

June 28, 2023

Personal health care spending growth exceeds GDP growth for third month

HIGHLIGHTS

- ▲ In April 2023, national health spending grew by 5.6%, year over year, and now represents 17.5% of GDP.
- ▲ Nominal GDP in April 2023 was 6.9% higher than in April 2022, and grew 1.3 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 April increased by 8.8%, year over year, and by 8.0% when subsidies are included, exceeding the GDP growth rate for the third consecutive month.
- ▲ Neglecting government subsidies, spending on nursing home care (13.6%) grew fastest in April, while physician and clinical services spending increased the least (6.4%).
- ▲ Data from CMS' recently released National Health Expenditure Projections have been incorporated into this month's spending brief.

National Health Spending and GDP*

	Apr 2021	Apr 2022	Mar 2023	Apr 2023
GDP	22.83	25.00	26.56	26.73
National Health Spending (HS)	4.18	4.42	4.65	4.67
HS Share of GDP	18.3%	17.7%	17.5%	17.5%
HS Share of PGDP	18.0%	17.4%	17.3%	17.3%
Growth from Prior 12 Months				
HS	-9.2%	5.8%	4.4%	5.6%
GDP	22.1%	9.5%	6.4%	6.9%
HS minus GDP	-31.4%	-3.7%	-2.0%	-1.3%
HS minus PGDP	-15.0%	-3.4%	-2.2%	-0.8%

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 AltarumSM 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 Rhyon, 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 April 2023, national health spending grew by 5.6%, year over year, reaching a seasonally adjusted annual rate of \$4.67 trillion. Health spending in April accounted for 17.5% of GDP. While the GDP growth rate continues to outpace the growth in health spending, the two rates have been converging for the past 5 months, and now differ by 1.3 percentage points (Exhibit 1). As discussed below, growth in spending on personal health care in April (spending on health care goods and services, including federal government subsidies) was 8.0%, year over year, exceeding the GDP growth rate for the third consecutive month.

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

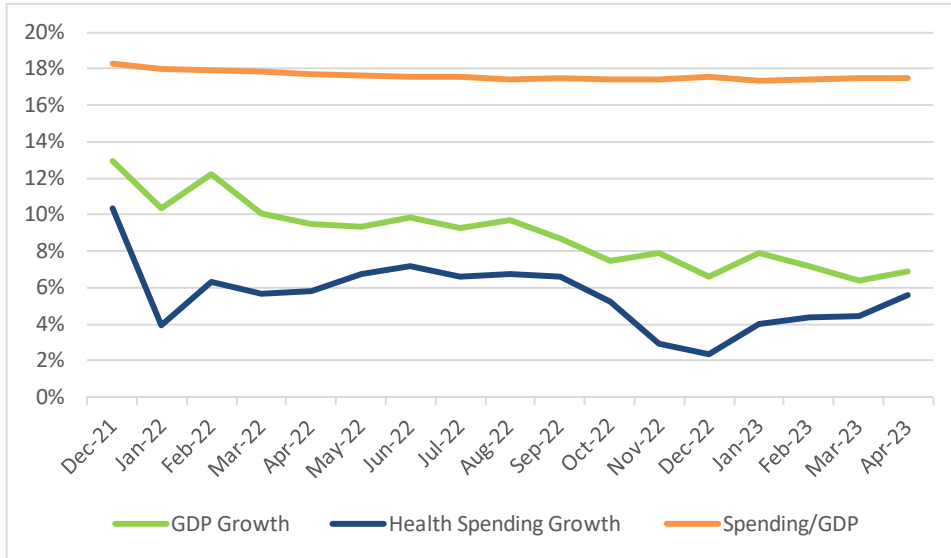


Exhibit 2 shows the trajectory of growth in national health spending and GDP since the start of 2020 through April 2023 with and without COVID-related federal government support to providers and public health activities. This support has declined significantly in recent months. National health spending in April 2023 was 16.8% higher than its pre-pandemic (January 2020) level (16.3% without government subsidies), while GDP over the same period grew by 22.7%.

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

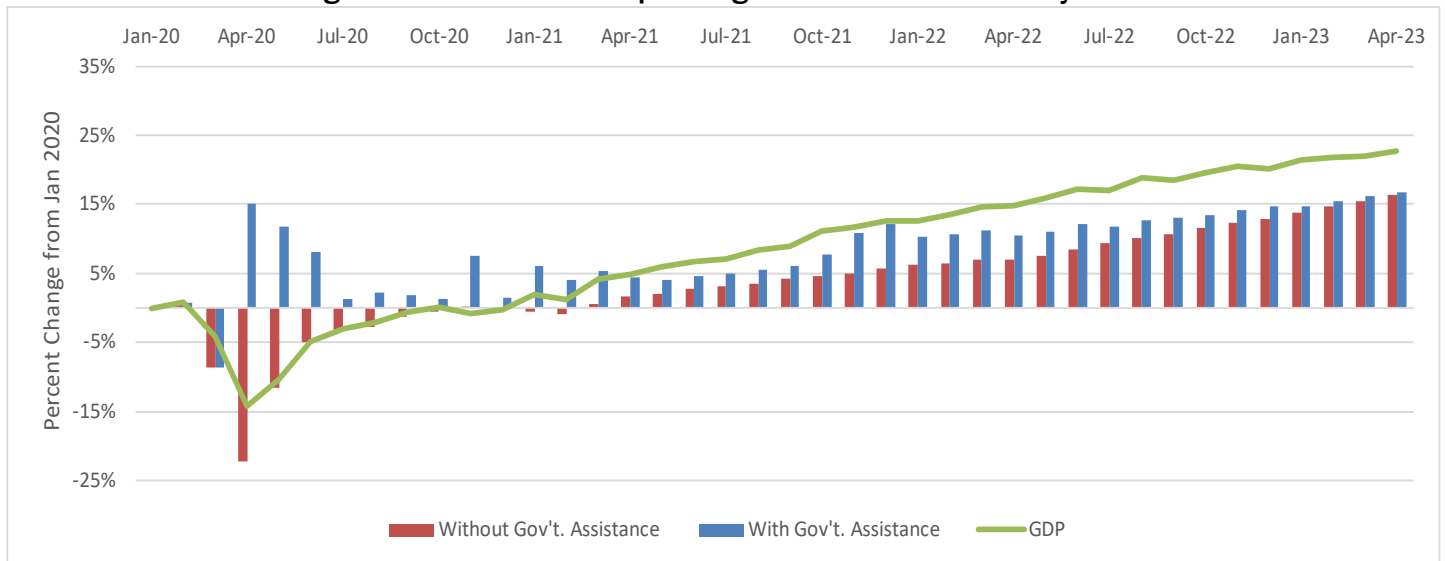


Exhibit 3 displays the growth in spending by major categories within personal health care over the past year without the impact of the decline in federal government support. Overall, personal health care spending growth since April 2022 was 8.8% without government assistance and 8.0% with government 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 13.6%. Spending on physician and clinical services grew the slowest, at 6.4%.

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

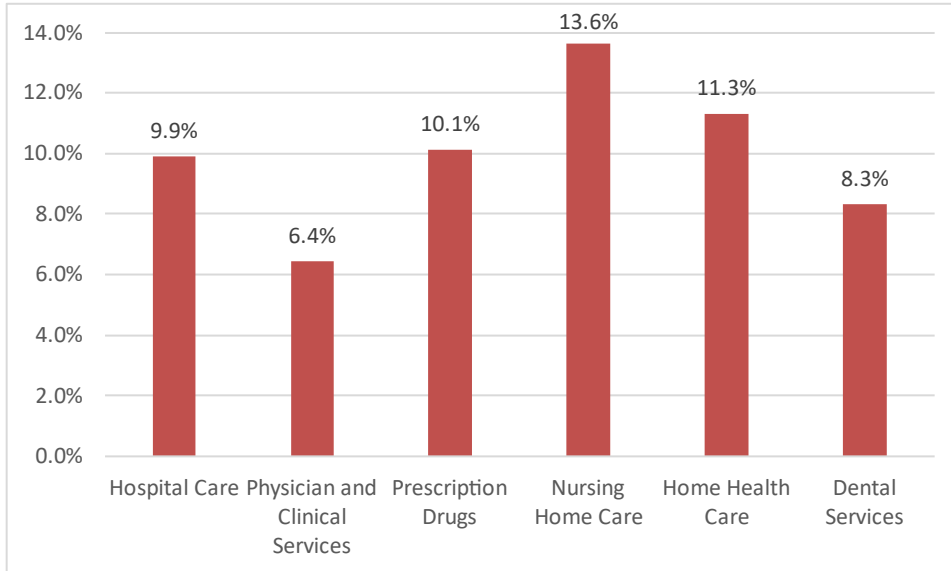
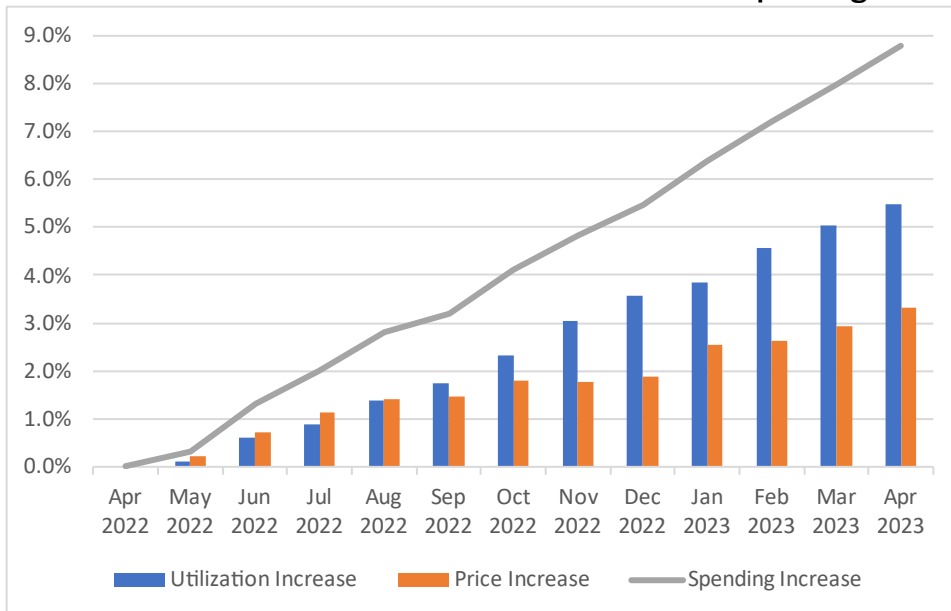


Exhibit 4 shows how spending on personal health care (without government subsidies) has grown over the past year (since April 2022) and illustrates the relative contribution of utilization and prices to this growth. It indicates that spending growth continues to be driven largely by utilization growth through April 2023: Of the 8.8% growth in personal health care spending during this period, 3.3 percentage points can be attributed to price growth, while the remaining 5.5 percentage point growth was associated with increases in utilization. (The latter rate was 4.7 percentage points if government subsidies are included, for an overall growth in personal health care spending of 8.0%.) Personal health care has been growing steadily for the past year, averaging more than 0.7% growth month over month, neglecting federal subsidies.

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



On June 14, CMS released their latest [National Health Expenditure Projections](#), covering the years 2022 through 2031. While most of our spending data for 2022 and 2023 are based on data provided by the U.S. Bureau of Economic Analysis, we use the projections for spending categories that are not included in the BEA data. (These categories primarily capture spending other than for personal health care.) We have incorporated the new projection data into this month's spending brief; the most significant change was an increase in estimated spending on public health activities in 2022.

DETAILED HEALTH SPENDING

Exhibit 5. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Apr 2020	Apr 2021	Apr 2022	Apr 2023
GDP	\$18,691.2	\$22,828.6	\$25,001.4	\$26,727.1
National Health Spending	\$4,605.5	\$4,180.6	\$4,423.9	\$4,672.7
Personal health care	\$3,622.1	\$3,513.6	\$3,643.2	\$3,936.0
Hospital care	\$1,247.9	\$1,307.3	\$1,338.4	\$1,455.2
Physician and clinical services	\$893.3	\$854.5	\$877.7	\$928.5
Other professional services	\$148.8	\$127.0	\$131.3	\$139.0
Dental services	\$149.8	\$161.9	\$167.8	\$180.7
Other personal health care	\$264.0	\$219.5	\$232.3	\$242.1
Home health care	\$163.1	\$122.9	\$129.0	\$142.7
Nursing home care	\$302.9	\$179.2	\$192.5	\$217.4
Prescription Drugs	\$335.9	\$376.3	\$401.8	\$442.4
Durable medical equipment	\$39.5	\$67.1	\$71.4	\$78.8
Nondurable medical products	\$76.8	\$97.8	\$101.1	\$109.1
Program administration and net cost of private health insurance	\$346.8	\$307.2	\$332.8	\$364.4
Government public health activities	\$444.4	\$155.8	\$230.4	\$142.1
Research	\$59.7	\$60.9	\$64.5	\$68.0
Structures and equipment	\$132.5	\$143.2	\$152.9	\$162.1
HS Share of GDP	24.6%	18.3%	17.7%	17.5%
HS Share of PGDP	21.0%	18.0%	17.4%	17.3%

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

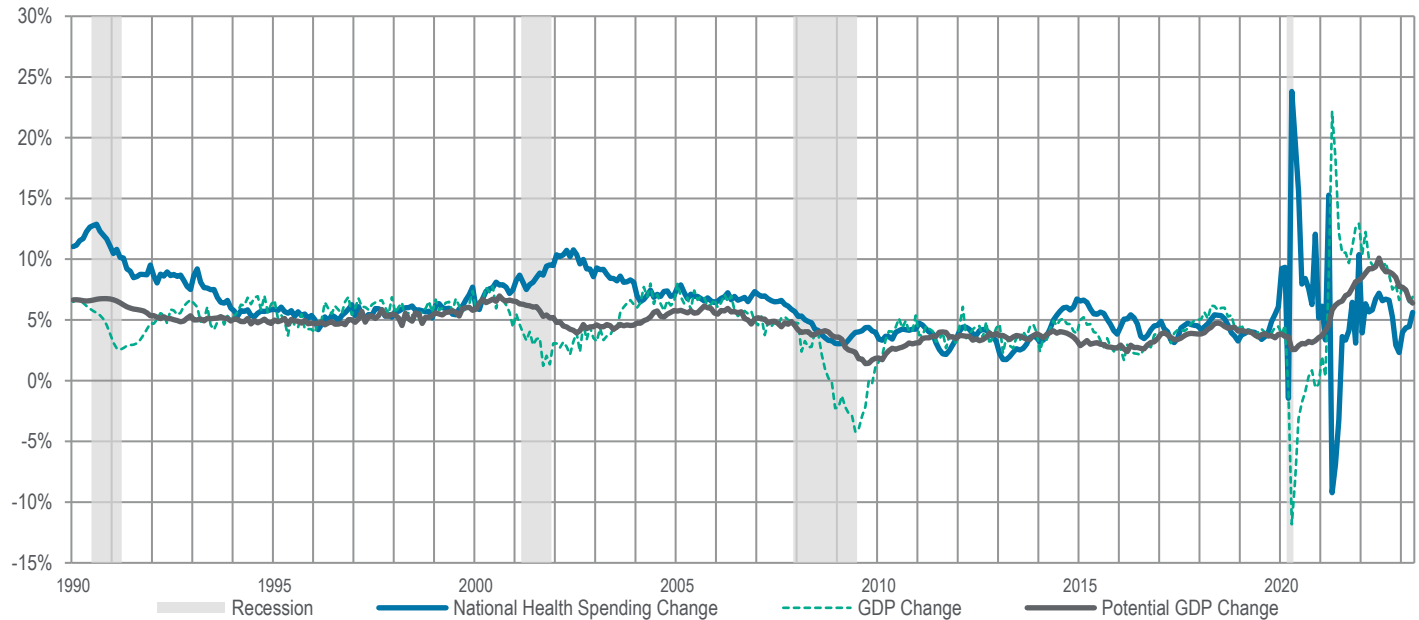
Growth Rates	Apr 2021	Apr 2022	Apr 2023
GDP	22.1%	9.5%	6.9%
National Health Spending	-9.2%	5.8%	5.6%
Personal health care	-3.0%	3.7%	8.0%
Hospital care	4.8%	2.4%	8.7%
Physician and clinical services	-4.3%	2.7%	5.8%
Other professional services	-14.7%	3.4%	5.9%
Dental services	8.1%	3.7%	7.7%
Other personal health care	-16.8%	5.8%	4.2%
Home health care	-24.6%	4.9%	10.6%
Nursing home care	-40.8%	7.5%	12.9%
Prescription Drugs	12.0%	6.8%	10.1%
Durable medical equipment	69.8%	6.3%	10.4%
Nondurable medical products	27.4%	3.3%	8.0%
Program administration and net cost of private health insurance	-11.4%	8.3%	9.5%
Government public health activities	-64.9%	47.9%	-38.3%
Research	1.9%	6.0%	5.4%
Structures and equipment	8.1%	6.8%	6.0%
HS Minus GDP	-31.4%	-3.7%	-1.3%
HS Minus PGDP	-15.0%	-3.4%	-0.8%

Source: Computed from Exhibit 2.

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

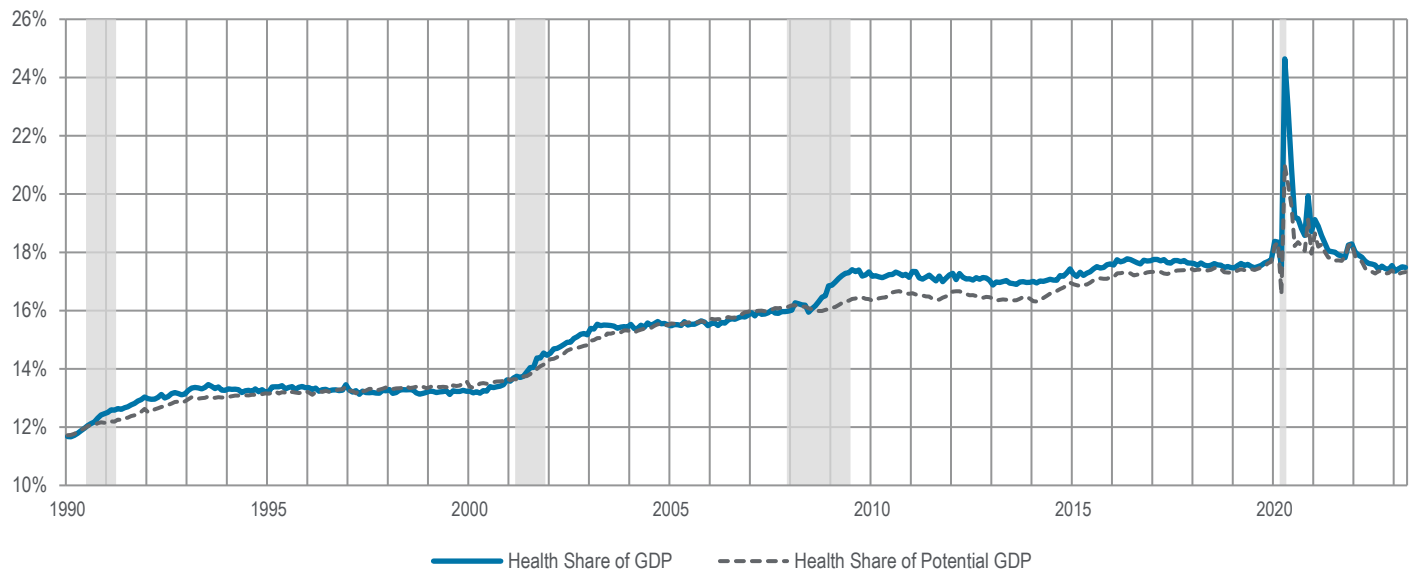
TIME SERIES TRACKER

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

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.