

May 25, 2023

Growth rates of GDP and national health spending are converging

HIGHLIGHTS

- ▲ In March 2023, national health spending grew by 5.4%, year over year, and now represents 17.3% of GDP.
- ▲ Nominal GDP in March 2023 was 6.4% higher than in March 2022, and grew one percentage point faster than health spending, as the growth rates in GDP and health spending have begun to converge.
- ▲ Neglecting government subsidies, spending on personal health care increased by 7.7%, year over year, and by 7.2% when subsidies are included, exceeding March's GDP growth rate.
- ▲ Neglecting government subsidies, spending on nursing home care (12.1%) grew fastest in March, while physician and clinical services spending increased the least (5.0%).

National Health Spending and GDP*

	Mar 2021	Mar 2022	Feb 2023	Mar 2023
GDP	22.69	24.97	26.44	26.56
National Health Spending (HS)	4.22	4.37	4.57	4.60
HS Share of GDP	18.6%	17.5%	17.3%	17.3%
HS Share of PGDP	18.3%	17.3%	17.1%	17.1%
Growth from Prior 12 Months				
HS	15.1%	3.5%	5.2%	5.4%
GDP	8.7%	10.0%	6.9%	6.4%
HS minus GDP	6.4%	-6.5%	-1.7%	-1.0%
HS minus PGDP	10.5%	-5.7%	-2.3%	-1.2%

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 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 March 2023, national health spending grew by 5.4%, year over year, reaching a seasonally adjusted annual rate of \$4.60 trillion. Health spending in March accounted for 17.3% of GDP. While the GDP growth rate continues to outpace the growth in health spending, the two rates have been converging for the past 4 months, and now differ by just 1.0 percentage point. As discussed below, growth in spending on personal health care in March (spending on health care goods and services, including federal government subsidies) was 7.2%, year over year, exceeding the GDP growth rate.

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

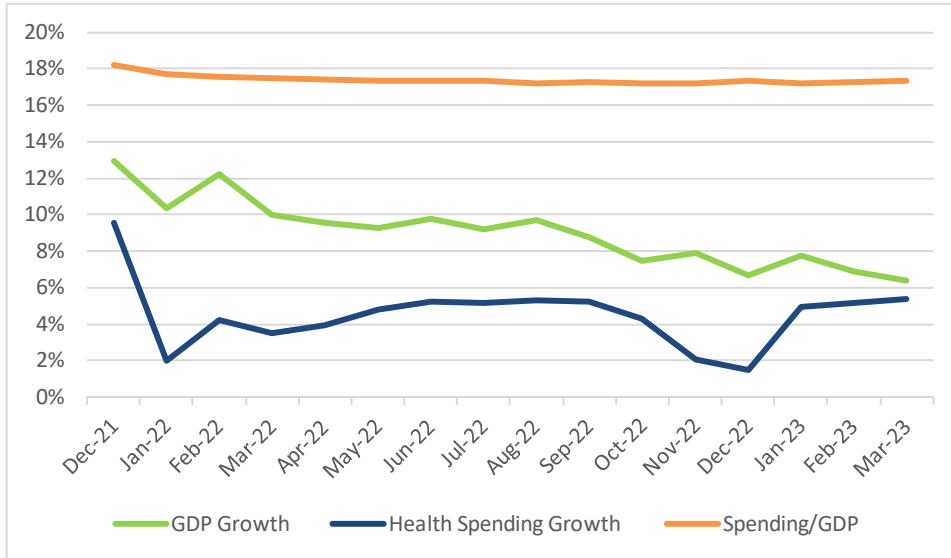


Exhibit 2 shows the trajectory of growth in national health spending and GDP since the start of 2020 through March 2023 with and without COVID-related federal government support to providers and public health activities. This support has declined significantly in recent months. National health spending in March 2023 was 14.8% higher than its pre-pandemic (January 2020) level, while GDP over the same period grew by 22.0%.

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

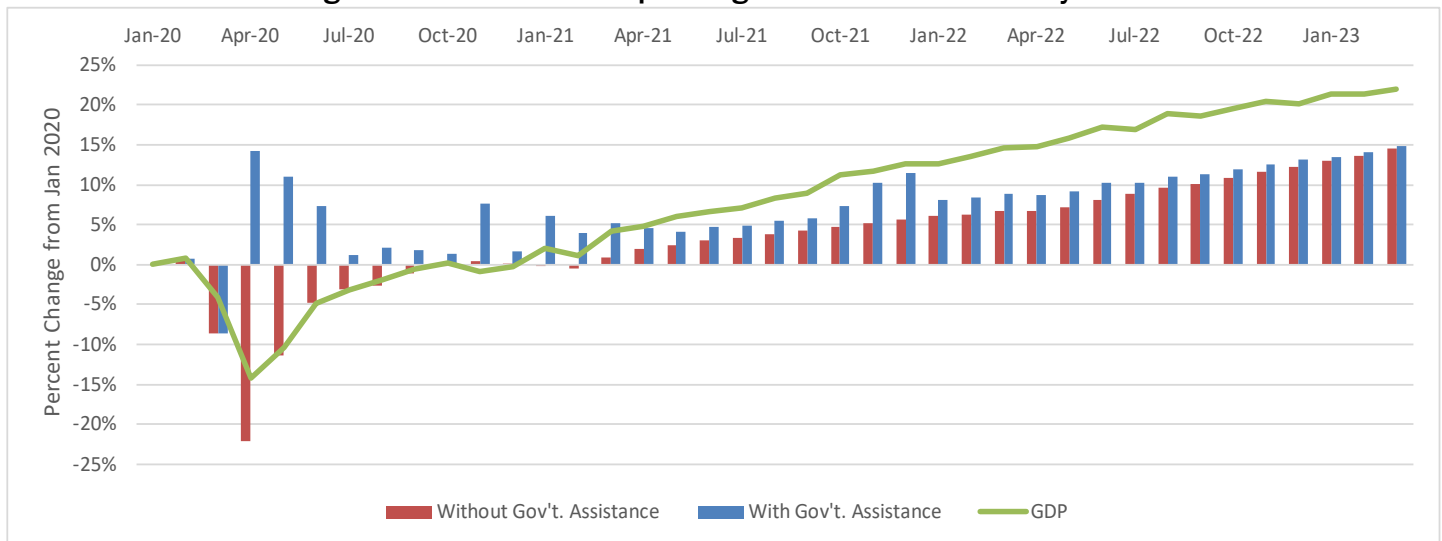


Exhibit 3 displays the growth in spending by major categories within personal health care over the past year without the impact of the decline in federal government support. Overall, personal health care spending growth since March 2022 was 7.7% without government assistance and 7.2% with government support, as government subsidies to providers were smaller in the past year than earlier in the pandemic. Excluding such support, spending in the past year on nursing home care grew the fastest, at 12.1%, followed by spending on prescription drugs (9.9%) and home health care (9.2%). Spending on physician and clinical services grew the slowest, at 5.0%.

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

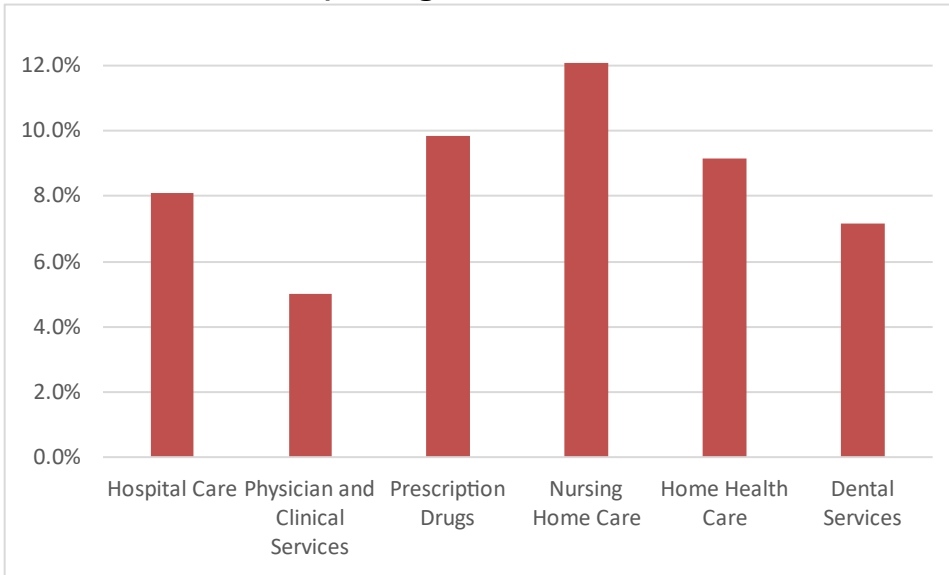
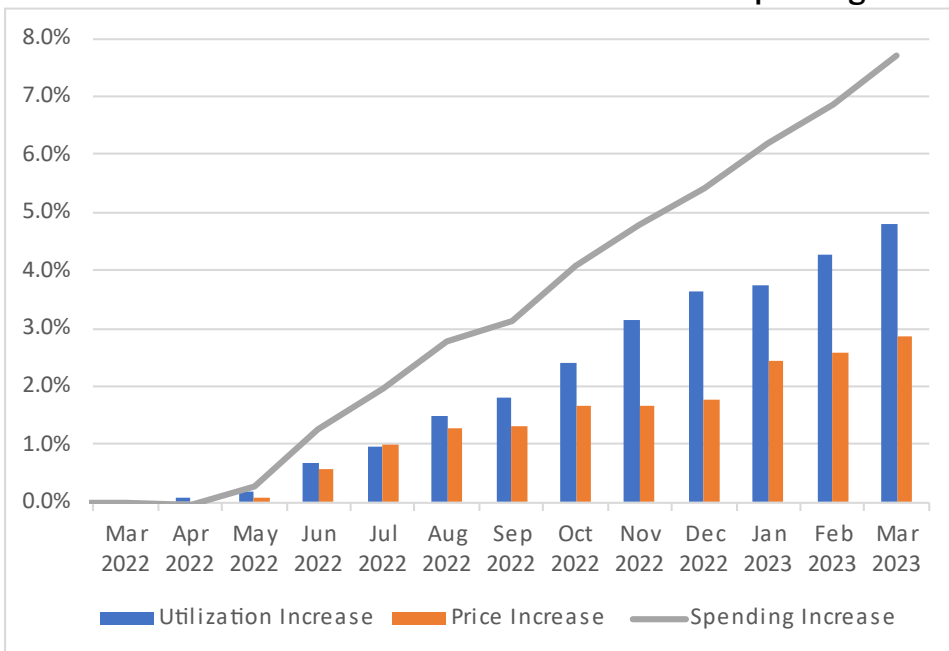


Exhibit 4 shows how spending on personal health care (without government subsidies) has grown over the past year (since March 2022) and illustrates the relative contribution of utilization and prices to this growth. It indicates that spending growth continues to be driven largely by utilization growth through March 2023: Of the 7.7% growth in personal health care spending during this period, 2.9 percentage points can be attributed to price growth, while the remaining 4.8 percentage point growth was associated with increases in utilization. (The latter rate was 4.3 percentage points if government subsidies are included, for an overall growth in personal health care spending of 7.2%.)

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



Two new data sources will likely result in revisions to the data reported in this spending brief. On May 19, the U.S. Census Bureau released its latest [Advance Quarterly Services Report](#), which indicates that spending on health care services grew by 9.5%, year over year, in the first quarter of 2023. The U.S. Bureau of Economic Analysis, which provides much of the data we incorporate into our spending briefs, uses data from this report to estimate spending on health care services. This higher growth rate than we have been reporting might result in upward revisions to our spending estimates. In addition, we anticipate release of CMS' National Health Expenditure Projections in June. Subsequent versions of this spending brief will be updated to incorporate the projections for the year 2022.

DETAILED HEALTH SPENDING

Exhibit 5. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Mar 2020	Mar 2021	Mar 2022	Mar 2023
GDP	\$20,885.1	\$22,694.9	\$24,967.3	\$26,561.6
National Health Spending	\$3,665.5	\$4,217.5	\$4,365.8	\$4,601.4
Personal health care	\$3,016.5	\$3,510.0	\$3,632.6	\$3,894.4
Hospital care	\$1,041.0	\$1,298.8	\$1,346.6	\$1,445.2
Physician and clinical services	\$753.3	\$865.2	\$873.4	\$913.4
Other professional services	\$98.7	\$123.5	\$130.8	\$142.3
Dental services	\$119.0	\$160.4	\$169.3	\$180.8
Other personal health care	\$199.3	\$222.8	\$226.4	\$237.4
Home health care	\$112.1	\$121.9	\$127.6	\$138.7
Nursing home care	\$185.8	\$178.1	\$190.8	\$212.9
Prescription Drugs	\$368.6	\$372.1	\$396.8	\$435.9
Durable medical equipment	\$51.5	\$68.2	\$70.2	\$79.4
Nondurable medical products	\$87.4	\$98.8	\$100.8	\$108.4
Program administration and net cost of private health insurance	\$339.5	\$316.4	\$309.3	\$325.2
Government public health activities	\$117.1	\$188.8	\$205.7	\$150.2
Research	\$59.5	\$60.7	\$64.5	\$68.0
Structures and equipment	\$132.8	\$141.6	\$153.7	\$163.6
HS Share of GDP	17.6%	18.6%	17.5%	17.3%
HS Share of PGDP	16.6%	18.3%	17.3%	17.1%

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

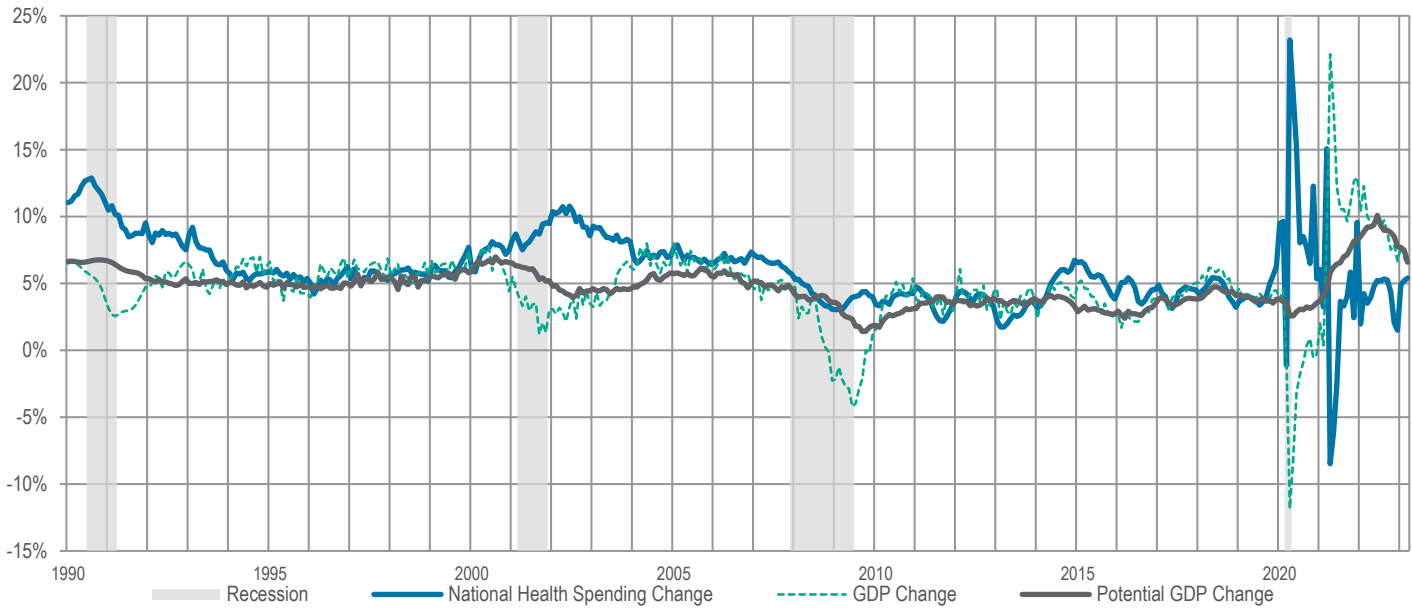
Growth Rates	Mar 2021	Mar 2022	Mar 2023
GDP	8.7%	10.0%	6.4%
National Health Spending	15.1%	3.5%	5.4%
Personal health care	16.4%	3.5%	7.2%
Hospital care	24.8%	3.7%	7.3%
Physician and clinical services	14.9%	0.9%	4.6%
Other professional services	25.2%	5.9%	8.8%
Dental services	34.8%	5.6%	6.8%
Other personal health care	11.8%	1.6%	4.8%
Home health care	8.8%	4.6%	8.7%
Nursing home care	-4.1%	7.1%	11.6%
Prescription Drugs	1.0%	6.7%	9.9%
Durable medical equipment	32.6%	2.8%	13.2%
Nondurable medical products	13.1%	1.9%	7.5%
Program administration and net cost of private health insurance	-6.8%	-2.2%	5.1%
Government public health activities	61.2%	9.0%	-27.0%
Research	2.1%	6.2%	5.5%
Structures and equipment	6.6%	8.5%	6.5%
HS Minus GDP	6.4%	-6.5%	-1.0%
HS Minus PGDP	10.5%	-5.7%	-1.2%

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

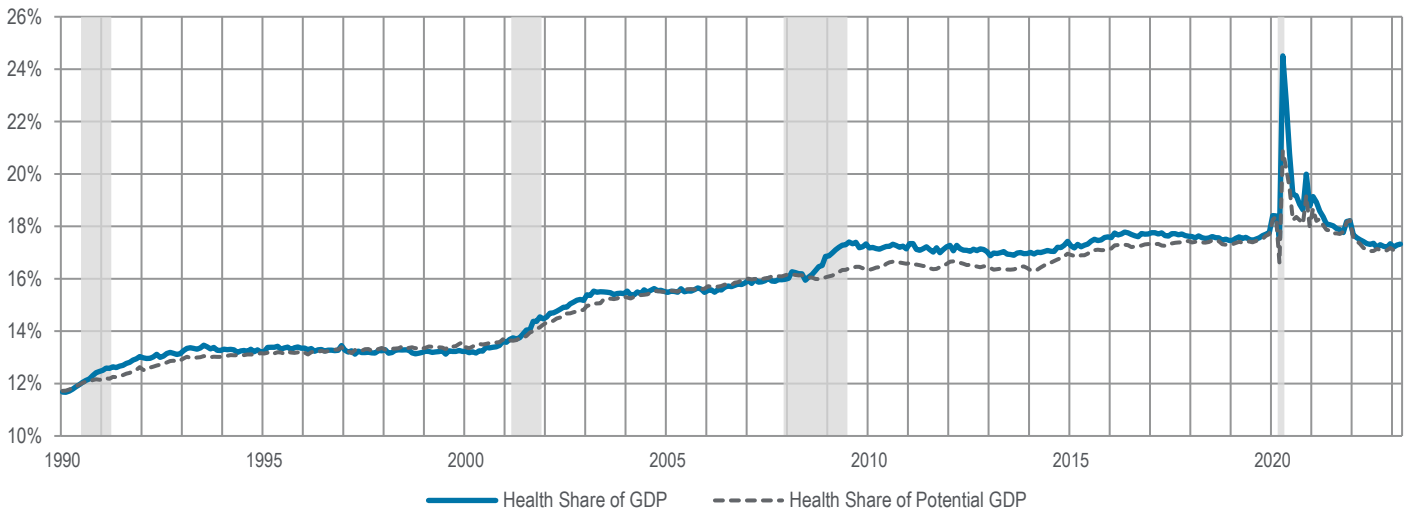
Exhibit 7. Year-over-Year Percentage Change in Spending and GDP



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.