

January 4, 2024

## New CMS data indicate national health spending grew by 4.1% in 2022

### HIGHLIGHTS

- ▲ The Centers for Medicare and Medicaid Services (CMS) released the official estimates of national health spending for 2022 on December 13, indicating that health spending grew by 4.1% in 2022. We have incorporated these estimates into our December spending brief.
- ▲ In October 2023, national health spending grew by 6.0%, year over year, and represents 17.4% of GDP.
- ▲ Nominal GDP in October 2023 was 5.4% higher than in October 2022, and grew 0.6 percentage points slower than health spending.
- ▲ Personal health care spending growth in October was 7.7%, year over year, and continues to be dominated by growth in utilization rather than increases in prices.
- ▲ Year-over-year spending on home health care (13.5%) grew fastest in October, followed by prescription drug spending (12.3%), while spending on hospital care increased the least (6.5%) among major categories.

### National Health Spending and GDP\*

	Oct 2021	Oct 2022	Sep 2023	Oct 2023
<b>GDP</b>	24.45	26.29	27.86	27.71
<b>National Health Spending (HS)</b>	4.32	4.55	4.79	4.82
<b>HS Share of GDP</b>	17.7%	17.3%	17.2%	17.4%
<b>HS Share of PGDP</b>	17.9%	17.4%	17.5%	17.6%
<b>Growth from Prior 12 Months</b>				
<b>HS</b>	3.8%	5.2%	6.1%	6.0%
<b>GDP</b>	10.9%	7.5%	6.8%	5.4%
<b>HS minus GDP</b>	-7.1%	-2.3%	-0.7%	0.6%
<b>HS minus PGDP</b>	-4.0%	-3.5%	1.1%	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 Indicators<sup>SM</sup>* 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](mailto: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](mailto:press@altarum.org). For more information, visit <http://altarum.org/solution/health-sector-spending>.

## DISCUSSION

This month's spending brief incorporates adjustments to our 2022 estimates to match new CMS [National Health Expenditure Accounts results for 2022](#) that were released on December 13, 2023. Because our results for 2023 are based on applying spending growth rates to the previous year's levels, our results for 2023 also differ from our previous estimates. Our previous estimate of a national health spending growth rate in 2022 of 5.5% has now been adjusted to match the CMS value of 4.1%. There are three principal reasons for the discrepancy:

- The federal government estimate of the growth in public health spending from 2021 to 2022 was reduced from 16.9% to -1.0%, primarily because of an increase in 2021 and a decline in 2022 of estimated subsidies from the Public Health and Social Services Emergency Fund.
- The federal government estimate of the growth in administration and the net cost of health insurance expenditures in 2022 decreased, resulting in a reduction in the annual growth of this spending category in 2022 from 11.1% to 7.8%.
- We previously overestimated the contribution to hospital expenditures from the Provider Relief Fund in 2022, which, when corrected, resulted in a reduction in the estimated annual growth rate in hospital spending from 4.0% to 2.2%.

After incorporating these and other less significant adjustments, we estimate that national health spending grew by 6.0%, year over year, in October 2023, reaching a seasonally adjusted annual rate of \$4.82 trillion. Health spending in October accounted for 17.4% of GDP and has remained below 17.5% since January 2022.

Since shortly after the start of the pandemic in 2020, our spending brief has included a focus on pandemic-related changes in health spending. Nearly 4 years after the start of the pandemic, and with the decline in COVID-related federal government subsidies, we are shifting our focus to more recent spending changes. In recent months, the year-over-year GDP growth rate and the growth rate in national health spending have averaged around 6%, while the personal health care spending portion of health spending growth has been somewhat higher and stands at 7.7% in October (Exhibit 1).

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

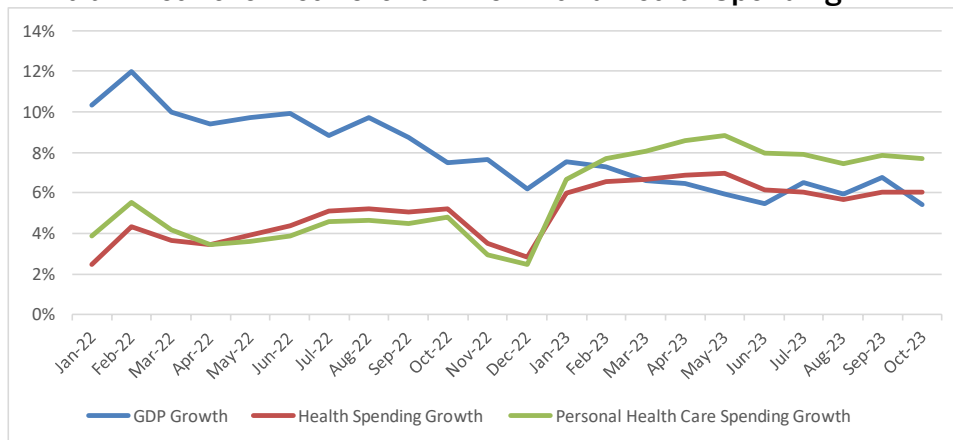


Exhibit 2 illustrates how health spending in October was distributed among spending categories. Personal health care (spending on health care goods and services) constitutes 84% of national health spending, while half of total expenditures was attributed to hospital care and physician and clinical services. This spending mix has been very stable over time. (Values do not add to 100% due to rounding.)

### Exhibit 2. Health Spending by Category, October 2023

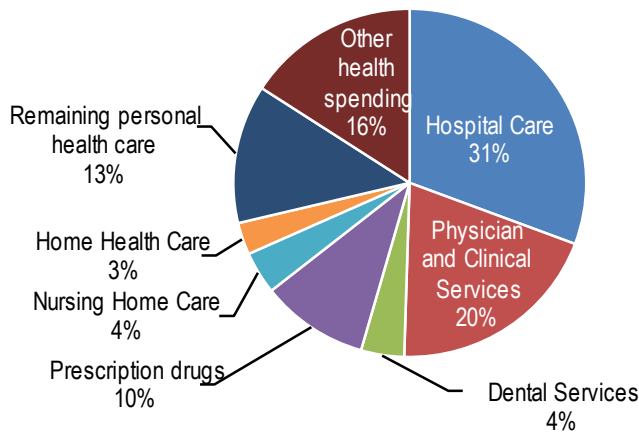


Exhibit 3 displays the growth in spending by major categories within personal health care over the past year. At 13.5%, home health care was the fastest-growing contributor to the 7.7% year-over-year growth in personal health care since October 2022, followed by prescription drugs, at 12.3%. Spending on hospital care grew the slowest, at 6.5%.

### Exhibit 3. Health Care Spending 12-Month Growth

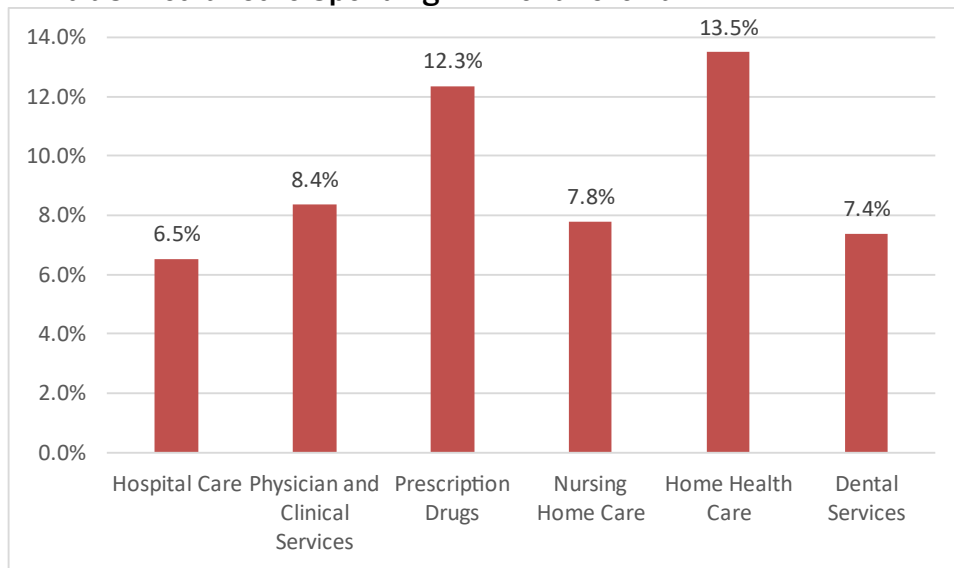
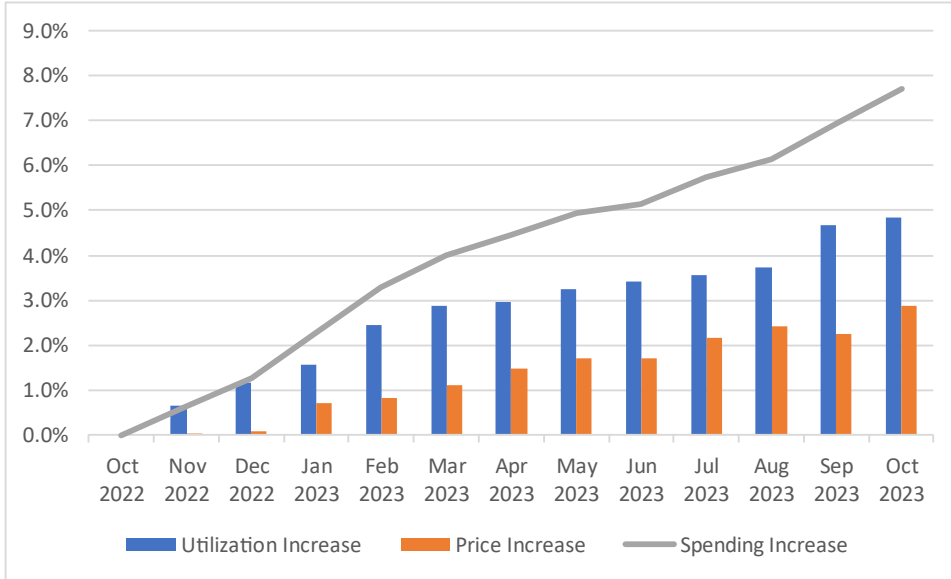


Exhibit 4 shows how spending on personal health care has grown over the past year (since October 2022) and illustrates the relative contribution of utilization and prices to this growth. It indicates that spending growth continues to be driven largely by utilization growth through October 2023: Of the 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.

### Exhibit 4. Cumulative Growth in Personal Health Care Spending



All spending values shown in this brief include COVID-related subsidies from the federal government. With the exception of federal government support to public health activities, these subsidies have been very small since the start of 2022.

## DETAILED HEALTH SPENDING

**Exhibit 5. Monthly National Spending Estimates by Detailed Category**

Levels (in billions of dollars)	Oct 2020	Oct 2021	Oct 2022	Oct 2023
<b>GDP</b>	\$22,045.7	\$24,453.0	\$26,287.5	\$27,714.1
<b>National Health Spending</b>	\$4,164.4	\$4,322.3	\$4,548.0	\$4,823.0
<b>Personal health care</b>	\$3,359.1	\$3,607.1	\$3,780.3	\$4,071.5
Hospital care	\$1,259.6	\$1,338.2	\$1,388.2	\$1,478.6
Physician and clinical services	\$825.4	\$877.5	\$894.9	\$969.7
Other professional services	\$115.1	\$134.1	\$142.4	\$153.3
Dental services	\$144.1	\$163.0	\$167.5	\$179.8
Other personal health care	\$211.5	\$228.7	\$251.4	\$259.5
Home health care	\$112.2	\$125.1	\$135.0	\$153.2
Nursing home care	\$175.0	\$182.5	\$196.5	\$211.8
Prescription Drugs	\$356.1	\$383.0	\$417.6	\$469.1
Durable medical equipment	\$61.0	\$65.4	\$68.6	\$71.0
Nondurable medical products	\$99.2	\$109.4	\$118.2	\$125.4
Program administration and net cost of private health insurance	\$349.8	\$303.2	\$344.8	\$367.1
Government public health activities	\$259.4	\$200.6	\$202.0	\$149.9
Research	\$60.9	\$62.5	\$65.8	\$69.3
Structures and equipment	\$135.3	\$148.8	\$155.1	\$165.2
<b>HS Share of GDP</b>	18.9%	17.7%	17.3%	17.4%
<b>HS Share of PGDP</b>	18.6%	17.9%	17.4%	17.6%

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**

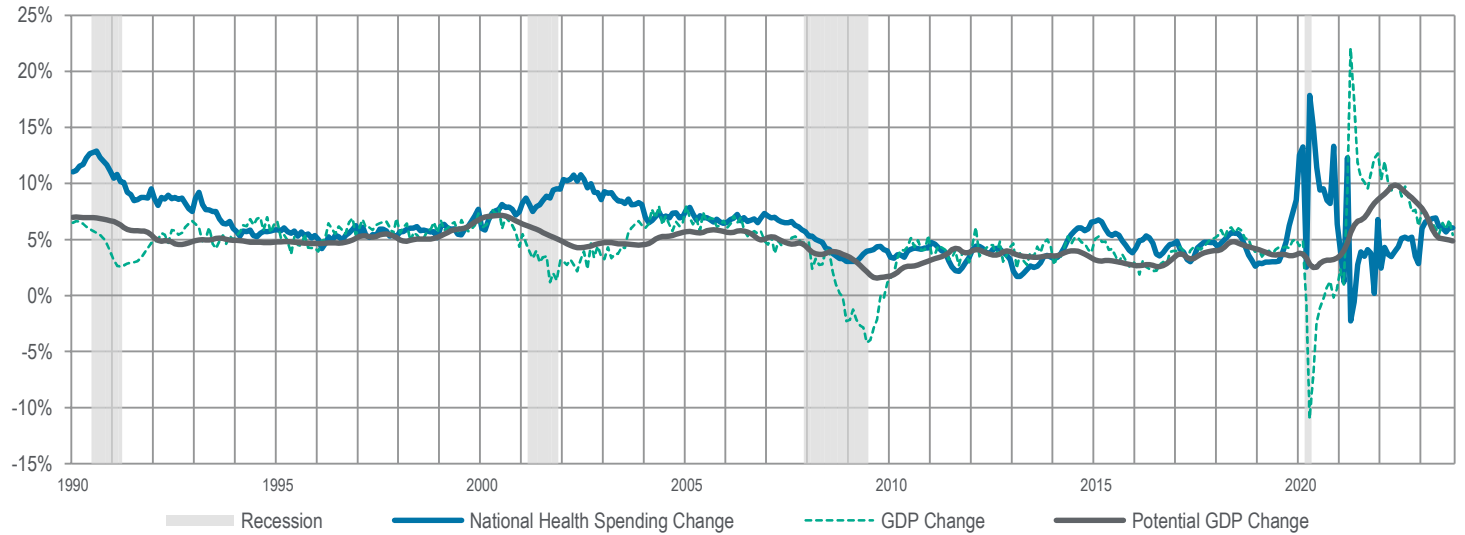
Growth Rates	Oct 2021	Oct 2022	Oct 2023
<b>GDP</b>	10.9%	7.5%	5.4%
<b>National Health Spending</b>	3.8%	5.2%	6.0%
<b>Personal health care</b>	7.4%	4.8%	7.7%
Hospital care	6.2%	3.7%	6.5%
Physician and clinical services	6.3%	2.0%	8.4%
Other professional services	16.5%	6.1%	7.7%
Dental services	13.2%	2.7%	7.4%
Other personal health care	8.1%	9.9%	3.2%
Home health care	11.5%	7.9%	13.5%
Nursing home care	4.3%	7.7%	7.8%
Prescription Drugs	7.6%	9.0%	12.3%
Durable medical equipment	7.3%	4.9%	3.4%
Nondurable medical products	10.3%	8.0%	6.1%
Program administration and net cost of private health insurance	-13.3%	13.7%	6.5%
Government public health activities	-22.7%	0.7%	-25.8%
Research	2.8%	5.2%	5.3%
Structures and equipment	10.0%	4.2%	6.5%
<b>HS Minus GDP</b>	-7.1%	-2.3%	0.6%
<b>HS Minus PGDP</b>	-4.0%	-3.5%	1.2%

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

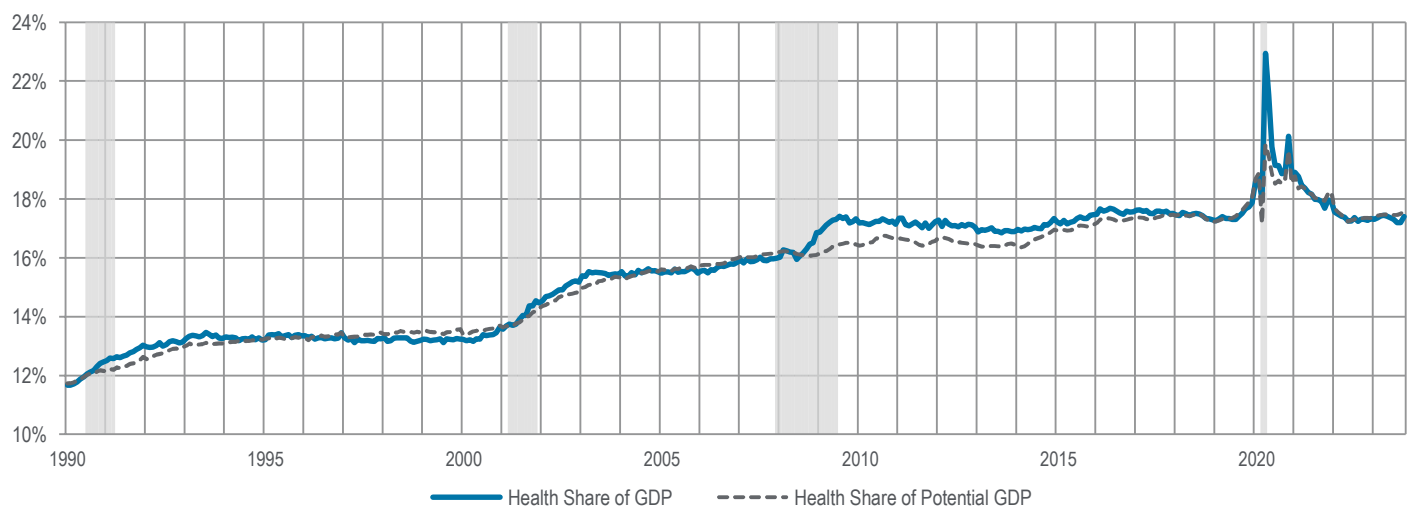
**Exhibit 7. Year-over-Year Percentage Change in Spending and GDP**



**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 \(1990–2022\) and projections](#) (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 2022 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2022 ratios are used to adjust BEA spending for months in 2023.