

October 19, 2021

## Health spending surpasses \$4 trillion, but GDP share continues to fall

- ▲ National health spending in August 2021 was 7.2% higher than in August 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 3.6% through August 2021. As of June 2021, annualized health spending exceeded \$4 trillion for the first time in history.
- ▲ Health spending has grown more slowly than gross domestic product (GDP) in recent months and now stands at 17.5% of GDP; it was 18.0% in January and February 2020, before the start of the pandemic.
- ▲ The magnitude of the drop and subsequent recovery in health spending continues to vary by category of spending, with spending on hospital care and home health care showing the greatest growth since January 2020, at 4.9% each, while net change in spending on dental services still lags the other categories, at -10.7%.

### National Health Spending and GDP\*

	Aug 2019	Aug 2020	July 2021	Aug 2021
GDP	21.54	21.14	22.91	23.23
National Health Spending (HS)	3.81	3.78	4.03	4.06
HS Share of GDP	17.7%	17.9%	17.6%	17.5%
HS Share of PGDP	17.8%	17.1%	17.2%	17.2%
<b>Growth from Prior 12 Months</b>				
HS	4.0%	-0.7%	7.3%	7.2%
GDP	3.7%	-1.9%	9.8%	9.9%
HS minus GDP	0.3%	1.2%	-2.6%	-2.7%
HS minus PGDP	0.3%	-3.7%	1.0%	0.5%

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.

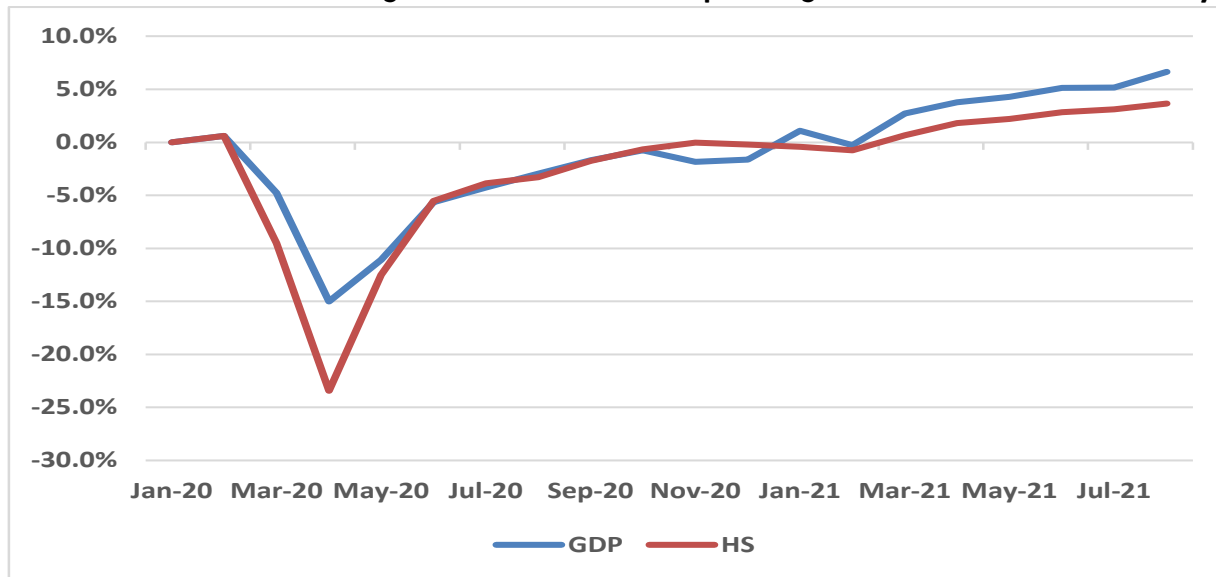
*The Health Sector Economic Indicators<sup>SM</sup>* reports are a monthly publication of Altarum and provide an analysis of health spending, employment, and prices. For more information, contact Ani Turner at [ani.turner@altarum.org](mailto:ani.turner@altarum.org). George Miller, PhD (principal author),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

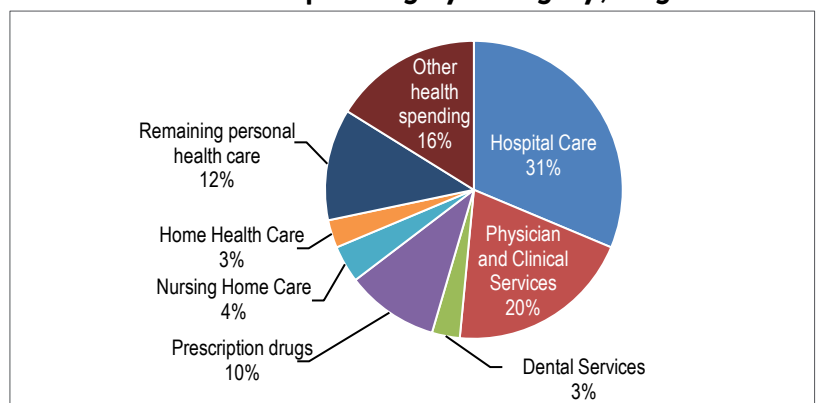
In June 2021, national health spending exceeded \$4 trillion (SAAR) for the first time and has remained above \$4 trillion in the subsequent two months. The rate of growth in health spending over the past year (since August 2020) was 7.2%, as spending continued to climb out of the April 2020 bottom of the pandemic-related fall in spending. Net growth in spending since January 2020, before the effects of the pandemic began to be felt, was 3.6%. Net GDP growth over this same period has been more robust, with GDP's decline through April 2020 bottoming out at 15.0% below its January level (compared with a 23.4% decline for health spending) and then growing to 6.6% above the January reading (Exhibit 1). Year-over-year GDP growth was 9.9% in August, compared with 7.2% for health spending. As a result, health spending as a share of GDP was 17.5% in August 2021, down from 18.0% in both January and February 2020, before the start of the pandemic.

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



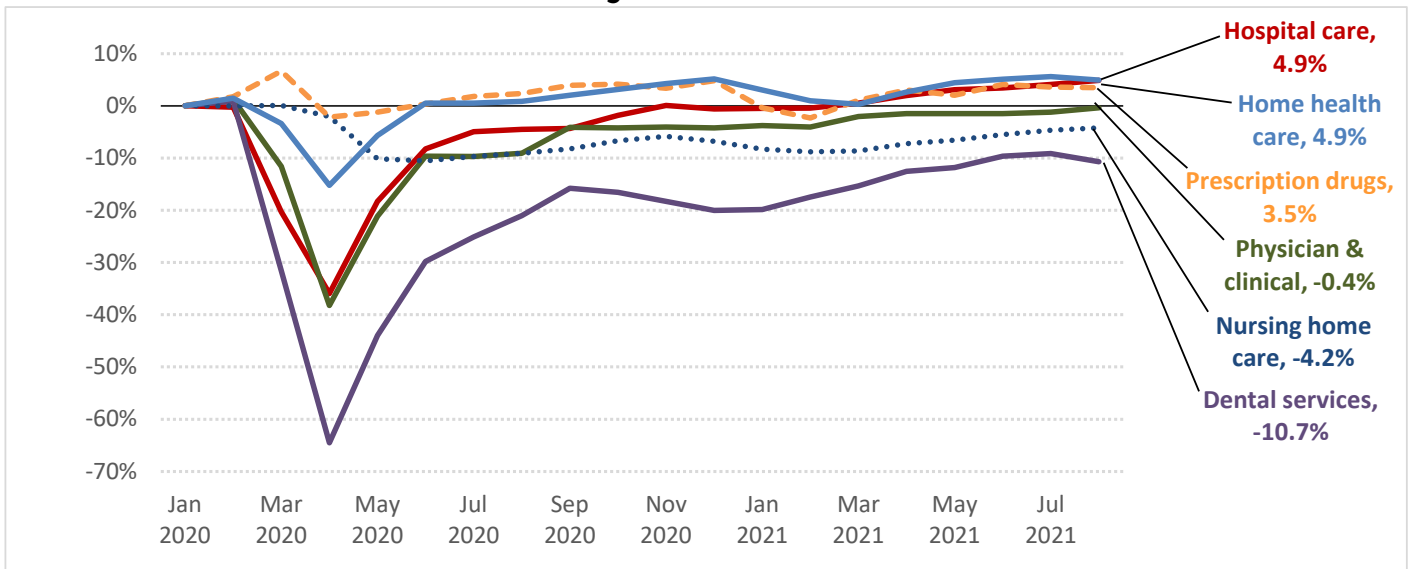
While overall health spending has grown to the point that it now exceeds pre-pandemic levels, growth among its major categories continues to vary. Hospital spending, the largest component at 31.5% of national health spending (Exhibit 2), accounts for nearly half of the growth in spending since January 2020 (Exhibit 3). Growth in home health care and prescription drugs also contributed to the overall growth. Spending on other components, especially dental services, remains below pre-pandemic levels. However, dental services account for only 3.3% of national health spending. Nursing home care, which remains 4.2% below pre-pandemic levels, is also a relatively small contributor to total spending, at 4.1%.

**Exhibit 2. Health Spending by Category, August 2021**





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





## DETAILED HEALTH SPENDING

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

Levels (in billions of dollars)	Aug 2018	Aug 2019	Aug 2020	Aug 2021
<b>GDP</b>	\$20,781.8	\$21,543.1	\$21,139.7	\$23,231.7
<b>National Health Spending</b>	\$3,664.7	\$3,810.8	\$3,785.0	\$4,055.9
<b>Personal health care</b>	\$3,077.5	\$3,223.1	\$3,150.0	\$3,408.5
Hospital care	\$1,143.1	\$1,195.3	\$1,161.9	\$1,276.2
Physician and clinical services	\$741.2	\$777.1	\$739.1	\$809.6
Other professional services	\$104.2	\$111.7	\$110.2	\$123.5
Dental services	\$139.0	\$144.3	\$117.4	\$132.7
Other personal health care	\$191.7	\$193.9	\$205.2	\$216.6
Home health care	\$106.9	\$115.0	\$117.5	\$122.2
Nursing home care	\$168.4	\$172.9	\$156.6	\$164.9
Prescription Drugs	\$350.1	\$372.6	\$393.0	\$397.1
Durable medical equipment	\$54.8	\$57.5	\$59.6	\$65.7
Nondurable medical products	\$78.1	\$83.0	\$89.6	\$99.8
<b>Program administration and net cost of private health insurance</b>	\$301.7	\$286.0	\$321.3	\$319.2
<b>Government public health activities</b>	\$94.7	\$98.3	\$100.5	\$103.7
<b>Research</b>	\$54.0	\$56.9	\$60.1	\$63.3
<b>Structures and equipment</b>	\$136.8	\$146.5	\$153.0	\$161.2
<b>HS Share of GDP</b>	17.6%	17.7%	17.9%	17.5%
<b>HS Share of PGDP</b>	17.7%	17.8%	17.1%	17.2%

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	Aug 2019	Aug 2020	Aug 2021
<b>GDP</b>	3.7%	-1.9%	9.9%
<b>National Health Spending</b>	4.0%	-0.7%	7.2%
<b>Personal health care</b>	4.7%	-2.3%	8.2%
Hospital care	4.6%	-2.8%	9.8%
Physician and clinical services	4.8%	-4.9%	9.5%
Other professional services	7.2%	-1.3%	12.1%
Dental services	3.8%	-18.6%	13.0%
Other personal health care	1.1%	5.8%	5.6%
Home health care	7.6%	2.2%	4.0%
Nursing home care	2.7%	-9.5%	5.3%
Prescription Drugs	6.4%	5.5%	1.1%
Durable medical equipment	4.9%	3.8%	10.2%
Nondurable medical products	6.2%	8.0%	11.5%
<b>Program administration and net cost of private health insurance</b>	-5.2%	12.3%	-0.7%
<b>Government public health activities</b>	3.7%	2.3%	3.2%
<b>Research</b>	5.4%	5.6%	5.3%
<b>Structures and equipment</b>	7.0%	4.5%	5.4%
<b>HS Minus GDP</b>	0.3%	1.2%	-2.7%
<b>HS Minus PGDP</b>	0.3%	-3.7%	0.5%

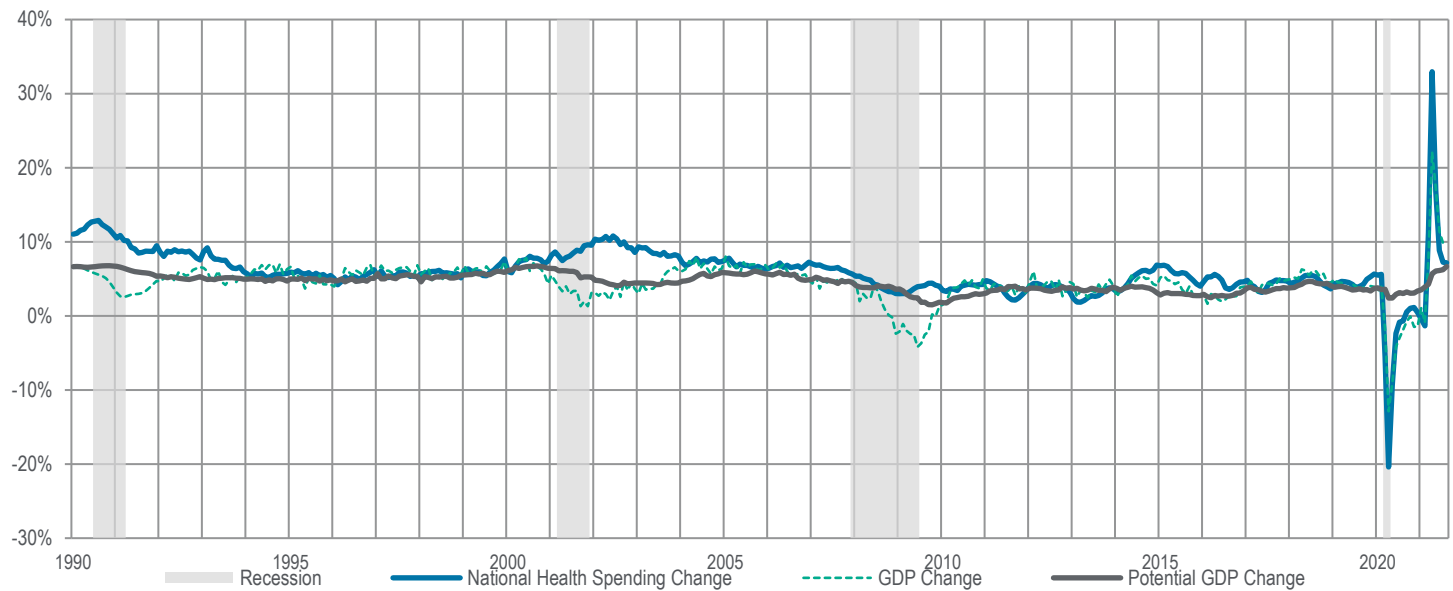
Source: Computed from Exhibit 2.

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



## TIME SERIES TRACKER

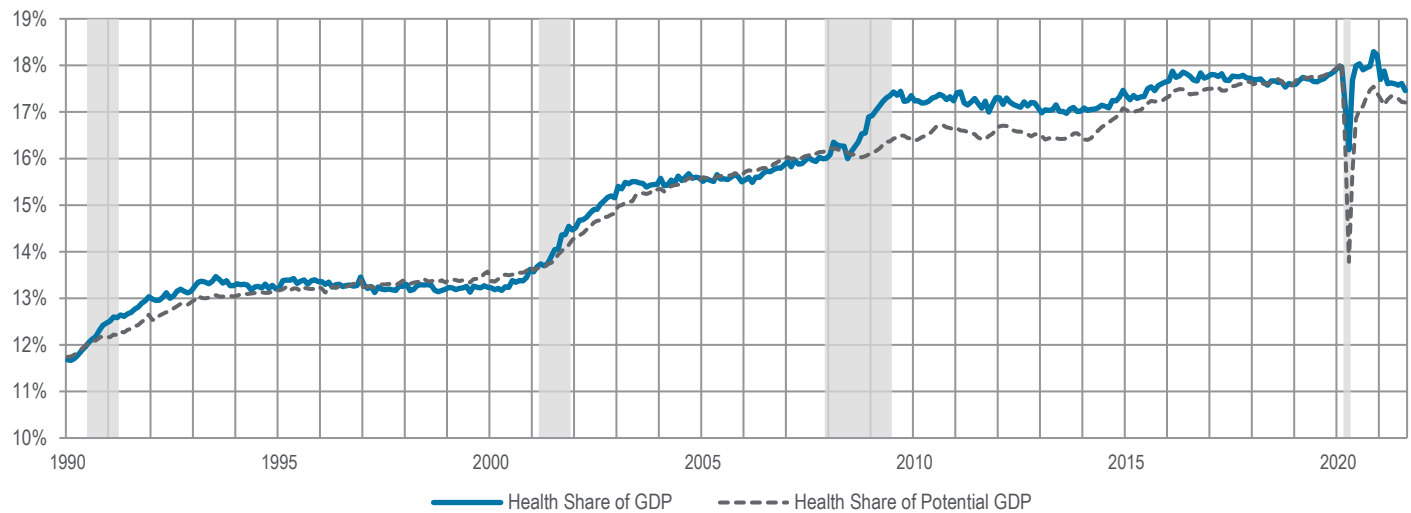
**Exhibit 6. Year-over-Year Percentage Change in Spending and GDP**



**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 \(1990–2019\) and projections \(2020–2021\)](#). 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.