

Report: Health Care Spending Returned to Pre-pandemic Levels in 2021

A new [study](#) conducted by the Health Care Cost Institute revealed that health care spending bounced back in 2021, following a large drop in spending during the beginning of the COVID-19 pandemic. The study focused on data for health care spending and utilization and average prices for individuals under the age of 65 who receive health insurance coverage through an employer.

Health care spending in 2021 was nearly \$6,500 per person—15% higher than in 2020.

Based on the study, spending per person increased significantly from 2017 to 2021, from \$5,334 to \$6,467, respectively. That marks an increase of just over 21%. Most of the spending was driven by price increases. Between 2017 and 2020, prices experienced an annual growth rate of about 4%. However, in 2021, the growth rate was only 2%, indicating a shift toward utilizing lower-cost services like preventive care.

Consider these additional key findings:

- The average out-of-pocket spending increased to \$825 per person from \$725 in 2020.

- Individual health care spending increased by 15% in 2021, following a 3.5% decrease in 2020. 2020 marked the first year of the COVID-19 pandemic.
- Inflation accounted for \$108 (7%) of the spending change while rising prices accounted for \$915 (56%) from 2017 to 2021.
- Utilization rose 13% from 2020 to 2021, following a 7.5% decline in 2020. Use increased in all service categories (e.g., inpatient, outpatient, professional services and prescription drugs) in 2021.
- Spending increased in 2021 for several services associated with COVID-19, including respiratory hospital admissions, lab tests and vaccines.

Employer Takeaways

Inflation and prices for goods contributed positively to the change in spending per person in this study. Spending actually decreased among employer-sponsored plans in some areas. For example, the study noticed a shift to more utilization of generic drugs. Those factors, and the drop in utilization during the pandemic, resulted in 2020 being the only year that saw a drop in spending.

As health care spending returns to pre-pandemic levels, employers are uniquely positioned to help employees understand and utilize their health plans. A better understanding may help employees increase their health care literacy. Employers should continue to monitor health care trends, utilization and spending. Contact Sullivan Benefits today for more information.