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Health Spending Growth At A Historic Low In 2008

ABSTRACT In 2008, U.S. health care spending growth slowed to 4.4 percent—the slowest rate of growth over the past forty-eight years. The deceleration was broadly based for nearly all payers and health care goods and services, as growth in both price and nonprice factors slowed amid the recession. Despite the slowdown, national health spending reached $2.3 trillion, or $7,681 per person, and the health care portion of gross domestic product (GDP) grew from 15.9 percent in 2007 to 16.2 percent in 2008. These developments reflect the general pattern that larger increases in the health spending share of GDP generally occur during or just after periods of economic recession. Despite the overall slowdown in national health spending growth, increases in this spending continue to outpace growth in the resources available to pay for it.

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National health spending reached $2.3 trillion (or $7,681 per person) in 2008, increasing 4.4 percent. This is the slowest rate of growth in nominal aggregate health spending in the National Health Expenditure Accounts (NHEA) (Exhibits 1 and 2).[1] The NHEA estimates measure total annual spending for health care goods and services in the United States, as well as spending for program administration; the net cost of private health insurance; government public health; and the amount invested in structures, equipment, and noncommercial research.[2,3]

The 4.4 percent growth in 2008 was down from 6.0 percent in 2007, as spending growth slowed for nearly all health care goods and services, particularly for hospitals. Moreover, health spending growth for state and local and private sources of funds slowed markedly; in contrast, federal health spending growth accelerated, increasing as a share of national health spending by one percentage point—to 35 percent.

Despite slower growth in overall health spending, the share of gross domestic product (GDP) devoted to health care increased from 15.9 percent in 2007 to 16.2 percent in 2008. The economy was in a recession for the entire year, while GDP grew at a slower rate than total health spending. Larger increases in the health spending share of GDP generally occur during or just after periods of economic recession.

Personal health care spending (a subset of national health spending that includes only the purchase of health care goods and services) grew 4.6 percent in 2008. This growth can be disaggregated into two broad factors: price and nonprice (including population, use, intensity of services, revenue from nonpatient and nonoperating sources, and all other factors). In 2008, price growth accounted for 3.1 percentage points of the overall increase in health spending and nonprice for the remaining 1.5 percentage points (Exhibit 3).

The 2008 experience appears to be consistent with that of the two recessions of the early 1980s in that nonprice factors accounted for a relatively low proportion of total personal health care spending growth. In contrast, nonprice factors increased at a faster rate and accounted for a larger share of personal health spending growth

EXHIBIT 1

National Health Expenditures (NHE), Aggregate And Per Capita Amounts, And Share Of Gross Domestic Product (GDP), Selected Calendar Years 1970–2008

Spending category	1970	1980	1990	2000	2005	2006	2007	2008
NHE, billions	$74.9	$253.4	$714.1	$1,352.9	$1,982.5	$2,112.5	$2,239.7	$2,338.7
Health services and supplies	67.1	233.4	666.8	1,264.1	1,851.9	1,975.4	2,089.7	2,181.3
Personal health care (PHC)	62.9	214.8	607.5	1,139.2	1,655.2	1,762.9	1,866.4	1,952.3
Hospital care	27.6	101.0	251.6	416.9	607.5	649.4	687.6	718.4
Professional services	20.6	67.3	216.8	426.8	621.5	658.4	697.5	731.2
Physician and clinical services	14.0	47.1	157.5	288.6	422.4	446.5	472.6	496.2
Other professional services	0.7	3.6	18.2	39.1	55.9	58.4	62.2	65.7
Dental services	4.7	13.3	31.5	62.0	86.3	90.7	96.4	101.2
Other PHC	1.2	3.3	9.6	37.1	56.9	62.7	66.3	68.1
Home health and nursing home care	4.3	20.9	65.2	125.8	168.8	178.1	191.7	203.1
Home health care[a]	0.2	2.4	12.6	30.5	48.1	53.0	59.3	64.7
Nursing home care[a]	4.0	18.5	52.6	95.3	120.7	125.1	132.4	138.4
Retail outlet sales of medical products	10.5	25.7	74.0	169.8	257.4	277.0	289.7	299.6
Prescription drugs	5.5	12.0	40.3	120.6	199.7	217.0	226.8	234.1
Durable medical equipment	1.6	3.8	11.3	19.4	23.8	24.7	25.5	26.6
Other nondurable medical products	3.3	9.8	22.5	29.8	34.0	35.3	37.4	39.0
Program administration and net cost of private health insurance	2.8	12.2	39.3	81.8	140.3	152.0	158.4	159.6
Government public health activities	1.4	6.4	20.0	43.0	56.4	60.6	64.8	69.4
Investment	7.8	19.9	47.3	88.8	130.6	137.1	150.0	157.5
Research[b]	2.0	5.4	12.7	25.6	40.7	41.8	42.5	43.6
Structures and equipment	5.8	14.5	34.7	63.2	90.0	95.3	107.5	113.9
Population (millions)	210.2	230.4	253.8	282.5	295.8	298.8	301.7	304.5
NHE per capita	$356	$1,100	$2,814	$4,789	$6,701	$7,071	$7,423	$7,681
GDP, billions of dollars	$1,038.3	$2,788.1	$5,800.5	$9,951.5	$12,638.4	$13,398.9	$14,077.6	$14,441.4
NHE as percent of GDP	7.2	9.1	12.3	13.6	15.7	15.8	15.9	16.2
Implicit price deflator for GDP	24.3	47.8	72.2	88.6	100.0	103.3	106.2	108.5
Real GDP, billions chained of dollars	$4,269.9	$5,839.0	$8,033.9	$11,226.0	$12,638.4	$12,976.2	$13,254.1	$13,312.2
NHE, billions of 2005 dollars[c]	$307.8	$530.6	$989.1	$1,526.1	$1,982.5	$2,045.9	$2,108.7	$2,155.9
PHC deflator[d]	13.3	28.7	58.6	83.0	100.0	103.4	106.9	110.2

(*continued*)

during the less severe 1991 and 2001 recessions. This finding indicates that relatively severe recessions may have more immediate and profound impacts on health care spending growth.

Economic Recession

Economic news dominated the national headlines in 2008 as what is likely the longest recession since 1933 slowed nominal GDP growth to 2.6 percent and real GDP growth to 0.4 percent.[4] The recession had two notable impacts on health spending in 2008. First, in response to the recession, the American Recovery and Reinvestment Act (ARRA) of 2009 provided a temporary twenty-seven-month increase in the Federal Medical Assistance Percentages (FMAP) used to determine federal Medicaid payments to states. As a result of this retroactive legislative provision, approximately $7.0 billion of Medicaid spending shifted from states to the federal government in the fourth quarter of 2008,[5] causing the federal share of total Medicaid spending to rise to 58.5 percent in 2008, compared with 56.5 percent in 2007.

Another impact of the recession was slower growth in personal health care paid for by private sources of funds, which increased just 2.8 percent in 2008. This was the lowest rate since the mid-1990s, a period marked by increased enrollment in more tightly managed care plans.[6] The low rate of private spending growth in 2008 occurred as personal income growth slowed, employment fell, and enrollment in private health insurance plans declined. Furthermore, other private spending (included in private sources

EXHIBIT 2

National Health Expenditures (NHE), Average Annual Growth From Prior Year Shown, Selected Calendar Years 1970–2008

Spending category	1970[a]	1980	1990	2000	2005	2006	2007	2008
NHE	10.5%	13.0%	10.9%	6.6%	7.9%	6.6%	6.0%	4.4%
Health services and supplies	10.4	13.3	11.1	6.6	7.9	6.7	5.8	4.4
Personal health care (PHC)	10.4	13.1	11.0	6.5	7.8	6.5	5.9	4.6
Hospital care	11.6	13.9	9.6	5.2	7.8	6.9	5.9	4.5
Professional services	9.5	12.5	12.4	7.0	7.8	5.9	5.9	4.8
Phys. and clinical services	10.1	12.9	12.8	6.2	7.9	5.7	5.8	5.0
Other prof. services	6.6	17.1	17.5	8.0	7.4	4.4	6.5	5.6
Dental services	9.1	11.1	9.0	7.0	6.9	5.1	6.2	5.1
Other PHC	7.3	10.1	11.4	14.5	8.9	10.3	5.8	2.6
Home health and nursing home care	17.2	17.2	12.1	6.8	6.1	5.6	7.6	6.0
Home health care[b]	14.5	26.9	18.1	9.3	9.5	10.3	11.8	9.0
Nursing home care[b]	17.4	16.4	11.0	6.1	4.8	3.7	5.8	4.6
Retail outlet sales of medical products	7.8	9.4	11.2	8.7	8.7	7.6	4.6	3.4
Prescription drugs	7.5	8.2	12.8	11.6	10.6	8.7	4.5	3.2
Durable medical equipment	9.7	8.9	11.5	5.6	4.1	4.0	3.3	4.1
Other nondurable medical products	7.4	11.4	8.6	2.9	2.7	4.0	5.9	4.2
Program administration and net cost of private health insurance	8.6	16.0	12.4	7.6	11.4	8.3	4.3	0.7
Government public health activities	13.8	16.9	12.0	8.0	5.5	7.4	7.1	7.1
Investment	11.7	9.9	9.0	6.5	8.0	5.0	9.4	5.0
Research[c]	10.9	10.8	8.9	7.3	9.7	2.9	1.6	2.6
Structures and equipment	11.9	9.5	9.1	6.2	7.3	5.9	12.9	5.9
Population	1.2	0.9	1.0	1.1	0.9	1.0	1.0	0.9
NHE per capita	9.2	11.9	9.9	5.5	7.0	5.5	5.0	3.5
GDP, billions of dollars	7.0	10.4	7.6	5.5	4.9	6.0	5.1	2.6
Implicit price deflator for GDP	2.7	7.0	4.2	2.1	2.4	3.3	2.9	2.1
Real GDP, billions of chained dollars	4.2	3.2	3.2	3.4	2.4	2.7	2.1	0.4
NHE, billions of 2005 dollars[d]	7.6	5.6	6.4	4.4	5.4	3.2	3.1	2.2
PHC deflator[e]	4.1	8.0	7.4	3.5	3.8	3.4	3.4	3.0

SOURCES Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group; and U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of the Census. [a]Average annual growth, 1960–1970. [b]Freestanding facilities only. Additional services of this type are provided in hospital-based facilities and counted as hospital care. [c]Research and development expenditures of drug companies and other manufacturers and providers of medical equipment and supplies are excluded from "research expenditures" but are included in the expenditure class in which the product falls. [d]Deflated using the implicit price deflator for GDP (2005 = 100.0). [e]PHC implicit price deflator is constructed from the Producer Price Index for hospital care, Nursing Home Input Price Index for nursing home care, and Consumer Price Indices specific to each of the remaining PHC components.

of funds) for hospitals declined $6.9 billion in 2008 as nonoperating revenue fell mainly as a result of substantial losses in investment income.

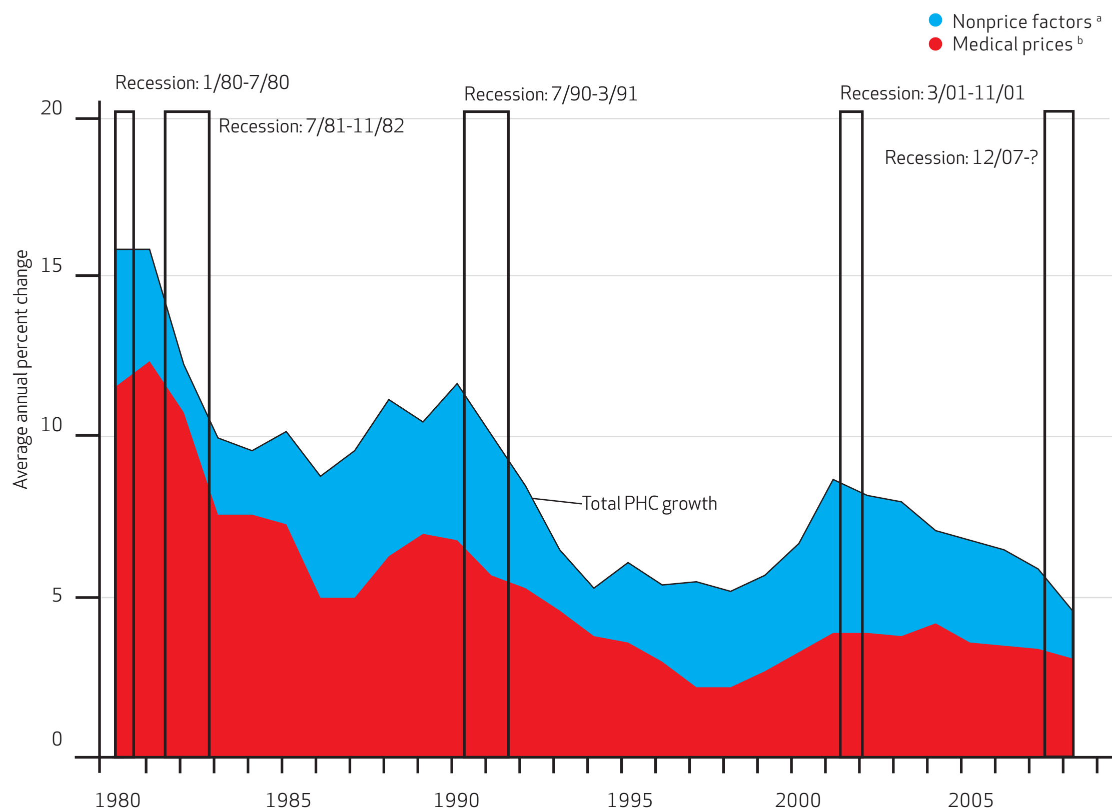
Health Care Burden On Sponsors

Businesses, households, governments, and other private revenue sources are the sponsors that finance health care.[7] Reporting spending by sponsor enables analysis of the burden of each sponsor's total health spending compared to the financial resources available to pay for care. It also adds context to the analysis of the impact of the recession on health care spending.

Federal government spending for health services and supplies[8] increased 10.4 percent in 2008 (Appendix Exhibit 1)[9] and accounted for almost 36 percent of federal receipts, up considerably from 28 percent in 2007.[4] The increased share in 2008 can be explained by a drop in tax revenue due to the recession, changes to the tax code from the Economic Stimulus Act of 2008, and increases in the Federal Medical Assistance Percentages. By comparison, during the last recession, this share also increased, from 21 percent in 2001 to 28 percent in 2002, mostly due to a drop in receipts.

EXHIBIT 3

Factors Accounting For Growth In Personal Health Care Expenditures: Calendar Years 1980–2008



SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group. [a] Medical prices include both economywide and excess medical-specific prices. They are calculated using the personal health care (PHC) 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. [b] Nonprice factors include population, use and intensity of services, and other factors. As a residual, nonprice factors also include any errors in measuring prices or total spending.

Spending for health care by private businesses grew just 1.2 percent in 2008, in part because of a drop in the proportion of employer-sponsored insurance premiums paid for by employers. Private business' health spending remained relatively flat as a share of compensation at 7.9 percent, up slightly from 7.5 percent during the 2001 recession.[10]

Health care spending by households grew 4.3 percent in 2008, a deceleration from 5.9 percent growth in 2007. Despite the slowdown, households' health spending growth in 2008 still outpaced adjusted personal income growth of 2.7 percent.[4] This continues a trend observed since the last recession, as the share of personal income that households spent on health increased from 5.3 percent in 2001 to 5.9 percent in 2008.

State and local government spending growth for health services and supplies slowed from 6.6 percent in 2007 to 3.4 percent in 2008. The health spending share of state and local government receipts remained unchanged in 2008 at 24 percent as the increased Federal Medical Assistance Percentage put in place by ARRA lowered the state share of Medicaid spending.[4] Without the passage of ARRA, this burden would likely have increased, as it did in the prior recession.

Hospital Care

Overall spending for hospital services reached $718.4 billion in 2008 as growth slowed from 5.9 percent in 2007 to 4.5 percent in 2008—the slowest rate of increase in hospital spending since 1998. Contributing to the slowdown were both hospital prices, which decelerated from 3.5 percent growth in 2007 to 3.0 percent in 2008,[11] and Medicaid hospital spending, which

A number of hospitals reported major losses in investment income as a result of the recession.

experienced slower growth in the face of continued use of cost containment strategies by states facing budgetary challenges in 2008.[12]

In 2008 other private revenue for hospitals declined $6.9 billion, or 20.3 percent, as a number of hospitals reported major losses in investment income as a result of the recession.[13] Some hospitals rely on other private revenue (nonpatient and nonoperating revenue from investments) to help offset the expenses of providing patient care services. These investment losses had a noticeable impact on the overall hospital trend in 2008.

Partially offsetting these factors were increased growth in the overall use of inpatient (0.8 percent) and outpatient (3.4 percent) services[14] as well as faster Medicare hospital spending growth. For Medicare, hospital spending increased 7.7 percent in 2008, up from 4.7 percent in 2007. This increase was largely attributable to growth in fee-for-service (FFS) inpatient hospital services, which accelerated abruptly to 5.5 percent in 2008 (compared to increases of only 0.4 percent in 2007 and 0.6 percent in 2006) as Medicare inpatient admissions increased in 2008 after declining in 2006 and 2007.

Physician And Clinical Services

Expenditures for physician and clinical services reached $496.2 billion in 2008. This represented 5.0 percent growth—a deceleration from 5.8 percent growth in 2007 and the slowest rate of growth since 1996. Spending for physician services alone increased 4.7 percent in 2008, a deceleration from 5.5 percent growth in 2007. Prices for physician services contributed to this trend: They increased 2.7 percent in 2008, slower than the 3.9 percent growth in 2007.[15] Nonprice factors, such as use and intensity, grew 2.0 percent in 2008, slightly faster than in 2007. In a recent survey, more than 50 percent of physicians surveyed said that their patient volume had decreased since the recession began.[16] This suggests that growth in the intensity of physician services may have accelerated in 2008.

Although spending for physician services accounts for approximately 80 percent of spending in the combined category, the share of spending that takes place in outpatient clinics has grown steadily in recent years. Outpacing growth in physician services, growth in clinical services spending decelerated from 7.4 percent in 2007 to 6.6 percent in 2008.

Private sources of funding for physician and clinical services, which represent 65 percent of expenditures, grew 3.6 percent—slower than 5.9 percent growth in 2007. This deceleration likely reflects the impact of the recession, including the effects of tighter credit markets on consumers and the loss of employer-sponsored health insurance coverage as unemployment increased.[17]

In contrast, public spending growth for physician and clinical services accelerated, from 5.8 percent in 2007 to 7.7 percent in 2008. This increase was primarily driven by Medicare physician spending, which grew 7.8 percent in 2008 after increasing 4.3 percent in 2007 (mainly the result of faster growth in Medicare Advantage physician spending),[18] and Medicaid physician and clinical spending, which grew 8.9 percent in 2008 compared to 7.0 percent in 2007, in part the result of increased growth in payments to physicians.[19]

Retail Prescription Drugs

In 2008 retail prescription drug spending growth decelerated to 3.2 percent, reflecting the continuation of a slowing trend that began in 2000.[20,21] Additionally, prescription drug spending growth attributable to nonprice factors (such as use and intensity) slowed in 2008, as per capita use of prescription drugs declined slightly.[22] Impacts of the recession, a low number of new product introductions, and safety concerns all contributed to lower use per person. In 2008, according to a Kaiser Family Foundation Health Tracking Poll, 21 percent of survey participants did not fill a prescription, and 15 percent split pills or skipped doses because of cost.[23] These practices have been reported by other sources as well and may be attributable in part to the recession.[24]

Growth in new product sales slowed in 2008,[25] as many of the newly approved drugs either were to treat low-prevalence conditions or did not represent major therapeutic gains. Moreover, many of these products were introduced late in the year, thus mitigating their impact on sales. Concerns over the safety and efficacy of certain

drugs also affected use in several therapeutic classes in 2008, including osteoporosis drugs, hormone replacement therapies, and erythroid stimulants.[26] Additionally, drugs in several popular classes received black-box warnings; such warnings alert patients to serious potential adverse side effects and can have a negative impact on sales.[27] Product withdrawals also may have affected the trend in use in 2008.[26]

Prescription drug prices increased 2.5 percent in 2008, compared to 1.4 percent in 2007.[28] This faster price growth followed a marked deceleration in 2007, as a number of brand-name drugs lost patent protection in mid-2006 and 2007. This allowed their lower-price generic counterparts to enter the market, and some large mass-merchandizing chains offered heavily discounted generic drug programs.[29] Although price growth accelerated in 2008, it still remained below recent historic rates, as the average annual growth in prescription drug prices was 4.1 percent between 1997 and 2007.

Nursing Home And Home Health Care

Nursing home spending reached $138.4 billion in 2008, decelerating from growth of 5.8 percent in 2007 to 4.6 percent in 2008. Private spending, which accounts for a 38 percent share of total nursing home spending, was a major contributor to the slowdown, as was the deceleration in prices from 4.7 percent growth in 2007 to 4.0 percent in 2008.[30] Public spending for nursing home services grew slightly faster in 2008 as a result of faster Medicaid spending growth.

Medicaid, which accounted for 41 percent of total nursing home spending in 2008, grew 2.6 percent after relatively low growth rates in 2006 (1.5 percent) and 2007 (0.6 percent) that were influenced by Medicaid enrollment declines for the elderly.[31] These declines were largely attributable to provisions of the Deficit Reduction Act (DRA) of 2005, which changed citizenship documentation requirements and tightened eligibility criteria by lengthening the look-back period to establish Medicaid nursing home eligibility.[32]

In 2008 spending growth for home health care services decelerated to 9.0 percent (from 11.8 percent in 2007) to reach $64.7 billion. The slowdown in growth was due to a deceleration in home health care prices[33,34] and nonprice factors such as use and intensity, and reflected slower growth in public payers, such as Medicare and Medicaid, which accounted for nearly 80 percent of total home health spending in 2008.

In 2008, federal Medicaid spending increased at the highest rate of growth since 2003, while state spending declined.

Medicare

In 2008 total Medicare spending grew 8.6 percent, reaching $469.2 billion, accelerating from 7.1 percent growth in 2007 (Appendix Exhibit 2).[9] The main reasons for the faster Medicare spending growth in 2008 were FFS spending for hospitals and a further shift in enrollment to Medicare Advantage plans, which have higher average Medicare payments per beneficiary than FFS.

FFS Medicare spending, which represented approximately 77 percent of total Medicare spending, increased 5.3 percent in 2008, accelerating from 3.8 percent growth in 2007. FFS Medicare hospital spending, which represented 48 percent of FFS Medicare spending in 2008, grew 5.0 percent in 2008 compared to 1.8 percent in 2007, in part due to an increase in Medicare inpatient admissions. FFS Medicare physician and clinical spending, which represented 20 percent of total FFS Medicare spending, also grew slightly faster in 2008, increasing 1.5 percent following 0.1 percent growth in 2007.

Slightly offsetting these trends was slower growth in spending for prescription drugs in FFS Medicare, which increased 8.8 percent in 2008 following growth of 13.9 percent in 2007. Most FFS prescription drug spending (96 percent) occurred within standalone Part D prescription drug plans (PDPs), which experienced slower benefit growth in 2008 (9.8 percent) than in 2007 (14.1 percent). Spending for prescription drugs under Medicare Part B declined 8.9 percent in 2008 as payment per service for inhalant drugs declined.[35]

Spending for Medicare Part D includes PDP and Medicare Advantage prescription drug (MA-PD) plan benefits, as well as federal administrative costs and the net cost of private insur-

The current economic recession appears to have exerted considerable influence on the health sector in 2008.

ance for plans that administer the coverage. Total Part D spending increased from $46.8 billion in 2007 to $51.5 billion in 2008, or 10.0 percent. Spending on Part D benefits grew 12.2 percent in 2008, a much higher rate of increase than the 3.2 percent growth for overall prescription drug spending. In 2008, use of prescription drugs increased for Medicare Part D enrollees, while use for the overall population declined.[26,36] Of the $51.5 billion in total Part D expenditures, $46.4 billion was spent on benefits and $5.1 billion on federal administration and plan net cost.

Medicare Advantage spending grew 21.3 percent in 2008 to $108.2 billion, similar to the 22.1 percent growth in 2007. Much of the growth in 2008 was due to enrollment in the program, which increased 13.6 percent, slowing slightly from growth of 16.3 percent in 2007. In addition, Part D benefit spending within MA-PD plans continued to show strong growth in 2008, increasing 22.9 percent. Per enrollee, Medicare Advantage growth accelerated to 6.8 percent in 2008 following 5.0 percent growth in 2007.

Medicaid

Total federal and state Medicaid spending increased 4.7 percent in 2008, a deceleration from 6.1 percent growth in 2007 and the slowest rate of increase since 1997 (excluding 2006, when the implementation of Medicare Part D caused growth to decline).[37] Slower Medicaid spending growth for hospital, other personal health care, and home health care services outweighed faster growth in all other Medicaid spending on goods and services. Medicaid hospital spending, which accounted for 36 percent of total Medicaid spending in 2008, grew just 2.7 percent after a 7.8 percent increase in 2007. In 2008 several states faced budgetary challenges that resulted in reduced Medicaid payments to hospitals and other health care providers,[38] while relatively strong growth in 2007 was due in part to increased supplemental payments to hospitals.

As Medicaid spending growth slowed in 2008, enrollment grew 2.6 percent, up from 0.7 percent in 2007.[39] The increase in enrollment occurred as the average unemployment rate for the civilian population over age sixteen rose from 4.6 percent in 2007 to 5.8 percent in 2008.[40]

In 2008, federal Medicaid spending increased 8.4 percent—the highest rate of growth since 2003—while state spending declined by 0.1 percent, the first decline in these expenditures in program history. The difference in growth is almost entirely due to the approximately $7 billion in additional funds associated with the enhanced Federal Medical Assistance Percentage. Without this, both federal and state and local Medicaid spending would have grown at approximately the same rate.

Private Health Insurance

Private health insurance premiums and benefits both grew in 2008 at their slowest rate since 1967: 3.1 percent and 3.9 percent, respectively. These trends were heavily influenced by the recession, as enrollment in private health insurance declined from 196.4 million in 2007 to 195.4 million in 2008 and private insurance spending growth slowed for both physician and clinical services and retail prescription drugs. The decline in enrollment was due in part to lost jobs, particularly in the manufacturing and finance sector late in 2008.[41] Slower spending growth for employer-sponsored premiums and individually purchased private health insurance, and declining property and casualty insurance spending (which sometimes insures for medical expenses) all contributed to the 2008 slowdown.[42,43]

The net cost of private health insurance—the difference between premiums and benefits—declined to $92.0 billion in 2008, a decrease of $2.6 billion from 2007. As a result, the net cost of this insurance continued its recent decline as a share of total premiums from 13.7 percent in 2003 to 11.7 percent in 2008.

Out-Of-Pocket Spending By Consumers

Out-of-pocket spending for personal health care services, which includes all direct consumer spending for medical expenses such as copayments, deductibles, and services not covered by insurance, grew 2.8 percent in 2008 (from 6.0 percent in 2007). Out-of-pocket spending for retail prescription drugs declined, and out-of-pocket spending growth for most other services decelerated. In response to the poor economic

conditions in 2008, people may have reduced their spending on health care and forgone some medical treatment—particularly those who lost health insurance as a result of unemployment. During the prior recession, out-of-pocket spending growth slowed in 2001 and then immediately rebounded in 2002 and 2003 as spending growth for retail prescription drugs, dental services, and physician and clinical services picked up.

Concluding Comments

Health care spending is often thought to be somewhat insulated from the immediate impact of a downturn in the overall economy. However, the current economic recession appears to have exerted considerable influence on the health sector in 2008, as nominal national health spending growth decelerated to 4.4 percent, the slowest rate of increase over the past forty-eight years. The slowdown was broadly based across all major personal health care services (excluding durable medical equipment), as well as private and state and local spending. In contrast, federal health spending growth accelerated in 2008. It reached its highest share of national health spending at 35 percent, as ARRA increased the federal share of Medicaid and as Medicare grew more rapidly than in 2007.

Despite the overall slowdown in national health spending growth, increases continue to outpace growth in the resources available to pay for it, as indicated by the latest uptick in the share of GDP devoted to health care (which reached 16.2 percent in 2008), and in terms of the proportion of personal income and government receipts devoted to health care. As the nation focuses attention on reforming the health care system and works to recover from a major economic recession that likely worsened in 2009, understanding and monitoring the drivers of health care spending growth will continue to be an important aspect of meeting the nation's health care needs with the limited resources available in an uncertain fiscal future. ■

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NOTES

1 The historical NHEA time series tracks health spending from 1960 forward and incorporates revisions to source data annually, while changes in methods, data sources, and scope are incorporated periodically.

2 Heffler S, Nuccio O, Freeland M. An overview of the NHEA with implications for cost analysis researchers. Medical Care. 2009;47(7):S37–43.

3 Centers for Medicare and Medicaid Services. National health expenditure accounts: definitions, sources, and methods used in the NHEA 2008 [Internet]. Baltimore (MD): CMS; [cited 2010 Jan 5]. Available from: http://www.cms.hhs.gov/NationalHealthExpendData/downloads/dsm-08.pdf

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5 NHE amounts are tabulated on an "incurred" basis; as a result, the retroactive FMAP change is reflected as if it had been in place during the fourth quarter of 2008.

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