

July 19, 2023

## High personal health care spending growth is driven by utilization rather than prices

### HIGHLIGHTS

- ▲ In May 2023, national health spending grew by 6.0%, year over year, and now represents 17.5% of GDP.
- ▲ Nominal GDP in May 2023 was 6.5% higher than in May 2022, and grew 0.5 percentage points faster than health spending, as the growth rates in GDP and health spending have continued to converge.
- ▲ Neglecting government subsidies, spending on personal health care in May increased by 9.3%, year over year, and by 8.5% when subsidies are included, exceeding the GDP growth rate for the fourth consecutive month.
- ▲ Neglecting government subsidies, year-over-year spending on nursing home care (12.7%) and home health care (12.2%) grew fastest in May, while physician and clinical services spending increased the least (8.2%) among major categories.
- ▲ Personal health care growth (neglecting government subsidies) continues to be dominated by growth in utilization rather than price increases.

### National Health Spending and GDP\*

	May 2021	May 2022	Apr 2023	May 2023
<b>GDP</b>	23.08	25.24	26.71	26.87
<b>National Health Spending (HS)</b>	4.16	4.44	4.69	4.71
<b>HS Share of GDP</b>	18.0%	17.6%	17.6%	17.5%
<b>HS Share of PGDP</b>	17.8%	17.4%	17.3%	17.4%
<b>Growth from Prior 12 Months</b>				
<b>HS</b>	-6.9%	6.7%	6.0%	6.0%
<b>GDP</b>	18.3%	9.3%	6.9%	6.5%
<b>HS minus GDP</b>	-25.2%	-2.6%	-0.9%	-0.5%
<b>HS minus PGDP</b>	-13.1%	-2.6%	-0.6%	0.1%

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 Indicators<sup>SM</sup>* (HSEI) reports are a monthly publication of Altarum providing analyses of health spending, employment, and prices. For more information, contact Corwin (Corey) Rhyan at [Corwin.Rhyan@altarum.org](mailto:Corwin.Rhyan@altarum.org). George Miller, PhD (principal author), Corey Rhyan, and Matt Daly, PhD, contributed to this brief. We thank Ani Turner for her years of leadership of this work. Media Contact: [press@altarum.org](mailto:press@altarum.org). For more information, visit <http://altarum.org/solution/health-sector-spending>.

## DISCUSSION

In May 2023, national health spending grew by 6.0%, year over year, reaching a seasonally adjusted annual rate of \$4.71 trillion. Health spending in May accounted for 17.5% of GDP and has averaged 17.5% for the past year. While the GDP growth rate continues to outpace the growth in health spending, the two rates have been converging for the past 6 months, and now differ by just 0.5 percentage points (Exhibit 1), as GDP growth declines and health spending growth increases.

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

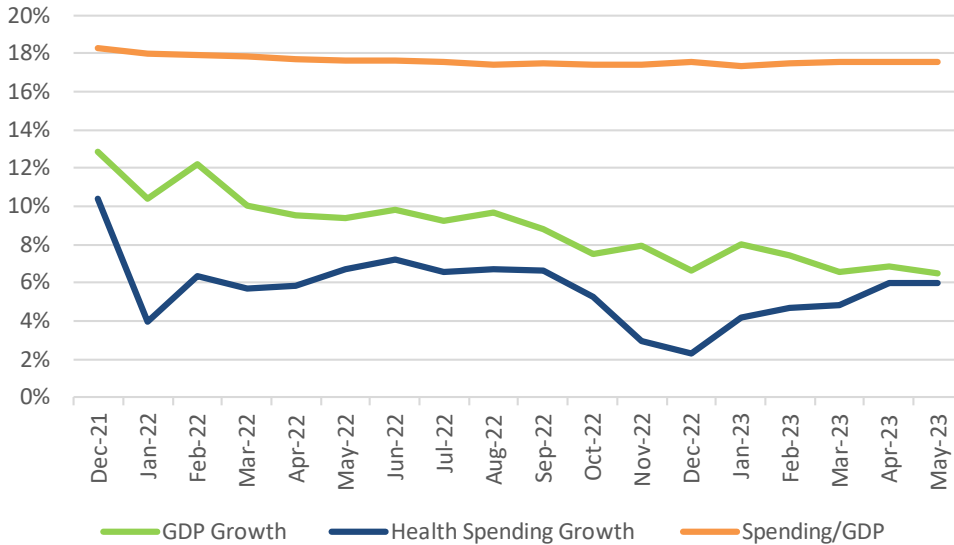


Exhibit 2 shows the trajectory of growth in national health spending and GDP since before the start of the pandemic through May 2023 with and without COVID-related federal government support to providers and public health activities. This support has declined significantly in recent months. National health spending in May 2023 was 17.7% higher than its pre-pandemic (January 2020) level (17.2% without government subsidies), while GDP over the same period grew by 23.4%.

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

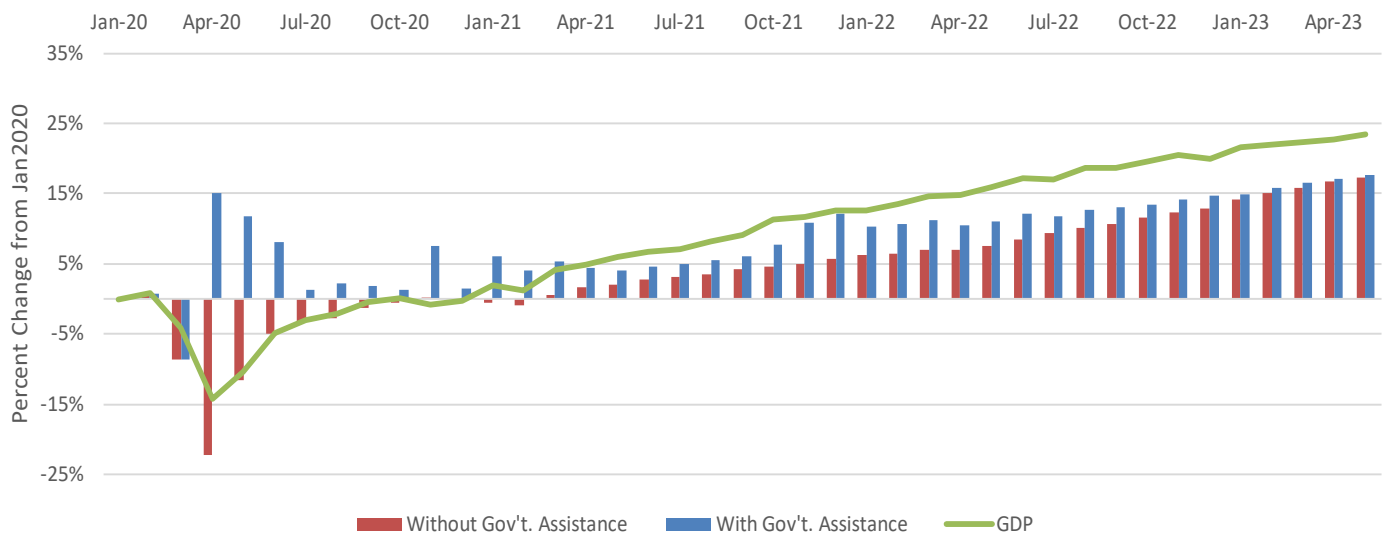


Exhibit 3 displays the growth in spending by major categories within personal health care (health care goods and services, which excludes categories such as the net cost of insurance and public health expenditures) over the past year without the impact of the decline in federal government support. Overall, personal health care spending growth since May 2022 was 9.3% without government assistance and 8.5% with government support, as government subsidies to providers were smaller in the past year than earlier in the pandemic. Excluding such support, spending

on nursing home care grew the fastest, at 12.7%, followed closely by home health care spending, at 12.2%. Spending on physician and clinical services grew the slowest, at 8.2%.

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

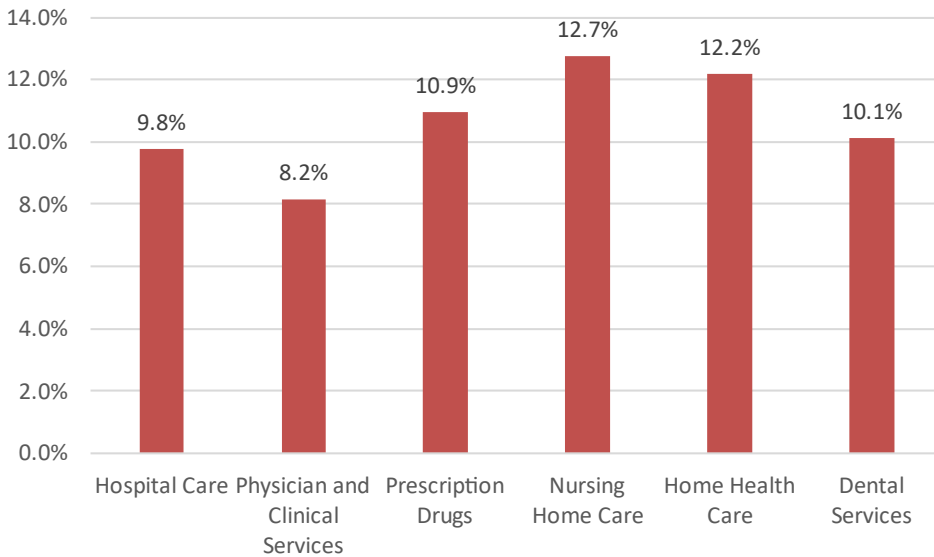
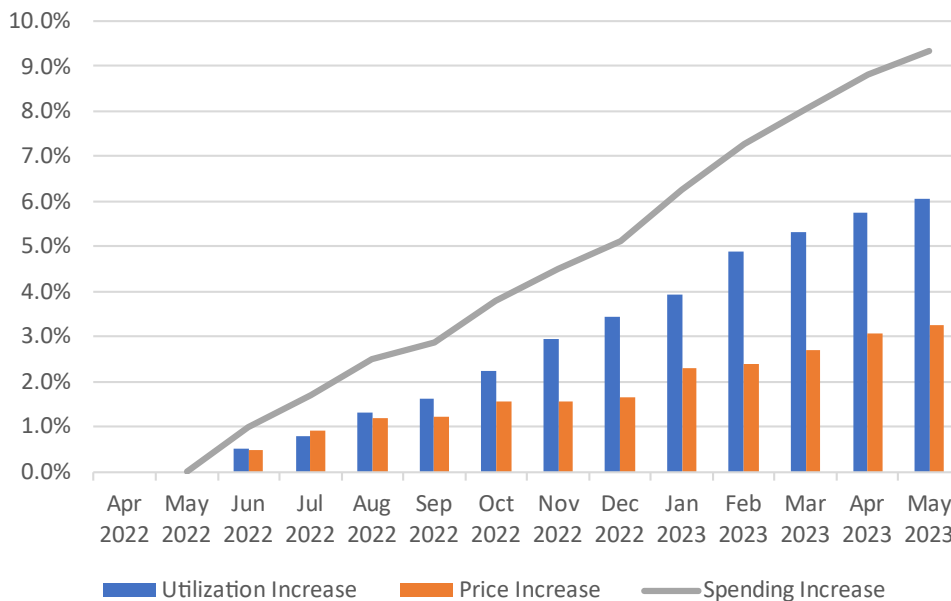


Exhibit 4 shows how spending on personal health care (without government subsidies) has grown over the past year (since May 2022) and illustrates the relative contribution of utilization and prices to this growth. It indicates that spending growth continues to be driven largely by utilization growth through May 2023: Of the 9.3% growth in personal health care spending during this period, 3.3 percentage points can be attributed to price growth, while the remaining 6.1 percentage point growth was associated with increases in utilization (discrepancy due to rounding). (The growth in utilization was 5.3 percentage points if government subsidies are included, for an overall growth in personal health care spending of 8.5%.) Personal health care spending has been growing steadily for the past year, averaging nearly 0.8% growth month over month, neglecting federal subsidies. Including subsidies, the 8.5% growth in spending on personal health care in May exceeded the GDP growth rate for the fourth consecutive month. Over that 4-month period, year-over-year growth for personal health care was 8.1%, while growth in GDP was 6.8%.

**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)	May 2020	May 2021	May 2022	May 2023
<b>GDP</b>	\$19,514.0	\$23,082.7	\$25,240.6	\$26,874.3
<b>National Health Spending</b>	\$4,472.9	\$4,164.6	\$4,445.0	\$4,710.3
<b>Personal health care</b>	\$3,485.2	\$3,499.5	\$3,658.4	\$3,970.3
<b>Hospital care</b>	\$1,373.0	\$1,312.7	\$1,340.6	\$1,453.6
<b>Physician and clinical services</b>	\$813.9	\$840.5	\$879.3	\$944.5
<b>Other professional services</b>	\$124.3	\$129.2	\$132.7	\$144.2
<b>Dental services</b>	\$121.8	\$159.9	\$167.9	\$183.7
<b>Other personal health care</b>	\$218.6	\$217.5	\$233.8	\$242.8
<b>Home health care</b>	\$137.1	\$123.4	\$133.7	\$149.0
<b>Nursing home care</b>	\$229.3	\$178.9	\$193.3	\$216.4
<b>Prescription Drugs</b>	\$341.3	\$375.6	\$403.9	\$448.1
<b>Durable medical equipment</b>	\$45.1	\$65.8	\$71.7	\$79.0
<b>Nondurable medical products</b>	\$80.8	\$96.0	\$101.6	\$108.9
<b>Program administration and net cost of private health insurance</b>	\$351.4	\$303.2	\$337.4	\$366.0
<b>Government public health activities</b>	\$444.0	\$156.6	\$230.7	\$142.7
<b>Research</b>	\$60.0	\$61.0	\$64.9	\$68.3
<b>Structures and equipment</b>	\$132.4	\$144.4	\$153.6	\$162.9
<b>HS Share of GDP</b>	22.9%	18.0%	17.6%	17.5%
<b>HS Share of PGDP</b>	20.3%	17.8%	17.4%	17.4%

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.

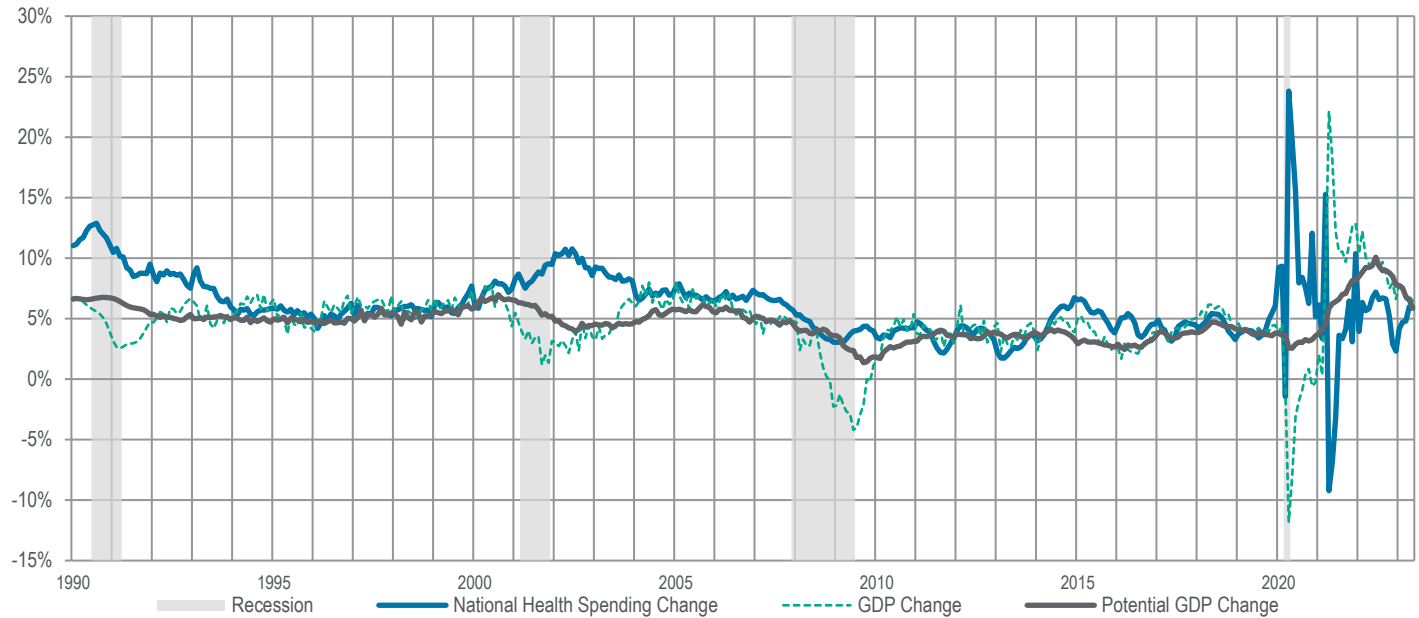
**Exhibit 6. National Health Spending 12-Month Growth Rates by Detailed Category**

Growth Rates	May 2021	May 2022	May 2023
<b>GDP</b>	18.3%	9.3%	6.5%
<b>National Health Spending</b>	-6.9%	6.7%	6.0%
<b>Personal health care</b>	0.4%	4.5%	8.5%
<b>Hospital care</b>	-4.4%	2.1%	8.4%
<b>Physician and clinical services</b>	3.3%	4.6%	7.4%
<b>Other professional services</b>	4.0%	2.7%	8.7%
<b>Dental services</b>	31.3%	5.0%	9.4%
<b>Other personal health care</b>	-0.5%	7.5%	3.9%
<b>Home health care</b>	-10.0%	8.3%	11.5%
<b>Nursing home care</b>	-22.0%	8.1%	12.0%
<b>Prescription Drugs</b>	10.1%	7.5%	10.9%
<b>Durable medical equipment</b>	45.7%	9.0%	10.2%
<b>Nondurable medical products</b>	18.7%	5.9%	7.2%
<b>Program administration and net cost of private health insurance</b>	-13.7%	11.3%	8.5%
<b>Government public health activities</b>	-64.7%	47.4%	-38.2%
<b>Research</b>	1.7%	6.4%	5.3%
<b>Structures and equipment</b>	9.1%	6.4%	6.1%
<b>HS Minus GDP</b>	-25.2%	-2.6%	-0.5%
<b>HS Minus PGDP</b>	-13.1%	-2.6%	0.1%

Source: Computed from Exhibit 2.  
Note: This exhibit compares monthly national health spending to that of the same month from the previous year.

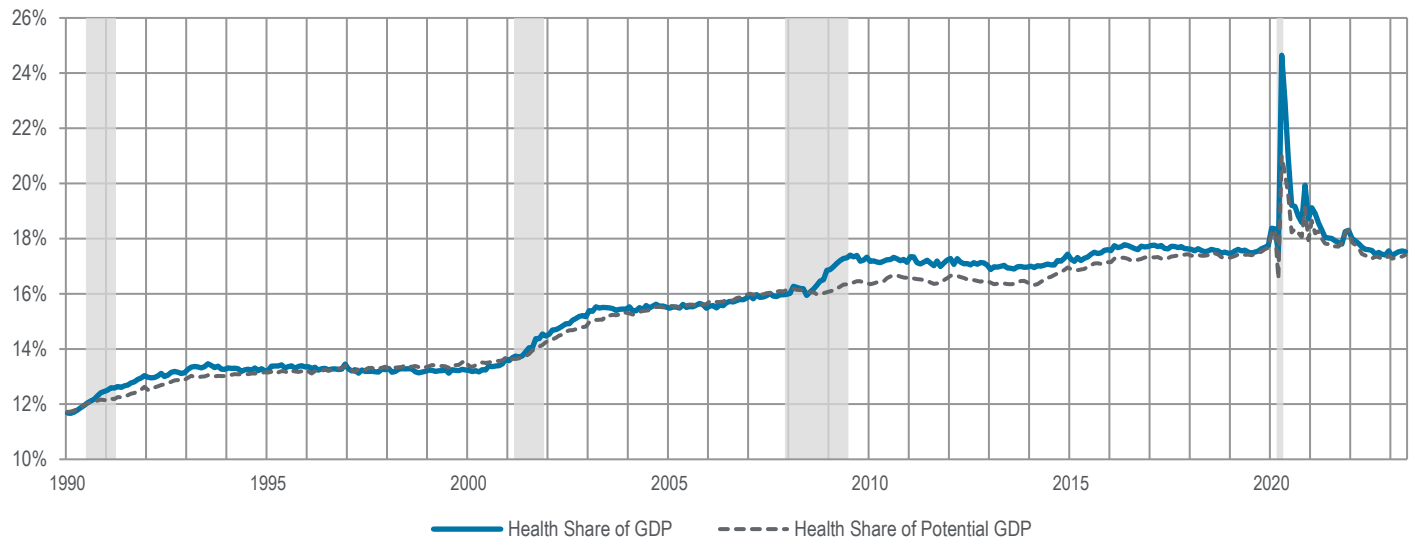
## TIME SERIES TRACKER

**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.