

America hits the brakes on health care spending

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Is health-care relief finally in sight? Health spending stabilized as a share of the nation's economy in 2010 after two back-to-back years of historically low growth, the government reported Monday.

Experts debated whether it's a fleeting consequence of the [sluggish economy](#), or a real sign that cost controls by private employers and government at all levels are starting to work.

The answers will be vital for Medicare's sustainability, as well as for workplace coverage.

U.S. [health care spending](#) grew by 3.9 percent in 2010, reaching \$2.6 trillion, according to the report by the Health and Human Services department.

That's an average of \$8,402 per person - far more than any other economically advanced country.

Still, the increases for 2010 and 2009 were the lowest measured in 51 years. And health care as a share of the economy leveled off at 17.9 percent, the first time in a decade there's been no growth.

The main reason for the slowdown was that Americans were more frugal in their use of health care, from postponing [elective surgery](#) to using generic drugs and thinking twice about that late-night visit to the

emergency room.

"Although medical goods and services are generally viewed as necessities, the latest recession has had a dramatic effect on their utilization," said the report published in the [journal Health Affairs](#).

"Though the [recession](#) officially ended in 2009, its impact on the health care sector appears to have continued into 2010."

Independent economists issued conflicting assessments.

"I think it could signal slower growth in the future," said Ken Thorpe, professor of [health policy](#) at Emory University in Atlanta. "Any discussion about reducing the deficit is going to focus on how we reduce the growth in health-care costs. And employers are adopting more effective tools to keep putting downward pressure on health-care cost increases."

But his counterpart Len Nichols at George Mason University in Virginia said people are getting less medical care because too many have lost jobs and insurance, and they just can't afford to pay.

"The slowdown is mostly due to postponement of care, due to anticipated inability to pay," said Nichols. If he's right, that could mean costs will spike once the economy is on solid footing.

The report provided relief for a jittery White House facing a 2012 reelection campaign in which President Barack Obama's health care overhaul is a top target for Republicans.

The nonpartisan number crunchers at HHS found that the health care law barely contributed to cost increases in 2010 - just one-tenth of 1 percentage point. Major provisions expanding coverage to more than 30 million uninsured don't take effect until 2014, well after the presidential

election.

The federal government's share of the total health care tab - another issue in this year's political debate - grew to 29 percent in 2010, up from 23 percent as recently as 2007. Counting state and local spending, the overall government share stood at 45 percent of the total.

Medicare spending grew by 5 percent in 2010. That was slower growth than in 2009, due mainly to reductions in what the government paid private Medicare Advantage insurance plans. Medicaid spending increased by 7.2 percent, less than the 2009 rate because of fewer people covered by the program.

However, the main finding of the report was a continued slowdown in the use of services across major health-care categories, one its authors termed "dramatic." Higher copayments for those with private insurance are part of the reason.

Hospital care, which accounts for just over 30 percent of what Americans spend, grew more slowly because of a decline in a key measure of inpatient admissions, and slower growth in [emergency room](#) visits, outpatient appointments, and outpatient surgery.

Spending on doctor visits and related care - about 20 percent of the total - grew at a historically low rate of 2.5 percent, due to an overall drop in visits and a milder 2010 flu season. But spending on dental care increased faster than in 2009.

Prescription drugs, about 10 percent of overall spending, also saw a slower increase - just 1.2 percent in 2010. That was not only due to the continuing shift to [generic drugs](#), but also slower growth in the overall volume of medications that Americans took.

Will less health care hurt consumers?

That remains to be seen, but current evidence suggests it won't. Americans are no healthier than their counterparts in other developed countries, which spend far less. And research suggests that as much as 30 percent of tests and treatments for U.S. patients may be of little or no benefit.

The HHS experts refused to speculate about the implications of the slowdown, although their report stressed the connection to a weak economy. More may be known by the summer, when another team in the same HHS unit will update projections for future [health care](#) spending.

More information: HHS report in Health Affairs:
<http://tinyurl.com/6nyuzrr>

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