Physician Spending Rises 4%, Lowest Since 1996

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FROM THE JOURNAL HEALTH AFFAIRS

WASHINGTON – Health care spending grew at its slowest rate in 50 years in 2009, as the recession caused Americans, especially those with lower incomes and less insurance coverage, to cut back on their use of physician, hospital, and other health services, according to a report issued by federal analysts.

The data indicated that Americans specifically reduced their physician office visits in 2009, and in particular, reduced their visits to primary care physicians.

The overall 4% rate of health spending growth followed an increase of 4.7% in 2008. In 2009, the nation's total health tab was $2.5 trillion, or $8,086 per person, according to the annual analysis of a federal data set called the National Health Expenditure Accounts by economists and statisticians at the Centers for Medicare and Medicaid Services (CMS).

The analysts found that even with a low rate of health care spending growth, health care spending increased as a share of the nation's gross domestic product. Health costs accounted for 17.6% of the GDP, up a record 1% from the previous year (Health Affairs 2011:111-22 [doi: 10.1377/hlthaff.2010.1032]).

The recession depressed the GDP, and thus allowed health care to gobble up a larger share, said the federal analysts at a press briefing announcing their findings.

The economists and statisticians painted a picture of a nation stunned by job loss and declining incomes. In the past, there has been a lag between a recession and any impact on health costs, largely because it has been thought that people will always need health care, Anne Martin, an economist at the CMS Office of the Actuary, said.

But in 2009, the impact was almost immediate, according to Ms. Martin.

Seventy-one percent of the nation's health spending was covered by insurance from private or public payers, according to the report. Medicare spending remained steady from 2008 to 2009, but there was a large decline in spending by private insurers. The government analysts said that this was due in part to a reduction in private coverage. They estimated that private insurance enrollment declined by 6.3 million people or 3.2%.

Medicaid, on the other hand, saw its rate of spending grow by 4%, in part offsetting the slowdown by other payers, said Ms. Martin. More children and working-age adults enrolled in Medicaid as the economy continued to flatten, she said, and also because of provisions of the stimulus bill, or American Recovery and Reinvestment Act. There was a 7.4% increase in enrollment in 2009, compared with a 3% increase in 2008. The federal government bore most of the burden for the spending increase, she said.

Americans also vastly curbed their out-of-pocket spending on health, the federal analysts noted.

Hospital care continues to be the largest segment of health spending. At $760 billion, it accounted for at least a third of the nation's health bill. The growth rate in hospital spending for private insurers was only 3% in 2009, down from 6% in 2008. Medicaid's spending growth accelerated from 3% to 10%, in part because enrollees used emergency departments for primary care, said the analysts.

Physician spending was the second-biggest category, at $505 billion in 2009. The 4% increase from 2008 was the slowest rate of growth since 1996 – partly a result of fewer Americans seeing the doctor. Data show that 36% of Americans said they had fewer health professional visits in 2009, and 59% of that group said the visit they'd skipped was with the primary care physician.

Instead, they might have gone to outpatient or retail clinics, the report said. Spending for "clinical services," which is included in the physician services category, grew at double the rate of physician services. The authors wrote that the growth is "consistent with recent reports that retail clinics (a subset of all clinics) have increased in popularity."

Finally, prescription drug spending grew more in 2009 than it did in 2008. Spending, which reached $250 billion, grew 5.3% – faster than the 3.1% growth rate in 2008. ■