

April 21, 2022

CMS projections show health spending grew by 4.2% in 2021

HIGHLIGHTS

- ▲ National health spending in 2021 grew by 4.2%, year over year, according to new data released by CMS.
- ▲ This was significantly smaller than the 9.7% growth experienced in 2020 because of a decline in supplemental funding from the federal government.
- ▲ Absent this supplemental funding in both years, spending growth would have been 1.9% in 2020 and 8.1% in 2021.
- ▲ For the month of February 2022, year-over-year health spending growth was 4.9%, higher than the 2021 growth rate but significantly smaller than GDP growth of 12.5%.

National Health Spending and GDP*

	Feb 2020	Feb 2021	Jan 2022	Feb 2022
GDP	21.92	21.72	24.30	24.43
National Health Spending (HS)	4.07	4.21	4.42	4.42
HS Share of GDP	18.6%	19.4%	18.2%	18.1%
HS Share of PGDP	18.7%	18.6%	18.0%	17.9%
Growth from Prior 12 Months				
HS	10.3%	3.6%	4.9%	4.9%
GDP	4.4%	-0.9%	10.4%	12.5%
HS minus GDP	5.8%	4.5%	-5.4%	-7.6%
HS minus PGDP	6.7%	-0.3%	-3.6%	-4.1%

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. We thank Paul Hughes-Cromwick, who originated the concept of these reports and provided inspired leadership of the work from its inception. Media Contact: press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.



DISCUSSION

On March 28, CMS released [its latest projections](#) of national health expenditures, covering the years 2021 through 2030. We have updated our monthly national health spending data to match the CMS annual values for 2021 and adjusted our 2022 data for better consistency with the government’s 2021 results. Our revised estimate of total national health spending in 2021 is within 0.5% of our previous estimate, but spending estimates for some of the components have changed more significantly.

The projections indicate that national health spending grew by 4.2% in 2021. This is significantly lower than the 9.7% growth experienced in 2020, largely because of a decline in federal COVID-19 spending. In the absence of the federal funding in both 2020 and 2021, growth in national health spending in 2021 would have been 8.1%, primarily because of the pandemic-induced decline in 2020 spending in the absence of the government support.

Exhibit 1 shows our current estimate of the trajectory of growth in national health spending since the start of 2020 with and without COVID-related federal government support to providers and public health activities. This government support was delivered to healthcare providers through the Paycheck Protection Program (PPP) and the Provider Relief Fund (PRF) and was not associated with actual consumption of health care goods and services. The trajectory without government support therefore provides an indication of expenditures used to provide personal health care. (Our [recent blog](#) provides more detail on the allocation of PPP and PRF funds in 2020.) In addition, the government provided a large increase in government support to public health programs, primarily through the Public Health and Social Services (PHSS) Emergency Fund. When the increased federal government assistance is included, health spending fell below January 2020 levels only in March 2020; in February 2022 it was 9.4% higher than in January 2020. When the increased federal assistance is excluded, spending remained below January 2020 levels throughout most of 2020 and through February 2021; in February 2022 it was 7.2% higher than in January 2020.

Exhibit 1. Percent Change in National Health Spending (HS) and GDP Since January 2020

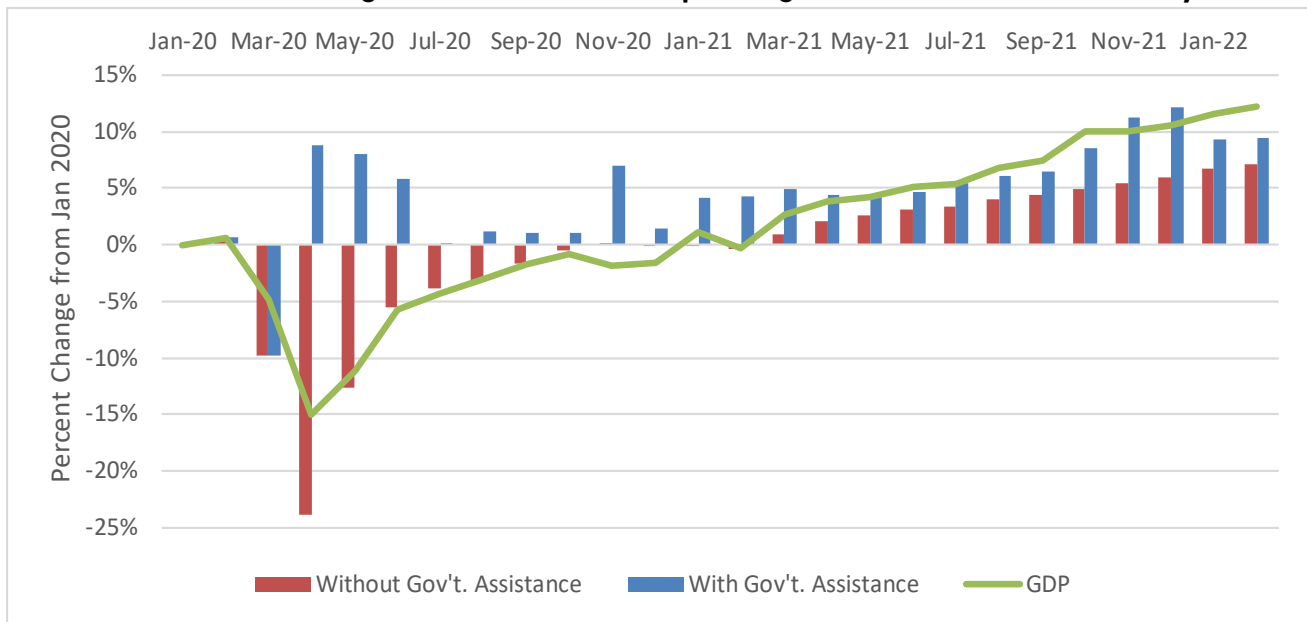


Exhibit 2 shows how spending growth among major categories has varied since January 2020, both with and without the government spending increase. With the decline in federal government support, the curves tend to



converge in more recent months. Either with or without the federal government assistance, spending in each category except dental services exceeded its January 2020 level in February 2022.

Exhibit 2. Percent Change in Spending Since January 2020, by Major Category



While CMS projections are usually released annually, the 2022 release is the first since the spring of 2020, with no release in 2021 in the midst of the COVID pandemic. The 2020 release did not consider any impacts of the pandemic, providing an interesting counterfactual to the spending trajectory that subsequently occurred. A comparison between the pre-pandemic 2020 projections and the post-pandemic 2022 projections can be found in [our recent Health Affairs Forefront article](#).



DETAILED HEALTH SPENDING

Exhibit 3. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Feb 2019	Feb 2020	Feb 2021	Feb 2022
GDP	\$20,988.8	\$21,916.5	\$21,720.1	\$24,433.1
National Health Spending	\$3,687.9	\$4,066.5	\$4,211.2	\$4,418.7
Personal health care	\$3,197.9	\$3,563.6	\$3,579.3	\$3,773.9
Hospital care	\$1,176.2	\$1,291.6	\$1,287.5	\$1,394.3
Physician and clinical services	\$745.6	\$857.9	\$839.3	\$870.5
Other professional services	\$108.1	\$115.0	\$130.5	\$132.9
Dental services	\$138.8	\$177.2	\$178.4	\$171.6
Other personal health care	\$278.0	\$327.9	\$360.6	\$359.5
Home health care	\$109.8	\$116.5	\$121.5	\$123.0
Nursing home care	\$174.4	\$188.0	\$177.2	\$189.2
Prescription Drugs	\$330.2	\$347.0	\$345.5	\$381.6
Durable medical equipment	\$57.0	\$60.1	\$55.4	\$59.1
Nondurable medical products	\$79.7	\$82.3	\$83.2	\$92.1
Program administration and net cost of private health insurance	\$193.0	\$202.4	\$214.8	\$224.2
Government public health activities	\$102.7	\$109.0	\$215.6	\$201.6
Research	\$55.1	\$58.3	\$63.7	\$68.9
Structures and equipment	\$139.3	\$133.2	\$137.8	\$150.2
HS Share of GDP	17.6%	18.6%	19.4%	18.1%
HS Share of PGDP	17.5%	18.7%	18.6%	17.9%

Source: Altarum monthly national health spending estimates. The monthly GDP is from IHS Markit.

Note: Spending is expressed in billions of dollars at a SAAR.

Exhibit 4. National Health Spending 12-Month Growth Rates by Detailed Category

Growth Rates	Feb 2020	Feb 2021	Feb 2022
GDP	4.4%	-0.9%	12.5%
National Health Spending	10.3%	3.6%	4.9%
Personal health care	11.4%	0.4%	5.4%
Hospital care	9.8%	-0.3%	8.3%
Physician and clinical services	15.1%	-2.2%	3.7%
Other professional services	6.4%	13.5%	1.8%
Dental services	27.7%	0.7%	-3.8%
Other personal health care	17.9%	10.0%	-0.3%
Home health care	6.0%	4.4%	1.2%
Nursing home care	7.8%	-5.8%	6.8%
Prescription Drugs	5.1%	-0.4%	10.4%
Durable medical equipment	5.4%	-7.8%	6.6%
Nondurable medical products	3.2%	1.1%	10.7%
Program administration and net cost of private health insurance	4.9%	6.1%	4.4%
Government public health activities	6.2%	97.8%	-6.5%
Research	5.8%	9.3%	8.1%
Structures and equipment	-4.4%	3.5%	9.0%
HS Minus GDP	5.8%	4.5%	-7.6%
HS Minus PGDP	6.7%	-0.3%	-4.1%

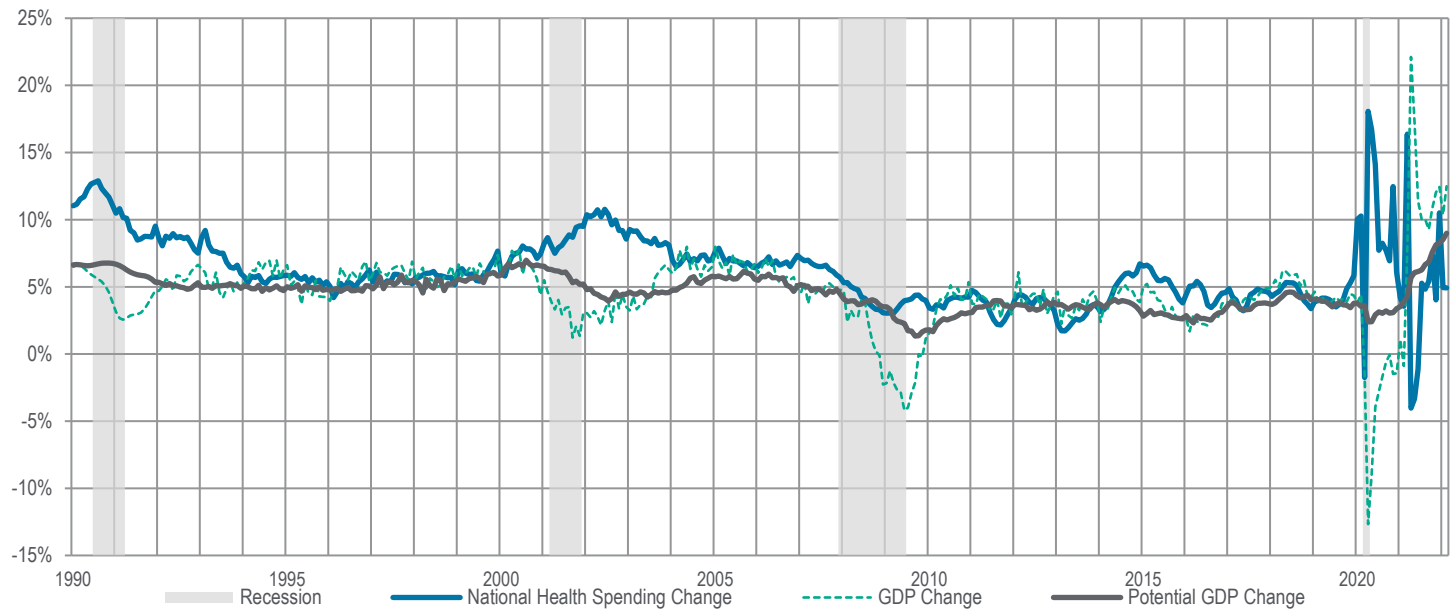
Source: Computed from Exhibit 2.

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



TIME SERIES TRACKER

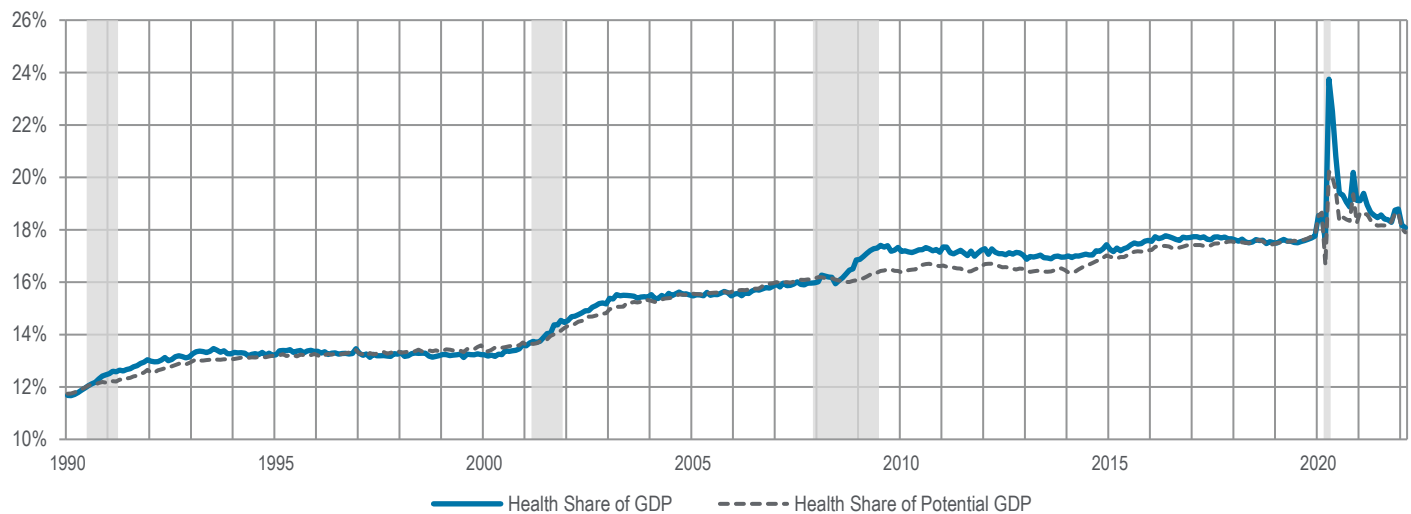
Exhibit 5. Year-over-Year Percentage Change in Spending and GDP



Source: Altarum monthly national health spending estimates. The monthly GDP is from IHS Markit.

Note: Lightly shaded bars denote recession periods.

Exhibit 6. 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.