

February 18, 2022

## Including federal government support, health spending grew by 3.4% in 2021

### HIGHLIGHTS

- ▲ National health spending for all of 2021 grew by 3.4%, reflecting significant federal government support in response to the COVID-induced recession in 2020 and a lower level of such support in 2021. Taking these support dollars out of both 2020 and 2021 estimates, spending growth from 2020 to 2021 would have been 8.4%, as the economy continued to recover.
- ▲ With the increased federal government assistance, health spending fell below January 2020 levels only in March 2020. Without this assistance, spending would have remained below January 2020 levels throughout most of 2020 and through February 2021.
- ▲ Including the federal support, health spending in December 2021 represented 18.8% of GDP; it was 17.8% of GDP if the additional government expenditures are excluded. For all of 2021, health spending represented 18.5% of GDP with the support and would have been 18.1% without it.

### National Health Spending and GDP\*

	Dec 2019	Dec 2020	Nov 2021	Dec 2021
<b>GDP</b>	21.74	21.43	23.95	24.09
<b>National Health Spending (HS)</b>	3.86	4.10	4.38	4.52
<b>HS Share of GDP</b>	17.8%	19.1%	18.3%	18.8%
<b>HS Share of PGDP</b>	17.8%	18.3%	18.2%	18.6%
<b>Growth from Prior 12 Months</b>				
HS	5.8%	6.1%	1.5%	10.3%
GDP	4.4%	-1.4%	12.0%	12.4%
HS minus GDP	1.5%	7.5%	-10.5%	-2.1%
HS minus PGDP	2.1%	2.7%	-6.7%	2.2%

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 Ani Turner at [ani.turner@altarum.org](mailto: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](mailto:press@altarum.org). For more information, visit <http://altarum.org/solution/health-sector-spending>.



## DISCUSSION

As we indicated in our spending briefs released in December 2021 and January 2022, our spending estimates for 2020 were adjusted to match the recently released CMS 2020 results. The CMS results included significant federal government expenditures that were not captured by the government spending estimates on which we relied for our previous estimates of spending in 2020. In particular, government support to healthcare providers through the Paycheck Protection Program (PPP) and the Provider Relief Fund (PRF) was not included in our estimates of spending for healthcare services, and a large increase in government support to public health programs, primarily through the Public Health and Social Services (PHSS) Emergency Fund, was not included in our estimates of public health spending.

Our treatment of these government expenditures in our previous two spending briefs was to allocate them uniformly through 2020, beginning in May, and to assume the same funding rates occurred (and were allocated uniformly) in 2021. We have now revised our spending estimates for 2020 and 2021 so that they more closely reflect the amounts and timing of government expenditures from these three funds. For this purpose, we relied primarily on (1) [data](#) posted by The U.S. Small Business Administration on all PPP loans, (2) data published by the Government Accountability Office [identifying](#) the amount and date of initial disbursement for each allocation of PRF funds, and (3) a breakout of PHSS Emergency Fund expenditures on the web site [USASpending.gov](#).

Exhibit 1 shows our estimate of the trajectory of growth in national health spending since the start of 2020 with and without the COVID-related government support to providers and public health activities. The trajectory without government support may provide an indication of expenditures associated with actual consumption of health care goods and services. When the increased federal government assistance is included, health spending fell below January 2020 levels only in March 2020; in December 2021 it was 11.9% 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 December 2021 it was 6.4% higher than in January 2020.

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

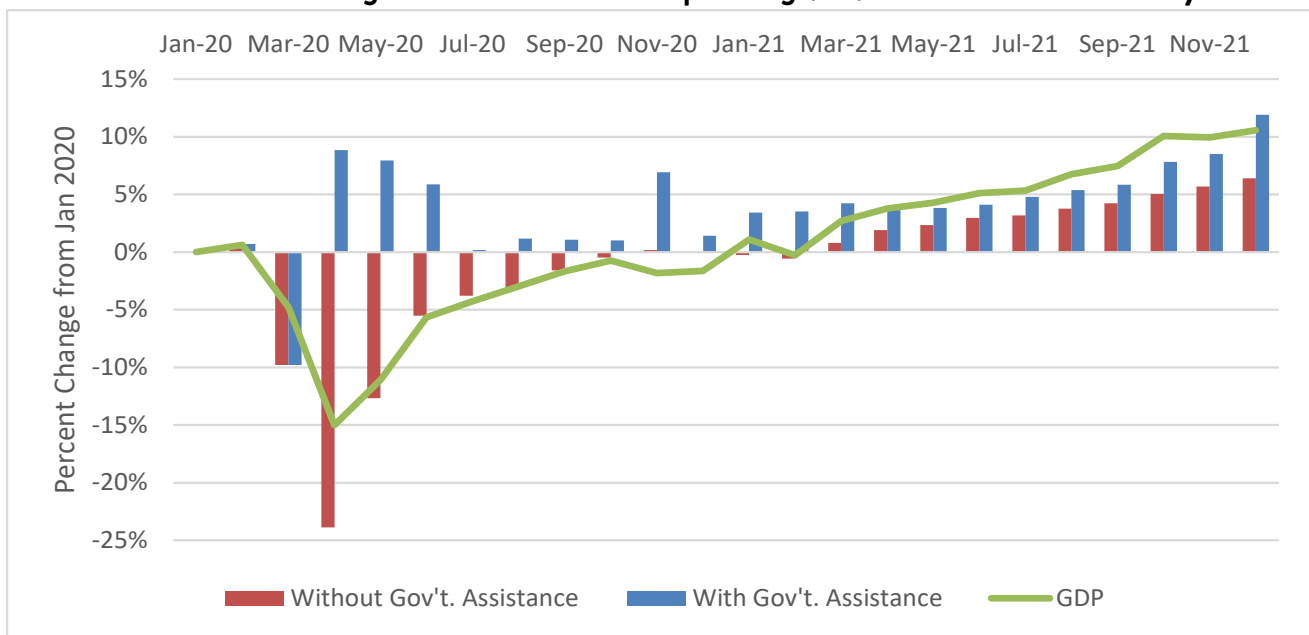




Exhibit 2 shows how spending growth among major categories has varied since January 2020, both with and without the government spending increase. With the federal government assistance, spending in each category except dental services exceeded its January 2020 level by December 2021, with spending on dental services remaining below the January 2020 level since March 2020. In the absence of the government support, spending on nursing home care would also have remained below its January 2020 level from April 2020 through 2021.

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



This month's spending brief also gives us a first look at spending growth for all of 2021. Including the federal government assistance, national health spending grew by a relatively modest 3.4%, largely because the federal spending on the three programs (PPP, PRF, and PHSS) dropped from \$287.6 billion in 2020 to an estimated \$107.4 billion in 2021. In the absence of these federal funds, national health spending would have grown by 8.4%, reflecting recovery from the pandemic-induced recession. For all of 2021, health spending represented 18.5% of GDP with the federal support and would have been 18.1% of GDP without it.



## DETAILED HEALTH SPENDING

### Exhibit 3. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Dec 2018	Dec 2019	Dec 2020	Dec 2021
<b>GDP</b>	\$20,834.6	\$21,741.7	\$21,428.0	\$24,086.1
<b>National Health Spending</b>	\$3,648.4	\$3,861.8	\$4,096.3	\$4,520.1
<b>Personal health care</b>	\$3,067.5	\$3,250.5	\$3,366.7	\$3,722.8
Hospital care	\$1,136.0	\$1,217.9	\$1,287.2	\$1,456.8
Physician and clinical services	\$749.1	\$793.3	\$811.6	\$904.1
Other professional services	\$106.2	\$114.0	\$118.2	\$126.3
Dental services	\$139.1	\$146.7	\$140.5	\$161.4
Other personal health care	\$192.8	\$199.3	\$210.3	\$223.9
Home health care	\$109.8	\$114.0	\$120.7	\$130.8
Nursing home care	\$170.3	\$174.4	\$175.3	\$193.3
Prescription Drugs	\$333.0	\$351.0	\$357.6	\$362.6
Durable medical equipment	\$54.1	\$58.5	\$58.8	\$66.8
Nondurable medical products	\$77.2	\$81.4	\$86.6	\$96.8
Program administration and net cost of private health insurance	\$286.6	\$309.4	\$360.8	\$359.5
Government public health activities	\$101.7	\$108.0	\$173.5	\$229.1
Research	\$54.6	\$58.0	\$61.6	\$65.4
Structures and equipment	\$137.9	\$135.9	\$133.7	\$143.2
HS Share of GDP	17.5%	17.8%	19.1%	18.8%
HS Share of PGDP	17.4%	17.8%	18.3%	18.6%

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	Dec 2019	Dec 2020	Dec 2021
<b>GDP</b>	4.4%	-1.4%	12.4%
<b>National Health Spending</b>	5.8%	6.1%	10.3%
<b>Personal health care</b>	6.0%	3.6%	10.6%
Hospital care	7.2%	5.7%	13.2%
Physician and clinical services	5.9%	2.3%	11.4%
Other professional services	7.4%	3.7%	6.8%
Dental services	5.5%	-4.3%	14.9%
Other personal health care	3.4%	5.5%	6.4%
Home health care	3.9%	5.9%	8.4%
Nursing home care	2.4%	0.5%	10.3%
Prescription Drugs	5.4%	1.9%	1.4%
Durable medical equipment	8.2%	0.4%	13.7%
Nondurable medical products	5.4%	6.4%	11.8%
Program administration and net cost of private health insurance	7.9%	16.6%	-0.4%
Government public health activities	6.2%	60.7%	32.1%
Research	6.1%	6.2%	6.3%
Structures and equipment	-1.4%	-1.6%	7.1%
HS Minus GDP	1.5%	7.5%	-2.1%
HS Minus PGDP	2.1%	2.7%	2.2%

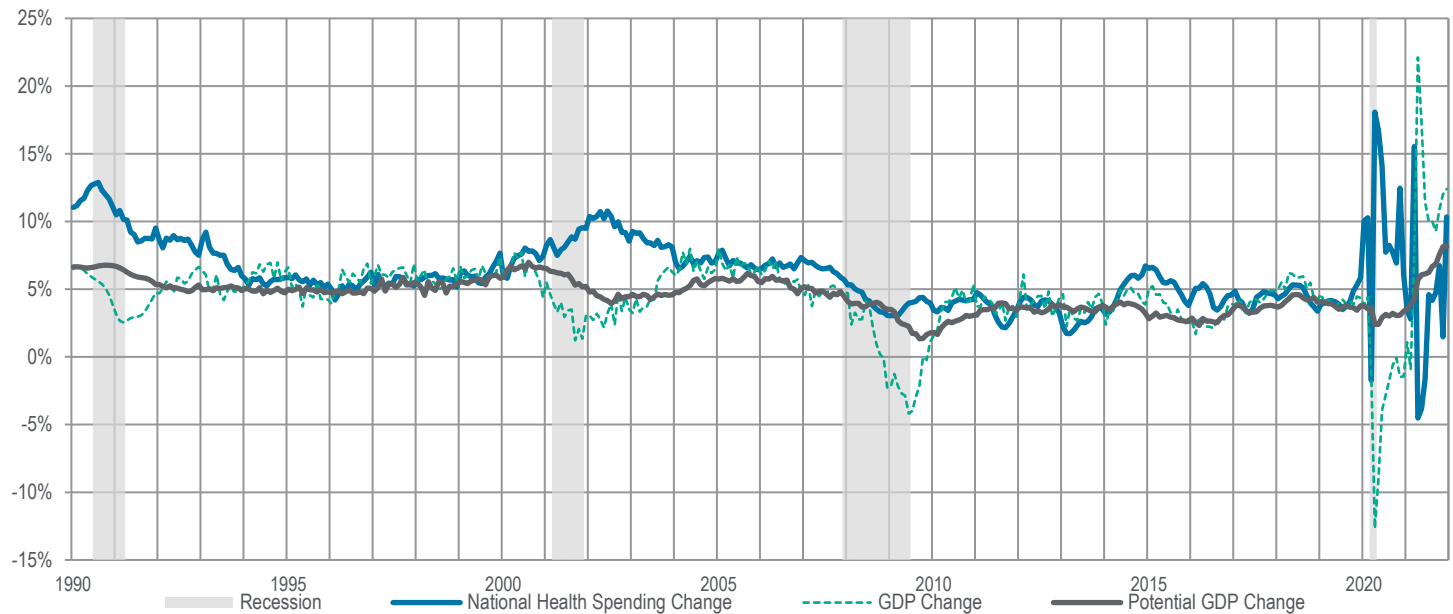
Source: Computed from Exhibit 2.

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



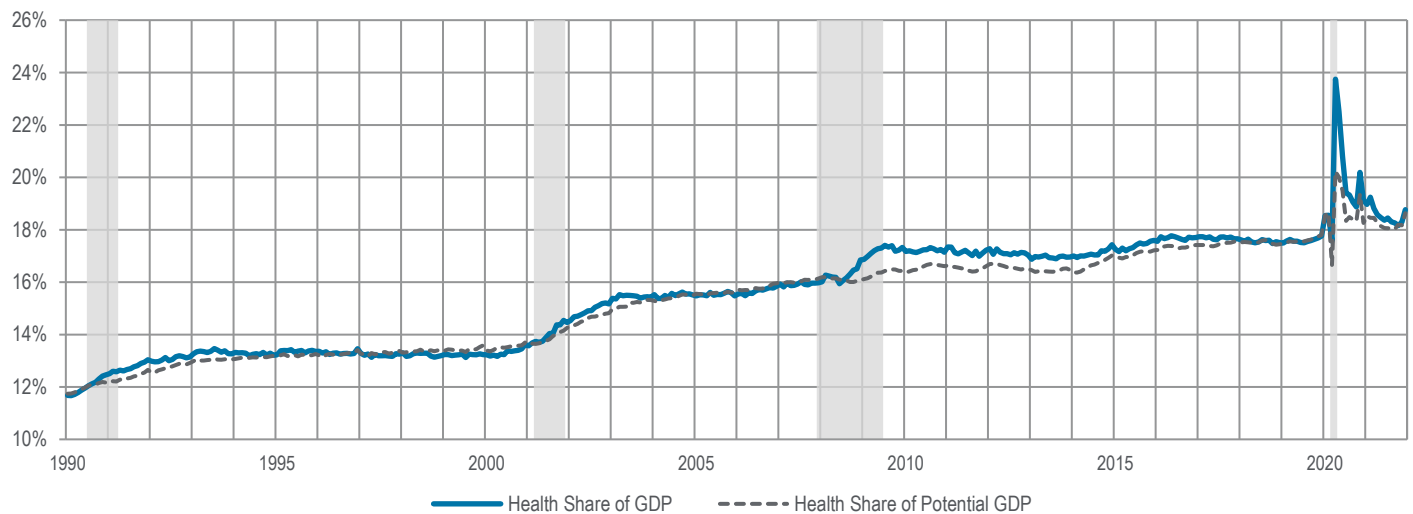
## TIME SERIES TRACKER

**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 2020 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2020 ratios are used to adjust BEA spending for months in 2021.