EBRI FAST Facts
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# Unlocking Health Benefits: Where Employer High-Cost Spending Often Goes

This is the fourth in a series of *EBRI Fast Facts* related to the uneven distribution of health care spending. Health care use and spending are highly concentrated, with a small share of individuals accounting for a disproportionate amount of total costs. These "high-cost claimants" typically have complex and intensive medical needs, often related to chronic conditions. However, the definitions of high-cost claimants vary, commonly relying on spending thresholds or percentile cutoffs.

This *Fast Fact* examines the composition of spending in employment-based health plans. It looks at how spending on inpatient services, outpatient services, and prescription drugs varies by overall level of spending. It also examines the composition within outpatient services and prescription drugs.

The health care claims of 13.1 million individuals with employment-based health benefits in 2022 were examined using the MarketScan® Commercial databases. They contain information on inpatient, outpatient, and pharmacy claims for workers and their dependents.

## Key Findings:

- Overall, 18 percent was spent on inpatient services, 51 percent on outpatient services, and 31 percent on prescription drugs (Figure 1).
- **Inpatient Services**: As health care spending increased, the proportion allocated to inpatient services significantly rose. For enrollees with under $50,000 in spending, inpatient services represented only 9 percent of their total health care expenditure. This jumped to 58 percent for those with $2 million or more in spending.
- **Outpatient Services**: Conversely, outpatient services accounted for a decreasing share of health care spending as total spending increased. They made up 67 percent of spending for enrollees under the $50,000 threshold, but this dropped to 20 percent for those with $2 million or more in spending.
- **Prescription Drugs:** For enrollees with under $50,000 in total health care spending, prescription drugs constituted 24 percent of their expenditure. This percentage rose to 41 percent for those spending $50,000 or more, $100,000 or more, and $250,000 or more. Beyond these thresholds, the proportion began to decline. For those with $500,000 or more in spending, it dropped to 37 percent, then to 29 percent for those spending $1 million or more, and finally to 22 percent for the highest spending group, those spending $2 million or more.

In essence, prescription drug spending as a proportion of total health care spending peaked in the middle-to-higher spending tiers (from $50,000 to $250,000) and then decreased for the very highest-spending enrollees. This reflects that in the highest spending categories, other health care services (like inpatient care, as observed previously) became significantly more dominant in the overall expenditure.

Figure 1
**Spending on Health Care Services, by Health Care Spending Levels, 2022**

| | Total | Under $50,000 | $50,000 or More | $100,000 or More | $250,000 or More | $500,000 or More | $1 Million or More | $2 Million or More |
|---|---|---|---|---|---|---|---|---|
| **Inpatient Services** | 18% | 9% | 29% | 33% | 37% | 42% | 49% | 58% |
| **Outpatient Services** | 51% | 67% | 31% | 26% | 23% | 21% | 23% | 20% |
| **Prescription Drugs** | 31% | 24% | 41% | 41% | 41% | 37% | 29% | 22% |

Source: EBRI estimates using 2022 Merative™ MarketScan® Commercial Database.
Percentages may sum to more than 100 percent due to rounding.

## Key Findings for Outpatient Spending

- Specialist visits accounted for the largest share of outpatient spending. Overall, spending on specialist visits accounted for about 40 percent of outpatient spending and 20 percent of total spending (Figure 2).
- Primary care physician visits and emergency department visits each represented 7 percent of total spending.
- Lab services made up 5 percent of total spending, followed by mental health provider visits and other outpatient services at 4 percent each.
- X-rays, CT scans, or MRIs; physical therapy/chiropractor visits; and urgent care visits constituted smaller proportions of total spending (3 percent, 1 percent, and 1 percent, respectively).

## Trends Across Health Care Spending Levels for Outpatient Services

- Primary care physician visits; specialist visits; mental health provider visits; physical therapy/chiropractor visits; emergency department visits; urgent care visits; lab services; and X-rays, CT scans, or MRIs all showed a consistent pattern: They represented a significantly higher percentage of overall spending for enrollees with under $50,000 in total health care spending. As overall health care spending increased, their proportional share generally decreased.
- For instance, specialist visits accounted for 27 percent of total spending for those under $50,000 but only 4 percent for those with $1 million or more in spending.
- Similarly, emergency department visits were 10 percent of total spending for the lowest-spending group but dropped to 0–1 percent for the higher spending tiers.
- Some services, like physical therapy/chiropractor visits and urgent care visits, became negligible (less than 0.5 percent) at higher spending levels.

The "other outpatient services" category stands in stark contrast to the others. It accounted for 0.3 percent of spending among enrollees with under $50,000 in health care spending. However, its share increased substantially as overall spending rose, reaching 9 percent for those with $50,000 to $500,000 or more in spending, then peaking at 14 percent for those spending $1 million or more before slightly decreasing to 12 percent for those with $2 million or more in spending. This suggests that as individuals incur significantly higher total health care costs, a larger portion of their outpatient spending is attributed to services not falling into the specific categories listed.[1]

[1] The Outpatient Services Table contains encounters and claims for services that were rendered in a doctor's office, hospital outpatient facility, emergency room, or other outpatient facility. A small percentage of claims in this table may represent inpatient services, because the claim was not incorporated into an inpatient admission (e.g., no room and board charge was found). These claims generally have an "inpatient" Place of Service (STDPLAC) code.

Figure 2
**Spending on Outpatient Services, by Health Care Spending Levels, 2022**

| | Total | Under $50,000 | $50,000 or More | $100,000 or More | $250,000 or More | $500,000 or More | $1 Million or More | $2 Million or More |
|---|---|---|---|---|---|---|---|---|
| **Primary Care Physician Visits** | 7% | 10% | 2% | 2% | 2% | 1% | 1% | 1% |
| **Specialist Visits** | 20% | 27% | 11% | 10% | 8% | 7% | 4% | 4% |
| **Mental Health Provider Visits** | 4% | 5% | 2% | 1% | 1% | 1% | 1% | 0% |
| **Physical Therapy & Chiropractor Visits** | 1% | 2% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Emergency Department Visits** | 7% | 10% | 3% | 2% | 1% | 1% | 1% | 0% |
| **Urgent Care Visits** | 1% | 1% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Lab Services** | 5% | 7% | 2% | 2% | 2% | 2% | 2% | 1% |
| **X-rays, CT Scans, or MRIs** | 3% | 5% | 2% | 1% | 1% | 1% | 0% | 0% |
| **Other Outpatient Services** | 4% | 0% | 9% | 8% | 8% | 9% | 14% | 12% |

Source: EBRI estimates using 2022 Merative™ MarketScan® Commercial Database.

## Key Findings for Prescription Drug Spending

We grouped prescription drug spending into two categories: retail pharmacy-dispensed drugs, which are adjudicated through the pharmacy benefit, and specialty medications, which are adjudicated through the medical plan.

- Retail pharmacy-dispensed drugs constituted the majority of overall prescription drug spending at 25 percent of total spending (Figure 3).
- Specialty medications accounted for a smaller proportion at 7 percent.

## Trends Across Health Care Spending Levels for Prescription Drugs

- The proportion of total spending on retail pharmacy drugs generally decreased as total health care spending levels increased. It was highest for enrollees with $50,000 or more in spending (28 percent), then steadily declined from 25 percent for those spending $100,000 or more to a low of 6 percent for those with $2 million or more in spending. This suggests that for individuals with high overall health care expenditures, pharmacy-dispensed drugs made up a smaller relative portion of their total drug costs.
- In stark contrast, the proportion of spending on specialty medications showed a substantial increasing trend with higher health care spending levels, up to a certain point. It started very low at 2 percent for those spending under $50,000. It then rose through the middle spending tiers, reaching its peak at 24 percent for those spending $500,000 or more. It decreased to 18 percent for those with $1 million or more in spending and to 17 percent for those with $2 million or more. This indicates that as total health care spending increased, a larger proportion of that spending was directed toward specialty medications. High users of health care are typically individuals with significant, intensive, and complex medical needs, often requiring ongoing or intensive care for chronic conditions.

Figure 3
**Spending on Prescription Drugs, by Health Care Spending Levels, 2022**

| | Total | Under $50,000 | $50,000 or More | $100,000 or More | $250,000 or More | $500,000 or More | $1 Million or More | $2 Million or More |
|---|---|---|---|---|---|---|---|---|
| **Retail Pharmacy** | 25% | 22% | 28% | 25% | 19% | 13% | 10% | 6% |
| **Specialty Medications** | 7% | 2% | 12% | 16% | 22% | 24% | 18% | 17% |

Source: EBRI estimates using 2022 Merative™ MarketScan® Commercial Database.

In summary, for individuals with lower overall health care expenditures, a larger share of their prescription drug spending is on retail pharmacy-dispensed medications. However, as total health care spending increases, there's a clear shift, with specialty medications consuming a larger proportion of prescription drug spending. This shift starts with individuals with $250,000 or more in total spending, where we see that specialty medications accounted for 22 percent of total spending, while retail pharmacy-dispensed drugs accounted for 19 percent of total spending.

## Summary

For employers navigating the ever-increasing complexity of providing health benefits, this analysis underscores a critical fact: Health care spending is highly concentrated among a small segment of individuals. Crucially, the composition of that spending dramatically shifts as spending escalates. While traditional outpatient services dominate lower spending tiers, inpatient services are the top driver of spending among enrollees using the most health care. To effectively manage benefits spend and ensure sustainable offerings, employers must take a deeper dive into the data and move beyond broad-brush strategies. Understanding and strategically addressing the unique and often complex needs of high-cost claimants is no longer merely beneficial, but essential for optimizing health plan performance and safeguarding financial stability.

### Data and Methods

We analyzed the Merative™ MarketScan® Commercial Database, which contains pharmacy and medical claims data on a sample of 13.1 million enrollees in a non-capitated employment-based health plan in 2022. The study cohort included individuals under age 65, residing in all U.S. geographic regions, and enrolled in a variety of plan types. Using relevant ICD-10 codes from claims, we derived health condition indicators.

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