

## STATISTICAL BRIEF #425

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### **National Health Care Expenses in the U.S. Civilian Noninstitutionalized Population, 2011**

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#### **Introduction**

This Statistical Brief presents estimates of health care expenses by type of service and distributions by payment sources for the U.S. civilian noninstitutionalized population in 2011. Health care expenses, as reported in this Brief, represent payments to hospitals, physicians, and other health care providers based on health care use 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 amounts paid 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 2011, there was an estimated total of \$1.331 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 (figure 1). Hospital inpatient expenses for both facility and separately billed physician services accounted for 29.0 percent of total expenses while 32.5 percent was attributable to the combination of ambulatory care provided in office-based settings and hospital outpatient departments (23.9 and 8.6 percent, respectively). Prescribed medicines accounted for 22.3 percent of health expenses, while other health service categories comprised relatively small percentages of the total, ranging from 1.9 percent for other medical services and equipment to 6.4 percent for dental services.

In 2011, 84.6 percent of the U.S. civilian noninstitutionalized population (about 263.2 million persons) had some expenses for health care (figure 2).<sup>1</sup> The proportion of people with expenses varied widely by type of service, with large proportions having expenses for office-based medical provider visits (72.3 percent) and prescribed medicines (62.7 percent) and much smaller proportions having expenses for hospital inpatient services (7.0 percent) and home health care (2.1 percent).

The mean total expenses per person for those with some health care expenses in 2011 was \$5,056 (figure 3). Among specific health care service categories, the mean expense per person who had expenses ranged from \$17,710 for hospital inpatient services and \$7,939 for home health care to \$681 for dental services and \$457 for other medical services and equipment. Because a relatively small proportion of persons accounts for a large proportion of expenses, median expenses were substantially lower than mean expenses. The median total expense per person with expenses was \$1,312, and ranged across service categories from \$9,869 for hospital inpatient services and \$3,396 for home health care to \$243 for dental services and \$239 for other medical services and equipment (figure 4).

#### **Highlights**

- Overall, the mean and median expenses of persons with any health care expenses in 2011 (84.6 percent of the population) were \$5,056 and \$1,312, respectively.
- Hospital inpatient expenses and ambulatory care (office-based visits and hospital outpatient care) each accounted for nearly one-third of total expenses for the U.S. civilian non-institutionalized population, while prescribed medicines accounted for over one-fifth of total expenses.
- Dental expenses comprised a larger proportion of expenses for children under age 18 than adults ages 18-64 or persons age 65 and older while prescribed medicines accounted for a smaller share of health care expenses for children than adults ages 18-64 or persons age 65 and older.
- Private insurance paid for 43.4 percent of total expenses; Medicare paid 24.4 percent, individuals and family members paid 13.9 percent out of pocket, and Medicaid/CHIP paid 10.8 percent. The proportions paid out of pocket and by private insurance were lower for persons age 65 and older when compared to children under age 18 or adults ages 18-64.
- Average annual health care expenses varied substantially by type of health insurance coverage for persons under age 65 and for persons age 65 and older.

<sup>1</sup>Of the 15.4 percent of the population with no health care expenses, a very small proportion actually received health services for which no direct payments were made.

In 2011, ambulatory expenses (office-based and hospital outpatient) comprised about one-third of expenses overall (figure 5). A slightly lower proportion of expenses were for ambulatory care for persons age 65 and older (28.4 percent) than for either children under age 18 (34.1 percent) or adults aged 18–64 (34.4 percent). While inpatient expenses comprised about one-third of total expenses for persons age 65 and older, only 21.7 percent of expenses for children under age 18 were for inpatient care. Expenses for prescribed medicines comprised over one-fifth of expenses for adults aged 18–64 (23.7 percent) and age 65 and over (21.5 percent) but only 15.4 percent of expenses for children under age 18. Dental expenses accounted for 6.4 percent of overall expenses, but ranged from 3.6 percent for persons age 65 and older to 18.1 percent for children under age 18. Expenses for emergency room care comprised 5.8 percent of overall expenses, and ranged from 2.2 percent for persons age 65 and older to 5.7 percent for children under age 18.

Health care expenses are paid largely by third-party payers (e.g., private and public sources of payment). In 2011, private insurance paid 43.4 percent of total expenses; Medicare paid 24.4 percent, individuals and family members paid 13.9 percent out of pocket, and Medicaid/CHIP paid 10.8 percent (figure 6). Private insurance paid for 49.1 percent of expenses for children under age 18 and 56.7 percent for adults ages 18–64 but only 16.1 percent for persons age 65 and older. Conversely, Medicare paid nearly two-thirds of expenses (62.4 percent) for persons age 65 and older versus only 8.2 percent for younger adults. Moreover, Medicaid/CHIP paid for almost one-third (29.7 percent) of expenses for children under age 18 compared to only 11.7 percent for adults ages 18–64 and 3.7 percent for persons age 65 and older.

Average annual health care expenses varied substantially by type of health insurance coverage (figure 7). Among persons under age 65 with expenses, the mean expenses for those who had public insurance only (\$4,678) or any private insurance (\$4,272) were higher than for the uninsured (\$2,156). Among persons age 65 and older with expenses, those with Medicare only had lower mean expenses (\$8,587) than those with both Medicare and other public sources of payment (\$12,249).

## Data Source

The estimates in this Statistical Brief are based upon data from the MEPS HC-147: 2011 Full Year Consolidated Data File.

## Definitions

### *Expenditures*

Expenditures 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](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/>.

### References

Cohen, J. *Design and Methods of the Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 1. AHCPR Pub. No. 97-0026. Rockville, MD: Agency for Healthcare Policy and Research, 1997.  
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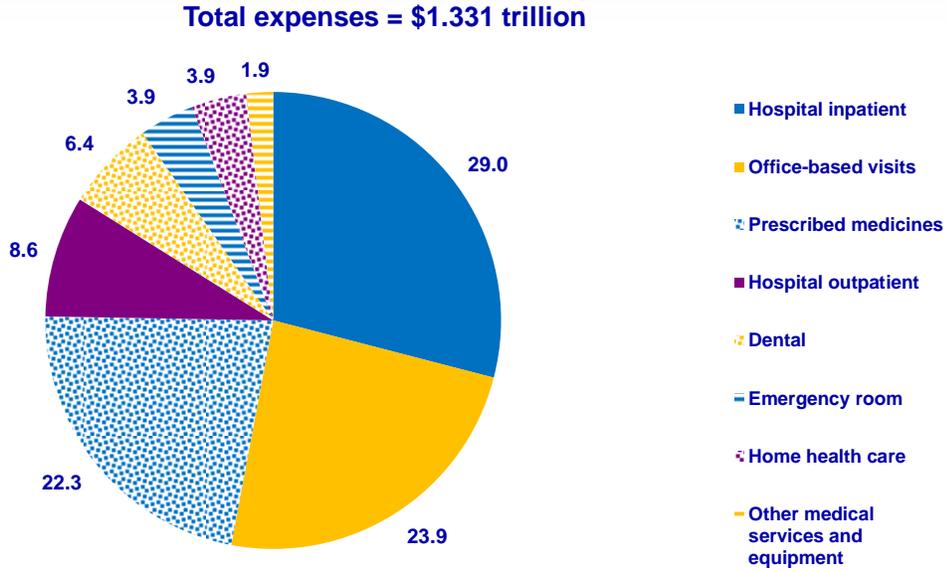
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AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using 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](mailto:MEPSProjectDirector@ahrq.hhs.gov) or send a letter to the address below:

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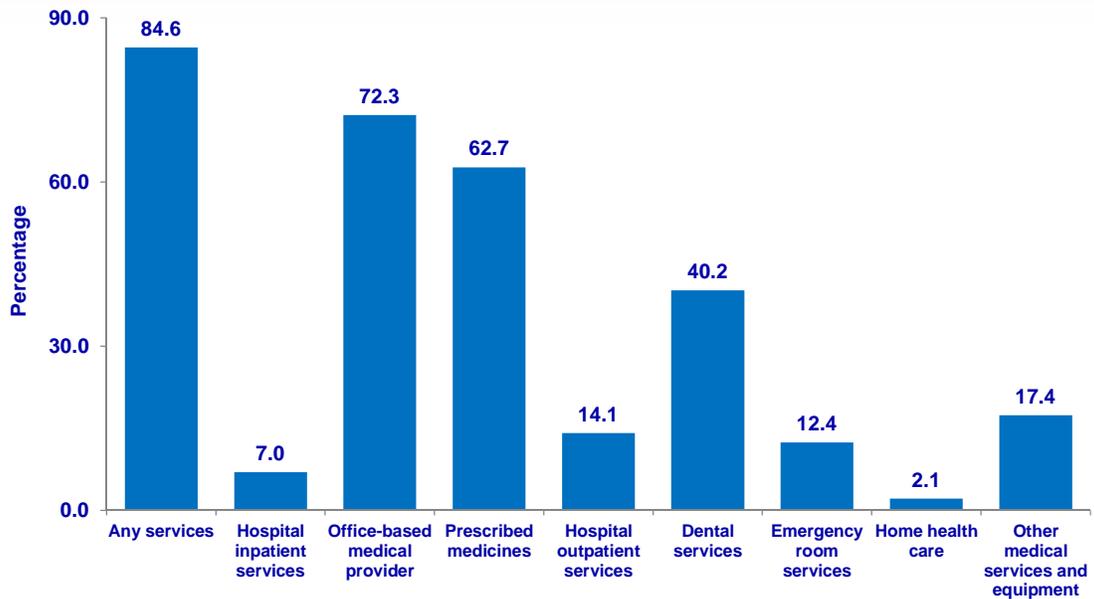
Figure 1. Percentage distribution of health care spending, by type of service, 2011



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, 2011



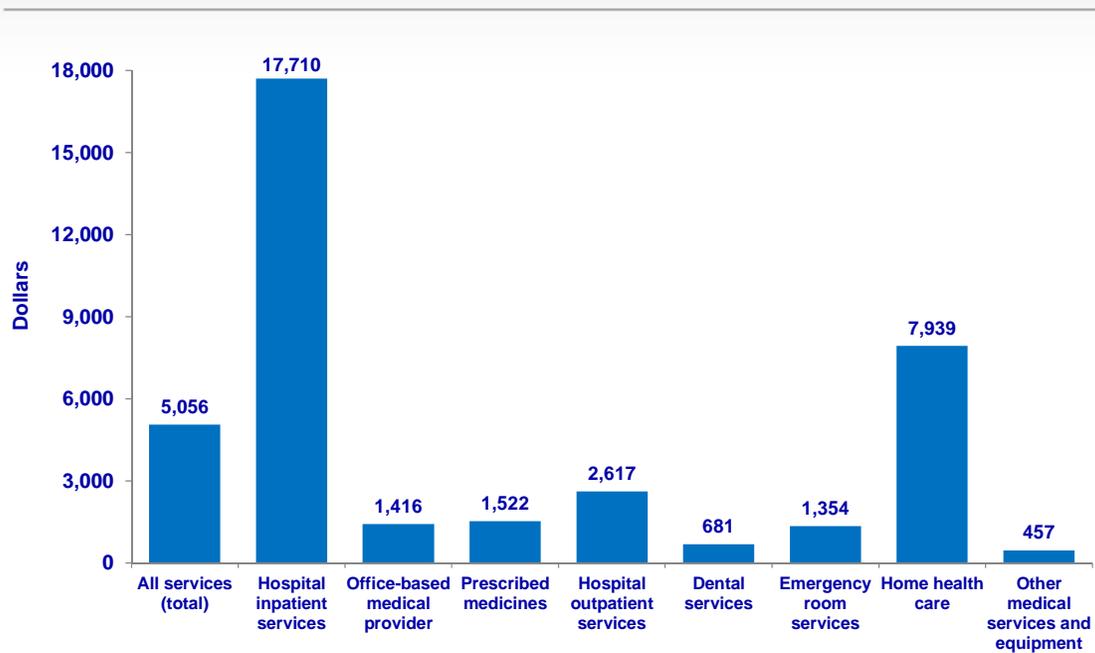
Figure 2. Percentage of persons with health care expenses, by type of service, 2011



Note: Estimates are for the U.S. civilian noninstitutionalized population.  
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2011



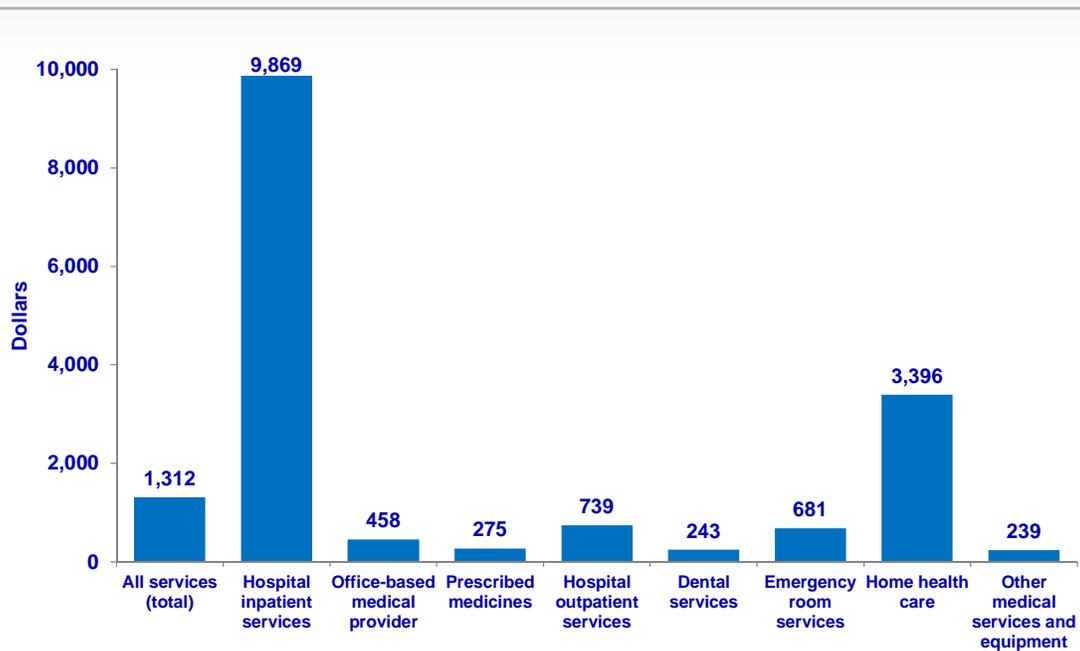
**Figure 3. Mean expense per person with health care expenses, by type of service, 2011**



Note: Estimates are for the U.S. civilian noninstitutionalized population.  
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2011



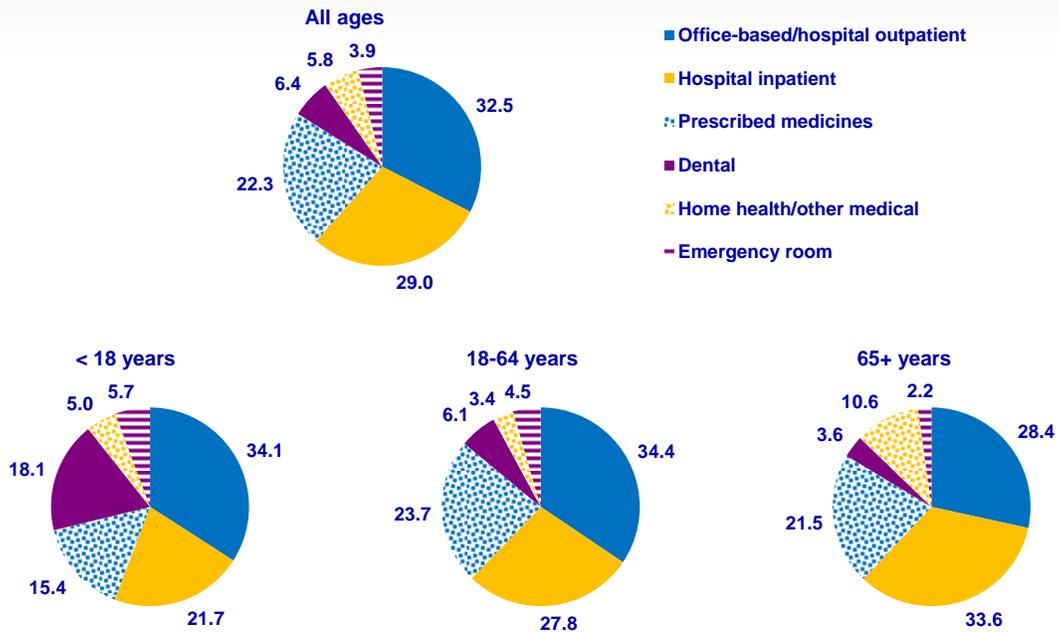
**Figure 4. Median expense per person with health care expenses, by type of service, 2011**



Note: Estimates are for the U.S. civilian noninstitutionalized population.  
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2011



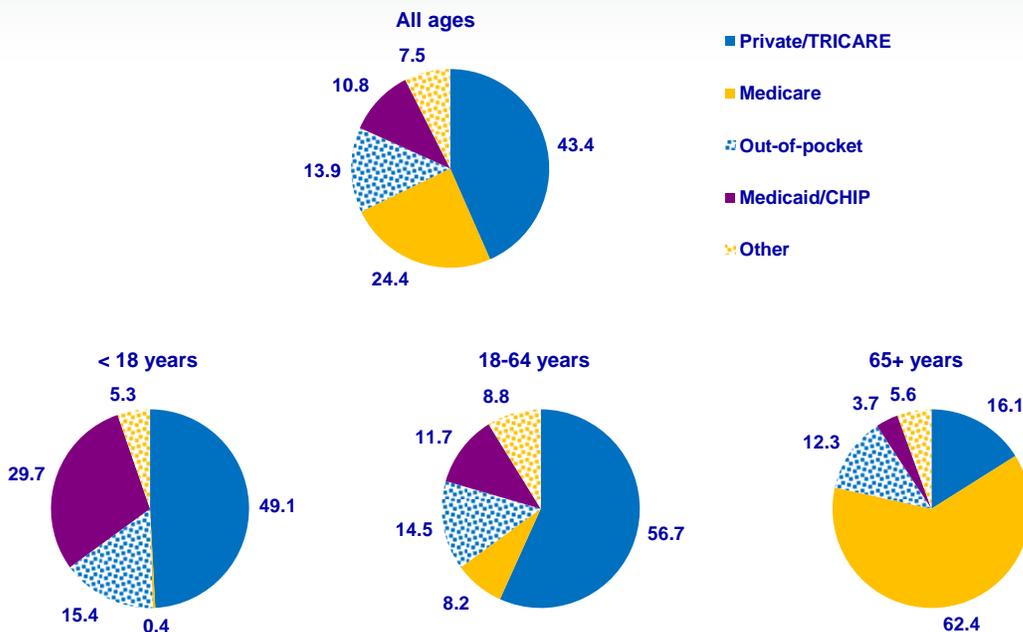
**Figure 5. Percentage distribution of health care spending, by type of service within age groups, 2011**



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, 2011



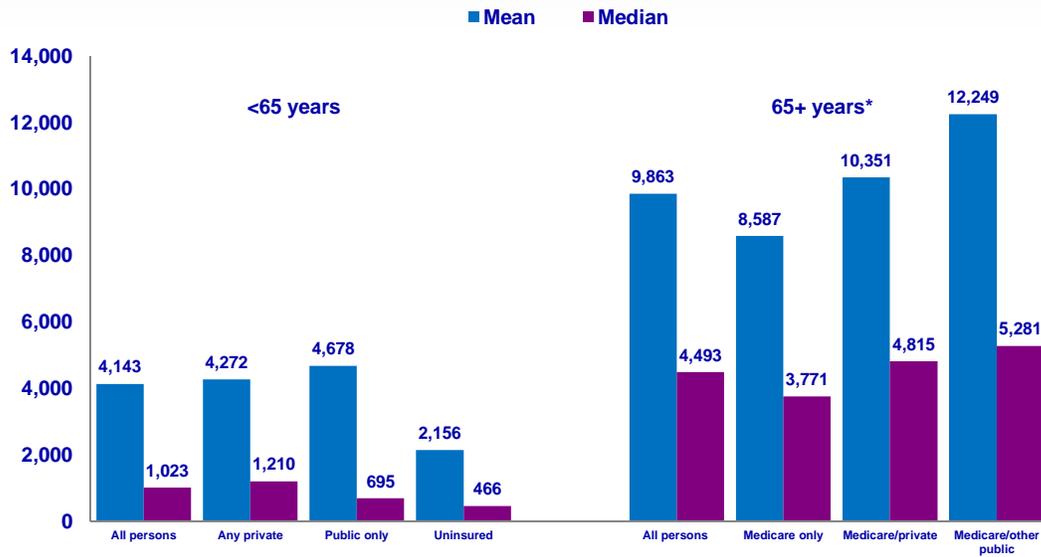
**Figure 6. Percentage distribution of health care spending, by source of payment within age groups, 2011**



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, 2011



**Figure 7. Mean and median expenses for persons with health care expenses, by age and insurance status, 2011**



\*A negligible number of persons age 65+ without Medicare are excluded from these estimates.

Note: Estimates are for the U.S. civilian noninstitutionalized population.

Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2011