

May 17, 2022

National health spending continues to grow more slowly than GDP

HIGHLIGHTS

- ▲ National health spending in March 2022 grew by 4.8%, year over year. In the absence of federal government support in 2021 and a lesser amount in 2022, health spending would have grown by 6.8%.
- ▲ For the first quarter of 2022, national health spending was 4.9% above its first quarter 2021 level and would have been 7.1% higher in the absence of federal government support.
- ▲ GDP in March 2022 was 9.7% higher than in March 2021. For the first quarter of 2022, it was 10.6% higher than in the first quarter of 2021. Both rates are significantly higher than health spending growth, even in the absence of federal support.

National Health Spending and GDP*

	Mar 2020	Mar 2021	Feb 2022	Mar 2022
GDP	20.74	22.37	24.38	24.54
National Health Spending (HS)	3.64	4.24	4.42	4.44
HS Share of GDP	17.6%	18.9%	18.1%	18.1%
HS Share of PGDP	16.7%	18.6%	17.9%	17.8%
Growth from Prior 12 Months				
HS	-1.7%	16.4%	5.0%	4.8%
GDP	-1.4%	7.9%	12.3%	9.7%
HS minus GDP	-0.4%	8.5%	-7.2%	-4.9%
HS minus PGDP	-5.3%	12.1%	-4.0%	-4.8%

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. Media Contact: press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.



DISCUSSION

At \$4.44 trillion, national health spending in March 2022 was 4.8% higher than in March 2021, while GDP grew over this same time period by 9.7%. This difference in growth rates is partly attributable to the decline in federal government support via the Paycheck Protection Program (PPP), the Provider Relief Fund (PRF), and the Public Health and Social Services (PHSS) Emergency Fund. In the absence of this support, health spending would have grown by 6.8%. Similarly, for the first quarter of 2022, GDP grew by 10.6% compared with the first quarter of 2021, while health spending grew by 4.9% and would have grown by 7.1% without government support. The slower health spending growth compared with GDP growth when government support is excluded is likely associated in part with the lingering effects of the pandemic, especially the recent surge associated with the Omicron variant. It is also partly attributable to the relatively slow growth in health care prices compared to high overall inflation in recent months. The difference in economy-wide inflation rates and health care price growth is discussed further in this month's [price brief](#).

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. Because this government support was not associated with actual consumption of health care goods and services, the trajectory without government support provides an indication of expenditures used to provide personal health care. The exhibit illustrates the extent to which GDP growth since before the pandemic-induced recession has outpaced health spending: As of March 2022, GDP was 12.7% higher than in January 2020, while health spending grew by 10.0% and would have grown by 7.8% in the absence of the federal government support.

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

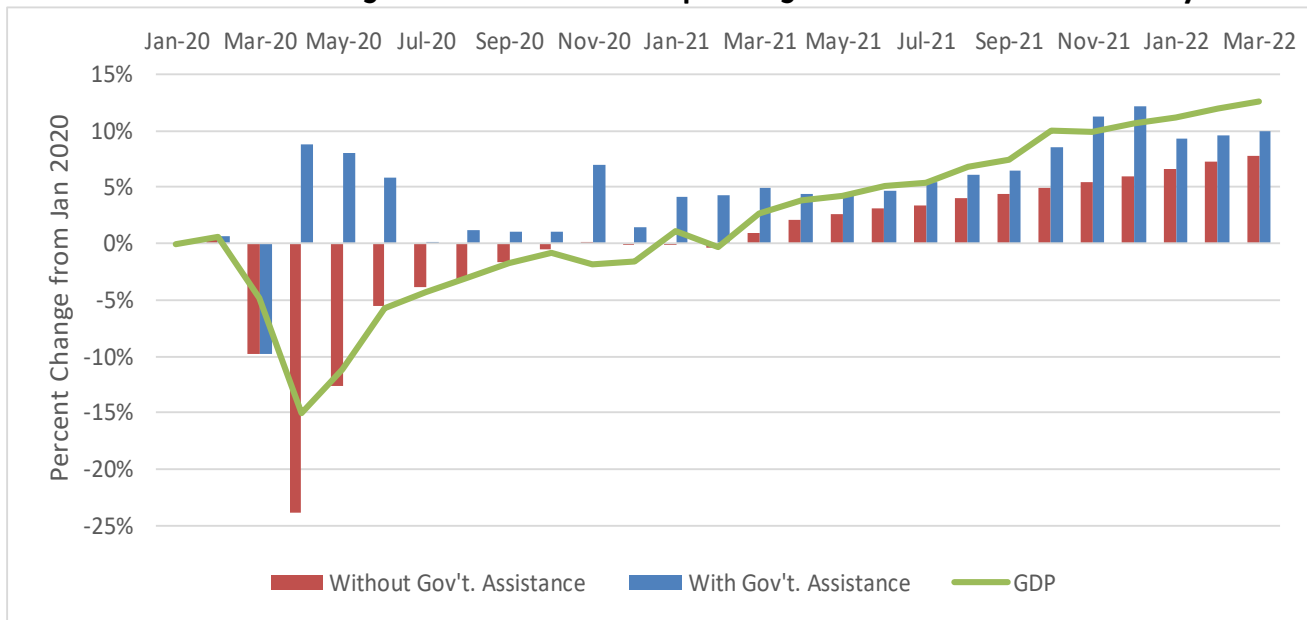


Exhibit 2 shows how spending growth among major categories has varied since January 2020, both with and without the government spending increase. With the decline in federal government support, the curves tend to converge in more recent months. Either with or without the federal government assistance, dental services represent the only major category for which spending in March 2022 remains below January 2020 levels, at -0.7%.



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





DETAILED HEALTH SPENDING

Exhibit 3. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Mar 2019	Mar 2020	Mar 2021	Mar 2022
GDP	\$21,032.1	\$20,742.5	\$22,373.1	\$24,542.9
National Health Spending	\$3,707.9	\$3,643.0	\$4,239.5	\$4,441.5
Personal health care	\$3,216.4	\$3,139.1	\$3,605.1	\$3,792.9
Hospital care	\$1,186.3	\$1,032.1	\$1,299.5	\$1,399.8
Physician and clinical services	\$749.5	\$749.1	\$848.4	\$876.6
Other professional services	\$109.2	\$98.9	\$123.9	\$132.6
Dental services	\$139.8	\$120.2	\$169.5	\$174.5
Other personal health care	\$275.5	\$335.9	\$359.0	\$360.9
Home health care	\$111.1	\$110.9	\$120.3	\$123.6
Nursing home care	\$174.5	\$188.2	\$178.6	\$189.7
Prescription Drugs	\$334.0	\$363.7	\$357.5	\$382.3
Durable medical equipment	\$56.5	\$52.1	\$58.6	\$60.1
Nondurable medical products	\$80.0	\$88.0	\$89.9	\$92.8
Program administration and net cost of private health insurance	\$193.3	\$203.4	\$215.1	\$226.4
Government public health activities	\$103.1	\$109.5	\$215.9	\$202.0
Research	\$55.3	\$58.7	\$64.2	\$69.2
Structures and equipment	\$139.7	\$132.3	\$139.1	\$150.9
HS Share of GDP	17.6%	17.6%	18.9%	18.1%
HS Share of PGDP	17.6%	16.7%	18.6%	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	Mar 2020	Mar 2021	Mar 2022
GDP	-1.4%	7.9%	9.7%
National Health Spending	-1.7%	16.4%	4.8%
Personal health care	-2.4%	14.8%	5.2%
Hospital care	-13.0%	25.9%	7.7%
Physician and clinical services	-0.1%	13.3%	3.3%
Other professional services	-9.5%	25.3%	7.0%
Dental services	-14.0%	41.0%	3.0%
Other personal health care	21.9%	6.9%	0.5%
Home health care	-0.2%	8.5%	2.8%
Nursing home care	7.9%	-5.1%	6.2%
Prescription Drugs	8.9%	-1.7%	6.9%
Durable medical equipment	-7.8%	12.5%	2.6%
Nondurable medical products	10.0%	2.1%	3.3%
Program administration and net cost of private health insurance	5.2%	5.7%	5.3%
Government public health activities	6.2%	97.1%	-6.5%
Research	6.0%	9.5%	7.8%
Structures and equipment	-5.3%	5.1%	8.5%
HS Minus GDP	-0.4%	8.5%	-4.9%
HS Minus PGDP	-5.3%	12.1%	-4.8%

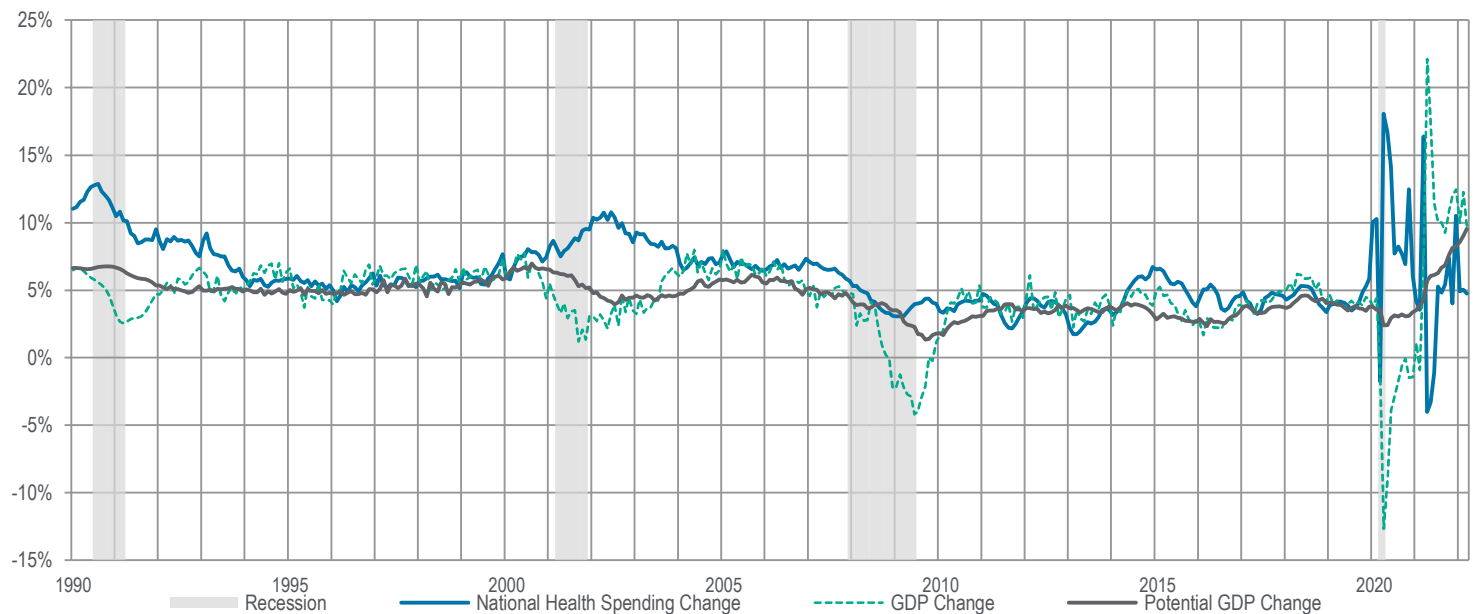
Source: Computed from Exhibit 2.

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



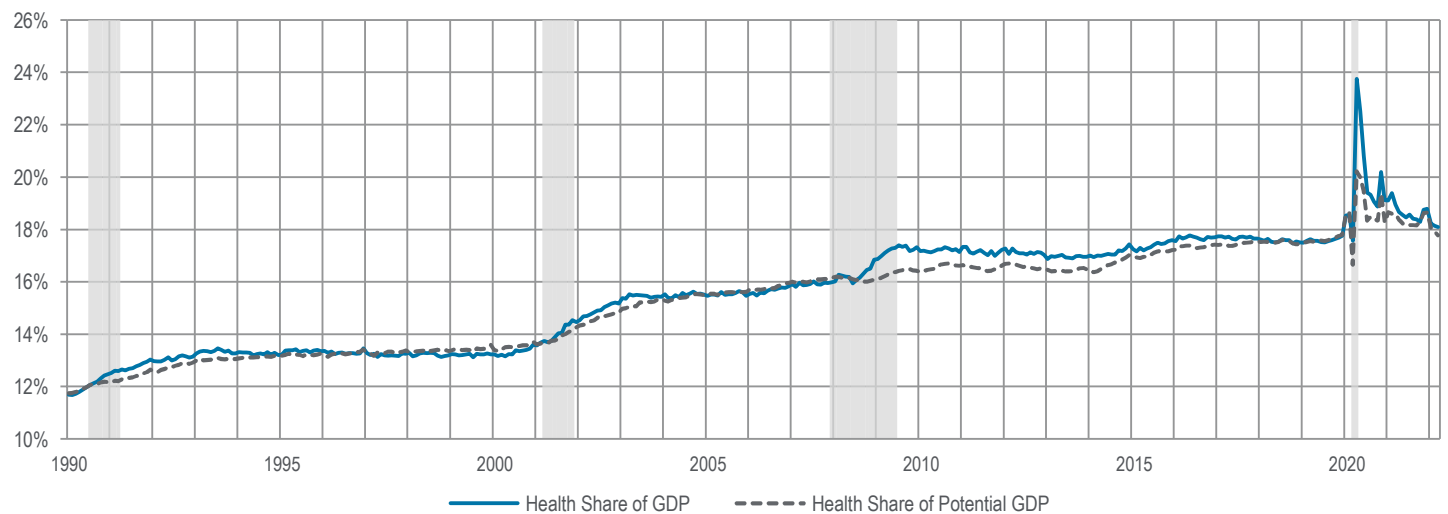
TIME SERIES TRACKER

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.