

A thick pink line graphic that starts as a horizontal line on the left and then transitions into a jagged, pulse-like shape on the right side of the page.

# State of the **U.S. Healthcare** Market

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# Healthcare Industry At a Glance

The United States healthcare landscape is undergoing significant changes, with implications for patients, providers, and the broader healthcare industry.

There's been a notable shift in healthcare delivery, with a decline in primary care utilization across large metro regions, attributed to changes in patient behavior and healthcare delivery practices. Outpatient, or ambulatory healthcare, is rapidly gaining popularity due to the ease of access, cost-effectiveness, and technological enablement.

Younger patients are exhibiting more consumer-like decisions in accessing care. Today, 58% of Americans are likely to visit a retail pharmacy as a first step for seeking nonemergent medical care. Access, choice, and cost containment are shaping patient and provider behavior.

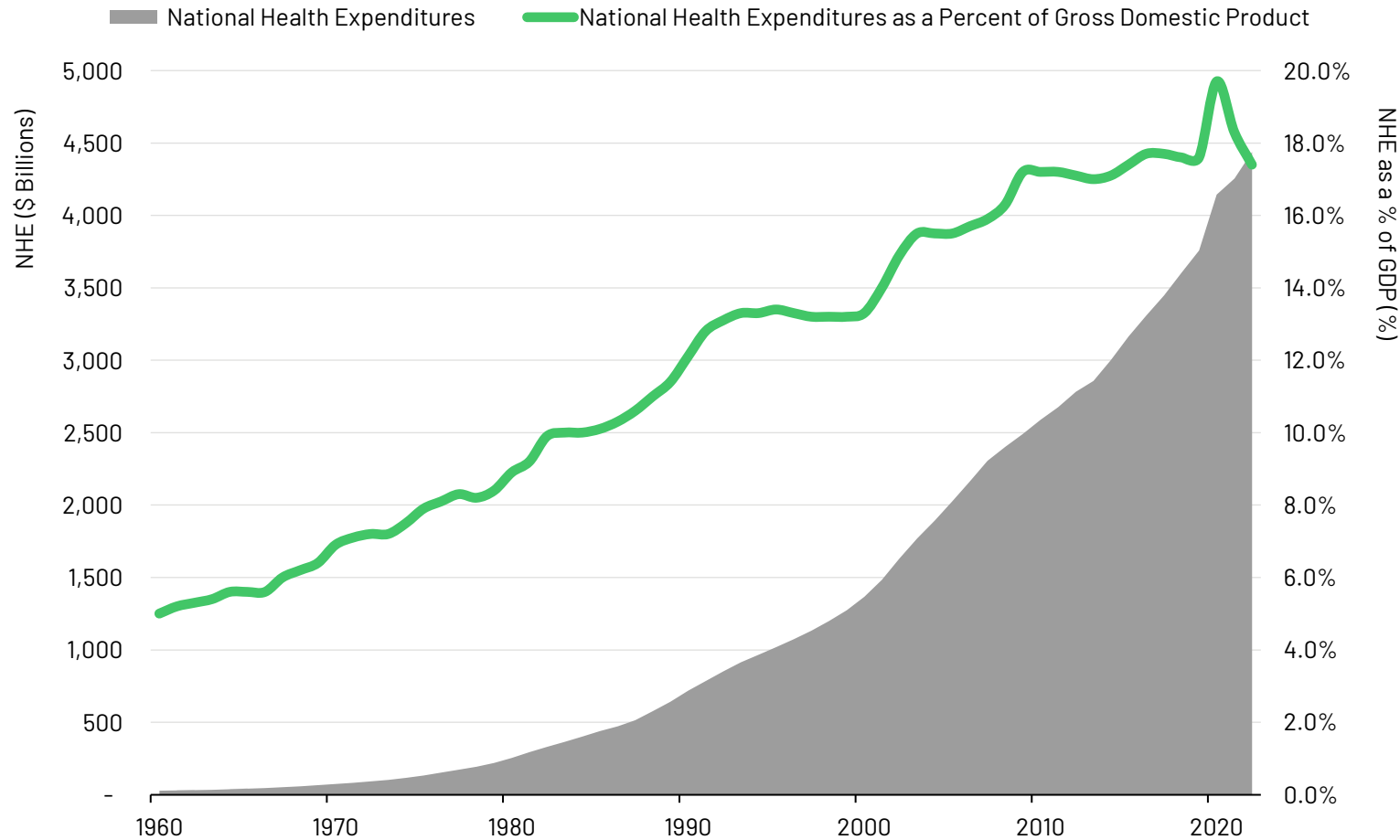
Due to a high demand for affordable medical care, the federal government has recently passed new bills such as The Inflation Reduction Act of 2022. This bill allows Medicare to negotiate the prices of certain prescription drugs, caps out-of-pocket spending for Medicare beneficiaries, and was constructed to temper insulin costs. The pharmaceutical industry increased lobbying efforts to combat this bill, spending more than the entire healthcare industry combined.

Employers in the healthcare industry are actively pursuing mergers and acquisitions (M&A) to adapt to changing market dynamics. M&A can help companies by securing capital to optimize efficiencies and enhance operations, provide access to new markets, and increase talent supply. To protect consumers and employers from high prices and premiums, and keep care quality high, federal and state governments look to identify anti-competitive practices and review M&A transactions.

Healthcare employment has grown steadily for decades despite recessions, until the Covid-19 pandemic, and the industry has yet to fully recover. Pre-pandemic, the forecasted growth in healthcare employment predicted 655,300 more jobs by June 2023. Shortages among healthcare professionals are driving workers to push back. Unionization efforts for physicians, nurses and other healthcare employees, are seeking improved working conditions, staffing levels, and pay.

**The healthcare sector is evolving in response to patient preferences, economic pressures, regulatory changes, and challenges in workforce stability and unionization efforts.**

# National Health Expenditures (NHE) and Gross Domestic Product (GDP)



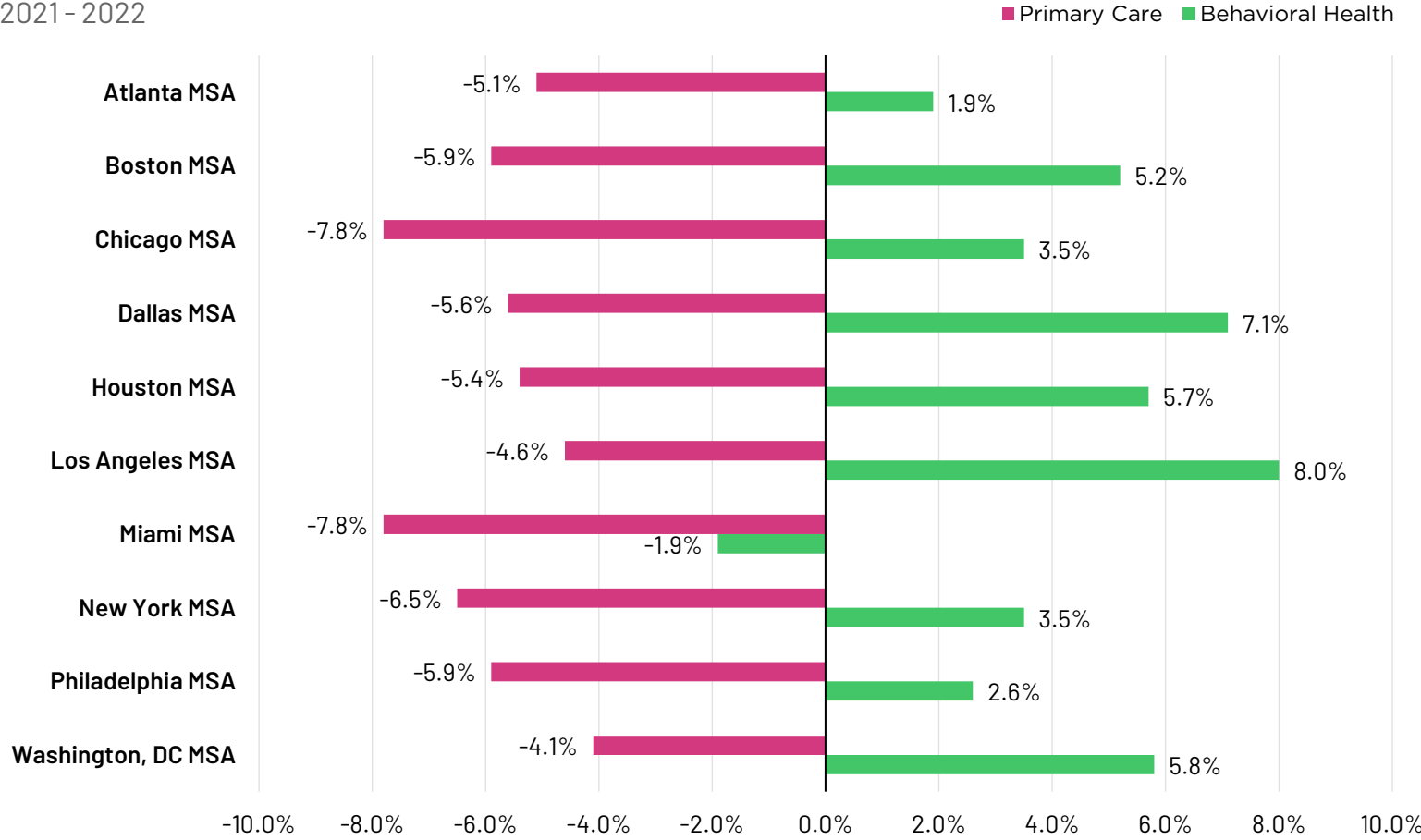
## Changes in National Health Expenditures:

- 2022-2031 average growth in NHE (5.4%) is projected to outpace average GDP growth (4.6%) resulting in an increase in the health spending share of GDP from 18.3% in 2021 to 19.6% in 2031.
- The insured share of the population is estimated to have been 92.3% in 2022 – an historic high – related to high Medicaid enrollment and gains in Marketplace enrollment.
- Medicaid enrollment grew more slowly in 2023 and is expected to decline in 2024 due to the phasing out of the continuous enrollment requirement.
- Medicaid enrollment hit a peak of 90.4M in 2022 and is projected to drop to 81.1M by 2025. By 2031 the population is projected to be 90.5% insured.
- The Inflation Reduction Act is projected to result in lower out of pocket spending on prescription drugs for 2024 and beyond as Medicare beneficiaries incur savings associated with several provisions from the legislation including an out-of-pocket spending cap and lower gross prices resulting from negotiations with manufacturers.

Source: U.S. Centers for Medicare & Medicaid Services

# Decline in Primary Care is Consistent Across Markets, Behavioral Health Utilization Surges Post-Pandemic

Annual Changes in MSA Care Volumes  
2021 - 2022



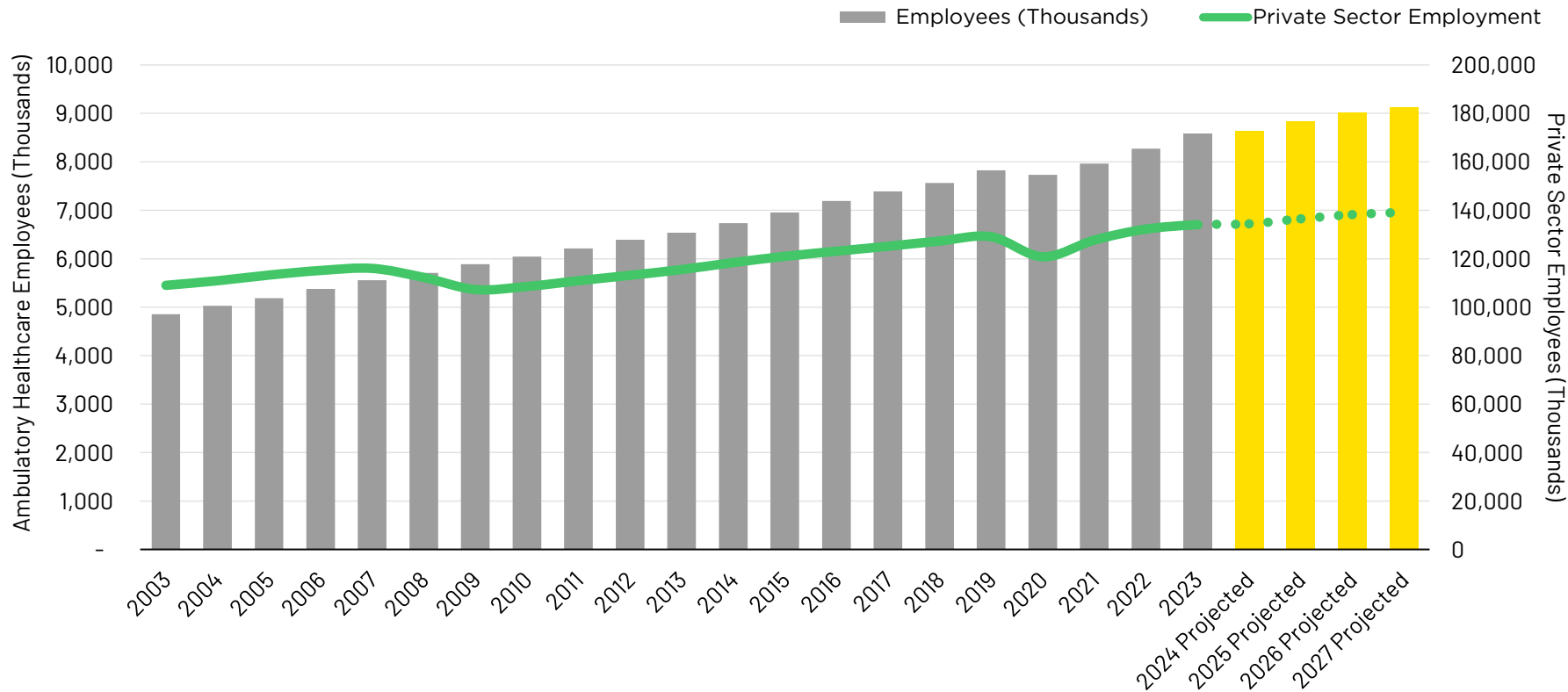
- **Primary care utilization declined** across ten major metros from 2021 to 2022, ranging from -7.8% (Miami, Chicago) to -4.1% (Washington, DC).
- Three likely reasons behind the decline:
  - Decreases in patients' ability, need, or desire to seek primary care.
  - Changes in primary care practice such as greater use of health teams and non-face-to-face care.
  - Replacement of in-person primary care visits with specialist, retail clinic, and commercial telemedicine visits.
- **Behavioral health utilization increased** in nine of the ten markets, ranging from -1.9% (Miami) to 8.0% (Los Angeles).
  - Spending on mental health services among Americans with private health insurance has surged since the pandemic, continuing to rise even as the use of telehealth has plateaued.

Source: Trilliant Health national all-payer claims database, Open Secrets

# Outpatient (Ambulatory) Healthcare on the Rise

Clear Shift from Inpatient to Outpatient Care is Impacting Operations, Business Models, Staffing, and Capital

## Ambulatory Healthcare Service Employees vs. Private Sector Employees



**Ambulatory Healthcare has a Projected Growth of 13% (Through 2027)**

### Why Is Ambulatory Care Increasing?

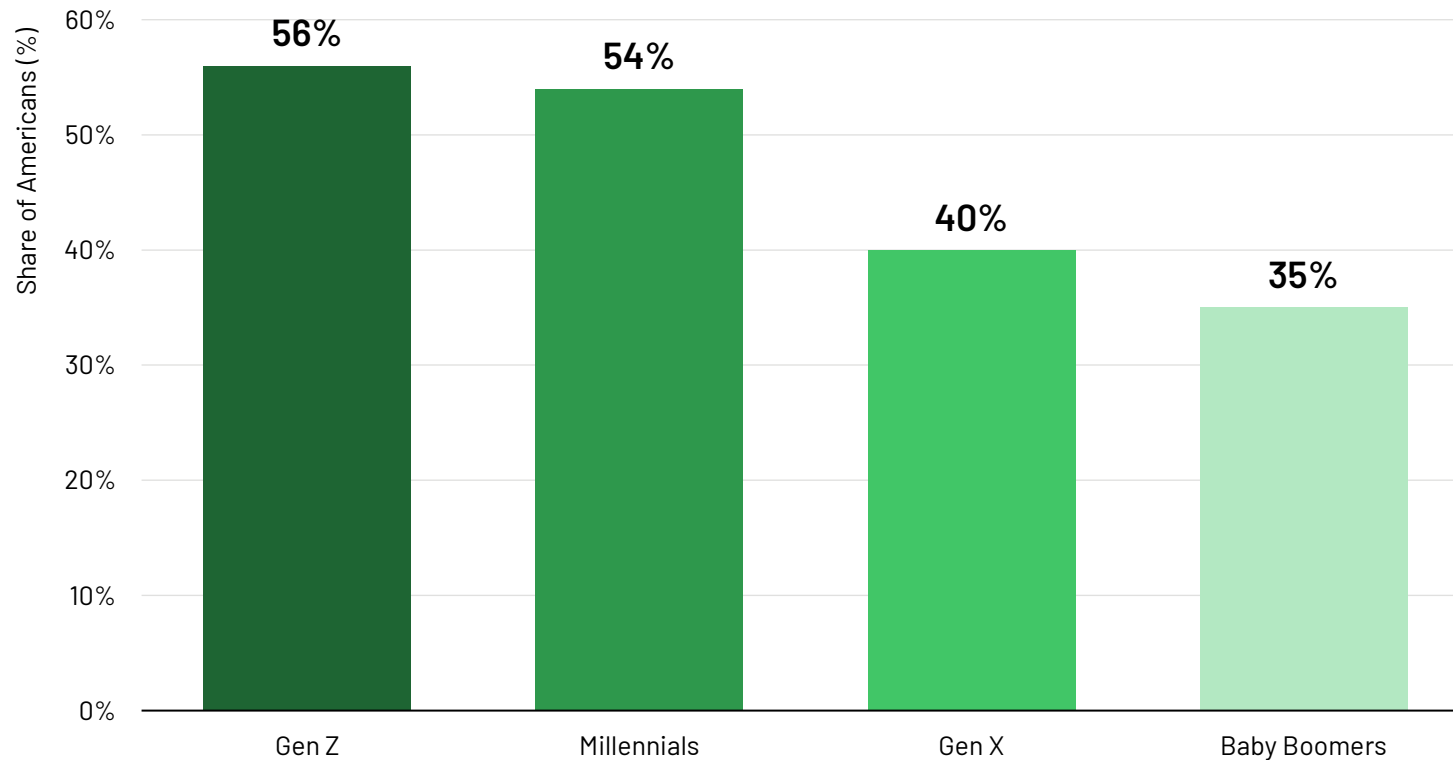
- Cost-effective
- Accessible
- Technology
- Minimally invasive procedures
- Payment reforms and reimbursement
- Since the pandemic, there is patient fear and avoidance of hospitals

Industries in the Ambulatory Health Care Services subsector provide health care services directly or indirectly to ambulatory patients and do not usually provide inpatient services. Health practitioners in this subsector provide outpatient services, with the facilities and equipment not usually being the most significant part of the production process.

Source: Bureau of Labor Statistics, Lightcast Labor Analytics

# Younger Patient Cohorts Exhibit More Consumer-Like Decisions in Accessing Care

Share of Americans Who Reported Visiting a Pharmacy for Medical Care by Generation  
2022



Source: Wolters Kluwer Pharmacy Next: Consumer Care and Cost Trends Survey, Publicly Available News Sources

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**58%**

**of Americans** are likely to visit a retail pharmacy as a first step for seeking nonemergent medical care (i.e., urgent care services)

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**83%**

**of Americans** would still go to a traditional physician's office for an annual physical (i.e., preventive primary care services)

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**1 in 3**

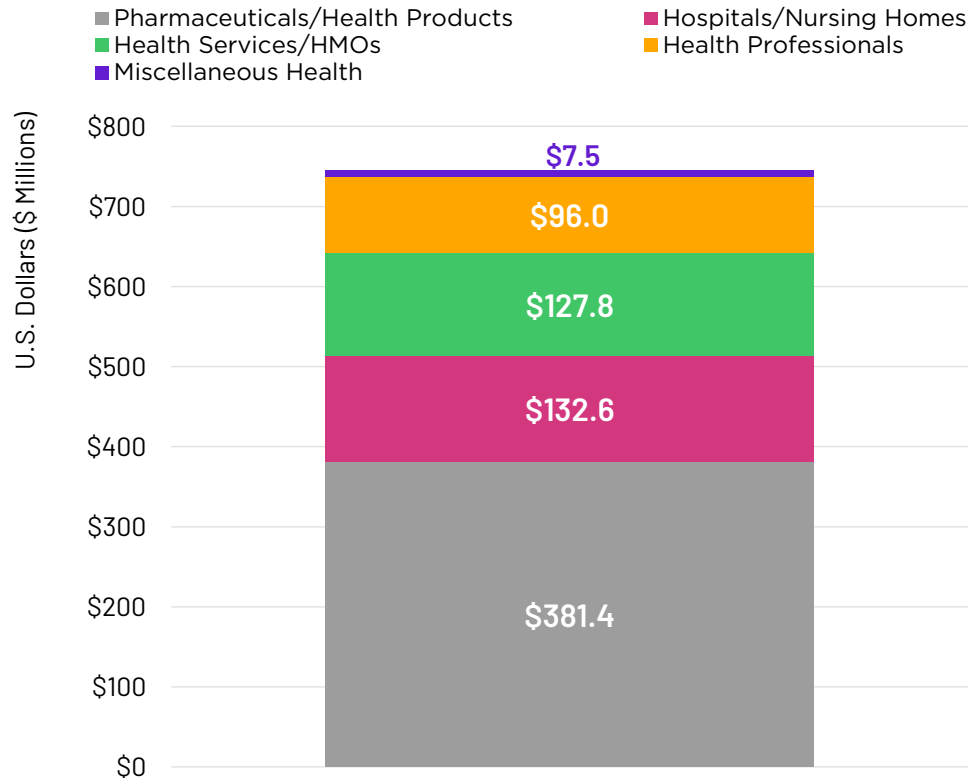
**Americans** say that convenience is more important for non-emergent scenarios

# Healthcare Lobbying Spend Rises to Record-High of \$745.4M in 2023

Stakeholders in the Healthcare Industry are Ramping Up Spending

## Healthcare Lobbying Spending Broken Down

2023



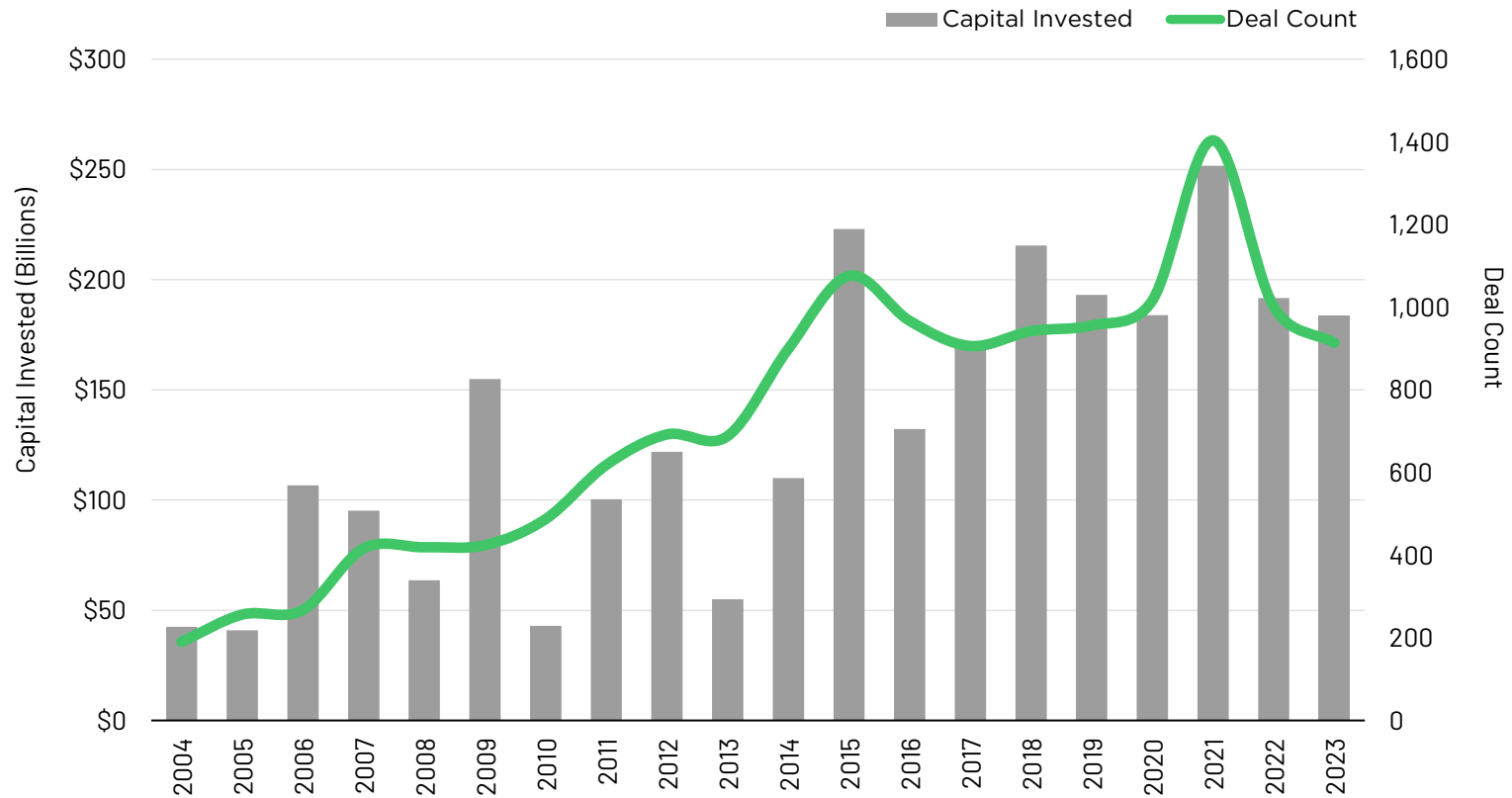
Source: The Senate Office of Public Records Lobbying Disclosure Act Reports, Open Secrets, National Conference of State Legislatures

- **Top Interest Groups in 2023:** PhRMA (\$27.1 million, third among all industries), American Hospital Association (\$25.2 million, fourth among all), American Medical Association (\$20.6 million, fifth among all).
- **Mergers and acquisitions (M&A):** Physician groups and associations have focused on influencing federal policy covering mergers and acquisitions.
- **The Inflation Reduction Act of 2022:** Most of the pharmaceutical and health product industry's lobbying efforts have taken aim at this federal act, which was introduced as an amendment to the Build Back Better Act and signed into law in August 2022. The bill — among other environmental and economic objectives — allows for Medicare to negotiate the prices of certain prescription drugs, caps out-of-pocket spending for Medicare beneficiaries and takes aim at insulin costs.
- **State Lobbying:**
  - At least 10 states enacted legislation modifying surprise billing laws, largely in response to the federal No Surprises Act which began in 2022.
  - Some states have focused on hospital financial assistance policies and medical debt protections.
  - States also considered legislation to evaluate health spending trends and improve price transparency.
  - A few states focused on hospital consolidation with the aim of mitigating adverse effects of mergers on health care costs and quality.
  - At least four states created programs for improving health insurance outreach and to simplify enrollment processes.
  - Over 20 states have enacted legislation bolstering health insurance mandates, with many bills focused on behavioral and mental health services in recent years.



# Healthcare M&A Slows as Economy Changes

## Historical M&A in the Healthcare Sector



M&A Deal Criteria: Deal Types: M&A (control and non-control transactions). Ownership Status: Privately Held (backing & no backing); In IPO Registration; Publicly Held; Acquired/Merged (operating subsidiaries included). Industries: Healthcare.

Source: Pitchbook

## 2023 Key Players in Healthcare M&A by Spend

ACQUIRER	2023 SPEND ON M&A	2023 NUMBER OF M&A DEALS
CVS Health	\$18.6B	3 Deals
VillageMD, Walgreens Boots Alliance and Evernorth Health	\$8.9B	1 Deal
Optum	\$5.4B	1 Deal
Amazon.com	\$3.5B	1 Deal
Mars	\$1.5B	1 Deal

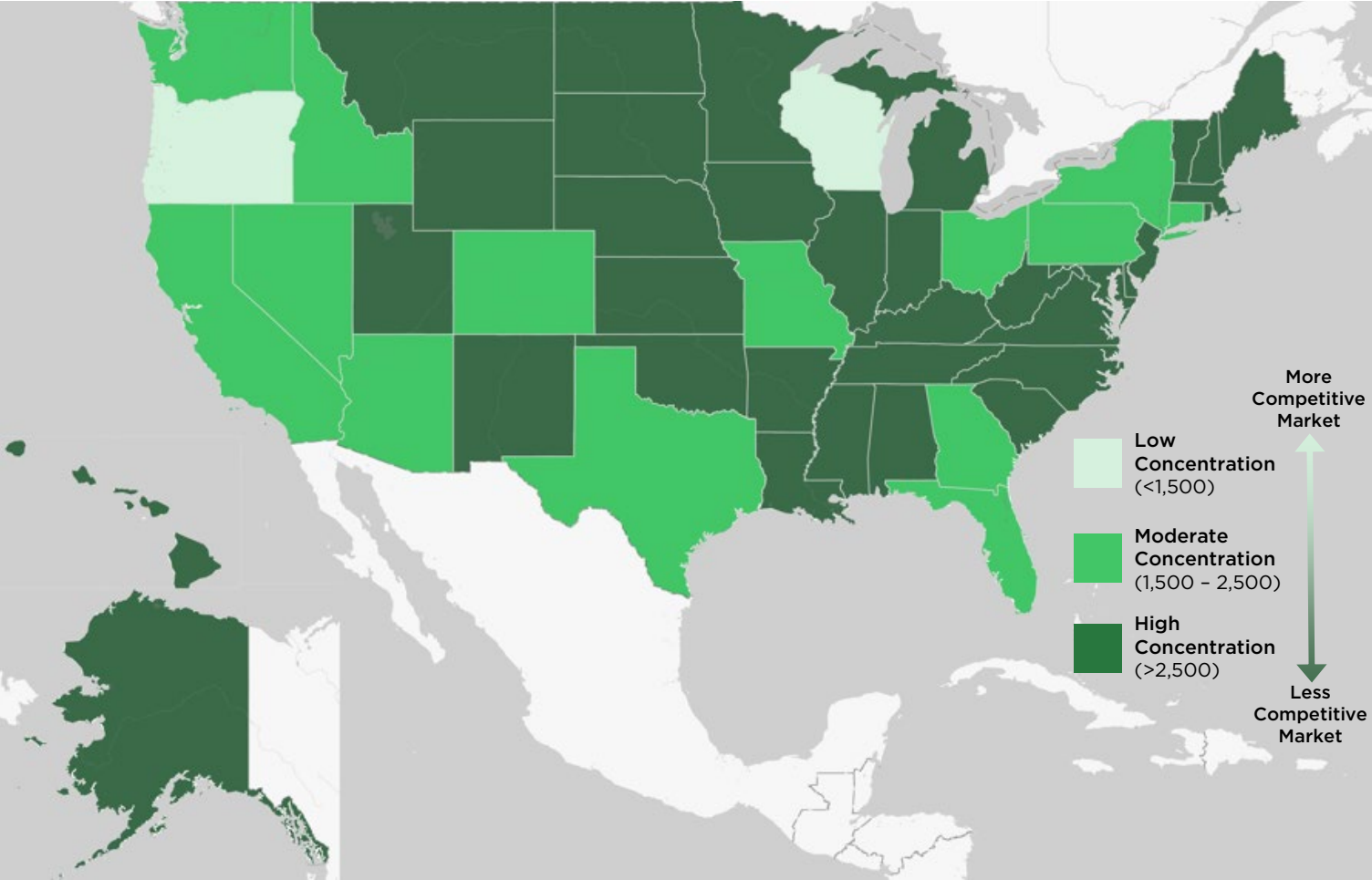
M&A can help companies by securing capital to optimize efficiencies and enhance operations, provide access to new markets, and increase talent supply.

### Healthcare M&A slowed from peak 2021 totals in 2022 and 2023, due several key factors:

- Inflation put a strain on consumers, suppliers, and providers.
- Labor costs rose due to a shortage of nurses and other skilled workers.
- Growing interest rates and the rising cost of capital pushed acquirers to pause.
- Much of the federal and state pandemic-related funding for providers ended, and costs are outpacing the relatively modest increases in reimbursements.

# Concentration Across U.S. Health Insurance Markets May Have Negative Effects – Eyes on M&A Activity

Payer Concentration Relative to Health Insurance Providers



- High concentration levels in health insurance markets are largely the result of consolidation (i.e., mergers and acquisitions).
- The Herfindahl-Hirschman Index indicates that the payer market is moderately or highly concentrated in 49 out of 51 states and the District of Columbia.
- At the Metropolitan Statistical Area level, 73% of markets were highly concentrated (HHI>2,500).
- In 90% of MSA-level markets, at least one insurer had a commercial market share of 30% or greater, and in 48% of markets, a single insurer’s share was at least 50%.
- To protect consumers and employers from high prices and premiums, and keep care quality high, state governments look to identify anti-competitive practices and review M&A deals.

Note: An HHI below 1,500 indicates a competitive market; between 1,500 and 2,500 indicates a moderately concentrated market, and a value greater than 2,500 indicates a highly concentrated market.

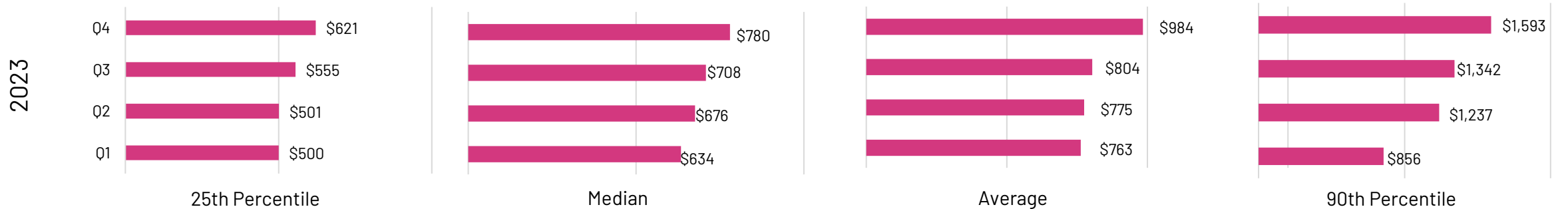
Data is based on commercial enrollment in PPO, HMO, POS, and public exchange plans, including consumer-driven health plans, and enrollment in MA plans.

Source: American Medical Association’s 22nd edition of, “Competition in health insurance: A comprehensive study of U.S. markets” released December 2023.

# U.S. Hospital & Medical Office Construction Costs Per Square Foot

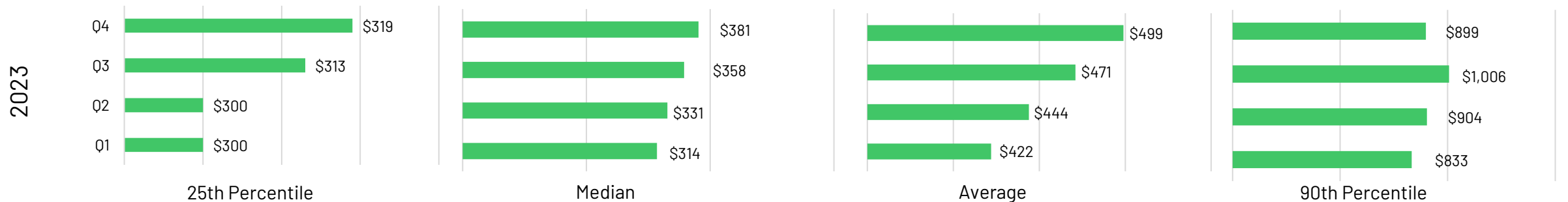
## Hospital Construction Costs Per SF Trends

Based on Total Project Value, SF and Expected Completion Date - **Hospitals** (TTM Basis)



## MOB Construction Costs Per SF Trends

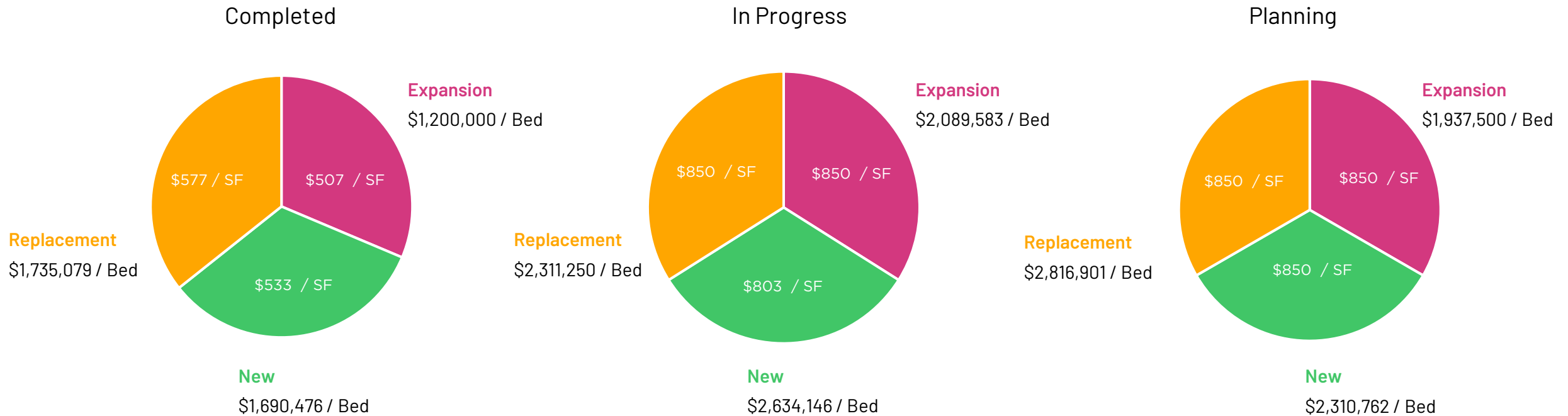
Based on Total Project Value, SF and Expected Completion Date - **Medical Office Buildings** (TTM Basis)



Source: Revista

# U.S. Hospital Construction Costs Per Bed Trends

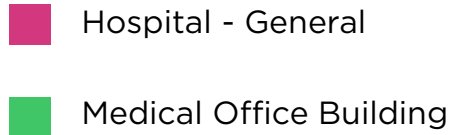
Construction Costs Per Bed and SF by Construction Type and Status  
(uses all hospital construction cost data)



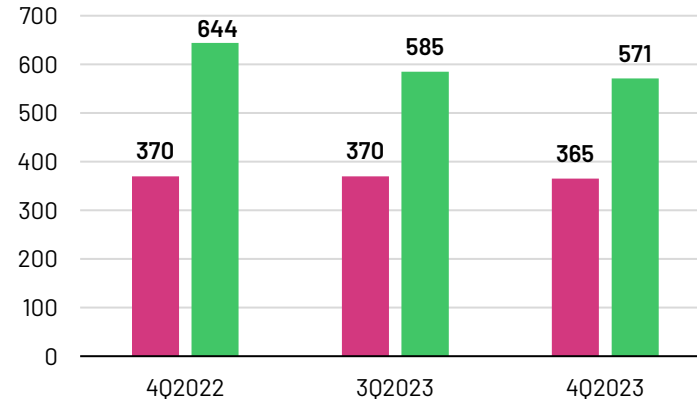
Source: Revista

# U.S. Hospital & Medical Office Construction Stats

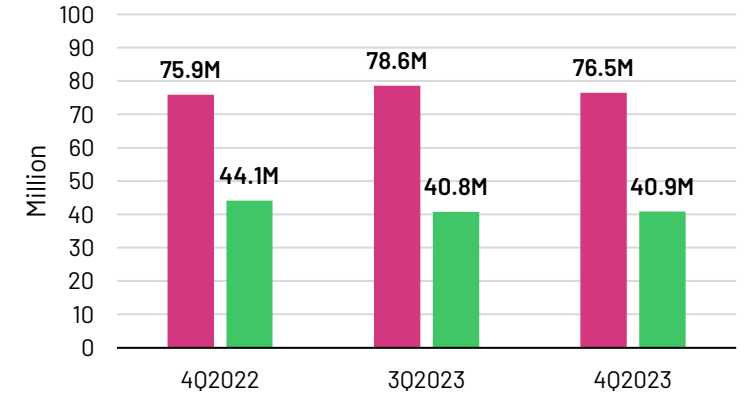
## Key U.S. Development Pipeline Statistics



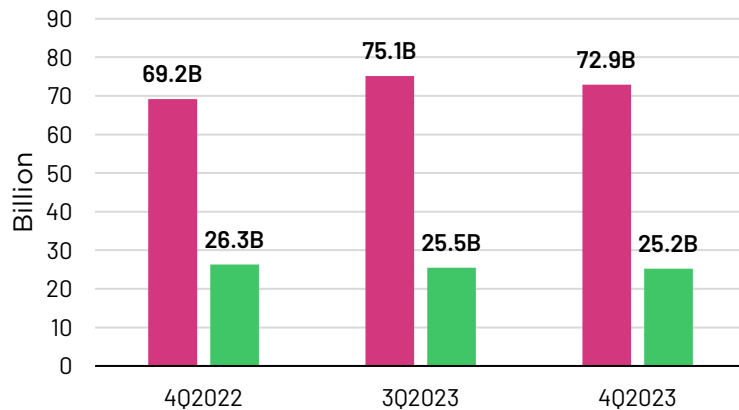
### Properties in Progress



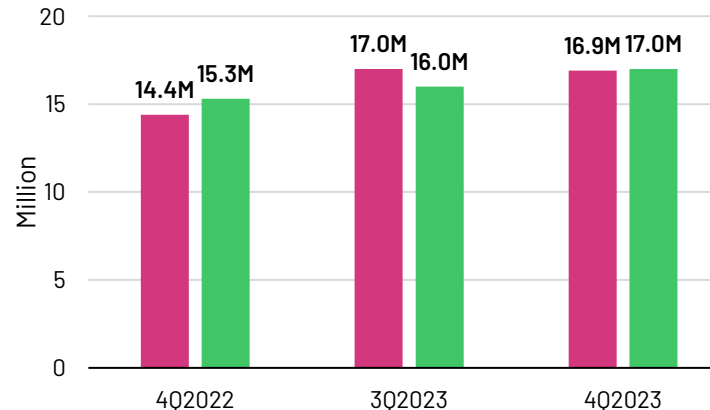
### Square Feet In Progress



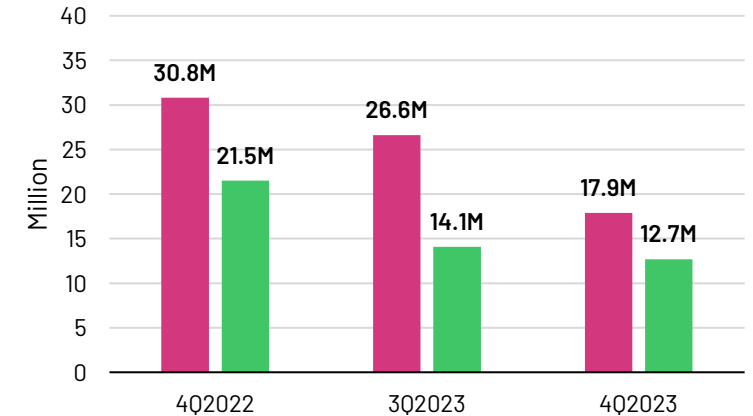
### Dollar Volume In Progress



### Square Feet Completed Past 12 Months



### SF Started Past 12 Months



Source: Revista

# Medical Care Prices Have Generally Increased More Rapidly Than Overall Consumer Prices, Until Recently

## Cumulative Percent Change in Consumer Price Index for All Urban Consumers (CPI-U) for Medical Care and for All Goods and Services

January 2000 - June 2023



Medical care includes medical services as well as commodities such as equipment and drugs.

Source: KFF analysis of Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) data

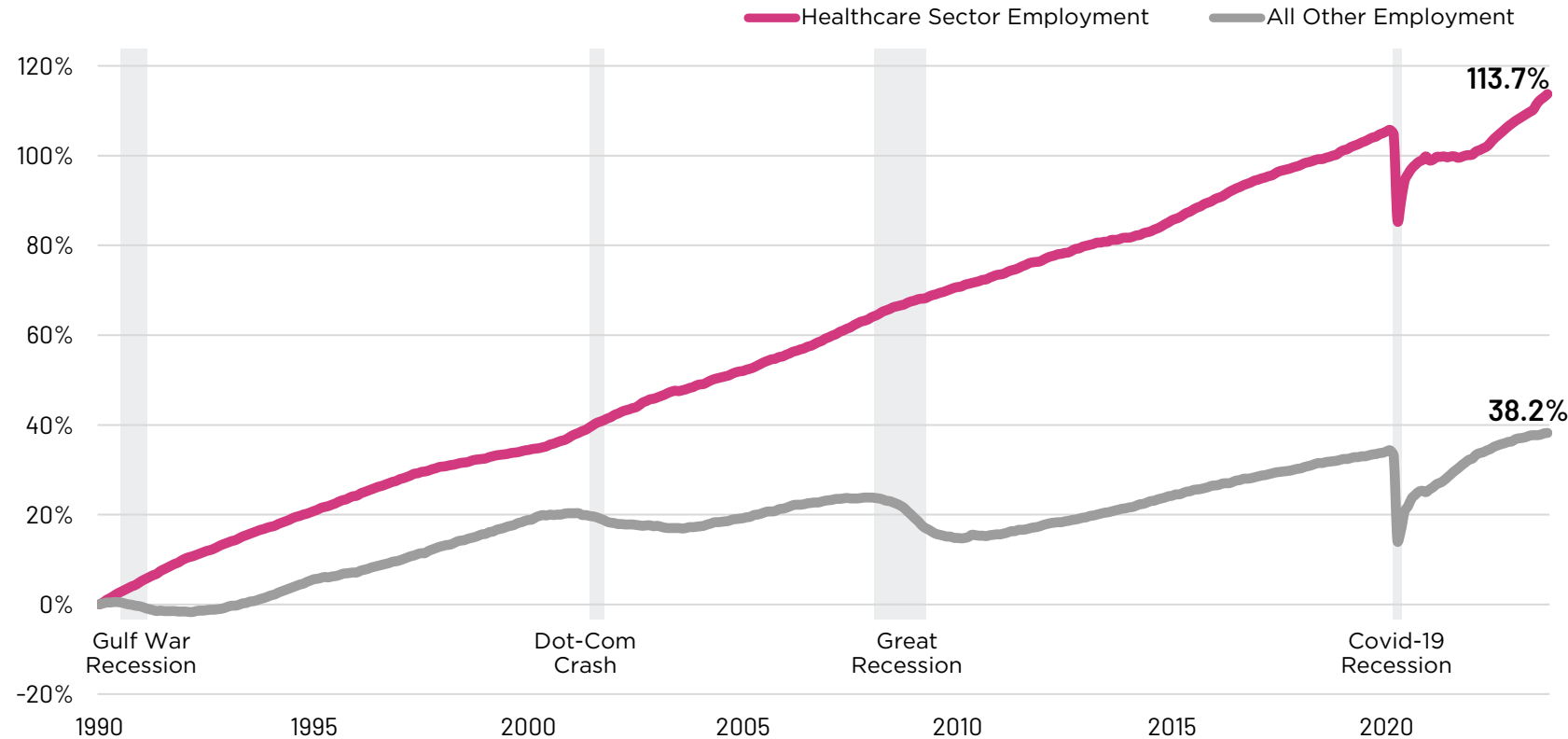
- Medical care prices have usually grown faster than prices in the overall economy, and at a more consistent pace.
- Medical care prices increased slower than prices for other consumer goods and services in the past year.
- This is unusual, as growth in health prices typically outpace inflation in the rest of the economy.
- In 2023, medical prices grew at a similar rate as in past years.
- However, inflation for most consumer goods has not tamed down and ongoing labor shortages and sustained demand continue to keep non-medical services inflation high.
- Many health prices are set in advance, administratively or via private insurance contracting, so there is a delay in observable price increases.
- In a tight labor market, employers may be reluctant to pass health premium increases to workers and press health plans to moderate healthcare price increases.

# Unlike Past Recessions, Healthcare Employment Fell Drastically in 2020

Healthcare Job Growth Rates Have Not Yet Returned to Levels Predicted Before the Pandemic

## Cumulative % change in health sector and non-health sector employment

January 1990 – October 2023



- In April 2020, health employment fell by -8.2%, while non-health employment fell by -14.0%.
- After this unprecedented drop at the beginning of the pandemic, jobs in both the health and non-health sectors rebounded.
- The health industry recovered to 95% of pre-pandemic jobs by July 2020, but non-healthcare jobs did not return to similar levels until June 2021.
- Jobs in the health sector are 3.9% higher than in February 2020 (the previous peak), compared to 2.9% in all other sectors.
- Post-pandemic, healthcare workers have been leaving their jobs at higher rates compared to before the pandemic.
- If health sector employment had continued to grow at pre-pandemic rates, overall health employment would have seen 655,300 more jobs by June 2023.

All data is seasonally adjusted. Data from the latest two months are preliminary. Grey regions represent periods of economic recession.

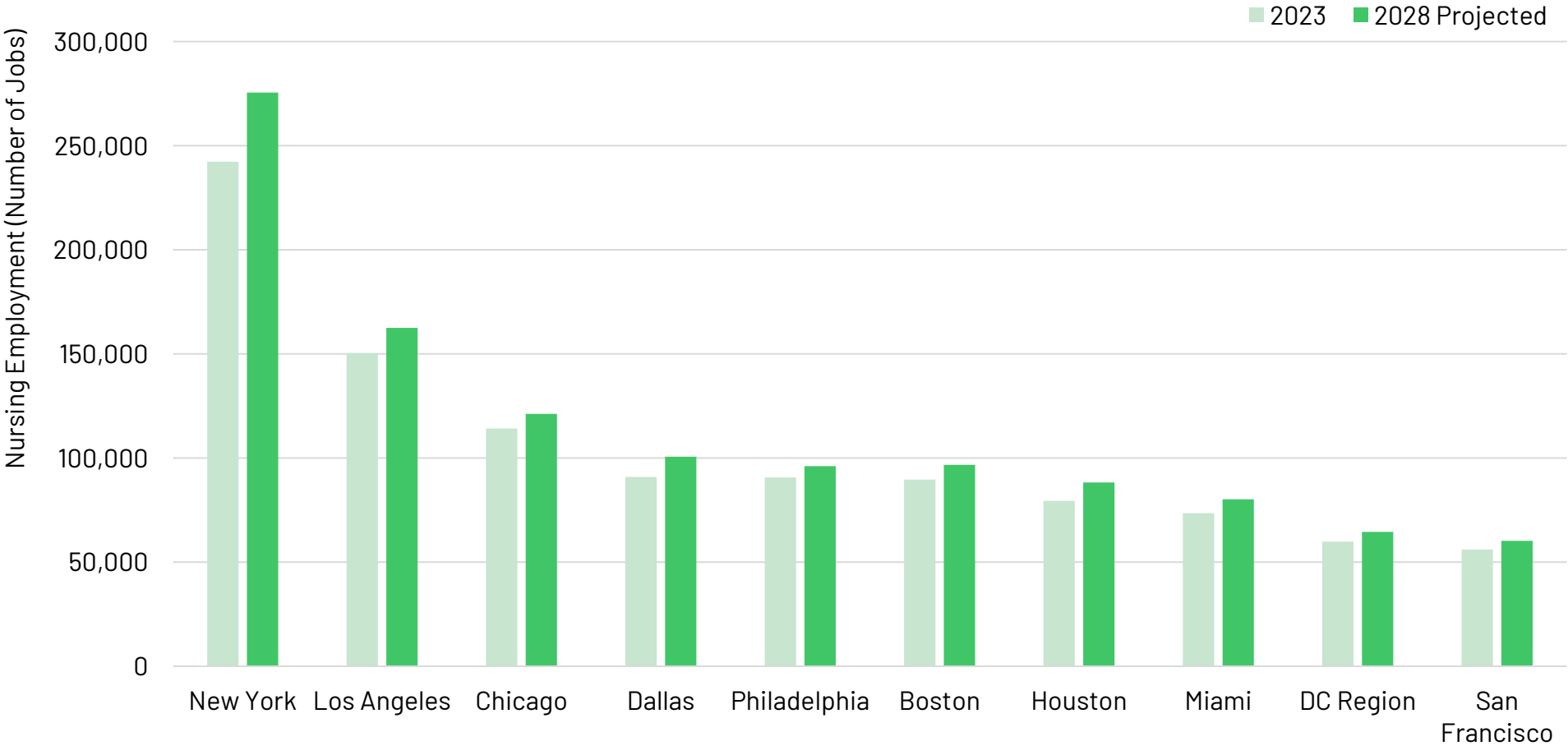
Source: Bureau of Labor Statistics Current Employment Statistics, The Peterson Center on Healthcare and KFF Health System Tracker





# Nursing Employment is Expected to Increase Across All Key Metros

Comparison of the Top 10 U.S. Healthcare MSAs Projected Employment Growth



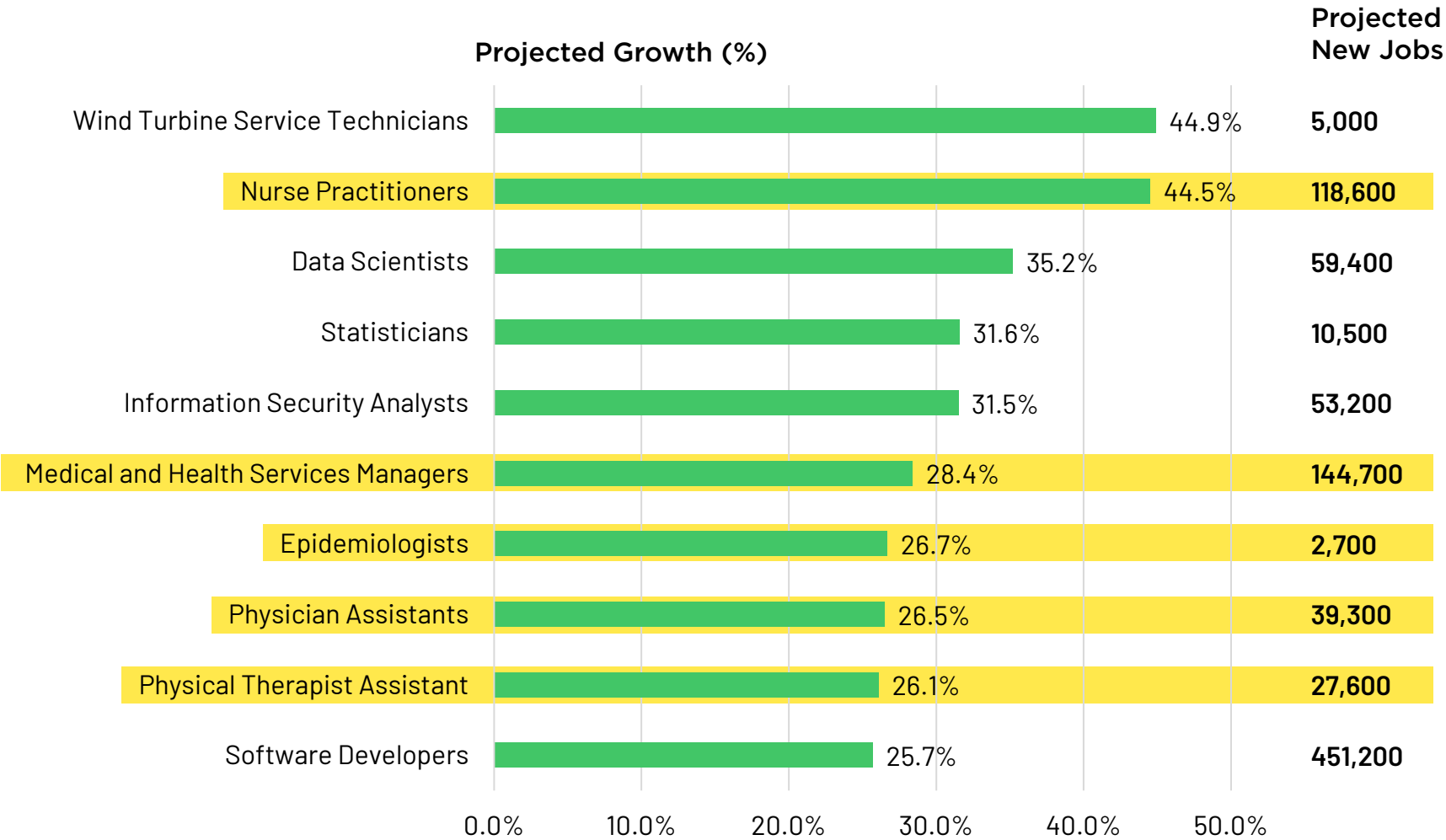
**Projected Growth by MSA**  
(Through 2028)

- New York:** 15%
- Houston:** 11%
- Dallas:** 11%
- Los Angeles:** 10%
- San Francisco:** 10%
- DC Region:** 10%
- Boston:** 9%
- Miami:** 8%
- Chicago:** 5%
- Philadelphia:** 5%

Source: Lightcast Labor & Analytics

# Fastest Growing U.S. Occupations – Healthcare Prevalent in the Top 10

2022-2032 Employment Change Growth and Projected New Jobs



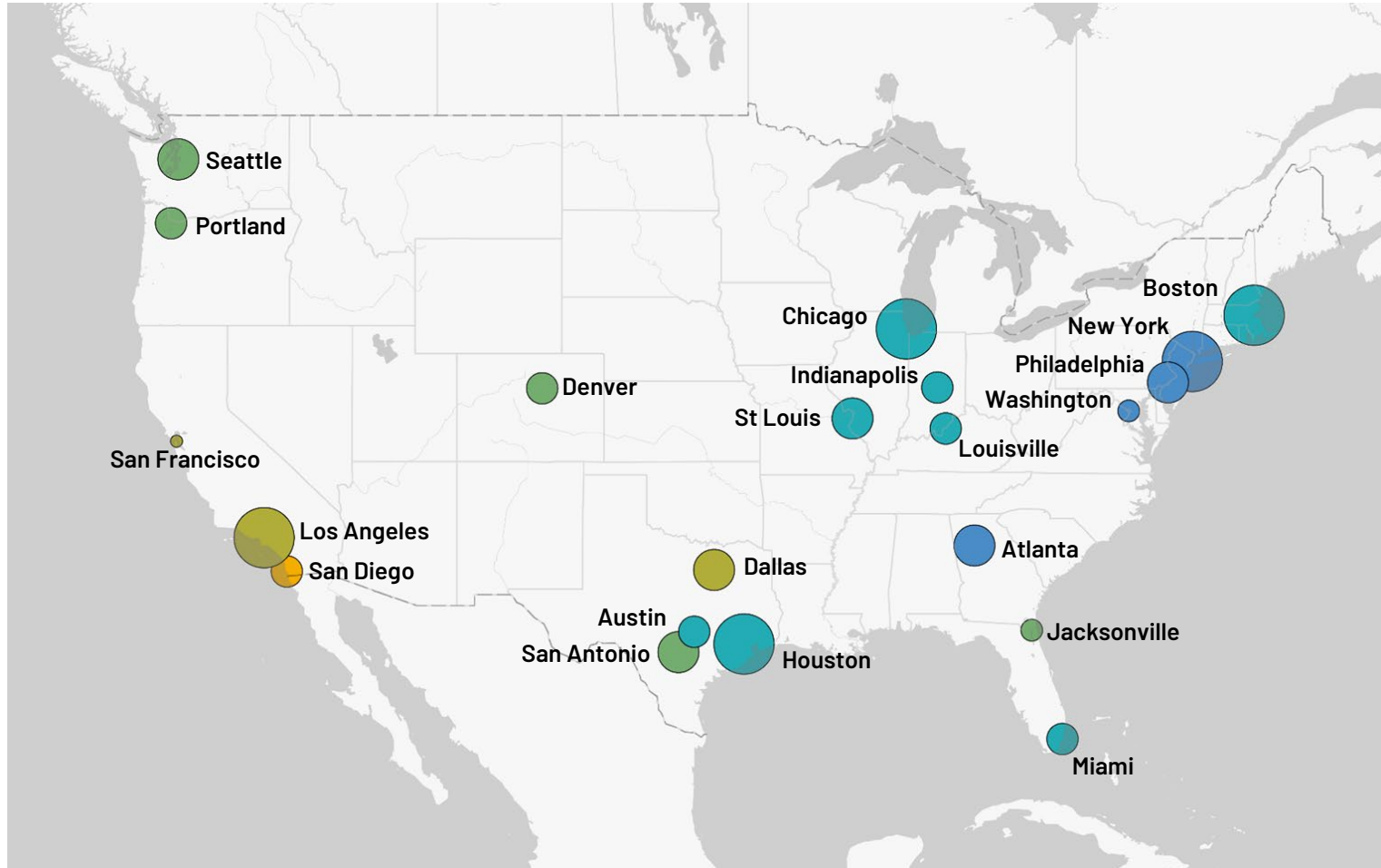
**5 out of 10** of the Fastest Growing U.S. Occupations are in **Healthcare**

- Total U.S. employment is projected to grow by almost 4.7 million from 2022 to 2032 and it is driven primarily the healthcare and social assistance sector.
- Nurse practitioners are number one in demand when ranking occupations that require a bachelor’s or higher degree.
- Within the healthcare sector, the most projected new jobs come from occupations in home health and personal care aides, registered nurses, medical and health services managers, nurse practitioners, medical assistants, and substance abuse, behavioral disorder, and mental health counselors.

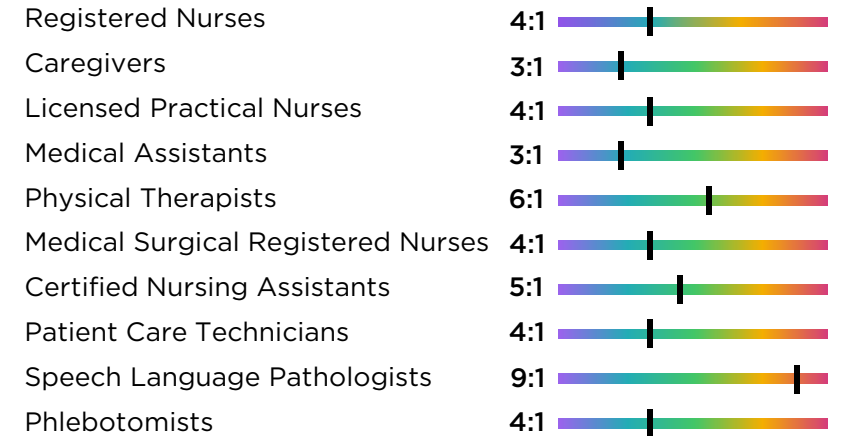
Source: Bureau of Labor Statistics (BLS) Occupational Outlook Handbook (OOH) Released Fall 2023

# Top 20 U.S. Cities with the Highest Demand for Healthcare Jobs

Unique Job Postings Indicated by Bubble Size, Intensity Represented by Color

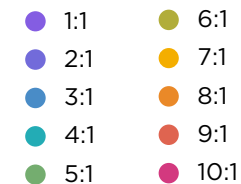


## Postings by Job Title

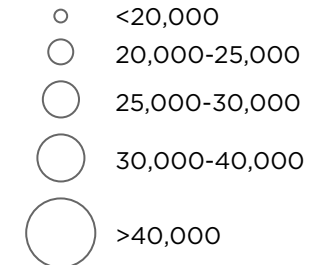


## Postings Intensity

### Posting Intensity



### Unique Postings



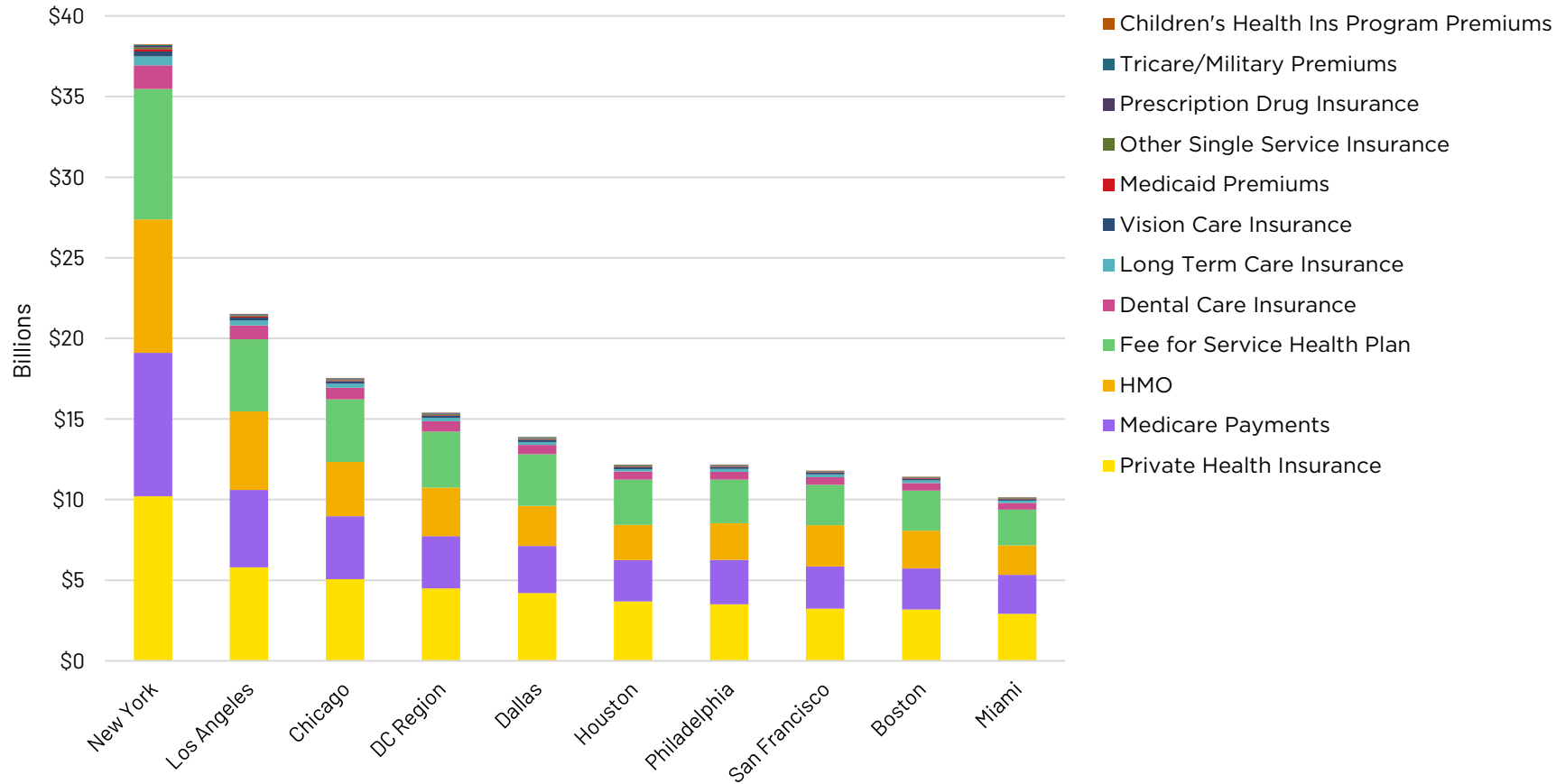
Posting Intensity Indicates the number of times the position has been posted.

High Intensity indicates a difficulty in hiring.

Source: Lightcast Labor & Analytics

# Total Health Insurance Expenditure by Market

Comparison of Health Insurance Spending Across the Top 10 U.S. Healthcare MSAs



- The New York metro area's total healthcare expenditure totals \$38.3 billion - 43.7% more than the next largest MSA (Los Angeles).
- The largest expenditures come from the private health insurance, Medicare payments, HMO and fee for service health plans.
- In 2021, \$4.3 trillion was spent on total healthcare costs in the U.S., with hospital care, physician and clinical services, and retail prescription drugs accounting for 60% of total spending.
- Private Health Insurance (PHI) paid for 28 %; out-of-pocket paid 10%; and other third-party payers and programs paid for 10%. The two largest government health care programs, Medicare and Medicaid, purchased \$1.6 trillion in health care in 2021, accounting for 38% of total healthcare spending.

Other Single Service Insurance includes health insurance coverage that provides for only one type of service, other than dental care, vision care, prescriptions, and long-term care.

Source: Esri; Consumer Spending data are derived from the 2019 and 2020 Consumer Expenditure Surveys, Bureau of Labor Statistics. Centers for Medicare & Medicaid Services

**In 2024, the transformation of the U.S. healthcare sector will be driven by shifts in patient behavior, technology adoption, public policy reforms, and the ongoing impact of the pandemic.**



# Thank you.

For more information, please contact us:

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**Devon Munos**

Vice President,  
Research Strategy & Insights

[dmunos@savills.us](mailto:dmunos@savills.us)

+1 310 444 1050

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**Zoë Paige**

Senior Research Analyst

[zpaige@savills.us](mailto:zpaige@savills.us)

+1 310 444 1051

---

**David Sutton**

Senior Director,  
Head of GIS Services

[dsutton@savills.us](mailto:dsutton@savills.us)

+1 212 326 1035

---

**Marisha Clinton**

Vice President,  
Research East

[mclinton@savills.us](mailto:mclinton@savills.us)

+1 212 588 3480

---

**Lesley Kamnitzer**

Senior Research Manager

[lkamnitzer@savills.us](mailto:lkamnitzer@savills.us)

+1 212 326 8621

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