

New peak for US health care spending: \$10,345 per person

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In this photo taken Sept. 24, 2013, just cut stacks of \$100 bills make their way down the line at the Bureau of Engraving and Printing Western Currency Facility in Fort Worth, Texas. The nation's health care tab is expected to surpass \$10,000 per person for the first time this year, the government said Wednesday. The new

peak suggests the Obama administration will pass the problem of high health care costs on to its successor. (AP Photo/LM Otero)

The nation's health care tab this year is expected to surpass \$10,000 per person for the first time, the government said Wednesday. The new peak means the Obama administration will pass the problem of high health care costs on to its successor.

The report from number crunchers at the Department of Health and Human Services projects that health care spending will grow at a faster rate than the national economy over the coming decade. That squeezes the ability of federal and state governments, not to mention employers and average citizens, to pay.

Growth is projected to average 5.8 percent from 2015 to 2025, below the pace before the 2007-2009 economic recession but faster than in recent years that saw health care spending moving in step with modest economic growth.

National health expenditures will hit \$3.35 trillion this year, which works out to \$10,345 for every man, woman and child. The annual increase of 4.8 percent for 2016 is lower than the forecast for the rest of the decade.

A stronger economy, faster growth in medical prices and an aging population are driving the trend. Medicare and Medicaid are expected to grow more rapidly than private insurance as the baby-boom generation ages. By 2025, government at all levels will account for nearly half of health care spending, 47 percent.

The report also projects that the share of Americans with health insurance will remain above 90 percent, assuming that President Barack

Obama's law survives continued Republican attacks.

The analysis serves as a reality check for the major political parties as they prepare for their presidential conventions.

Usually in a national election there are sweeping differences between Democrats and Republicans on health care, one of the chief contributors to the government's budget problems. But this time the discussion has been narrowly focused on the fate of Obama's law and little else.

Republican Donald Trump vows to repeal "Obamacare," while saying he won't cut Medicare or have people "dying in the street." Democrat Hillary Clinton has promised to expand government health care benefits.

Both candidates would authorize Medicare to negotiate prescription drug prices, which the report says will grow somewhat more slowly after recent sharp increases.

Obama's health care law attempted to control costs by reducing Medicare payments to hospitals and insurers, as well as encouraging doctors to use teamwork to keep patients healthier. But it also increased costs by expanding coverage to millions who previously lacked it. People with health insurance use more medical care than the uninsured.

Despite much effort and some progress reining in costs, health care spending is still growing faster than the economy and squeezing out other priorities, said Maya MacGuineas, president of the Committee for a Responsible Federal Budget, a bipartisan group that advocates for reducing government red ink.

"No serious candidate for president can demonstrate fiscal leadership without having a plan to help address these costs," she said. "No matter whether a candidate has an agenda that focuses on tax cuts or spending

increases, there will be little room for either."

The \$10,345-per-person spending figure is an average; it doesn't mean that every individual spends that much in the health care system. In fact, U.S. health care spending is wildly uneven.

About 5 percent of the population—those most frail or ill—accounts for nearly half the spending in a given year, according to a separate government study. Meanwhile, half the population has little or no health care costs, accounting for 3 percent of spending.

Of the total \$3.35 trillion spending projected this year, hospital care accounts for the largest share, about 32 percent. Doctors and other clinicians account for nearly 20 percent. Prescription drugs bought through pharmacies account for about 10 percent.

The report also projected that out-of-pocket cost paid directly by consumers will continue to increase as the number of people covered by high-deductible plans keeps growing.

Wednesday's report was published online by the journal *Health Affairs*.

More information: National Health Spending Projections:
tinyurl.com/h787l4j

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