National Health Expenditures, 1999

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The health care spending share of gross domestic product (GDP) remained steady between 1993 and 1999 as moderate-to-strong economic growth coincided with a rapid shift to managed care. This shift, along with decelerating growth in Medicare spending, appears to have generated a mostly one-time saving that lowered aggregate health expenditure growth.

INTRODUCTION

In this article, we present historical health spending in the United States using a matrix structure to describe trends in the size, growth, and distribution of health care expenditures for the period 1960-1999. This matrix represents spending in current dollars by type of service, such as hospital care and physician and clinical services, matched against the sources that pay for the health care bill, including private health insurance (PHI), and government programs such as Medicare and Medicaid. The statistics that are shown on the matrix provide a historical basis for policymakers, researchers, and the public to understand the trends in spending for the health industry and to lay a foundation for projections of health care spending (Heffler et al., 2001).

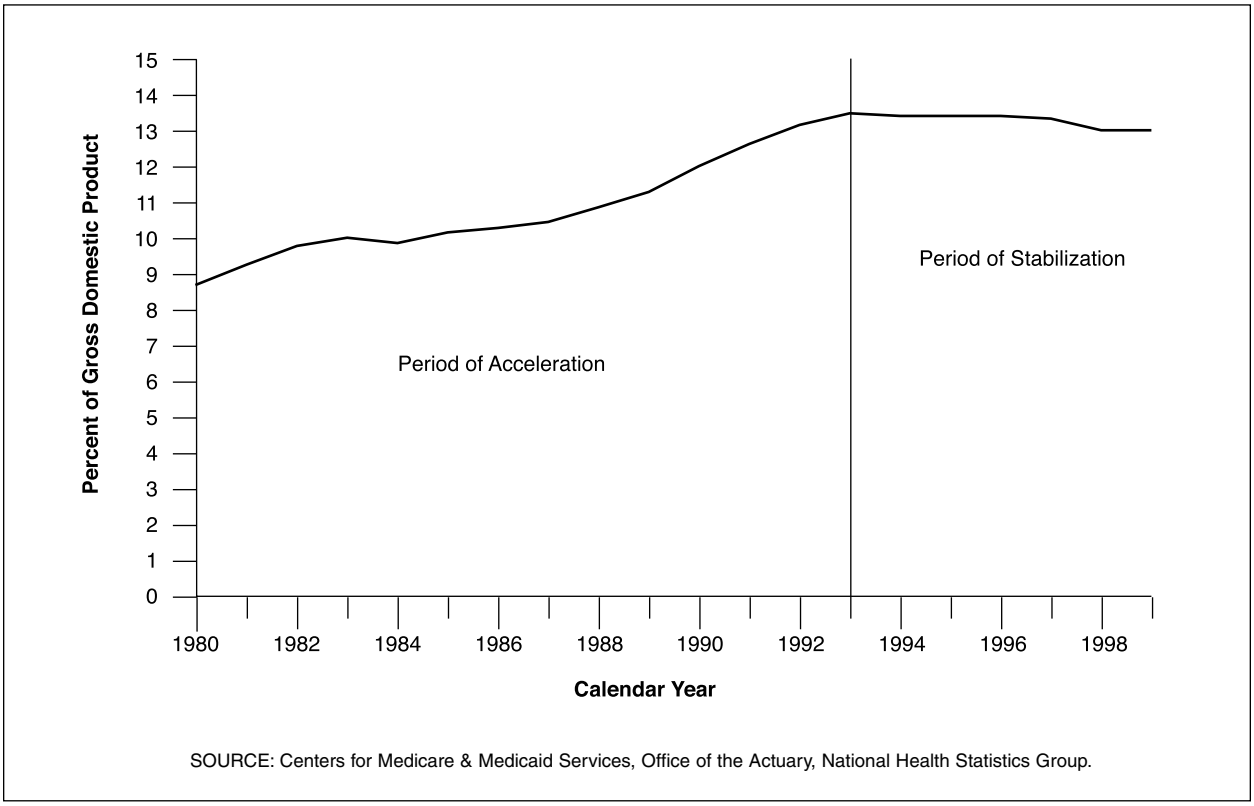
In the figures that follow, we present information on health care spending, focusing on calendar year 1999. The figures include estimates of total health spending, spending by sources of funds (Medicaid, Medicare, and PHI), and spending for hospitals, physician and clinical services, other professional services, prescription drugs, home health care, and nursing home services. Also included in this article is a Technical Note explaining methodological changes that were incorporated in the 1999 national health expenditures (NHE).

Tables 1-3 provide detailed NHE information for selected calendar years by type of service and source of funds. The format of these tables differs slightly from those published previously in that prescription drugs now appear as a separate category, and the various services have been realigned into broad subcategories. More complete time-series estimates and an updated definitions and methodologies can be found online at: http://cms.hhs.gov/stats/nhe-oact/.

The authors are with the Centers for Medicare & Medicaid Services (CMS) (formerly known as the Health Care Financing Administration). The views expressed in this article are those of the authors and do not necessarily reflect the views of CMS.

Figure 1

National Health Expenditures as a Share of Gross Domestic Product: Calendar Years 1980-1999



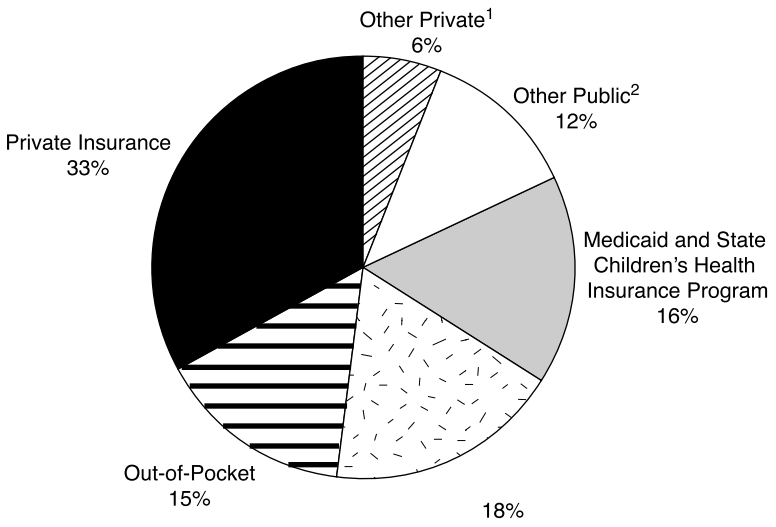
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

NHE's share of GDP held steady from 1993 to 1999.

- NHE reached $1.2 trillion in 1999, up 5.6 percent from 1998. Since 1993, health spending as a share of GDP has remained relatively stable, ranging from 13.4 percent in 1993 to 13.0 percent in 1998 and 1999. The health-spending share is lower by 0.5 percentage point than figures previously reported, primarily due to major upward revisions in the GDP (U.S. Department of Commerce, 2000). One-time effects of managed care and the Balanced Budget Act of 1997 (BBA), coupled with a faster rate of real economic growth, helped stabilize the NHE share of GDP over this 7-year period. On a per person basis, health spending increased from $4,164 in 1998 to $4,358 in 1999, a growth of 4.7 percent.

Figure 2

The Nation's Health Dollar, Calendar Year 1999: Where It Came From



[1] Other private includes industrial in-plant, privately funded construction, and non-patient revenues, including philanthropy.

[2] Other public includes programs such as workers' compensation, public health activity, U.S. Department of Defense, U.S. Department of Veterans Affairs, Indian Health Service, State and local hospital subsidies, and school health.

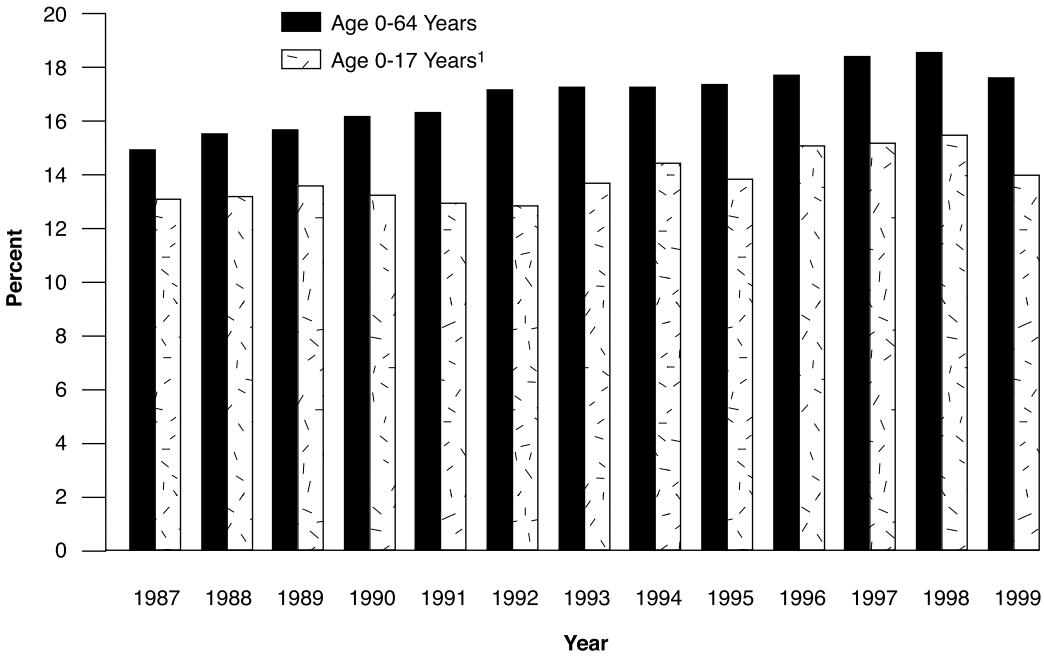
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Private insurance paid one-third of the Nation's health care bill, while Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP) paid another one-third.

- Private sources funded $662.1 billion or 54 percent of health care in 1999. Public sources funded the rest, $548.5 billion (46 percent).
- PHI, obtained mostly through employer-sponsored health plans for the population under age 65, paid for 33 percent of the Nation's health bill, while Medicare, Medicaid, and SCHIP accounted for another one-third.
- The remaining one-third of the Nation's health dollar was funded by individuals' out-of-pocket payments and by other public and private payments. Out-of-pocket payments accounted for 15 percent of NHE.
- Public spending has grown less rapidly than private spending since 1997, in part because of slower Medicare spending growth.

Figure 3

Percent of Americans Without Health Insurance Coverage, by Age Group: 1987-1999



1 Age 0-17 years is a subset of 0-64 years.

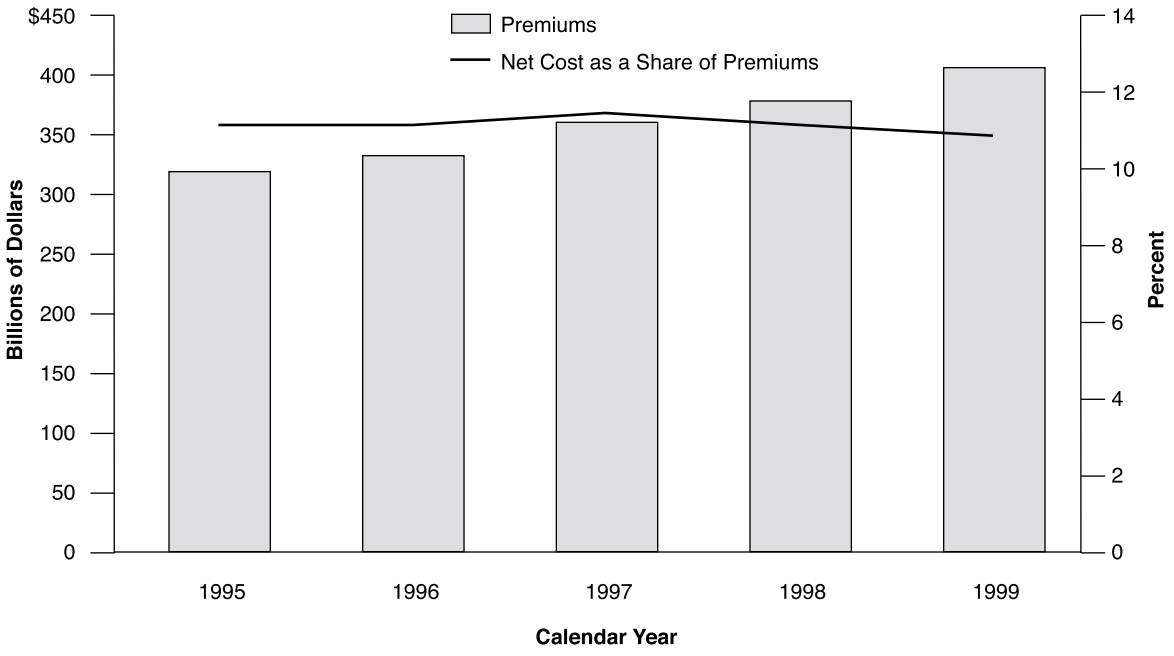
SOURCE: (Salisbury, 2001.)

The percent of Americans who were uninsured in 1999 dropped for the first time since 1994.

- The percentage of non-elderly (under age 65) Americans without health insurance fell from 18.4 percent in 1998 to 17.5 percent in 1999. The number of children (under age 18) without health insurance fell by an even larger margin, declining from 15.4 percent in 1998 to 13.9 percent in 1999.
- The drop in the non-elderly population without health insurance was mainly attributable to an increase in employer-based health insurance. SCHIP also had a considerable impact on the number of children without health insurance. CMS figures show that 2 million children obtained health insurance coverage by the end of 1999 under SCHIP, the first full year of this program (Centers for Medicare & Medicaid Services, 2001).
- The number of non-elderly Americans with health insurance reached 198.6 million in 1999. The majority of these were covered by employment-based insurance (65.8 percent). However, more than 42 million Americans remained with no private or public health insurance coverage in 1999 (Salisbury, 2001).

Figure 4

Private Health Insurance Premiums and Net Cost as a Share of Total Premiums: Calendar Years 1995-1999



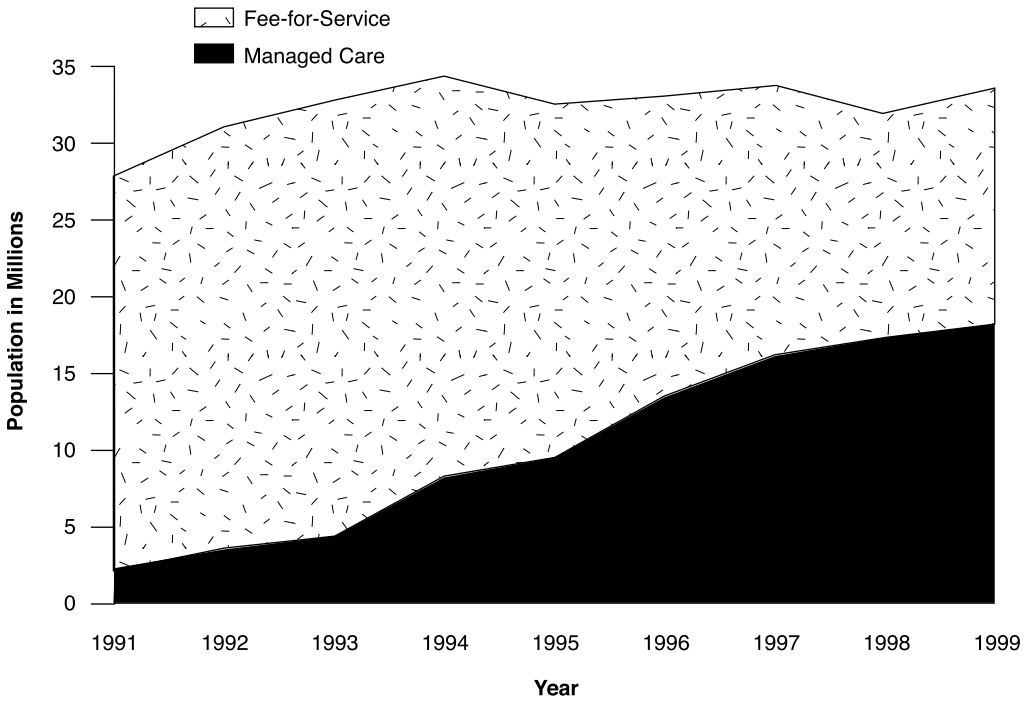
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Premium levels grew at the same pace as the change in benefits levels in 1999.

- In 1999, PHI premiums ($401.2 billion) accounted for just over one-third of total health care spending. PHI premiums grew 6.5 percent in 1999, keeping pace with the 1999 growth in benefits of 6.6 percent. PHI benefits, including those paid by employer-sponsored and individually purchased insurance, reached $355.3 billion in 1999.
- Over the last 5 years, there were only slight changes in the ratio of net cost of PHI to premiums. The net cost of PHI is the difference between premiums and benefits. Many insurance companies held premiums down to protect or gain shares in the PHI market. In 1995, the net cost ratio was 11.6 percent; by 1999, it had dropped slightly to 11.4 percent.
- Growth in enrollment in managed care plans was strong from 1993 to 1999. In 1993, 54 percent of enrollees in employer-sponsored insurance health plans were enrolled in some form of managed care, including health maintenance organizations (HMOs), preferred provider organizations (PPOs), and point-of-service (POS) plans. By 1999, 91 percent of all enrollees in employer health plans were in managed care (Henry J. Kaiser Family Foundation, 1999).
- In recent years, there has been a switch to the less restrictive managed care plans, with enrollment in PPOs and POS plans growing from 42 percent of enrollees in employer-sponsored health insurance plans in 1996 to 63 percent in 1999. Enrollment in more restrictive HMOs decreased from 31 percent of enrollees in employer-sponsored health insurance plans in 1996 to only 28 percent in 1999.

Figure 5

Type of Enrollment of Medicaid Population: 1991-1999



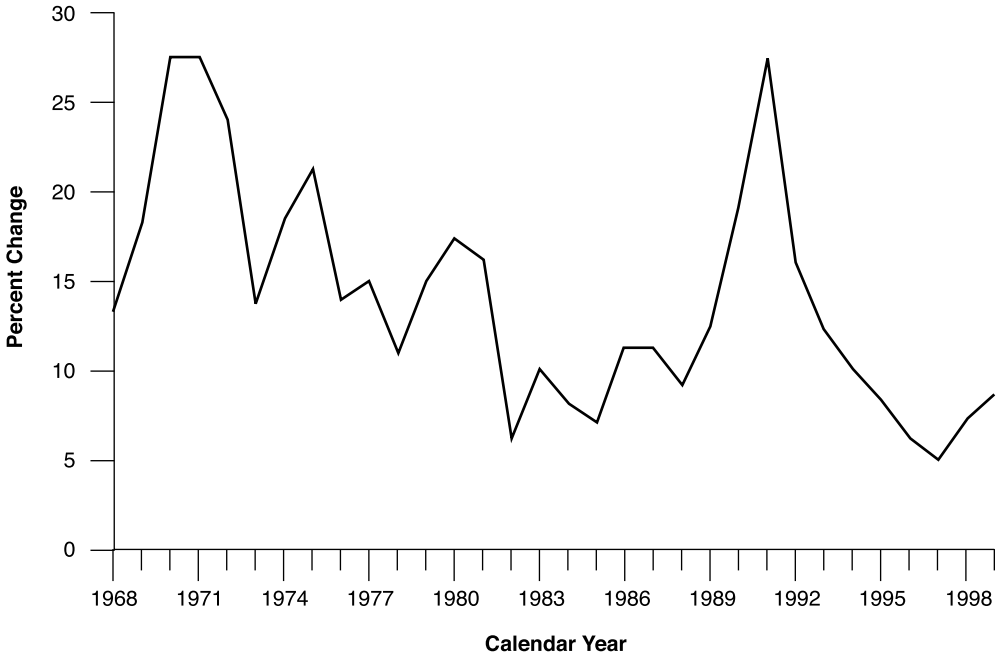
SOURCE: Centers for Medicare & Medicaid Services, Center for Medicaid and State Operations.

Medicaid enrollment increased by 3.4 percent in 1999, the first increase since 1994.

- Part of the increase in Medicaid enrollment may be attributable to outreach programs of SCHIP. A spillover of these outreach efforts was the enrollment of families who, though eligible for Medicaid, were not enrolled, possibly because of confusion over new eligibility standards (Ellis, Smith, and Rousseau, 2000).
- Medicaid managed care enrollment continued to increase in 1999, reaching 56 percent of all Medicaid enrollees—up from 10.5 percent in 1991.

Figure 6

Growth in Medicaid Spending: Calendar Years 1968-1999



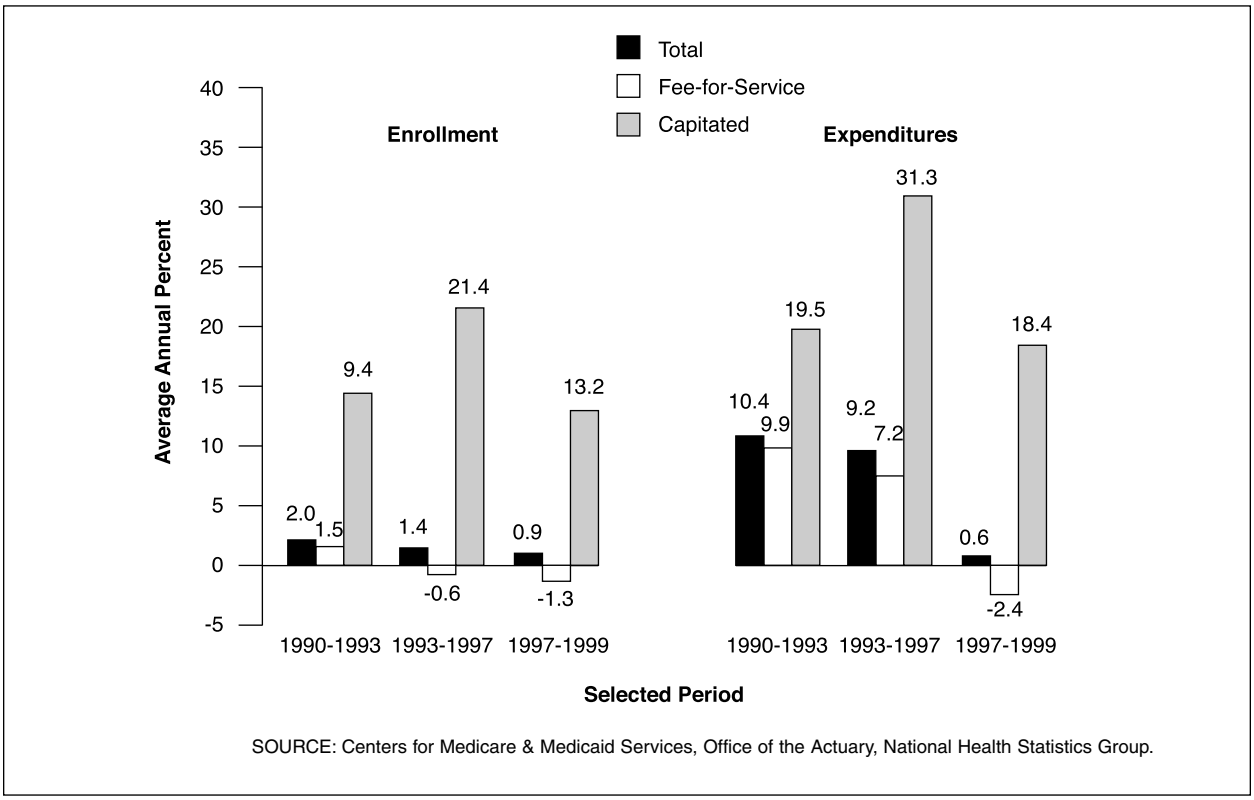
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Medicaid spending growth accelerated in 1998 and 1999.

- Total Medicaid spending, not including the Medicaid SCHIP expansions, accelerated in 1998 (7.5 percent) and 1999 (8.9 percent), reaching $187 billion. Although Medicaid spending accelerated, the 1998 and 1999 increases were not rapid by historical standards.
- The distribution of Medicaid payments by service remained relatively stable in 1999. Medicaid spending was concentrated in hospital care and nursing home care, which accounted for 36 percent and 23 percent of 1999 expenditures, respectively. Medicaid spending for prescription drugs grew more rapidly than spending for any other service category in 1997, 1998, and 1999, with annual increases of 13.7, 16.7, and 18.7 percent.
- Spending for SCHIP and Medicaid SCHIP expansion plans, a joint Federal and State program providing health insurance for children, amounted to approximately $2 billion in 1999.

Figure 7

Growth in Medicare Enrollment and Expenditures for Total, Fee-for-Service, and Capitated Coverage: Selected Periods 1990-1999



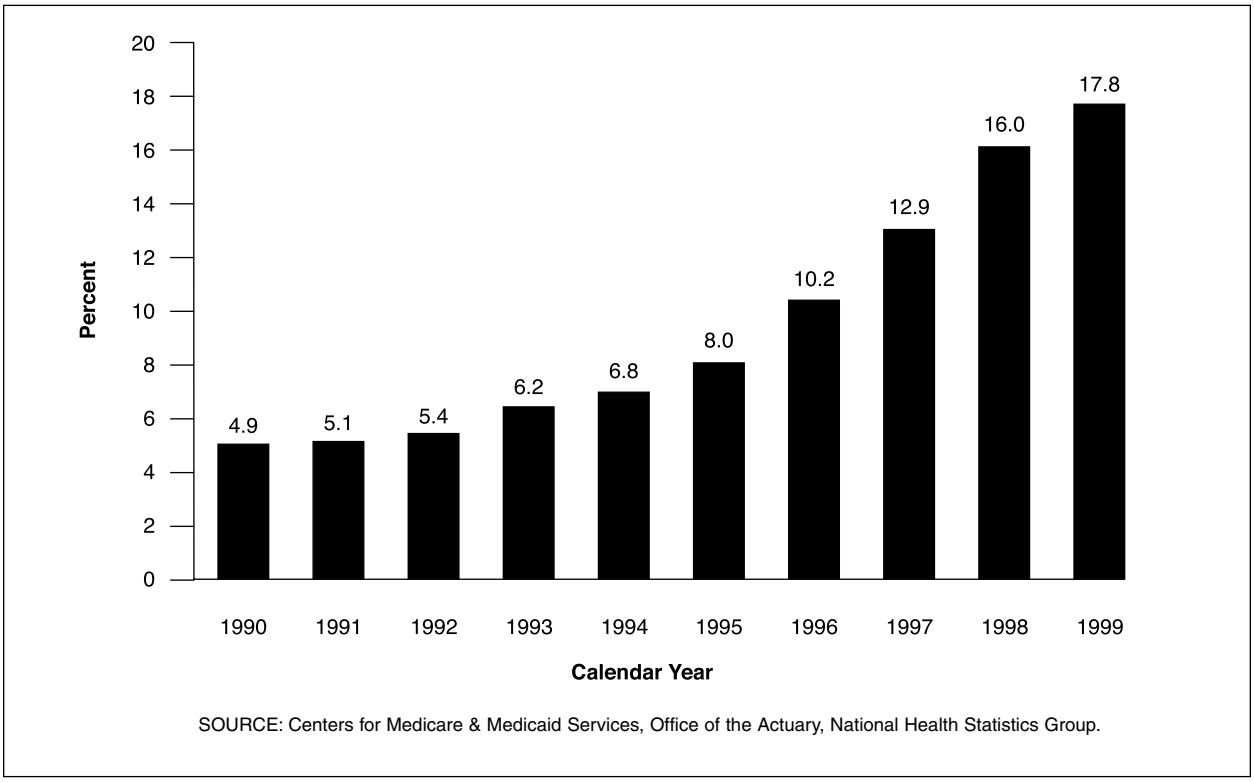
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Annual growth in Medicare expenditures decelerated between the 1993-1997 and 1997-1999 periods, reflecting, in part, the continuing effects of BBA provisions and slower overall enrollment growth.

- Aggregate spending for health care on behalf of Medicare's 39 million enrollees reached $213.6 billion in 1999, just 1 percent higher than spending in 1998.
- Average per enrollee capitated spending was slightly higher than per enrollee fee-for-service (FFS) spending for the first time in 1999. In 1996, per enrollee capitated spending was 11-12 percent lower than FFS spending. This gap narrowed in 1997 and 1998.
- The abrupt slowdown in overall Medicare spending growth since 1997 is primarily attributable to mandated provisions of the BBA that tightened control of Medicare FFS payments and utilization. There were declines in annual spending for hospital care in 1998 and 1999, for home health care in 1997, 1998, and 1999, and for nursing home care in 1999. The impact of some BBA provisions was tempered by the Balanced Budget Refinement Act of 1999 (BBRA).
- Annual growth in Medicare enrollment gradually slowed from 2 percent in 1990-1993 to about 1 percent in 1997-1999, with an increasing share of enrollees choosing managed care rather than traditional FFS coverage.

Figure 8

Capitated Share of Total Medicare Expenditures: Calendar Years 1990-1999



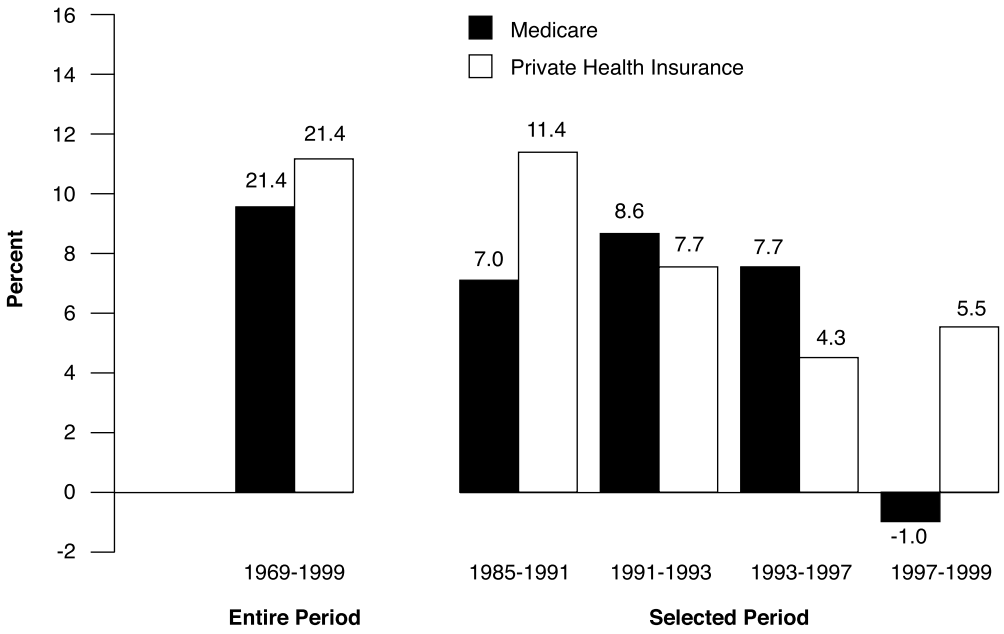
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

The managed care share of total Medicare spending continued to grow in 1999 but at a decelerating pace.

- Medicare managed care payments increased from 8.0 percent of total Medicare expenditures in 1995 to 17.8 percent in 1999. Between 1998 and 1999, the managed care share increased 1.8 percentage points—the smallest annual percentage-point increase since 1995.
- BBA and BBRA provisions redefined the method for determining Medicare managed care organization capitated payment rates. These mandated changes, which are designed to provide more equitable payment rates across geographic areas, have affected decisions by some plans regarding whether or not to participate in the Medicare program. Other plans have redefined the geographic areas they serve.
- Pressures from plans' lower profitability and higher reimbursements to providers are also contributing to changes in the financial structure of some plans and benefits provided to their enrollees. Enrollees are facing increased beneficiary premiums, elimination of certain additional services not required by Medicare, and new or increased beneficiary copayments for some additional services. These factors—health plan participation and benefit changes—may be causing beneficiaries concern about the stability and value of the Medicare managed care option.
- Medicare paid $38.1 billion to managed care organizations for the 6.9 million beneficiaries enrolled in Medicare managed care in 1999, compared with $14.7 billion for 3.4 million enrollees in 1995.

Figure 9

Comparison of Average Growth in per Enrollee Medicare and Private Health Insurance Benefits: Selected Periods 1969-1999



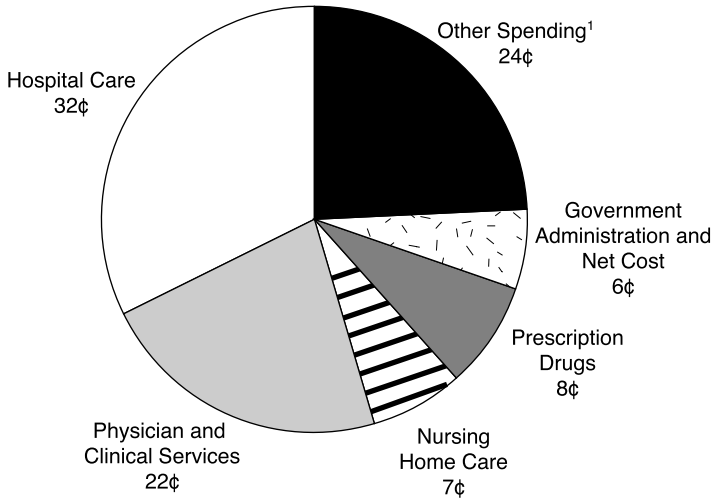
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

On a spending per enrollee basis, 1997-1999 growth in PHI exceeded Medicare for the first time in almost a decade.

- Primarily as a result of BBA and BBRA provisions, average Medicare per enrollee benefits declined slightly in 1997-1999, compared with a 5.5-percent growth rate in PHI per enrollee benefits during this period. This is a reversal of the relationship in growth between these health care payers during the 1993-1997 period, when Medicare grew 3.4 percentage points faster than PHI.
- PHI per enrollee benefit growth also exceeded Medicare growth in the 1985-1991 period, creating a gap of 4.4 percentage points. This gap reversed from 1991 to 1993 and then widened by the 1993-1997 period, as PHI grew at slower annual rates than Medicare. Growth in PHI slowed as employer-sponsored insurance coverage switched from FFS to lower cost managed care plans.
- Despite these diverging trends, over the 30-year period from 1969 to 1999, Medicare and PHI per enrollee benefits average annual growth rates were less than 2 percentage points different: 9.6 percent for Medicare and 11.1 percent for PHI.

Figure 10

The Nation's Health Dollar, Calendar Year 1999: Where It Went



[1] Other spending includes dentist services, other professional services, home health care, durable medical equipment, other non-durable medical products, government public health activities, and research and construction.

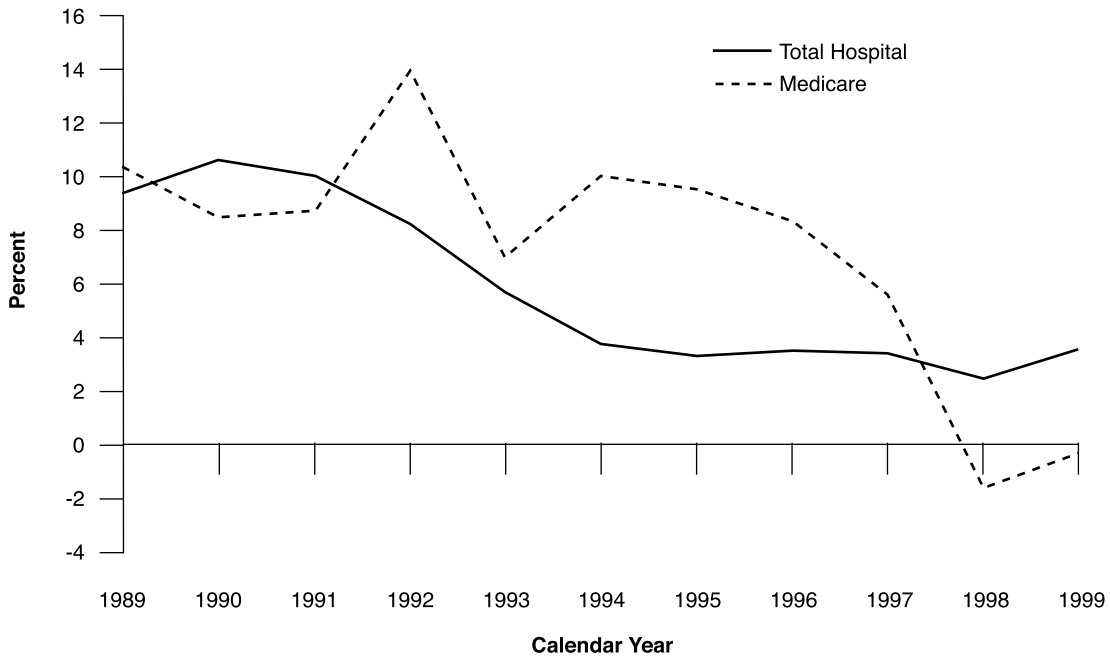
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Hospital care and physician and clinical services accounted for more than one-half of the Nation's health care dollar in 1999.

- In 1999, spending for hospital services was about one-third of NHE. Expenditures for physician and clinical services, including independently billing labs, accounted for more than one-fifth of all health care spending.
- Retail spending for prescription drugs, although less than 10 percent of all health care spending, had the largest increase in share among all the services, rising from 7.4 percent in 1998 to 8.2 percent in 1999. Conversely, home health care—a large component within the category of other spending—experienced the largest decline in cost share, dropping from 3.2 percent in 1997 to 2.7 percent in 1999.

Figure 11

Annual Percent Change in Total and Medicare Spending for Hospital Care: Calendar Years 1989-1999



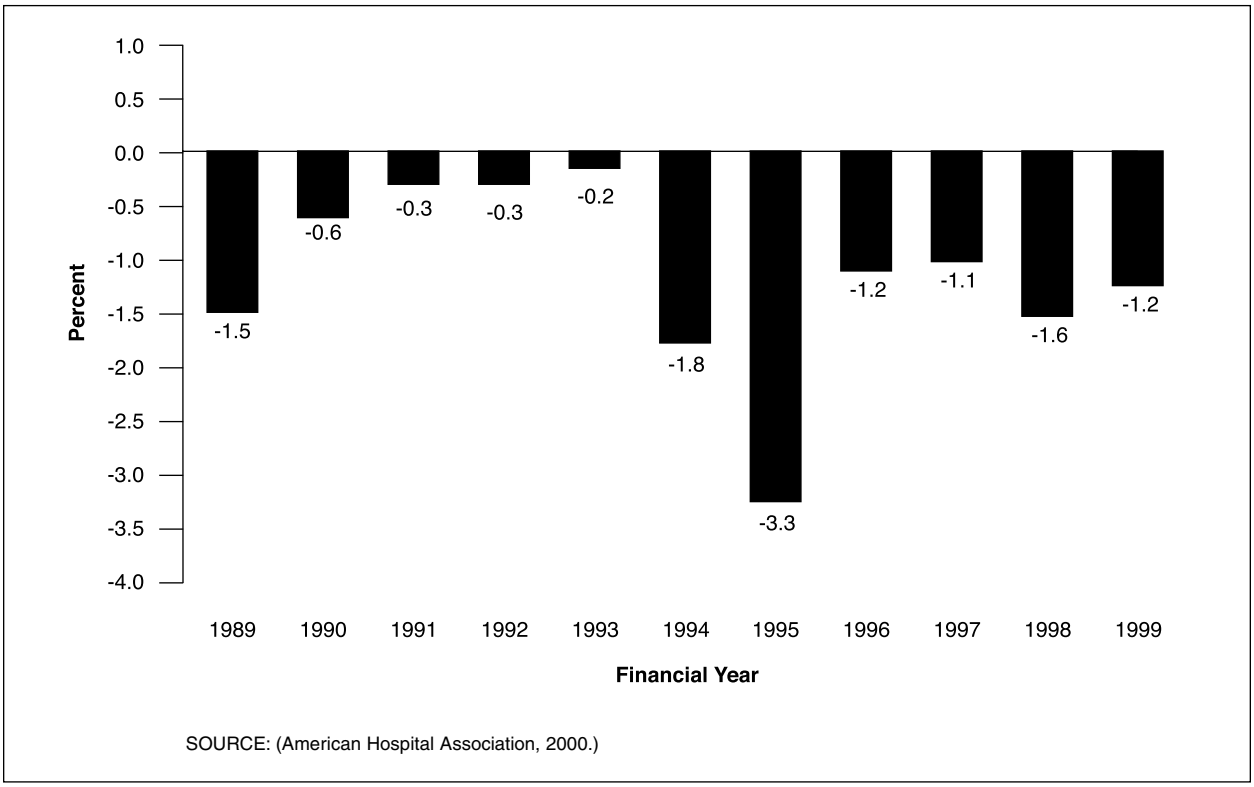
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

A deceleration in the growth of Medicare spending for hospitals partially drove slower growth in hospital spending, especially in 1998.

- Spending for hospital services has grown at slower rates than NHE since 1992 as both public and private purchasers pressured hospitals to constrain cost growth. Total hospital expenditure growth slowed to 2.6 percent in 1998, while Medicare spending for hospitals declined by 1.8 percent. In 1999, Medicare spending fell by 0.3 percent, and total hospital spending increased by 3.7 percent.
- Deceleration in Medicare spending was caused in part by continued efforts to curb fraud and abuse, which resulted in declines in the average complexity of inpatient services (case mix). These were the first decreases in Medicare case mix seen since the inpatient hospital prospective payment system (PPS) became effective in fiscal year 1984.
- The implementation of a PPS for hospital-based nursing home services also contributed to the Medicare spending slowdown in 1999.
- In addition, about one-half of the reduction in Medicare FFS payments to hospitals in 1999 occurred in home health care, as BBA payment provisions were revised, causing some hospitals to divest themselves of these services (Medicare Payment and Advisory Commission, 2001).
- Medicare hospital outpatient spending also declined in 1998 and 1999 as payment formulas for providers were altered to incorporate actual coinsurance rates instead of an estimated coinsurance amount.

Figure 12

Annual Percent Change in Number of Community Hospital Beds: Financial Years 1989-1999



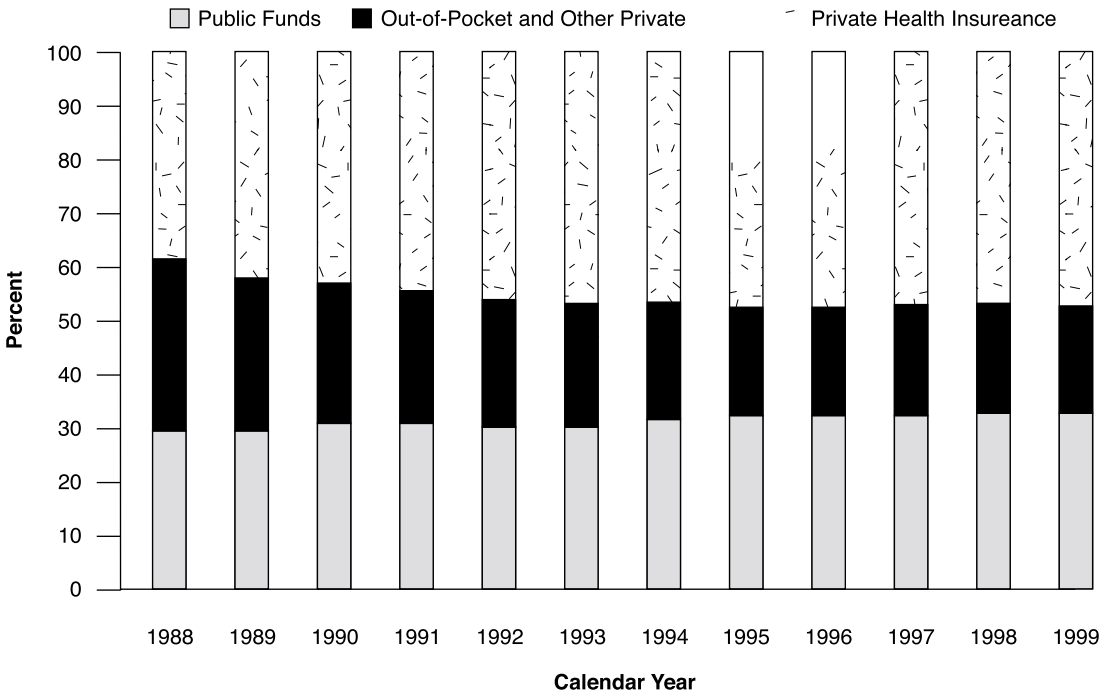
SOURCE: (American Hospital Association, 2000.)

Hospitals reduced excess capacity at a rapid pace in the 1994-1999 period.

- Reductions in the number of hospital beds were greater in the 1994-1999 period than in the previous 5-year period. Since 1989, the number of beds has declined 11 percent.
- Community hospitals consolidated into networks or corporate systems, with 71 percent participating in these arrangements in 1999, compared with 56 percent in 1994. In addition, more hospitals were investor-owned in 1999 than in 1994.
- Hospitals, in an effort to negotiate higher payment rates from insurance companies, joined networks or corporate systems.

Figure 13

Expenditures for Physician and Clinical Services, by Source of Funds: Calendar Years 1988-1999



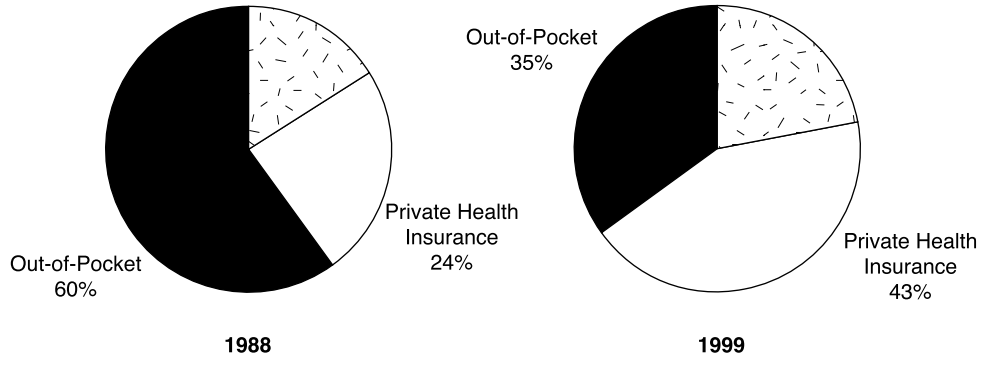
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

The trend toward a lower out-of-pocket spending share for physician and clinical services by consumers has stabilized over the past 5 years.

- In 1999, physician and clinical service expenditures reached $269.4 billion or 22 percent of all health expenditures. Growth in physician and clinical service expenditures has been steadily increasing since 1996, reaching 6.0 percent by 1999.
- In 1999, public funds paid for 32 percent of physician and clinical services, and direct-from-consumer out-of-pocket payments and other private funds paid for 11 percent and 9 percent, respectively. The rest (48 percent) was financed by PHI.
- From 1988 to 1995, the share of physician expenditures paid for by PHI grew from 40 to 49 percent. This shift occurred as enrollment grew in managed care plans (Henry J. Kaiser Family Foundation, 1999) and then stabilized in the mid-1990s. From 1996 to 1999, the share paid by PHI gradually decreased to 48 percent. In addition, the phase-in of the Medicare physician fee schedule and volume performance standards caused the public share of physician services to increase slightly.
- The out-of-pocket share of physician expenditures fell between 1964 and 1996 as more individuals were covered by health insurance. This trend was more pronounced in the early 1990s due to increased enrollment in managed care plans that typically have lower copayments and deductibles than traditional indemnity plans.

Figure 14

Expenditures for Prescription Drugs, by Source of Funds: s 1988 and 1999



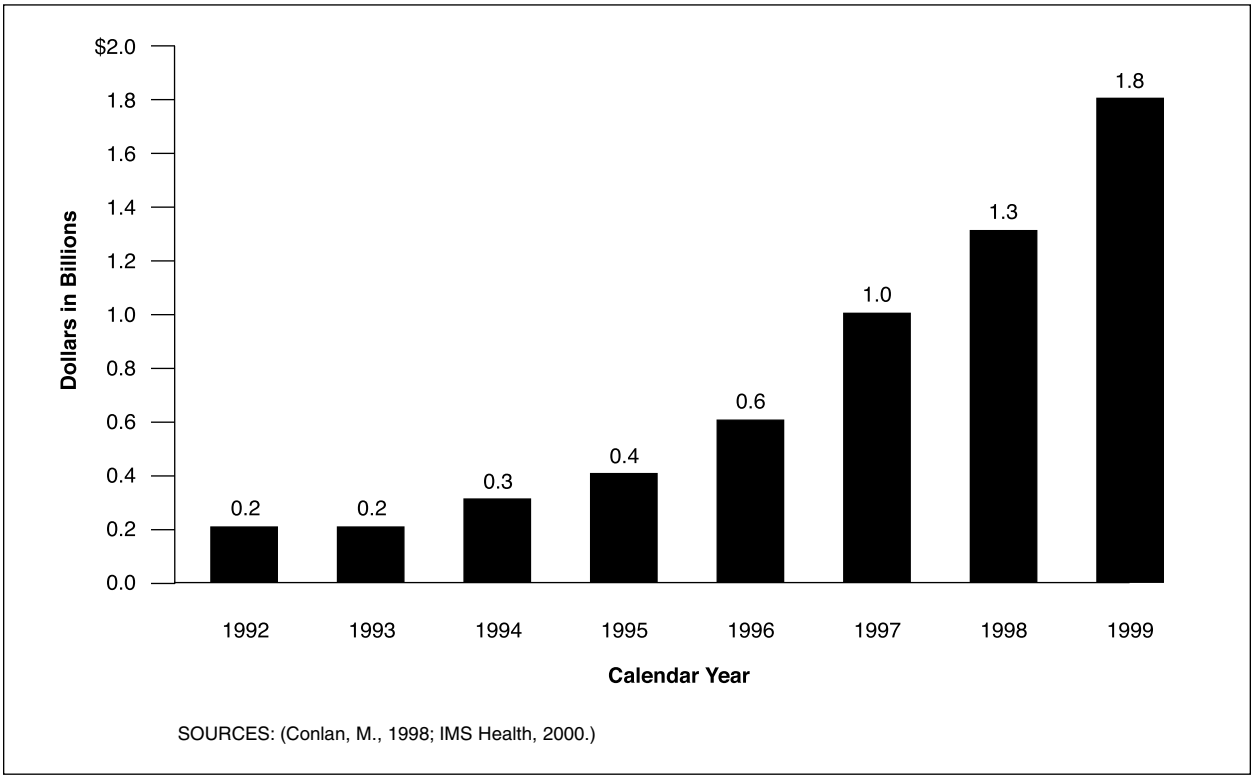
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Out-of-pocket expenditures for drugs comprised a smaller share of spending on prescription drugs in 1999 than in 1988.

- In 1999, spending on retail sales of prescription drugs rose 16.9 percent to $99.6 billion. Total expenditures have remained a small (9 percent in 1999) but rapidly growing portion of personal health spending. Personal health care (PHC), a subset of NHE, is comprised of therapeutic goods or services rendered to treat or prevent a specific disease or condition in a specific person.
- Increased coverage of drugs through managed care plans and increased intensity of use, along with the introduction of new, higher priced drugs and increased direct-to-consumer (DTC) advertising, have driven the growth in prescription drug spending.
- Consumer demand for prescription drugs increased in part due to falling out-of-pocket expenditure requirements resulting from greater third-party coverage.
- PHI paid for 43.1 percent of prescription drug spending in 1999.

Figure 15

Spending for Direct-to-Consumer Prescription Drug Advertisements: Calendar Years 1992-1999



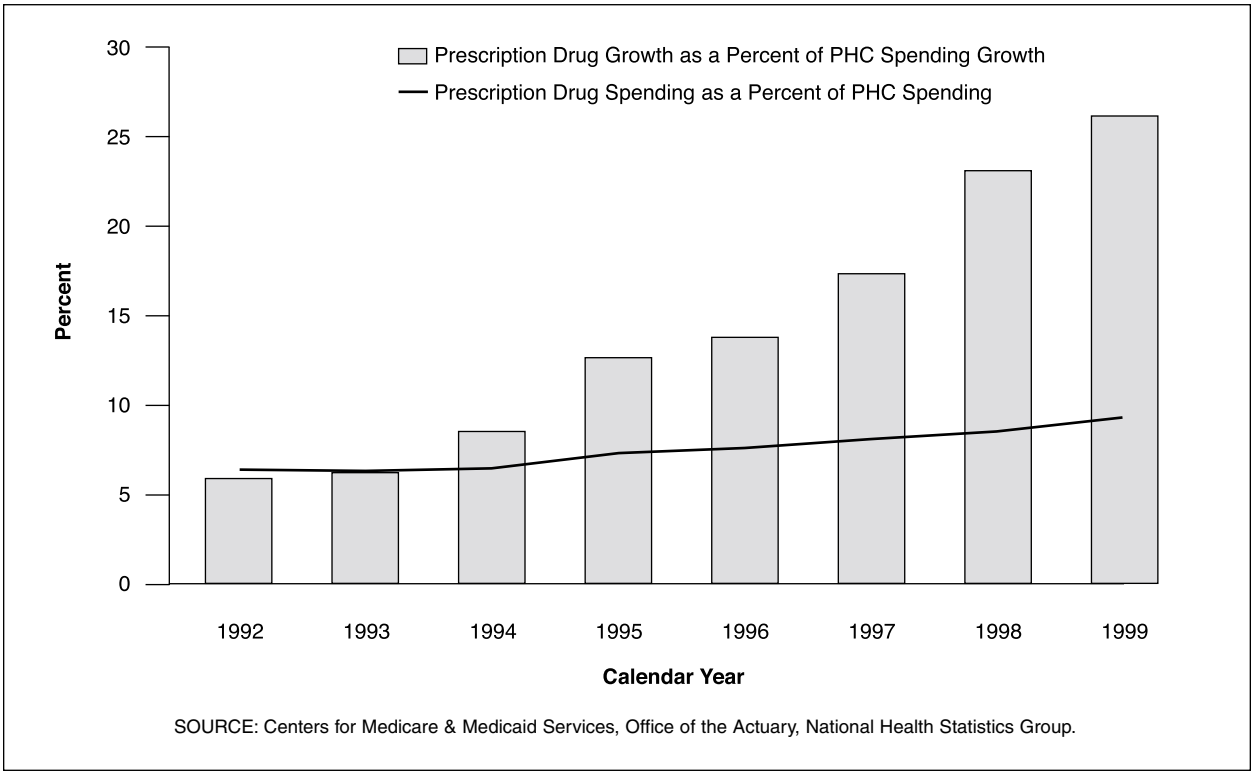
SOURCES: (Conlan, M., 1998; IMS Health, 2000.)

DTC prescription drug advertising skyrocketed in 1999.

- Consumer advertising increased nearly 40 percent in 1999, boosting consumer demand for prescription drugs. Most of the DTC advertising was for newer, more expensive prescription drugs.
- DTC advertising remains a small portion (13 percent) of promotional budgets. Other components include journal advertising (3 percent), contacts with physicians by sales representatives (31 percent), and free samples (52 percent).
- The number of pharmaceutical company-sponsored physician meetings and events also jumped 25 percent in 1999, as companies strove to gain physicians' endorsements as well as consumers (Scott-Levin, 2001).

Figure 16

Prescription Drugs as a Percent of Personal Health Care (PHC) Spending and Growth: Calendar Years 1992-1999



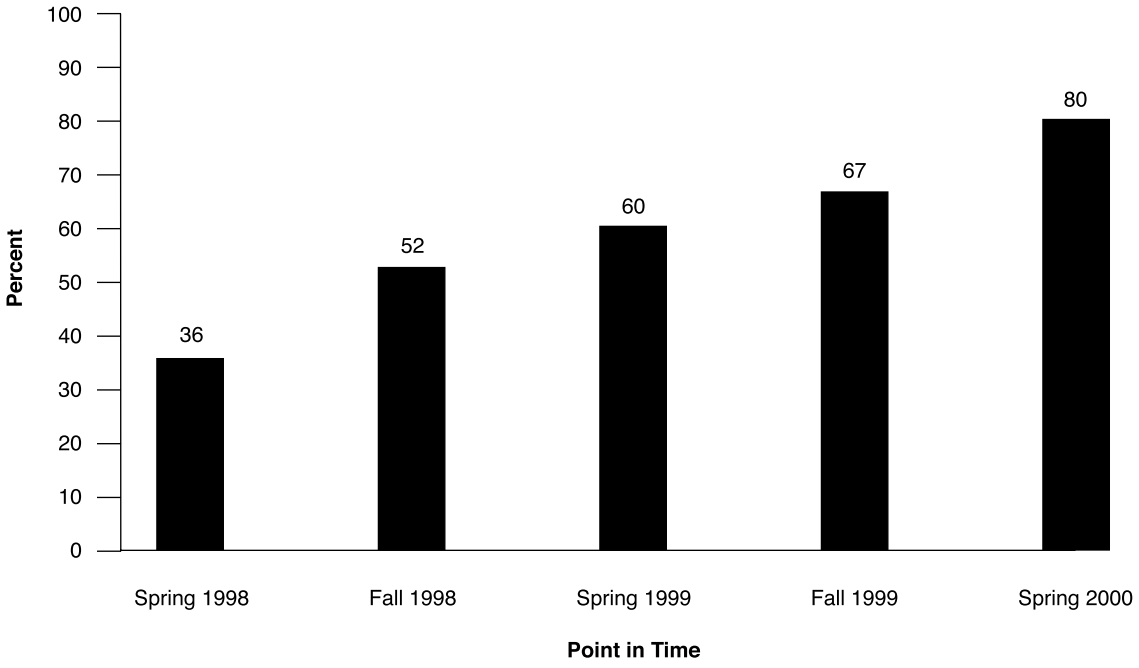
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

One-quarter of the growth in personal health care spending in 1999 was for prescription drugs.

- Although increases in payments for prescription drugs accounted for only 7 percent of the increase in PHC in 1993, prescription drug spending growth jumped to 26 percent of the PHC growth in 1999.
- The rapid increase in the share of prescription drug growth to total PHC growth coincides with accelerated growth in the DTC advertising, the introduction of a large number of new drugs, and increased coverage by managed care.
- Although expanding third-party coverage also contributed to the increase, the switch to managed care plans compounded this growth as enrollees paid small copayments rather than deductibles and larger cost-sharing. Lower managed care cost-sharing provisions contributed to increasing utilization.

Figure 17

Percent of Managed Care Plans Offering Three-Tiered Drug Coverage Plans[1]



[1] Lowest price for generic drugs, higher price for brand-name drugs on the plan's formulary, highest price for drugs not on the formulary.

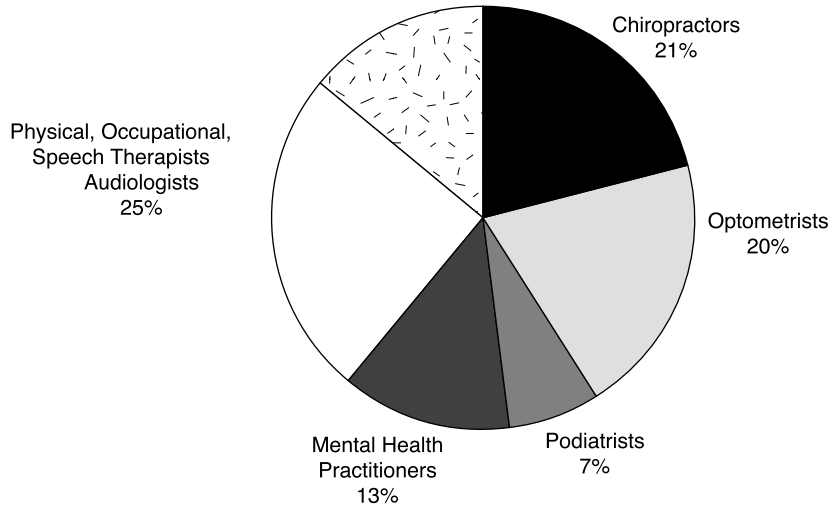
SOURCE: (Scott-Levin, 2000.)

Cost-saving measures by managed care are designed to lead some consumers to pay more out of pocket or to use lower cost prescription drugs.

- Three-tiered payment systems are becoming a popular way to provide consumers with incentives to use lower cost drugs.
- Consumers often pay the lowest price for generic drugs, a higher price for brand-name drugs on a plan's formulary, and the highest prices for drugs not on the formulary.
- In addition to tiered copayment systems, some health plans are requiring prior authorization, which often requires that patients meet certain criteria to receive specific drugs. Many plans are also excluding lifestyle drugs from their benefit packages (Express Scripts, 2000).

Figure 18

Percent Distribution of Revenues, by Other Professional Service Specialties: Calendar Year 1999



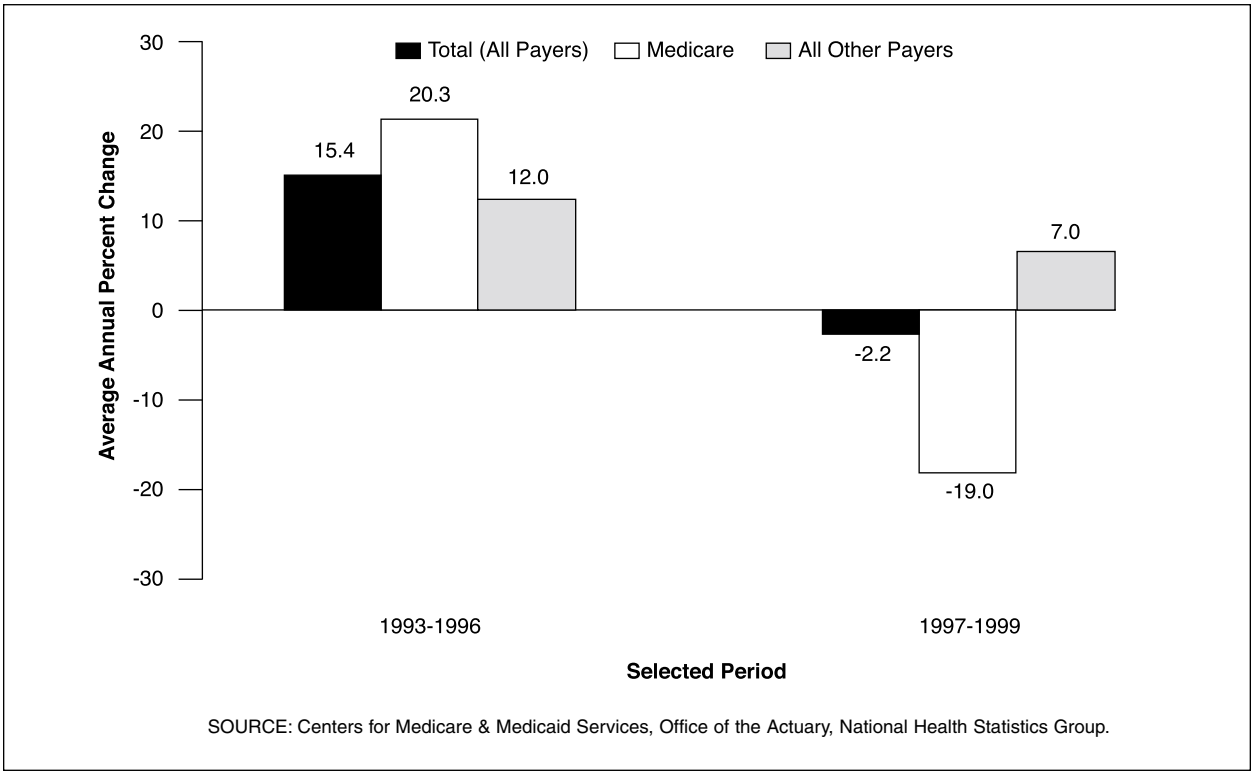
SOURCE: U.S. Bureau of the Census: Service Annual Survey. Washington, DC. 1999.

One-quarter of business receipts of licensed other professionals are from offices of physical, occupational, and speech therapists; and audiologists.

- In 1999, spending for other professional services reached $37.9 billion, an increase of 5.6 percent from 1998. Other professional services consist of a variety of health practitioners including chiropractors; podiatrists; physical, occupational, and speech therapists; and audiologists.
- Other professional services have constituted one of the faster growing segments of NHE, although this segment still only accounts for 4 percent of PHC spending. As health plans expand their service coverage to attract and retain enrollees and to cut costs, services provided by other practitioners are being increasingly covered by PHI, especially managed care plans (Henry J. Kaiser Family Foundation, 1999).

Figure 19

Growth in Freestanding Home Health Care Expenditures, by Source of Funds: Selected Periods 1993-1999



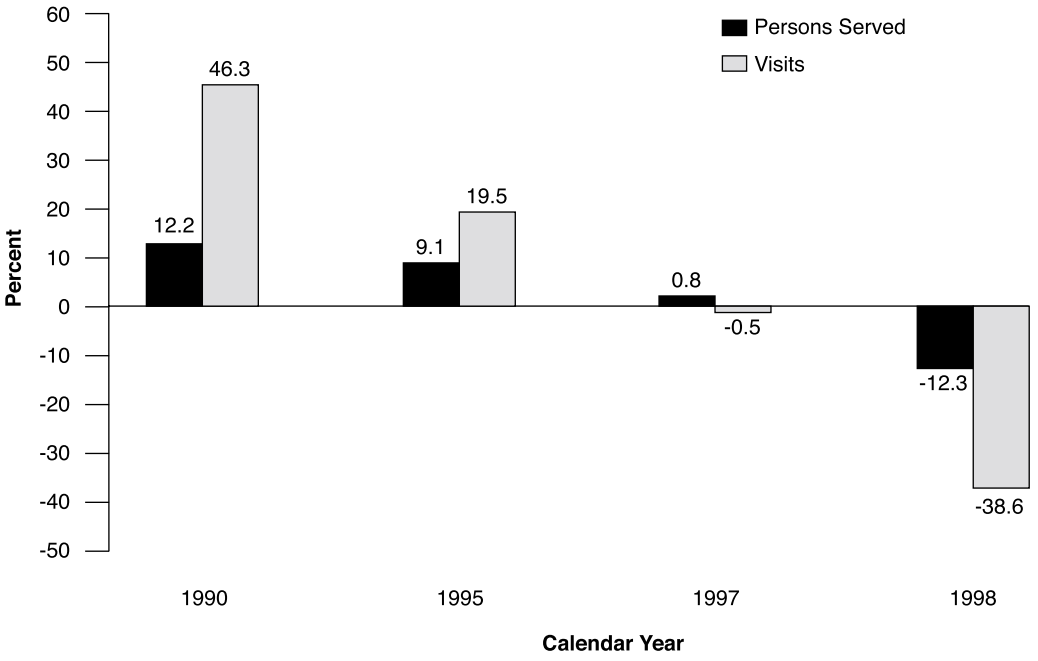
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Negative Medicare spending growth has driven declines in total freestanding home health care industry expenditure growth.

- Annual growth in Medicare spending for home health care that is provided in freestanding facilities averaged 20.3 percent over the 1993-1996 period. Medicare's double-digit annual rates of growth contributed to the correspondingly high growth rates for total spending. In response to these rapid growth rates, the BBA mandated the development of a new payment system for Medicare home health services. The BBA mandated the implementation of an interim payment system, effective October 1997, until a PPS for Medicare home health care was developed and implemented (October 2000).
- Average annual growth in Medicare spending dropped dramatically (-19.0 percent) in the 1997-1999 period after the BBA provisions became effective. Growth in spending by all other payers slowed from 12.0 percent in 1993-1996 to 7.0 percent in 1997-1999. Out-of-pocket spending growth, in particular, slowed from 16.6 percent in 1993-1996 to 9.0 percent in 1997-1999, while Medicaid spending growth slowed from 8.8 percent to 7.1 percent over the same periods.

Figure 20

Medicare Home Health Services Annual Growth[1] in Number of Persons Served and Visits per 1,000 Fee-for-Service Enrollees: Calendar Years 1990-1998



[1] Single-year annual growth from preceding year.

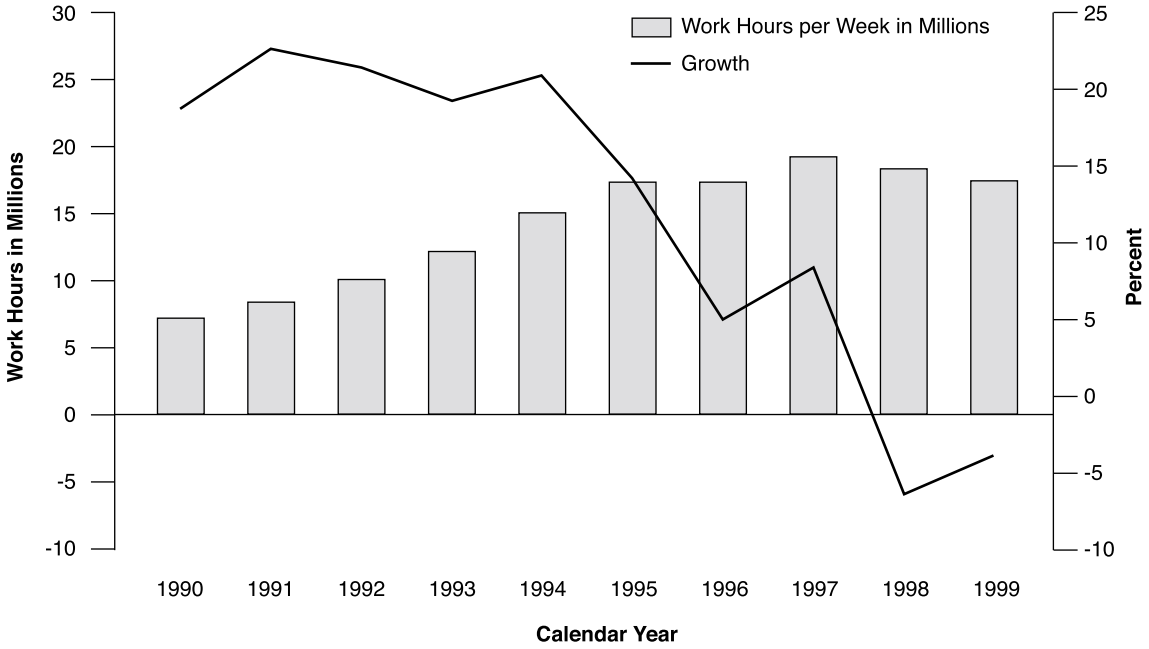
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Medicare home health care utilization rates have continued to decline.

- In 1996, 1 out of every 10 FFS enrollees used Medicare home health services, with an average of 74 home health visits per person served.
- Between 1990 and 1995, annual growth from the preceding year in number of both persons served and home health care visits per 1,000 FFS enrollees decelerated, in part as a result of increased scrutiny and fraud and abuse activities by the Federal Government. In 1997, continuing efforts at fraud and abuse detection resulted in legal proceedings against certain home health agencies, medical review of claims was intensified, and BBA-mandated reforms and payment restrictions became effective.
- With the implementation of the interim payment system and other provisions of the BBA, both the number of persons served and visit rates declined in 1998. Preliminary data for 1999 suggest additional declines in average per 1,000 FFS enrollee home users and visits.

Figure 21

Home Health Care Average Annual Work Hours and Change in Annual Hours Worked: Calendar Years 1990-1999



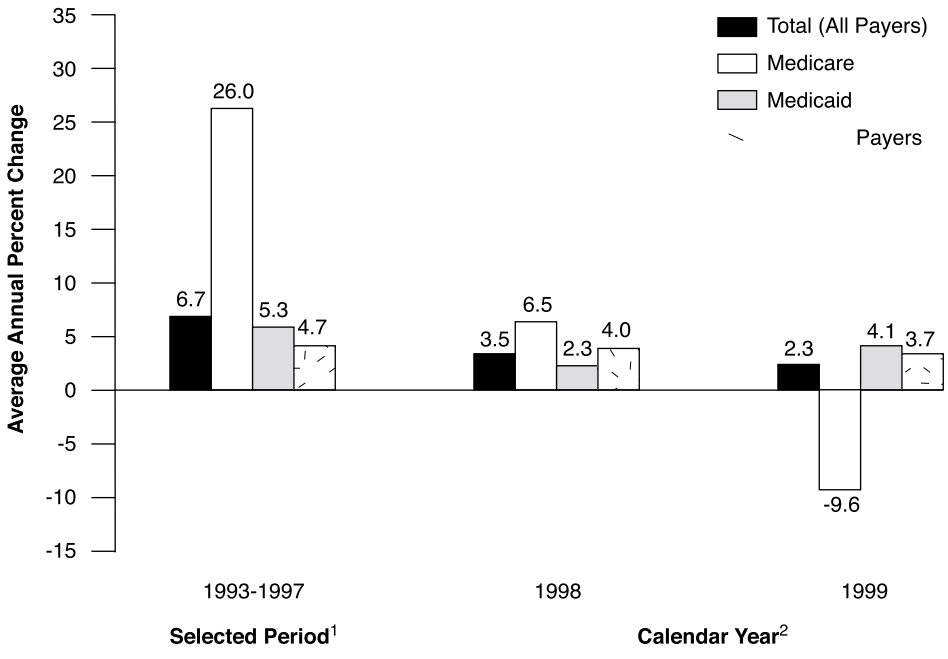
NOTE: Data represent non-supervisory employment times average weekly hours.
SOURCE: (U.S. Department of Labor, 1990-1999.)

Home health work hours continued to decline in 1999, but at slower rate, with capacity below 1996 level.

- From 1990 to 1997, annual hours worked increased steadily from 6.8 million to 18.9 million, as the freestanding home health industry expanded to meet demand, primarily from the Medicare population.
- Aggregate hours worked, as measured by the Bureau of Labor Statistics (U.S. Department of Labor, 1990-1999), demonstrates a capacity to deliver home health care. Growth in hours worked slowed in 1995 and 1996 as agencies reduced their costs.
- During implementation of the BBA provisions for home health services, aggregate home health work hours fell 5.9 percent in 1998 and another 4.2 percent in 1999. Total hours worked dropped to 17 million in 1999, suggesting capacity below that of 1996. However, data for calendar year 2000 produced a 2.1-percent average annual rate of growth, increasing work hours to 17.4 million.

Figure 22

Growth in Freestanding Nursing Home Expenditures, by Source of Funds: 1993-1999



[1] Average annual growth rate for the period 1993-1997.

[2] Growth calculated from previous year.

SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

1999 marked the second consecutive year of record slow growth in spending for freestanding nursing home care.

- Annual growth in expenditures for nursing home care provided by freestanding facilities slowed from an average of 6.7 percent in 1993-1997 to 3.5 percent in 1998 and to 2.3 percent in 1999. Reductions in public funding for nursing home care and a shift to alternative treatment settings contributed to this deceleration.
- Implementation of Medicare's PPS for skilled nursing facilities decreased total Medicare nursing home expenditures by 9.6 percent in 1999. Medicare's share of the $90 billion in total spending for nursing home care in 1999 was 10 percent, down from 12 percent in 1998. Shares funded by Medicaid and all other payers increased to offset the Medicare drop.
- Medicaid, the primary payer for nursing home services, financed 47 percent of total spending for nursing home care in 1999. However, part of the deceleration in total freestanding nursing home expenditures may be due to a reallocation of Medicaid funding from institutional care to less costly home and community-based services. Persons age 65 or over represented 12 percent of all Medicaid enrollees in fiscal years 1992 and 1999, while the nursing home share of total Medicaid spending declined from 28 percent in 1992 to 23 percent in 1999.

Table 1

National Health Expenditures Aggregate and per Capita Amounts, Percent Distribution, and Average Annual Percent Growth, by Source of Funds: Selected Calendar Years 1980-1999

Item	1980	1988	1990	1993	1994	1995	1996	1997	1998	1999
					Amount in Billions					
National Health Expenditures	$245.8	$557.5	$695.6	$887.6	$936.7	$987.0	$1,038.0	$1,093.9	$1,146.1	$1,210.7
Private	141.0	331.2	413.2	497.3	509.4	528.8	553.6	588.0	623.2	662.1
Public	104.8	226.3	282.4	390.3	427.3	458.2	484.4	505.8	522.9	548.5
Federal	71.3	154.0	192.6	274.2	298.7	323.9	346.6	361.7	369.3	384.7
State and Local	33.5	72.3	89.8	116.1	128.6	134.3	137.8	144.2	153.6	163.9
					Number in Millions					
U.S. Population[1]	230	249	254	263	265	268	270	273	275	278
					Amount in Billions					
Gross Domestic Product	$2,796	$5,108	$5,803	$6,642	$7,054	$7,400	$7,813	$8,318	$8,790	$9,299
					Per Capita Amount					
National Health Expenditures	$1,067	$2,240	$2,737	$3,379	$3,532	$3,686	$3,842	$4,011	$4,164	$4,358
Private	612	1,331	1,626	1,893	1,921	1,975	2,049	2,156	2,264	2,384
Public	455	909	1,111	1,486	1,611	1,711	1,793	1,855	1,900	1,975
Federal	309	619	758	1,044	1,126	1,210	1,283	1,326	1,342	1,385
State and Local	146	291	353	442	485	502	510	529	558	590
					Percent Distribution					
National Health Expenditures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Private	57.4	59.4	59.4	56.0	54.4	53.6	53.3	53.8	54.4	54.7
Public	42.6	40.6	40.6	44.0	45.6	46.4	46.7	46.2	45.6	45.3
Federal	29.0	27.6	27.7	30.9	31.9	32.8	33.4	33.1	32.2	31.8
State and Local	13.6	13.0	12.9	13.1	13.7	13.6	13.3	13.2	13.4	13.5
					Percent of Gross Domestic Product					
National Health Expenditures	8.8	10.9	12.0	13.4	13.3	13.3	13.3	13.2	13.0	13.0
					Average Annual Percent Growth from Previous Year Shown					
National Health Expenditures	[2]11.7	10.8	11.7	8.5	5.5	5.4	5.2	5.4	4.8	5.6
Private	[2]10.2	11.3	11.7	6.4	2.4	3.8	4.7	6.2	6.0	6.2
Public	[2]14.8	10.1	11.7	11.4	9.5	7.2	5.7	4.4	3.4	4.9
Federal	[2]17.5	10.1	11.8	12.5	8.9	8.4	7.0	4.4	2.1	4.2
State and Local	[2]11.5	10.1	11.5	8.9	10.8	4.4	2.6	4.6	6.5	6.7
U.S. Population	[2]1.1	1.0	1.1	1.1	1.0	1.0	0.9	0.9	0.9	0.9
Gross Domestic Product	[2]8.7	7.8	6.6	4.6	6.2	4.9	5.6	6.5	5.7	5.8

[1] July 1 census resident-based population estimates for each year 1980-1999.

[2] Average annual growth between 1960 and 1980.

NOTE: Numbers and percents may not add to totals shown because of rounding.

SOURCES: Centers for Medicare & Medicaid Services, Office of the Actuary: National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Bureau of the Census.

Table 2

National Health Expenditures Aggregate Amounts and Average Annual Percent Change, by Type of Expenditure: Selected Calendar Years 1980-1999

Type of Expenditure	[1]1980	1988	1990	1993	1994	1995	1996	1997	1998	1999
					Amount in Billions					
National Health Expenditures	$245.8	$557.5	$695.6	$887.6	$936.7	$987.0	$1,038.0	$1,093.9	$1,146.1	$1,210.7
Health Services and Supplies	233.5	534.8	669.2	855.8	904.2	954.4	1,003.8	1,056.5	1,107.9	1,170.8
Personal Health Care	214.6	493.3	609.4	775.8	816.5	865.7	911.9	958.8	1,002.3	1,057.7
Hospital Care	101.5	209.4	253.9	320.0	332.4	343.6	355.9	367.7	377.1	390.9
Professional Services	67.3	176.3	216.9	280.8	297.5	316.5	332.9	352.4	373.4	396.5
Physician and Clinical	47.1	127.4	157.5	201.2	210.4	220.5	229.3	240.9	254.2	269.4
Other Professional	3.6	14.3	18.2	24.5	25.7	28.5	30.9	33.4	35.9	37.9
Dental	13.3	27.3	31.5	38.9	41.4	44.5	46.8	50.2	53.1	56.0
Other Personal Health Care	3.3	7.3	9.7	16.2	20.0	23.0	25.9	27.9	30.2	33.2
Nursing Home and Home Health	20.1	48.9	65.3	87.6	94.4	105.1	113.5	119.6	121.6	123.1
Home Health Care	2.4	8.4	12.6	21.9	26.1	30.5	33.6	34.5	33.5	33.1
Nursing Home Care	17.7	40.5	52.7	65.7	68.3	74.6	79.9	85.1	88.0	90.0
Retail Outlet Sales of Medical Products	25.7	58.7	73.3	87.5	92.2	100.5	109.5	119.2	130.2	147.1
Prescription Drugs	12.0	30.6	40.3	51.3	54.6	60.8	67.2	75.1	85.2	99.6
Other Medical Products	13.7	28.1	33.1	36.2	37.6	39.7	42.4	44.0	45.0	47.6
Durable Medical Equipment	3.9	8.7	10.6	12.8	13.3	14.2	15.3	16.2	16.3	16.9
Other Non-Durable Medical Products	9.8	19.4	22.5	23.4	24.3	25.6	27.1	27.9	28.7	30.7
Government Administration and Net Cost of Private Health Insurance	12.2	26.0	39.6	52.8	57.7	57.2	59.0	61.6	67.0	72.0
Government Public Health Activities	6.7	15.5	20.2	27.2	30.0	31.4	32.9	36.0	38.6	41.1
Investment	12.3	22.7	26.4	31.8	32.5	32.6	34.2	37.4	38.2	39.8
Research[2]	5.5	10.8	12.7	15.6	16.3	17.1	17.8	18.7	20.5	22.2
Construction	6.8	11.9	13.7	16.2	16.2	15.5	16.4	18.7	17.7	17.6

See notes at end of table.

Table 2—Continued

National Health Expenditures Aggregate Amounts and Average Annual Percent Change, by Type of Expenditure: Selected Calendar Years 1980-1999

Type of Expenditure	[1]1980	1988	1990	1993	1994	1995	1996	1997	1998	1999
	Average Annual Percent Change from Previous Year Shown									
National Health Expenditures	11.7	10.8	11.7	8.5	5.5	5.4	5.2	5.4	4.8	5.6
Health Services and Supplies	11.8	10.9	11.9	8.5	5.7	5.5	5.2	5.3	4.9	5.7
Personal Health Care	11.7	11.0	11.1	8.4	5.2	6.0	5.3	5.1	4.5	5.5
Hospital Care	12.8	9.5	10.1	8.0	3.9	3.4	3.6	3.3	2.6	3.7
Professional Services	11.0	12.8	10.9	9.0	5.9	6.4	5.2	5.8	6.0	6.2
Physician and Clinical	11.5	13.2	11.2	8.5	4.6	4.8	4.0	5.1	5.5	6.0
Other Professional	11.7	18.8	12.7	10.4	4.8	11.3	8.2	8.1	7.5	5.6
Dental	10.0	9.4	7.4	7.3	6.6	7.4	5.2	7.2	5.8	5.6
Other Personal Health Care	8.6	10.5	15.2	18.7	23.2	15.2	12.5	7.6	8.6	9.9
Nursing Home and Home Health	16.8	11.8	15.5	10.3	7.8	11.3	8.0	5.4	1.6	1.3
Home Health Care	20.6	17.1	22.1	20.3	19.1	17.1	10.1	2.8	-3.0	-1.4
Nursing Home Care	16.4	10.9	14.1	7.6	4.0	9.1	7.1	6.5	3.5	2.3
Retail Outlet Sales of Medical Products	8.6	10.9	11.8	6.0	5.4	9.0	9.0	8.8	9.2	13.0
Prescription Drugs	7.8	12.4	14.7	8.4	6.6	11.2	10.5	11.9	13.4	16.9
Other Medical Products	9.4	9.4	8.5	3.1	3.7	5.8	6.6	3.9	2.2	5.7
Durable Medical Equipment	9.3	10.7	10.4	6.5	4.1	6.5	7.8	5.8	0.7	3.6
Other Non-Durable Medical Products	9.4	8.9	7.7	1.4	3.6	5.4	6.0	2.9	3.0	6.9
Government Administration and Net Cost of Private Health Insurance	12.2	10.0	23.5	10.1	9.4	-0.8	3.0	4.5	8.7	7.4
Government Public Health Activities	15.3	11.0	14.2	10.4	10.3	4.7	4.7	9.5	7.1	6.6
Investment	10.4	8.0	7.8	6.4	2.1	0.3	5.1	9.3	2.2	4.1
Research[2]	10.9	8.9	8.2	7.2	4.3	5.2	4.3	5.0	9.8	8.2
Construction	10.0	7.2	7.4	5.7	0.1	-4.5	5.9	14.0	-5.3	-0.6

[1] Average annual growth between 1960 and 1980.

[2] Research and development expenditures of drug companies and other manufacturers and providers of medical equipment and supplies are excluded from research expenditures. These research expenditures are implicitly included in the expenditure class in which the product falls in that they are covered by the payment received for that product.

NOTE: Numbers may not add to totals shown because of rounding.

SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Table 3

National Health Expenditures, by Source of Funds and Type of Expenditure: Selected Calendar Years 1994-1999

Year and Type of Expenditure	Total	Private				Public				
			Consumer							
		Total Private	Out-of-Pocket Payments	Private Health Insurance	Other	Total	Federal	State and Local	Medicare[1]	Medicaid[2,3]
1994					Amount in Billions					
National Health Expenditures	$936.7	$509.4	$146.2	$308.9	$54.3	$427.3	$298.7	$128.6	$166.2	$133.7
Health Services and Supplies	904.2	495.9	146.2	308.9	40.8	408.3	285.3	123.0	166.2	133.7
Personal Health Care	816.5	455.7	146.2	269.3	40.2	360.8	273.2	87.6	162.0	126.0
Hospital Care	332.4	135.1	11.0	110.8	13.2	197.3	156.8	40.5	99.1	52.0
Professional Services	297.5	207.2	53.9	131.6	21.7	90.3	66.4	23.9	41.3	27.5
Physician and Clinical	210.4	145.9	28.0	101.8	16.2	64.5	51.7	12.8	38.0	13.7
Other Professional	25.7	18.7	7.0	9.3	2.4	6.9	4.1	2.8	3.3	0.9
Dental	41.4	39.5	18.9	20.5	0.1	2.0	1.1	0.9	0.0	1.7
Other Personal Health Care	20.0	3.1	—	—	3.1	16.9	9.5	7.4	—	11.2
Nursing Home and Home Health	94.4	36.2	23.0	8.0	5.2	58.1	40.1	18.1	17.1	37.9
Home Health Care	26.1	9.4	4.5	3.7	1.2	16.6	13.4	3.2	11.3	3.8
Nursing Home Care	68.3	26.8	18.5	4.3	4.1	41.5	26.7	14.9	5.8	34.1
Retail Outlet Sales of Medical Products	92.2	77.2	58.3	18.9	—	15.0	9.9	5.1	4.4	8.6
Prescription Drugs	54.6	43.9	27.3	16.7	—	10.7	5.7	5.0	0.5	8.6
Other Medical Products	37.6	33.2	31.0	2.3	—	4.3	4.2	0.1	3.9	—
Durable Medical Equipment	13.3	9.9	7.6	2.3	—	3.4	3.3	0.1	3.0	—
Other Non-Durable Medical Products	24.3	23.3	23.3	—	—	0.9	0.9	—	0.9	—
Government Administration and Net Cost of Private Health Insurance	57.7	40.2	—	39.6	0.6	17.5	8.5	9.1	4.3	7.7
Government Public Health Activities	30.0	—	—	—	—	30.0	3.6	26.4	—	—
Investment	32.5	13.5	—	—	13.5	19.0	13.4	5.6	—	—
Research[4]	16.3	1.4	—	—	1.4	14.8	12.5	2.3	—	—
Construction	16.2	12.1	—	—	12.1	4.2	0.9	3.3	—	—

See notes at end of table.

Table 3—Continued

National Health Expenditures, by Source of Funds and Type of Expenditure: Selected Calendar Years 1994-1999

Year and Type of Expenditure	Total	Private				Public				
			Consumer							
		Total Private	Out-of-Pocket Payments	Private Health Insurance	Other	Total	Federal	State and Local	Medicare[1]	Medicaid[2,3]
1995					Amount in Billions					
National Health Expenditures	$987.0	$528.8	$149.2	$322.3	$57.3	$458.2	$323.9	$134.3	$184.8	$144.1
Health Services and Supplies	954.4	516.3	149.2	322.3	44.8	438.1	309.6	128.5	184.8	144.1
Personal Health Care	865.7	478.3	149.2	285.0	44.1	387.4	296.7	90.7	180.3	135.0
Hospital Care	343.6	136.1	10.5	111.0	14.6	207.5	167.4	40.1	108.5	54.3
Professional Services	316.5	217.9	54.1	140.2	23.5	98.6	72.8	25.8	45.4	31.4
Physician and Clinical	220.5	151.1	26.3	107.3	17.6	69.4	56.1	13.2	41.7	14.8
Other Professional	28.5	21.1	7.7	10.7	2.6	7.5	4.6	2.9	3.7	1.0
Dental	44.5	42.4	20.1	22.2	0.1	2.0	1.1	0.9	0.0	1.8
Other Personal Health Care	23.0	3.3	—	—	3.3	19.8	10.9	8.8	--	13.8
Nursing Home and Home Health	105.1	41.0	25.2	9.8	6.0	64.1	45.0	19.1	21.1	39.7
Home Health Care	30.5	10.8	5.3	4.3	1.2	19.7	16.2	3.5	13.9	4.2
Nursing Home Care	74.6	30.2	19.9	5.6	4.8	44.4	28.8	15.6	7.2	35.4
Retail Outlet Sales of Medical Products	100.5	83.4	59.4	24.0	—	17.2	11.5	5.7	5.4	9.7
Prescription Drugs	60.8	48.7	27.2	21.4	—	12.1	6.6	5.5	0.8	9.7
Other Medical Products	39.7	34.7	32.1	2.6	—	5.0	4.9	0.1	4.6	—
Durable Medical Equipment	14.2	10.2	7.7	2.6	—	4.0	3.8	0.1	3.5	—
Other Non-Durable Medical Products	25.6	24.5	24.5	—	—	1.1	1.1	—	1.1	—
Government Administration and Net Cost of Private Health Insurance	57.2	38.0	—	37.3	0.7	19.3	9.3	10.0	4.5	9.1
Government Public Health Activities	31.4	—	—	—	—	31.4	3.6	27.8	—	—
Investment	32.6	12.5	—	—	12.5	20.1	14.3	5.8	—	—
Research[4]	17.1	1.4	—	—	1.4	15.7	13.2	2.5	—	—
Construction	15.5	11.1	—	—	11.1	4.4	1.1	3.3	—	—

See notes at end of table.

Table 3—Continued

National Health Expenditures, by Source of Funds and Type of Expenditure: Selected Calendar Years 1994-1999

Year and Type of Expenditure	Total	Private				Public				
			Consumer							
		Total Private	Out-of-Pocket Payments	Private Health Insurance	Other	Total	Federal	State and Local	Medicare[1]	Medicaid[2,3]
1996					Amount in Billions					
National Health Expenditures	$1,038.0	$553.6	$155.0	$337.4	$61.1	$484.4	$346.6	$137.8	$200.3	$152.2
Health Services and Supplies	1,003.8	540.4	155.0	337.4	47.9	463.4	331.8	131.6	200.3	152.2
Personal Health Care	911.9	500.4	155.0	298.2	47.2	411.5	318.1	93.4	195.1	144.3
Hospital Care	355.9	137.7	10.4	111.5	15.8	218.2	177.5	40.6	117.4	56.8
Professional Services	332.9	228.0	56.1	146.7	25.2	104.9	78.1	26.8	48.1	34.4
Physician and Clinical	229.3	156.9	27.0	111.1	18.8	72.4	59.0	13.4	44.2	15.6
Other Professional	30.9	23.0	8.2	11.9	2.8	7.9	4.9	3.0	3.9	1.2
Dental	46.8	44.7	20.9	23.6	0.1	2.1	1.2	0.9	0.1	1.9
Other Personal Health Care	25.9	3.4	—	—	3.4	22.5	13.0	9.5	—	15.7
Nursing Home and Home Health	113.5	44.2	26.4	11.5	6.3	69.3	49.4	19.9	23.5	42.3
Home Health Care	33.6	12.5	6.3	4.9	1.3	21.1	17.4	3.7	14.9	4.5
Nursing Home Care	79.9	31.7	20.1	6.6	4.9	48.2	32.0	16.2	8.7	37.8
Retail Outlet Sales of Medical Products	109.5	90.4	62.0	28.4	—	19.1	13.0	6.1	6.0	10.9
Prescription Drugs	67.2	53.5	27.9	25.6	—	13.7	7.7	6.0	1.1	10.9
Other Medical Products	42.4	37.0	34.1	2.8	—	5.4	5.3	0.1	4.9	—
Durable Medical Equipment	15.3	11.0	8.1	2.8	—	4.3	4.2	0.1	3.9	—
Other Non-Durable Medical Products	27.1	26.0	26.0	—	—	1.1	1.1	—	1.1	—
Government Administration and Net Cost of Private Health Insurance	59.0	40.0	—	39.3	0.7	19.0	10.0	9.0	5.2	7.9
Government Public Health Activities	32.9	—	—	—	—	32.9	3.8	29.2	—	—
Investment	34.2	13.2	—	—	13.2	21.0	14.8	6.3	—	—
Research[4]	17.8	1.6	—	—	1.6	16.2	13.6	2.7	—	—
Construction	16.4	11.6	—	—	11.6	4.8	1.2	3.6	—	—

See notes at end of table.

Table 3—Continued

National Health Expenditures, by Source of Funds and Type of Expenditure: Selected Calendar Years 1994-1999

Year and Type of Expenditure	Total	Private				Public				
			Consumer							
		Total Private	Out-of-Pocket Payments	Private Health Insurance	Other	Total	Federal	State and Local	Medicare[1]	Medicaid[2,3]
1997					Amount in Billions					
National Health Expenditures	$1,093.9	$588.0	$165.5	$355.6	$66.9	$505.8	$361.7	$144.2	$211.2	$159.8
Health Services and Supplies	1,056.5	573.1	165.5	355.6	52.0	483.3	346.0	137.3	211.2	159.8
Personal Health Care	958.8	530.6	165.5	313.8	51.3	428.2	331.5	96.7	205.6	151.7
Hospital Care	367.7	142.8	11.0	113.9	17.9	224.8	183.5	41.4	124.1	58.0
Professional Services	352.4	242.0	61.2	154.0	26.8	110.4	82.9	27.5	51.5	36.7
Physician and Clinical	240.9	165.1	28.7	116.2	20.1	75.9	62.6	13.3	47.4	16.2
Other Professional	33.4	25.4	9.4	13.0	3.0	8.0	5.0	3.0	4.0	1.3
Dental	50.2	47.9	23.0	24.8	0.1	2.2	1.3	1.0	0.1	2.0
Other Personal Health Care	27.9	3.6	—	—	3.6	24.3	14.0	10.3	—	17.2
Nursing Home and Home Health	119.6	48.0	28.9	12.6	6.6	71.6	50.5	21.0	23.3	44.7
Home Health Care	34.5	14.6	7.5	5.6	1.4	19.9	16.1	3.9	13.3	4.9
Nursing Home Care	85.1	33.4	21.4	6.9	5.1	51.6	34.5	17.2	10.0	39.8
Retail Outlet Sales of Medical Products	119.2	97.7	64.4	33.3	—	21.5	14.7	6.8	6.7	12.3
Prescription Drugs	75.1	59.6	29.2	30.3	—	15.5	8.9	6.7	1.3	12.3
Other Medical Products	44.0	38.1	35.2	2.9	—	5.9	5.8	0.1	5.4	—
Durable Medical Equipment	16.2	11.4	8.5	2.9	—	4.8	4.7	0.1	4.3	—
Other Non-Durable Medical Products	27.9	26.7	26.7	—	—	1.2	1.2	—	1.2	—
Government Administration and Net Cost of Private Health Insurance	61.6	42.6	—	41.8	0.8	19.1	10.6	8.5	5.6	8.1
Government Public Health Activities	36.0	—	—	—	—	36.0	3.9	32.1	—	—
Investment	37.4	14.9	—	—	14.9	22.5	15.6	6.9	—	—
Research[4]	18.7	1.6	—	—	1.6	17.1	14.3	2.8	—	—
Construction	18.7	13.3	—	—	13.3	5.4	1.3	4.1	—	—

See notes at end of table.

Table 3—Continued

National Health Expenditures, by Source of Funds and Type of Expenditure: Selected Calendar Years 1994-1999

Year and Type of Expenditure	Total	Private				Public				
			Consumer							
		Total Private	Out-of-Pocket Payments	Private Health Insurance	Other	Total	Federal	State and Local	Medicare[1]	Medicaid[2,3]
1998					Amount in Billions					
National Health Expenditures	$1,146.1	$623.2	$176.1	$376.8	$70.3	$522.9	$369.3	$153.6	$211.4	$171.7
Health Services and Supplies	1,107.9	607.7	176.1	376.8	54.8	500.2	352.8	147.4	211.4	171.7
Personal Health Care	1,002.3	563.2	176.1	333.2	53.8	439.1	335.8	103.3	205.2	160.3
Hospital Care	377.1	151.2	11.8	119.5	19.9	225.9	181.5	44.5	121.8	60.8
Professional Services	373.4	255.0	65.1	161.8	28.1	118.4	89.3	29.0	55.5	39.1
Physician and Clinical	254.2	172.9	29.9	121.9	21.1	81.3	67.7	13.7	51.3	16.7
Other Professional	35.9	27.6	10.7	13.8	3.1	8.2	5.2	3.1	4.1	1.3
Dental	53.1	50.7	24.5	26.1	0.1	2.3	1.4	1.0	0.1	2.1
Other Personal Health Care	30.2	3.8	—	—	3.8	26.5	15.1	11.3	—	19.0
Nursing Home and Home Health	121.6	50.9	31.8	13.3	5.8	70.7	48.8	21.9	20.9	46.1
Home Health Care	33.5	16.1	8.5	6.1	1.5	17.4	13.3	4.1	10.3	5.4
Nursing Home Care	88.0	34.8	23.2	7.2	4.3	53.3	35.5	17.7	10.7	40.7
Retail Outlet Sales of Medical Products	130.2	106.1	67.4	38.7	—	24.1	16.1	8.0	7.0	14.4
Prescription Drugs	85.2	66.9	31.3	35.7	—	18.2	10.4	7.8	1.7	14.4
Other Medical Products	45.0	39.2	36.2	3.0	—	5.8	5.7	0.1	5.3	—
Durable Medical Equipment	16.3	11.7	8.6	3.0	—	4.6	4.5	0.1	4.1	—
Other Non-Durable Medical Products	28.7	27.5	27.5	—	—	1.2	1.2	—	1.2	—
Government Administration and Net Cost of Private Health Insurance	67.0	44.5	—	43.6	0.9	22.5	13.0	9.5	6.2	11.5
Government Public Health Activities	38.6	—	—	—	—	38.6	4.0	34.6	—	—
Investment	38.2	15.5	—	—	15.5	22.7	16.5	6.2	—	—
Research[4]	20.5	2.0	—	—	2.0	18.6	15.5	3.1	—	—
Construction	17.7	13.6	—	—	13.6	4.1	1.0	3.1	—	—

See notes at end of table.

Table 3—Continued

National Health Expenditures, by Source of Funds and Type of Expenditure: Selected Calendar Years 1994-1999

Year and Type of Expenditure	Total	Private				Public				
			Consumer							
		Total Private	Out-of-Pocket Payments	Private Health Insurance	Other	Total	Federal	State and Local	Medicare[1]	Medicaid[2,3]
1999	Amount in Billions									
National Health Expenditures	$1,210.7	$662.1	$186.5	$401.2	$74.4	$548.5	$384.7	$163.9	$213.6	$186.9
Health Services and Supplies	1,170.8	646.6	186.5	401.2	58.9	524.2	366.9	157.4	213.6	186.9
Personal Health Care	1,057.7	599.7	186.5	355.3	57.9	458.0	347.2	110.8	205.9	174.2
Hospital Care	390.9	158.4	12.6	124.1	21.7	232.6	185.2	47.3	121.4	66.5
Professional Services	396.5	269.0	67.7	171.3	30.1	127.5	96.2	31.3	58.9	42.7
Physician and Clinical	269.4	182.2	30.7	128.6	22.9	87.2	72.8	14.4	54.7	17.7
Other Professional	37.9	29.4	11.4	14.9	3.1	8.5	5.2	3.2	4.1	1.4
Dental	56.0	53.5	25.6	27.7	0.1	2.6	1.5	1.0	0.1	2.2
Other Personal Health Care	33.2	4.0	—	—	4.0	29.3	16.6	12.6	—	21.4
Nursing Home and Home Health	123.1	52.8	32.9	13.8	6.2	70.3	47.5	22.8	18.4	48.0
Home Health Care	33.1	16.9	9.0	6.3	1.7	16.1	11.9	4.2	8.7	5.6
Nursing Home Care	90.0	35.9	23.9	7.5	4.5	54.1	35.6	18.6	9.6	42.4
Retail Outlet Sales of Medical Products	147.1	119.5	73.4	46.1	—	27.6	18.3	9.4	7.3	17.1
Prescription Drugs	99.6	77.9	34.9	43.0	—	21.7	12.4	9.2	2.0	17.1
Other Medical Products	47.6	41.6	38.4	3.2	—	6.0	5.8	0.1	5.4	—
Durable Medical Equipment	16.9	12.1	8.9	3.2	—	4.8	4.6	0.1	4.2	—
Other Non-Durable Medical Products	30.7	29.5	29.5	—	—	1.2	1.2	—	1.2	—
Government Administration and Net Cost of Private Health Insurance	72.0	46.9	—	45.9	1.0	25.1	15.3	9.8	7.6	12.7
Government Public Health Activities	41.1	—	—	—	—	41.1	4.4	36.8	—	—
Investment	39.8	15.5	—	—	15.5	24.3	17.8	6.5	—	—
Research[4]	22.2	2.1	—	—	2.1	20.1	16.9	3.2	—	—
Construction	17.6	13.4	—	—	13.4	4.2	0.9	3.3	—	—

[1] Subset of Federal funds.

[2] Subset of Federal and State and local funds.

[3] Excludes State Children's Health Insurance Program (SCHIP) and Medicaid SCHIP expansion.

[4] Research and development expenditures of drug companies and other manufacturers and providers of medical equipment and supplies are excluded from research expenditures. These research expenditures are implicitly included in the expenditure class in which the product falls in that they are covered by the payment received for that product.

NOTES: Numbers may not add to totals shown because of rounding. The figure 0.0 denotes amounts less than $50 million.

SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

CONCLUSION

NHE maintained an unprecedented stable share of GDP for the period 1993 to 1999. Robust GDP growth, low economywide inflation, increased enrollment in managed care plans that has dampened health spending growth, and recent legislation affecting Medicare spending have all contributed to this stable share. However, there are indications that this recent period of stabilization is about to change. In 1999, NHE growth accelerated slightly, driven by increased spending growth for prescription drugs, increased PHI premiums, and increased Medicaid spending. Projections of health care spending show that health care will again be consuming a larger portion of national economic resources in 2000, a trend that will continue through 2010 (Heffler et al., 2001).

TECHNICAL NOTE

Estimates of NHE periodically undergo major revisions to incorporate new concepts, methods, and data sources. Several major conceptual revisions were incorporated into the current estimates of NHE, including the redefinition of several service categories as a result of the adoption of the North American Industrial Classification System, which replaced the Standard Industrial Classification System previously used governmentwide to collect economic data by industry. Other conceptual revisions include the elimination of small amounts of spending occurring outside the United States, the introduction of new data, and the associated methodological revisions needed to incorporate this information. Historical estimates incorporate recently released 1997 information from the U.S. Census Bureau's 1997 Economic Census: Health Care and Social Assistance Subject Series and data from the Agency for Healthcare Research and Quality's 1996 Medical Expenditure Panel Survey.

Because of these new data sources and a general realignment of the accounting structure, several service categories have been redefined. One major change has been our expansion of physician services to include services provided in both physician offices and outpatient care facilities. Because the services offered in physician offices are often indistinguishable from those provided in outpatient care facilities, these categories have been merged. Similarly, the source-of-funds data that were gathered did not, in most cases, differentiate between the two types of care.

Another change to the NHE included limiting the other professional service category to only licensed other professionals, such as chiropractors, optometrists, therapists, and podiatrists. Miscellaneous other health care services, an industry whose primary component was blood banks, are no longer included in the NHE because the cost of blood products is incorporated in the receipts/revenues of the institutions providing the blood to the patient.

A full discussion of the definitions and methodologies used to generate these estimates is available at http://cms.hhs.gov/stats/nhe-oact/lessons/.

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