

National Health Expenditure Projections 2024-2033

Forecast Summary

Major Findings for National Health Expenditure (NHE) Projections: 2024-2033

- Over 2024-33 average NHE growth (5.8 percent) is projected to outpace that of average Gross Domestic Product (GDP) growth (4.3 percent), resulting in an increase in the health spending share of GDP from 17.6 percent in 2023 to 20.3 percent in 2033.
- 2024 NHE growth is projected to have been 8.2 percent and to have reflected a continued rebound in the growth of use of services and goods, as well as the high insured share of the population.
- The insured share of the population in 2024 is projected to have remained high, at 92.1 percent, despite Medicaid enrollment projected to have declined by 7.9 percent (to 84.5 million) following the expiration of the Families First Coronavirus Response Act's (FFCRA) continuous enrollment provision.
- Direct-purchase enrollment is expected to decline by 4.7 million in 2026 (-12.3 percent) due to the expiration of the Inflation Reduction Act's (IRA) temporary extension of enhanced subsidies and associated temporary Special Enrollment Period (SEP).

Chronological Discussion of Key Trends in Projected National Health Expenditures

2024

- Growth in national health spending is projected to have accelerated to 8.2 percent in 2024, reflecting continued strong growth in the use of services. The insured share of the population is expected to have declined slightly to 92.1 percent, down from its all-time high in the prior year of 92.5 percent. Although Medicaid enrollment is projected to have declined from 91.7 million in 2023 to 84.5 million in 2024, the drop in the insured share is projected to have been mostly offset by the existence of concurrent health insurance coverage for those who were disenrolled from Medicaid, an additional 3.9 million enrolling in direct-purchase plans (mostly Marketplace) from the temporarily extended enhanced subsidies and special enrollment period, and further gains of 1.3 million in employer-sponsored health insurance.

2025

- National health spending growth is expected to decelerate somewhat but remain strong at 7.1 percent during 2025. Medicaid enrollment is anticipated to decline another 1.2 percent (1.0 million) as States continue eligibility redeterminations following the expiration of the FFCRA continuous enrollment provision. In addition, growth in medical prices (as measured by the chain-weighted personal health care price deflator) is projected to decelerate to 2.6 percent (from 2.9 percent in 2024), as inflationary pressures on input price growth for providers are expected to abate.

2026-27

- During this period, total health spending growth is expected to average 5.6 percent. In 2026, private health insurance enrollment is expected to decline (by 2.2 percent), largely due to a projected drop of 4.7 million direct-purchase enrollees when the enhanced Marketplace subsidies expire in 2026. Private health insurance per enrollee spending growth is also expected to continue decelerating, resulting in total private health insurance spending growth to slow to 3.9 percent on average for the period. Although the program's enrollment growth is projected to

stabilize, Medicaid's spending growth rates are expected to decelerate during this period (with per enrollee spending growth falling from 8.7 percent in 2025 to less than 6 percent in both 2026 and 2027).

2028-33

- For 2028-33, national health expenditure growth is projected to average 5.3 percent— whereas GDP growth is projected to average 4.1 percent. Medicare is expected to experience the highest rate of growth among the major payers at 7.4 percent per year, despite downward pressure on growth, in part, from the IRA's prescription drug provisions. Growth in Medicare spending reflects the continued strong enrollment of the baby boom generation through 2029, the aging of current beneficiaries, and the expiration of the sequester in 2033. Medicaid expenditures are projected to grow 6.2 percent on average for 2028-33, with enrollment growth averaging 0.7 percent over that period. Private health insurance spending is expected to grow by 4.3 percent, on average.

Key Trends in Projected National Health Expenditures by Payer

Medicare

- Medicare expenditures are expected to have grown 8.3 percent in 2024 (similar to growth of 8.1 percent in 2023), and to have reached \$1.1 trillion (exhibit 2). This relatively stable rate of growth is attributable to the net effect of a slower increase in Medicare Advantage capitation rates offsetting faster growth in fee-for-service payments for hospital and physician and clinical services. For 2025, Medicare spending growth is projected to decelerate to 7.7 percent, in part related to a Physician Fee Schedule update of -2.5 percent and slower growth in the use of physician-administered drugs. Over 2026-27, average Medicare spending growth is projected to accelerate to 8.9 percent, as growth in spending for most personal health care sectors accelerates (including for hospital care and physician and clinical services). Finally, over 2028-33, Medicare spending growth is expected to average 7.4 percent. With the last cohort of baby boomers enrolling into the program during 2029 (with enrollment growth of 2.0), Medicare enrollment growth is projected to slow to 1.1 percent by 2033. Moreover, the IRA is expected to slow Medicare prescription drug spending growth during 2028-33 because of provisions linking drug price growth to the CPI and the continued drug price negotiations.

Medicaid

- Medicaid spending is projected to have grown 6.2 percent in 2024, down from 7.9 percent in 2023. As state redeterminations of eligibility continued during 2024, enrollment is projected to have dropped by 7.2 million (-7.9 percent), resulting in per-enrollee Medicaid spending growth of 15.2 percent. The high per enrollee growth reflects higher provider payment rates and an increased average acuity level of the Medicaid population as disenrollments are expected to primarily consist of relatively younger and healthier people. Medicaid expenditure growth is projected to rebound to 7.4 percent in 2025 as the decrease in enrollment slows. During 2026-27, Medicaid spending growth is projected to be 6.8 percent each year, with enrollment projected to start increasing once again during the period. Over 2028-33, Medicaid spending is projected to average 6.2 percent, with enrollment growth expected to be positive and steady, and to average 0.7 percent per year.

Private Health Insurance and Out-of-Pocket

- Growth in private health insurance spending during 2024 is projected to have remained strong at 10.4 percent, following an increase of 11.5 percent in 2023. This projected growth rate is the

reflects a continuation of the rebound in use by enrollees after spending declines in 2020. Spending growth for private health insurance expenditures is projected to remain high in 2025, at 7.6 percent. In 2026, a projection period low growth rate of 3.3 percent is anticipated as the extension of the enhanced Marketplace subsidies is scheduled to expire and to contribute to private health insurance enrollment declines. Overall spending growth is expected to increase at an average rate of 4.3 percent over 2028-33, with slow enrollment growth projected of 0.1 percent for the period as the last of the Baby Boomers age into Medicare (and out of private health insurance).

- Out-of-pocket spending is projected to have grown 7.3 percent in 2024, almost the same as growth of 7.2 percent during 2023. Out-of-pocket spending growth is projected to decelerate somewhat to 6.4 percent in 2025 as growth in utilization slows across most major services and goods and as the IRA's \$2,000 cap on Part D out-of-pocket prescription drug spending takes effect. Out-of-pocket spending is projected to further decelerate to an average of 3.7 percent in 2026-27, related in part to 2026 being the first year of lower gross prices for selected Part D negotiated drugs under the IRA, which in turn serves to slow growth in Medicare beneficiaries' out-of-pocket payments. Among the major payers, out-of-pocket spending is projected to grow at the slowest rate for 2027-2033, at 3.9 percent.

Key Trends in Projected National Health Expenditures by Sector

Hospital Care

- In 2024, hospital spending growth is anticipated to decelerate slightly to 9.2 percent, compared to the 10.4 percent growth in 2023, resulting in total expenditures of \$1.7 trillion. This strong growth is driven notably by continued high growth in private health insurance spending (10.7 percent) reflecting the rebounding utilization from the pandemic. For 2025, overall hospital spending growth is projected to slow further to 6.8 percent, as the use of hospital services moderates among most major payers, including private health insurance and Medicare. During 2026-27, average growth in overall hospital spending is expected to decline to 5.2 percent. This lower average increase rate is mainly due to slowing growth in private health insurance hospital spending, influenced by reductions in Marketplace enrollment. From 2028-33, overall hospital spending growth is expected to average 5.5 percent annually. Among the major payers, Medicare hospital spending growth is projected to be the highest.

Physician and Clinical Services

- Spending growth for physician and clinical services is anticipated to remain high at 7.8 percent in 2024, with expenditures totaling \$1.1 trillion, up from 7.4 percent growth in 2023. Significant enrollment gains in private health insurance, as well as slightly faster growth in this sector's prices, partly drove the expected acceleration. In 2025, the growth rate for spending on physician and clinical services is projected to decelerate to 6.6 percent, primarily due to expected slower growth in private health insurance plans. A modest slowdown in price growth for physician and clinical services from 1.8 percent in 2024 to 1.6 percent in 2025 is also expected related to a negative update to the Medicare Physician Fee Schedule. During the years 2026-27, spending growth for physician and clinical services is expected to slow further to an average of 5.2 percent, driven by a projected decline in private health insurance enrollment following the expiration of temporarily extended enhanced Marketplace subsidies. For the period 2028-33, an average annual growth rate of 5.1 percent is projected for overall spending on physician and clinical services, with Medicare spending growth being the fastest among the major payers.

Retail Prescription Drugs

- Prescription drug spending is expected to grow 10.1 percent in 2024, reaching \$494.9 billion, down from 11.4 percent growth in 2023. Downward pressure on growth is attributable to slowing growth in both Medicaid and private health insurance. Medicare drug spending growth, on the other hand, is expected to rise to 14.7 percent from 12.2 percent partly due to removing the 5-percent coinsurance for catastrophic coverage. In 2025, overall prescription drug spending growth is projected to slow to 7.0 percent, with Medicare's growth at 6.0 percent (reflecting manufacturer drug discounts to the program for the low-income population). From 2026–27, average growth is projected to slow to 5.6 percent due to decreasing Marketplace enrollment and slower anti-obesity medication uptake. For 2028–33, growth is projected to average 4.7 percent, with Medicare (4.3 percent) and out-of-pocket spending (4.1 percent) growing most slowly influenced by ongoing Part D drug negotiations under the IRA and the linking of drug price growth to the Consumer Price Index.