

Health Sector Economic IndicatorsSM

Insights from Monthly National Health Spending Data Through April 2015

June 11, 2015

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SPENDING BRIEF

Health spending growth in April moderates slightly

HIGHLIGHTS

- ▲ National health spending¹ in April 2015 was 6.2% higher than health spending in April 2014.
- ▲ The March 2015 gross domestic product (GDP) growth over a 12-month period was 2.9% (April GDP data are not yet available).
- ▲ The health spending share of GDP was 18.2% in March. This is up from 16.0% at the start of the recession in December 2007. This increase is partly attributable to slow GDP growth rather than high health spending growth; the March health spending share of potential GDP (PGDP) was 17.3%.²
- ▲ Spending in April 2015, year over year, increased in all major categories. Prescription drugs grew the fastest, by 10.5%, with hospital spending also showing rapid growth, at 8.5%.

	April 2013	April 2014	March 2015	April 2015
GDP	16.58	17.23	17.61	**
National Health Spending	2.88	3.02	3.20	3.21
Health Spending Share of GDP	17.4%	17.5%	18.2%	**
Health Spending Share of PGDP	16.5%	16.7%	17.3%	**
Growth from Prior 12 Months				
Health Spending	3.2%	4.8%	6.8%	6.2%
GDP	3.3%	3.9%	2.9%	**
Health Spending Minus GDP	-0.1%	0.8%	3.8%	**
Health Spending Minus PGDP	0.2%	1.4%	3.9%	**

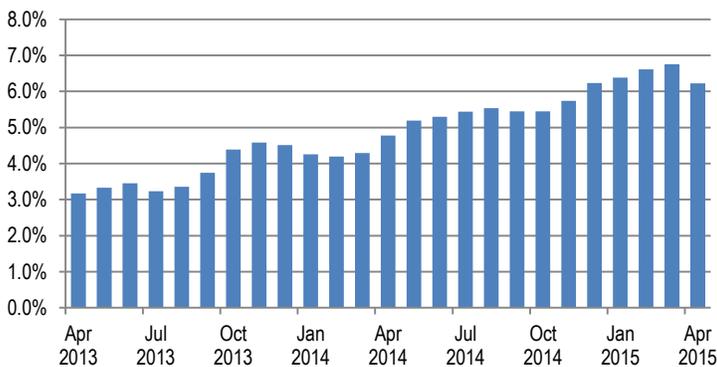
Source: Altarum Institute monthly health spending estimates (see Methods on page 4); monthly GDP is from Macroeconomic Advisers and Altarum estimates; PGDP, defined as what GDP would be at full employment, is from the quarterly Congressional Budget Office estimates, converted to monthly by Altarum.
*Spending is trillions of dollars, seasonally adjusted annual rate.
**Data not yet available.

HEALTH SPENDING

In April 2015, health spending increased to a seasonally adjusted annual rate (SAAR) of \$3.21 trillion from its value of \$3.20 trillion in March. March's health spending accounted for 18.2% of GDP (April GDP data are not yet available). As a share of PGDP, March's spending was at 17.3%, equal to the February value. Year over year, health spending in April grew by 6.2%, a lower rate than the March value of 6.8% (Exhibit 1). (Exhibits 7 and 8 show long-term comparisons.)

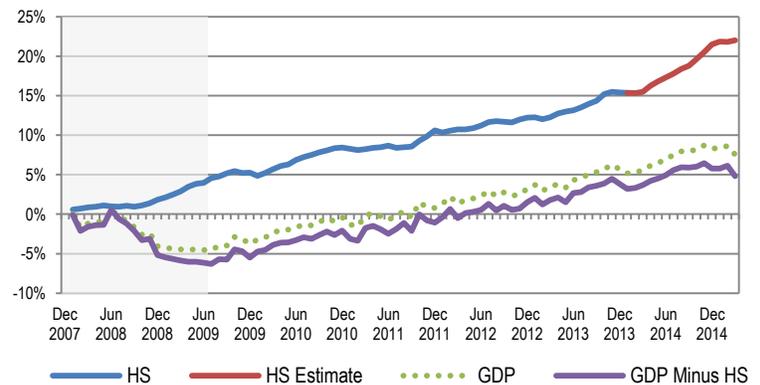
Since the start of the recession in December 2007, real health spending (using the GDP deflator) through March 2015 has increased by 22.0% (an annual rate of 2.8%) (April GDP data are not yet available). Real GDP, excluding health spending, fell by more than 6% in mid-2009 and is now 4.8% above its December 2007 level. Including health care, real GDP in March was 7.6% above its pre-recession level (Exhibit 2).

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



Source: Altarum analysis of U.S. Bureau of Labor Statistics (BLS) data.

Exhibit 2. Health Spending and GDP: Cumulative Percentage Change (Constant Dollars) Since December 2007



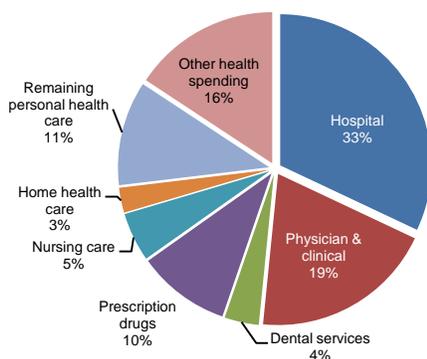
Source: Altarum analysis of BLS data.
Note: Shading indicates the recession period.

HEALTH CARE SPENDING BY CATEGORY

In April 2015:

- ▲ Hospital spending was \$1.04 trillion (SAAR) and represented 33% of total health spending (Exhibits 3 and 5).
- ▲ Physician and clinical services spending was \$617 billion, representing 19% of total health spending.
- ▲ Prescription drug spending was \$323 billion, 10% of total health spending.
- ▲ Nursing home and home health spending combined were \$253 billion, 8% of total health spending.
- ▲ Spending on personal health care goods and services accounted for 84% of total health spending. Other major components include public health, research, construction, and net cost of private insurance.

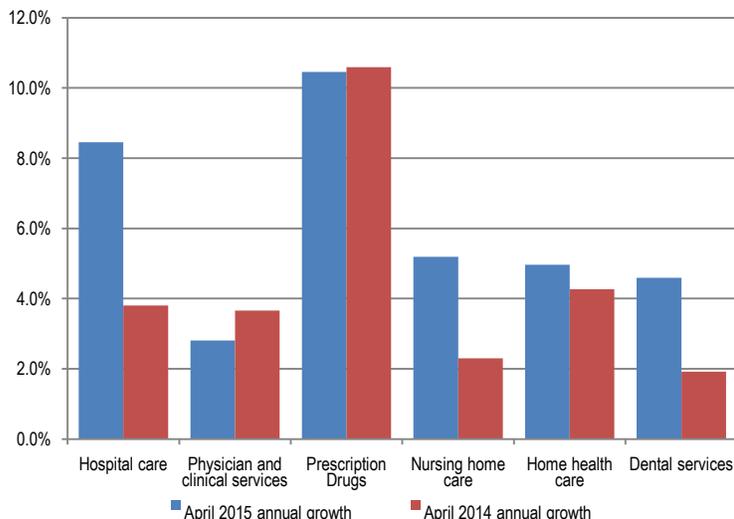
Exhibit 3. Health Spending by Category, March 2015



Source: Altarum monthly national health spending estimates.
 Notes: See Exhibit 5 for a complete list of spending categories. Categories do not add to 100% due to rounding.

Growth over the past 12 months: Prescription drugs grew most rapidly among the major categories (10.5%), while hospital spending grew by 8.5%. Physician and clinical services grew the slowest among major categories, at 2.8%. For the preceding 12-month period ending April 2014, prescription drugs again showed the highest growth among the major categories, at 10.6%, whereas dental services rose the least, by 1.9% (Exhibits 4 and 6).

Exhibit 4. Health Spending Year-over-Year Growth for Selected Categories



Source: Altarum monthly national health spending estimates.

DISCUSSION

Following a 5-month acceleration in health spending, growth in April moderated slightly, from 6.8% in March to 6.2% in April. This was due largely to a drop in the growth of hospital spending from 9.8% in March to 8.3% in April. The growth rate in prescription drug spending, while still high, has been declining steadily from a peak of 13.1% in December 2014 to an April growth rate of 10.5%. While these numbers for the first 4 months of 2015 are preliminary (as discussed below), the April drop is consistent with our expectations, as outlined in last month’s Spending Brief²: We anticipate that spending growth for prescription drugs will drop below 10% as 2015 progresses due to a leveling off in spending on drugs that treat hepatitis C, and that growth in expanded coverage associated with the Patient Protection and Affordable Care Act will be smaller in 2015 than in the previous year.

Our spending estimates for 2014 and 2015 are based largely on monthly spending data published by the Bureau of Economic Analysis (BEA). BEA’s 2015 estimates are preliminary pending incorporation of results from the U.S. Census Bureau’s Quarterly Services Survey (QSS), which was released for the first quarter of 2015 on June 10. These results will be incorporated into a revision of BEA’s estimates of spending on health services for the first 3 months of the year in their next release (these revisions will be included in our Spending Brief next month). The new QSS numbers suggest that spending on health services (hospitals, ambulatory care, and nursing homes) during the first quarter of 2015 grew by 7.3%, year over year. This is somewhat higher than our current estimate of first-quarter growth in health services of 6.1%. We thus anticipate an upward revision to first-quarter growth rates and spending growth in 2015 that is significantly higher than the record low growth rates in health spending that began in 2009 and reached its lowest rate of 3.6% in 2013, in spite of the slight moderation in growth suggested by our preliminary April data.

¹ Altarum’s monthly estimates of national health spending are intended to approximate the official National Health Expenditure Accounts (NHEA) produced annually by the Centers for Medicare & Medicaid Services (CMS). Our estimates match NHEA values that are currently available through 2013; CMS will release official values for 2014 in December 2015.

² For further discussion of PGDP, see our blog at <http://altarum.org/health-policy-blog/the-case-for-tracking-health-spending-as-a-share-of-potential-gdp>.

³ http://altarum.org/sites/default/files/uploaded-related-files/CSHS-Spending-Brief_May_2015.pdf.

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Altarum Institute is a 501(c)(3) nonprofit health care research and consulting organization. Altarum integrates independent research and client-centered consulting to deliver comprehensive, system-based solutions that improve health and health care.

The Center for Sustainable Health Spending (CSHS) was launched in 2011 to lead Altarum Institute’s research on the cost growth trends and key drivers of U.S. health spending and to formulate policy strategies to help bend the cost growth curve.

The Health Sector Economic IndicatorsSM reports are a monthly publication of CSHS and provide an analysis of health spending, employment, and prices. For more information, contact **Charles Roehrig, PhD**, at 734-302-4600 or charles.roehrig@altarum.org. George Miller, PhD (principal author); Paul Hughes-Cromwick; Ani Turner; and Matt Daly, PhD, contributed to this brief. Media Contact: Ken Schwartz, 571-733-5709, ken.schwartz@altarum.org. For more information, visit <http://www.altarum.org/cshs>.

DETAILED HEALTH SPENDING

Exhibit 5. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	April 2012	April 2013	April 2014	April 2015
GDP	\$16,058.3	\$16,580.2	\$17,231.0	**
National health spending	\$2,795.8	\$2,884.4	\$3,022.1	\$3,210.3
Personal health care	\$2,359.8	\$2,439.1	\$2,546.7	\$2,708.8
Hospital expenditures	\$887.0	\$927.0	\$962.3	\$1,043.7
Physician and clinical expenditures	\$562.0	\$579.4	\$600.6	\$617.4
Other professional services expenditures	\$75.9	\$79.5	\$82.4	\$86.0
Dental services expenditures	\$109.1	\$110.8	\$112.9	\$118.1
Other health, residential, and personal care expenditures	\$138.3	\$146.7	\$154.1	\$162.4
Home health care expenditures	\$76.0	\$79.0	\$82.4	\$86.4
Nursing care facilities and continuing care retirement communities	\$151.4	\$154.8	\$158.4	\$166.6
Prescription drug expenditures	\$265.2	\$264.2	\$292.2	\$322.8
Durable medical equipment expenditures	\$41.3	\$42.5	\$44.1	\$46.4
Nondurable medical products expenditures	\$53.5	\$55.2	\$57.3	\$58.9
Administration and net cost of health insurance expenditures	\$198.1	\$206.3	\$229.4	\$248.9
Public health activity	\$74.7	\$74.9	\$78.4	\$81.8
Research	\$48.4	\$46.7	\$46.9	\$45.9
Structures and equipment	\$114.9	\$117.4	\$120.7	\$124.8
National health spending share of GDP	17.4%	17.4%	17.5%	**
National health spending share of PGDP	16.5%	16.5%	16.7%	**

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

Note: Spending is expressed in billions of dollars at a SAAR.

**Data not yet available.

Exhibit 6. National Health Spending 12-Month Growth Rates by Detailed Category

Growth Rates	April 2013	April 2014	April 2015
GDP	3.3%	3.9%	**
National health spending	3.2%	4.8%	6.2%
Personal health care	3.4%	4.4%	6.4%
Hospital expenditures	4.5%	3.8%	8.5%
Physician and clinical expenditures	3.1%	3.7%	2.8%
Other professional services expenditures	4.8%	3.6%	4.3%
Dental services expenditures	1.6%	1.9%	4.6%
Other health, residential, and personal care expenditures	6.0%	5.1%	5.4%
Home health care expenditures	3.9%	4.3%	5.0%
Nursing care facilities and continuing care retirement communities	2.3%	2.3%	5.2%
Prescription drug expenditures	-0.4%	10.6%	10.5%
Durable medical equipment expenditures	3.0%	3.7%	5.4%
Nondurable medical products expenditures	3.1%	3.9%	2.8%
Administration and net cost of health insurance expenditures	4.1%	11.2%	8.5%
Public health activity	0.3%	4.7%	4.4%
Research	-3.4%	0.4%	-2.1%
Structures and equipment	2.1%	2.9%	3.4%
National health spending minus GDP	-0.1%	0.8%	**
National health spending minus PGDP	0.2%	1.4%	**

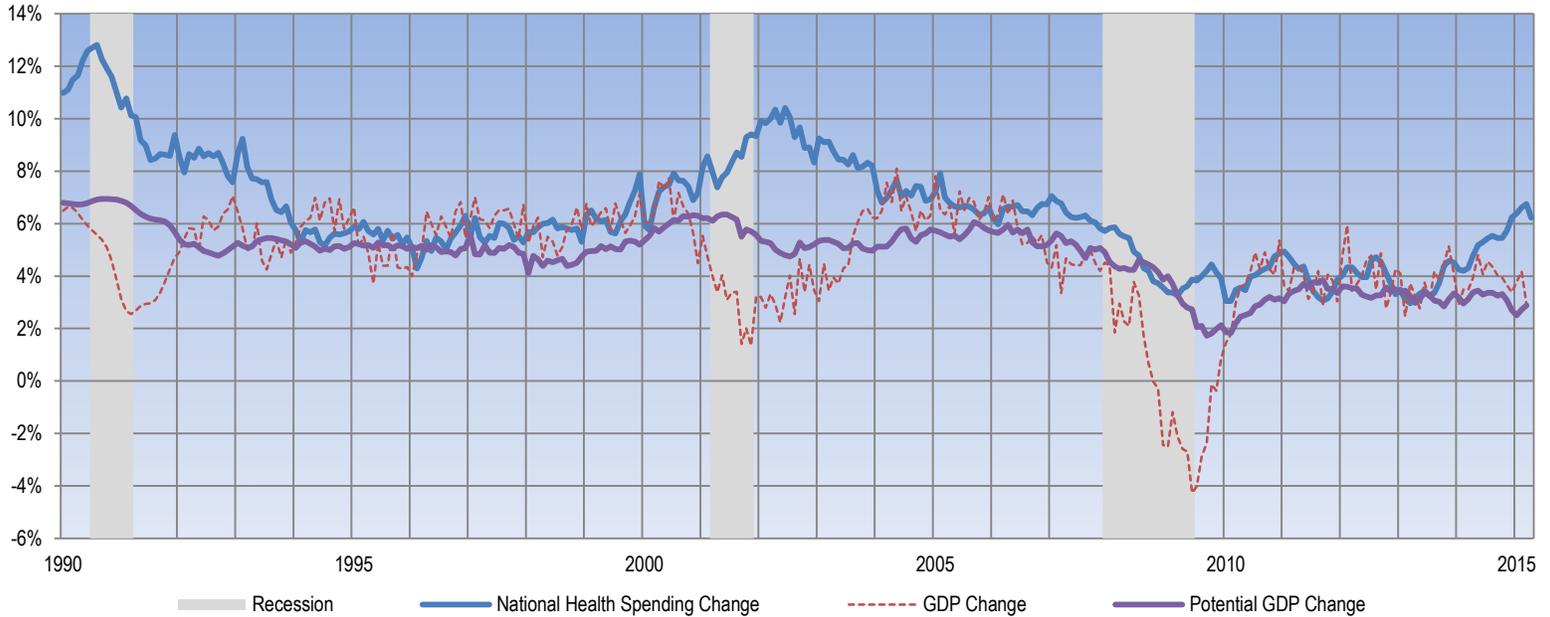
Source: Computed from Exhibit 5.

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

**Data not yet available.

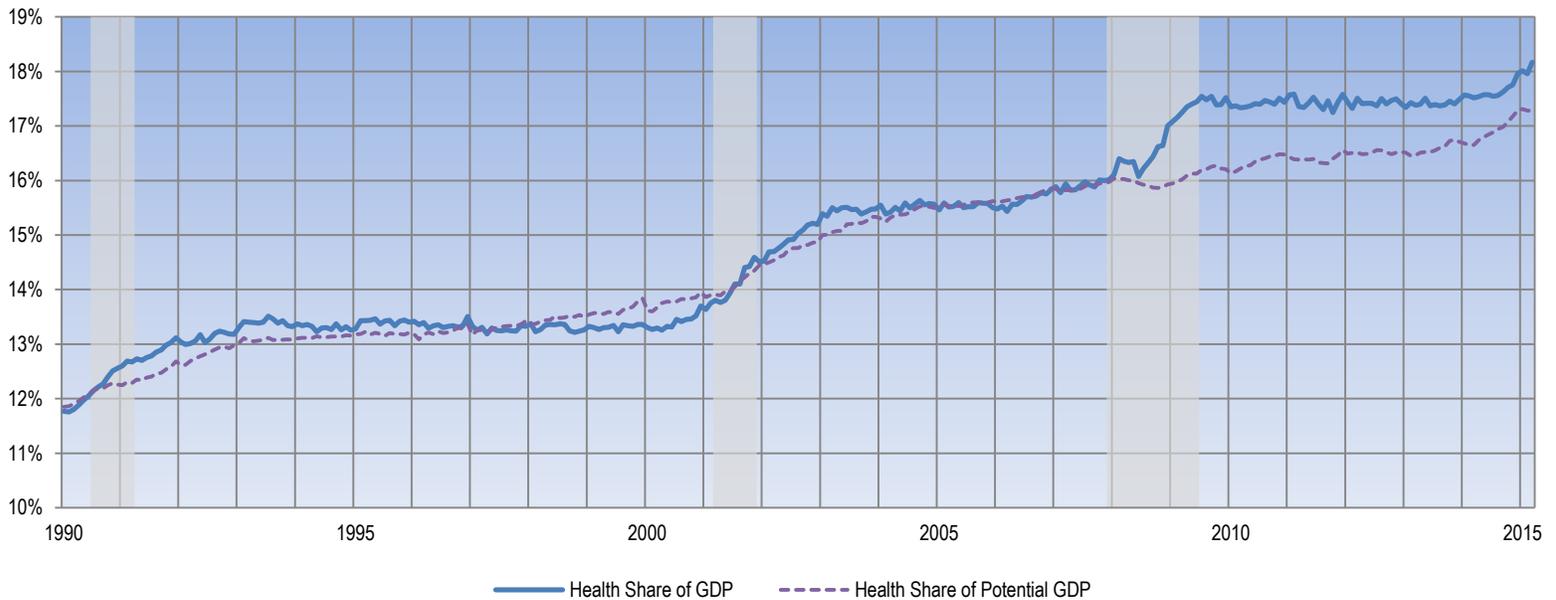
TIME SERIES TRACKER

Exhibit 7. Year-over-Year Percentage Change in Spending and GDP



Source: Altarum monthly national health spending estimates. The monthly GDP is from Macroeconomic Advisers and Altarum estimates.
 Note: Lightly shaded bars denote recession periods.

Exhibit 8. Monthly Health Spending as a Percentage of Monthly GDP



Source: Altarum monthly national health spending estimates. The monthly GDP is from Macroeconomic Advisers and Altarum estimates. The 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 (<http://www.bea.gov/iTable/iTable.cfm?ReqID=12&step=1>) and CMS annual national health expenditure (NHE) estimates (1990–2013) and projections (2014 and 2015) (<https://www.cms.gov/NationalHealthExpendData>). BEA spending categories are matched to NHEA components by using information presented in: 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, NHE estimates and projections are allocated across months by using a simple trend. Annual ratio adjustments through 2013 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2013 ratios are used to adjust BEA spending for months in 2014 and 2015.