

April 16, 2021

National health spending rebound slows to pre-pandemic growth rates

HIGHLIGHTS

- ▲ National health spending through February 2021 has hovered near 0% year-over-year growth since July 2020, suggesting the rebound from the spring spending decline may have ended near pre-pandemic levels.
- ▲ The near 0% growth, year over year, means that spending has been growing in recent months at rates similar to those observed before the pandemic began.
- ▲ Since January 2020, spending through February 2021 increased only for home health care, which grew by 6.5%. The greatest decline was in dental services, at -18.8%.
- ▲ Prescription drug spending, which has been affected less by the COVID-19 pandemic than spending on most health care services, has declined month-over-month in four of the most recent five months.

National Health Spending and GDP*

	February 2019	February 2020	January 2021	February 2021
GDP	21.08	22.01	21.92	21.77
National Health Spending (HS)	3.73	3.94	3.93	3.93
HS Share of GDP	17.7%	17.9%	17.9%	18.0%
HS Share of PGDP	17.8%	18.2%	17.6%	17.5%
Growth from Prior 12 Months				
HS	4.5%	5.5%	0.2%	-0.3%
GDP	4.5%	4.4%	0.3%	-1.1%
HS minus GDP	0.0%	1.1%	-0.1%	0.8%
HS minus PGDP	0.7%	1.9%	-2.8%	-3.5%

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.

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. We thank Paul Hughes-Cromwick, who originated the concept of these reports and provided inspired leadership of the work from its inception. Media Contact: Sarah Litton, 202-772-5062, press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.



DISCUSSION

National health spending has largely recovered in recent months from its pandemic-induced decline of last spring. As illustrated in Exhibit 1, year-over-year growth rates have averaged just above 0% since July of last year, meaning that spending has returned to near pre-pandemic levels. This leads to two observations: (1) Health spending in recent months has been growing at rates similar to before the pandemic. Because spending was growing in the year before the start of the pandemic, the near-zero year-over-year growth rates in recent months indicate that recent spending growth has been similar to pre-pandemic rates. This can be seen more clearly in the top curve of Exhibit 2, which shows national health spending levels by month in seasonally adjusted annual rates (SAAR). For example, spending growth from August 2020 through February 2021 was 3.5%. This is very close to the 3.4% growth observed during the same period in the previous year. (2) Health spending levels have approximately reached pre-pandemic levels. The seasonally adjusted annual rate of spending in February 2021 of \$3.93 trillion is close to the February 2020 value of \$3.94 trillion. The spending recovery thus appears to have stopped short of making up for care that was postponed last spring, with much of that forgone care likely never to be provided.

Exhibit 1. Year-over-Year Growth Rates in National Health Spending

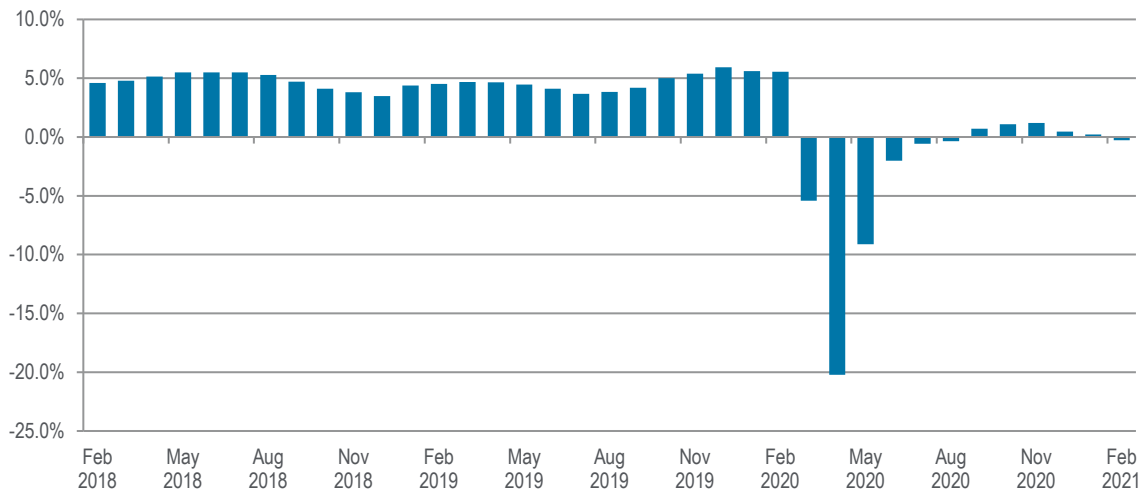
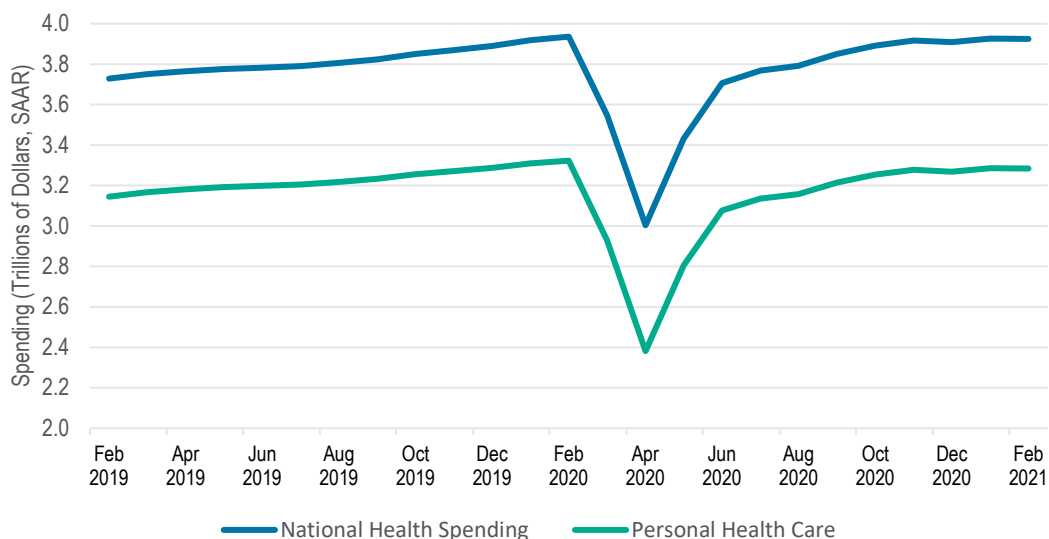


Exhibit 2. Health Care Spending, Feb 2019 – Feb 2021



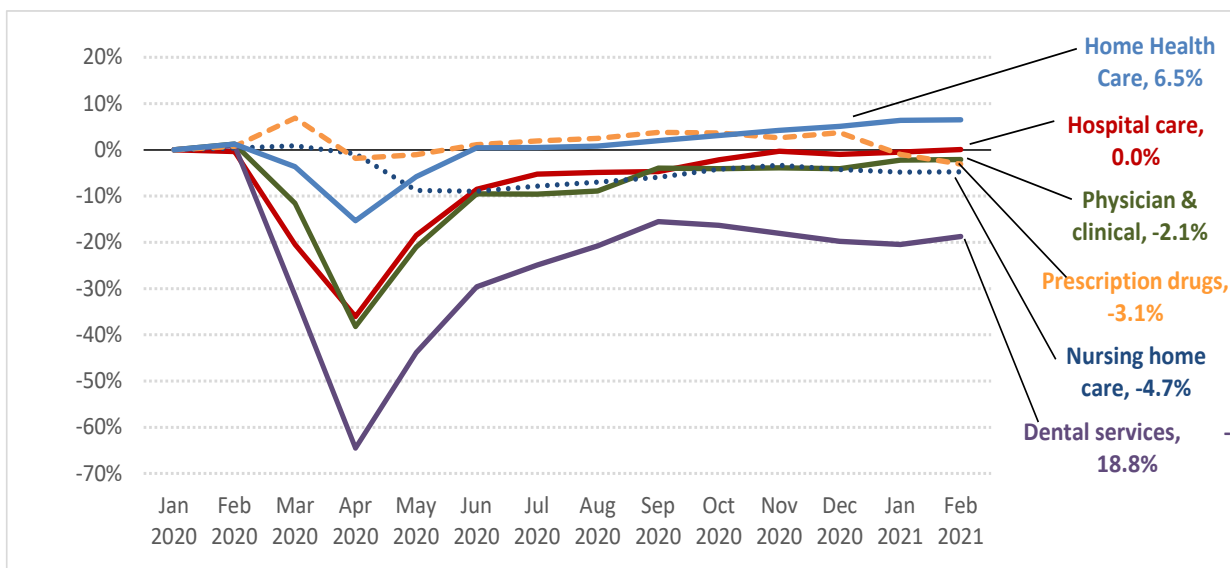


As we discussed in a [recent blog](#), roughly 20% of the spending included in the above estimates does not reflect the impact of the pandemic, because it is based on data from the most recent [CMS projections](#), which were developed largely before the pandemic began. This likely causes some distortion in these spending values and our corresponding observations. However, [similar conclusions](#) can be drawn from data for the personal health care portion of national health expenditures (see the lower curve in Exhibit 2), which are based primarily on monthly releases of the National Income and Product Accounts (NIPA) from the Bureau of Economic Analysis, whose most recent release covers spending through February 2021.

While the pattern of personal health care spending overall is similar to that described above for all of national health spending, individual components vary somewhat from the overall time series. Exhibit 2 shows the cumulative change by month since January 2020 for six major components of personal health care. While spending on hospital care has recovered to its January 2020 level and home health care spending is somewhat higher than it was last January, spending on each of the other components is still below its pre-pandemic level. The most significant example is dental services, for which spending remains well below its level in January 2020. Prescription drug spending, which increased through much of the pandemic, has more recently shown a decline, having fallen for four of the past five months, and now stands 3.1% below its January 2020 level.

Overall, however, spending growth appears to be returning to pre-pandemic rates, but at levels that suggest much previously deferred care is unlikely ever to be delivered.

Exhibit 3. Cumulative Spending Growth since Jan 2020, by Major Categories (Percent Difference for Feb 2021 Shown in Data Labels)





DETAILED HEALTH SPENDING

Exhibit 4. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Feb 2018	Feb 2019	Feb 2020	Feb 2021
GDP	\$20,171.7	\$21,082.5	\$22,010.7	\$21,770.7
National Health Spending	\$3,568.4	\$3,729.2	\$3,936.1	\$3,925.0
Personal health care	\$2,997.6	\$3,145.7	\$3,323.1	\$3,284.4
Hospital care	\$1,097.6	\$1,172.7	\$1,214.0	\$1,219.0
Physician and clinical services	\$731.7	\$754.3	\$821.7	\$794.8
Other professional services	\$100.8	\$107.5	\$114.6	\$119.7
Dental services	\$136.9	\$139.2	\$149.8	\$120.5
Other personal health care	\$190.4	\$191.9	\$199.0	\$210.8
Home health care	\$103.1	\$111.7	\$118.1	\$124.2
Nursing home care	\$164.0	\$172.2	\$177.5	\$168.4
Prescription Drugs	\$342.7	\$359.2	\$387.6	\$373.0
Durable medical equipment	\$53.9	\$56.8	\$57.8	\$60.5
Nondurable medical products	\$76.5	\$80.3	\$83.0	\$93.5
Program administration and net cost of private health insurance	\$289.9	\$289.9	\$305.2	\$320.2
Government public health activities	\$93.5	\$96.6	\$99.4	\$102.0
Research	\$52.5	\$55.4	\$58.6	\$61.4
Structures and equipment	\$134.9	\$141.6	\$149.8	\$156.9
HS Share of GDP	17.7%	17.7%	17.9%	18.0%
HS Share of PGDP	17.7%	17.8%	18.2%	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 5. National Health Spending 12-Month Growth Rates by Detailed Category

Growth Rates	Feb 2019	Feb 2020	Feb 2021
GDP	4.5%	4.4%	-1.1%
National Health Spending	4.5%	5.5%	-0.3%
Personal health care	4.9%	5.6%	-1.2%
Hospital care	6.8%	3.5%	0.4%
Physician and clinical services	3.1%	8.9%	-3.3%
Other professional services	6.7%	6.6%	4.5%
Dental services	1.7%	7.6%	-19.5%
Other personal health care	0.8%	3.7%	5.9%
Home health care	8.3%	5.8%	5.2%
Nursing home care	5.0%	3.0%	-5.1%
Prescription Drugs	4.8%	7.9%	-3.8%
Durable medical equipment	5.2%	1.9%	4.6%
Nondurable medical products	5.0%	3.3%	12.7%
Program administration and net cost of private health insurance	0.0%	5.2%	4.9%
Government public health activities	3.3%	2.9%	2.6%
Research	5.6%	5.8%	4.8%
Structures and equipment	5.0%	5.8%	4.7%
HS Minus GDP	0.0%	1.1%	0.8%
HS Minus PGDP	0.7%	1.9%	-3.5%

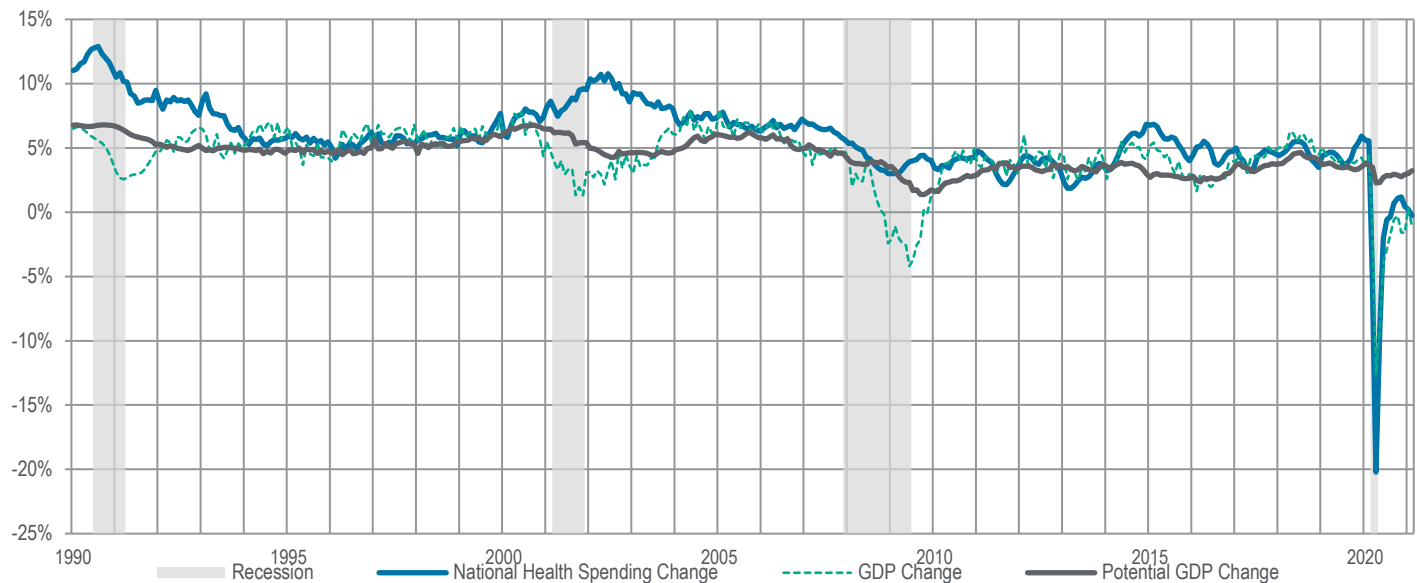
Source: Computed from Exhibit 3.

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



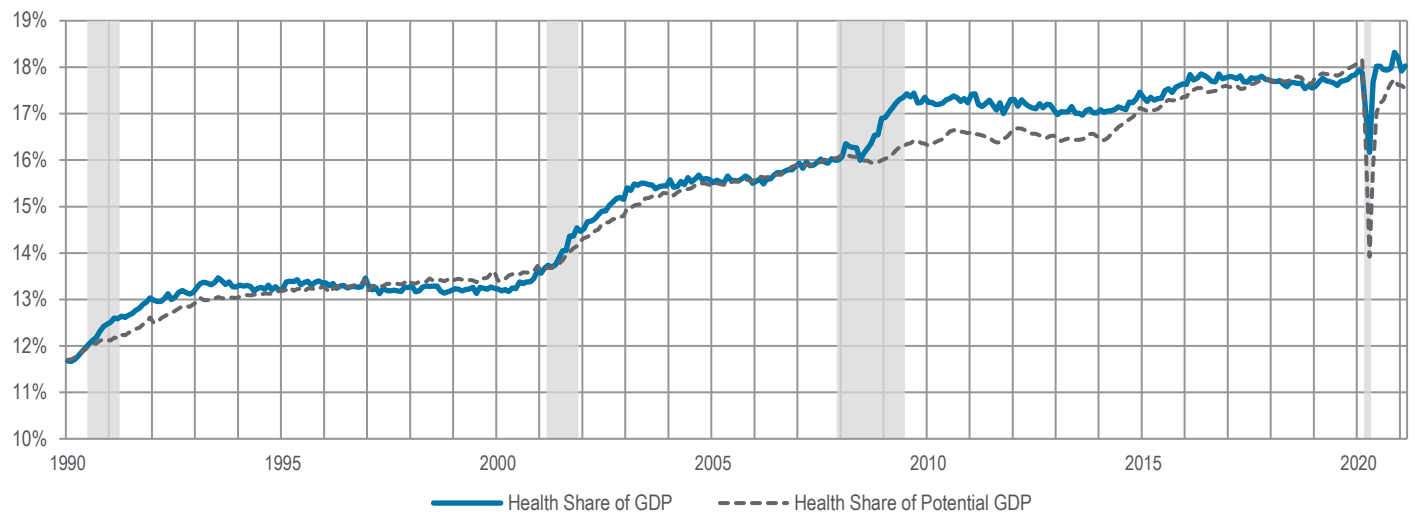
TIME SERIES TRACKER

Exhibit 6. 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. (The most recent end date is undecided.)

Exhibit 7. 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. (The most recent end date is undecided.)

Methods. Altarum’s estimates are based on [BEA monthly health spending](#) and [CMS annual NHE estimates \(1990–2018\) and projections \(2019\)](#). 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 2019 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2019 ratios are used to adjust BEA spending for months in 2020 and 2021.