



Health Care and Child Care Costs Contribute to the Unsustainable and Growing Cost of Raising a Family in America

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KEY POINTS

- The average cost of health coverage has increased 20 percent since 2020 and lower-income families are being priced out of health care.
- The cost burden of child care is prohibitively high and continues to grow for American families.
- High costs and limited availability of child care providers means American families are losing the freedom to choose the child care that works best for them.
- Overall, higher health care and child care costs contribute to the higher cost of raising children, and addressing these rising costs is an important part of ensuring the health and well-being of children and families.

Introduction

The cost of raising a family in America is high and continues to rise, with inflation rising by 23 percent between 2020 and 2025. For working families, some of the largest nondiscretionary expenses continue to be health care¹ and child care.² But even as spending rises, families are not getting healthier and, because of high costs, many are not able to choose the child care that best meets their needs as they strive toward financial self-sufficiency. This brief outlines how health care and child care costs have placed an increasing burden on family budgets in recent years, causing increased financial stress on families and making it harder for them to get by. These high costs are a disincentive for families to raise children and may be contributing to lower birth rates, which fell by over 20 percent since 2008.

Several recent executive orders recognize the impact of rising health care costs on families. Most recently Executive Order 14221³ (Making America Health Again by Empowering Patients with Clear, Accurate, and Actionable Healthcare Pricing Information) pushes for more transparent health care pricing information. In 2020, Executive Order 13937⁴ (Access to Affordable Life-saving Medications) aimed to reduce prescription drugs costs.

¹ <https://www.bls.gov/opub/reports/consumer-expenditures/2023/#chart1>

² <https://blog.dol.gov/2024/11/19/new-data-childcare-costs-remain-an-almost-prohibitive-expense>

³ <https://www.whitehouse.gov/presidential-actions/2025/02/making-america-healthy-again-by-empowering-patients-with-clear-accurate-and-actionable-healthcare-pricing-information/>

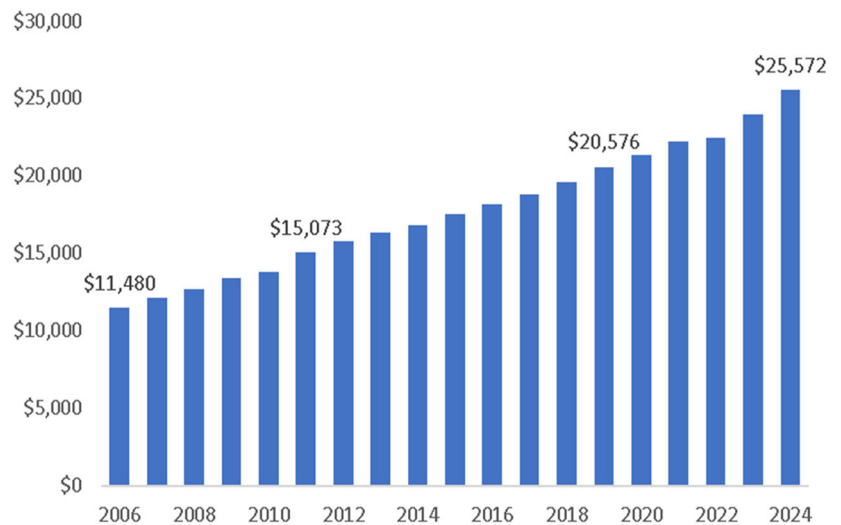
⁴ <https://www.govinfo.gov/content/pkg/DCPD-202000539/pdf/DCPD-202000539.pdf>

Families are being priced out of health coverage

In 2024 family health care premiums cost an average of \$25,572, an increase of 20 percent since 2020 and seven percent since the prior year (see Figure 1).^{5,6}

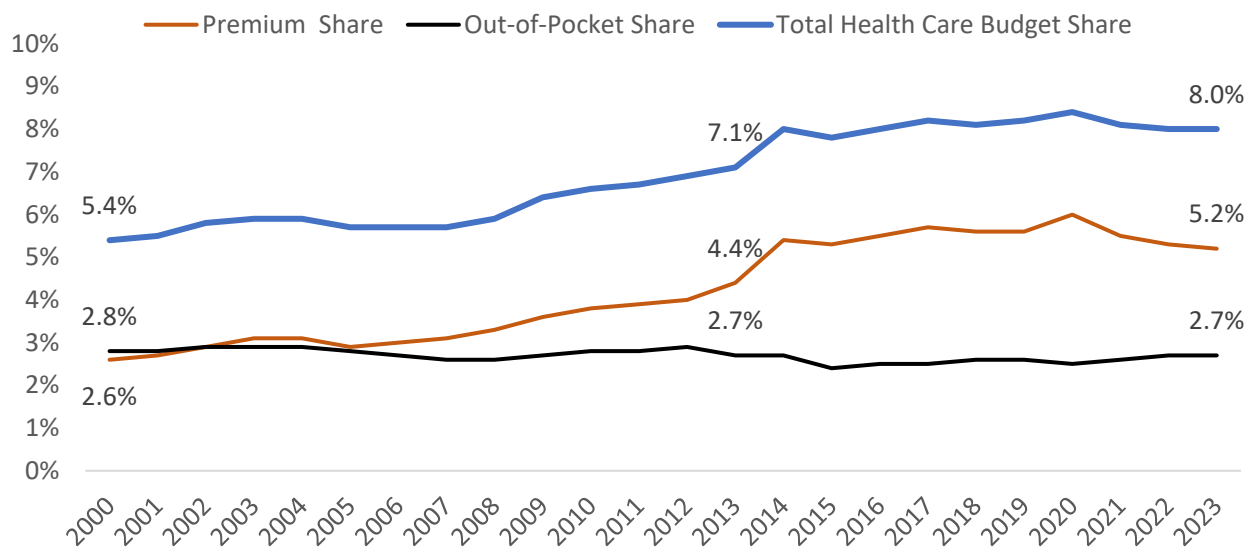
Many adults, including parents of young children, report they cannot afford health coverage. As shown in Figure 2, the average portion of household budgets spent on health coverage has grown and, in 2024, was eight percent.

Figure 1. Health care premiums, 2006 to 2024



Source: KFF and Kaiser/HRET Annual Surveys of Employer-Sponsored Health Benefits

Figure 2. Average portion of household budget devoted to health care costs (nonelderly families), 2000-2023



Source: KFF analysis of Consumer Expenditure Survey (CES) data

⁵ <https://www.kff.org/interactive/premiums-and-worker-contributions-among-workers-covered-by-employer-sponsored-coverage-1999-2024/>

⁶ Note that although employees and employers both contribute to the premium cost, economists estimate that much of the employer's costs are ultimately borne by employees in the form of reduced wages. For example, see: <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2813927>

The cost of health care has increased as a share of household income, particularly straining lower income families.

Families in the lowest income quintile spent 10.5 percent of their income on health care in 2023, and those in the second lowest quintile spend 9.9 percent of their income on health care.⁷ In fact, premiums and out-of-pocket medical costs push millions of low income families with health coverage into poverty each year. By using the supplemental poverty measure (SPM), the U.S. Census Bureau found 3.1 million working-age adults and children were pushed into poverty in 2021 by the cost of health care premiums, copays for doctor visits, and prescription drugs. By 2022 and 2023 the number of nonelderly adults and children pushed into poverty by medical expenses rose to 5.0 million and 5.1 million, respectively.

Given the high cost of premiums and copays, health coverage is simply out of reach for millions of adults and children with lower levels of income. Researchers at the U.S. Census Bureau estimate poverty under the SPM would have been higher by 1.9 percentage points in 2023 had the calculation accounted for the cost of year-round health coverage. That is, about 6.3 million mostly working age adults and children who are not counted as poor would have fallen into poverty if they purchased health coverage. As a result, many people with income below 200 percent of the poverty threshold forgo health coverage entirely and remain uninsured. Among people already counted as living in SPM poverty, about one-quarter (26.0 percent) or 7.0 million do not qualify for assistance and remain uninsured.⁸

Families on both sides of the poverty line struggle to manage the cost of health coverage and these estimates reflect the reality of nearly half of U.S. adults who are concerned about paying for medical care.⁹

The cost of child care is prohibitively high, and parents lack the freedom to choose the care that best meets their needs

The high cost of child care has serious economic consequences for families seeking to achieve family financial security. Our patchwork system of early care and education has thus far failed to address the rising cost of child care for American families.

The cost burden of child care is prohibitively high and continues to grow for American families. The annual price of care for one child was between \$6,552 and \$15,600 in 2022, and care for just one child would consume between 8.9 to 16.0 percent of median family income.¹⁰ And the cost is much higher in many places: for example, in Brooks County Texas, the cost of infant center-based care would consume 26.9 percent of the median family income, much higher than the national average.¹¹

⁷ <https://www.bls.gov/cex/tables/calendar-year/mean-item-share-average-standard-error/cu-income-quintiles-before-taxes-2023.xlsx>

⁸ Shrider, E. (2024). *Poverty in the United States: 2023*. Table B-4. Number and Percentage of People in Poverty by Different Poverty Measures: 2023.

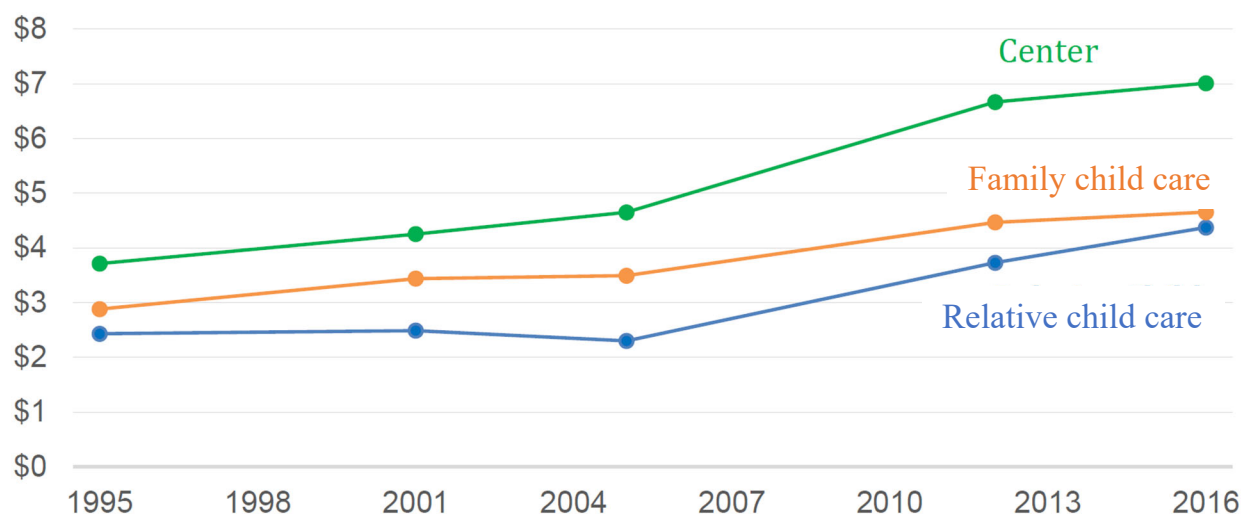
⁹ ASPE. (2025). “[Healthcare Insurance Coverage, Affordability of Coverage, and Access to Care, 2021-2024.](#)”

¹⁰ <https://blog.dol.gov/2024/11/19/new-data-childcare-costs-remain-an-almost-prohibitive-expense>

¹¹ <https://www.dol.gov/agencies/wb/topics/childcare/median-family-income-by-age-care-setting>

Previous ASPE [analysis](#) on actual out-of-pocket costs reported that expenses increased 86 percent from 1995 to 2016,¹² far outpacing inflation.¹³ The analysis also showed that all major types of care became more expensive from 1995 to 2016 (see Figure 3). For example, among children in paid care arrangements, average hourly payments per child increased 89 percent for center care (from \$3.71 to \$7.01).

Figure 3. Average hourly payments per child under age 5 by arrangement type



Source: ASPE tabulations of the National Household Education Survey-Early Childhood Program Participation (NHES-ECPP)

American families are losing the freedom to choose the child care that works best for them. Due to high costs of care and shortages of providers in many parts of the country many parents have limited options for child care. Children are increasingly in center-based care rather than in smaller, home-based providers or with relatives and trusted community members. The largest national chains now serve one million of the 12 million children in child care.¹⁴ The number of children served in small family child care homes have declined precipitously from 1.6 million in 2005 to 960,000 in 2017, a 40 percent drop (see Figure 4).¹⁵ Meanwhile, the number of children served in large center facilities increased from 7.4 million to 8.7 million (an 18 percent increase) during that same time period.

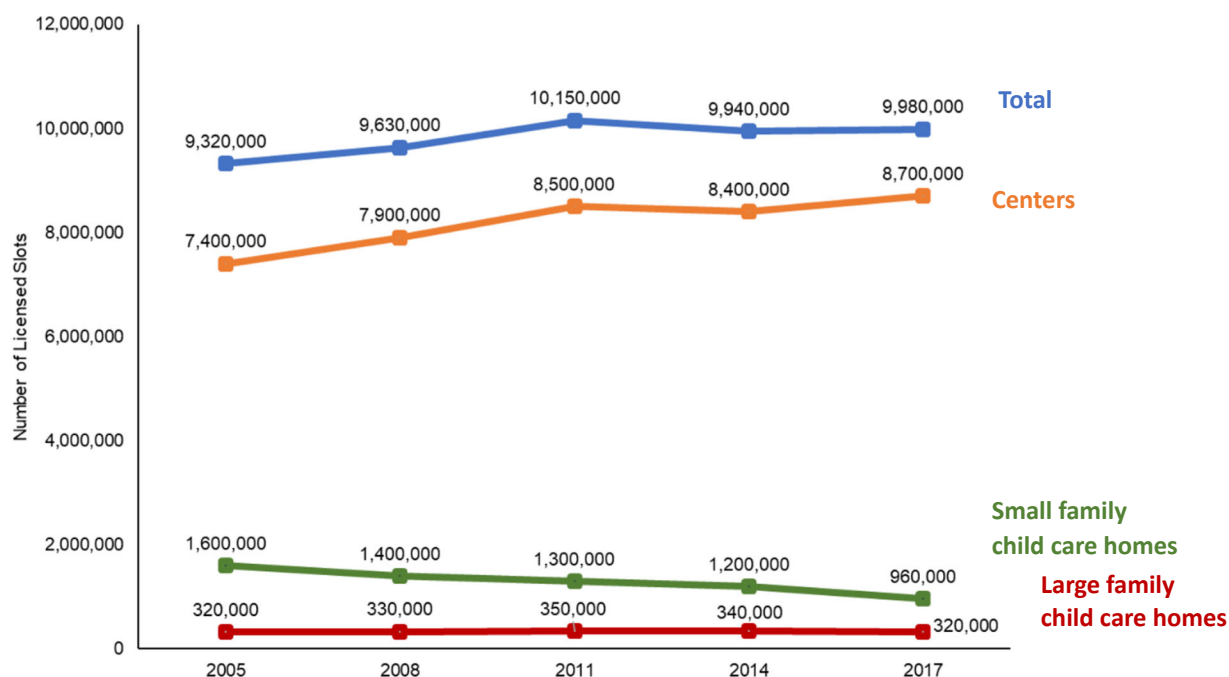
¹² Swenson & Burgess (2021). ASPE Brief: Increase in out-of-pocket child care costs: 1995 to 2016: https://aspe.hhs.gov/sites/default/files/migrated_legacy_files/200606/increases-in-out-of-pocket-child-care-costs.pdf

¹³ Inflation from 1995 to 2016 was 58%.

¹⁴ <https://www.nytimes.com/2022/12/16/us/child-care-centers-private-equity.html>

¹⁵ Addressing the Decreasing Number of Family Child Care Providers in the United States (2019): https://childcareta.acf.hhs.gov/sites/default/files/addressing_decreasing_fcc_providers_revised_final.pdf

Figure 4. Estimated number of licensed child care slots for different types of care, 2005–2017



Source: National Center on Early Childhood Quality Assurance. (2019). Analysis of responses to the NARA Child Care Licensing Programs and Policies Surveys from the 2005, 2008, 2011, 2014, and 2017 Child Care Licensing Studies.

Rising health care and child care costs may have far-reaching effects on children and families

Raising a family has become more costly as health care and child care costs have continued to rise. Families – particularly those that are lower income – are likely facing increased difficulty providing for their children choosing their preferred modes of health care and child care. While research is mixed, it is possible that these rising costs may contribute to the declining birth rates in the U.S. From 2010 to 2023, annual birth rates fell by 17 percent, from nearly 13 births to less than 11 births per 1,000 people.

Recognizing these financial challenges facing American families, President Trump issued a [presidential memorandum](#) (Delivering Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis) to pursue approaches to reduce costs. These high costs remain as significant barriers to family development and pose real challenges for parents raising a family. Addressing such costs is critical to improving the health and well-being of children and families.

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