Increased insurance coverage as a result of the ACA contributed to the growth in prescription drug spending by Medicaid and private health insurance in 2014 and 2015.

Conclusion

The health sector experienced dramatic changes in 2014 and 2015, as the main coverage provisions of the ACA were implemented. Over those two years, the insured share of the population increased 4.9 percentage points and reached

90.9 percent. In addition, the federal share of health spending increased by 3 percentage points, from 26 percent in 2013 to 29 percent in 2015. These changes played a major role in determining the overall growth in health spending, and they influenced the mix of payers and sponsors as well. Faster health spending growth in 2014 and 2015 (5.3 percent and 5.8 percent, respectively), combined with lower growth in the overall economy (4.2 percent in 2014 and 3.7 percent in 2015), resulted in a 0.6-percentage-point increase in the health spending share of GDP—from 17.2 percent in 2013 to 17.8 percent in 2015. Increases of this magnitude in the health spending share of the overall economy typically occur around periods of economic recession. However, coverage expansions in 2014 and 2015, along with rapid increases in retail prescription drug spending, contributed to the increased share more than five years after the end of the Great Recession of 2007–09. While the 2014–15 period is unique, given the significant changes in health insurance coverage that took place, health spending is projected to increase as a share of the overall economy over the next ten years and will be influenced by the aging of the population, changing economic conditions, and faster medical price growth.²⁶ ■

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