

Issue Brief

FEDERAL ISSUE BRIEF



Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

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CMS Issues Fact Sheet Describing 2022 National Health Expenditures

The Centers for Medicare and Medicaid Services (CMS) have issued a fact sheet that highlights national health expenditures for 2022. CMS says that U.S. health care spending grew 4.1 percent to reach \$4.5 trillion in 2022.

The insured share of the population reached 92 percent (a historic high). Private health insurance enrollment increased by 2.9 million individuals and Medicaid enrollment increased by 6.1 million individuals. In 2022, 26.6 million individuals were uninsured, down from 28.5 million in 2021 (a difference of 1.9 million individuals).

Comment

With more individuals having insured status, it is probable the Medicare Disproportionate Share factor (DSH) used to adjust the hospital inpatient prospective payment system (IPPS) could be reduced for the FY 2025 payment adjustment.

Health Spending by Type of Service or Product

The fact sheet contains a breakdown of spending as follows;

- **Hospital Care (30 percent share):** Spending for hospital care services increased 2.2 percent in 2022 to reach \$1.4 trillion; however, this was a slower growth rate compared to 4.5 percent that was experienced in 2021. The slower growth in 2022 reflected a slowdown in spending for hospital care by private health insurance, Medicare, and Medicaid and by a decline in other private revenues.
- **Physician and Clinical Services (20 percent share):** Spending on physician and clinical services increased 2.7 percent to \$8,84.9 billion in 2022.
- **Retail Prescription Drugs (9 percent share):** Retail prescription drug spending increased 8.4 percent to \$405.9 billion in 2022, a faster rate than in 2021 when spending increased by 6.8 percent. Medicare and out-of-pocket spending growth for retail prescription drugs accelerated, while Medicaid and private health insurance spending growth slowed.
- **Other Health, Residential, and Personal Care Services (6 percent share):** This category includes expenditures for medical services that are generally delivered by providers in non-traditional settings, such as schools, community centers, and the workplace, as well as by ambulance providers and residential mental health and substance abuse facilities. Spending for other health, residential, and personal care services grew 9.7 percent in 2022 to \$246.5 billion, accelerating from 6.7 percent growth in 2021. The faster growth in 2022 was driven primarily by an acceleration in spending for Medicaid home and community-based waivers.
- **Nursing Care Facilities and Continuing Care Retirement Communities (4 percent share):** Spending for services provided at freestanding nursing care facilities and continuing care retirement communities rose in 2022 by 5.6 percent to \$191.3 billion.
- **Dental Services (4 percent share):** Spending for dental services increased just 0.3 percent in 2022 to \$165.3 billion following much faster growth of 18.2 percent in 2021.
- **Home Health Care (3 percent share):** Spending for services provided by freestanding home health care agencies increased 6.0 percent in 2022 to \$132.9 billion, accelerating from growth of 0.3 percent in 2021.
- **Other Professional Services (3 percent share):** Spending for other professional services includes establishments of independent health practitioners (except physicians and dentists) that primarily provide services, such as physical therapy, optometry, podiatry, or chiropractic medicine.

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- **Other Non-durable Medical Products (3 percent share):** Retail spending for other non-durable medical products, such as over-the-counter medicines, medical instruments, and surgical dressings, increased 8.5 percent to \$115.4 billion in 2022.
 - **Durable Medical Equipment (2percent share):** Retail spending for durable medical equipment, which includes items such as contact lenses, eyeglasses, and hearing aids, increased 5.1 percent in 2022 to \$67.1 billion.

Comment

Note, the above categories only add to 84 percent.

Health Spending by Major Sources of Funds

The fact sheet contains a breakdown of spending by sources of funds as follows;

- **Private Health Insurance (29 percent share):** Private health insurance spending increased by 5.9 percent in 2022 (to \$1.3 trillion), which was slightly slower than the increase of 6.3 percent in 2021. For hospital care, physician and clinical services, and dental services, private health insurance expenditures grew more slowly in 2022, following stronger growth in 2021. Private health insurance enrollment increased 1.5 percent, or 2.9 million individuals, in 2022 — the fastest increase since 2015.
- **Medicare (21 percent share):** Medicare spending increased 5.9 percent to reach \$944.3 billion in 2022, a slower increase than in 2022 when Medicare spending increased 7.2 percent. Medicare fee-for-service expenditures declined by 1.9 percent in 2022, while Medicare private health plan spending (accounting for 50 percent of total Medicare spending) increased 15.1 percent. Total Medicare enrollment increased 1.9 percent in 2022 compared to growth of 1.7 percent in 2021 (or by 1.2 million individuals), with enrollment in Medicare private plans increasing 8.5 percent and fee-for-service enrollment declining 3.0 percent.
- **Medicaid (18 percent share):** Medicaid spending increased 9.6 percent to \$805.7 billion in 2022, the third consecutive year of growth above 9.0 percent. Medicaid enrollment grew 7.2 percent in 2022 after increasing 11.1 percent in 2021 and 4.6 percent in 2020. This amounts to about 18 million individuals gaining Medicaid coverage between 2019 and 2022. Faster Medicaid enrollment growth since 2019 reflects the newly enrolled as well as the continuous enrollment requirement of the Families First Coronavirus Response Act that took effect on March 18, 2020 and ended on March 31, 2023. Federal Medicaid spending increased 10.8 percent and state Medicaid spending increased 6.6 percent in 2022, with the federal government's share of total Medicaid spending reaching 71 percent in 2022.
- **Out-of-Pocket (11 percent share):** Total out-of-pocket spending increased by 6.6 percent in 2022 to \$471.4 billion, slowing from growth of 11.0 percent in 2021. Dental services, durable medical equipment, and physician and clinical services, which collectively accounted for 34 percent of all out-of-pocket spending in 2022, were the main contributors to the slower growth in 2022.

Comment

These items only account for 79 percent.