

## A Small Number of Workers Account for Most Health Costs — Here's What to Know

The use of health care services — and the spending associated with those services — is far from evenly distributed across the population. It has long been known that a small portion of the population accounts for a disproportionately large share of health care spending, with 20 percent of the population typically accounting for 80 percent of total health care spending. This is generally true among the population with employment-based health benefits as well.

Yet, employers often offer health plans that look and feel largely the same to enrollees regardless of the extent to which they use health care services, despite differences in health status, health conditions, and underlying health care needs.

High users — often referred to as high-cost claimants, the costliest patients, or top spenders in the health system — are commonly individuals with significant, intensive, and complex medical needs. These individuals usually require ongoing or intensive care for chronic conditions. However, there is no agreed-upon definition for a high-cost claimant. Various definitions typically rely on annual health care spending thresholds or percentile-based cutoffs.

In this *Fast Fact*, we take a closer look at how a small share of workers drives the majority of health care spending in employment-based health plans. This matters to employers, who have spent decades trying to control rising health care costs. Strategies have included changing plan designs, shifting cost sharing, and exploring new ways to deliver care. Yet, despite these efforts, the cost of providing health benefits has outpaced inflation nearly every year since 1988 — a common benchmark for measuring employer success in managing costs. Examining the concentration of health spending should go hand in hand with evaluations of plan designs and various point solutions as a way to manage the use of health care services and overall spending.

The health care claims of 13.1 million individuals with employment-based health benefits in 2022 were examined using the MarketScan<sup>®</sup> Commercial Database. It contains information on inpatient, outpatient, and pharmacy claims for workers and their dependents.

### Key Findings:

- **The 80/20 Rule Remains:** We continue to find that 20 percent of individuals with employment-based health benefits account for roughly 80 percent of overall spending (84 percent to be more precise).
  - The issue with such a statistic is that it masks nuances in the data. For example, the 20 percent of the population using 80 percent of health spending are not necessarily high users. While their average annual spend is \$30,000, because of few very high-cost claimants, median spending for this group is only \$15,000, and some people in this group used as little as \$6,000 in health care in

2022.<sup>1</sup> This raises a question as to what the threshold should be to define someone as a high-cost claimant or high user of health care services.

- **Spending on Health Care Services Is Highly Skewed:** Very few enrollees account for the majority of health care spending among individuals with employment-based health benefits. One percent of enrollees account for 29 percent of spending (Figure 1). While the average spending for this group is \$206,000 per person and median spending is \$150,000, everyone in this group used at least \$96,000 in health care services.
  - Five percent of enrollees account for 57 percent of spending. The top 10 percent accounted for 71 percent of spending, and the top 20 percent accounted for 84 percent of total health spending.
  - As mentioned above, 20 percent of the population typically accounts for 80 percent of total health care spending. Another point of view is that 80 percent of the population accounts for 20 percent of total health care spending, which means that 80 percent of the population uses no or next to no health care in any given year.

Figure 1  
**Distribution of Health Spending, Among Individuals  
With Employment-Based Health Coverage, 2022**

Percentage of Enrollees	Percentage of Spending	Average Spending per Person	Median Spending per Person	Minimum Spending per Person
1%	29%	\$206,000	\$150,000	\$96,000
5%	57%	\$81,000	\$51,000	\$29,000
10%	71%	\$51,000	\$29,000	\$15,000
20%	84%	\$30,000	\$15,000	\$6,000

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

### Chronic Conditions and Comorbidities:

The prevalence of chronic conditions is relatively high among people who use a lot of health care services.

- Sixty-one percent of all enrollees in employment-based health plans have at least one of the conditions in Figure 2. Total spending for these enrollees represented 92 percent of all health care spending in employment-based health plans in 2022. Average spending among this group of enrollees was \$10,831 per person, while median spending was \$2,820.
- Among these enrollees, the most common conditions included respiratory disease (44 percent), heart disease (32 percent), and musculoskeletal disorders (25 percent). Other prevalent conditions were skin disorders (21 percent), mental health disorders (19 percent), nervous system disorders (18 percent), hypertension (18 percent), endocrine disorders (13 percent), and diabetes (10 percent). Smaller shares had infectious diseases (9 percent), kidney disease (3 percent), cancer (3 percent), cerebrovascular disease (1 percent), pneumonia (1 percent), or connective tissue disorders (1 percent). About 4 percent had other complex conditions such as liver disease, AIDS, or dementia.

<sup>1</sup> Comparing median and mean findings is essential, especially in health care spending data. Because spending data are often highly skewed, the mean can be heavily influenced by a small number of high-cost individuals, overstating the experience of most enrollees. The median, by contrast, provides a clearer picture of what a typical person actually spends — making it essential for designing effective health policies.

Figure 2

**Prevalence of Health Conditions, Average Spending per Person, and Share of Total Spending Among Individuals With Employment-Based Health Coverage, 2022**

Condition	Share of Chronic Conditions Sample	Median Spending per Person	Average Spending per Person for All Health Care	Percentage of Total Spending Accounted for by Enrollee With the Condition
Respiratory Disease	44%	\$3,000	\$11,000	43%
Heart Disease	32%	\$4,000	\$16,000	46%
Musculoskeletal Disorders	25%	\$5,000	\$16,000	36%
Skin Disorders	21%	\$4,000	\$14,000	27%
Mental Disorders	19%	\$5,000	\$14,000	24%
Nervous System Disorders	18%	\$8,000	\$22,000	37%
Hypertension	18%	\$5,000	\$17,000	29%
Endocrine Disease	13%	\$8,000	\$20,000	25%
Diabetes	10%	\$9,000	\$22,000	20%
Infectious Disease	9%	\$4,000	\$17,000	15%
Other	4%	\$14,000	\$40,000	14%
Kidney Disease	3%	\$10,000	\$33,000	11%
Cancer	3%	\$12,000	\$52,000	16%
Cerebrovascular Disease	1%	\$17,000	\$50,000	6%
Pneumonia	1%	\$7,000	\$33,000	3%
Connective Tissue Disease	1%	\$10,000	\$31,000	2%

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

Note: Chronic conditions sample is enrollees who had at least one of the 16 medical conditions in this figure. It represents 61 percent of all enrollees. ICD-10 codes were used to identify the 16 chronic conditions in the data.

“Endocrine Disease” includes diabetes.

Claims data, while a valuable source of information for health care research, often undercount the true prevalence of health conditions due to factors like undiagnosed cases, coding limitations, patient access issues, and a lack of detailed clinical information.

Average spending for enrollees by condition includes spending on other health conditions.

“Other” includes liver disease, hemiplegia/paraplegia, AIDS, regional enteritis, ulcerative colitis, and dementia.

Columns sum to more than 100 percent because individuals may have more than one condition.

## Summary

This *Fast Fact* analyzes 2022 health care spending among 13.1 million individuals with employment-based health benefits using the MarketScan® Commercial Database. The data reveal highly skewed spending, driven largely by individuals with significant chronic and comorbid conditions. Among enrollees, 61 percent had at least one of 16 chronic conditions, and this group accounted for 92 percent of all spending. The top three diagnosis codes were respiratory disease, heart disease, and musculoskeletal disorders. This *Fast Fact* underscores the complexity of defining high-cost claimants and calls for a nuanced understanding of health care utilization to inform plan design and cost-management strategies.

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