

March 17, 2021

National health spending continues to lag pre-pandemic levels

HIGHLIGHTS

- ▲ National health spending in January 2021 was 0.2% lower than in January 2020 but has been growing in recent months at rates similar to those observed before the pandemic began.
- ▲ Spending in January 2021, year over year, declined in all major categories except home health care, which grew by 6.4%. The greatest decline was in dental services, at -17.1%.
- ▲ In January, the recent recovery in health spending reversed in some categories, with spending on nursing homes, dental care, and prescription drugs declining from December levels. The latter drop resulted in the first year-over-year decline in prescription drug spending in more than four years.

National Health Spending and GDP

	January 2019	January 2020	December 2020	January 2021
GDP	21.10	21.85	21.45	21.84
National Health Spending (HS)	3.71	3.92	3.89	3.91
HS Share of GDP	17.6%	17.9%	18.2%	17.9%
HS Share of PGDP	17.8%	18.1%	17.5%	17.5%
Growth from Prior 12 Months				
HS	4.4%	5.6%	0.1%	-0.2%
GDP	5.0%	3.6%	-1.7%	0.0%
HS minus GDP	-0.6%	2.0%	1.7%	-0.1%
HS minus PGDP	0.7%	1.8%	-2.9%	-3.3%

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.

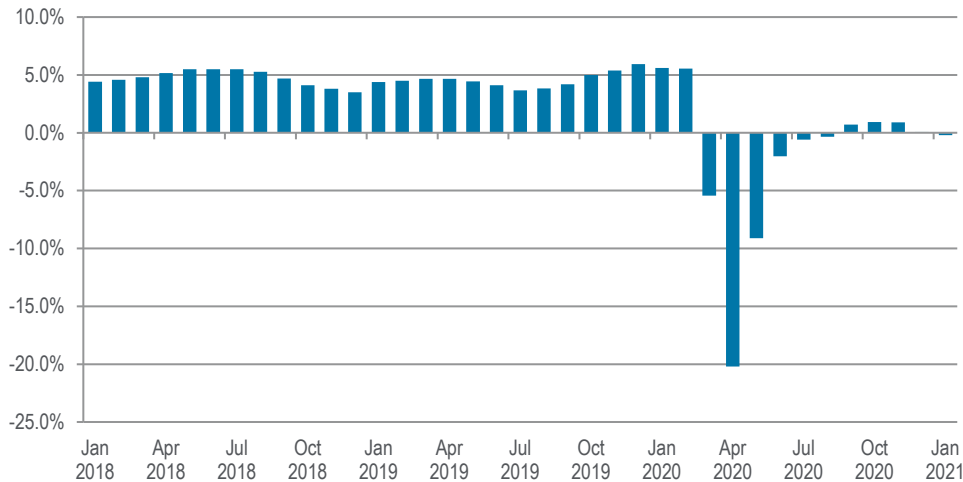
The Health Sector Economic IndicatorsSM reports are a monthly publication of Altarum and provide an analysis of health spending, employment, and prices. For more information, contact Ani Turner at ani.turner@altarum.org. George Miller, PhD (principal author), Ani Turner, Corwin Rhyan, and Matt Daly, 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

National health spending, which plummeted in March and April of 2020 and then rapidly recovered in May through July, has since hovered around 2019 levels (Exhibit 1). Spending in January 2021 was 0.2% lower than in January 2020, and year-over-year growth in health spending for the six months ending in January 2021 has been just 0.3%. This is not to say that health spending growth has slowed significantly; for this six-month period (from

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

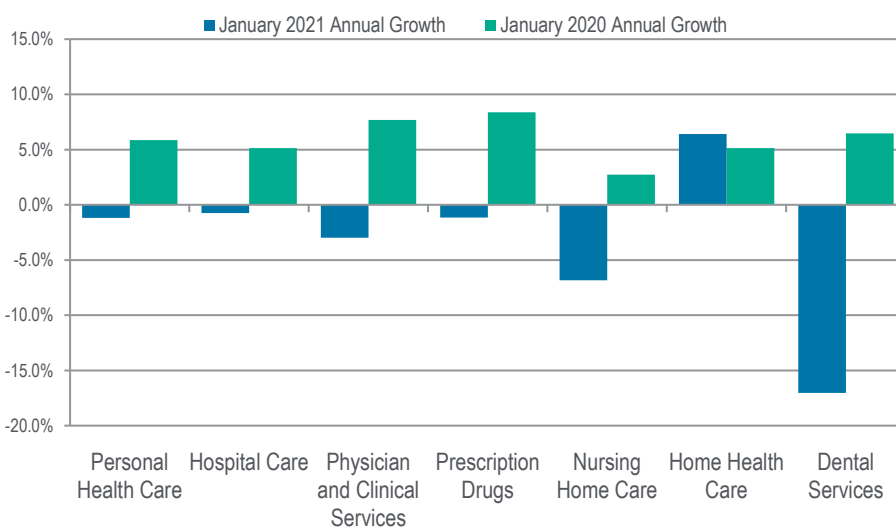


August 2020 through January 2021), spending grew by 3.8% – similar to the 3.4% growth observed for the same six months in the previous year. Instead, it appears that spending growth has returned to pre-COVID rates but has not made up for the decline in spending observed in the spring of 2020.

A similar pattern can be seen for the growth in personal health care spending (expenditures on health care goods and services). Personal health care in January 2021 was 1.2% lower than in January 2020, and spending from August 2020 through January 2021 was 0.8% lower than for the same period a year earlier. However, during the six months ending in January 2021, personal health care expenditures grew by 4.3% – somewhat faster growth than the 3.3% growth in the same period in the previous year.

Spending for hospital care and physician and clinical services has followed this overall pattern, both of which have grown faster in the past six months than in the comparable period a year before (4.8% vs 2.5% for hospitals; 7.3%

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



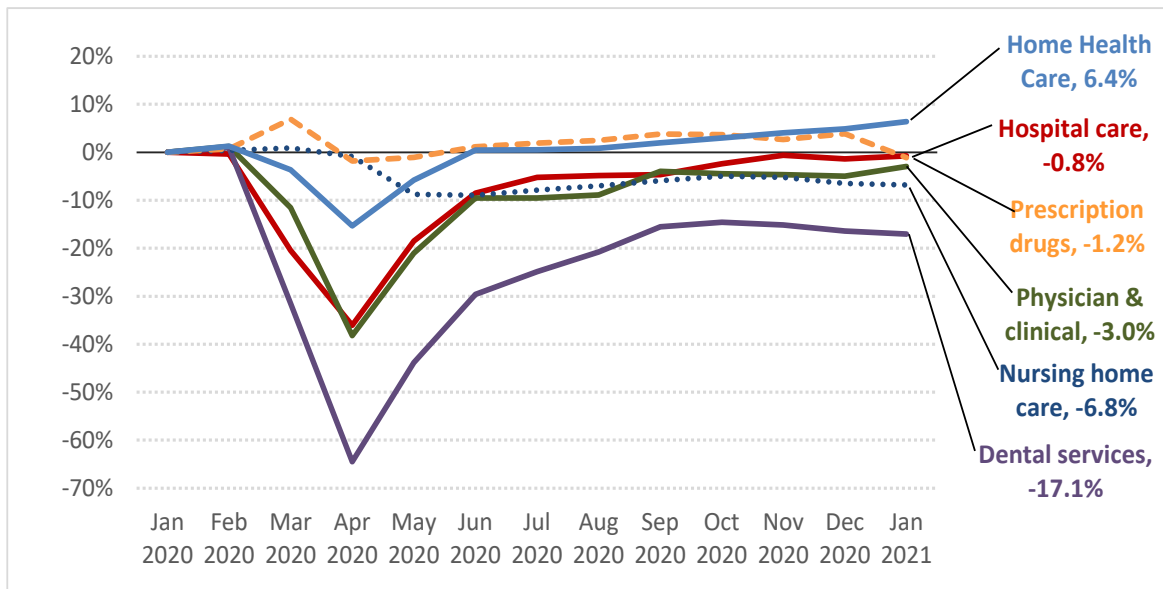
vs 5.3% for physician and clinical services). However, growth patterns among the other major categories of personal health care have differed somewhat (Exhibits 2 and 3). While dental care spending grew by 10.1% in the six months ending in January 2021, it remains 17.1% lower than in January 2020, largely because of its dramatic fall in March and April 2020. The growth in spending on nursing home care has been sluggish in the past six months, growing by only 1.0%, compared to 3.4% growth for the same

period a year ago. Spending on both dental services and nursing home care has actually declined steadily since



October 2020, by 2.9% for dental care and 1.9% for nursing home care. Only home health care has grown to levels well above pre-pandemic values and is 6.4% higher in January 2021 than in January 2020. Prescription drug spending, which was 1.2% lower in January 2021 than in January 2020 (the first year-over-year decline in more than four years), fell by 3.0% during the most recent six months, largely because of a 4.8% monthly decline from December 2020 to January 2021. These spending growth trajectories over the past year are shown in Exhibit 3.

**Exhibit 3. Cumulative Spending Growth since Jan 2020, by Major Categories
 (Percent Difference for Jan 2021 Shown in Data Labels)**



The return to pre-pandemic growth rates for personal health care (and especially for hospital care and physician and clinical services, which together account for more than 50% of national health spending) may be partly attributable to pent-up demand for services following the declines in March and April. But, to the extent to which recent growth represents a return to normal, it appears that we are resuming spending growth rates that may be unsustainable in the long run.



DETAILED HEALTH SPENDING

Exhibit 4. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Jan 2018	Jan 2019	Jan 2020	Jan 2021
GDP	\$20,090.5	\$21,098.8	\$21,848.1	\$21,837.4
National Health Spending	\$3,555.2	\$3,710.6	\$3,918.1	\$3,910.3
Personal health care	\$2,989.0	\$3,126.2	\$3,309.8	\$3,270.2
Hospital care	\$1,095.8	\$1,159.1	\$1,218.5	\$1,209.2
Physician and clinical services	\$727.2	\$753.8	\$811.8	\$787.5
Other professional services	\$100.8	\$106.7	\$114.0	\$116.7
Dental services	\$135.6	\$139.3	\$148.4	\$123.1
Other personal health care	\$190.0	\$191.8	\$198.0	\$209.9
Home health care	\$102.7	\$110.9	\$116.6	\$124.1
Nursing home care	\$165.5	\$172.1	\$176.8	\$164.7
Prescription Drugs	\$342.2	\$355.0	\$384.8	\$380.3
Durable medical equipment	\$53.0	\$56.8	\$58.3	\$60.8
Nondurable medical products	\$76.2	\$80.7	\$82.7	\$93.9
Program administration and net cost of private health insurance	\$285.9	\$292.3	\$301.4	\$320.9
Government public health activities	\$93.3	\$96.3	\$99.2	\$101.7
Research	\$52.2	\$55.2	\$58.3	\$61.2
Structures and equipment	\$134.7	\$140.7	\$149.3	\$156.2
HS Share of GDP	17.7%	17.6%	17.9%	17.9%
HS Share of PGDP	17.7%	17.8%	18.1%	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	Jan 2019	Jan 2020	Jan 2021
GDP	5.0%	3.6%	0.0%
National Health Spending	4.4%	5.6%	-0.2%
Personal health care	4.6%	5.9%	-1.2%
Hospital care	5.8%	5.1%	-0.8%
Physician and clinical services	3.6%	7.7%	-3.0%
Other professional services	5.8%	6.8%	2.4%
Dental services	2.7%	6.5%	-17.1%
Other personal health care	0.9%	3.2%	6.0%
Home health care	8.1%	5.1%	6.4%
Nursing home care	4.0%	2.7%	-6.8%
Prescription Drugs	3.8%	8.4%	-1.2%
Durable medical equipment	7.2%	2.6%	4.3%
Nondurable medical products	5.9%	2.5%	13.5%
Program administration and net cost of private health insurance	2.2%	3.1%	6.5%
Government public health activities	3.1%	3.1%	2.5%
Research	5.7%	5.7%	4.9%
Structures and equipment	4.4%	6.1%	4.6%
HS Minus GDP	-0.6%	2.0%	-0.1%
HS Minus PGDP	0.7%	1.8%	-3.3%

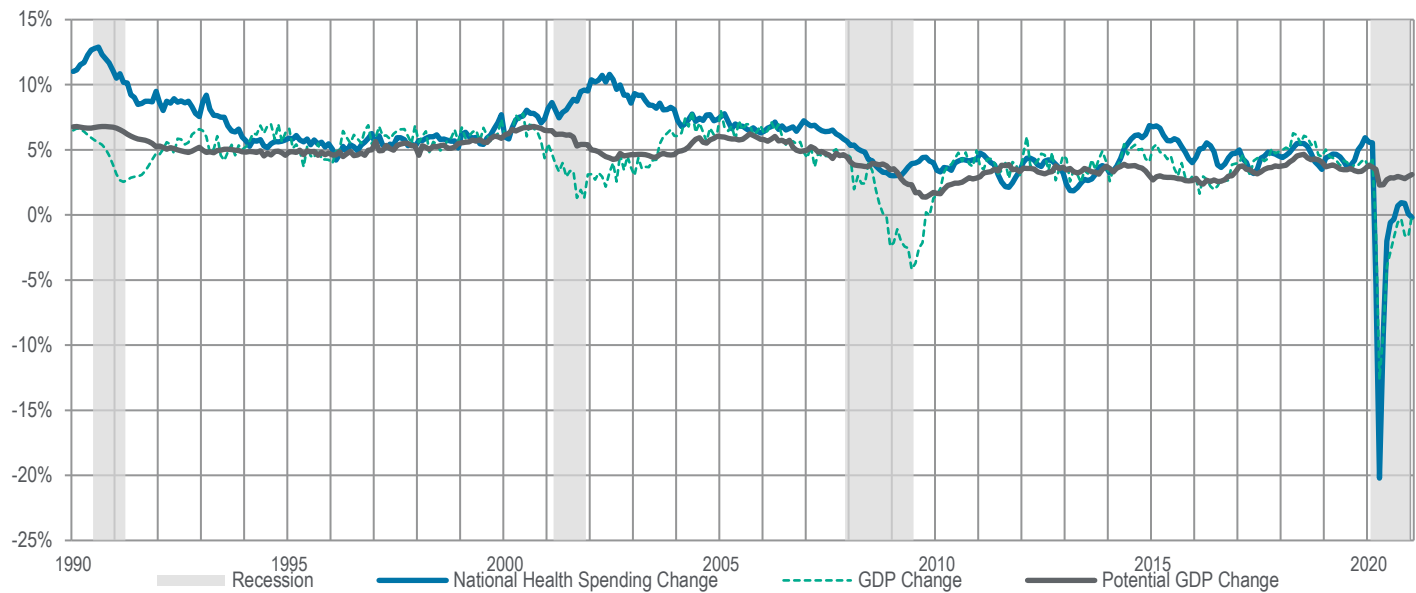
Source: Computed from Exhibit 3.

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



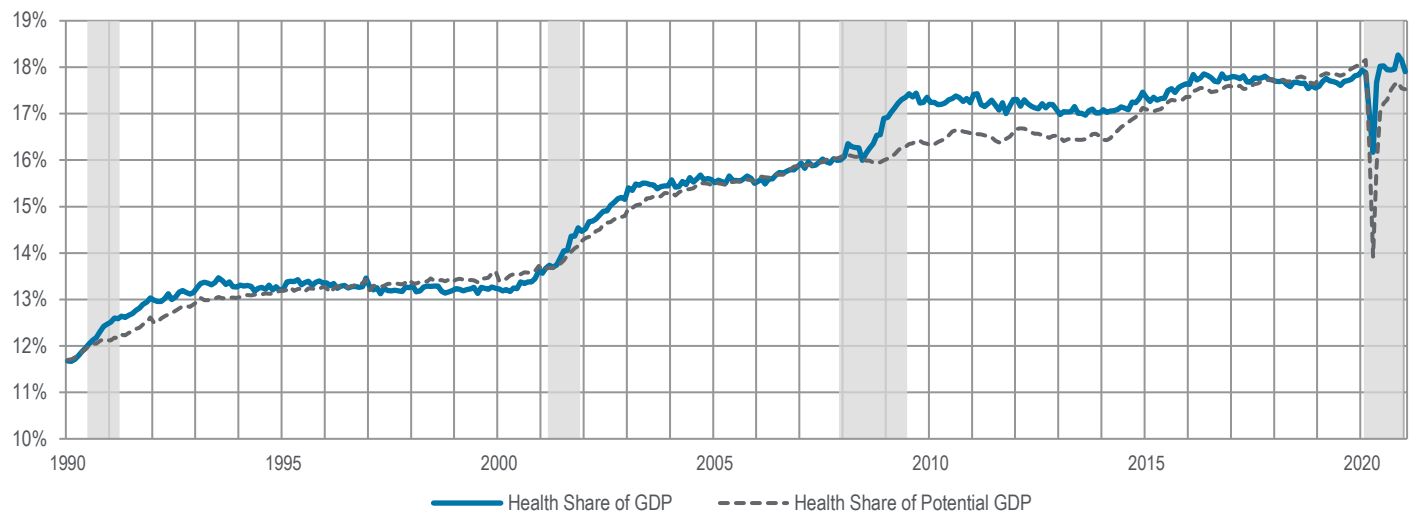
TIME SERIES TRACKER

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 and 2021.