

October 19, 2023

Health spending data revisions reflect BEA's 2023 Comprehensive Update

HIGHLIGHTS

- ▲ In August 2023, national health spending grew by 5.4%, year over year, and represents 17.2% of GDP.
- ▲ Nominal GDP in August 2023 was 5.6% higher than in August 2022, and grew 0.2 percentage points faster than health spending.
- ▲ Neglecting government subsidies, spending on personal health care in August increased by 7.4%, year over year, and by 6.8% when subsidies are included, exceeding the GDP growth rate for the seventh consecutive month.
- ▲ Neglecting government subsidies, year-over-year spending on prescription drugs (10.8%) grew fastest in August, while spending on home health care increased the least (5.0%) among major categories.
- ▲ Personal health care spending growth (neglecting government subsidies) continues to be dominated by growth in utilization rather than price increases.
- ▲ These results incorporate the effects of the Bureau of Economic Analysis' 2023 Comprehensive Update to the National Economic Accounts, resulting in revisions to our health spending data for 2022 and 2023.

National Health Spending and GDP*

| | Aug 2021 | Aug 2022 | Jul 2023 | Aug 2023 |
|--------------------------------------|----------|----------|----------|----------|
| GDP | 23.82 | 26.13 | 27.37 | 27.60 |
| National Health Spending (HS) | 4.23 | 4.51 | 4.73 | 4.75 |
| HS Share of GDP | 17.8% | 17.3% | 17.3% | 17.2% |
| HS Share of PGDP | 17.8% | 17.4% | 17.4% | 17.4% |
| Growth from Prior 12 Months | | | | |
| HS | 3.6% | 6.6% | 5.8% | 5.4% |
| GDP | 10.1% | 9.7% | 6.3% | 5.6% |
| HS minus GDP | -6.5% | -3.1% | -0.5% | -0.2% |
| HS minus PGDP | -3.4% | -2.7% | 0.7% | 0.4% |

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).

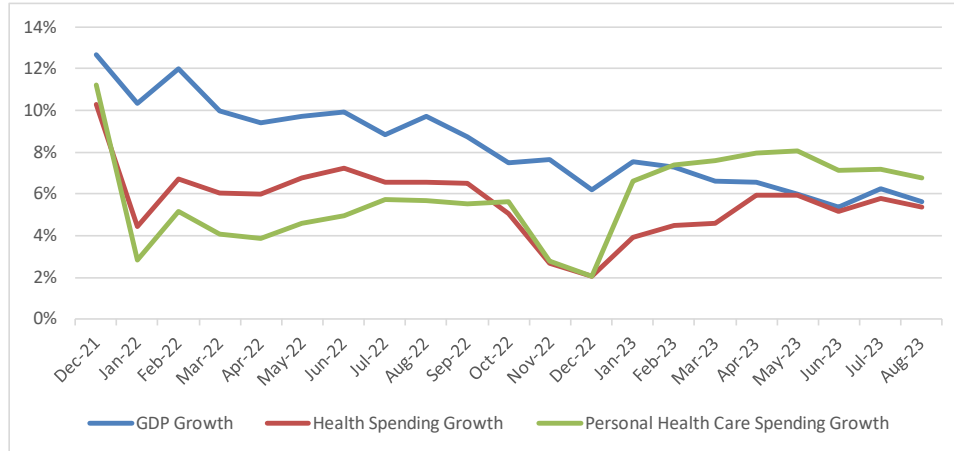
Altarum is a nonprofit research and consulting organization that creates and implements solutions to advance health among at-risk and disenfranchised populations. Since 2011, Altarum has researched cost growth trends and key drivers of U.S. health spending and formulated policy strategies to help bend 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 Corwin Rhyan at corwin.rhyan@altarum.org. George Miller, PhD (principal author), Corwin Rhyan, Stephen McCall, 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 August 2023, national health spending grew by 5.4%, year over year, reaching a seasonally adjusted annual rate of \$4.75 trillion. Health spending in August accounted for 17.2% of GDP. 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 just 0.2 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 6.8%, year over year, in August.

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



These results incorporate the effects of the [2023 Comprehensive Update](#) to the Bureau of Economic Analysis (BEA) National Economic Accounts, which are a principal source for much of the data we report here for 2022 and 2023. Exhibit 2 shows the percent change in some of our previously reported data that were affected by the update. While the overall effect on national health spending and personal health care was small, the roughly 1% upward adjustment to GDP caused the health spending share of GDP to drop by 0.1 to 0.2 percentage points. For July 2023, the largest impact among major spending categories was on home health care spending, which was revised downward by 8.11%.

Exhibit 2. Spending Revisions Following BEA 2023 Comprehensive Update (% Change)

| | 2022 | 2023 YTD | 2023Q1 | Jul-23 |
|--|--------|----------|--------|--------|
| GDP | 1.11% | 1.00% | 1.07% | 0.88% |
| National Health Spending (HS) | 0.03% | -0.09% | -0.11% | 0.02% |
| Personal Health Care | 0.03% | -0.10% | -0.13% | 0.02% |
| HS Share of GDP* | -0.2% | -0.2% | -0.2% | -0.1% |
| Hospital Care | 0.21% | 0.48% | 0.19% | 0.86% |
| Physician and Clinical Services | -0.17% | 0.10% | -0.33% | 0.59% |
| Prescription Drugs | -0.01% | 0.01% | 0.04% | 0.04% |
| Nursing Home Care | -0.45% | -0.19% | -0.63% | 0.98% |
| Home Health Care | -0.10% | -4.29% | -0.63% | -8.11% |
| Dental Services | 0.30% | -0.86% | -0.01% | -1.54% |

*Change in percentage points

Exhibit 3 shows the trajectory of growth in national health spending and GDP since before the start of the pandemic through August 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 August 2023 was 19.2% higher than its pre-pandemic (January 2020) level (18.7% without government subsidies), while GDP over the same period grew by 25.4%.

Exhibit 3. Percent Change in National Health Spending and GDP Since January 2020

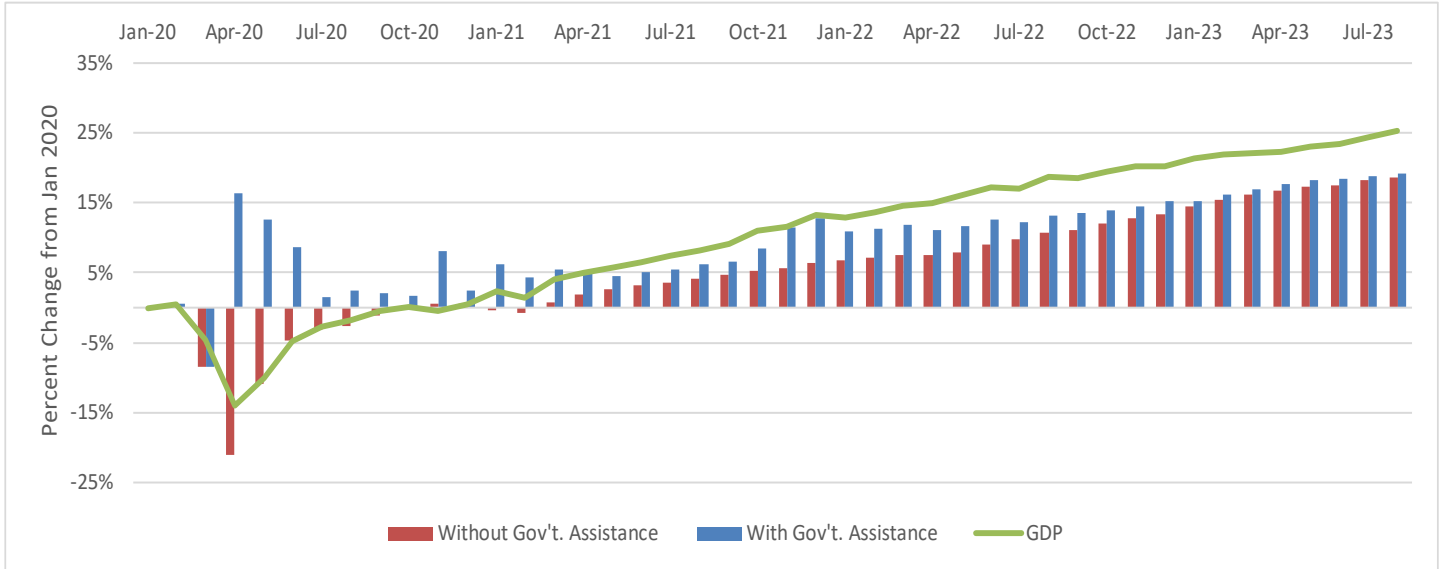


Exhibit 4 displays the growth in spending by major categories within personal health care over the past year without the impact of the decline in federal government support. Overall, personal health care spending growth since August 2022 was 7.4% without government assistance and 6.8% with government support, as government subsidies to providers were smaller in the past year than earlier in the pandemic. Excluding such support, spending on prescription drugs grew the fastest, at 10.8%, followed by spending on nursing home care, at 10.1%, and dental services at 9.8%. Spending on home health care grew the slowest, at 5.0%, after the BEA revisions.

Exhibit 4. Health Care Spending 12-Month Growth without Government Assistance

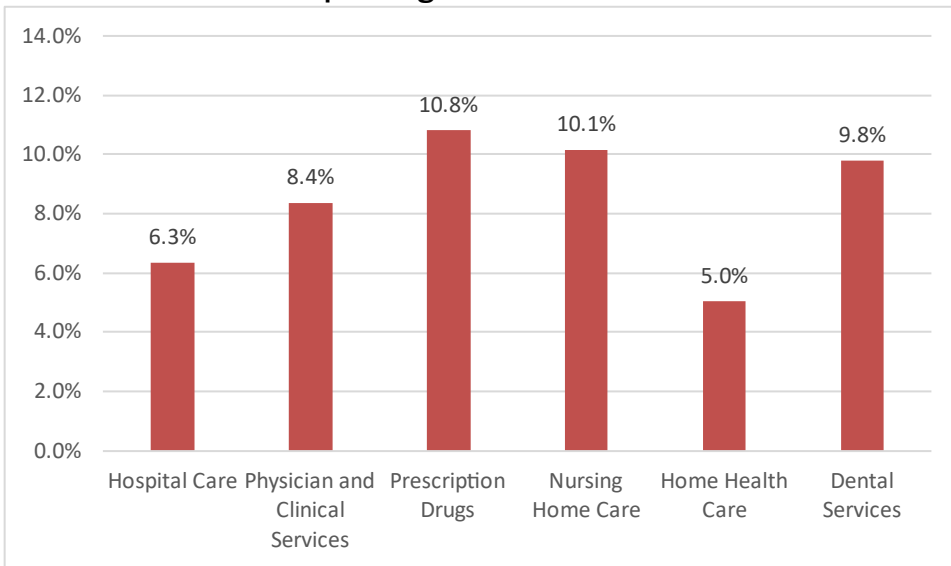
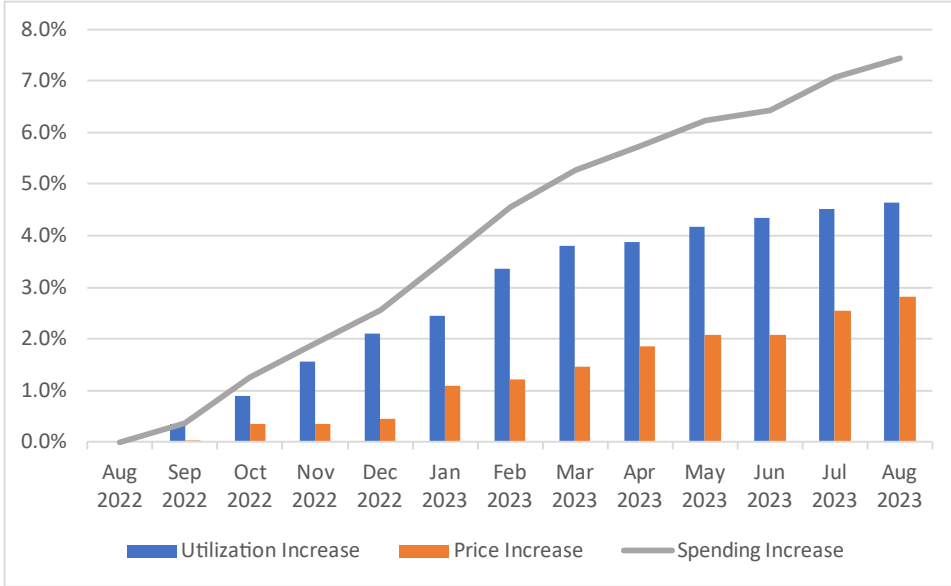


Exhibit 5 shows how spending on personal health care (without government subsidies) has grown over the past year (since August 2022) and illustrates the relative contribution of utilization and prices to this growth. It indicates that spending growth continues to be driven largely by utilization growth through August 2023: Of the 7.4% growth in personal health care spending during this period, 2.8 percentage points can be attributed to price growth, while the remaining 4.6 percentage point growth was associated with increases in utilization. (The growth in utilization was 4.0 percentage points if government subsidies are included, for an overall growth in personal health care spending of 6.8%.) Neglecting federal subsidies, the growth rate in personal health spending has declined somewhat in the past 5 months, averaging 0.4% per month from April through August after a monthly growth rate of 0.8% for the first 7 months of the past year.

Exhibit 5. Cumulative Growth in Personal Health Care Spending without Government Assistance



DETAILED HEALTH SPENDING

Exhibit 6. Monthly National Spending Estimates by Detailed Category

| Levels (in billions of dollars) | Aug 2020 | Aug 2021 | Aug 2022 | Aug 2023 |
|---|------------|------------|------------|------------|
| GDP | \$21,627.7 | \$23,816.6 | \$26,128.9 | \$27,598.8 |
| National Health Spending | \$4,082.1 | \$4,229.3 | \$4,507.5 | \$4,750.0 |
| Personal health care | \$3,307.7 | \$3,543.7 | \$3,744.0 | \$3,998.0 |
| Hospital care | \$1,265.9 | \$1,325.9 | \$1,396.6 | \$1,471.0 |
| Physician and clinical services | \$786.0 | \$857.2 | \$881.8 | \$950.2 |
| Other professional services | \$112.8 | \$130.0 | \$134.8 | \$143.4 |
| Dental services | \$135.1 | \$158.6 | \$173.4 | \$189.5 |
| Other personal health care | \$206.0 | \$220.2 | \$237.1 | \$245.0 |
| Home health care | \$120.7 | \$124.1 | \$131.5 | \$137.4 |
| Nursing home care | \$179.6 | \$180.0 | \$199.1 | \$218.0 |
| Prescription Drugs | \$352.6 | \$381.1 | \$410.0 | \$454.3 |
| Durable medical equipment | \$60.4 | \$67.6 | \$72.3 | \$75.3 |
| Nondurable medical products | \$88.5 | \$98.9 | \$107.5 | \$114.0 |
| Program administration and net cost of private health insurance | \$354.8 | \$298.8 | \$348.7 | \$371.2 |
| Government public health activities | \$225.7 | \$177.7 | \$193.3 | \$146.3 |
| Research | \$60.5 | \$61.6 | \$65.9 | \$69.2 |
| Structures and equipment | \$133.3 | \$147.5 | \$155.7 | \$165.4 |
| HS Share of GDP | 18.9% | 17.8% | 17.3% | 17.2% |
| HS Share of PGDP | 18.4% | 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.

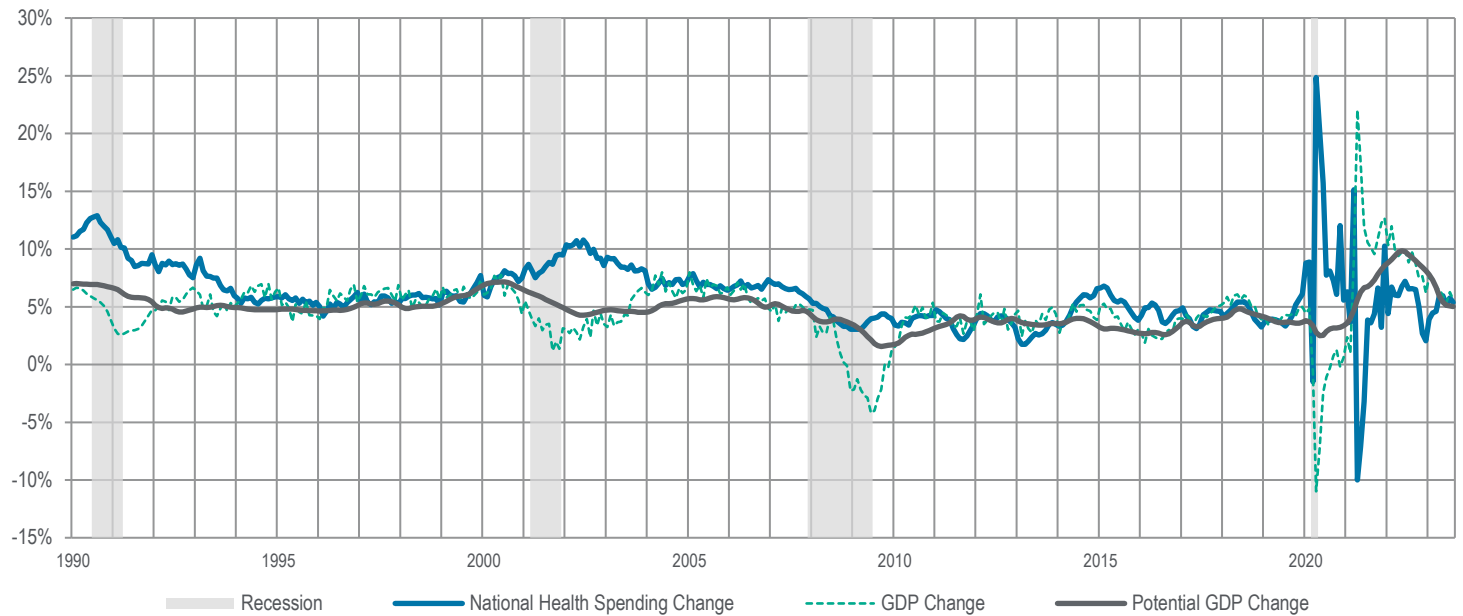
Exhibit 7. National Health Spending 12-Month Growth Rates by Detailed Category

| Growth Rates | Aug 2021 | Aug 2022 | Aug 2023 |
|---|----------|----------|----------|
| GDP | 10.1% | 9.7% | 5.6% |
| National Health Spending | 3.6% | 6.6% | 5.4% |
| Personal health care | 7.1% | 5.7% | 6.8% |
| Hospital care | 4.7% | 5.3% | 5.3% |
| Physician and clinical services | 9.1% | 2.9% | 7.8% |
| Other professional services | 15.3% | 3.6% | 6.4% |
| Dental services | 17.4% | 9.3% | 9.3% |
| Other personal health care | 6.9% | 7.7% | 3.3% |
| Home health care | 2.8% | 6.0% | 4.5% |
| Nursing home care | 0.2% | 10.6% | 9.5% |
| Prescription Drugs | 8.1% | 7.6% | 10.8% |
| Durable medical equipment | 11.9% | 6.9% | 4.1% |
| Nondurable medical products | 11.7% | 8.7% | 6.0% |
| Program administration and net cost of private health insurance | -15.8% | 16.7% | 6.5% |
| Government public health activities | -21.3% | 8.8% | -24.3% |
| Research | 1.7% | 7.0% | 5.0% |
| Structures and equipment | 10.7% | 5.5% | 6.3% |
| HS Minus GDP | -6.5% | -3.1% | -0.2% |
| HS Minus PGDP | -3.4% | -2.7% | 0.4% |

Source: Computed from Exhibit 5.
Note: This exhibit compares monthly national health spending to that of the same month from the previous year.

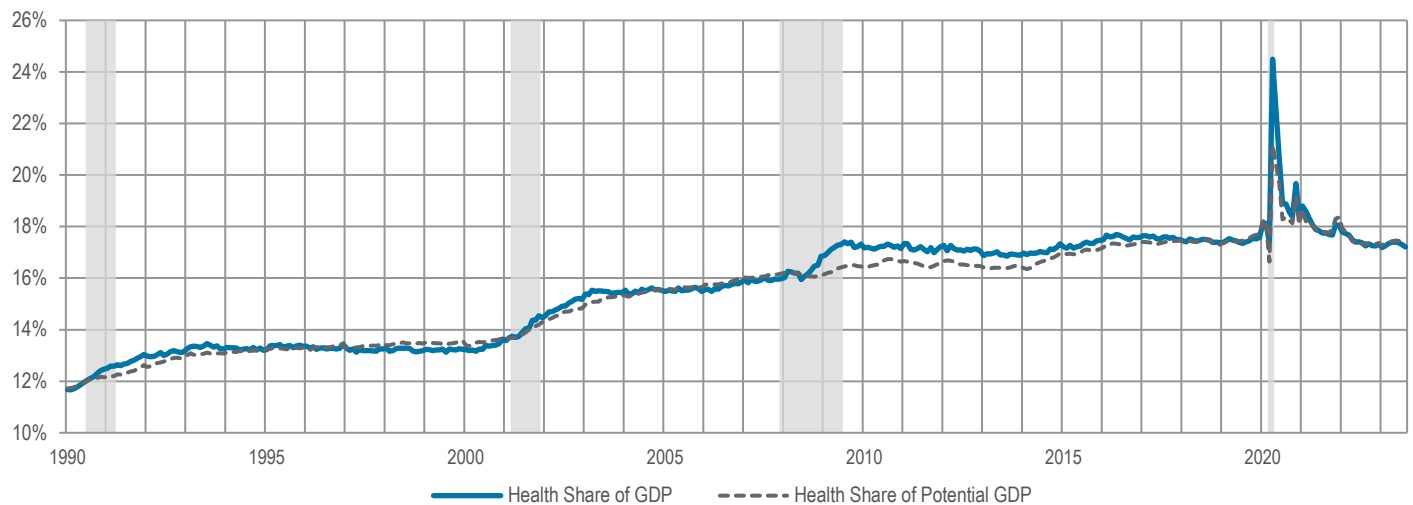
TIME SERIES TRACKER

Exhibit 8. 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 9. 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.

October 19, 2023

Health care price growth and economywide inflation remain stable

HIGHLIGHTS

- ▲ Growth in the Health Care Price Index (HCPI) remained at 2.8% year over year in September, matching the overall growth rate in August.
- ▲ Economywide inflation also remained moderate in September, with Consumer Price Index (CPI) growth holding at 3.7% and the Produce Price Index (PPI) growth increasing slightly from 2.0% in August to 2.2%.
- ▲ Among the major health care categories, prices for home health care (6.1%), nursing home care (5.1%), and dental care (4.7%) grew the fastest, while physician and clinical services (0.6%) price growth was the slowest.
- ▲ Price growth of overall health care services for Medicaid patients was 4.2% year over year in September, above private insurance price growth (2.9%), and Medicare patients' price growth (1.5%).
- ▲ Our implicit measure of health care utilization growth slowed again in August to 4.0% year-over-year, down from its peak rate in March (4.8% growth).

| | September 2021 | September 2022 | August 2023 | September 2023 |
|---|-------------------|-------------------|----------------|-------------------|
| Health Care Price Index (HCPI) | 2.1% | 2.9% | 2.8% | 2.8% |
| GDP Deflator (GDPD) | 5.4% | 7.1% | 3.1% | ** |
| HCPI - GDPD | -3.3% | -4.2% | -0.3% | ** |
| Addendum | | | | |
| Personal health care spending | 8.0% | 5.5% | 6.8% | ** |
| Health care utilization | 5.9% | 2.6% | 4.0% | ** |
| Medical Consumer Price Index (MCPI) | 0.4% | 6.0% | -1.0% | -1.4% |
| Consumer Price Index, all items (CPI) | 5.4% | 8.2% | 3.7% | 3.7% |
| Producer Price Index, Final Demand (PPI) | 8.8% | 8.5% | 2.0% | 2.2% |

Source: Altarum analysis of U.S. Bureau of Labor Statistics (BLS) data. HCPI is a composite price index designed to measure overall price changes for personal health care spending and is patterned after the price index developed by the Centers for Medicare & Medicaid Services (CMS). Details are provided below. Numbers may not subtract properly due to rounding. **Data not available

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The Health Sector Economic IndicatorsSM (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. Corey Rhyan (principal author), George Miller, PhD, Stephen McCall, 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

The overall health care price index (HCPI) increased by 2.8% year over year in September, the same as the growth rate from a month prior and very close to the average rate seen through the first nine months of 2023 (2.9%) (Exhibit 1). Over the past year, health care price growth has remained in a very tight range, between 2.6% and 3.3% year-over-year growth, while economywide price growth had been gradually declining from its peak in June 2022 through June 2023.

This month's CPI growth held steady at 3.7% in September, when a slight increase in economywide commodities inflation offset declines in non-medical economywide services growth (Exhibit 4). After declining for thirteen

straight months between May 2022 and June 2023, year-over-year PPI growth has now increased three months in a row and is up to 2.2% year over year in September from 0.2% in June. It appears that all three measures of economywide inflation (CPI, PPI, and GDP deflator price growth) are generally converging with overall health care price growth at rates near 3.0%. An alternative measure of health care price growth, Medical Care CPI, has been showing price declines over recent months, and now sits at -1.4% year-over-year growth, although this is almost exclusively driven by anomalies in the CPI measure of health insurance price changes [that are significantly lagged](#). When removing this health insurance component, we see year-over-year growth nearly matches (3.0%) our overall HCPI (2.8%) in September (Exhibit 5).

In assessing health care price growth by payer, we see relatively constant price growth in September across the three major payers. Private patient price growth held at 2.9% year-over-year growth, Medicaid patient price growth was 4.2%, and Medicare patient price growth was 1.5% (Exhibit 7). After falling significantly since April 2023, private payer hospital prices settled at 3.3% growth in September, while Medicare and Medicaid hospital price growth also remained steady (Exhibit 8). This is surprising as private payer prices were expected to rise in 2023 as new provider contracts took effect, but [future private patient price growth](#) in 2024 could still occur.

Among major health care categories in September, the fastest growth occurred for home health care services (6.1%), nursing home care (5.1%), and dental services (4.7%) (Exhibit 2). Hospital price growth increased 0.3 percentage points from the month prior (to 2.5%) and physician and clinical services prices remained the slowest growing major category—increasing only 0.6% year over year—marking the twentieth straight month of below 1.0% price growth (Exhibit 3). Prescription drug price growth in September fell slightly to 2.2% growth year over year.

Exhibit 2. Year-over-Year Price Growth for Selected Categories

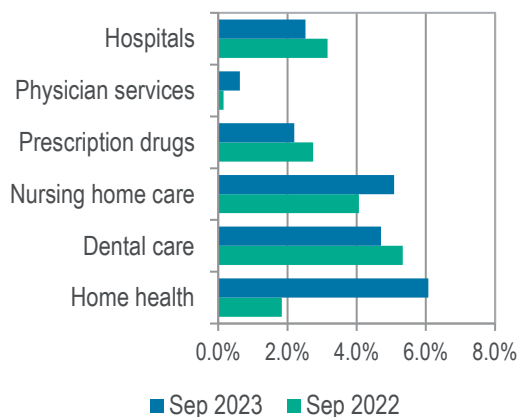
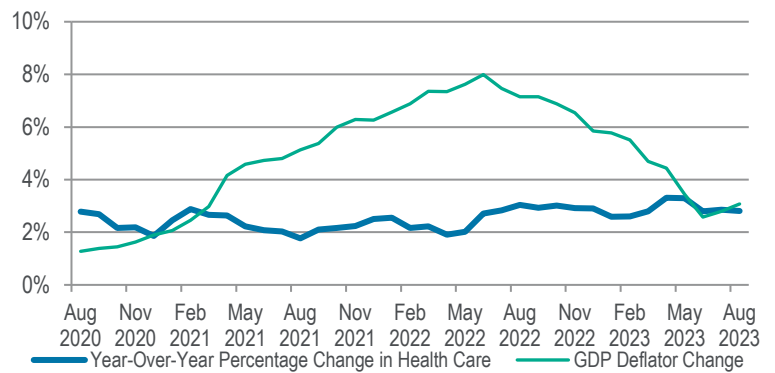


Exhibit 1. Year-over-Year Growth in HCPI & GDPD



Source: Altarum analysis of monthly BLS price data and monthly GDPD data published by Macroeconomic Advisers.

Our implicit measure of overall health care utilization growth (total spending growth net of health care price inflation) slowed again in August, now up 4.0% year-over-year (Exhibit 9), down from the 4.8% growth rate in February and March. Overall data on other measures of health care utilization have shown trends have generally stabilized in 2023, for example, data on [hospital volumes from last month](#). Among the major categories, growth in use for hospital care (3.1%) and home health care (-1.4%) were the slowest in our data, while there were significant increases in the use of physician services (7.1%) and prescription drugs (8.0%).

It is not yet clear how quickly the rising [utilization of the new GLP-1 agonists](#) for diabetes and obesity will impact prescription drug utilization data, but they will likely put upward pressure on this measure in future periods; while, if optimistic projections hold, use of these medications could actually result in long-term reductions in utilization of other types of medical care, such as [hospital spending](#) and [dialysis treatment](#).

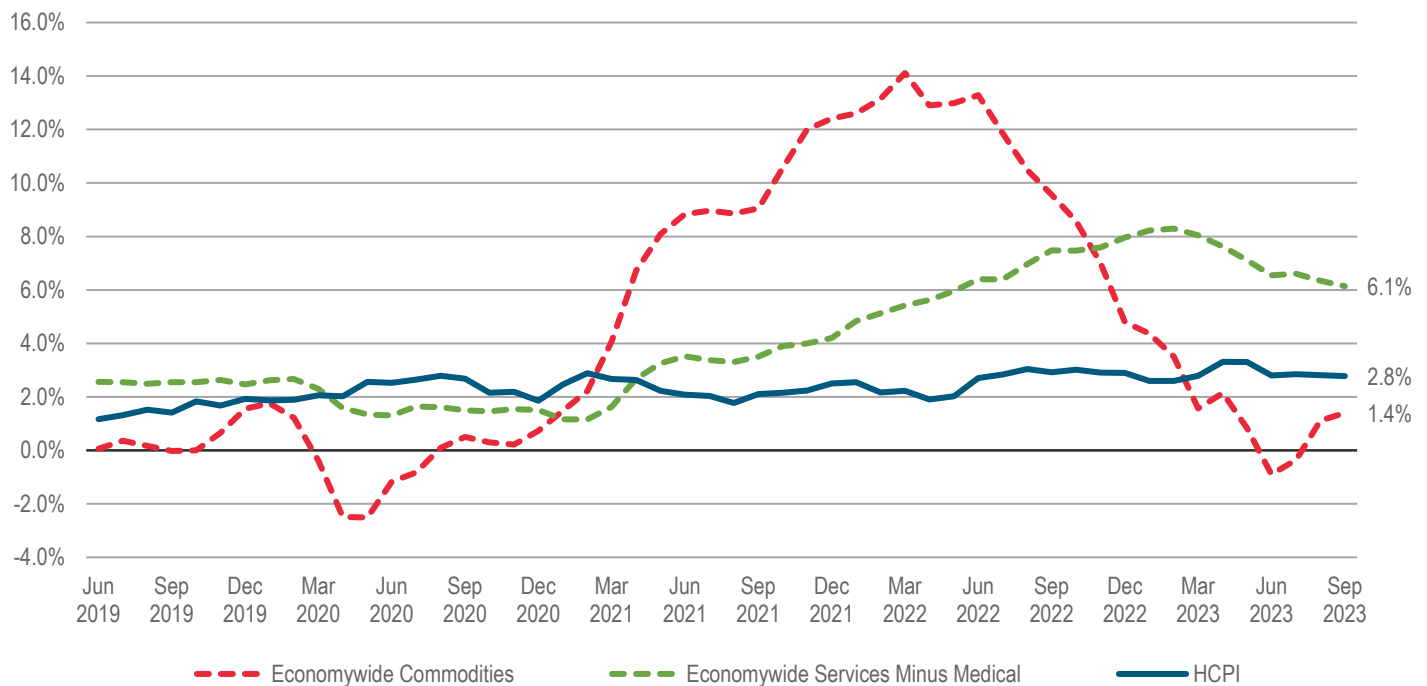
PRICE GROWTH BY DETAILED CATEGORIES

Exhibit 3. Annualized % Change in Prices for Major Components of National Health Expenditures

| | Ending Sept. 2021 | Ending Sept. 2022 | Ending Sept. 2023 |
|--|----------------------|----------------------|----------------------|
| Health Care Price Index (HCPI) | 2.1% | 2.9% | 2.8% |
| Hospital care | 2.5% | 3.2% | 2.5% |
| Physician and clinical services | 3.4% | 0.2% | 0.6% |
| Prescription drugs | -1.6% | 2.7% | 2.2% |
| Nursing home care | 1.3% | 4.1% | 5.1% |
| Dental Services | 2.3% | 5.3% | 4.7% |
| Home health care | 1.8% | 1.8% | 6.1% |
| Other professional services | 2.1% | 4.1% | 0.1% |
| Other personal health care | 4.8% | 4.9% | 6.0% |
| Other nondurable medical products | -1.7% | 5.6% | 8.4% |
| Durable medical equipment | -0.7% | 5.3% | 3.9% |

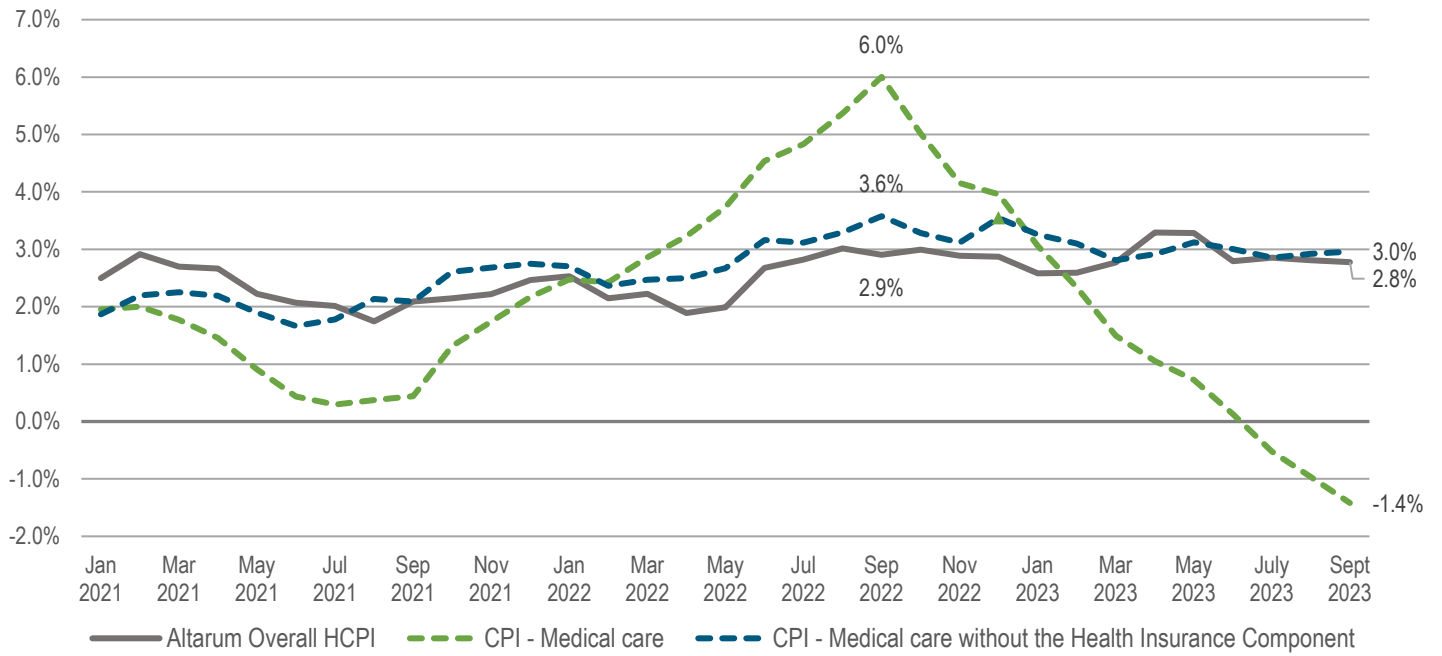
Source: Altarum analysis of monthly BLS data.

Exhibit 4. Year-over-Year Percentage Change in Health Prices Compared with Economywide Commodities vs. Economywide Services



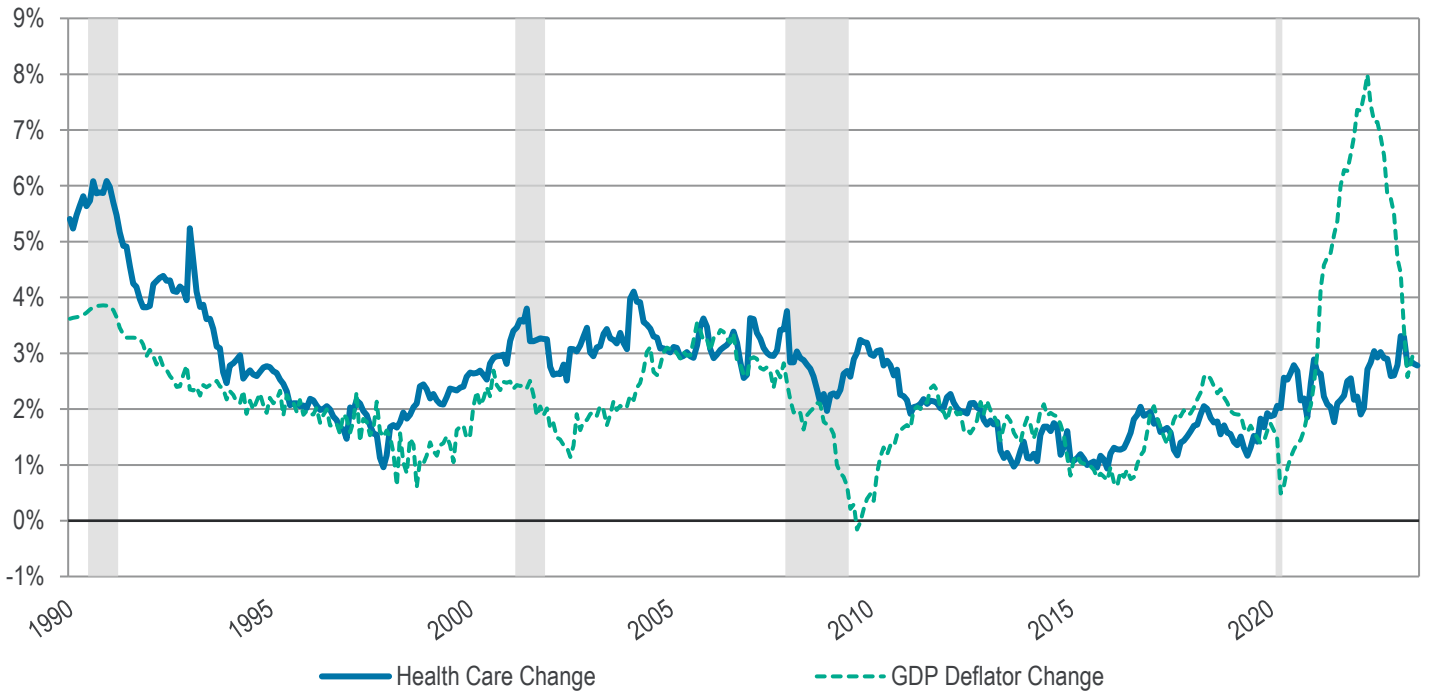
Methods. Altarum’s estimates for the monthly HCPI, a price index for personal health care spending within the National Health Expenditure Accounts, are essentially monthly versions of the annual index developed by the CMS National Health Statistics Group (NHS). The advantages of this measure over the medical care component of the CPI are well documented. Information on the CMS index is presented in the following source: U.S. Department of Health and Human Services. (2019). *National Health Expenditure Accounts: Methodology Paper, 2018—Definitions, Sources, and Methods*. Washington, DC: Centers for Medicare & Medicaid Services. Retrieved from <http://www.cms.gov/files/document/definitions-sources-and-methods.pdf>. The HCPI is calculated by using BLS data on PPIs for hospital, physician, nursing home, and home health components and CPIs for prescription drugs and other remaining items. Following NHS, we use the GDPD rather than the CPI as our measure of economy-wide inflation. While this brief focuses on prices, it also incorporates data from our spending brief and shows the power of looking at prices and spending together. In particular, it reveals the striking role of utilization in health spending growth trends.

Exhibit 5. Year-over-Year Percentage Change in Medical Care CPI vs. Altarum Overall HCPI



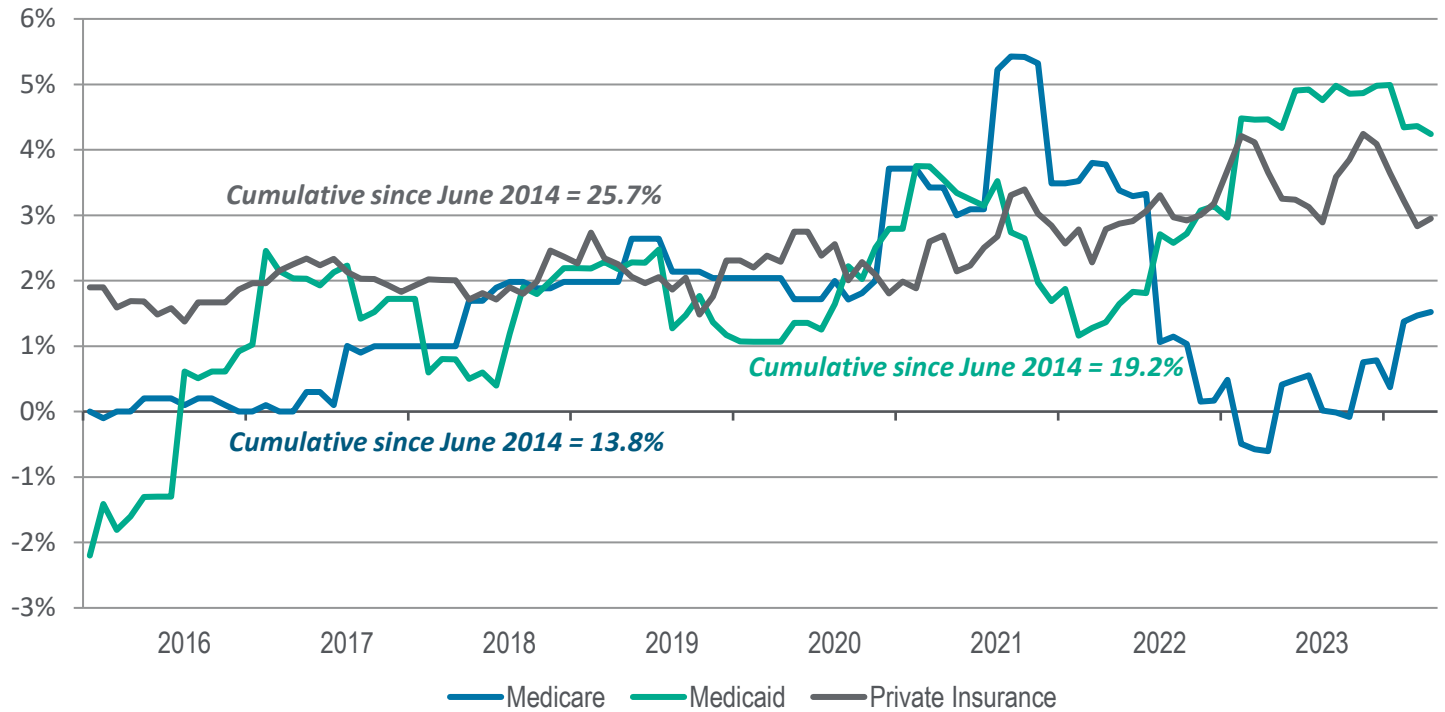
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Exhibit 6. Year-over-Year Percentage Change in Health Prices Compared with the GDP Deflator



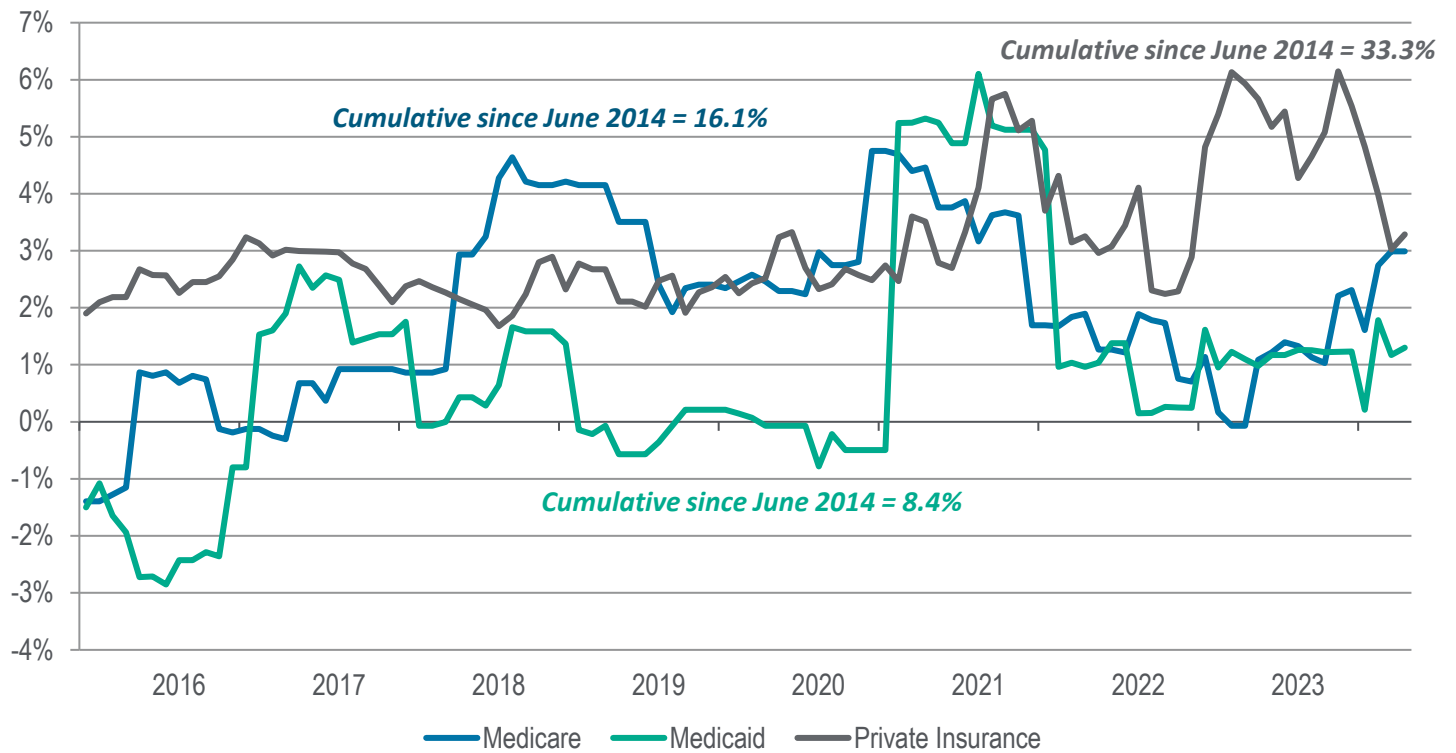
Source: Altarum monthly national health spending and price index estimates.
Note: Lightly shaded bars denote recession periods.

Exhibit 7. Year-over-Year Change in Health Care Services Price Growth, by Payer



Source: Altarum analysis of monthly BLS data.

Exhibit 8. Year-over-Year Change in Hospital Services Price Growth, by Payer



Source: Altarum analysis of monthly BLS data.

Exhibit 9. Implicit Health Care Utilization Growth by Major Components of NHE, Year-over-year

| | August 2023 | 3-Month Moving Average | 12-Month Moving Average |
|--|-------------|------------------------|-------------------------|
| Total personal health care | 4.0% | 4.2% | 3.3% |
| Hospital care | 3.1% | 3.9% | 3.1% |
| Physician and clinical services | 7.1% | 7.0% | 4.4% |
| Prescription drugs | 8.0% | 7.4% | 6.9% |
| Nursing home care | 3.9% | 4.1% | 4.5% |
| Dental Services | 4.0% | 3.2% | 1.0% |
| Home health care | -1.2% | -2.6% | 2.8% |
| Other professional services | 6.4% | 6.6% | 4.0% |
| Other personal health care | -2.7% | -2.3% | -1.2% |
| Other nondurable medical products | -1.5% | 0.3% | 1.9% |
| Durable medical equipment | -1.5% | -0.3% | 1.1% |

Source: Altarum analysis of monthly BLS data combined with Altarum HSEI spending data.

Note: Beginning in March 2021, we slightly updated the computation of estimated implicit utilization shown in Exhibit 8 to be more consistent with our spending data. Previous iterations calculated implicit utilization growth (U) as spending growth (S) net of price growth (P) and population growth (Pop): $U = S - P - \text{Pop}$. New data (from March 2021 onward) now include population growth in utilization, with the new measure calculated as: $U = S - P$. This approach is an approximation, ignoring the interaction term between spending and prices growth ($S \cdot P$); however, as long as the two growth rates are small, this term is insignificant.

October 19, 2023

Health sector job growth slows down after a brief surge

HIGHLIGHTS

- ▲ Health care employment growth decelerated in September with 40,900 jobs added, following strong growth in July and August 2023, with 76,800 and 67,000 jobs added.
- ▲ September's health care job growth was led by growth in ambulatory care settings, which added 24,300 jobs, while hospitals added 8,400 jobs.
- ▲ Nursing and residential care facilities added 8,200 jobs in September, with modest growth in nursing homes (2,400 jobs) and more substantial growth in all other nursing and residential care settings (5,800 jobs).
- ▲ The economy added 295,100 jobs in September, well above the 12-month average of 213,800. The unemployment rate stayed constant at 3.8%.
- ▲ Health care wage growth in August 2023 was 3.4% year over year, somewhat below the total private sector wage growth of 4.3%.
- ▲ Wage growth in health care settings was highest in nursing and residential care, at 4.5% year over year in August 2023, followed by hospitals at 3.4% and ambulatory care settings at 3.2%.

Cyclical Employment Big Picture

| Seasonally Adjusted | Feb 2020 | Sep 2022 | Aug 2023 | Sep 2023 |
|----------------------------------|----------|----------|----------|----------|
| Total Employment (000) | 152,371 | 153,682 | 156,538 | 156,874 |
| Non-Health Employment (000) | 135,890 | 137,253 | 139,524 | 139,819 |
| Health Employment (000) | 16,481 | 16,429 | 17,014 | 17,055 |
| Health Share of Total Employment | 10.82% | 10.69% | 10.87% | 10.87% |
| Unemployment Rate | 3.5% | 3.5% | 3.8% | 3.8% |

Source: Altarum analysis of Bureau of Labor Statistics (BLS) data. Health care employment is private only.

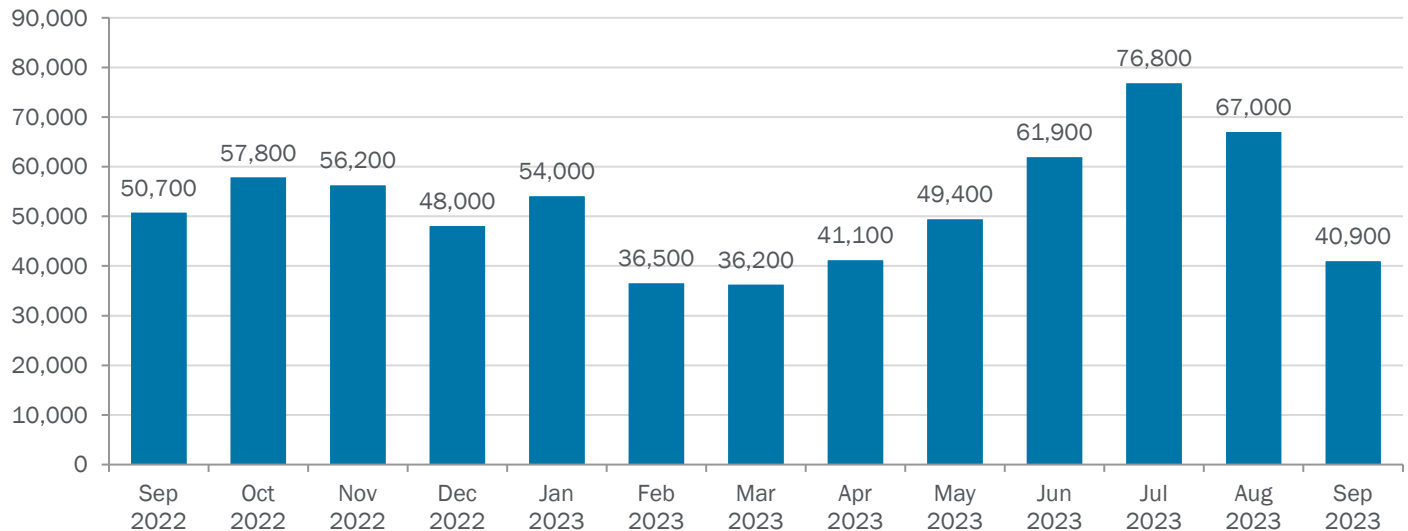
Altarum is a nonprofit research and consulting organization that creates and implements solutions to advance health among at-risk and disenfranchised populations. Since 2011, Altarum has researched cost growth trends and key drivers of U.S. health spending and formulated policy strategies to help bend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

The Health Sector Economic IndicatorsSM (HSEI) reports are a monthly publication of Altarum providing analyses of health spending, employment, and prices. For more information, contact Corwin Rhyan at corwin.rhyan@altarum.org. Stephen McCall (principal author), Corwin Rhyan, George Miller, PhD, 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

Health care employment grew by 40,900 jobs in September 2023, well below the 12-month average of 52,100 jobs per month from September 2022 through September 2023 (see Exhibit 1). This more modest growth follows robust employment gains of 76,800 jobs in July and 67,000 jobs in August, which were some of the largest since the COVID-19 recession in the spring of 2020.

Exhibit 1. Month-over-month Change in Health Care Employment, Seasonally Adjusted



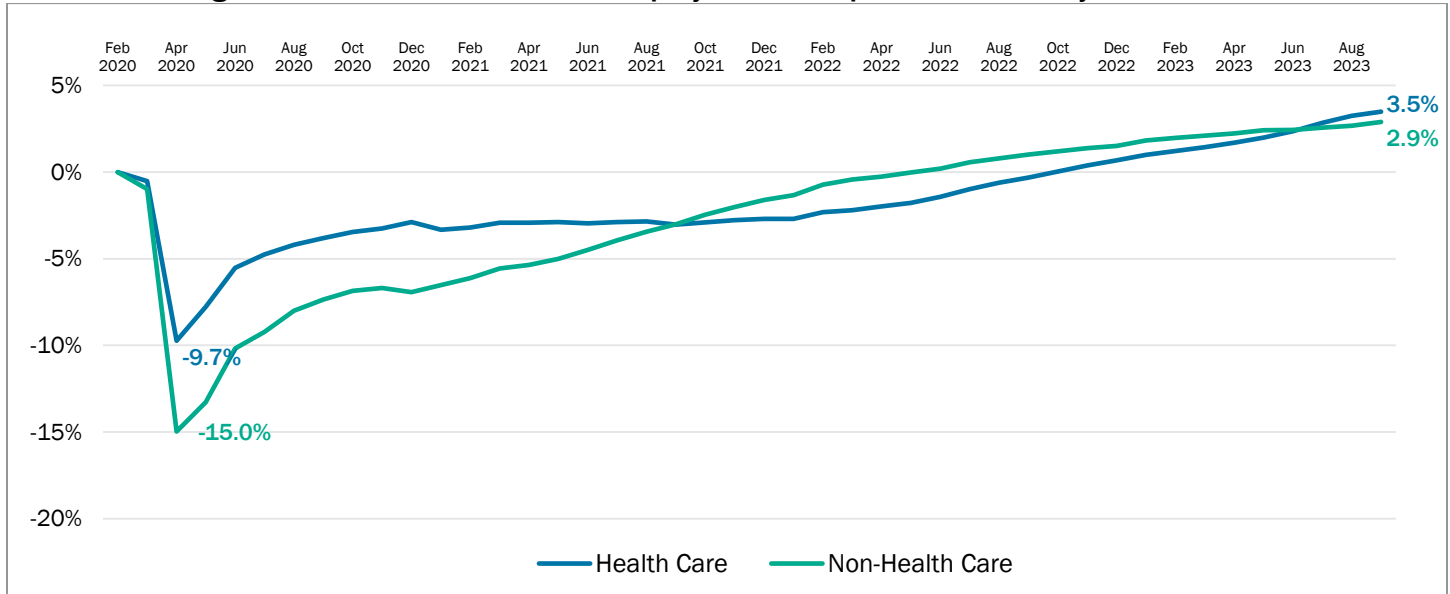
Source: Altarum analysis of monthly BLS Current Employment Statistics data.

In September, employment growth in the health care sector was primarily driven by ambulatory care settings, which added 24,300 jobs. This number is consistent with the 12-month industry average of 26,700 jobs per month, but it is lower than the 36,600 jobs added in August. Meanwhile, hospitals added only 8,400 jobs in September, which is below the 12-month average of 12,500 jobs per month and the 14,100 jobs added in August.

Nursing and residential care facility employment slowed down even more, adding 8,200 jobs in September, well below the 12-month average of 13,000 jobs per month and nearly half of the 16,300 jobs added in August. Within this industry, residential care facilities added 5,800 jobs, as compared to 5,700 in August, and nursing homes added 2,400 in September, as compared to 10,600 in August.

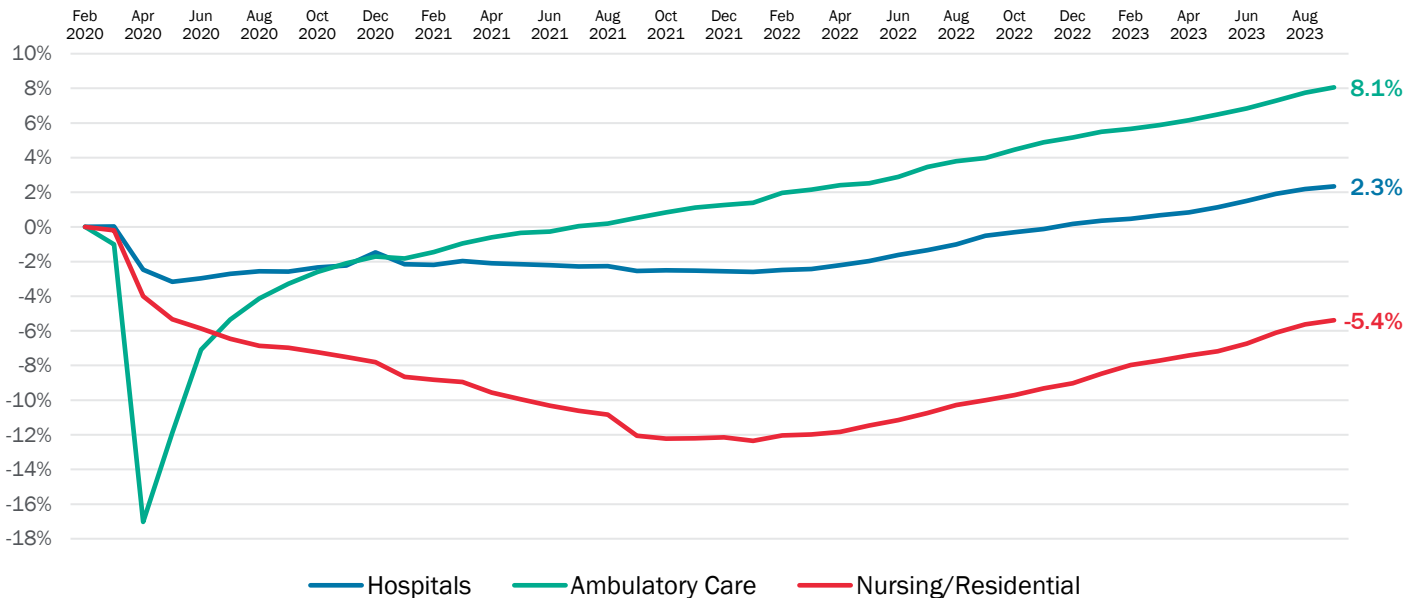
Compared to February 2020, before the COVID-19 recession began, health care employment has increased by 574,200 jobs or 3.5%, which is higher than the 2.9% increase in non-health care employment over the same period (see Exhibits 2 and 7). September is the second consecutive month that health care employment has outpaced other industries. Hospitals have grown by 122,500 jobs or 2.3% since February 2020, while ambulatory care settings have increased by 633,800 jobs or 8.1% growth. However, nursing and residential care employment, although steadily increasing since January 2022, is still 182,100 jobs or 5.4% below pre-pandemic levels.

Exhibit 2. Change in Health and Non-Health Employment Compared to February 2020



Source: Altarum analysis of monthly BLS Current Employment Statistics data.

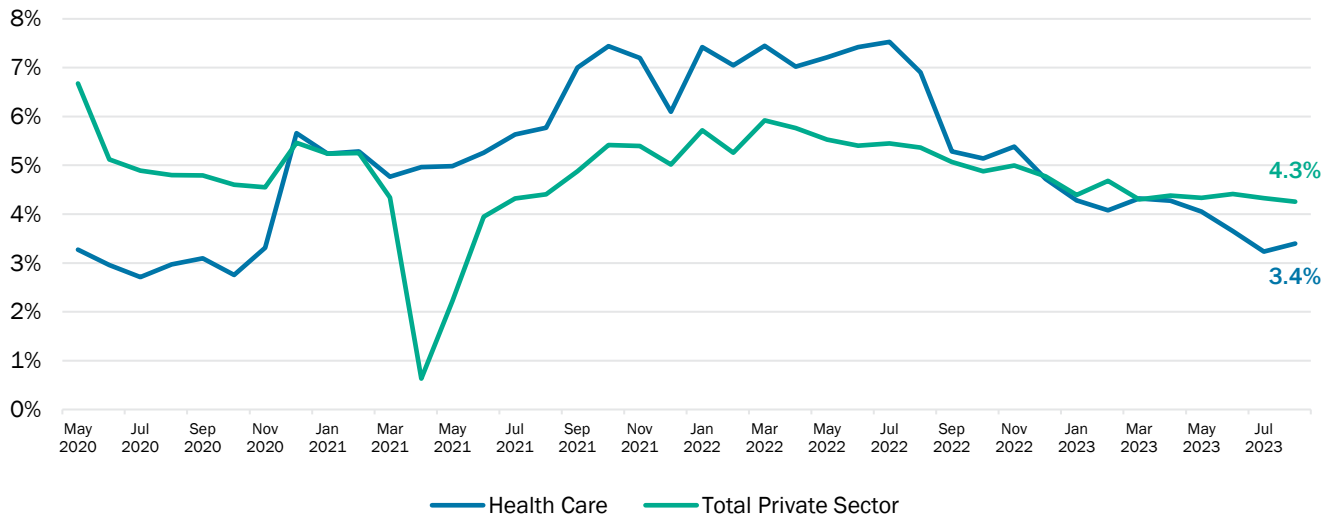
Exhibit 3. Change in Health Employment Compared to February 2020 by Major Setting of Care



Source: Altarum analysis of monthly BLS Current Employment Statistics data.

Hourly wage growth in health care had been higher than economywide wage growth for many months, but that trend has recently reversed. In August 2023, wage growth in health care increased slightly to 3.4%, year over year, while the private sector year-over-year growth stayed steady at 4.3% (see Exhibit 4).

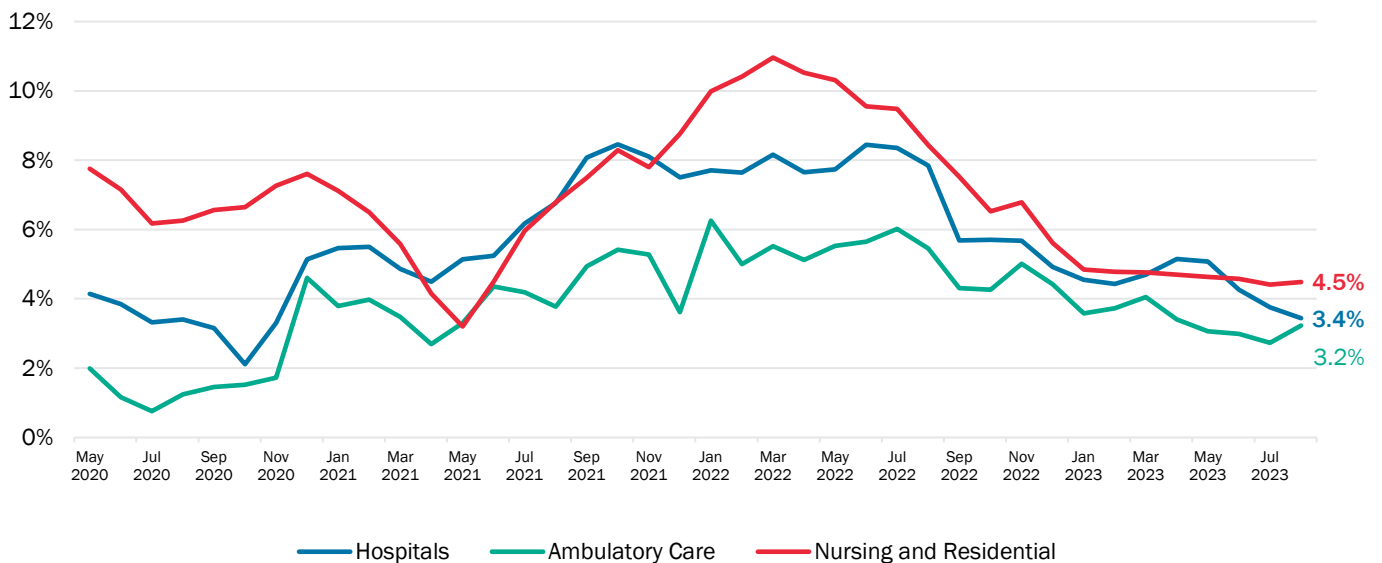
Exhibit 4. Change in Average Hourly Earnings, Year over Year, Health Care and Total Private Sector



Source: Altarum analysis of monthly BLS Current Employment Statistics data.

The growth in average hourly earnings varied considerably by setting of care in 2021 and 2022, but the gaps narrowed as wage growth fell in all settings (see Exhibit 5). In August 2023, wage growth in nursing and residential care stood at 4.5% year over year, while hospital wage growth fell to 3.4%, and wage growth in ambulatory care settings increased slightly to 3.2%.

Exhibit 5. Change in Average Hourly Earnings, Year over Year, by Setting of Care



Source: Altarum analysis of monthly BLS Current Employment Statistics data.

DETAILED HEALTH CARE EMPLOYMENT

Exhibit 6. Employment Data by Sector, Seasonally Adjusted

| Employment (in thousands) | September 2023 | August 2023 | September 2022 | September 2021 | February 2020 |
|---|----------------|-------------|----------------|----------------|---------------|
| Non-Health Care | 139,819 | 139,524 | 137,253 | 131,796 | 135,890 |
| Health Care | 17,055 | 17,014 | 16,429 | 15,982 | 16,481 |
| Ambulatory Health Care Services | 8,501 | 8,476 | 8,180 | 7,908 | 7,867 |
| Offices of Physicians | 2,929 | 2,921 | 2,827 | 2,745 | 2,726 |
| Offices of Dentists | 1,044 | 1,041 | 1,017 | 998 | 990 |
| Offices of Other Health Care Practitioners | 1,147 | 1,143 | 1,100 | 1,030 | 1,001 |
| Outpatient Care Centers | 1,068 | 1,065 | 1,042 | 1,008 | 997 |
| Medical and Diagnostic Labs | 326 | 326 | 321 | 313 | 289 |
| Home Health Care Services | 1,644 | 1,637 | 1,548 | 1,499 | 1,546 |
| Other Ambulatory^a | 344 | 343 | 326 | 315 | 318 |
| Hospitals | 5,358 | 5,350 | 5,209 | 5,103 | 5,236 |
| Nursing and Residential Care Facilities | 3,196 | 3,188 | 3,041 | 2,971 | 3,378 |
| Nursing Care Facilities | 1,433 | 1,430 | 1,362 | 1,345 | 1,587 |
| Other Nursing and Residential^b | 1,764 | 1,758 | 1,679 | 1,626 | 1,792 |
| Health Share of Employment | 10.87% | 10.87% | 10.69% | 10.82% | 10.82% |

Source: Altarum analysis of BLS Current Employment Statistics data. February 2020 is displayed as the month of pre-pandemic peak employment.

- ^a "Other Ambulatory" care settings include ambulance services, blood and organ banks, and all other non-classifiable ambulatory health care service providers.
^b "Other Nursing and Residential" includes assisted living communities, continuing care retirement communities, residential intellectual and developmental disability facilities, residential mental health and substance abuse facilities, and all other non-classifiable residential care providers.

Exhibit 7. Change in Employment Data by Sector, Seasonally Adjusted

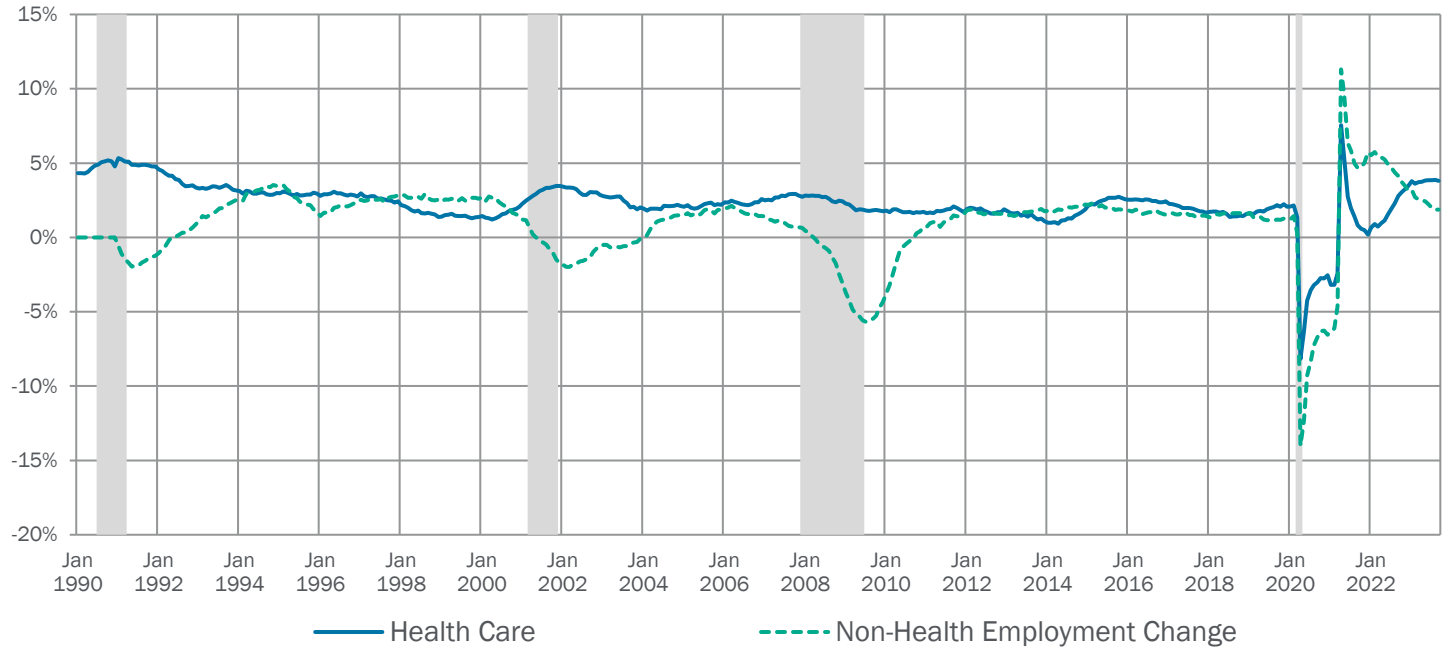
| Employment Change (in thousands) | One Month | 12 Months | 24 Months | Since Feb 2020 |
|---|------------------|------------------|------------------|-----------------------|
| Non-Health Care | 295.1 | 2,566.2 | 8,023.2 | 3,928.8 |
| Health Care | 40.9 | 625.8 | 1,072.8 | 574.2 |
| Ambulatory Health Care Services | 24.3 | 320.5 | 592.5 | 633.8 |
| Offices of Physicians | 7.4 | 101.4 | 183.6 | 202.6 |
| Offices of Dentists | 2.6 | 26.5 | 45.7 | 53.7 |
| Offices of Other Health Care Practitioners | 3.7 | 47.6 | 116.7 | 146.4 |
| Outpatient Care Centers | 2.9 | 26.0 | 59.7 | 71.1 |
| Medical and Diagnostic Labs | 0.1 | 5.2 | 13.1 | 36.8 |
| Home Health Care Services | 6.4 | 96.0 | 145.1 | 97.4 |
| Other Ambulatory | 1.1 | 17.6 | 28.5 | 25.7 |
| Hospitals | 8.4 | 149.6 | 255.1 | 122.5 |
| Nursing and Residential Care Facilities | 8.2 | 155.7 | 225.2 | -182.1 |
| Nursing Care Facilities | 2.4 | 70.5 | 87.3 | -154.2 |
| Other Nursing and Residential | 5.8 | 85.2 | 137.9 | -27.9 |
| Annualized Percent Change | One Month | 12 Months | 24 Months | Since Feb 2020 |
| Non-Health Care | 2.6% | 1.9% | 3.0% | 0.8% |
| Health Care | 2.9% | 3.8% | 3.3% | 1.0% |
| Ambulatory Health Care Services | 3.5% | 3.9% | 3.7% | 2.2% |
| Offices of Physicians | 3.1% | 3.6% | 3.3% | 2.0% |
| Offices of Dentists | 3.0% | 2.6% | 2.3% | 1.5% |
| Offices of Other Health Care Practitioners | 4.0% | 4.3% | 5.5% | 3.9% |
| Outpatient Care Centers | 3.3% | 2.5% | 2.9% | 1.9% |
| Medical and Diagnostic Labs | 0.4% | 1.6% | 2.1% | 3.4% |
| Home Health Care Services | 4.8% | 6.2% | 4.7% | 1.7% |
| Other Ambulatory^a | 3.9% | 5.4% | 4.4% | 2.2% |
| Hospitals | 1.9% | 2.9% | 2.5% | 0.6% |
| Nursing and Residential Care Facilities | 3.1% | 5.1% | 3.7% | -1.5% |
| Nursing Care Facilities | 2.0% | 5.2% | 3.2% | -2.8% |
| Other Nursing and Residential^b | 4.0% | 5.1% | 4.2% | -0.4% |

Source: Altarum analysis of BLS Current Employment Statistics data. Change since February 2020 represents a comparison to pre-pandemic peak employment.

- ^a "Other Ambulatory" care settings include ambulance services, blood and organ banks, and all other non-classifiable ambulatory health care service providers.
^b "Other Nursing and Residential" includes assisted living communities, continuing care retirement communities, residential intellectual and developmental disability facilities, residential mental health and substance abuse facilities, and all other non-classifiable residential care providers.

TIME SERIES TRACKER

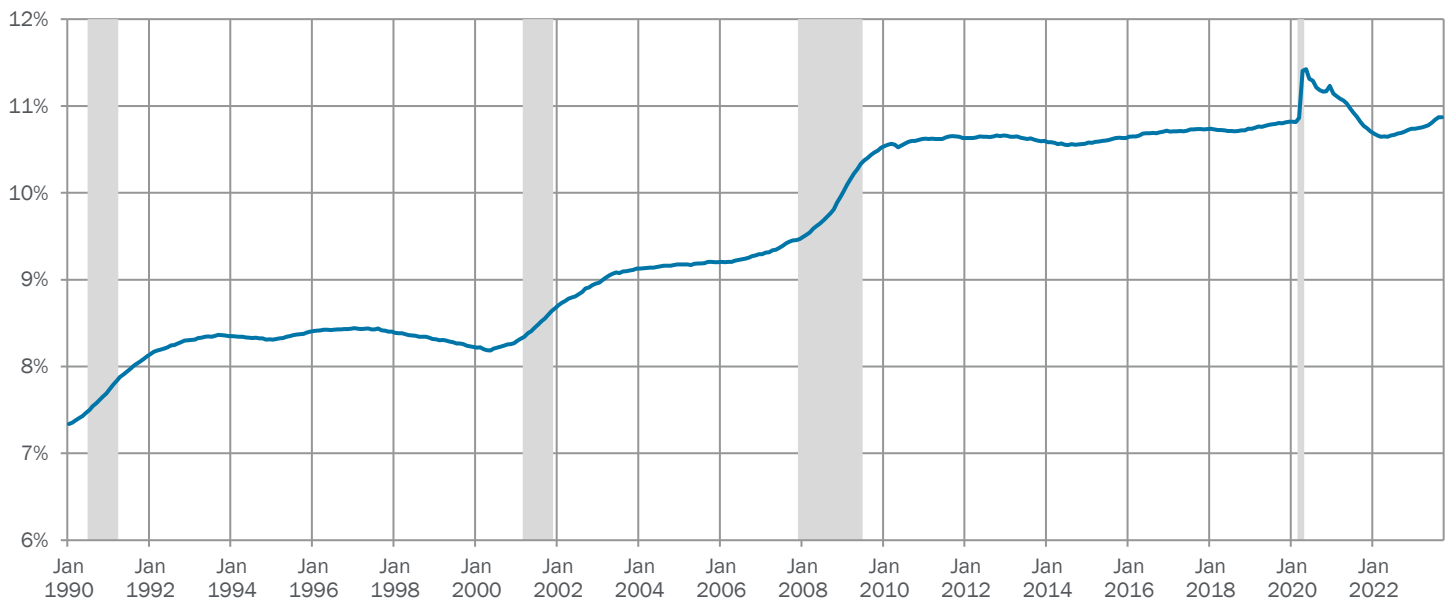
Exhibit 8. Twelve-Month Percent Change in Health Care Employment



Source: Altarum analysis of BLS data.

Note: Lightly shaded bars denote recession periods. Full drop in employment in April 2020 (non-health -14.0% and health -8.2%) not shown on graph.

Exhibit 9. Health Care Share of Total Employment



Source: Altarum analysis of BLS data.

Note: Lightly shaded bars denote recession periods.