

ISSUES

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What the Nation Spends on Health Care: A Regional Comparison

The average household in the United States spent just over \$700 more on health care in 1997 than in 1987, \$1,841 compared to \$1,135, respectively.¹ During this period, health care expenditures rose at a greater rate in the Midwest than in the other major regions. Midwestern consumer units spent 73 percent more on health care in 1997 than in 1987, compared to increases in the Northeast, South, and West of 63, 58, and 56 percent, respectively. Households in the Midwest and South spent an average of about \$1,900 on health care in 1997, between 6 and 11 percent more than their counterparts in the Northeast and West.

The change in the *share* of total expenditures allocated to health care and its subcomponents—health insurance, medical services, prescription and nonprescription drugs, and medical supplies—reflects changes in the spending habits of consumer units over this period. In 1987, households allocated a greater share of health care expenditures to medical services than to health insurance; by 1997, health insurance was the largest component of health care. Data from the Consumer Expenditure Survey provide a means to track regional expenditure patterns among the Nation's four census regions, and the dis-

tribution of health care dollars among the subcomponents.

Health care expenditures, as a *share* of total average annual expenditures, rose in all regions to their highest levels in 1993 before declining somewhat. Despite the declines, the shares still were higher in 1997 than in 1987 in all four regions. Consumer units in the South and Midwest spent proportionately more for health care than their counterparts in the West and Northeast between 1987 and 1997. Households in the South, however, allocated the greatest share of average annual expenditures to health care throughout the decade.

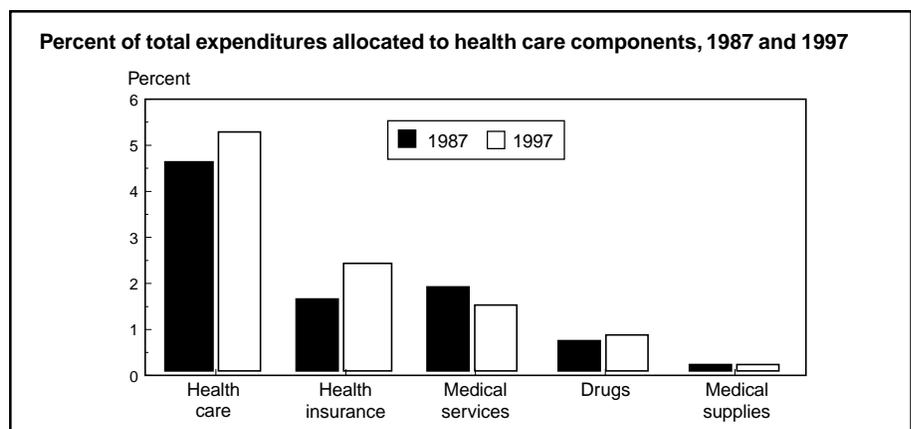
Shifting shares

As the share of dollars going to health care increased in the regions, the distribution of health care dollars among the subcomponents shifted. Between 1987 and 1997, health insurance supplanted health services as the largest subcomponent of health care expenditures in all regions. The growth of insurance expenditures contributed significantly to the growth in expenditures for

health care in general, and may reflect changes in the way insurance costs are shared between employers and their employees. In 1997, health insurance comprised between 43 and 51 percent of total health care expenditures across the regions compared to between 33 and 36 percent in 1987. (See table 1.) Expenditures on health insurance increased most rapidly in the Northeast. In 1987, households in that region spent 33 percent of their annual health care budget on health insurance; this proportion grew to 51 percent in 1997. Health insurance grew at the slowest rate in the West, where the proportion of health care dollars increased about 11 percent. The shares for both the Midwest and South rose about 13 percent.

While the out-of-pocket share of health care dollars going to insurance was increasing, the share spent on medical services declined throughout the Nation. The proportion spent for medical services decreased in the Northeast, from 44 percent of the total health care budget in 1987 to 28 percent in 1997. This same trend exists

¹ In this report, a consumer unit is defined as a household that includes members related by blood, marriage, adoption or other legal arrangement. A consumer unit may also include a single person living alone or sharing a household with others but who is financially independent; or two or more persons living together who share responsibility for at least two out of three major types of expenses—food, housing, and other expenses. The terms "consumer unit" and "household" are used interchangeably in this summary.



in the Midwest, South, and West, with each region reporting decreases of at least 10 percent.

The share of total health care devoted to prescription and nonprescription drugs varied by region, ranging from 14 percent in the Northeast to 19 percent in the Midwest and South in 1997. There was little change in the shares between 1987 and 1997, except in the Northeast where households spent proportionately less on drugs in 1997 than in 1987.

Medical supplies accounted for the smallest share of total health care costs in

all regions. Expenditure shares ranged from 5 percent in the South in 1997 to 7 percent in the Northeast. There was little change over the period in the regions in the shares spent on this subcomponent.

Additional information

For more information about the data presented here, contact Ginger Mortimer in the Office of Economic Analysis and Information, Kansas City Regional Office, Bureau of Labor Statistics at (816) 426-6651, or by e-mail at mortimer_g@bls.gov. Data highlighted here are from the Con-

sumer Expenditure Survey published annually by the Division of Consumer Expenditure Surveys, phone (202) 606-6900. To find Consumer Expenditure data on the Internet, go to <http://stats.bls.gov/csxhome.htm>, the BLS Consumer Expenditure Survey homepage. Material in this publication is in the public domain, and with appropriate credit, may be reproduced without permission. This information is available to sensory impaired individuals upon request. Voice phone: (202) 606-7828; Federal Relay Service: 1-800-877-8339.

Table 1. Expenditures by region and percent distribution of health care dollars, 1987 and 1997

Expenditure category	All consumer units		Midwest		West		Northeast		South	
	1987	1997	1987	1997	1987	1997	1987	1997	1987	1997
Average annual expenditures	\$24,414	34,819	23,021	33,791	27,309	39,037	25,079	36,070	\$23,292	32,226
Health care	\$1,135	1,841	1,099	1,903	1,152	1,793	1,051	1,709	1,204	1,902
Health care (percent of total average annual expenditures)	4.6	5.3	4.8	5.6	4.2	4.6	4.2	4.7	5.2	5.9
Percent distribution										
Health care	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Health insurance	34.5	47.9	35.3	47.9	32.6	43.2	32.5	51.0	36.2	48.9
Medical services	41.1	28.8	38.5	27.4	45.8	35.6	43.9	28.1	38.7	26.4
Prescription and nonprescription drugs	17.9	17.4	18.7	18.8	14.8	15.4	16.9	14.0	19.8	19.3
Medical supplies	6.4	5.9	7.6	5.9	6.8	5.7	6.8	7.0	5.4	5.4

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