

January 26, 2023

New CMS data confirm slowdown in national health spending growth in 2021

HIGHLIGHTS

- ▲ New data from CMS indicate that national health spending in the US grew by 2.7% in 2021 – a significant slowdown from 2020 because of a decline in pandemic-related federal government support.
- ▲ In November 2022, national health spending grew by just 1.5%, year over year, as the reduction in federal government support continues.
- ▲ Nominal GDP in November 2022 was 7.9% higher than in November 2021 as GDP growth continues to outpace health spending growth.

National Health Spending and GDP*

	Nov 2020	Nov 2021	Oct 2022	Nov 2022
GDP	21.59	24.32	26.08	26.24
National Health Spending (HS)	4.32	4.42	4.47	4.49
HS Share of GDP	20.0%	18.2%	17.1%	17.1%
HS Share of PGDP	19.3%	18.2%	17.1%	17.1%
Growth from Prior 12 Months				
HS	12.3%	2.4%	3.9%	1.5%
GDP	-0.6%	12.6%	7.7%	7.9%
HS minus GDP	12.8%	-10.2%	-3.8%	-6.4%
HS minus PGDP	9.0%	-5.8%	-5.0%	-7.0%

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 incorporates adjustments to our 2021 estimates to match new CMS [National Health Expenditure Accounts results for 2021](#) that were released on December 15, 2022. Our recent [blog](#) details differences between our previous estimates for 2021 and the new values that match the recent CMS release. Because our results for 2022 are based on applying spending growth rates to the previous year's levels, our results for 2022 also differ from our previous estimates. While many of the differences are minor (e.g., our estimate of personal health care spending overall for the first three quarters of 2022 increased by 0.38%), some components changed more significantly. In particular, our estimates for spending in 2022 on durable medical equipment and nondurable medical products grew significantly, while our estimates for spending on public health and the net cost of insurance are now significantly lower than we previously reported. Exhibit 1 of the blog displays the 2021 differences between our previous estimates and the new NHEA numbers. The numbers in the table can be used as an indication of the magnitude of these differences that were carried forward into 2022. The blog explains likely reasons for the 2021 differences.

After incorporating these adjustments, we estimate that health spending grew by 1.5%, year over year, in November 2022, reaching a seasonally adjusted annual rate of \$4.49 trillion. The drop in spending growth was driven largely by a significant reduction from November 2021 in government support to public health activities via the Public Health and Social Services Emergency Fund.

Health spending in November accounted for 17.1% of GDP. Both spending and GDP growth rates have declined significantly since December 2021: GDP from 12.9% to 7.9% and health spending from 9.6% to 1.5% (Exhibit 1).

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

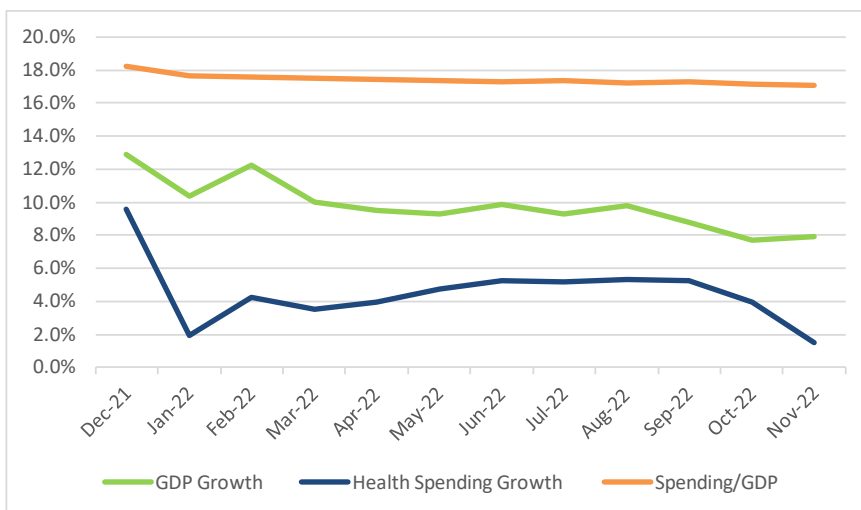
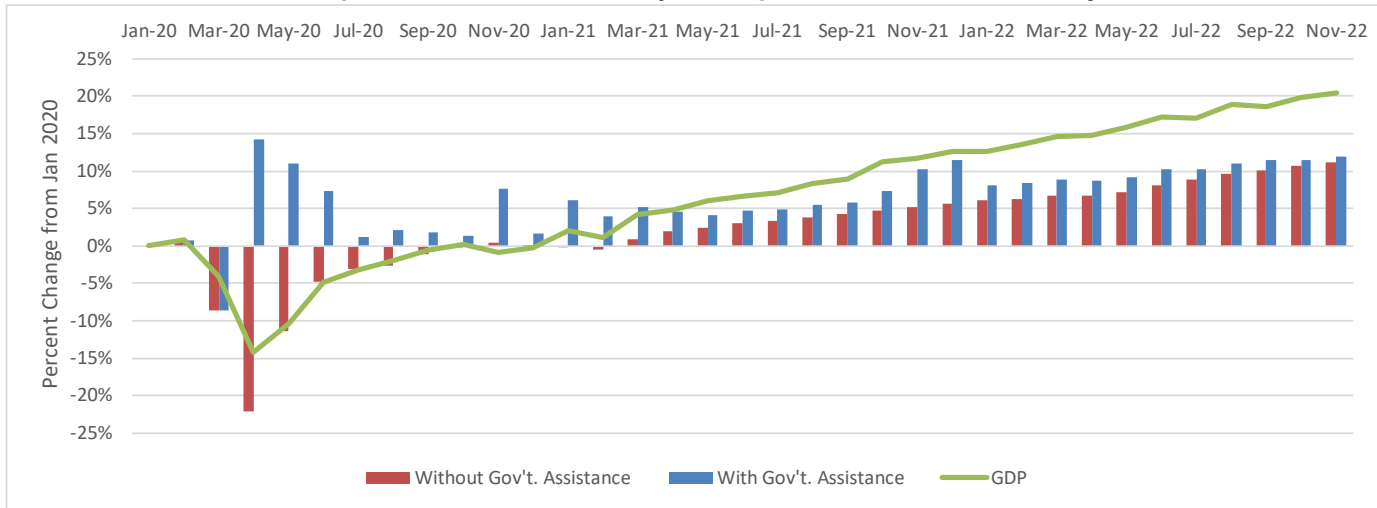


Exhibit 2 shows the trajectory of growth in national health spending and GDP since the start of 2020 through November 2022 with and without COVID-related federal government support to providers and public health activities. Most such support in recent months has gone to public health via the Public Health and Social Services Emergency Fund, which has declined significantly in recent months.



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



Federal government support to providers has also declined significantly and, in recent months, has represented only a small portion of spending for hospitals, physicians, dentists, nursing homes, home health care providers, and other providers. Exhibit 3 displays the growth in spending by major categories over the past year without the impact of this decline in federal government support. The values for growth rates in the absence of government subsidies provide the most accurate picture of 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 November 2021 was 5.6% without government assistance. Excluding such support, spending in the past year on dental services grew the fastest, at 11.1%, while spending on hospital care grew the slowest, at 3.8%.

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

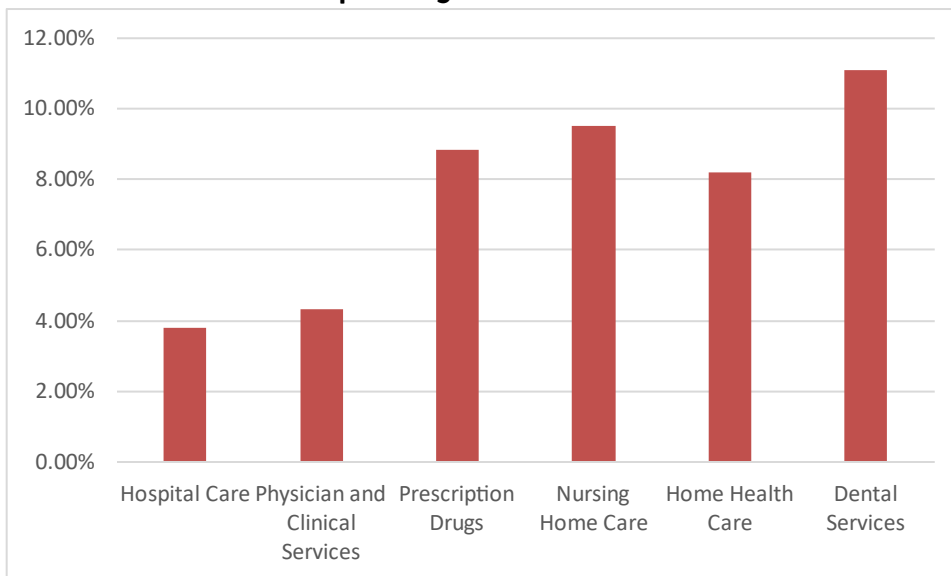
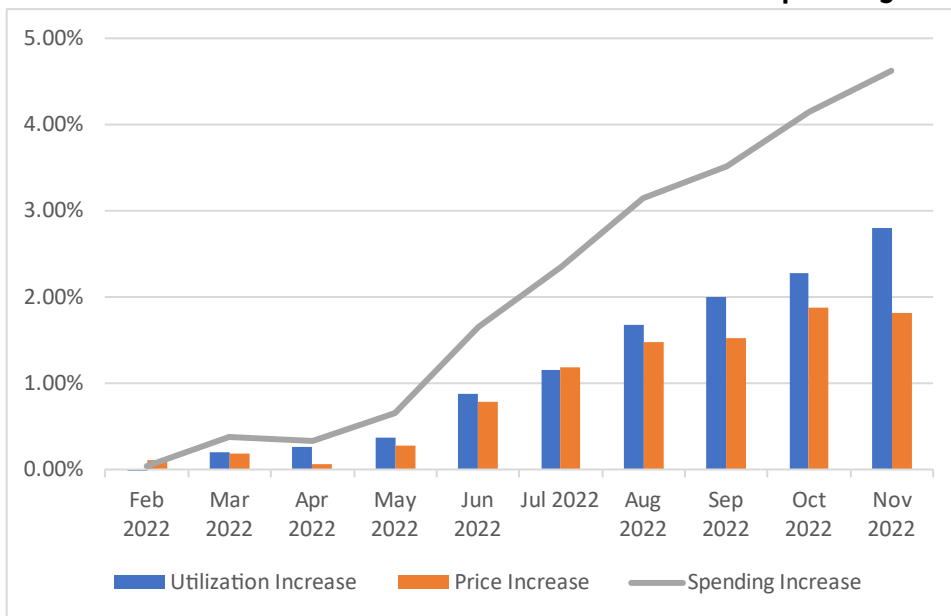


Exhibit 4 illustrates how spending on personal health care (without government subsidies) has grown since the start of 2022 and illustrates the relative contribution of utilization and prices to this growth. It shows that utilization growth continues to be the greater contributor to spending growth through November 2022: Of the 4.6% growth in spending from January through November 2022, 1.8 percentage points can be attributed to price growth, while 2.8 percentage points were associated with increases in utilization. As we have repeatedly pointed



out, however, the role of prices in health care spending growth is [expected to increase](#) in the future as newly negotiated or government-set prices catch up with higher input costs driven by overall inflation, likely resulting in an acceleration of health spending. The breakout between utilization growth and price growth is discussed further in our [price brief](#), which reports a decline in utilization since November 2022. 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 a decline in estimated utilization reported in the price brief that was not observed 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)	Nov 2019	Nov 2020	Nov 2021	Nov 2022
GDP	\$21,714.6	\$21,588.4	\$24,315.0	\$26,237.2
National Health Spending	\$3,844.1	\$4,315.7	\$4,420.8	\$4,486.0
Personal health care	\$3,238.2	\$3,587.7	\$3,689.2	\$3,778.7
Hospital care	\$1,213.6	\$1,426.5	\$1,368.1	\$1,392.3
Physician and clinical services	\$791.8	\$857.4	\$905.3	\$897.6
Other professional services	\$114.4	\$120.0	\$137.4	\$139.0
Dental services	\$147.3	\$140.0	\$171.6	\$178.5
Other personal health care	\$196.9	\$212.7	\$233.1	\$233.8
Home health care	\$113.6	\$128.5	\$129.1	\$134.4
Nursing home care	\$175.2	\$199.6	\$187.5	\$200.5
Prescription Drugs	\$346.2	\$354.5	\$387.7	\$421.9
Durable medical equipment	\$57.9	\$59.5	\$69.3	\$75.0
Nondurable medical products	\$81.3	\$88.9	\$100.2	\$105.7
Program administration and net cost of private health insurance	\$301.4	\$344.8	\$299.2	\$322.5
Government public health activities	\$110.7	\$186.5	\$219.4	\$157.5
Research	\$58.0	\$60.7	\$62.6	\$67.1
Structures and equipment	\$135.7	\$136.0	\$150.4	\$160.2
HS Share of GDP	17.7%	20.0%	18.2%	17.1%
HS Share of PGDP	17.7%	19.3%	18.2%	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	Nov 2020	Nov 2021	Nov 2022
GDP	-0.6%	12.6%	7.9%
National Health Spending	12.3%	2.4%	1.5%
Personal health care	10.8%	2.8%	2.4%
Hospital care	17.5%	-4.1%	1.8%
Physician and clinical services	8.3%	5.6%	-0.8%
Other professional services	4.9%	14.5%	1.1%
Dental services	-4.9%	22.5%	4.1%
Other personal health care	8.0%	9.6%	0.3%
Home health care	13.1%	0.4%	4.1%
Nursing home care	13.9%	-6.1%	6.9%
Prescription Drugs	2.4%	9.4%	8.8%
Durable medical equipment	2.7%	16.5%	8.2%
Nondurable medical products	9.3%	12.7%	5.5%
Program administration and net cost of private health insurance	14.4%	-13.2%	7.8%
Government public health activities	68.4%	17.6%	-28.2%
Research	4.8%	3.1%	7.2%
Structures and equipment	0.2%	10.6%	6.5%
HS Minus GDP	12.8%	-10.2%	-6.4%
HS Minus PGDP	9.0%	-5.8%	-7.0%

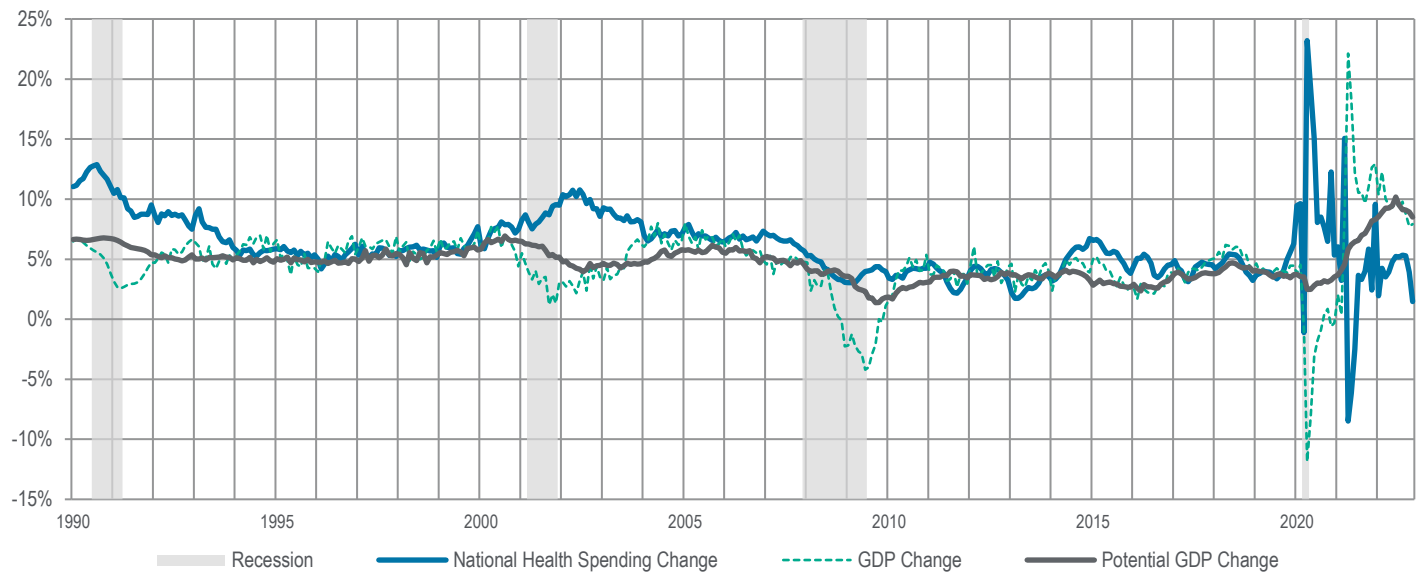
Source: Computed from Exhibit 2.

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



TIME SERIES TRACKER

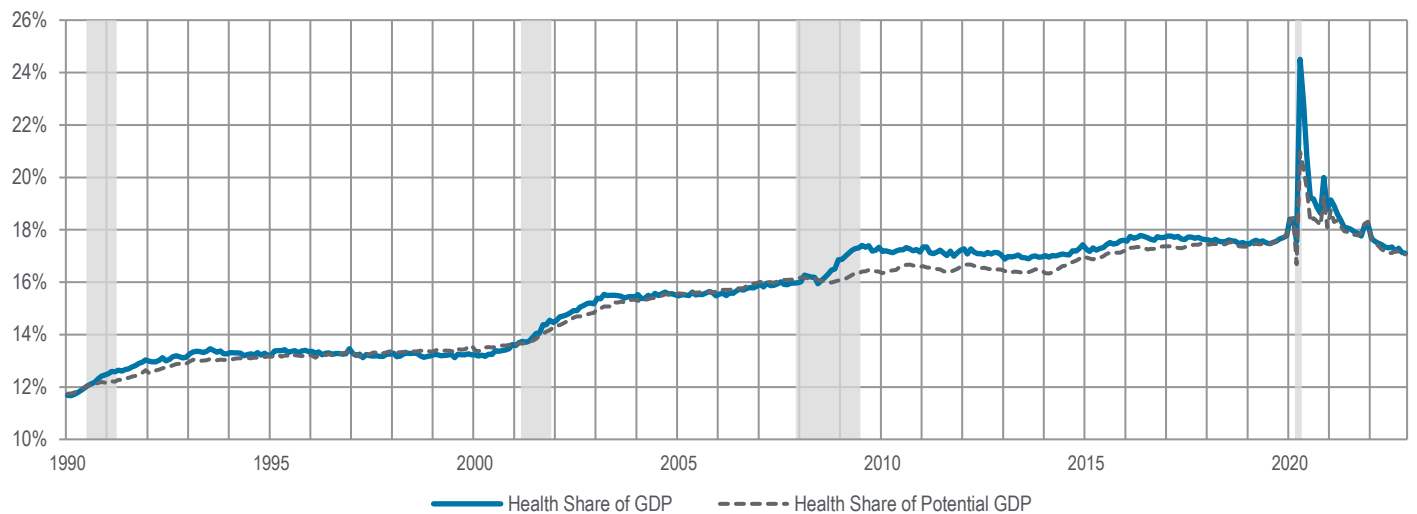
Exhibit 7. Year-over-Year Percentage Change in Spending and GDP



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.