Program Information

on Medicare, Medicaid, SCHIP, and other programs of the

Centers for Medicare & Medicaid Services

Office of Research, Development, and Information

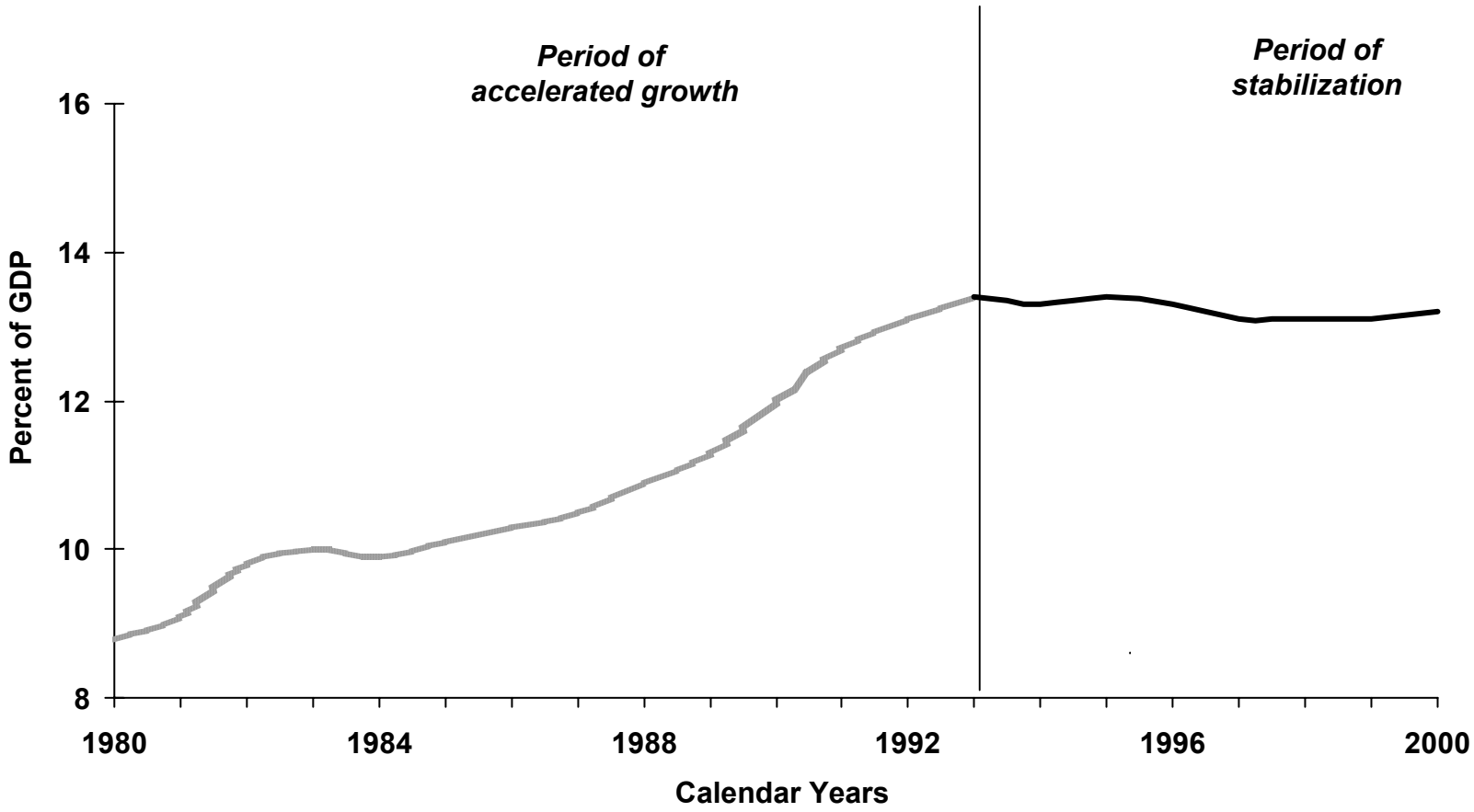
CMS Centers for Medicare & Medicaid Services

June 2002 Edition

I. U.S. Health Care System

National Health Expenditures as a Share of Gross Domestic Product (GDP)

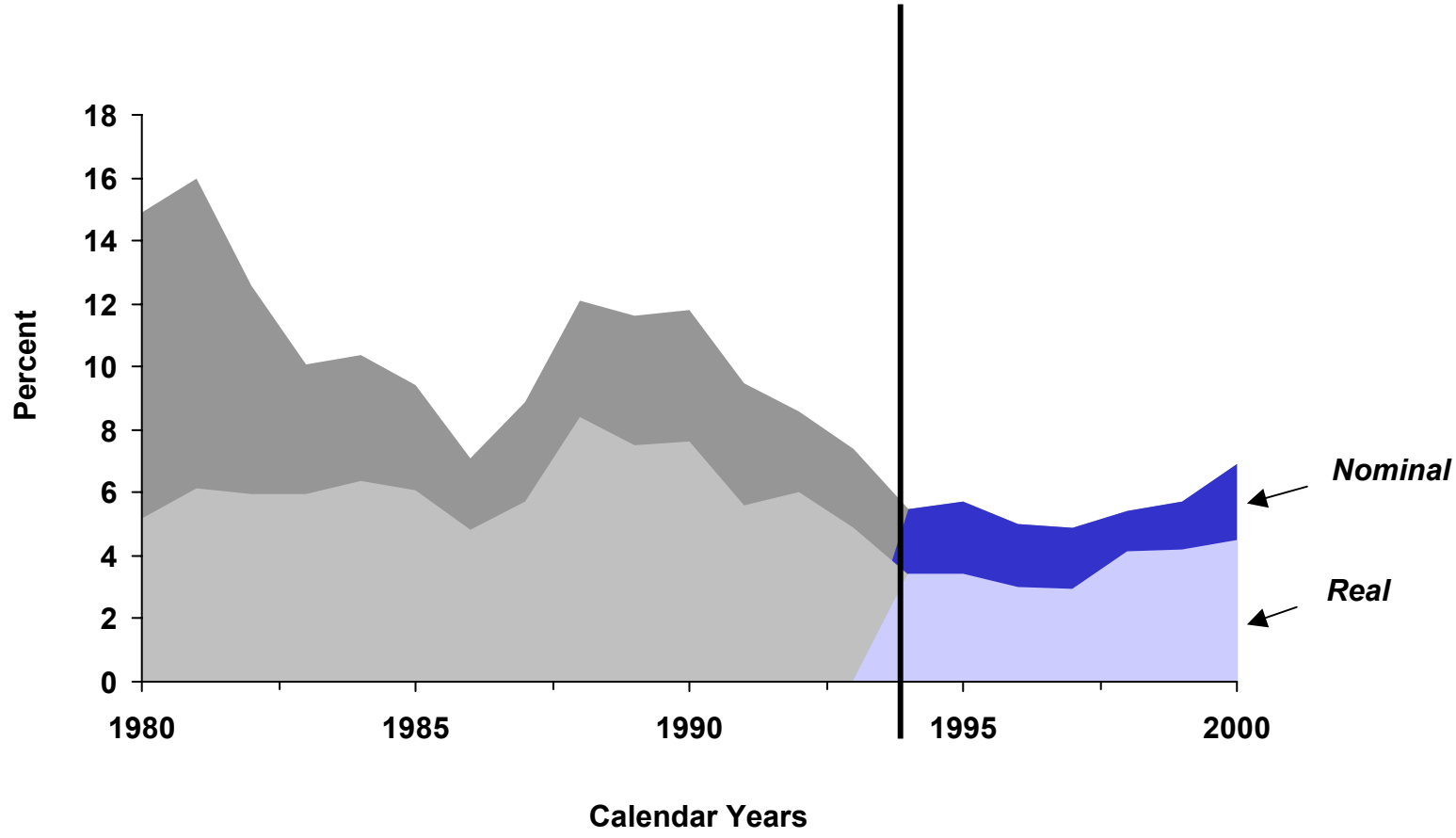
Rapid growth in the health spending share of GDP stabilized beginning in 1993.



Source: CMS, Office of the Actuary, National Health Statistics Group.

Growth in National Health Expenditures

Health spending growth slowed between 1993 and 2000 to an average increase of 5.6 percent, about half the rate of increase between 1980 and 1993.

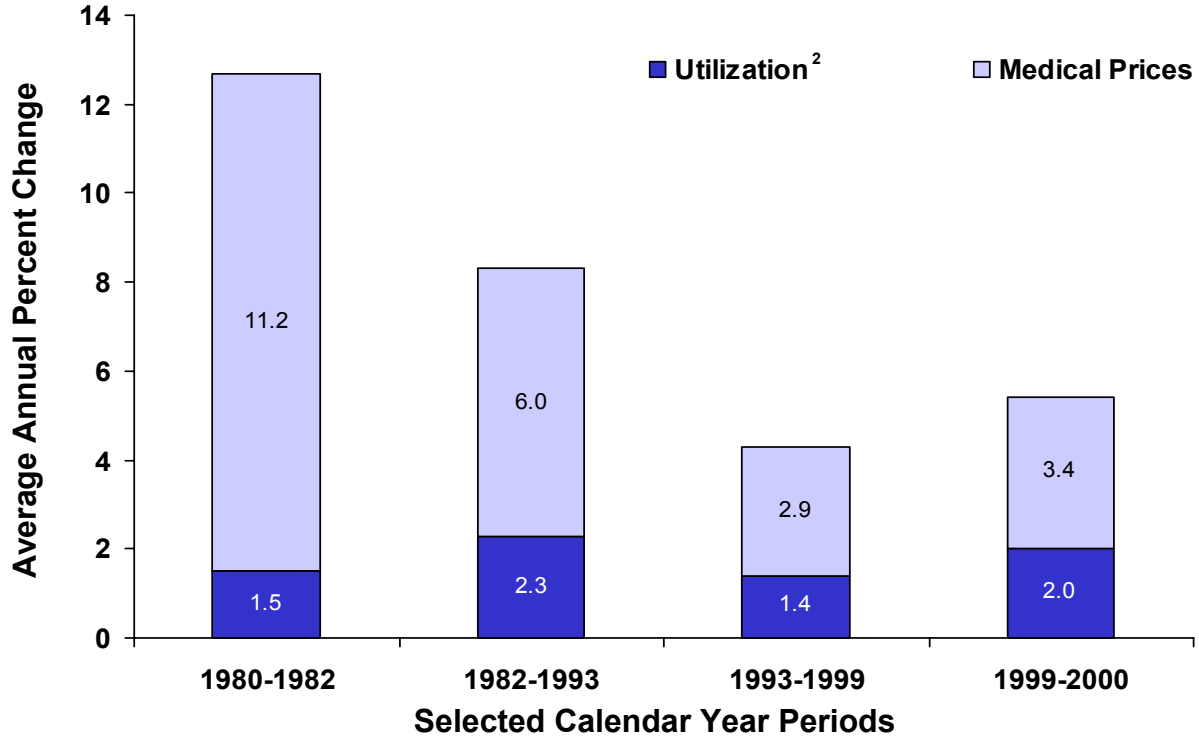


Note: Deflated using the GDP chain weighted price index. Nominal: values expressed in current dollar terms (not adjusted for inflation). Real: values adjusted for economy-wide inflation.

Source: CMS, Office of the Actuary, National Health Statistics Group.

Factors Accounting for Growth in Personal Health Care[1] Expenditures Per Capita

The most important factor accounting for the slowdown in personal health care expenditure growth after 1993 was the decline in medical price growth.



[1] Personal health care spending comprises therapeutic goods or services rendered to treat or prevent a specific disease or condition in a specific person.

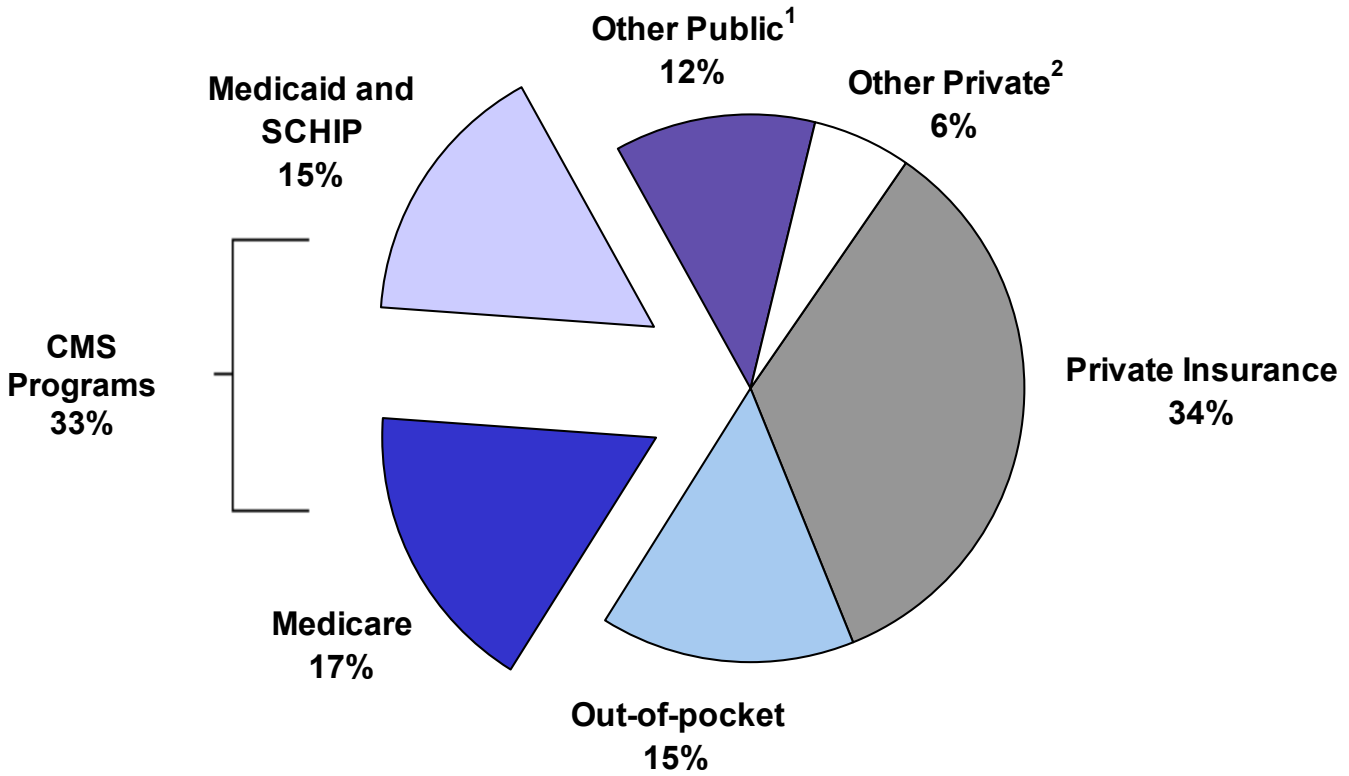
[2] Utilization includes quantity, quality, and mix of services. As a residual, this factor also includes any errors in measuring prices or total spending.

Note: Medical prices are calculated using the personal health care chain-type index constructed from the producer price index for hospital care, nursing home input price index for nursing home care, and consumer price indexes specific to each of the remaining personal health care components.

Source: CMS, Office of the Actuary, National Health Statistics Group.

The Nation's Health Dollar, CY 2000

Medicare, Medicaid, and SCHIP account for one-third of national health spending.



Total National Health Spending = $1.3 Trillion

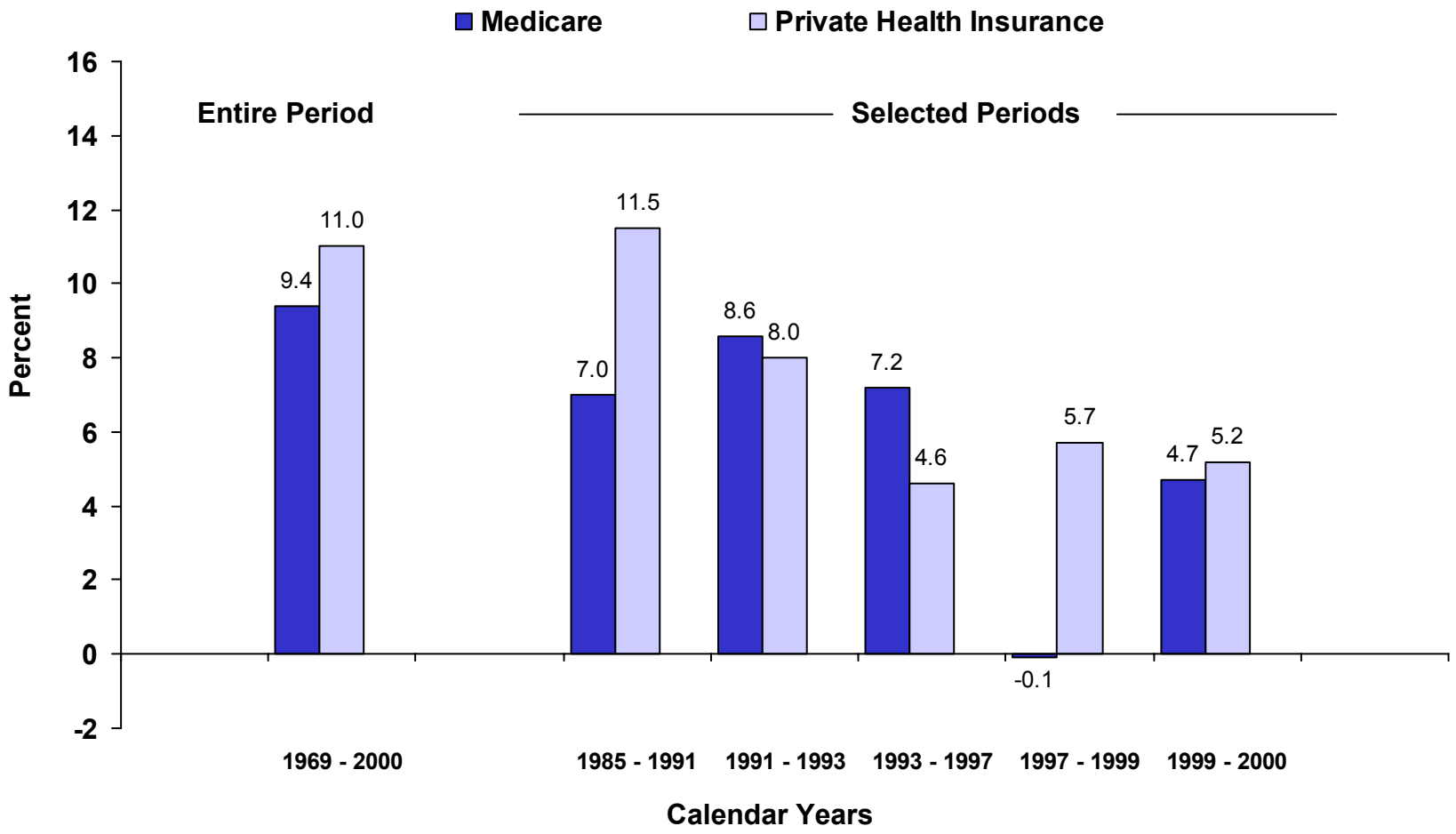
[1] Other public includes programs such as workers' compensation, public health activity, Department of Defense, Department of Veterans Affairs, Indian Health Service, and State and local hospital subsidies and school health.
[2] Other private includes industrial in-plant, privately funded construction, and non-patient revenues, including philanthropy.

Note: Numbers shown may not sum due to rounding.

Source: CMS, Office of the Actuary, National Health Statistics Group.

Average Annual Growth in Per-Enrollee Medicare and Private Health Insurance Benefits

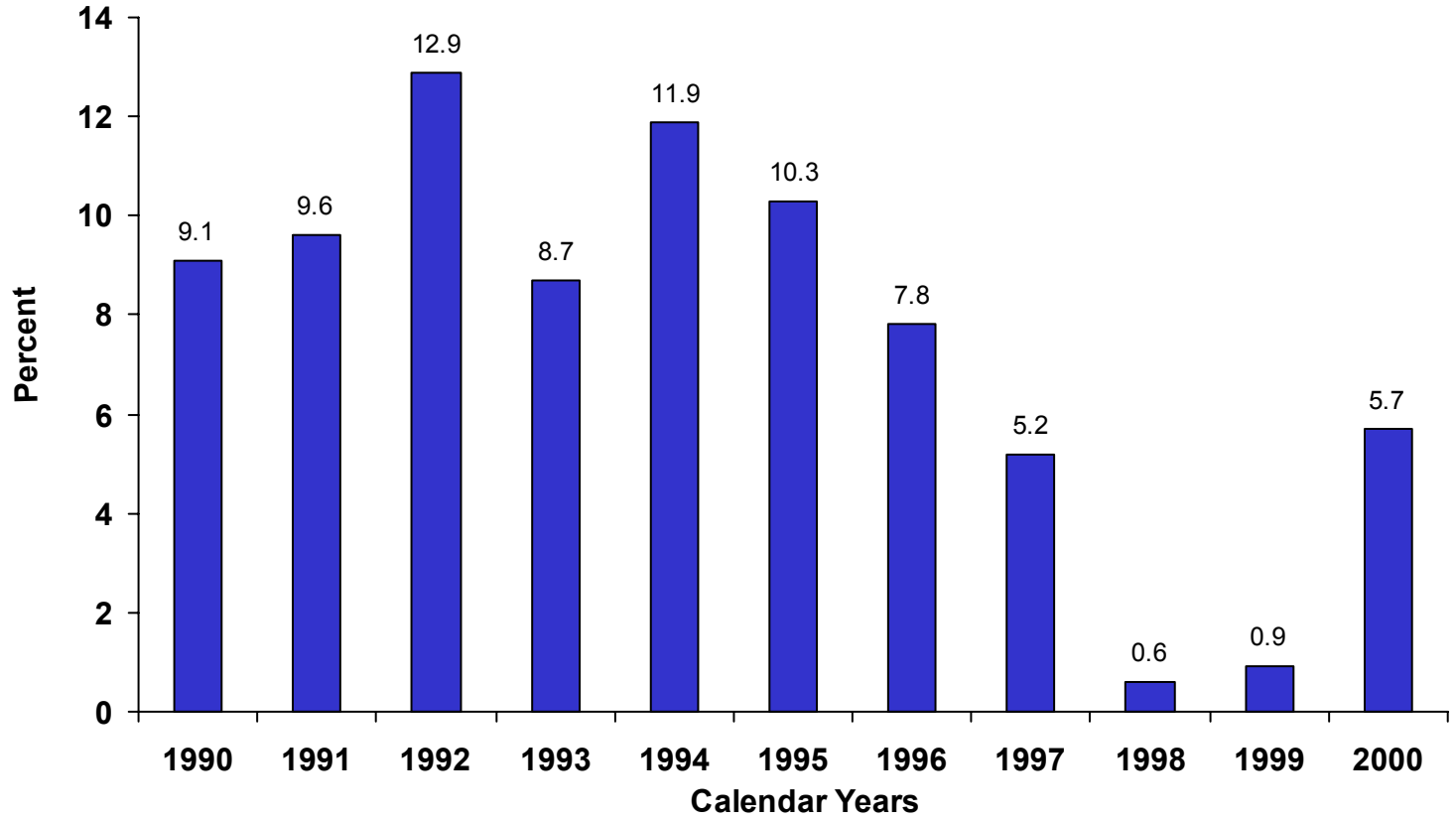
Medicare grew slightly slower than private health insurance over the 30-year period, though growth rates diverged significantly in selected periods.



Source: CMS, Office of the Actuary, National Health Statistics Group.

Growth in Aggregate Medicare Personal Health Care Spending

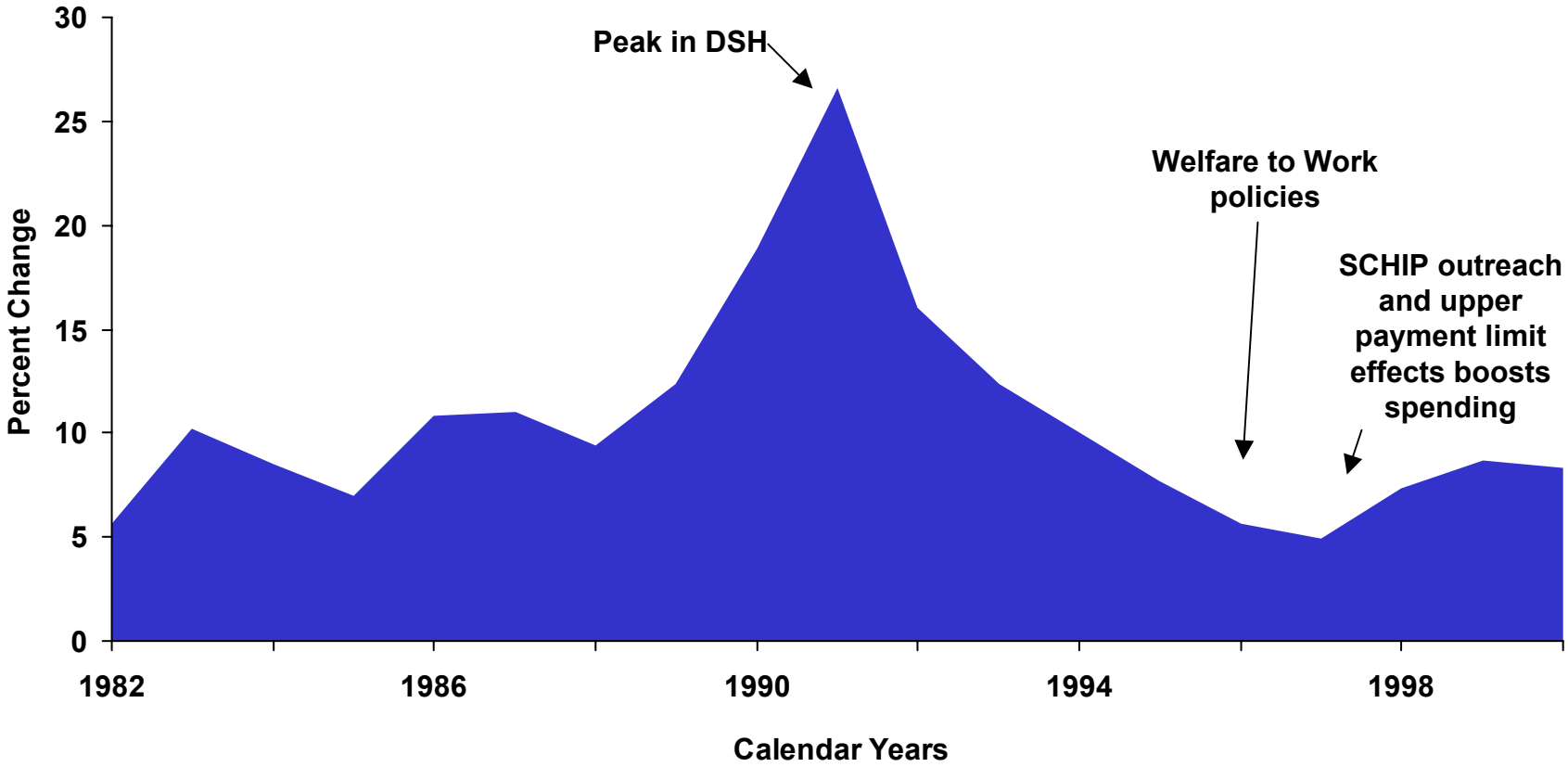
Following rapid growth in expenditures in the early 1990s, the Balanced Budget Act reduced the rate of spending growth between 1997 and 1999. The Balanced Budget Refinement Act contributed to a resurgence of spending in 2000.



Source: CMS, Office of the Actuary, National Health Statistics Group.

Growth in Medicaid Spending

Changing Medicaid eligibility rules and a spillover effect from outreach efforts under SCHIP led to increasing Medicaid spending in 1998 and 1999 followed by stabilization in 2000.

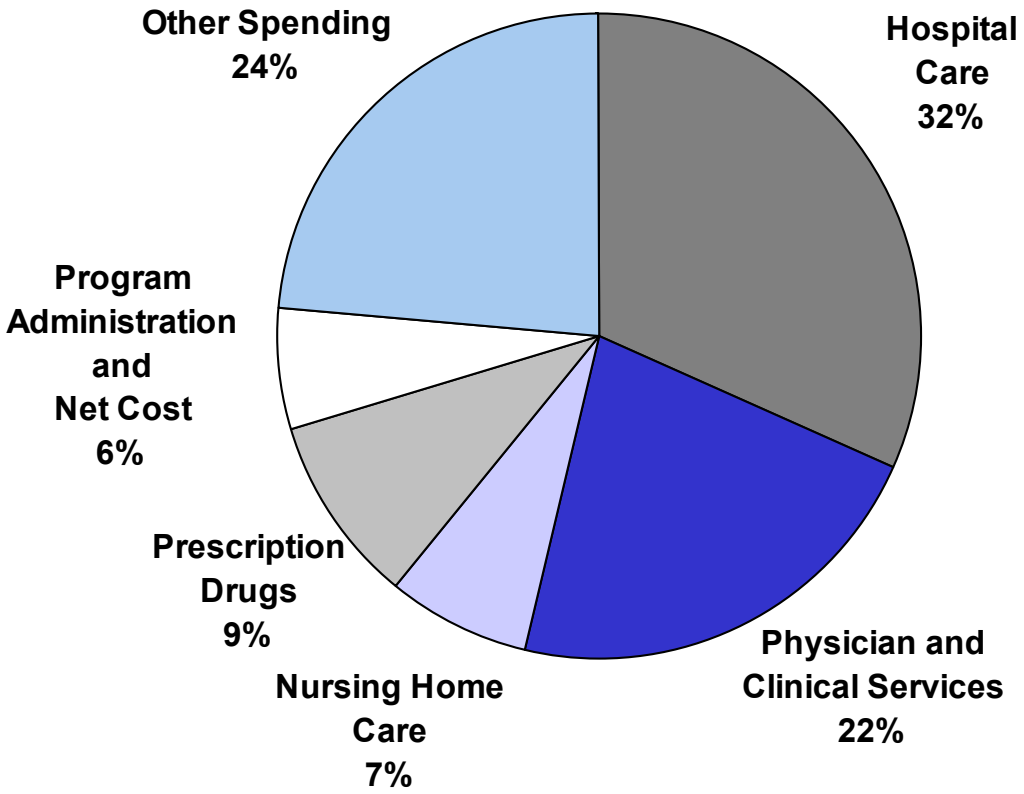


Note: DSH is disproportionate share hospital. SCHIP is the State Children's Health Insurance Program. For a discussion of changing eligibility policies, see K. Levit et al., "Health Spending in 1998: Signals of Change," *Health Affairs* (Jan/Feb 2000): 124-132.

Source: CMS, Office of the Actuary , National Health Statistics Group.

The Nation's Health Dollar, CY 2000

Hospital and physician spending accounts for more than half of all health spending.



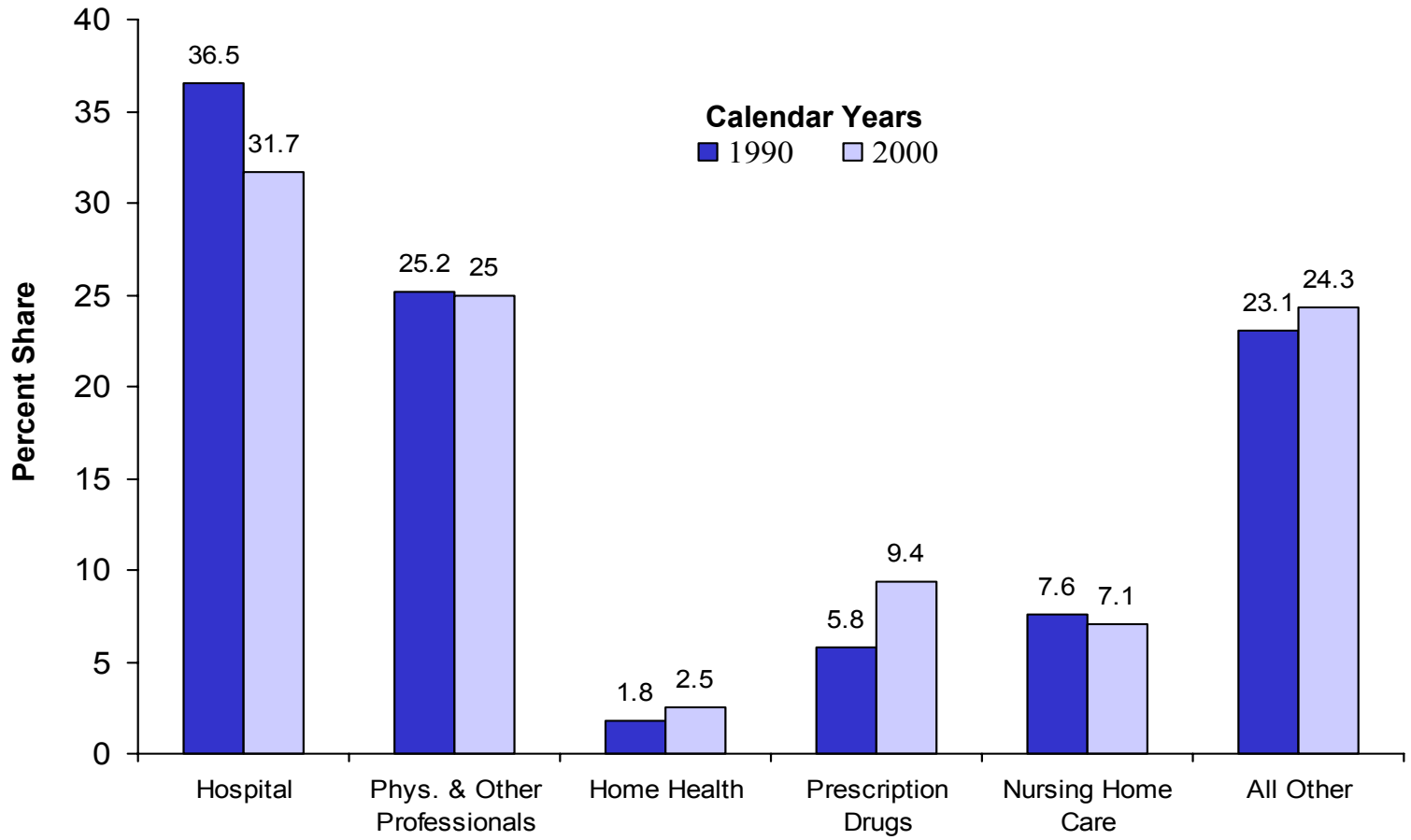
Total Health Spending = $1.3 Trillion

Note: Other spending includes dentist services, other professional services, home health, durable medical products, over-the-counter medicines and sundries, public health, research and construction.

Source: CMS, Office of the Actuary, National Health Statistics Group.

Expenditures for Health Services, by All Payers

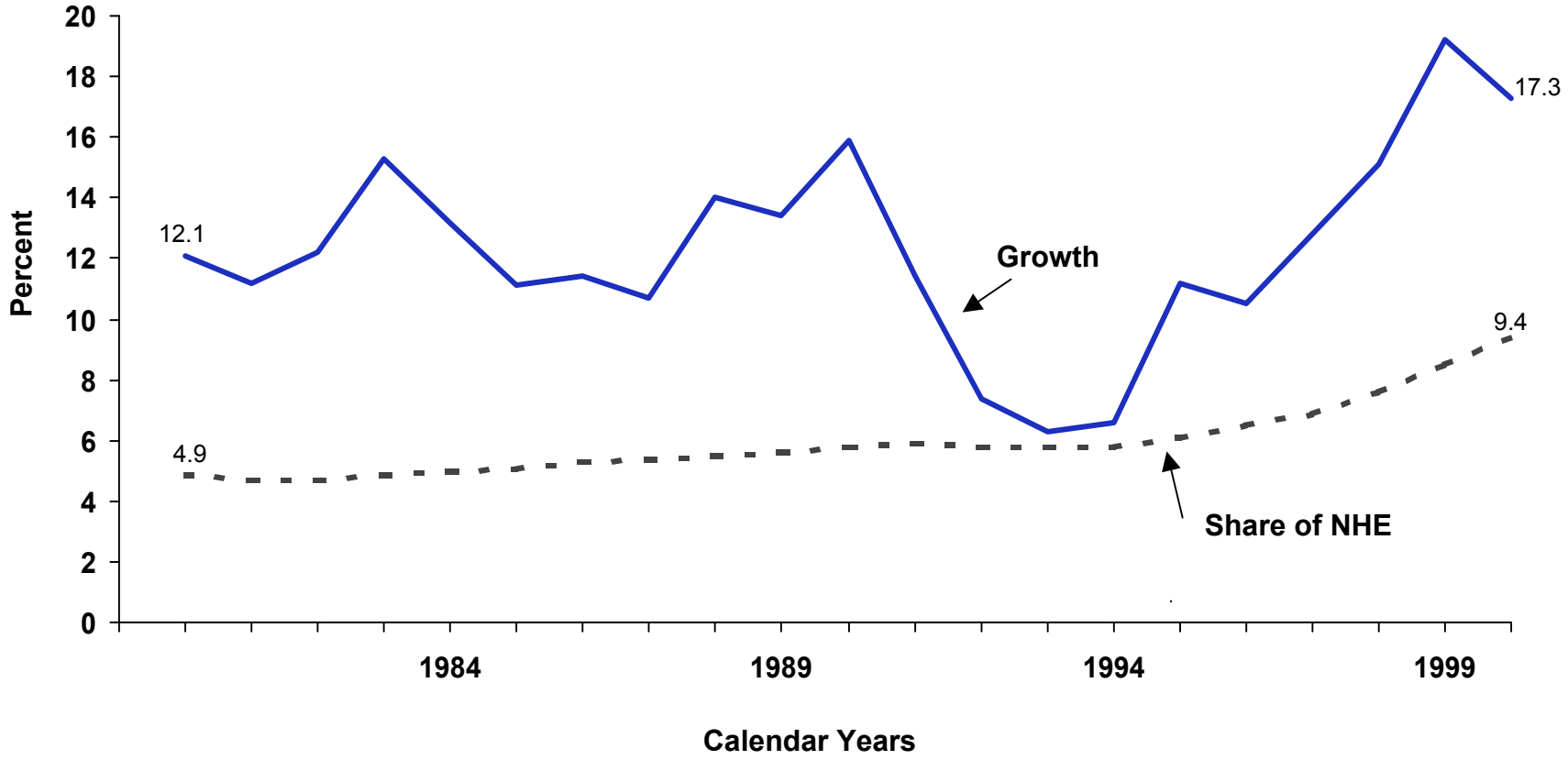
In recent years, the hospital share of total spending has decreased while the prescription drug share has increased.



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

Prescription Drug Expenditure Growth and Share of National Health Expenditures

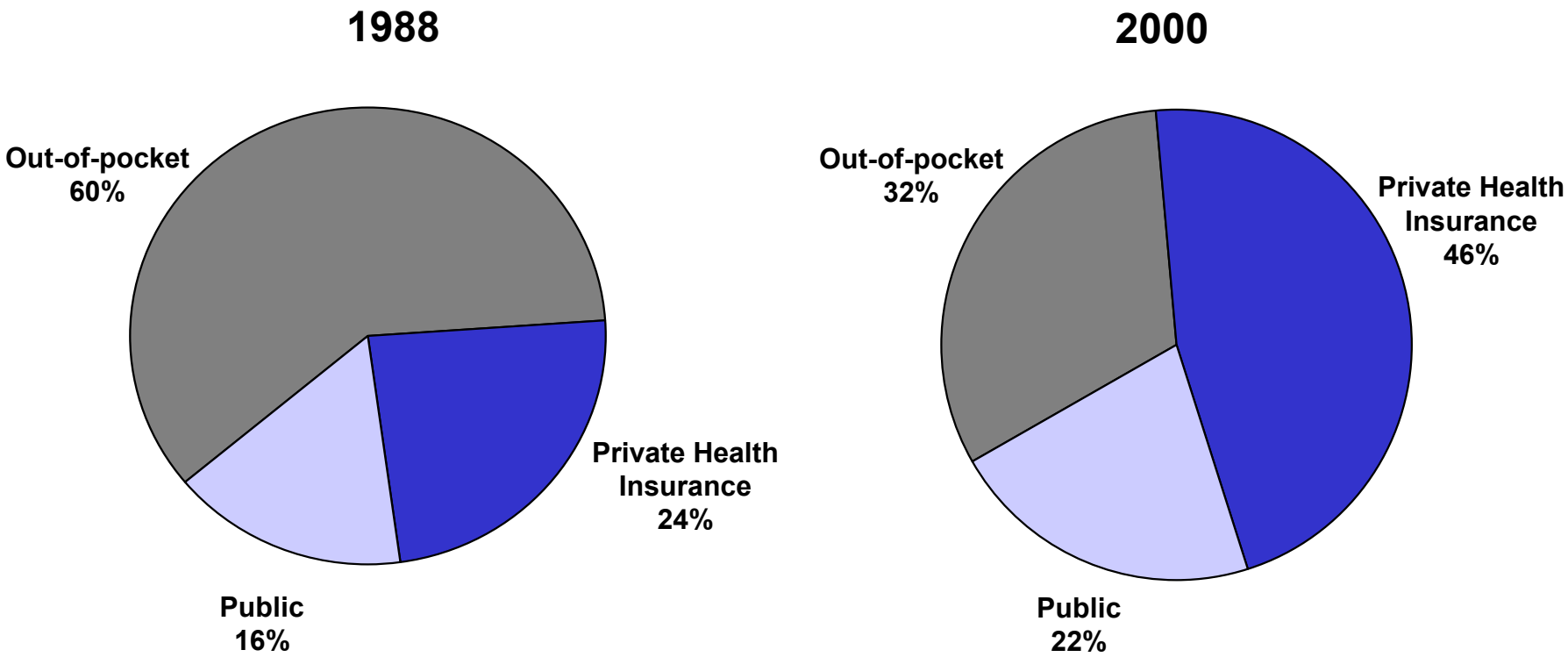
Sharply rising prescription drug expenditure growth nationwide in the mid- to late 1990s caused noticeable growth in prescription drugs as a share of total health spending.



Source: CMS, Office of the Actuary, National Health Statistics Group.

Expenditures for Prescription Drugs, by Source of Funds

The financing of prescription drug expenditures has rapidly shifted from consumer out-of-pocket spending to private health insurance.

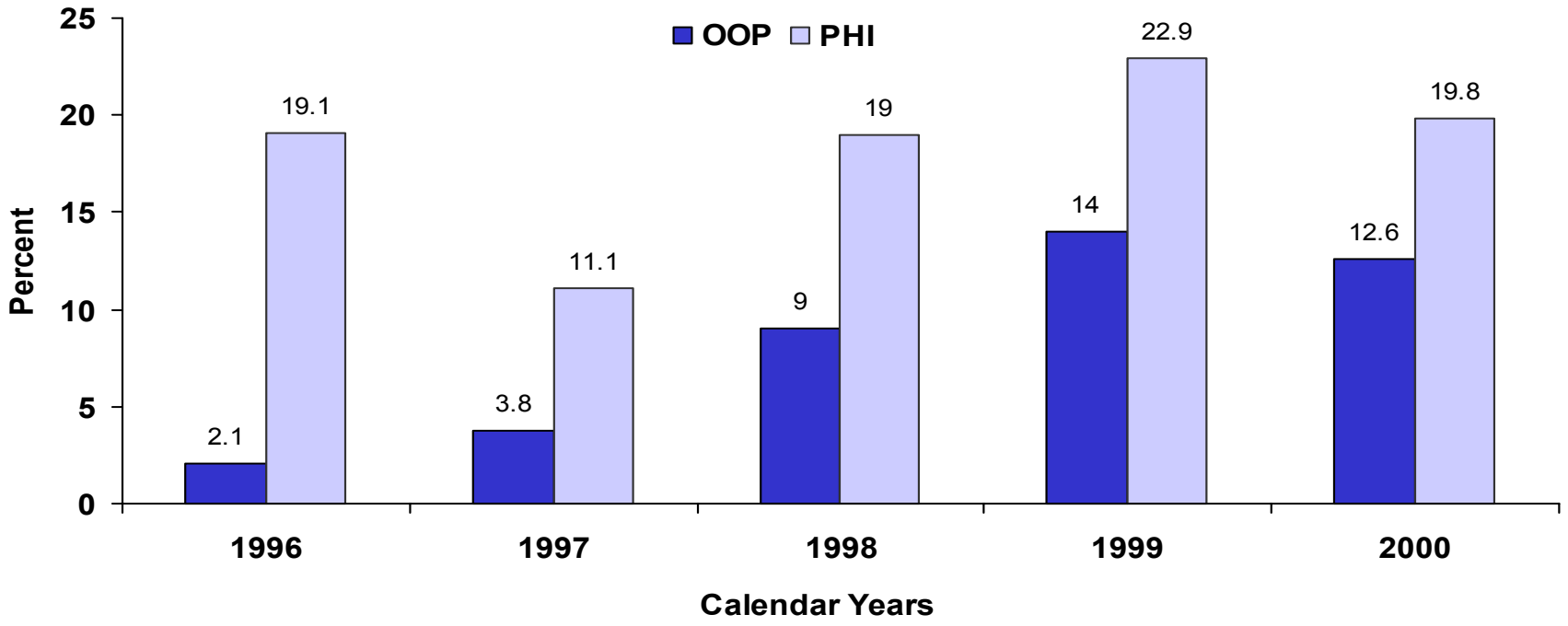


Note: Data are Calendar Year.

Source: CMS, Office of the Actuary, National Health Statistics Group.

Growth in Prescription Drug Out-of-Pocket and Private Health Insurance Spending

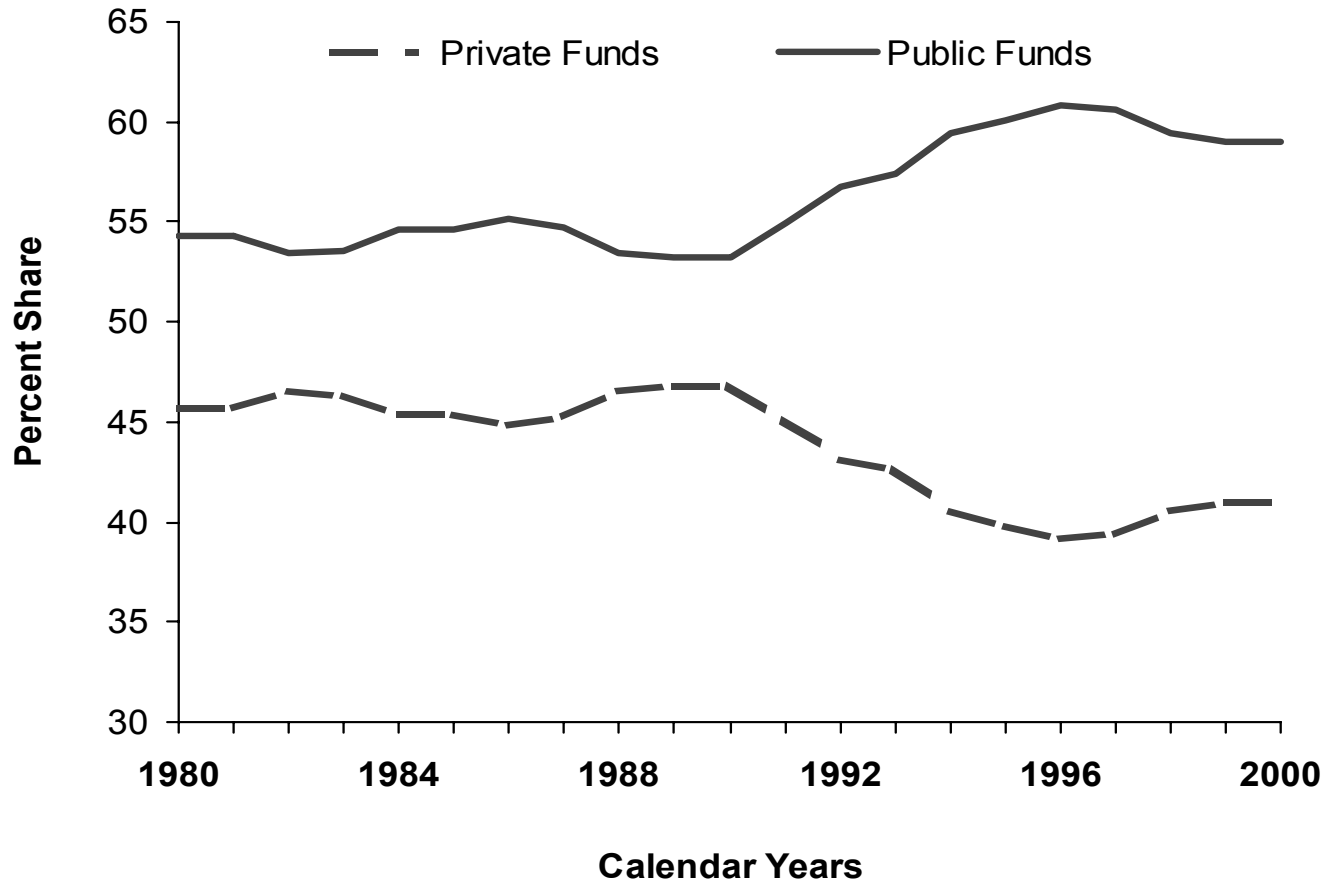
In an effort to control rising drug spending, insurers implemented tiered co-pays that shifted part of spending growth back to consumers. This contributed to a smaller gap between the rate of out-of-pocket and private health insurance spending growth in recent years.



Source: CMS, Office of the Actuary, National Health Statistics Group.

Expenditures for Hospital Services by Source of Funds

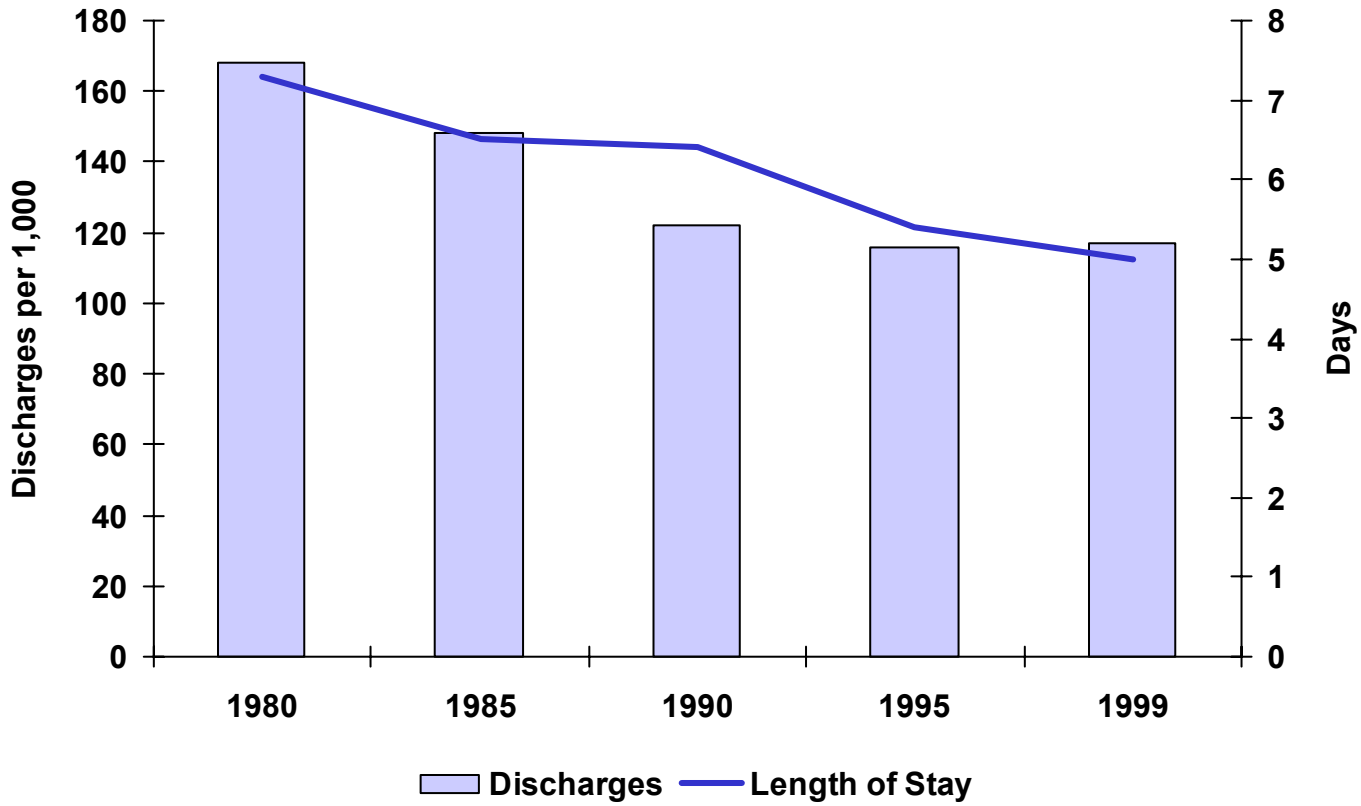
Higher public payments have offset lower private payments in the past decade.



Source: CMS, Office of the Actuary, National Health Statistics Group.

Short-Stay Hospitals: Discharges and Length of Stay for All Payers

The implementation of the Medicare prospective payment system and the rise of managed care have contributed to a noticeable decline in both discharges and average length of stay.

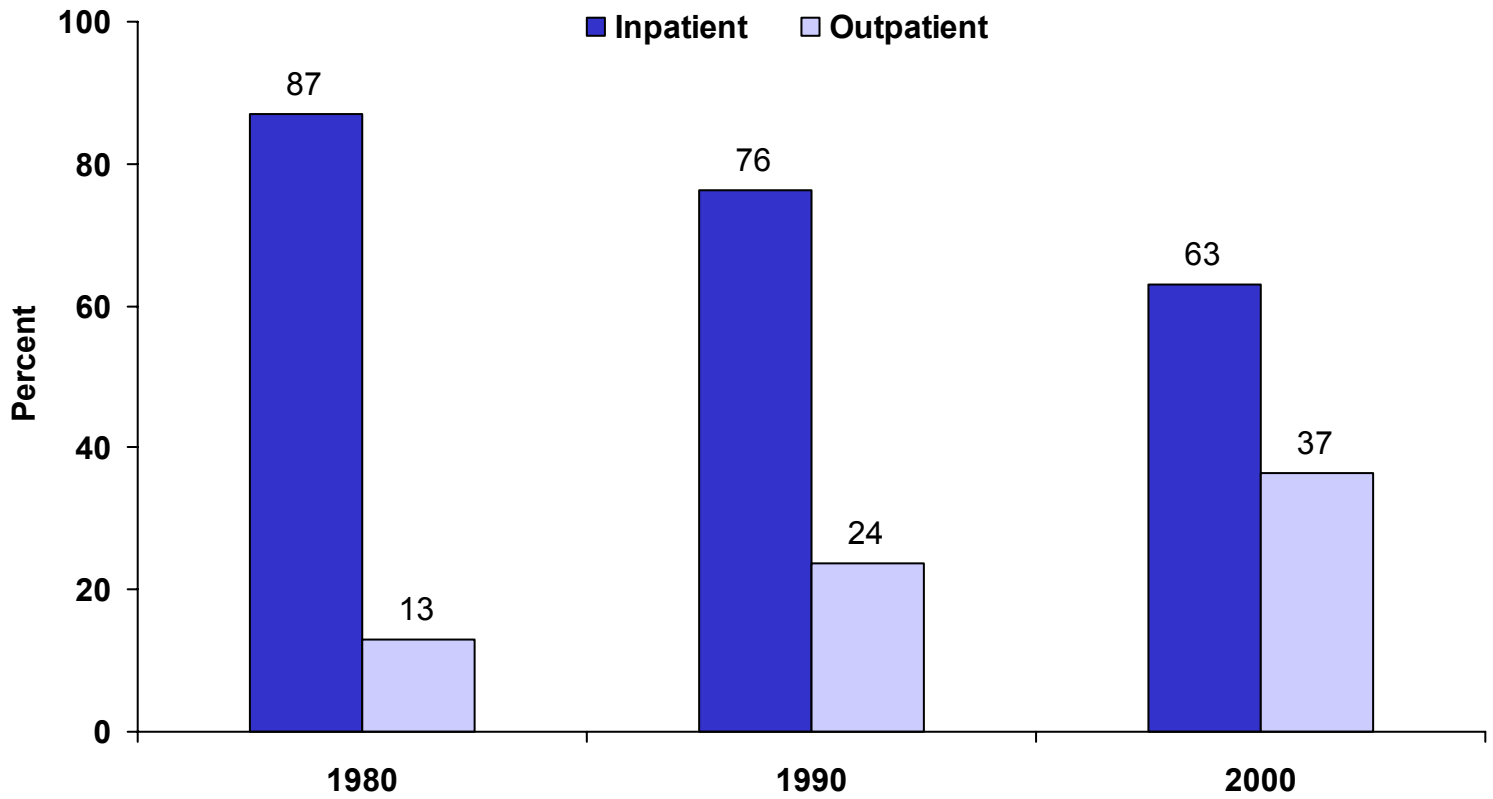


Note: This chart captures discharges and length of stay for all patients of all payers in non-federal hospitals with average lengths of stays of less than 30 days.

Source: U.S National Center for Health Statistics, *Vital and Health Statistics*, Series 13.

Community Hospital Expenditures: Inpatient and Outpatient Shares for All Payers

Over the last 20 years there has been a significant shift in the composition of health services as more treatments are performed in the outpatient setting.

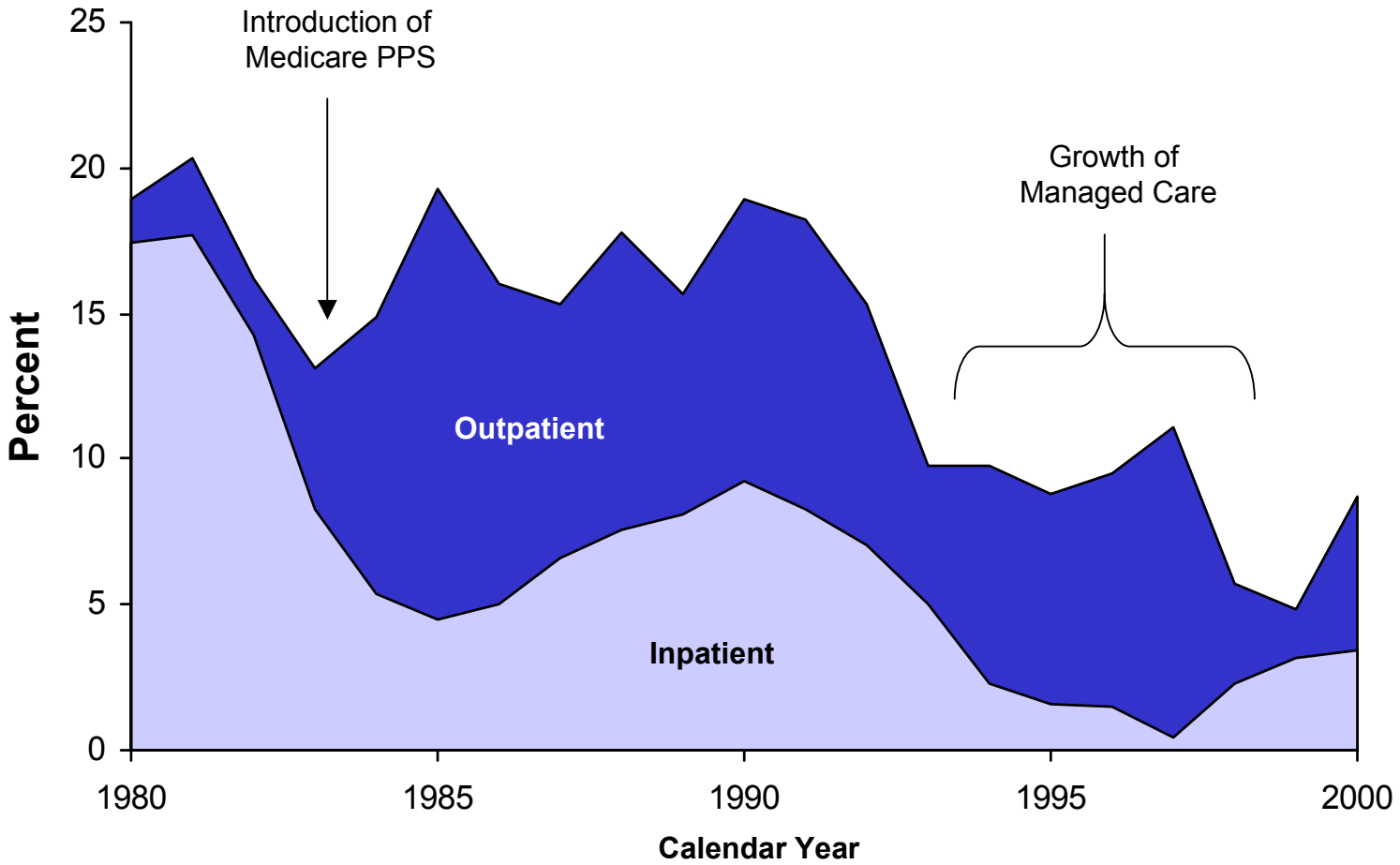


Note: Community hospitals are all non-federal, short-term general, and special hospitals whose activities are available to the public.

Source: CMS, Office of the Actuary, National Health Statistics Group.

Growth in Inpatient and Outpatient Expenditures in Community Hospitals for All Payers, 1980-2000

Managed care contributed to the slower pace in inpatient expenditure growth and the continued move of services to outpatient settings that began with the introduction of Medicare PPS.

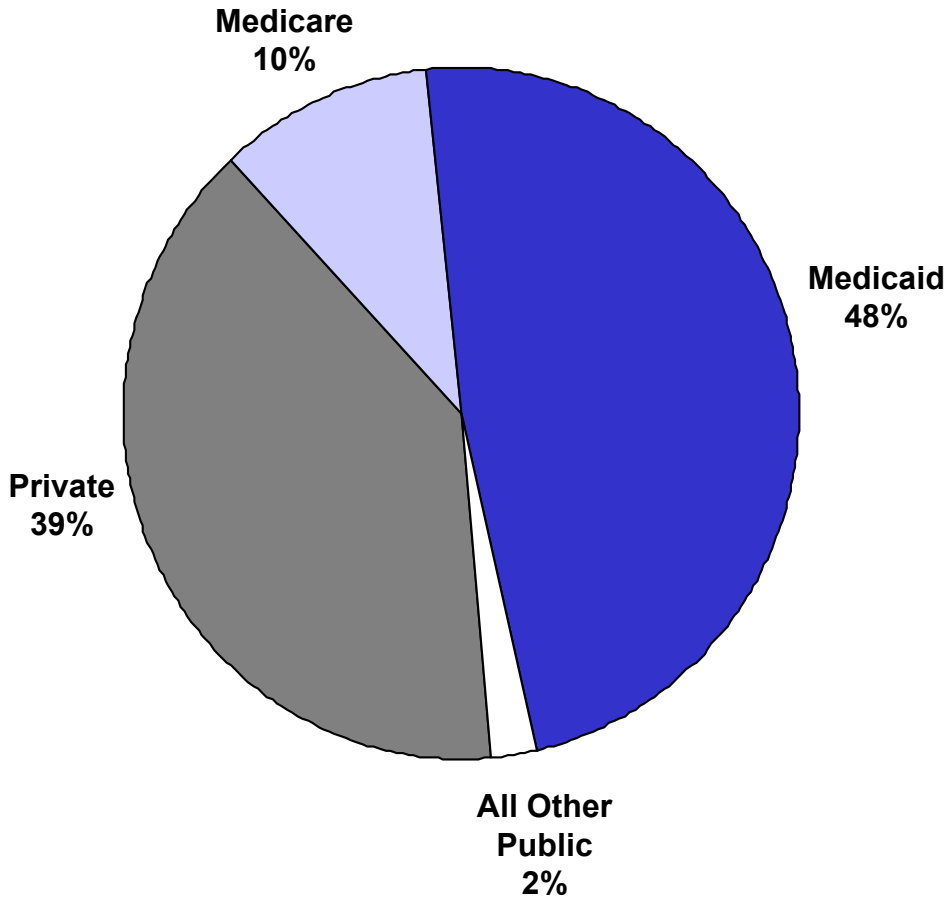


Note: Community hospitals are all non-federal, short-term general and special hospitals whose facilities are available to the public.

Source: CMS, Office of the Actuary, National Health Statistics Group.

Distribution of Funding for Freestanding Nursing Home Expenditures for All Payers, CY 2000

Medicaid remains the largest single payer of nursing home care.

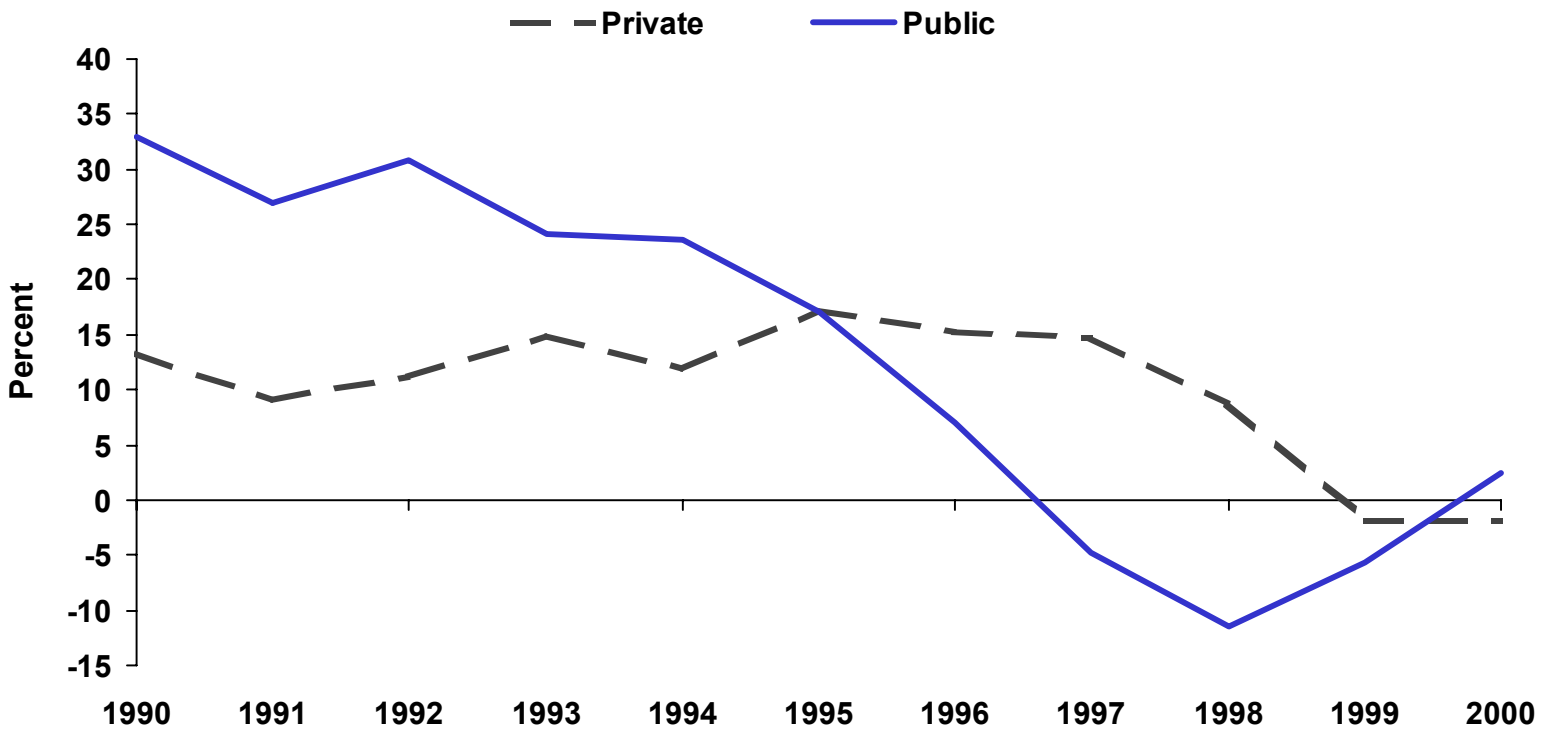


Note: Hospital-based Skilled Nursing Facilities are excluded.

Source: CMS, Office of the Actuary, National Health Statistics Group.

Annual Growth in Public and Private Sources of Home Health Spending: CY 1990-2000

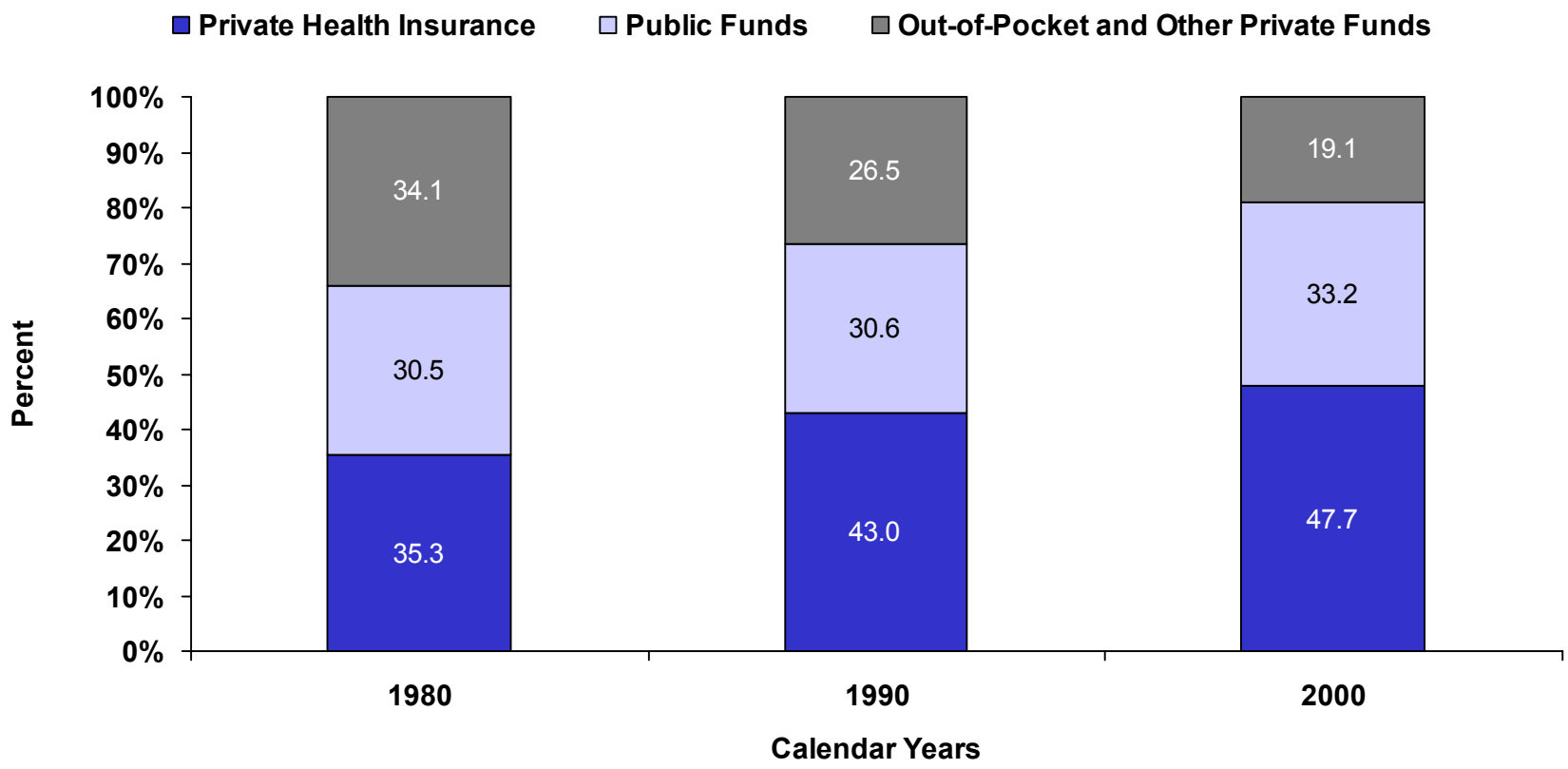
Rapid growth in public spending for home health ceased in the late 1990s with the BBA's interim payment system plus increased fraud and abuse efforts under Medicare.



Source: CMS, Office of the Actuary, National Health Statistics Group. Note: BBA indicates the Balanced Budget Act of 1997.

Share of Expenditures for Physician and Clinical Services, by Source of Funds

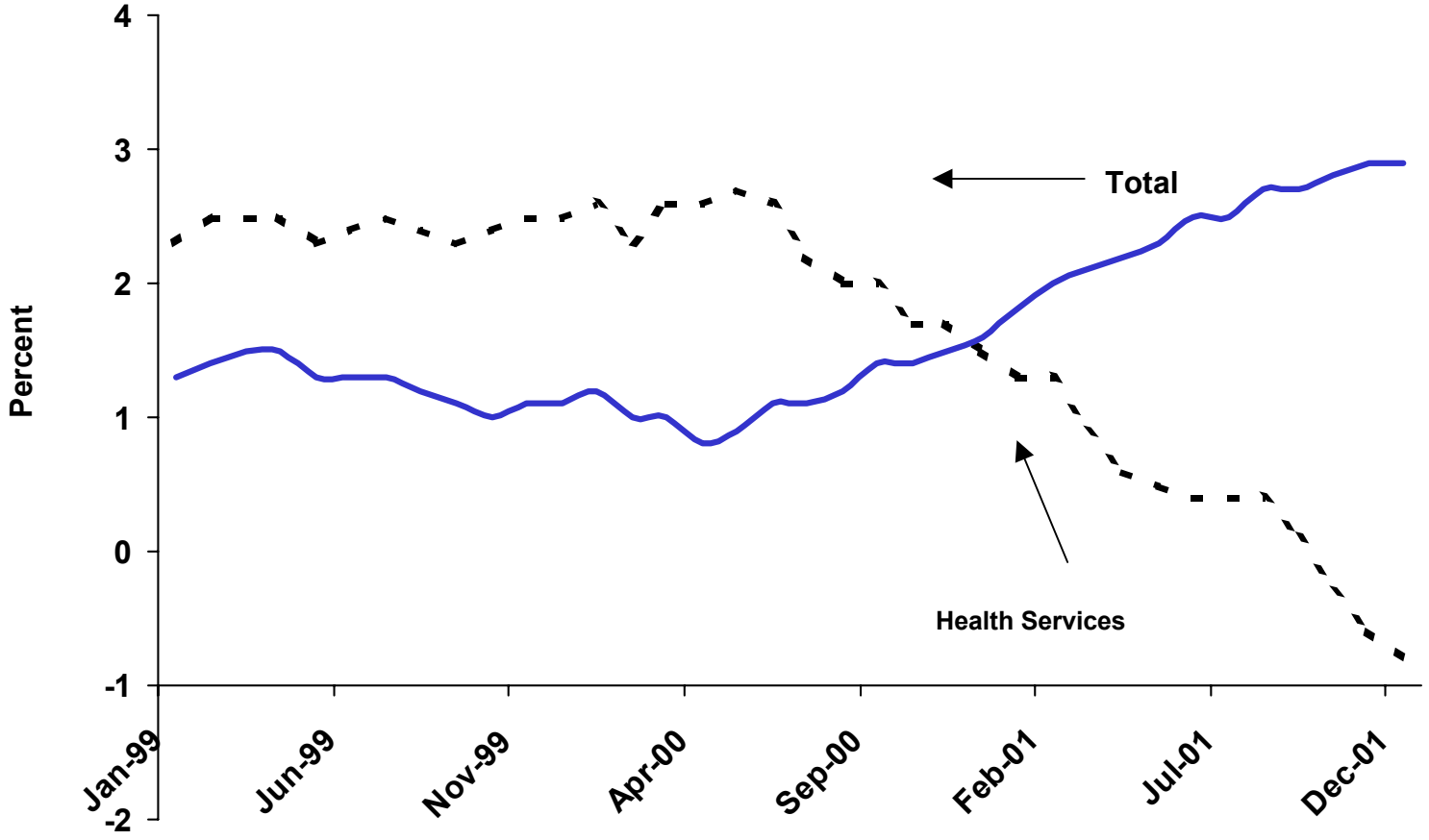
Over the decade, out-of-pocket payments declined while private insurance payments increased.



Source: CMS, Office of the Actuary, National Health Statistics Group.

Growth in Total and Health Services Employment

The upturn in health spending in 2000 is expected to continue in 2001, as reflected in employment statistics; health care employment continues to increase while employment in the overall economy falls.

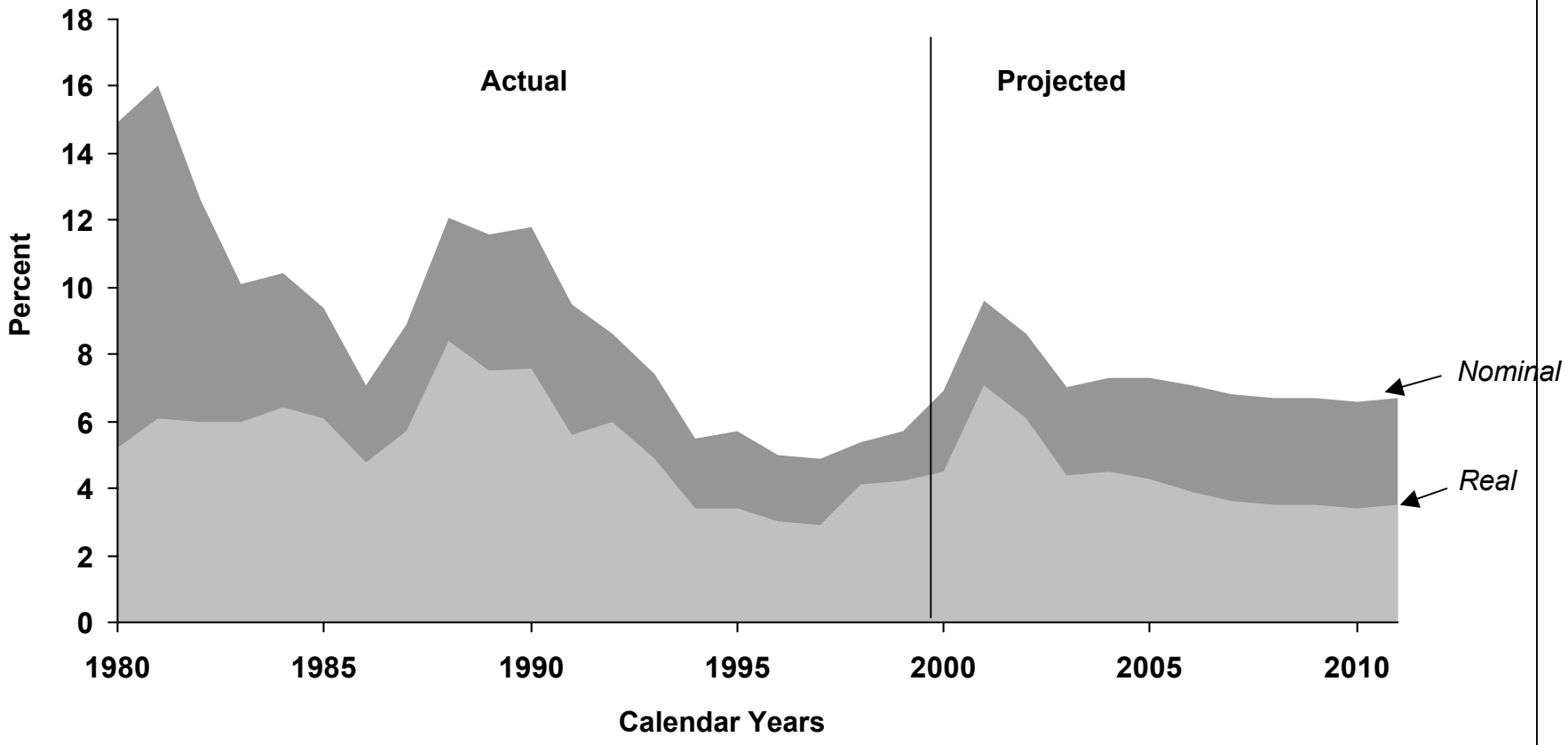


Note: Percent change from the same period of previous year.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Growth in National Health Expenditures

Nominal health expenditure growth is projected to exceed the growth of the mid- to late 1990s, but fall short of the growth experienced in the late 1980s.

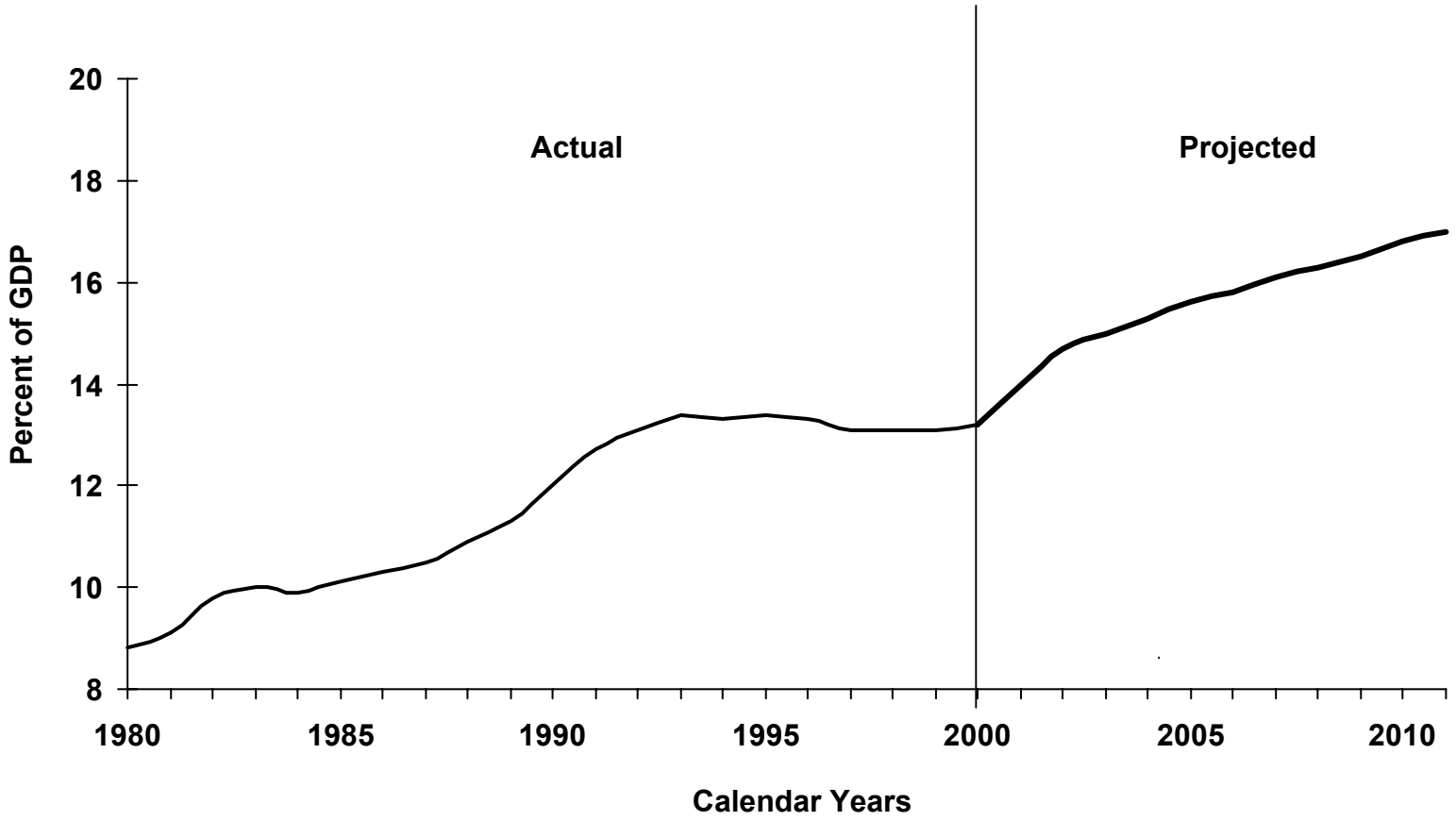


Note: Nominal: values expressed in current dollar terms (not adjusted for inflation). Real: values deflated by the GDP chain-weighted price index.

Source: CMS, Office of the Actuary, National Health Statistics Group.

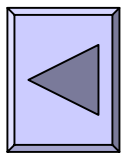
National Health Expenditures as a Share of Gross Domestic Product (GDP)

Between 2001 and 2011, health spending is projected to grow 2.5 percent per year faster than GDP, so that by 2011 it will constitute 17 percent of GDP.



Source: CMS, Office of the Actuary, National Health Statistics Group.

End of Chapter



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