



Share of consumer spending on health hits another record

By Jeffrey Bartash

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WASHINGTON (MarketWatch) — The percentage of money U.S. consumers spend on health care rose in 2014 for the third straight year to another record high, according to one government measure.

Some 20.6% of total consumer spending in 2014 was devoted to health care, including prescription and over-the-counter drugs, annual figures from the Commerce Department report on personal expenditures show. That's up from 20.4% in 2013.

Health-care expenses has been rising for decades regardless of government efforts to control costs. The percentage of consumer spending on health care rose from 15% in 1990, topping 20% for the first time in 2009.

“Health care expenses do take up a big chunk of income,” noted **Bernard Baumohl, chief global economist at The Economic Outlook Group**. He said the sharp increase in the number of people getting health insurance through Obamacare is likely to push total spending even higher.

Yet for now there's little evidence that Obamacare, now in its early stages, has had a huge effect on health-care outlays. The rate of spending slowed after a sharp advance from 2000 to 2009, largely because of sluggish U.S. economic growth after the crushing 2007-2009 recession.

The total health-care figure from the personal-spending report also has its limits. The data is collected from a variety of public and private sources, for one thing, and some educated guesswork is involved in assembling the massive report.

What's more, the health-care figure also includes the amount of money that government and business spend on behalf of consumers. Not all the cash is coming directly out of the pockets of Americans, though companies often hold down annual wage increases or use other means to pass on rising health-care costs to employees.

Still, the trend is clear. Spending on health care continues to increase and it remains a big worry in the U.S. Nor is there much chance of a letup anytime soon, especially with baby boomers entering their retirement years.

With the health-care pie continuing to expand, consumers are paying the same or less as percentage of their spending on most other goods and services compared to 10 years ago.

Americans spend a smaller share of their money on cars and clothing, among other things. The percentage of money they spend on housing and going out to eat is basically unchanged over the longer run.

Not surprisingly, the only other major category to show a sustained increase in spending over the past 25 years is education. The share of money Americans spend on college has climbed to 1.59% from 0.9% in 1990.

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