

February 19, 2021

2020 was first year of national health spending decline

HIGHLIGHTS

- ▲ National health spending for all of 2020 declined by 2.0% – the first annual decline in a time series that began in 1960. Year-over-year growth for the month of December was flat at 0.0%.
- ▲ Spending in December 2020, year over year, declined in some major categories and grew in others. The greatest decline was in spending on dental services, at -15.2%. The greatest increase was in home health care, which grew by 6.0%.
- ▲ In December, the recent recovery in health spending reversed in some categories, with spending on hospital care, nursing homes, and dental care declining from November levels.

National Health Spending and GDP

	December 2018	December 2019	November 2020	December 2020
GDP	20.92	21.81	21.38	21.46
National Health Spending (HS)	3.67	3.89	3.90	3.89
HS Share of GDP	17.6%	17.8%	18.3%	18.1%
HS Share of PGDP	17.6%	18.0%	17.7%	17.5%
Growth from Prior 12 Months				
HS	3.5%	5.9%	0.8%	0.0%
GDP	4.5%	4.2%	-1.6%	-1.6%
HS minus GDP	-1.0%	1.7%	2.4%	1.7%
HS minus PGDP	-0.6%	2.4%	-1.9%	-2.9%

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

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.

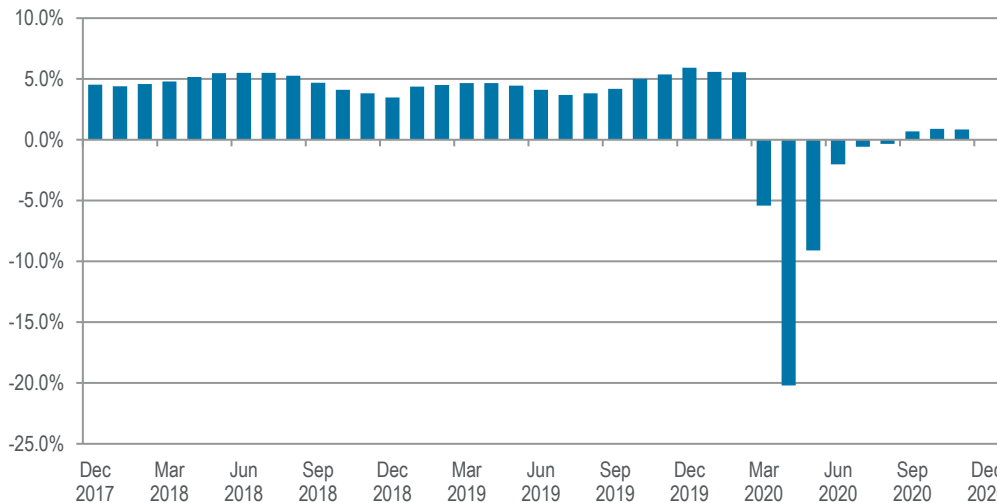
The Health Sector Economic IndicatorsSM reports are a monthly publication of Altarum and provide an analysis of health spending, employment, and prices. For more information, contact Ani Turner at ani.turner@altarum.org. George Miller, PhD (principal author), Ani Turner, Corwin Rhyan, and Matt Daly, 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: Sarah Litton, 202-772-5062, press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.



DISCUSSION

This month's spending brief provides a first look at national health spending for all of calendar year 2020. For the first year since at least 1960 – when CMS' tracking of national health expenditures began¹ – total health spending for the year was less than in the previous year. While spending has recovered somewhat from its pandemic-induced decline in the spring, our preliminary estimate is that national health spending in 2020 was 2.0% lower than in 2019.

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

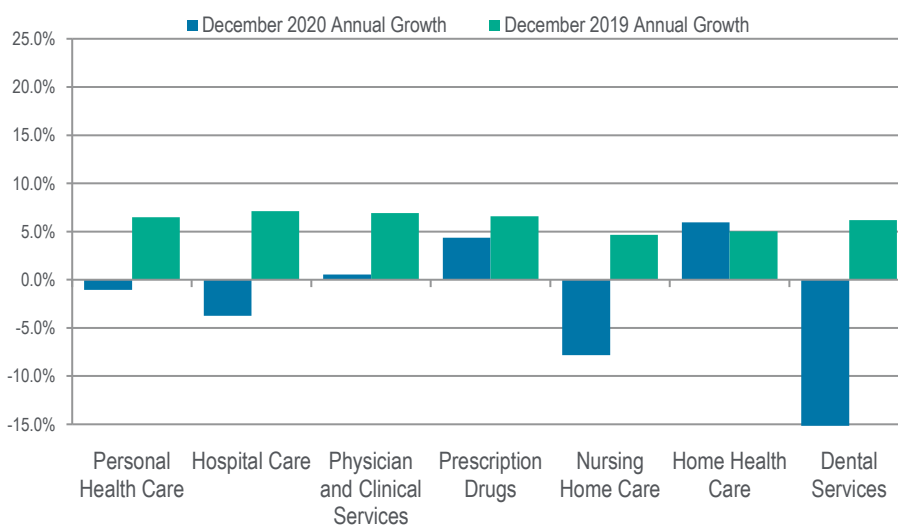


than in 2019. Among the major contributors to the decline were hospital care, the largest component, which was 7.0% lower in 2020 than in 2019, and dental services, which dropped 20.2% in 2020.

Our overall estimate of national health spending in 2020 is based largely on the Bureau of Economic Analysis' monthly release of the National Income and Product Accounts (NIPA).² For

spending categories that are not available in the NIPA – primarily categories that are not part of personal health care, including public health, research, construction, and net cost of private insurance – our estimates rely on the most recent CMS projections of national health expenditures.³ These projections were published last spring and do not reflect the impacts of COVID-19. When these impacts are incorporated in the next annual update of the projections, it is likely that our estimated 2020 decline in national health spending will be somewhat greater than the 2.0% decline that we currently estimate. For further details, see our recent blog on 2020 spending.⁴

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



As we noted in last month's spending brief, the recovery from the April low has stalled, with national health spending showing no year-over-year growth in December.

December's level of personal health care spending was 1.1% less than in December of 2019 (Exhibit 2), led by year-over-year declines in spending on hospital care (-3.8%), nursing home care (-7.8%), and dental services (-15.2%). Spending on prescription drugs and home health care continued to show year-over-year growth (at 4.3%

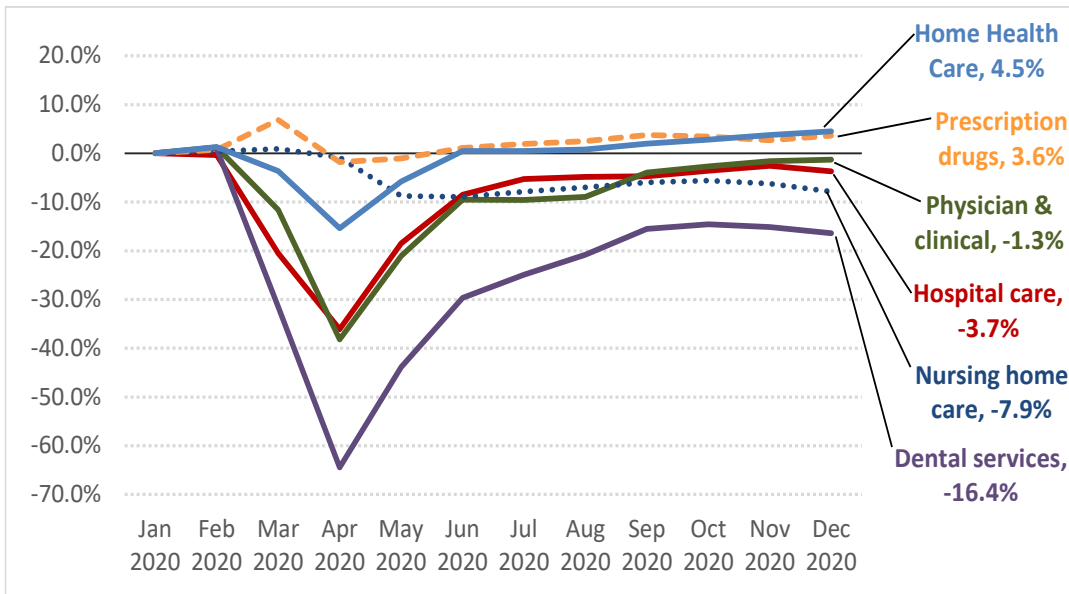
and 6.0%, respectively), as they have for the past several months, while spending on physician and clinical services



continued to hover slightly above its 2019 level (at 0.5% in December).

Exhibit 3 shows the history of spending growth for these major categories since the start of 2020. The recovery from the April trough has continued at a slower rate through December for home health care, prescription drugs, and physician and clinical services, but has reversed starting in October for nursing home care and dental services and in November for hospital care. Overall, personal health care in December exhibited its first month-over-month decline since April.

**Exhibit 3. Cumulative Spending Growth since Jan 2020, by Major Categories
(Percent Difference for Dec 2020 Shown in Data Labels)**



¹ <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical>

² https://apps.bea.gov/iTable/index_nipa.cfm

³ <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected>

⁴ <https://altarum.org/news/did-national-health-spending-2020-decline-first-year-recorded-history-preliminary-data-say-it>



DETAILED HEALTH SPENDING

Exhibit 4. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Dec 2017	Dec 2018	Dec 2019	Dec 2020
GDP	\$20,025.6	\$20,924.5	\$21,813.8	\$21,458.3
National Health Spending	\$3,549.1	\$3,672.8	\$3,890.8	\$3,892.1
Personal health care	\$2,987.9	\$3,087.4	\$3,287.2	\$3,252.5
Hospital care	\$1,100.4	\$1,138.6	\$1,219.4	\$1,173.6
Physician and clinical services	\$718.5	\$745.3	\$796.8	\$801.1
Other professional services	\$99.9	\$105.8	\$113.5	\$114.5
Dental services	\$135.0	\$137.7	\$146.2	\$124.1
Other personal health care	\$189.6	\$191.8	\$197.1	\$208.9
Home health care	\$102.2	\$109.5	\$115.0	\$121.9
Nursing home care	\$167.3	\$168.9	\$176.7	\$162.9
Prescription Drugs	\$344.9	\$358.6	\$382.1	\$398.7
Durable medical equipment	\$53.6	\$54.0	\$57.9	\$58.1
Nondurable medical products	\$76.7	\$77.2	\$82.5	\$88.7
Program administration and net cost of private health insurance	\$281.6	\$294.8	\$297.6	\$321.6
Government public health activities	\$93.2	\$95.9	\$99.1	\$101.5
Research	\$51.9	\$54.9	\$58.0	\$61.0
Structures and equipment	\$134.5	\$139.8	\$148.8	\$155.5
HS Share of GDP	17.7%	17.6%	17.8%	18.1%
HS Share of PGDP	17.7%	17.6%	18.0%	17.5%

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

Growth Rates	Dec 2018	Dec 2019	Dec 2020
GDP	4.5%	4.2%	-1.6%
National Health Spending	3.5%	5.9%	0.0%
Personal health care	3.3%	6.5%	-1.1%
Hospital care	3.5%	7.1%	-3.8%
Physician and clinical services	3.7%	6.9%	0.5%
Other professional services	6.0%	7.3%	0.8%
Dental services	2.0%	6.2%	-15.2%
Other personal health care	1.2%	2.7%	6.0%
Home health care	7.1%	5.0%	6.0%
Nursing home care	1.0%	4.6%	-7.8%
Prescription Drugs	4.0%	6.6%	4.3%
Durable medical equipment	0.9%	7.2%	0.3%
Nondurable medical products	0.8%	6.8%	7.5%
Program administration and net cost of private health insurance	4.7%	1.0%	8.1%
Government public health activities	3.0%	3.3%	2.4%
Research	5.8%	5.7%	5.0%
Structures and equipment	3.9%	6.4%	4.5%
HS Minus GDP	-1.0%	1.7%	1.7%
HS Minus PGDP	-0.6%	2.4%	-2.9%

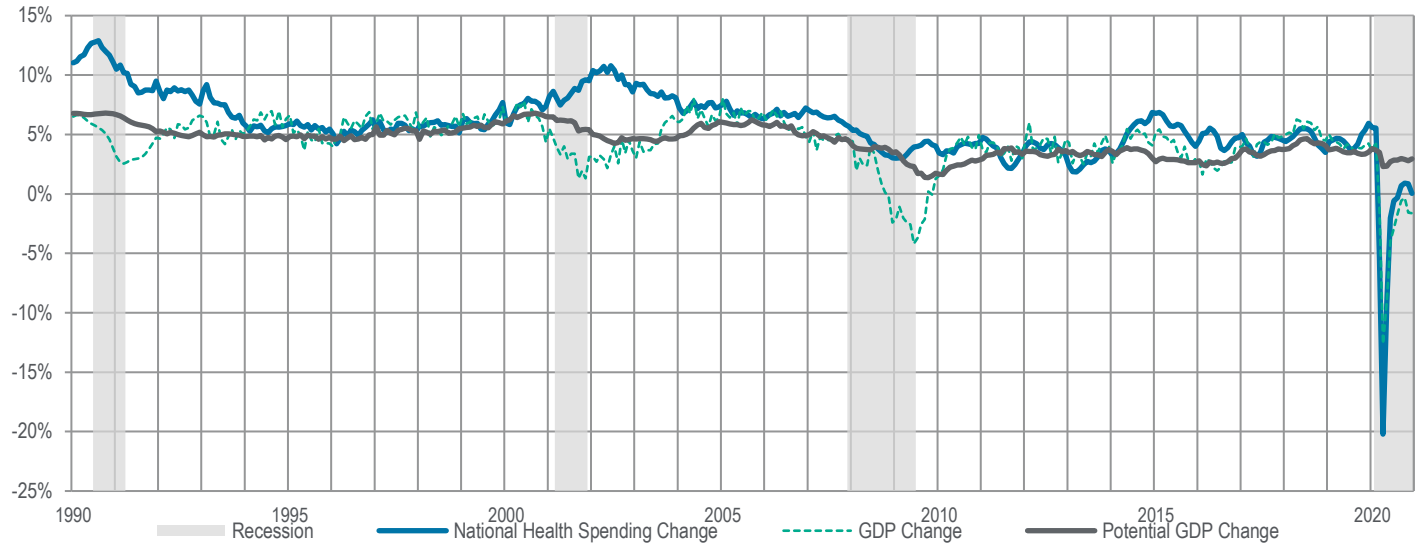
Source: Computed from Exhibit 3.

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



TIME SERIES TRACKER

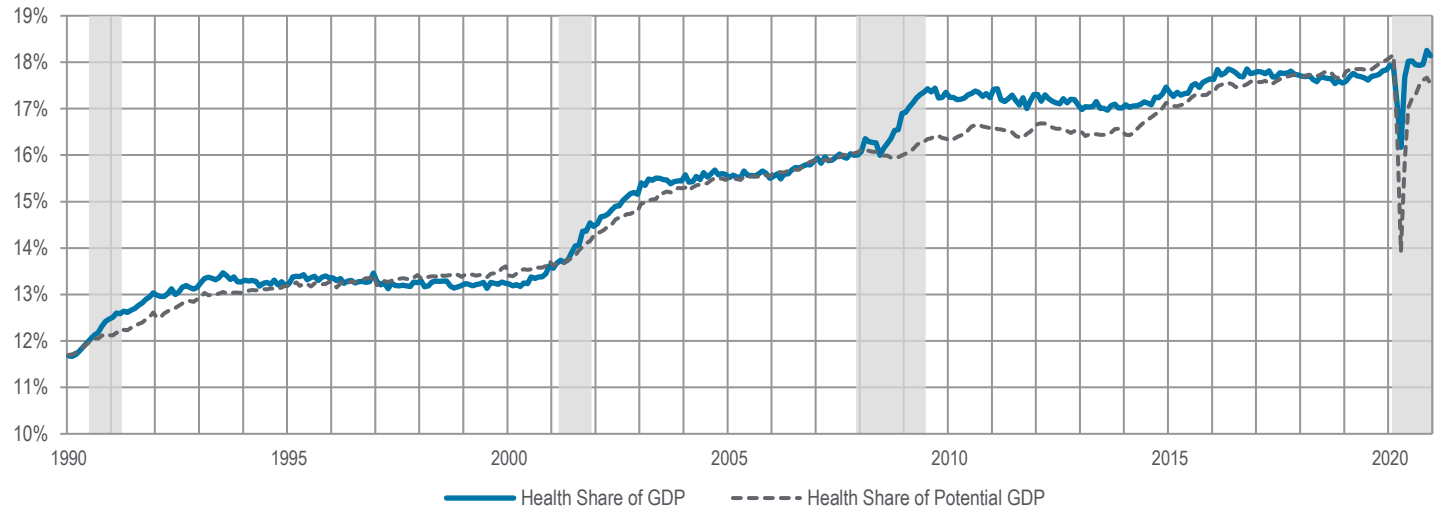
Exhibit 6. Year-over-Year Percentage Change in Spending and GDP



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

Note: Lightly shaded bars denote recession periods.

Exhibit 7. 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 \(1990–2018\) 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 2019 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2019 ratios are used to adjust BEA spending for months in 2020.