

HEALTHCARE & SOCIAL ASSISTANCE



HEALTHCARE & SOCIAL ASSISTANCE OVERVIEW

Over the five years leading up to 2021, the healthcare and social assistance industry has steadily increased. The subindustries of healthcare and social assistance include hospitals, ambulatory healthcare services, nursing and residential care facilities, and social assistance services, all of which experienced consistent demand over the five-year period, owing to demographic changes and rising total health expenditure. In 2020, the COVID-19 pandemic caused a change in demand as overloaded hospitals required non-essential healthcare services to be postponed. The industry’s revenue hovers just below \$3 trillion, realizing \$2.97 trillion in FY2021.

HEALTHCARE & SOCIAL ASSISTANCE OUTLOOK

As provider organizations continue to build physician networks and produce economies of scale, opportunities for operators can be found in digitization, technological advancements, and strategic capital investments. Over the next four years to 2026, industry revenue is projected to reach \$3.2 trillion, increasing at an annualized rate of 1.4%, while total industry employment is also projected to increase by 1.4% on an annualized basis, reaching 25 million employees, and the number of businesses in the industry is projected to reach 3 million, growing at an annualized 1.3%. The key external drivers laid out below are primary contributors to the industry’s steady projected growth.

KEY EXTERNAL DRIVER #1

Federal Funding for Medicare and Medicaid

The level of financing granted by the federal government has an impact on the operators in this industry. Medicare and Medicaid rebates and funding allow services to be provided at a cheaper cost to patients. As the average life expectancy grows, more people will require medical coverage help, increasing Medicare spending. The federal government's spending for Medicare and Medicaid is likely to rise in 2021, creating a potential opportunity for the industry.

KEY EXTERNAL DRIVER #2

Number of Adults Aged 65 and Older

The growing number of seniors is the result of a greater population base combined with longer life expectancy, which has been made possible by several medical improvements. Furthermore, medical advancements that can cure or battle illnesses that did not previously exist have increased such spending. As a result, the growing number of people aged 65 and over is a substantial demographic driver of demand in the healthcare and social assistance industry.

KEY EXTERNAL DRIVER #3

Total Health Expenditure

Total health expenditure is a measure of public and private spending on activities that promote health and disease prevention via the use of medical, paramedical, and nursing knowledge and technology. Estimated expenditures include medical professional services, dentists, home healthcare providers, nursing homes, hospitals, health insurance; prescription and nonprescription medications; infrastructure and equipment investment; government health programs. Total health expenditure is predicted to rise in 2021.

PROJECTED ANNUAL REVENUE 2019-2027* US\$ TRILLIONS



CONCLUSION

In sum, over the next four years to 2026, an aging population, higher life expectancy and an increase in total health expenditure are among the main variables driving capital investment. However, as demand for industry services grow over the next four years, operators will be forced to keep compliance and labor costs in check. Many ambulatory healthcare services subindustry operators are expected to join group practice models in order to distribute operating expenditures and boost profitability in the face of growing labor costs. This trend is expected to continue to 2026, along with increased consolidation via M&A activity.

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