

National Healthcare Trends

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Summary

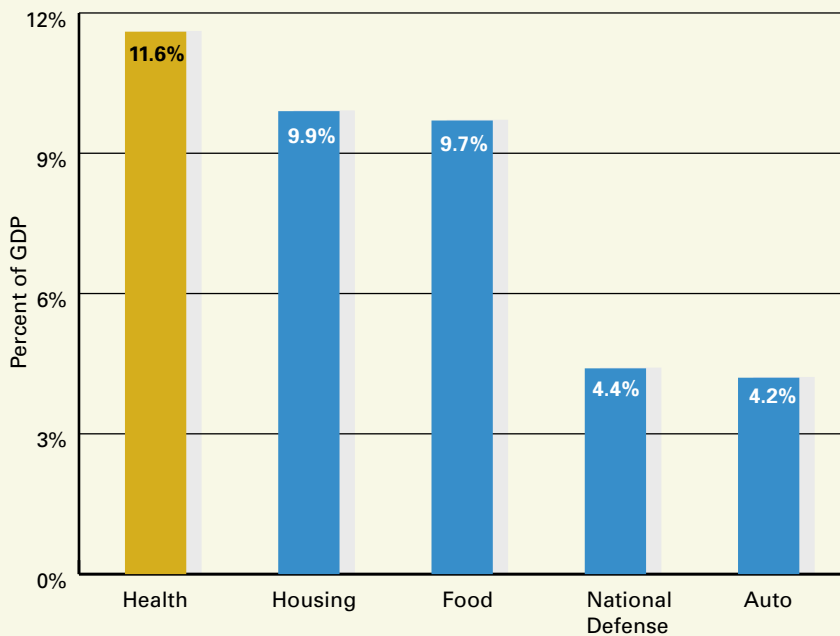
The Medical Cost Reference Guide provides information on how the United States (U.S.) healthcare system is financed and the costs associated with providing health services. Understanding the economics of our healthcare system is an important step toward creating solutions that lead to better, more affordable care.

U.S. healthcare spending was nearly \$1.7 trillion in 2003 and is expected to grow to almost \$2 trillion by 2005. Our healthcare system continues to grow at a rate much faster than the rest of the economy, including food, wages and other costs of living. Key statistics from this section include:

- Healthcare expenditures are expected to account for more than 17% of the Gross Domestic Product by 2010, up from 13% in 2000.
- The U.S. spends more money on healthcare than most other developed countries. Per capita, U.S. healthcare expenditures were approximately \$5,000 in 2002. In adjusted per capita dollars, the U.S. is 244% higher than the United Kingdom and 180% higher than Canada.
- Private health insurance pays a significant portion of healthcare costs, about 36%, while the combined total paid by Medicare, Medicaid and other public sources is 45%.
- Prior to 2005, the annual growth rates for medical care and prescription drugs and medical supplies exceeded that for the overall Consumer Price Index (CPI). However, in 2005, the gap had all but closed between the healthcare categories and the overall CPI. The Producer Price Index indicates that prices for pharmaceutical production and hospitals have increased faster than those for physician services, medical laboratories and diagnostic imaging services.

Components of Gross Domestic Product (GDP) Q2 2005

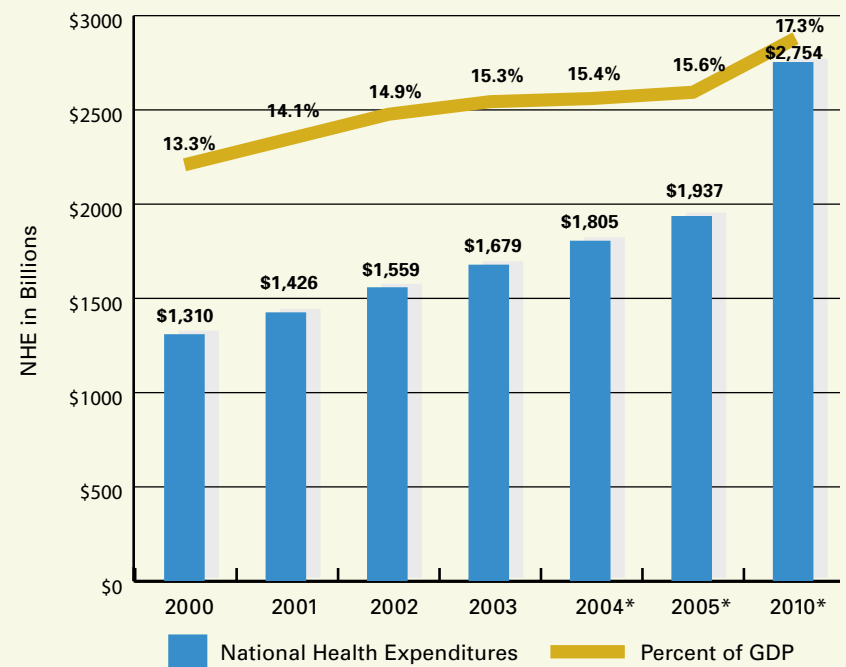
Healthcare is the largest sector of the economy, ahead of housing and food.



Source: Bureau of Economic Analysis (2005)

National Health Expenditures (NHE) and Percentage of GDP 2000-2010

Healthcare expenditures are projected to more than double between 2000 and 2010, and healthcare is expected to account for 17% of the Gross Domestic Product by 2010.

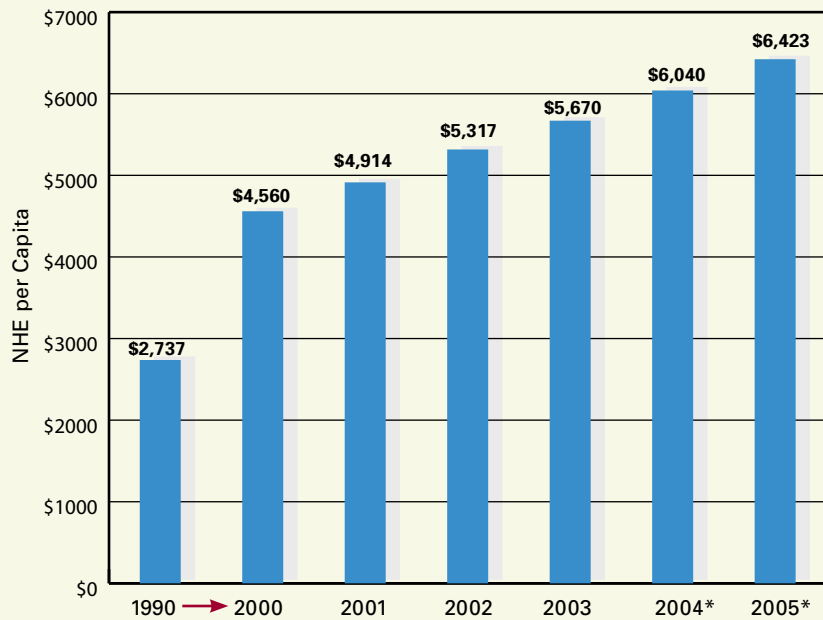


*Projected by Centers for Medicare and Medicaid Services.

Source: Adapted from Centers for Medicare and Medicaid Services (2005a)

National Health Expenditures per Capita 1990-2005

One consequence of the rise in overall healthcare expenditures is that estimated per capita expenditures rose 41% between 2000 and 2005.



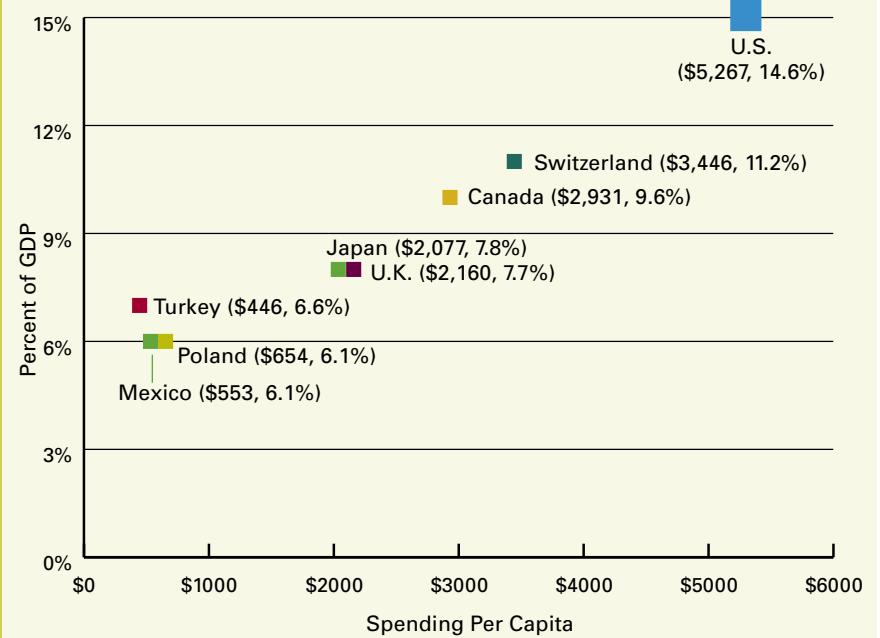
*Projected by Centers for Medicare and Medicaid Services.

Note: → indicates a 10-year interval.

Source: Centers for Medicare and Medicaid Services (2005a)

International Health Spending per Capita 2002

In fact, the U.S. spends much more per person on healthcare than other countries, as well as a larger percent of Gross Domestic Product.



Note: Because these data are based on Purchasing-Power Parity values, they will differ slightly from earlier values cited herein.

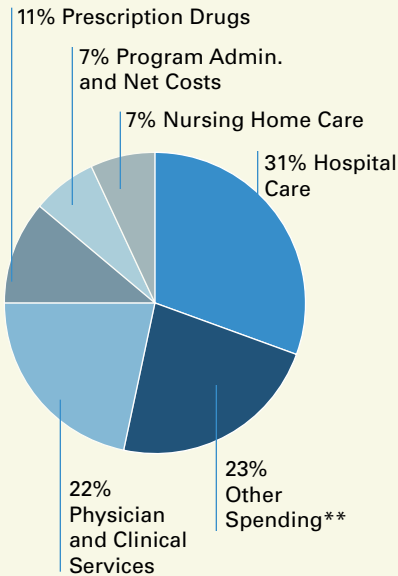
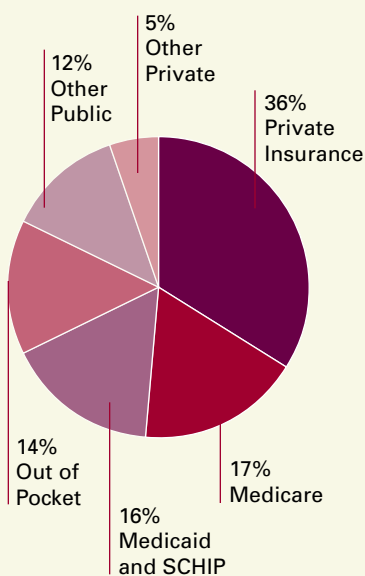
Source: Adapted from Anderson, GF et al. (2005) Health Affairs

The Nation's Healthcare Dollar 2003

Private health insurance pays for 36% of the nation's health-care dollar; Medicare, Medicaid and other public sources together account for 45%.

Where it Came From:

Where it Went*:



*Numbers do not add up to 100% due to rounding.

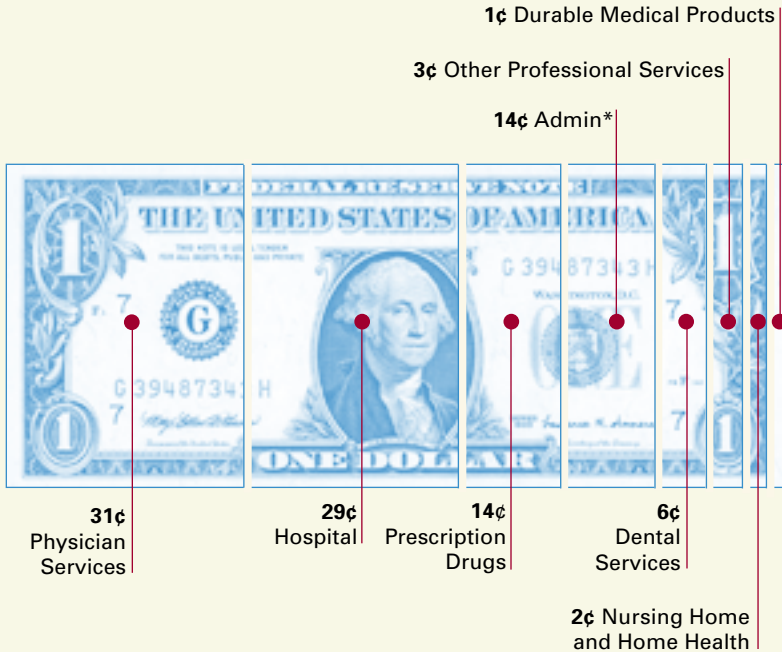
**Other spending includes dental services, other professional services, home healthcare, durable medical products, over-the-counter medicines and sundries, public health activities, research and construction.

Note: SCHIP is State Children's Health Insurance Program.

Source: Centers for Medicare and Medicaid Services (2005b)

Private Insurance Healthcare Dollar 2003

Sixty percent of the private insurance healthcare dollar goes toward physician and hospital services, followed by prescription drugs and administrative costs.

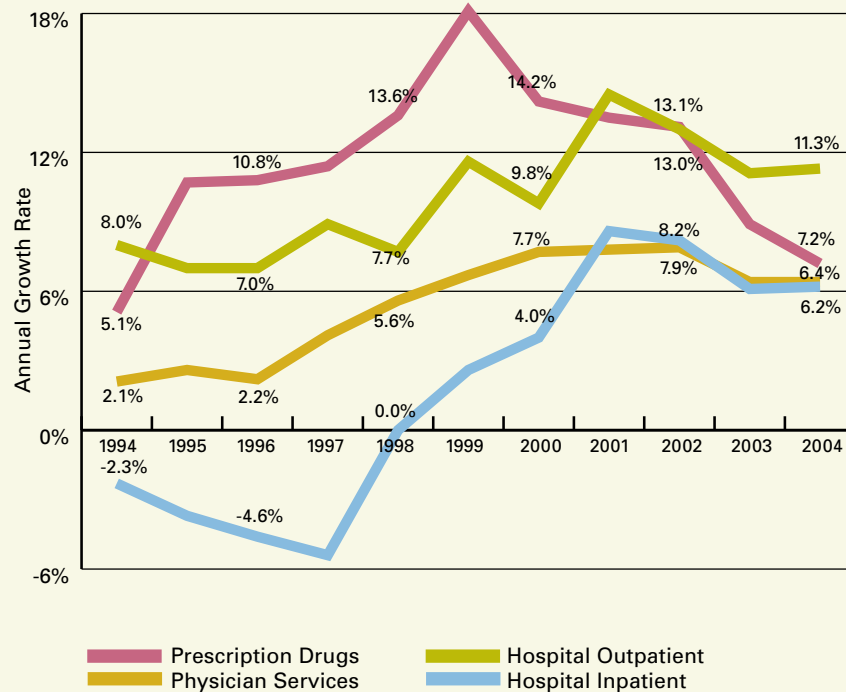


*Includes government administration and net cost of private health insurance.

Source: Adapted from Centers for Medicare and Medicaid Services (2005c)

Annual Percent Change in Private Spending per Capita 1994-2004

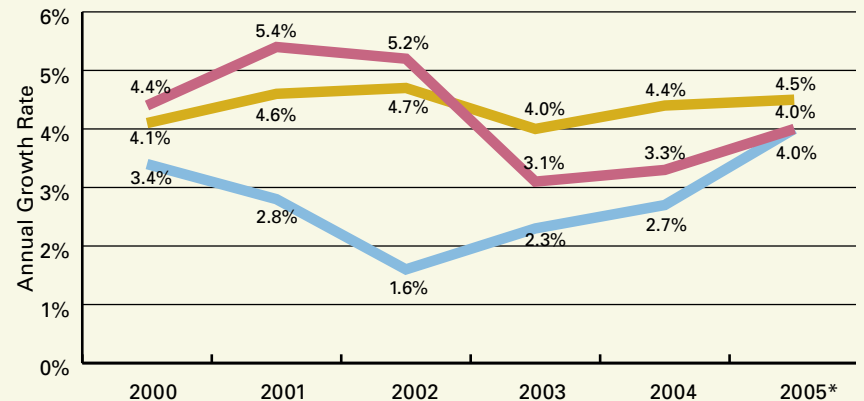
Since 2000, private spending per capita has increased more for hospital outpatient services than for prescription drugs, physician services or hospital inpatient services.



Source: Adapted from Health Affairs, from Tracking Health Care Costs: Declining Growth Trend Pauses in 2004., Strunk, BC et al., Health Affairs Web Exclusive, 2005

Medical Care Consumer Price Index Compared to Other Categories 2000-2005

Medical care prices have risen faster than the overall Consumer Price Index (CPI). However, the difference has narrowed since 2002.



Average Annual Percent Change	
Medical Care	4.4 %
Prescription Drugs and Medical Supplies	4.2 %
All CPI Items	2.8 %

■ Prescription Drugs and Medical Supplies
■ Medical Care
■ All CPI Items

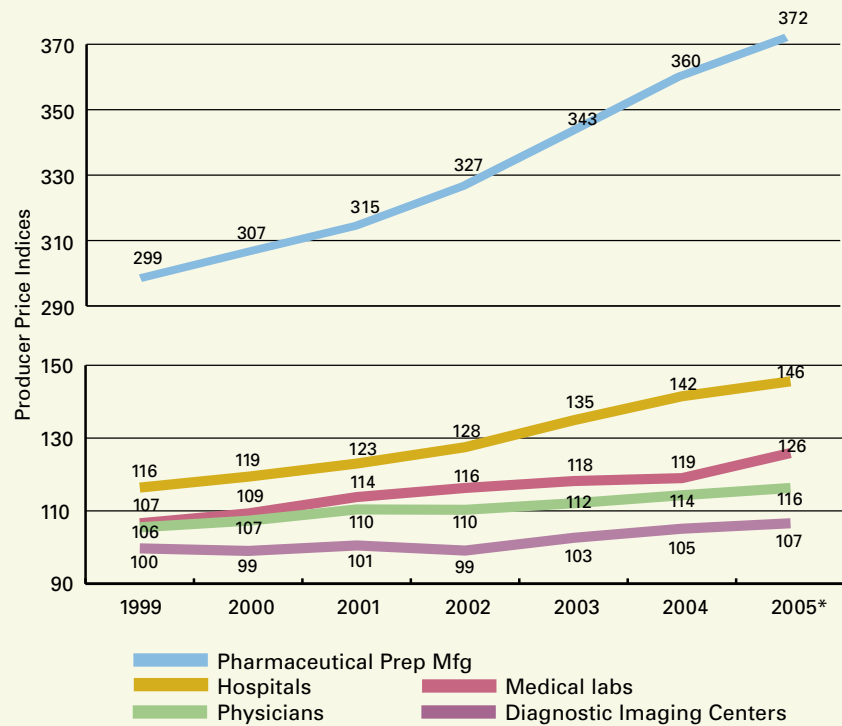
*Data are for the month of August 2005.

Note: Data for all other years are annual.

Source: Adapted from Bureau of Labor Statistics (2005a)

Producer Price Indices 1999-2005

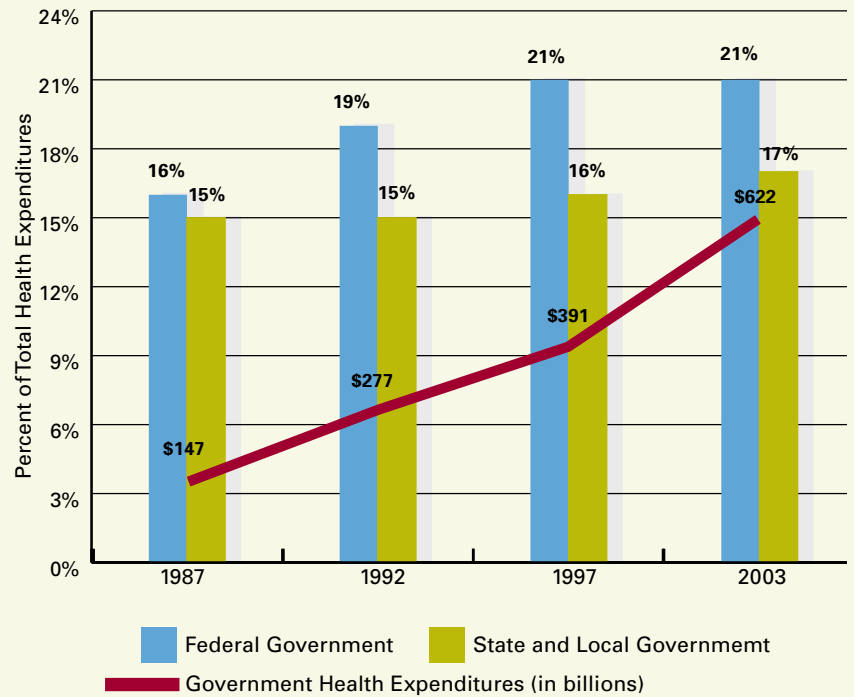
Prices for pharmaceutical production and hospitals have increased faster than prices for medical laboratories, diagnostic imaging centers, and physicians.



*Data are for the month of April 2005.
 Note: Data for all other years are annual.
 Source: Bureau of Labor Statistics (2005b)

Government Expenditures for Health Services and Supplies as a Percent of Total Health Expenditures 1987-2003

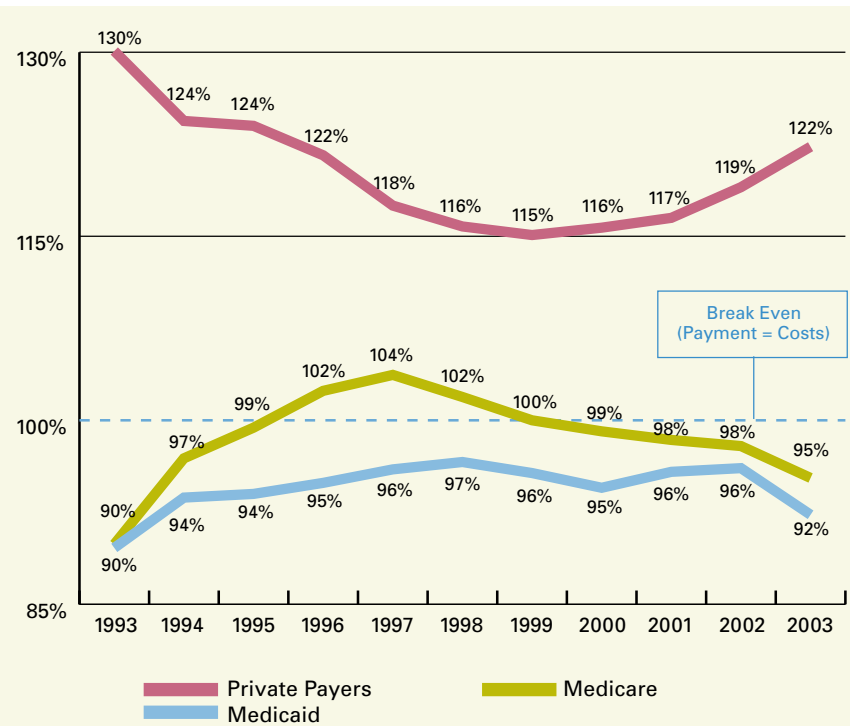
Government expenditures as a percent of total health expenditures increased from 31% in 1987 to 38% in 2003.



Source: Cowan, CA et al. (2005) Health Care Financing Review

Hospital Payment-to-Cost Ratios for Medicare, Medicaid and Private Payers 1993-2003

Private payer reimbursement rates are consistently above break-even costs.



Note: Payment-to-cost ratios indicate the degree to which payments from each payer covers the costs of treating that provider's patients. Data are for community hospitals and cover all hospital services. Imputed values were used for missing data (about 35% of observations). Most Medicaid managed care patients are included in the private payers' category.

Source: Adapted from the American Hospital Association and the Lewin Group TrendWatch Chartbook, 2005