

August 14, 2020

National health spending continues to rebound

HIGHLIGHTS

- ▲ At \$3.62 trillion (seasonally adjusted annual rate), national health spending in June 2020 was 5.1% lower than in June 2019.
- ▲ The June 2020 nominal gross domestic product (GDP) was 4.9% lower than in June 2019, and the resulting health-spending share of GDP was 17.8%, and 16.6% of PGDP.
- ▲ Spending in June 2020, year over year, declined in all major categories except prescription drugs, which grew by 5.6%. The greatest decline was in spending on dental services, at 33.9%.

National Health Spending and GDP

	June 2018	June 2019	May 2020	June 2020
GDP	20.56	21.41	19.32	20.35
National Health Spending (HS)	3.65	3.81	3.32	3.62
HS Share of GDP	17.8%	17.8%	17.2%	17.8%
HS Share of PGDP	17.8%	17.9%	15.3%	16.6%
Growth from Prior 12 Months				
HS	5.4%	4.4%	-12.7%	-5.1%
GDP	5.5%	4.2%	-9.5%	-4.9%
HS minus GDP	-0.1%	0.2%	-3.2%	-0.2%
HS minus PGDP	0.6%	0.7%	-15.2%	-7.8%

Source: Altarum monthly health spending estimates (see Methods box below). Monthly GDP is from IHS Markit and Altarum estimates. 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

Altarum is a nonprofit research and consulting organization that creates and implements solutions to advance health among vulnerable and publicly insured 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 Paul Hughes-Cromwick, at 202-776-5110 or paul.hughes-cromwick@altarum.org. George Miller, PhD (principal author), Paul Hughes-Cromwick, Ani Turner, Corwin Rhyon, and Matt Daly, PhD, contributed to this brief. Media Contact Sarah Litton, 202-772-5062. press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.

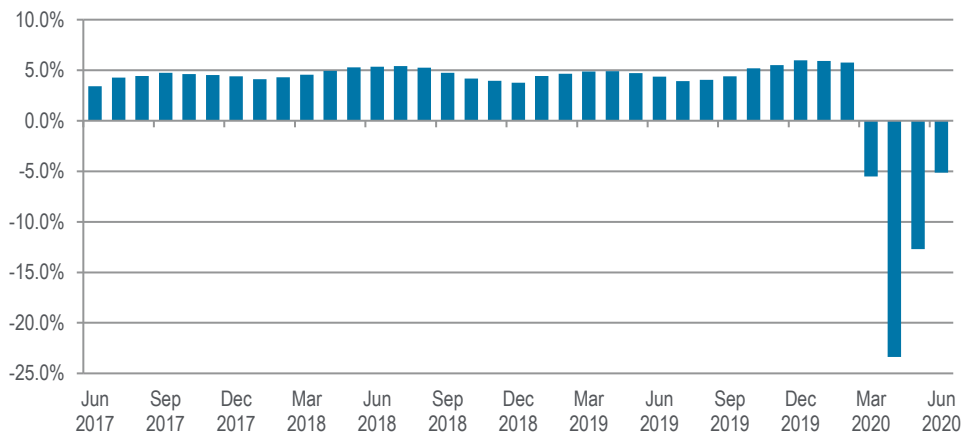


DISCUSSION

On July 30, the US Bureau of Economic Analysis (BEA) released the 2020 annual update to BEA’s monthly National Income and Product Account (NIPA) tables, with revisions to the tables for the years 2015 through 2019. These tables (which are also available for the first 6 months of 2020) are a principal source used to develop our spending data for the most recent portion of our time series (currently 2019 and 2020). For earlier years, we also use them to distribute CMS’ annual NHEA spending data across months. These revisions are reflected in this month’s spending brief, but they have only a minor impact on our spending data.

More significantly, spending data for June 2020 indicates that the rebound we have been tracking in national

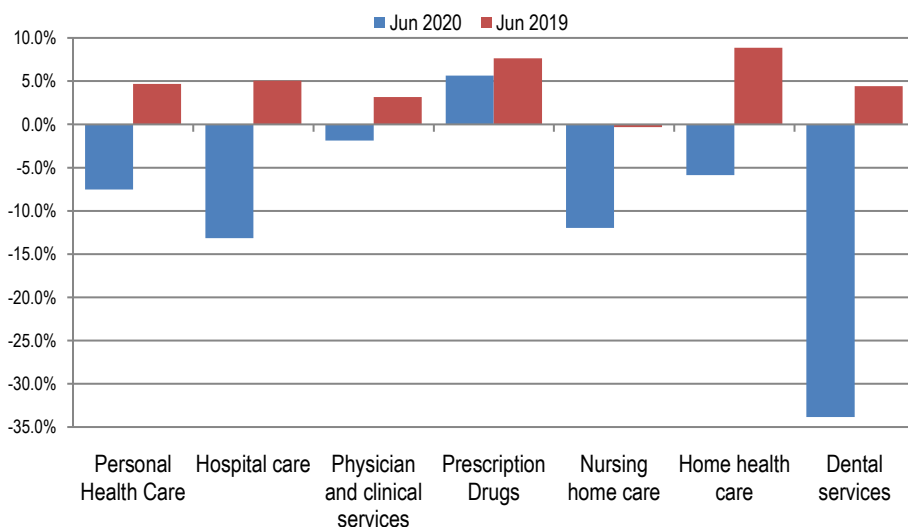
Exhibit 1. Year-over-Year Growth Rates in National Health Spending



health spending has continued: while year-over-year spending in April was down 23.4% and May 12.7%, June spending was down only 5.1%. Exhibit 1 clearly shows the decline and subsequent recovery since February. Of note, June’s year-over-year fall of 5.1% is slightly less bad than the March reading of -5.5%, representing the smallest year-over-year decline since the pandemic struck.

Exhibit 2 decomposes spending to illustrate 12-month changes for the personal health care portion of national health expenditures and six of its major components for June 2020 and June 2019. Considering June 2019 annual

Exhibit 2. Health Care Spending 12-Month Growth for Selected Categories



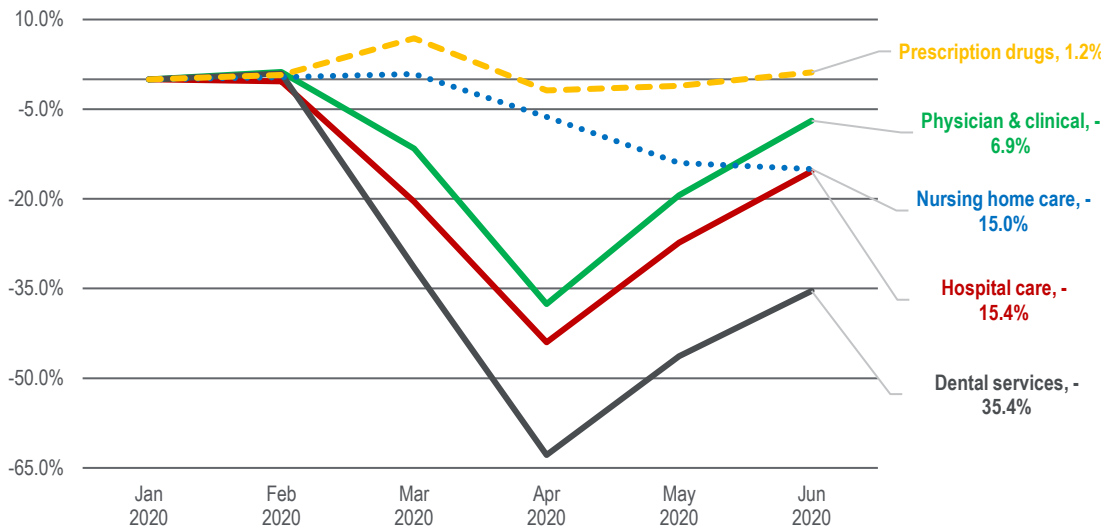
growth as a baseline, it is interesting to see the range over which the categories have rebounded to approach their earlier growth rates. On one end of the continuum is physician and clinical services, which have recovered to being down by only 1.9% compared to a year-earlier growth of 3.2%. On the other end of the continuum is dental services, still down 33.9% compared to the 2019 growth of 4.4%. In the middle is hospital care, down 13.1% compared to 5.0% growth in 2019. The prescription drugs category is



the outlier, never going negative during the pandemic, although it has fluctuated from a high annual growth of 12.7% in March, likely due to people stocking up, to a much lower rate of 3.8% in May and now 5.6% in June.

Rather than “starting the clock” in June of 2019, Exhibit 3 pegs the baseline at the beginning of the year and

Exhibit 3. Cumulative Spending Growth Since January 2020 for Selected Categories



traces spending recovery for five of these categories on a cumulative basis. Most of the major health spending categories follow the trend seen in hospital and physician and clinical services spending, having bottomed out in April 2020 and then recovering in May and June, but still significantly below their

February pre-pandemic levels. The long road back for dental services (down 35.4% cumulatively) is also seen in the cumulative data, having taken the most extreme hit from delayed care during the pandemic. Nursing home care spending avoided the initial severe drops in spending early in the pandemic; however, it is not recovering at all – its continued deterioration leaves its spending at -15.0% compared to January 2020. As mentioned above, prescription drug spending has only seen modest changes in 2020.

The newly released BEA data provide a first look at GDP and health spending for the second quarter of 2020. GDP fell at 32.9% (seasonally adjusted annual rate) for the quarter – the worst reading in the series history (which goes back to 1947). Personal health care accounted for 9.5 percentage points of this total decline, or about 29%.



DETAILED HEALTH SPENDING

Exhibit 4. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	June 2017	June 2018	June 2019	June 2020
GDP	\$19,487.3	\$20,557.5	\$21,412.9	\$20,354.2
National Health Spending	\$3,465.7	\$3,651.5	\$3,810.9	\$3,615.7
Personal health care	\$2,936.5	\$3,076.2	\$3,219.7	\$2,977.5
Hospital care	\$1,129.3	\$1,197.4	\$1,257.7	\$1,092.4
Physician and clinical services	\$694.7	\$722.8	\$745.7	\$731.9
Other professional services	\$96.6	\$104.7	\$109.6	\$101.6
Dental services	\$128.6	\$134.5	\$140.4	\$92.9
Other personal health care	\$182.9	\$191.3	\$199.5	\$209.7
Home health care	\$97.1	\$100.8	\$109.8	\$103.3
Nursing home care	\$164.1	\$169.8	\$169.2	\$149.0
Prescription Drugs	\$327.7	\$333.5	\$359.1	\$379.3
Durable medical equipment	\$51.5	\$55.5	\$58.1	\$45.8
Nondurable medical products	\$63.9	\$65.9	\$70.6	\$71.6
Program administration and net cost of private health insurance	\$269.4	\$307.9	\$313.9	\$349.2
Government public health activities	\$91.3	\$93.3	\$96.4	\$98.7
Research	\$50.0	\$52.4	\$55.4	\$58.6
Structures and equipment	\$118.5	\$121.5	\$125.5	\$131.7
HS Share of GDP	17.8%	17.8%	17.8%	17.8%
HS Share of PGDP	17.7%	17.8%	17.9%	16.6%

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

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

Exhibit 5. National Health Spending 12-Month Growth Rates by Detailed Category

Growth Rates	June 2018	June 2019	June 2020
GDP	5.5%	4.2%	-4.9%
National Health Spending	5.4%	4.4%	-5.1%
Personal health care	4.8%	4.7%	-7.5%
Hospital care	6.0%	5.0%	-13.1%
Physician and clinical services	4.0%	3.2%	-1.9%
Other professional services	8.5%	4.6%	-7.3%
Dental services	4.6%	4.4%	-33.9%
Other personal health care	4.6%	4.3%	5.1%
Home health care	3.8%	8.9%	-5.9%
Nursing home care	3.4%	-0.3%	-12.0%
Prescription Drugs	1.8%	7.7%	5.6%
Durable medical equipment	7.8%	4.6%	-21.2%
Nondurable medical products	3.1%	7.1%	1.5%
Program administration and net cost of private health insurance	14.3%	2.0%	11.2%
Government public health activities	2.2%	3.2%	2.4%
Research	4.8%	5.7%	5.8%
Structures and equipment	2.6%	3.3%	5.0%
HS Minus GDP	-0.1%	0.2%	-0.2%
HS Minus PGDP	0.6%	0.7%	-7.8%

Source: Computed from Exhibit 3.

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



TIME SERIES TRACKER

Exhibit 6. Year-over-Year Percentage Change in Spending and GDP

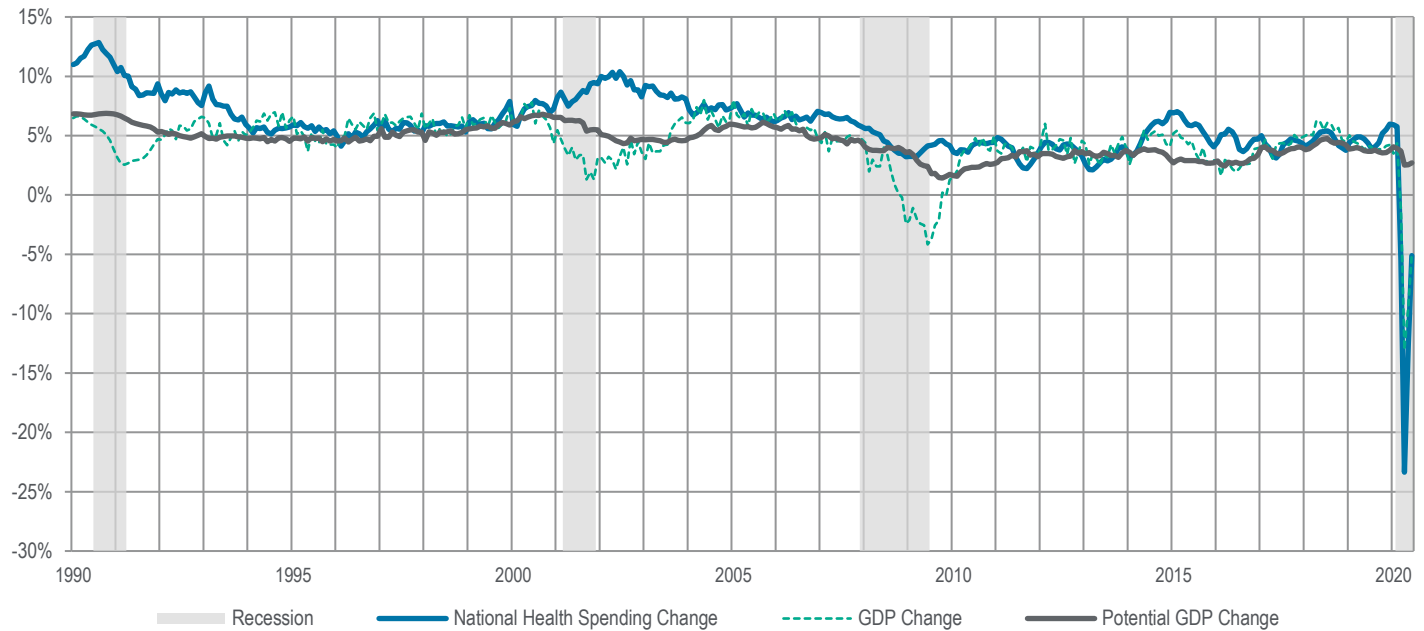
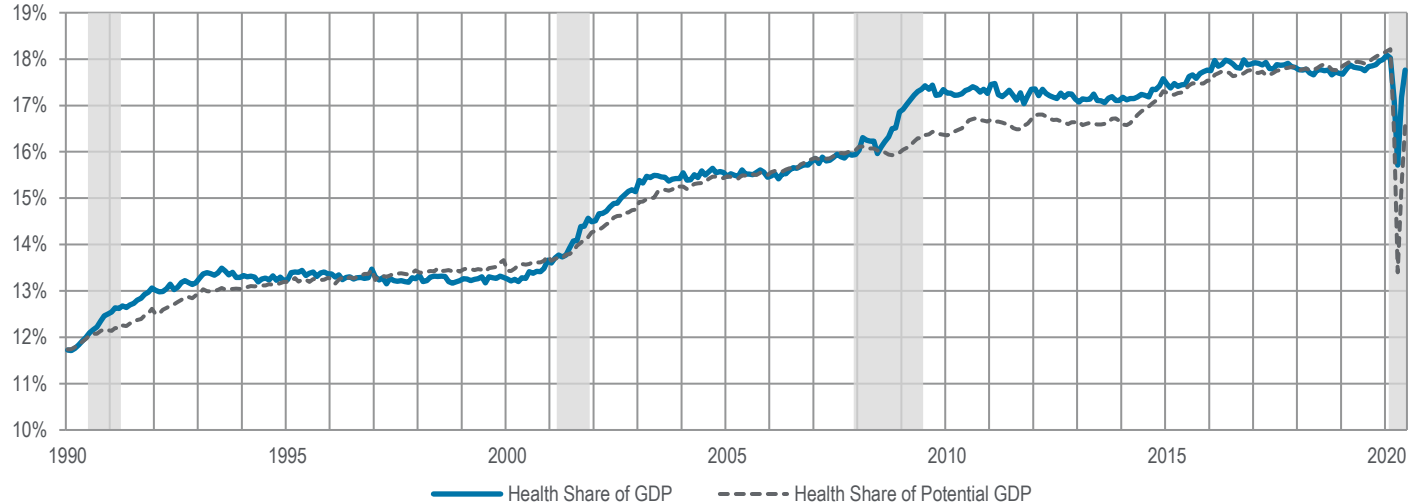


Exhibit 7. Monthly Health Spending as a Percentage of Monthly GDP



Source: Altarum monthly national health spending estimates. Monthly GDP is from IHS Markit and Altarum estimates. 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 \(1990–2018\) and projections \(2019\)](#). 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 2018 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2018 ratios are used to adjust BEA spending for months in 2019 and 2020.