

May 19, 2021

## National health spending rebound slows to pre-pandemic growth rates

### HIGHLIGHTS

- ▲ National health spending in March 2021 was 12.5% higher than one year ago, reflecting the recovery from the drop in spending that began in March 2020.
- ▲ Since January 2020, before the pandemic-induced drop began, net growth in national health spending was 1.8% through March 2021.
- ▲ The magnitude of the drop and subsequent recovery has varied by category of spending, with only home health care and hospital spending reaching levels in March 2021 that exceeded their January 2020 levels.
- ▲ The recovery in spending on dental services has lagged all other categories and remains 17.0% below its January 2020 level.

### National Health Spending and GDP\*

	March 2019	March 2020	February 2021	March 2021
GDP	21.12	20.83	21.75	22.41
National Health Spending (HS)	3.75	3.55	3.94	3.99
HS Share of GDP	17.8%	17.0%	18.1%	17.8%
HS Share of PGDP	17.8%	16.3%	17.5%	17.6%
<b>Growth from Prior 12 Months</b>				
HS	4.7%	-5.4%	0.1%	12.5%
GDP	4.4%	-1.4%	-1.2%	7.6%
HS minus GDP	0.3%	-4.1%	1.3%	4.9%
HS minus PGDP	0.8%	-9.0%	-3.5%	8.3%

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.

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: Sarah Litton, 202-772-5062, [press@altarum.org](mailto:press@altarum.org). For more information, visit <http://altarum.org/solution/health-sector-spending>.



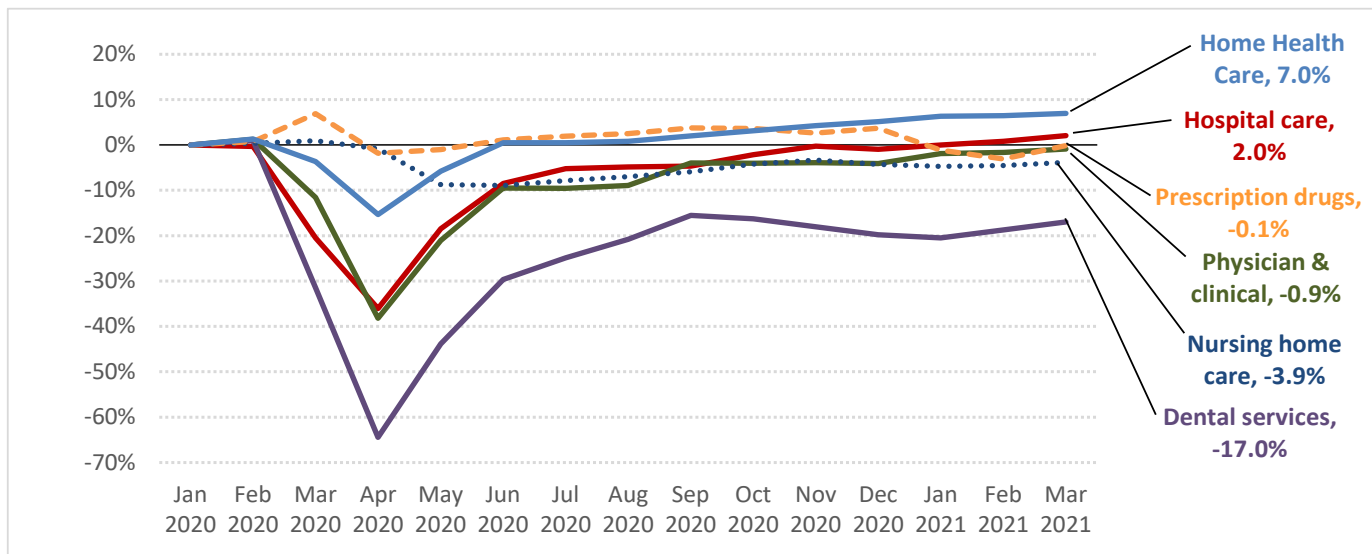
## DISCUSSION

One year ago in March, national health spending began its precipitous decline due to the COVID-19 pandemic. The subsequent recovery from the April 2020 nadir, which was initially steep but later slowed, has continued through March 2021. As a result, year-over-year growth in national health spending as of March 2021 was 12.5%, and year-over-year growth in personal health care expenditures (spending on health care goods and services) was 14.3%.

Our spending briefs typically report growth in health spending and its components on a year-over-year basis to help mitigate any effects of seasonality. But, because of the temporary but dramatic decline in spending that began in March 2020, year-over-year growth in March 2021 may be a less meaningful statistic than growth rates since the start of the pandemic. (See Exhibit 4.) From January 2020 through March 2021, the net growth in national health spending has been 1.8%, and personal health care has grown by 1.1%.

Exhibit 1 displays the trajectory of spending growth for six major components of personal health care since January 2020. While spending in each of these categories has recovered somewhat from the effects of the pandemic, only home health care and hospital spending were greater in March 2021 than in January 2020. Spending on dental services continues to show the slowest recovery and is still 17.0% lower than in January 2020.

**Exhibit 1. Cumulative Spending Growth since Jan 2020, by Major Categories (Percent Difference for March 2021 Shown in Data Labels)**



Our spending estimates for 2020 and 2021 rely largely on the monthly release of the Bureau of Economic Analysis (BEA) National Income and Product Accounts. While these data capture most of personal health care spending, they exclude other spending categories such as net cost of insurance and public health. Our data for these categories are based on the most recent CMS projections of national health expenditures, which do not reflect the impact of COVID-19. We anticipate that CMS will soon release an update to these projections, which will give a clearer picture of spending since 2019, especially for those spending categories not represented in the BEA data.



## DETAILED HEALTH SPENDING

### Exhibit 2. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Mar 2018	Mar 2019	Mar 2020	Mar 2021
<b>GDP</b>	\$20,227.4	\$21,116.2	\$20,826.2	\$22,410.4
<b>National Health Spending</b>	\$3,582.8	\$3,750.2	\$3,546.7	\$3,988.6
<b>Personal health care</b>	\$3,007.8	\$3,167.4	\$2,929.2	\$3,347.5
Hospital care	\$1,102.4	\$1,183.8	\$969.0	\$1,243.2
Physician and clinical services	\$734.3	\$756.7	\$717.8	\$804.4
Other professional services	\$102.5	\$108.4	\$98.4	\$119.9
Dental services	\$137.1	\$140.0	\$101.6	\$123.2
Other personal health care	\$190.8	\$192.0	\$200.0	\$211.7
Home health care	\$103.1	\$112.4	\$112.4	\$124.7
Nursing home care	\$164.7	\$171.6	\$178.4	\$170.0
Prescription Drugs	\$341.9	\$364.9	\$411.2	\$384.2
Durable medical equipment	\$54.2	\$56.8	\$51.1	\$67.2
Nondurable medical products	\$76.9	\$80.7	\$89.2	\$99.0
<b>Program administration and net cost of private health insurance</b>	\$293.5	\$287.9	\$308.8	\$319.5
<b>Government public health activities</b>	\$93.6	\$96.9	\$99.6	\$102.3
<b>Research</b>	\$52.7	\$55.6	\$58.9	\$61.7
<b>Structures and equipment</b>	\$135.0	\$142.4	\$150.3	\$157.6
<b>HS Share of GDP</b>	17.7%	17.8%	17.0%	17.8%
<b>HS Share of PGDP</b>	17.7%	17.8%	16.3%	17.6%

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

Growth Rates	Mar 2019	Mar 2020	Mar 2021
<b>GDP</b>	4.4%	-1.4%	7.6%
<b>National Health Spending</b>	4.7%	-5.4%	12.5%
<b>Personal health care</b>	5.3%	-7.5%	14.3%
Hospital care	7.4%	-18.1%	28.3%
Physician and clinical services	3.1%	-5.1%	12.1%
Other professional services	5.8%	-9.2%	21.9%
Dental services	2.2%	-27.4%	21.2%
Other personal health care	0.6%	4.2%	5.8%
Home health care	9.0%	0.0%	11.0%
Nursing home care	4.2%	3.9%	-4.7%
Prescription Drugs	6.7%	12.7%	-6.6%
Durable medical equipment	4.8%	-10.0%	31.6%
Nondurable medical products	4.9%	10.6%	10.9%
<b>Program administration and net cost of private health insurance</b>	-1.9%	7.3%	3.5%
<b>Government public health activities</b>	3.5%	2.8%	2.7%
<b>Research</b>	5.5%	5.8%	4.7%
<b>Structures and equipment</b>	5.5%	5.5%	4.8%
<b>HS Minus GDP</b>	0.3%	-4.1%	4.9%
<b>HS Minus PGDP</b>	0.8%	-9.0%	8.3%

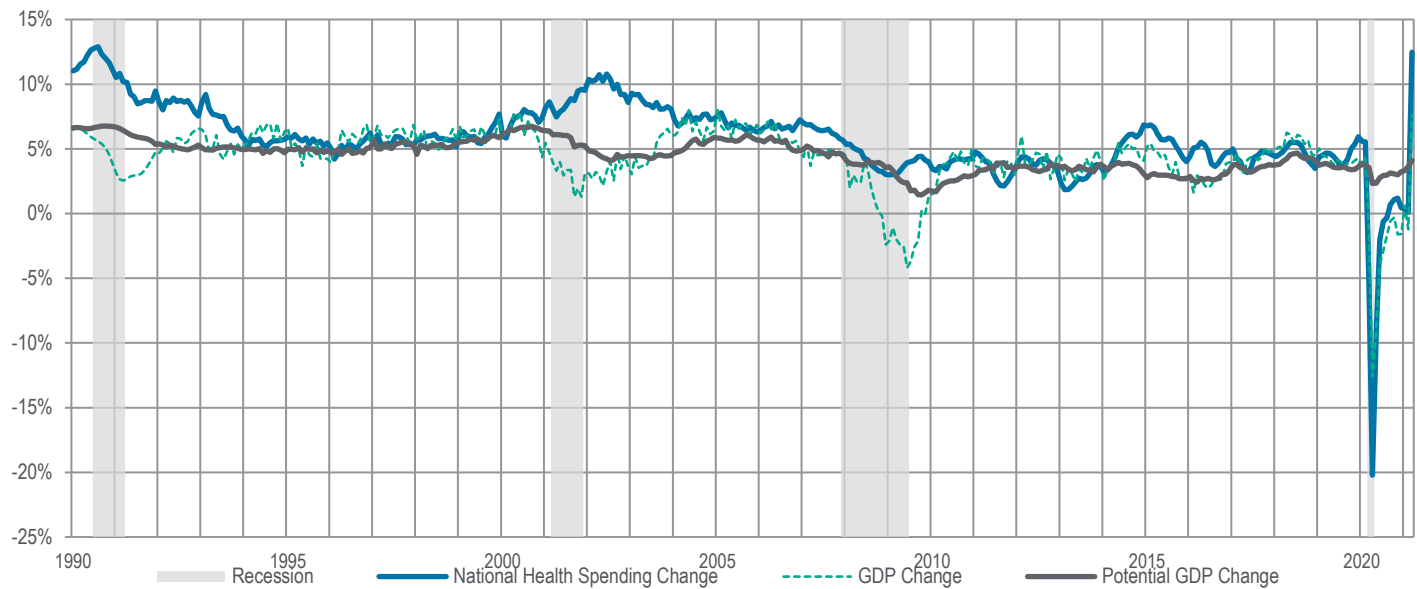
Source: Computed from Exhibit 2.

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



## TIME SERIES TRACKER

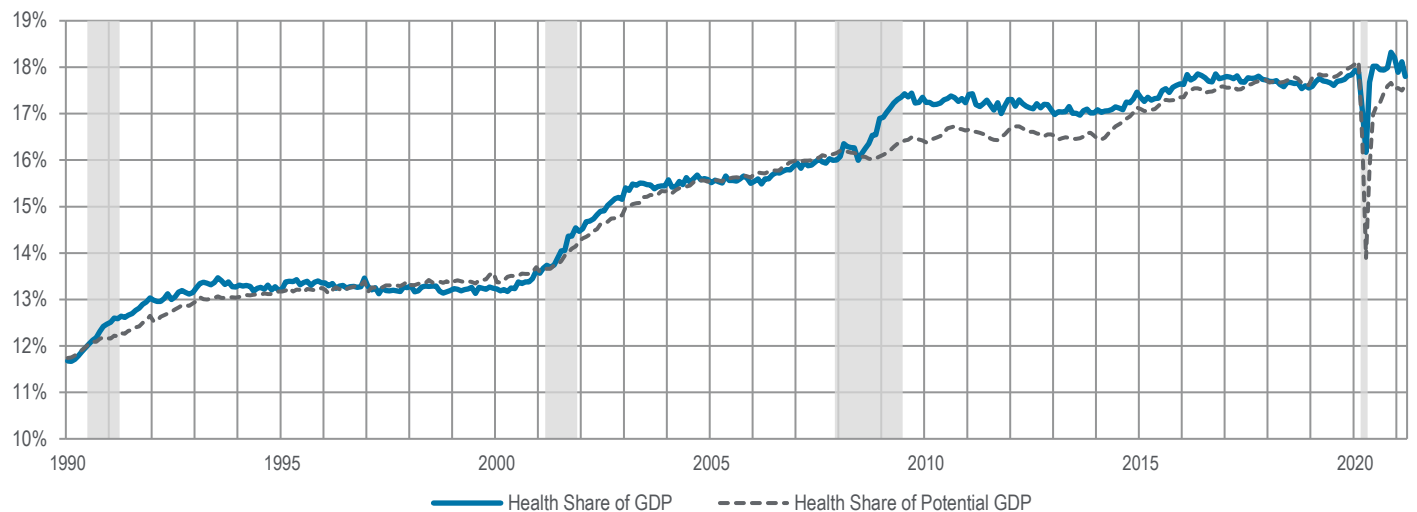
**Exhibit 4. Year-over-Year Percentage Change in Spending and GDP**



**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 5. 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.