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## Projections of Federal Spending on Major Health Care Programs

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on Health Care Costs in America

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How much does the  
federal government spend  
on major health care  
programs?

CBO defines outlays for the major health care programs as spending for:

- Medicare,
- Medicaid and the Children's Health Insurance Program (CHIP), and
- Marketplace subsidies and related spending.

Those programs make up more than 40 percent of mandatory spending in the federal budget.

Mandatory spending is governed by statutory criteria, such as program eligibility rules, and is not normally constrained by the annual appropriation process.

Combined, those programs enroll about 155 million people in 2018 and are projected to enroll 176 million people in 2028.<sup>a</sup>

a. Enrollment estimates include people more than once if they are enrolled in more than one program, such as Medicare and Medicaid.

# Net Outlays for Major Health Care Programs in 2018

Billions of Dollars

Medicare <sup>a</sup>	583
Medicaid and CHIP	399
Marketplace Subsidies and Related Spending	55
<b>Total</b>	<b>1,037</b>

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CBO develops baseline projections under the assumption that current laws governing spending and revenues will generally not change in the future.

The projections are not intended to be a prediction of the future. Rather, they serve as a benchmark against which the effects of possible changes in law can be measured.

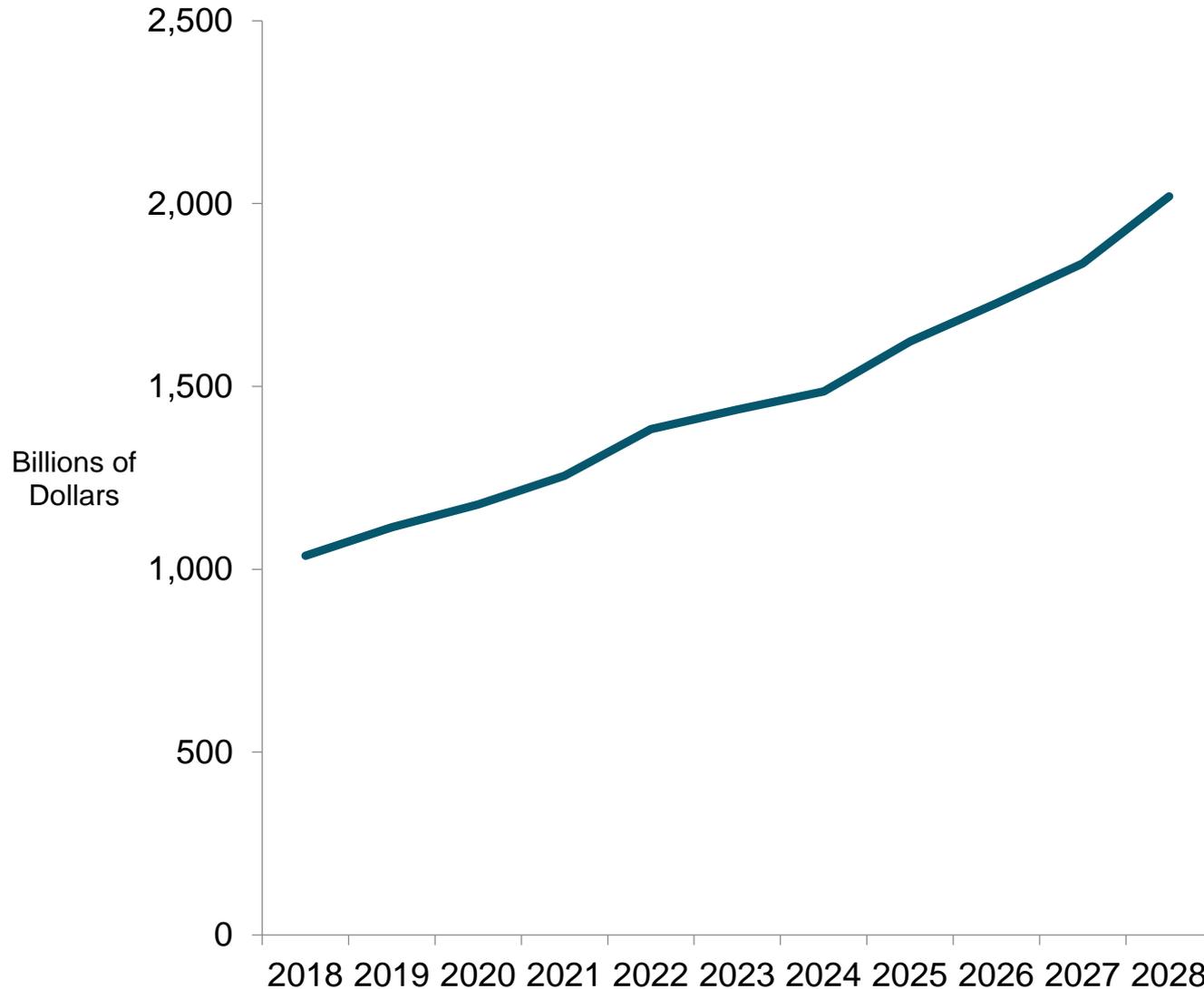
# Net Outlays for Major Health Care Programs in 2028

Billions of Dollars

Medicare <sup>a</sup>	1,260
Medicaid and CHIP	674
Marketplace Subsidies and Related Spending	89
<b>Total</b>	<b>2,020</b>

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# Net Outlays for Major Health Care Programs, 2018–2028



**Average  
Annual  
Growth,  
2018–2028:**

**6.3%**

What are the drivers of cost growth in the major health care programs?

Health care cost growth can be attributed to two main factors.

First, older people use more health care, and the number of people age 65 or older in the population has been growing significantly. It has more than doubled over the past 50 years and is expected to rise by more than one-third by 2028.

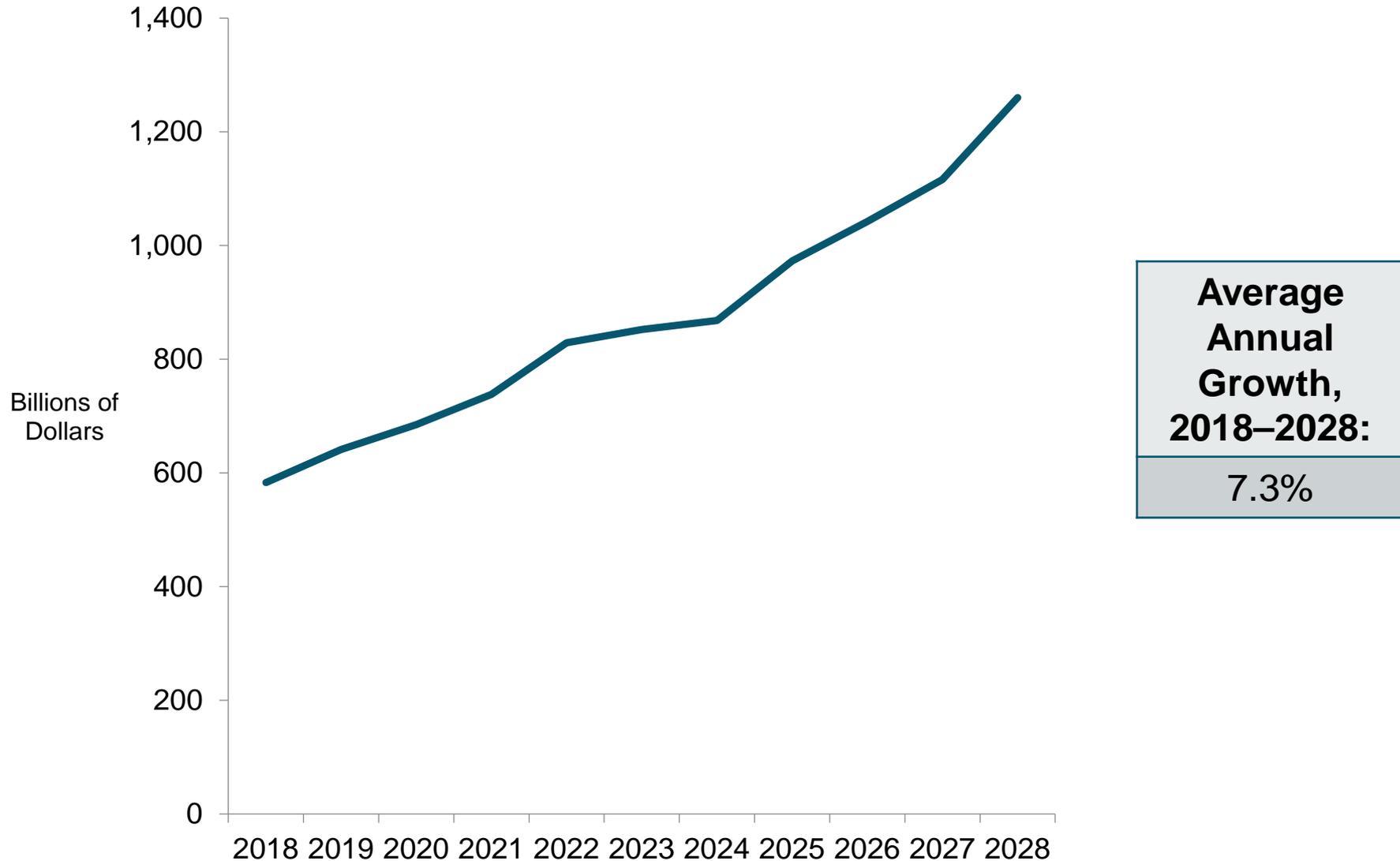
Second, health care costs per person (adjusted to account for the aging of the population) are projected to grow more quickly than the economy over the long term.

Growth in health care spending has slowed in recent years, but the reasons for that slowdown are not clear.

In CBO's projections, spending per enrollee in federal health care programs grows more rapidly over the coming decade than it has in recent years—at about 5 to 6 percent per year, on average.

But it does not return to the higher rates of growth that were experienced before the slowdown. For example, spending per enrollee grew about 8 percent per year between 1980 and 2005 in the Medicare fee-for-service program.

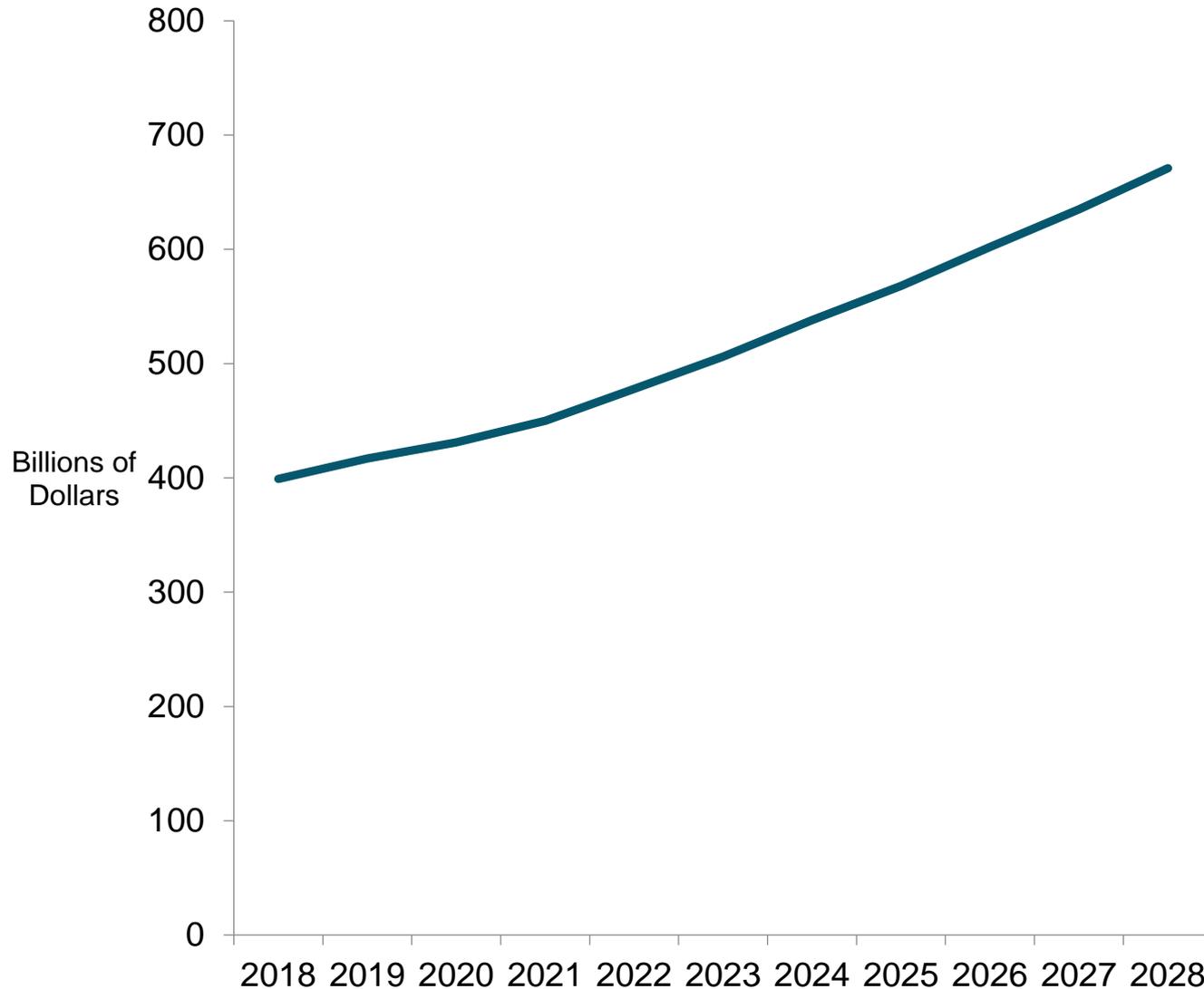
# Net Mandatory Outlays for Medicare, 2018–2028



Over the 2018–2028 period, net Medicare outlays are projected to increase by an average of 7 percent per year.

Spending growth per enrollee accounts for nearly 5 percentage points of that increase, and growing enrollment accounts for the rest.

# Outlays for Medicaid and CHIP, 2018–2028



**Average  
Annual  
Growth,  
2018–2028:**

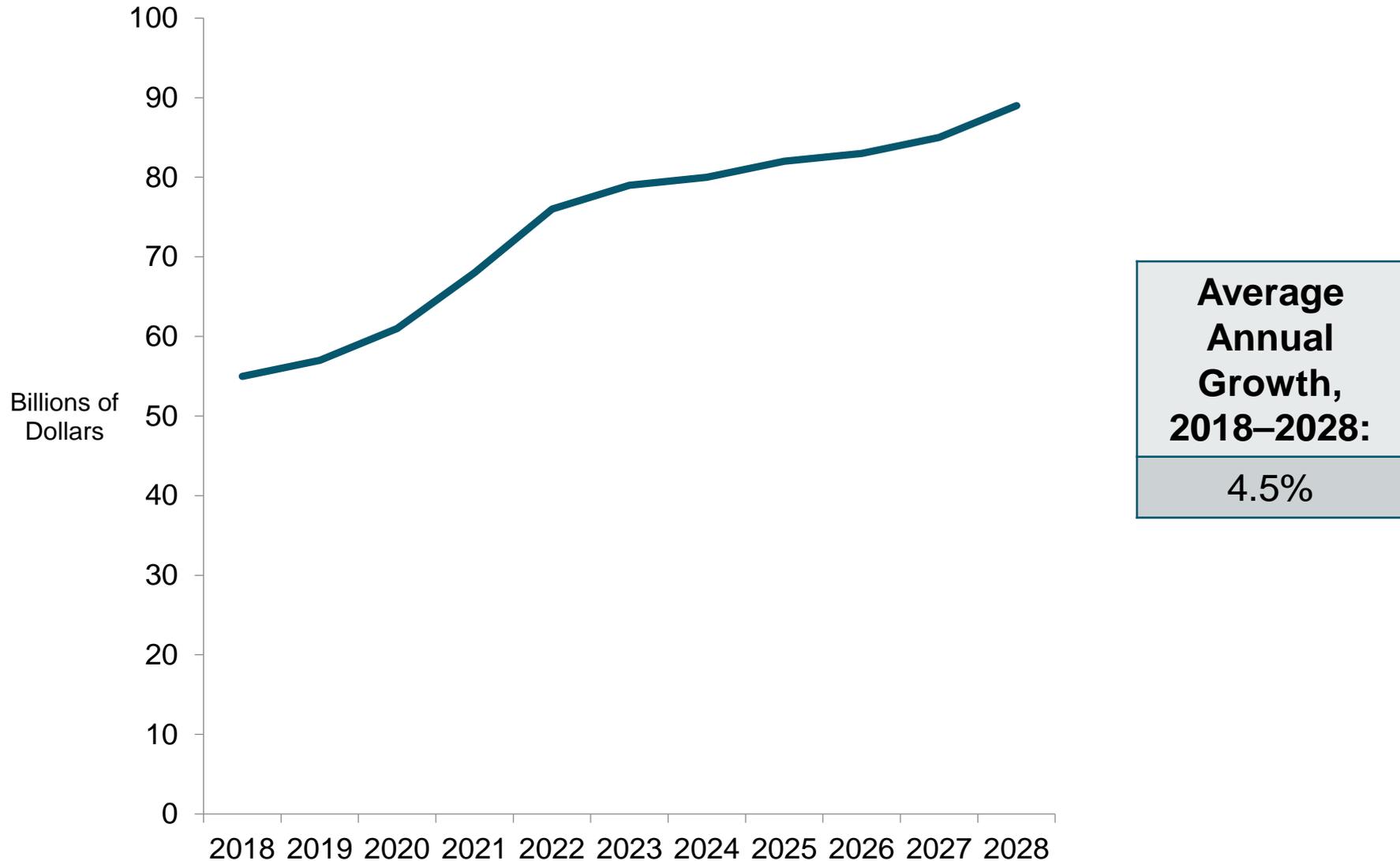
**4.8%**

After 2018, outlays for Medicaid and CHIP are projected to grow at an average rate of about 5 percent per year.

Medicaid grows by about 5.5 percent per year. Nearly 5 percentage points are the result of growth in per-enrollee costs that is close to the historical rate, and about 1 percentage point is due to increasing enrollment.

CHIP is slightly different, because a change in the federal matching rate causes federal outlays to fall and then rise slowly over the next 10 years.

# Marketplace Subsidies and Related Spending, 2018–2028



Subsidies for insurance obtained through the marketplaces and outlays for the Basic Health Program are projected to grow because of increases in costs per enrollee. The number of people who purchase such coverage is projected to decline.

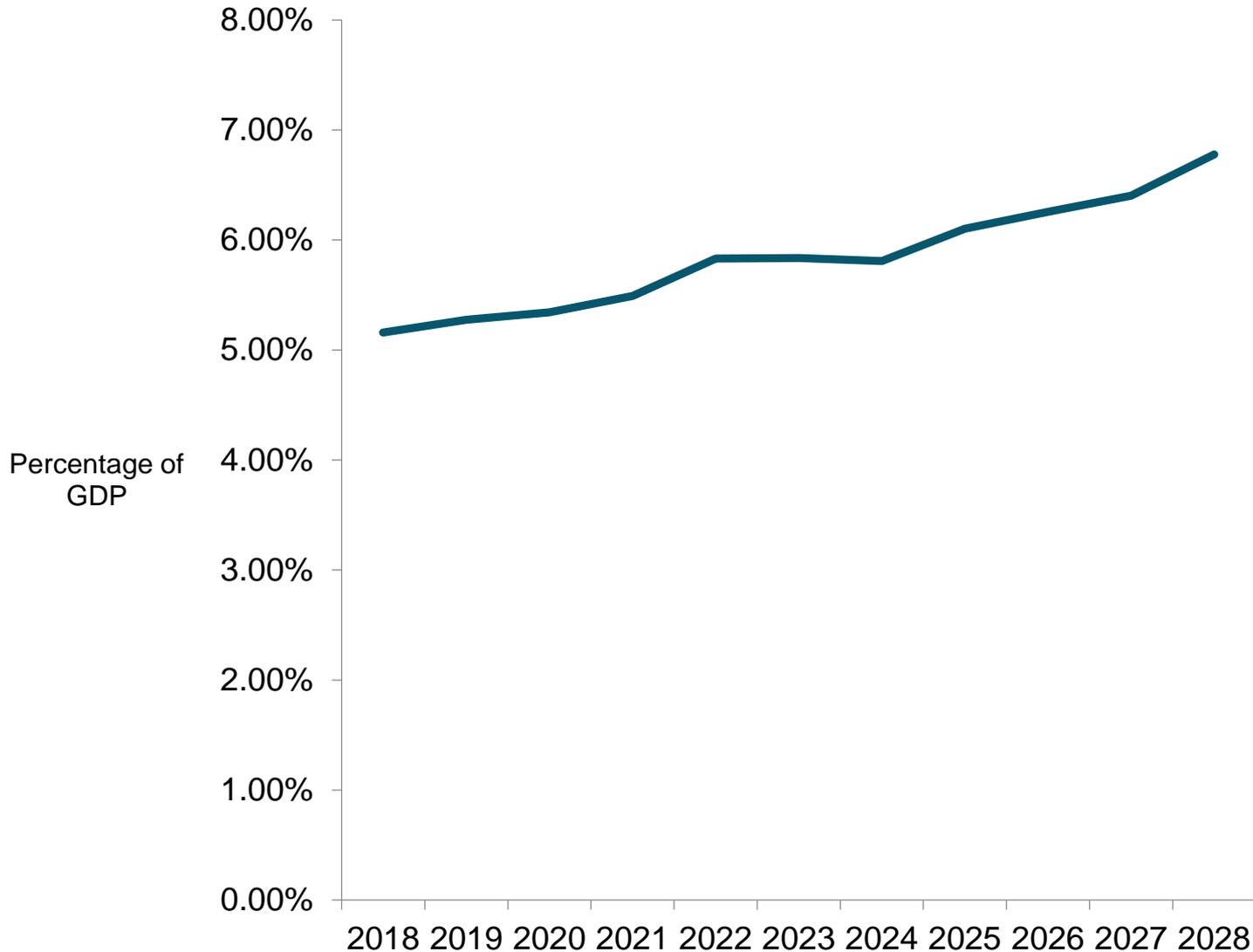
Combined, such subsidies are projected to average \$6,300 per subsidized enrollee in calendar year 2018 and to rise to about \$12,450 in 2028.

How does health care cost growth affect the federal budget over time?

Cost growth in the major health care programs may crowd out spending in other programs, add pressure to increase revenues, or raise budget deficits.

Cost growth that exceeds growth in the economy (measured as growth in gross domestic product, or GDP) can be more difficult to support over time.

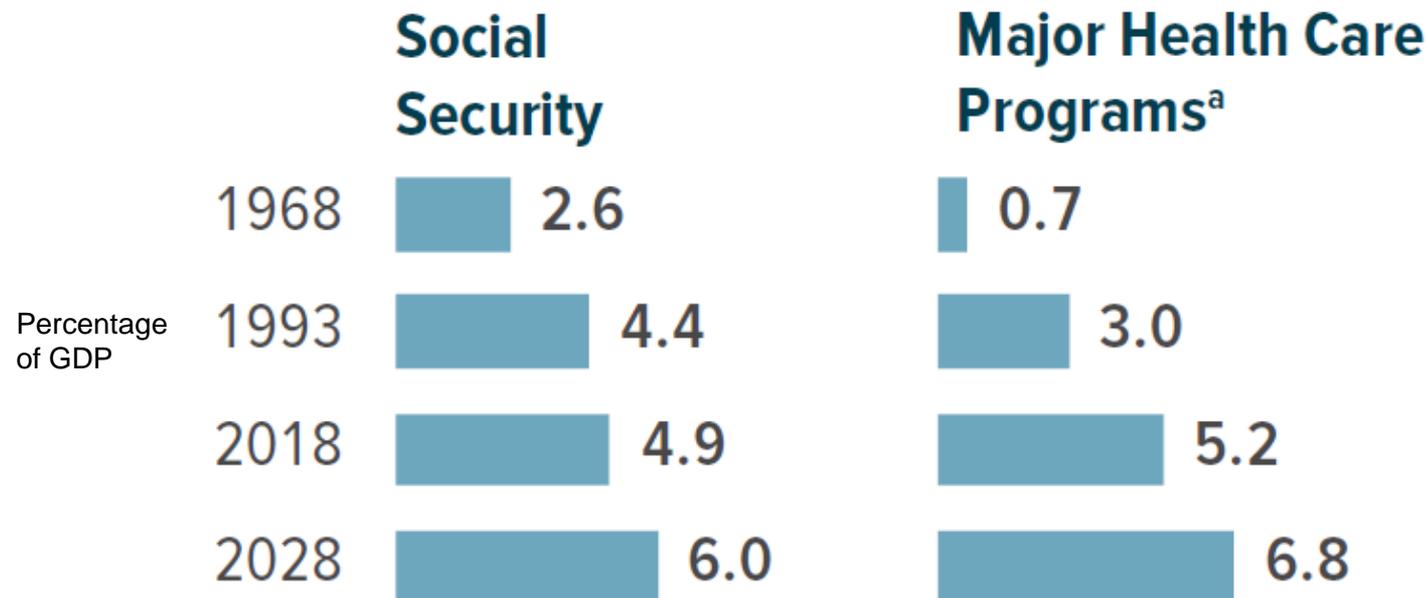
# Net Outlays for Major Health Care Programs as a Percentage of GDP, 2018–2028



As of 2018, outlays for the major health care programs exceed outlays for Social Security.

Together, spending for Social Security and the major health care programs is projected to rise by almost 3 percent of GDP between 2018 and 2028.

# Outlays for Social Security and Major Health Care Programs



a. Consists of spending on Medicare (net of premiums and other offsetting receipts), Medicaid, and the Children's Health Insurance Program as well as outlays to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and related spending.

By 2028, spending on major health care programs is projected to represent almost 30 percent of federal spending.

And spending for those programs, together with outlays for Social Security, would account for more than half of all federal spending.

# Total Outlays

