



Healthcare Spending Grew in 2022

On December 13, 2023, the Centers for Medicare & Medicaid Services (CMS) released its annual report on healthcare spending in the U.S., highlighting the growth in private insurance and Medicaid spending in 2022, which was offset by the declines in supplemental federal funding as a result of the COVID-19 pandemic.¹ This Health Capital Topics article reviews the notable healthcare spending findings in CMS's report.

Overall, healthcare spending grew 4.1% in 2022 (to \$4.5 trillion), much faster than the 3.2% increase in 2021.² Healthcare spending as a share of the U.S. gross domestic product (GDP) declined from 18.2% in 2021 to 17.3% in 2022.³ The overall GDP increased 9.1% in 2022, slower than the 10.7% increase in 2021.⁴

Examining the expenditures across service categories, hospital expenditures grew 2.2% in 2022 (comprising 30% of overall healthcare spending), approximately half the growth rate observed in 2021 (4.5%).⁵ This was a result of decreases in private health insurance spending, Medicare, Medicaid, and other private revenue.⁶ Similarly, expenditures on physician and clinical services increased 2.7% (comprising 20% of healthcare spending), which was nearly half of the 5.3% growth in 2021.⁷ Much like hospital care, the slow growth in physician and clinical services was attributed to a decline in federal funding, private health insurance, and out-of-pocket spending.⁸ In contrast, retail prescription drug expenditures increased 8.4% in 2022 (comprising 9% of healthcare spending), a faster rate than 2021's spending increase of 6.8%.⁹ This increase was attributed to the growth in the number of prescriptions, as well as an increase in prescription drug prices.¹⁰

Analyzing expenditures by sponsor, the federal government predictably continued to account for the largest share of healthcare spending (33%), followed by households (28%), private businesses (18%), state and local governments (15%), and other private revenues (6%).¹¹ Federal government spending increased 1.0% in 2022, after a 3.4% decline in 2021.¹² Household health spending increased 6.9% in 2022, similar to the 6.8% increase in 2021.¹³ State and local governments

experienced a slight spending growth in 2022, with spending increasing by 6.5% compared to the 6.2% increase in 2021, driven by the increase in state Medicaid spending.¹⁴ Finally, spending by private businesses increased 6.0% in 2022, which was slower than the 7.6% increase in 2021.¹⁵ This was largely due to the increase in contributions to employer-sponsored private health insurance premiums.¹⁶

In terms of insurance coverage, the number of uninsured individuals in 2022 decreased to 26.6 million from the 2021 total of 28.5 million.¹⁷ Enrollment increased in Medicare, Medicaid, and the Affordable Care Act (ACA) Marketplace plans.¹⁸ In fact, the insured portion of the U.S. population reached a record high of 92% in 2022. However, the subsequent end of the COVID-19 public health emergency in May 2023 resulted in a reversion to previous Medicaid criteria, resulting in the loss of Medicaid coverage for an estimated three million Americans.¹⁹

There is significant uncertainty as to what these trends may mean for 2023 healthcare spending. While economic growth is expected to slow from the highs seen after the COVID-19 pandemic, economy-wide inflation is expected to recede. Growth in future healthcare spending is expected to be driven by health-specific factors such as:

- (1) The intensity and use of medical care;
- (2) Medical specific inflation in pricing; and
- (3) Demographic impacts associated with the continuing Medicare enrollment of Baby Boomers.²⁰

Trends in spending growth are slowly stabilizing, and federal government funding for COVID-19 has largely ceased; as a result, the U.S. is experiencing growth similar to pre-pandemic rates.²¹ With the current volatility of the U.S. economy, and the unknown impact of 2023's inflation, there are many variables subject to change, which may have substantial impact on overall GDP and healthcare spending.

1 “National Health Expenditures 2022 Highlights” Office of the Actuary, Centers for Medicare and Medicaid Services, December 13, 2023, <https://www.cms.gov/newsroom/factsheets/national-health-expenditures-2022-highlights> (Accessed 12/19/23).

2 *Ibid.*

3 “National Health Care Spending In 2022: Growth Similar To Prepandemic Rates” By Micah Hartman, et al., Health Affairs, December 13, 2023, available at: <https://www.healthaffairs.org/doi/10.1377/hlthaff.2023.01360> (Accessed 12/19/23).

4 *Ibid.*

5 Centers for Medicare and Medicaid Services, December 13, 2023.

6 *Ibid.*

7 *Ibid.*

8 *Ibid.*

9 *Ibid.*

10 *Ibid.*

11 Hartman, et al., Health Affairs, December 13, 2023.

12 *Ibid.*

13 *Ibid.*

14 *Ibid.*

15 *Ibid.*

16 *Ibid.*

17 Centers for Medicare and Medicaid Services, December 13, 2023.

18 Hartman, et al., Health Affairs, December 13, 2023.

19 “Key Facts about the Uninsured Population” By Jennifer Tolbert, et al., Kaiser Family Foundation, December 18, 2023, <https://www.kff.org/uninsured/issue-brief/key-facts-about-the-uninsured-population/> (Accessed 12/19/23).

20 Hartman, et al., Health Affairs, December 13, 2023.

21 *Ibid.*



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