

Minnesota Health Care Spending in 2005

This issue brief provides detailed estimates for 2005 health care spending in Minnesota, with analysis of recent trends and comparisons to the national average. The estimates follow the framework of the national estimates developed by the Centers for Medicare and Medicaid Services (CMS) and track data by source of funds and category of spending. However, the Minnesota estimates use state specific data.¹

Sources of Funds

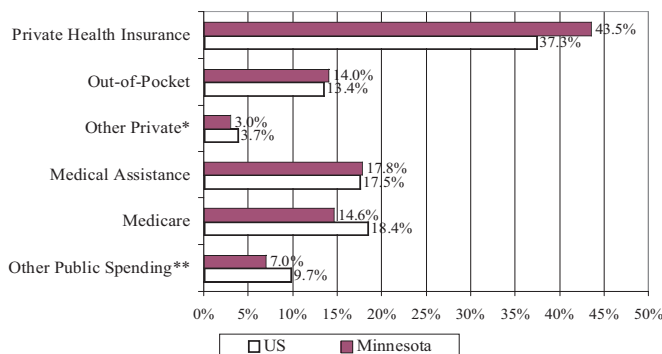
An estimated \$29.4 billion was spent in Minnesota on health care in 2005. Roughly three-fifths of the total spending on health care in the state came from private sources, with the remaining amount coming from public sources (see Figure 1). Compared to national sources of funding, private health insurance and Medical Assistance represented a larger share of total health care spending, and Medicare and other public funding sources represented a smaller share of total health care spending in Minnesota.

The distribution of total spending between public and private sources has been fairly stable over time, although there have been some gradual shifts in the funding sources that make up the public and private shares of total health care spending (see Table 1). For example, the share of total health care spending coming from private health insurance increased from 41.0 percent in 2001 to 43.5 percent in 2005, while the share of spending out-of-pocket by consumers and from other private sources declined. This trend of an increasing share of health spending from private insurance has been occurring for over a decade (in 1993, private insurance accounted for 34.7 percent of total spending).

The rise in the share of health spending by private health insurance contrasts with a decline in the share of the state's population covered by private insurance in recent years. In other words, private health insurance spending has grown faster than other spending, despite declining enrollment in private insurance.

Figure 1

2005 Minnesota and US Health Care Spending Where It Came From



Source: MDH Health Economics Program, Centers for Medicare & Medicaid Services
*Includes Private Workers' Compensation, Auto Medical
**Includes MNCare, GAMC, Government Workers' Compensation, Veterans Affairs, Federal Block Grants, and MCHA

Table 1

Shares of Minnesota Health Care Spending by Source of Funds, 2001 to 2005

	2001	2002	2003	2004	2005
Public, Total	39.7%	40.4%	39.6%	39.8%	39.4%
Medicare	14.6%	14.3%	13.8%	14.2%	14.6%
Medicaid	18.2%	18.9%	18.7%	18.6%	17.8%
Other Public Spending*	7.0%	7.2%	7.1%	7.1%	7.0%
Private, Total	60.3%	59.6%	60.4%	60.2%	60.6%
Private Health Insurance	41.0%	41.2%	42.6%	42.7%	43.5%
Out-of-Pocket	15.2%	14.7%	14.5%	14.4%	14.0%
Other Private**	4.0%	3.7%	3.3%	3.1%	3.0%

*Major components of other public spending are MNCare, GAMC, government workers compensation, Veterans Administration, and MCHA.

**Other private spending includes private workers compensation and auto medical.

Minnesota Health Care Spending in 2005

In 2005, health care spending in Minnesota grew slightly faster than national spending (7.6 percent in Minnesota vs. 7.5 percent nationally); this trend was a reversal from 2004 when the rate of increase was higher in the nation (see Table 2). Private spending grew faster than public spending in 2005 (8.2 percent growth and 6.6 percent, respectively).

Table 2

Minnesota and US Health Care Expenditure Growth

	2004		2005	
	MN	U.S.	MN	U.S.
Public Spending	5.9%	7.8%	6.6%	8.5%
Private Spending	5.2%	6.8%	8.2%	6.7%
Total Spending	5.5%	7.2%	7.6%	7.5%

Consistent with historical trends, Minnesota still spends less on health care per capita than the country as a whole (see Table 3).

Table 3

Minnesota and US Per Capita Health Care Spending and Share of Economy, 2001-2005

	2001	2002	2003	2004	2005
Per Capita Spending:					
Minnesota	\$4,232	\$4,662	\$5,128	\$5,372	\$5,742
U.S.	\$4,825	\$5,202	\$5,577	\$5,922	\$6,276
Health Care Spending as a Share of the Economy:					
Minnesota	11.1%	11.8%	12.5%	12.3%	12.7%
U.S.	13.6%	14.3%	14.8%	14.8%	15.0%

Note: National comparison uses spending for Health Services and Supplies, the category that is most comparable to Minnesota spending estimates

Sources: MDH, Health Economics Program Centers for Medicare and Medicaid Services U.S. Department of Labor, Bureau of Economic Analysis

This amounts to an average of \$534 per capita or 8.5 percent less per person spent on health care in the state in comparison with the national figures.

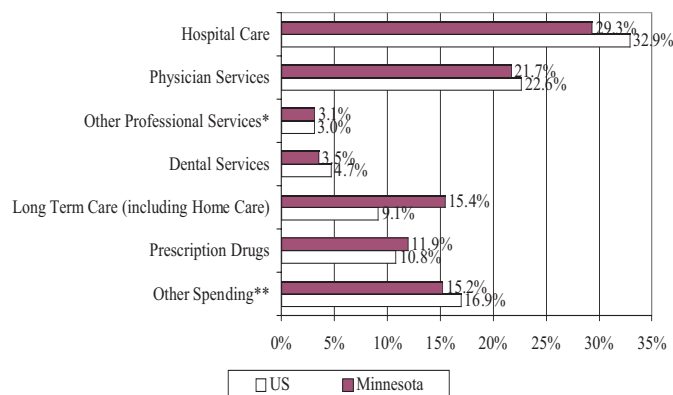
Minnesota also spends a smaller portion of the state's economy on health care compared to the nation as a whole (12.7 percent compared to 15.0 percent). Trends show both Minnesota and the nation are spending increasing amounts of their total economy on health care. Per capita health care spending in Minnesota is increasing faster than national per capita spending; since 2001 Minnesota per capita health spending has increased by a total of 35.7 percent compared to 30.1 percent nationally.

Spending by Type of Service

In Minnesota and the nation as a whole, inpatient and outpatient hospital care and physician services costs represent the largest categories of spending (see Figure 2). These categories of spending accounted for over half of all health care spending both nationally and in Minnesota in 2005. Shares of spending in Minnesota are lower for hospital and higher for long term care compared with national figures because national estimates for hospital spending also include long-term care spending in facilities that are attached to a hospital.

Figure 2

2005 Minnesota and US 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 Source: MDH Health Economics Program; Centers for Medicare & Medicaid Services

*Includes services provided in establishments operated by health practitioners other than physicians and dentists. These professional services include those provided by private-duty nurses, chiropractors, podiatrists, optometrists, and physical, occupational and speech therapists, and others.

Minnesota Health Care Spending in 2005

Growth rates in spending by type of service varied in Minnesota in 2005 (see Table 4). Spending for physician services increased in 2005 after remaining virtually unchanged in 2004, while inpatient hospital spending grew by 7.7 percent in 2005. Outpatient hospital care and other professional services were the fastest growing categories of spending in 2005, with growth rates of 17.2 percent and 11.0 percent respectively. Prescription drug spending, which had shown large increases in past years (e.g., 18.2 percent in 2002 and 17.7 percent in 2003), slowed to a 2.3 percent increase in 2005.

Table 4
Minnesota Health Care Spending by Type of Service, 2001-2005 (in millions)

	2001	2002	2003	2004	2005
Total	\$21,100	\$23,426	\$25,941	\$27,364	\$29,440
Inpatient Hospital	\$4,250	\$4,672	\$5,125	\$5,376	\$5,791
Outpatient Hospital	\$1,584	\$1,867	\$2,186	\$2,420	\$2,836
Physician Services	\$4,771	\$5,326	\$5,827	\$5,815	\$6,380
Other Professional Services	\$562	\$639	\$733	\$815	\$905
Dental	\$722	\$793	\$930	\$962	\$1,023
Long Term Care (including Home Care)	\$3,545	\$3,931	\$4,147	\$4,341	\$4,530
Prescription Drugs	\$2,256	\$2,665	\$3,138	\$3,427	\$3,505
Other Spending	\$3,410	\$3,533	\$3,856	\$4,208	\$4,469
Rates of Growth					
Total		11.0%	10.7%	5.5%	7.6%
Inpatient Hospital		9.9%	9.7%	4.9%	7.7%
Outpatient Hospital		17.8%	17.1%	10.7%	17.2%
Physician Services		11.6%	9.4%	-0.2%	9.7%
Other Professional Services		13.7%	14.7%	11.2%	11.0%
Dental		9.9%	17.2%	3.5%	6.4%
Long Term Care (including Home Care)		10.9%	5.5%	4.7%	4.4%
Prescription Drugs		18.2%	17.7%	9.2%	2.3%
Other Spending		3.6%	9.2%	9.1%	6.2%

The Health Economics Program will continue to monitor the Minnesota health care market and make its findings available to the public.

Endnotes

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

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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