



MARYLAND HEALTH CARE COMMISSION

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Maryland Health Care Spending Increased To \$32.7 Billion In 2006

BALTIMORE, MD (January 17, 2008) – *State Health Care Expenditures: Experience from 2006*, an annual report that contains information on health care expenditures for Maryland residents by public and private sources during calendar year 2006, was released today by Maryland Health Care Commission (MHCC) chair Dr. Marilyn Moon. Mandated by health care reform legislation passed in 1993, this report continues the MHCC's effort to measure health care spending in Maryland. The report found that growth in health care spending slowed for the fourth consecutive year. Health care costs remain high, and cost growth still exceeds the growth in wages and personal income — even as worker productivity has increased.

Major findings include:

- Maryland health care spending grew to \$32.7 billion, up by over \$2.3 billion, or eight percent from 2005. Since 2002, total health care spending increased at an average annual rate of seven percent per year. Growth in Medicare spending accounted for \$1.1 billion or 47 percent of the total increase.
- Among the major categories of health care spending, hospital outpatient care (10 percent) and hospital inpatient care (eight percent) grew most rapidly from 2005 to 2006 and accounted for a third of the total increase in spending. Prescription drugs spending increased at seven percent, while physician services increased five percent.
- Of the smaller health care sectors, home health care increased by nine percent followed by other professional services (eight percent). Nursing home spending increased at about six percent.
- Medicare (22 percent) and Medicaid (17 percent) accounted for 39 percent of total health care spending in 2006, compared to 40 percent paid by private insurance arrangements – including commercial insurance, health maintenance organizations (HMOs) and self-insured employer health plans.
- Consumer spending out-of-pocket (including coinsurance, co-payments, deductibles, and full direct payments), increased just one percent from 2005 to 2006, far less than the eight percent rate of growth in private insurance spending.
- Payer administrative expenses and the net cost of insurance increased to 14 percent in 2006. From 2002-2006, these expenditures increased at an average annual rate of 13 percent. The two percent tax on HMO premiums and administrative costs associated with Medicare Part D contributed to the increase.

For questions regarding the report, please contact Mr. Ben Steffen, Center for Analysis and Information Services at 410-764-3570 or bsteffen@mhcc.state.md.us.

The complete report is available on the MHCC Web site at mhcc.maryland.gov

Please call 410-764-3570 for a hard copy.