

# **CBO's Baseline Projections of Federal Subsidies for Health Insurance**

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Presentation to Congressional Staff

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# **Overview of Federal Subsidies for Health Insurance and Sources of Health Insurance Coverage**

# Composition of Federal Subsidies for Health Insurance, 2026 to 2036

Source	Total cost of federal subsidies (trillions of dollars)	Share of total subsidies (percent)	Share of gross domestic product (percent)
Medicare	16.1	47.9	3.7
Medicaid and the Children's Health Insurance Program (CHIP)	8.4	24.9	2.0
Employment-based coverage	7.2	21.4	1.7
Premium tax credits and related spending <sup>a</sup>	1.2	3.7	0.3
Other federal subsidies associated with supplemental or partial benefits	0.7	2.2	0.2
<b>Net subsidies<sup>b</sup></b>	<b>33.5</b>	<b>100</b>	<b>7.8</b>

In CBO's projections, Medicare accounts for nearly half of federal subsidies for health insurance and covers roughly 20 percent of the population.

Data source: Congressional Budget Office, "Federal Subsidies for Health Insurance" (February 2026), [www.cbo.gov/data/baseline-projections-selected-programs#6](https://www.cbo.gov/data/baseline-projections-selected-programs#6).

- a. Premium tax credits subsidize the purchase of health insurance through the marketplaces established under the Affordable Care Act. Related spending includes programs to subsidize health insurance provided through the Basic Health Program and to stabilize premiums for health insurance purchased by individuals and small employers.
- b. Net subsidies include outlays and revenues but exclude discretionary outlays (such as spending on veterans' health programs) or outlays made by the federal government in its capacity as an employer (such as spending on the Federal Employees Health Benefits program and the military's TRICARE health program).

# Average Annual Enrollment in Health Insurance, Calendar Years 2026 to 2036

Source of coverage	Number of enrollees (millions)	Share of the population (percent)
Medicare	69.6	19.7
Medicaid and CHIP	73.0	20.6
Employment-based coverage	169.0	47.7
Nongroup coverage and the Basic Health Program	19.3	5.5
Other	7.0	2.0
Uninsured	36.1	10.2

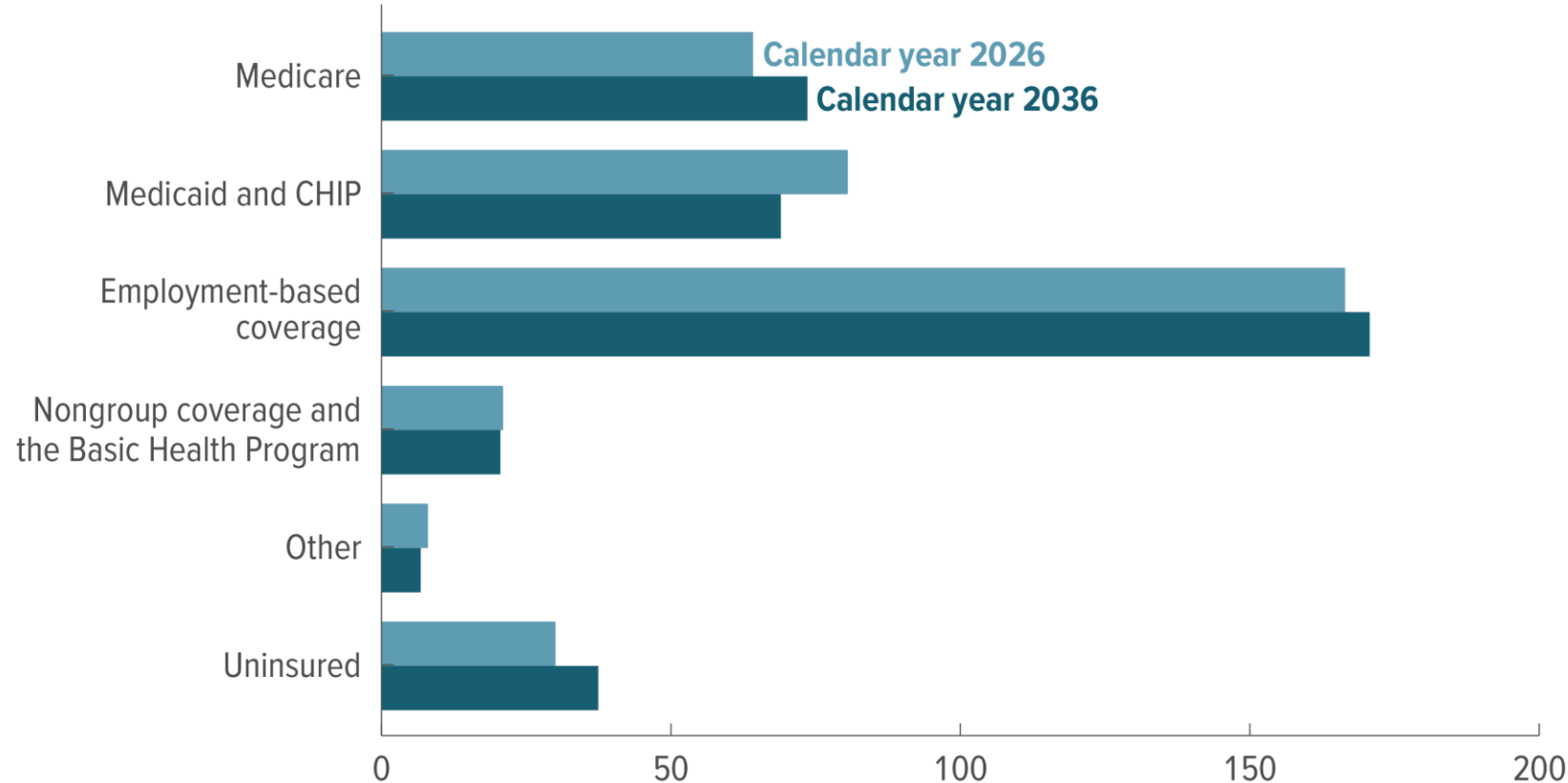
Nearly half of the population has employment-based coverage, which accounts for about 20 percent of federal subsidies.

Data source: Congressional Budget Office, “Federal Subsidies for Health Insurance” (February 2026), [www.cbo.gov/data/baseline-projections-selected-programs#6](https://www.cbo.gov/data/baseline-projections-selected-programs#6).

Estimates of health insurance coverage reflect average monthly enrollment during a calendar year and include spouses and dependents covered under family policies. Estimates for each source of health insurance exclude people with supplemental or partial coverage that, on its own, would not provide financial protection against major medical expenses. In addition, to better align estimates with underlying data about coverage, the agency does not assign people reporting multiple sources of coverage to a primary source. As a result, the sum of enrollment in each source and the number of uninsured people exceeds the total population.

# Enrollment in Health Insurance, Calendar Years 2026 and 2036

Millions of people



In CBO’s projections, enrollment in Medicare grows, driven by an increase in the population age 65 or older.

By contrast, enrollment in Medicaid and CHIP declines, mainly because of provisions of the 2025 reconciliation act (Public Law 119-21) that are scheduled to take effect over the next several years.

Data source: Congressional Budget Office, “Federal Subsidies for Health Insurance” (February 2026), [www.cbo.gov/data/baseline-projections-selected-programs#6](https://www.cbo.gov/data/baseline-projections-selected-programs#6).

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# Growth in Projections of Mandatory Outlays From 2026 to 2036

	Billions of dollars			Total growth (percent)
	2026	2036	Total change	
<b>Mandatory outlays</b>				
Social Security benefits	1,659	2,739	1,080	65
Medicare	1,287	2,421	1,134	88
Medicaid	708	981	273	39
Premium tax credits	100	132	31	31
Veterans' income security	231	370	139	60
Federal civilian and military retirement	197	259	62	31
Other	759	802	43	6

In CBO's projections, Medicare is the fastest-growing component of mandatory outlays.

Spending on Medicare is estimated to increase by 88 percent from 2026 to 2036.

# **Baseline Projections: Medicare**

# Components of Medicare Outlays and Receipts

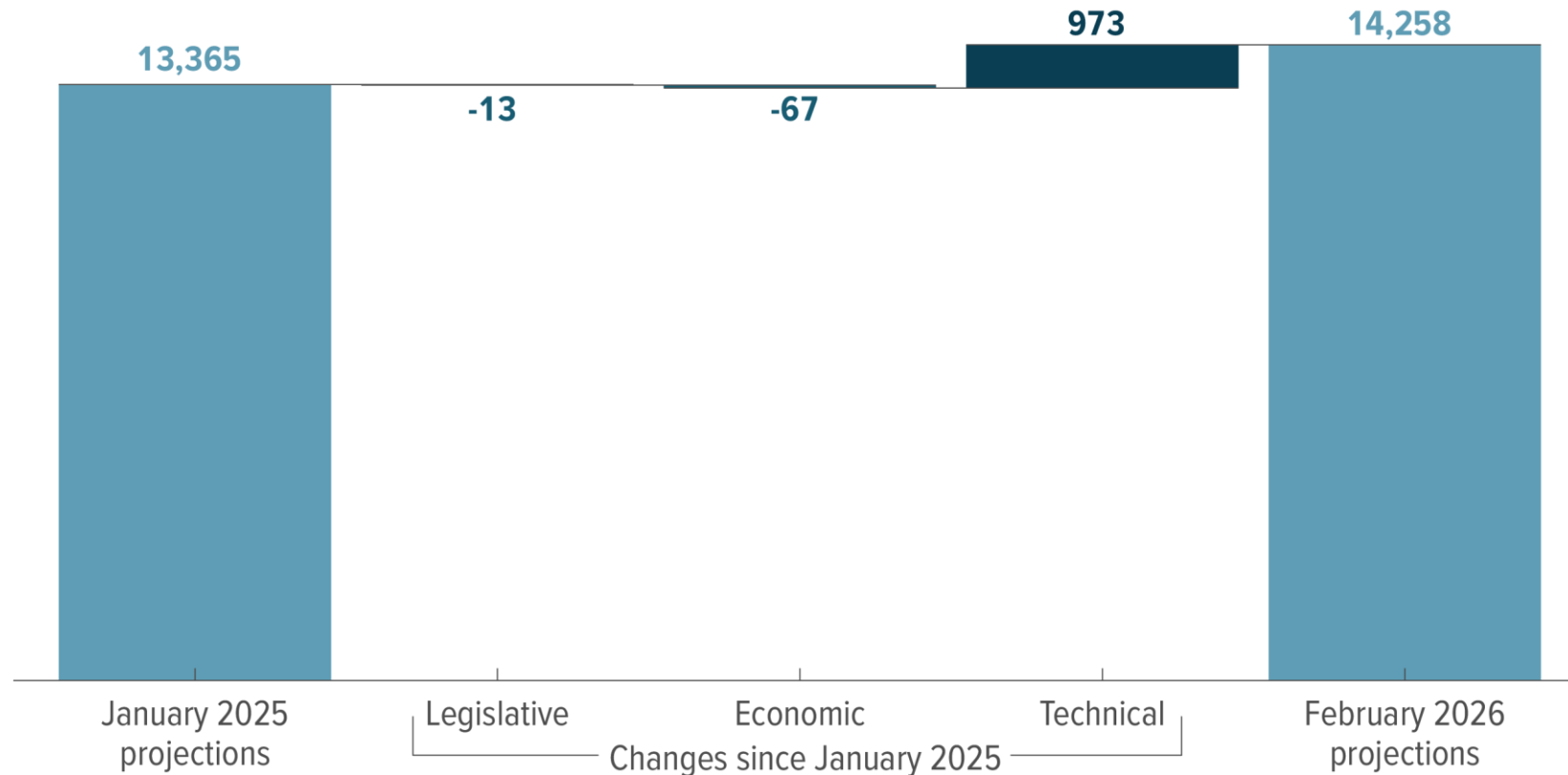
Billions of dollars

	2025	Projected	
		2036	2026–2036
<b>Medicare benefit spending</b>			
Part A fee-for-service	234	373	3,322
Part A group plans	207	416	3,502
Part B fee-for-service	259	445	3,729
Part B group plans	315	833	6,229
Part D	163	352	2,972
<b>Mandatory outlays for administration</b>	3	3	29
<b>Discretionary outlays</b>	9	12	113
<b>Offsetting receipts</b>	-192	-451	-3,556
<b>Net mandatory outlays</b>	<b>988</b>	<b>1,970</b>	<b>16,227</b>

Medicare spending exceeds \$16 trillion over the 2026–2036 period, in CBO’s February 2026 projections.

# Changes in Projections of Net Mandatory Outlays for Medicare, 2026 to 2035

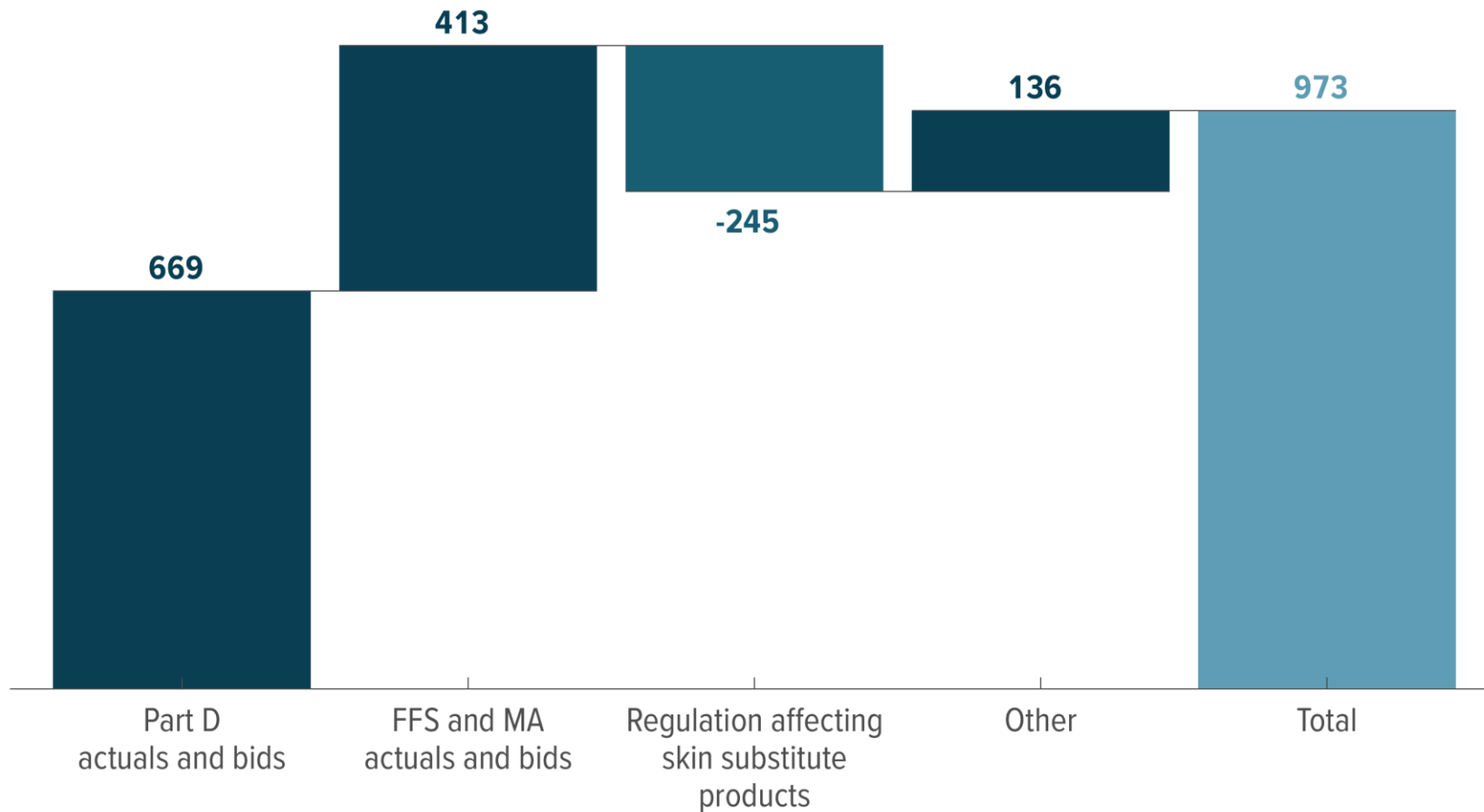
Billions of dollars



Technical changes are the main driver of the projected increase in net mandatory outlays for Medicare. Legislative and economic changes have comparatively small effects on CBO's projections.

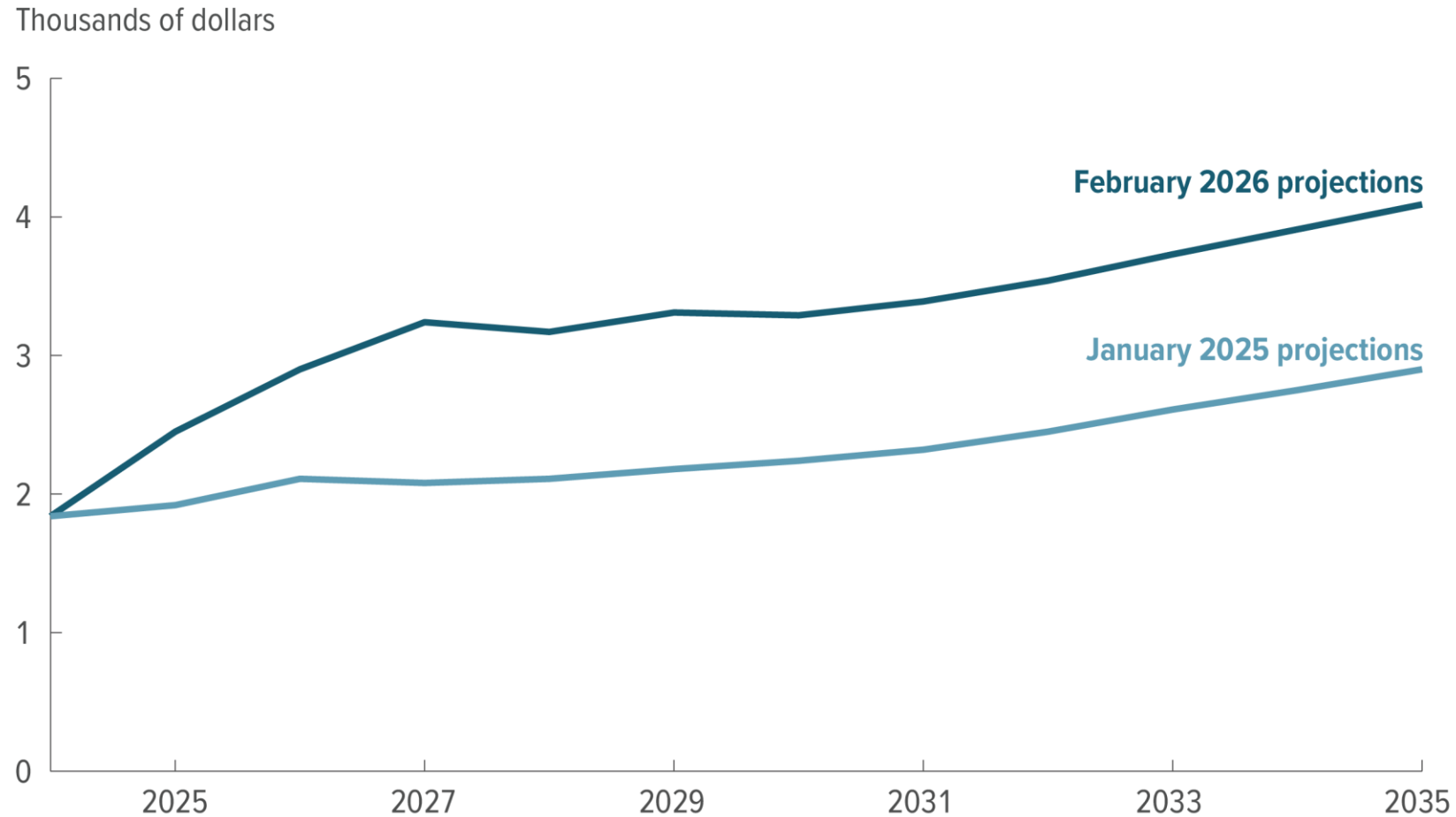
# Technical Changes to Projections of Net Mandatory Outlays for Medicare, 2026 to 2035

Billions of dollars



An increase in projected Part D spending is the main driver of the technical changes to CBO's baseline projections since January 2025.

# Medicare Part D Spending per Beneficiary



Bids from private insurance plans that administer the Part D benefit anticipated a 35 percent increase in their annual per-enrollee costs in 2026—which was higher than CBO expected.

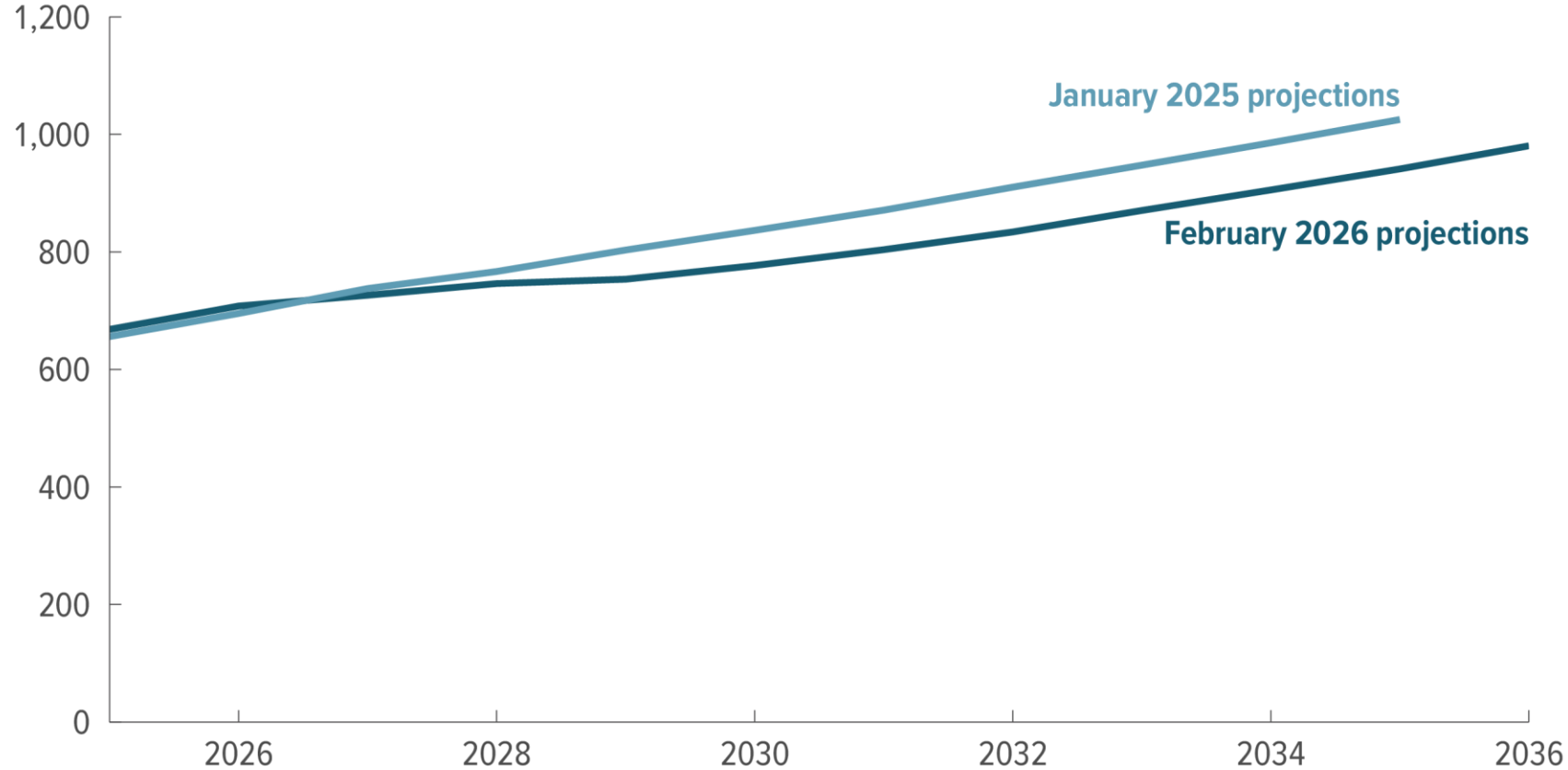
CBO therefore increased its projection of Medicare spending on prescription drugs over the 2026–2035 period by \$0.6 trillion.

Part D spending per beneficiary in 2035 is now projected to exceed \$4,000, up from less than \$3,000 in the January 2025 baseline projections.

# **Baseline Projections: Medicaid**

# Medicaid Spending

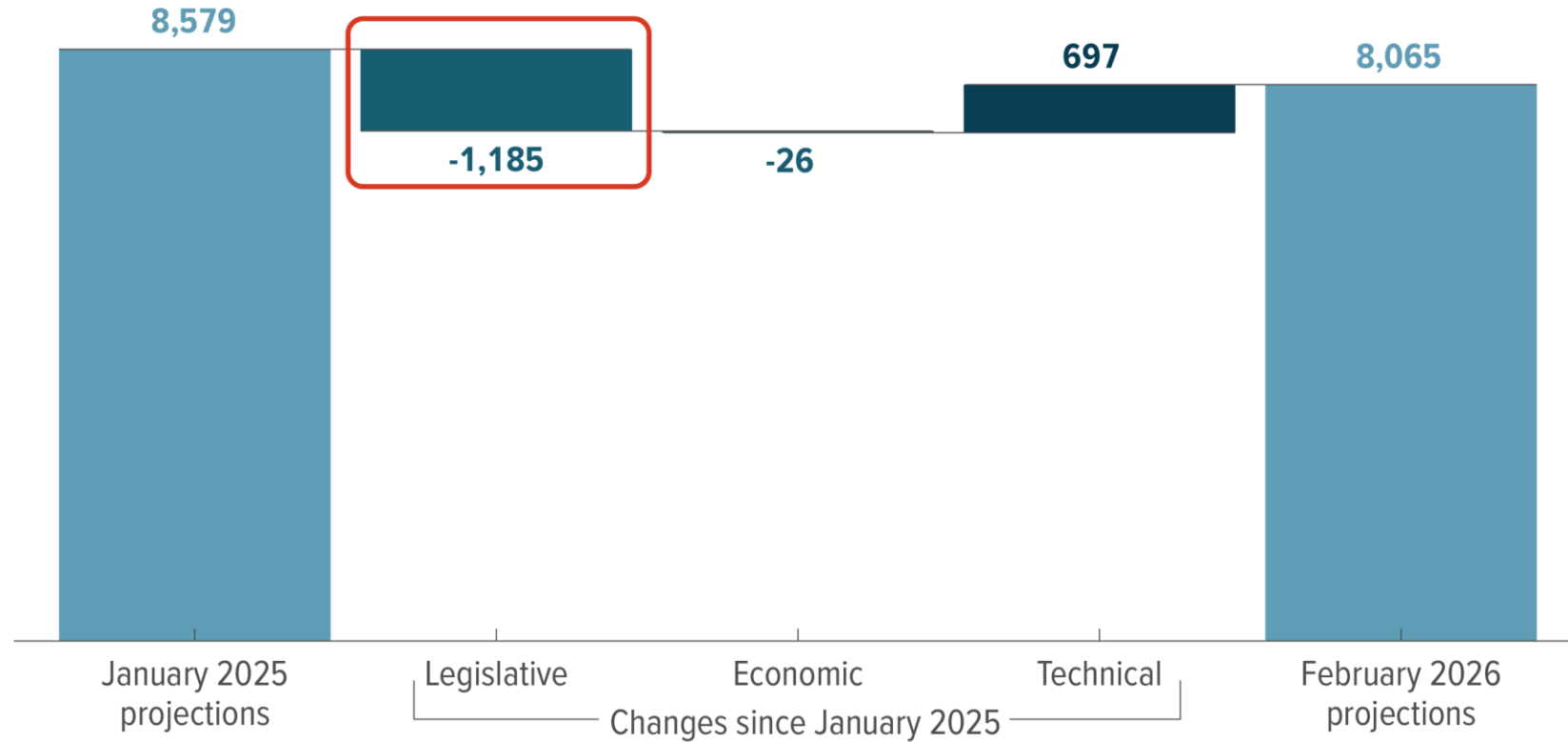
Billions of dollars



CBO's February 2026 projections of Medicaid spending are lower than the agency's January 2025 projections. The estimated effects of the 2025 reconciliation act are the main driver of that decrease. Those effects are partly offset by technical changes.

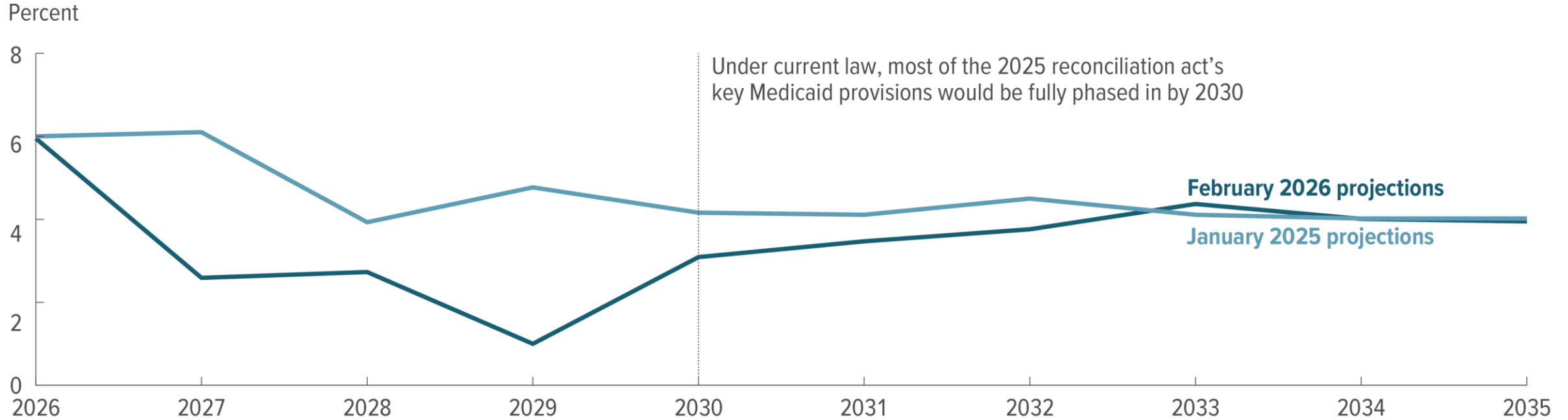
# Changes in Projections of Medicaid Outlays, 2026 to 2035

Billions of dollars

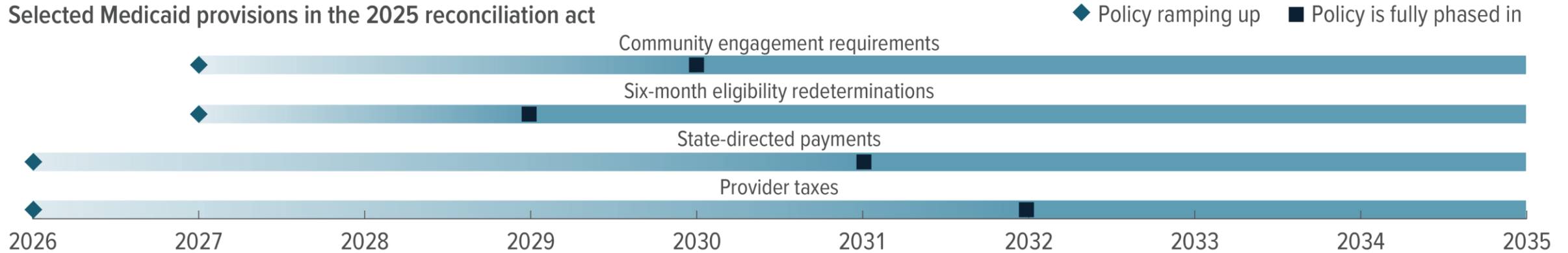


Projected Medicaid spending decreased mainly because of legislative changes resulting from the 2025 reconciliation act.

# Annual Growth in Medicaid Spending

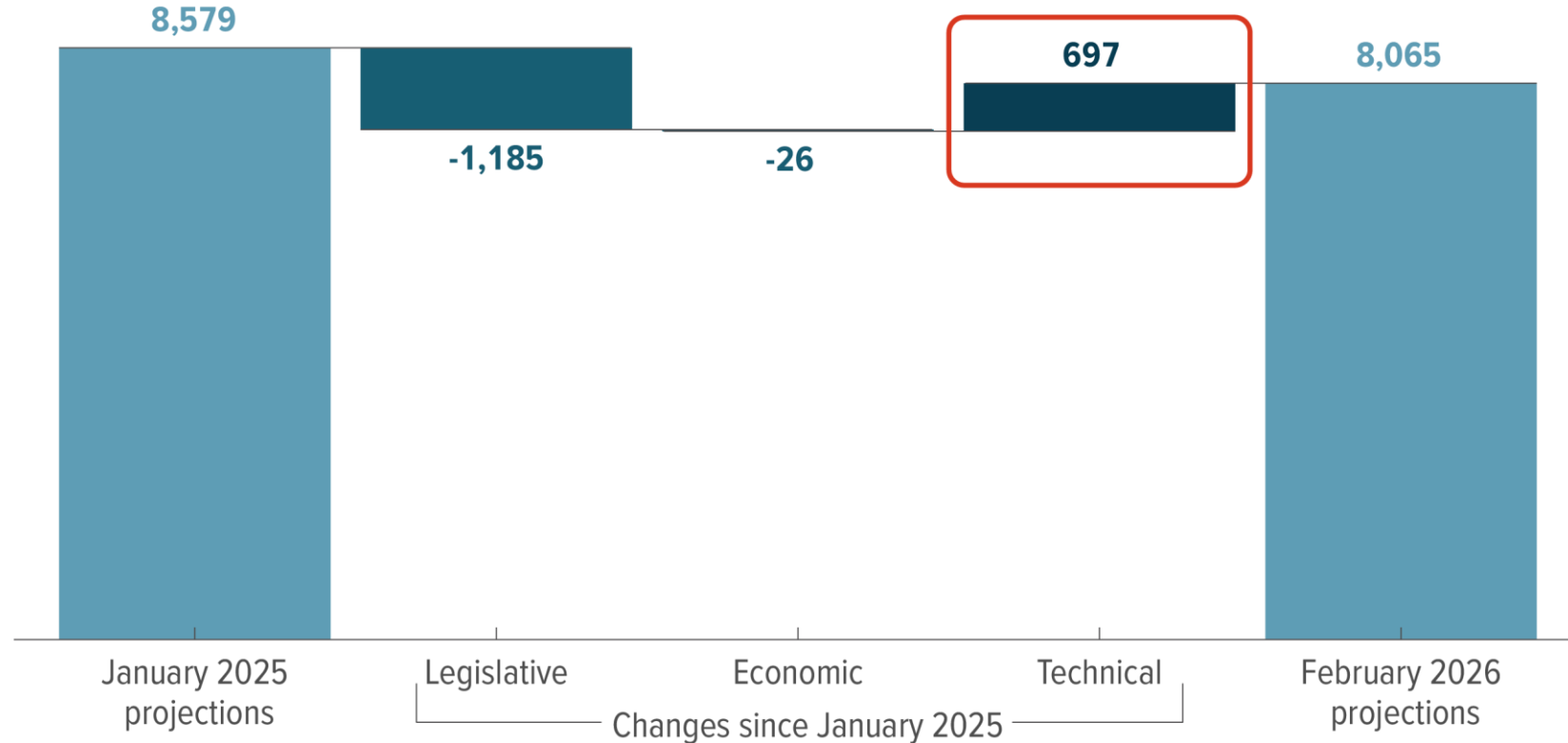


## Selected Medicaid provisions in the 2025 reconciliation act



# Changes in Projections of Medicaid Outlays, 2026 to 2035

Billions of dollars



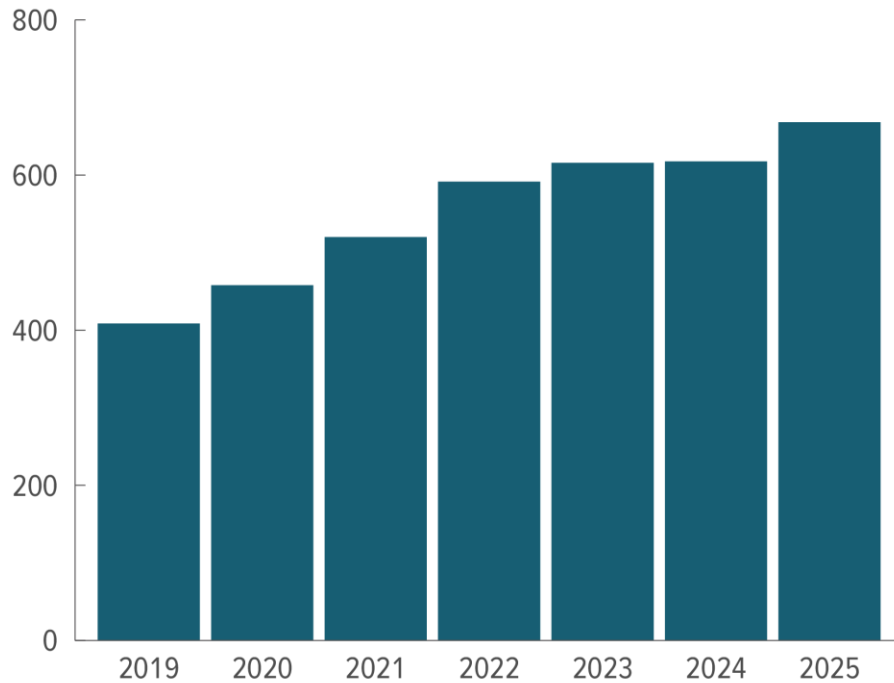
Projected spending on Medicaid is also influenced by technical changes that reflect underlying program growth.



# Historical Medicaid Spending and Enrollment

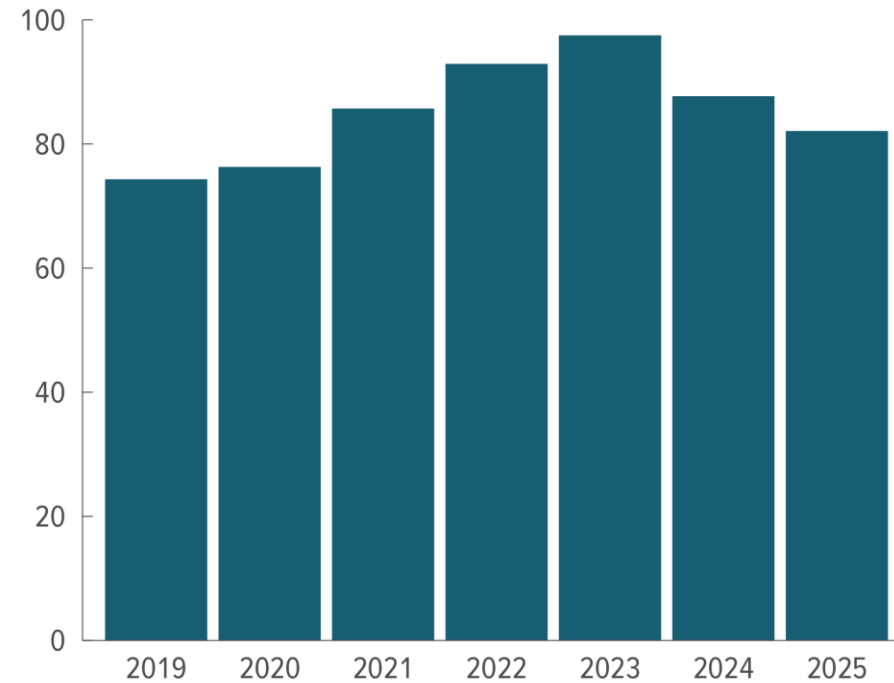
Billions of dollars

## Spending



Millions of people

## Enrollment



Medicaid spending continued to grow even as enrollment in the program declined.

# Average Monthly Enrollment in Medicaid, by Eligibility Category

Eligibility category	Millions of people			Total growth (percent)
	2026	2036	Total change	
Aged	8	9	1	18
Blind and disabled	9	10	1	9
Children	31	29	-3	-9
Adults in traditional eligibility categories	17	16	-1	-9
Adults made eligible by the Affordable Care Act	17	10	-7	-40
<b>Total, average monthly enrollment</b>	<b>82</b>	<b>73</b>	<b>-9</b>	

In CBO's February 2026 projections, enrollment in Medicaid continues to decline from 2026 to 2036, driven mainly by provisions in the 2025 reconciliation act that affect the Medicaid expansion population.

# Continued Growth in Medicaid Spending

Data from Monthly Treasury Statements, which track monthly Medicaid spending, indicate that fiscal year 2026 has seen two months with the greatest amount of Medicaid spending then on record. (The previous high-water mark was March 2023.)

The five highest amounts of Medicaid spending in a single month:

- **\$67.8 billion (March 2026)**
- **\$65.3 billion (December 2025)**
- \$64.4 billion (March 2023)
- \$62.1 billion (July 2025)
- \$60.4 billion (September 2025)

CBO's analysis and anecdotal feedback from industry stakeholders suggest that key drivers of spending include prescription drugs, home- and community-based services, and behavioral health services (in particular, Applied Behavioral Analysis services).

# **Baseline Projections: Premium Tax Credits and Related Spending**

# Components of Premium Tax Credits and Related Spending in CBO's February 2026 Baseline Projections

Billions of dollars

	2026	2036	2026–2036
Outlays for the premium tax credit	88	116	967
Revenue reductions from the premium tax credit	17	12	119
Outlays for ACA section 1332 waivers and the Basic Health Program <sup>a,b</sup>	12	16	142
Collections for risk adjustment <sup>c</sup>	-13	-18	-157
Payments for risk adjustment <sup>c</sup>	12	18	155
<b>Total</b>	<b>117</b>	<b>144</b>	<b>1,227</b>

Data source: Congressional Budget Office, “Premium Tax Credit and Related Spending” (February 2026), [www.cbo.gov/data/baseline-projections-selected-programs#29](https://www.cbo.gov/data/baseline-projections-selected-programs#29).

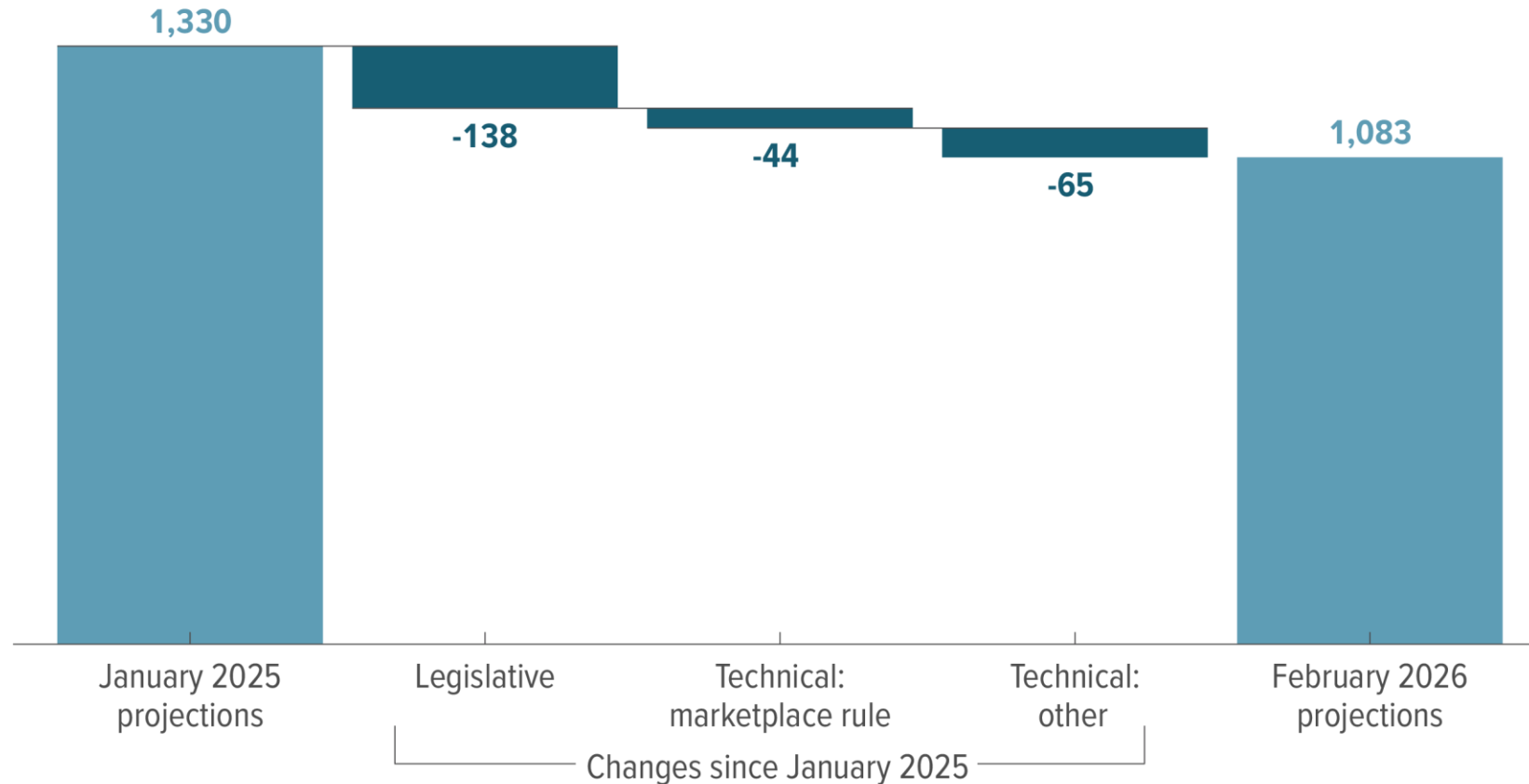
a. Section 1332 of the ACA allows states to apply for federal waivers for some of the act’s rules governing insurance markets and to receive federal assistance in paying for programs that offer health insurance. To obtain a waiver, a state’s proposal must be budget neutral and must provide insurance coverage that is comparable to coverage required by the ACA.

b. The Basic Health Program allows states to establish a coverage program primarily for people whose income is between 138 and 200 percent of the federal poverty level. The federal government provides states with funding equal to 95 percent of the amount in subsidies for which enrollees would otherwise have been eligible through a marketplace. Only the District of Columbia, Minnesota, and Oregon currently operate such programs. Estimates include enrollment in New York’s Essential Plan, which is funded through a section 1332 waiver and mirrors the Basic Health Program, with eligibility up to 250 percent of the federal poverty level. New York’s Essential Plan is anticipated to transition to the Basic Health Program in 2026.

c. The risk adjustment program is intended to stabilize premiums in the nongroup and small-group markets. The federal government collects fees from insurers with enrollees who are relatively more healthy and makes roughly offsetting payments to insurers with enrollees who are relatively less healthy.

# Changes in Projections of the Net Deficit Effects of Premium Tax Credits and Related Spending, 2026 to 2035

Billions of dollars

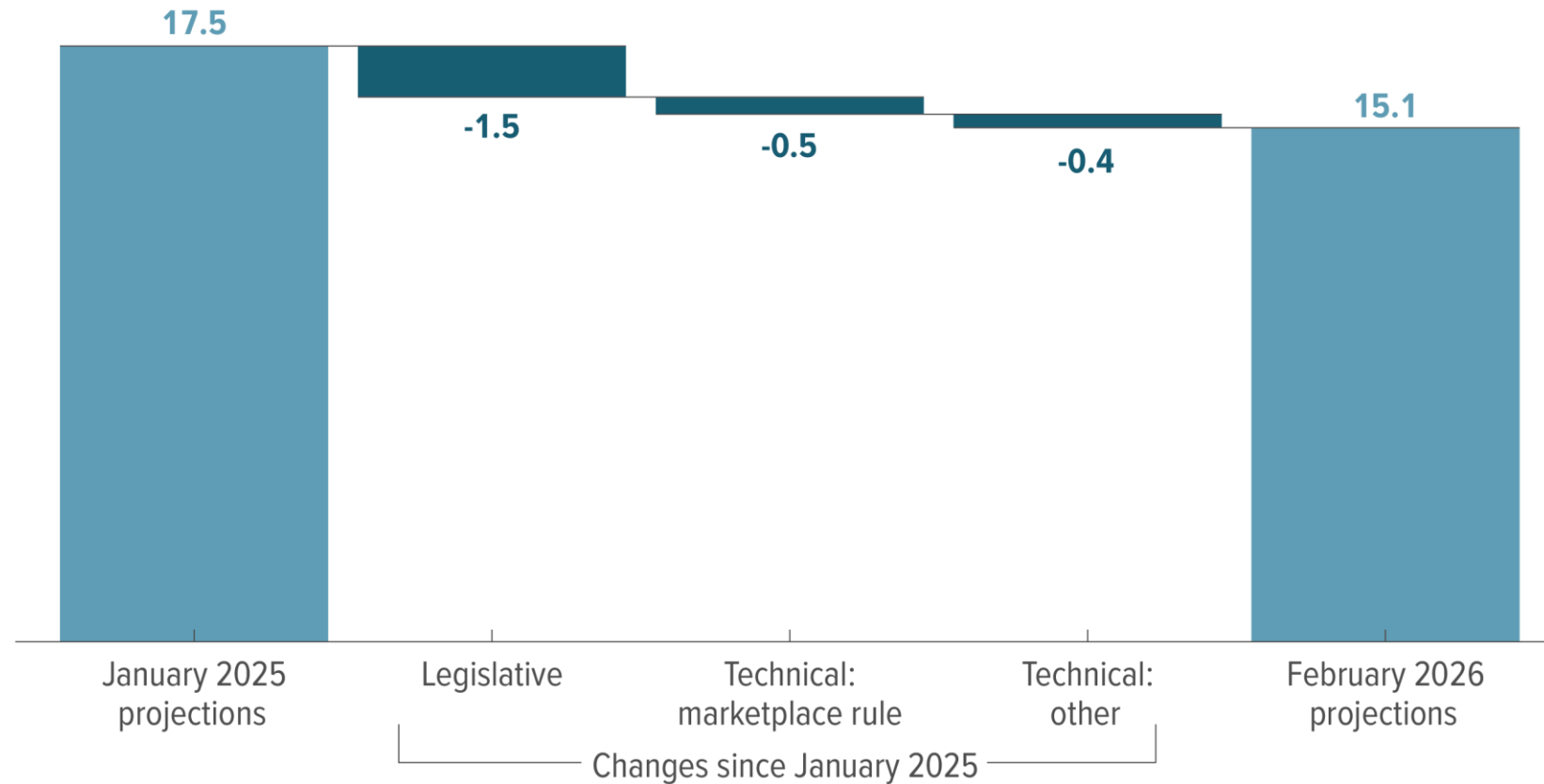


In CBO's February 2026 projections, costs for premium tax credits and related spending are lower than previously estimated.

Finalized in June 2025, the marketplace rule changed enrollees' premium contributions, enrollment periods, verification procedures, and payment requirements for purchasing health insurance through the marketplaces established by the ACA.

# Changes in Projections of Average Enrollment in the ACA Marketplaces and Basic Health Program, Calendar Years 2026 to 2035

Millions of people



The marketplace rule is projected to reduce average annual enrollment in the ACA marketplaces.

Legislative changes from provisions in the 2025 reconciliation act are projected to reduce enrollment in the ACA marketplaces and the Basic Health Program—particularly provisions related to immigration and modifying processes to reduce improper enrollments.