



Weekly Checkup

Who's at Fault for the NHE?

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Yesterday, the Centers for Medicare and Medicaid Services released the [National Health Expenditures \(NHE\)](#) data for 2021, which tracks how much money the nation spent on health services and what services it was spent on. Some spending was up from the year prior, some was down, and some was the same – both with respect to types of service and the source of funds. **Let's review the NHE to see what this tells us about the problems facing our nation's health care system.**

First, the topline figures: Overall spending on health care grew 2.7 percent in 2021, reaching a total of \$4.3 trillion. The amount, of course, is massive, but the growth was slower than 2020's rate of 10.3 percent. This reduction in the rates of spending is a recurring theme for most of the NHE data, and it comes down to the 3.5 percent reduction in federal expenditures on health care – a result of fewer federal COVID-19 dollars than in 2020. Gross domestic product (GDP) increased 10.7 percent in 2021, but NHE as a share of GDP dropped from 19.7 percent in 2020 to 18.3 percent in 2021. COVID-19 supplemental funding was included in the NHE's "other federal programs" category, and as such, the category's spending declined 62.7 percent to \$71.9 billion in 2021, but still much higher than 2019's \$14 billion.

In the details of the NHE data, we see some familiar patterns: Once again, hospital care and physician and clinical services made up around half of the expenditures – 51 percent, to be exact. Hospital care was 31 percent of NHE in 2021, adding up to a whopping \$1.3 trillion, although its growth rate of 4.4 percent was lower than 2020's 6.2 percent rate. Again, a decrease in federal funding for COVID-19 relief is in large part behind this drop in spending growth, despite 2021's increase in health services utilization over 2020. Physician and clinical services made up 20 percent of the share, with a similar drop in growth from 6.6 percent in 2020 to 5.6 percent in 2021. **Retail prescription drugs made up 9 percent of the share, and they break the pattern with a much faster growth rate in 2021 – 7.8 percent – than 2020's 3.7 percent.** This was largely due to an increase in prescription drug use, likely the result of more people utilizing health care services and therefore getting new prescriptions.

Spending by major sources of funds was also tracked, and in 2021, the largest source was private health insurance at a 28 percent share, increasing 5.8 percent due to increased utilization of services and a slight bump in enrollment. Medicare was responsible for 21 percent of all funds, increasing 8.4 percent in 2021 compared to 2020's 3.6 percent growth. This growth is attributed to a 3.9 percent rise in fee-for-service expenditures (over half of Medicare expenditures) as well as a 14.1 percent increase in Medicare private health plan spending. Medicaid dollars accounted for 17 percent of funds spent and its spending growth, 9.2 percent, nearly matched 2020's 9.3 percent rate. **Both years' high spending growth in Medicaid is directly attributable to the continuous enrollment requirements, and 2021 saw an 11.2 percent increase in Medicaid enrollment, much higher than 2020's 4.8 percent.** Out-of-pocket expenditures amounted to 10 percent of all funds spent and increased 10.4 percent due to greater utilization of medical goods and services.

The takeaway here is simple: Hospital and physician care continue to make up most health spending in the United States. While pharmaceutical manufacturers are frequent political targets, providers continue to fly under the radar. **If Congress wants to get serious about addressing health spending, it's time to take a hard look at where the costs really lie.**