

# U.S. Sees Historic Jump in Health Care's Share of the Economy

The federal government has now become the biggest payer in health care.



By [Kimberly Leonard](#), Staff Writer Dec. 2, 2016, at 2:10 p.m.



Health care's share of gross domestic product continues to increase. (Getty Images)

The share of the U.S. economy that went toward health care in 2015 grew 0.4 percentage points from the previous year, an unusually high growth rate typically seen around a recession but

attributed last year to costs associated with President Barack Obama's health care law and with increased spending on prescription drugs.

According to a report from actuaries at the Centers for Medicare and Medicaid Services, health care's share of gross domestic product has reached the historic rate of 17.8 percent. The jump comes after the share of health care spending from 2009 to 2013 grew or declined no more than 0.1 percentage points from year to year, but from 2013 to 2015 it grew by 0.6 percentage points.

"While the 2014 and 2015 increases occurred more than five years after the nation's last recession ended, they coincided with 9.7 million individuals gaining private health insurance coverage and 10.3 million more people enrolling in Medicaid coverage," Anne Martin, an economist in the CMS office of the Actuary and lead author of the Health Affairs article, said in a statement, referring to the ways that the health law, the Affordable Care Act, expanded coverage for Americans.

"An additional contributing factor is the rapid growth in retail prescription drug spending."

The report, [published online](#) Friday in the journal Health Affairs, also showed another distinction for 2015: The federal government now pays for the largest share of health care.

The trend toward health care taking up a greater share of the economy is expected to continue in the decade ahead as the population ages, as economic conditions change and as the growth of medical costs accelerates, authors said.

The divergence between economic growth and health care growth is typically expected during a recession because health care spending during those times remains at a level that is higher than the economy, explained Martin at a press conference at the National Press Club in Washington on Friday.

"The economy reacts faster to changes in jobs, but the health care sector takes more time, so it doesn't come down until after the beginning of a recession," Martin said.

The report shows health care spending grew 5.8 percent in 2015 and reached \$3.2 trillion. As the cost of health care grew, however, the economy slowed from a growth of 4.2 percent in 2014 to 3.7 percent in 2015.

As more people were covered under Obamacare, they began to use health care more, which increased overall spending as well.

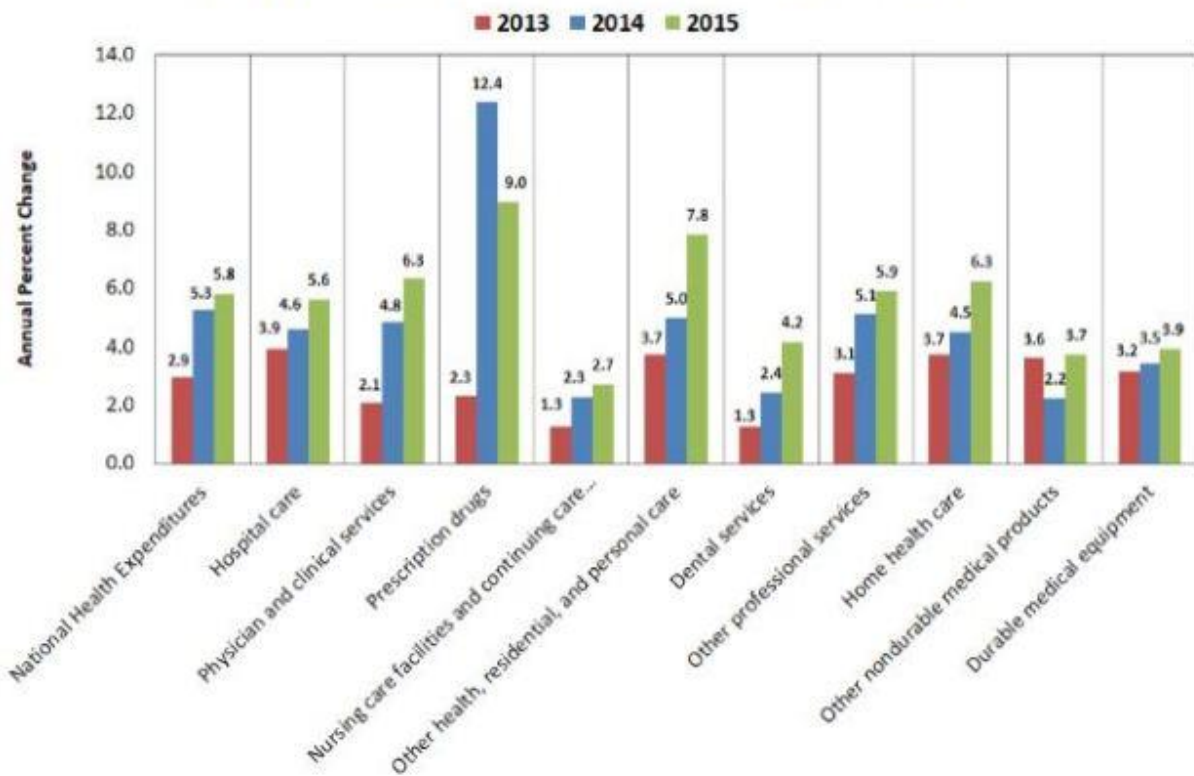
"After the recession, there was probably a lot of pent up demand and after expansion it was expected to see an increased use of services," Martin says.

She adds that increased use of services also occurred because Obamacare provided for more generous benefits to be included in people's coverage. Under the law, each plan must cover a range of benefits, from maternity care to mental health.

The U.S. had experienced historically low growth in spending on health care from 2009 to 2013 as the Great Recession wore on. But as Obamacare expanded to cover more people in 2014, the [rate of growth accelerated once again](#). It was furthered by expensive drugs that hit the market, including those that cure the blood-borne disease hepatitis C, which in 2014 alone accounted for \$11.3 billion in health care spending.

Prescription drug growth slowed in 2015 compared with 2014, when it hit a record high, but it still grew at a faster rate than spending growth on doctors and hospitals, at 9 percent. In 2015, 45 new drugs were approved, more than any other year during the last decade and more than the 41 in 2014, when drugs for the treatment of rare diseases and cancer were introduced.

## Annual Growth in Spending by Type of Good and Service, 2013-2015



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

Still, drugs make up 10 percent of health care spending, compared with hospitals that make up about a third and doctors that make up a fifth.

Spending on Medicaid also grew faster than other sources, at 9.7 percent, though slower than in 2014. Seventeen percent of health care spending went to this program, which covers low-income people, nursing home costs, people who are disabled and maternity care, depending on the state.

Increases in Medicaid payments under the health care law in part contributed to the federal government in 2015 paying for the largest share of health care than other sources, accounting for 29 percent of total medical bills. Federal dollars also went toward private health insurance and continued to go toward Medicare, the government's program for seniors and people who are disabled.

Under Obamacare, states can expand Medicaid programs to low-income people, but many states – in part for political reasons – have opted not to expand it. And while the federal government provided full financial support for state expansion in 2014, the reimbursement to states dwindled in 2015 and will continue to do so until five years after states expand, under which it provides 90 percent of funding. Twenty-six states expanded Medicaid by 2014 and three expanded by 2015.

State and local spending on Medicaid increased as well, accelerating by 1.7 percent in 2014 and by 4.9 percent in 2015, to \$201.1 billion.

One possibility is that states had more enrollment in Medicaid programs than they expected, as people who [would have qualified for the program without Obamacare](#) began to enroll.

“Some effect of increased enrollment was not expansion-related across some states,” said Aaron Catlin, deputy director of the National Health Statistics Group in the CMS Office of the Actuary.

Micah Hartman, statistician for the office, noted that states increased their reimbursement rates for providers. [Data from the Kaiser Family Foundation](#) show 47 states increased rates in fiscal 2015, in part because of improvements in the economy.

The report also noted that growth in out-of-pocket spending on health care increased as well, by 2.6 percent in 2015, compared with 1.4 percent in 2014 and 2.4 percent in 2013, though slower than it had been in 2011 and 2012. The per-person spending on health care grew 5 percent, to \$9,990.



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