

March 18, 2022

Health spending growth declines with decline in federal government support

HIGHLIGHTS

- ▲ National health spending in January 2022 grew by 4.0%, year over year, and was lower in January 2022 than in December 2021, reflecting a decline in federal government support in response to the COVID-induced recession.
- ▲ Health spending in January 2022 represented 17.9% of GDP, the lowest value since March 2020, again reflecting the decline in federal government support as well as rapid GDP growth.
- ▲ Later this month, CMS is expected to release their national health spending projections for the years 2021 through 2030. Next month's spending brief will incorporate these projections for 2021 and the beginning of 2022, which may result in significant revisions to our spending estimates.

National Health Spending and GDP*

	Jan 2020	Jan 2021	Dec 2021	Jan 2022
GDP	21.79	22.02	24.11	24.24
National Health Spending (HS)	4.04	4.18	4.51	4.34
HS Share of GDP	18.5%	19.0%	18.7%	17.9%
HS Share of PGDP	18.5%	18.5%	18.6%	17.8%
Growth from Prior 12 Months				
HS	10.0%	3.4%	10.0%	4.0%
GDP	3.8%	1.1%	12.5%	10.1%
HS minus GDP	6.2%	2.4%	-2.5%	-6.1%
HS minus PGDP	6.3%	-0.1%	1.7%	-4.5%

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

Exhibit 1 shows our estimate of the trajectory of growth in national health spending since the start of 2020 with and without COVID-related 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. 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 January 2022 it was 7.5% 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 January 2022 it was 6.9% higher than in January 2020.

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

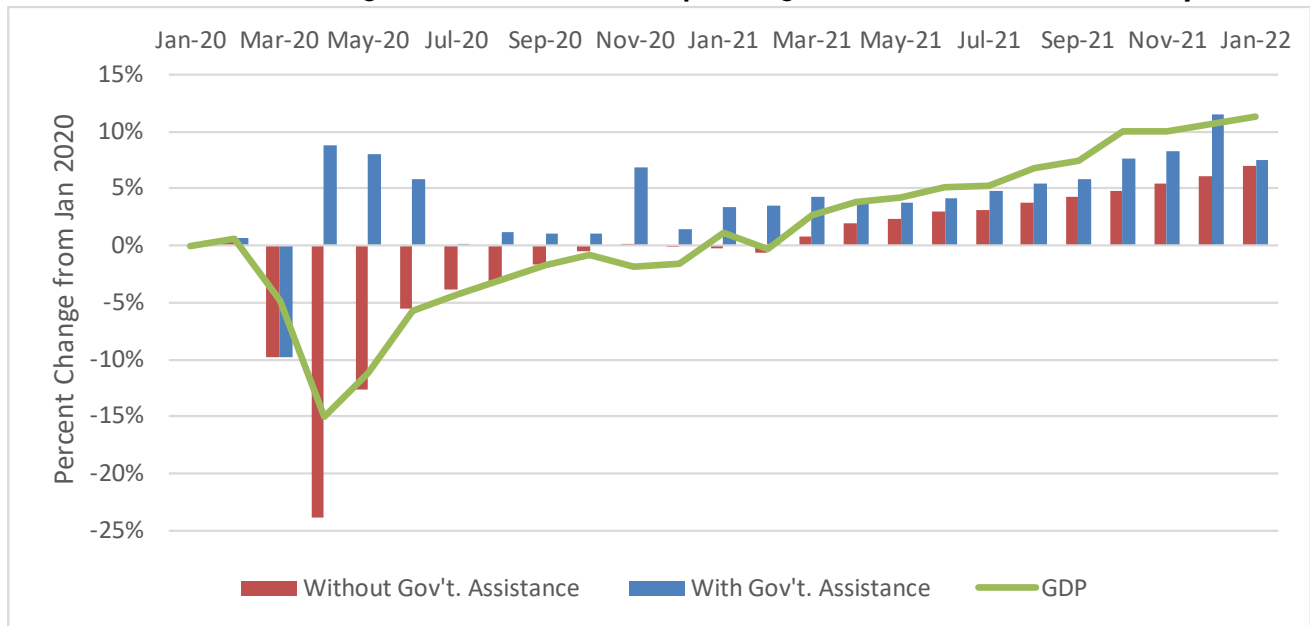


Exhibit 2 shows how spending growth among major categories has varied since January 2020, both with and without the government spending increase. With the decline in federal government support, the curves tend to converge in more recent months. Either with or without the federal government assistance, spending in each category except nursing home care and dental services exceeded its January 2020 level in January 2022. Even with the government support, spending on nursing home care and dental services in January 2022 was 2.2% and 8.0% below January 2020 levels, respectively.



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



Next month's spending brief will incorporate revisions to our 2021 and 2022 spending estimates that reflect the CMS national health expenditure projections, which are scheduled for release later this month. With the uncertainty inherent in our treatment of the COVID-related government support (as described in last month's spending brief), we anticipate that these revisions might be significant.



DETAILED HEALTH SPENDING

Exhibit 3. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Jan 2019	Jan 2020	Jan 2021	Jan 2022
GDP	\$20,984.2	\$21,785.3	\$22,021.0	\$24,242.8
National Health Spending	\$3,670.2	\$4,038.8	\$4,177.4	\$4,343.7
Personal health care	\$3,093.0	\$3,417.6	\$3,429.2	\$3,655.4
Hospital care	\$1,163.6	\$1,295.0	\$1,289.8	\$1,407.3
Physician and clinical services	\$743.9	\$847.6	\$838.0	\$887.9
Other professional services	\$107.1	\$114.3	\$129.4	\$127.9
Dental services	\$138.5	\$175.7	\$165.2	\$161.6
Other personal health care	\$193.0	\$200.1	\$213.1	\$224.0
Home health care	\$108.9	\$114.8	\$121.9	\$126.0
Nursing home care	\$173.0	\$188.1	\$174.6	\$183.9
Prescription Drugs	\$328.4	\$341.1	\$339.8	\$368.0
Durable medical equipment	\$56.4	\$59.0	\$63.4	\$67.7
Nondurable medical products	\$80.2	\$81.9	\$93.8	\$101.1
Program administration and net cost of private health insurance	\$281.6	\$319.5	\$358.2	\$362.3
Government public health activities	\$102.2	\$108.6	\$193.4	\$116.4
Research	\$54.8	\$58.4	\$61.7	\$65.9
Structures and equipment	\$138.6	\$134.7	\$134.8	\$143.7
HS Share of GDP	17.5%	18.5%	19.0%	17.9%
HS Share of PGDP	17.5%	18.5%	18.5%	17.8%

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	Jan 2020	Jan 2021	Jan 2022
GDP	3.8%	1.1%	10.1%
National Health Spending	10.0%	3.4%	4.0%
Personal health care	10.5%	0.3%	6.6%
Hospital care	11.3%	-0.4%	9.1%
Physician and clinical services	13.9%	-1.1%	6.0%
Other professional services	6.8%	13.2%	-1.1%
Dental services	26.8%	-6.0%	-2.2%
Other personal health care	3.7%	6.5%	5.1%
Home health care	5.4%	6.2%	3.3%
Nursing home care	8.7%	-7.2%	5.3%
Prescription Drugs	3.9%	-0.4%	8.3%
Durable medical equipment	4.6%	7.5%	6.7%
Nondurable medical products	2.1%	14.6%	7.7%
Program administration and net cost of private health insurance	13.4%	12.1%	1.1%
Government public health activities	6.3%	78.2%	-39.8%
Research	6.5%	5.7%	6.8%
Structures and equipment	-2.8%	0.0%	6.6%
HS Minus GDP	6.2%	2.4%	-6.1%
HS Minus PGDP	6.3%	-0.1%	-4.5%

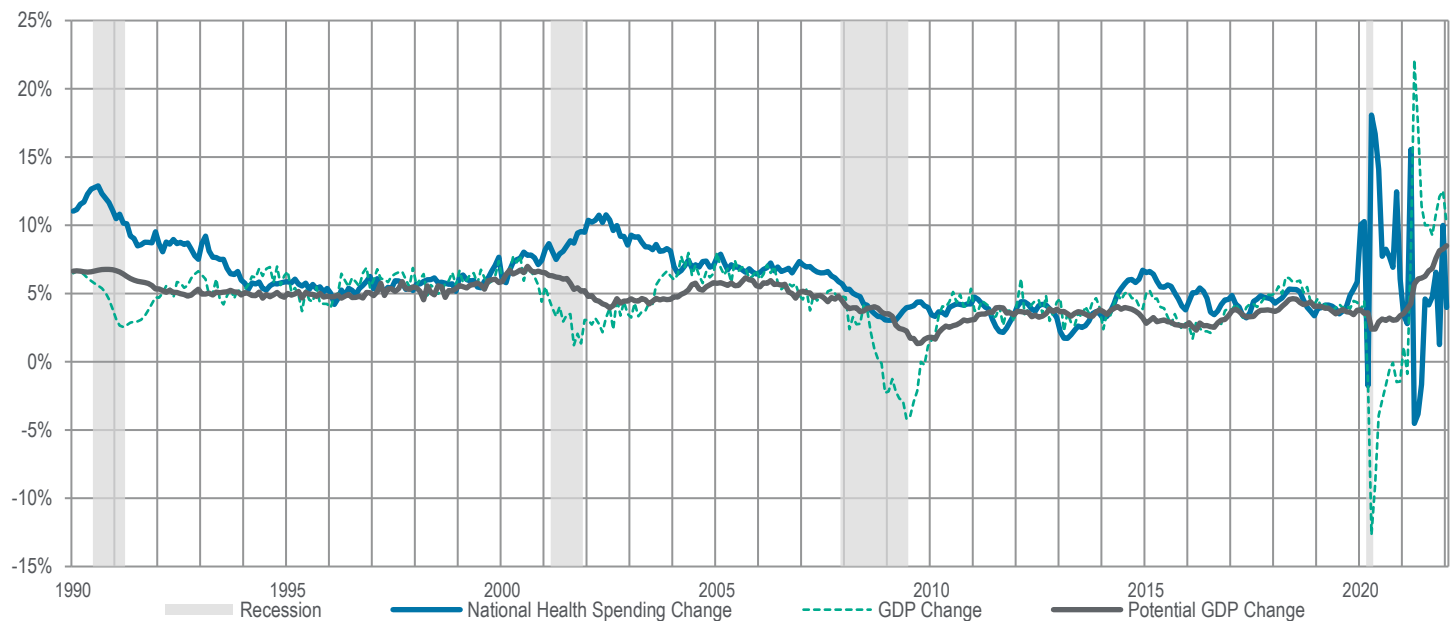
Source: Computed from Exhibit 2.

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



TIME SERIES TRACKER

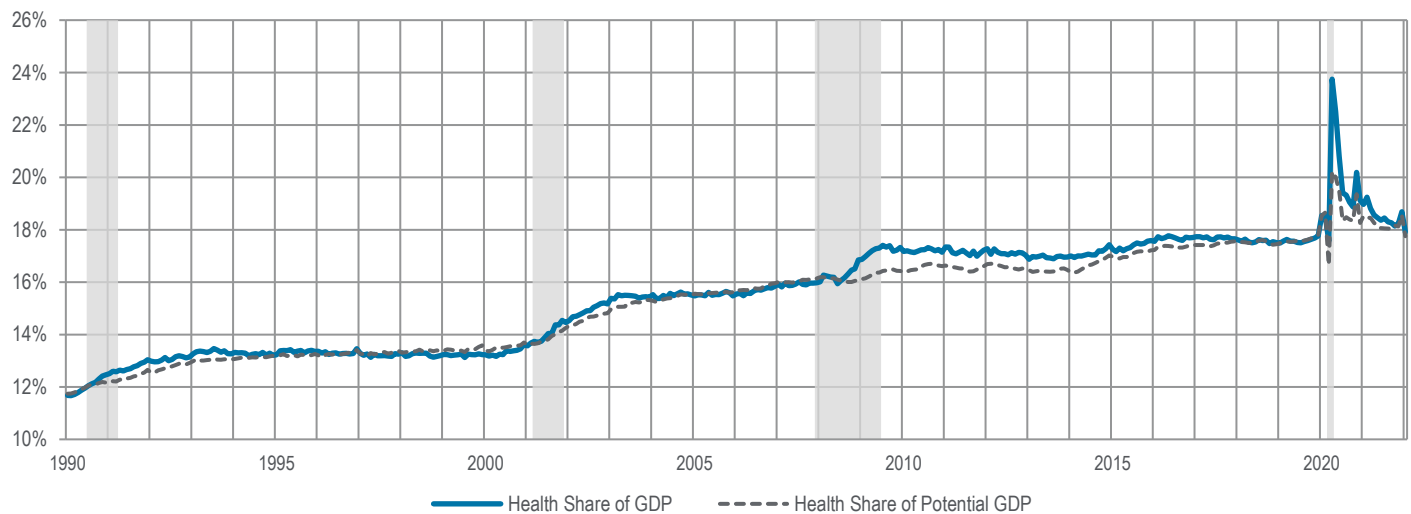
Exhibit 5. Year-over-Year Percentage Change in Spending and GDP



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 and 2022.