

Report Finds Health Care Spending Expected to Exceed Overall Economic Growth

A recent report from the Centers for Medicare and Medicaid Services (CMS) predicted that the average growth in national health expenditures would outpace average gross domestic product (GDP) growth from 2022 to 2031, at 5.4% and 4.6%, respectively. Per person spending is also expected to increase to an annual rate of 4.8% from 2022 to 2031. This is above pre-COVID-19-pandemic growth rates for per person spending, which averaged 3.9% per capita between 2014 and 2019. CMS anticipated that the growth in national and per person health care spending would contribute to an increase in the health care spending share of the GDP.

Report Findings

Prior to the COVID-19 pandemic, health care spending constituted about 17.6% of the GDP. This share rose to 19.7% in 2020 when health care spending increased and the overall economy slowed. In 2021 and 2022, this trend reversed as health care spending grew slower than the GDP, accounting for 18.3% and 17.4% of total expenditures, respectively. However, beginning in 2023, health spending is expected to grow faster than the economy, reaching 19.6% of the GDP by 2031.

Out-of-pocket spending rose 10.3% in 2021 as care resumed after the first year of the pandemic. According to CMS, out-of-pocket spending grew 3.8% per capita in 2022 and 4.4% per capita in 2023. However, CMS actuaries predict that growth in out-of-pocket spending will moderate, dropping to an average of 3.4% per capita for the following seven years.

According to CMS, prescription drug spending grew 7.7% per capita from 2020 to 2021. Increases in Medicaid prescription drug spending and Medicaid enrollment drove per capita prescription drug spending growth during the pandemic. Growth in drug spending is expected to slow to 2.8% per capita in 2023 as Medicaid enrollment declines and Medicare prescription drug spending decreases due to generic drugs entering the market in some drug categories and the Inflation Reduction Act reforms take effect.

Employer Takeaways

As health costs continue to rise, employees will continue to look to their employers for assistance. This can create challenges for employers, many of whom are already struggling with the rising cost of medical coverage for employees. Consequently, employers may need to evaluate their benefits plans for cost-saving measures that can meet budget requirements without sacrificing highly desired employee benefits.

Contact us today for more information.