

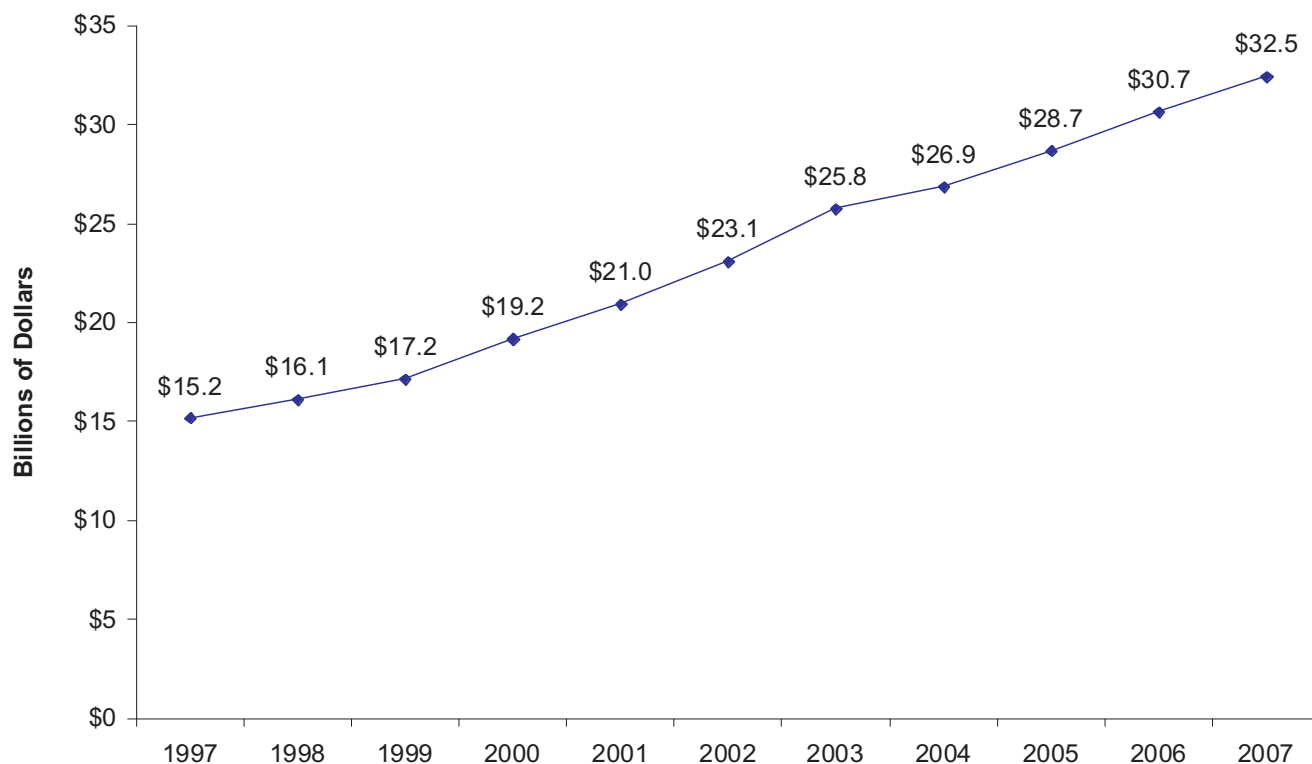
Minnesota Health Care Spending in 2007

This issue brief provides detailed estimates for 2007 health care spending in Minnesota, with analysis of recent trends and comparisons to national estimates. The estimates follow the framework of the national health spending estimates developed by the Centers for Medicare & Medicaid Services (CMS) and track data by source of funds and category of spending. However, the Minnesota estimates use state specific data.¹

Overview

Health care spending in Minnesota in 2007 reached an estimated \$32.5 billion, or \$6,266 per person. In 2007, spending grew by 5.8 percent, which is below the average annual growth rate for the most recent ten years (7.8 percent). Since 1997, health care spending in Minnesota has more than doubled (see Figure 1).

Figure 1
Ten Year Trend in Minnesota Health Care Spending



Source: MDH Health Economics Program

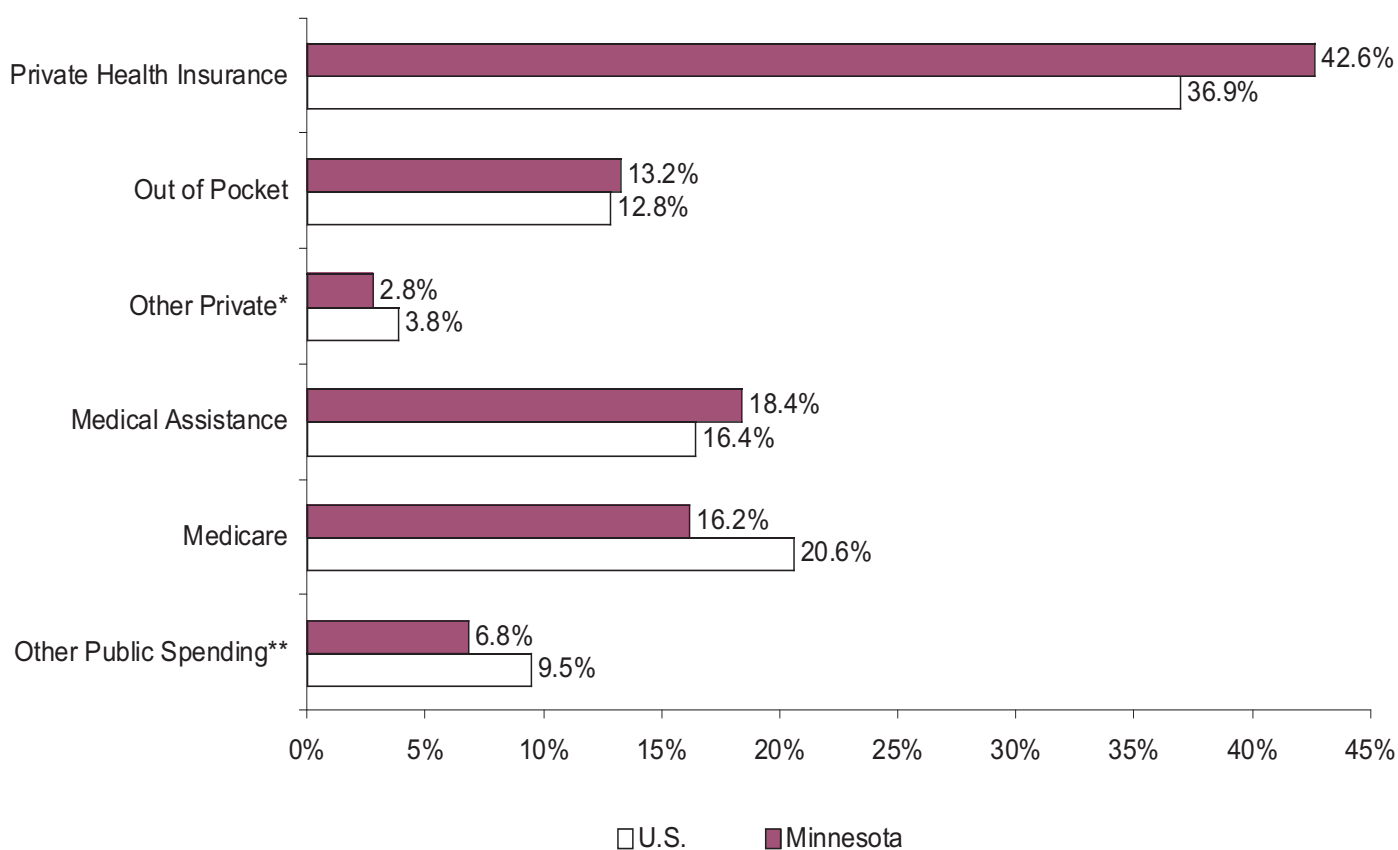


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Sources of Funds

About 60 percent of total spending on health care in the state comes from private sources (private health insurance, consumer out of pocket and other private spending), with the remaining 40 percent coming from public sources (see Figure 2). Compared to national sources of funding, private health insurance and Medical Assistance represent a larger share of total health care spending, while Medicare and other public spending represent a smaller percentage.

Figure 2
2007 Minnesota and U.S. Health Care Spending
Where It Came From



Source: MDH Health Economics Program, Centers for Medicare and Medicaid Services

*Other major private payers include private workers' compensation and auto medical insurance.

**Major components of other public spending are MinnesotaCare, General Assistance Medical Care, government workers' compensation, Veterans Administration, and Minnesota Comprehensive Health Association.

The distribution of total spending between public and private sources has been fairly stable over time. However, in recent years, spending from public sources has gradually increased as a share of total health care spending, while the share of total health care spending from private sources has declined (see Table 1).

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In addition, there have been some shifts in the funding sources that make up the public and private shares of total health care spending. For example, the share of total health care spending coming from private health insurance increased slightly from 42.0 percent in 2003 to 42.6 percent in 2007, while the share of spending coming from consumer out of pocket spending and from other private sources declined. This trend of an increasing share of health care spending coming from private insurance has been occurring for over a decade – in 1993, the first year for which Minnesota health spending estimates were developed, private insurance accounted for 34.7 percent of total spending.

Although overall public spending as percent of total spending has been fairly stable, Medicare increasingly accounts for a larger share of the overall spending. Over the past five years, Medicare's share of total spending grew by almost two percentage points to 16.2 percent.

Table 1
Shares of Minnesota Health Care Spending by Payer, 2003 to 2007

	2003	2004	2005	2006	2007
Public Spending, Total	40.4%	40.9%	40.7%	40.9%	41.3%
Medicare	14.3%	14.8%	15.4%	16.1%	16.2%
Medicaid	18.7%	18.8%	18.4%	18.2%	18.4%
Other Public Spending*	7.4%	7.4%	6.9%	6.7%	6.8%
Private Spending, Total	59.6%	59.1%	59.3%	59.1%	58.7%
Private Health Insurance	42.0%	41.7%	42.4%	42.9%	42.6%
Out of Pocket	14.4%	14.2%	13.8%	13.3%	13.2%
Other Private**	3.3%	3.2%	3.1%	2.8%	2.8%

*Major components of other public spending are MinnesotaCare, General Assistance Medical Care, government workers' compensation, Veterans Administration, Minnesota Comprehensive Health Association.

**Other major private payers include private workers' compensation and auto medical insurance.

In 2007, total health care spending grew more slowly in Minnesota than for the nation as a whole (5.8 percent versus 6.2 percent). In both Minnesota and the U.S. overall, public spending is growing at a faster rate than private spending, and overall growth in 2007 was slower than in 2006.

Table 2
Minnesota and U.S. Health Care Expenditure Growth

	2006		2007	
	MN	US	MN	US
Public	7.5%	8.5%	6.8%	6.5%
Private	6.5%	5.4%	5.1%	5.9%
Total Spending	6.9%	6.8%	5.8%	6.2%

Minnesota Health Care Spending in 2007

Consistent with historical trends, Minnesota continues to spend less on health care per capita than the country as a whole (see Table 3). In 2007, this difference amounted to \$698 per capita, or 10 percent less per person (\$6,266 in Minnesota compared with \$6,964 nationally). Because growth in per capita health spending in Minnesota in recent years has been lower than nationally, the gap in per capita spending between Minnesota and the nation overall has widened. This is a reversal of the trend that occurred in the earlier part of this decade, when per capita spending in Minnesota grew faster than for the U.S. overall.

Minnesota also devotes a smaller portion of its economy to health care compared to the nation as a whole (12.9 percent compared to 15.3 percent). However, as shown in Table 3, both Minnesota and the nation are spending increasing shares of their total economies on health care.

Table 3
Minnesota and U.S. Per Capita Health Care Spending and Share of Economy,
2003 to 2007

	2003	2004	2005	2006	2007
Per Capita Spending:					
Minnesota	\$5,110	\$5,292	\$5,623	\$5,966	\$6,266
U.S.	\$5,593	\$5,917	\$6,261	\$6,623	\$6,964
Health Care Spending as a Share of the Economy:					
Minnesota	12.4%	12.0%	12.3%	12.7%	12.9%
U.S.	14.9%	14.9%	15.0%	15.1%	15.3%

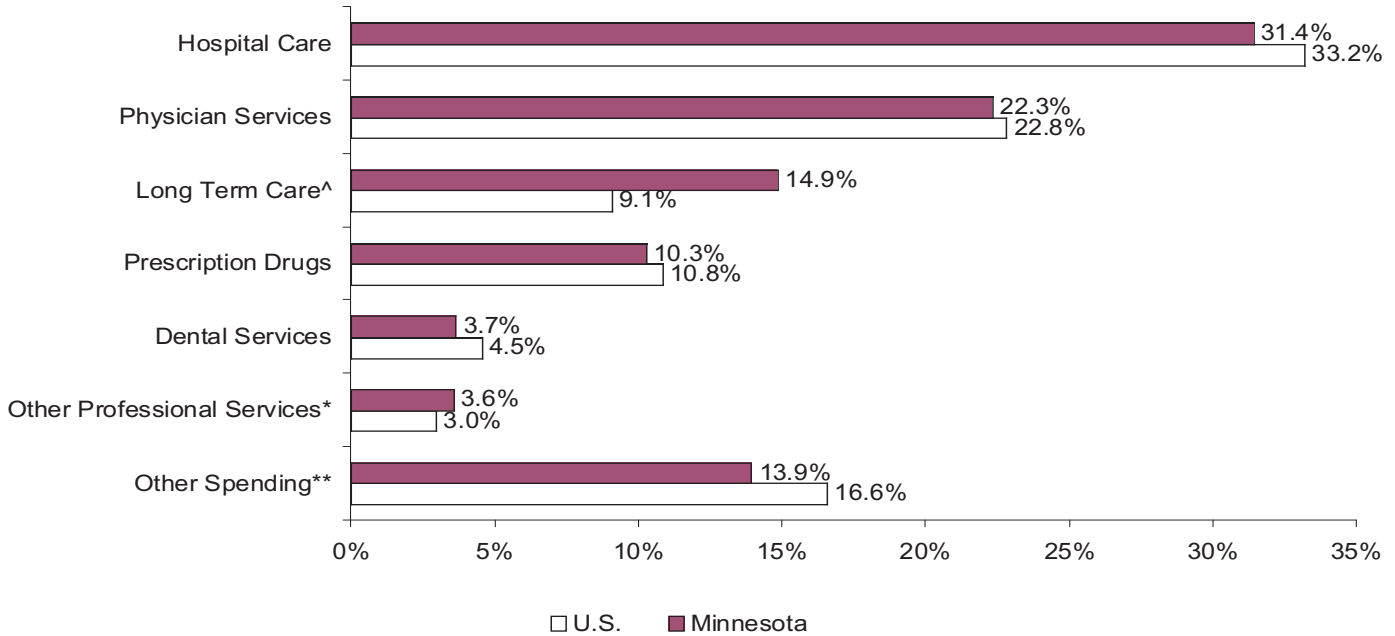
Note: National comparison uses spending for health services and supplies, the category that is most comparable to Minnesota spending estimates

Spending by Type of Service

In Minnesota and the nation as a whole, hospital care (inpatient and outpatient combined) and physician services represent the largest categories of spending (see Figure 3). These spending categories account for over half of total spending. Shares of spending in Minnesota are lower for hospital care and higher for long term care compared with national figures. This is partially explained by methodological differences in estimating Minnesota and national health spending. National estimates count long term care spending in facilities that are attached to a hospital as hospital spending, while the Minnesota estimates allocate this spending to the long term care category.

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Figure 3
2007 Minnesota and U.S. Health Care Spending
Where It Went



Some of the spending defined as long term care in the Minnesota estimate is defined as hospital spending in the national figures.

Source: MDH Health Economics Program; Centers for Medicare & Medicaid Services

^{*}Includes services provided by health practitioners who are not physicians or dentists.

^{**}All other spending, including Federal block grants for public health.

[^] Includes Home Care

The distribution of health care spending in Minnesota across types of services has generally been stable over time. However, in recent years, there have been slight changes in the distribution of spending across categories (see Table 4). For example, hospital care (inpatient and outpatient combined) has steadily increased as a share of total spending, from 29.6 percent in 2003 to 31.4 percent in 2007. This is mainly attributable to growth in spending for outpatient hospital care. The share of spending for other professional services² has also increased compared to 2003; in contrast, the share of spending for prescription drugs and long term care has declined.

Growth rates in spending by type of service varied in Minnesota in 2007. Other professional services and outpatient hospital care were the two of the fastest growing categories of spending in 2007, with growth rates of 11.7 percent and 9.4 percent, respectively.

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Table 4
Minnesota Health Care Spending by Type of Expense,
2003 to 2007

	2003	2004	2005	2006	2007
Millions of Dollars					
Inpatient Hospital	\$5,132	\$5,329	\$5,770	\$6,199	\$6,445
Outpatient Hospital	\$2,495	\$2,773	\$3,119	\$3,429	\$3,751
Physician Services	\$5,700	\$5,613	\$6,020	\$6,725	\$7,252
Long Term Care (incl. Home Care)	\$4,162	\$4,329	\$4,517	\$4,654	\$4,827
Prescription Drugs	\$3,073	\$3,316	\$3,357	\$3,313	\$3,330
Dental	\$927	\$947	\$1,079	\$1,096	\$1,185
Other Professional Services	\$727	\$803	\$901	\$1,035	\$1,156
Other Spending	<u>\$3,573</u>	<u>\$3,764</u>	<u>\$3,940</u>	<u>\$4,233</u>	<u>\$4,525</u>
Total	\$25,789	\$26,873	\$28,703	\$30,684	\$32,470
Distribution of Spending					
Inpatient Hospital	19.9%	19.8%	20.1%	20.2%	19.8%
Outpatient Hospital	9.7%	10.3%	10.9%	11.2%	11.6%
Physician Services	22.1%	20.9%	21.0%	21.9%	22.3%
Long Term Care (incl. Home Care)	16.1%	16.1%	15.7%	15.2%	14.9%
Prescription Drugs	11.9%	12.3%	11.7%	10.8%	10.3%
Dental	3.6%	3.5%	3.8%	3.6%	3.7%
Other Professional Services	2.8%	3.0%	3.1%	3.4%	3.6%
Other Spending	<u>13.9%</u>	<u>14.0%</u>	<u>13.7%</u>	<u>13.8%</u>	<u>13.9%</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Rates of Growth					
Inpatient Hospital		3.8%	8.3%	7.4%	4.0%
Outpatient Hospital		11.1%	12.5%	9.9%	9.4%
Physician Services		-1.5%	7.3%	11.7%	7.8%
Long Term Care (incl. Home Care)		4.0%	4.3%	3.0%	3.7%
Prescription Drugs		7.9%	1.2%	-1.3%	0.5%
Dental		2.1%	14.0%	1.5%	8.2%
Other Professional Services		10.5%	12.2%	14.9%	11.7%
Other Spending		<u>5.3%</u>	<u>4.7%</u>	<u>7.4%</u>	<u>6.9%</u>
Total		4.2%	6.8%	6.9%	5.8%

Endnotes

¹Both national and state level estimates are periodically revised as more accurate data becomes available and the methodology is improved.

²This category includes services provided by health practitioners who are not physicians or dentists.

The Health Economics Program conducts research and applied policy analysis to monitor changes in the health care marketplace; to understand factors influencing health care cost, quality and access; and to provide technical assistance in the development of state health care policy.

For more information, contact the Health Economics Program at (651) 201-3550. This issue brief, as well as other Health Economics Program publications, can be found on our website at: <http://www.health.state.mn.us/healthconomics>.

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