

October 21, 2022

Spending grows faster than pre-pandemic, but slower than inflation

HIGHLIGHTS

- ▲ National health spending in August 2022 grew by 4.9%, year over year.
- ▲ Following the Bureau of Economic Analysis' recent annual update to their National Income and Product Accounts (NIPA), health spending in August 2022 is estimated to account for 17.4% of GDP, the lowest share since June 2015.
- ▲ With the NIPA updates, nominal GDP in August 2022 was 9.4% higher than in August 2021 as GDP growth continues to outpace health spending growth.
- ▲ The health spending share of GDP has declined from a newly estimated recent high of 18.4% of GDP in December 2021, largely because of high economy-wide inflation.

National Health Spending and GDP*

	Aug 2020	Aug 2021	July 2022	Aug 2022
GDP	21.34	23.59	25.54	25.80
National Health Spending (HS)	4.08	4.29	4.46	4.49
HS Share of GDP	19.1%	18.2%	17.5%	17.4%
HS Share of PGDP	18.4%	18.1%	17.3%	17.3%
Growth from Prior 12 Months				
HS	8.2%	5.0%	4.7%	4.9%
GDP	-0.9%	10.6%	9.5%	9.4%
HS minus GDP	9.1%	-5.6%	-4.8%	-4.5%
HS minus PGDP	5.2%	-2.0%	-4.7%	-4.3%

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 Rhyon, 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

In August 2022, national health spending grew by 4.9%, year over year, reaching a seasonally adjusted annual rate of \$4.49 trillion. Year-over-year spending growth for the period January through August 2022 was 5.1%, somewhat higher than the pre-pandemic growth rate of 3.8% for the period January through August 2019. Largely because of rapid recent nominal GDP growth, health spending in August accounted for 17.4% of GDP, the lowest share since June 2015. These data reflect in part the Bureau of Economic Analysis' September 30 annual update to their National Income and Product Accounts (NIPA), which included revisions from January 2017 through March 2022. The NIPA are a major source for our spending estimates, but the revision had little impact on estimated health spending. It did, however, result in an increase in estimated GDP.

Exhibit 1 shows our current estimate of the trajectory of growth in national health spending since the start of 2020 through August 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 August 2022, GDP was 18.5% higher than in January 2020, while health spending grew by 12.1% and would have grown by 10.0% in the absence of the federal government support.

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

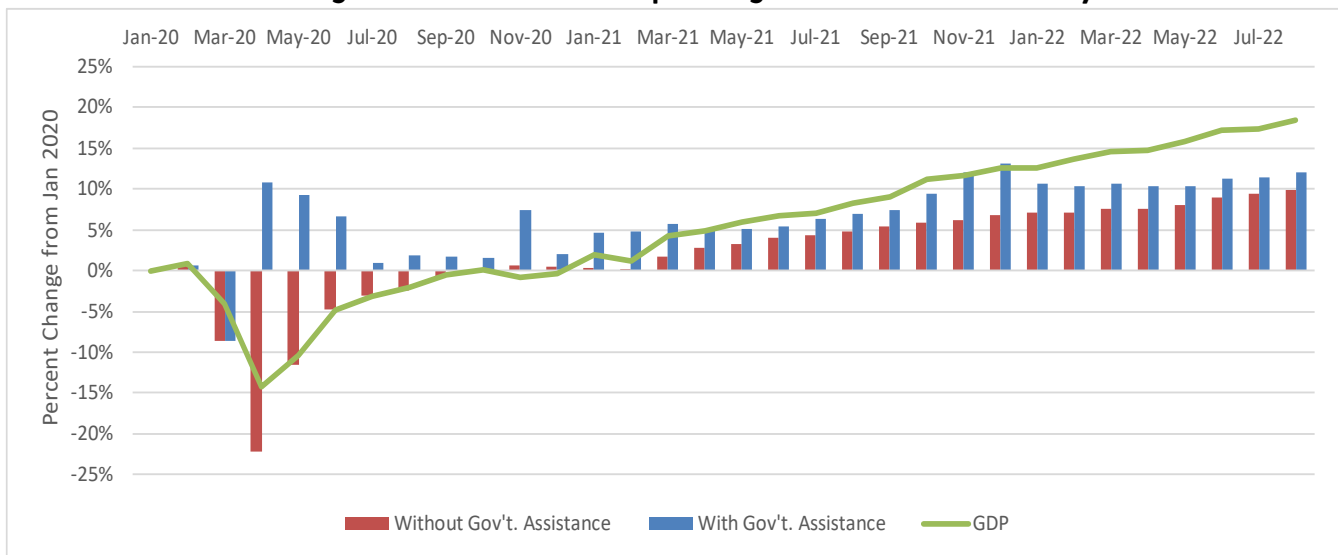


Exhibit 2 shows how spending growth among major categories has varied since January 2020, both with and without the government spending increase. With the decline in federal government support, the curves tend to converge in more recent months. From January 2020 through August 2022, spending on home health care (including government support) has increased the most among the categories shown, at 15.3%, while spending on physician and clinical services grew the least, at 5.2%. 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 16.5% (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 August 2021 was 5.0% with government support and was 4.7% without such support. Without government assistance, spending in the past year on dental services grew the fastest, at 11.3%, while spending on hospital care grew the slowest, at 2.5%.



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

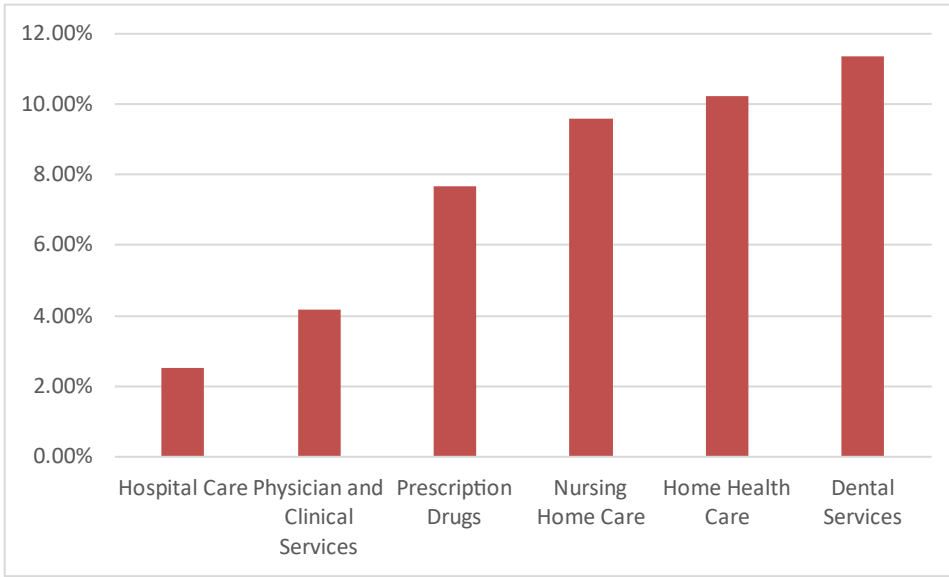
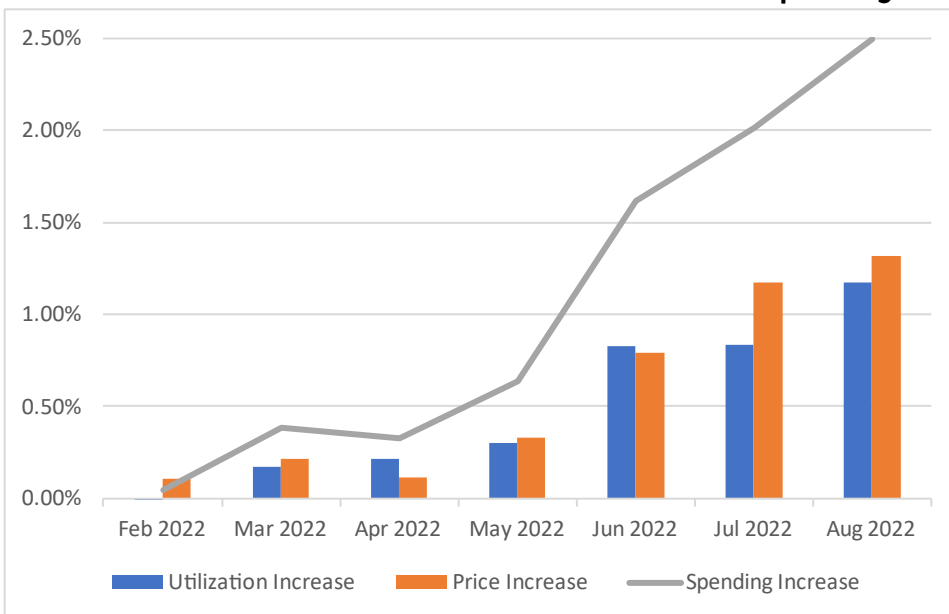


Exhibit 4 illustrates how spending on personal health care (without government subsidies) has grown since the start of 2022 and illustrates the relative contribution of utilization and prices to this growth. (The breakout between utilization growth and price growth is discussed further in our [price brief](#).) It shows that spending growth has been driven by a combination of utilization and price growth, with prices being the slightly larger contributor. 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.

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)	Aug 2019	Aug 2020	Aug 2021	Aug 2022
GDP	\$21,533.1	\$21,337.2	\$23,591.9	\$25,799.3
National Health Spending	\$3,772.6	\$4,083.0	\$4,285.6	\$4,494.8
Personal health care	\$3,274.9	\$3,470.1	\$3,655.3	\$3,838.0
Hospital care	\$1,195.9	\$1,277.0	\$1,347.3	\$1,388.3
Physician and clinical services	\$773.5	\$783.5	\$852.3	\$890.0
Other professional services	\$111.8	\$112.5	\$126.2	\$131.2
Dental services	\$143.9	\$138.5	\$161.1	\$179.4
Other personal health care	\$281.7	\$361.6	\$353.8	\$367.5
Home health care	\$113.9	\$118.8	\$120.2	\$132.8
Nursing home care	\$173.9	\$180.4	\$178.9	\$197.2
Prescription Drugs	\$341.4	\$350.2	\$366.8	\$395.0
Durable medical equipment	\$57.1	\$59.2	\$58.6	\$61.7
Nondurable medical products	\$82.0	\$88.2	\$90.0	\$95.0
Program administration and net cost of private health insurance	\$196.3	\$206.5	\$219.9	\$234.9
Government public health activities	\$105.7	\$214.3	\$198.9	\$196.1
Research	\$56.6	\$60.7	\$66.6	\$70.8
Structures and equipment	\$139.1	\$131.5	\$144.9	\$155.0
HS Share of GDP	17.5%	19.1%	18.2%	17.4%
HS Share of PGDP	17.5%	18.4%	18.1%	17.3%

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	Aug 2020	Aug 2021	Aug 2022
GDP	-0.9%	10.6%	9.4%
National Health Spending	8.2%	5.0%	4.9%
Personal health care	6.0%	5.3%	5.0%
Hospital care	6.8%	5.5%	3.0%
Physician and clinical services	1.3%	8.8%	4.4%
Other professional services	0.7%	12.2%	3.9%
Dental services	-3.7%	16.3%	11.4%
Other personal health care	28.3%	-2.1%	3.9%
Home health care	4.4%	1.1%	10.5%
Nursing home care	3.8%	-0.9%	10.2%
Prescription Drugs	2.6%	4.7%	7.7%
Durable medical equipment	3.8%	-1.0%	5.2%
Nondurable medical products	7.6%	2.1%	5.5%
Program administration and net cost of private health insurance	5.2%	6.5%	6.8%
Government public health activities	102.7%	-7.2%	-1.4%
Research	7.3%	9.7%	6.4%
Structures and equipment	-5.5%	10.2%	6.9%
HS Minus GDP	9.1%	-5.6%	-4.5%
HS Minus PGDP	5.2%	-2.0%	-4.3%

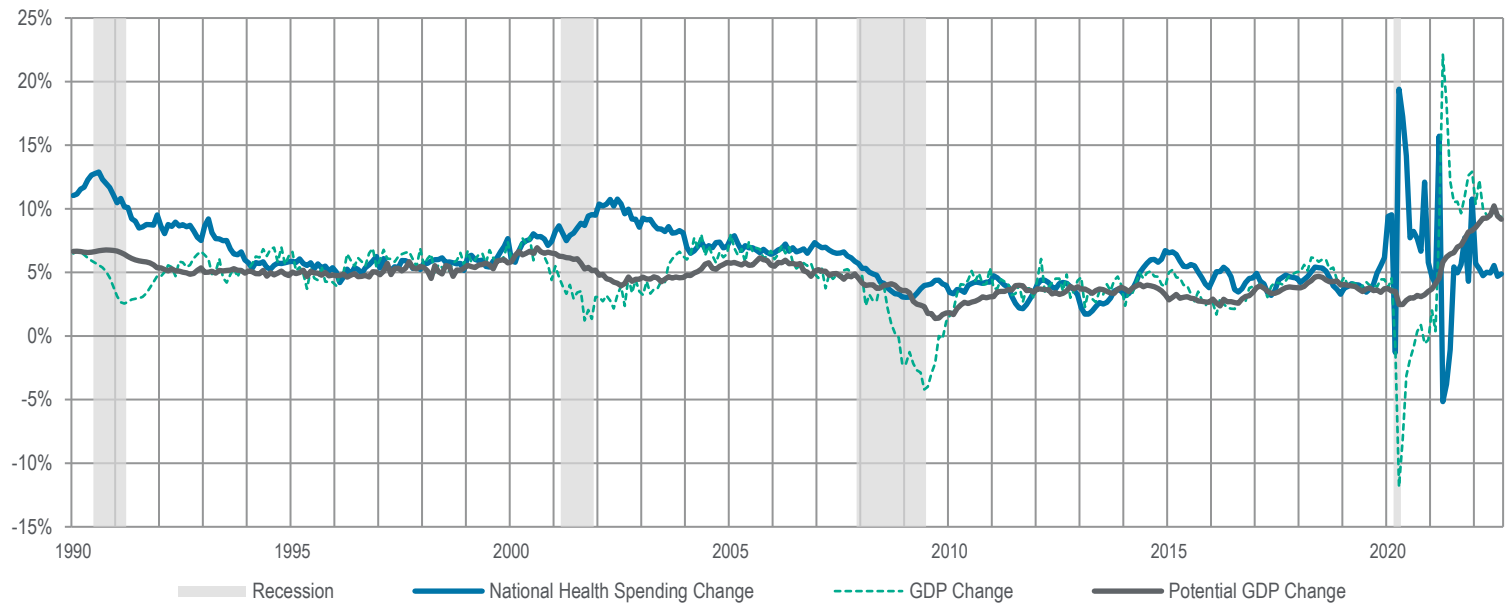
Source: Computed from Exhibit 2.

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



TIME SERIES TRACKER

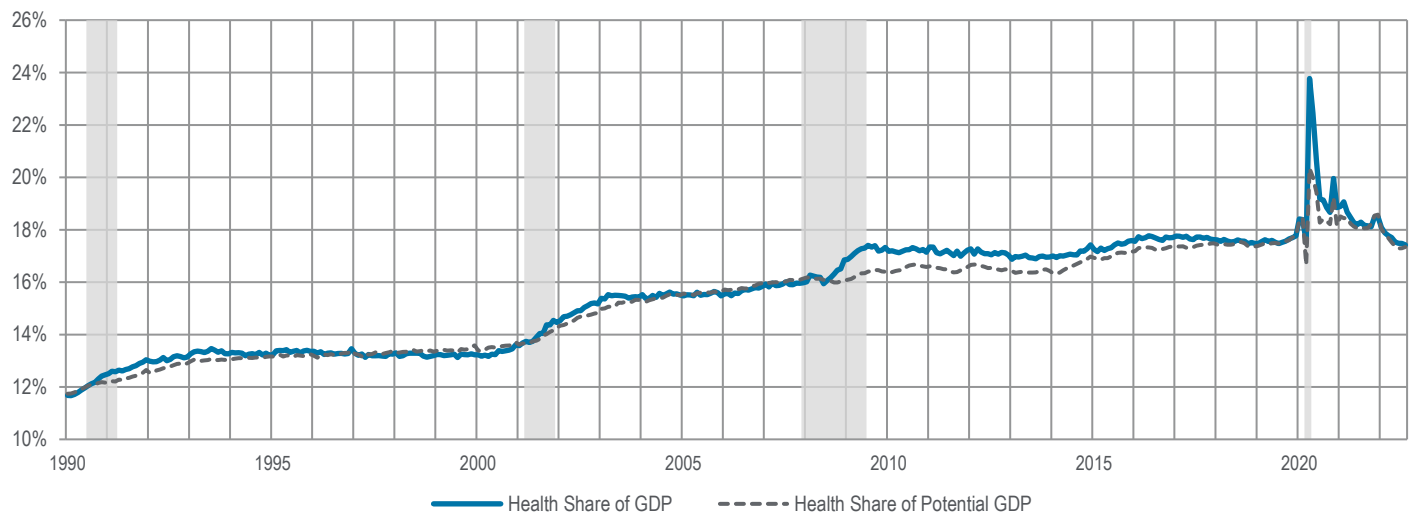
Exhibit 7. Year-over-Year Percentage Change in Spending and GDP



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.