

National Health Expenditure Projections 2019–28

Office of the Actuary
Centers for Medicare and Medicaid Services
March 24, 2020



Background

- Methods and Assumptions

- Produced annually, U.S. health spending by type of service, source of funds, and sponsor; health insurance enrollment and uninsured counts; consistent with historical NHE series (1960-2018) and methods
- Developed using actuarial and econometric modeling techniques; reflect current law
- Medicare projections, demographic and economic assumptions are generally consistent with the *2019 Medicare Trustees Report*

- COVID-19 Pandemic

- These projections do not include effects from the pandemic, which are highly uncertain

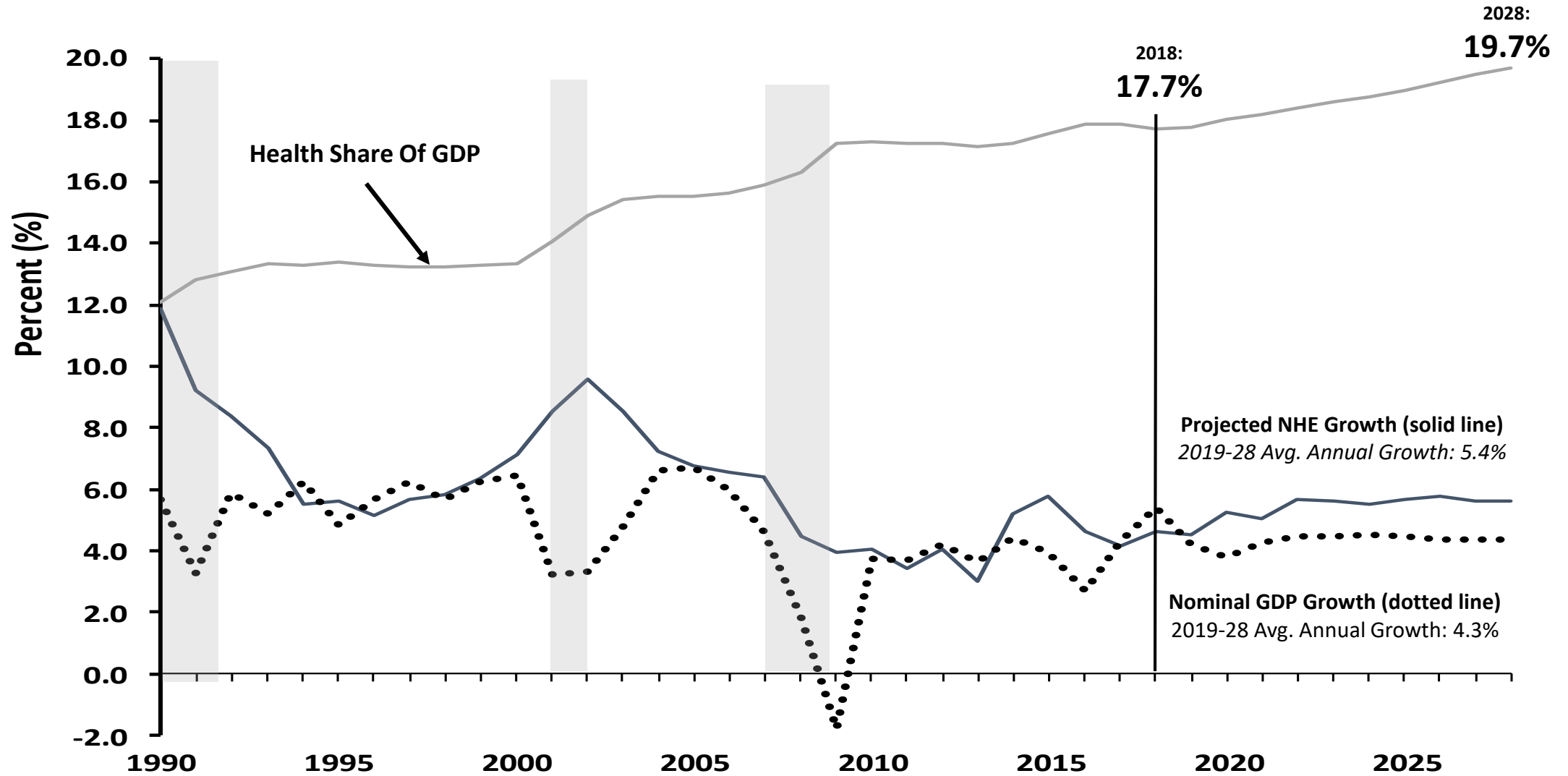
- Goals of these Projections

- To provide an analysis of the fundamental factors driving health spending growth over longer periods of time
- To put the most recently published public payer trends into context relative to private payers and overall economy
- To incorporate key legislative changes that were recently passed, such as the permanent repeals of the health insurance tax and excise tax on high-cost health insurance (“Cadillac tax”)

Major Findings

- National health spending is projected to grow at an average annual rate of 5.4 percent for 2019-28 and to reach \$6.2 trillion by 2028.
- Because national health expenditures are projected to grow 1.1 percentage points faster than gross domestic product per year on average over 2019–28, the health share of the economy is projected to rise from 17.7 percent in 2018 to 19.7 percent by the end of the period.
- Price growth for medical goods and services is projected to accelerate, averaging 2.4 percent per year for 2019–28, partly reflecting faster expected growth in health sector wages.
- Among all major payers, Medicare is expected to experience the fastest spending growth (7.6 percent per year), largely as a result of having the highest projected enrollment growth.
- The insured share of the population is expected to fall from 90.6 percent in 2018 to 89.4 percent by 2028.

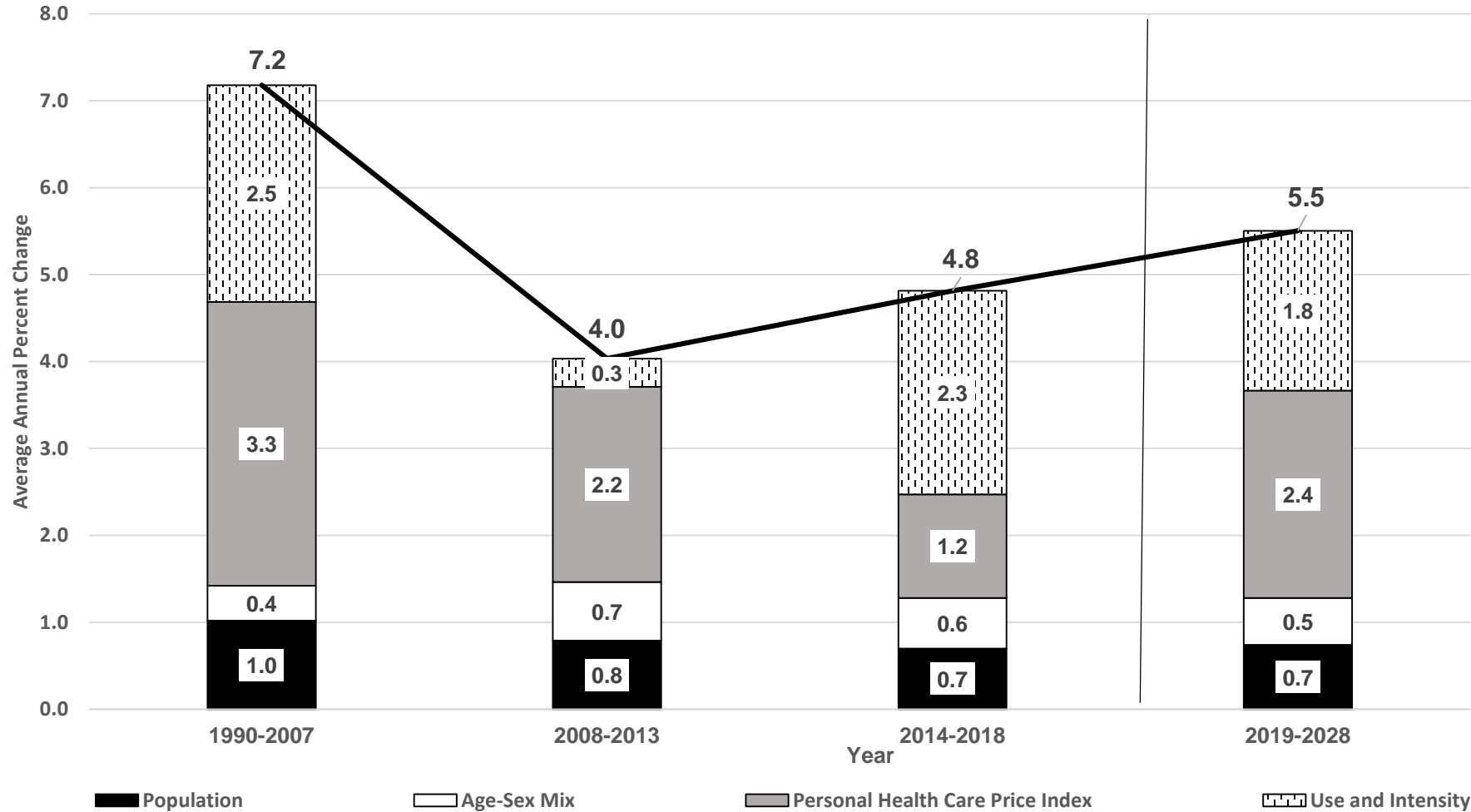
NHE, GDP Growth; Health Share of GDP, 1990-2028



SOURCES: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group; Department of Commerce, Bureau of Economic Analysis; National Bureau of Economic Research.

NOTES: Shaded areas for 1990-91, 2001, and 2007-09 represent recession periods.

Factors Accounting for Growth in Personal Health Care (PHC) Expenditures, Selected Calendar Years 1990-2028



Use and Intensity:

- Growth projected to decelerate from 2014-18 (2.3 percent) and average 1.8 percent over the projection period

Prices:

- Personal health care price growth is expected to average 2.4 percent for 2019-28, up from 1.2 percent for 2014-18
- Although economy-wide prices are expected to be faster, price trend mostly driven by projected input price growth, led by health sector wages, which are expected to accelerate in growth

Population / Age-Sex Mix:

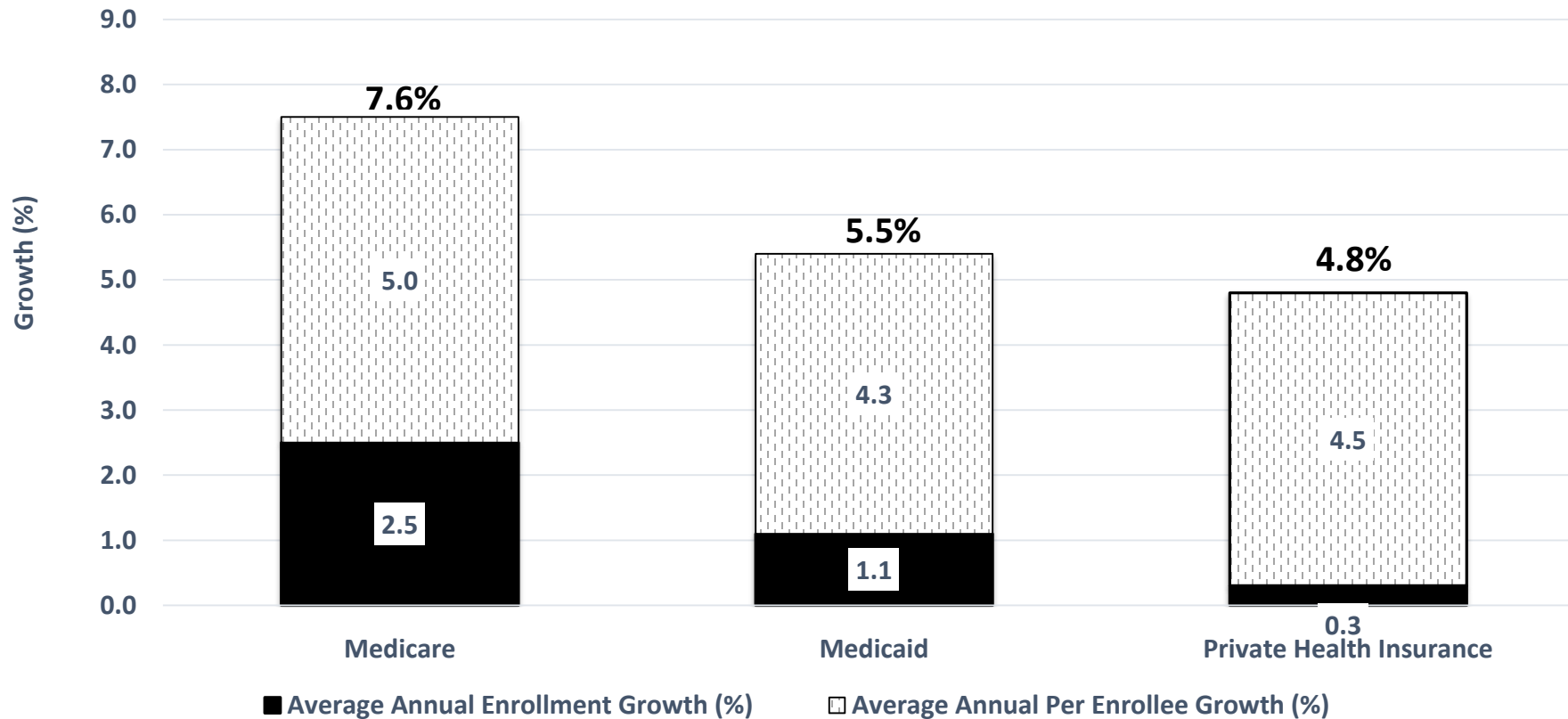
- Growth expected to be stable over the projection period at 0.7 percent for population and 0.5

SOURCES Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group; and US Department of Commerce, Bureau of Economic Analysis and Bureau of the Census.

NOTES: Growth in the total PHC Price Index is equal to the sum of economywide and relative PHC inflation and is a chain-weighted index of the price for all personal health care deflators.

“Use and intensity” includes quantity and mix of services. As a residual, this factor also includes any errors in measuring prices or total spending. “Age-sex mix” refers to that mix in the population.

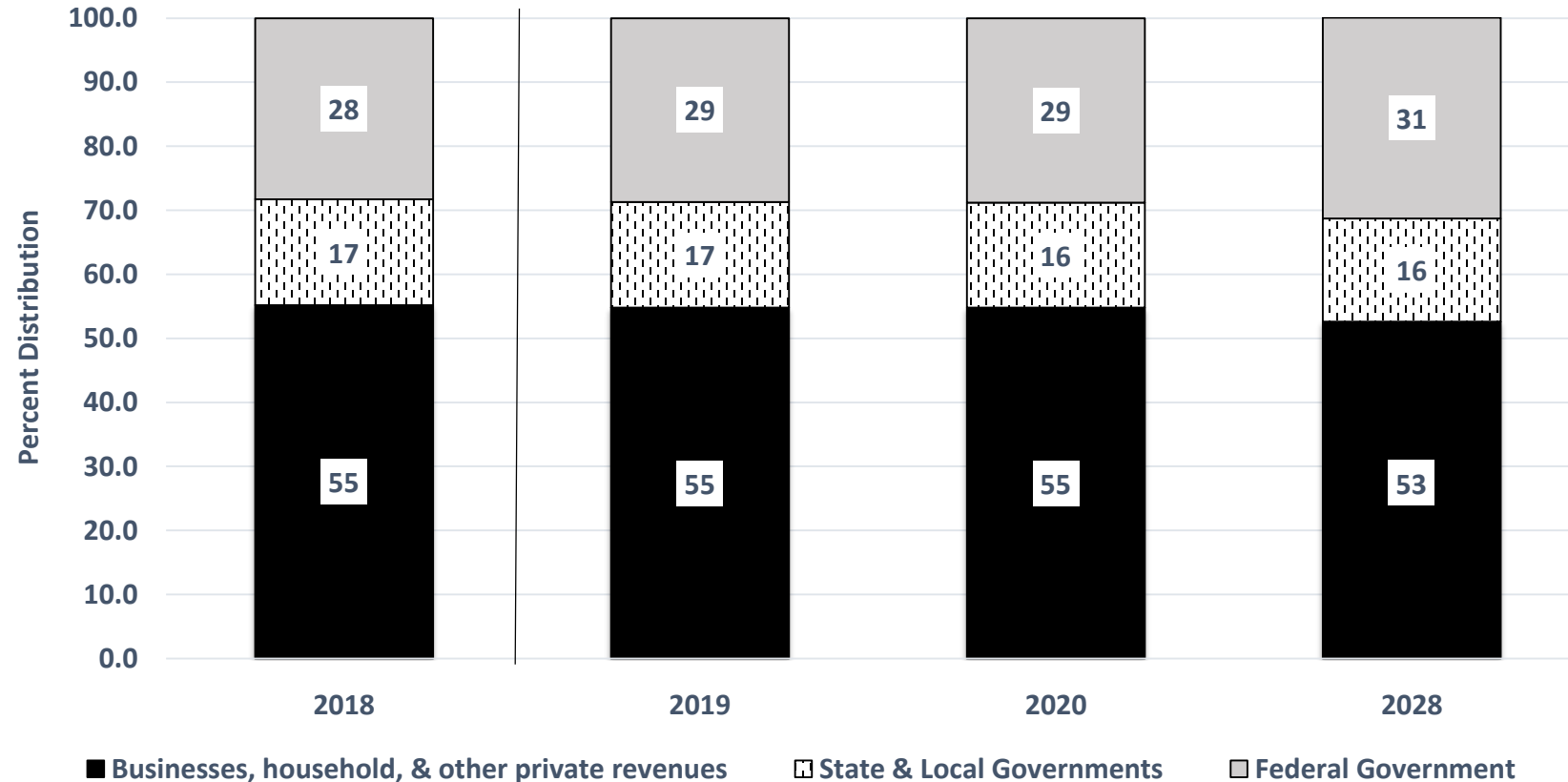
Average Annual Growth in Total Spending, Per Enrollee Spending, and Enrollment, By Major Payer, 2019-2028



- Differences in enrollment growth are the primary reason for differences in average annual spending by payer.

SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

Share of Spending By Sponsor – Selected Years



- The roughly 3-percentage point increase in the federal government's share largely reflects faster growth in Medicare spending as the baby boom generation continues to transition into the program

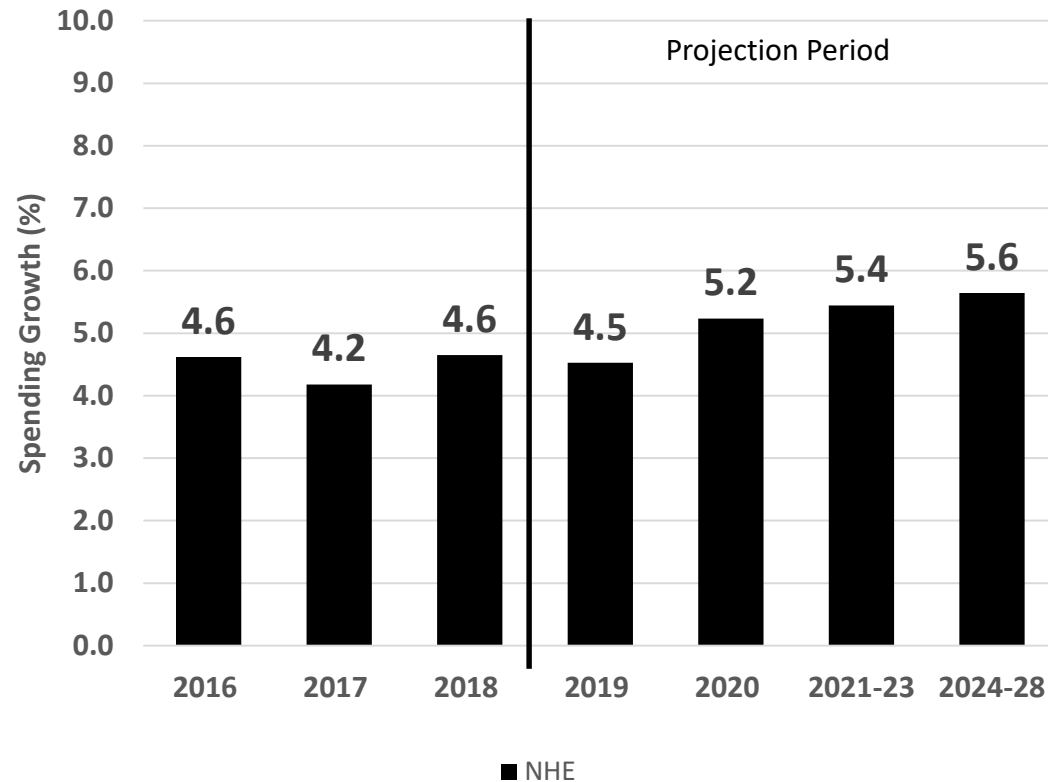
SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

Enrollment By Insurance Status for Selected Years

Enrollment (millions)	2018	Projected 2019	Projected 2020	Projected 2028
Private Health Insurance	200.5	199.8	200.4	206.5
Medicare	58.7	60.1	61.7	75.1
Medicaid	72.8	74.1	75.4	81.5
Uninsured	30.7	31.5	31.4	37.2
Insured Share of Total Population	90.6%	90.4%	90.5%	89.4%

NOTE: Consistent with National Health Expenditure Accounts methodology, enrollment figures are not additive, as individuals may hold multiple forms of coverage.
 SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

Overview of Key NHE Trends



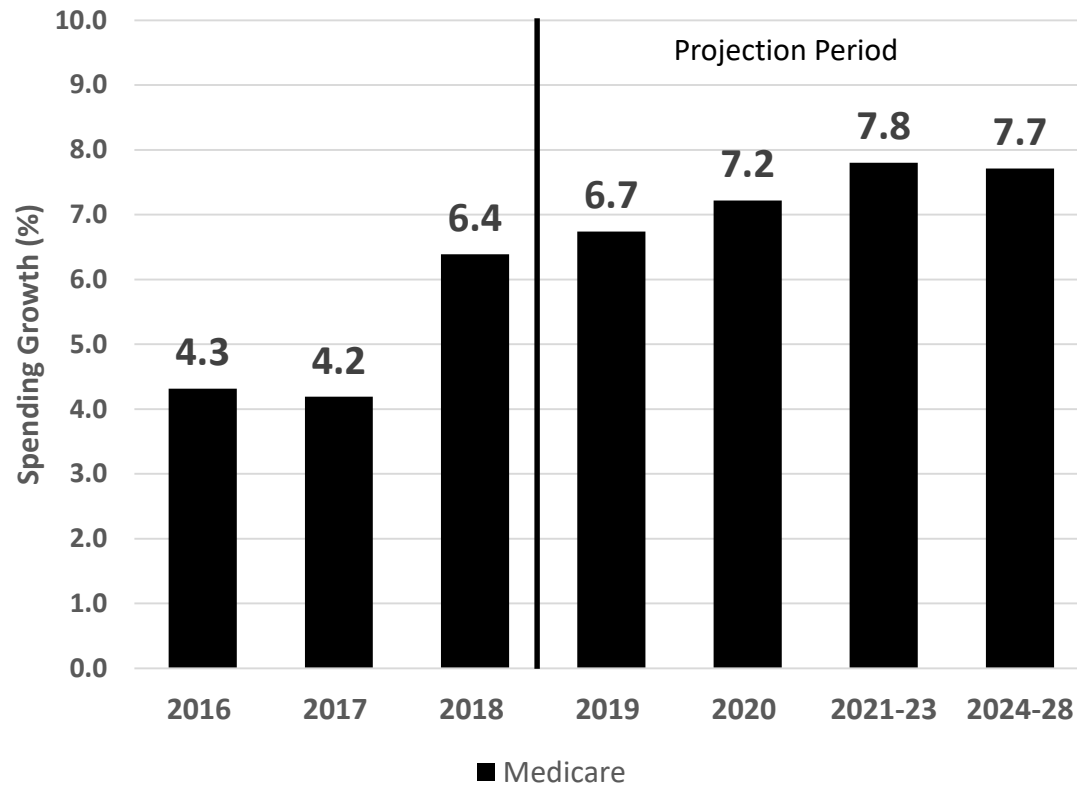
SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

- 2019
 - Similar growth to 2018; private health insurance spending growth projected to have slowed from 5.8 percent in 2018 to 3.8 percent in 2019, largely due to health insurance tax moratorium
- 2020
 - Acceleration largely due to faster personal health care price growth of 1.9 percent from 1.5 percent
 - Temporary reinstatement of the health insurance tax
- 2021-23
 - Slightly faster growth due to faster price growth and expectation of faster growth in Medicaid spending (particularly for hospital services)
- 2024-28
 - Similar growth to 2021-23 with modest increases in growth in Medicaid and private health insurance spending and slightly slower growth in Medicare spending as enrollment growth slows

Key Findings by Payer and Sector



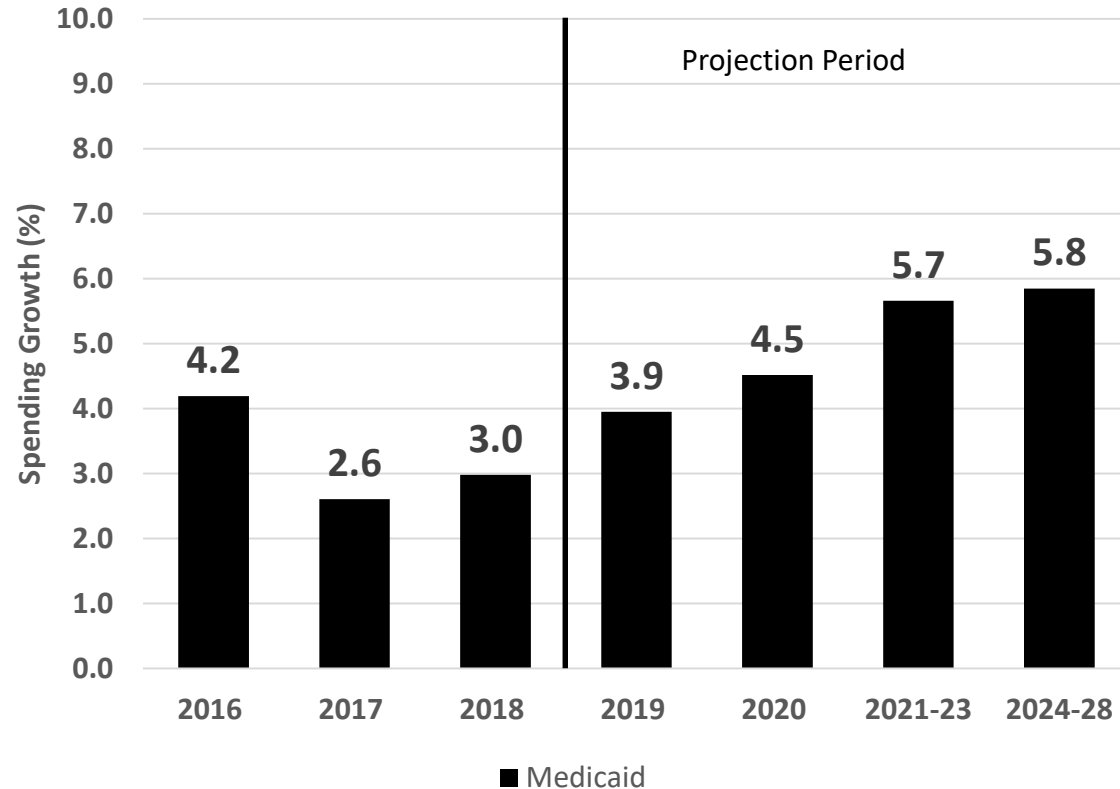
Overview of Medicare Trends



SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

- 2019
 - Acceleration driven by faster growth in personal health care spending, mostly from hospital services and prescription drugs
 - Partially offsetting this growth is slower growth in the net cost of insurance from the health insurance tax moratorium
- 2020
 - Acceleration largely due to faster enrollment growth of 2.7 percent from 2.4 percent
 - Expirations of health insurance tax moratorium and hospital payment update reduction contribute to faster growth in aggregate
- 2021-23
 - Rising growth due to expectation of faster growth in the volume and intensity of Medicare services, particularly for hospital and physician & clinical services
- 2024-28
 - Decelerating growth in enrollment nearly offset by further increases in growth in the volume and intensity of services

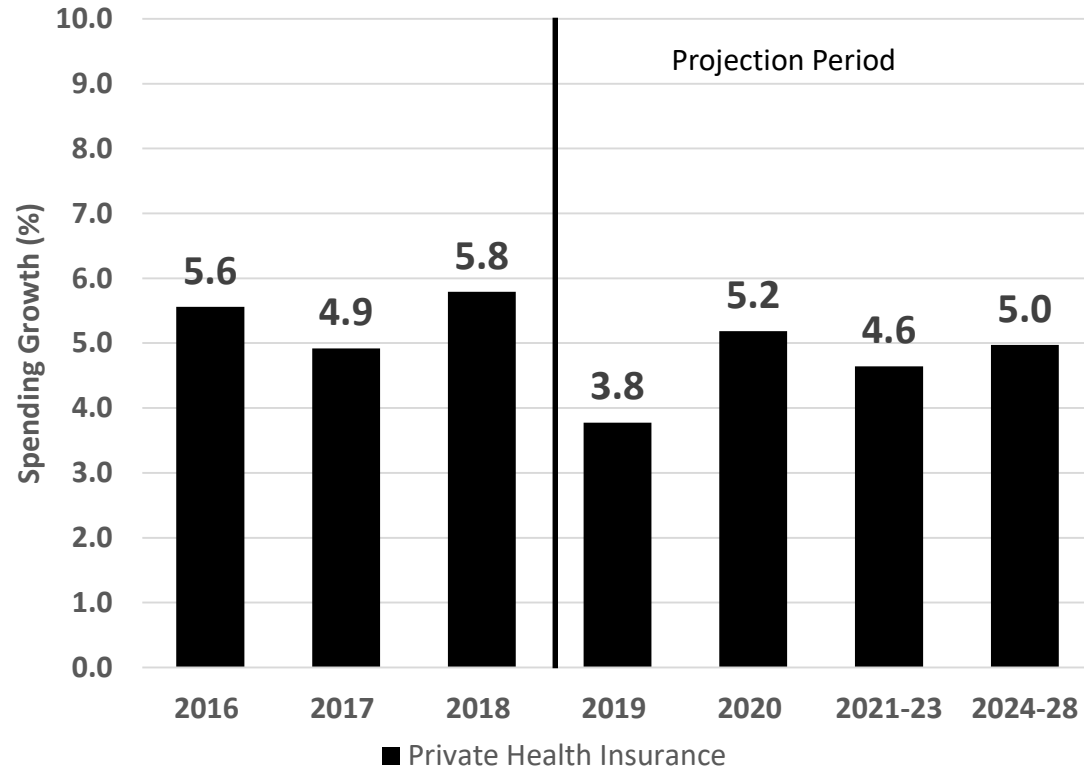
Overview of Medicaid Trends



SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

- 2019
 - Increasing enrollment growth related to program expansion implementations in Virginia and Maine and more rapid growth in program's payment rates to medical providers
 - Slower growth in Medicaid spending on the net cost of insurance from the health insurance tax moratorium
- 2020
 - Faster expected growth in the net cost of insurance with health insurance tax in effect and rising Medicaid payment rates, despite reductions in disproportionate share hospital payments
- 2021-23
 - Expectation of faster growth in spending per enrollee from projected increases in growth in the volume and intensity of services
- 2024-28
 - Faster growth partly due to expiration of reductions to disproportionate share hospital payments during 2025; Continued acceleration in per enrollee spending growth from progressively higher share of aged and disabled beneficiaries, who tend to utilize a greater number of, and more costly, services

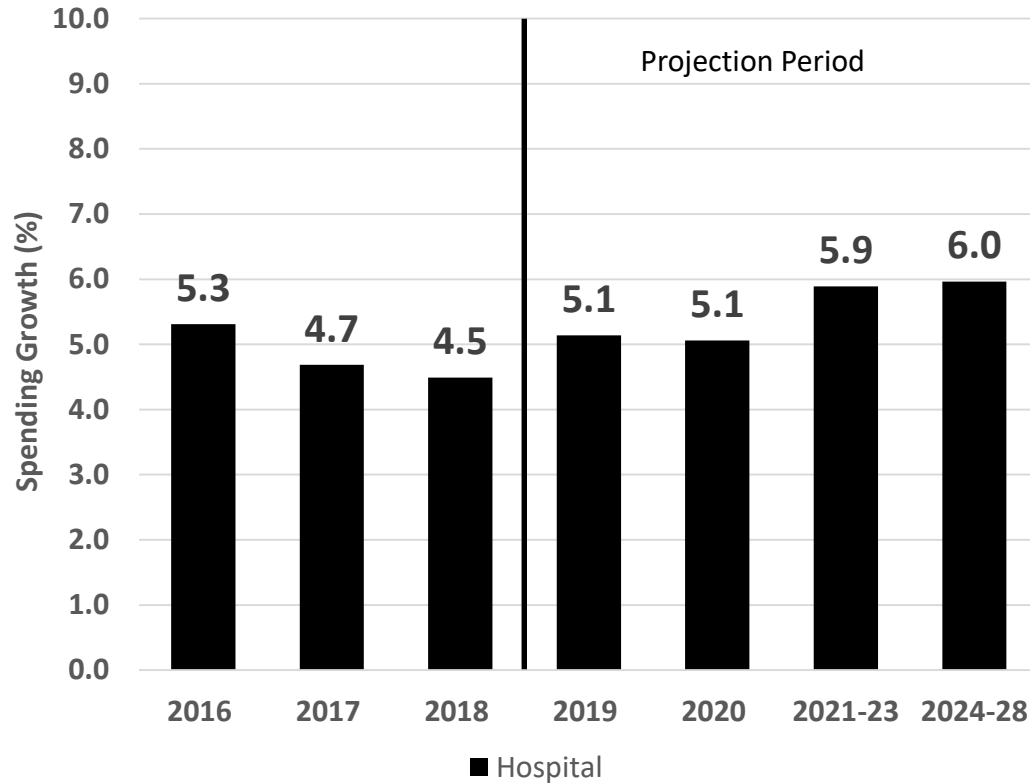
Overview of Private Health Insurance Trends



SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

- 2019
 - Significant slowdown in growth in the net cost of health insurance related to health insurance tax moratorium
 - Enrollment decline of 0.3 percent mostly attributable to repeal of individual mandate
- 2020
 - Faster growth chiefly due to reinstatement of the health insurance tax, which results in a projected sharp rebound in growth in the net cost of health insurance
- 2021-23
 - Slower growth mainly result of slower growth in net cost of health insurance from the repeal of health insurance tax after 2020
- 2024-28
 - Faster growth due to continued increased in personal health care inflation over the period

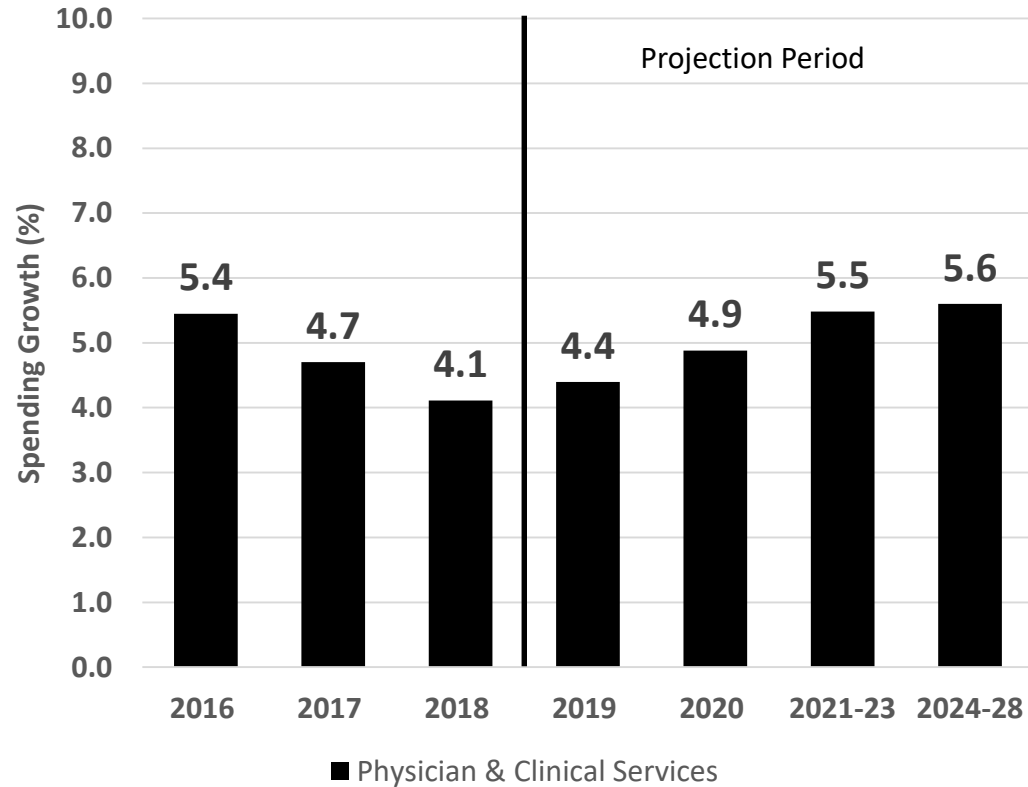
Overview of Hospital Trends



SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

- 2019
 - Acceleration in projected Medicaid hospital spending growth, which resulted in part from program expansions in additional states and rising payment rates to hospitals
- 2020
 - Stable growth results after faster projected growth in Medicare spending related to higher price updates offset by slower projected growth in Medicaid spending related to disproportionate share hospital payment reductions
- 2021-23
 - Faster projected growth in Medicaid spending due to increasing share of aged and disabled beneficiaries and faster projected growth in Medicare spending reflecting faster growth in per enrollee spending that is more consistent with the program's longer-term history
- 2024-28
 - Similar aggregate growth reflects faster Medicaid spending growth associated with continued increase in aged and disabled beneficiaries and expiration of the disproportionate share hospital payment reductions in 2025
 - Nearly offset by slower Medicare spending growth driven by slowing growth in enrollment

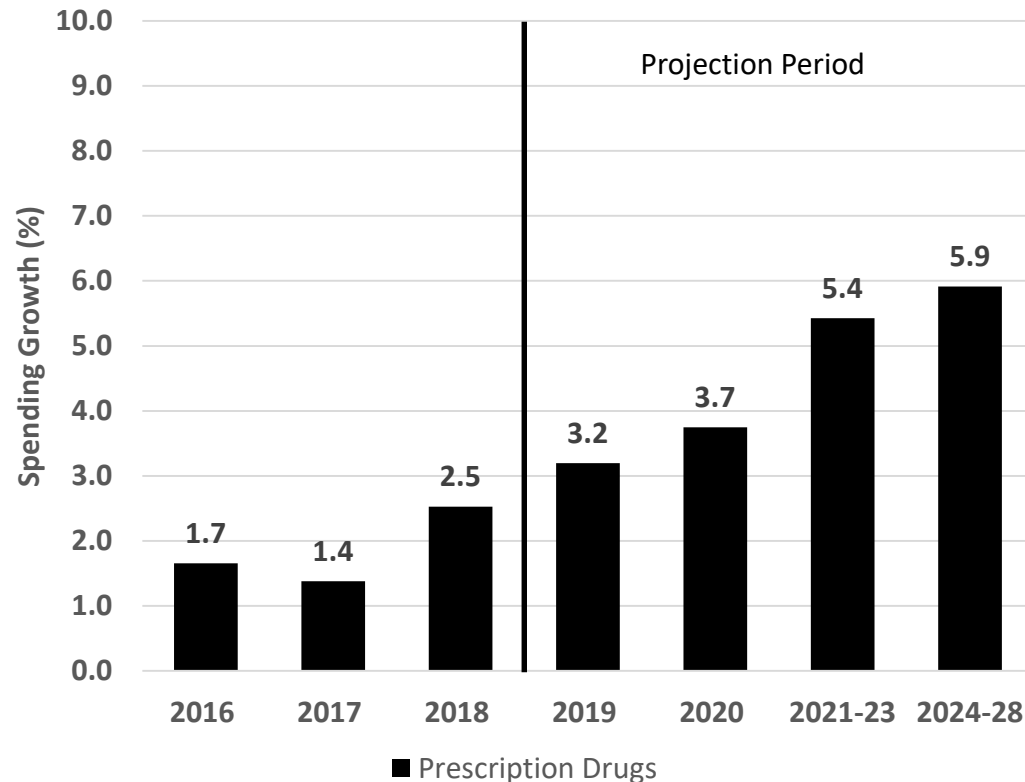
Overview of Physician and Clinical Services Trends



SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

- 2019
 - Faster expected Medicaid spending growth associated with increased spending from new expansion states
 - Slower growth in private health insurance spending consistent with modest 2018-19 flu season
- 2020
 - Rising growth mostly due to both growth in the use and intensity of care and growth in enrollment for private health insurance
- 2021-23
 - Acceleration largely due to faster price growth to 1.6% from 1.0%
- 2024-28
 - Overall growth for 2024-28 is similar to the prior period among the major payers

Overview of Prescription Drug Trends



SOURCE Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

- 2019
 - Modest increase in growth driven by faster expected growth in Medicaid prescription drug spending following program's unusually low growth in 2018 related to declines in spending on hepatitis C treatments
- 2020
 - Continued acceleration due to faster projected growth in drug prices to 1.1 percent in 2020 from -0.3 percent in 2019, which mostly reflects slower anticipated growth in drug rebates
- 2021-23
 - Faster growth influenced by both faster drug price increases and higher growth in the use and intensity of prescription drugs partly because of a larger impact from new drugs
- 2024-28
 - Further increases in growth mainly because of more rapid growth in drug spending projected for private health insurance connected to faster increases in drug prices and a gradual acceleration in the growth of use and intensity

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- Price growth for medical goods and services is projected to accelerate, averaging 2.4 percent per year for 2019–28, partly reflecting faster expected growth in health sector wages.
- Among all major payers, Medicare is expected to experience the fastest spending growth (7.6 percent per year), largely as a result of having the highest projected enrollment growth.
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