



## Health Care Costs Projected to Grow 7% in 2024

Health care costs are expected to grow 7% in 2024 due to rising pharmaceutical expenses driven by specialty drugs and insurers increasing rates in response to inflation, according to an [annual report](#) from professional services firm PricewaterhouseCoopers (PwC). This trend is higher than 2022's and 2023's projected medical cost rates, which were 5.5% and 6%, respectively. The report surveyed U.S. health plans covering 100 million group members and 10 million Affordable Care Act marketplace members.

High-cost medications, drug shortages and supply chain disruptions are driving health care costs upward. For example, new cell and gene therapies, many of which have recently been approved by the U.S. Food and Drug Administration, and heightened demand for expensive GLP-1 diabetes and obesity drugs are drivers of medical cost trends heading into 2024 and beyond.

While inflation impacted the U.S. economy in 2022, it was not significant in the health care industry because prices tend to be locked in existing annual or multiyear provider contracts. However, providers continue to experience worker shortages and increased labor costs, causing them to seek higher reimbursement from payers to recoup financial losses. Additionally, increased health care utilization will likely impact health plans in 2024.

Despite the expected rise in health care costs, some trends are easing this pressure. Such trends include the expanded availability of biosimilar drugs and the transitioning of individuals from expensive inpatient hospital settings to affordable outpatient care. The following are other factors that will likely impact health care costs:

- Value-based care investments
- Behavioral health care utilization
- Health equity initiatives
- Price transparency rules
- Impacts of COVID-19
- Medicaid redeterminations

Monitoring these factors will be critical to aid employers in reducing their future medical costs.

### What This Means

The PwC report highlights how tackling affordability and rising health care costs will continue to be top challenges for employers for the foreseeable future. Employers will need to find new strategies, rework existing business models and take advantage of transformational opportunities, including investing in innovation and technology, to lessen the impact of rising health care costs on their organizations. Understanding medical cost trends can help employers act now to protect themselves against increasing health care costs and better support their employees.

Contact Potomac Companies, Inc for more health care resources.

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