

National Health Expenditure Projections 2023–32

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Office of the Actuary
Centers for Medicare & Medicaid Services
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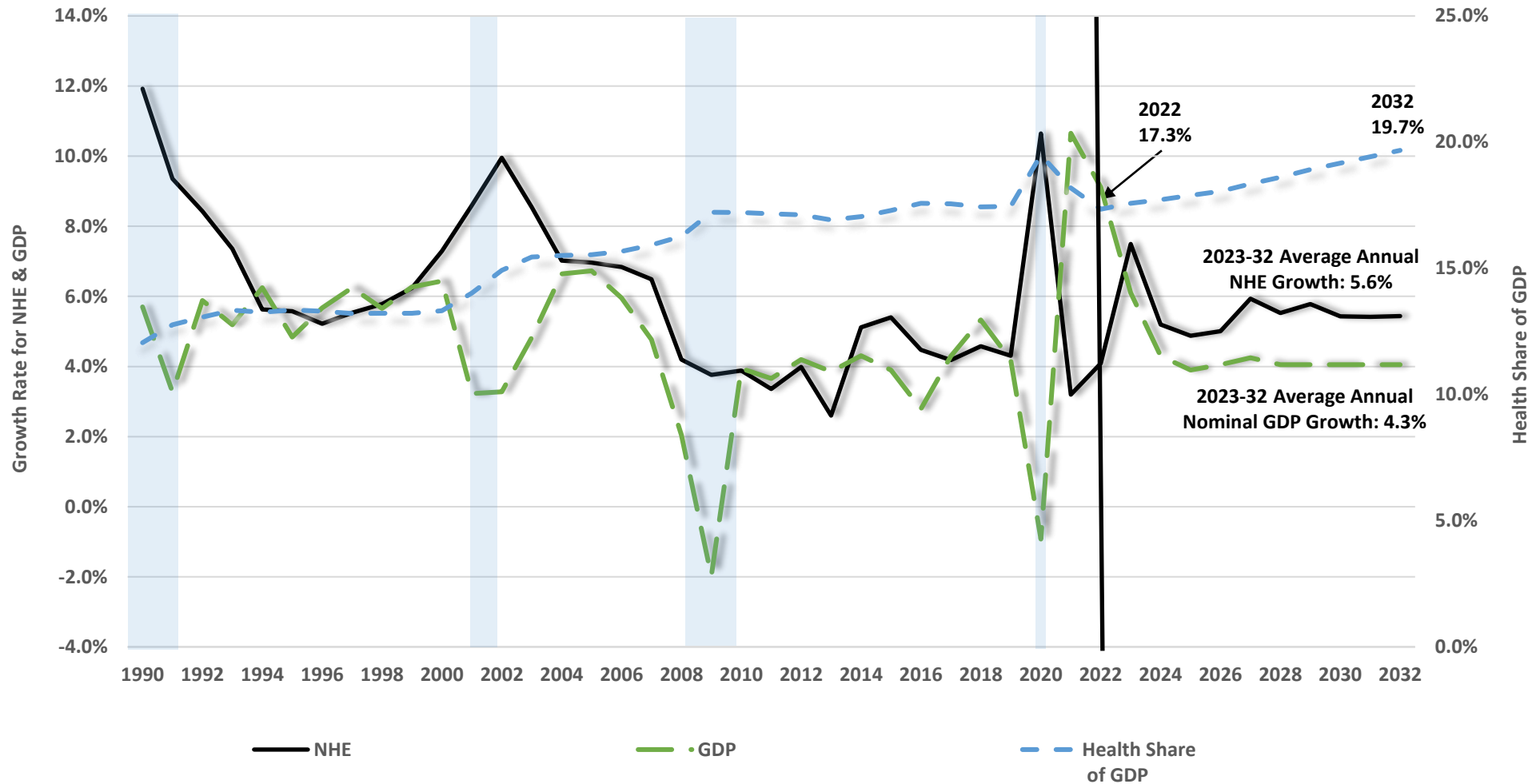
Background and Methods

- 10-year National Health Expenditure (NHE) Projections
 - 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 data released December 13, 2023
- Methods: Developed using actuarial and econometric modeling techniques
 - Medicare projections, demographic, and economic assumptions consistent with the 2024 Medicare Trustees Report
 - Projections generally reflect current law at the time of estimation and the end of the Public Health Emergency in 2023
- Under embargo until 4:00pm on June 12, 2024
 - Release of all related data on CMS website
 - Release of Health Affairs article

Major Findings

- Over 2023-32 average NHE growth (5.6%) is projected to outpace that of average GDP growth (4.3%), resulting in an increase in the health spending share of GDP from 17.3 percent in 2022 to 19.7 percent in 2032.
- In 2023, NHE spending is expected to have grown 7.5%, faster than GDP growth of 6.1%.
 - Reflects broad increases in the use of care associated with the insured share of the population of 93.1%, an unprecedented high.
 - Record-high level of Medicaid enrollment (91.2M) in 2023, as well as gains in direct-purchase enrollment.
- Over 2024-26, enrollment shifts occur and by 2032 the insured share falls to 90.7%.
 - The expiration of the continuous enrollment requirement is projected to reduce Medicaid enrollment to 81.0M in 2024 and 79.4M by 2025.
 - Direct-purchase enrollment, which is projected to increase 8.3M over 2023-25 because of the Inflation Reduction Act's (IRA) temporary extension of enhanced Marketplace subsidies and associated temporary Special Enrollment Period (SEP), is expected to decline by 7.3M in 2026 (-19.2%) due to their expiration.
- IRA and NHE “retail” prescription drug spending growth:
 - Medicare: Initially, upward pressure is expected because of the IRA's Part D benefit restructuring (\$2,000 cap on out-of-pocket spending on Part D; rebates shift from program to point of sale when drug negotiations begin); thereafter, downward pressure from manufacturer discounts for the low-income population starting in 2025, drug price negotiations, and the linking of price increases to the Consumer Price Index.
 - Out-of-pocket: Lower spending because of the more generous Medicare Part D benefits reflecting the elimination of the 5% coinsurance for catastrophic coverage in 2024, the implementation of a \$2,000 cap on out-of-pocket spending on Part D drugs in 2025, and the applicability of drug price negotiations beginning in 2026.
- During 2027-32, personal health care price inflation and growth in the use of health care services and goods contribute to projected health spending that grows at a faster rate than the rest of the economy.

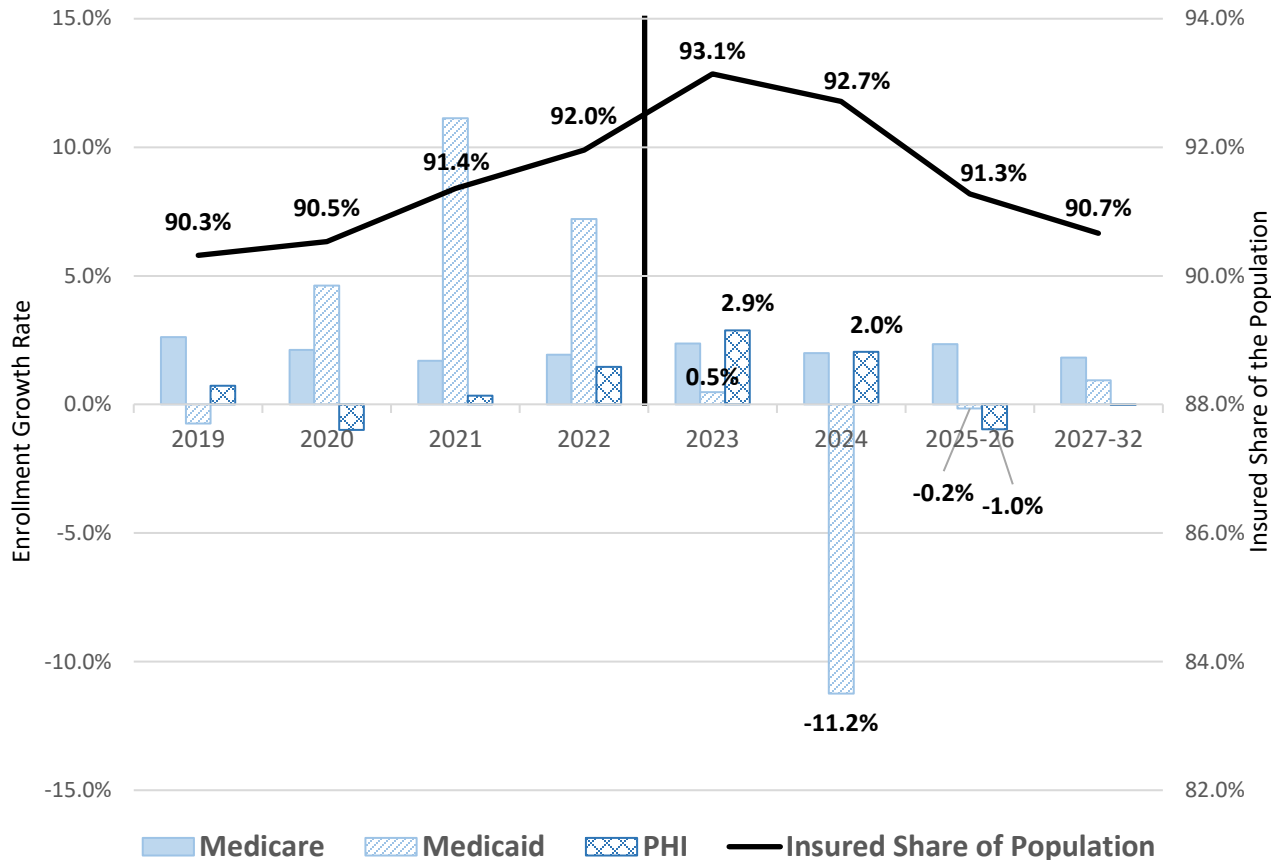
NHE vs GDP Growth & Health Share of GDP, 1990-2032



NOTES: Shaded areas represent recession periods. During 2020 there was a short economic recession in March and April.
 SOURCES: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; Bureau of Economic Analysis, and National Bureau of Economic Research.

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Enrollment Growth Rates for Select Payers and the Share of the Population Insured, by Time Period



2023:

- Insured share of the population reaches an unprecedented high of 93.1%
- Medicaid enrollment peak projected of 91.2M
- PHI enrollment projected to increase due to enhanced Marketplace subsidies under the IRA, as well as a temporary SEP for qualified individuals losing Medicaid coverage

2024:

- Despite projected declines in Medicaid enrollment as states continue eligibility redeterminations, insured share of the population is expected to fall to only 92.7%

2025-26:

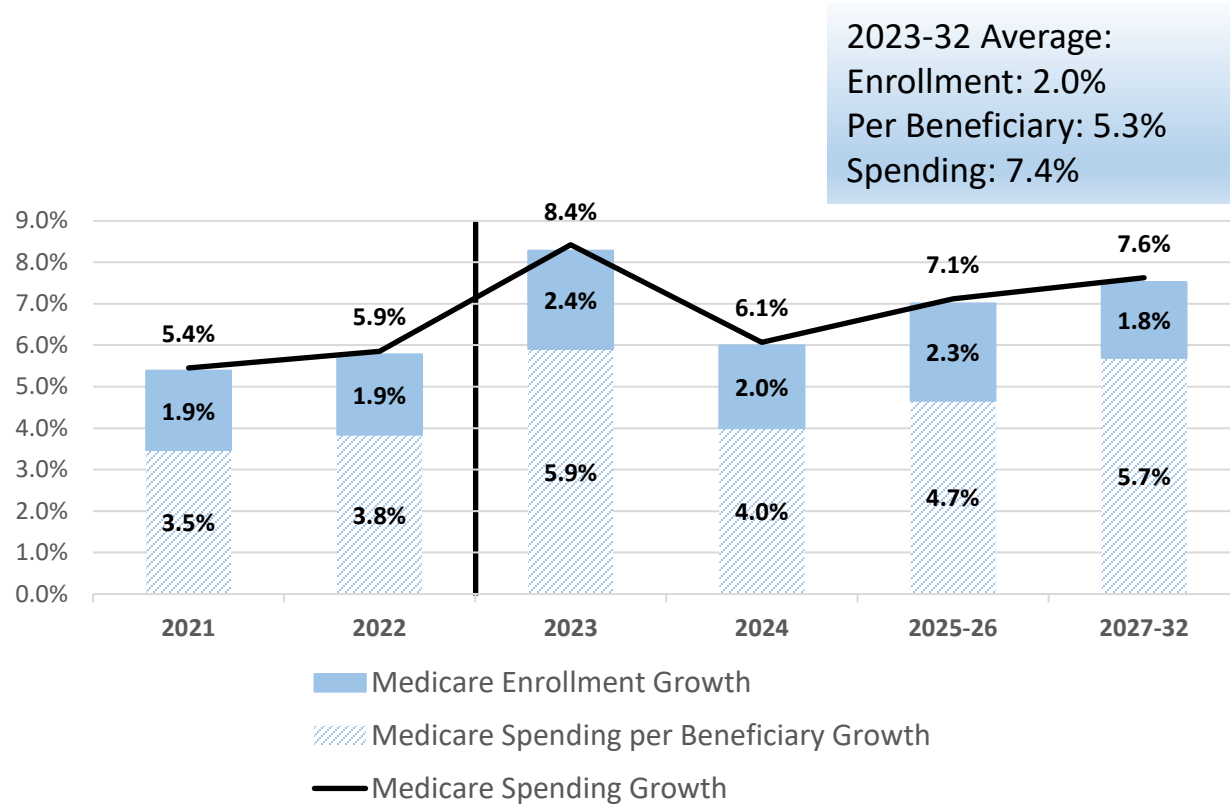
- Average PHI enrollment growth is expected to decline 1.0%
- Largely reflects projected drop of 7.3M in direct-purchase insurance coverage in 2026 as the enhanced Marketplace subsidies expire

NOTES: Consistent with NHE Accounts methodology, enrollment figures are not additive, as individuals may hold multiple forms of coverage. Data represent annual averages. Data for years 2026 and 2032 are displayed for the insured share of the population in place of 2025-26 and 2027-32, respectively.

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

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Medicare: Average Annual Growth in Enrollment, Per Beneficiary Spending, and Total Spending, by Time Period



2023:

- Continued increases in MA enrollment and faster projected Medicare hospital spending

2024:

- Slower growth in MA capitation rates and slower projected per enrollee growth in physician spending

2025-26:

- Initial IRA drug price negotiations result in higher rebates, which get shifted to point of sale and results in increased Medicare spending growth

2027-32:

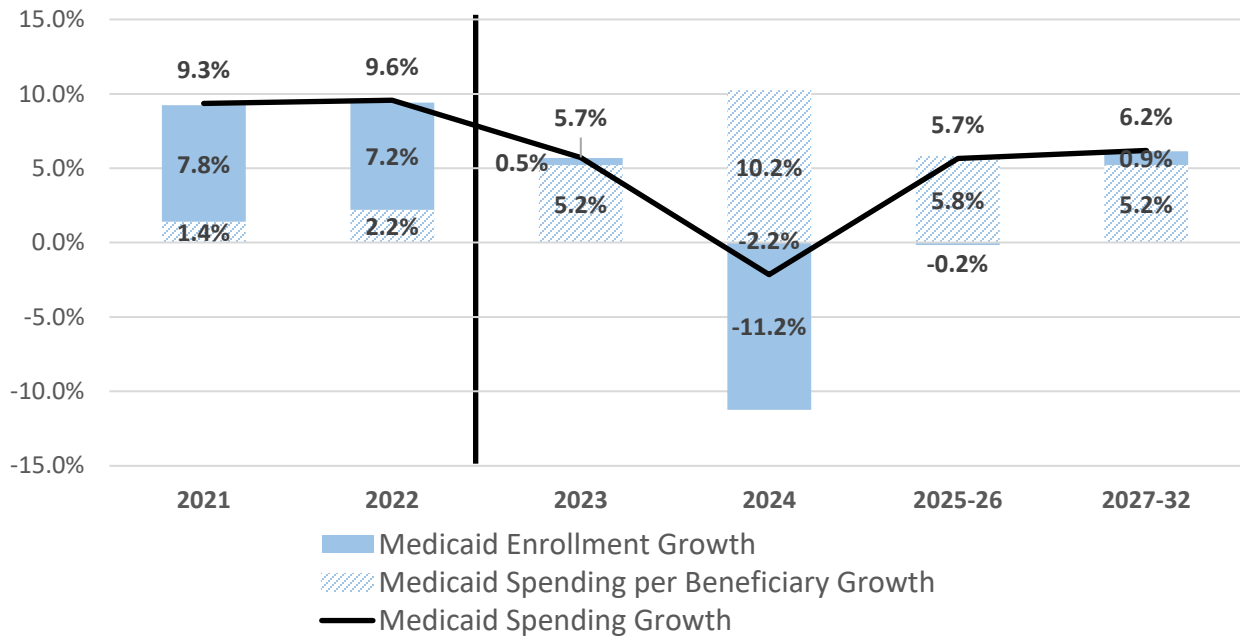
- Faster spending across most sectors partially offset by a slowdown in prescription drug spending from IRA negotiation and other price constraining provisions

NOTES: Average annual growth rates are from the previous year except for year 2021, which reflects annual growth for 2019-21 to average the volatile impacts of the first two years of the COVID-19 pandemic. Percent changes are calculated multiplicatively from unrounded data. Numbers might not add to totals because of rounding.

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

Medicaid: Average Annual Growth in Enrollment, Per Beneficiary Spending, and Total Spending, By Time Period

2023-32 Average:
 Enrollment: -0.6%
 Per Beneficiary: 5.8%
 Spending: 5.2%



2023:

- Enrollment projected to have reached high of 91.2M
- A phase-down of the enhanced FMAP began after the continuous enrollment requirement ended in 2023

2024:

- Enrollment projected to drop by 10.2M (-11.2%) as state redeterminations of eligibility continue (began in 2023)
- Rapid loss of younger and healthier enrollees result in per enrollee growth that is highest since 1991

2025-26:

- Other personal care grows fastest because of states' continued expansions and use of home and community-based services

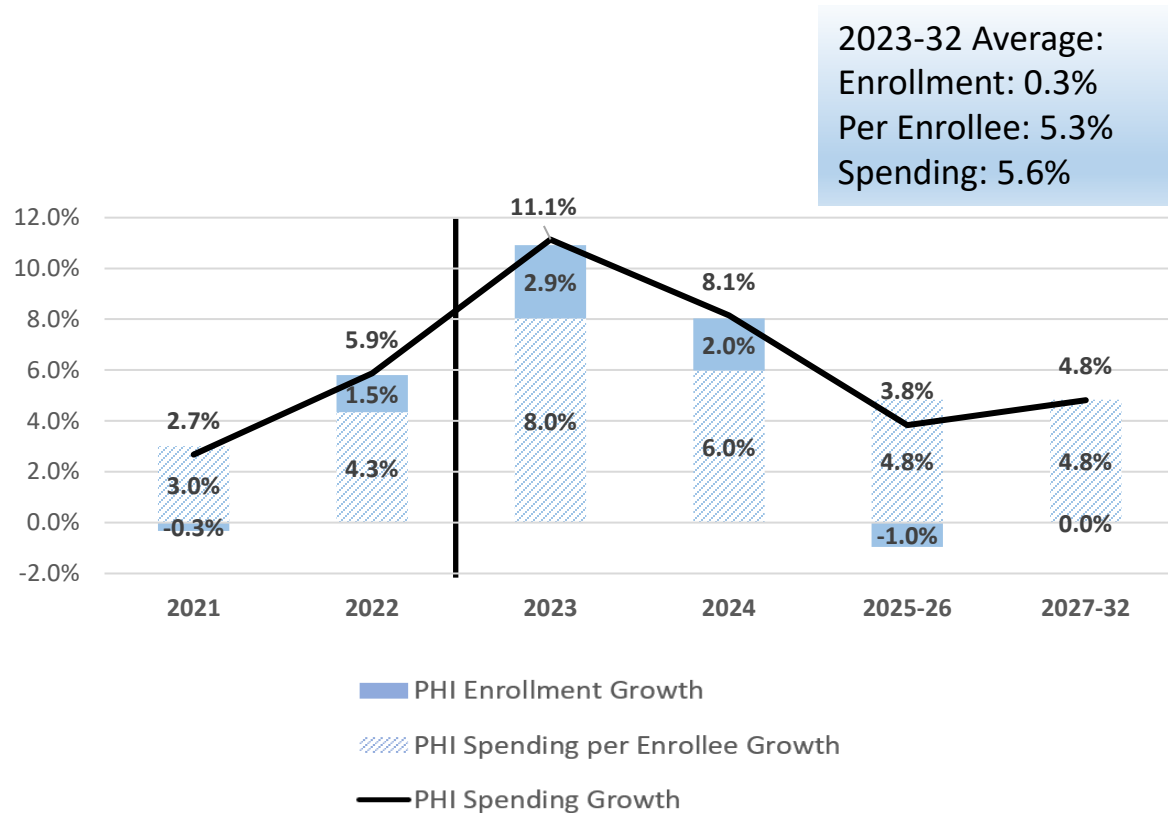
2027-32:

- Expiration of the disproportionate share hospital payment rate cap reductions under current law in late-2027

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

PHI: Average Annual Growth in Enrollment, Per Beneficiary Spending, and Total Spending, By Time Period



2023:

- Increased use driving faster growth in per enrollee spending
- Increased enrollment in direct-purchase plans related to the temporary SEP and enhanced Marketplace subsidies

2024:

- Further gains in direct-purchase plans impacting enrollment

2025-26:

- Significant enrollment decline of 7.3M expected in direct-purchase insurance in 2026 (direct-purchase insurance is only 14.8% of total PHI enrollment in 2026)

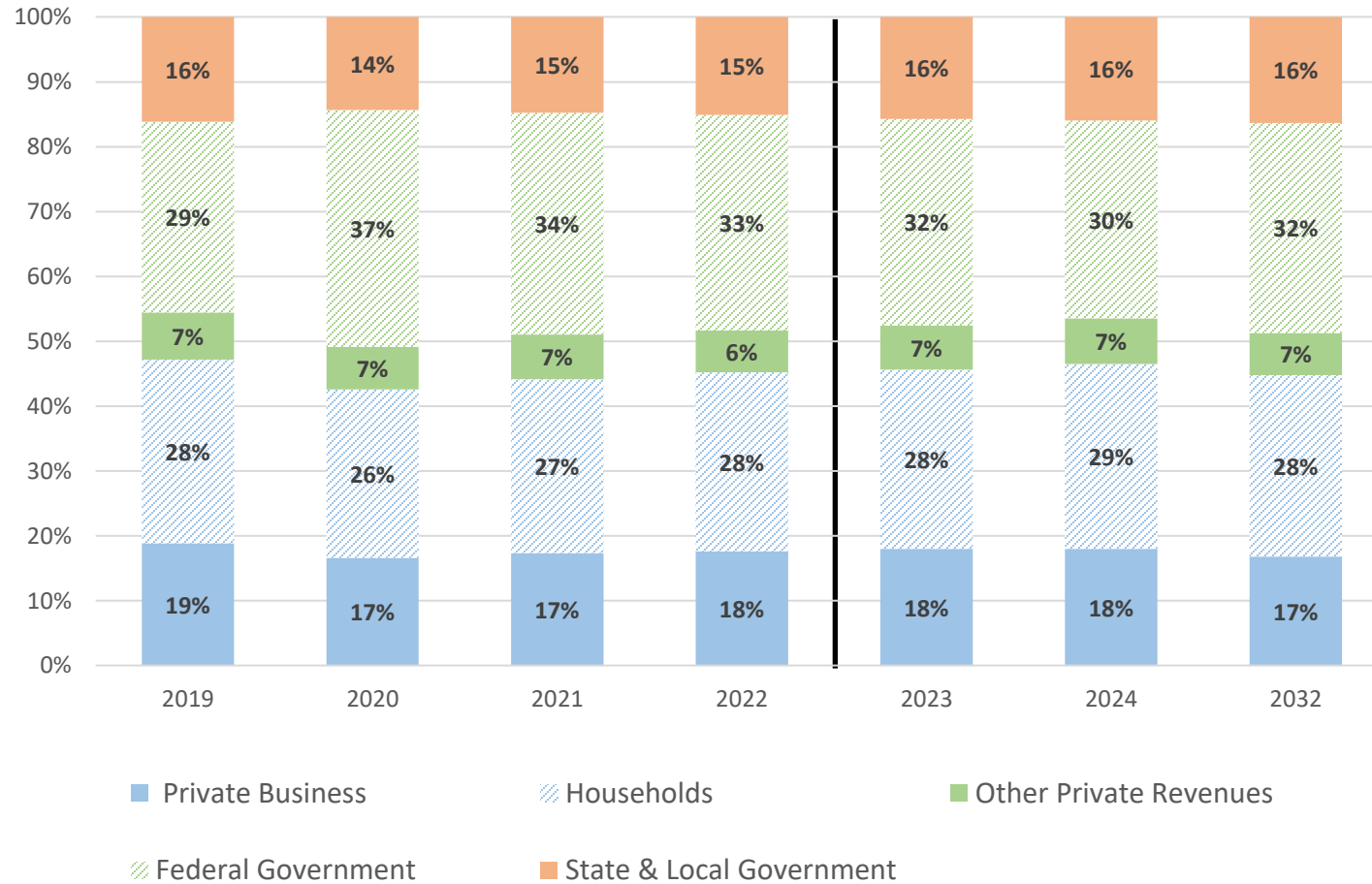
2027-32:

- Average PHI spending growth expected to be lower than Medicare and Medicaid's largely due to slower growth in enrollment

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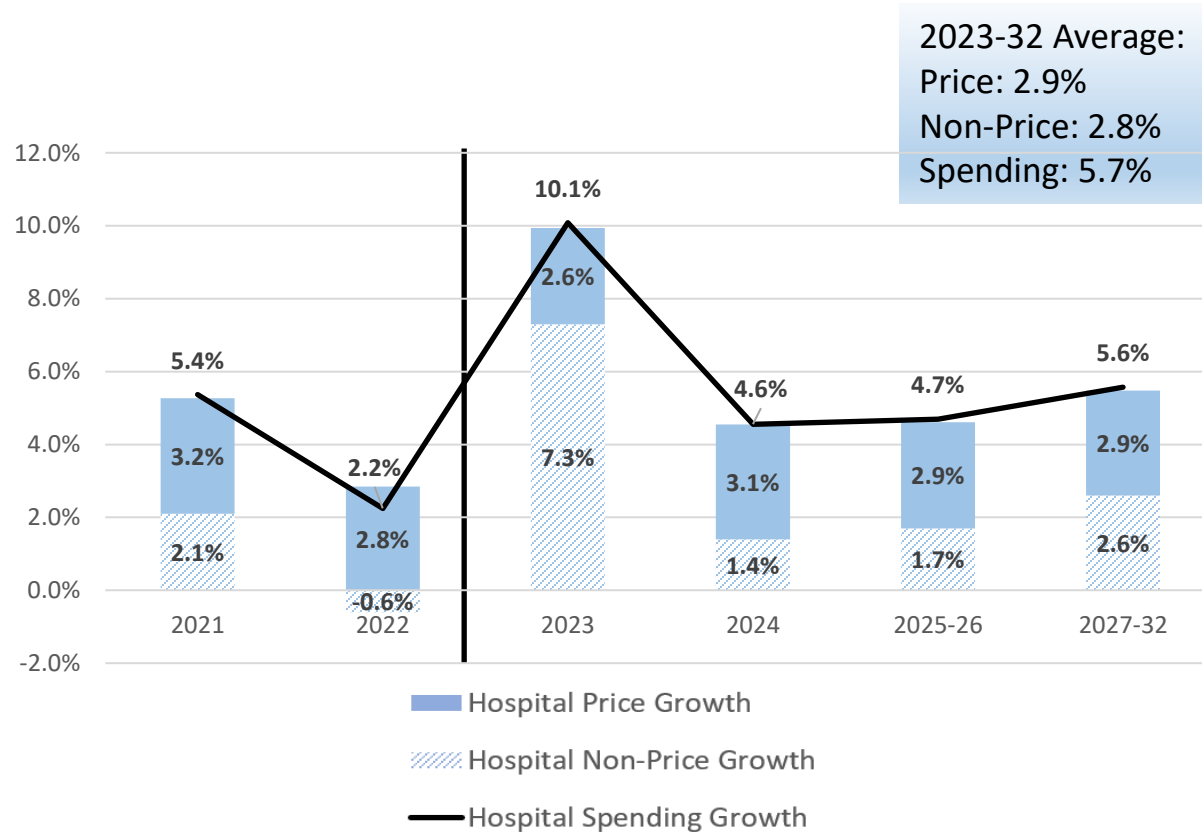
NHE: Distribution by Type of Sponsor for Select Years



NOTE: Numbers might not add to totals because of rounding.

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

Overview of Hospital Growth Trends



2023:

- Hospital spending growth expected to have rebounded (increased use) for all payers except Medicaid
- Medicaid hospital spending growth projected to have slowed in response to Medicaid disenrollments

2024:

- Hospital spending growth projected to slow for major payers from 2023 highs
- Substantial decline in Medicaid spending consistent with Medicaid disenrollments

2025-26:

- Faster Medicaid hospital spending from normalized enrollment offsets slower PHI hospital spending associated with Marketplace enrollment declines in 2026

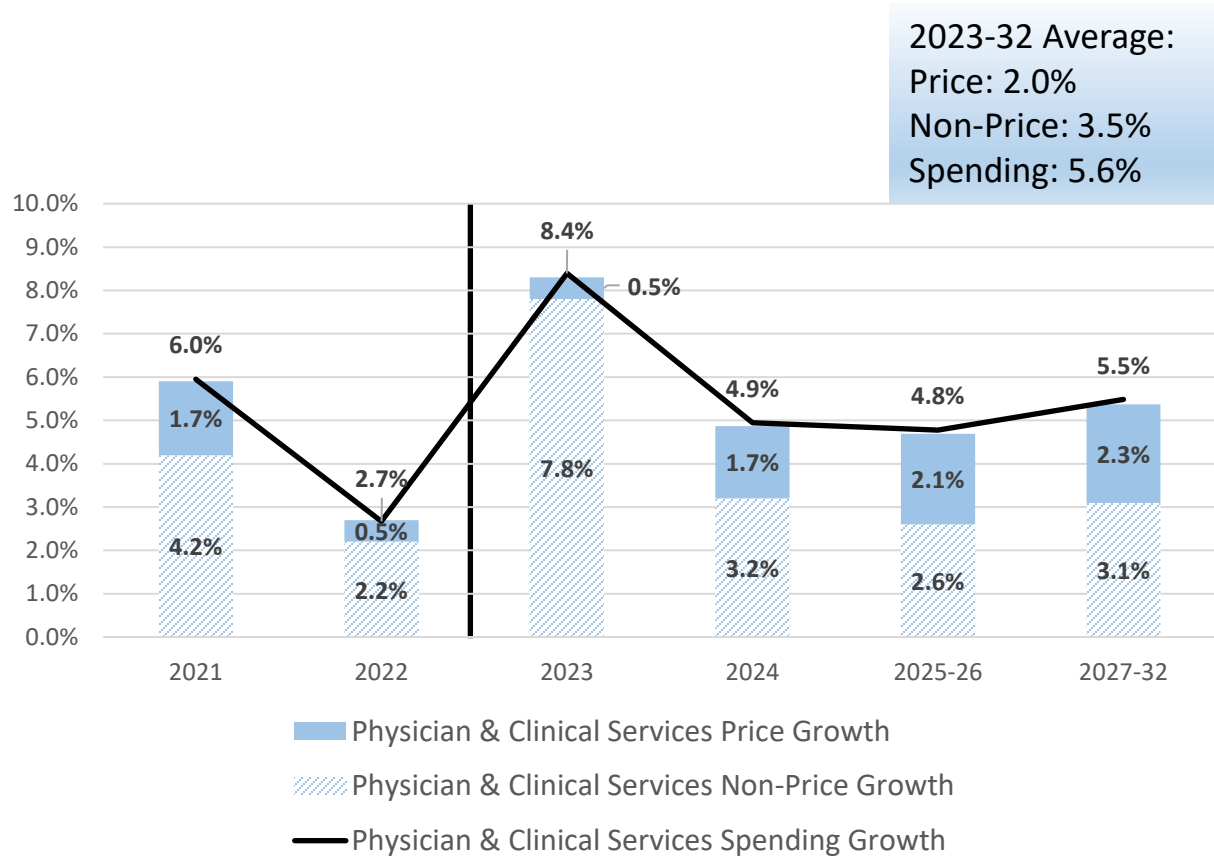
2027-32:

- Medicare fastest growing payer reflecting influence of last of the baby boomers enrolling in Medicare

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

Overview of Physician & Clinical Services Growth Trends



2023:

- Faster projected physician & clinical services spending growth in PHI (enrollment in Marketplace plans) and Medicare (per enrollee spending)
- Physician & clinical services price growth expected to remain low and unchanged; partially due to a modest Medicare PFS update

2024:

- Decline in Medicaid enrollment and slower growth in Medicare physician & clinical services spending on COVID-19 vaccinations

2025-26:

- Accelerations in Medicaid and Medicare physician & clinical services spending growth offset by a deceleration in PHI spending associated with a decline in Marketplace enrollment

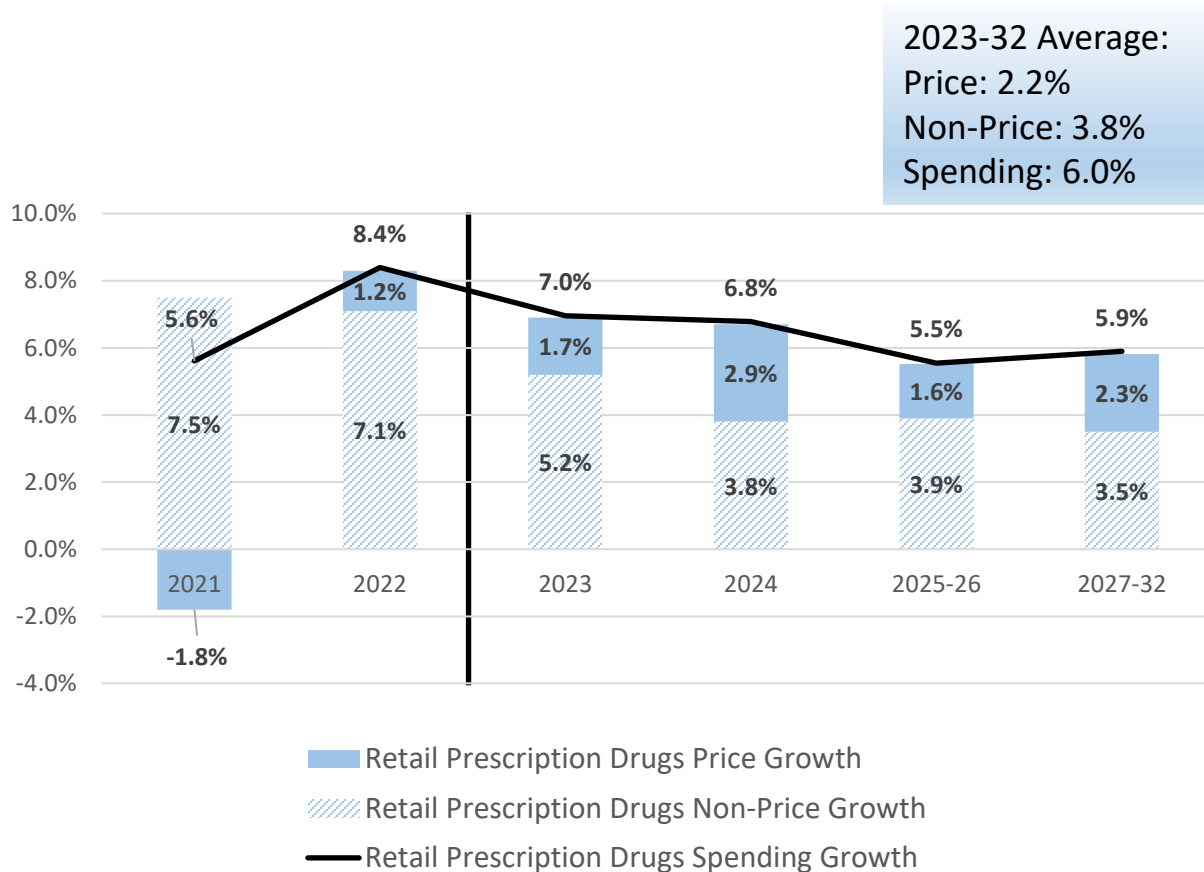
2027-32:

- Medicare physician & clinical services spending growth expected to be higher than that of private health insurance largely due to faster enrollment growth projected for Medicare

NOTES: Average annual growth rates are from the previous year except for year 2021, which reflects annual growth for 2019-21 to average the volatile impacts of the first two years of the COVID-19 pandemic. Percent changes are calculated multiplicatively from unrounded data. Numbers might not add to totals because of rounding.

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

Overview of Retail Prescription Drugs Growth Trends



2023:

- Medicaid spending growth decelerates (disenrollments begin)
- PHI spending growth accelerates in part due to recently approved brand-name drugs to treat diabetes and obesity

2024:

- Slowing growth across most payers
- Negative growth in Medicaid spending (enrollment losses)

2025-26:

- In 2025, Medicare spending growth falls as the program incurs savings from manufacturer discounts
- In 2026, Medicare spending growth increases from expected reductions in rebates on drugs with negotiated prices
- In 2026, PHI spending growth falls due to Marketplace enrollment decreases and declining costs for certain high-cost drugs

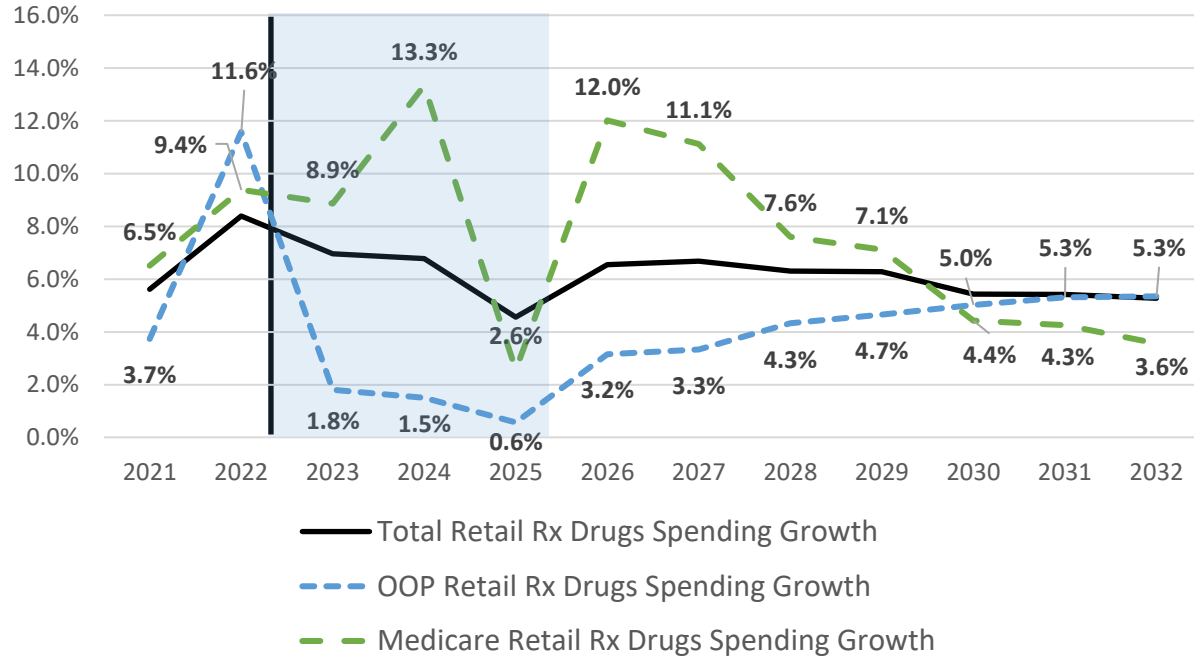
2027-32:

- Introduction of new drugs pushes growth upward across payers
- Slower spending growth for Medicare during 2030-32 due to the IRA's drug negotiation and inflation rebate provisions

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

Key IRA Provisions and Their Influence on Retail Prescription Drugs Spending Growth, by Sector, Payer, and Time Period



2024 +:

- Elimination of Part D’s 5% coinsurance for catastrophic coverage
- Expand eligibility for full benefits under the low-income subsidy

2025 +:

- Manufacturer discount for the low-income population
- \$2,000 cap on Part D OOP Rx spending

2026 +:

- Drug price negotiations become applicable; during initial years, affected drugs are expected to have higher rebates shifted to point of sale
- Lower cost-sharing associated with new negotiated prices
- Additional Part D drugs will be negotiated annually

2027 +:

- Drug prices linked to the CPI continues (began in 2023)

2028 +:

- Drug negotiation provision applies to Medicare Part B

NOTES: Average annual growth rates are from the previous year except for year 2021, which reflects annual growth for 2019-21 to average the volatile impacts of the first two years of the COVID-19 pandemic. Shaded years 2023-25: Enhanced subsidies for Marketplace enrollment (first adopted under ARPA).

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

Review of Major Findings

- Over 2023-32 average NHE growth (5.6%) is projected to outpace that of average GDP growth (4.3%), resulting in an increase in the health spending share of GDP from 17.3 percent in 2022 to 19.7 percent in 2032.
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- During 2027-32, personal health care price inflation and growth in the use of health care services and goods contribute to projected health spending that grows at a faster rate than the rest of the economy.