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PULSE

Health Care Spending Expected to Reach $7.2 Trillion by 2031

National health care spending is leveling out post-pandemic, but health care experts predict the rate will accelerate to 5.4% per year through 2031.

Health care spending in the U.S. is projected to rebound after experiencing a slowdown during the COVID-19 pandemic, [according to a study by the Office of the Actuary (OACT)](). The study estimates that health care spending will reach $7.2 trillion by 2031, with an average annual growth rate of 5.4% from 2022 to 2031.

In 2022, health care spending is expected to reach $4.4 trillion.

The OACT study suggests that recent legislation and changes in health insurance enrollment will impact health care spending trends over the next decade. While health care spending's share of the gross domestic product (GDP) is estimated to decrease from 18.3% in 2021 to 17.4% in 2022, it is projected to rise to 19.6% by 2031 as health care spending grows in line with nominal GDP.

Hospital Spending to Accelerate

Among the various sectors, hospital spending is anticipated to grow the fastest, with an average annual growth rate of 5.8% through 2031. Physician and clinical services spending is expected to increase at a rate of 5.3%, while prescription drug spending will grow by 4.6%. Hospital spending is projected to slow in 2024 due to Medicaid disenrollments but stabilize from 2025 onward as the industry recovers from pandemic-related issues.

Medicare spending is also expected to rise significantly, with an annual growth rate of 7.5% through 2031. This expected growth is driven by factors such as enrollment growth and the aging population of Baby Boomers. Private-payer spending is projected to grow at a rate of 5.4%, while Medicaid spending is estimated to increase by 5% annually.

Despite potential fluctuations in Medicaid enrollment, the study predicts that the insured share of the population will remain above 90% in the coming years. Additionally, projected increases in enrollment in private health insurance from enhanced marketplace subsidies are expected.

Read the OACT study here.

Consumers Report Unified Health Care Platform Will Improve Patient Experience

Seventy-one percent of consumers would prefer a unified digital channel for health care, according to recent research.

A recent study conducted by PYMNTS reveals that a significant percentage of consumers are interested in using a unified digital platform for managing their health care treatment and benefits. According to the study, 58% of consumers believe that such a platform would increase convenience, with 22% considering convenience as the most important factor.

The popularity of online portals for health care management has grown, but users often have to access multiple portals, making unified platforms that consolidate information and activities appealing.

The main reason for the growing interest in unified health care platforms is knowledge. In a post-pandemic world where consumers have experienced changes in health insurance and providers, managing and organizing this information has become a top priority.

Over half of the respondents (52%) believe that a unified platform would improve their access to treatment, and 15% consider this attribute the most important. Centralized information is also appealing, with 41% of consumers interested in having all their healthcare information in one place, and 25% finding this feature particularly attractive. Additionally, 36% of consumers believe that online portals enhance the security of their medical data.

The study also found that the majority of consumers (82%) believe that a unified platform would provide better information about their access to medical, dental, and vision benefits. Similarly, 82% feel that such a platform would help them understand pharmacy benefits and Rx discounts.

Consumers expressed a desire for a more efficient way to access lists of in-network practitioners near their homes and workplaces. Furthermore, 81% of respondents expressed interest in an automated service that informs them about underutilized insurance services.

The report, titled Healthcare In The Digital Age: Consumers See Unified Platforms As Key To Better Health, was a collaboration with Lynx and surveyed over 2,500 U.S. consumers to assess their interest in the single unified platform approach.

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NEWS & NOTES

AMA Votes Against Non-Competes for Hospital-Employed Physicians

The American Medical Association's (AMA) House of Delegates has voted against non-compete agreements for physicians employed by hospitals or staffing companies. The AMA's decision reflects differing opinions among its members, with practice owners favoring reasonable non-competes while employed physicians support banning them.

The House of Delegates specifically opposed non-compete contracts for physicians employed by hospitals, hospital systems or staffing companies. AMA argues that allowing physicians to work for multiple hospitals improves access to specialist care, reduces disparities and enhances patient care availability.

Non-compete agreements have affected up to 45% of primary care physicians, particularly those working directly for hospitals or hospital-owned practices. These contracts limit career opportunities for trainees and restrict care provision in underserved areas.

Several states have already banned non-compete agreements, and the Federal Trade Commission proposed a nationwide ban in January 2023, except for nonprofit hospitals. However, the American Medical Group Association (AMGA) supports non-compete agreements, claiming they promote care coordination, control costs, and protect the healthcare workforce.

In response to the AMA's decision, the House of Delegates requested a study on physician employment contract terms and trends, aiming to balance business interests while safeguarding employment advancement, competition, and patient access to care.

Read more here.

Hospital Finances Stabilized as Revenues Grew in May

A recent report from Kaufman Hall indicates that hospital finances showed signs of stabilization in May 2023. Operating margins remained positive, revenues increased and expenses fell, the report found.

Although the figures are still below pre-pandemic levels, the median year-to-date operating margin for hospitals improved from 0.1% in April to 0.3% in May. Net operating revenue grew by 2% from April to May and 9 percent compared to the previous year. Additionally, outpatient services were the main driver of revenue growth, with outpatient revenue increasing by 6% month-over-month and 14% year-over-year.

Inpatient revenue saw slower growth but still rose by 1% and 7%, respectively. Patient utilization of inpatient care increased, as evidenced by higher adjusted discharges, operating room minutes and emergency department visits. However, hospitals are facing workforce shortages, which could impact long-term plans and patient access to care.

The report suggests that hospital executives should reevaluate their business strategies in light of the ongoing shift toward outpatient services. While the margins are slowly improving, it is unlikely that they will reach pre-pandemic levels without considering how and where care is delivered in the future.

Read the report here.

Learn More

For more health care collections news, visit ACA's Health Care Collections page at www.acainternational.org/pulse-newsletters-archive.

New York Assembly Passes Medical Debt Credit Reporting Bill

The bill is eligible to be signed by the governor through the end of the year.

Before adjourning its legislative session this year, the New York Assembly passed the Fair Medical Debt Reporting Act (A6275A) to "amend the public health law and the general business law in relation to prohibiting medical debt from being collected by a consumer reporting agency or included in a consumer report."

The New York Senate adjourned its session on June 10 and is not expected to return to the legislature this year.

Under the bill, hospitals, medical providers and ambulance services are prohibited from furnishing any portion of a medical debt to a consumer reporting agency (CRA) and are required to include a provision in any contracts entered with the collection entity for the purchase or collection of medical debt that prohibits the reporting of any portion of such medical debt to a CRA.

It also removes any medical debt that is furnished by a hospital, medical provider or ambulance service.

In the bill, medical debt is defined as "an obligation or alleged obligation of a consumer to pay any amount whatsoever related to the receipt of health care services, products or devices provided to a person by a hospital licensed under article (28) of this chapter, a health care professional authorized under title eight of the education law or an ambulance service certified under article (30) of this chapter."

Medical debt, as defined in the bill, does not include expenses on a credit card unless the credit card is issued under an open-end or closed-end plan specifically for health care services.

ACA's Take

This bill would enact an expansive prohibition on medical debt credit reporting due to the fact it does not set a dollar amount threshold for medical debts furnished to CRAs, or alternatively, a timeframe for agencies to wait before reporting a debt.

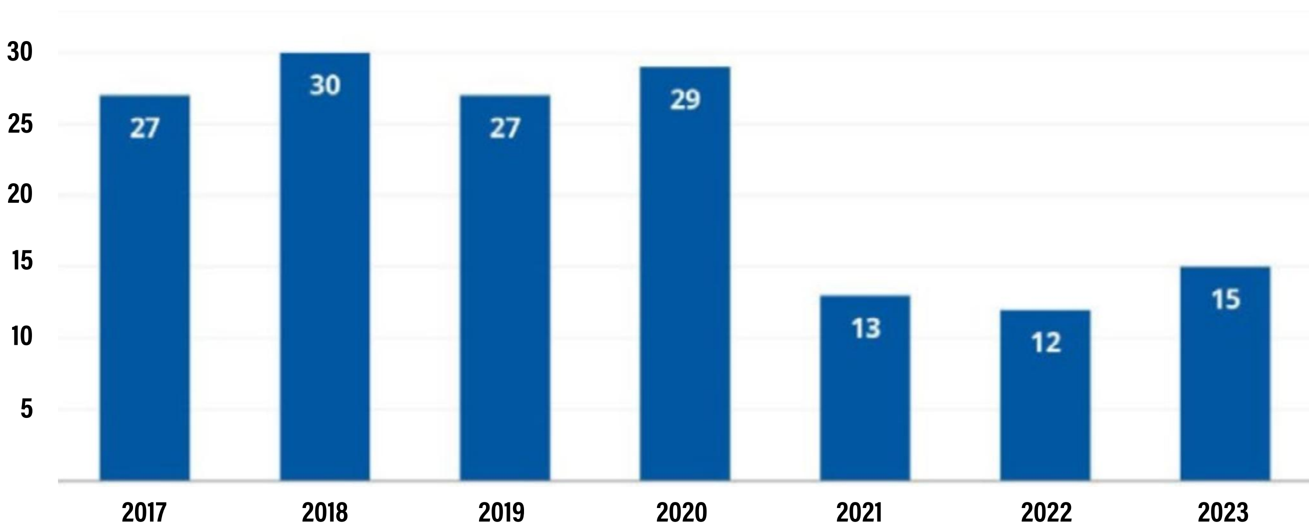
DATAWATCH

Health Care M&A Remains Strong in Q1 2023

Health care merger and acquisition (M&A) revenue maintained its momentum in the first quarter of 2023, with a total of 15 transactions generating $12.4 billion, according to the latest edition of Kaufman Hall's M&A Quarterly Activity Report.

This is comparable to the activity seen in the fourth quarter of 2022, which totaled 17 transactions and contributed to the $45 billion total revenue for 2022.

For 14 of the 15 M&A transactions announced in the first quarter, the acquiring party was a not-for-profit health system. Of these 14 health systems, three were affiliated with a university or other academic institution, and five were religiously affiliated.



Source: Kaufman Hall & Associates M&A Quarterly Activity Report: Q1 2023. https://bit.ly/3CQ6Q3Y

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