

Virginia's Total Cost of Care

June 2024

Total healthcare expenditures in Virginia have been increasing in recent years, following a sharp decline in 2020 due to the COVID-19 pandemic. Expenditures have now fully rebounded, exceeding total spend prior to the pandemic. In 2022, Virginia is estimated to have spent more than \$43.2 billion on healthcare expenditures—excluding costs incurred by the uninsured, self-insured, military, or federal employees. In total, healthcare accounted for 14.9% of the state's gross domestic product (GDP), significantly below the national average of 17.7%, and declining.¹

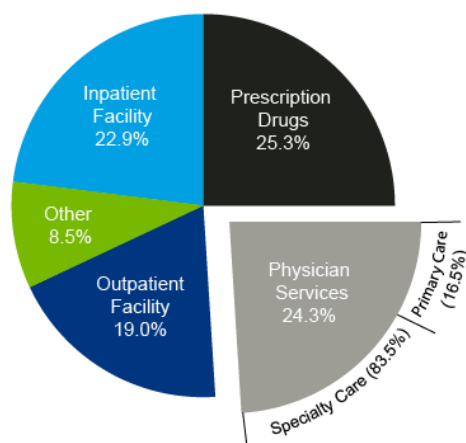
Spend by Payer

Medicaid expenditures account for the greatest share of healthcare spend in the Commonwealth, with 30.6% (\$13.2 billion) of healthcare expenditures. Traditional Medicare (Medicare Fee-for-Service (FFS)) follows closely at 28.4% (\$11.0 billion).

Across all payers, in 2022, prescription drugs accounted for the greatest share of expenditures in Virginia with 25.3% (\$10.9 billion). Physician/professional services accounted for 24.3% of total expenditures. The vast majority (83.5%) of physician services are specialty care, resulting in a total investment of 4.1% in primary care. For additional details of primary care spend please see [Virginia Primary Care Spend Report 2024](#).

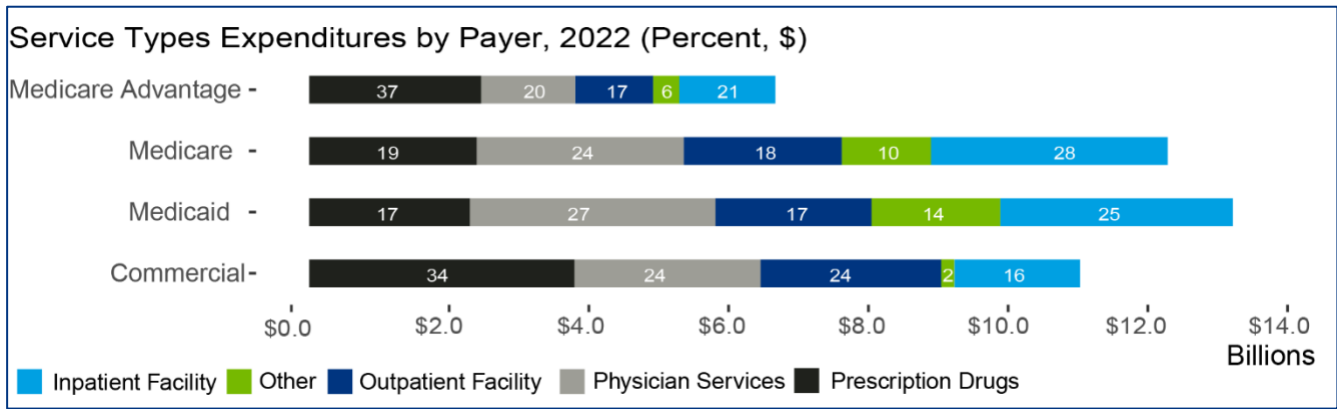
Percentages spent in each service type vary greatly by payer. Commercial and Medicare Advantage both spend more than one-third of all expenditures on prescription drugs (34.4% and 36.9% respectively). However, with special access to drug rebates that reduce the cost of prescription drugs, Medicaid spent only 17.4% on prescriptions, with 26.6% spent on physician/professional services. Traditional Medicare spends its greatest proportion of healthcare dollars on inpatient hospital facility fees (27.6%).

Total Cost of Care, 2022



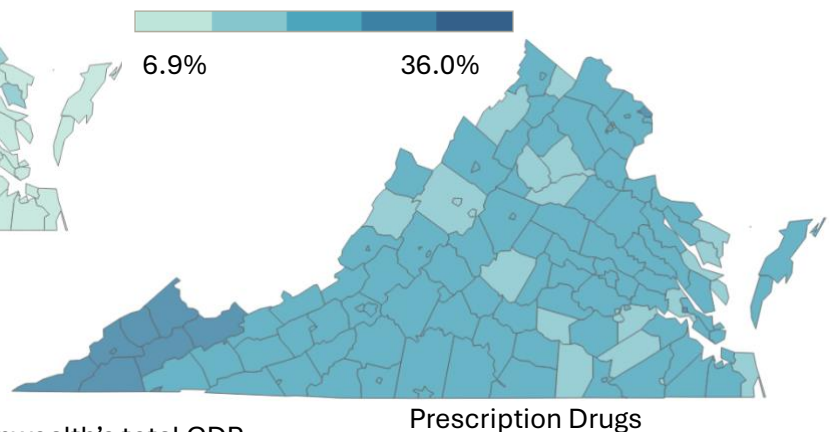
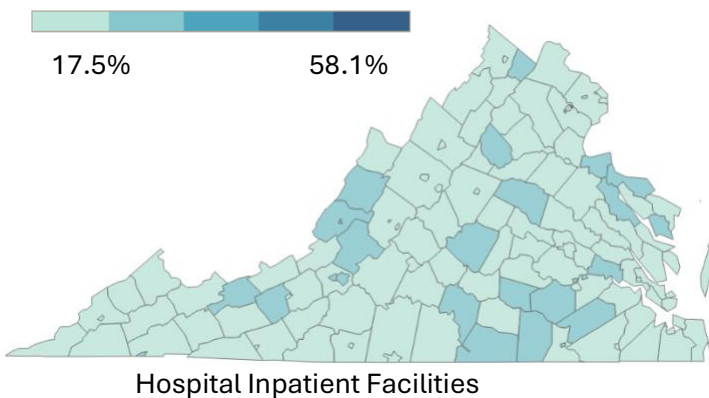
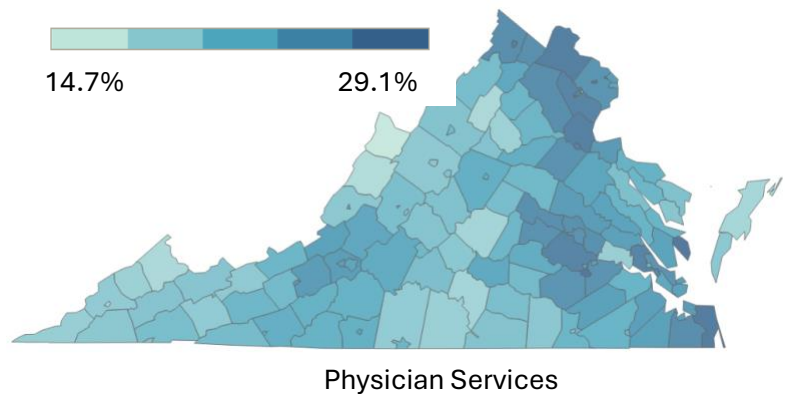
Key Findings

- Medicaid accounts for the greatest share of healthcare expenditures (30.6%).
- Across all payers, prescription drugs account for 25.3% of healthcare dollars, followed by physician/professional services (24.3%) and inpatient hospitals (22.9%).
- Within physician/professional expenditures, 83.5% is spent on specialty care and 16.5% is spent on primary care – resulting in 4.1% of total healthcare expenditures spent on primary care.
- While commercial payers and Medicare Advantage spend more than one-third on prescription drugs, Medicaid spends 17.4% on prescriptions and 26.6% on physician services.
- Spend varies by region. Southwest spent the most on prescriptions drugs (31.1-36.0%), while Northern Virginia, Hampton Roads, and Richmond city areas spent more on physician/professional services (24.0% – 29.1%).



Spend by Locality

Spending by service type differs by locality. Northern Virginia, the Richmond city area, and Hampton Roads spend a higher proportion of their total expenditures on physician services (24.0%-29.1%); whereas the far southwest region spends a greater share on prescription drugs (31.1%-36.0%). Hospital inpatient facility fees range from 58.1% of total healthcare spend in Manassas Park to 17.5% in Falls Church. Manassas Park is a significant outlier in inpatient expenditures and prescription drugs (6.9%) in 2022, which may be in part due to the small number of insured adults and expenditures (\$661,000) resulting in the potential for singular events to shift percentages significantly.



Conclusion

Total healthcare spending is increasing in total dollars but decreasing as a percent of the Commonwealth's total GDP. Approximately 1 in every 4 healthcare dollars is spent on prescriptions, with prescriptions accounting for the largest share of commercial expenditures, Medicare Advantage expenditures, and expenditures in southwest Virginia. Physician/professional services account for a greater proportion of healthcare spending for Medicaid, and in the large urban centers of Northern Virginia, Hampton Roads, and Richmond city area.

This report was prepared by the Virginia Center for Health Innovation on behalf of the Virginia Task Force on Primary Care. This report updates a [previous report](#) with funding from the Virginia Department of Health. Data come from the Virginia All-Payer Claims Database. Thank you to Virginia Health Information and Milliman MedInsight for support in data preparation.

1. [Altarum. Tracking Virginia's 2022 Health Care Spending and Employment Trends](#)