National Health Expenditures 2024 Highlights

In 2024, health care spending in the United States rose to $5.3 trillion, marking a 7.2 percent increase—closely mirroring the 7.4 percent growth observed in 2023. This two-year trend was largely driven by heightened demand for health care services. Notably, the growth in health care spending continued to outpace overall economic expansion in 2024, resulting in an increase in health care's share of the economy from 17.7 percent in 2023 to 18.0 percent in 2024.

Robust health spending growth in both 2023 and 2024 was primarily fueled by non-price factors—such as heightened demand for health care and shifts in the types of goods and services utilized. This was reflected in personal health care spending, which rose by an average of 8.9 percent annually over the two-year period, marking the fastest pace of growth since 1991–1992, when the average was 9.1 percent.

Private health insurance enrollment increased from 207.0 million in 2023 to 214.3 million in 2024, with Marketplace enrollment reaching 21.1 million—up from 16.2 million in 2023 and 9.8 million in 2019. The notable increase in Marketplace participation in 2024 was largely attributed to the extension of enhanced premium tax credits and the availability of a special enrollment period for individuals transitioning from Medicaid coverage. As states resumed eligibility redeterminations following the end of pandemic-era coverage provisions, Medicaid enrollment decreased from 92.2 million in 2023 to 84.3 million beneficiaries in 2024. When all types of insurance coverage are reflected, the insured share of the population was 91.8 percent in 2024—down slightly from a peak of 92.5 percent in 2023.

Health Spending by Type of Service or Product:

- **Hospital Care (31 percent share):** Spending for hospital care services increased 8.9 percent in 2024 to reach $1.6 trillion. This was the second year of strong growth following 10.6 percent growth in 2023. The substantial growth in both 2023 and 2024 resulted from a rebound in non-price factors, such as the use and intensity of services, that was somewhat depressed during the public health emergency. The strong growth in 2024 was observed for the key payers of hospital care services: private health insurance (10.4 percent), Medicare (6.9 percent), and Medicaid (8.5 percent). In addition, other private revenues continued to grow at a strong pace, increasing by 20.5 percent, largely driven by substantial gains in investment income. Also contributing to the 2024 trend was growth in prices for hospital care, increasing by 3.4 percent—the highest rate of increase since 2007 and faster than the 2.7 percent growth experienced in 2023.

- **Physician and Clinical Services (21 percent share):** Spending for physician and clinical services increased 8.1 percent to $1.1 trillion in 2024, which was faster than the growth rate of 7.4 percent in 2023. These rates continue to reflect strong growth in non-price factors, particularly the utilization and intensity of services. In addition, prices for physician and clinical services rose by 1.8 percent in 2024, compared to a 0.6 percent increase in 2023.

- **Retail Prescription Drugs (9 percent share):** Retail prescription drug spending increased 7.9 percent to $467.0 billion in 2024, compared to an increase of 10.8 percent in 2023. This deceleration was due, in part, to slower growth in retail prescription drug prices (which increased 1.4 percent in 2024 compared to 2.3 percent in 2023) as well as

slower growth in the use of medicines. Despite the slowdown in total retail prescription drug spending in 2024, demand for drugs to treat diabetes and weight loss continued to increase, somewhat offsetting the overall trend.

- **Other Health, Residential, and Personal Care Services (6 percent share):** This category includes expenditures for medical services that are generally delivered by providers in non-traditional settings such as schools, community centers, and the workplace, as well as ambulance services and residential mental health and substance abuse facilities. Spending on other health, residential, and personal care services grew 9.1 percent in 2024 to $320.5 billion, decelerating slightly from 9.7 percent growth in 2023. Medicaid spending growth for other health, residential, and personal care services (a 62 percent share of this category) slowed from 9.7 percent in 2023 to 8.9 percent in 2024.

- **Nursing Care Facilities and Continuing Care Retirement Communities (4 percent share):** Spending for services provided at freestanding nursing care facilities and continuing care retirement communities increased by 7.3 percent in 2024 to $219.9 billion. This was a slower rate than in 2023 when spending in this category increased 8.7 percent. Primarily contributing to the overall slowdown for nursing care facilities and continuing care retirement communities was slower growth in out-of-pocket and private health insurance spending.

- **Dental Services (4 percent share):** Spending for dental services increased 6.6 percent in 2024 to $189.2 billion following similar growth of 6.4 percent in 2023. Out-of-pocket spending increased 5.8 percent in 2024 following growth of 1.0 percent in 2023 and private health insurance spending increased 4.8 percent in 2024 following growth of 5.1 percent in 2023. Together these two payers accounted for 80 percent of dental spending in 2024.

- **Other Professional Services (4 percent share):** Other professional services includes establishments of health practitioners (except offices of physicians and dentists) that primarily provide services such as physical therapy, optometry, podiatry, mental health or chiropractic medicine. Spending for other professional services reached $184.9 billion in 2024 and increased 10.8 percent, a slower rate of growth compared to 13.3 percent in 2023. Spending by the major payers (private health insurance, Medicare, Medicaid, and out-of-pocket payments) all experienced double-digit growth in both 2023 and2024.

- **Home Health Care (3 percent share):** Spending for services provided by freestanding home health care agencies increased 10.2 percent in 2024 to $169.4 billion, decelerating from growth of 11.1 percent in 2023. The rate of increase for the main payers of home health care was strong in 2024, though they were somewhat slower than in 2023 for private health insurance and out-of-pocket spending. Medicaid spending on home health care, on the other hand, experienced faster growth in 2024 compared to 2023.

- **Other Non-durable Medical Products (2 percent share)**: Retail spending for other non-durable medical products, such as over-the-counter medicines, medical instruments, and surgical dressings, increased 4.4 percent to $128.7 billion in 2024, a slower rate of growth than in 2023 when spending increased 6.9 percent. Out-of-pocket spending

accounted for 96 percent of spending in this category and increased 3.7 percent in 2024 compared to growth of 6.3 percent in 2023.,

- **Durable Medical Equipment (2 percent share):** Retail spending on durable medical equipment, which includes items such as contact lenses, eyeglasses, hearing aids, medical equipment rental, and oxygen, increased 5.4 percent in 2024 to $86.4 billion following growth of 5.8 percent in 2023. While Medicare and Medicaid spending growth slowed for durable medical equipment in 2024, out-of-pocket and private health insurance spending accelerated slightly.

Health Spending by Major Sources of Funds:

- **Private Health Insurance (31 percent share):** Spending for private health insurance reached $1.6 trillion in 2024 and increased 8.8 percent following growth of 11.2 percent in 2023. Growth in both 2023 and 2024 was influenced by increased enrollment and higher demand for health care. This led to strong private health insurance spending growth for hospital care, physician and clinical services, and retail prescription drugs in both years. Private health insurer non-medical spending growth slowed from 10.5 percent in 2023 to 4.4 percent in 2024 as some health insurance plans reported higher medical losses due to an increase in demand for care that was stronger than anticipated.

- **Medicare (21 percent share):** Medicare spending reached $1.1 trillion in 2024, increasing 7.8 percent following 9.0 percent growth in 2023. While Medicare Advantage private plan spending growth slowed in 2024 (from 16.1 percent in 2023 to 9.0 percent in 2024) due to policy changes lowering benchmark payment rates, Medicare fee-for-service spending experienced faster growth in 2024, increasing 6.4 percent following growth of 2.0 percent in 2023. Total Medicare enrollment grew 2.2 percent to 66.6 million in 2024, increasing at the same rate of growth as in 2023.

- **Medicaid (18 percent share):** Medicaid spending increased 6.6 percent to $931.7 billion in 2024, a slower growth rate than in 2023 (7.9 percent) and 2022 (9.7 percent). Medicaid enrollment declined by 8.6 percent (or 7.9 million) to 84.3 million beneficiaries in 2024. This decline occurred as states resumed eligibility redeterminations following the end of pandemic-era coverage provisions. While Medicaid spending growth slowed in 2024, per enrollee spending increased by 16.6 percent. This rapid growth was driven by three factors; 1) most significantly, the change in the composition of enrollment as mostly younger and healthier children and adults disenrolled, 2) rising provider rates, and 3) continued growth in state-directed payments to providers via managed care programs.

- **Out-of-Pocket (11 percent share)**: Total out-of-pocket spending increased by 5.9 percent in 2024 to $556.6 billion, a deceleration from growth of 6.8 percent in 2023. The slowdown in 2024 was due primarily to slower growth in spending for other non-durable medical products, nursing care facilities and continuing care retirement communities, and retail prescription drugs, while partially offset by faster growth in spending on dental services and physician and clinical services.

Health Spending by Type of Sponsor[1]:

- **Federal government (31 percent share):** Federal government spending on healthcare ($1.7 trillion) increased 5.5 percent in 2024, accelerating from growth of 3.8 percent in 2023. The increase in 2024 was driven by continued rapid growth in Marketplace tax credits and subsidies (34.9 percent in 2024, following 25.5 percent growth in 2023) as well as strong growth in federal Medicare expenditures (9.6 percent in 2024, following 14.9 percent growth in 2023), which was associated with Inflation Reduction Act of 2022 (IRA) provisions that reduced beneficiary cost-sharing and shifted more financial responsibility to the federal government.

- **Households (28 percent share):** Health care spending by households ($1.5 trillion) increased 6.9 percent in 2024, a similar rate of growth as in 2023 (6.7 percent). Household spending for Medicare premiums and payroll taxes paid by individuals as well as premiums paid for individually purchased health insurance all grew faster in 2024 — both increased by 7.0 percent. On the other hand, out-of-pocket spending growth slowed from 6.8 percent in 2023 to 5.9 percent in 2024 and growth in employee contributions to employer-sponsored private health insurance slowed from 8.8 percent in 2023 to 6.8 percent in 2024.

- **Private Businesses (18 percent share):** Health care spending by private businesses ($967.4 billion) increased by 5.6 percent, slowing from growth of 10.3 percent in 2023. Private employers contributed 72 percent to employer-sponsored private health insurance spending and households the remaining 28 percent, a split that has been relatively stable in recent years. In 2024, private businesses' spending on employer-sponsored private health insurance grew 6.3 percent, a deceleration from 12.2 percent growth in 2023.

- **State and local government (16 percent share):** State and local government health spending ($859.7 billion) increased 12.1 percent in 2024 compared to growth of 11.1 percent in 2023. The state portion of Medicaid payments, which accounted for 39 percent of all state and local government spending, exhibited strong growth in both 2023 and 2024, increasing 18.2 percent and 19.2 percent, respectively, as states paid for a greater share of spending due to the phasing out of the temporary enhanced FMAP associated with the continuous enrollment provision authorized by the Families First Coronavirus Response Act (FFCRA).

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[1] Type of sponsor is defined as the entity that is ultimately responsible for financing the health care bill, such as private businesses, households, and governments. These sponsors pay health insurance premiums and out-of-pocket costs, or finance health care through dedicated taxes and/or general revenues.