MEPS
Medical Expenditure Panel Survey

AHRQ
Agency for Healthcare Research and Quality

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National Health Care Expenses in the U.S. Civilian Noninstitutionalized Population, 2004

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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 2004. The estimates are derived from data collected in the Medical Expenditure Panel Survey Household Component (MEPS-HC) and Medical Provider Component (MEPS-MPC). Health care expenses, as reported in this brief, represent payments to hospitals, physicians, and other health care providers for services reported by respondents in the MEPS-HC. These expenses are defined as direct payments by individuals, private insurance, Medicare, Medicaid, and other payment sources.

All differences between estimates discussed in the text are statistically significant at the 0.05 level or better.

Findings

In 2004, there was an estimated total of $963.9 billion paid for hospital inpatient and outpatient care; emergency room services; office-based medical provider services; dental services; home health care; prescription medicines; and/or other medical services and equipment for about 293.5 million persons in the U.S. civilian noninstitutionalized population (figure 1). Hospital inpatient expenses for both facility and separately billed physician services accounted for 31.4 percent of total expenses, and a similar share of expenses was attributable to combined ambulatory care provided in medical offices (22.7 percent) and hospital outpatient departments (9.1 percent). While prescribed medicines accounted for approximately one-fifth of health expenses (19.8 percent), other health service categories comprised relatively small percentages of the total, ranging from 2.1 percent for other medical services and equipment to 7.5 percent for dental services.

In 2004, 84.7 percent of the U.S. civilian noninstitutionalized population had some expenses for hospital inpatient and outpatient care; emergency room services; office-based medical provider services; dental services; home health care; prescription medicines;

Highlights

- In 2004, hospital inpatient services and office-based/hospital outpatient ambulatory care services each accounted for nearly one-third and prescribed medicines for about one-fifth of total expenses.
- Overall, the mean and median expenses of persons with any expenses were $3,879 and $1,091, respectively.
- The proportions of people with expenses varied widely by type of service, with the highest for office-based provider visits and prescribed medicines but much smaller for hospital inpatient services and home health care.
- Hospital inpatient expenses comprised the largest share of expenses for persons 65 and over, while office-based/outpatient expenses comprised the largest for those under age 65.
- Relative to adults, children under 18 had a smaller share of their expenses for prescribed medicines but larger shares for dental and emergency room services.
- In 2004, private insurance covered 42.8 percent of total expenses, individuals and family members paid 19.0 percent out of pocket, Medicare paid 20.9 percent, and Medicaid paid 10.6 percent.
- Among persons under 65, the uninsured had lower average expenses than those with private or public insurance coverage. Among persons 65 and over, those with supplemental private or public insurance coverage to Medicare had higher expenses than those covered by Medicare only.

and/or other medical services and equipment (figure 2).* The proportion of people with expenses varied widely by type of service, with large proportions having expenses for office-based medical provider visits (71.3 percent) and prescribed medicines (62.7 percent) and much smaller proportions having expenses for hospital inpatient services (7.5 percent) and home health care (1.9 percent).

For persons with an expense for any type of health care service, the mean total expenses per person in 2004 were $3,879 (figure 3). Among specific health care service categories, the mean expense per person with an expense ranged from highs of $13,687 for hospital inpatient services and $6,306 for home health care to lows of $575 for dental services and $349 for other medical services and equipment. Because a relatively small proportion of persons account for a large proportion of expenses, median expenses were generally between one-third and one-half the level of mean expenses (figure 4). The overall median total expense was $1,091, and ranged across service categories from highs of $6,913 for hospital inpatient services and $2,186 for home health care to lows of $212 for dental services and $199 for other medical services and equipment.

The distribution of expenses by type of service varied substantially by age (figure 5). Hospital inpatient expenses comprised 39.9 percent of expenses for persons age 65 and over compared to 28.1 percent for adults age 18-64 and 20.8 percent for children under 18. Compared to adults, a substantially smaller share of total expenses for children under 18 was for prescribed medicines (11.9 versus 20.3-20.7 percent). Conversely, a substantially larger share of children's expenses was for dental services (22.7 percent) than for adults age 18-64 (7.7 percent) or 65 and over (3.1 percent). Expenses for emergency room care comprised a fairly small share of total expenses in all age groups, but accounted for a higher proportion of total spending for children (6.5 percent) than adults.

Health care expenses are paid by individuals and third-party payers, such as private insurance and public programs. In 2004, private insurance covered 42.8 percent of the total expenses; individuals and family members paid 19.0 percent out of pocket; Medicare paid 20.9 percent; and Medicaid paid 10.6 percent (figure 6). While the proportions paid out of pocket were fairly similar across age groups, shares paid by public and private sources varied considerably. For example, private insurance paid for over half of expenses for persons under 65 years of age, but only 16.7 percent of expenses for persons age 65 and over. Conversely, Medicare paid for over half of expenses (54.5 percent) for persons age 65 and over versus only a negligible proportion for younger persons. Moreover, the proportion of expenses paid by Medicaid for children under 18 (22.6 percent) was about twice that for adults age 18-64 (11.7 percent) and four times that for persons age 65 and over (5.5 percent).

As shown in figure 7, average annual health care expenses varied substantially by age and type of health insurance coverage. People under 65 years of age with an expense had a mean total expense of $3,028 and a median total expense of $846, while those 65 years and older had a mean total expense of $8,906 and a median total expense of $4,065. Uninsured people under age 65 were characterized by relatively lower expenditures; those with expenses had a mean expense of $1,557, about half the level of their privately and publicly insured counterparts. Persons age 65 and older on Medicare with supplemental private insurance and those with supplemental other public insurance were characterized by higher mean expenditures ($9,228 and $10,646, respectively) than those with Medicare only ($7,587).

Data Source

The estimates in this Statistical Brief are based on data from the 2004 Full-Year Consolidated Data File (HC-089).

Definitions

Expenditures
Expenditures include the total direct payments from all sources to hospitals, physicians, other health care providers (including dental care), 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.

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*Of the 15.3 percent of the population with no health care expenses, a negligible proportion actually received health services for which no direct payments were made.

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. Payments from plans that provide coverage for a single service only, such as dental or vision coverage, are not included.
– Medicare: Medicare is a federally financed health insurance plan for the elderly, persons receiving Social Security disability payments, and most 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.
– Medicaid: Medicaid is a means-tested government program jointly financed by Federal and State funds that provides health care to those who are eligible. Program eligibility criteria vary significantly by State, but the program is designed to provide health coverage to families and individuals who are unable to afford necessary medical care.
– 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); Workers' Compensation; various unclassified sources (e.g., automobile, homeowner's, or other liability insurance, and other miscellaneous or unknown sources); Medicaid payments reported for persons who were not reported as enrolled in the Medicaid program 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, 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, or other public hospital/physician coverage.
– Uninsured: The uninsured were defined as people not covered by private hospital/physician insurance, Medicare, TRICARE, Medicaid, 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 HMOs and persons who had 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 civilian noninstitutionalized population. It is cosponsored by the Agency for Healthcare Research and Quality and the National Center for Health Statistics.

For more information about MEPS, call the MEPS information coordinator at AHRQ (301-427-1656) or visit the MEPS Web site at http://www.meps.ahrq.gov/.

References

For a detailed description of the MEPS survey design, sample design, and methods used to minimize sources of nonsampling error, see the following publications:

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 Health Care Policy and Research, 1997.

Cohen, S. *Sample Design of the 1996 Medical Expenditure Panel Survey Household Component.* MEPS Methodology Report No. 2. AHCPR Pub. No. 97-0027. Rockville, Md.: Agency for Health Care Policy and Research, 1997.

Cohen, S. Design Strategies and Innovations in the Medical Expenditure Panel Survey. *Medical Care,* July 2003: 41(7) Supplement: III-5–III-12.

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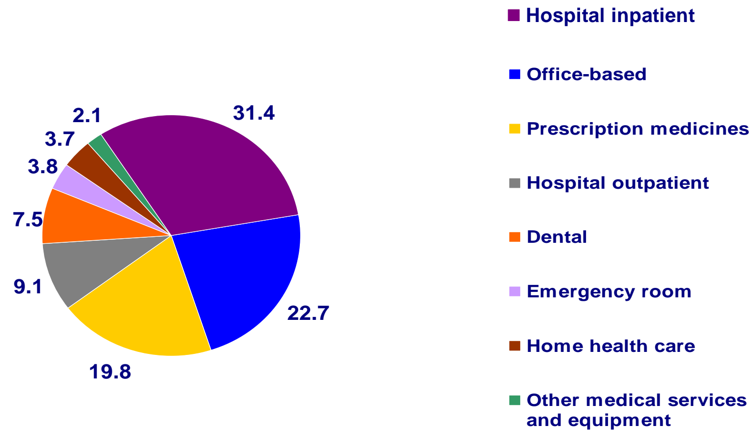
AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using this Statistical Brief and other MEPS data and tools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

Steven B. Cohen, PhD, Director
Center for Financing, Access, and Cost Trends
Agency for Healthcare Research and Quality
540 Gaither Road
Rockville, MD 20850

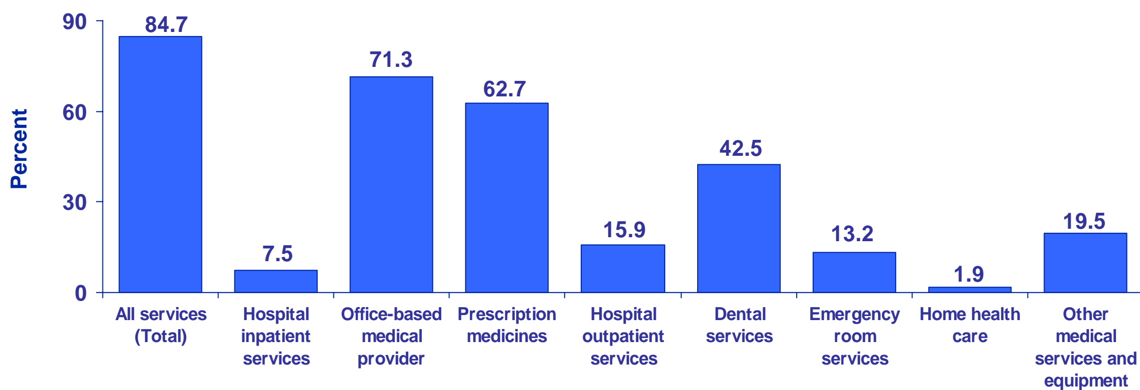
Figure 1. Percentage distribution of health care spending, by type of service, U.S. civilian noninstitutionalized population, 2004

Total expenses = $963.9 billion



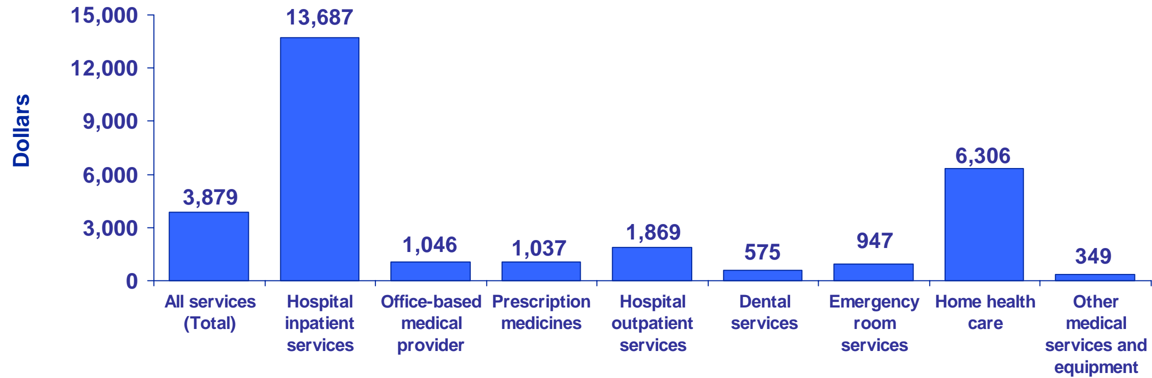
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2004

Figure 2. Percentage of persons with an expense, by type of service, 2004



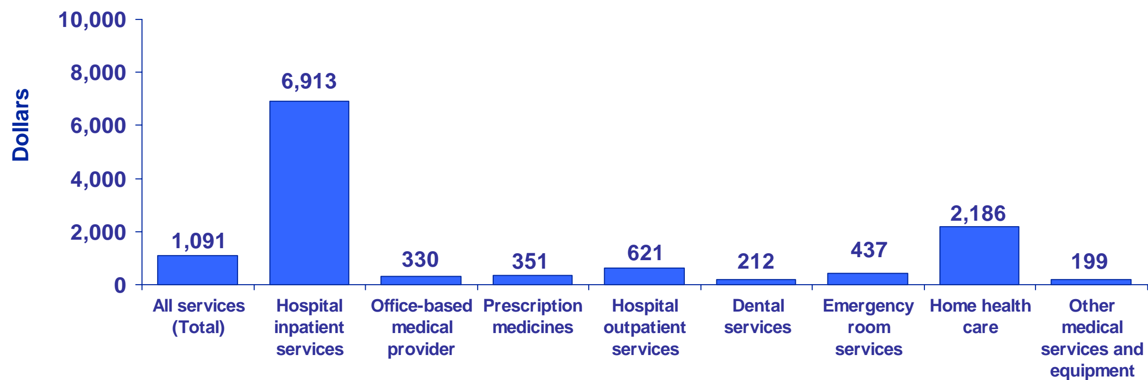
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2004

Figure 3. Mean expense per person with expenses, by type of service, 2004



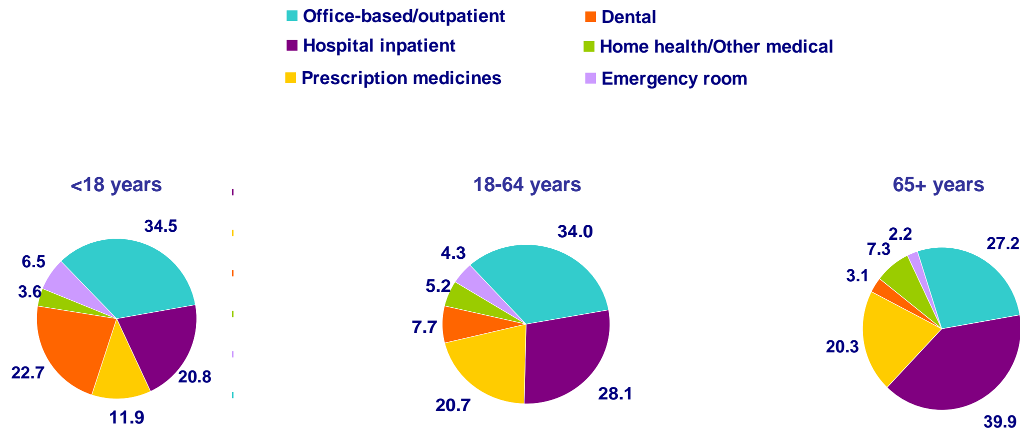
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2004

Figure 4. Median expense per person with expenses, by type of service, 2004



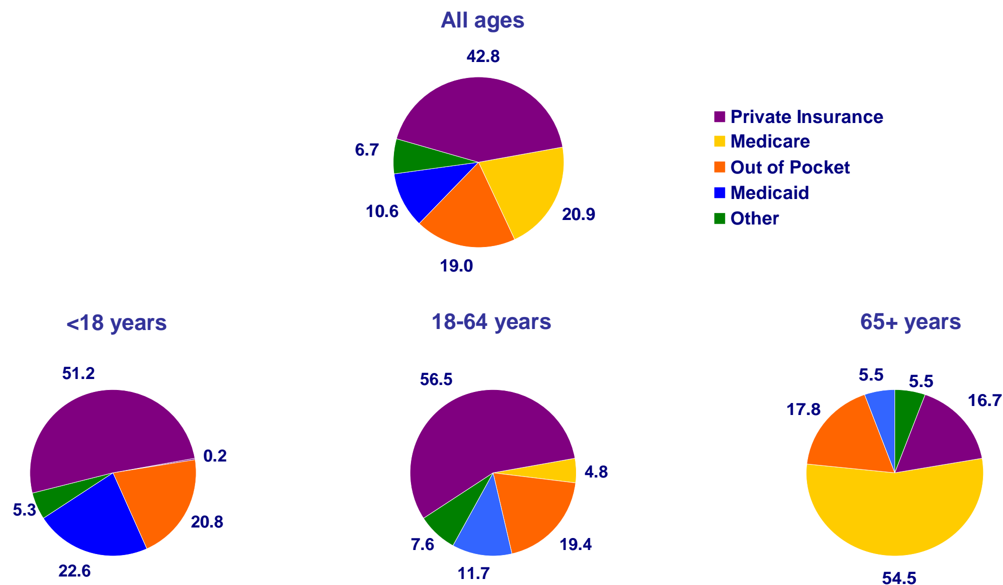
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2004

Figure 5. Percentage distribution of health care spending, by type of service, for selected age groups, 2004



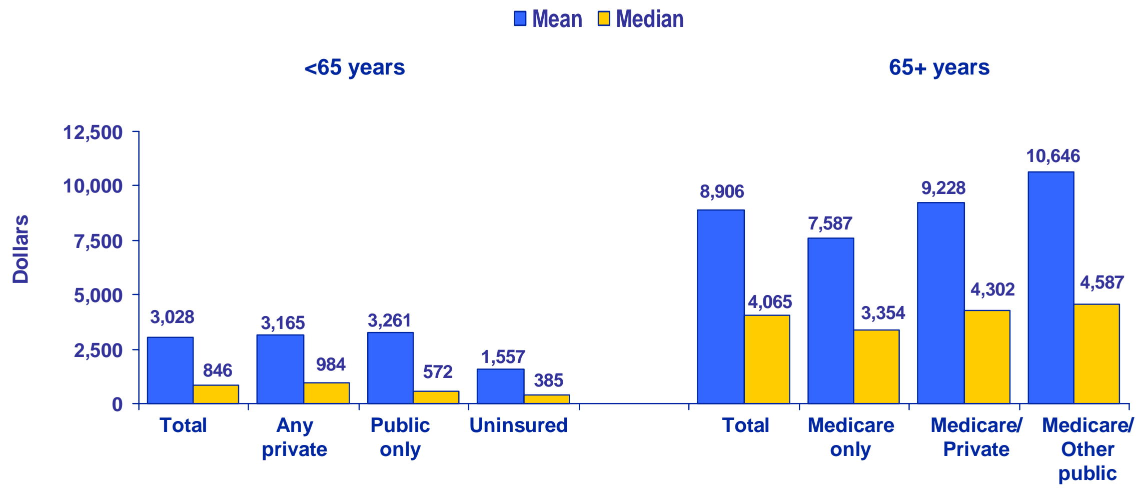
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2004

Figure 6. Percentage distribution of health care spending, by source of payment, for selected age groups, 2004



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2004

Figure 7. Mean and median expenses for persons with expenses, by age and insurance status, 2004



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2004