

# National Health Expenditure Projections 2019-2028

## *Forecast Summary*

### **Major Findings for National Health Expenditure Projection: 2019-2028**

- 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 in 2028.
- Price growth for medical goods and services (as measured by the personal health care deflator) is projected to accelerate, averaging 2.4 percent per year for 2019–28, partly reflecting faster expected growth in health sector wages.
- Among major payers, Medicare is expected to experience the fastest spending growth (7.6 percent per year over 2019-28), 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.

### **Chronological Discussion of Key Trends in Projected National Health Expenditures**

#### 2019

- National health spending is projected to have increased 4.5 percent in 2019, a rate similar to that for 2018 (4.6 percent). Underlying this trend, private health insurance spending growth is projected to have slowed from 5.8 percent in 2018 to 3.8 percent in 2019, which was mostly driven by slower growth in the net cost of private health insurance spending related to the health insurance tax moratorium. In addition, the repeal of the individual mandate is projected to have contributed to a 0.3-percent decline in the number of people enrolled in private health insurance. The insured share of the population is projected to be 90.4 percent in 2019, lower than 90.6 percent in 2018. Spending growth in Medicaid, however, is expected to have accelerated, to 3.9 percent in 2019 from 3.0 percent in 2018, in part due to somewhat faster Medicaid enrollment growth associated with program expansions in Virginia and Maine.

#### 2020

- Growth in national health spending is expected to accelerate to 5.2 percent in 2020, primarily driven by faster projected growth in prices for personal health care. The rate of personal health care inflation is projected to grow 1.9 percent in 2020 up from 1.5 percent in 2019, reflecting both anticipated increases in economy-wide inflation and a return to the somewhat higher average growth rates for the prices of medical goods and services after a recent period of unusually slow growth. The temporary return of the health insurance tax in 2020, following a moratorium in 2019, results in more rapid growth in the projected net cost of health insurance.

## 2021-23

- Growth in national health spending is expected to increase over 2021-23 at an average rate of 5.4 percent compared to 5.2 percent anticipated for 2020. The acceleration is primarily explained by rising projected personal health care inflation, averaging 2.4 percent for the period—a rate closer to its average historical growth. This faster price growth is driven in part by expected increases in wage growth for health care workers. Medicaid spending growth is projected to increase to an average rate of 5.7 percent over 2021-23, up from 4.5 percent in 2020, mostly because of higher spending for hospital services. Conversely, following its growth of 5.0 percent in 2020, private health insurance spending is projected to grow at a relatively lower rate of 4.6 percent for 2021-23, related in part to the permanent repeal of the health insurance tax starting in 2021.

## 2024-28

- For 2024-28, growth in national health spending is expected to average 5.6 percent, slightly faster than the rate projected for 2021-23. Average rates of growth for private health insurance and Medicaid spending are projected to be 5.0 and 5.8 percent, respectively while Medicare spending growth is projected to be relatively faster than the other major payers, but remain below 8 percent. By 2028, as the baby-boom generation continues to transition from private health insurance into Medicare, 75 million individuals (over one fifth of the population) are projected to be enrolled in the Medicare program, contributing substantially to growth in the share of health expenditures sponsored by the government (to 47 percent).

## **Key Trends in Projected National Health Expenditures by Payer**

### Medicare

- Medicare expenditures are projected to have grown slightly faster at 6.7 percent in 2019, compared to 6.4 percent in 2018, primarily reflecting faster growth in spending on hospital services and prescription drugs. In 2020, Medicare spending growth is projected to accelerate to 7.2 percent, largely due to more rapid growth in the program's enrollment, from 2.4 percent in 2019 to 2.7 percent in 2020. Over 2021-23, Medicare spending is projected to increase to average rate of 7.8 percent per year, principally driven by expected accelerations in growth for both hospital and physician and clinical services related to projected growth in the use and intensity of care rising to rates more similar to the program's long-term historical experience. Medicare spending growth is expected to slow slightly to an average of 7.7 percent over 2024-28 mostly as a result of slower average Medicare enrollment growth rate of 2.3 percent (compared to an average of 2.7 percent over 2021-2023).

### Medicaid

- Medicaid expenditures are projected to have grown 3.9 percent in 2019 from 3.0 percent in 2018, a trend which is mostly attributable to increasing enrollment growth related to program expansion implementations in Virginia and Maine in 2019. In 2020, growth in Medicaid expenditures is projected to increase by 4.5 percent, which is mostly attributable to faster expected growth in both the net cost of insurance and Medicaid payment rates to providers compared to 2019. Additionally, Idaho, Nebraska and Utah expanded their programs in 2020. Over 2021-23, Medicaid spending is projected to grow more rapidly, at 5.7 percent on average. This trend is due to increases in per enrollee spending from an expected resumption of faster growth in the use and intensity of medical goods and services following the expansion-related slower growth in that metric in 2019 and 2020, which was influenced by the influx of younger and healthier enrollees. Over 2024-28, Medicaid spending is projected to grow slightly faster at 5.8 percent on average

related to the expiration of reductions to disproportionate share hospital payments during 2025 and a progressively higher share of enrollment attributable to aged and disabled beneficiaries, who tend to utilize a greater number of, and more costly, services.

### Private Health Insurance and Out-of-Pocket

- Private health insurance spending growth is projected to have decreased from 5.8 percent in 2018 to 3.8 percent in 2019, primarily because of a significant slowdown in growth in the net cost of health insurance—a trend largely reflecting a moratorium on the health insurance tax in 2019 following 2018 when the tax was in effect. In addition, private health insurance enrollment is projected to have declined by 0.3 percent in 2019, which is assumed to be mostly attributable to the repeal of the individual mandate. In 2020, private health insurance spending growth is expected to accelerate to 5.2 percent, chiefly due to the reinstatement of the health insurance tax, which results in a projected sharp rebound in growth in the net cost of private health insurance in 2020. For 2021-23, private health insurance spending is expected to slow to 4.6 percent per year on average principally as a result of the repeal of the health insurance tax after 2020, a factor that leads to significantly slower growth in the net cost of private health insurance in 2021. Over 2024-28, private health insurance spending is projected to grow 5.0 percent on average.
- For out-of-pocket spending, growth is expected to have increased from 2.8 percent in 2018 to 3.7 percent in 2019, which is associated with an expected increase in the average deductible for those enrolled in private health insurance plans, as well as a projected increase in the number of uninsured individuals—from 30.7 million in 2018 to 31.5 million in 2019. Growth in out-of-pocket spending is projected to increase from 4.0 percent in 2020 to an average of 4.1 percent over 2021-23 and again to 4.3 percent over 2024-28 influenced by anticipated increases in personal health care inflation.

## **Key Trends in Projected National Health Expenditures by Sector**

### Hospital Services

- In 2019, hospital spending is projected to have risen 5.1 percent from 4.5 percent in 2018, mostly driven by an acceleration in projected Medicaid hospital spending growth, which resulted in part from program expansions in two states and rising payment rates to hospitals. In 2020, total hospital services spending growth is projected to remain stable at 5.1 percent because of the net effect of faster growth in Medicare spending (related to higher price updates) offset by slower growth in Medicaid spending (related to disproportionate share hospital payment reductions). Over 2021-23, total hospital spending growth is expected to rise to 5.9 percent per year on average, largely because of faster projected growth in per enrollee Medicare hospital spending that is more consistent with the program's long-term history. Over 2024-28, hospital spending is expected to grow at a similar rate as 2021-23 (6.0 percent on average), which is a result of somewhat faster growth in Medicaid spending that is not fully offset by slower growth in Medicare spending. Faster growth in Medicaid spending is related to a further increase in the share of relatively more costly aged and disabled beneficiaries, as well as the scheduled expiration of the disproportionate share hospital payment reductions in September, 2025.

### Physician and Clinical Services

- Spending for physician and clinical services is projected to have grown 4.4 percent in 2019 compared to 4.1 percent in 2018, which is mostly attributable to faster expected Medicaid spending growth associated with increased spending from the two states that expanded their programs. In 2020, growth in spending for physician and clinical services is projected to increase

to 4.9 percent, largely because of private health insurance spending—which is related to faster growth in the use and intensity of care provided and increasing growth in private health insurance enrollment. For 2021-23, growth in spending for physician and clinical services is projected to rise again to 5.5 percent, primarily because of a projected increase in the average price growth rate over 2021-23 for the sector of 1.6 percent from 1.0 percent in 2020 that is influenced by the expectation of rising costs to provide care (such as wages of physician and clinical services providers). Over 2024-28, growth in physician and clinical services is projected to average 5.6 percent per year. During this period, growth in Medicare spending on physician and clinical services is anticipated to be faster than growth in private health insurance spending on the sector largely due to relatively higher enrollment growth as the shift of the baby-boom generation from private health insurance into Medicare continues.

### Prescription Drugs

- Prescription drug spending growth is projected to have accelerated from 2.5 percent in 2018 to 3.2 percent in 2019, largely driven by faster expected growth in Medicaid prescription drug spending (this follows the unusually low growth in 2018 related to declines in spending on hepatitis C treatments). For 2020, prescription drug spending growth is projected to accelerate to 3.7 percent, principally due to faster projected growth in drug prices to 1.1 percent in 2020, compared to a decline of 0.3 percent in 2019, as slower growth in drug rebates is expected. Over 2021-23, prescription drug spending growth is again projected to accelerate, averaging 5.4 percent, influenced by both faster drug price increases and higher growth in the use and intensity of prescription drugs related to an increasing number of new drugs entering the market. During the years 2024-28 average growth in prescription drug spending is expected to be 5.9 percent, mainly because of faster increases in drug prices and a gradual acceleration in the growth of use and intensity, particularly for private health insurance.