

2.1 MOST HEALTH SPENDING IS FOR PERSONAL SERVICES*

Christopher Conover

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Abstract

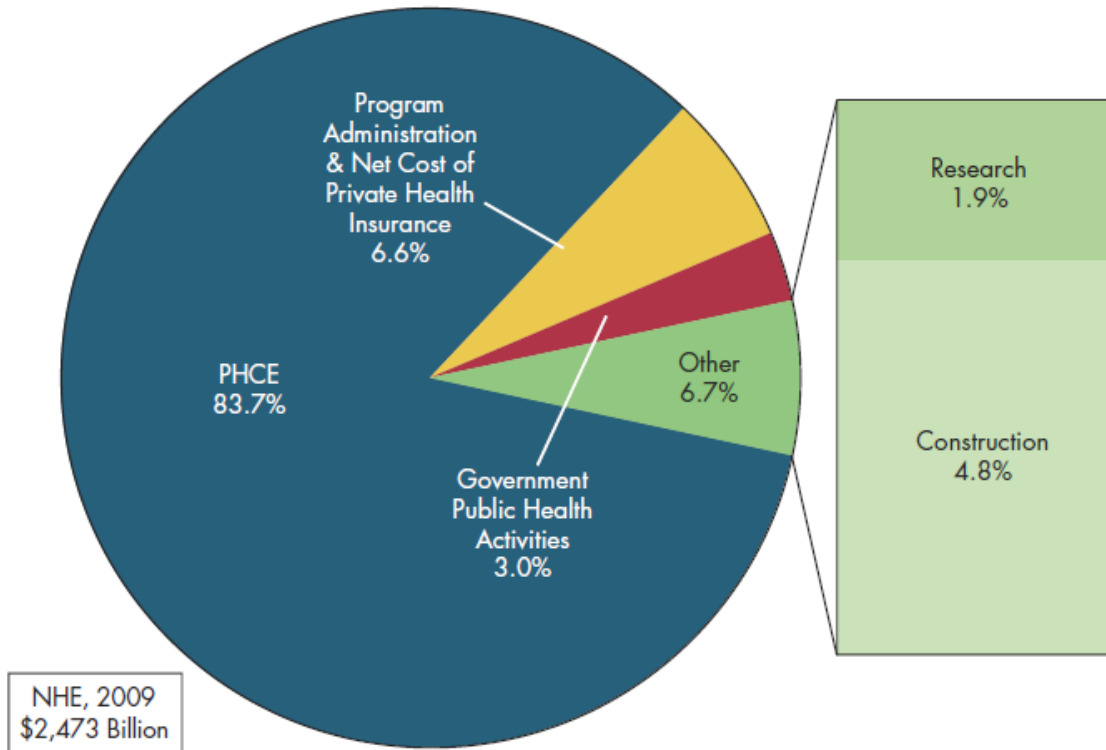
Most health spending is for personal health services; for 40 years, such spending has exceeded 80 percent of all health expenditures.

Different methods exist to measure spending for health care. One measure — the NHE — encompasses all private and public spending having to do with health care. However, 1 in 15 dollars of NHE includes what might be regarded as investment, including expenditures for medical research, construction of new facilities, and purchases of new major equipment (figure 2.1a).

*Version 1.1: Sep 8, 2013 4:23 pm -0500

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2.1a Five-sixths of NHE is devoted to PHCE



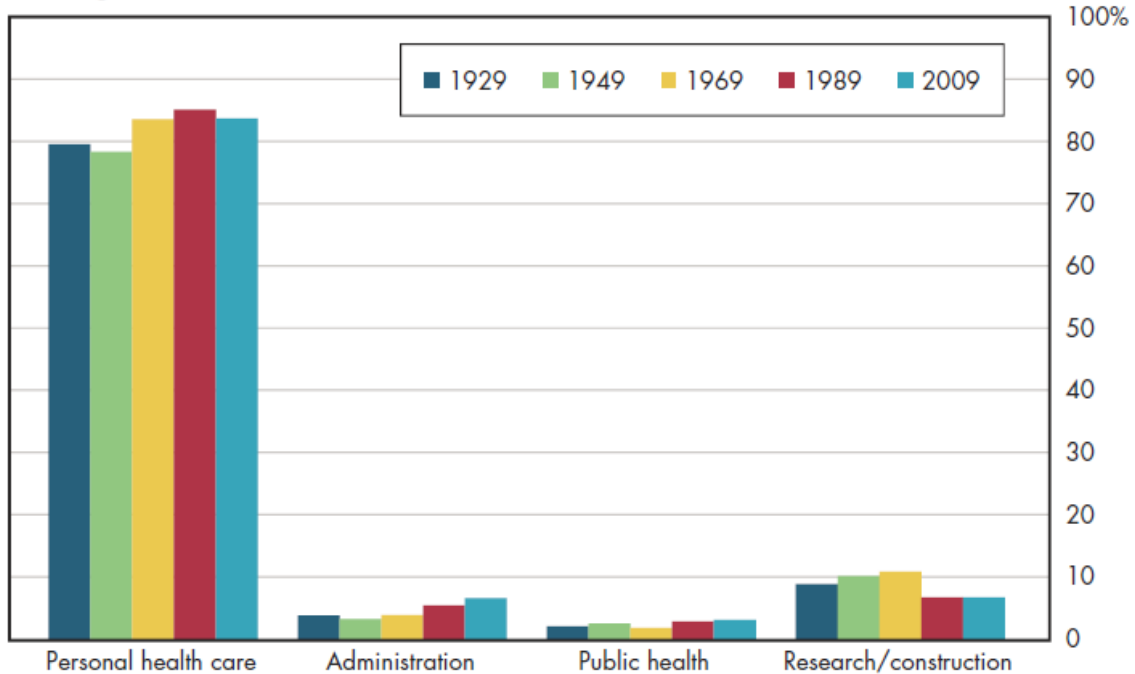
Administrative costs associated with public programs such as Medicare and Medicaid, and private health insurance plans, amount to only 1/16 of NHE. This might seem low in light of the purportedly high administrative costs associated with U.S. health care. A main reason is that it excludes large provider-related administrative costs embedded in various health services that make up personal health care expenditures (PHCE).

Government public health activity includes spending for surveillance, inoculations, immunizations and vaccinations, disease prevention activities, and public health laboratories. Currently, fewer than three cents of every health dollar goes to public health. This total should not be interpreted as a measure of all preventive health spending. As with administrative costs, the providers of various health services included under PHCE also engage in clinical preventive services. Public health spending does not capture these costs.

The remainder, PHCE, constitutes 5/6 of all health spending. This includes the full continuum of health care services ranging from primary care through long-term care (for example, nursing homes and home health care). PHCE includes inpatient care (for example, in hospitals, nursing homes, and intermediate-care facilities), and all services by medical professionals (for example, doctors, mid-level practitioners, allied health personnel). Finally, it includes ancillary services such as medical and dental laboratories, medications (prescription and non-prescription), durable medical equipment (for example, wheelchairs), non-durable medical products (for example, bandages), and even medical care provided at worksite clinics. The PHCE share of health spending has exceeded 80 percent of NHE for more than 40 years (figure 2.1b).

2.1b For 40 years, spending on personal health care has exceeded 80 percent of national health outlays

Percentage of NHE



1 Downloads

Download PowerPoint versions of both figures.

- Figure 2.1a Image Slide (as it appears above)¹
- Figure 2.1a Editable Slide (can be formatted as desired)²
- Figure 2.1b Image Slide (as it appears above)³
- Figure 2.1b Editable Slide (can be formatted as desired)⁴

2 References

- Author's calculations.
- Department of Health and Human Services. Centers for Medicare and Medicaid Services.
- Worthington NL. National Health Expenditures, Calendar Years 1929-73. Research and Statistics Note No 1. Office of Research and Statistics 1975.

¹<https://hub.mili.csom.umn.edu/content/m10002/1.1/2.1aIMG.pptx>

²<https://hub.mili.csom.umn.edu/content/m10002/1.1/2.1aDATA.pptx>

³<https://hub.mili.csom.umn.edu/content/m10002/1.1/2.1bIMG.pptx>

⁴<https://hub.mili.csom.umn.edu/content/m10002/1.1/2.1bDATA.pptx>