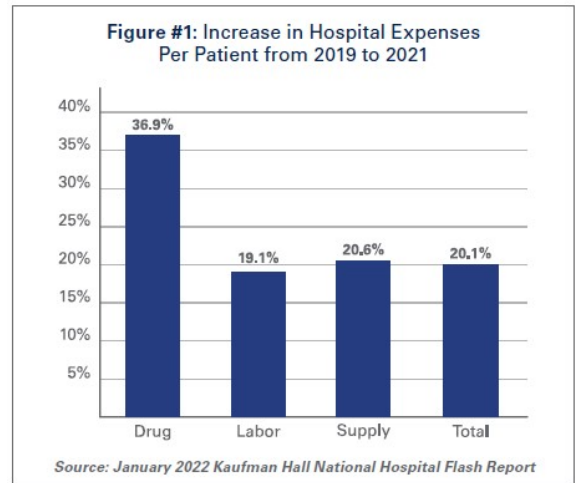


## Massive Growth in Expenses and Rising Inflation Fuel Continued Financial Challenges for Hospitals and Health Systems

### Part 2: Drug Expenses

The COVID-19 pandemic has taken a significant toll on hospitals and health systems and placed enormous strain on the nation's health care workforce. During this unprecedented public health crisis, hospitals and health systems have confronted many challenges, including historic volume and revenue losses, as well as skyrocketing expenses (See Figure #1).

A new American Hospital Association (AHA) [report](#) highlights the **significant growth in expenses across labor, drugs, and supplies, as well as the impact that rising inflation is having on hospitals' total expenses and operating margins.**



### Drug Expenses

Prescription drug spending in the U.S. has grown significantly since the pandemic. In 2021, drug spending (including spending in both retail and non-retail settings) increased 7.7%, which was on top of an increase of 4.9% in 2020. While some of this growth can be attributed to increased utilization as patient acuity increased during the pandemic, a significant driver has been the continued increase in prices of existing drugs as well as the introduction of new products at very high prices. As hospitals have worked to treat sicker patients during the pandemic, they have been forced to contend with sky-high prices for drugs, many of which are critical and lifesaving for their patients. As a result of these price increases, hospital drug expenses have skyrocketed.

- By the end of 2021, **total drug expenses were 28.2% higher than pre-pandemic levels.**
- When taken as a share of all non-labor expenses, drug expenses have **grown from approximately 8.2% in January 2019, to 9.3% in January 2021, and to 10.6% in January 2022.** (See [Figure #5](#))
- Even when considering changes in volume during the pandemic, *drug expenses per patient* compared to pre-pandemic levels in 2019 saw significant increases, **with a 36.9% increase through 2021.**

