

National Health Expenditure Projections 2022–31: Growth To Stabilize Once Public Health Emergency Ends

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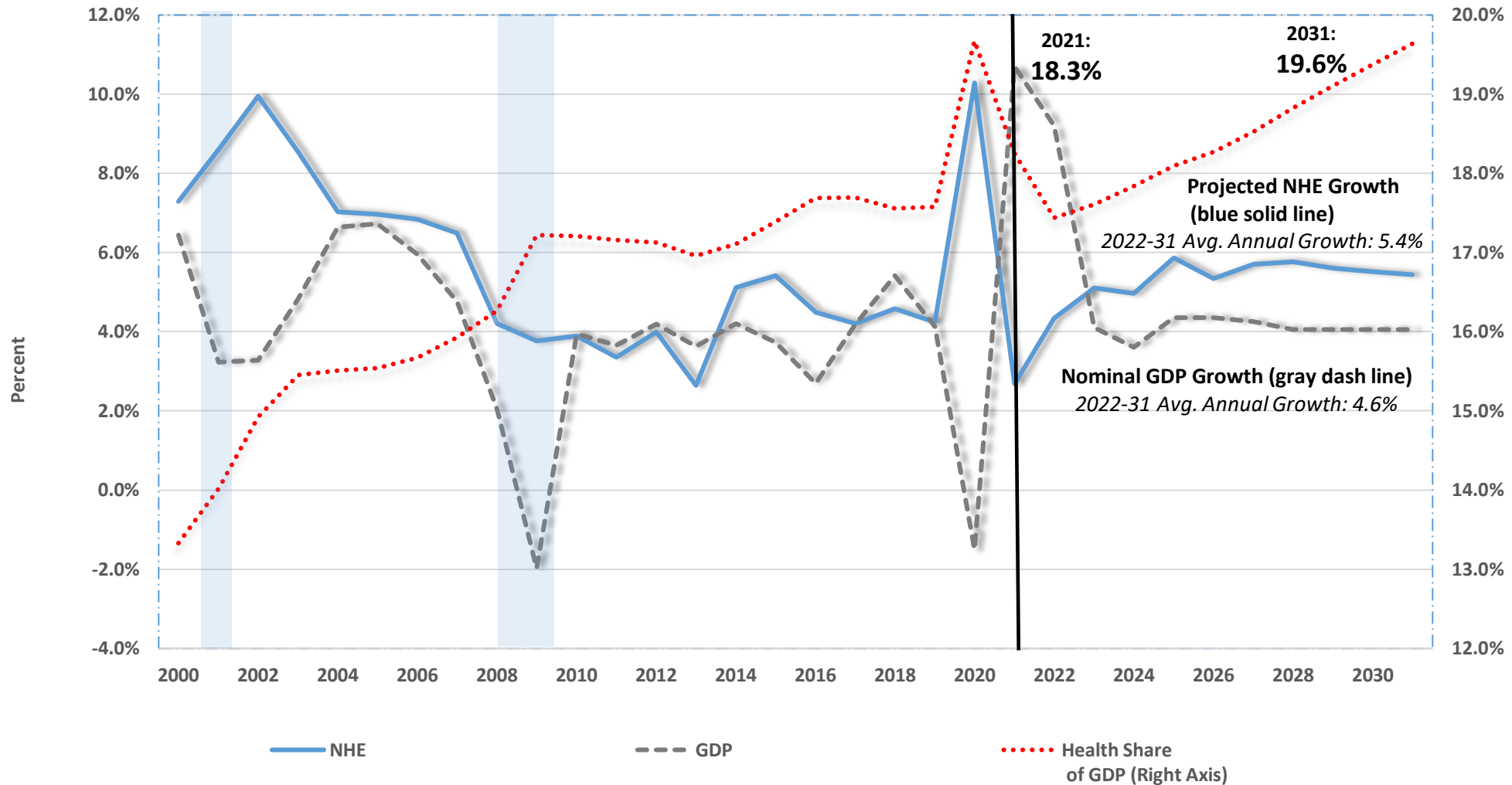
Background and Methods

- Short-run (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, 2022
- Methods: Developed using actuarial and econometric modeling techniques
 - Medicare projections, demographic and economic assumptions consistent with the *2023 Medicare Trustees Report*
 - Reflects current law
- All data available after embargo lifts at:
 - <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected>

Major Findings

- Over 2022-31 average growth in NHE (5.4 percent) is projected to outpace that of average Gross Domestic Product (GDP) growth (4.6 percent) resulting in an increase in the health spending share of GDP from 18.3 percent in 2021 to 19.6 percent in 2031.
- The insured share of the population is projected to have reached a historic high of 92.3 percent in 2022, and remain at that rate in 2023, related to the continuous enrollment requirement of the Families First Coronavirus Response Act (FFCRA) and gains in Marketplace enrollment.
- Medicaid enrollment is projected to decline from its 2022 peak of 90.4M to 81.1M by 2025 as states disenroll beneficiaries no longer eligible for coverage. By 2031, the insured share of the population is projected to be 90.5 percent.
- The Inflation Reduction Act (IRA) is projected to result in lower Out-Of-Pocket (OOP) spending on prescription drugs for 2024 and beyond as Medicare beneficiaries incur savings associated with several provisions from the legislation including the \$2,000 annual OOP spending cap and lower gross prices resulting from negotiations with manufacturers.

NHE, GDP Growth; Health Share of GDP, 2000-2031

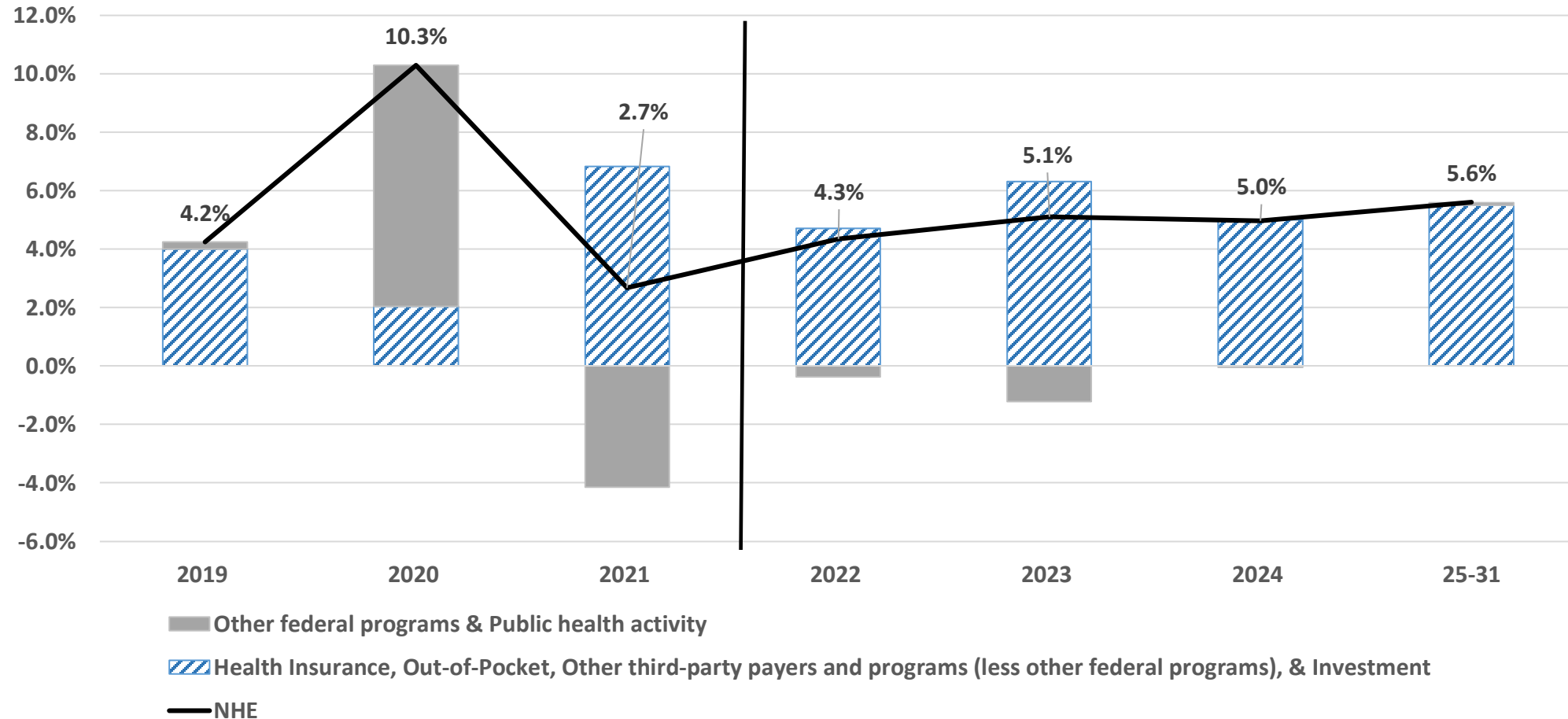


SOURCES: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; Bureau of Economic Analysis, and National Bureau of Economic Research.

NOTES: Shaded areas represent recession periods.

** During 2020 there was a short economic recession in March and April.

National Health Expenditure Growth, Contribution to Growth by Source of Funds, 2019-2031



NOTE: Average annual growth rates are from previous year shown.

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

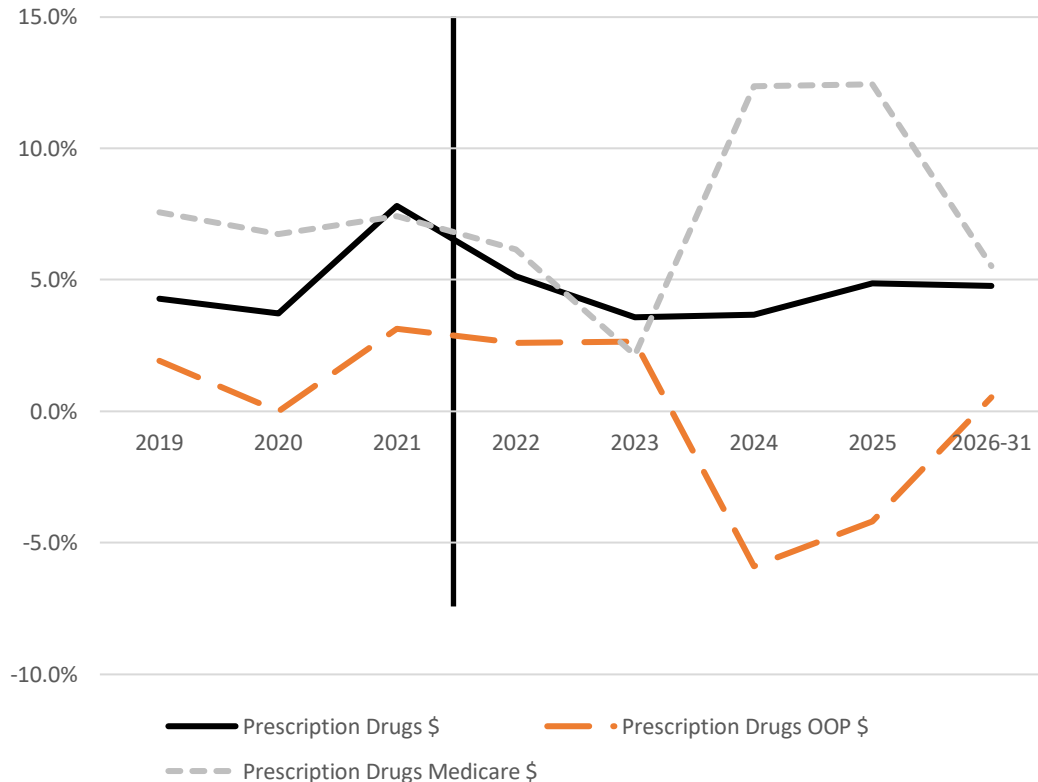
Enrollment By Insurance Status for Selected Years (millions)

	Medicare	Medicaid	Private Health Insurance	Uninsured	Insured Share of Population
2019	60.2	72.7	202.1	31.8	90.3%
2020	61.5	76.2	200.1	31.2	90.5%
2021	62.5	84.7	200.7	28.5	91.4%
2022	63.6	90.4	203.7	25.6	92.3%
2023	64.9	89.6	205.5	25.7	92.3%
2024	66.3	81.6	207.0	28.6	91.5%
2031	76.4	85.2	208.0	33.3	90.5%

Projection
Period

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 & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Inflation Reduction Act Impacts: Average Annual Growth in Prescription Drug Spending: Total, OOP, and Medicare, By Time Period



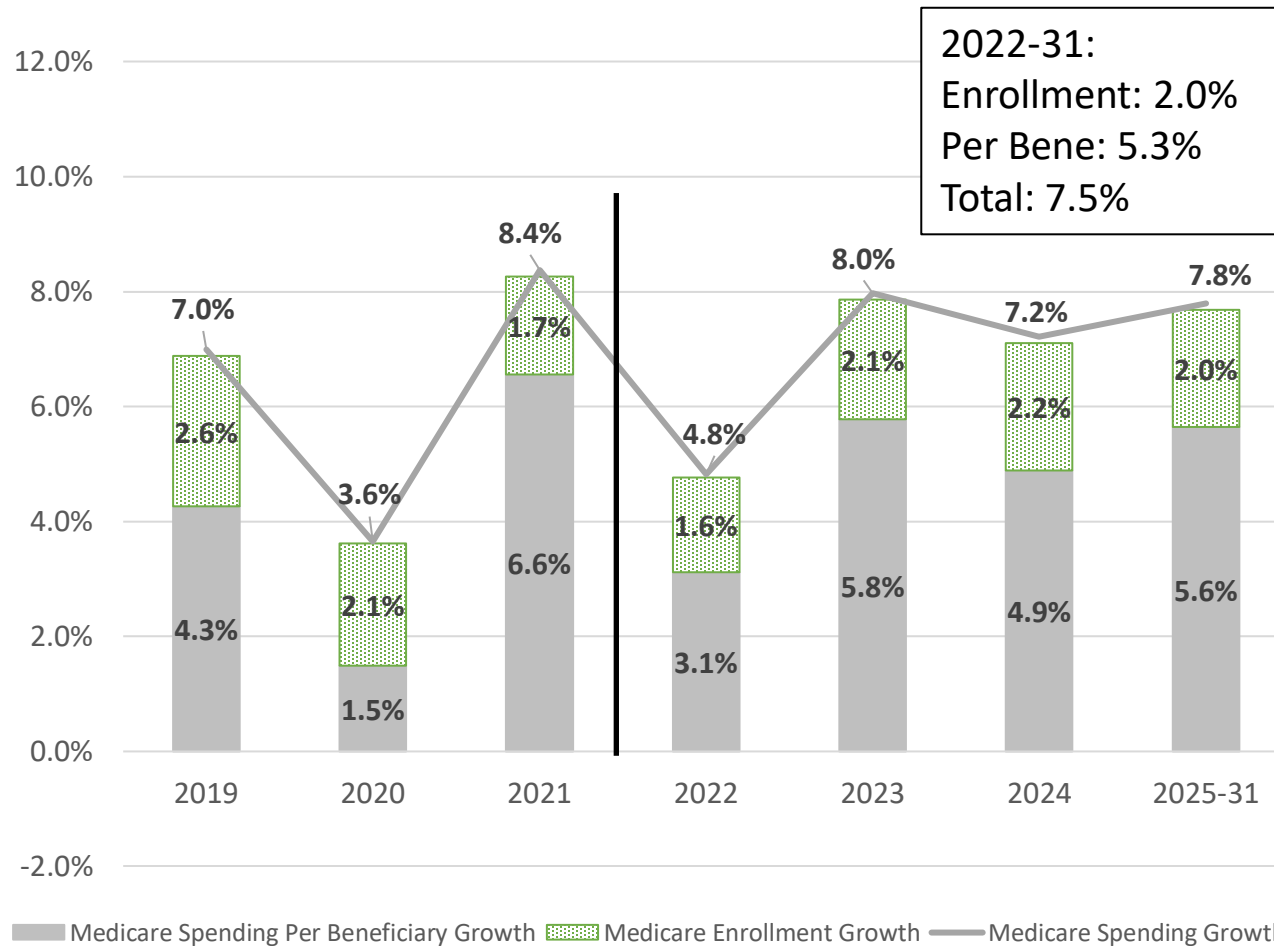
Notable Trends Impacted by IRA:

- 2023+:
 - The IRA’s inflation rebates take effect.
- 2024:
 - IRA eliminates Part D’s 5-percent beneficiary coinsurance in the catastrophic portion of the benefit resulting in negative growth in OOP spending for drugs and higher Medicare drug spending growth.
- 2025:
 - Reflects the introduction of a \$2,000 cap on OOP spending on drugs by Part D enrollees leading to continued negative OOP growth.
- 2026-31:
 - Reflects Part D’s lower negotiated prices for certain high-cost drugs, and their accompanying lower OOP payments, which acts to slow growth in Medicare prescription drug spending.

NOTE: Average annual growth rates are from previous year shown.

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

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

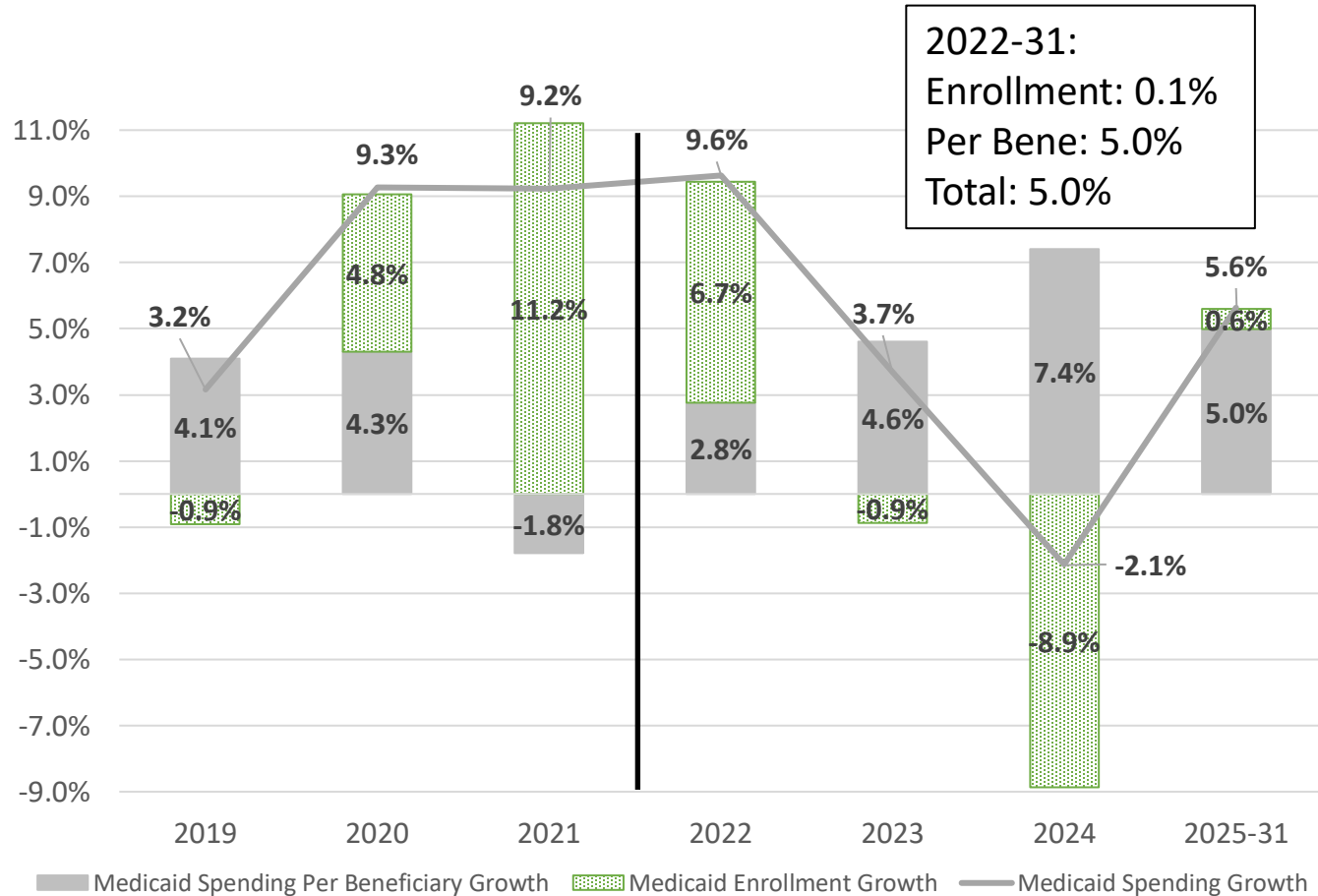


- 2022:
 - Slower spending growth attributable in part to Fee-For-Service (FFS) beneficiaries utilizing emergent hospital care at lower rates and the reinstatement of sequestration-based payment rate cuts.
- 2023:
 - Acceleration in spending growth attributable to an expected increase in FFS hospital Volume & Intensity growth and faster Medicare FFS per enrollee spending.
 - Partly offset by expiration of i) the Skilled Nursing Facility 3-Day Rule Waiver and ii) the 20-percent increase in payment for COVID-19 inpatient admissions.
- 2024:
 - Slower growth in Medicare Advantage per enrollee payments and slower FFS hospital spending growth.
- 2025-31:
 - IRA's Part D benefit enhancements raise Medicare spending in 2025. Negotiation provisions begin taking effect in 2026 and contribute to slower growth thereafter.
 - Last of the baby boomers eligible to enroll by 2029.

NOTE: Average annual growth rates are from previous year shown.

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

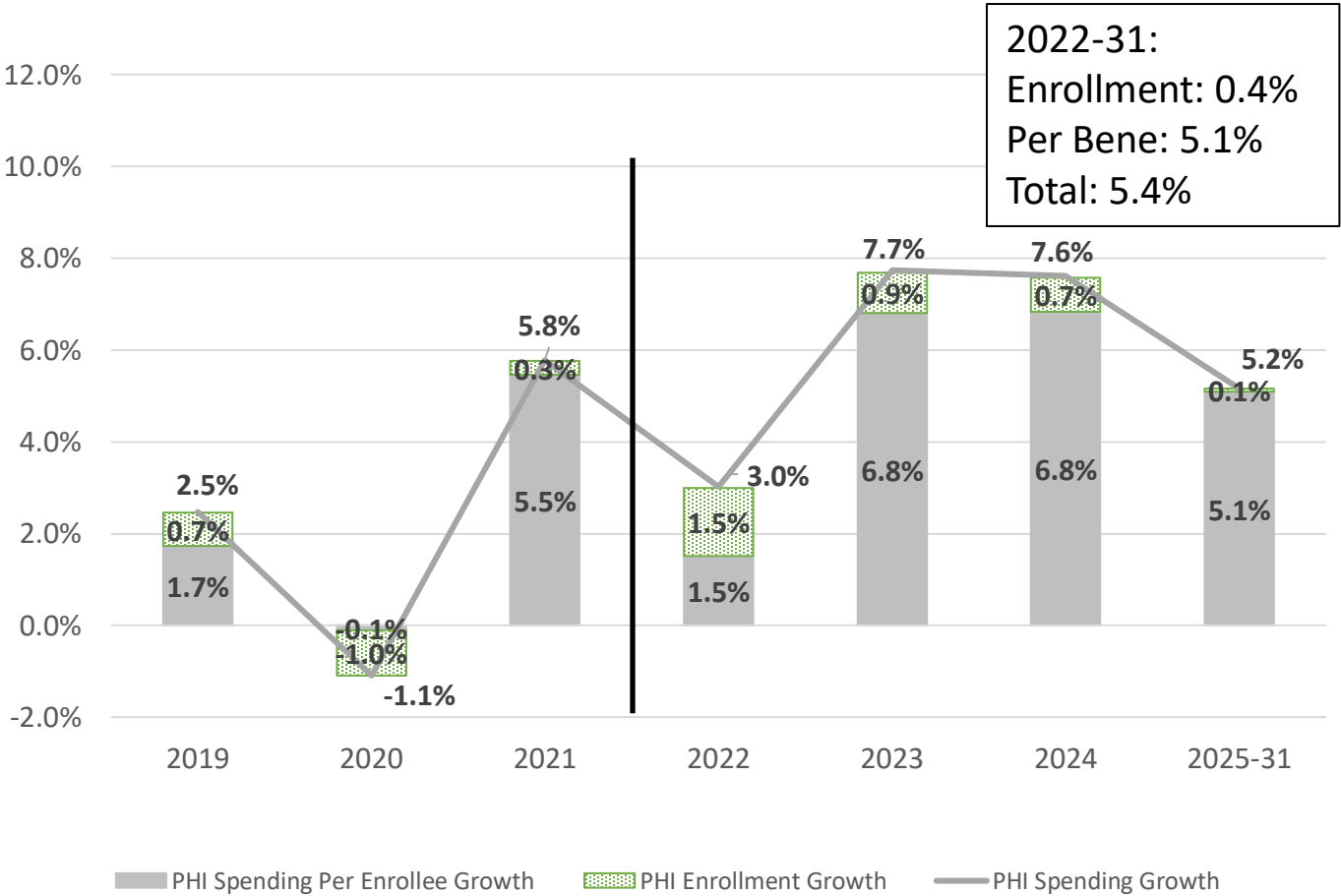


- 2022:
 - Enrollment projected to have reached 90.4M; historic high reflects new enrollees and the continuous enrollment requirement of the FFCRA.
- 2023:
 - Growth expected to slow in part due to declining enrollment as the continuous enrollment requirement expires and states begin disenrolling beneficiaries who are no longer eligible.
- 2024:
 - Larger numbers of disenrollments, leaving relatively more expensive beneficiaries enrolled (per enrollee growth highest since 1991).
 - State Medicaid spending expected to be 22.2 percent higher in 2024 compared to 2022 as increased Federal Medical Assistance Percentage ends.
- 2025-31:
 - Disproportionate share hospital payment rate cap reductions under current law expire in late-2027.

NOTE: Average annual growth rates are from previous year shown.

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

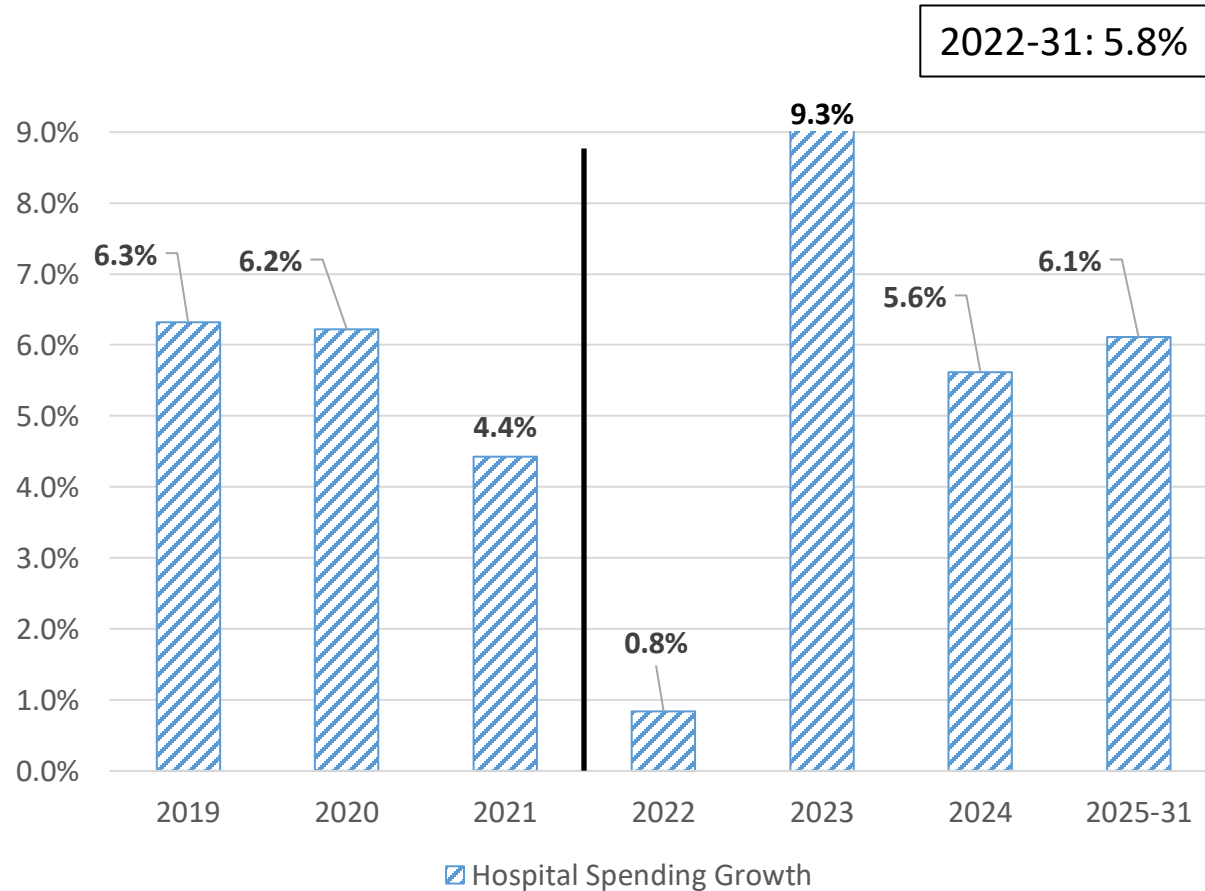
Private Health Insurance (PHI): Average Annual Growth in Enrollment, Per Beneficiary Spending, and Total Spending, By Time Period



- 2022:
 - Deceleration in spending growth due to a projected slowdown in per enrollee spending growth from lower utilization growth, especially for hospital services.
 - Partially offsetting this trend is an acceleration in PHI enrollment growth led by increasing Marketplace enrollment from American Rescue Plan Act subsidies.
- 2023-24:
 - Per enrollee growth faster due to growth in utilization and prices.
- 2025-31:
 - Slowdown partly due to the expiration of subsidies called for in current law for Marketplace plans and the associated 10-percent enrollment decline (roughly 2 million) projected for directly-purchased insurance.

NOTE: Average annual growth rates are from previous year shown.
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

Overview of Hospital Trends

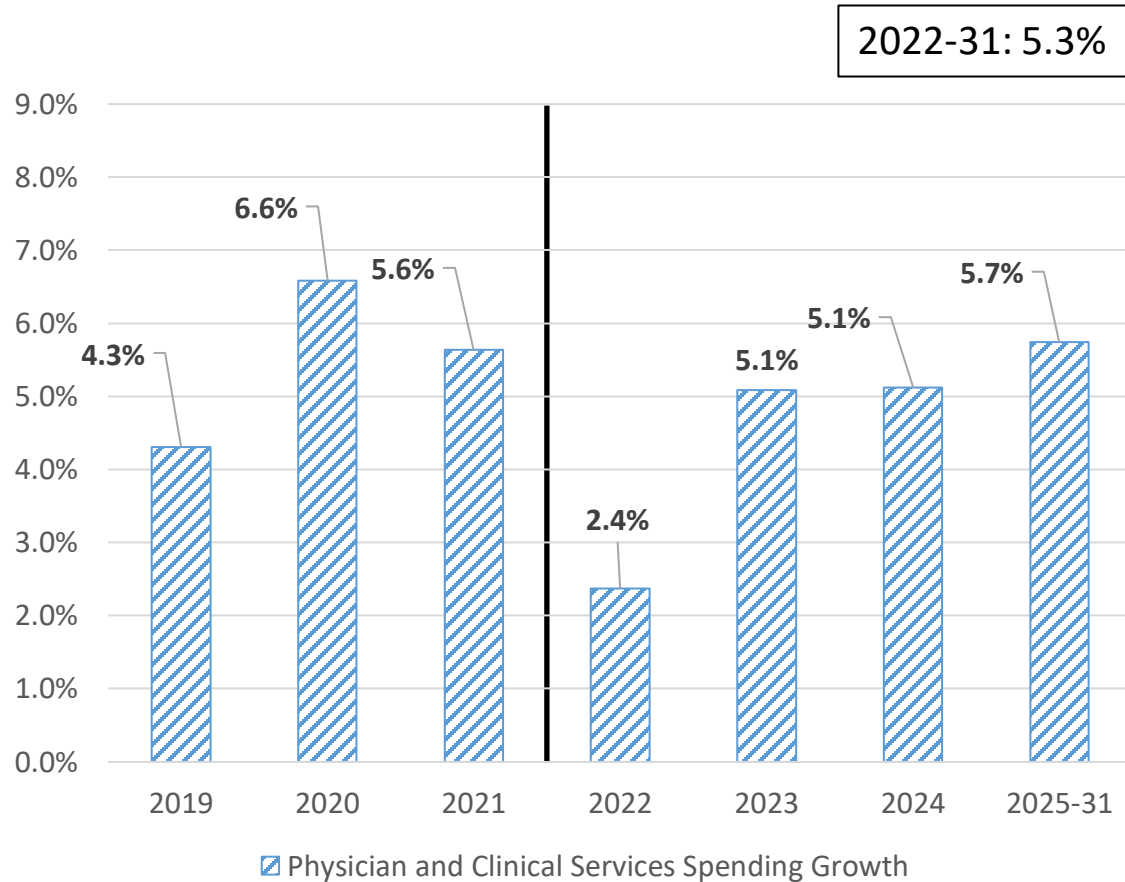


- 2022:
 - Growth is projected to be negative for PHI and OOP and low for Medicare, as utilization growth slowed from higher rates in 2021.
 - COVID-19 supplemental funding also continued to decline.
- 2023:
 - Growth in utilization for PHI, OOP, and Medicare is expected to rebound, and hospital price growth is projected to accelerate due to economywide inflation and rising labor costs.
- 2024:
 - Growth is projected to slow, mostly due to Medicaid disenrollments.
- 2025-31:
 - Trends are expected to normalize and transition away from pandemic-related impacts on utilization and spending. Average growth reflects influence of last of the baby boomers enrolling in Medicare and the end of disproportionate share hospital payment rate cap in Medicaid.

NOTE: Average annual growth rates are from previous year shown.

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

Overview of Physician & Clinical Services Trends

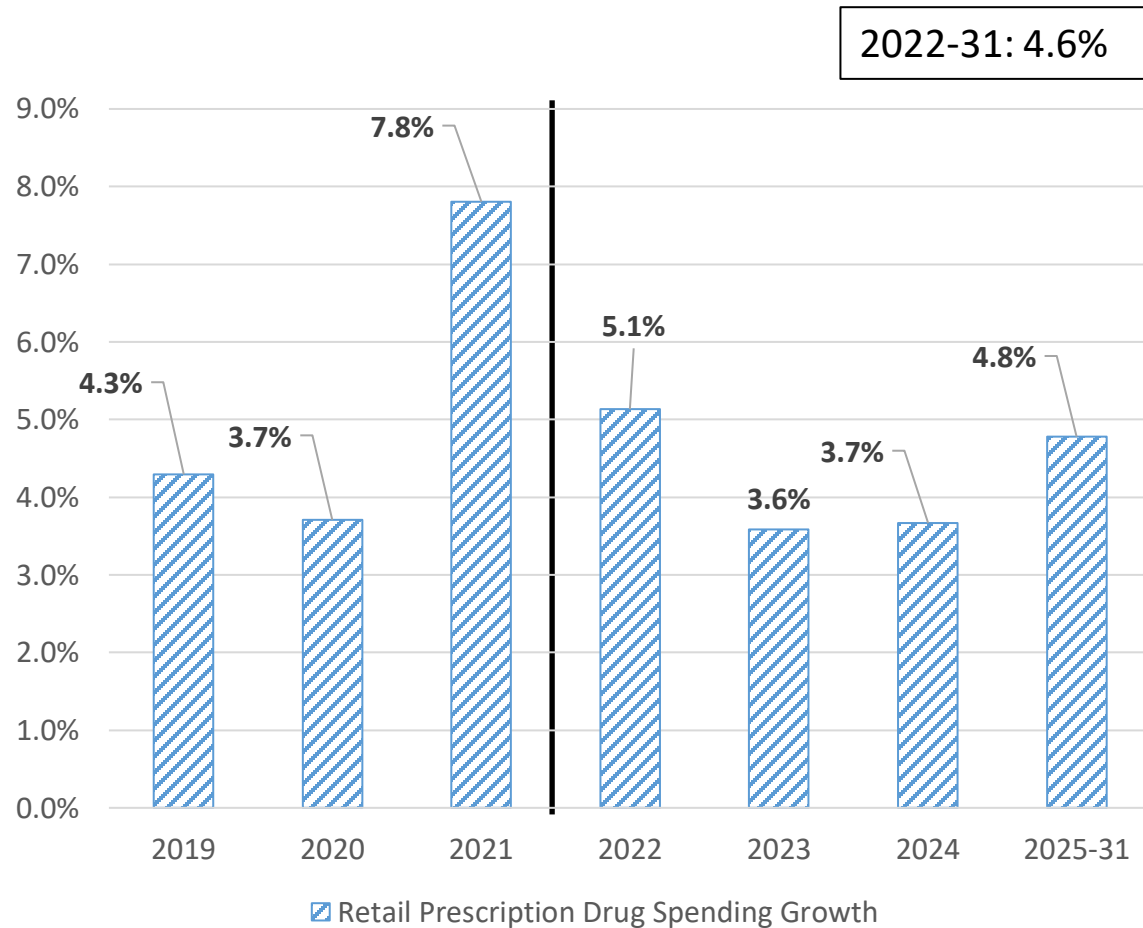


- 2022:
 - Slowdown in growth for the major payers reflects slowing growth in the use of services following the pandemic-driven decline in use in 2020 and rebound in 2021.
 - Medicare impacted by reinstatement of sequestration payment rate cuts.
 - COVID-19 supplemental funding also continued to decline.
- 2023:
 - The acceleration in growth is largely due to much faster projected growth in spending for other third-party payers and programs.
- 2024:
 - Stable growth reflects net result of a decline in Medicaid enrollment and spending offset by the impact of rising PHI spending growth and faster price growth.
- 2025-31:
 - Medicare spending growth expected to be higher than that of private health insurance largely due to faster enrollment growth projected for Medicare.

NOTE: Average annual growth rates are from previous year shown.

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

Overview of Prescription Drug Trends



- 2022:
 - Slower projected growth largely driven by a reduction in PHI spending on new drug introductions.
 - Medicaid spending growth is projected to have remained elevated partly as a result of continued strong enrollment growth.
- 2023:
 - Growth is expected to slow somewhat reflecting both slower growth in Medicaid (as projected enrollment declines) and slower growth in Medicare (partly as a result of greater use of lower-cost generic drugs for some categories of drugs within Part D).
- 2024:
 - Similar growth to 2023 is projected reflecting Part D's elimination of its 5-percent coinsurance payments (lower OOP spending), higher Medicare spending, and negative growth in Medicaid spending due to Medicaid disenrollments.
- 2025-31:
 - Increased growth influenced by typical drivers and inclusive of IRA's Part D benefit enhancements (putting upward pressure on Medicare growth) and its price negotiations/inflation rebates (putting downward pressure on Medicare and OOP growth).

NOTE: Average annual growth rates are from previous year shown.

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