

September 17, 2021

National health spending growth in recent months has been modest

- ▲ National health spending in July 2021 was 6.6% higher than in July 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 2.5% through July 2021.
- ▲ Health spending has grown more slowly than gross domestic product (GDP) in recent months and now stands at 17.4% 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 prescription drugs and home health care showing the greatest growth since January 2020, at 3.8% each, while the net change in spending on dental services still lags the other categories, at -10.3%.

National Health Spending and GDP*

	July 2019	July 2020	June 2021	July 2021
GDP	21.50	20.86	22.89	23.06
National Health Spending (HS)	3.79	3.76	4.00	4.01
HS Share of GDP	17.6%	18.0%	17.5%	17.4%
HS Share of PGDP	17.7%	17.0%	17.2%	17.1%
Growth from Prior 12 Months				
HS	3.8%	-0.8%	8.1%	6.6%
GDP	3.9%	-3.0%	11.4%	10.6%
HS minus GDP	-0.1%	2.1%	-3.3%	-3.9%
HS minus PGDP	0.3%	-4.0%	2.0%	0.4%

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.

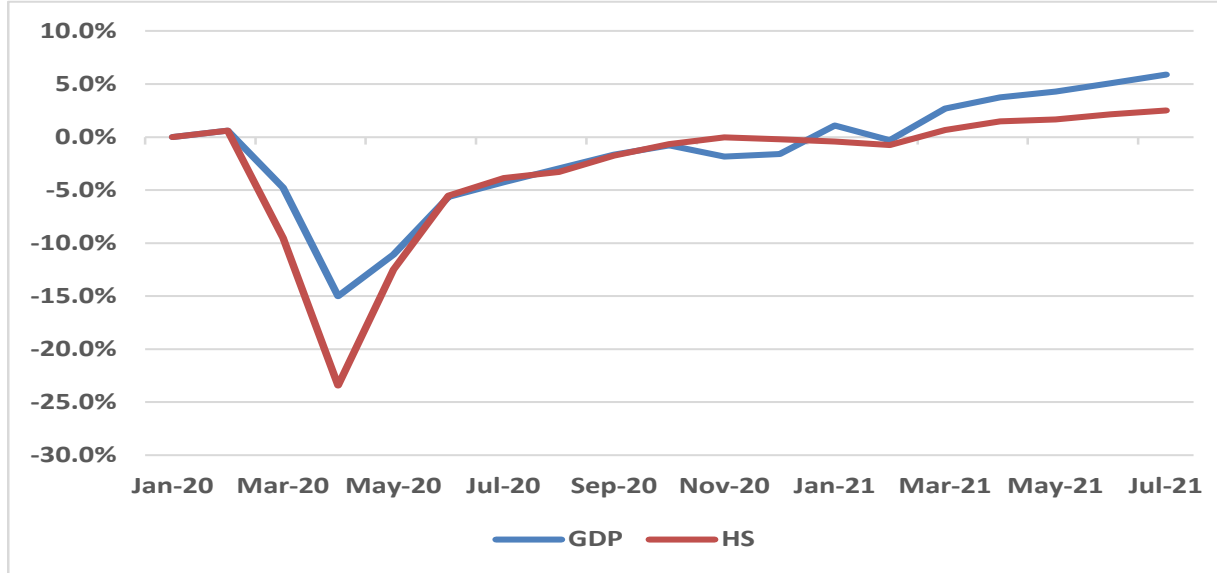
The Health Sector Economic IndicatorsSM reports are a monthly publication of Altarum and provide an analysis of health spending, employment, and prices. For more information, contact Ani Turner at ani.turner@altarum.org. George Miller, PhD (principal author), Ani Turner, Corwin Rhyan, and Matt Daly,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



DISCUSSION

As health spending's slow growth has persisted following its rapid partial recovery from the effects of the pandemic, it has increasingly diverged from GDP's faster growth since February 2021 (Exhibit 1). GDP has grown by 6.2% since February, while national health spending has grown by only 3.3%. Since January 2020, net growth of GDP has been 5.9%, while national health spending increased by 2.5% over the same period. As a result, health spending as a share of GDP was 17.4% in July 2021, while, for comparison, it was 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 Jan 2020



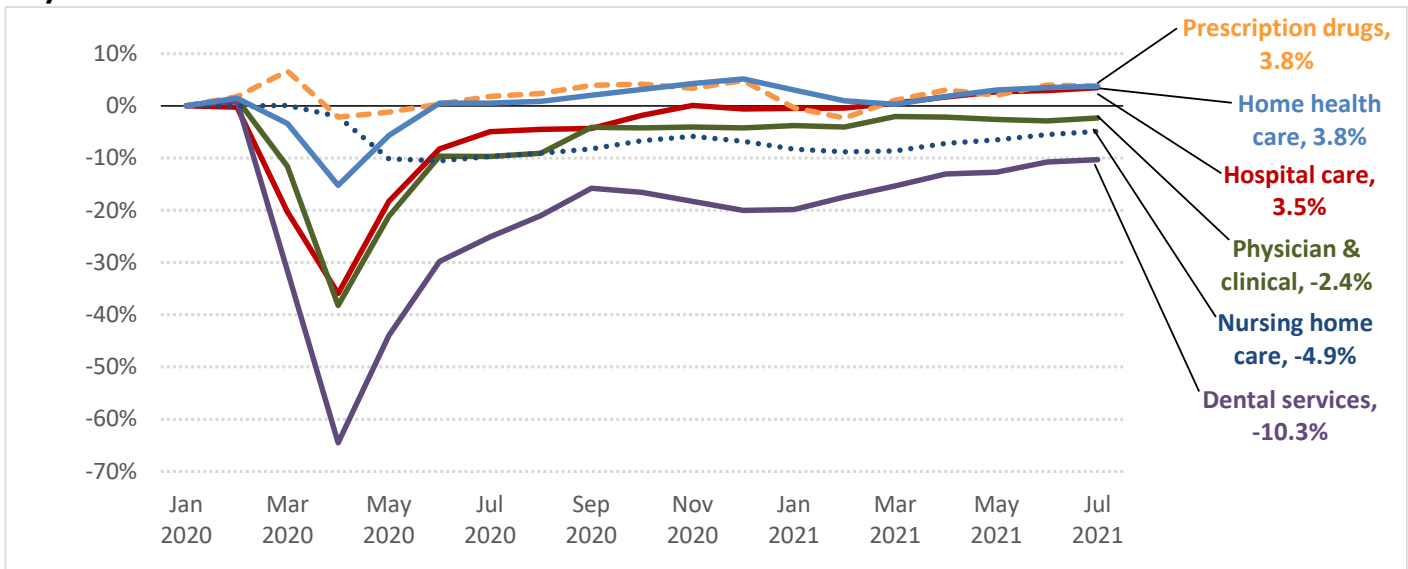
Our current estimates of growth in personal health care spending (spending on health care goods and services) reflect the results of the Bureau of Economic Analysis second update to their spending data for the second quarter of 2021. The update has resulted in a 0.4% increase in our estimate of personal health care spending for the second quarter, likely due to BEA's incorporation of data from the Census Bureau's Advance Quarterly Services Survey for the second quarter of 2021. Therefore, our estimate of growth in spending on personal health care from January 2020 through June 2021 has been revised upward from 1.0% to 1.5%.

In July 2021, personal health care spending stands 1.9% higher than its pre-recession January 2020 level and has grown by 3.8% since February 2021. For the first seven months of 2021, personal health care spending was 4.3% higher than for the same period two years ago, in 2019. For comparison, the most recent CMS projection of personal health care spending growth for the full two years from 2019 through 2021 (which was published in April 2020 and does not account for the impact of COVID-19) was 10.7%.

Spending on individual components of personal health care has also been revised upward for the second quarter, resulting in higher growth estimates for these components since January 2020 than we have previously reported. As in past months, the recovery continues to vary among the major components of personal health care (Exhibit 2). Spending on prescription drugs, home health care, and hospital care are above their pre-pandemic levels, while spending on physician and clinical services, nursing home care, and especially dental care remain below their January 2020 levels.



Exhibit 2. Cumulative Spending Growth since Jan 2020, by Major Categories (Percent Difference for July 2021 Shown in Data Labels)



In spite of these upward revisions, recent growth in national health spending remains modest, leading David Cutler to wonder if “COVID-19 could be the spark that helps health care become smaller, more efficient, and cheaper.”¹

¹ Cutler, DM. “How COVID-19 Changes the Economics of Health Care.” *JAMA Health Forum*. 2021;2(9). September 2, 2021. Available at: <https://jamanetwork.com/journals/jama-health-forum/fullarticle/2784006>.



DETAILED HEALTH SPENDING

Exhibit 3. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	July 2018	July 2019	July 2020	July 2021
GDP	\$20,681.8	\$21,496.8	\$20,856.4	\$23,064.0
National Health Spending	\$3,654.0	\$3,793.7	\$3,761.7	\$4,011.7
Personal health care	\$3,067.7	\$3,208.5	\$3,129.0	\$3,366.4
Hospital care	\$1,139.5	\$1,190.7	\$1,156.5	\$1,259.3
Physician and clinical services	\$737.7	\$773.7	\$734.1	\$793.6
Other professional services	\$104.4	\$111.0	\$111.9	\$118.2
Dental services	\$138.1	\$144.0	\$111.4	\$133.3
Other personal health care	\$191.7	\$193.3	\$204.1	\$215.5
Home health care	\$105.5	\$115.0	\$117.1	\$120.9
Nursing home care	\$168.5	\$172.6	\$155.5	\$163.8
Prescription Drugs	\$350.6	\$368.6	\$390.8	\$398.3
Durable medical equipment	\$54.2	\$56.9	\$57.9	\$65.6
Nondurable medical products	\$77.4	\$82.8	\$89.7	\$97.9
Program administration and net cost of private health insurance	\$301.8	\$284.7	\$320.0	\$318.5
Government public health activities	\$94.5	\$98.0	\$100.3	\$103.4
Research	\$53.8	\$56.6	\$59.9	\$62.9
Structures and equipment	\$136.3	\$145.8	\$152.4	\$160.5
HS Share of GDP	17.7%	17.6%	18.0%	17.4%
HS Share of PGDP	17.7%	17.7%	17.0%	17.1%

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

Growth Rates	July 2019	July 2020	July 2021
GDP	3.9%	-3.0%	10.6%
National Health Spending	3.8%	-0.8%	6.6%
Personal health care	4.6%	-2.5%	7.6%
Hospital care	4.5%	-2.9%	8.9%
Physician and clinical services	4.9%	-5.1%	8.1%
Other professional services	6.3%	0.8%	5.6%
Dental services	4.2%	-22.7%	19.7%
Other personal health care	0.9%	5.6%	5.6%
Home health care	9.0%	1.8%	3.2%
Nursing home care	2.5%	-9.9%	5.3%
Prescription Drugs	5.1%	6.0%	1.9%
Durable medical equipment	5.0%	1.7%	13.3%
Nondurable medical products	6.9%	8.4%	9.1%
Program administration and net cost of private health insurance	-5.7%	12.4%	-0.5%
Government public health activities	3.8%	2.3%	3.1%
Research	5.4%	5.7%	5.0%
Structures and equipment	7.0%	4.6%	5.3%
HS Minus GDP	-0.1%	2.1%	-3.9%
HS Minus PGDP	0.3%	-4.0%	0.4%

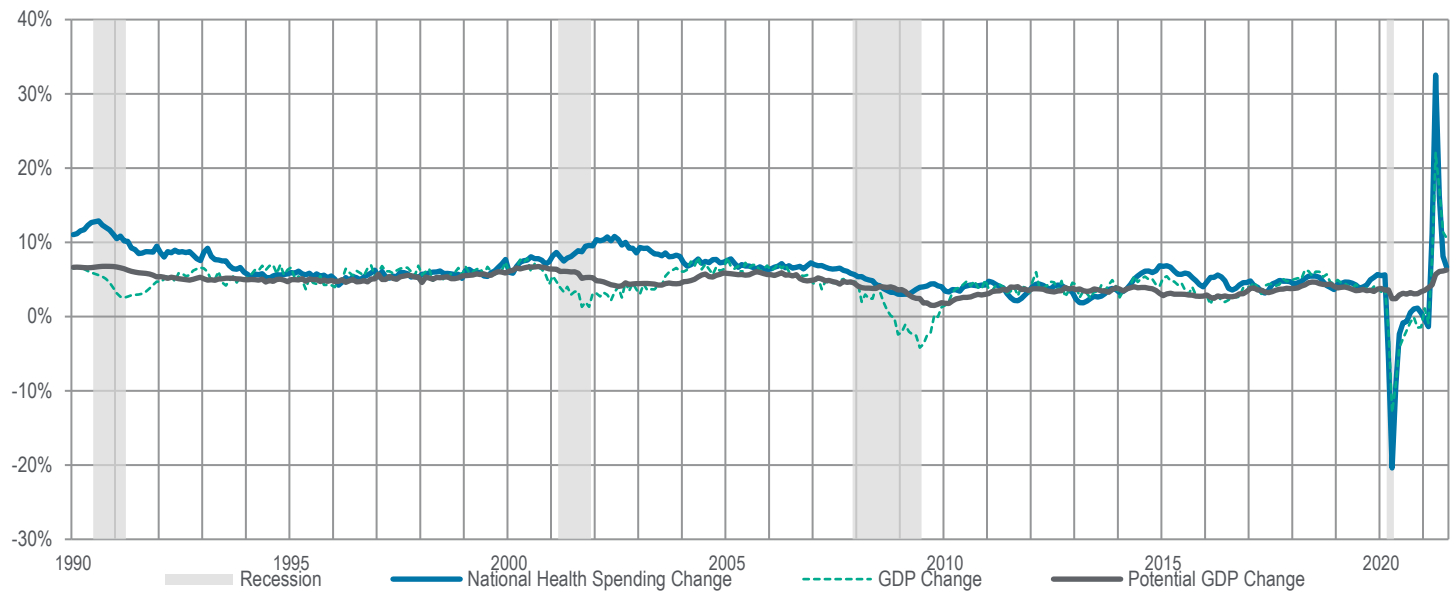
Source: Computed from Exhibit 2.

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



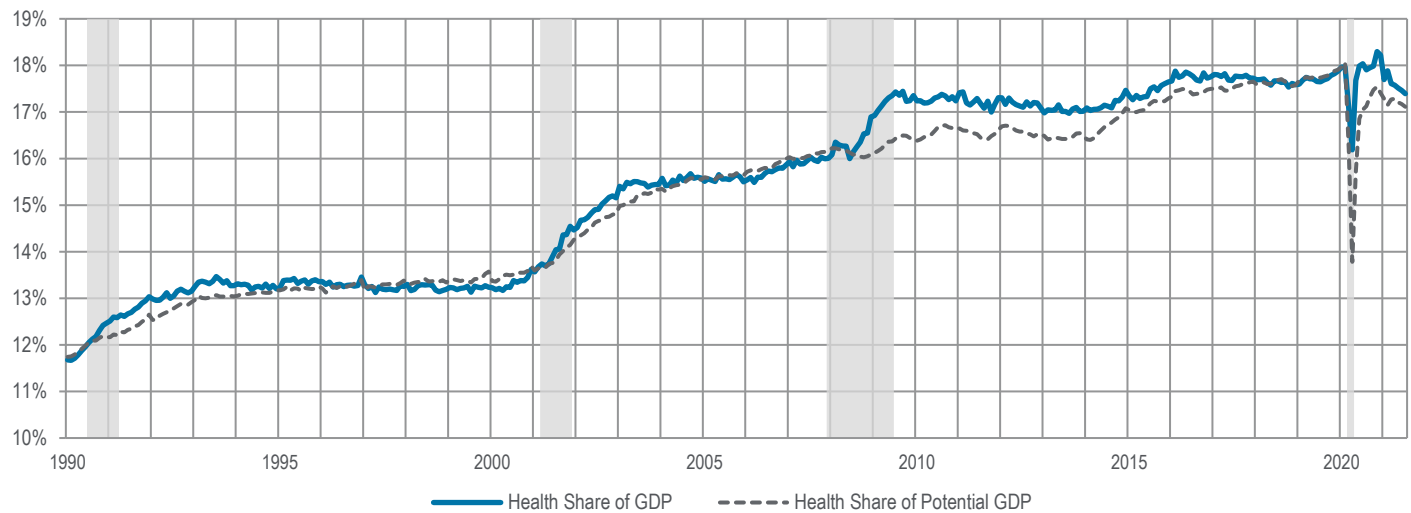
TIME SERIES TRACKER

Exhibit 5. 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 6. 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.