

April 21, 2023

National health spending is holding at 17.2% of GDP

HIGHLIGHTS

- ▲ In February 2023, national health spending grew by 4.9%, year over year. Neglecting government subsidies, spending on personal health care increased by 7.0%, but that growth was dampened by a decline in federal government support, especially to public health activities.
- ▲ Neglecting government subsidies, spending on nursing home care (10.6%) and prescription drugs (9.5%) grew fastest in February, while physician and clinical services spending increased the least (4.3%).
- ▲ Health spending in February 2023 accounted for 17.2% of nominal GDP and has hovered around that rate since August 2022.
- ▲ Nominal GDP in February 2023 was 7.3% higher than in February 2022, as GDP growth continues to outpace health spending growth.

National Health Spending and GDP*

	Feb 2021	Feb 2022	Jan 2023	Feb 2023
GDP	22.03	24.73	26.41	26.55
National Health Spending (HS)	4.17	4.34	4.54	4.56
HS Share of GDP	18.9%	17.6%	17.2%	17.2%
HS Share of PGDP	18.2%	17.4%	17.0%	17.0%
Growth from Prior 12 Months				
HS	3.2%	4.2%	4.7%	4.9%
GDP	0.4%	12.3%	7.7%	7.3%
HS minus GDP	2.9%	-8.0%	-3.0%	-2.4%
HS minus PGDP	-0.9%	-4.6%	-3.1%	-2.4%

Source: Altarum monthly health spending estimates (see Methods box below). Monthly GDP is from IHS Markit. PGDP, defined as what GDP would be at full employment, is from the quarterly Congressional Budget Office estimates, converted to monthly by Altarum.

* Spending is in trillions of dollars at a seasonally adjusted annual rate (SAAR).

Altarum is a nonprofit research and consulting organization that creates and implements solutions to advance health among at-risk and disenfranchised populations. Since 2011, Altarum has researched cost growth trends and key drivers of U.S. health spending and formulated policy strategies to help bend the cost growth curve. This work was made possible through generous support from the Robert Wood Johnson Foundation.

The Health Sector Economic IndicatorsSM reports are a monthly publication of Altarum and provide an analysis of health spending, employment, and prices. For more information, contact Ani Turner at ani.turner@altarum.org. George Miller, PhD (principal author), Ani Turner, Corwin Rhyan, and Matt Daly, PhD, contributed to this brief. Media Contact: press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.



DISCUSSION

In February 2023, national health spending grew by 4.9%, year over year, reaching a seasonally adjusted annual rate of \$4.56 trillion. Health spending in February accounted for 17.2% of GDP and has remained near that rate for the past several months, having averaged 17.2% since August 2022. Before this recent trend, the last time this ratio was as low as 17.2% was in April 2015. The GDP growth rate continues to outpace the growth in health spending, although the difference in growth rates has narrowed somewhat in the past two months (Exhibit 1). In February, a 7.0% jump in personal health care spending (spending on health care goods and services, neglecting federal government subsidies) was partially offset by a decline in public health expenditures, largely because of a decrease in federal government support to public health activities via the Public Health and Social Services Emergency Fund.

Exhibit 1. Year-over-Year Growth in GDP and Health Spending, and Spending as a Percent of GDP

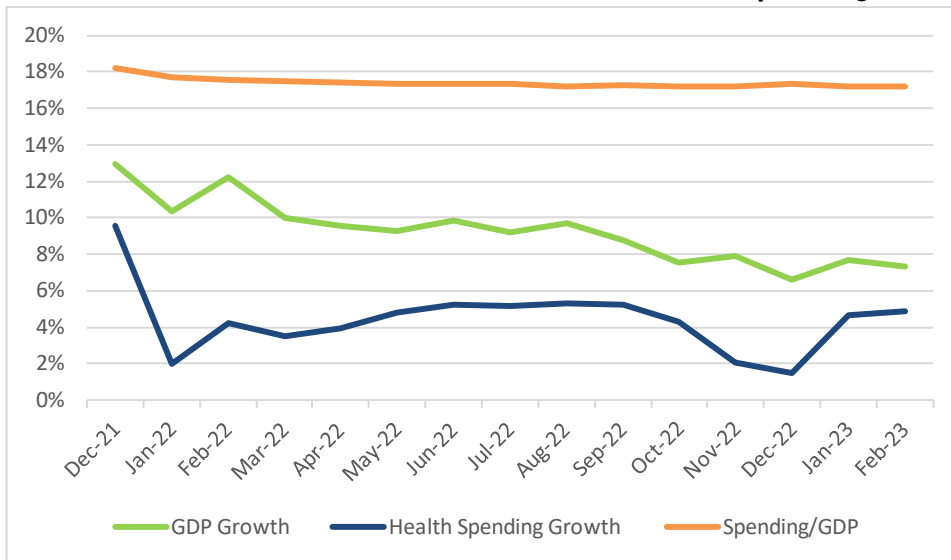


Exhibit 2 shows the trajectory of growth in national health spending and GDP since the start of 2020 through January 2023 with and without COVID-related federal government support to providers and public health activities. This support has declined significantly in recent months. National health spending in February 2023 was 13.7% higher than its pre-pandemic (January 2020) level.

Exhibit 2. Percent Change in National Health Spending and GDP Since January 2020

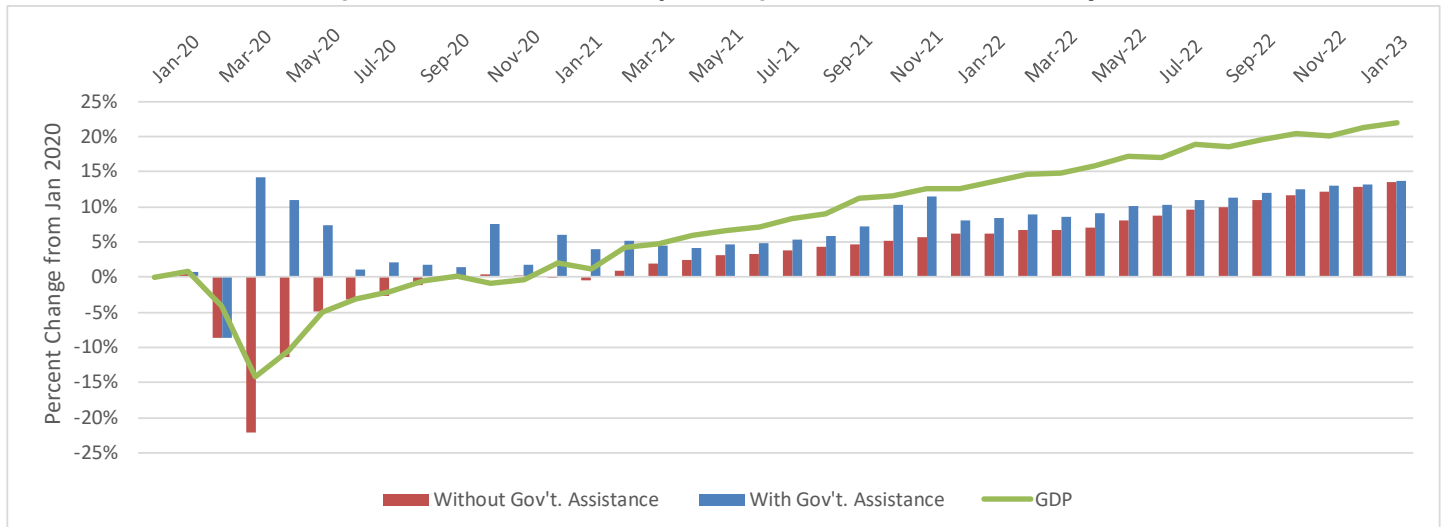




Exhibit 3 displays the growth in spending by major categories within personal health care over the past year without the impact of the decline in federal government support. Overall, personal health care spending growth since February 2022 was 7.0% without government assistance, nearly the same as the 6.7% growth with government support, as government subsidies to providers were much smaller in the past year than during the peak of the pandemic. Excluding such support, spending in the past year on nursing home care grew the fastest, at 10.6%, closely followed by spending on prescription drugs (9.5%). Spending on physician and clinical services grew the slowest, at 4.3%.

Exhibit 3. Health Care Spending 12-Month Growth without Government Assistance

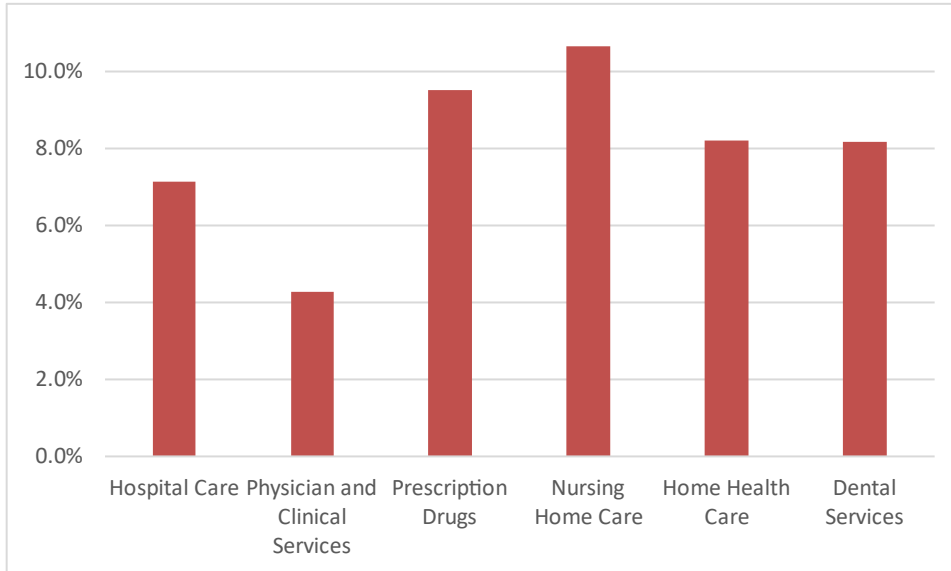
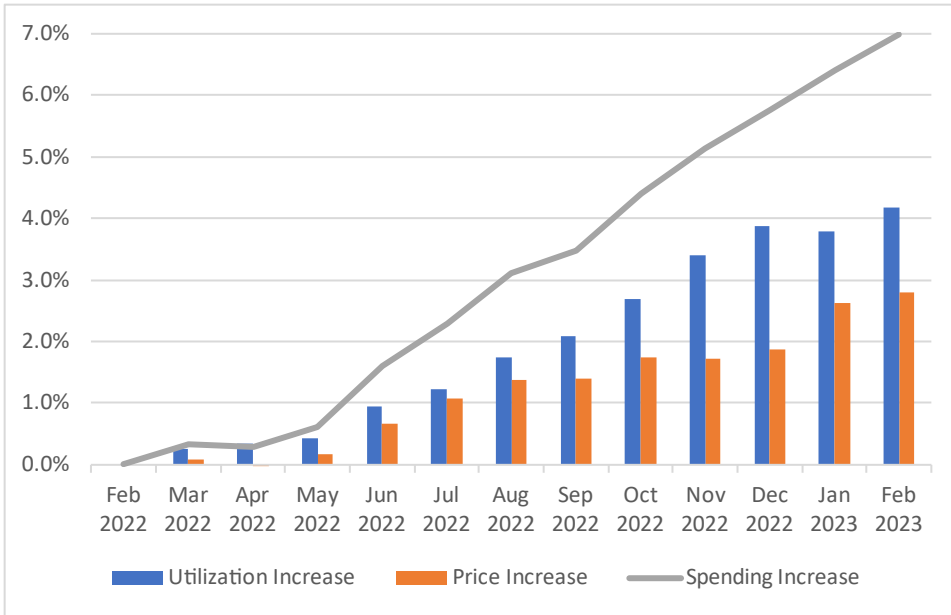


Exhibit 4 shows how spending on personal health care (without government subsidies) has grown over the past year (since February 2022) and illustrates the relative contribution of utilization and prices to this growth. It indicates that spending growth continues to be driven largely by utilization growth through February 2023: Of the 7.0% growth in personal health care spending during this period, 2.8 percentage points can be attributed to price growth, while the remaining 4.2 percentage point growth was associated with increases in utilization. (The latter rate was 3.9 percentage points if government subsidies are included, for an overall growth in personal health care spending of 6.7%.) However, as we have noted repeatedly over the past several months, we continue to expect prices to have a greater role in spending growth in the future. This month's [price brief](#) notes that such price acceleration may have already begun in March for health care services paid for by private insurance.



Exhibit 4. Cumulative Growth in Personal Health Care Spending without Government Assistance





DETAILED HEALTH SPENDING

Exhibit 5. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Feb 2020	Feb 2021	Feb 2022	Feb 2023
GDP	\$21,950.6	\$22,030.9	\$24,732.7	\$26,547.6
National Health Spending	\$4,038.3	\$4,168.4	\$4,344.9	\$4,557.3
Personal health care	\$3,397.9	\$3,456.7	\$3,615.8	\$3,857.9
Hospital care	\$1,270.1	\$1,288.0	\$1,343.1	\$1,432.3
Physician and clinical services	\$855.8	\$852.0	\$870.0	\$904.8
Other professional services	\$114.6	\$125.6	\$131.7	\$141.5
Dental services	\$166.5	\$157.5	\$166.4	\$179.5
Other personal health care	\$198.6	\$222.5	\$225.3	\$236.4
Home health care	\$118.1	\$123.1	\$126.7	\$136.8
Nursing home care	\$185.8	\$178.2	\$188.9	\$208.4
Prescription Drugs	\$348.0	\$357.3	\$392.5	\$429.7
Durable medical equipment	\$58.3	\$61.4	\$70.8	\$79.0
Nondurable medical products	\$82.1	\$91.1	\$100.4	\$109.4
Program administration and net cost of private health insurance	\$331.7	\$322.8	\$306.8	\$324.4
Government public health activities	\$116.2	\$188.1	\$205.4	\$144.4
Research	\$59.1	\$60.7	\$64.0	\$67.8
Structures and equipment	\$133.3	\$140.2	\$152.9	\$162.8
HS Share of GDP	18.4%	18.9%	17.6%	17.2%
HS Share of PGDP	18.4%	18.2%	17.4%	17.0%

Source: Altarum monthly national health spending estimates. The monthly GDP is from IHS Markit.

Notes: Spending is expressed in billions of dollars at a SAAR.

Exhibit 6. National Health Spending 12-Month Growth Rates by Detailed Category

Growth Rates	Feb 2021	Feb 2022	Feb 2023
GDP	0.4%	12.3%	7.3%
National Health Spending	3.2%	4.2%	4.9%
Personal health care	1.7%	4.6%	6.7%
Hospital care	1.4%	4.3%	6.6%
Physician and clinical services	-0.4%	2.1%	4.0%
Other professional services	9.6%	4.9%	7.4%
Dental services	-5.4%	5.6%	7.9%
Other personal health care	12.0%	1.3%	5.0%
Home health care	4.3%	3.0%	7.9%
Nursing home care	-4.1%	6.0%	10.3%
Prescription Drugs	2.7%	9.8%	9.5%
Durable medical equipment	5.3%	15.3%	11.6%
Nondurable medical products	11.0%	10.2%	8.9%
Program administration and net cost of private health insurance	-2.7%	-4.9%	5.8%
Government public health activities	61.8%	9.2%	-29.7%
Research	2.6%	5.5%	5.8%
Structures and equipment	5.1%	9.0%	6.5%
HS Minus GDP	2.9%	-8.0%	-2.4%
HS Minus PGDP	-0.9%	-4.6%	-2.4%

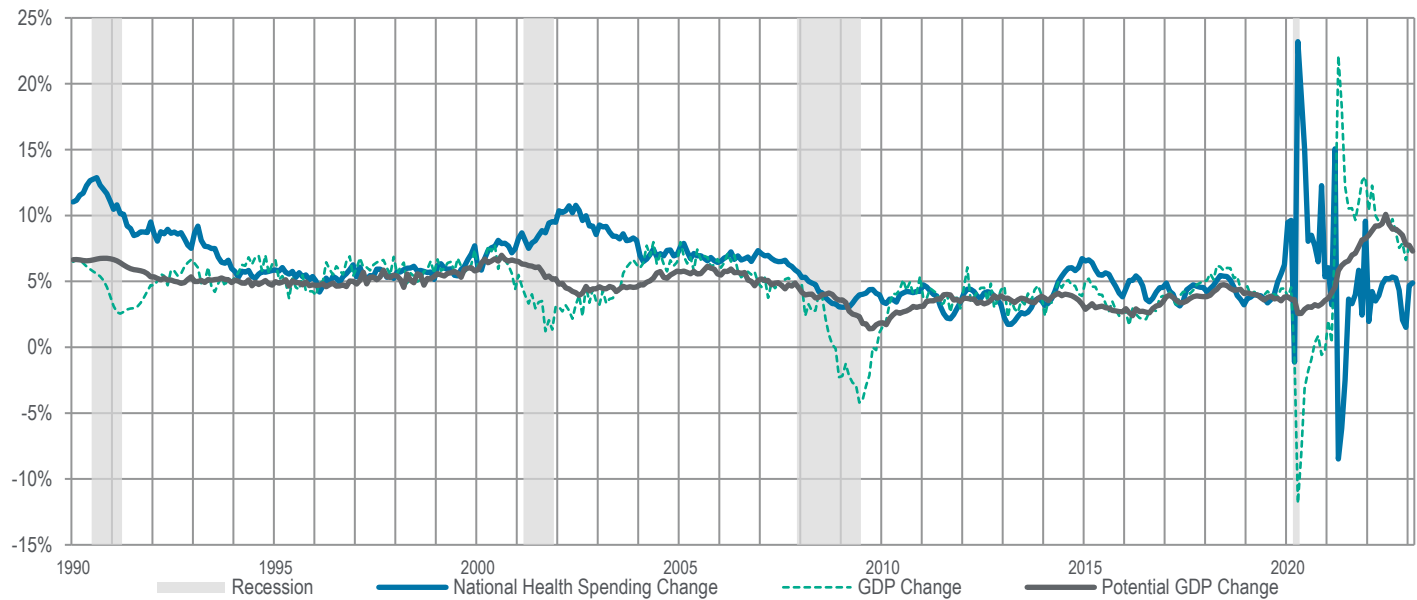
Source: Computed from Exhibit 2.

Note: This exhibit compares monthly national health spending to that of the same month from the previous year.



TIME SERIES TRACKER

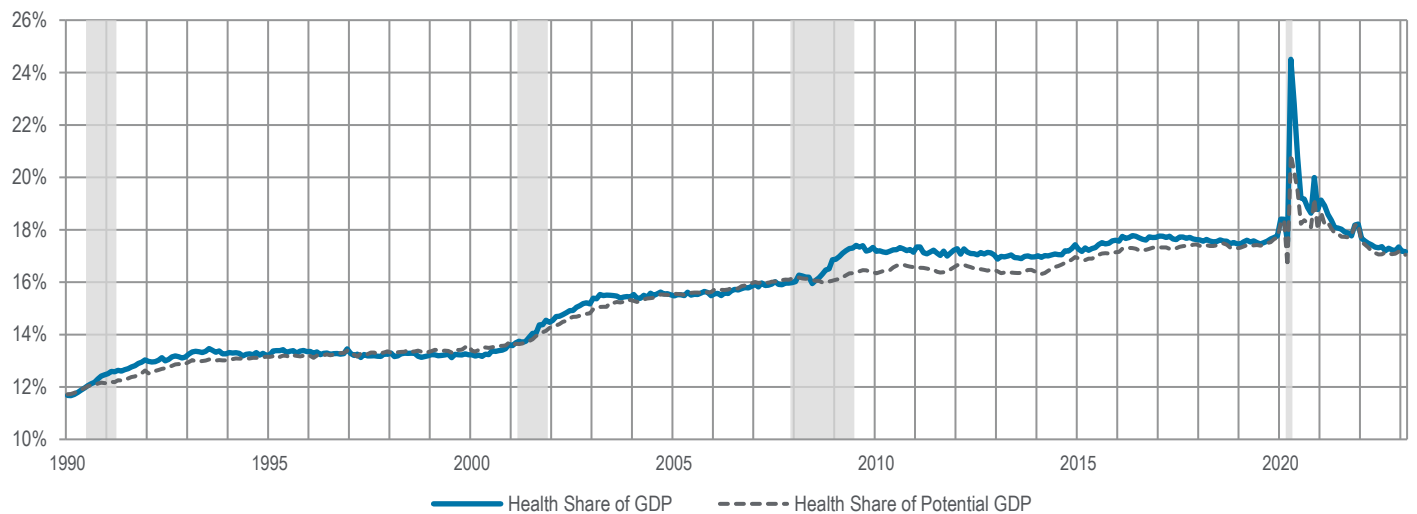
Exhibit 7. Year-over-Year Percentage Change in Spending and GDP



Source: Altarum monthly national health spending estimates. The monthly GDP is from IHS Markit.

Note: Lightly shaded bars denote recession periods.

Exhibit 8. Monthly Health Spending as a Percentage of Monthly GDP



Source: Altarum monthly national health spending estimates. Monthly GDP is from IHS Markit. PGDP is from the U.S. Congressional Budget Office and has been converted to monthly estimates. **Note:** Lightly shaded bars denote recession periods.

Methods. Altarum’s estimates are based on [BEA monthly health spending](#) and [CMS annual NHE estimates \(1990–2021\) and projections \(2022 and 2023\)](#). BEA spending categories are matched to NHEA components by using information presented in the [following](#): Hartman, M. B., Kornfeld, R. J., & Catlin, A. C. (2010, September). A reconciliation of health care expenditures in the National Health Expenditures Accounts and in gross domestic product. *Survey of Current Business*, 90(9), 42–52. For all NHEA personal health care categories except “other health, residential, and personal care,” monthly estimates are based on BEA spending adjusted to NHEA by using annual ratios. For the remaining categories, national health spending estimates and projections are allocated across months by using a simple trend. Annual ratio adjustments through 2021 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2021 ratios are used to adjust BEA spending for months in 2022 and 2023.