

National Health Expenditure Projections 2025-2034

Forecast Summary

Major Findings for National Health Expenditure (NHE) Projections: 2025-2034

- Over 2025-34 average NHE growth (5.4 percent) is projected to outpace that of average Gross Domestic Product (GDP) (4.1 percent), resulting in an increase in the health spending share of GDP from 18.0 percent in 2024 to 20.6 percent in 2034.
- Medicare spending is expected to grow the fastest among major sources of funding over 2025-34, at 7.7 percent per year on average. (In contrast, both Medicaid spending and private health insurance (PHI) spending are expected to grow 5.0 percent per year on average over 2025-34.)
- Among the major NHE spending categories, growth in retail prescription drug spending is expected to be fastest at 5.7 percent per year on average over 2025-34. Hospital spending growth is projected to be 5.2 percent per year on average, and physician and clinical services spending growth is projected to be 5.5 percent per year on average during this period.
- The insured share of the population is expected to be 90.5 percent in 2034, compared to 91.8 percent in 2024.
- The federal government-sponsored share of NHE is expected to continue to increase from 31 percent in 2024 to 33 percent in 2034.

Chronological Discussion of Key Trends in Projected National Health Expenditures

- **2025:** Growth in national health spending is projected to have remained strong at 7.3 percent in 2025 and to have reached \$5.7 trillion, reflecting continued strong growth in the use of services and goods.
- **2026:** National health spending growth is expected to slow to 6.3 percent in part due to moderating use. Direct purchase insurance enrollment is expected to decline by 3.7 million largely due to the expiration of enhanced marketplace subsidies.
- **2027-28:** Total health spending growth is projected to slow to an average of 4.9 percent per year during this period, influenced by two major factors: i) declining Medicaid enrollment following implementation of the One Big Beautiful Bill Act (OBBBA) community engagement requirements and ii) slower growth in the utilization of health care services and goods. The insured share of the population is expected to fall to 90.4 percent in 2028 from 91.8 percent in 2024.
- **2029-34:** national health expenditure growth is projected to average 5.2 percent per year, 1.3 percentage points faster than GDP growth over the same period. Economic and demographic trends are expected to drive health spending and enrollment trends during this period. By 2034, NHE spending is projected to reach \$9.0 trillion.

Key Trends in Projected National Health Expenditures by Payer

Medicare

- **2025:** Medicare expenditures are expected to have grown 7.7 percent in 2025 (similar to growth of 7.8 percent in 2024), and to have reached \$1.2 trillion.
- **2026:** Medicare spending is expected to increase 9.2 percent in 2026 in part due to faster growth in prescription drug spending (as some costs shift from beneficiaries to the program). Specifically, manufacturers of these negotiated drugs are projected to reduce rebates that formerly came back to the Medicare program but will now be reflected through lower prices at the point of sale.
- **2027-28:** Medicare spending growth is expected to slow somewhat over 2027-28 to 8.4 percent, as demand for prescription drugs moderates in comparison to 2025-26.
- **2029-34:** Average annual growth over this period for Medicare spending is projected to be 7.3 percent. The baby boomer generation will enroll through 2029, and the oldest baby boomers will reach ages where health care consumption typically increases.

Medicaid

- **2025:** Medicaid spending is projected to grow 8.3 percent and to have reached \$1.0 trillion in 2025, up from 6.6 percent growth in 2024. Per enrollee Medicaid spending growth is expected to remain elevated on high acuity levels among enrollees.
- **2026:** Medicaid spending growth is expected to slow to 4.8 percent in 2026 as OBBBA provisions that limit state-directed payments and restrict provider taxes take effect.
- **2027-28:** In this period, Medicaid spending growth is expected to slow further, to an average of 2.7 percent. Enrollment is expected to decline by 2.6 million over the two-year period due to OBBBA's community engagement and other enrollment-related requirements.
- **2029-34:** Medicaid spending is expected to grow 5.3 percent per year over 2029-34.

Private Health Insurance and Out-of-Pocket

- **2025:** Private health insurance spending is projected to have grown 8.2 percent in 2025, compared with 8.8 percent in 2024, and to have reached \$1.8 trillion. Continued robust projected utilization of services and goods drives projected spending growth.
- **2026:** Private health insurance spending growth is projected to slow to 6.3 percent in 2026. The expiration of enhanced Marketplace subsidies are expected to contribute to a reduction in enrollment in direct purchase insurance by 3.7 million. Correspondingly, per enrollee growth expected to rise in part due to higher acuity among Marketplace enrollees who maintained their coverage.
- **2027-28:** Private health insurance growth is expected to slow further, to 4.6 percent on average, as the projected growth in use of services and goods is broadly expected to slow relative to prior periods. Increases in out-of-pocket spending are also expected to fall to an average of 4.2 percent over this period, down from 6.2 percent growth in 2025 and 2026.
- **2029-34:** Both private health insurance and out-of-pocket spending growth rates are expected to be 4.4 percent per year on average during this period. Contributing to the modest private health insurance spending growth is slow enrollment growth as enrollees continue to age out of their private insurance coverage and into Medicare.

Key Trends in Projected National Health Expenditures by Sector

Hospital Care

- **2025:** Hospital Care spending is expected to have grown 8.2 percent in 2025 following 8.9 percent growth in 2024, and to have reached \$1.8 trillion. Growth in utilization is expected to have remained above long-term averages.
- **2026:** Hospital spending growth is expected to slow to 5.8 percent in 2026, reflecting declining PHI enrollment (enhanced subsidy expiration, as well as OBBBA-mandated limits to Medicaid state-directed payments and provider taxes).
- **2027-28:** Hospital spending growth is projected to slow further over 2027-28, as Medicaid enrollment declines (OBBBA community engagement and other enrollment-related requirements) and utilization growth also moderates compared to prior periods.
- **2029-34:** Hospital spending growth is projected to average 4.9 percent per year over this period.

Physician and Clinical Services

- **2025:** Expenditures on physician and clinical services are expected to have grown 6.2 percent in 2025 (8.1 percent in 2024), and to have reached \$1.2 trillion.
- **2026:** Physician and Clinical Services spending growth is expected to slow to 5.6 percent in 2026, reflecting declining PHI enrollment (enhanced subsidy expiration).
- **2027-28:** Physician and Clinical Services spending growth is projected to slow further over 2027-28 to 5.0 percent per year, as Medicaid enrollment declines (OBBBA community engagement and other enrollment-related requirements) and utilization growth also moderates compared to prior periods.
- **2029-34:** Spending growth is expected to average 5.5 percent annually over this period.

Retail Prescription Drugs

- **2025:** Retail prescription drug spending is projected to grow 11.1 percent in 2025, up from 7.9 percent in 2024 and to reach \$518.7 billion. Robust growth in drug utilization (such as diabetes, obesity drugs) underlie the continued strong growth. Additionally, Medicare prescription drug growth was influenced by the implementation of a cap on out-of-pocket spending and a manufacturer discount program specified by the Inflation Reduction Act (IRA)
- **2026:** Retail prescription drug spending is expected to slow to 8.2 percent due to lower, but still strong expected growth in utilization. Medicare Part D drug price negotiations begin this year, which are expected to further shift some costs from beneficiaries to Medicare.
- **2027-34:** Moderating growth in use of diabetes and obesity drugs, as well as adaptation to the IRA Medicare Part D benefit structure and price negotiations implemented in previous periods are expected to result in 5.1 percent average annual growth over 2027-28 and 4.6 percent average annual growth over 2029-34.