Medical Expenditure Panel Survey

Agency for Healthcare Research and Quality

STATISTICAL BRIEF #491

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National Health Care Expenses in the U.S. Civilian Noninstitutionalized Population, Distributions by Type of Service and Source of Payment, 2013

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Introduction

The United States spends a larger share of its Gross Domestic Product on health care than any other major industrialized country. To address high health care costs in this country, policymakers need to understand how those costs are distributed across types of services, different payers and by various characteristics of the population. This Statistical Brief presents estimates of distributions of health care spending by type of service and distributions by payment sources within age and insurance groups for the U.S. civilian noninstitutionalized population in 2013.

Health care expenses as reported here represent payments to hospitals, physicians, and other health care providers based on utilization information collected in the Medical Expenditure Panel Survey (MEPS) Household Component and payment data collected in both the MEPS Household and Medical Provider Components. Expense estimates include payments made by individuals, private insurance, Medicare, Medicaid, and the Children's Health Insurance Program (CHIP), and other payment sources. All differences between estimates discussed in the text are statistically significant at the 0.05 level.

Findings

In 2013, there was an estimated total of $1.401 trillion paid for health care received by the U.S. civilian noninstitutionalized population, distributed among various health care use service categories, including hospital inpatient and outpatient care, emergency room services, office-based medical provider services, dental services, home health care, prescription medicines, and other medical services and equipment. Hospital inpatient expenses for both facility and separately billed physician services accounted for 27.9 percent of total expenses. Hospital inpatient expenses comprised a higher percentage of total expenses for the elderly (32.4 percent) compared with the under age 65 population (25.8 percent) (figure 1). Overall, 37.9 percent of total expenses was attributable to ambulatory care provided in office-based settings, hospital outpatient departments, and emergency rooms, but the elderly had a lower proportion of total expenses for ambulatory care (32.4 percent) than the under age 65 population (40.5 percent). Expenses for prescribed medicines were a little over one-fifth of expenses for the full population (22.0 percent), with a similar distribution for the elderly (22.9 percent) and persons under age 65 (21.5 percent). Dental services accounted for 6.6 percent of overall expenses, but this proportion was somewhat lower for persons age 65 and older compared with persons under age 65 (3.8 versus 7.8 percent). Expenses for home health care and other medical services and equipment were 5.7 percent of the total overall, but for the elderly this proportion was nearly two times higher than for persons under age 65 (8.5 versus 4.4 percent).

Highlights

- Hospital inpatient expenses accounted for nearly 30 percent of total health care expenses for the U.S. civilian noninstitutionalized population, and prescribed medicines accounted for more than 20 percent.
- Among persons under age 65, the uninsured and those with any private insurance had a larger proportion of their health care spending accounted for by ambulatory services (office-based visits, hospital outpatient care, and emergency room care) than those with public insurance only.
- Among the elderly, those with Medicare and private insurance had a larger proportion of their health care spending accounted for by ambulatory services than those with Medicare only or Medicare and other public insurance.
- Private insurance paid for 40.6 percent of total expenses, Medicare paid for 25.3 percent, individuals and family members paid for 13.8 percent, Medicaid/CHIP paid for 12.4 percent, and other sources paid for 7.9 percent.

Persons under age 65 with only public insurance had a higher percentage of health care spending for hospital inpatient services than those who had any private insurance (31.3 percent versus 24.1 percent) (figure 2). For persons under age 65, those with only public insurance had a lower percentage of health care spending on ambulatory services and dental services (31.0 percent and 3.3 percent) than those who had any private insurance (43.1 percent and 9.4 percent) and the uninsured (43.2 percent and 6.2 percent). Moreover, the non-elderly uninsured had a lower percentage of spending on dental care than the non-elderly with any private insurance. Among persons under age 65, those with only public

insurance had higher percentages of health care spending for home health care and other medical services and equipment (7.5 percent) than those with any private insurance (3.6 percent) and the uninsured (2.2 percent), and the non-elderly with any private insurance had a higher percentage of spending on home health care and other medical services and equipment than the uninsured. In addition, persons under age 65 with only public insurance had a higher percentage of spending on prescribed medicines (26.9 percent) than those with any private insurance (19.9 percent).

Among the elderly, the proportion of expenses accounted for by hospital inpatient services was higher for those with Medicare only (38.6 percent) than for those with Medicare and private insurance (29.0 percent) (figure 2). The share of spending for ambulatory services was highest for elderly with Medicare and private insurance, accounting for over a third of total expenses (37.1 percent), compared with just over a quarter of spending for those with Medicare only (28.1 percent), and less than a quarter (23.0 percent) for those with Medicare and other public insurance. The percentage of health care spending on prescribed medicines was similar for all insurance groups within the elderly population (ranging from approximately 22 to 26 percent). Dental services accounted for the largest proportion of health care spending for the elderly with Medicare and private insurance (4.8 percent) and the lowest for elderly persons with Medicare and other public insurance (1.1 percent). Elderly persons with Medicare and other public insurance had the highest percentage of expenses for home health care and other medical services and equipment (17.9 percent) compared with those with Medicare only (7.5 percent) and those with Medicare and private insurance (6.7 percent).

Health care expenses are paid largely by third-party payers (figure 3). In 2013, private insurance paid 40.6 percent of total expenses, Medicare paid 25.3 percent, individuals and family members paid 13.8 percent out of pocket, Medicaid/CHIP paid 12.4 percent, and other sources paid 7.9 percent (figure 3). Private insurance paid over half (53.6 percent) of expenses for persons under age 65 versus only 13.2 percent for the elderly. Conversely, Medicare paid nearly two-thirds of expenses (63.6 percent) for persons age 65 and older and only 7.2 percent for those under age 65. Medicaid/CHIP paid for 16.5 percent of expenses for persons under age 65 compared to a substantially smaller 3.8 percent for persons age 65 and older. Individuals and family members in the under 65 population paid a slightly higher percentage of total expenses out of pocket (14.4 percent) than the 65 and older population (12.2 percent).

Data Source

The estimates in this Statistical Brief are based upon data from the MEPS HC-163: 2013 Full Year Consolidated Data File.

Definitions

Expenditures/expenses
Expenditures (expenses) include total direct payments from all sources to hospitals, physicians, home health providers (agency and paid independent providers), dental providers, other types of health care providers (e.g. physical therapists, chiropractors, optometrists etc.) and pharmacies for services reported by respondents in the MEPS-HC. Expenditures for hospital-based services include those for both facility and separately billed physician services.

Sources of payment

- *Out of pocket*: This category includes expenses paid by the user or other family member.
- *Private insurance*: This category includes payments made by insurance plans covering hospital and medical care (excluding payments from Medicare, Medicaid, and other public sources). Payments from Medigap plans or TRICARE (Armed Forces—related coverage) are included.
- *Medicare*: Medicare is a federally financed health insurance plan for persons age 65 and older, persons receiving Social Security disability payments, and persons with end-stage renal disease. Medicare Part A, which provides hospital insurance, is automatically given to those who are eligible for Social Security. Medicare Part B provides supplementary medical insurance that pays for medical expenses and can be purchased for a monthly premium. Medicare Part D provides optional coverage for prescribed medicines.
- *Medicaid/CHIP*: Medicaid and CHIP are means-tested government programs jointly financed by federal and state funds that provide health care to those who are eligible. Medicaid is designed to provide health coverage to families and individuals who are unable to afford necessary medical care while CHIP provides coverage to additional low income children not eligible for Medicaid. Eligibility criteria for both programs vary significantly by state.
- *Other sources*: This category includes payments from the Department of Veterans Affairs (except TRICARE); other federal sources (Indian Health Service, military treatment facilities, and other care provided by the Federal Government); various state and local sources (community and neighborhood clinics, state and local health departments, and state programs other than Medicaid/CHIP); Workers' Compensation; various unclassified sources (e.g., automobile, homeowner's, or other liability insurance, and other miscellaneous or unknown sources); Medicaid/CHIP payments reported for persons who were not reported as enrolled in the Medicaid or CHIP programs at any time during the year; and private insurance payments reported for persons without any reported private health insurance coverage during the year.

Health insurance status
Individuals under age 65 were classified in the following three insurance categories, based on household responses to health insurance status questions:

- *Any private health insurance*: Individuals who, at any time during the year, had insurance that provides coverage for hospital and physician care (other than Medicare, Medicaid/CHIP, or other public hospital/physician coverage) were classified as having private insurance. Coverage by TRICARE (Armed Forces—related coverage) was also included as private health insurance. Insurance that provides coverage for a single service only, such as dental or vision coverage, was not included.
- *Public coverage only*: Individuals were considered to have public coverage only if they met both of the following criteria: 1) they were not covered by private insurance at any time during the year, 2) they were covered by any of the following public programs at any point during the year: Medicare, Medicaid/CHIP, or other public hospital/physician coverage.
- *Uninsured*: The uninsured were defined as people not covered by private hospital/physician insurance, Medicare, TRICARE, Medicaid/CHIP, or other public hospital/physician programs at any time during the entire year or period of eligibility for the survey.

Individuals age 65 and older were classified into the following three insurance categories:

- *Medicare and private insurance*: This category includes persons classified as Medicare beneficiaries and covered by Medicare and a supplementary private policy.
- *Medicare and other public insurance*: This category includes persons classified as Medicare beneficiaries who met both of the following criteria: 1) They were not covered by private insurance at any point during the year, 2) They were covered by one of the following public programs at any point during the year: Medicaid, other public hospital/physician coverage.
- *Medicare only*: This category includes persons classified as Medicare beneficiaries but not classified as Medicare and private insurance or as Medicare and other public insurance. This group includes persons who were enrolled in Medicare Advantage (Part C) and persons who had traditional Medicare fee-for-service coverage only.

About MEPS-HC

MEPS-HC is a nationally representative longitudinal survey that collects detailed information on health care utilization and expenditures, health insurance, and health status, as well as a wide variety of social, demographic, and economic characteristics for the U.S. civilian noninstitutionalized population. It is cosponsored by the Agency for Healthcare Research and Quality (AHRQ) and the National Center for Health Statistics.

MEPS expenditure data are derived from both the Medical Provider Component (MPC) and Household Component (HC). MPC data are generally used for hospital-based events (e.g., inpatient stays, emergency room visits, and outpatient department visits), prescribed medicine purchases, and home health agency care. Office based physician care estimates use a mix of HC and MPC data while estimates for non-physician office visits, dental and vision services, other medical equipment and services, and independent provider home health care services are based on HC provided data. Details on the estimation process can be found in Machlin, S. R. and Dougherty, D.D. *Overview of Methodology for Imputing Missing Expenditure Data in the Medical Expenditure Panel Survey*. Methodology Report No. 19. March 2007. Agency for Healthcare Research and Quality, Rockville, MD.
http://www.meps.ahrq.gov/mepsweb/data_files/publications/mr19/mr19.pdf.

For more information about MEPS, call the MEPS information coordinator at AHRQ (301-427-1406) or visit the MEPS Web site at http://www.meps.ahrq.gov/.

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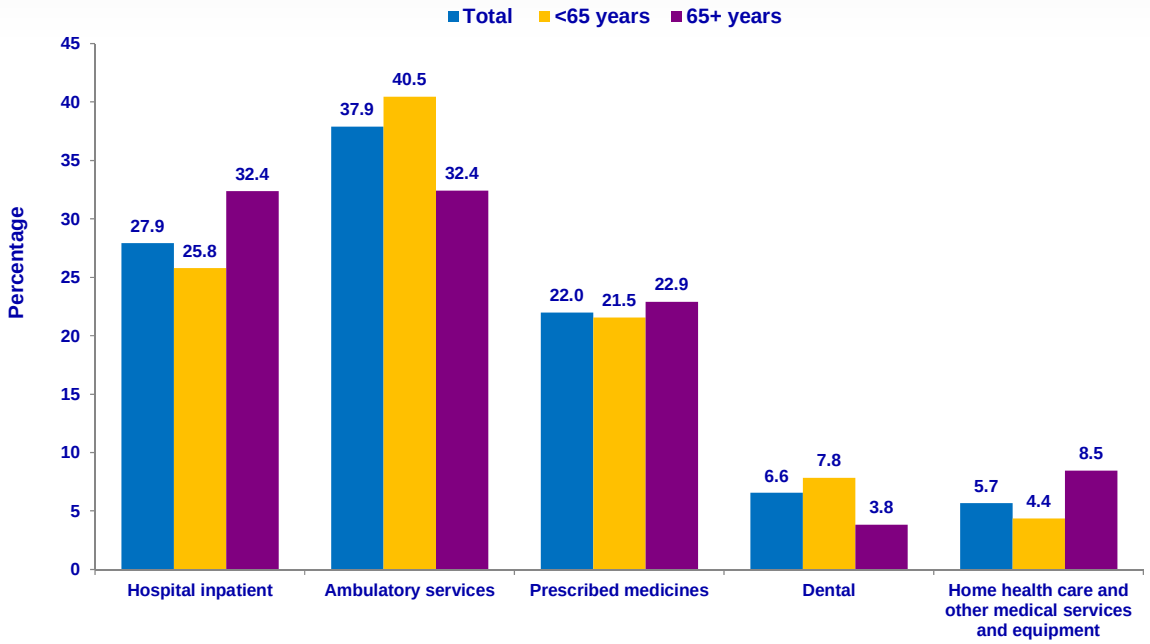
AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using this Statistical Brief and other MEPS data and tools and to share suggestions on how MEPS products might be enhanced to further meet your needs. Please email us at MEPSProjectDirector@ahrq.hhs.gov or send a letter to the address below:

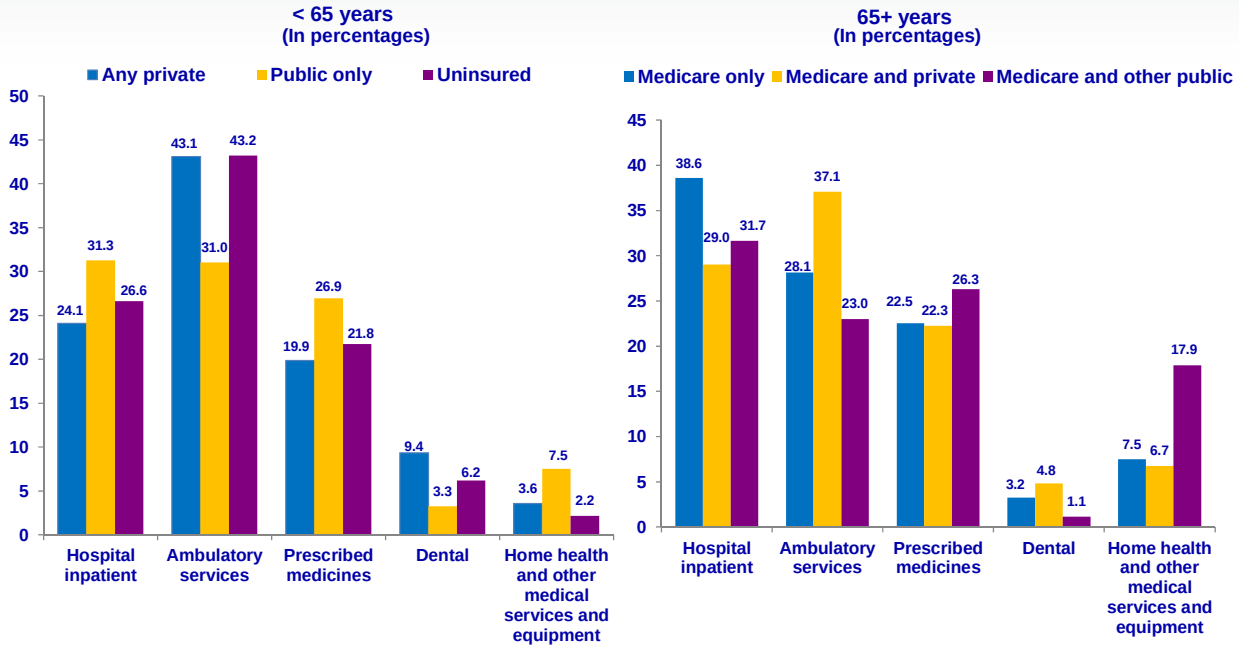
Joel Cohen, PhD, Director
Center for Financing, Access, and Cost Trends
Agency for Healthcare Research and Quality
5600 Fishers Lane
Rockville, MD 20857

Figure 1. Percentage distribution of health care spending, by type of service, 2013



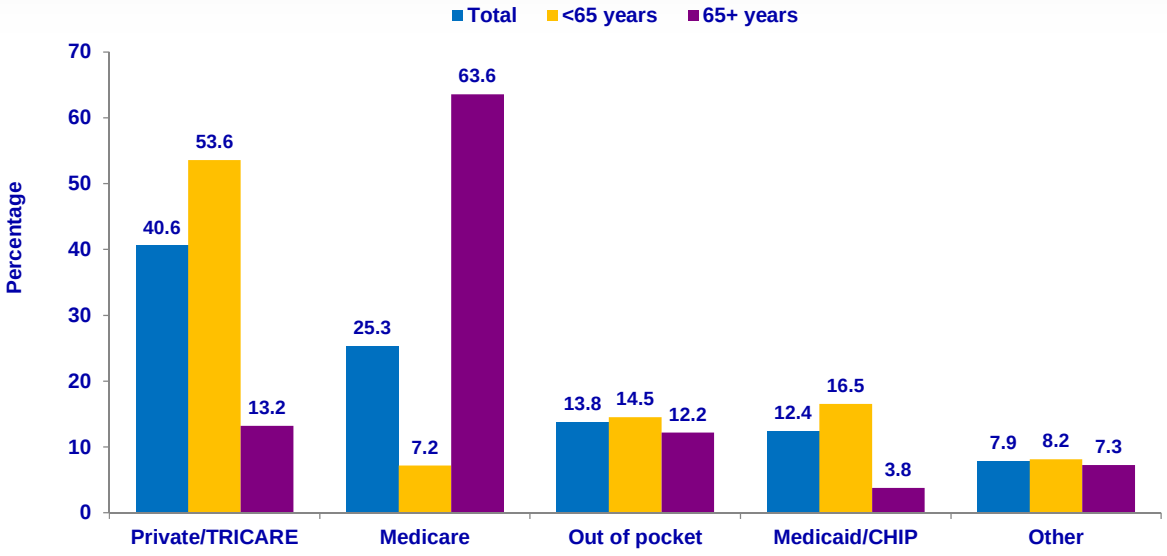
Note: Estimates are for the U.S. civilian noninstitutionalized population. Percentages may not add to exactly 100.0 due to rounding.
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2013

Figure 2. Percentage distribution of health care spending by type of service, within age and insurance status groups, 2013



Note: Estimates are for the U.S. civilian noninstitutionalized population. Percentages may not add to exactly 100.0 due to rounding.
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2013

Figure 3. Percentage distribution of health care spending, by source of payment, 2013



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Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2013