

Factors Driving Nationwide Healthcare Costs



What is the likely impact of the current economic environment on healthcare?

COVID Impact

Deferment of care now being realized.

60% drop in annual preventive visits.



Increase in Mental health conditions & alcohol-related disorders.¹

Contract Negotiations & Government Relations



Cost shifting to private payers to offset **reduced revenue** from increased Medicare and Medicaid population.³



Strained contract negotiations between providers & insurance carriers.



Provider group **consolidation & higher reimbursement** for specialty services.³

Inflation

Highest levels of inflation since the **1970s**.

Healthcare inflation expected increase **7.1%** over next 5 years (expected economic growth of 4.7%).²

Hospital price inflation is the largest component of **2023 projected medical trend increases**.³



Healthcare industry wages **escalating**.³

Labor shortages



In next three years: the U.S. is projected to face a **shortage of 200,000+ registered nurses** and **50,000+ physicians**.⁴

\$170B

Incremental cost of wage growth & scarcity of resources from clinical labor shortage.⁵

In the last two years, contract labor for hospital costs increased **300%** per American Hospital Association.

Pharmacy & High-Cost Claims

55% of spending = Specialty drugs/biologics. Propelled by growth in **autoimmune, oncology therapies and diabetes**.³

Million-dollar claims on a per million covered employees basis **rose**

15% in the past year
45% over the past four years.¹

High-Cost Drugs now on the market.

\$3.5M

single use cost of Hemgenix (treatment of Hemophilia B).

¹ "High-cost claims and injectable drug trends analysis." Sun Life, 2023 Edition

² McKinsey & Company, "The Gathering Storm: The Uncertain Future of US Healthcare," September 2022.

³ "Segal Health Plan Cost Trend Survey Report", 2022.

⁴ Gretchen Berlin, Meredith Lapointe, Mhoire Murphy, and Joanna Wexler, "Assessing the lingering impact of COVID-19 on the nursing workforce," McKinsey, May 11, 2022; The complexities of physical supply and demand: Projections from 2019 to 2034, Association of American Medical Colleges, prepared by IHS Markit Ltd., June 2021.

⁵ McKinsey & Company, "The gathering storm: The transformative impact of inflation on the healthcare sector", September 2022.