

National Health Expenditure Projections 2021–30: Growth to Moderate as COVID-19 Impacts Wane

Office of the Actuary
Centers for Medicare & Medicaid Services
March 28, 2022



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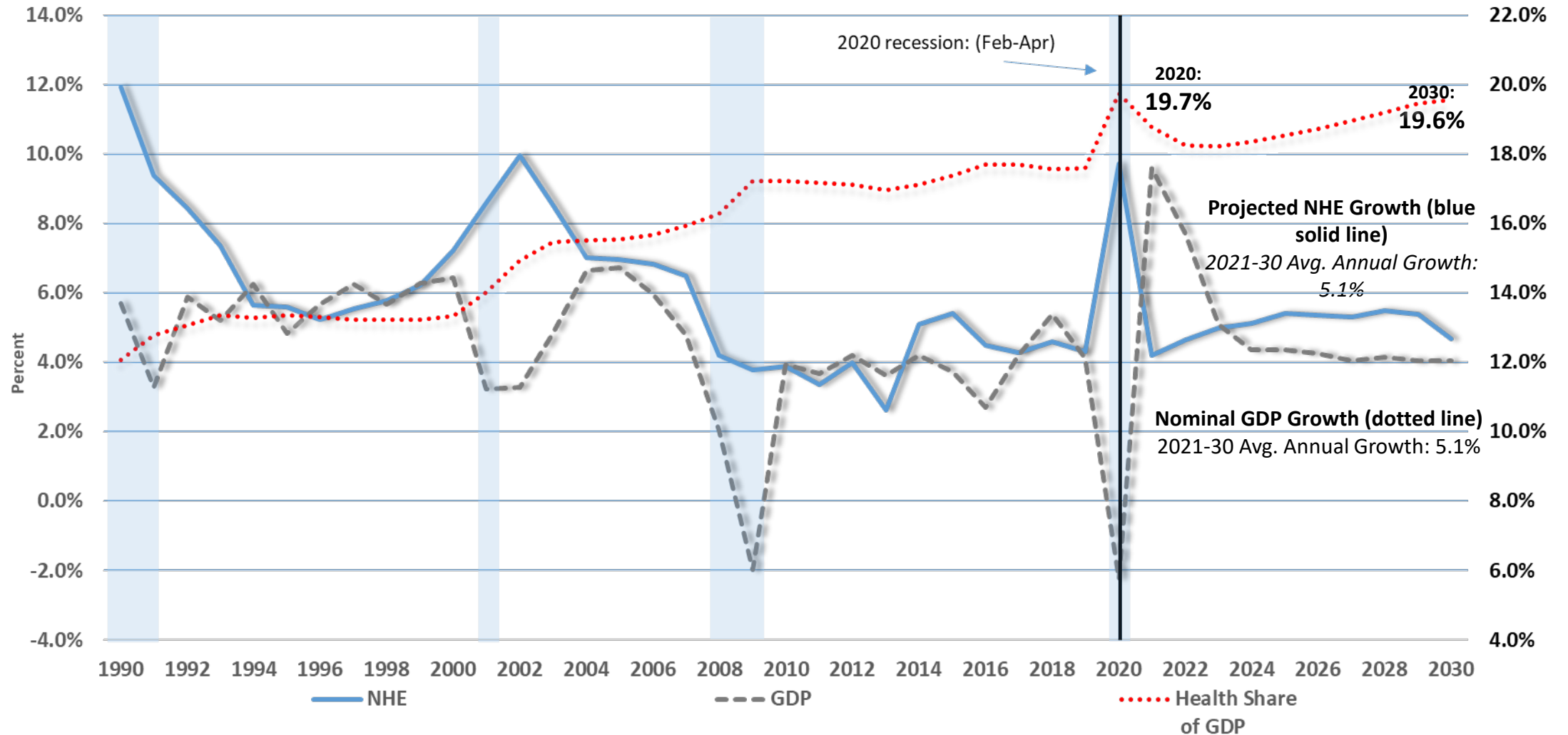
Background and Methods

- 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, 2021
- Methods: Developed using actuarial and econometric modeling techniques
 - Medicare projections, demographic and economic assumptions consistent with the *2021 Medicare Trustees Report*
 - Reflect current law, and assumes Public Health Emergency ends in 2022
- All data available after embargo lifts at: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected>

Major Findings

- On average over 2021-30, NHE and GDP are both projected to grow 5.1 percent per year; as a result the projected share of GDP in 2030 (19.6 percent) is similar to 2020 (19.7 percent).
- However, near-term NHE patterns are significantly influenced by the COVID-19 pandemic:
 - NHE growth in 2021 projected to have slowed to 4.2 percent (down from 9.7 percent growth in 2020) as federal COVID-19 supplemental funding declined substantially.
 - Following the declines observed in 2020, health care utilization is expected to rebound starting in 2021 and normalize through 2024.
 - By 2024, the government share of health spending is expected to fall to 46 percent as COVID-19 supplemental funding is expected to wane, down from an all-time high of 51 percent in 2020.
 - The percentage of the population with health insurance is expected to peak in 2022 at 91.1% (mainly due to Medicaid enrollment) before falling back towards pre-pandemic levels as the PHE is assumed to end.
- For 2025-2030, factors that typically drive changes in health spending and enrollment, such as economic, demographic, and health-specific factors, are again expected to primarily influence trends in the health sector.
 - Medicare: Influenced by both demographic and statutory changes
 - Medicaid: Influenced by statutory changes
 - Private Health Insurance/Out-of-Pocket: Influenced by changes in economics
 - The percentage of the population with health insurance is projected to be 90.5% in 2030.

NHE, GDP Growth; Health Share of GDP, 1990-2030

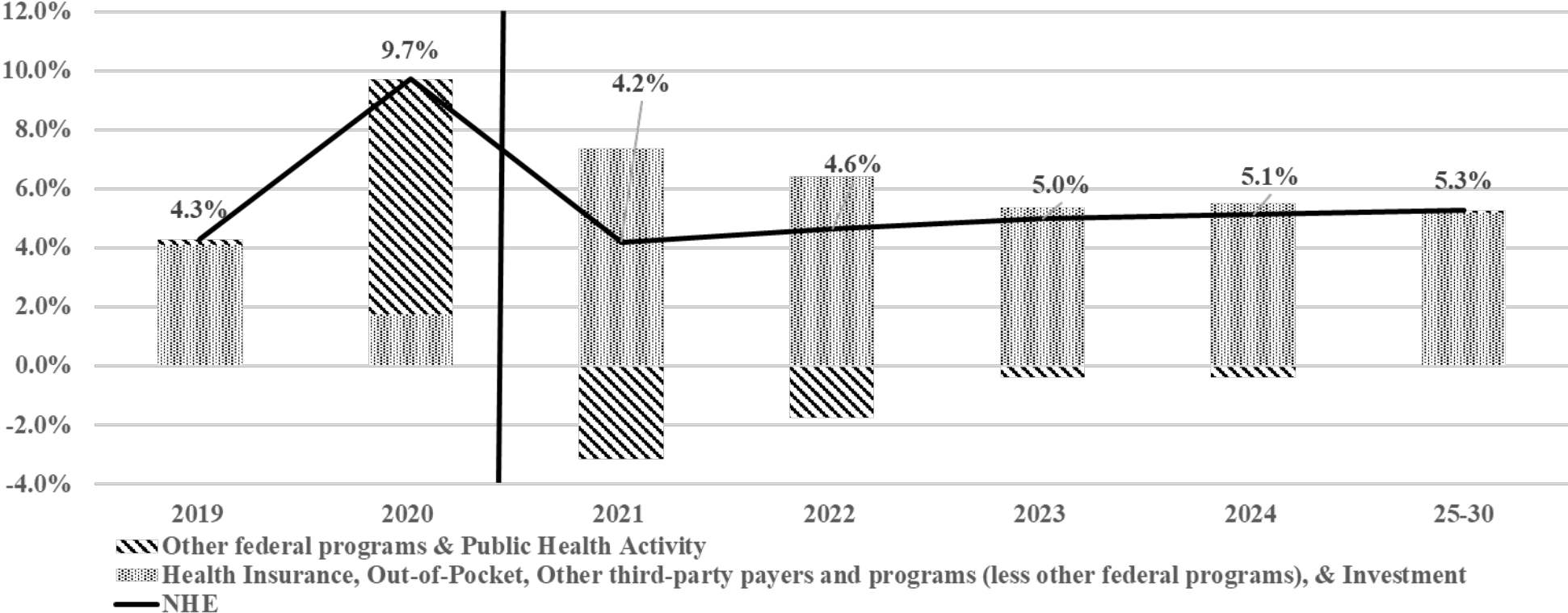


SOURCES: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group; Bureau of Economic Analysis, and National Bureau of Economic Research.

NOTES: Shaded areas represent recession periods.

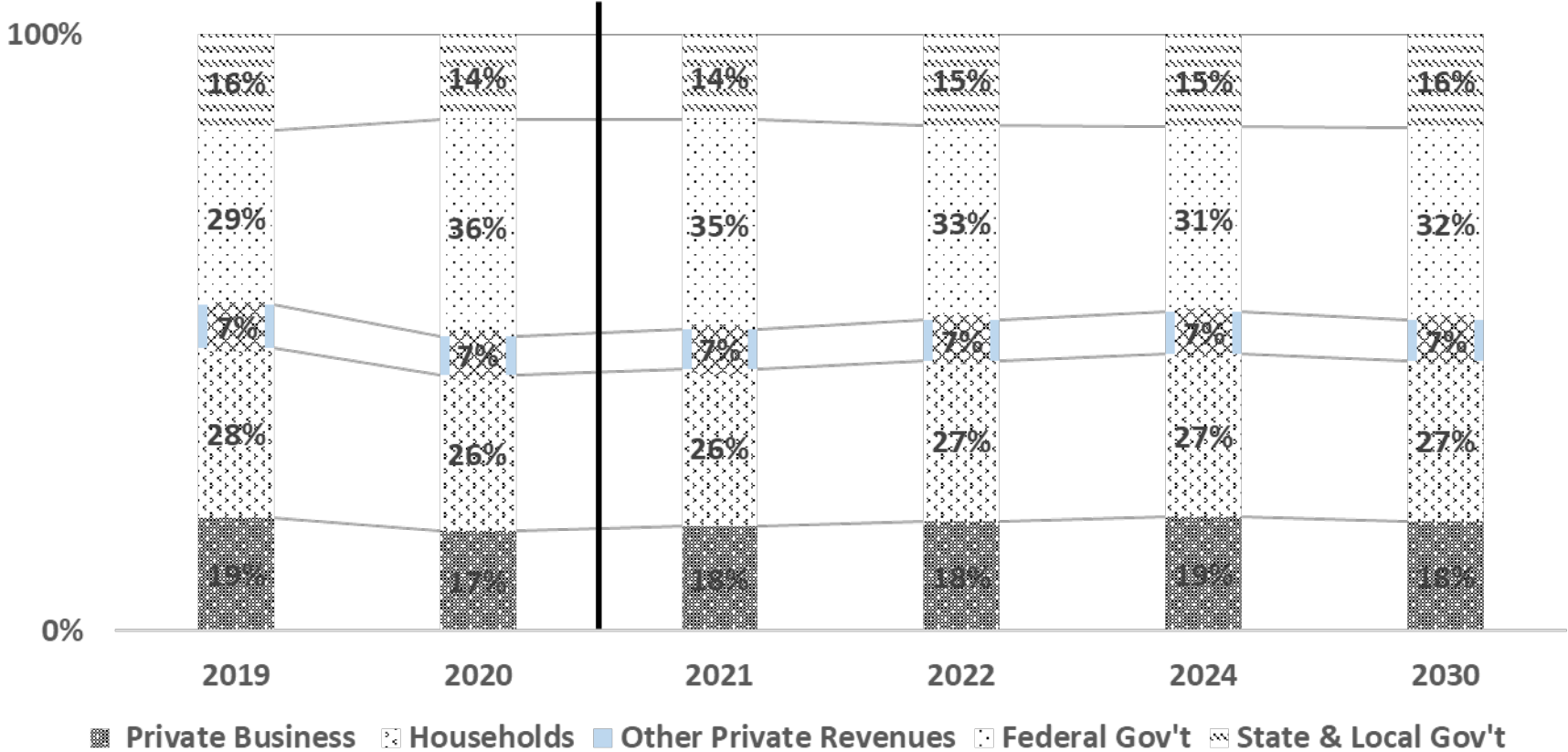
National Health Expenditure Growth, Contribution to Growth by Source of Funds, 2019-2030

Average annual growth rates are from previous year shown



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

National Health Expenditures: Distribution by Type of Sponsor



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

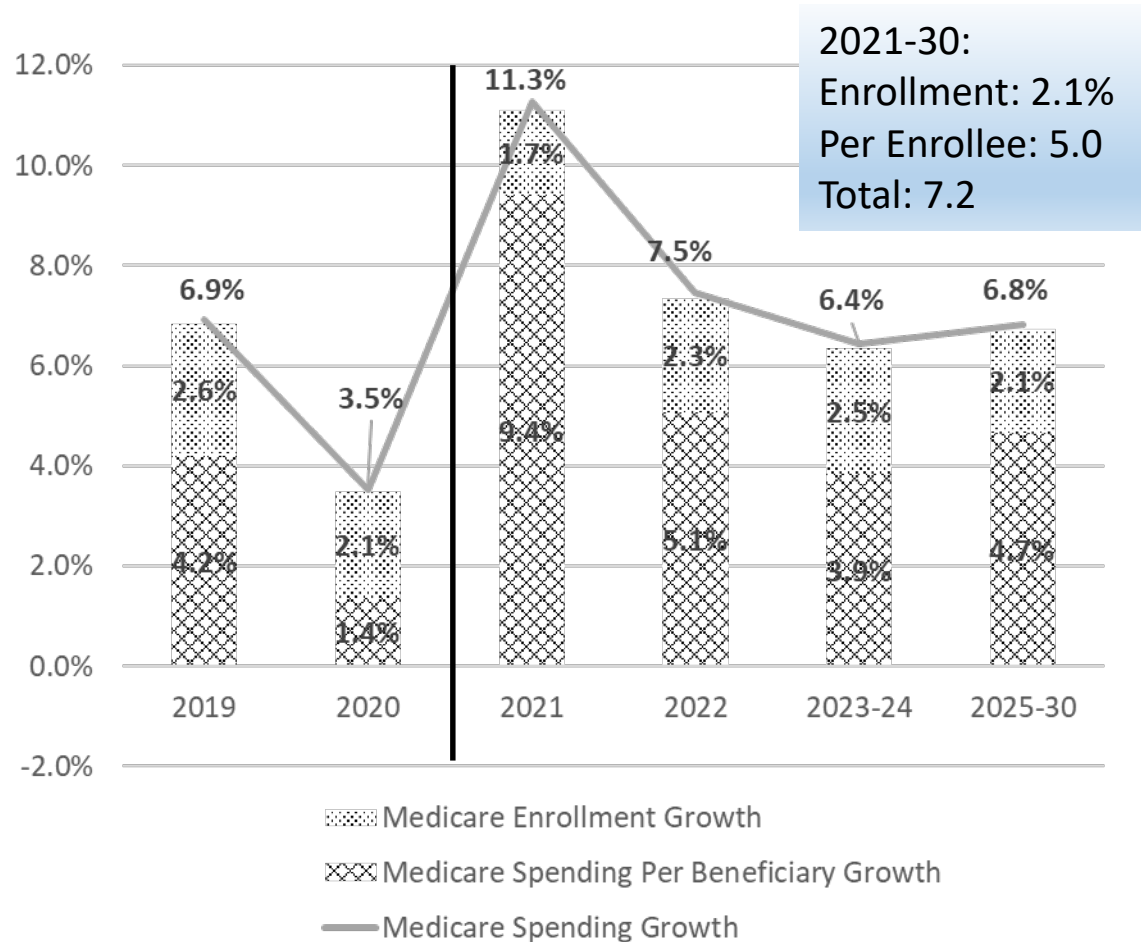
Enrollment By Insurance Status for Selected Years (millions)

		Medicare	Medicaid	PHI	Uninsured	Insured Share of Population
Projection Period	2019	60.2	72.3	202.0	31.8	90.3%
	2020	61.5	76.0	200.3	31.2	90.5%
	2021	62.5	82.2	201.8	29.4	91.1%
	2022	64.0	81.5	202.0	29.5	91.1%
	2023	65.6	78.9	201.8	31.0	90.7%
	2024	67.2	79.5	202.8	31.1	90.8%
	2030	76.0	83.3	207.9	33.1	90.5%

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.

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



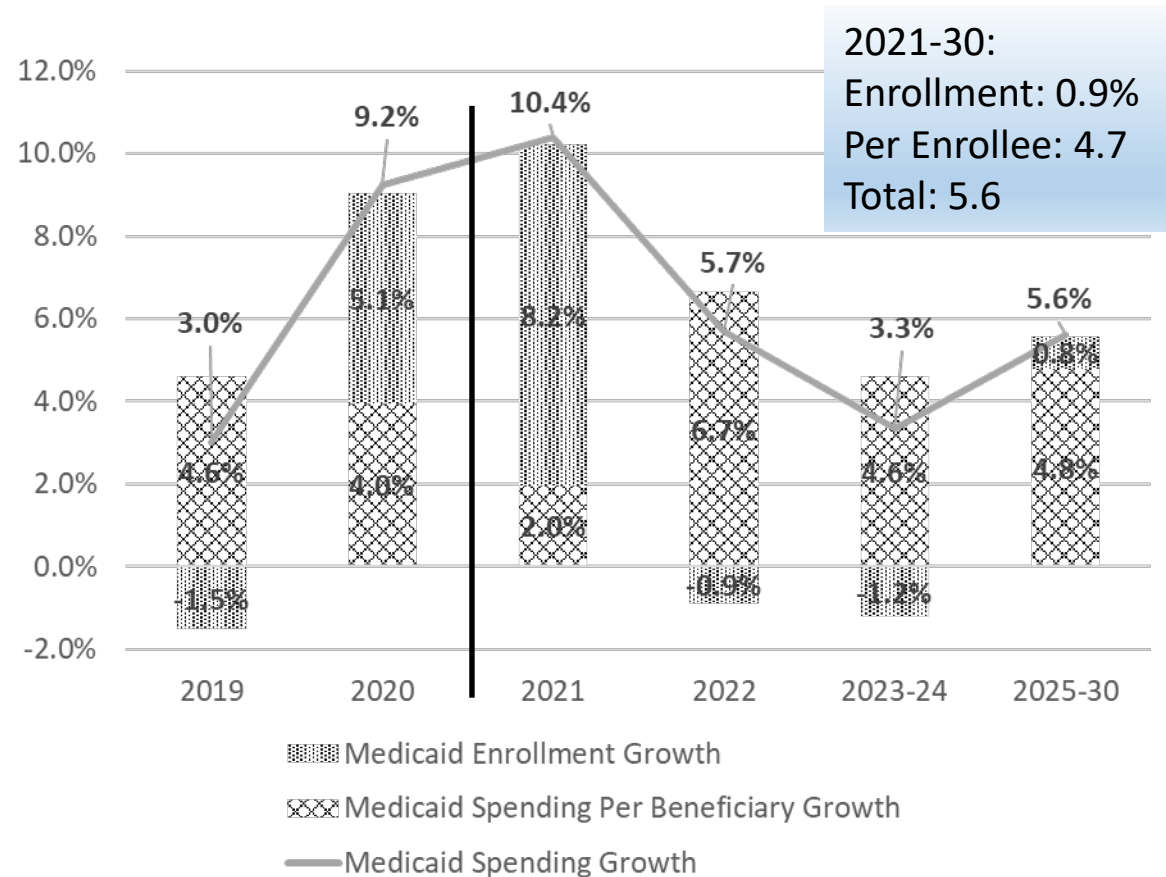
- 2021:
 - Faster per enrollee spending growth mainly influenced by an assumed acceleration in utilization growth.
- 2022-24:
 - Growth in use is projected to moderate following the sharp increase in 2021; also contributing are lower FFS payment rate updates and phasing in of sequestration cuts in 2022.
 - Spending projected to exceed \$1T for first time in 2023.
- 2025-30:
 - Expected rates of growth more similar to the program's long-term averages although slowing growth is projected for 2030 (Baby Boomers no longer enrolling coupled with further increases in sequestration cuts).

Average annual growth rates are from previous year shown

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

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



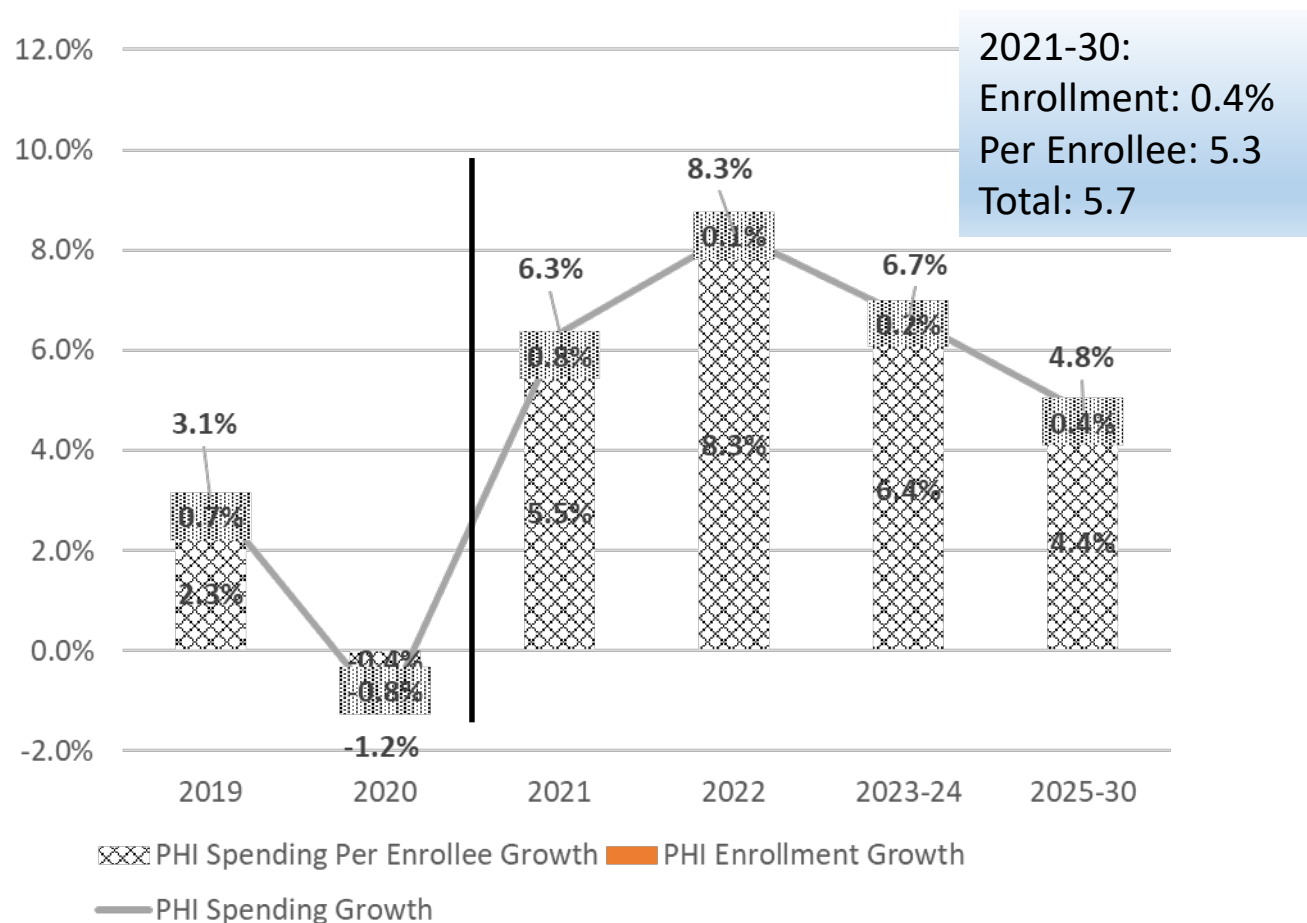
Average annual growth rates are from previous year shown

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

- 2021:
 - Enrollment growth projected to have been 8.2 percent significantly influenced by the Maintenance of Eligibility (MOE) provision as many beneficiaries were added to the program who were comparatively less expensive than average.
- 2022-24:
 - Growth expected to slow in part due to declining enrollment as the public health emergency ends, the MOE provision expires, and states disenroll certain beneficiaries who are longer eligible (leaving relatively more expensive beneficiaries in the program).
- 2025-30:
 - Spending growth expected to increase in part due to the disproportionate share cap reductions expirations under current law in late-2027. Spending projected to exceed \$1T for the first time in 2028.

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

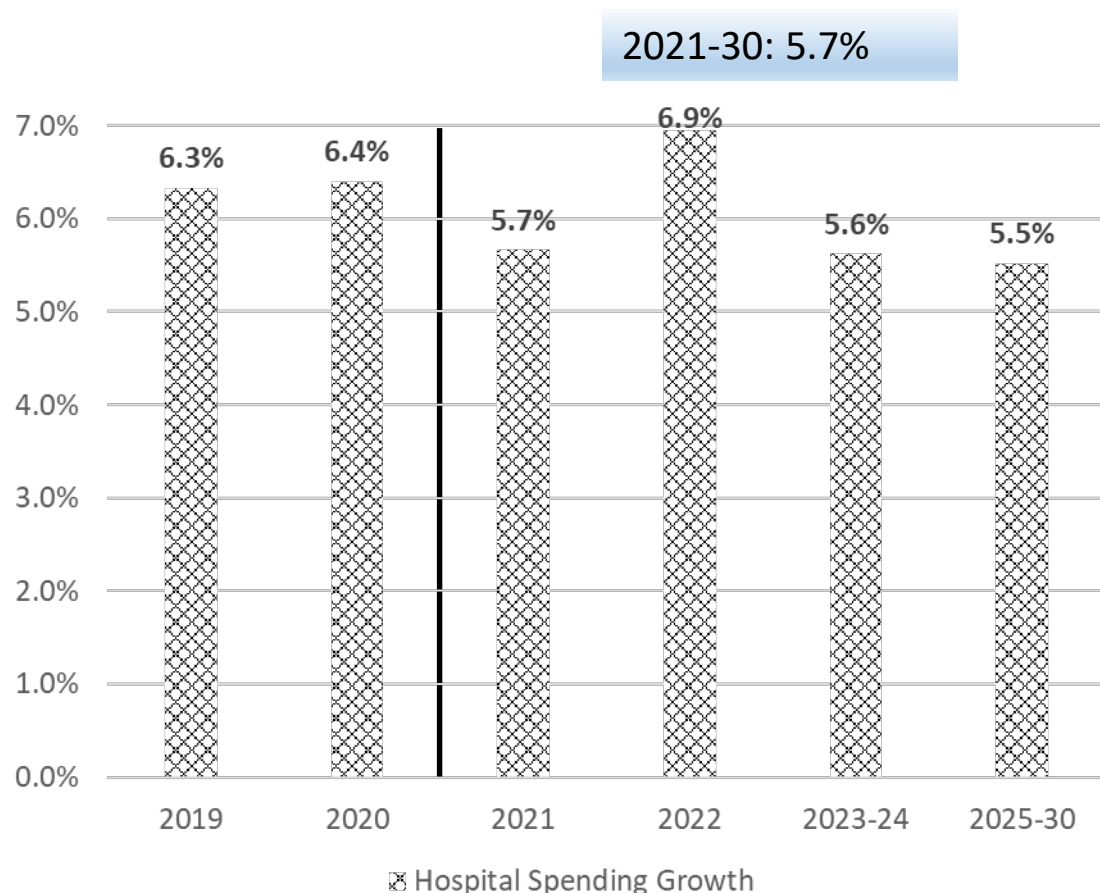


Average annual growth rates are from previous year shown

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

- 2021:
 - Strong projected growth due to rebound in utilization following lows of 2020. Rapid growth in Marketplace enrollment related to the Special Enrollment Period resulted in 5.4 percent growth in individually-purchased insurance plans.
- 2022:
 - Demand expected to continue growing; price growth accelerates in lagged response to economywide price growth.
- 2023-24:
 - Utilization growth projected to remain high, but expected to normalize relative to that for 2021-22.
- 2025-30:
 - In lagged response to slowing growth in incomes earlier in the period, spending growth is expected to also slow.

Overview of Hospital Trends

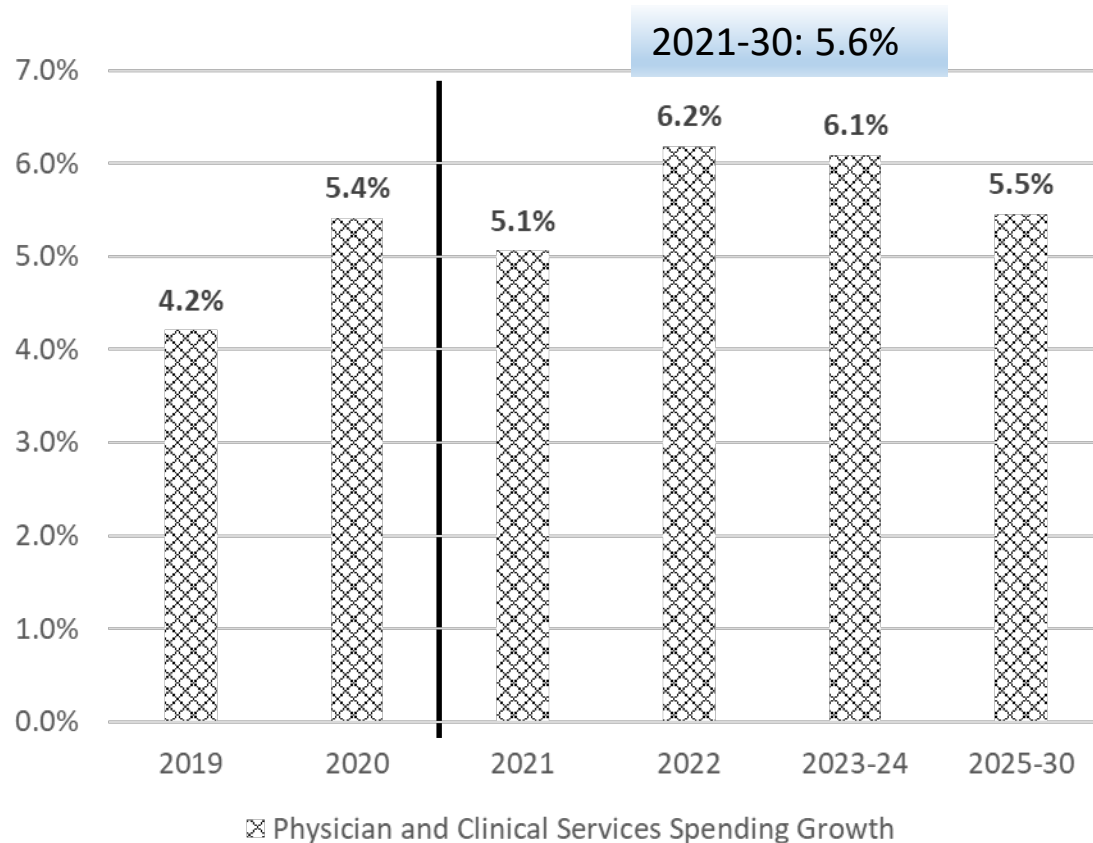


Average annual growth rates are from previous year shown

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

- 2021:
 - Growth is projected to slow largely due to declining federal supplemental payments. As utilization rebounded from the lows of 2020, spending growth is projected to have accelerated for Medicare, Medicaid, and PHI.
- 2022:
 - Demand for care is expected to remain high despite a projected acceleration in price growth.
- 2023-24:
 - Growth is projected to normalize and transition away from pandemic-related impacts on utilization, federal program funding, and changes in insurance enrollment.
- 2025-30:
 - Projected spending growth reflects net impacts of faster growth in Medicaid (expiration of DSH payment cap reductions) and slower growth in both Medicare (slowing enrollment growth and sequestration cuts) and PHI (in lagged response to slowing income growth).

Overview of Physician & Clinical Services Trends

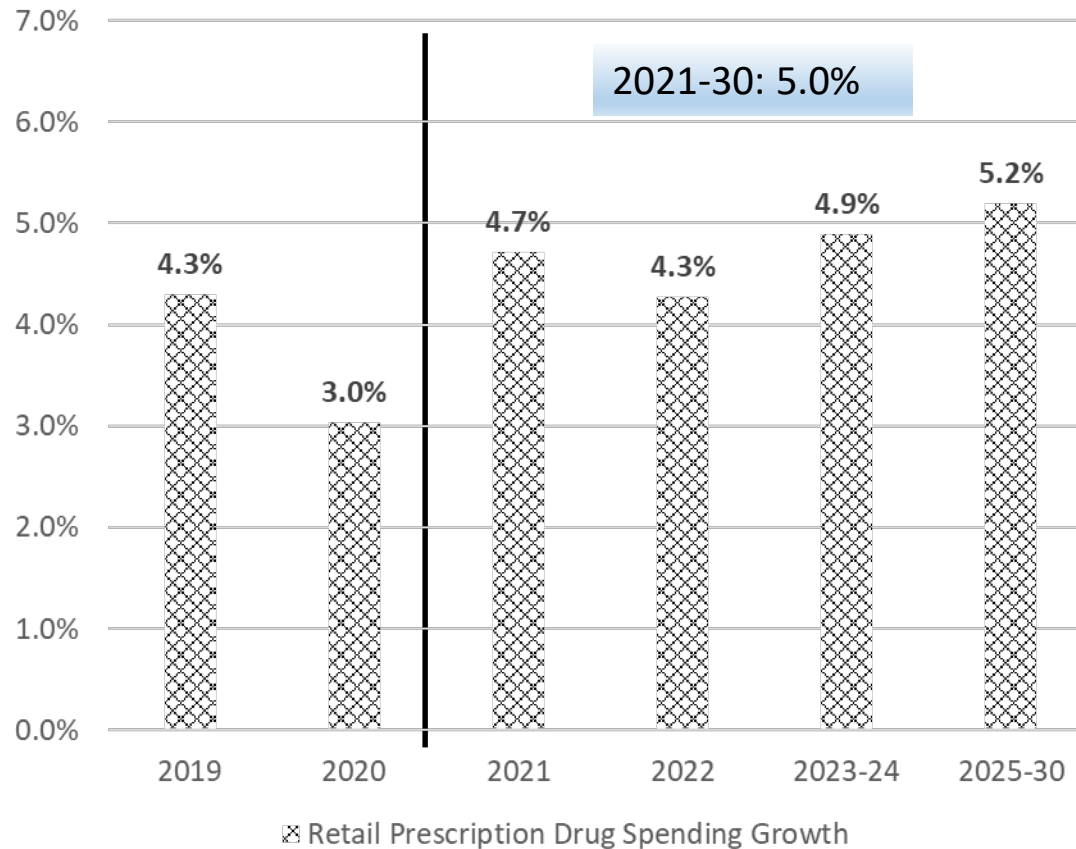


Average annual growth rates are from previous year shown

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

- 2021:
 - Slower projected growth reflects declines in federal supplemental payments to providers offset somewhat by faster growth in Medicare as growth in utilization rebounded and Medicare physician payment rates were temporarily increased.
- 2022:
 - Faster growth in spending is projected as those with PHI are expected to resume more typical patterns of use.
- 2023-24:
 - The lingering effects of the pandemic are expected to diminish with generally slower growth projected across the major payers.
- 2025-30:
 - Spending growth primarily reflects expected decelerating growth for PHI enrollees in lagged response to projected slower growth in incomes earlier in the period.

Overview of Prescription Drug Trends



Average annual growth rates are from previous year shown

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

- 2021:
 - Faster projected growth largely driven by much faster growth among Medicaid beneficiaries as enrollment increased substantially. PHI spending growth is also expected to have accelerated as projected utilization increased in line with faster growth in physician visits.
- 2022:
 - Growth is expected to slow somewhat reflecting the net effects of slower growth in Medicaid (as projected enrollment declines) and faster growth in Medicare (due to higher projected Medicare Part D enrollment growth and faster net price growth resulting from slower growth in rebates compared to 2021).
- 2023-24:
 - Spending growth is projected to accelerate as prices are expected to rise faster, as is utilization, due to increasing use of new drugs introduced over 2021 and 2022.
- 2025-30:
 - Expenditures are projected to increase somewhat faster as a function of faster price growth and the impact of new drugs that are expected to appear over 2022 to 2026.

Major Findings

- On average over 2021-30, NHE and GDP are both projected to grow 5.1 percent per year; as a result the projected share of GDP in 2030 (19.6 percent) is similar to 2020 (19.7 percent).
- However, near-term NHE patterns are significantly influenced by the COVID-19 pandemic:
 - NHE growth in 2021 projected to have slowed to 4.2 percent (down from 9.7 percent growth in 2020) as federal COVID-19 supplemental funding declined substantially.
 - Following the declines observed in 2020, health care utilization is expected to rebound starting in 2021 and normalize through 2024.
 - By 2024, the government share of health spending is expected to fall to 46 percent as COVID-19 supplemental funding is expected to wane, down from an all-time high of 51 percent in 2020.
 - The percentage of the population with health insurance is expected to peak in 2022 at 91.1% (mainly due to Medicaid enrollment) before falling back towards pre-pandemic levels as the PHE is assumed to end. The 2030 rate is projected to be 90.5%.
- For 2025-2030, factors that typically drive changes in health spending and enrollment, such as economic, demographic, and health-specific factors, are again expected to primarily influence trends in the health sector.
 - Medicaid faces upward pressure due to expiring DSH cuts; conversely, Medicare (end of baby boom enrollment and additional sequestration in 2030) and PHI/OOP (lagged response to slowing income) face downward pressure.