

Health Sector Economic IndicatorsSM

Insights from Monthly National Health Spending Data Through April 2017

June 8, 2017

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SPENDING BRIEF

At 4.4% year over year, health spending growth in April is the lowest in 16 months

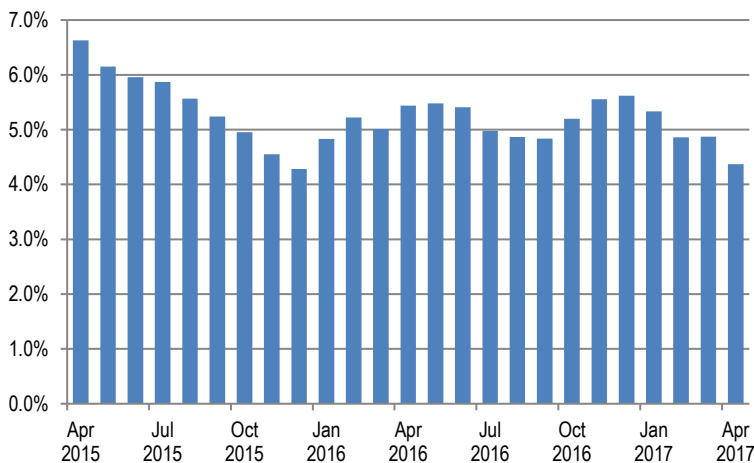
HIGHLIGHTS

- ▲ At \$3.49 trillion (seasonally adjusted annual rate), national health spending¹ in April 2017 was 4.4% higher than health spending in April 2016.
- ▲ The April 2017 nominal gross domestic product (GDP) growth over a 12-month period was 3.5%.
- ▲ The health spending share of GDP was 18.3% in April.
- ▲ The health spending share of potential GDP (PGDP) was 18.1% in April².
- ▲ Spending in April 2017, year over year, increased in all major categories. Home health care grew the fastest, at 5.7%. Dental services grew at a 2.0% rate, the slowest among the major categories.

HEALTH SPENDING

In April 2017, health spending reached a seasonally adjusted annual rate (SAAR) of \$3.49 trillion, slightly above its March value of \$3.48 trillion. April's health spending accounted for 18.3% of GDP, equal to its March value. As a share of PGDP, April's spending was 18.1%, also equal to its March value. Year over year, health spending in April grew by 4.4%, somewhat lower than its March rate of 4.9% (Exhibit 1). (Exhibits 7 and 8 show long-term comparisons.)

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



Source: Altarum monthly national health spending estimates.
Note: This exhibit compares a given month's health spending with that of the same month from the previous year.

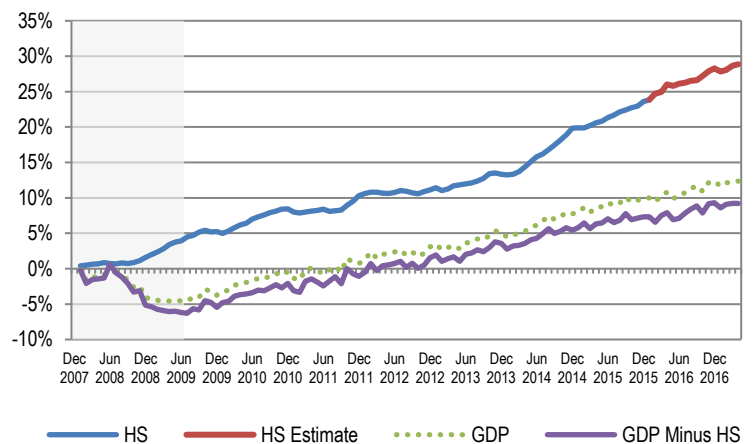
National Health Spending and GDP*

	Apr 2015	Apr 2016	Mar 2017	Apr 2017
GDP	17.91	18.44	19.05	19.09
National Health Spending	3.17	3.35	3.48	3.49
Health Spending Share of GDP	17.7%	18.1%	18.3%	18.3%
Health Spending Share of PGDP	17.5%	18.0%	18.1%	18.1%
Growth from Prior 12 Months				
Health Spending	6.6%	5.4%	4.9%	4.4%
GDP	4.3%	3.0%	3.7%	3.5%
Health Spending Minus GDP	2.4%	2.5%	1.2%	0.9%
Health Spending Minus PGDP	3.8%	2.8%	1.4%	0.7%

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 in trillions of dollars at a seasonally adjusted annual rate.

Since the start of the recession in December 2007, real health spending (using the GDP deflator) through April 2017 has increased by 28.9% (an annual rate of 2.8%). Real GDP, excluding health spending, fell by more than 6% in mid-2009 and is now 9.2% above its December 2007 level. Including health care, real GDP in February was 12.4% above its pre-recession level (Exhibit 2).

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



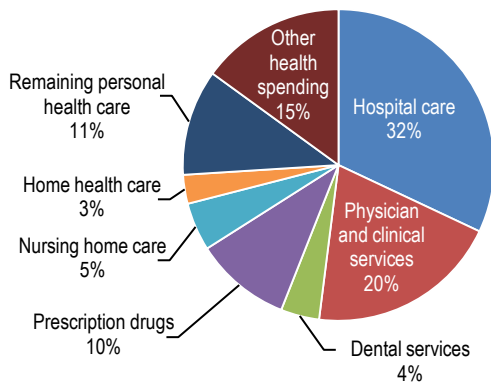
Source: "Health spending" (HS) consists of Altarum monthly estimates that match the government's official National Health Expenditure Accounts (NHEA). "HS estimates" are Altarum estimates designed to be consistent with future NHEA values. Monthly GDP is from Macroeconomic Advisers and Altarum estimates.
Note: Shading indicates the recession period.

HEALTH CARE SPENDING BY CATEGORY

In April 2017:

- ▲ Hospital spending was \$1.12 trillion (SAAR) and represented 32% of total health spending (Exhibits 3 and 5).
- ▲ Physician and clinical services spending was \$706 billion, representing 20% of total health spending.
- ▲ Prescription drug spending was \$355 billion, 10% of total health spending.
- ▲ Nursing home care and home health care spending combined were \$265 billion, 8% of total health spending.
- ▲ Spending on personal health care goods and services accounted for 85% of total health spending. Other major components include public health, research, construction, and net cost of private insurance.

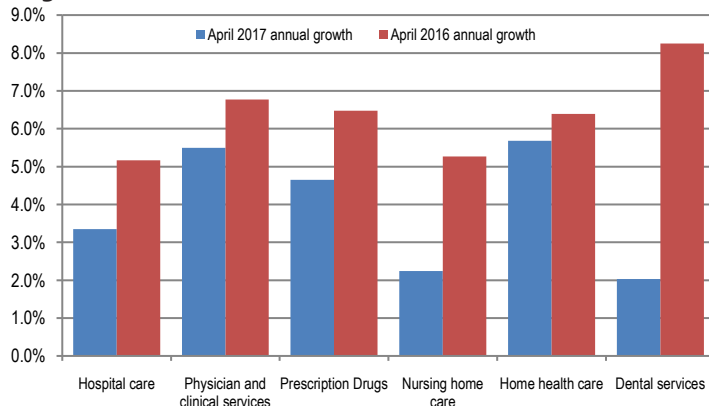
Exhibit 3. Health Spending by Category, April 2017



Source: Altarum monthly national health spending estimates.
 Note: See Exhibit 5 for a complete list of spending categories.

Growth over the past 12 months: Home health care grew most rapidly among the major categories, at 5.7%. Expenditures for dental services grew the slowest among major categories, at 2.0%. For the preceding 12-month period ending April 2016, dental services spending showed the highest growth among the major categories, at 8.3%, and hospital care was lowest, at 5.2% (Exhibits 4 and 6).

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



Source: Altarum monthly national health spending estimates.

DISCUSSION

National health spending growth in April dropped to 4.4%, year over year, following a gradual decline from 5.6% in December 2016. April’s growth rate is the lowest since it reached 4.3% in December 2015. For the first four months of 2017, the growth rate is estimated at 4.9%; growth for the first quarter of 2017 was 5.0%. This first quarter growth estimate is the result of a downward revision from the 5.4% that we reported in last month’s spending brief. Similarly, previous estimates suggested that spending had reached 18.4% of GDP, but this month’s brief indicates that we have not yet exceeded 18.3%. The reduction in the first quarter spending growth estimate was driven by hospital spending, whose first quarter growth rate of 4.6% was previously estimated to be 5.8%.

The latest results are based largely on the Bureau of Economic Analysis (BEA) monthly spending data, including its most recent update released on May 30. This update incorporates results from the U.S. Census Bureau’s Advance Quarterly Services Report for the first quarter of 2017, which was released on May 19 and partially explains the downward revision in hospital spending growth. This report is a preliminary version of the Census Bureau’s Quarterly Services Survey released on June 8. While next month’s spending brief will incorporate BEA’s revision based on the final QSS results, we do not anticipate a major impact on first quarter results.

¹ Altarum’s monthly estimates of national health spending are intended to approximate the official NHEA produced annually by the Centers for Medicare & Medicaid Services (CMS). Our estimates match NHEA values that are currently available through 2015 and (for some spending categories) NHEA projections for 2016 and 2017.

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>.

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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’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: Sarah Litton, 202-772-5062, press@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)	Apr 2014	Apr 2015	Apr 2016	Apr 2017
GDP	\$17,177.5	\$17,911.0	\$18,443.7	\$19,090.2
National health spending	\$2,975.8	\$3,173.2	\$3,345.8	\$3,491.9
Personal health care	\$2,515.2	\$2,687.5	\$2,848.2	\$2,968.5
Hospital expenditures	\$962.0	\$1,031.5	\$1,084.8	\$1,121.1
Physician and clinical expenditures	\$587.3	\$626.4	\$668.8	\$705.5
Other professional services expenditures	\$80.4	\$86.2	\$93.1	\$99.3
Dental services expenditures	\$111.3	\$115.6	\$125.1	\$127.6
Other health, residential, and personal care expenditures	\$148.9	\$161.5	\$168.5	\$176.8
Home health care expenditures	\$83.3	\$87.1	\$92.7	\$97.9
Nursing care facilities and continuing care retirement communities	\$149.3	\$155.0	\$163.2	\$166.8
Prescription drug expenditures	\$290.2	\$318.4	\$339.0	\$354.8
Durable medical equipment expenditures	\$46.0	\$47.6	\$51.0	\$54.8
Nondurable medical products expenditures	\$56.4	\$58.3	\$62.1	\$63.9
Administration and net cost of health insurance expenditures	\$231.6	\$251.2	\$258.3	\$276.4
Public health activity	\$78.6	\$80.6	\$82.0	\$84.7
Research	\$45.8	\$46.5	\$47.6	\$49.3
Structures and equipment	\$104.7	\$107.4	\$109.7	\$113.1
National health spending share of GDP	17.3%	17.7%	18.1%	18.3%
National health spending share of PGDP	16.9%	17.5%	18.0%	18.1%

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.

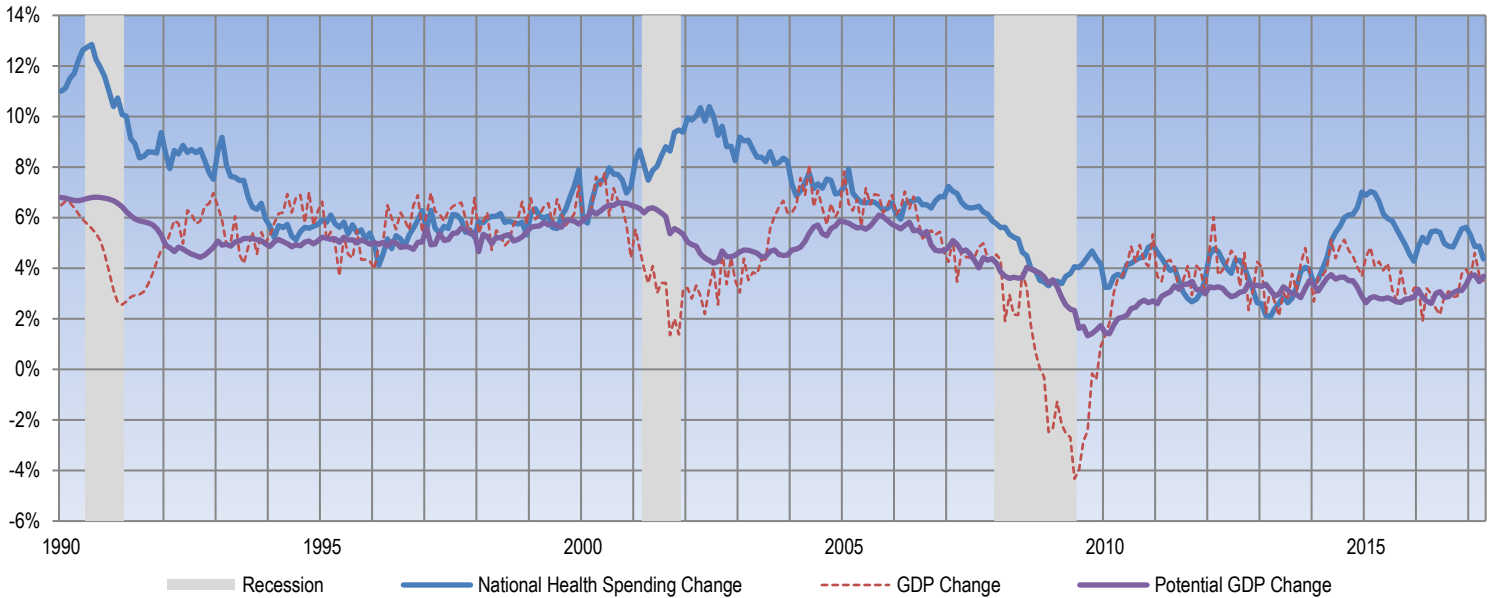
Exhibit 6. National Health Spending 12-Month Growth Rates by Detailed Category

Growth Rates	Apr 2015	Apr 2016	Apr 2017
GDP	4.3%	3.0%	3.5%
National health spending	6.6%	5.4%	4.4%
Personal health care	6.8%	6.0%	4.2%
Hospital expenditures	7.2%	5.2%	3.3%
Physician and clinical expenditures	6.7%	6.8%	5.5%
Other professional services expenditures	7.2%	8.0%	6.6%
Dental services expenditures	3.8%	8.3%	2.0%
Other health, residential, and personal care expenditures	8.5%	4.3%	4.9%
Home health care expenditures	4.5%	6.4%	5.7%
Nursing care facilities and continuing care retirement communities	3.8%	5.3%	2.2%
Prescription drug expenditures	9.7%	6.5%	4.7%
Durable medical equipment expenditures	3.5%	7.2%	7.3%
Nondurable medical products expenditures	3.3%	6.5%	3.0%
Administration and net cost of health insurance expenditures	8.5%	2.8%	7.0%
Public health activity	2.6%	1.7%	3.3%
Research	1.5%	2.4%	3.6%
Structures and equipment	2.6%	2.1%	3.1%
National health spending minus GDP	2.4%	2.5%	0.9%
National health spending minus PGDP	3.8%	2.8%	0.7%

Source: Computed from Exhibit 5.
 Note: This exhibit compares monthly national health spending to that of the same month from the previous year.

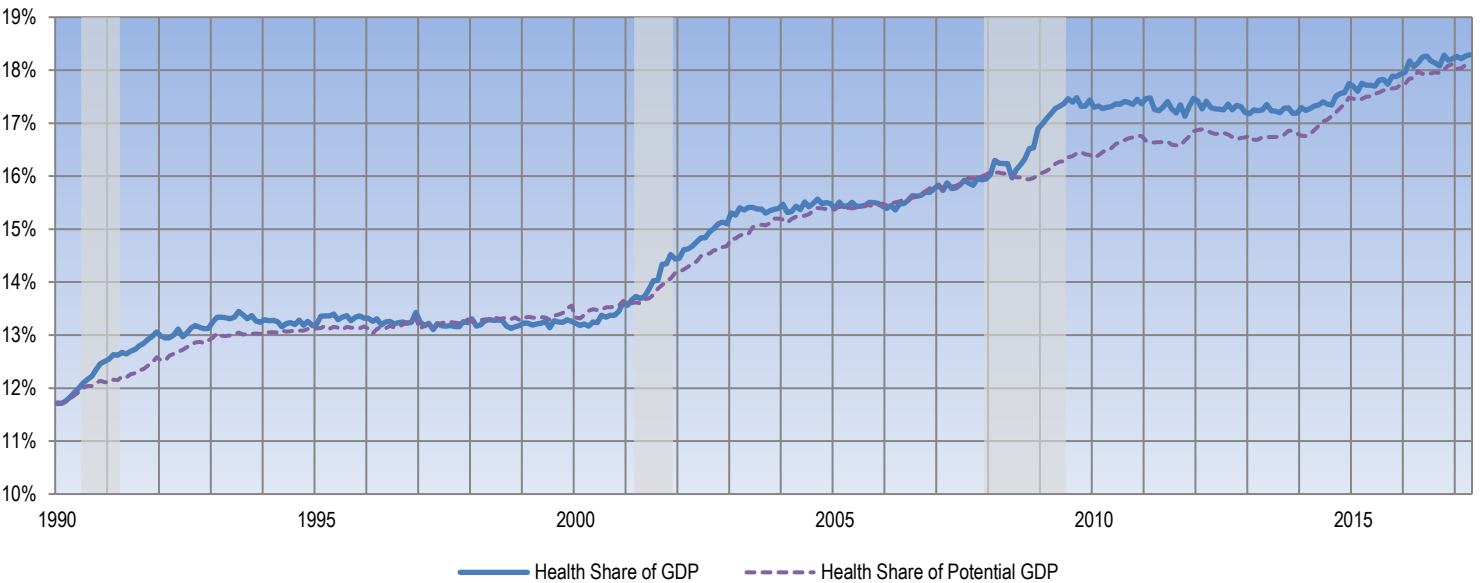
TIME SERIES TRACKER

Exhibit 7. 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 8. Monthly Health Spending as a Percentage of Monthly GDP



Source: Altarum monthly national health spending estimates. Monthly GDP is from Macroeconomic Advisers 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 (<http://www.bea.gov/iTable/iTable.cfm?ReqID=12&step=1>) and CMS annual NHE estimates (1990–2015) and projections (2016 and 2017) (<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/index.html>). 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 2015 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2015 ratios are used to adjust BEA spending for months in 2016 and 2017.