

Health Care Spend: Smallest Increase in 50 Years But A Record 17.6% of U.S. Economy

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Categories: William Busch

The current January 2011 issue of *Health Affairs* reports that 2009 "U.S. health care spending grew 4.0 percent -- a historically low rate of annual increase -- to \$2.5 trillion, or \$8,086 per person." But "despite the slower growth, the share of the gross domestic product devoted to health spending increased to 17.6 percent in 2009 from 16.6 percent in 2008", a record increase. And in case you're thinking this is related to President Obama's health care overhaul, [today's WSJ](#) assures us that it's not.

Health Affairs states "The growth rate of health spending continued to outpace the growth of the overall economy, which experienced its largest drop since 1938." Hence the counterintuitive record chunk of GDP. "The recession [not only] contributed to slower growth in private health insurance spending and out-of-pocket spending by consumers, as well as a reduction in capital investments by health care providers, [it] also placed increased burdens on households, businesses, and governments, which meant that fewer financial resources were available to pay for health care" according to *Health Affairs*. Add in declining federal revenues and strong growth in federal health spending, and the "health spending share of total federal revenue grew from 37.6 percent in 2008 to 54.2 percent in 2009."

Unfortunately, the inherent complexities in these numbers will inevitably result in miss use and half truths from varied political camps. To wit, *The Journal* reports that "Supporters of Medicaid say the program is working as it's supposed to during an economic downturn..." and the "... libertarian Cato Institute's Michael Cannon, ... called the surge in health spending unsustainable when the annual federal budget deficit tops \$1 trillion."

- [William Busch](#)