

October 16, 2020 (Revised October 21, 2020)

## National health spending recovers to August 2019 level

### HIGHLIGHTS

- ▲ At \$3.84 trillion (seasonally adjusted annual rate), national health spending in August 2020 was 0.2% higher than in August 2019.
- ▲ The August 2020 nominal gross domestic product (GDP) was 1.7% lower than in August 2019, and the resulting health-spending share of GDP was 18.2%, and 17.4% of PGDP.
- ▲ Spending in August 2020, year over year, declined in all major categories except prescription drugs and home health care, which grew by 5.5% and 7.0%, respectively. The greatest decline was in spending on dental services, at 18.3%.

### National Health Spending and GDP

	August 2018	August 2019	July 2020	August 2020
GDP	20.77	21.51	20.99	21.14
National Health Spending (HS)	3.69	3.84	3.81	3.84
HS Share of GDP	17.7%	17.8%	18.1%	18.2%
HS Share of PGDP	17.9%	17.9%	17.3%	17.4%
<b>Growth from Prior 12 Months</b>				
HS	5.3%	4.1%	-0.3%	0.2%
GDP	6.0%	3.6%	-2.5%	-1.7%
HS minus GDP	-0.7%	0.5%	2.2%	1.9%
HS minus PGDP	0.8%	0.3%	-3.2%	-2.9%

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 August 2020, national health spending recovered to its level in August 2019 (Exhibit 1). This, of course, means that there has been no overall growth in health spending in the past year. As a percent of GDP, health spending has reached an all-time high of 18.2%, largely because health spending has recovered more rapidly than GDP. However, as the first bar in Exhibit 2 indicates, the personal health care component of spending still lags its

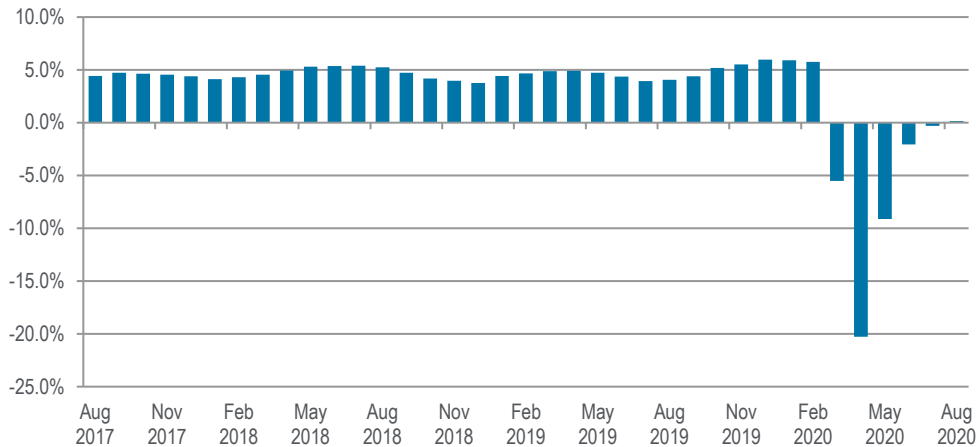
August 2019 level by 1.2%.

Exhibit 2 also illustrates that the decline and subsequent recovery has continued to vary significantly among components of personal health care. Hospital care spending, the largest component at nearly one-third of national health spending, is 2.2% lower in August of this year than in August 2019. Spending on physician and clinical services remains 2.8% lower than in last August. Spending on dental care continues its recovery but remains at 18.3% below its August 2019 level. Spending on prescription drugs and home health care both show overall growth over the past year, at 5.5% and 7.0%, respectively. Spending on nursing home care, on the other hand, has continued to decline, and is now 8.6% lower than at this time last year.

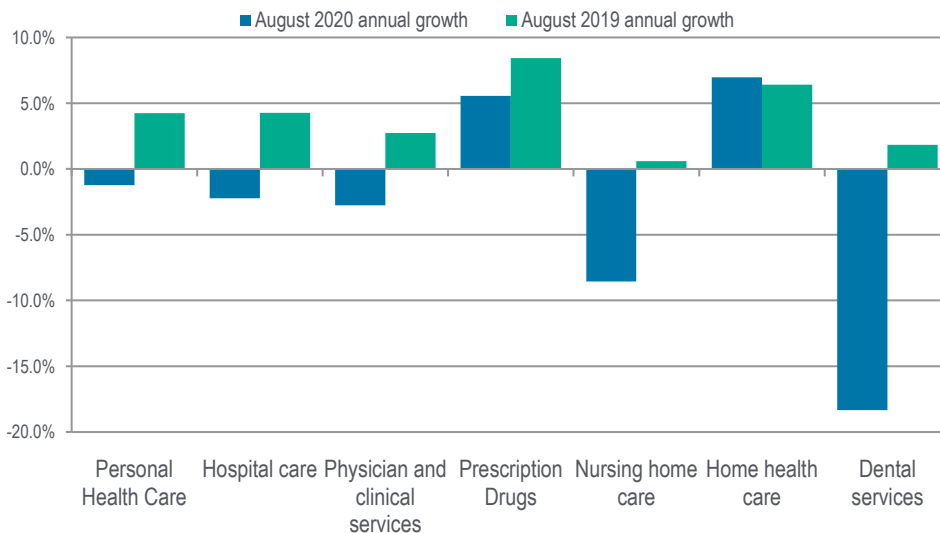
This month's spending data, which are based primarily on the National Income and Product Accounts of the

Bureau of Economic Analysis (BEA), incorporate BEA's updates to spending estimates for April through July, via inclusion of information from the Census Bureau's latest Quarterly Services Survey. These updates are more significant than some past revisions. For example, our estimates of July spending on hospital care and on physician and clinical services were revised downward by 1.1% and 3.4%, respectively. Conversely, July spending on nursing home care, home health care, and dental services were revised upward by 4.3%, 11.3%, and 8.3%, respectively. It appears that the COVID environment has complicated the government's ability to produce accurate near-term estimates of health spending.

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



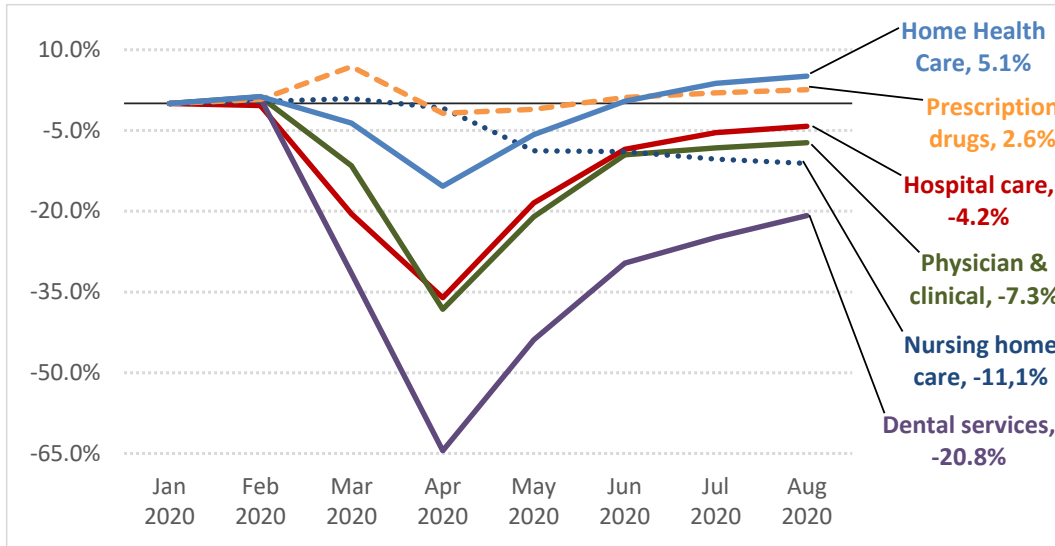
**Exhibit 2. Health Care Spending 12-Month Growth for Selected Categories**





To illustrate more clearly the impact of the pandemic on health spending, Exhibit 3 shows time series of percent changes in each of these spending components since the beginning of 2020. It illustrates how the different

**Exhibit 3. Cumulative Spending Growth since Jan 2020, by Major Categories (Percent Difference for Aug 2020 shown in data labels)**



spending categories have responded differently to the current crisis. Spending on hospital care and physician and clinical services dropped significantly in March and April and have slowly recovered to levels that are still somewhat below their January 2020 values. Spending on dental services shows a similar but more extreme pattern, dropping by nearly 65% in April and remaining well below its

January reading in August. Home health care spending dropped somewhat in March and April, but subsequently increased to a value greater than before the start of the pandemic. Nursing home spending began a decline in April (one month later than most other categories) and has continued to drop through August. Finally, spending on prescription drugs spiked slightly in March (perhaps because people were stockpiling medications), dropped slightly, and has now recovered to be 2.6% higher in August than in January. Differences in these patterns appear to be associated with differences in the perceived relative risk of seeking or providing care in the pandemic environment.



## DETAILED HEALTH SPENDING

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

Levels (in billions of dollars)	Aug 2017	Aug 2018	Aug 2019	Aug 2020
GDP	\$19,601.2	\$20,768.9	\$21,507.9	\$21,139.0
National Health Spending	\$3,502.5	\$3,686.4	\$3,836.2	\$3,842.3
Personal health care	\$2,966.4	\$3,106.9	\$3,239.0	\$3,199.3
Hospital care	\$1,145.9	\$1,212.8	\$1,264.5	\$1,236.3
Physician and clinical services	\$701.2	\$729.9	\$749.9	\$729.1
Other professional services	\$98.5	\$104.5	\$110.9	\$116.1
Dental services	\$129.0	\$136.9	\$139.4	\$113.9
Other personal health care	\$184.5	\$192.6	\$201.1	\$211.6
Home health care	\$97.0	\$103.5	\$110.1	\$117.8
Nursing home care	\$166.9	\$169.4	\$170.4	\$155.8
Prescription Drugs	\$325.4	\$336.1	\$364.5	\$384.7
Durable medical equipment	\$53.2	\$54.7	\$57.5	\$57.5
Nondurable medical products	\$64.6	\$66.6	\$70.8	\$76.6
Program administration and net cost of private health insurance	\$274.3	\$311.0	\$317.9	\$352.0
Government public health activities	\$91.7	\$93.8	\$96.8	\$99.1
Research	\$50.5	\$52.8	\$55.9	\$59.0
Structures and equipment	\$119.7	\$121.9	\$126.5	\$132.8
HS Share of GDP	17.9%	17.7%	17.8%	18.2%
HS Share of PGDP	17.8%	17.9%	17.9%	17.4%

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	Aug 2018	Aug 2019	Aug 2020
GDP	6.0%	3.6%	-1.7%
National Health Spending	5.3%	4.1%	0.2%
Personal health care	4.7%	4.3%	-1.2%
Hospital care	5.8%	4.3%	-2.2%
Physician and clinical services	4.1%	2.7%	-2.8%
Other professional services	6.2%	6.1%	4.7%
Dental services	6.1%	1.8%	-18.3%
Other personal health care	4.4%	4.4%	5.2%
Home health care	6.6%	6.4%	7.0%
Nursing home care	1.5%	0.6%	-8.6%
Prescription Drugs	3.3%	8.4%	5.5%
Durable medical equipment	2.8%	5.1%	-0.1%
Nondurable medical products	3.1%	6.3%	8.1%
Program administration and net cost of private health insurance	13.4%	2.2%	10.7%
Government public health activities	2.3%	3.2%	2.4%
Research	4.7%	5.9%	5.5%
Structures and equipment	1.8%	3.8%	5.0%
HS Minus GDP	-0.7%	0.5%	1.9%
HS Minus PGDP	0.8%	0.3%	-2.9%

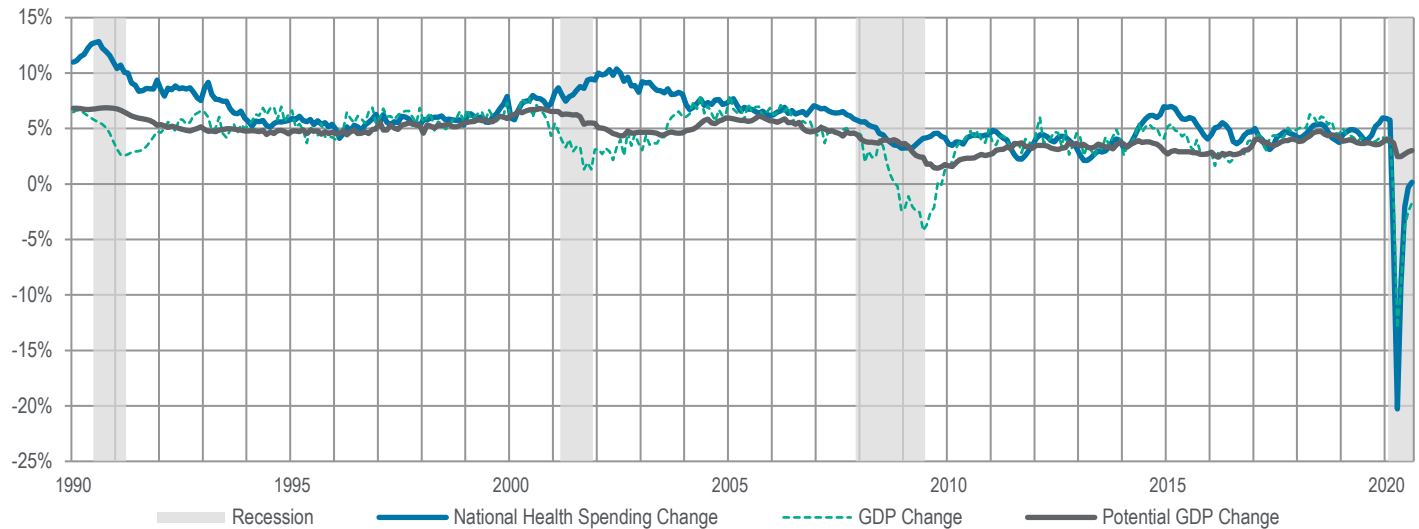
Source: Computed from Exhibit 3.

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



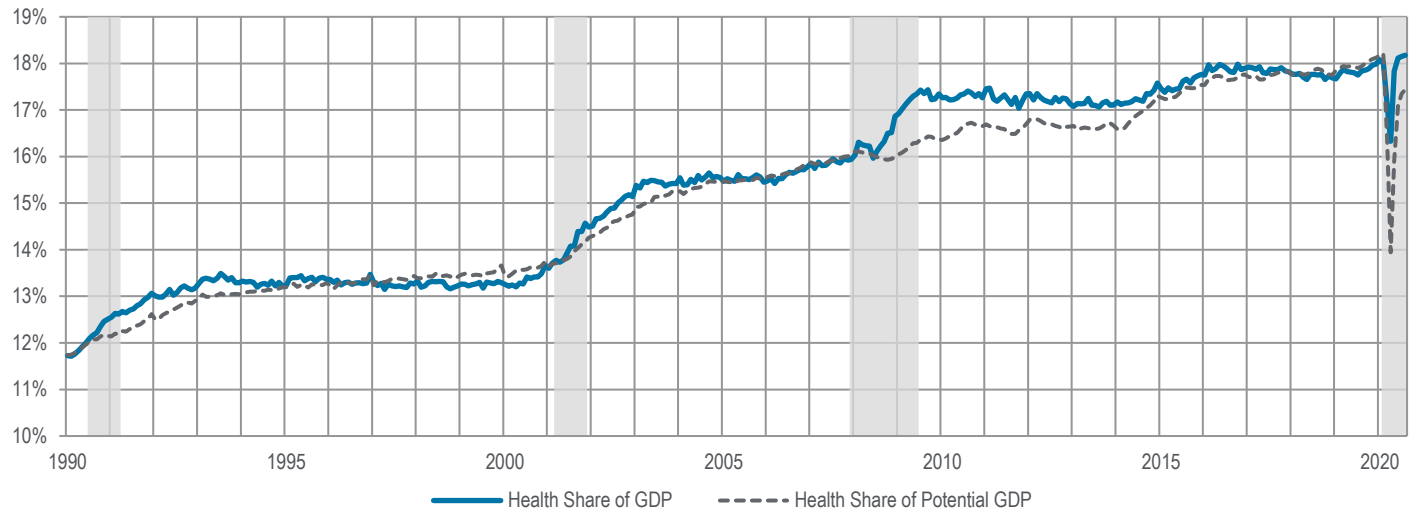
## TIME SERIES TRACKER

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



Source: Altarum monthly national health spending estimates. Monthly GDP is from Macroeconomic Advisers 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.