

July 22, 2021

## In 2021, GDP growth is outpacing national health spending growth

- ▲ National health spending in May 2021 was 15.7% higher than in May 2020, reflecting the continued recovery from the effects of the COVID-19 pandemic.
- ▲ Since January 2020, before the pandemic-induced drop began, net growth in national health spending was 1.4% through May 2021.
- ▲ Health spending has grown more slowly than gross domestic product (GDP) in recent months and now stands at 17.5% of GDP; it was 17.9% in January 2020.
- ▲ The magnitude of the drop and subsequent recovery in health spending has varied by category of spending, with prescription drug spending showing the greatest growth since January 2020, at 1.7%, while spending on dental services continues to lag other categories, at -12.3%.

### National Health Spending and GDP\*

	May 2019	May 2020	April 2021	May 2021
GDP	21.34	19.42	22.65	22.74
National Health Spending (HS)	3.78	3.43	3.96	3.97
HS Share of GDP	17.7%	17.7%	17.5%	17.5%
HS Share of PGDP	17.8%	15.8%	17.4%	17.3%
<b>Growth from Prior 12 Months</b>				
HS	4.5%	-9.1%	32.0%	15.7%
GDP	3.8%	-9.0%	22.0%	17.1%
HS minus GDP	0.7%	-0.1%	10.0%	-1.3%
HS minus PGDP	0.8%	-11.4%	26.3%	9.7%

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 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.

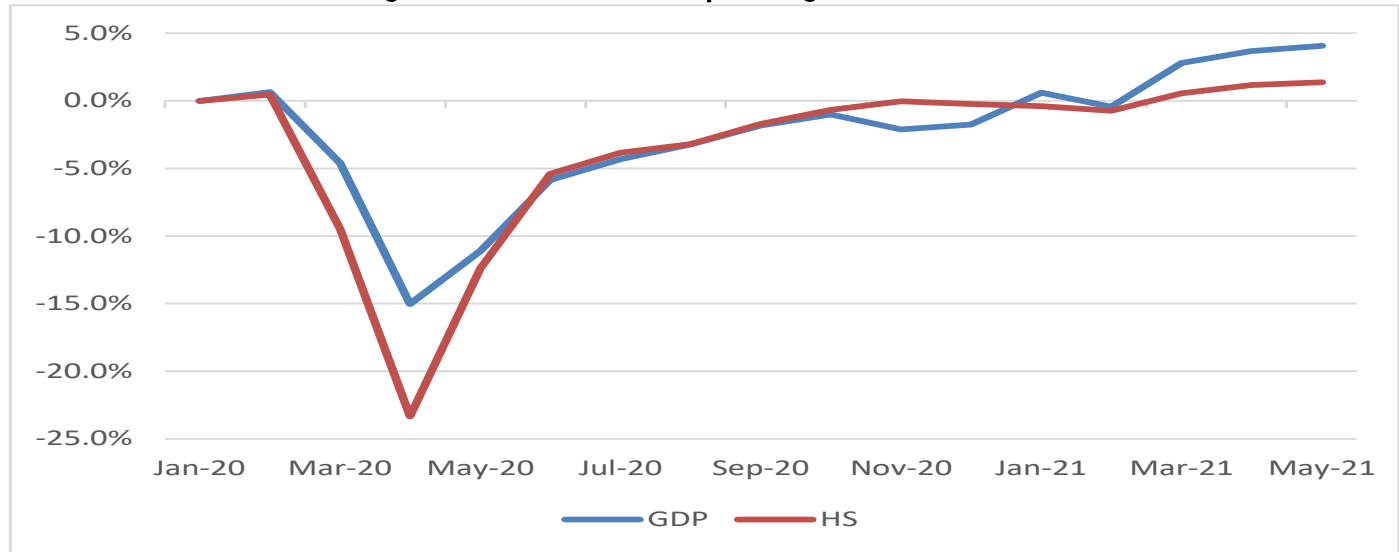
*The Health Sector Economic Indicators<sup>SM</sup>* reports are a monthly publication of Altarum and provide an analysis of health spending, employment, and prices. For more information, contact Ani Turner at [ani.turner@altarum.org](mailto:ani.turner@altarum.org). George Miller, PhD (principal author), 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

National health spending continues to recover from the effects of the COVID-19 pandemic, showing 15.7% year-over-year growth in May 2021 following a drop of more than 20% in the spring of 2020. GDP growth has exhibited a similar pattern, declining by 15% below its January 2020 level in April 2020, but has grown more quickly than health spending since January 2021, and is now 17.1% higher than in May 2020 (Exhibit 1). As a result, national health spending in May 2021 was a shade below 17.5% of GDP, its lowest level since April 2020, when it temporarily dropped as low as 16.2% in the midst of the pandemic. Its pre-pandemic value was 17.9% of GDP in January and February 2020.

**Exhibit 1. Cumulative Change in National Health Spending (HS) and GDP since Jan 2020**

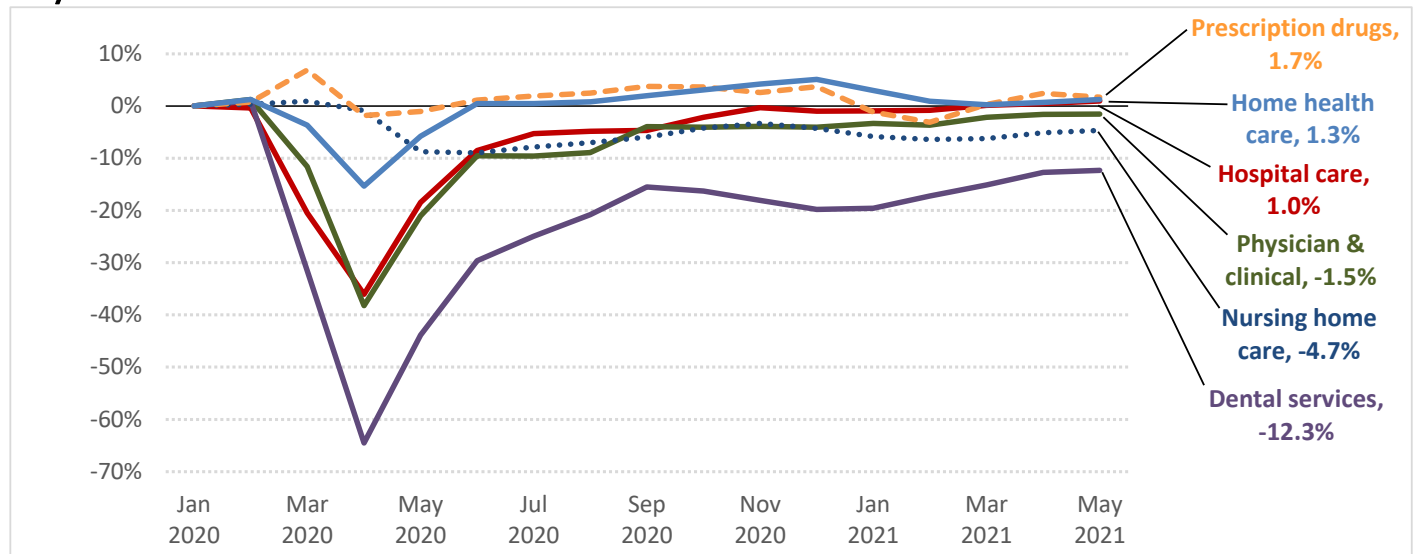


Personal health care expenditures – the portion of national health spending devoted to health care goods and services – also has had a similar trajectory, dropping by 28.0% below its January 2020 level and subsequently recovering to 0.6% above that level in May 2021. The spending patterns of its major components, though, have varied somewhat, as shown in Exhibit 2. As of May 2021, spending on prescription drugs, home health care, and hospital care exceeds January 2020 levels, while spending on physician and clinical services, nursing home care, and dental care remain below pre-pandemic levels.

Spending growth since the start of 2021 has also varied among these components. Year to date, personal health care overall has grown by 1.9%, led by growth in spending on dental services (9.3%), as it continues its recovery. Physician and clinical services (2.7%), and hospital care (2.0%) have also grown thus far this year. Spending within the other three components has actually declined in 2021, with home health care down by 3.7%, prescription drug spending down by 2.0%, and nursing home care down by 0.4%.



**Exhibit 2. Cumulative Spending Growth since Jan 2020, by Major Categories (Percent Difference for May 2021 Shown in Data Labels)**





## DETAILED HEALTH SPENDING

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

Levels (in billions of dollars)	May 2018	May 2019	May 2020	May 2021
GDP	\$20,565.4	\$21,338.9	\$19,424.0	\$22,739.7
National Health Spending	\$3,614.8	\$3,775.8	\$3,431.9	\$3,972.2
Personal health care	\$3,032.7	\$3,193.1	\$2,805.8	\$3,329.6
Hospital care	\$1,117.6	\$1,188.0	\$993.4	\$1,230.2
Physician and clinical services	\$732.6	\$768.2	\$640.9	\$799.4
Other professional services	\$104.4	\$109.9	\$104.6	\$111.3
Dental services	\$135.0	\$143.6	\$83.3	\$130.0
Other personal health care	\$191.3	\$192.5	\$202.1	\$213.6
Home health care	\$103.0	\$113.7	\$109.9	\$118.1
Nursing home care	\$167.9	\$170.8	\$161.3	\$168.5
Prescription Drugs	\$347.4	\$366.5	\$380.7	\$391.2
Durable medical equipment	\$55.5	\$57.9	\$46.1	\$67.7
Nondurable medical products	\$78.2	\$82.1	\$83.5	\$99.5
Program administration and net cost of private health insurance	\$299.3	\$284.8	\$315.4	\$318.4
Government public health activities	\$94.0	\$97.5	\$99.9	\$102.8
Research	\$53.3	\$56.1	\$59.4	\$62.2
Structures and equipment	\$135.5	\$144.2	\$151.3	\$159.0
HS Share of GDP	17.6%	17.7%	17.7%	17.5%
HS Share of PGDP	17.7%	17.8%	15.8%	17.3%

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	May 2019	May 2020	May 2021
GDP	3.8%	-9.0%	17.1%
National Health Spending	4.5%	-9.1%	15.7%
Personal health care	5.3%	-12.1%	18.7%
Hospital care	6.3%	-16.4%	23.8%
Physician and clinical services	4.9%	-16.6%	24.7%
Other professional services	5.3%	-4.8%	6.4%
Dental services	6.4%	-42.0%	56.1%
Other personal health care	0.6%	5.0%	5.7%
Home health care	10.4%	-3.4%	7.5%
Nursing home care	1.7%	-5.6%	4.5%
Prescription Drugs	5.5%	3.9%	2.8%
Durable medical equipment	4.4%	-20.3%	46.8%
Nondurable medical products	5.0%	1.8%	19.2%
Program administration and net cost of private health insurance	-4.8%	10.7%	1.0%
Government public health activities	3.7%	2.5%	2.9%
Research	5.4%	5.9%	4.8%
Structures and equipment	6.4%	5.0%	5.1%
HS Minus GDP	0.7%	-0.1%	-1.3%
HS Minus PGDP	0.8%	-11.4%	9.7%

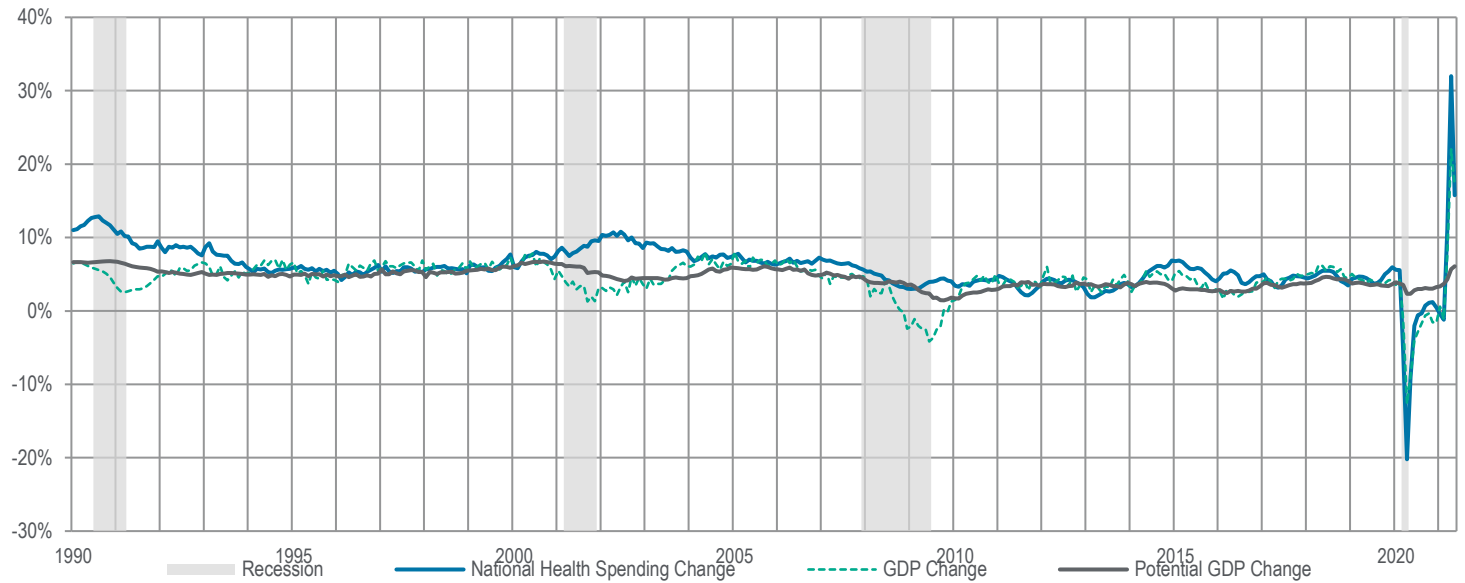
Source: Computed from Exhibit 2.

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



## TIME SERIES TRACKER

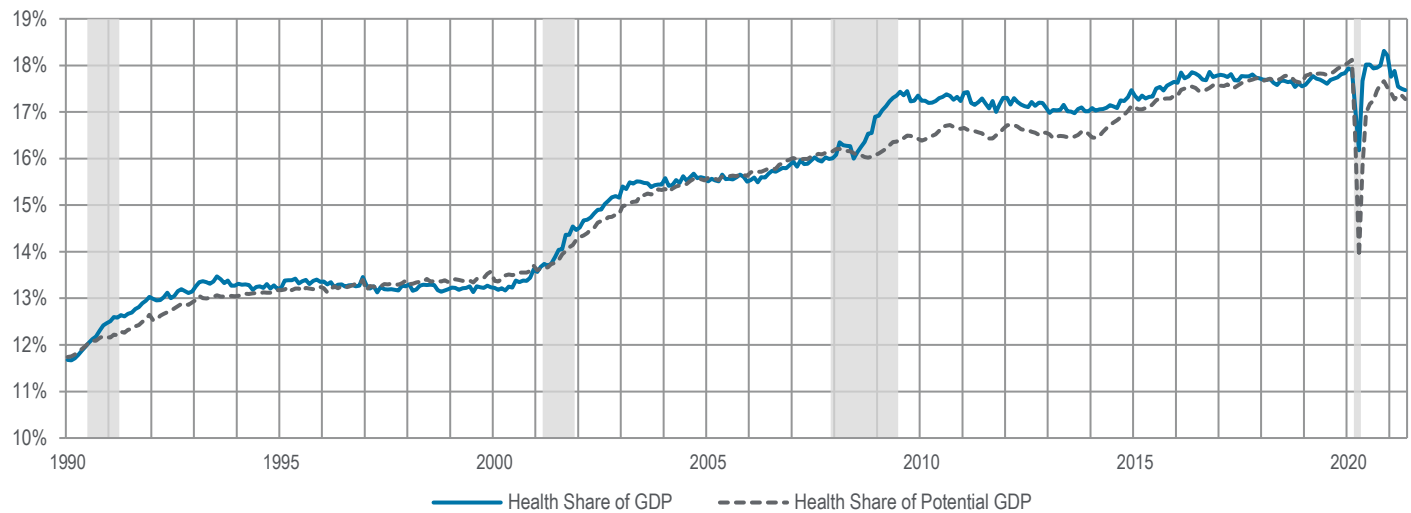
**Exhibit 5. Year-over-Year Percentage Change in Spending and GDP**



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 \(1990–2018\) 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 and 2021.