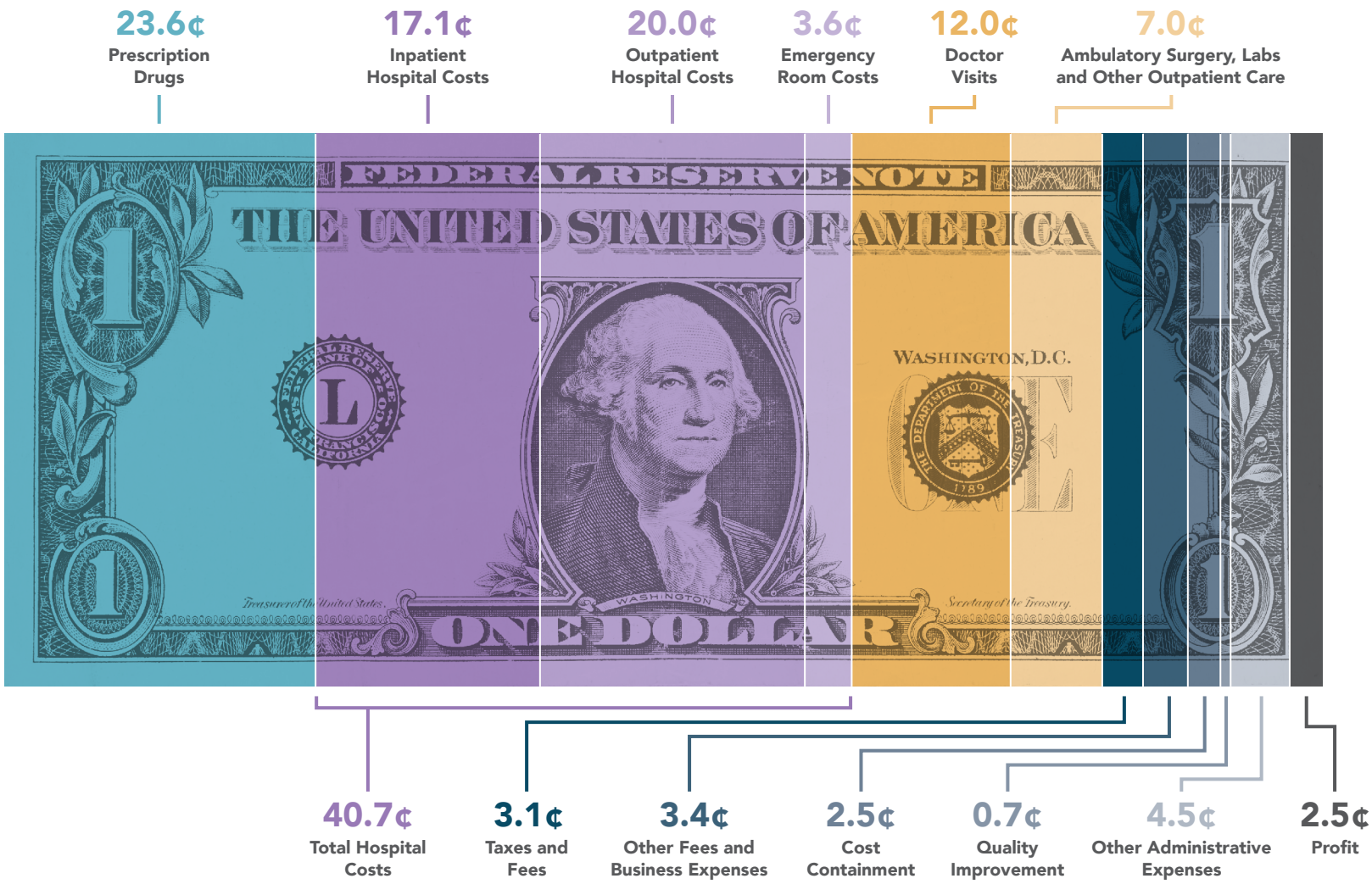
Where Does Your Healthcare Dollar Go?

Your premium is how much you pay for your health insurance coverage each month. It helps cover the costs of the medications and care you receive and improves healthcare affordability, access and quality for everyone.

Here is where your healthcare dollar really goes.



This data represents how your commercial health plan premiums pay for medical care, as well as related services and essential operations. This data includes employer-provided coverage as well as coverage you purchase on your own in the individual market. Data reflects averages for the 2022-24 benefit years. Percentages may not add up to 100% due to rounding.

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AHIP™
Guiding Greater Health

CATEGORIES	WHAT THIS INCLUDES:	EXAMPLES:
Prescription Drugs	Payments for outpatient prescription medications, mostly self-administered drugs, as well as payments for prescription medications administered in the physician's office or clinic. The prescription drug spending was calculated net any estimated prescription drug rebates paid by the drug company.	Medications you pick up from your local pharmacist, like antibiotics, blood pressure pills, or creams for rashes. Also, injectable drugs that are administered by a nurse or doctor either at their office or your home.
Inpatient Hospital Costs	Payments for all services during hospitalization, including the administration of prescription drugs provided during a hospital stay, payments to physicians, and facility payments.	The costs for your hospital room and board, including equipment or supplies used during your hospital stay. Salaries of doctors, nursing staff and all other hospital personnel. General overhead costs of running a hospital, such as utilities and land.
Outpatient Hospital Costs	Physician and facility non-drug related payments for treatment in the outpatient department of hospitals, not including emergency room care.	Going to a hospital to get an MRI or an X-ray. Visiting a primary care doctor or a specialist in the hospital outpatient department.
Emergency Room Costs	Physician and facility non-drug related payments for emergency room visits and ambulance transportation.	Paying doctors for their time and expertise in arriving at a diagnosis and a treatment plan during your hospital emergency room visit. Paying for equipment or supplies used during your visit. General overhead necessary to operate the emergency room around the clock. If you stay overnight, the payment is included under inpatient hospital costs.
Doctor Visits	Payments to doctors or clinics for all non-drug related outpatient services provided during visits to doctor offices, clinics, and urgent care facilities.	Equipment or supplies used during a doctor or nurse visit. Paying doctors for their time and expertise in arriving at a diagnosis and a treatment plan for you. Salaries of nursing staff and other ancillary staff. Office rent and general overhead costs of running a physician's office or clinic.
Ambulatory Surgery, Labs and Other Outpatient Care	Payments for all outpatient services incurred outside hospitals, doctor offices and clinics, such as claims from ambulatory surgery centers, labs, dialysis, or at-home care.	Lab work, treatment in dialysis centers, home health, or surgeries performed in the ambulatory surgery centers.

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CATEGORIES	WHAT THIS INCLUDES:	EXAMPLES:
Taxes and Fees	All taxes and assessments paid by the health insurance plan.	All the usual federal, state, and local taxes paid by any business, like income taxes, property taxes, payroll taxes. Also includes payments that are unique to a health insurance plan, like taxes paid on insurance premiums and regulatory authority licenses and fees.
Other Fees and Business Expenses	Direct sales salaries and benefits, agent and broker fees and commissions, and insurance rebate payments.	Expenses required to run any insurance business, like costs associated with paying insurance agents and brokers. Also includes money paid back to customers as insurance premium rebates.
Cost Containment	Claims adjustment expenses, detection and prevention of fraud and abuse, case management, expenses for appeals, expenses for developing and managing provider and prescription drugs networks.	Prevention of fraud, waste, and abuse by doctors and patients. Answering questions from doctors and hospitals. Helping providers with best practices. Ensuring proper credentialing for quality care. Programs to better manage chronic conditions and coordinate care between doctors, to ensure that the right treatment is provided to the right patient at the right time.
Quality Improvement	Efforts to improve health quality and increase the likelihood of desired health outcomes such as preventing hospital readmissions, improving patient safety, wellness and health promotion, and health information technology.	Preventive care programs to keep you healthy, like weight management plans or helping people to quit smoking. Patient education and follow-up calls by health plan staff to members discharged from a hospital. Services to improve health in communities, like sponsoring local health fairs and providing free disease screenings and other educational events.
Other Administrative Expenses	General and administrative costs to run the business, including salaries, outsourced services, equipment, accreditation and certification fees, rent, legal fees and expenses, advertising, postage, utilities, etc.	Managing employee benefits and retirement plans. Reviewing contracts or conducting legal research. Maintaining office space.
Profit	Net profit is comprised of the net underwriting gain/loss of health plans and their net investment income.	The revenue remaining after all costs are paid. In for-profit companies, this is commonly paid to shareholders in the form of dividends.

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Methodology

The goal of our analysis is to show how premiums for a typical commercial (employer-provided coverage and individual market) health insurance plan are invested. The analysis shows the inflation-adjusted average annual amounts paid by commercial health insurance plans in 2022-2024 for the medical care of plan members; the average annual amounts paid for general operating expenses; and the average annual reported profit or loss.

Overview of Data Used

Premium Revenues, Operating Expenses and Profit

AHIP calculated the total of premium revenues and the proportion of premiums spent on the medical services, administrative expenses and profit based on the 2022-24 data for the comprehensive hospital & medical line of business presented in The NAIC 2024 Health Insurance Industry Analysis Report. This annual report is compiled by the National Association of Insurance Commissioners (NAIC) based on the financial filings of health plans to state insurance departments. The NAIC 2024 Health Insurance Industry Analysis Report does not constitute the official opinion or views of the NAIC membership or any state insurance department. The NAIC does not endorse any analysis or conclusions based upon the use of its data.

The average total operating expenses calculated across all plans were further subcategorized into the key functional areas by using the Comprehensive Health Coverage data from The NAIC Supplemental Health Care Exhibit Report (for the years 2022, 2023 and 2024). Comprehensive health coverage data comprises financial filings of companies that provide medical coverages including hospital, surgical and major medical. This data Includes risk contracts and Federal Employees Health Benefit Plan (FEHBP), stand-alone plans and any other comprehensive plans addressed in PPACA and not excluded.

Medical Services

Certain data used in this study were supplied by Merative™ as part of one or more MarketScan® Research Databases. Any analysis, interpretation, or conclusion based on these data is solely that of the authors and not Merative.

To further subdivide into subcategories the share of medical services calculated by using the NAIC data the retrospective claims analysis utilized data from the Merative™ MarketScan® Commercial Database for the period 2022 to 2024. These data include health insurance claims across the continuum of care (e.g. inpatient, outpatient, outpatient pharmacy, carve-out behavioral healthcare) as well as enrollment data from large employers and health plans across the United States. The main variable of interest was the portion of the total medical or pharmacy bill paid by the health insurance plan.

Since the analysis used multiple years of data, all expenditure data were calculated as an average percentage across three years: 2022, 2023 and 2024.

Only those patients under the age of 65 on the date of service who had evidence of continuous health plan enrollment for the entire period in each study year and had prescription drug coverage were included. Claims with missing payment or dates of service information were excluded from the study.

Drug Costs Net of Rebate

To account for the pharmaceutical manufacturers rebates, which are not reflected in the claims data, AHIP subtracted the estimated value of rebates from the total pharmaceutical spend to present the prescription drugs spending net of all rebates received. The application of rebates has not been extended to drugs that must be administered by a physician, since these drugs are typically purchased directly by medical providers and are subsequently reimbursed by insurers through medical, and not pharmacy, benefits.

To calculate the value of rebates, AHIP used the rebate and prescription drugs claims data from The NAIC Supplemental Health Care Exhibit Report (for the years 2022, 2023 and 2024).

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