

February 22, 2023

National health spending grew by 3.8% in 2022

HIGHLIGHTS

- ▲ With data now available through December 2022, we estimate that national health spending increased by 3.8% in 2022, as a decline in pandemic-related federal subsidies partially offset an increase in health care utilization.
- ▲ In December 2022, national health spending grew by just 0.6%, year over year, further reflecting the decline in federal government subsidies.
- ▲ Nominal GDP in December 2022 was 6.3% higher than in December 2021 as GDP growth continues to outpace health spending growth.

National Health Spending and GDP*

	Dec 2020	Dec 2021	Nov 2022	Dec 2022
GDP	21.71	24.52	26.24	26.07
National Health Spending (HS)	4.08	4.47	4.48	4.49
HS Share of GDP	18.8%	18.2%	17.1%	17.2%
HS Share of PGDP	18.1%	18.3%	17.1%	17.1%
Growth from Prior 12 Months				
HS	5.3%	9.6%	1.4%	0.6%
GDP	-0.3%	12.9%	7.9%	6.3%
HS minus GDP	5.7%	-3.4%	-6.5%	-5.7%
HS minus PGDP	1.8%	1.3%	-7.0%	-6.9%

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 (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 Ani Turner at ani.turner@altarum.org. George Miller, PhD (principal author), Ani Turner, Corwin Rhyan, and Matt Daly, PhD, contributed to this brief. Media Contact: press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.



DISCUSSION

This month's spending brief gives us a first look at national health spending growth for all of 2022. National health spending for the year grew by 3.8%, as a decline in pandemic-related federal subsidies partially blunted an increase in health care utilization. In particular, spending on personal health care (health care goods and services) grew by 4.1% on the year when the effects of the federal government subsidies are included, but by 5.7% in the absence of the subsidies. This difference is similar to, though less substantial than, that observed in 2021, where personal health care spending grew by 5.5% including subsidies but by 9.7% in their absence.

The decline in federal government support is especially evident in spending growth for the most recent month: In December 2022, national health spending grew by just 0.6%, year over year, reaching a seasonally adjusted annual rate of \$4.49 trillion. Health spending in December accounted for 17.2% of GDP. Both spending and GDP growth rates have continued to decline since December 2021. However, the decline in health spending growth (from 9.6% to 0.6%) has been faster than in GDP growth (from 12.9% to 6.3%), resulting in a decline in spending as a percent of GDP from 18.2% to 17.2% between January and December 2022 (Exhibit 1).

Exhibit 1. Year-over-Year Growth in GDP and Health Spending, and Spending as a Percent of GDP

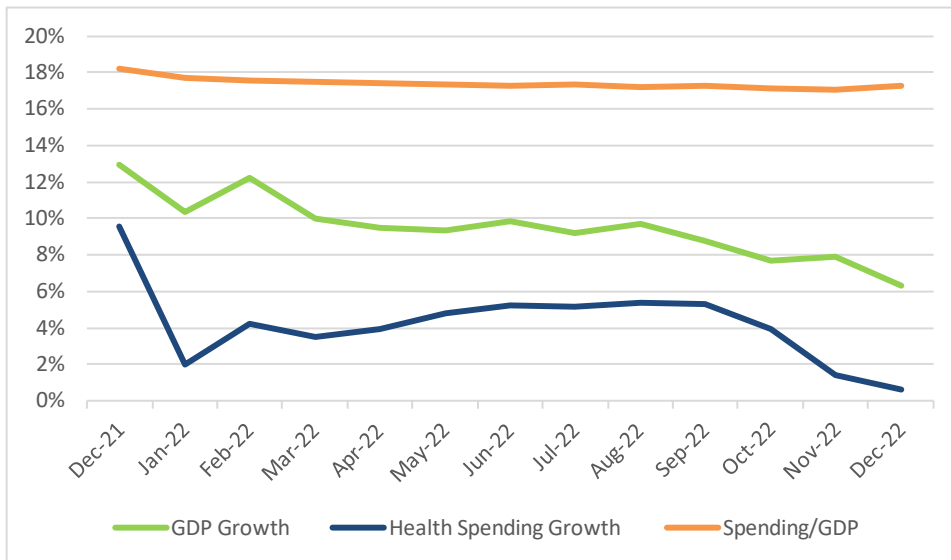


Exhibit 2 shows the trajectory of growth in national health spending and GDP since the start of 2020 through December 2022 with and without COVID-related federal government support to providers and public health activities. As noted, this support has declined significantly in recent months, with most of the remaining support going to public health via the Public Health and Social Services Emergency Fund.



Exhibit 2. Percent Change in National Health Spending and GDP Since January 2020

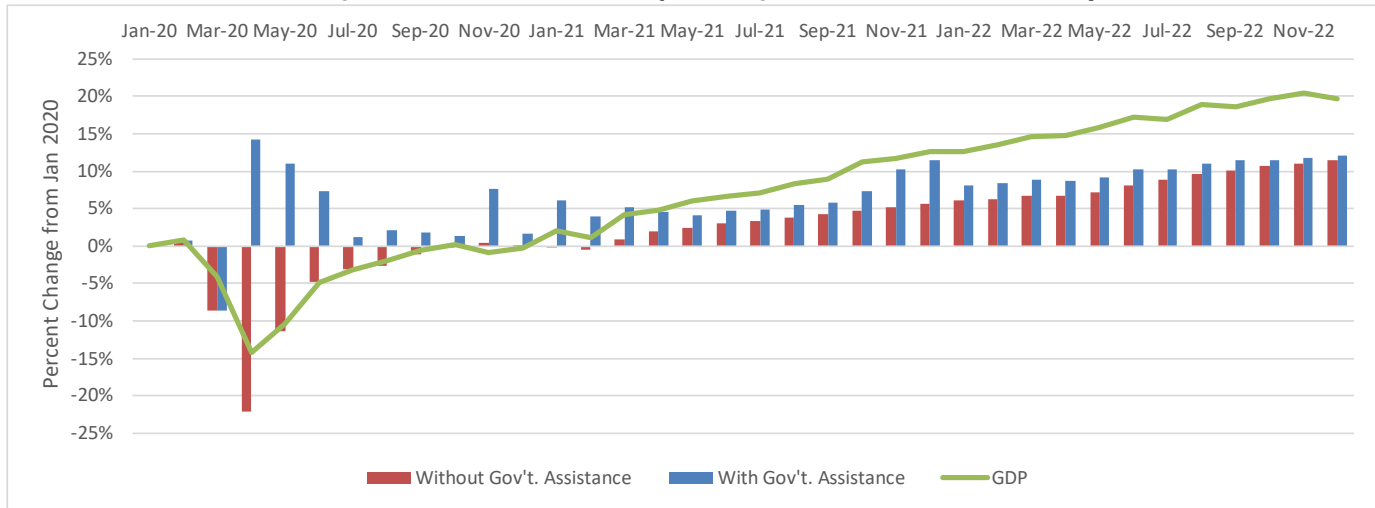


Exhibit 3 displays the growth in spending by major categories over the past year without the impact of the decline in federal government support. The values for growth rates in the absence of government subsidies best represents the growth in the portion of spending actually used to provide clinical services. Overall, personal health care spending growth (growth in spending on goods and services) since December 2021 was 5.2% without government assistance. Excluding such support, spending in the past year on dental services grew the fastest, at 9.7%, while spending on hospital care grew the slowest, at 3.4%.

Exhibit 3. Health Care Spending 12-Month Growth without Government Assistance

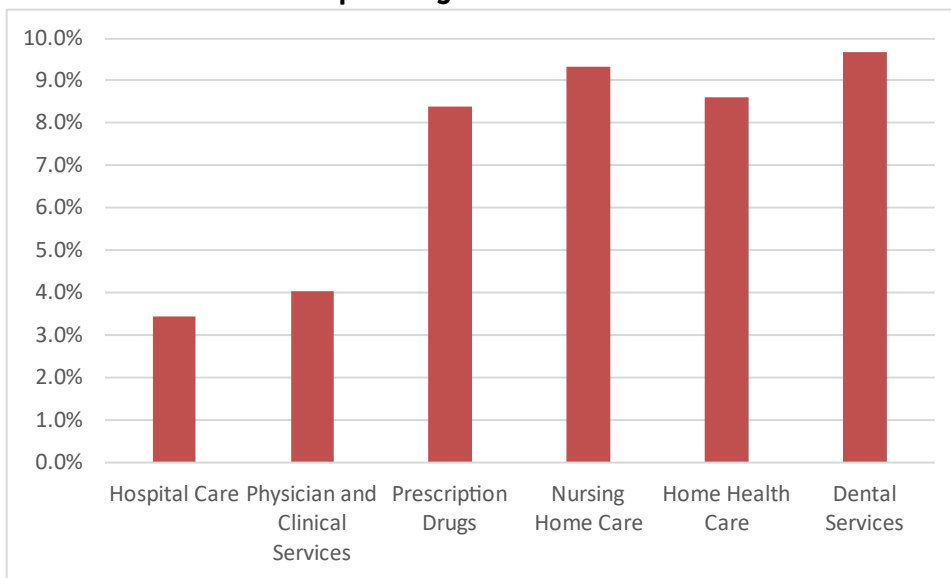
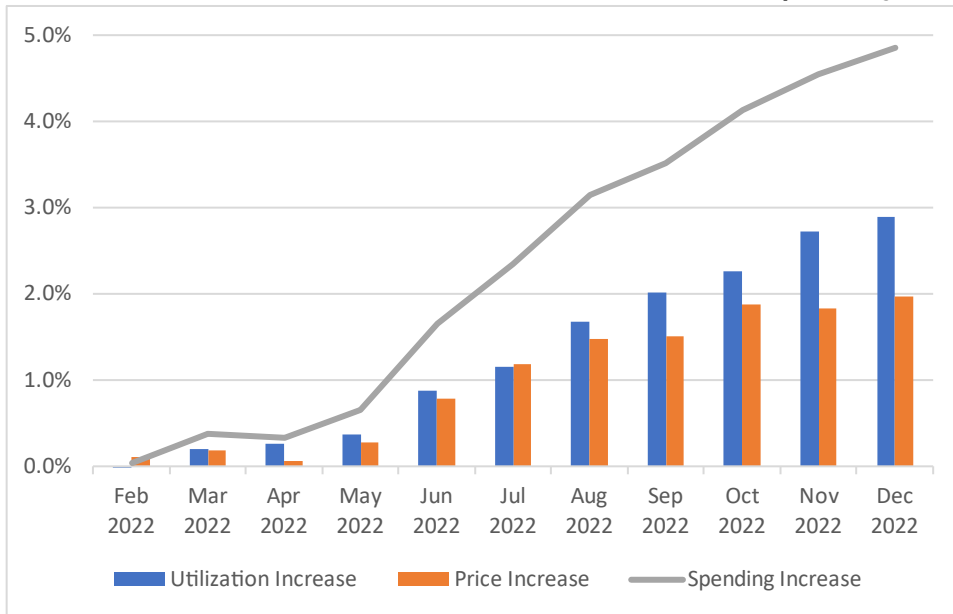


Exhibit 4 illustrates how spending on personal health care (without government subsidies) has grown since the start of 2022 and illustrates the relative contribution of utilization and prices to this growth. It shows that utilization growth continues to be the greater contributor to spending growth through December 2022: Of the 4.9% growth in spending from January through December 2022, only 2.0 percentage points can be attributed to price growth, while the remaining 2.9 percentage point growth was associated with increases in utilization. As we have noted before, we continue to expect prices to have a greater role in spending growth in the future. The breakout between utilization growth and price growth is discussed further in our [price brief](#), which reports a year-over-year decline in utilization, as it did in last month’s brief. As we noted last month, an important difference between our two estimates of utilization growth is that the price brief’s estimate is based on total personal health



care spending, including government subsidies. In contrast, the estimate reported here excludes the government assistance in an attempt to provide a better estimate of growth in provision of clinical care. Because subsidies declined significantly between 2021 and 2022, the estimate in the price brief incorporated a decline in spending growth not observed in the data reported here. Subtracting price growth from spending growth to estimate implicit utilization growth resulted in negative utilization growth reported in the price brief but not seen here.

Exhibit 4. Cumulative Growth in Personal Health Care Spending without Government Assistance





DETAILED HEALTH SPENDING

Exhibit 5. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Dec 2019	Dec 2020	Dec 2021	Dec 2022
GDP	\$21,781.1	\$21,714.2	\$24,521.2	\$26,065.2
National Health Spending	\$3,870.1	\$4,077.0	\$4,467.1	\$4,494.4
Personal health care	\$3,254.1	\$3,353.5	\$3,731.8	\$3,784.9
Hospital care	\$1,216.7	\$1,275.9	\$1,384.9	\$1,396.9
Physician and clinical services	\$796.7	\$810.6	\$918.6	\$898.8
Other professional services	\$115.1	\$118.7	\$139.9	\$138.8
Dental services	\$149.6	\$136.7	\$176.5	\$179.2
Other personal health care	\$197.4	\$208.6	\$236.3	\$234.7
Home health care	\$113.5	\$122.0	\$130.4	\$135.1
Nursing home care	\$176.1	\$175.2	\$190.3	\$202.0
Prescription Drugs	\$349.9	\$358.1	\$388.1	\$420.6
Durable medical equipment	\$57.4	\$59.8	\$68.4	\$73.5
Nondurable medical products	\$81.6	\$87.9	\$98.6	\$105.3
Program administration and net cost of private health insurance	\$311.1	\$338.2	\$301.2	\$323.2
Government public health activities	\$111.6	\$187.3	\$219.8	\$157.8
Research	\$58.4	\$60.7	\$63.1	\$67.4
Structures and equipment	\$134.9	\$137.3	\$151.3	\$161.1
HS Share of GDP	17.8%	18.8%	18.2%	17.2%
HS Share of PGDP	17.8%	18.1%	18.3%	17.1%

Source: Altarum monthly national health spending estimates. The monthly GDP is from IHS Markit.

Notes: Spending is expressed in billions of dollars at a SAAR. This table incorporates recent corrections to the categories “other personal health care” and “program administration and net cost of private health insurance”.

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

Growth Rates	Dec 2020	Dec 2021	Dec 2022
GDP	-0.3%	12.9%	6.3%
National Health Spending	5.3%	9.6%	0.6%
Personal health care	3.1%	11.3%	1.4%
Hospital care	4.9%	8.5%	0.9%
Physician and clinical services	1.7%	13.3%	-2.2%
Other professional services	3.2%	17.8%	-0.8%
Dental services	-8.6%	29.1%	1.5%
Other personal health care	5.7%	13.2%	-0.7%
Home health care	7.5%	6.9%	3.6%
Nursing home care	-0.5%	8.6%	6.2%
Prescription Drugs	2.3%	8.4%	8.4%
Durable medical equipment	4.1%	14.3%	7.4%
Nondurable medical products	7.7%	12.2%	6.8%
Program administration and net cost of private health insurance	8.7%	-11.0%	7.3%
Government public health activities	67.8%	17.4%	-28.2%
Research	4.0%	3.9%	6.8%
Structures and equipment	1.7%	10.2%	6.5%
HS Minus GDP	5.7%	-3.4%	-5.7%
HS Minus PGDP	1.8%	1.3%	-6.9%

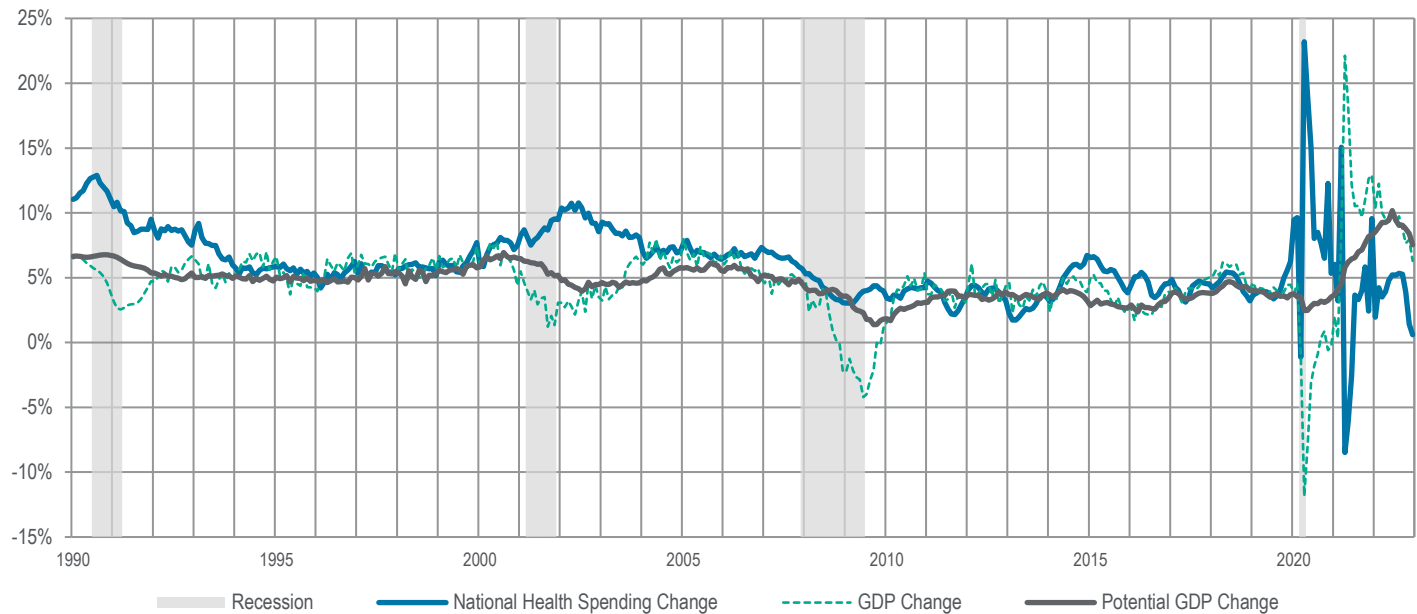
Source: Computed from Exhibit 2.

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



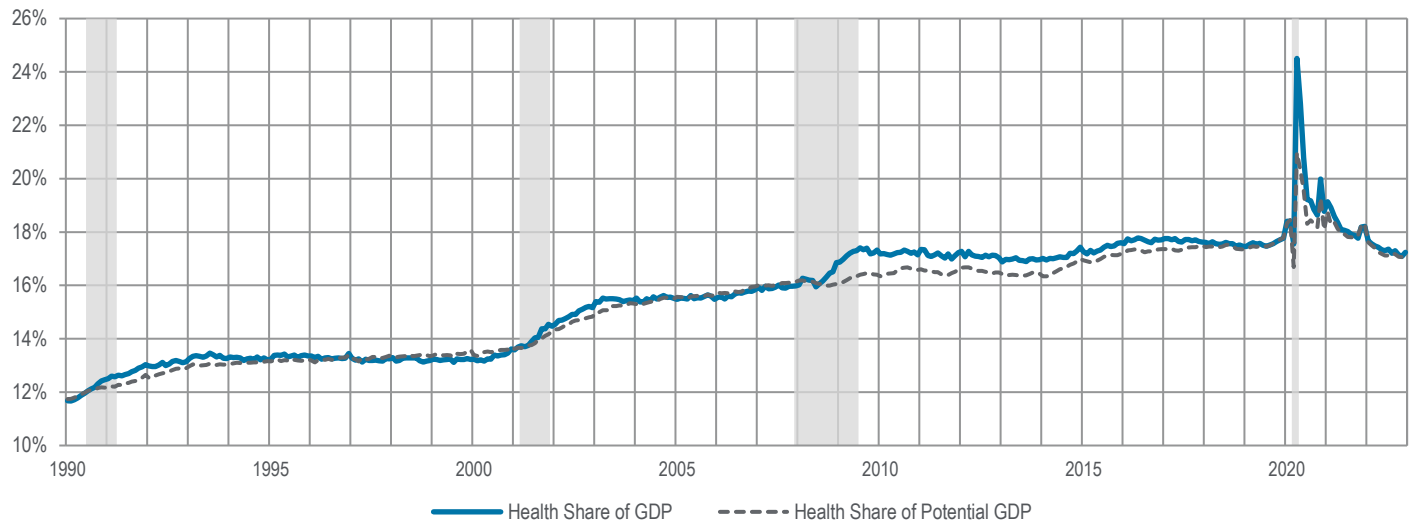
TIME SERIES TRACKER

Exhibit 7. 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 8. 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 \(1990–2021\) and projections \(2022\)](#). 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 2021 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2021 ratios are used to adjust BEA spending for months in 2022.