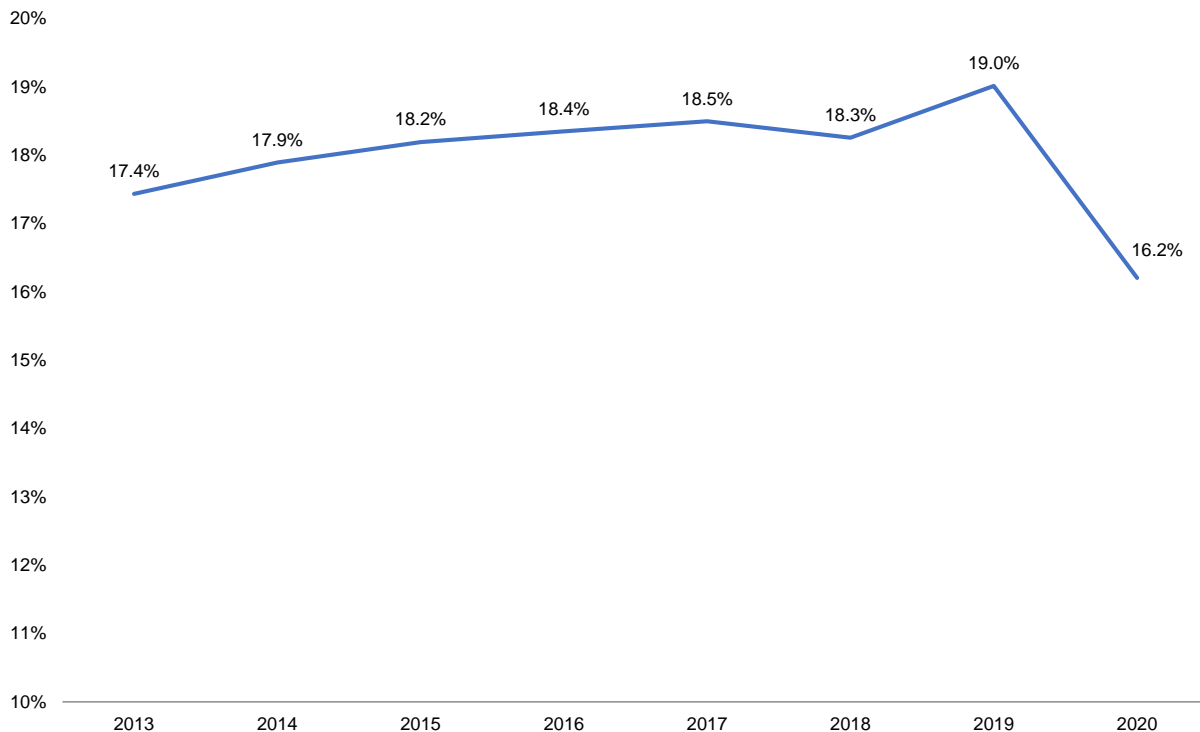


Out-of-Pocket Health Care Spending: A Second Opinion About Rising Costs

Spending on health care has increased significantly in the past decades, rising from 5 percent of GDP in 1960 to nearly 20 percent in 2020. Deductibles for people covered by workplace-sponsored health plans have risen dramatically since 2002, increasing from \$650 to \$1,945 for workers with individual coverage and from \$1,395 to \$3,722 for workers with family coverage. It's no wonder that patients feel squeezed.

We analyzed a database of medical claims to examine whether patients covered by workplace-sponsored plans are bearing a greater share of their medical expenditures. We found that, between 2013 and 2019, the share of total medical expenditures paid out of pocket by patients increased, from 17.4 percent to 19 percent. (We also observed a decrease to 16.2 percent in 2020, most likely a result of patients delaying and canceling care on account of the pandemic.)

Figure 1
Share of Medical Expenses Paid out of Pocket

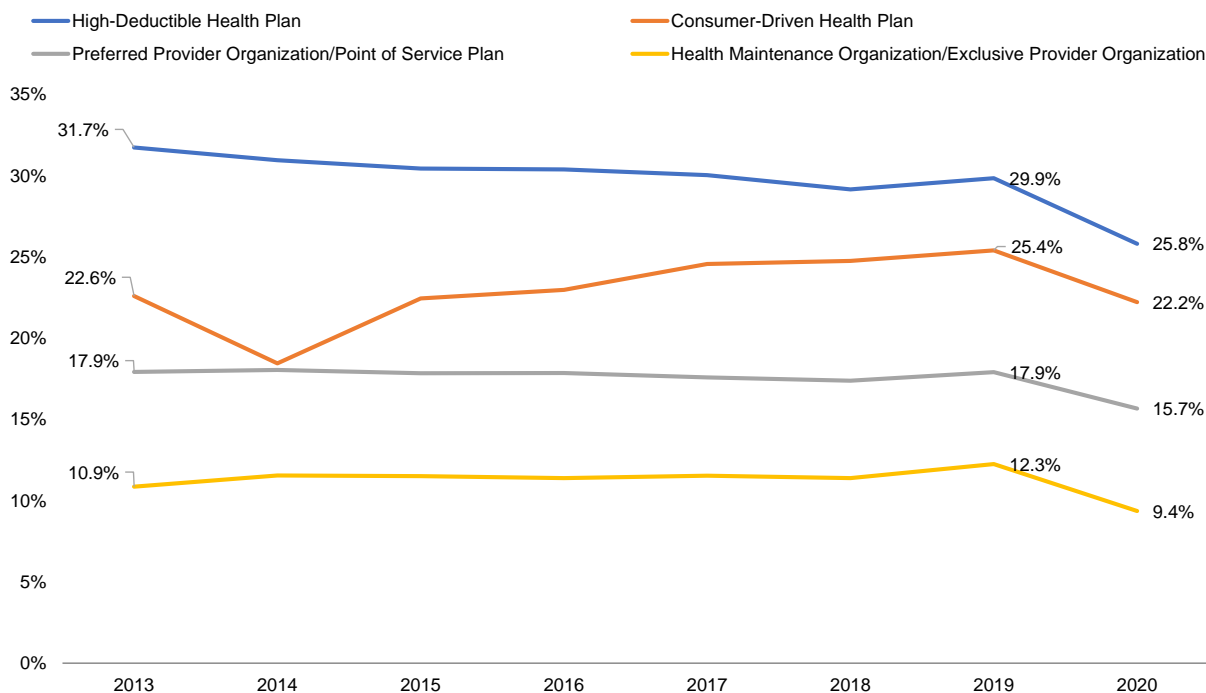


Source: IBM® MarketScan® Commercial Claims and Encounters Database (CCAE).

This high-level analysis considers all workers in aggregate but may obscure important differences for subgroups. For instance, are the shares that patients pay out of pocket rising faster for patients enrolled in certain types of health care plans compared with other plans?

We disaggregate health plans into four major plan types: (1) high-deductible health plans (HDHPs); (2) consumer-directed health plans (CDHPs); (3) preferred provider organizations (PPOs) and point-of-service (POS) plans; and (4) health maintenance organizations (HMOs) and exclusive provider organizations (EPOs). Interestingly, we find that patients enrolled in HDHPs paid a smaller share of their total health expenditures out of pocket in 2019 (29.9 percent) than in 2013 (31.7 percent). Patients enrolled in PPO and POS plans paid the same share out of pocket in 2013 as they did in 2019 (17.9 percent). Patients enrolled in HMOs and EPOs paid a slightly higher share out of pocket in 2019 compared with 2013 (12.3 percent vs. 10.9 percent), as did people covered by CDHPs (25.4 percent vs. 22.6 percent).

Figure 2
Share of Total Expenditures Paid out of Pocket,
by Health Plan Type, 2013–2020



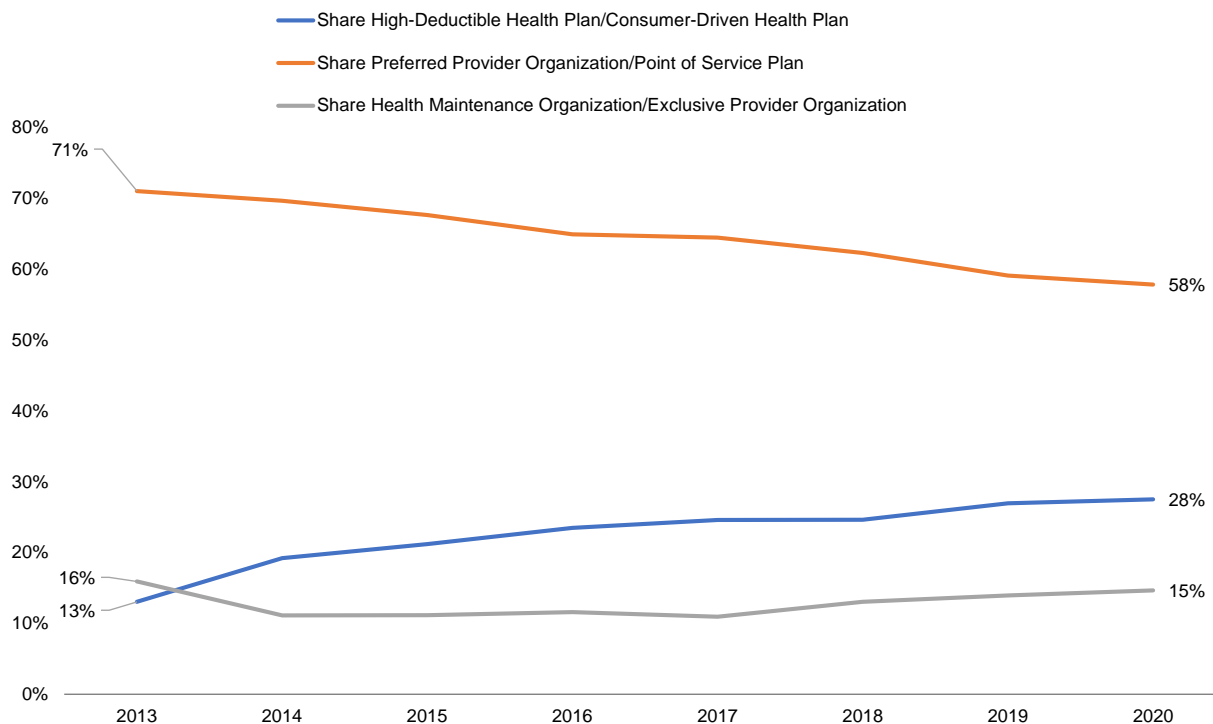
Note: Outpatient services are defined as care that does not require an overnight hospital stay (e.g., diagnostic tests, primary care physician visits, etc.). Inpatient services are defined as care that requires an overnight stay in a hospital (e.g., surgeries, childbirth, etc.). Source: IBM® MarketScan® Commercial Claims and Encounters Database (CCAIE).

At first look, this result seems at odds with our finding that patients are bearing a greater share of their total medical expenditures. How could it be that out-of-pocket costs are rising overall, but decreasing or stable for two types of plans and increasing only modestly for two other plan types?

The answer appears to be that patients are increasingly enrolling in plans with higher deductibles. This is driving up out-of-pocket expenses in the aggregate, even though out-of-pocket expenses in higher-deductible plans have remained flat or have decreased, as seen in the figure above. HDHPs have seen meteoric growth in the past decade, as they are an attractive option for companies looking to keep health care cost increases in check. This trend is reflected in the database we used for this analysis: Patients enrolled in high-deductible plans (including both HDHPs and CDHPs) increased from 13 percent of the database’s population in 2013 to 28 percent in 2020. Meanwhile, patients enrolled in PPO or POS plans represented 71 percent of the population in the database in

2013, shrinking to 58 percent in 2020. This means that a greater share of patients in the database are paying a higher share of their medical expenditures out of pocket before coinsurance begins, resulting in a higher share of total expenditures paid out of pocket.

Figure 3
Share of Patients in Analytical Dataset, by Plan Type, 2013–2020



Source: IBM® MarketScan® Commercial Claims and Encounters Database (CCE).

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A Thank You To Our Funders: This study was supported by a grant from the FINRA Investor Education Foundation. The study was conducted through the EBRI Center for Research on Health Benefits Innovation (EBRI CRHBI), which receives funding support from the following organizations: Aon, Blue Cross Blue Shield Association, FINRA Investor Education Foundation, ICUBA, JP Morgan Chase, Pfizer, and PhRMA. Any views expressed in this report are those of the authors and should not be ascribed to the officers, trustees, or other sponsors of EBRI, EBRI-ERF, or their staffs.

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