

September 26, 2023

Health spending growth continues to be dominated by utilization over prices

HIGHLIGHTS

- ▲ In July 2023, national health spending grew by 5.7%, year over year, and now represents 17.4% of GDP.
- ▲ Nominal GDP in July 2023 was 6.5% higher than in July 2022, and grew 0.8 percentage points faster than health spending.
- ▲ Neglecting government subsidies, spending on personal health care in July increased by 7.9%, year over year, and by 7.2% when subsidies are included, exceeding the GDP growth rate for the sixth consecutive month.
- ▲ Neglecting government subsidies, year-over-year spending on home health care (12.3%) and dental services (11.6%) grew fastest in July, while spending on hospital care increased the least (6.7%) among major categories.
- ▲ Personal health care spending growth (neglecting government subsidies) continues to be dominated by growth in utilization rather than price increases.

National Health Spending and GDP*

	Jul 2021	Jul 2022	Jun 2023	Jul 2023
GDP	23.32	25.47	26.92	27.13
National Health Spending (HS)	4.20	4.48	4.73	4.73
HS Share of GDP	18.0%	17.6%	17.6%	17.4%
HS Share of PGDP	17.7%	17.3%	17.5%	17.4%
Growth from Prior 12 Months				
HS	3.6%	6.6%	5.3%	5.7%
GDP	10.5%	9.2%	5.6%	6.5%
HS minus GDP	-6.9%	-2.7%	-0.3%	-0.8%
HS minus PGDP	-3.0%	-2.7%	0.8%	0.9%

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 Corwin Rhyan at corwin.rhyan@altarum.org. George Miller, PhD (principal author), Corwin 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. For more information, visit <http://altarum.org/solution/health-sector-spending>.

DISCUSSION

In July 2023, national health spending grew by 5.7%, year over year, reaching a seasonally adjusted annual rate of \$4.73 trillion. Health spending in July accounted for 17.4% 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 in recent months, and now differ by 0.8 percentage points (Exhibit 1). Personal health care spending (spending on health care goods and services, which excludes categories such as the net cost of insurance and public health expenditures), however, has grown at a rate faster than GDP since February 2023 and grew by 7.2%, year over year in July.

Exhibit 1. Year-over-Year Growth in GDP and Health Spending

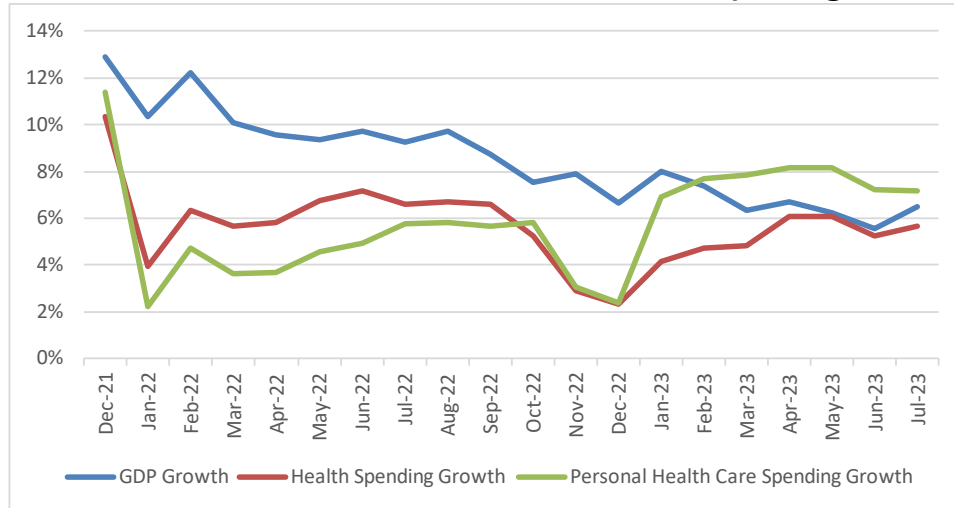


Exhibit 2 shows the trajectory of growth in national health spending and GDP since before the start of the pandemic through July 2023 with and without COVID-related federal government support to providers and public health activities, which has declined significantly in the past year. National health spending in July 2023 was 18.2% higher than its pre-pandemic (January 2020) level (17.7% without government subsidies), while GDP over the same period grew by 24.6%.

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

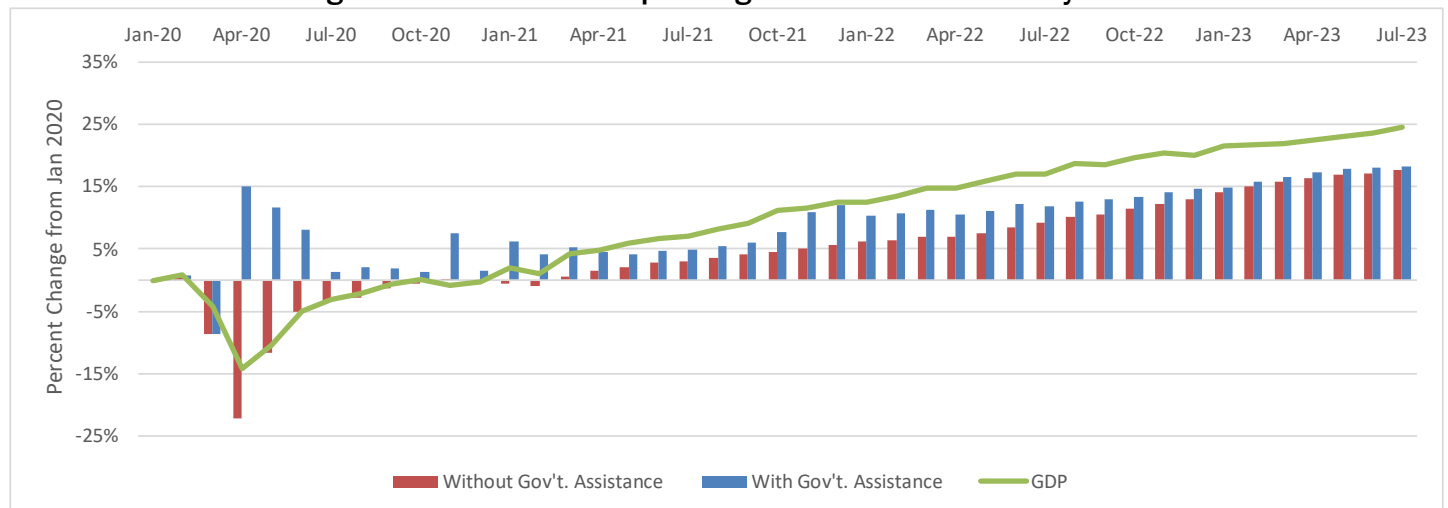


Exhibit 3 displays the growth in spending by major categories within personal health care over the past year without the impact of the decline in federal government support. Overall, personal health care spending growth since July 2022 was 7.9% without government assistance and 7.2% with government support, as government subsidies to providers were smaller in the past year than earlier in the pandemic. Excluding such support, spending on home

health care grew the fastest, at 12.3%, followed closely by dental services spending, at 11.6%. Spending on hospital care grew the slowest, at 6.7%.

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

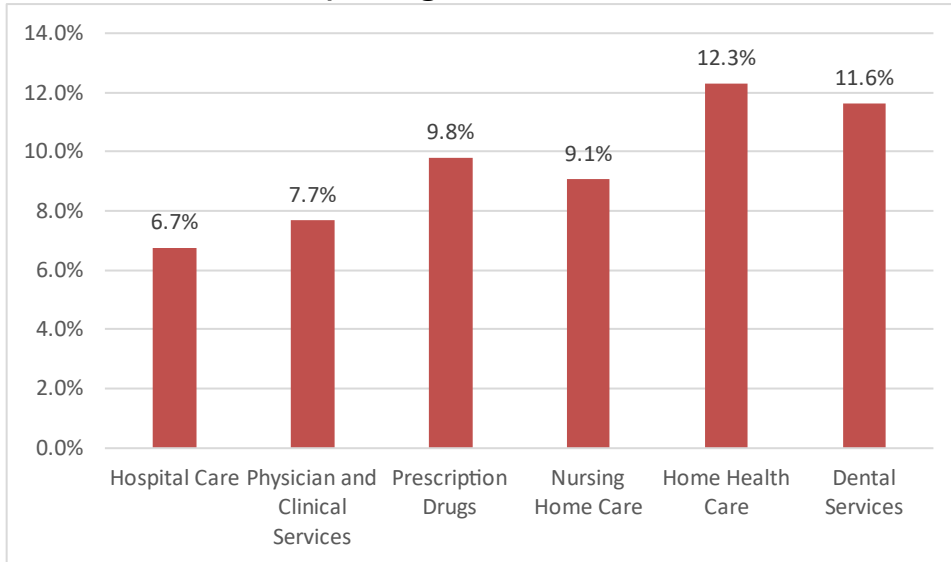
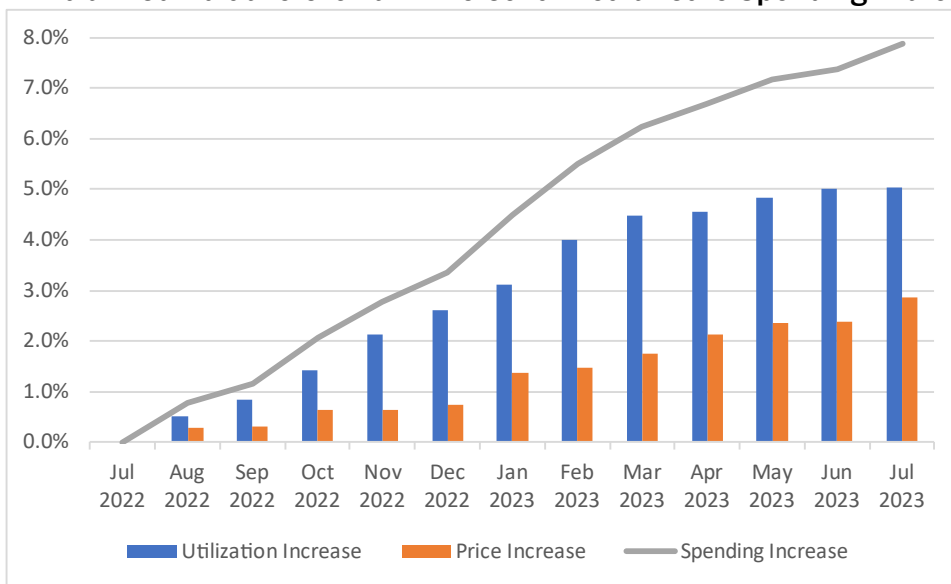


Exhibit 4 shows how spending on personal health care (without government subsidies) has grown over the past year (since July 2022) and illustrates the relative contribution of utilization and prices to this growth. It indicates that spending growth continues to be driven largely by utilization growth through July 2023: Of the 7.9% growth in personal health care spending during this period, 2.9 percentage points can be attributed to price growth, while the remaining 5.0 percentage point growth was associated with increases in utilization. (The growth in utilization was 4.3 percentage points if government subsidies are included, for an overall growth in personal health care spending of 7.2%.) Neglecting federal subsidies, the growth rate in personal health spending has declined somewhat in the past 4 months, averaging 0.4% from April through July after a monthly growth rate of 0.8% for the first 8 months of the past year. At the same time, our [previous expectation](#) that prices would become a significantly larger contributor to spending growth has yet to materialize.

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)	Jul 2020	Jul 2021	Jul 2022	Jul 2023
GDP	\$21,100.6	\$23,317.6	\$25,472.4	\$27,130.3
National Health Spending	\$4,052.2	\$4,199.1	\$4,475.4	\$4,729.4
Personal health care	\$3,278.1	\$3,514.9	\$3,716.8	\$3,983.4
Hospital care	\$1,255.5	\$1,314.7	\$1,377.3	\$1,455.0
Physician and clinical services	\$777.7	\$840.6	\$882.3	\$944.2
Other professional services	\$114.5	\$130.0	\$133.7	\$147.5
Dental services	\$129.3	\$160.6	\$170.4	\$189.2
Other personal health care	\$204.5	\$218.2	\$236.1	\$244.3
Home health care	\$120.0	\$124.3	\$132.5	\$147.9
Nursing home care	\$177.8	\$179.7	\$198.1	\$214.8
Prescription Drugs	\$350.4	\$380.4	\$408.8	\$448.9
Durable medical equipment	\$59.6	\$68.7	\$73.3	\$80.4
Nondurable medical products	\$88.8	\$97.8	\$104.3	\$111.2
Program administration and net cost of private health insurance	\$355.3	\$299.0	\$345.3	\$369.4
Government public health activities	\$225.6	\$177.3	\$192.7	\$143.1
Research	\$60.4	\$61.4	\$65.6	\$68.9
Structures and equipment	\$132.8	\$146.6	\$154.9	\$164.6
HS Share of GDP	19.2%	18.0%	17.6%	17.4%
HS Share of PGDP	18.2%	17.7%	17.3%	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

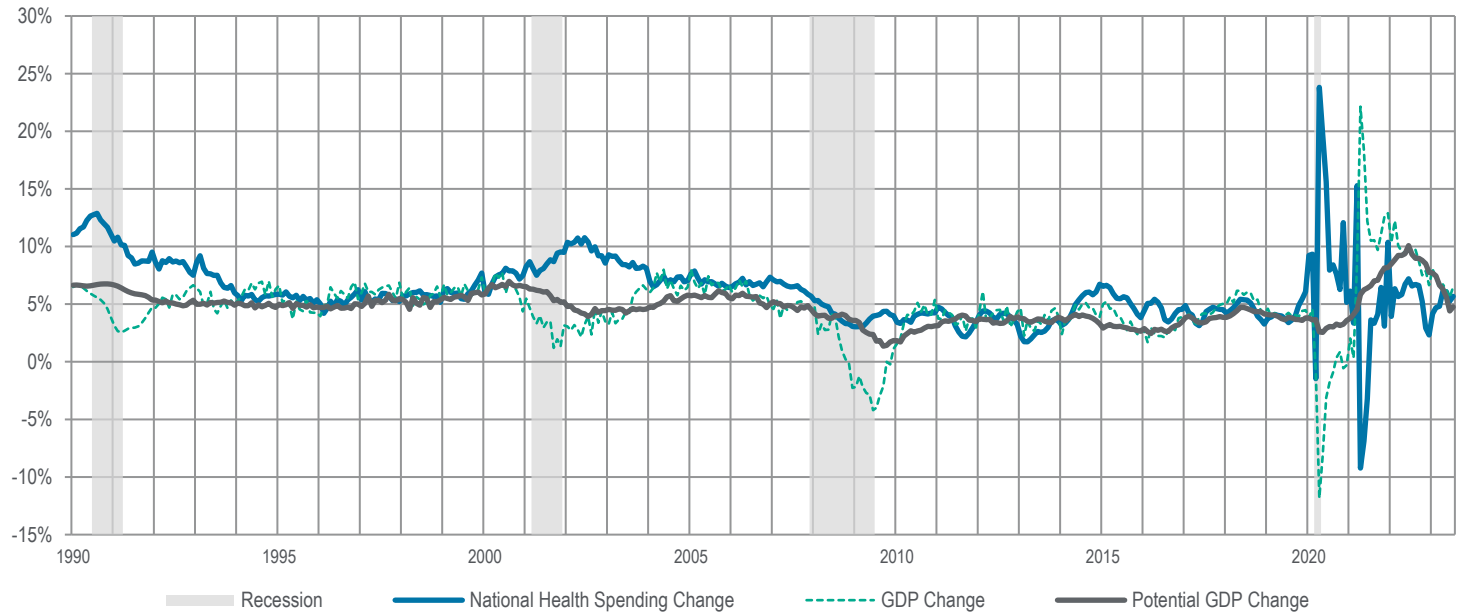
Growth Rates	Jul 2021	Jul 2022	Jul 2023
GDP	10.5%	9.2%	6.5%
National Health Spending	3.6%	6.6%	5.7%
Personal health care	7.2%	5.7%	7.2%
Hospital care	4.7%	4.8%	5.6%
Physician and clinical services	8.1%	5.0%	7.0%
Other professional services	13.5%	2.9%	10.3%
Dental services	24.2%	6.1%	11.0%
Other personal health care	6.7%	8.2%	3.5%
Home health care	3.6%	6.6%	11.6%
Nursing home care	1.1%	10.2%	8.4%
Prescription Drugs	8.6%	7.5%	9.8%
Durable medical equipment	15.1%	6.8%	9.7%
Nondurable medical products	10.1%	6.7%	6.6%
Program administration and net cost of private health insurance	-15.8%	15.5%	7.0%
Government public health activities	-21.4%	8.7%	-25.7%
Research	1.6%	6.9%	5.0%
Structures and equipment	10.4%	5.7%	6.2%
HS Minus GDP	-6.9%	-2.7%	-0.8%
HS Minus PGDP	-3.0%	-2.7%	0.9%

Source: Computed from Exhibit 5.

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

TIME SERIES TRACKER

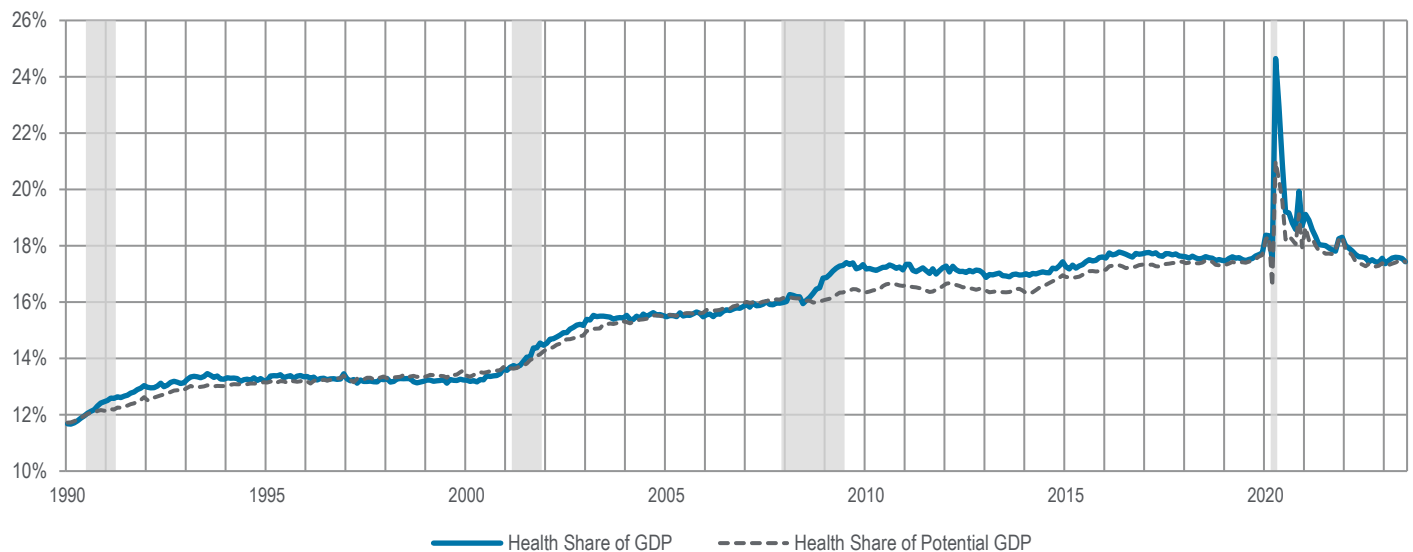
Exhibit 7. Year-over-Year Percentage Change in Spending and GDP



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.