

August 18, 2021

## National health spending continues its gradual recovery

- ▲ National health spending in June 2021 was 7.7% higher than in June 2020, reflecting the continued recovery from the effects of the COVID-19 pandemic.
- ▲ Since January 2020, before the pandemic-induced drop began, net growth in national health spending was 1.7% through June 2021.
- ▲ Health spending has grown more slowly than gross domestic product (GDP) in recent months and now stands at 17.4% of GDP; it was 18.0% in January and February 2020.
- ▲ The magnitude of the drop and subsequent recovery in health spending continues to vary by category of spending, with prescription drug spending showing the greatest growth since January 2020, at 4.0%, while spending on dental services remains behind the other categories, at -10.8%.

### National Health Spending and GDP\*

	June 2019	June 2020	May 2021	June 2021
<b>GDP</b>	21.45	20.55	22.72	22.83
<b>National Health Spending (HS)</b>	3.79	3.70	3.96	3.98
<b>HS Share of GDP</b>	17.7%	18.0%	17.4%	17.4%
<b>HS Share of PGDP</b>	17.8%	16.9%	17.2%	17.2%
<b>Growth from Prior 12 Months</b>				
<b>HS</b>	4.3%	-2.4%	15.8%	7.7%
<b>GDP</b>	4.3%	-4.2%	17.3%	11.1%
<b>HS minus GDP</b>	-0.1%	1.8%	-1.5%	-3.4%
<b>HS minus PGDP</b>	0.8%	-5.2%	9.8%	1.6%

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

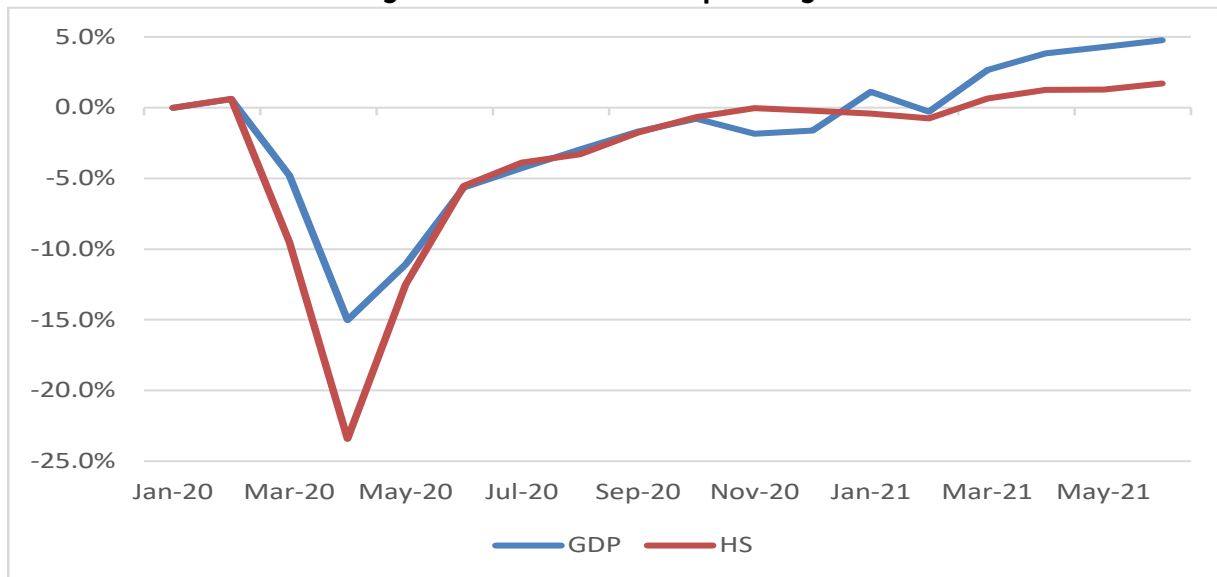


## DISCUSSION

This month's spending brief incorporates the annual update to the Bureau of Economic Analysis National Income and Product Accounts – the principal source of our spending data for the years 2020 and 2021. The update has resulted in a very small overall change in our estimate of personal health care expenditures for the year to date, most of which is attributable to downward adjustments in spending on nursing homes. For calendar year 2021 through May, our previous estimate for nursing home spending of \$166.8 billion has been revised downward to \$158.3 billion, with year-over-year growth revised from -4.1% to -5.8%. However, monthly year-over-year growth in nursing home spending in May and June were positive, with a June rate of 4.8%.

Health spending overall has continued its slow recovery from the effects of the pandemic and, as in recent months, has continued to grow more slowly than GDP (Exhibit 1). Since January 2020, net growth of GDP has been 4.8%, while national health spending in June 2021 was 1.7% higher than in January 2020. As a share of GDP, health spending was 17.4% in June 2021, down from a recent high of 18.3% in November 2020, largely because of a one-month drop in GDP. Before the pandemic, health spending stood at 18.0% of GDP in January and February 2020.

**Exhibit 1. Cumulative Change in National Health Spending (HS) and GDP since Jan 2020**

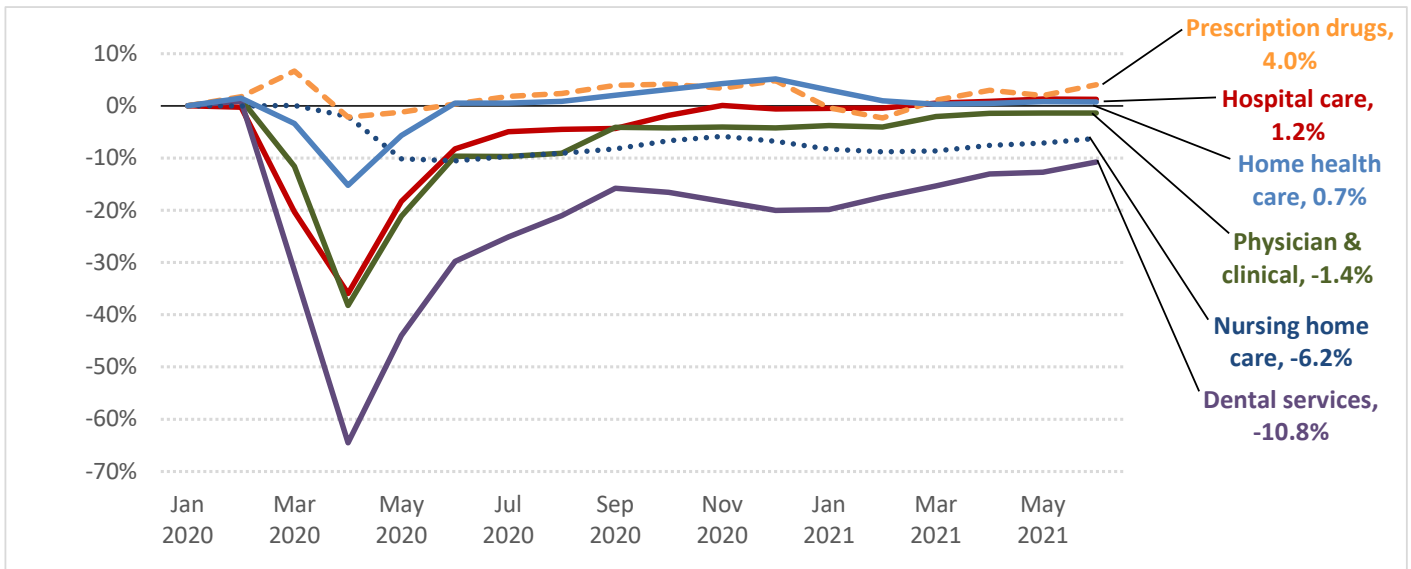


Personal health care spending (spending on health care goods and services) in June 2021 stands 1.0% higher than in January 2020. The recovery continues to vary among the major components of personal health care (Exhibit 2). Spending on prescription drugs, hospital care, and home health care are slightly above their pre-pandemic levels, while, spending on physician and clinical services, nursing home care, and especially dental care remain below their January 2020 levels. The sluggish recovery may be related to the rise of the Delta variant and declining vaccination rates.<sup>1</sup>

<sup>1</sup> <https://www.beckershospitalreview.com/finance/rising-expenses-delta-variant-offset-hospital-revenue-volume-gains-kaufman-hall.html>



**Exhibit 2. Cumulative Spending Growth since Jan 2020, by Major Categories (Percent Difference for June 2021 Shown in Data Labels)**





## DETAILED HEALTH SPENDING

### Exhibit 3. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	June 2018	June 2019	June 2020	June 2021
<b>GDP</b>	\$20,557.5	\$21,446.0	\$20,552.5	\$22,825.0
<b>National Health Spending</b>	\$3,631.8	\$3,786.4	\$3,697.1	\$3,980.3
<b>Personal health care</b>	\$3,047.2	\$3,202.9	\$3,067.4	\$3,336.6
Hospital care	\$1,129.6	\$1,188.1	\$1,116.5	\$1,231.7
Physician and clinical services	\$734.1	\$771.2	\$734.5	\$801.5
Other professional services	\$104.6	\$110.9	\$114.6	\$113.9
Dental services	\$135.8	\$144.7	\$104.4	\$132.6
Other personal health care	\$191.5	\$192.8	\$203.1	\$214.6
Home health care	\$103.9	\$114.9	\$117.1	\$117.4
Nursing home care	\$167.9	\$172.2	\$154.1	\$161.5
Prescription Drugs	\$347.7	\$367.9	\$385.3	\$399.3
Durable medical equipment	\$55.0	\$57.5	\$51.8	\$66.1
Nondurable medical products	\$77.1	\$82.7	\$85.9	\$98.1
<b>Program administration and net cost of private health insurance</b>	\$301.0	\$284.3	\$318.1	\$318.3
<b>Government public health activities</b>	\$94.2	\$97.8	\$100.1	\$103.1
<b>Research</b>	\$53.5	\$56.4	\$59.7	\$62.5
<b>Structures and equipment</b>	\$135.8	\$145.0	\$151.8	\$159.7
<b>HS Share of GDP</b>	17.7%	17.7%	18.0%	17.4%
<b>HS Share of PGDP</b>	17.7%	17.8%	16.9%	17.2%

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

Growth Rates	June 2019	June 2020	June 2021
<b>GDP</b>	4.3%	-4.2%	11.1%
<b>National Health Spending</b>	4.3%	-2.4%	7.7%
<b>Personal health care</b>	5.1%	-4.2%	8.8%
Hospital care	5.2%	-6.0%	10.3%
Physician and clinical services	5.1%	-4.8%	9.1%
Other professional services	6.0%	3.4%	-0.7%
Dental services	6.6%	-27.9%	27.1%
Other personal health care	0.7%	5.3%	5.6%
Home health care	10.6%	1.9%	0.3%
Nursing home care	2.5%	-10.5%	4.8%
Prescription Drugs	5.8%	4.7%	3.6%
Durable medical equipment	4.5%	-9.9%	27.5%
Nondurable medical products	7.2%	4.0%	14.1%
<b>Program administration and net cost of private health insurance</b>	-5.5%	11.9%	0.1%
<b>Government public health activities</b>	3.8%	2.4%	3.0%
<b>Research</b>	5.4%	5.8%	4.8%
<b>Structures and equipment</b>	6.7%	4.7%	5.2%
<b>HS Minus GDP</b>	-0.1%	1.8%	-3.4%
<b>HS Minus PGDP</b>	0.8%	-5.2%	1.6%

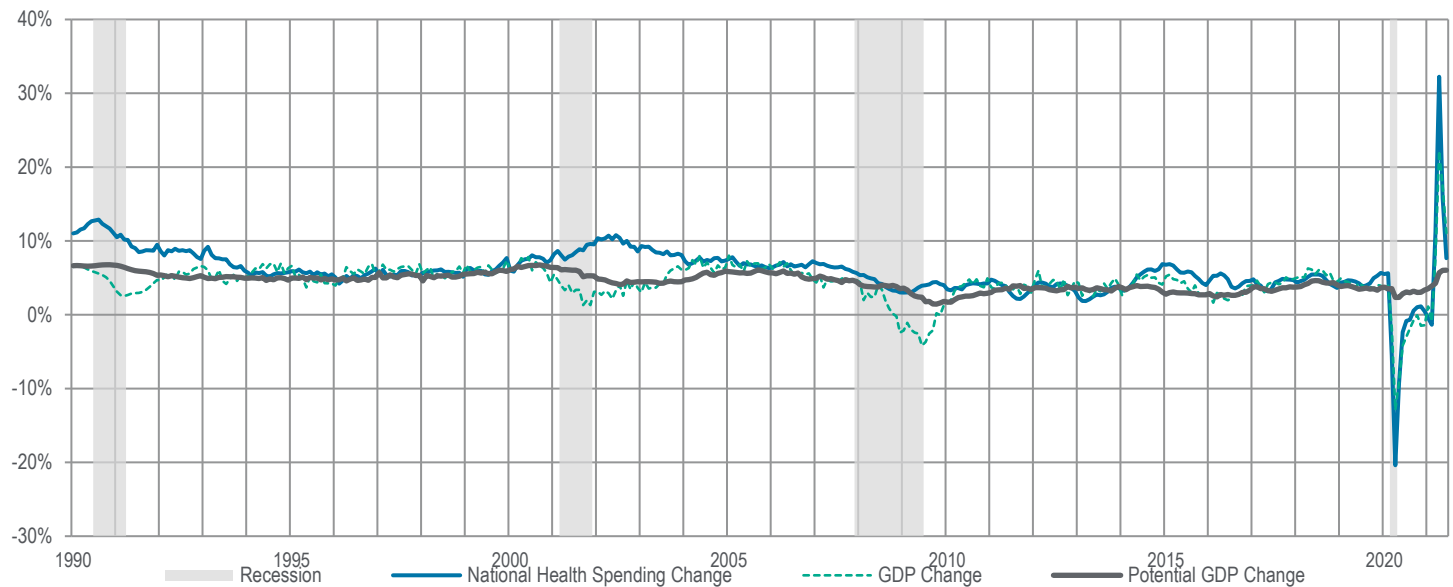
Source: Computed from Exhibit 2.

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



## TIME SERIES TRACKER

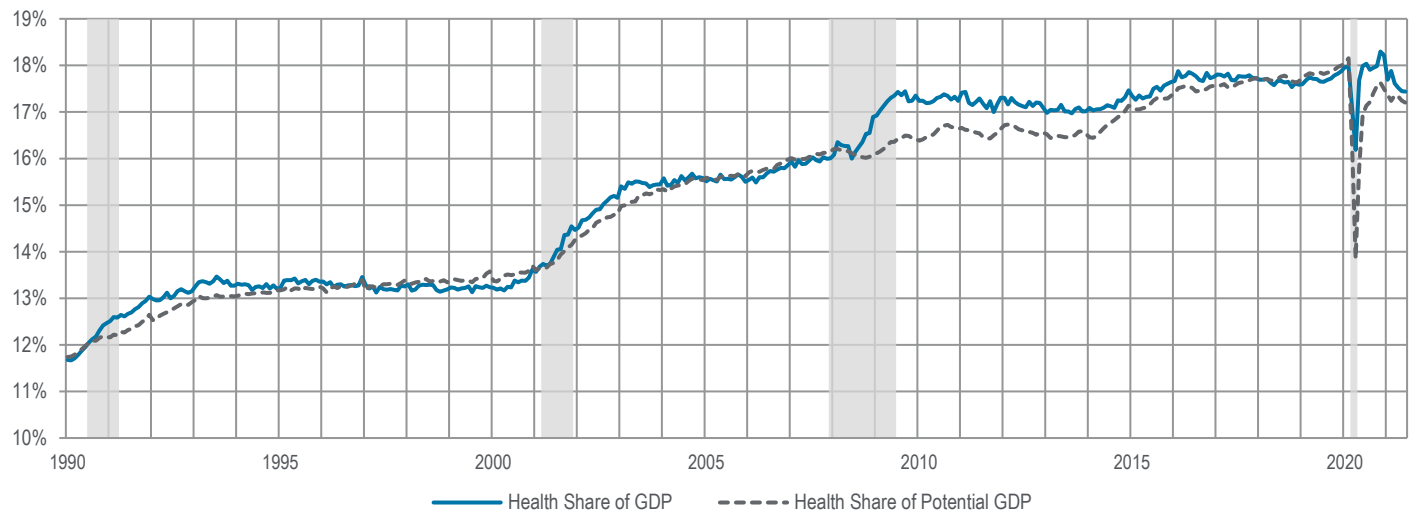
**Exhibit 5. Year-over-Year Percentage Change in Spending and GDP**



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

**Note:** Lightly shaded bars denote recession periods.

**Exhibit 6. 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 \(1990–2018\) 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.