

NEWS BRIEF

CMS Releases 2025-34 Healthcare Spending Projection

According to new projections from the U.S. Centers for Medicare and Medicaid Services (CMS) Office of the Actuary (OACT), healthcare spending is expected to increase to nearly \$9 trillion by 2034, representing 20.6% of the economy. Actuaries noted that total health spending in the United States in 2024 was \$5.3 trillion, which was about 18% of the U.S. economy.

Factors driving spending growth include elevated utilization for medical services and goods, which the analysts expect to continue through 2026 before beginning to taper off. CMS actuaries explain that the sharp increase in spending is not simply because of rising costs and inflation, but also the dramatic increase in Americans consuming more healthcare after a lag during the COVID-19 pandemic. This is the same trend mentioned in the 2024 annual report.

“For the major spending categories, retail prescription drugs is the fastest growing major spending category over the projection period.”

Jacqueline Fiore, economist, OACT

Retail prescription drug spending is forecast to grow at the fastest pace over the next decade, but especially in 2025 and 2026, due to more Americans utilizing expensive drugs for conditions like cancer and the demand for glucagon-like peptide-1 (or GLP-1) drugs.

The actuaries also expect a continued shift toward enrollment in public coverage programs, namely Medicare, to contribute to increased spending over the next decade. From 2025 to 2034, Medicare is projected to experience the highest spending growth (an average of 7.7% per year) among the major payers, reflecting faster spending growth per enrollee and faster enrollment growth partially driven by demographic factors, including baby boomers aging into Medicare eligibility.

In addition, major legislative changes are expected to play a key role through 2028. The One Big Beautiful Bill Act is expected to shape spending trends, particularly for Medicaid. The law caps payment rates for state-directed payments, which CMS actuaries project will put downward pressure on Medicaid spending growth through 2028. Combined with ongoing enrollment shifts, these legislative changes are expected to have a measurable impact on how Medicaid dollars flow to hospitals and other providers over the next decade.

[Click here](#) to read the CMS' full National Health Expenditure Projections, 2025-34.

Employer Takeaway

As healthcare spending continues to rise, employers are uniquely positioned to help employees understand and utilize their health plans. A better understanding may help employees increase their healthcare literacy. Employers should continue to monitor healthcare trends, utilization and spending.

Contact us for more healthcare resources.