Health Spending Rises for Second Year in a Row
Alicia Ault | December 02, 2016

A spike in the use of healthcare services and a continued rapid increase in spending on prescription drugs helped push up the nation's health spending in 2015, but the rate of growth was still lower than historic trends, government economists said.

Overall, the United States spent $3.2 trillion on healthcare in 2015, or about $9990 per person, according to economists, who work for the Centers for Medicare & Medicaid Services (CMS). That represents a 5.8% increase in spending from 2014, when spending rose 5.3%.

The growth in spending in 2014 and 2015 was higher than during the 2008-2009 recession and the 2010-2013 postrecession years but was still lower than historic growth rates, they said.

The 2-year spending increases came as a result of more Americans gaining insurance through the Affordable Care Act, the economists said during a press conference today. Some 9.7 million gained new private insurance; and 10.3 million was added to Medicaid from 2013, when the ACA's coverage began, to 2015, said the actuaries, whose analysis was published online in the journal Health Affairs.

Although health spending is not outpacing the overall economy's growth as much as it did in the past, it remains on an ever-upwards trajectory, consuming more and more of the nation's gross domestic product (GDP). In part, that's because the economy continues to grow at a sluggish pace — about 3.7% in 2015, analysts said. Health spending grew 2.1% faster than the economy in 2015. National health expenditures accounted for a 17.8% share of the GDP, the highest share to date.

The federal government — through Medicare and Medicaid — is still the biggest spender (29% of the total health bill), followed by households (28%), private business (20%), and state and local governments (17%).

The new data also show that employers continued to shift health costs to workers. Households saw a 4.7% increase in out-of-pocket spending, compared with 2.6% in 2014. The larger increase was driven mostly by a 6.9% increase in employer-sponsored private health insurance premium costs, compared with a 0.5% decrease in 2014. Employers had a slightly smaller increase in their premium costs, at 4.9%, which remained unchanged from 2014.

Hospital and Physician Spending Keeps Growing

Not surprisingly, when a lot of people gained health insurance, spending increased. Both the federal government and private payers spent more on hospitals, doctors, and clinical services in 2015, because "some of the newly insured individuals may have been sicker, used more services, and had higher medical costs, compared to previously insured individuals," write Anne B. Martin, an economist in the Office of the Actuary, CMS, in Baltimore, Maryland, and colleagues.

Spending for hospital care grew by 5.6%, to $1 trillion, while spending for physician and clinical services grew by 6.3%, to $635 billion. Hospital, physician, and clinical services together accounted for 52% of the nation's health bill in 2015.

On the hospital side, both the number of inpatient days and the number of discharges increased, reflecting higher utilization, mostly by privately insured patients, the economists said.

Medicare, however, had the smallest hospital spending growth in 17 years, in part because of reductions in readmissions and also in disproportionate-share hospital payments.

Although physician spending increased, it was not because of rising prices — even though some states raised their Medicaid rates, the authors said. It was because of an increase in volume and intensity from privately insured patients and Medicaid patients. Clinical service spending increased because of fast growth in outpatient care centers, including spending for dialysis and mental health care and treatment of substance abuse.

Drug Spending Driven by Price
Unlike every other sector of the nation's health bill, in which price played almost no role in increased spending, price was a main driver for a 9% rise in prescription drug spending (which accounts for 10% of the nation's health bill).

Lead author Martin told Medscape Medical News by email that price growth accounted for 52% of the spending increase. Prices for existing brand-name drugs grew by double digits, making it the fourth consecutive year for such increases.

The authors said drug costs are also rising because of an increase in spending on new medicines, which tend to have high prices, an increase in spending on generics, and a decrease in brand-name drugs going off patent.

High-priced specialty medications — for cancer, multiple sclerosis, autoimmune diseases, and hepatitis C — were huge drivers. Martin said that spending on the $1100 hepatitis C medication ledipasvir (Harvoni, Gilead) was the main contributor to the nation's overall prescription drug bill. Ledipasvir was the top-selling drug in America in 2015, with sales of $14.3 billion, according to IMS Health.

The authors have disclosed no relevant financial relationships.

Health Aff. DOI: 10.1377/hlthaff.2016.1330. Full text

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Cite this article: Health Spending Rises for Second Year in a Row. Medscape. Dec 02, 2016.

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