

January 20, 2021

National health spending recovery shows signs of stalling

HIGHLIGHTS

- ▲ At \$3.90 trillion (seasonally adjusted annual rate), national health spending in November 2020 was 0.8% higher than in November 2019.
- ▲ The November 2020 nominal gross domestic product (GDP) was 1.5% lower than in November 2019, and the resulting health-spending share of GDP was 18.2%, and 17.6% of potential GDP (PGDP).
- ▲ Spending in November 2020, year over year, declined in some major categories and grew in others. The greatest decline was in spending on dental services, at -13.6%. The greatest increase was in home health care, which grew by 5.9%. The recovery in spending from its drop in March and April appears to be leveling off.

National Health Spending and GDP

	November 2018	November 2019	October 2020	November 2020
GDP	20.86	21.72	21.55	21.41
National Health Spending (HS)	3.67	3.87	3.88	3.90
HS Share of GDP	17.6%	17.8%	18.0%	18.2%
HS Share of PGDP	17.7%	18.0%	17.6%	17.6%
Growth from Prior 12 Months				
HS	3.8%	5.4%	0.8%	0.8%
GDP	4.6%	4.1%	-0.7%	-1.5%
HS minus GDP	-0.8%	1.3%	1.5%	2.3%
HS minus PGDP	-0.4%	2.0%	-2.1%	-2.1%

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 vulnerable and publicly insured 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.

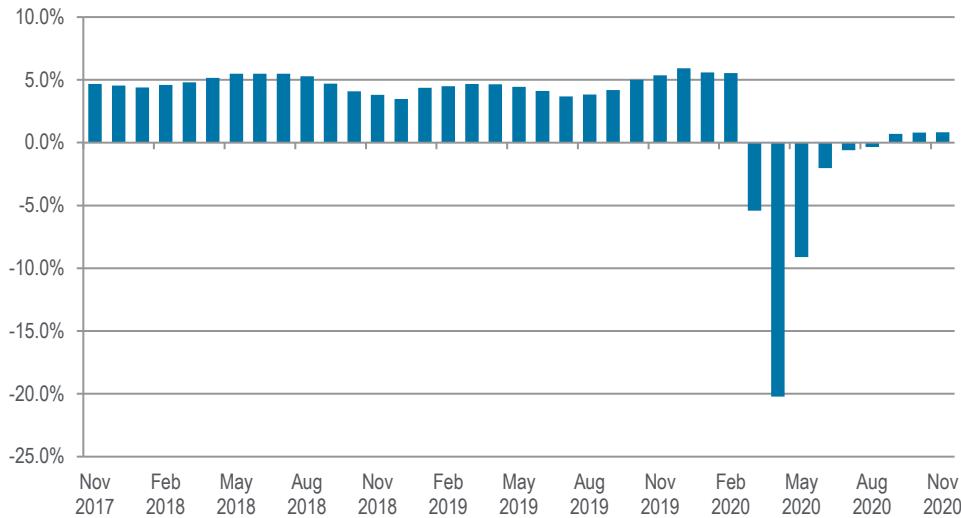
The Health Sector Economic IndicatorsSM reports are a monthly publication of Altarum and provide an analysis of health spending, employment, and prices. For more information, contact Ani Turner at ani.turner@altarum.org. George Miller, PhD (principal author), Ani Turner, Corwin Rhyan, and Matt Daly, 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

This month's spending brief incorporates new data from the official 2019 release of the NHEA, published by CMS on December 16.¹ As a result, our national health spending growth estimate for all of 2019 has been revised from 4.8% to 4.6%. Our estimate of total national health spending in 2019 was also revised slightly from \$3.82 trillion to \$3.80 trillion. Our revisions caused 2019 health spending as a share of GDP to move downward from 17.8% to

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

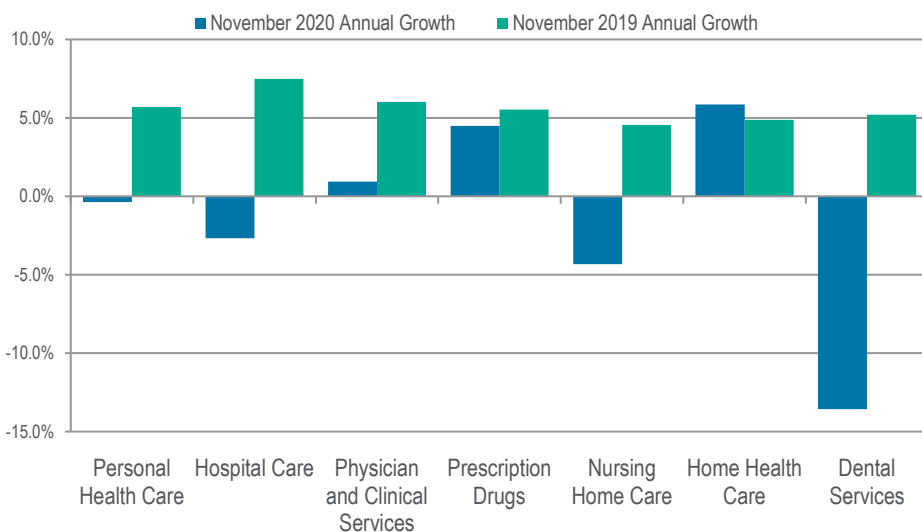


the CMS value of 17.7%. The new data have also impacted our estimated spending levels in 2020, but they have not affected 2020 spending growth rates.

However, this month's update from the Bureau of Economic Analysis, our principal source for spending data in 2020, also incorporates results from the Census Bureau's December 10 release of its Quarterly Services Survey for the third quarter of 2020. This update

has resulted in significant changes in some of our estimated 2020 growth rates. The most substantial change has been in the estimated growth in home health care spending: In last month's spending brief, we reported October's year-over-year growth in home health care of 18.2%. That rate has now been revised downward to 5.3% (and November's growth rate is estimated at 5.9%). Nursing home spending has also seen a significant revision, with our estimate for year-over-year growth in October revised from

Exhibit 2. Health Care Spending 12-Month Growth for Selected Categories



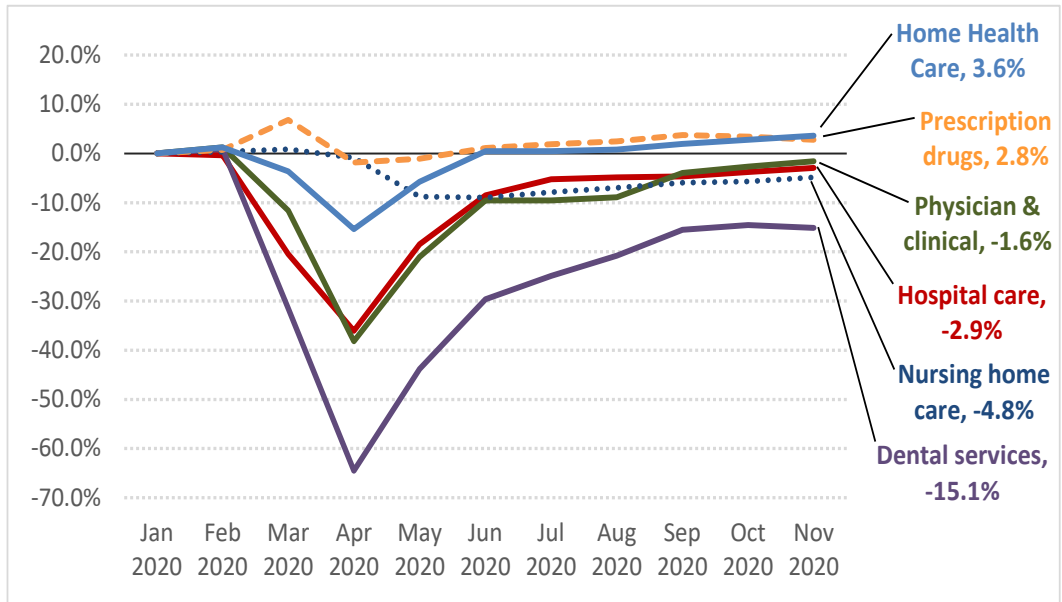
-8.4% to -4.6% (and November's rate is -4.3%).

While these rates were more modest than originally thought, the story they suggest remains the same: the pandemic has accelerated an ongoing shift in care from nursing homes to home health. This shift was noted in our recent Health Affairs blog² and has also been described by others.³



Overall, as can be seen in Exhibit 3, the recovery in the health sector from its disastrous spring seems to be

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



leveling off. For the 5-month period from its April nadir through September, national health spending grew by 28.2% (a compounded average monthly rate of 5.1%), but in the subsequent 2 months, October and November, growth slowed to 1.3% (a compounded average monthly rate of 0.6%). Exhibit 3 illustrates this leveling off for 6 major components of health spending, all but 2 of which remain below their January spending

levels. Next month's spending brief will undoubtedly describe the first full year in the history of our time series in which year-over-year health spending declined.

¹ Martin AB et al., National health care spending in 2019: steady growth for the fourth consecutive year. *Health Affairs*, December 16, 2020. Available at <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2020.02022>

² Miller G et al., COVID-19 shocks the US health sector: a review of early economic impacts. *Health Affairs Blog*. December 16, 2020. Available at <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2020.02022>

³ Mathews AW, McGinty T. Covid spurs families to shun nursing homes, a shift that appears long lasting. *The Wall Street Journal*. December 21, 2020. Available at <https://www.wsj.com/articles/covid-spurs-families-to-shun-nursing-homes-a-shift-that-appears-long-lasting-11608565170>.



DETAILED HEALTH SPENDING

Exhibit 4. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Nov 2017	Nov 2018	Nov 2019	Nov 2020
GDP	\$19,946.5	\$20,864.8	\$21,722.9	\$21,407.0
National Health Spending	\$3,538.1	\$3,672.9	\$3,870.3	\$3,902.2
Personal health care	\$2,981.9	\$3,086.6	\$3,271.3	\$3,263.2
Hospital care	\$1,101.6	\$1,130.6	\$1,215.3	\$1,182.9
Physician and clinical services	\$713.9	\$746.5	\$791.4	\$798.8
Other professional services	\$99.4	\$105.6	\$113.3	\$112.8
Dental services	\$134.2	\$138.5	\$145.7	\$125.9
Other personal health care	\$189.1	\$191.8	\$196.2	\$208.0
Home health care	\$101.5	\$108.8	\$114.1	\$120.8
Nursing home care	\$168.7	\$168.2	\$175.9	\$168.3
Prescription Drugs	\$343.2	\$358.7	\$378.6	\$395.5
Durable medical equipment	\$53.8	\$57.3	\$58.3	\$58.7
Nondurable medical products	\$76.4	\$80.6	\$82.6	\$91.4
Program administration and net cost of private health insurance	\$277.2	\$297.1	\$294.0	\$322.1
Government public health activities	\$93.0	\$95.6	\$98.9	\$101.2
Research	\$51.6	\$54.7	\$57.8	\$60.8
Structures and equipment	\$134.3	\$139.0	\$148.3	\$154.9
HS Share of GDP	17.7%	17.6%	17.8%	18.2%
HS Share of PGDP	17.7%	17.7%	18.0%	17.6%

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

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	Nov 2018	Nov 2019	Nov 2020
GDP	4.6%	4.1%	-1.5%
National Health Spending	3.8%	5.4%	0.8%
Personal health care	3.5%	6.0%	-0.2%
Hospital care	2.6%	7.5%	-2.7%
Physician and clinical services	4.6%	6.0%	0.9%
Other professional services	6.2%	7.3%	-0.4%
Dental services	3.2%	5.2%	-13.6%
Other personal health care	1.4%	2.3%	6.0%
Home health care	7.2%	4.9%	5.9%
Nursing home care	-0.3%	4.6%	-4.3%
Prescription Drugs	4.5%	5.5%	4.5%
Durable medical equipment	6.5%	1.9%	0.6%
Nondurable medical products	5.5%	2.5%	10.6%
Program administration and net cost of private health insurance	7.2%	-1.0%	9.5%
Government public health activities	2.8%	3.4%	2.4%
Research	6.0%	5.6%	5.2%
Structures and equipment	3.5%	6.7%	4.4%
HS Minus GDP	-0.8%	1.3%	2.3%
HS Minus PGDP	-0.4%	2.0%	-2.1%

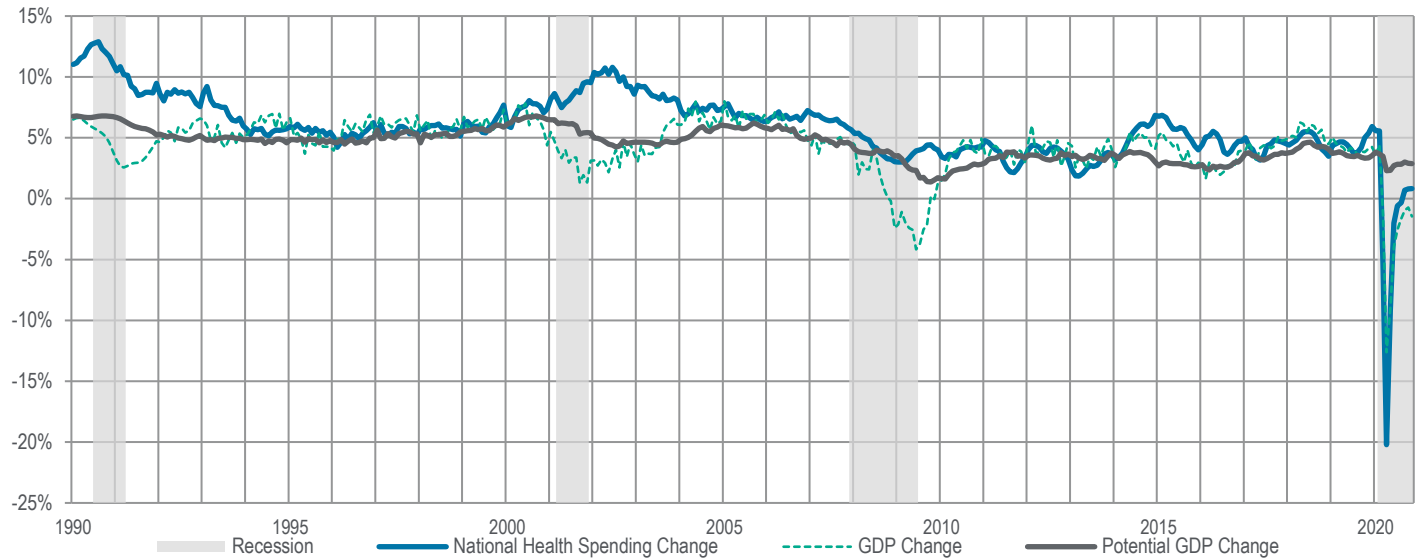
Source: Computed from Exhibit 3.

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



TIME SERIES TRACKER

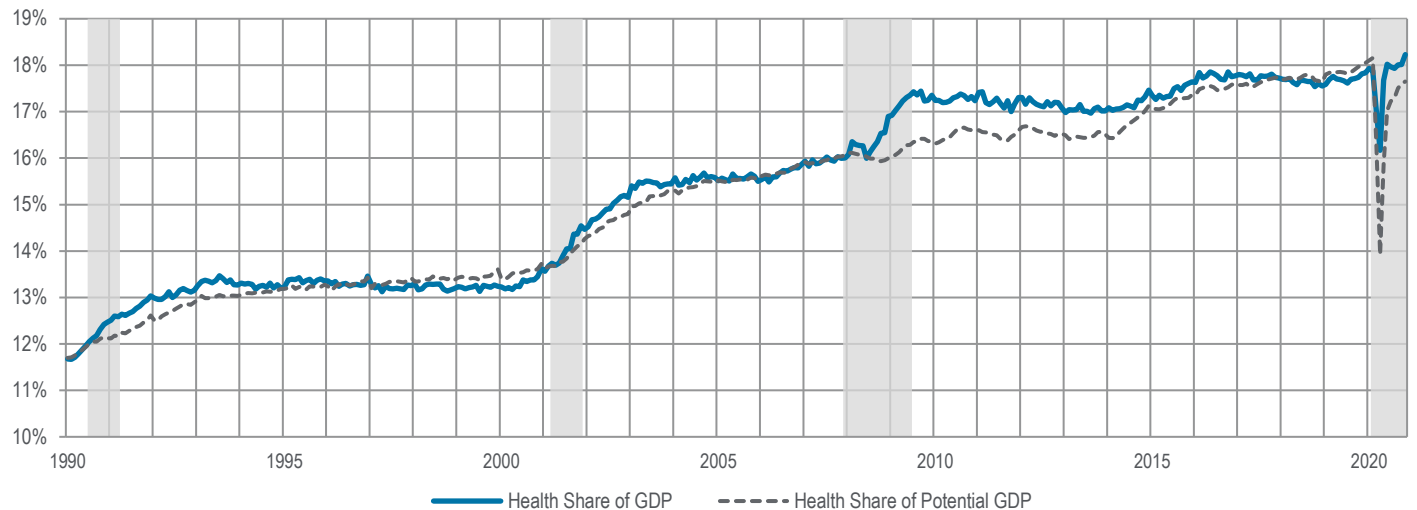
Exhibit 6. Year-over-Year Percentage Change in Spending and GDP



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

Note: Lightly shaded bars denote recession periods.

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.

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.