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## Health Spending Eats Up Record Chunk of GDP

By PETER LANDERS

Health spending rose to a record 17.6% of the U.S. economy in 2009, as the overall economy shrank and higher federal Medicaid spending helped to push up health costs.

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The figures released Wednesday don't reflect any impact from the Obama administration's health overhaul, which passed in March 2010, but they illuminate the problem of ever-rising health costs that drove the debate over the biggest change to the health system in a generation.

According to the federal government's number crunchers, the U.S.'s total health spending rose 4% in 2009 to \$2.49 trillion. That was the smallest percentage increase in the half-century that spending has been tabulated, owing to the recession that led many people to cut out-of-pocket spending and hospitals to curtail expansion plans.

Still, health spending took a greater share of the economy— up one percentage point from 16.6% in 2008—because gross domestic product shrank 1.7% in 2009. The figures were published in the journal Health Affairs.

Federal spending on Medicaid, the federal-state health-insurance program for the poor, rose nearly 22% in 2009. That was partly because millions of people signed up for the program amid the recession, and also the result of extra federal Medicaid spending included in the economic-stimulus bill passed early in 2009.

"You've got this explosion in federal spending," said the libertarian Cato Institute's Michael Cannon, who called the surge in health spending unsustainable when the annual federal budget deficit tops \$1 trillion.

Supporters of Medicaid say the program is working as it's supposed to during an economic downturn. "It's the safety net for the private sector. It goes up when the private sector goes down," said Ethan Rome, executive director of Health Care for America Now, a liberal group that supported the health law.

Hard-pressed states reduced their Medicaid spending by 10% in 2009, with the federal support helping them weather the increase in the rolls.

Some states say their Medicaid burden is still too high, especially because the health law is set to add some 16 million people to the program starting in 2014. The recent increase in Medicaid spending "will pale in comparison to what federal and state budgets will face under the unprecedented Medicaid expansion in the health law," said Sen. Orrin Hatch of Utah, the incoming top Republican on the Finance Committee.

Texas and a few other states have even discussed dropping out of Medicaid altogether, but that is unlikely because they would have to find other ways of covering the poor and elderly people who rely on Medicaid to pay their nursing-home bills.

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