

July 18, 2024

National health spending shows signs of acceleration

HIGHLIGHTS

- ▲ In May 2024, national health spending was 7.7% higher than in May 2023 and represented 17.8% of GDP.
- ▲ Nominal GDP in May 2024 was 5.7% higher than in May 2023, growing 2.0 percentage points more slowly than health spending.
- ▲ Personal health care spending growth in May was 8.3%, year over year, with utilization growth continuing to outpace price growth.
- ▲ Growth among major spending categories was highest by far for home health care, at 22.6%, year over year. Spending growth on each of the other major categories was below 10%, with spending on physician and clinical services growing the slowest, at 6.6%.

National Health Spending and GDP*

	May 2022	May 2023	Apr 2024	May 2024
GDP	25.54	27.07	28.52	28.63
National Health Spending (HS)	4.41	4.73	5.05	5.10
HS Share of GDP	17.2%	17.5%	17.7%	17.8%
HS Share of PGDP	17.2%	17.5%	17.8%	18.0%
Growth from Prior 12 Months				
HS	3.8%	7.4%	7.2%	7.7%
GDP	9.7%	6.0%	5.9%	5.7%
HS minus GDP	-5.9%	1.4%	1.4%	2.0%
HS minus PGDP	-6.0%	1.8%	2.4%	2.8%

Source: Altarum monthly health spending estimates (see Methods box below). Monthly GDP is from S&P Global Market Intelligence. PGDP, defined as what GDP would be at full employment, is from the quarterly Congressional Budget Office estimates, converted to monthly by Altarum.

Note: Discrepancies in differences are due to rounding.

* Spending is in trillions of dollars at a seasonally adjusted annual rate (SAAR).

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 George Miller at george.miller@altarum.org. George Miller, PhD (principal author), Corwin Rhyan, Stephen McCall, and Matt Daly, PhD, contributed to this brief. We thank Ani Turner for her years of leadership of this work. Media Contact: press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.

DISCUSSION

In May 2024, national health spending reached a seasonally adjusted annual rate of \$5.10 trillion, corresponding to a year-over-year growth rate of 7.7%. This is the largest year-over-year increase we have observed since March 2021, when a 12.3% growth rate was primarily due to a precipitous drop in spending in March 2020 because of the pandemic. The growth rate was 13.3% in February 2020, just before the start of the pandemic.

Since May 2023, nominal GDP grew by 5.7%. Health spending in May accounted for 17.8% of GDP, a slight increase above the April percentage.

The 7.7% year-over-year growth rate in national health spending represented an increase from the April rate of 7.2%, resulting in a growth rate in health spending that was 2.0 percentage points above GDP growth. The year-over-year growth rate in personal health care spending (spending on health care goods and services) also grew from 7.8% in April to 8.3% in May, resulting in personal health care spending as a percent of GDP equaling 15.0%, a value that equals the rate seen in March and April of this year (Exhibit 1).

Exhibit 1. Year-over-Year Growth in GDP and Health Spending

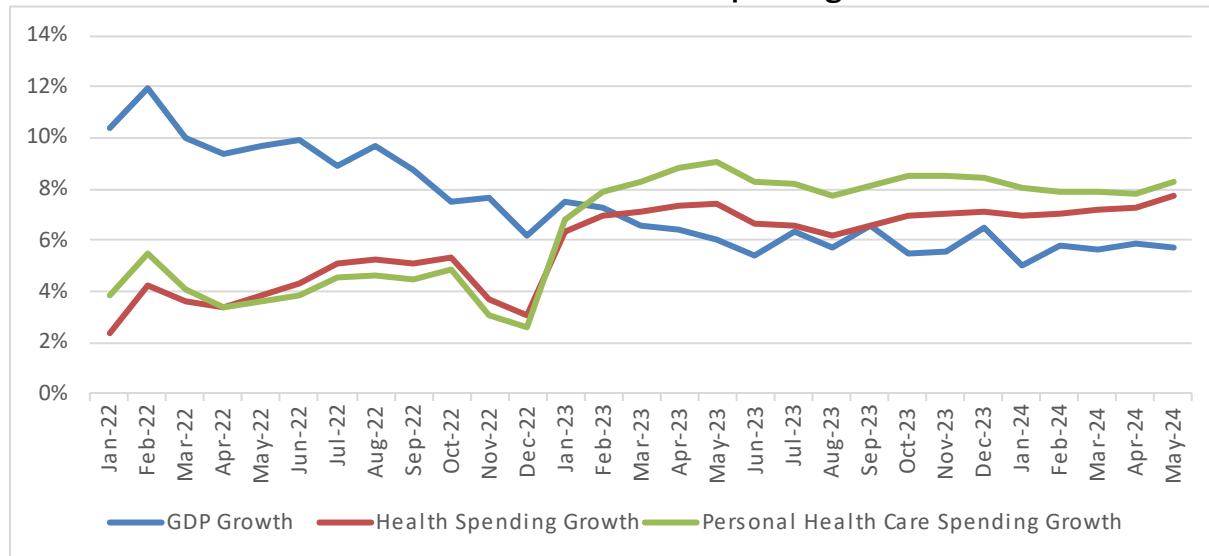


Exhibit 2 illustrates how health spending in May was distributed among spending categories. Personal health care constituted 84% of national health spending. Slightly more than half of total expenditures was attributed to hospital care and physician and clinical services. (The sum of the components exceeds 100% due to rounding.)

Exhibit 2. Health Spending by Category, May 2024

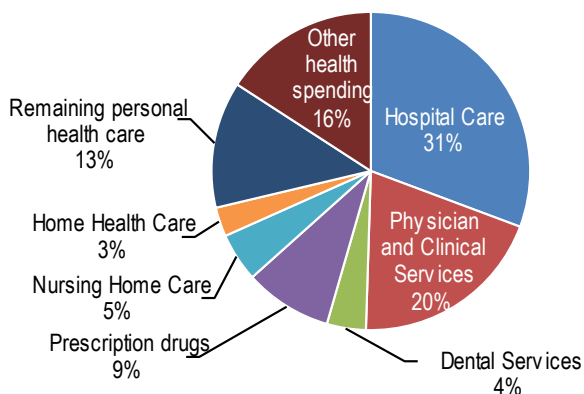


Exhibit 3 displays the growth in spending by major categories within personal health care since May 2023. Spending on home health care showed the fastest growth by far, at 22.6%, while the slowest growth occurred in spending on physician and clinical services, at 6.6%. This month's HSEI [Price Brief](#) indicates that the growth in home health care spending is almost entirely due to utilization growth rather than price increases, with 20.1 percentage points of the 22.6% growth resulting from an increase in utilization. The growth in home health care spending was the largest since the spring of 2020, when government subsidies to combat the pandemic caused a major jump in spending.

Pre-pandemic, the most recent growth rate in home health care that exceeded the May 2024 rate was in January 1993, at 24.1%. This rate was also high for all of 1992, totaling 23.5% for the entire year.

Exhibit 3. Health Care Spending 12-Month Growth

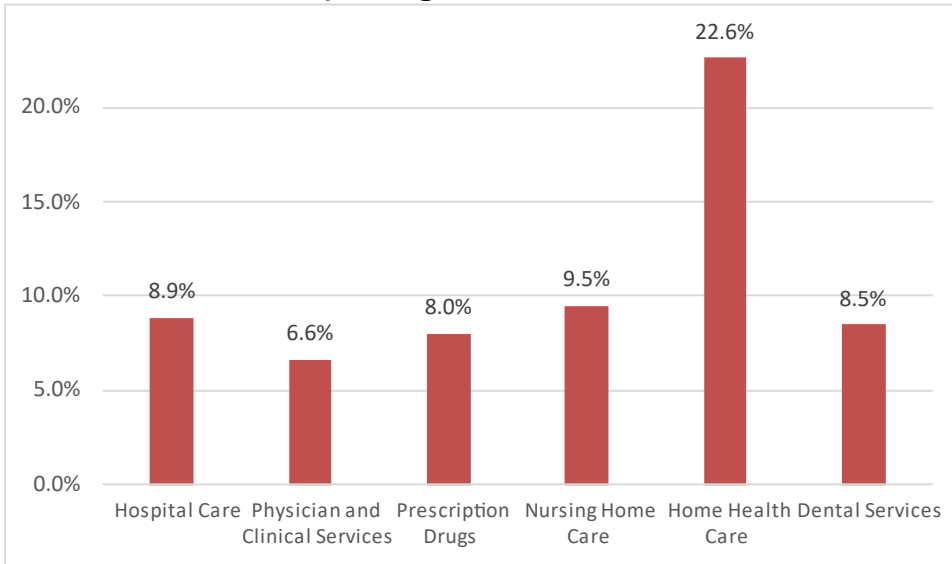
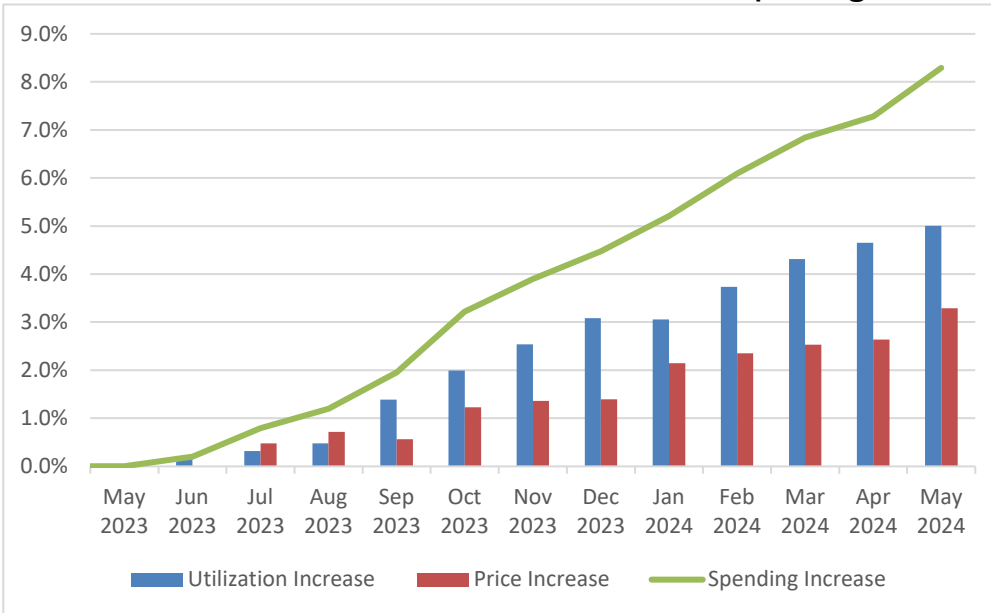


Exhibit 4 shows how spending on personal health care has grown over the past year (since May 2023) and illustrates the relative contribution of utilization and prices to this growth. It indicates that spending growth through May 2024 has continued to be driven more by utilization growth than by price increases: Of the 8.3% growth in personal health care spending during this period, 3.3 percentage points can be attributed to price growth, while the remaining 5.0 percentage point growth was associated with increases in utilization.

Exhibit 4. Cumulative Growth in Personal Health Care Spending



DETAILED HEALTH SPENDING

Exhibit 5. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	May 2021	May 2022	May 2023	May 2024
GDP	\$23,280.1	\$25,538.7	\$27,074.7	\$28,625.8
National Health Spending	\$4,241.9	\$4,405.1	\$4,732.9	\$5,098.6
Personal health care	\$3,518.8	\$3,644.7	\$3,976.1	\$4,305.7
Hospital care	\$1,314.7	\$1,316.6	\$1,443.1	\$1,571.2
Physician and clinical services	\$845.5	\$879.5	\$953.4	\$1,016.7
Other professional services	\$132.3	\$138.9	\$151.2	\$165.2
Dental services	\$162.6	\$162.1	\$176.6	\$191.6
Other personal health care	\$221.0	\$243.9	\$264.5	\$281.7
Home health care	\$123.7	\$134.9	\$138.8	\$170.2
Nursing home care	\$178.9	\$188.0	\$210.6	\$230.6
Prescription Drugs	\$371.3	\$400.8	\$444.7	\$480.3
Durable medical equipment	\$64.2	\$66.0	\$70.4	\$73.3
Nondurable medical products	\$104.6	\$114.1	\$122.7	\$125.1
Program administration and net cost of private health insurance	\$307.1	\$329.7	\$359.8	\$383.0
Government public health activities	\$209.6	\$215.1	\$164.4	\$165.2
Research	\$61.6	\$64.4	\$67.6	\$70.9
Structures and equipment	\$144.8	\$151.2	\$165.0	\$173.7
HS Share of GDP	18.2%	17.2%	17.5%	17.8%
HS Share of PGDP	18.2%	17.2%	17.5%	18.0%

Source: Altarum monthly national health spending estimates. The monthly GDP is from S&P Global Market Intelligence.

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

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

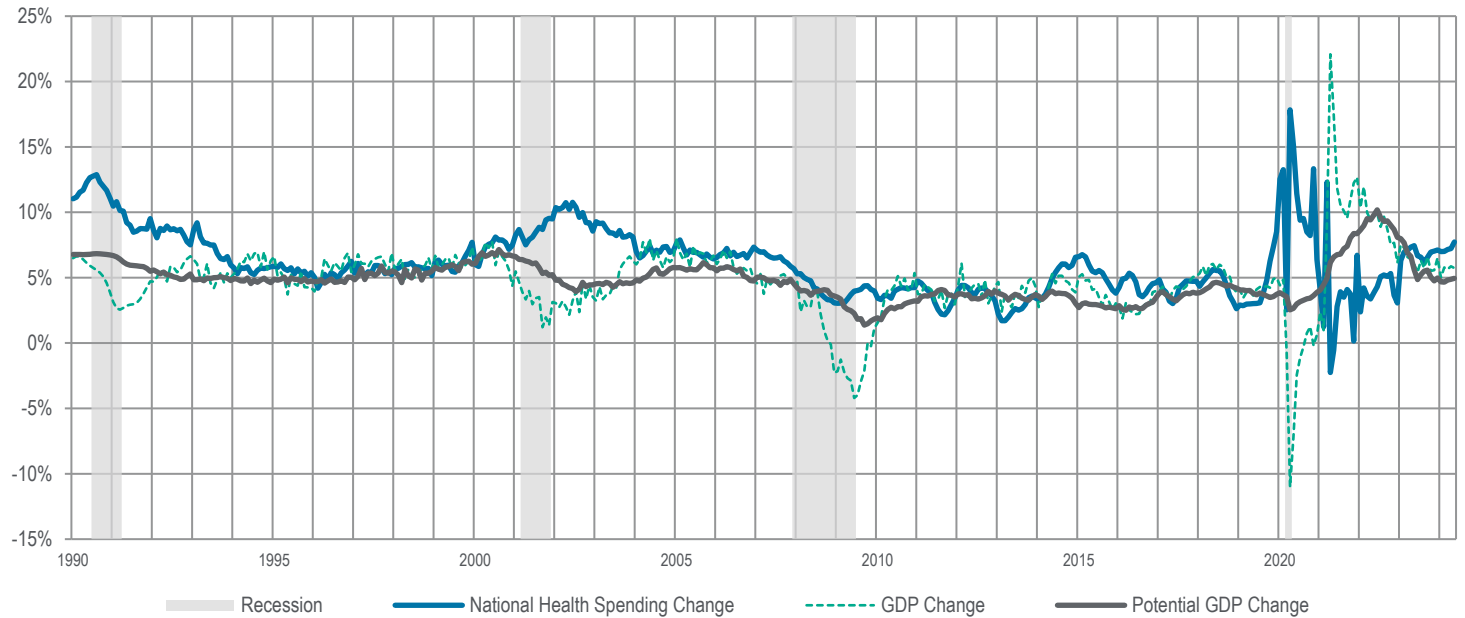
Growth Rates	May 2022	May 2023	May 2024
GDP	9.7%	6.0%	5.7%
National Health Spending	3.8%	7.4%	7.7%
Personal health care	3.6%	9.1%	8.3%
Hospital care	0.1%	9.6%	8.9%
Physician and clinical services	4.0%	8.4%	6.6%
Other professional services	5.0%	8.9%	9.2%
Dental services	-0.3%	8.9%	8.5%
Other personal health care	10.4%	8.4%	6.5%
Home health care	9.1%	2.9%	22.6%
Nursing home care	5.1%	12.1%	9.5%
Prescription Drugs	7.9%	11.0%	8.0%
Durable medical equipment	2.8%	6.7%	4.2%
Nondurable medical products	9.0%	7.6%	1.9%
Program administration and net cost of private health insurance	7.4%	9.1%	6.4%
Government public health activities	2.6%	-23.5%	0.5%
Research	4.6%	4.9%	4.9%
Structures and equipment	4.4%	9.1%	5.3%
HS Minus GDP	-5.9%	1.4%	2.0%
HS Minus PGDP	-6.0%	1.8%	2.8%

Source: Computed from Exhibit 5.

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

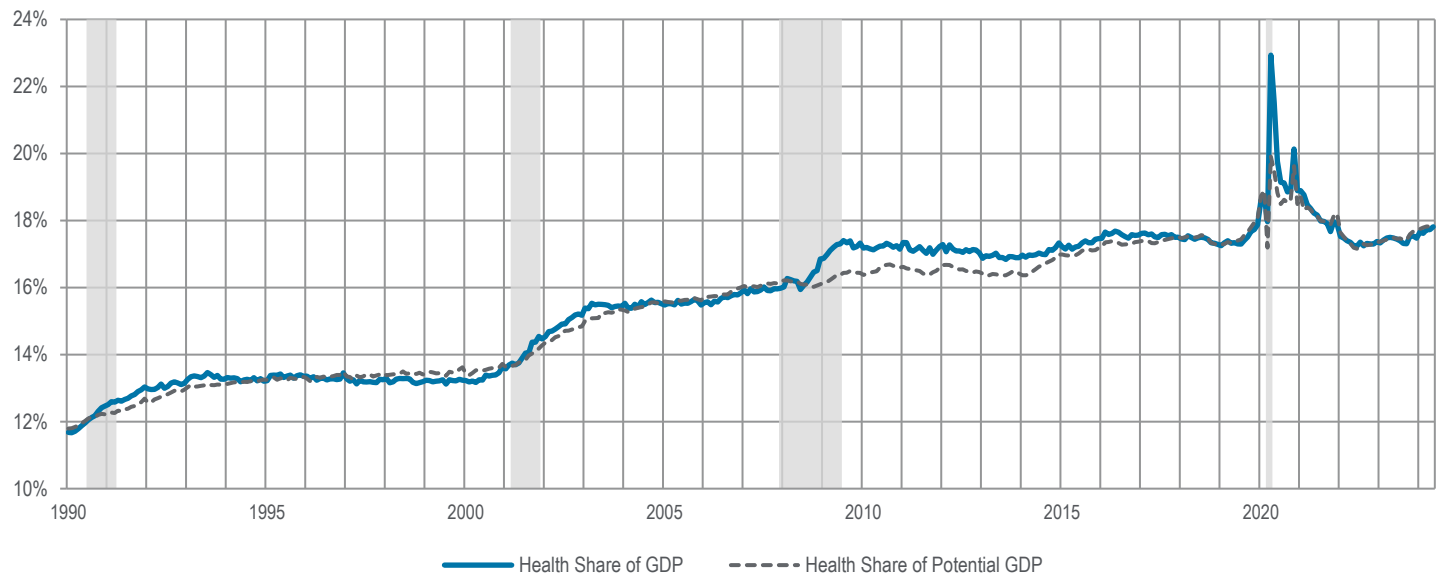
TIME SERIES TRACKER

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



Source: Altarum monthly national health spending estimates. The monthly GDP is from S&P Global Market Intelligence.
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 S&P Global Market Intelligence. 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 \(1990–2022\) and projections \(2023 and 2024\)](#). 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 2022 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2022 ratios are used to adjust BEA spending for months in 2023 and 2024.