

One-quarter of Federal Spending in FY 2024 Was on Health Care

A [KFF analysis](#) found that 1 of every 4 dollars in the federal fiscal year (FY) 2024 (Oct. 1-Sept. 30) was used to pay for health programs and services. The government spent \$1.9 trillion (27%) on health care programs and services, while other large spending categories included Social Security (21%), national defense (13%) and interest payments on national debt (13%). These four categories account for almost three-quarters of all federal spending.

The federal government supports health programs and services through mandatory spending, discretionary spending and tax subsidies. Here is the breakdown of FY 2024 federal health care spending:

- Medicare: 12%
- Medicaid: 8%
- Affordable Care Act (ACA) Marketplace: 2%
- Veterans hospital and medical care: 2%
- Global health: 0.1%

This considerable spending in FY 2024 makes health care a target for federal cuts, especially as a new administration ramps up. Medicaid cuts are an area both the Trump administration and Congressional Republicans have identified as a focus of cost-cutting. Federal Medicaid cuts could restrict eligibility, add work waiver requirements or require the 41 states with expanded Medicaid programs to spend more to cover costs.

In turn, states could restrict eligibility or reduce reimbursement rates, according to experts. Some states could eliminate expansion programs

completely, potentially removing coverage for millions of Americans.

The Trump administration will also look at other areas to cut health care costs. Experts do not consider the administration likely to extend ACA subsidies. However, President Donald Trump has generally said that Medicare cuts are off the table.

“Proposed cuts to federal spending on health programs and services have trade-offs and could increase the number of people without insurance; reduce access to health care; increase consumer costs for health care; and reduce payments for hospitals, nursing homes and other providers.”

- KFF report

Employer Takeaway

There are four primary sources of Americans' health insurance coverage: Medicare, Medicaid, ACA Marketplaces and employer-sponsored coverage. A reconciliation bill could broadly impact health insurance. As health care spending continues to be substantial, employers should continue to monitor potential federal cost-cutting measures.

Contact us today for more information.