

December 15, 2022

Health spending growth and GDP growth are both moderating

HIGHLIGHTS

- ▲ National health spending in October 2022 grew by 2.1%, year over year. The small growth rate was driven by a large decline in government support to public health activities.
- ▲ Health spending in October 2022 is estimated to account for 17.2% of GDP.
- ▲ Nominal GDP in October 2022 was 7.3% higher than in October 2021 as GDP growth continues to outpace health spending growth.
- ▲ The Centers for Medicare & Medicaid Services is expected to soon release the official estimates of national health spending for 2021. We will incorporate the effects of these spending estimates in our January brief.

National Health Spending and GDP*

	Oct 2020	Oct 2021	Sept 2022	Oct 2022
GDP	21.81	24.21	25.81	25.99
National Health Spending (HS)	4.07	4.39	4.50	4.48
HS Share of GDP	18.7%	18.1%	17.4%	17.2%
HS Share of PGDP	18.2%	18.2%	17.3%	17.1%
Growth from Prior 12 Months				
HS	6.7%	7.7%	4.5%	2.1%
GDP	0.9%	11.0%	8.7%	7.3%
HS minus GDP	5.8%	-3.3%	-4.2%	-5.3%
HS minus PGDP	3.6%	0.1%	-4.5%	-6.7%

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 Rhyan, 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

Later this month, CMS is expected to release the official estimates of national health expenditures for 2021. These estimates will result in changes to our spending estimates when we incorporate them into our spending brief in January. Our current estimates indicate that national health spending grew by 2.1%, year over year in October 2022, reaching a seasonally adjusted annual rate of \$4.48 trillion. The drop in spending growth was driven largely by a substantial reduction in October in government support to public health activities via the via Public Health and Social Services Emergency Fund. Health spending in October accounted for 17.2% of GDP, the lowest level since April 2015. Both growth rates have declined significantly since December 2021: GDP from 12.9% to 7.3% and health spending from 10.8% to 2.1% (Exhibit 1).

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

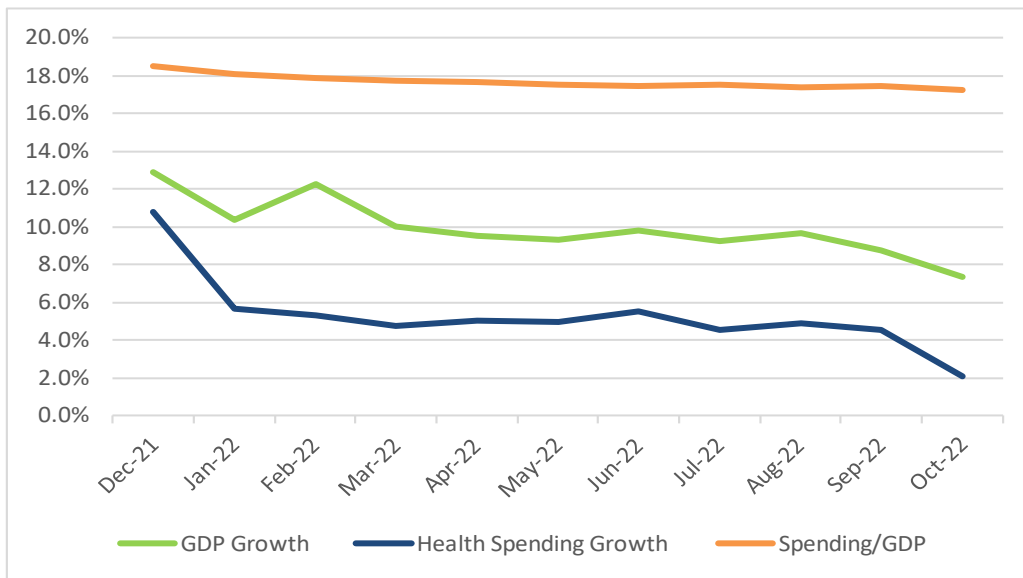


Exhibit 2 indicates our current estimate of the trajectory of growth in national health spending and GDP since the start of 2020 through October 2022, with and without COVID-related federal government support to providers and public health activities. Most such support in recent months has gone to public health via the Public Health and Social Services Emergency Fund which, as noted earlier, declined significantly in October.

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

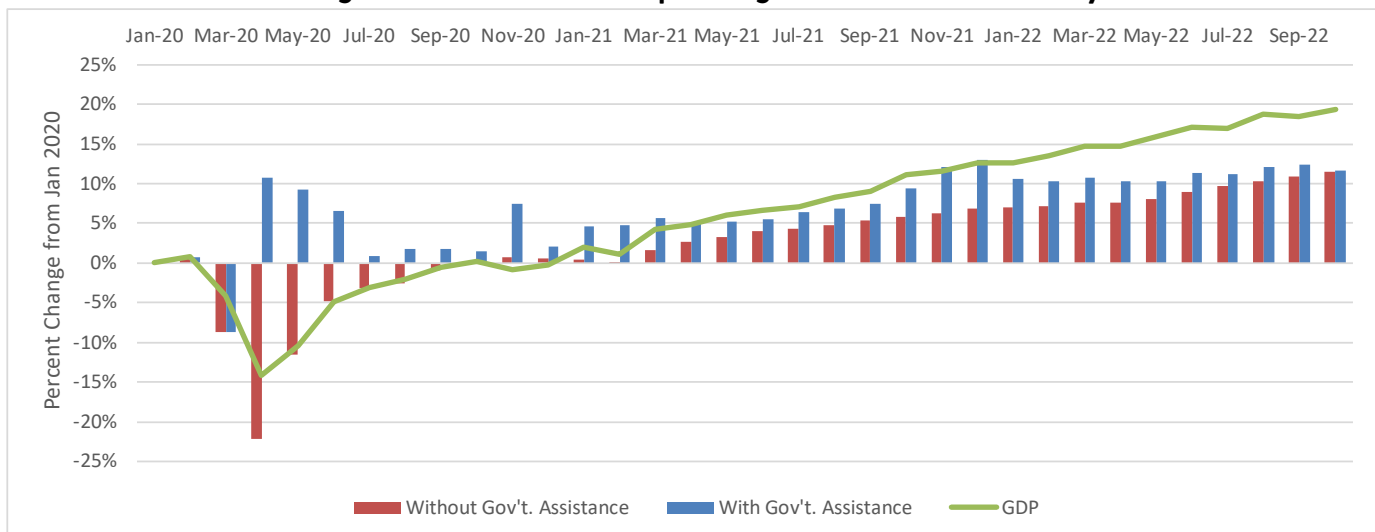




Exhibit 3 shows how spending growth among major categories has varied since January 2020, both with and without the government support. With the decline in federal government support spending, the curves tend to converge in more recent months. From January 2020 through October 2022, spending on home health care (including government support) has increased the most among the categories shown, at 14.7%, while spending on nursing home care and physician and clinical services grew the least, at 6.4% and 6.7%, respectively. During the same period, growth in retail spending on prescription drugs, which did not receive significant federal support during the pandemic, exceeded the other major categories, at 19.3% (data not shown), while spending on home health care also experienced relatively large growth, at 14.7%.

Exhibit 3. Percent Change in Spending Since January 2020, by Major Category



Exhibit 4 displays the growth in spending by major categories over the past year without the impact of federal government support. The values for growth rates in the absence of government support provide the clearest picture of the growth in the portion of spending actually used to provide clinical services. Overall, personal health care spending growth (growth in spending on goods and services) since October 2021 was 5.4% without



government assistance. Without government assistance, spending in the past year on dental services grew the fastest, at 12.2%, while spending on hospital care grew the slowest, at 3.3%.

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

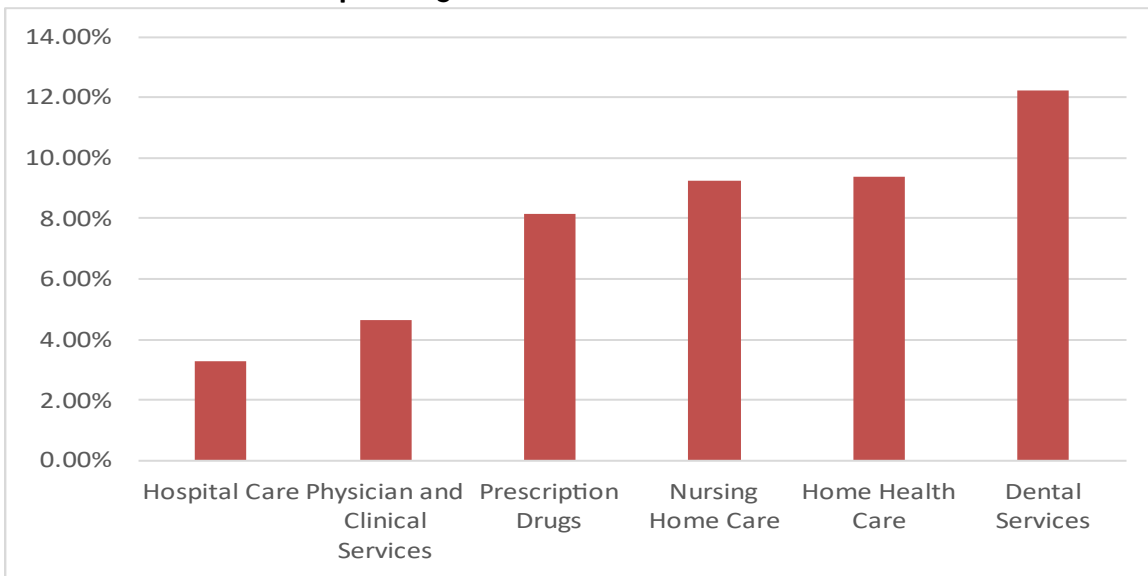
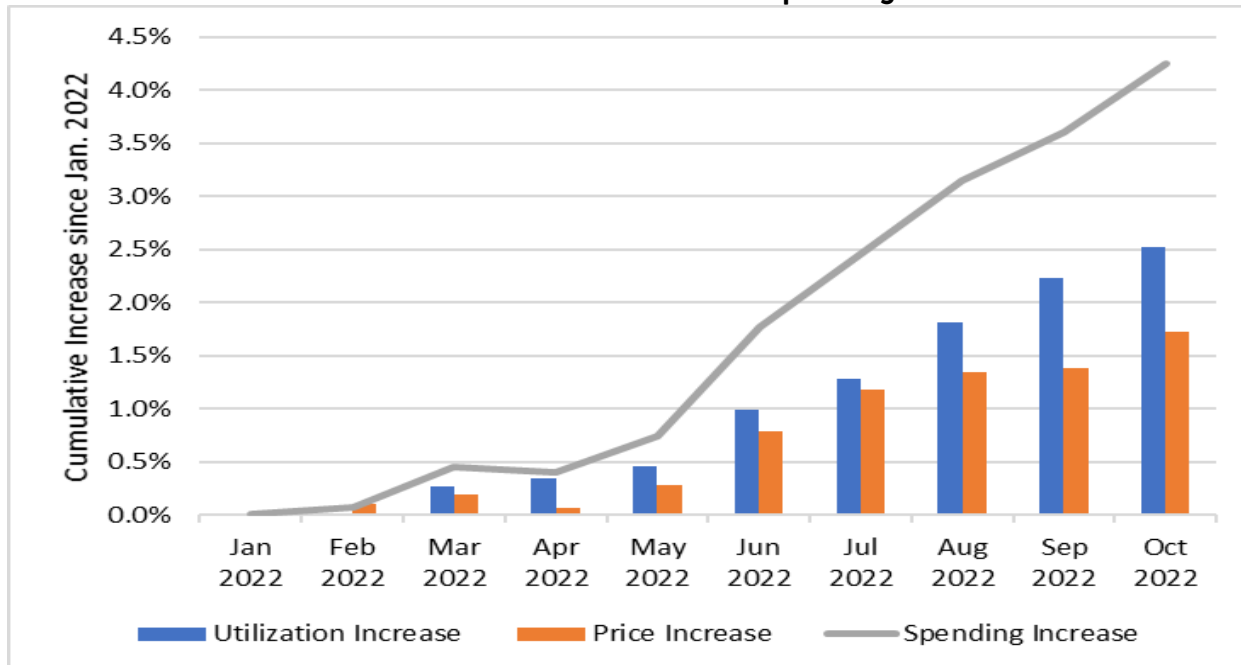


Exhibit 5 illustrates how spending on personal health care (without government subsidies) has grown since the start of 2022 and illustrates the relative contribution of utilization and prices to this growth. (The breakout between utilization growth and price growth is discussed further in our [price brief](#).) It shows that utilization growth has been the greater contributor to spending growth so far this year. As we have noted previously, though, the role of prices in health care spending growth is [expected to increase](#) in the future as newly negotiated or government-set prices catch up with higher input costs driven by overall inflation, likely resulting in an acceleration of health spending.

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)	Oct 2019	Oct 2020	Oct 2021	Oct 2022
GDP	\$21,624.4	\$21,812.5	\$24,213.2	\$25,992.3
National Health Spending	\$3,816.3	\$4,070.9	\$4,385.4	\$4,475.8
Personal health care	\$3,221.8	\$3,339.9	\$3,556.8	\$3,750.6
Hospital care	\$1,208.8	\$1,266.3	\$1,356.1	\$1,401.0
Physician and clinical services	\$786.1	\$810.5	\$862.5	\$902.7
Other professional services	\$113.9	\$113.7	\$127.0	\$133.6
Dental services	\$144.1	\$145.1	\$162.0	\$181.9
Other personal health care	\$198.1	\$206.9	\$223.5	\$237.1
Home health care	\$114.0	\$118.4	\$120.8	\$132.1
Nursing home care	\$174.3	\$175.7	\$181.4	\$198.1
Prescription Drugs	\$343.4	\$353.4	\$373.9	\$404.5
Durable medical equipment	\$57.6	\$59.8	\$58.6	\$63.7
Nondurable medical products	\$81.6	\$90.1	\$91.0	\$96.0
Program administration and net cost of private health insurance	\$292.9	\$363.4	\$354.6	\$369.9
Government public health activities	\$106.8	\$173.2	\$259.7	\$127.3
Research	\$57.1	\$61.6	\$67.4	\$71.4
Structures and equipment	\$137.7	\$132.8	\$146.9	\$156.6
HS Share of GDP	17.6%	18.7%	18.1%	17.2%
HS Share of PGDP	17.6%	18.2%	18.2%	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. This table incorporates recent corrections to the categories “other personal health care” and “program administration and net cost of private health insurance”.

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

Growth Rates	Oct 2020	Oct 2021	Oct 2022
GDP	0.9%	11.0%	7.3%
National Health Spending	6.7%	7.7%	2.1%
Personal health care	3.7%	6.5%	5.4%
Hospital care	4.8%	7.1%	3.3%
Physician and clinical services	3.1%	6.4%	4.7%
Other professional services	-0.1%	11.7%	5.2%
Dental services	0.7%	11.7%	12.2%
Other personal health care	4.4%	8.0%	6.1%
Home health care	3.8%	2.0%	9.4%
Nursing home care	0.8%	3.2%	9.2%
Prescription Drugs	2.9%	5.8%	8.2%
Durable medical equipment	3.9%	-2.0%	8.7%
Nondurable medical products	10.5%	0.9%	5.5%
Program administration and net cost of private health insurance	24.1%	-2.4%	4.3%
Government public health activities	62.2%	50.0%	-51.0%
Research	7.9%	9.4%	5.9%
Structures and equipment	-3.6%	10.6%	6.6%
HS Minus GDP	5.8%	-3.3%	-5.3%
HS Minus PGDP	3.6%	0.1%	-6.7%

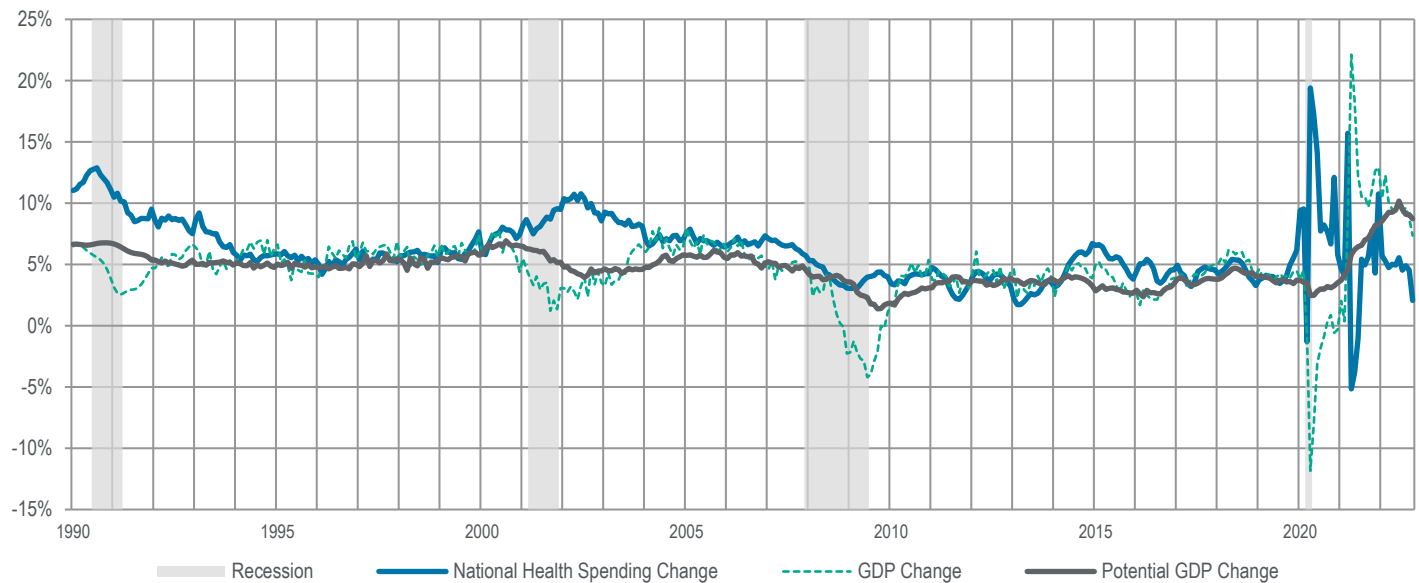
Source: Computed from Exhibit 2.

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



TIME SERIES TRACKER

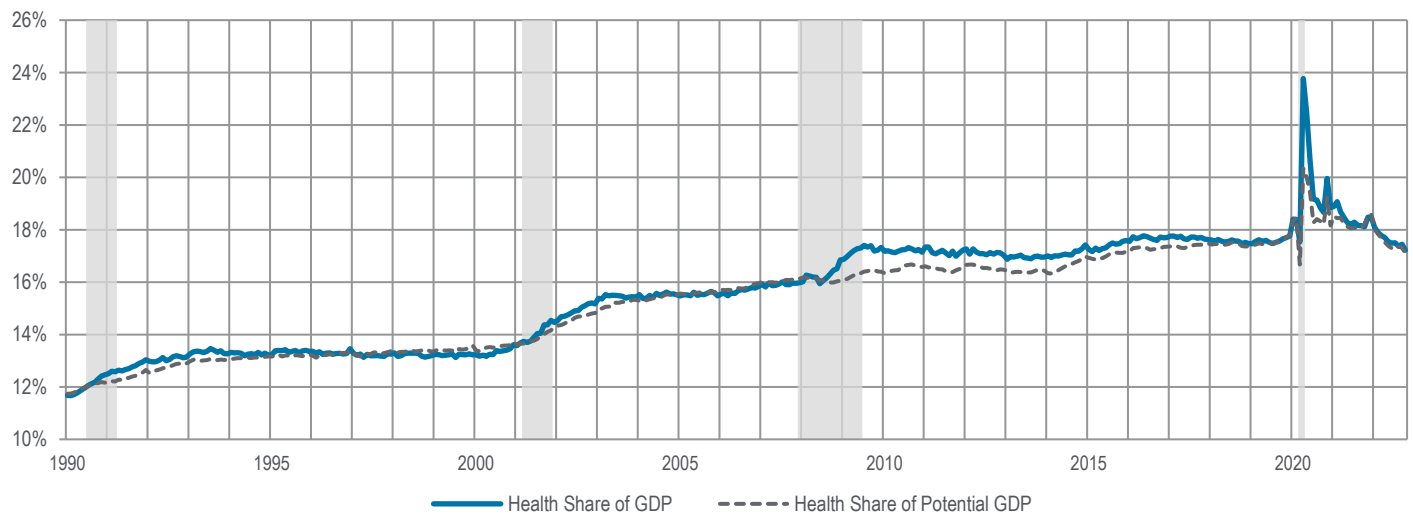
Exhibit 8. Year-over-Year Percentage Change in Spending and GDP



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 \(1990–2020\) and projections \(2021\)](#). 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 (through 2020) and projections (for 2021) and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2021 ratios are used to adjust BEA spending for months in 2022.