

CT healthcare costs grew faster than ever in 2023, but Medicaid bucked the trend

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This month, the Office of Health Strategy (OHS) has released their three annual Healthcare Benchmark reports.

The main event, the [Cost Growth Benchmark Report](#), finds that healthcare costs rose by **7.8% in 2023, well above the 2.9% benchmark** set by an old OHS committee based on economic indicators. This is the third year of benchmarks, and we've exceeded it every year. But **2023 was the worst, more than double the year before**. In good news, **Medicaid was the only program to meet the benchmark target, growing far less quickly than Medicare or commercial coverage**.

"Current strategies to contain costs do not appear to be working, or working sufficiently, to bring down the growth in spending" according to the report. In October, OHS will offer recommendations to tame the cost spiral, especially in commercial coverage.

In very good news, Medicaid spending was down from 2019 through 2023. This is while [general inflation rose](#) by 21.3%. **Medicaid is still the best bargain in the state**.

Both hospitals and prescription drugs are critical to our health, but they are also the main drivers of rising healthcare costs. Escalating prices are to blame, not utilization of care. These are long-term trends, pre-dating the Cost Growth Benchmark. **Identifying the drivers wasn't easy**. There's still resistance from hospitals and drug companies. **But solutions are even harder**.

The drivers of rising costs from 2022 to 2023 were pharmacy (9.4%), hospital outpatient costs (6.8%), and hospital inpatient (3.1%) as in prior years. Another driver is "non-claims spending", a small but growing category. In 2023 this was mainly due to a one-time increase in UnitedHealthcare Medicare Advantage's capitation payments, according to the report.

Administrative costs rose 7.3%, also well above the benchmark. The largest increases were for Medicare and commercial plans. Interestingly, **long-term care spending, mainly Medicaid funded, was the only service that went down (-0.3%)**.

None of the insurers, Medicare Advantage or regular plans, even came close to the benchmark in 2023.

Per person cost drivers varied significantly between markets from 2022 to 2023. The bad news, that won't surprise anyone, is that **commercial healthcare spending led the pack, growing 24.9%**. Medicare was up a reasonable 7.3%.

Per capita increase 2022-2023			
	Top driver	Second	Third
Total CT	Nonclaims \$310	Pharmacy \$147	Hospital outpatient \$136
Commercial	Hospital outpatient \$172	Pharmacy \$130	Physician \$90
Medicaid	Long term care \$65	Hospital inpatient \$48	Pharmacy \$44
Medicare	Non-claims \$1,463	Pharmacy \$324	Hospital outpatient \$258

The top driver of 2023 commercial spending was outpatient hospital care. The largest services in that category were outpatient surgery, medically administered drugs (e.g. chemotherapy, injections/infusions), radiology, and ER visits.

As hospitals are nearly 50% of commercial healthcare spending in CT, the report drilled down into those numbers.

Provider network/health systems all exceeded the 2023 per person spending benchmark for Commercial and Medicare Advantage markets. Of the networks that serve Medicaid members, six met the benchmark and 12 exceeded it. Eventually OHS intends to name the networks, but not yet.

And before all the providers and insurers reading this roll their eyes, it's not because of Medicaid "underpayments". There is [no evidence to support this myth in the literature](#) or [for Connecticut](#) . But that's a story for another day.

The 9.4% increase in pharmacy spending in 2023 was driven by higher prices. Utilization of drugs was up for Medicare and commercial markets, but down in Medicaid. Spending on hormones/synthetic substances, including anti-obesity GLP-1 drugs, rose almost by half from 2018 to 2023.

The report takes a deeper dive into commercial hospital spending, because it's half of total spending, there is a great deal of variation in prices, and because it's rising faster than for Medicaid or Medicare. **Outpatient per person hospital spending grew more than three times faster than inpatient care** from 2018 to 2023. Inpatient spending was driven by price increases, while outpatient costs were driven by both prices and higher utilization of services. Outpatient surgery and clinician-administered drugs, such as chemotherapy and infusion medications, drove up outpatient costs. Hospital prices were three to four-fold higher than what traditional Medicare pays for the same services. Traditional Medicare sets prices by independent experts [based on reasonable costs](#).

Hospital prices varied by almost double between hospitals. Yale-New Haven and Hartford hospitals, both part of large health systems, tended to charge the highest prices. However, Stamford Hospital, which is independent of health systems, charged more than either Yale or Hartford.

OHS's [Quality Benchmark](#) report finds that most Connecticut residents are receiving good quality care. There is helpful information comparing insurers/payers and health systems across measures. There is also good information on statewide racial and ethnic disparities, but it is not specific to entities.

The latest [National Healthcare Quality and Disparities](#) report finds the quality of care in Connecticut is average, as it has since reporting began in 2018.

The report has been criticized for focusing on just six actionable measures of quality, all of which apply to narrow populations. The National Committee for Quality Assurance has [over 90 validated measures of quality](#). The committee that chooses the measures is [dominated by providers and payers](#) who should be held accountable for quality performance.

The third report, on the [Primary Care Spending Target](#), finds that Connecticut's health system devoted 4.9% of spending to primary care in 2023. The benchmark set by DSS is 6.9%.

While expanding primary care access and capacity is important to improving health, [there is no evidence](#) that increasing spending either improves health or saves on patients' total cost of care. [The evidence suggests that strengthening primary care](#) is complex, like everything else in healthcare.