

National Health Expenditures 2023 Highlights

Health care spending in the US reached \$4.9 trillion and increased 7.5 percent in 2023, growing from a rate of 4.6 percent in 2022. In 2023, private health insurance and Medicare spending grew faster than in 2022, while Medicaid spending and enrollment growth slowed as the COVID-19 public health emergency ended. The health sector's share of the economy in 2023 was 17.6 percent, which was similar to its share of 17.4 percent in 2022 but lower than in 2020 and 2021 during the height of the COVID-19 pandemic.

The acceleration in health care spending growth (from 4.6 percent in 2022 to 7.5 percent in 2023) reflected growth in non-price factors, such as use and intensity of services (after notably slower growth in 2022). When adjusted for health care price inflation (as measured by the National Health Expenditure (NHE) deflator), real health care spending increased 4.4 percent in 2023—a higher rate than the increase of 1.4 percent for such spending in 2022 and higher than the growth rate of real GDP, which was 2.9 percent in 2023.

Strong growth in private health insurance enrollment contributed to an increase in the insured share of the population that reached 92.5 percent in 2023 from 92.0 percent in 2022. Much of the growth in private health insurance enrollment was due to rapid growth in Marketplace enrollment which increased by 2.7 million individuals in 2023, primarily as a result of enhanced subsidies that were made available by the American Rescue Plan Act of 2021 and renewed under the Inflation Reduction Act of 2022.

Health Spending by Type of Service or Product:

- **Hospital Care (31 percent share):** Spending for hospital care services increased 10.4 percent in 2023 to reach \$1.5 trillion. This rate of growth was the fastest since 1990, when hospital spending increased 10.8 percent. The acceleration in 2023 was driven by strong growth in spending by all major payers, including private health insurance (from 8.0 percent in 2022 to 13.0 percent in 2023), Medicare (from 1.5 percent in 2022 to 6.0 percent in 2023), and other private revenue (from -9.2 percent in 2022 to 27.8 percent in 2023). Faster growth in 2023 was driven by non-price factors (which include the use and intensity of services), with an increased number of hospital discharges and increased Medicare outpatient hospital utilization.
- **Physician and Clinical Services (20 percent share):** Spending for physician and clinical services increased 7.4 percent to \$978.0 billion in 2023, which was faster than the growth rate of 4.6 percent in 2022. Private health insurance spending for physician and clinical services grew 9.4 percent in 2023 (compared with growth of 8.5 percent in 2022), while out-of-pocket spending increased 7.0 percent (faster than its growth rate of 4.6 percent in 2022). Faster growth in 2023 was driven by non-price factors (which includes use and intensity of services), while price growth remained low at 0.6 percent.
- **Retail Prescription Drugs (9 percent share):** Retail prescription drug spending increased 11.4 percent to \$449.7 billion in 2023, accelerating from a rate of 7.8 percent in 2022. The faster growth was experienced by both private health insurance spending, which grew 13.8 percent in 2023 following an increase of 3.5 percent in 2022, and Medicare spending, which increased 12.2 percent in 2023 after 9.0 percent growth in

2022. The rapid growth in spending for drugs used to treat diabetes and obesity contributed to faster overall growth in retail prescription drug expenditures.

- **Other Health, Residential, and Personal Care Services (6 percent share):** This category includes expenditures for medical services that are generally delivered by providers in non-traditional settings such as schools, community centers, and the workplace, as well as ambulance services and residential mental health and substance abuse facilities. Spending for other health, residential, and personal care services grew 9.1 percent in 2023 to \$270.2 billion, decelerating from 9.7 percent growth in 2022. The slightly slower growth in 2023 was driven primarily by a deceleration in spending for home and community-based waivers.
- **Nursing Care Facilities and Continuing Care Retirement Communities (4 percent share):** Spending for services provided at freestanding nursing care facilities and continuing care retirement communities rose in 2023 by 9.5 percent to \$211.3 billion, compared to a growth rate of 5.9 percent in 2022. The faster growth was driven by strong growth in other private revenues as well as an acceleration in out-of-pocket and private health insurance spending.
- **Dental Services (4 percent share):** Spending for dental services increased 6.2 percent in 2023 to \$173.8 billion following a decline of 0.4 percent in 2022. The turnaround was driven by faster growth for Medicare, out-of-pocket, and private health insurance.
- **Home Health Care (3 percent share):** Spending for services provided by freestanding home health care agencies increased 10.8 percent in 2023 to \$147.8 billion, accelerating from growth of 6.7 percent in 2022. Medicare, private health insurance, and out-of-pocket home health spending contributed to the faster growth, while Medicaid spending growth for home health care services slowed.
- **Other Professional Services (3 percent share):** Spending for other professional services includes establishments of health practitioners (except physicians and dentists) that primarily provide services such as physical therapy, optometry, podiatry, or chiropractic medicine. Spending for other professional services reached \$159.9 billion in 2023 and increased 12.0 percent, a faster rate of growth compared to 6.1 percent in 2022. The acceleration was driven by faster growth in Medicare, private health insurance, and out-of-pocket spending.
- **Other Non-durable Medical Products (3 percent share):** Retail spending for other non-durable medical products, such as over-the-counter medicines, medical instruments, and surgical dressings, increased 7.3 percent to \$124.1 billion in 2023, a slower rate of growth than in 2022 when spending increased 8.5 percent. Out-of-pocket spending accounted for 96 percent of total spending for other non-durable medical products in 2023.
- **Durable Medical Equipment (1 percent share):** Retail spending for durable medical equipment, which includes items such as contact lenses, eyeglasses, and hearing aids, increased 6.2 percent in 2023 to \$72.8 billion following slightly faster growth of 7.3 percent in 2022. The slowdown in 2023 was driven by a deceleration in out-of-pocket, Medicaid, and private health insurance spending.

Health Spending by Major Sources of Funds:

- **Private Health Insurance (30 percent share):** Spending for private health insurance reached \$1.5 trillion in 2023 and increased 11.5 percent. The robust growth in 2023 was driven by increased enrollment in Marketplace and employer-sponsored private health insurance plans, strong spending growth in spending for goods and services, and strong growth in the net cost of insurance. In 2023, enrollment in private health insurance increased 1.6 percent, or by 3.3 million individuals.
- **Medicare (21 percent share):** Medicare spending reached \$1.0 trillion in 2023, increasing 8.1 percent following 6.4 percent growth in 2022. A turnaround in traditional Medicare fee-for-service spending growth (from a decline of 1.4 percent in 2022 to an increase of 1.7 percent in 2023) drove the faster growth. Medicare Advantage private plan spending growth remained strong (increasing 14.7 percent in 2023 following 15.7 percent growth in 2022) and accounted for 52 percent of total Medicare expenditures in 2023 (from a 39 percent share in 2019). Total Medicare enrollment grew 2.1 percent in 2023, a slight acceleration from 2022 when enrollment increased 1.9 percent.
- **Medicaid (18 percent share):** Medicaid spending increased 7.9 percent to \$871.7 billion in 2023, a slower growth rate than in 2022 (9.7 percent) and 2021 (9.5 percent). In 2023, average Medicaid enrollment slowed dramatically, increasing 0.8 percent from 7.5 percent in 2022, and reached 91.7 million even as states resumed the re-determination of Medicaid eligibility (also referred to as “unwinding”) following the end of pandemic-era coverage protections.
- **Out-of-Pocket (10 percent share):** Total out-of-pocket spending increased by 7.2 percent in 2023 to \$505.7 billion, a slight acceleration from growth of 6.9 percent in 2022. Hospital care, physician and clinical services, and nursing care facilities and continuing care retirement communities, which collectively accounted for 33 percent of all out-of-pocket spending in 2023, were the main contributors to the faster growth in 2023.

Health Spending by Type of Sponsor¹:

- In 2023, the federal government and households accounted for the largest shares of national health spending (32 percent and 27 percent, respectively), followed by private businesses (18 percent), state and local governments (16 percent), and other private revenues (7 percent).
- Federal government spending for health care (\$1.6 trillion) increased 3.4 percent in 2023 following growth of 1.9 percent in 2022. Federal Medicare expenditures (a 30 percent share of federal government health care expenditures) were the largest contributor to the acceleration in federal government health spending growth and increased 12.9 percent in 2023, following growth of 1.1 percent in 2022. This faster growth was due partly to the initial impacts of the Inflation Reduction Act on federal Medicare spending, as well as faster spending growth for Medicare hospital and physician and clinical services’ spending in 2023.

- State and local government health spending (\$761.3 billion) increased 11.6 percent in 2023 compared to growth of 6.0 percent in 2022. The state portion of Medicaid payments grew 18.4 percent compared with growth of 6.8 percent in 2022 and reflected the phasing out of the 6.2-percentage-point increase in the federal medical assistance percentage (in the second half of 2023) under the Families First Coronavirus Response Act. The state portion of Medicaid payments constituted the largest portion of total state and local government health expenditures in 2023.
- Health care spending by households (\$1.3 trillion) increased 6.8 percent in 2023, a slower rate of growth than the increase of 7.7 percent in 2022. Within the household category, the spending trends in 2023 were mixed. Medicare premiums and payroll taxes paid by individuals experienced slower growth of 4.0 percent in 2023 compared with growth of 11.8 percent in 2022, while out-of-pocket expenditures increased 7.2 percent in 2023 following growth of 6.9 percent in 2022. In addition, household contributions to employer-sponsored private health insurance premiums increased 8.9 percent in 2023 following growth of 8.3 percent in 2022.
- Health care spending by private businesses (\$894.0 billion) grew 11.0 percent in 2023, a faster rate than growth of 6.8 percent in 2022. Contributions to employer-sponsored private health insurance premiums (the largest share of private businesses' health spending) increased 13.0 percent in 2023 following growth of 6.7 percent in 2022. Private health insurance enrollment and the share of employer-sponsored private health insurance that is paid for by private businesses both increased in 2023 and were partially responsible for the overall acceleration in spending by private businesses.

¹ Type of sponsor is defined as the entity that is ultimately responsible for financing the health care bill, such as private businesses, households, and governments. These sponsors pay health insurance premiums and out-of-pocket costs, or finance health care through dedicated taxes and/or general revenues.