

SEPTEMBER 16, 2024

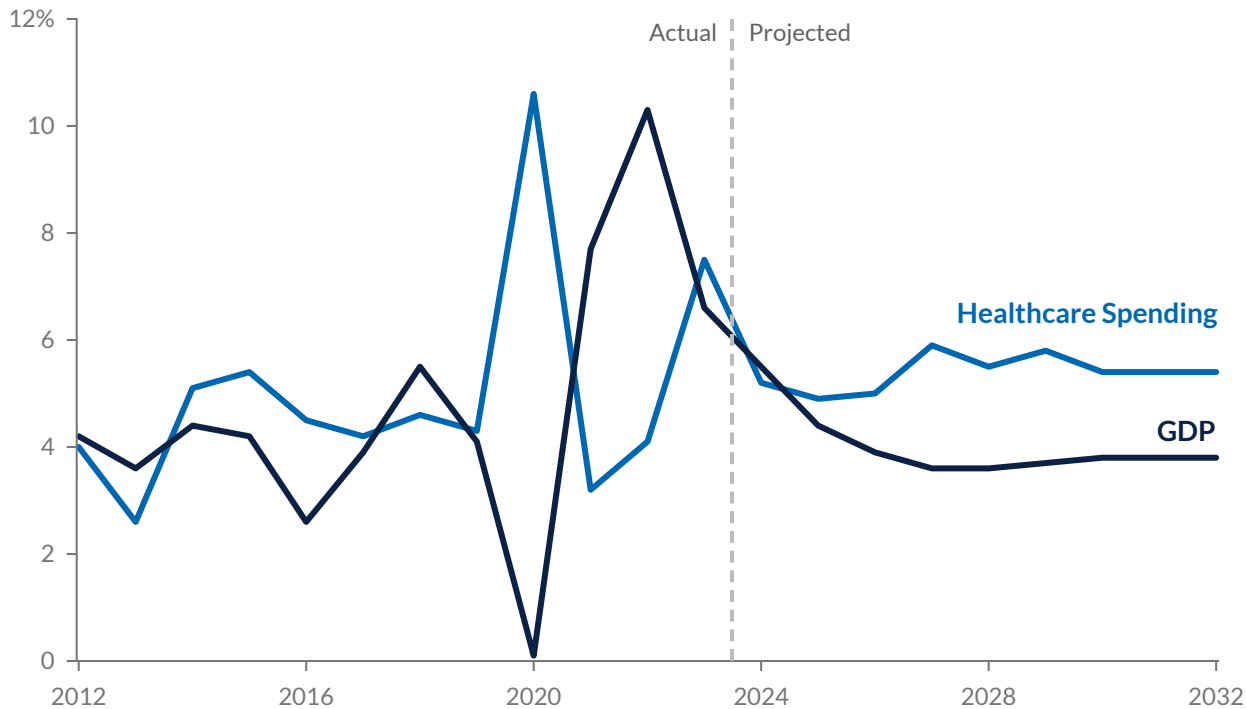
## HEALTHCARE SPENDING WILL BE ONE-FIFTH OF THE ECONOMY WITHIN A DECADE



Healthcare spending in the United States is rising, with serious implications for the federal budget, according to projections from the Centers for Medicare & Medicaid Services (CMS). National health expenditures (NHE), which includes both public and private spending on healthcare, are projected to climb from \$4.8 trillion, or \$14,423 per person, in 2023 to \$7.7 trillion, or \$21,927 per person, in 2032. Relative to the size of the economy, NHE is projected to climb from 17.6 percent of gross domestic product (GDP) in 2023 to nearly 20 percent by 2032 as rising healthcare costs will outpace the growth in the economy.

# Healthcare spending is projected to grow faster than the economy over the next decade

Annual Growth Rate (%)



Sources: [Congressional Budget Office](#), [Office of Management and Budget](#), and [Centers for Medicare and Medicaid Services](#) • [Embed](#) • [Download image](#)



Healthcare costs continue to rise due to a myriad of factors, but central reasons include the increased utilization of healthcare services, partially due to the aging population and the rising cost of health services. The aging population translates to higher healthcare costs because older people, on average, need more healthcare. For example, individuals age 65 and older spend, on average, almost two-and-a-half times more on healthcare per person than working-age individuals and five times more than children. The rising cost of health services will also raise healthcare spending — driven by new technology, fast-growing inflation, and greater labor costs.

# Medical spending increases rapidly with age

Healthcare Spending per Capita by Age Group (\$)

8518495

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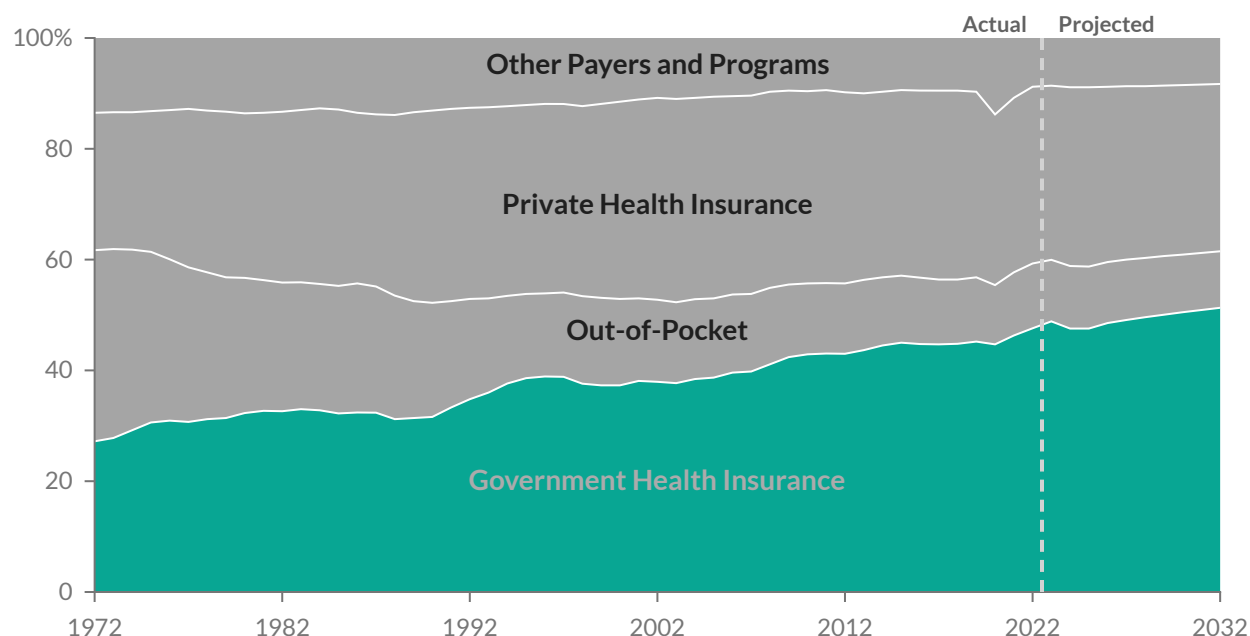
Note: Data are for 2020.



That growth in healthcare costs has consequences for the nation’s fiscal outlook. Primarily due to the aging of the population, enrollment in, and therefore the costs of, government health insurance programs such as Medicare and Medicaid will rise. Federal spending on healthcare is expected to climb from \$2.2 trillion in 2023, or 49 percent of healthcare spending, to \$3.8 trillion, or 51 percent of healthcare spending, in 2032.

# The portion of health spending paid by government-sponsored insurance is growing

## Source of Payment (% of Health Consumption Expenditures)



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Notes: Government health insurance programs include Medicare, Medicaid, CHIP, and healthcare provided by the Department of Defense and the Department of Veterans' Affairs. CMS defines "out-of-pocket spending" to include direct spending by consumers for all healthcare goods and services not covered by insurance, including coinsurance and deductibles. Premiums paid by individuals for private health insurance are counted as part of private health insurance.



Healthcare costs are already high and rising, and CMS's new NHE projections confirm the continuation of that trend. With total healthcare spending expected to reach one-fifth of the economy in the next 10 years, lawmakers should consider solutions to rein in costs to reduce the financial burden on consumers and help improve the nation's fiscal trajectory.

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**Related: Healthcare Costs for Americans Projected to Grow at an Alarmingly High Rate**

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