

January 21, 2022

## Health spending growth since the start of the pandemic reflects significant federal government support

### HIGHLIGHTS

- ▲ National health spending in November 2021 was 4.2% higher than in November 2020.
- ▲ Since January 2020, before the pandemic-induced drop began, net growth in national health spending was 17.8% through November 2021, including the impact of significant federal government support in response to the pandemic.
- ▲ Excluding these additional government expenditures, national health spending grew by 6.7% since January 2020.
- ▲ Including the federal support, health spending in November 2021 represented 19.6% of GDP; it was 17.8% of GDP if the additional government expenditures are excluded.

### National Health Spending and GDP\*

	Nov 2019	Nov 2020	Oct 2021	Nov 2021
GDP	21.71	21.38	23.98	23.92
National Health Spending (HS)	3.87	4.50	4.67	4.69
HS Share of GDP	17.8%	21.0%	19.5%	19.6%
HS Share of PGDP	17.9%	20.2%	19.5%	19.5%
<b>Growth from Prior 12 Months</b>				
HS	6.5%	16.2%	4.4%	4.2%
GDP	4.5%	-1.5%	10.9%	11.8%
HS minus GDP	2.1%	17.7%	-6.6%	-7.6%
HS minus PGDP	3.1%	13.1%	-3.2%	-3.9%

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 noted in last month’s spending brief, our spending estimates for 2020 have been adjusted to match the recently released CMS 2020 results. These results included significant federal government expenditures that were not captured by the data on which we relied for our previous estimates of spending in 2020 and 2021.<sup>1</sup> As we indicated last month, we made the following adjustments to our spending estimates: For 2020, we estimated the magnitude of the increased federal expenditures to be the amount by which 2020 federal spending on the CMS categories of “Other Federal Programs” and “Public Health Activity” exceeded the amount spent in 2019. We assumed that the increase in federal spending began in May and was spent uniformly across all months from May through December. For 2021, we assumed that the increased spending identified above has continued at 2020 rates. This assumption is subject to significant uncertainty but provides our best current estimate of 2021 spending. We are considering revisions to this approach and will likely make further adjustments to our estimates in next month’s spending brief.

Including the federal support, national health spending in November 2021 grew by 4.2%, year over year, representing 19.6% of GDP. If the additional government expenditures are excluded, year-over-year growth in health spending was 4.7% but represents just 17.8% of GDP.

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 how spending growth and its relation to GDP growth will change when the government support ends. When the increased federal government assistance is included, health spending growth from January 2020 through November 2021 was 17.8% and health spending growth exceeded GDP growth by 8.0 percentage points. When the increased federal assistance is excluded, spending growth tracks GDP growth more closely. Through November 2021, spending since January 2020 grew by 6.7% without the increased federal spending, and GDP growth exceeded health spending growth by 3.1 percentage points, largely because of an increase in the GDP growth rate.

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

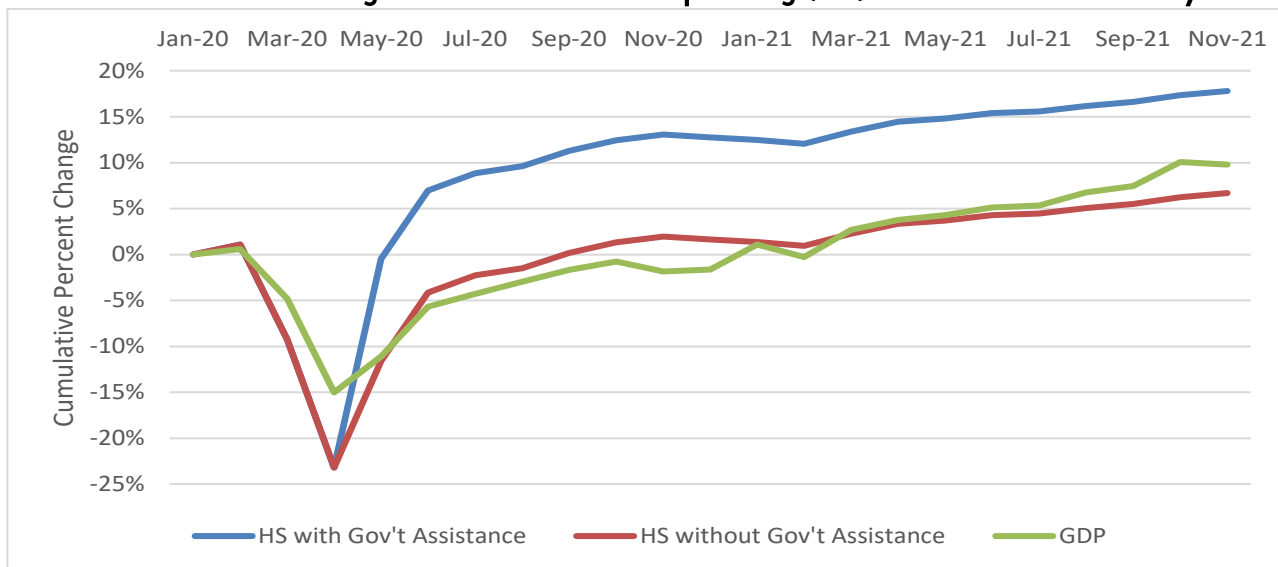
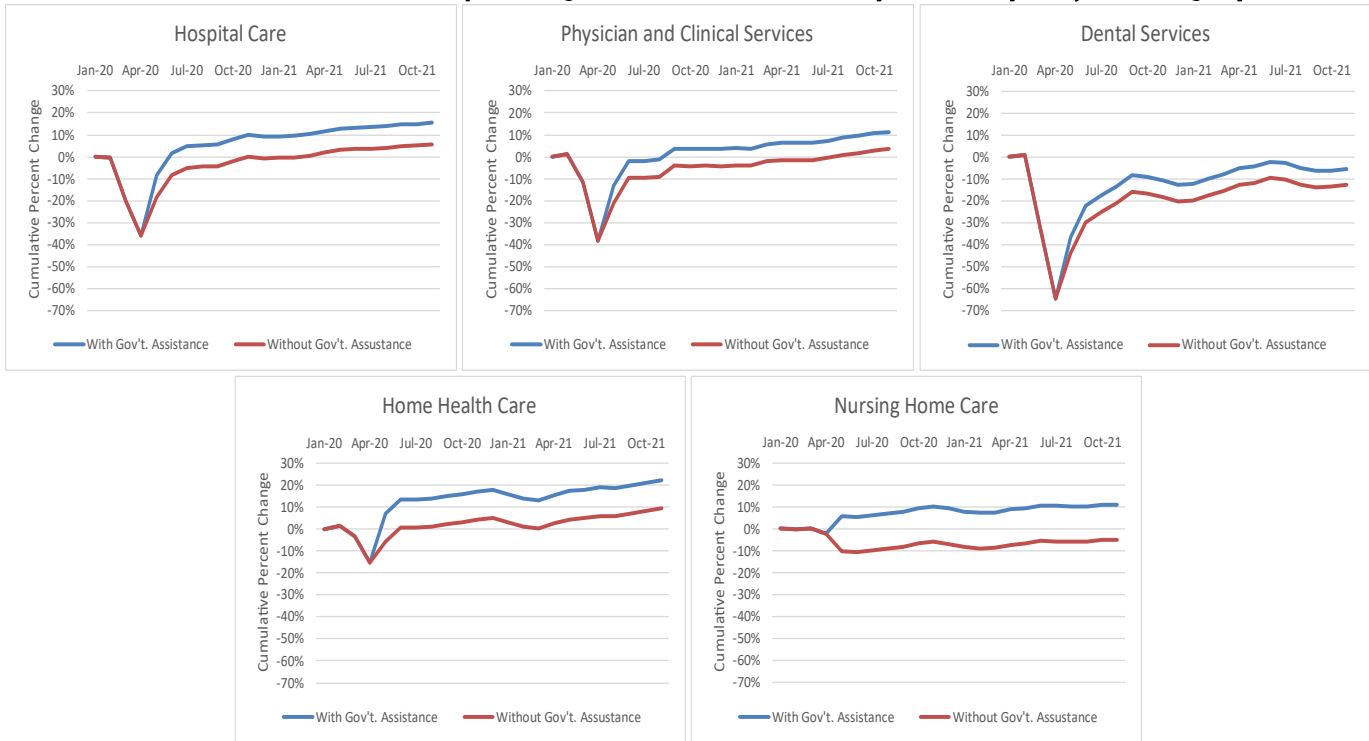


Exhibit 2 shows how spending growth among major categories since January 2020 has varied, both with and without the government spending increase. With the federal government assistance, spending in each category except dental services has exceeded its January 2020 level by November 2021. In the absence of the government



support, spending on nursing home care would also have remained below its January 2020 level through November 2021.

### Exhibit 2. Cumulative Spending Growth Since January 2020, by Major Category



<sup>1</sup> CMS describes its approach to estimating federal COVID expenditures in the NHEA [here](#).



## DETAILED HEALTH SPENDING

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

Levels (in billions of dollars)	Nov 2018	Nov 2019	Nov 2020	Nov 2021
GDP	\$20,779.8	\$21,706.9	\$21,384.6	\$23,917.6
National Health Spending	\$3,636.7	\$3,874.3	\$4,501.3	\$4,690.2
Personal health care	\$3,061.8	\$3,238.1	\$3,641.6	\$3,839.9
Hospital care	\$1,128.2	\$1,213.8	\$1,420.5	\$1,491.8
Physician and clinical services	\$748.1	\$788.9	\$878.1	\$941.9
Other professional services	\$105.7	\$113.7	\$128.8	\$136.4
Dental services	\$139.6	\$146.3	\$156.4	\$166.2
Other personal health care	\$192.2	\$199.5	\$215.5	\$227.1
Home health care	\$109.2	\$114.0	\$134.1	\$140.0
Nursing home care	\$168.7	\$174.6	\$206.6	\$208.4
Prescription Drugs	\$332.6	\$347.0	\$352.6	\$361.9
Durable medical equipment	\$57.2	\$58.8	\$59.8	\$66.3
Nondurable medical products	\$80.4	\$81.5	\$89.1	\$99.8
Program administration and net cost of private health insurance	\$290.8	\$300.6	\$362.3	\$357.2
Government public health activities	\$92.4	\$141.0	\$303.1	\$285.6
Research	\$54.5	\$57.6	\$61.4	\$64.9
Structures and equipment	\$137.2	\$137.0	\$132.9	\$142.6
HS Share of GDP	17.5%	17.8%	21.0%	19.6%
HS Share of PGDP	17.4%	17.9%	20.2%	19.5%

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	Nov 2019	Nov 2020	Nov 2021
GDP	4.5%	-1.5%	11.8%
National Health Spending	6.5%	16.2%	4.2%
Personal health care	5.8%	12.5%	5.4%
Hospital care	7.6%	17.0%	5.0%
Physician and clinical services	5.5%	11.3%	7.3%
Other professional services	7.5%	13.3%	5.9%
Dental services	4.8%	6.9%	6.2%
Other personal health care	3.8%	8.0%	5.4%
Home health care	4.4%	17.7%	4.4%
Nursing home care	3.5%	18.3%	0.9%
Prescription Drugs	4.3%	1.6%	2.6%
Durable medical equipment	2.9%	1.6%	10.9%
Nondurable medical products	1.4%	9.3%	11.9%
Program administration and net cost of private health insurance	3.4%	20.5%	-1.4%
Government public health activities	52.7%	115.0%	-5.8%
Research	5.8%	6.6%	5.8%
Structures and equipment	-0.2%	-3.0%	7.3%
HS Minus GDP	2.1%	17.7%	-7.6%
HS Minus PGDP	3.1%	13.1%	-3.9%

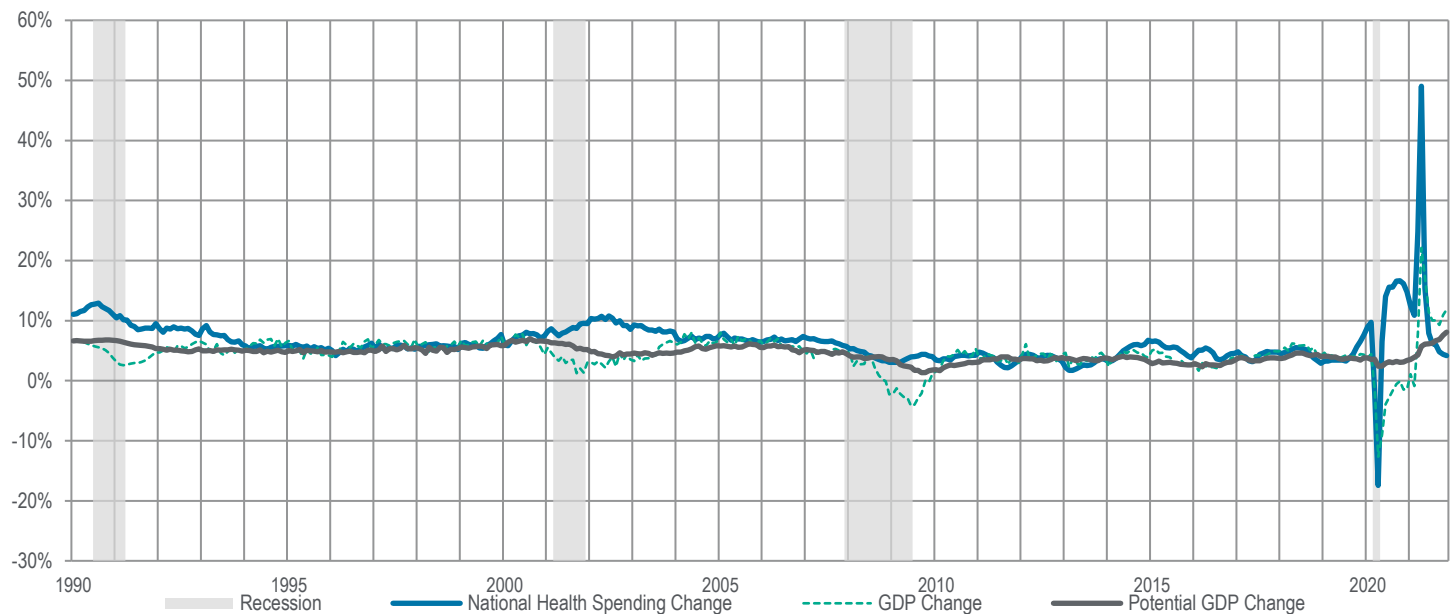
Source: Computed from Exhibit 2.

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



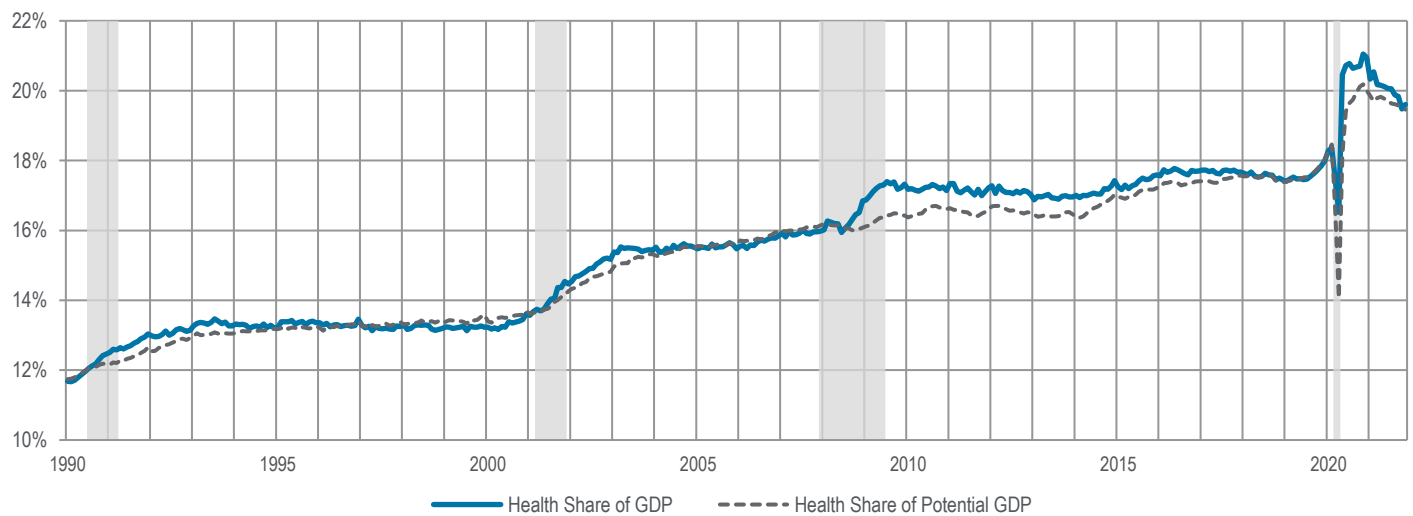
## TIME SERIES TRACKER

**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.