

June 17, 2021

National health spending growth reflects rebound from COVID-19

- ▲ National health spending in April 2021 was 32.4% higher than in April 2020, reflecting the recovery from the lowest month in spending since the start of the COVID-19 pandemic.
- ▲ Since January 2020, before the pandemic-induced drop began, net growth in national health spending was 1.5% through April 2021.
- ▲ The magnitude of the drop and subsequent recovery has varied by category of spending, with only spending on home health care, prescription drugs, and hospital care reaching levels in April 2021 that exceeded their January 2020 levels.
- ▲ The recovery in spending on dental services continues to lag all other categories, remaining 14.6% below its January 2020 level.

National Health Spending and GDP*

	April 2019	April 2020	March 2021	April 2021
GDP	21.26	18.57	22.46	22.60
National Health Spending (HS)	3.76	3.00	3.96	3.98
HS Share of GDP	17.7%	16.2%	17.6%	17.6%
HS Share of PGDP	17.8%	13.9%	17.4%	17.4%
Growth from Prior 12 Months				
HS	4.7%	-20.2%	11.5%	32.4%
GDP	4.2%	-12.6%	7.8%	21.7%
HS minus GDP	0.5%	-7.6%	3.7%	10.7%
HS minus PGDP	0.9%	-22.6%	7.3%	26.8%

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.

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: Sarah Litton, 202-772-5062, press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.

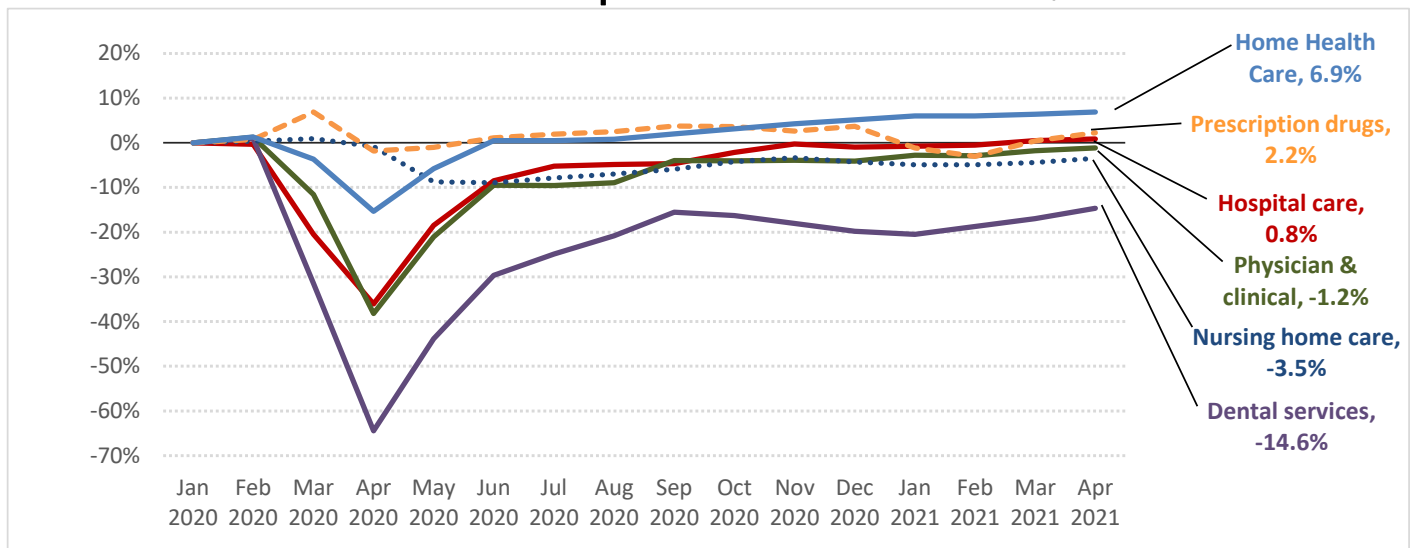


DISCUSSION

In April 2020, national health spending hit the bottom of its COVID-induced decline, with national health spending dropping more than 20% below its April 2019 level. As a result of the subsequent recovery, national health spending in April 2021 was 32.4% above the April 2020 low. The personal health care component of health spending, consisting of spending on health care goods and services, dropped more than 25% in April 2020 and has since recovered to 40.1% above the 2020 low.

Exhibit 1 displays the trajectory of spending growth for six major components of personal health care since January 2020. For most components, the rapid recovery since April 2020 had slowed by September. For the first four months of 2021, personal health care spending grew by 2.1%, but its components grew at varying rates: Hospital spending grew by 1.8%, spending on physician and clinical services increased by 3.0%, nursing home care expenditures rose by 0.8%, and home health care spending increased by 1.7%. Spending on retail sales of prescription drugs actually fell by 1.4%. Finally, spending on dental services grew by the greatest rate, at 6.4%. However, the recovery in spending on dental services continues to lag the other components, remaining 14.6% below its January 2020 level. Of the other five components shown in the exhibit, spending on physician and clinical services and nursing home care still remain below their January 2020 levels.

Exhibit 1. Cumulative Spending Growth since Jan 2020, by Major Categories (Percent Difference for April 2021 Shown in Data Labels)



On June 7, the U.S. Food and Drug Administration approved the drug Aduhelm for the treatment of Alzheimer’s disease, a decision that could have a significant impact on national health spending for years to come. With more than 6 million people currently diagnosed with Alzheimer’s and an annual cost of Aduhelm set at \$56,000 per patient, the drug is likely to cost Medicare (the principal payer) tens of billions of dollars per year. Our recent [blog](#) explores the potential impact on national health spending over the next 8 years, concluding that it is likely to add more than one percent to all of national health spending by the mid-2020s. Because the drug is administered through intravenous infusion, these expenditures will cause an increase in spending on hospital care and other services, rather than in the prescription drug category, which covers only retail drug sales. We will be tracking this impact as it unfolds.



DETAILED HEALTH SPENDING

Exhibit 2. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Apr 2018	Apr 2019	Apr 2020	Apr 2021
GDP	\$20,407.7	\$21,261.8	\$18,572.7	\$22,601.2
National Health Spending	\$3,597.1	\$3,764.6	\$3,003.6	\$3,977.7
Personal health care	\$3,018.4	\$3,182.1	\$2,381.6	\$3,336.0
Hospital care	\$1,109.3	\$1,188.4	\$779.0	\$1,228.7
Physician and clinical services	\$732.0	\$764.5	\$501.6	\$802.2
Other professional services	\$103.7	\$108.9	\$76.8	\$113.4
Dental services	\$135.8	\$142.2	\$52.7	\$126.6
Other personal health care	\$191.1	\$192.2	\$201.1	\$212.6
Home health care	\$102.8	\$113.2	\$98.7	\$124.6
Nursing home care	\$166.5	\$171.1	\$175.3	\$170.7
Prescription Drugs	\$345.5	\$363.5	\$377.7	\$393.3
Durable medical equipment	\$54.6	\$56.9	\$39.8	\$66.2
Nondurable medical products	\$77.1	\$81.2	\$79.0	\$97.8
Program administration and net cost of private health insurance	\$296.7	\$286.1	\$312.3	\$318.9
Government public health activities	\$93.8	\$97.2	\$99.7	\$102.6
Research	\$53.0	\$55.9	\$59.1	\$61.9
Structures and equipment	\$135.2	\$143.3	\$150.8	\$158.3
HS Share of GDP	17.6%	17.7%	16.2%	17.6%
HS Share of PGDP	17.7%	17.8%	13.9%	17.4%

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

Growth Rates	Apr 2019	Apr 2020	Apr 2021
GDP	4.2%	-12.6%	21.7%
National Health Spending	4.7%	-20.2%	32.4%
Personal health care	5.4%	-25.2%	40.1%
Hospital care	7.1%	-34.5%	57.7%
Physician and clinical services	4.4%	-34.4%	59.9%
Other professional services	5.1%	-29.5%	47.7%
Dental services	4.7%	-62.9%	140.3%
Other personal health care	0.6%	4.6%	5.8%
Home health care	10.1%	-12.8%	26.3%
Nursing home care	2.8%	2.4%	-2.6%
Prescription Drugs	5.2%	3.9%	4.1%
Durable medical equipment	4.3%	-30.0%	66.1%
Nondurable medical products	5.2%	-2.7%	23.8%
Program administration and net cost of private health insurance	-3.6%	9.2%	2.1%
Government public health activities	3.6%	2.6%	2.8%
Research	5.4%	5.9%	4.7%
Structures and equipment	6.0%	5.2%	5.0%
HS Minus GDP	0.5%	-7.6%	10.7%
HS Minus PGDP	0.9%	-22.6%	26.8%

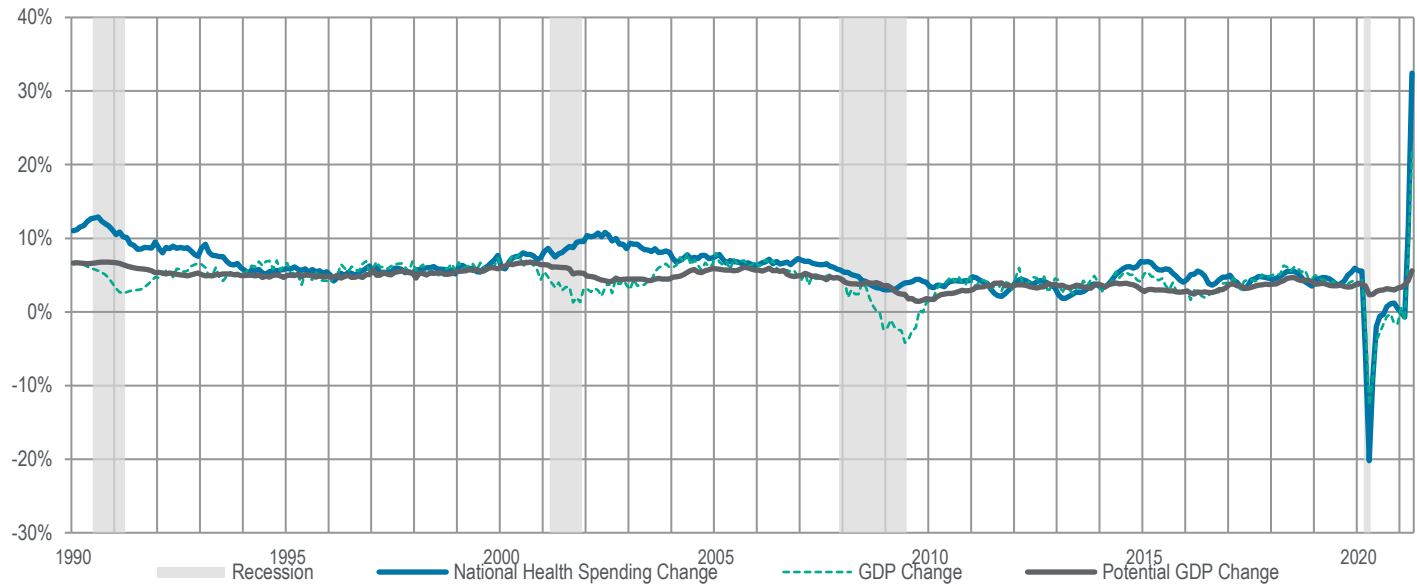
Source: Computed from Exhibit 2.

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



TIME SERIES TRACKER

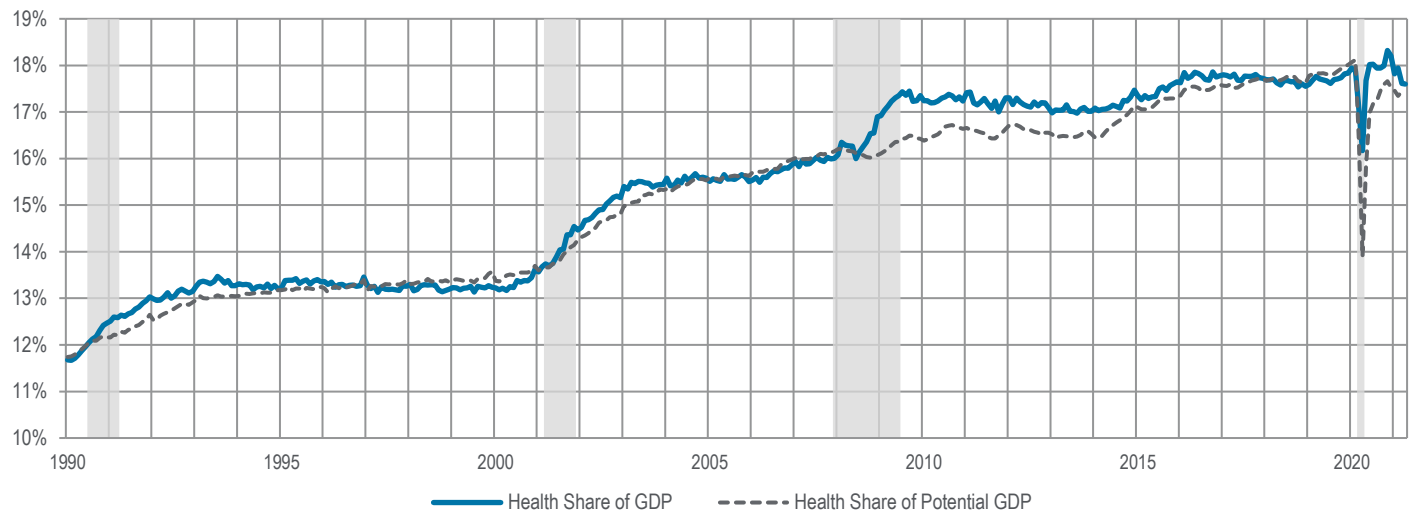
Exhibit 4. Year-over-Year Percentage Change in Spending and GDP



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

Note: Lightly shaded bars denote recession periods. (The most recent end date is undecided.)

Exhibit 5. 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. (The most recent end date is undecided.)

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.