

November 18, 2020

## National health spending continues slow recovery

### HIGHLIGHTS

- ▲ At \$3.89 trillion (seasonally adjusted annual rate), national health spending in September 2020 was 1.0% higher than in September 2019.
- ▲ The September 2020 nominal gross domestic product (GDP) was 1.1% lower than in September 2019, and the resulting health-spending share of GDP was 18.2%, and 17.6 of PGDP.
- ▲ Spending in September 2020, year over year, declined in some major categories and grew in others. The greatest decline was in spending on dental services, at -13.1%. The greatest increase was in home health care, which grew by 6.7%

### National Health Spending and GDP

	September 2018	September 2019	August 2020	September 2020
GDP	20.79	21.60	21.14	21.35
National Health Spending (HS)	3.69	3.86	3.84	3.89
HS Share of GDP	17.8%	17.9%	18.1%	18.2%
HS Share of PGDP	17.9%	18.0%	17.4%	17.6%
<b>Growth from Prior 12 Months</b>				
HS	4.7%	4.4%	0.0%	1.0%
GDP	5.4%	3.9%	-1.7%	-1.1%
HS minus GDP	-0.6%	0.5%	1.7%	2.1%
HS minus PGDP	0.4%	0.8%	-3.0%	-2.3%

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



## DISCUSSION

In September 2020, national health spending continued its gradual recovery from its April low (Exhibit 1). As a percent of GDP, health spending was fractionally above 18.2% – an all-time high – largely because health spending has continued to recover more rapidly than GDP. However, as the first bar in Exhibit 2 indicates, spending on personal health care remained 1.4% below its September 2019 level.

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

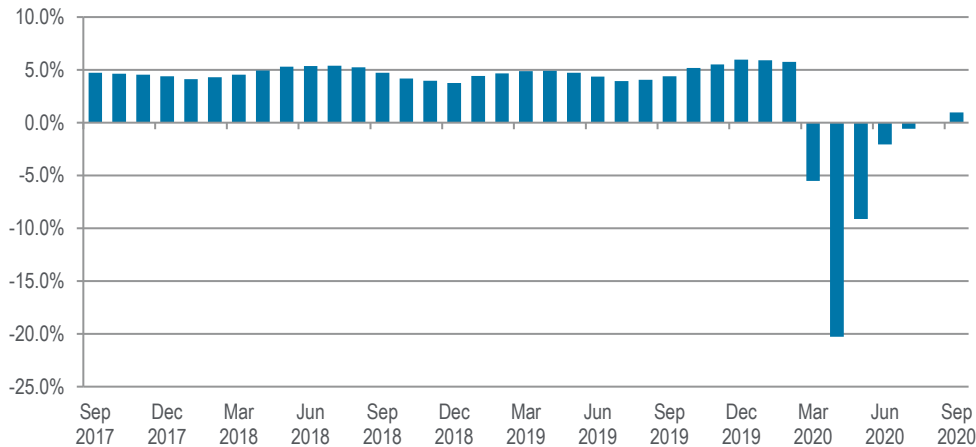


Exhibit 2 also shows the year-over-year change in spending on 6 major components of personal health care. It indicates very modest growth for physician and clinical services (0.8%) and more significant growth for prescription drugs (6.5%, excluding any impact of changes in rebates) and home health care (6.7%). Spending on hospital care continues to be below its September 2019 level (at -2.2%), as does spending on nursing home care (-9.1%) and especially dental care (-13.9%).

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

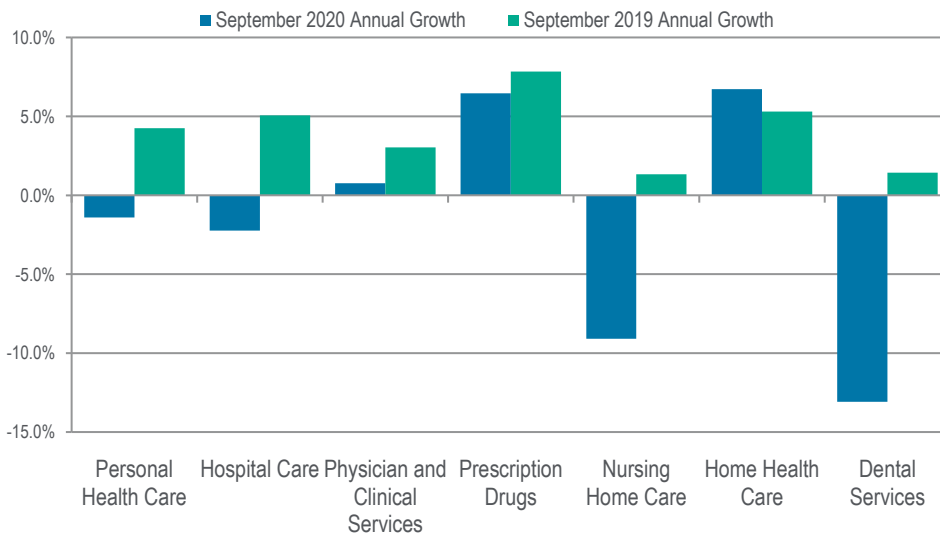


Exhibit 3 illustrates how spending on each of these six components of personal health care spending has evolved through the pandemic. It shows time series of percent changes in each of these components since the beginning of 2020. Spending on four components – hospital care, physician and clinical services, home health care, and dental services – dropped significantly in March and April

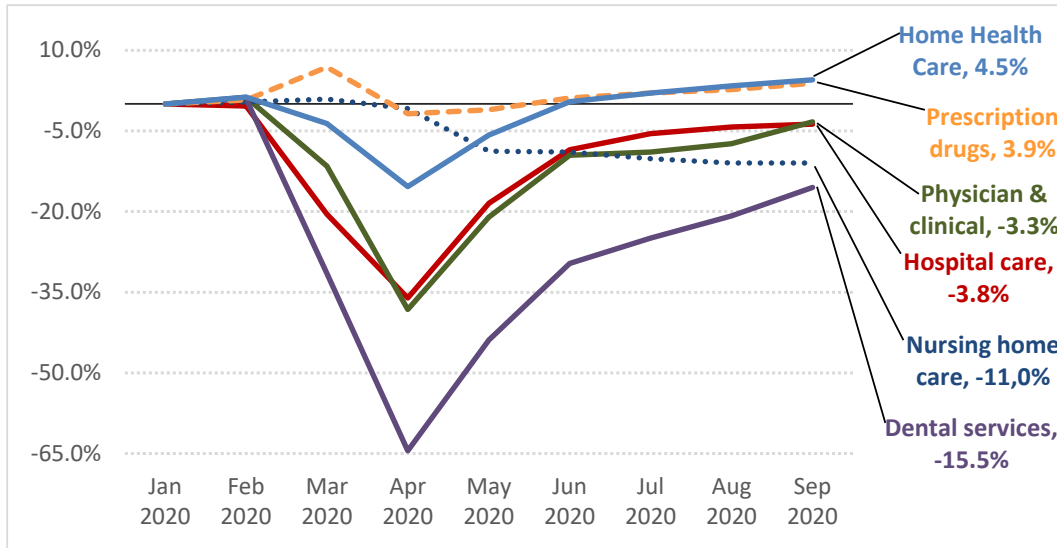
(though at varying rates) before recovering in subsequent months, with recovery rates mostly slowing over time. Spending for nursing home care began to decline in April and continued to drop through August, leveling off in September. Spending on prescription drugs spiked slightly in March, followed by a slight decline in April and subsequent recovery. As of September, spending in all categories except home health care and prescription drugs remained below their levels in January. Overall, personal health care spending for the first three quarters of 2020 was 4.6% below its level for the same period of 2019.



Further discussion of the impact of the pandemic on health spending (as well as on health care prices and the health labor force) can be found in our recent publication on the subject.<sup>1</sup> Among the observations in the paper are that, while health spending (as well as employment) has historically continued to grow during recessions, the

pandemic disrupted demand for health services and revenues, causing unprecedented declines in both health spending and health care jobs. While both have bounced back, neither has fully recovered to pre-pandemic levels. The result has been a rare interruption to the continuous growth in health care spending and employment that we have seen for decades. At a minimum, this pause in growth has

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



reset spending and labor to levels lower than what would have been, absent the pandemic. The extent to which any permanent reductions are good or bad for our health and our economy remains to be seen.

<sup>1</sup> Rhyan C, Turner A, Miller G. Tracking the U.S. health sector: the impact of the COVID-19 pandemic. Business Economics. Published online: November 9, 2020. Available at: <https://link.springer.com/article/10.1057/s11369-020-00195-z>



## DETAILED HEALTH SPENDING

### Exhibit 4. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Sept 2017	Sept 2018	Sept 2019	Sept 2020
GDP	\$19,732.7	\$20,792.6	\$21,596.1	\$21,347.9
National Health Spending	\$3,526.2	\$3,693.0	\$3,855.5	\$3,892.9
Personal health care	\$2,986.1	\$3,112.0	\$3,254.6	\$3,248.4
Hospital care	\$1,155.4	\$1,209.7	\$1,271.0	\$1,242.5
Physician and clinical services	\$702.2	\$732.1	\$754.3	\$760.1
Other professional services	\$99.4	\$104.5	\$111.9	\$113.1
Dental services	\$130.1	\$137.7	\$139.7	\$121.4
Other personal health care	\$185.3	\$193.2	\$201.9	\$212.6
Home health care	\$97.4	\$104.3	\$109.8	\$117.2
Nursing home care	\$168.8	\$169.4	\$171.7	\$156.1
Prescription Drugs	\$329.7	\$339.2	\$365.8	\$389.5
Durable medical equipment	\$52.9	\$55.1	\$57.9	\$58.9
Nondurable medical products	\$64.9	\$66.7	\$70.7	\$77.1
Program administration and net cost of private health insurance	\$277.4	\$311.8	\$320.6	\$352.6
Government public health activities	\$91.9	\$94.0	\$97.0	\$99.3
Research	\$50.7	\$53.1	\$56.2	\$59.2
Structures and equipment	\$120.2	\$122.1	\$127.0	\$133.4
HS Share of GDP	17.9%	17.8%	17.9%	18.2%
HS Share of PGDP	17.8%	17.9%	18.0%	17.6%

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	Sept 2018	Sept 2019	Sept 2020
GDP	5.4%	3.9%	-1.1%
National Health Spending	4.7%	4.4%	1.0%
Personal health care	4.2%	4.6%	-0.2%
Hospital care	4.7%	5.1%	-2.2%
Physician and clinical services	4.3%	3.0%	0.8%
Other professional services	5.2%	7.1%	1.1%
Dental services	5.8%	1.4%	-13.1%
Other personal health care	4.3%	4.5%	5.3%
Home health care	7.1%	5.3%	6.7%
Nursing home care	0.3%	1.3%	-9.1%
Prescription Drugs	2.9%	7.8%	6.5%
Durable medical equipment	4.0%	5.1%	1.8%
Nondurable medical products	2.8%	5.9%	9.0%
Program administration and net cost of private health insurance	12.4%	2.8%	10.0%
Government public health activities	2.3%	3.2%	2.4%
Research	4.7%	5.9%	5.3%
Structures and equipment	1.6%	4.0%	5.0%
HS Minus GDP	-0.6%	0.5%	2.1%
HS Minus PGDP	0.4%	0.8%	-2.3%

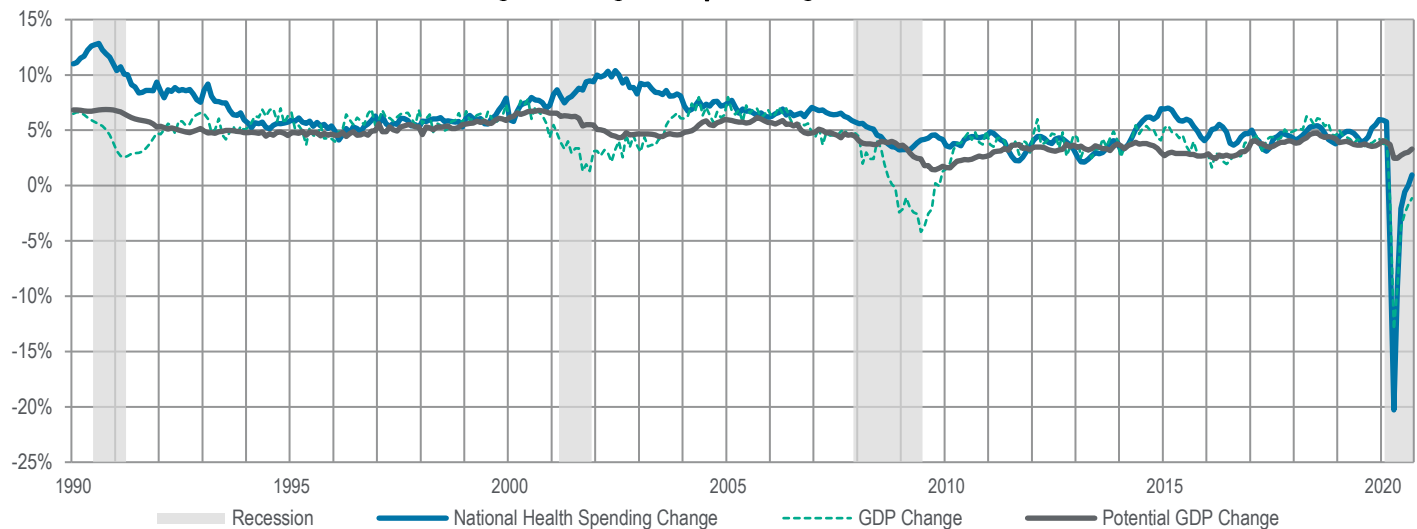
Source: Computed from Exhibit 3.

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



## TIME SERIES TRACKER

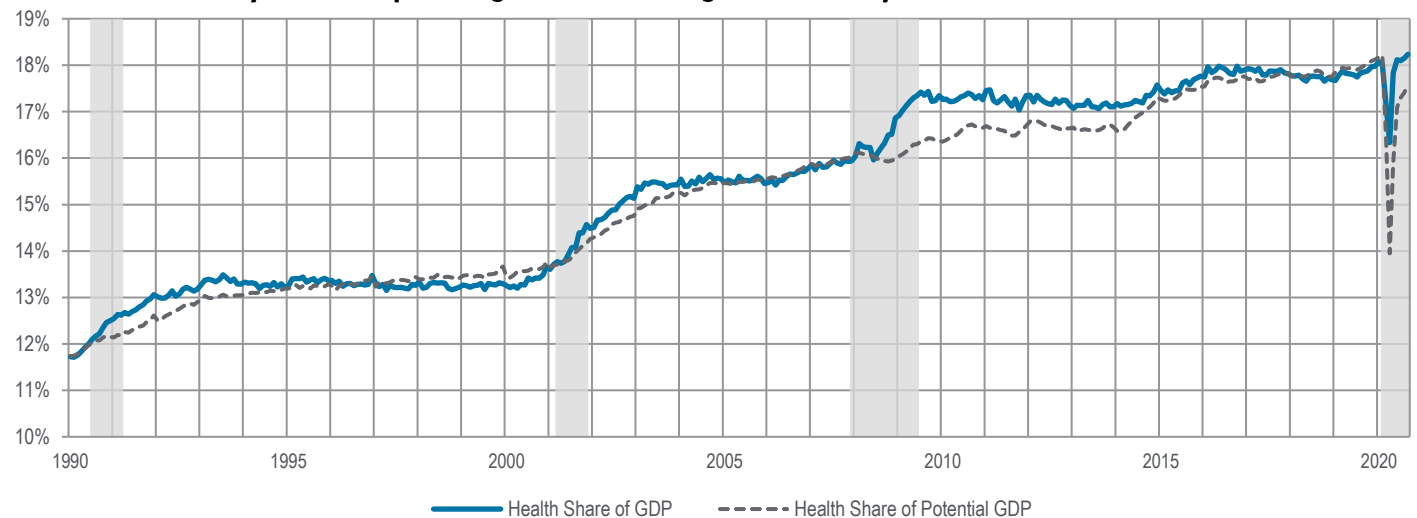
**Exhibit 6. Year-over-Year Percentage Change in Spending and GDP**



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

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 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.