

August 19, 2022

## National health spending shows early signs of acceleration

### HIGHLIGHTS

- ▲ National health spending in June 2022 grew by 6.3%, year over year; in the absence of federal government support in 2021 and 2022, it would have grown by 5.6%. Health spending has begun to show signs of acceleration.
- ▲ GDP in June 2022 was 9.6% higher than in June 2021 as GDP growth continues to outpace health spending growth.
- ▲ In June 2022, health spending accounted for 17.9% of GDP and has continued its decline from a recent high of 18.8% of GDP in December 2021.

### National Health Spending and GDP\*

	June 2020	June 2021	May 2022	June 2022
GDP	20.56	22.91	24.80	25.11
National Health Spending (HS)	4.28	4.23	4.45	4.49
HS Share of GDP	20.8%	18.5%	17.9%	17.9%
HS Share of PGDP	19.4%	18.1%	17.5%	17.5%
<b>Growth from Prior 12 Months</b>				
HS	14.1%	-1.1%	5.5%	6.3%
GDP	-3.9%	11.4%	9.1%	9.6%
HS minus GDP	18.0%	-12.6%	-3.6%	-3.3%
HS minus PGDP	11.3%	-7.2%	-4.0%	-3.7%

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 Indicators<sup>SM</sup>* 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](mailto: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](mailto:press@altarum.org). For more information, visit <http://altarum.org/solution/health-sector-spending>.



## DISCUSSION

At \$4.49 trillion (seasonally adjusted annual rate), national health spending in June 2022 was 6.3% higher than in June 2021, while GDP grew over this same time period by 9.6%. This difference in growth rates is largely attributable to the recent high rate of inflation, which has not yet had a major impact on health spending. (However, health spending in the absence of government subsidies has shown some signs of acceleration in the past few months, as described below). As a result, health spending has been declining as a percent of GDP in recent months. Having reached a recent peak of 18.8% in December 2021, it stands slightly below 17.9% in June. In the absence of COVID-related federal government support, health spending in June 2022 would have grown at the rate of 5.6%, largely because of an increase in the spring of 2022 of federal support of public health via the Public Health and Social Services (PHSS) Emergency Fund.

Exhibit 1 shows our current estimate of the trajectory of growth in national health spending since the start of 2020 through June 2022 with and without COVID-related federal government support to providers and public health activities. The exhibit illustrates the extent to which GDP growth since before the pandemic-induced recession has outpaced health spending: as of June 2022, GDP was 15.3% higher than in January 2020, while health spending grew by 11.2% and would have grown by 8.9% in the absence of the federal government support.

**Exhibit 1. Percent Change in National Health Spending and GDP Since January 2020**

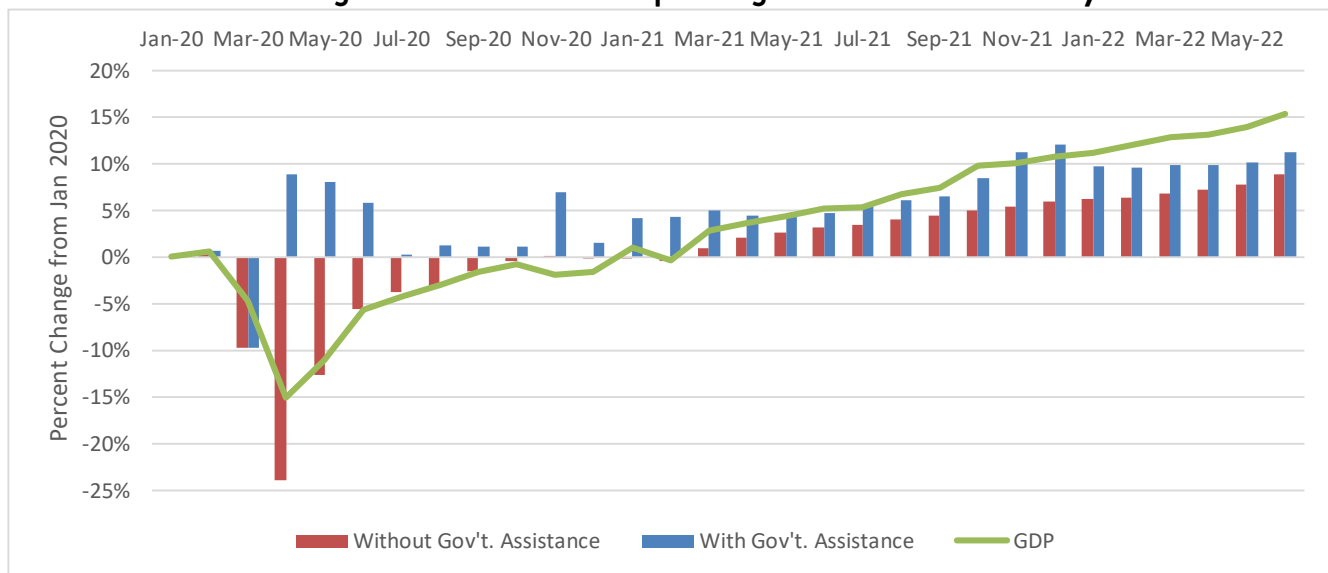


Exhibit 2 shows how spending growth among major categories has varied since January 2020, both with and without the government spending increase. With the decline in federal government support, the curves tend to converge in more recent months. Since January 2020, spending on hospital care (including government support) has increased the most among the categories shown, at 9.0%, while spending on nursing home care and dental services grew the least, at 2.3% each. Note, however that this is the first month in which spending on dental services exceeded its pre-pandemic level. During the same period, growth in retail spending on prescription drugs, which did not receive significant federal support during the pandemic, exceeded the other major categories, at 15.5% (data not shown).



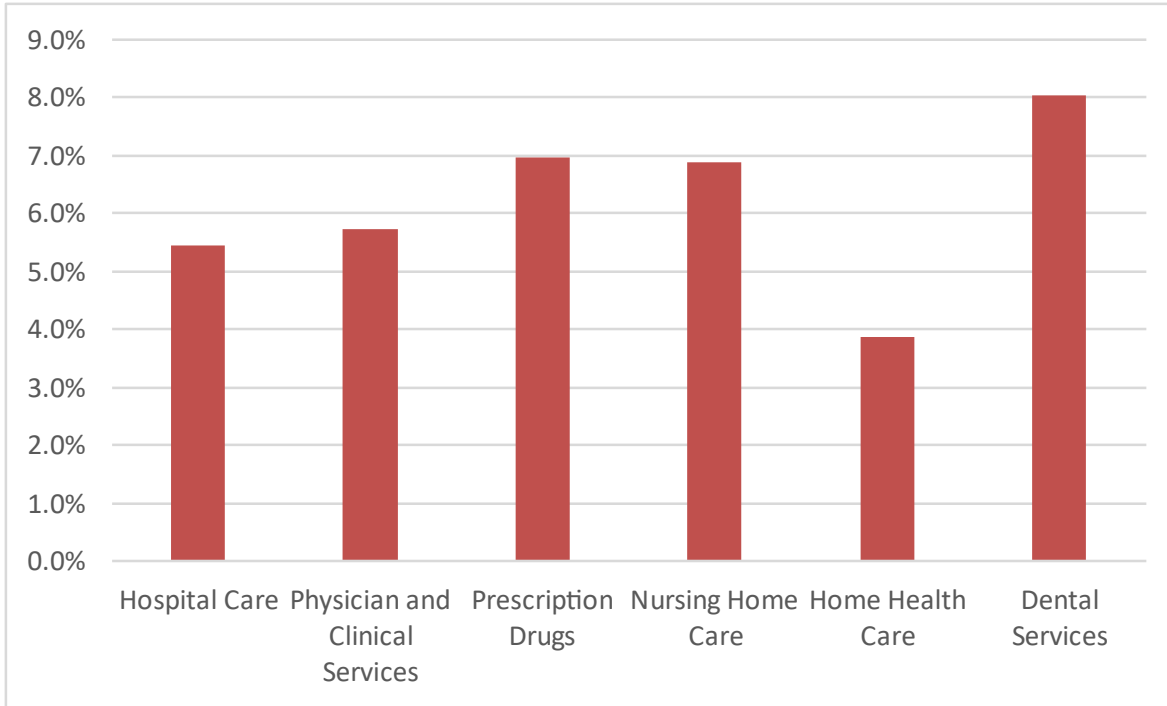
### Exhibit 2. Percent Change in Spending Since January 2020, by Major Category



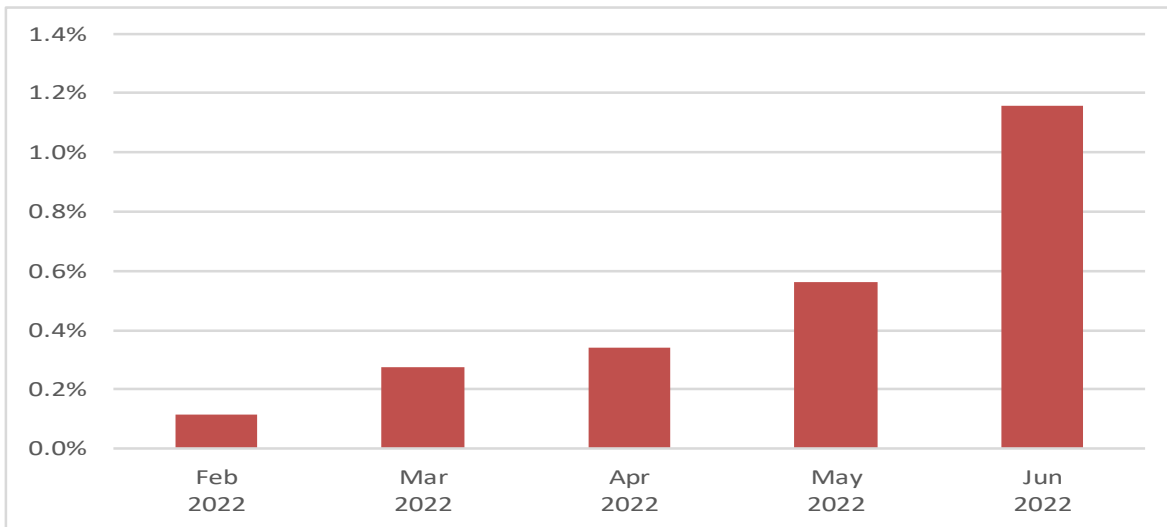
Exhibit 3 shows the growth in spending by major categories over the past year without the impact of federal government support. The values for growth rates in the absence of government support provide the clearest picture of the growth in the portion of spending actually used to provide clinical services. Overall, personal health care spending growth (growth in spending on goods and services) since June 2021 was 5.4% without government support. (It was 5.6% if government subsidies are included.) Without government assistance, spending in the past year on dental services grew the fastest, at 8.0%, while spending on home health care grew the slowest, at 3.9%. Overall spending on personal health care has begun to show signs of acceleration (Exhibit 4). As discussed in our accompanying [Price Brief](#), this acceleration appears to be caused by a combination of growth in prices and in utilization.



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



### Exhibit 4. Month-over-Month Growth in Personal Health Care without Government Assistance





## DETAILED HEALTH SPENDING

### Exhibit 5. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	June 2019	June 2020	June 2021	June 2022
<b>GDP</b>	\$21,383.1	\$20,557.3	\$22,906.6	\$25,112.0
<b>National Health Spending</b>	\$3,747.3	\$4,275.7	\$4,226.9	\$4,492.8
<b>Personal health care</b>	\$3,251.9	\$3,480.6	\$3,627.0	\$3,828.8
Hospital care	\$1,189.9	\$1,290.4	\$1,335.4	\$1,411.5
Physician and clinical services	\$767.0	\$798.6	\$830.8	\$879.3
Other professional services	\$111.5	\$119.8	\$127.1	\$130.3
Dental services	\$144.7	\$125.8	\$166.4	\$179.8
Other personal health care	\$275.5	\$356.1	\$354.1	\$364.9
Home health care	\$114.4	\$123.1	\$119.5	\$124.2
Nursing home care	\$173.7	\$188.1	\$179.7	\$192.4
Prescription Drugs	\$336.5	\$342.4	\$368.3	\$393.9
Durable medical equipment	\$57.0	\$51.3	\$56.8	\$60.1
Nondurable medical products	\$81.7	\$84.9	\$88.8	\$92.4
Program administration and net cost of private health insurance	\$194.8	\$205.6	\$217.3	\$232.0
Government public health activities	\$104.7	\$398.5	\$174.1	\$208.5
Research	\$56.0	\$59.8	\$65.7	\$70.2
Structures and equipment	\$139.9	\$131.2	\$142.8	\$153.3
HS Share of GDP	17.5%	20.8%	18.5%	17.9%
HS Share of PGDP	17.5%	19.4%	18.1%	17.5%

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

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	June 2020	June 2021	June 2022
<b>GDP</b>	-3.9%	11.4%	9.6%
<b>National Health Spending</b>	14.1%	-1.1%	6.3%
<b>Personal health care</b>	7.0%	4.2%	5.6%
Hospital care	8.4%	3.5%	5.7%
Physician and clinical services	4.1%	4.0%	5.8%
Other professional services	7.5%	6.1%	2.5%
Dental services	-13.1%	32.3%	8.0%
Other personal health care	29.3%	-0.6%	3.0%
Home health care	7.6%	-2.9%	4.0%
Nursing home care	8.3%	-4.5%	7.0%
Prescription Drugs	1.7%	7.6%	7.0%
Durable medical equipment	-9.9%	10.7%	5.8%
Nondurable medical products	4.0%	4.6%	4.0%
Program administration and net cost of private health insurance	5.5%	5.7%	6.8%
Government public health activities	280.8%	-56.3%	19.8%
Research	6.8%	9.8%	6.9%
Structures and equipment	-6.2%	8.9%	7.4%
HS Minus GDP	18.0%	-12.6%	-3.3%
HS Minus PGDP	11.3%	-7.2%	-3.7%

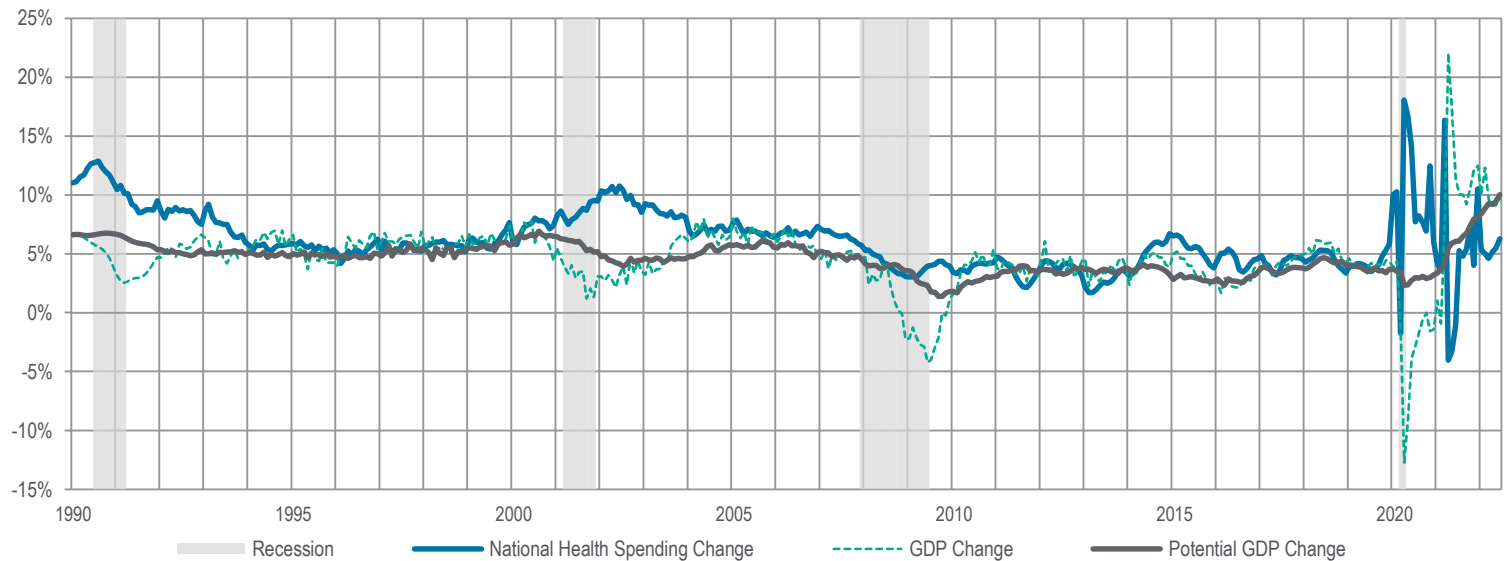
Source: Computed from Exhibit 2.

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



## TIME SERIES TRACKER

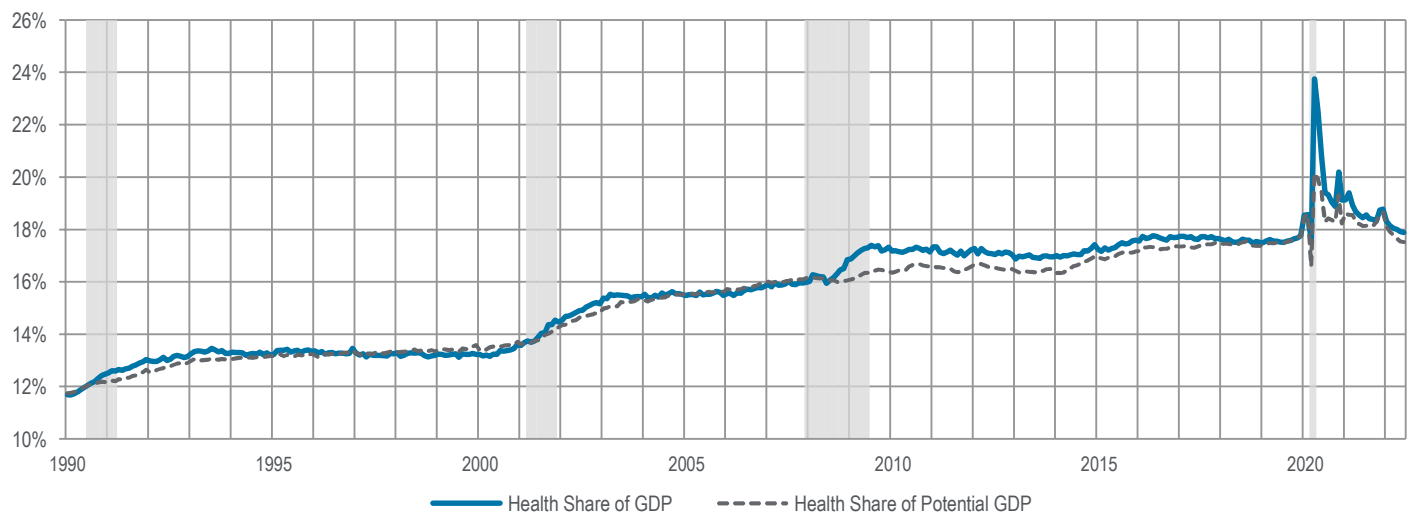
**Exhibit 7. Year-over-Year Percentage Change in Spending and GDP**



**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 \(1990–2020\) and projections \(2021\)](#). 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 (through 2020) and projections (for 2021) and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2021 ratios are used to adjust BEA spending for months in 2022.