

INDUSTRY REPORT

Healthcare and Social Assistance in the US

Mar 2024





About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions.

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About

A quick definition of the industry, its products and services, major companies and other key identifiers help you confirm you're in the right place.

1. About

https://my.ibisworld.com/us/en/industry/62/about

Codes

NAICS 2017 - USA	62
NAICS 2022 - USA	62

Definition

The Healthcare and Social Assistance sector is composed of enterprises that provide healthcare and social assistance for individuals in the United States, including hospitals, ambulatory service providers and nursing and residential care facilities. Social assistance also includes counselors and social workers, family and welfare services and natural disaster and emergency relief services.

Related Terms

ELECTRONIC HEALTH RECORD (EHR)

The systematic collection and maintenance of electronic health information about an individual patient.

TELEMEDICINE

An application of clinical medicine whereby medical information is transferred through interactive audiovisual media for the purpose of consulting and remote medical procedures or examinations.

HEALTH INSURANCE EXCHANGE

A set of state-regulated and standardized healthcare plans from which individuals may purchase health insurance eligible for federal subsidies.

FEE-FOR-SERVICE

A health plan where individuals choose the doctor, hospital or clinic and the insurance pays for part or all of the cost according to a schedule laid out in the policy.

MEDICARE AND MEDICAID

Cost-coverage programs. Medicare pays all or part of a stay following hospitalization of at least three days; Medicaid covers a stay of any length for individuals who meet income requirements.

LONG-TERM CARE

Treatment for a chronic condition, trauma, or illness that limits a person's ability to carry out basic self-care tasks, called activities of daily living (ADLs).

FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

A federal agency designed to prepare for, mitigate against, respond to and help individuals and communities recover from natural and man-made disasters.

GROUP HOME

A private residence designed to serve as a nonsecure home for unrelated persons who share a common characteristic.

MANAGED CARE

A system of financing and delivering healthcare to enrollees intended to reduce the cost of providing health benefits and improve the quality of care.

What's Included

- Ambulatory healthcare services
- Hospitals
- Nursing homes and residential care facilities
- Social assistance

Companies

- Hca Healthcare, Inc.
- Quest Diagnostics Inc.
- Feeding America
- Brookdale Senior Living Inc.
- Fresenius Kabi AG

Related Industries

Industries in the Same Sector

- Competitors:
 - No data available
- Complementors:
 - Wholesale Trade in the US
 - o Information in the US
 - o Educational Services in the US

International Industries

- Global Life & Health Insurance Carriers
- Hospitals in Canada
- Hospitals in Mexico

Additional Resources

- Centers for Medicare & Medicaid Services
- Centers for Disease Control and Prevention

- Henry J. Kaiser Family Foundation
- National Institutes of Health
- American Medical Association
- Federal Emergency Management Agency



Evaluate key industry data and trends and get an overview of important report sections to use in meetings and presentations.

2. At a Glance

https://my.ibisworld.com/us/en/industry/62/at-a-glance

Revenue \$3.6tr	Employees 24m	Businesses 3m
'19-'24 ↑ 0.7 % '24-'29 ↑ 2.7 %	'19-'24 ↑ 0.9 % '24-'29 ↑ 2.3 %	'19-'24 ↑ 1.2 % '24-'29 ↑ 2.0 %
Profit	Profit Margin	Wages
\$355.5bn	10.0%	\$1.4tr
'19-'24 ↑ 0.1 %	'19-'24 ↓ 0.3 pp	'19-'24 ↑ 1.2 % '24-'29 ↑ 2.4 %

Key Takeaways

Performance

- COVID-19 created unprecedented challenges for healthcare and social assistance providers.
 Staffing shortages and rising costs continue to impact providers and businesses.
- Healthcare and social assistance providers are vital to older adults. As these people continue to age, their expanding and complex medical needs will require various health and social services.

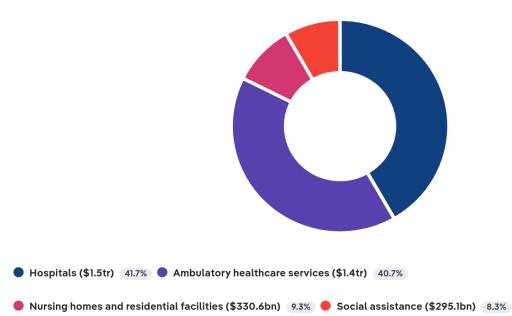
External Environment

- Healthcare and social assistance facilities operate within one of the most regulated environments. A
 dizzying amount of federal, state and local laws apply in this sector, enforced by multiple agencies
 and regulators.
- Healthcare providers received over \$200.0 billion to ease pandemic-related financial and operational pressures. Since pandemic relief fizzled out, healthcare facilities have faced unprecedented financial strain.

Products and Services

Products & Services Segmentation

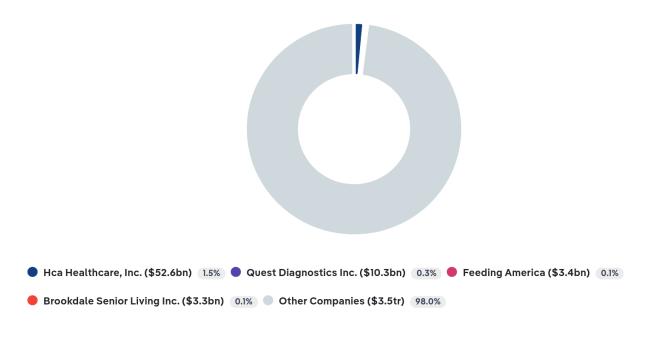
Industry revenue in 2024 broken down by key product and service lines.



IBISWorld Source: IBISWorld

Major Players

Major Players



IBISWorld Source: IBISWorld

Key External Drivers

Key External Drivers	Impact
Number of people with private health insurance	Positive
Federal funding for Medicare and Medicaid	Positive
Total health expenditure	Positive
Number of adults aged 65 and older	Positive

Industry Structure

Life Cycle Growth Revenue Volatility Moderate Assistance High Steady	Characteristic	Level	Trend
Regulation and Policy Life Cycle Growth Revenue Volatility Assistance High Steady Competition Moderate Steady	Concentration	Low	
Life Cycle Growth Revenue Volatility Moderate Assistance High Steady Competition Moderate Steady	Barriers To Entry	High	Steady
Revenue Volatility Assistance High Competition Moderate Steady	Regulation and Policy	High	Steady
Assistance High Steady Competition Moderate Steady	Life Cycle	Growth	
Competition Moderate Steady	Revenue Volatility	Moderate	
•	Assistance	High	Steady
Innovation	Competition	Moderate	Steady
	Innovation	High	

SWOT



Strengths
High Profit vs. Sector
Average
Low Customer Class
Concentration
Low Product/Service
Concentration
Low Capital
Requirements



Weaknesses Low Revenue per Employee



Opportunities
High Revenue
Growth
(2019-2024)
High Revenue
Growth
(2024-2029)
High Performance
Drivers
Federal funding for
Medicare and

Medicaid



Threats
Low Revenue
Growth
(2005-2024)
Low Outlier
Growth
Number of people
with private health
insurance

Executive Summary

Demographic and economic factors are the driving forces behind rising healthcare spending in the US. The population's medical needs are expanding the oldest demographic's consumption of medical services. At the same time, growing incomes and broader insurance coverage facilitate access to healthcare providers. Increasing healthcare spending was abruptly disrupted by the pandemic, exposing healthcare and social assistance providers to unprecedented financial and operational pressures. Though pandemic concerns have alleviated, the long-term effects of it continue to shape every corner of the health sector. Still, revenue has been expanding at a CAGR of 0.7% to an estimated \$3.6 trillion over the past five years, with revenue rising an expected 0.3% in 2024.

The pandemic exacerbated existing staffing shortages. Persistent labor shortages jeopardize healthcare and social assistance providers' ability to address demand, creating widespread staff burnout and high turnover rates. These shortages have fueled wage inflation in the sector and the use of costlier contract labor, squeezing profit. Some areas of Healthcare and Social Assistance are facing more critical shortages, and the long-term effects of the pandemic continue to make it difficult for companies to attract and retain employees to fill these gaps.

Demographic trends will continue to be the driving force behind rising healthcare spending moving forward. However, increasing demand and elevated costs will pressure healthcare and social assistance providers to shift how they operate. Consolidation activity will ramp up as smaller providers join larger health groups to secure larger insurer reimbursements. Digital tools and telehealth will continue to be integrated into healthcare delivery because they can lower costs, increase capacity and enable access to patients in underserved areas. In all, sector revenue will grow at a CAGR of 2.7% to an estimated \$4.1 trillion in the coming years.

Performance

Track historical, current and forward-looking trends in revenue, profit and other performance indicators that make or break an industry.

3. Performance

https://my.ibisworld.com/us/en/industry/62/performance

Highlights

Revenue \$3.6tr 2019-24 CAGR ↑ 0.7 % 2024-29 CAGR ↑ 2.7 %	Employees 24m 2019-24 CAGR ↑ 0.9 % 2024-29 CAGR ↑ 2.3 %	Businesses 3m 2019-24 CAGR ↑ 1.2 % 2024-29 CAGR ↑ 2.0 %
Profit \$355.5bn 2019-24 CAGR ↑ 0.1 %	Profit Margin 10.0% 2019-24 CAGR ↓ 0.3 pp	

Key Takeaways

- COVID-19 created unprecedented challenges for healthcare and social assistance providers. Staffing shortages and rising costs continue to impact providers and businesses.
- Healthcare and social assistance providers are vital to older adults. As these people continue to age, their expanding and complex medical needs will require various health and social services.

Performance Snapshot

Revenue:

↑ 2019-24 Revenue CAGR +0.7%

Revenue \$3.6tr

'19-'24 ↑ 0.7 % '24-'29 ↑ 2.7 % 2024 Revenue CAGR

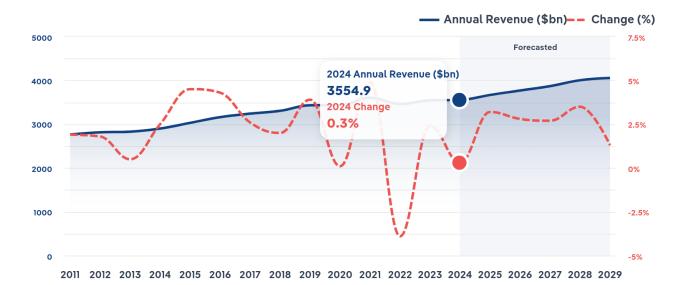
↑ 0.3 %

Revenue Volatility

Moderate

Revenue

Total value (\$) and annual change from 2011 – 2029. Includes 5-year outlook.



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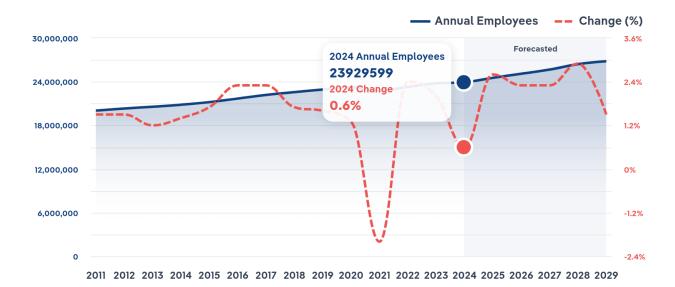
Employees:

 \uparrow 2019-24 Employees CAGR +0.9%

Employees 24m	Employees per Business	Revenue per Employee \$149k
'19-'24 ↑ 0.9 % '24-'29 ↑ 2.3 %	'19-'24	'19-'24

Employees

Total number of employees and annual change from 2011 – 2029. Includes 5-year outlook.



IBISWorld Source: IBISWorld

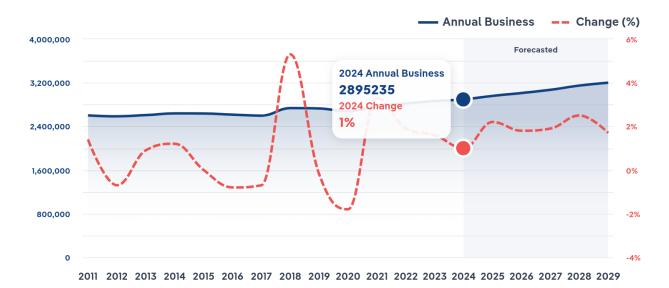
Businesses:

↑ 2019-24 Business CAGR +1.2%

Businesses 3m	Employees per Business	Revenue per Business \$1.2m
'19-'24 ↑ 1.2 % '24-'29 ↑ 2.0 %	'19-'24	'19-'24

Business

Total number of businesses and annual change from 2011 – 2029. Includes 5-year outlook.



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Profit:

↑ 2019-24 Profit CAGR +0.1%

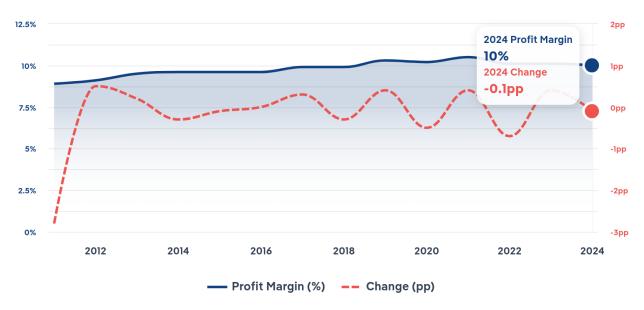
Total Profit **\$355.5bn**'19-'24 ↑ 0.1 %

 Profit per Business \$122.8k

Healthcare and Social Assistance in the US

Profit Margin

Total profit margin (%) and annual change from 2011 - 2024



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Current Performance

What's driving current industry performance?

Demographic trends shape the healthcare landscape

- Economic and demographic forces have fueled rising spending on healthcare and social assistance services in recent years.
- The older population's expanding medical needs as they age are the primary force behind higher healthcare spending. The older demographic is linked explicitly to robust growth in areas like Elderly and Disabled Person Services (IBISWorld report 62412), Nursing Care Facilities (62311) and Assisted Living Facilities (OD6231).
- Broader insurance coverage has also facilitated access to healthcare services. Higher enrollment in
 public insurance offset the pandemic-related drop-off in private insurance coverage. Still, the end of
 the continuous coverage requirement in March 2023 has allowed states to resume Medicaid
 terminations, resulting in consumer losses of Medicaid coverage since.

Healthcare providers grapple with persistent workforce shortages

- COVID-19 exacerbated labor shortages that had existed prior to the onset of the pandemic. A large
 population that is over 65, low reimbursement rates and a retirement cliff fueled initial shortages. In
 2024, healthcare facilities are struggling to attract and retain employees from a smaller employee
 pool as burnt-out healthcare staff quit, retire or jump to higher-paying positions.
- Nursing shortages have been straining healthcare providers the most, and the American Hospital
 Association has reported that more than 100,000 registered nurses left the workforce between 2021
 and 2023. The challenges that are driving these shortages remain, as reflected through the multiple
 nursing strikes in 2023, keeping expenses for these employees high.
- While hiring challenges will weigh heavily on healthcare providers through 2024, other cost
 pressures will also strain their financial health. Rising prices for everything from devices to
 consumables and pharmaceuticals will eat at their bottom lines. Government reimbursements
 haven't grown fast enough to cover these elevated costs, with providers' ability to negotiate higher
 payments from private insurers left to determine their performance.
- Federal relief lessened the blow of higher costs and low patient volumes between 2020 and 2021. The Provider Relief Fund, for instance, allocated \$178.0 billion to bolster hospitals and other healthcare providers during the pandemic. Funding dissolved in 2022 for most healthcare and social assistance providers, leaving many providers struggling to stay profitable since.

The pandemic accelerated existing consolidation trends in healthcare

- Larger health systems eye acquisitions to create economies of scale, lower costs and gain negotiating power. The pandemic accelerated the rising consolidation activity that had been occurring in recent years.
- Private and public insurers only partially cover the cost of delivering healthcare, incentivizing healthcare providers to acquire an upper hand in provider-payer negotiations. Independent (often small or rural) practices risking service eliminations or closure have been targets of acquisitions.

- The dramatic rise in the adoption of telemedicine in 2020 has fallen from its pandemic high but is still more integral to healthcare delivery in 2024 than pre-COVID, especially for providers offering mental health treatment.
- The challenges impacting healthcare providers are also expediting the adoption of other digital tools (AI, patient engagement products, data analytics) to streamline operations and produce cost savings.

Social assistance providers fill in the gaps as pandemic-era benefits end

- The pandemic highlighted societal inequities. Social assistance providers have had an outsized role in addressing these inequities since the COVID-19 pandemic subsided.
- Pandemic relief funding that cushioned savings accounts and lifted many out of poverty ended between 2022 and 2023, with exact end dates varying between states. As benefits disappeared, millions turned to social assistance providers for help with housing, food assistance and child care.
- The end of pandemic food assistance benefits coupled with rising inflation have made affording the cost of essentials like groceries too expensive for many. Food banks nationwide have reported record need for their services, squeezing their staff and supplies thin.
- Day Care (62441) providers are vital to addressing critical shortages of child care, especially as
 parents return to in-office work. The industry has struggled to recover from the pandemic as it
 attempts to meet excess demand, with the end of funding in late 2023 only exacerbating staffing
 issues, tight margins and steep fees.

What influences industry volatility?

Healthcare services are vital to public health

- Healthcare and social assistance facilities provide services that are essential to overall public health.
- Medical treatment doesn't have any substitutes. While consumers can cut back on elective procedures when spending tightens, people can't avoid medical services entirely.
- A wide breadth of factors determines the prevalence of illness, injury and mental illness. External
 events, like the pandemic, can exacerbate physical and mental illness rates. The increasingly
 complex health needs of the subset of the US population that is of advanced age contribute to
 higher healthcare consumption.
- Social assistance providers have a crucial role in promoting the well-being of individuals and
 communities but are simultaneously sensitive to changes in funding levels. The amount of funding
 available to social assistance programs and organizations directly influences their ability to deliver
 services and outreach and maintain quality assistance.

Healthcare facilities' financial health relies on reimbursements

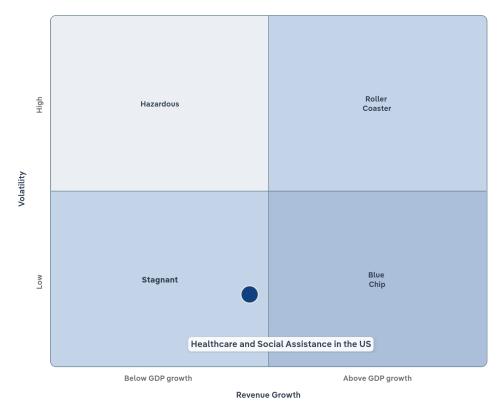
- Reimbursements from public and private insurance programs influence healthcare providers' financial stability. Changes in these reimbursements (determined by various competing factors) can occur annually and produce significant consequences for healthcare and social assistance facilities.
- How public and private payors pay healthcare facilities for services differs. Prices paid by commercial insurers are determined by negotiations, whereas laws and regulations mandate costs for public insurers. Pricing pressures that tilt in favor of the public or private payors cause volatility.

COVID-19 strains healthcare delivery

- The COVID-19 pandemic created unprecedented financial, workforce and supply chain challenges for the sector.
- Financial pressures strained healthcare facilities as non-COVID patient levels dropped during the pandemic. Patient volumes have recovered, but healthcare providers face ongoing instability related to regulatory changes, a large population of citizens over 65, labor shortages, inflation and rising expenses.

Low & slow

Industry volatility vs. revenue growth (2018-24 CAGR)



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Source: IBISWorld



How do successful businesses overcome volatility?

Ability to take advantage of government subsidies and other grants

Medicare and Medicaid are government reimbursement programs that provide valuable assistance to patients. Since operators in this sector also depend on payments from these programs, they must be adept at navigating their complexities.

Secure a multiskilled workforce

Healthcare and social assistance facilities are labor-intensive, requiring a staff of physicians, specialists, nurses and nonclinical workers. Attracting and retaining capable personnel are essential to meeting patient demand.

Outlook

↑ 2024-29 Revenue CAGR +2.7%

What's driving the industry outlook?

Demographic trends are behind rising healthcare spending

- Consumer spending on healthcare and social assistance services won't slow in the coming years.
 Providers will continue to contend with the drop-offs in federal programs related to COVID-19, but demographic and economic forces will persist in driving healthcare consumption.
- Healthcare and social assistance providers will be increasingly vital in meeting the complex medical and social needs of people of advanced age, which make up a sizeable subset of the US population.
- As Medicare enrollment expands, healthcare providers will become more reliant on those reimbursements as a revenue source. Still, private insurers will remain the top payer.

The pandemic's long-term effects are emerging

- This sector suffers from staffing shortages that predate the COVID-19 pandemic and became exacerbated by it. Labor shortages and employee burnout will continue challenging healthcare and social assistance providers.
- Healthcare providers across the sector will grapple with steeper costs for everything from medical supplies to pharmaceuticals and staff. While many trends that initially drove up these costs will settle, that won't necessarily translate to lower prices. Securing reimbursements from insurers that cover these higher costs will become even more critical for healthcare providers to maintain profit.
- The pandemic accelerated the shift in healthcare delivery. Hospitals will stay the central focus in the health sector, but other care sites (ambulatory surgery centers, urgent care centers) will continue to see rising patient volumes. Ambulatory surgery centers' focus on cost savings and convenience will contribute to their growing popularity.
- The steadying patient volumes that followed the initial surge in people seeking healthcare
 treatments as the pandemic subsided won't be felt by all healthcare providers. The pandemic's longterm toll on mental health will continue to be acutely felt by mental health and substance abuse
 centers and clinics.

Tech advances will reshape healthcare delivery

- Tech advances can potentially transform every aspect of healthcare and social assistance delivery, but navigating tech investments, evolving regulations and cybersecurity will pose challenges. For example, providers will hasten their adoption of digital tools, but higher capital costs could slow the pace of a digital transformation for many. Healthcare providers can also expect the regulatory landscape regarding data privacy and security to intensify as more medical data goes digital.
- While telemedicine's ability to address physician shortages and lower costs will be invaluable, its
 utilization by patients and providers will depend on how the regulatory environment surrounding it
 evolves. For example, Medicare's extension of telehealth flexibilities ends in December 2024; how
 Medicare adapts its telehealth policies for 2025 will determine patients' access and providers'

willingness to participate.

- Many healthcare and social assistance entities will adopt digital and telehealth tools to bridge the gap between urban and rural communities regarding healthcare access. Grants awarded by the Biden Administration will help rural healthcare organizations expand critical services through digital tools.
- Tech advances to address the widening needs of people of advanced age, like home health tools
 and remote monitoring equipment, will also become paramount. Instantaneous access to medical
 data through cloud infrastructure will also have a massive role in providing care for this population
 subset as medical needs mount.

Financial pressures will accelerate consolidation activity

- The consolidation activity that defines the health sector will continue despite an economic environment of higher interest rates.
- Mounting healthcare costs and reimbursement cuts will incentivize smaller, independent healthcare
 providers to join larger health groups. Larger health systems gain negotiating power with insurance
 providers to secure better rates.
- Private equity (PE) investment will also be present in healthcare. Significant growth opportunities, in areas ranging from physical therapy and mental health to nursing and residential care, attract PE investment.



Why is the industry growing?

Contribution to GDP

Industry growth exceeds the US economy. While healthcare and social assistance providers have a well-established presence, their role is becoming increasingly vital for an aging population's complex needs.

Market Saturation

Market saturation is high in metropolitan areas, yet critical shortages of healthcare providers critically jeopardize access in rural communities.

Innovation

Innovations are emerging in healthcare faster than ever. Innovation in medical devices, AI, diagnostics and cloud-based tech are major areas spurring change.

Consolidation

Merger and acquisition activity has increased significantly as rising costs pressure the standard delivery of healthcare to evolve.

Technology & Systems

Healthcare is highly labor-intensive, with no new technology expected to substitute employees entirely. But, rapid advancements in medical and communication technologies will slightly raise capital costs.

Products and Markets

Find out what the industry offers, where trade is most concentrated and which markets are buying and why.

4. Products and Markets

https://my.ibisworld.com/us/en/industry/62/products-and-markets

Largest Market

\$1.5tr

Hospitals

Product Innovation

High

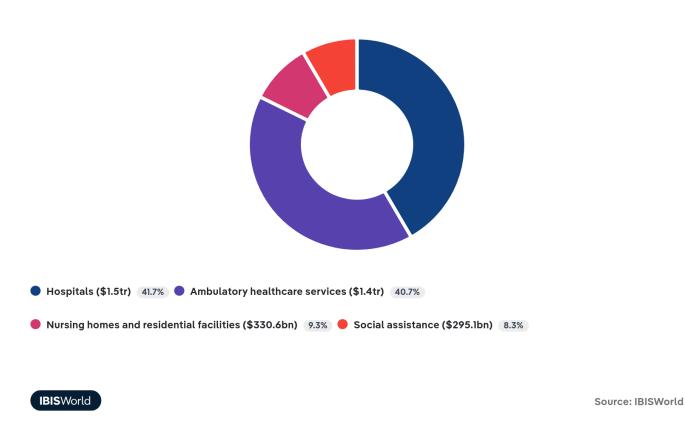
Key Takeaways

- **Private insurers are the top payer to healthcare and social assistance entities.** Providers of these services rely on private insurance reimbursements more than any other revenue source.
- Hospitals are the largest providers in the health sector. These facilities are at the forefront in supporting public health.

Products and Services

Products & Services Segmentation

Industry revenue in 2024 broken down by key product and service lines.



30

How are the industry's products and services performing?

Hospitals are central to healthcare delivery

- Hospitals provide inpatient and outpatient medical services (diagnostic, treatment, etc.) via physicians, nursing and other health services. This subsector includes Hospitals (IBISWorld 62211), Psychiatric Hospitals (62221) and Specialty Hospitals (62231).
- Rising incomes, broader access to public and private insurance programs and the medical needs of
 older citizens sustained hospital patient volumes before the COVID-19 pandemic. Yet hospitals
 were hit particularly hard by the drop in elective procedures and patient volumes following the onset
 of the pandemic.
- Federal policies and billions of dollars in funding directed to hospitals alleviated the initial financial impact of revenue loss stemming from delays in elective care and drops in ER visits. According to the Kaiser Family Foundation (KFF), the size of grants varied significantly per hospital based on the payor mix.
- Rapidly escalating costs for medical consumables, equipment and pharmaceuticals along with staffing shortages and employee burnout combine to create instability in the sector.
- Financial pressures have accelerated hospitals' shift away from inpatient care. The popularity of telemedicine, an uptick in ambulatory surgery centers (ASCs) and new medical technologies facilitate the transition to outpatient care.

Ambulatory healthcare services are an alternative care site

- Ambulatory healthcare service providers deliver healthcare services to patients and don't provide inpatient services. The primary industries in this subsector include Specialist Doctors (62111b), Primary Care Doctors (62111a) and Dentists (62121).
- Rising incomes and expanding insurance coverage have facilitated access to ambulatory healthcare service providers. The medical needs of older people also create demand for these providers, and adults of advanced age exhibit the highest consumption of healthcare services.
- Patient volumes dropped in 2020 as patients adopted stay-at-home measures and offices temporarily closed. These closures resulted in long care backlogs, leading patients to fulfill pent-up need for ambulatory medical services as vaccines became available and lockdowns lifted.
- Extensive staffing shortages at ambulatory healthcare service providers compromise these facilities' ability to meet demand.
- Consolidation activity is occurring across this subsector. The COVID-19 pandemic accelerated this
 trend, but rapidly growing demand and continual staffing shortages incentivize small providers to
 merge with larger health groups.
- Primary care and dental practices both demonstrate consolidation activity. Smaller practices are
 joining larger health systems or private equity-backed groups to reap the benefits of negotiating
 power and economies of scale.

Nursing and residential care facilities are critical for people over 65

Nursing and residential care facilities provide residential care combined with either nursing,
 supervisory or medical care services. Key industries in this subsector include Nursing Care Facilities

(62311) and Retirement Communities (62331).

- The need for nursing and residential care facilities is underscored by the large subset of the
 population that has reached advanced age, as older people can lose the ability to live
 independently.
- Persistent staffing shortages at residential care facilities limit the number of new residents a facility
 can take in. Facilities have raised wages to attract new clinical and nonclinical staff, but employees
 are turning to higher-paid positions with lower stress levels as a result of COVID-19 burnout.
- Federal and state initiatives could help address staffing shortages and quality issues at these
 residential facilities. For example, a proposal by the Centers for Medicare and Medicaid Services
 (CMS) would require a federal staffing standard at nursing homes to improve safety and quality for
 residents. To meet this potential standard, CMS has announced \$75.0 million in scholarships and
 tuition reimbursement for nursing students who agree to work in nursing homes.

Social assistance providers have an outsized role

- Social assistance entities provide various types of assistance services directly to their clients.
 Industries in this subsector include Elderly and Disabled Services (62412), Day Care (62441) and Family Counseling and Crisis Intervention Services (62419).
- Billions in federal funding to social assistance providers during COVID-19 from the Coronavirus Aid,
 Relief and Economic Security Act and the American Rescue Plan led this segment's share of the
 sector to rise in recent years. Subsequent cuts in this funding affect the extent to which social
 assistance providers can keep up with demand for their resources and services.
- Other effects of COVID-19 have influenced social assistance providers. For instance, the need for daycare services quickly dropped in 2020, but a sudden recovery in 2021 created excess demand. Closures and layoffs meant fewer daycare providers, leading to significant price hikes as parents scrambled to find childcare.

What are innovations in industry products and services?

Budding artificial intelligence partnerships are transforming service delivery

- Artificial intelligence (AI) technologies are steadily being applied to functions across healthcare and social assistance facilities. This novel tech has been proven to improve outcomes in public health.
- There are multiple innovation applications for AI in the Healthcare and Social Assistance sector, with many tailored to specific areas. Systems are emerging using AI that can identify and treat highrisk patients, predict heart attacks, forecast chronic kidney disease and standardize and protect patient medical data.

Digital health applications abound

- The number of innovative digital health tools has flourished in recent years. These tools have the
 potential to transform healthcare delivery dramatically. Digital tools include telehealth, wearable
 technologies and digital therapeutics.
- Telehealth capability improves patient engagement by expanding access to care, lowering costs and increasing efficiency.
- Wearable technologies remotely monitor patients and provide valuable medical data that informs a patient's care team instantly, leading to more comprehensive care.

• Digital therapeutics refers to software and devices that use AI and machine learning. These tools analyze patient data and provide therapeutic interventions for various diseases and disorders.

☆ Key Success Factor

What products or services do successful businesses offer?

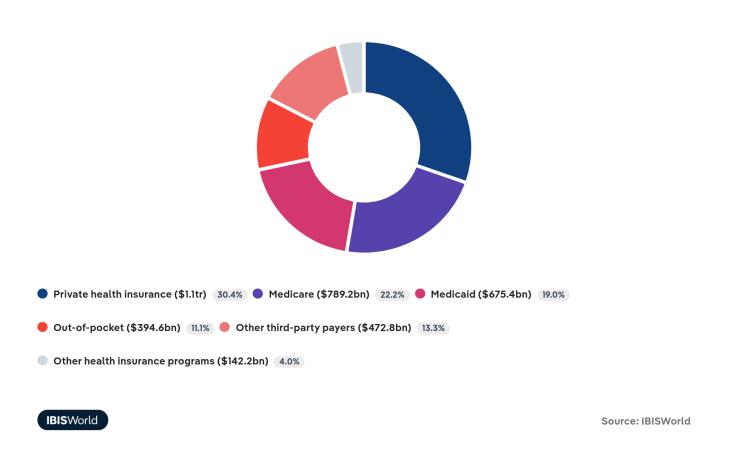
Secure a multiskilled workforce

Healthcare and social assistance facilities are labor-intensive, requiring a staff of physicians, specialists, nurses and nonclinical workers. Attracting and retaining capable personnel are essential to meeting patient demand.

Major Markets

Major Market Segmentation

Industry revenue in 2024 broken down by key markets



What's influencing demand from the industry's markets?

Private insurers are the largest payer to healthcare and social assistance providers

- Reimbursements from private payors include payments received from commercial health plans.
 Private insurers reimburse in-network providers for patient treatment; contract negotiations between payors and providers determine prices. Revenue received from private payor reimbursements has stagnated in recent years.
- A spike in the unemployment rate during the COVID-19 pandemic led to a drop-off in private health coverage, reducing private insurance payments to providers. Higher service utilization and increased enrollment in 2021 led to an uptick, but the share of total private reimbursements remained below the pre-COVID total in 2023.

Public insurers pay more as older adults age

 Government revenue sources include reimbursements from Medicaid and Medicare and grants or loans from federal or state agencies. Medicaid is the second-largest payer of health services in the US – and these reimbursements make up a significantly larger share of sector revenue than Medicare reimbursements.

- Medicare and Medicaid funding jumped following the onset of the COVID-19 pandemic, as extended enrollment periods absorbed private insurance losses.
- Higher Medicaid funding and enrollment continued throughout the pandemic, leading healthcare
 and social assistance facilities to receive larger shares of revenue from Medicaid reimbursements.
 Higher enrollment stemmed from the Families First Coronavirus Response Act of 2020, which
 mandated continuous coverage through March 31, 2023.
- Medicaid reimbursements are expected to have accounted for less sector revenue in 2023.
 Congress' spending plan for 2023 allowed states to continue disenrollment in April of that year, and the Kaiser Family Foundation reported that more than 5.5 million enrollees lost coverage as of August 2023.
- Yet Medicare will experience the fastest growth moving forward, as this segment will have the highest enrollment growth as the over 65 population advances further in age.

Insurance limitations create out-of-pocket costs

- Insurers don't cover all health services equally. Patients are responsible for any portion of treatment not paid for by the insurance company.
- Out-of-pocket payments include payments by patients or family members for any care not covered by insurance. This includes deductibles, copayments and coinsurance.
- Rising incomes in recent years have allowed individuals to increase healthcare consumption. Outof-pocket spending climbs alongside income since higher-income beneficiaries are more likely to use healthcare services.
- Recessionary concerns and a higher cost of living led consumers to reevaluate their elective health spending in 2023, causing a slowdown in total health spending. Inflation, the resumption of student loan payments and steadying patient volumes will continue to slow out-of-pocket health spending in 2024.

Healthcare and social assistance receive payments from a mix of sources

- Other sources of sector revenue include reimbursements from various federal, state and local programs, like workers' compensation and maternal and child health programs; the Department of Defense; the Department of Veterans Affairs; charitable contributions (donations, gifts); and miscellaneous private sources.
- Some medical facilities are designated nonprofits. Nonprofit facilities often rely on gifts and donations from the local community to fund essential services. Examples include safety net hospitals or nonprofit mental health clinics.
- Some healthcare providers receive more federal assistance than others. For example, the Substance Abuse and Mental Health Services Administration (SAMHSA) annually awards billions in grants to mental health and substance abuse clinics.

International Trade

Some industries don't directly import or export goods. See reports at the manufacturing level for international trade data on relevant products.

Geographic Breakdown

Discover where business activity is most concentrated in this industry and what's driving these trends.

5. Geographic Breakdown

https://my.ibisworld.com/us/en/industry/62/geographic-breakdown

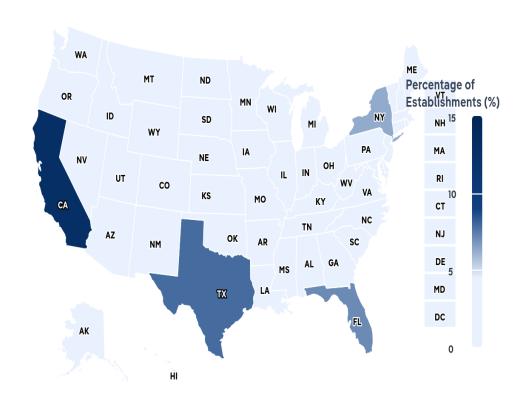
Key Takeaways

- **Densely populated areas have higher healthcare usage.** The Southeast is the most populated region, warranting a greater need for healthcare providers to meet residents' medical needs.
- California has the most healthcare providers in the United States. The Golden State's expansive geographic area is home to a large population, which also allocates the most on personal healthcare spending nationally.

Business Locations

Business Concentration

Percentage of total industry Establishments in each region





Source: IBISWorld

Percentage of total industry Establishments, Population in each region

County	Establishments Units	Population %
California	12.9	
Texas	7.9	
Florida	7.1	
New York	6.3	

Pennsylvania	4.1
Illinois	3.8
Ohio	3.2
New Jersey	3.1
Michigan	3.0
Georgia	2.9
North Carolina	2.7
Missouri	2.4
Washington	2.4
Virginia	2.3
Arizona	2.1
Massachusetts	2.1
Colorado	1.9
Indiana	1.9
Maryland	1.9
Minnesota	1.9
Wisconsin	1.8
Tennessee	1.7
Oregon	1.6
Louisiana	1.4
Alabama	1.3
Kentucky	1.3
Connecticut	1.2
Oklahoma	1.2
South Carolina	1.2
Utah	1.0
Arkansas	0.9
lowa	0.9
Kansas	0.9
Nevada	0.9
Mississippi	0.7
Idaho	0.6
Nebraska	0.6

New Mexico	0.6
Maine	0.5
West Virginia	0.5
Delaware	0.4
Hawaii	0.4
Montana	0.4
New Hampshire	0.4
Alaska	0.3
Rhode Island	0.3
South Dakota	0.3
District of Columbia	0.2
North Dakota	0.2
Vermont	0.2
Wyoming	0.2

Where are industry businesses located?

Healthcare utilization high in the Southeast

- More than one-quarter of the US population resides in the Southeast region. As a central population
 hub, this area houses many healthcare and social assistance providers to address the needs of its
 population.
- Florida has the largest number of establishments in the region, an outcome of the state's population size and demographic makeup.
- Florida has the highest percentage of residents over 65 in the US. Older adults have much higher rates of health services utilization, translating to a greater need for a breadth of medical services.

Metro areas in the Mid-Atlantic drive the region's share of mental health clinics

- The Mid-Atlantic's share of healthcare and social assistance providers mirrors its share of the population.
- Pennsylvania and New York contribute substantially to the share of establishments in this region, as these states rank in the top five in terms of personal healthcare spending.
- Densely populated cities in New York influence the number of establishments in the state. New York City also has more residents than North Dakota, Wyoming and Alabama combined, warranting a greater need for comprehensive social assistance for its residents.
- According to Becker's Hospital Review, New York ranks third in the number of active physicians per capita.

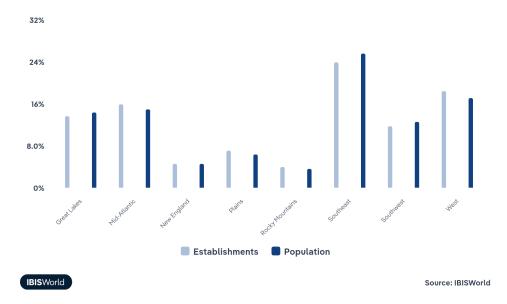
California ranks first in healthcare spending

- The West's share of establishments aligns with its share of the US population. Yet, this region's share of providers is skewed by California's large population.
- California has the most healthcare and social assistance establishments in the US.
- California's personal healthcare spending was the highest in the US in 2020.

Healthcare and Social Assistance in the US

West has the largest spread of businesses compared to its population

Share of Establishments (%) vs. share of population (%):



☆ Key Success Factor

How do businesses use location to their advantage?

Ability to attract local support

Location and presentation of any care facility is critical elements in this sector. Referral networks are crucial, with referrers including hospitals, physicians, insurers and the general public.

Competitive Forces

Uncover challenges and benefits in the operating environment, digging into market share, buyer and supplier power and key success factors for operators.

6. Competitive Forces

https://my.ibisworld.com/us/en/industry/62/competitive-forces

Key Takeaways

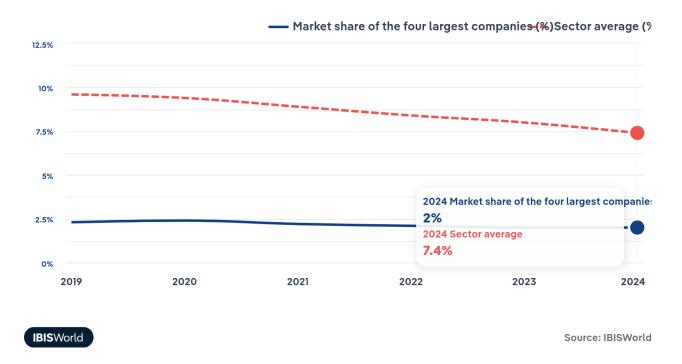
- Healthcare and social assistance facilities are vital to public health. No substitutes exist for medical and social services, eliminating the factor of external competition.
- Independent practices are the status quo in Healthcare and Social Assistance, despite consolidation. Consolidation changes healthcare delivery, but small, local service providers still define the sector.

Concentration

Low

Market Share Concentration

Combined market share of the four largest companies in this industry



What impacts the industry's market share concentration?

Fragmented care is the status quo

Healthcare in the US has traditionally been fragmented, with small and independent providers
offering personalized care to patients in local markets. Social assistance facilities provide primarily
community-focused services with limited geographic scope.

- While patient preference for these small, local practices has allowed these companies to continue operating, the sector has been experiencing a huge shift in its makeup in recent years.
- Consolidation across the health sector has been happening for decades but has accelerated.
 Patients increasingly receive care from integrated health systems, an interconnected network of healthcare services and organizations.
- Private equity's increasing involvement in the health sector has also transformed the sector's
 makeup. Private equity has brought about a rise in mergers and acquisitions and a consolidation of
 healthcare entities. A convergence of factors is fueling M&A activity: changing regulatory, tech and
 market dynamics have encouraged M&A as a way to create scale and reduce costs.

The regulatory environment keeps concentration low

- Certificate of Need (CON) laws inhibit expansion 36 states enforce CON laws. These laws require
 most healthcare facilities to demonstrate the public need for a facility expansion, service addition or
 medical equipment purchase before implementation. Consequently, they also create barriers to
 entry and expansion, impeding a company's ability to grow.
- Regulatory bodies, like the Federal Trade Commission (FTC) and the Centers for Medicare and Medicaid Services (CMS), often scrutinize mergers and acquisitions to prevent monopolistic practices that could lead to higher prices and fewer choices for patients.



How do successful businesses handle concentration?

Proximity to key markets

Healthcare and social assistance facilities provide services to local patients; facilities should be geographically located in areas where the need is higher and they can be easily accessed by the public.

Barriers to Entry



What challenges do potential industry entrants face?

Legal

• A complex and stringent regulatory environment governs all healthcare and social assistance delivery aspects at the federal, state and local levels.

Start-Up Costs

• Start-up costs for a healthcare facility can be substantial but vary by type of facility. Funding for new facilities comes from federal and state funding, loans and private investment.

Differentiation

 Many aspects of healthcare delivery follow standard practices or treatments. Providers in competitive markets can differentiate through patient outcomes, staff qualifications and accolades, quality of services and availability of high-tech equipment.

Labor Expenses

Healthcare and social assistance facilities can't provide services without trained and qualified staff.
 Ongoing critical staffing shortages and rising wages jeopardize providers' ability to acquire and retain staff.

Substitutes



What are substitutes for industry services?

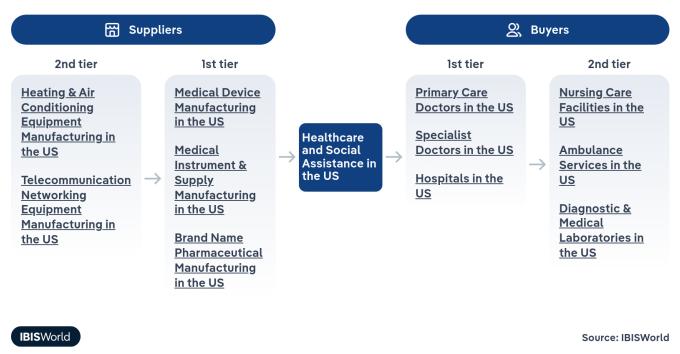
No Substitutes

- No other service can substitute for the Healthcare and Social Assistance sector.
- While some people will forego healthcare entirely unless the situation is critical, most of the country's population receives medical care for various reasons ranging from preventative care to major procedures.

Buyer & Supplier Power

Supply Chain

Direct and indirect supplier and buyer industries related to this industry



What power do buyers and suppliers have over the industry?

Buyer power: Contracts

Moderate Steady

- Buyers include insurers and patients. Insurers include private payers (employer-sponsored, commercial plan) and public payers (Medicare, Medicaid).
- Payers have bargaining power over healthcare providers due to their ability to negotiate prices and control reimbursement rates.
- Large employers or employee groups who provide healthcare benefits to their workers can negotiate lower prices and better benefits with insurance companies or healthcare providers due to the volume of employees.
- Consumers can choose one provider over another. Location and reputation can influence a consumer's healthcare decision.

Supplier power: Switching costs



- Healthcare providers with a strong reputation or specialized expertise can charge higher service prices and negotiate better terms with insurance companies and employers.
- Pharmaceutical companies have significant bargaining power over healthcare providers and payers, as they can set prices for drugs and treatments.
- Medical device and equipment manufacturers provide essential and life-saving equipment, increasing buyer power.
- Supplier power is lower for wholesalers providing medical consumables (gloves, masks), as providers can easily switch suppliers for the best price.

Companies

Find out which companies hold the most market share and how revenue, profit and market share have shifted over time for these leaders.

7. Companies

https://my.ibisworld.com/us/en/industry/62/companies

Key Takeaways

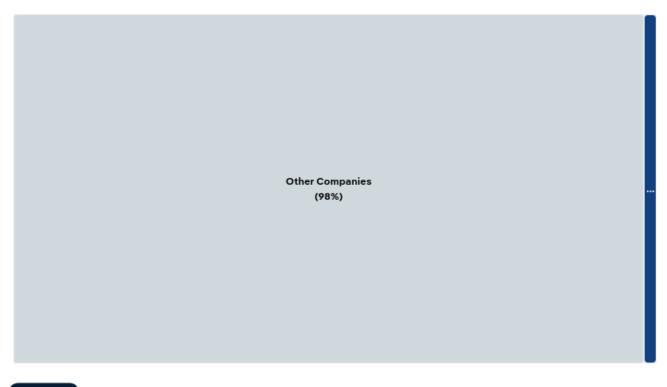
• Consolidation activity is a defining trait of the Healthcare and Social Assistance sector. Still, fragmentation keeps any company from holding more than 5.0% of it.

Market Share

Healthcare and Social Assistance in the US

Industry Market Share by Company

Industry-specific company revenue as a share of total industry revenue



IBISWorld

Chart displays current year only in the PDF version of this report. You can view and download chart for all other years associated with this industry on my.ibisworld.com.

Companies

Company	Market Share (%) 2024	Revenue (\$m) 2024	Profit (\$m) 2024	Profit Margin (%) 2024
Hca Healthcare, Inc.	1.5	52,649.0	6,593.0	12.5
Quest Diagnostics Inc.	0.3	10,335.0	2,456.0	23.8
Feeding America	0.1	3,369.6	286.3	8.5
Brookdale Senior Living Inc.	0.1	3,275.5	-174.2	-5.3
Fresenius Kabi AG	0.0	677.5	69.1	10.2

Hca Healthcare, Inc.

Company Details

Industry Revenue (2024)	\$52.6bn
Industry Profit (2024)	\$6.6bn
Total Employees (2024)	290,000
Industry Market Share (2024)	1.5%

Description

Hca Healthcare is a public company headquartered in Tennessee with an estimated 290,000 employees. In the US, the company has a notable market share in at least three industries: Healthcare and Social Assistance, Hospitals, Ambulatory Surgery Centers and Healthcare and Social Assistance. Their largest market share is in the Hospitals industry, where they account for an estimated 3.6% of total industry revenue.

Brands and Trading Names

- General Care Corporation
- General Health Services
- HCA Healthcare
- Health Care Corporation
- Hospital Affiliates International

Other Industries

- Ambulatory Surgery Centers in the US
- Hospitals in the US

Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Industry Revenue (\$ million)	Market Share (%)	Profit Margin (%)
2008	20382	1.1	11.6
2009	21215	1.1	11.6
2010	21961	1.1	11.6
2011	22833	1.1	11.6
2012	23681	1.1	11.6
2013	26955	1.3	11.6
2014	30366	1.4	11.6

IBISWorld Healthcare and Social Assistance in the US			Mar 2024
2015	35408	1.5	11.6
2016	41490	1.7	11.6
2017	43614	1.7	10.0
2018	46677	1.7	11.4
2019	51336	1.8	10.2
2020	51533	1.8	10.5
2021	52649	1.7	12.5
2022	52649	1.6	12.5
2023	52649	1.5	12.5
2024	52649	1.5	12.5

Quest Diagnostics Inc.

Company Details

Industry Revenue (2024)	\$10.3bn
Industry Profit (2024)	\$2.5bn
Total Employees (2024)	49,000
Industry Market Share (2024)	0.3%

Description

Quest Diagnostics is a public company headquartered in New Jersey with an estimated 49,000 employees. In the US, the company has a notable market share in at least four industries: Healthcare and Social Assistance, Diagnostic & Medical Laboratories, Clinical Trial Support Services, Toxicology Laboratories and Healthcare and Social Assistance. Their largest market share is in the Toxicology Laboratories industry, where they account for an estimated 11.4% of total industry revenue.

Brands and Trading Names

- AmeriPath
- Dermpath Diagnostics
- ExamOne
- Quanum
- Quest Diagnostics

Other Industries

- Clinical Trial Support Services in the US
- Diagnostic & Medical Laboratories in the US
- Toxicology Laboratories in the US

Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Industry Revenue (\$ million)	Market Share (%)	Profit Margin (%)
2008	5253	0.3	17.7
2009	5467	0.3	17.7
2010	5660	0.3	17.7
2011	5884	0.3	17.7
2012	6103	0.3	17.7
2013	6237	0.3	17.7

2014	6503	0.3	17.7
2015	6854	0.3	17.7
2016	7214	0.3	17.7
2017	7402	0.3	15.7
2018	7531	0.3	14.6
2019	7726	0.3	15.9
2020	9437	0.3	20.9
2021	10335	0.3	23.8
2022	10335	0.3	23.8
2023	10335	0.3	23.8
2024	10335	0.3	23.8

What's impacting Quest Diagnostics Inc.'s performance?

Quest Diagnostics marks two years of COVID-19 testing

In March 2022, Quest Diagnostics marked two years since its first COVID-19 test. Since the
company introduced its first COVID-19 tests in March 2020, it has performed about 65.0 million
COVID-19 molecular diagnostic tests. While Quest began COVID-19 testing with a single laboratory
in California to two dozen labs throughout the US. In the two years of COVID-19 testing, Quest has
received 20 emergency use authorizations from the FDA for COVID-19 innovations, developed
advanced testing capabilities and collaborated with the CDC and other entities to identify COVID-19
variants.

Quest to acquire Patient Engagement company Pack Health

• In 2022, Quest Diagnostics entered into an agreement to purchase Pack Health, a patient-engagement company that helps individuals adopt healthier behaviors. Pack Health specializes in addressing chronic health conditions and comorbidities that are affected by mental health, lifestyle behavior, access to care and social determinants of health. Pack's services include medication adherence coaching, diet and exercise coaching and community resource outreach. Quest plans to use Pack's resources as well as its own existing in-home risk assessing and monitoring services to create new patient outreach services.

Quest continues to be recognized for positive work environment

For the eighth consecutive year, Quest Diagnostics has been selected as one of Fortune's World's Most Admired Companies for 2022. The list is compiled based on corporate reputation, investment value, quality of management, social responsibility and ability to attract talent. Quest was one of only six companies to attain the most admired status in the "Healthcare: Pharmacy and Other Services" category. Additionally, in 2022, Quest received a 100% score on the Human Rights Campaign Foundation's 2022 Corporate Equality Index (CEI). The CEI measures corporate policies

and practices related to LGBTQ+ workplace equality.

Feeding America

Company Details

Industry Revenue (2024)	\$3.4bn
Industry Profit (2024)	\$286.3m
Total Employees (2024)	250
Industry Market Share (2024)	0.1%

Description

Feeding America is a private company headquartered in Illinois with an estimated 250 employees. In the US, the company has a notable market share in at least three industries: Healthcare and Social Assistance, Community Food Services, Natural Disaster & Emergency Relief Services and Healthcare and Social Assistance. Their largest market share is in the Community Food Services industry, where they account for an estimated 15.9% of total industry revenue and are considered a Rising Star because they display lower market share, but displaying stronger profit and revenue growth than some of their peers.

Other Industries

Community Food Services in the US

Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Industry Revenue (\$ million)	Market Share (%)	Profit Margin (%)
2016	2479	0.1	0.5
2017	2766	0.1	0.6
2018	2880	0.1	0.6
2019	2876	0.1	1.5
2020	3645	0.1	8.5
2021	3370	0.1	8.5
2022	3370	0.1	8.5
2023	3370	0.1	8.5
2024	3370	0.1	8.5

What's impacting Feeding America's performance?

Forbes ranks Feeding America as second-largest US charity

 In 2021, Forbes included Feeding America as the second-largest US charity in its list of the 100 largest US charities. The list is compiled based on publicly available 2020 financial data. In 2020, Feeding America received a 19.0% increase in private donations. This marks the fourth year in a row that Feeding America has been ranked number two on this list, which also reports that the charity has a 99.0% efficiency rating.

Feeding America invests \$1.0 billion to fight food insecurity

• In its 2021 annual report, Feeding America reported that it had raised nearly \$1.0 billion since the start of the COVID-19 (coronavirus) pandemic, and the majority of that money has already been distributed to network member food banks or allocated toward funds to address food insecurity at the local level. While the pandemic increased the need for immediate action, Feeding America has put funding toward long-term solutions for addressing food insecurity.

Brookdale Senior Living Inc.

Company Details

Industry Revenue (2024)	\$3.3bn
Industry Profit (2024)	-\$174.2m
Total Employees (2024)	36,000
Industry Market Share (2024)	0.1%

Description

Brookdale Senior Living is a public company headquartered in Tennessee with an estimated 36,000 employees. In the US, the company has a notable market share in at least two industries: Retirement Communities and Healthcare and Social Assistance. Their largest market share is in the Retirement Communities industry, where they account for an estimated 2.9% of total industry revenue.

Other Industries

Retirement Communities in the US

Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Industry Revenue (\$ million)	Market Share (%)	Profit Margin (%)
2008	3624	0.2	-0.6
2009	3772	0.2	-0.6
2010	3905	0.2	-0.6
2011	4060	0.2	-0.6
2012	4210	0.2	-0.6
2013	4303	0.2	-0.6
2014	4487	0.2	-0.6
2015	4729	0.2	-0.6
2016	4977	0.2	-0.6
2017	4747	0.2	-5.7
2018	4531	0.2	-13.1
2019	4057	0.1	-1.1
2020	3540	0.1	-2.8
2021	3276	0.1	-5.3
2022	3276	0.1	-5.3

2023	3276	0.1	-5.3
2024	3276	0.1	-5.3

What's impacting Brookdale Senior Living Inc.'s performance?

COVID-19 continues to challenge senior living communities

As the COVID-19 (coronavirus) pandemic continues into 2022, Brookdale continues to take steps to
protect its high-risk residents. At the height of the pandemic, this meant restricting visitor access and
limiting new resident move-ins. However, as of January, 2022, nearly all Brookdale communities are
open for new resident move-ins. Additionally, the resident vaccine acceptance rate has surpassed
95.0% as of 2022.

Brookdale Reopens Houston community following renovation

• In 2022, Brookdale Senior Living announced the reopening of the Brookdale Galleria, a Houston senior living facility, following a \$12.0 million renovation. While Brookdale acquired the building in 2005, it was constructed in 1976 as the Guest Quarter East Hotel, one of Houston's first hotels with suites. The renovations follow a fire in 2020 caused by electrical issues.

Brookdale expands memory care and Alzheimer's treatment programs

While memory care has always been a priority for Brookdale, in 2021, the company opened several
memory care and dementia care additions. These additions include a \$12.0 million memory care
program at Brookdale Vernon Hills, and the \$7.5 million Alzheimer's and dementia care community
at Brookdale Jackson Oaks. As Brookdale's residents continue to age, dementia care and other
more advanced care options will become a greater focus for the company.

Fresenius Kabi AG

Company Details

Industry Revenue (2024)	\$677.5m
Industry Profit (2024)	\$69.1m
Total Employees (2024)	42,063
Industry Market Share (2024)	0.0%

Description

Fresenius Kabi is a public company headquartered in Germany with an estimated 42,063 employees. In the US, the company has a notable market share in at least two industries: Brand Name Pharmaceutical Manufacturing, Healthcare and Social Assistance and Healthcare and Social Assistance. Their largest market share is in the Brand Name Pharmaceutical Manufacturing industry, where they account for an estimated 0.4% of total industry revenue.

Other Industries

• Brand Name Pharmaceutical Manufacturing in the US

Company's Industry Revenue, Market Share, and Profit Margin Over Time

Year	Industry Revenue (\$ million)	Market Share (%)	Profit Margin (%)
2016	155	0.0	10.2
2017	362	0.0	10.2
2018	514	0.0	10.2
2019	668	0.0	10.2
2020	936	0.0	10.2
2021	703	0.0	10.2
2022	678	0.0	10.2
2023	678	0.0	10.2
2024	678	0.0	10.2

What's impacting Fresenius Kabi AG's performance?

Fresenius Kabi AG is committed to meet the needs of patients and healthcare professionals

Fresenius Kabi AG strives to produce high-quality products that are useful for chronically and
critically ill patients, specifically for their therapy and care. While ensuring to fulfill moral and lawful
duties, the company has implemented sustainable management to reduce its negative effect on the

environment.

You can view and download company details on my.ibisworld.com.

External Environment

Understand the demographic, economic and regulatory factors positively and negatively affecting the industry.

8. External Environment

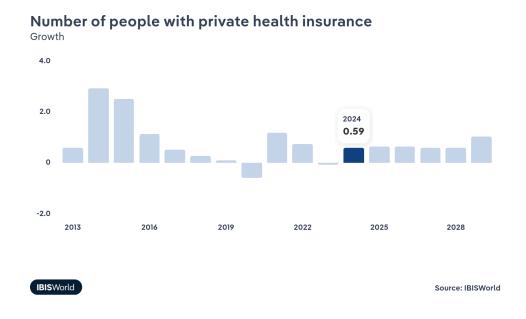
https://my.ibisworld.com/us/en/industry/62/external-environment

Key Takeaways

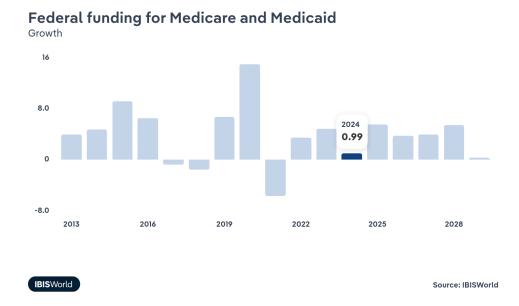
- Healthcare and social assistance facilities operate within one of the most regulated environments. A dizzying amount of federal, state and local laws apply in this sector, enforced by multiple agencies and regulators.
- Healthcare providers received over \$200.0 billion to ease pandemic-related financial and operational pressures. Since pandemic relief fizzled out, healthcare facilities have faced unprecedented financial strain.

External Drivers

What demographic and macroeconomic factors impact the industry?



Private insurers are the single-largest payer to healthcare service providers in the US, so providers rely more on reimbursements from these insurers than any other revenue source. Changes in the number of people with private insurance directly influence access to healthcare services and the amount providers receive in reimbursements. Increases in private health coverage allow more people to receive care, increasing reimbursements and introducing a potential opportunity to the industry.



Reimbursements from Medicaid and Medicare are a major source of revenue for healthcare providers, while Medicaid and Medicare coverage (and the extent of their benefits) determine access to healthcare services for many citizens. Higher coverage rates lower out-of-pocket costs for patients, increasing access to healthcare services.

Total health expenditure measures public and private spending on services and activities that promote health and prevent disease, including physicians and other medical professionals, home healthcare agencies, nursing homes, hospitals and health insurers. Changes in health expenditure directly influence revenue for healthcare and social assistance providers.

Adults 65 and older spend more on healthcare services than any other age group, an outcome of an inherently higher incidence of chronic illness and injury. This population subset's expanding medical needs are a main driver behind rising healthcare spending, as this age group requires more frequent, high-cost services.

Regulation & Policy



What regulations impact the industry?

Certificate of Need

Healthcare facilities must furnish a Certificate of Need (CON) before any construction, renovation or major medical equipment acquisitions. A CON is a state-level regulatory mechanism for healthcare facilities that determines the public need for a new facility or service. Oversight via CON ensures health delivery services align with community needs to prevent heightened healthcare costs. Violations of the CON requirement can result in civil sanctions or revocation of a facility's license.

Antikickback Statute and Physician Self-Referral Laws

The federal Antikickback Statute prohibits the exchange of anything of value (financial incentives, low rents, excessive compensation) to incentivize the referral of business that's reimbursable by federal healthcare programs. Kickbacks promote overutilization of healthcare costs and corrupt decision-making by steering patients away from other services. The Physician Self-Referral Law, also known as the Stark Law, prohibits physicians from referring patients to a healthcare service if they or a family member have a financial relationship with that entity.

Health Insurance Portability and Accountability Act

All healthcare providers, including mental health and substance abuse clinics, must comply with the Health Insurance Portability and Accountability Act (HIPAA). The HIPAA criteria outline controls the use of patient health data by any healthcare provider that stores, shares or sends private patient data.

The HITECH Act

The Health Information Technology for Economic and Clinical Health (HITECH) Act mandates audits of healthcare providers to ensure they comply with HIPAA. The HITECH Act strengthens HIPAA by incentivizing providers to adopt electronic health records (EHR) and enforcing steeper penalties for noncompliance.

The Centers for Medicare and Medicaid Services provisions

The Centers for Medicare and Medicaid Services (CMS) makes payments to participating healthcare providers under its Medicare and Medicaid programs based on various formulas. Federal law mandates that services hospitals render to Medicare and Medicaid patients meet professionally recognized standards. In addition, CMS provisions ensure that the healthcare services are medically necessary and reimbursement claims are correctly filed.

The No Surprises Act

The No Surprises Act (NSA) established new federal protections against surprise medical bills. The NSA bans surprise bills for most emergency services, nonemergency services from out-of-network providers at in-network facilities and services from out-of-network air ambulance service providers. The new protections went into effect on January 1, 2022.

COVID-19 regulations

All healthcare industries are subject to various regulations and protocols to mitigate and monitor the spread of COVID-19 and its variants to prevent future outbreaks. Regulation regarding COVID-19 is determined and mandated by the Centers for Disease Control and Prevention (CDC), the Occupational Safety and Health Administration (OSHA) and the United States Department of Health and Human Services (HHS). Exact regulation can vary from state to state.

Assistance



What assistance is available to this industry?

The Centers for Medicare and Medicaid Services

The Centers for Medicare and Medicaid Services (CMS) manages reimbursements for patients' healthcare services at a healthcare facility. Various provisions determine CMS reimbursements, which change based on location and designation. Reimbursements generally vary annually based on CMS' Physicians Fee Schedule.

COVID-19 response

Healthcare facilities were primary recipients of federal support programs during COVID-19 in response to their vital role in combatting it. Facilities were allocated over \$100.0 billion from the Coronavirus Aid, Relief and Economic Security (CARES) Act and \$75.0 billion from the Paycheck Protection Program. The Provider Relief Fund, the Federal Emergency Management Agency (FEMA) and the American Rescue Plan also allocated billions in funding.

Federal initiatives

The federal government is a significant funding source for healthcare facilities through direct funding or funding that promotes access. Recent examples include the Biden Administration's use of federal courts and health programs to expand the use of medication to treat substance use disorders in pregnant women or expansion to Medicare and Medicaid programs.

The American Hospital Association

The American Hospital Association (AHA) is a national organization representing all types of hospitals, healthcare networks, patients and communities. The AHA comprises over 5,000 hospitals, health care systems, networks and 43,000 individual members.

Industry organizations

An organization represents nearly every industry operating as a healthcare or social assistance facility. Industry organizations are businesses or individuals in a specific industry joined together to promote, advocate, lobby and set standards for members. Examples include the American Dental Association, the American Psychiatric Association and the American Optometric Association.

Financial Benchmarks

Understand average costs for industry operators and compare financial data against key ratios and financial benchmarks broken down by business size.

9. Financial Benchmarks

https://my.ibisworld.com/us/en/industry/62/financial-benchmarks

Profit Margin

10.0 %

Lower than sector

Average Wage \$59,582

† Higher than sector

Largest Cost
Wages
40.1% of Revenue

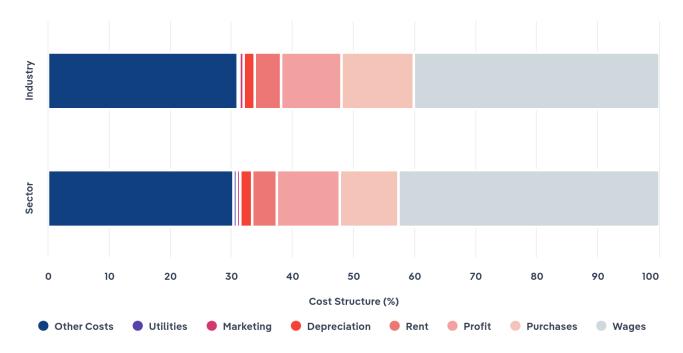
Key Takeaways

- Rising labor, supply and drug costs characterize the Healthcare and Social Assistance sector. Providers are contending with unprecedented financial challenges across the board.
- Labor shortages across this sector persist and are pressuring wage growth. Staffing shortages in the Healthcare and Social Assistance sector predate the pandemic and were made worse as the nation's health and social assistance systems dealt with the onset of COVID-19.

Cost Structure

Cost Structure Benchmarks

Average operating costs by industry and sector as a share (%) of revenue 2024



IBISWorld

Source: IBISWorld

Chart displays current year only in the PDF version of this report. You can view and download chart for all other years associated with this industry on my.ibisworld.com.

What trends impact industry costs?

Healthcare providers confront the exodus of workers

- Labor shortages that characterize the health sector have been driving wage growth. The reasons for shortages are complex, with the exact extent of shortages varying between settings.
- The pandemic exacerbated labor shortages that had already existed in this sector. The mental and physical burden on healthcare workers led to burnout, inspiring many employees to quit, retire or change careers.
- Shortages of new workers and a high turnover rate of existing workers have caused many providers
 to offer signing bonuses and additional bonuses to retain employees. Maintaining appropriate
 staffing levels is critical and required by law for many providers, so labor expenses must rise
 enough for providers to fill vacancies.
- Many providers have been using contract labor to fill in the roster. Contracted staff come at a higher cost than salaried employees, although the cost for locum tenens (i.e. temporary fill-in) staffing has been settling from its peak in 2021.

Financial pressures erode profit for healthcare and social assistance providers

- Margins vary based on location, type of facility and payer mix. Healthcare providers receiving most of their revenue from commercial insurers enjoy higher profit.
- Billions in pandemic relief funding kept healthcare and social assistance providers profitable between 2020 and 2021. A drop-off in funding in 2022 strained providers as costs continued rising.
- The pandemic's aftermath continues to have a more acute effect on some healthcare providers.

 Hospitals, daycare centers, mental health and substance abuse centers garner less profit than other providers.
- High inflation, rising wages and increasing operating costs will continue to pressure profit in 2024.
 While inflation is expected to cool through the year, healthcare providers will still have to manage securing reimbursements that offset higher prices to limit inflation's impact on profit.

Key Ratios

Year	Revenue per Employee (\$)	Revenue per Enterprise (\$ Million)	Employees per Estab. (Units)	Employees per Ent. (Units)	Average Wage (\$)	Wages/ Revenue (%)	Estab. per Enterprise (Units)	IVA/ Revenue (%)
2005	132,192	1.0	7.3	7.8	52,763	39.9	1.1	47.1
2006	131,449	1.0	7.3	7.8	52,919	40.3	1.1	48.2
2007	133,342	1.0	7.3	7.8	53,783	40.3	1.1	48.2
2008	134,883	1.1	7.3	7.8	54,429	40.4	1.1	48.1

2009	136,753	1.1	7.3	7.8	55,100	40.3	1.1	48.9
2010	137,584	1.1	7.2	7.7	54,802	39.8	1.1	51.1
2011	138,027	1.1	7.2	7.7	54,770	39.7	1.1	50.5
2012	138,491	1.1	7.3	7.9	55,295	39.9	1.1	50.7
2013	137,644	1.1	7.3	7.9	54,878	39.9	1.1	51.3
2014	139,208	1.1	7.3	7.9	54,985	39.5	1.1	50.8
2015	142,946	1.1	7.4	8.0	56,343	39.4	1.1	50.6
2016	145,708	1.2	7.6	8.3	56,585	38.8	1.1	50.2
2017	146,136	1.2	7.8	8.5	57,560	39.4	1.1	51.0
2018	146,451	1.2	7.6	8.3	57,743	39.4	1.1	51.1
2019	149,716	1.3	7.7	8.4	58,573	39.1	1.1	51.1
2020	147,958	1.3	7.9	8.7	58,422	39.5	1.1	51.4
2021	158,275	1.3	7.5	8.2	60,638	38.3	1.1	50.6
2022	148,600	1.2	7.5	8.3	59,590	40.1	1.1	51.9
2023	149,090	1.2	7.5	8.3	59,625	40.0	1.1	51.8
2024	148,559	1.2	7.5	8.3	59,582	40.1	1.1	51.9
2025	149,419	1.2	7.5	8.3	59,651	39.9	1.1	51.8
2026	150,127	1.3	7.6	8.3	59,708	39.8	1.1	51.6
2027	150,731	1.3	7.6	8.4	59,756	39.6	1.1	51.5
2028	151,581	1.3	7.6	8.4	59,823	39.5	1.1	51.4
2029	151,197	1.3	7.6	8.4	59,793	39.5	1.1	51.5
2030	151,328	1.3	7.6	8.4	59,803	39.5	1.1	51.5

^{*}Figures are inflation adjusted to 2024

Key Statistics

Discover 14 years of historical, current and forward-looking industry performance data in table format.

10. Key Statistics

https://my.ibisworld.com/us/en/industry/62/key-statistics

Industry Data

Values

Year	Revenue (\$ Million)	IVA (\$ Million)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Wages (\$ Million)
2005	2,339,027.4	1,102,667.1	2,415,640	2,268,432	17,694,187	933,599.3
2006	2,389,725.8	1,152,341.2	2,490,936	2,334,330	18,179,846	962,059.1
2007	2,475,596.5	1,192,852.6	2,552,324	2,383,160	18,565,740	998,518.3
2008	2,566,681.9	1,233,365.9	2,602,651	2,432,609	19,028,900	1,035,731.3
2009	2,653,111.7	1,297,155.2	2,668,952	2,495,545	19,400,823	1,068,987.6
2010	2,713,529.1	1,387,472.8	2,747,691	2,566,257	19,722,690	1,080,844.1
2011	2,764,294.4	1,395,441.4	2,786,825	2,601,677	20,027,211	1,096,897.6
2012	2,814,322.8	1,427,614.9	2,776,911	2,583,752	20,321,370	1,123,668.0
2013	2,829,750.2	1,450,790.1	2,803,326	2,606,496	20,558,434	1,128,198.6
2014	2,900,825.2	1,473,572.1	2,841,294	2,637,228	20,838,080	1,145,778.8
2015	3,030,557.9	1,533,939.0	2,854,922	2,636,040	21,200,714	1,194,516.5
2016	3,160,341.4	1,587,572.4	2,844,321	2,615,445	21,689,510	1,227,293.5
2017	3,241,665.3	1,652,853.5	2,838,732	2,596,166	22,182,535	1,276,820.3
2018	3,305,377.2	1,689,978.6	2,978,551	2,734,918	22,569,878	1,303,249.5
2019	3,432,647.9	1,754,857.1	2,981,341	2,728,239	22,927,718	1,342,939.4
2020	3,436,282.1	1,767,371.5	2,936,363	2,679,287	23,224,758	1,356,831.6
2021	3,603,374.3	1,821,667.4	3,032,512	2,767,646	22,766,535	1,380,510.5
2022	3,463,078.6	1,796,442.9	3,097,981	2,820,322	23,304,679	1,388,714.6
2023	3,545,302.4	1,836,875.0	3,149,743	2,865,549	23,779,558	1,417,859.4
2024	3,554,946.9	1,844,603.9	3,181,313	2,895,235	23,929,599	1,425,773.5
2025	3,667,452.8	1,898,128.1	3,253,262	2,958,777	24,544,783	1,464,121.1
2026	3,768,451.0	1,945,861.5	3,314,065	3,011,926	25,101,782	1,498,765.6
2027	3,869,536.2	1,994,568.2	3,380,099	3,070,257	25,671,761	1,534,031.9
2028	4,004,346.9	2,058,764.5	3,468,429	3,148,506	26,417,157	1,580,353.9
2029	4,055,017.5	2,087,278.3	3,526,323	3,201,660	26,819,483	1,603,608.2
2030	4,146,094.8	2,133,374.1	3,597,535	3,265,707	27,398,086	1,638,488.7

*Figures are inflation adjusted to 2024

Annual Change

Year	Revenue %	IVA %	Establishments %	Enterprises %	Employment %	Wages %
2005	N/A	N/A	N/A	N/A	N/A	N/A
2006	2.2	4.5	3.1	2.9	2.7	3.0
2007	3.6	3.5	2.5	2.1	2.1	3.8
2008	3.7	3.4	2.0	2.1	2.5	3.7
2009	3.4	5.2	2.5	2.6	2.0	3.2
2010	2.3	7.0	3.0	2.8	1.7	1.1
2011	1.9	0.6	1.4	1.4	1.5	1.5
2012	1.8	2.3	-0.4	-0.7	1.5	2.4
2013	0.5	1.6	1.0	0.9	1.2	0.4
2014	2.5	1.6	1.4	1.2	1.4	1.6
2015	4.5	4.1	0.5	0.0	1.7	4.3
2016	4.3	3.5	-0.4	-0.8	2.3	2.7
2017	2.6	4.1	-0.2	-0.7	2.3	4.0
2018	2.0	2.2	4.9	5.3	1.7	2.1
2019	3.9	3.8	0.1	-0.2	1.6	3.0
2020	0.1	0.7	-1.5	-1.8	1.3	1.0
2021	4.9	3.1	3.3	3.3	-2.0	1.7
2022	-3.9	-1.4	2.2	1.9	2.4	0.6
2023	2.4	2.3	1.7	1.6	2.0	2.1
2024	0.3	0.4	1.0	1.0	0.6	0.6
2025	3.2	2.9	2.3	2.2	2.6	2.7
2026	2.8	2.5	1.9	1.8	2.3	2.4
2027	2.7	2.5	2.0	1.9	2.3	2.4
2028	3.5	3.2	2.6	2.5	2.9	3.0
2029	1.3	1.4	1.7	1.7	1.5	1.5
2030	2.2	2.2	2.0	2.0	2.2	2.2

^{*}Figures are inflation adjusted to 2024



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