

HEALTH CARE EXPENDITURES IN CALIFORNIA

HEALTH CARE
NUTS AND BOLTS
with



Current as of September 30, 2024



DURABLE MEDICAL EQUIPMENT

Post-surgical, and orthopedic products, hearing aids, and other medical equipment.

1.1%



OTHER PROFESSIONALS

Services provided in establishments operated by health practitioners other than physicians and dentists, e.g., chiropractors, independently practicing nurses, etc.

2.9%



DENTAL

Services provided in establishments operated by dentists.

4.1%



NURSING

Inpatient nursing care services, rehabilitative services, and continuous personal care services to persons requiring nursing care that are provided in freestanding nursing home facilities.

4.5%



HOME HEALTH

Services provided in home by freestanding home health agencies.

5.4%



OTHER HEALTH

Care provided in residential care facilities, ambulance services, and other non-traditional settings.

8.8%



DRUGS AND NONDURABLES

Prescription, biological, and diagnostic products, non-prescription drugs, and medical sundries.

11.1%



PHYSICIANS AND CLINICS

Includes expenditures for services in establishments operated by MDs and DOs, outpatient care centers, and medical labs.

25.2%



HOSPITALS

Room and board, ancillary services such as operating room fees, inpatient pharmacy, hospital-based nursing home care, and hospital fees.

36.8%

How are health care dollars spent?



The chart on the left shows the proportion of total health care expenditures in California spent in different categories.



The amount of money California spent on healthcare in 2020, which is equivalent to approximately \$10,300 per person.

Across the nation, states paid approximately \$10,200 per person in 2020.¹

HEALTH CARE EXPENDITURE DRIVERS

The healthcare system is evolving due to new medical discoveries, technological innovations, and more. These factors, among others, impact the total cost. Below are some of the recent drivers of health care expenditures.

Inflators



Higher Prices

Inflation, increasing labor costs, higher unit costs for medical services and prescription drugs.



New Prescription Drugs

High prices for new prescription drugs with high anticipated utilization (e.g. weight loss medications and neurological conditions).



Private Equity Acquisitions

Private equity acquisition of health care service providers is associated with higher costs for patients and insurers, and have steadily increased over the last 20 years.



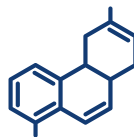
Behavioral Health

The shortage of behavioral health providers and rising utilization and unit cost of services may materialize as higher costs for health plans.



Holistic Approach to Affordability

Health plans efforts to reduce overutilization, improve efficiencies, and enhance effectiveness of medical management.

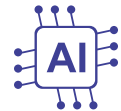


Biosimilars

Introduction and increased use of private-label biosimilars (typically lower cost alternatives to biologics) may shift the market and result in lower expenditures.



TBD



Generative AI

Artificial intelligence may lead to changes in payment model designs, intellectual property laws, and regulatory environments, which could impact unit costs.



Federal Mandates

Several federal laws (e.g., the No Surprises Act, the Inflation Reduction Act) and rules (e.g., price transparency and prior authorization) have the potential to impact health care costs and consumer prices.

Sources:

- [Centers for Medicare and Medicaid Services. Health expenditures by state of residence: summary tables. 2024.](#)
- [Health Care Cost Institute. 2022 Health Care Cost and Utilization Report.](#)
- [PwC. Medical cost trend: Behind the numbers 2025. 2024.](#)
- [Turner A, Miller G, Lowry E. High U.S. Health Care Spending: Where Is It All Going? The Commonwealth Fund. 2023.](#)
- [Wager E, Rakshit S, Cox C. What drives health spending in the U.S. compared to other countries? Peterson-KFF Health System Tracker. 2024.](#)

Did you know?

About 20 cents of every dollar in California is spent on healthcare.

