

November 16, 2021

## With high GDP growth, health spending stabilizes near 17.5% of GDP

- ▲ National health spending in September 2021 was 6.3% higher than in September 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 4.4% through September 2021. For the past 4 months, health spending has exceeded \$4 trillion for the first time in history.
- ▲ For 5 months beginning in March 2021, health spending as a percent of GDP held steady at 17.6%, and now stands at 17.5%; it was 18.1% in February 2020, before the start of the pandemic.
- ▲ The magnitude of the drop and subsequent recovery in health spending continues to vary by category of spending, with spending on hospital care and home health care showing the greatest growth since January 2020, at 6.1% each, while the net change in spending on dental services lags the other categories, at -11.4%.

### National Health Spending and GDP\*

	Sept 2019	Sept 2020	Aug 2021	Sept 2021
<b>GDP</b>	21.59	21.42	23.25	23.38
<b>National Health Spending (HS)</b>	3.82	3.84	4.06	4.09
<b>HS Share of GDP</b>	17.7%	17.9%	17.5%	17.5%
<b>HS Share of PGDP</b>	17.8%	17.3%	17.2%	17.2%
<b>Growth from Prior 12 Months</b>				
HS	4.2%	0.5%	7.3%	6.3%
GDP	3.8%	-0.8%	10.0%	9.2%
HS minus GDP	0.4%	1.3%	-2.7%	-2.9%
HS minus PGDP	0.7%	-2.7%	0.7%	-0.5%

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 (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.

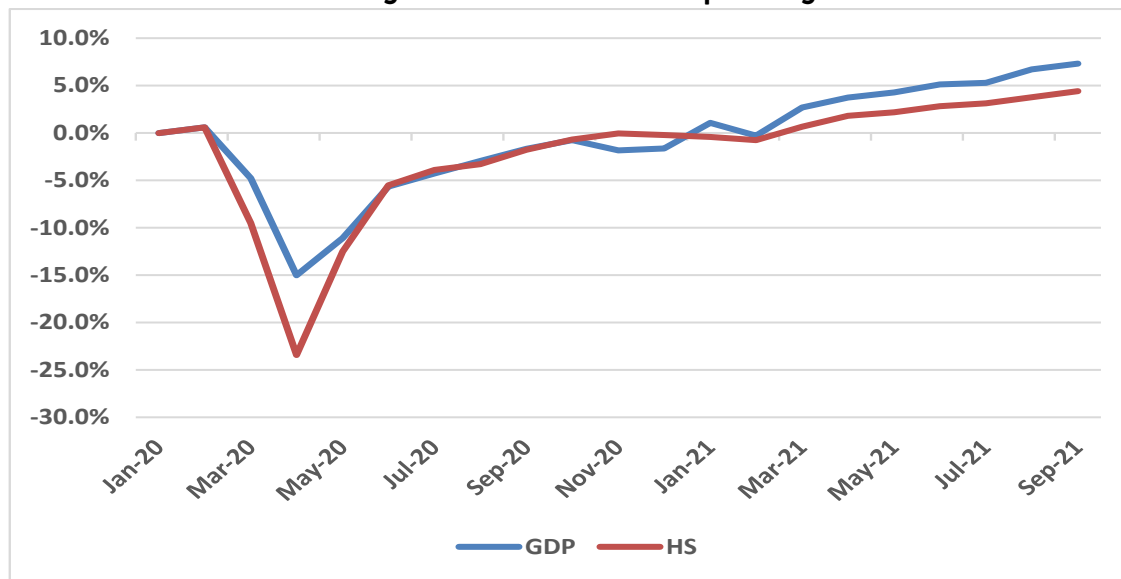
*The Health Sector Economic Indicators<sup>SM</sup>* reports are a monthly publication of Altarum and provide an analysis of health spending, employment, and prices. For more information, contact Ani Turner at [ani.turner@altarum.org](mailto:ani.turner@altarum.org). George Miller, PhD (principal author), 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

National health spending reached \$4.09 trillion in September 2021 (SAAR) and has exceeded \$4 trillion since June of this year. The pre-pandemic high was \$3.94 trillion in February 2020. Health spending has experienced net growth of 4.4% from its January 2020 level and has shown steady growth since it first exceeded the pre-pandemic high in March of this year (Exhibit 1). Over the same 20-month period, GDP has grown by 7.3%. As a result, national health spending represents 17.5% of GDP, well below its 18.1% mark in February 2020. Health spending as a percent of GDP has been stable since March 2021, when it dropped to 17.6% and remained at that level through July. It first hit 17.5% in August. The last time before the start of pandemic-induced recession that health spending's share of GDP was as low as 17.5% was in June 2017. However, the current relatively low share is largely a result of rapid GDP growth rather than slow growth in health spending: health spending grew by 5.2% since February of this year – an annual rate of 8.9%. If sustained, this would be higher than any pre-pandemic year-over-year growth rate since March 2003. Over the same seven-month period, GDP grew by 7.6%, an annual rate of 13.0%.

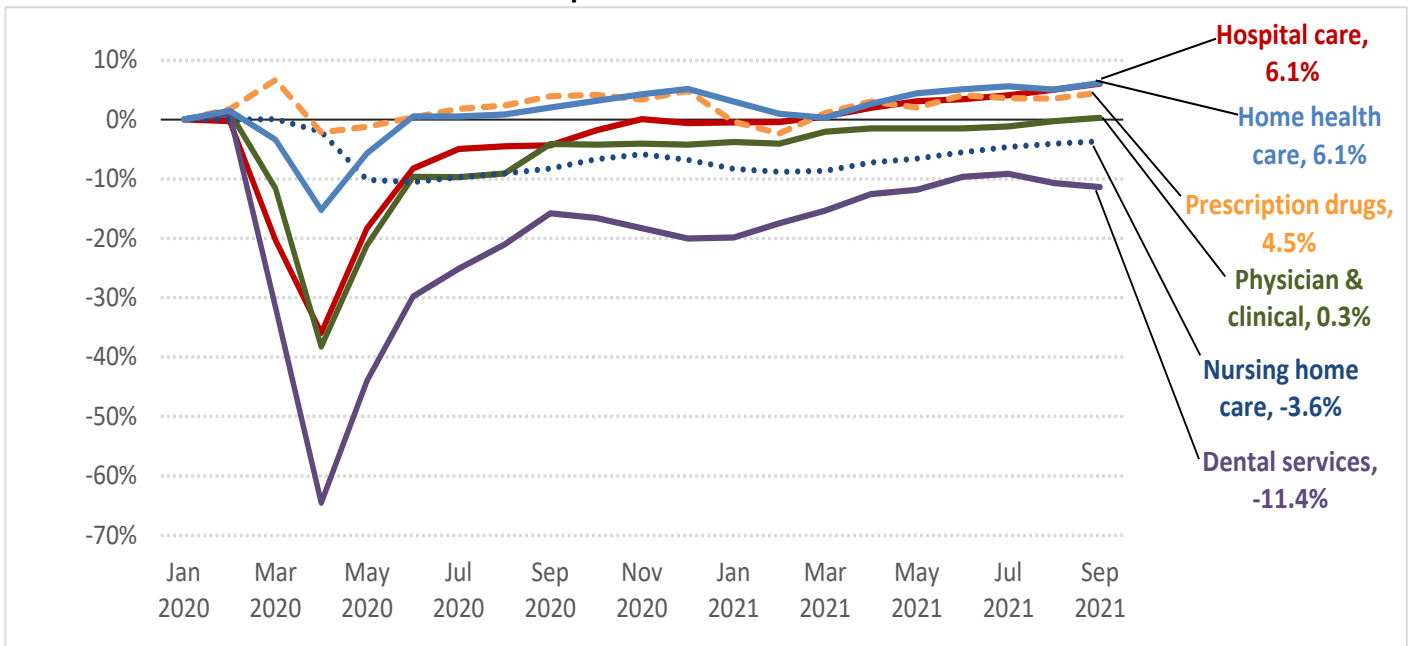
**Exhibit 1. Cumulative Change in National Health Spending (HS) and GDP since January 2020**



While overall health spending continues to climb out of the recession, growth among its major categories remains variable, with spending on nursing home care and dental services still below their pre-recession levels (Exhibit 2). Dental spending in particular has remained well below its January 2020 level and is currently down 11.4%. At the other end of the spectrum is spending on hospital care and home health services, each of which is 6.1% higher than in January 2020.



**Exhibit 2. Cumulative Spending Growth Since January 2020, by Major Categories (Percent Difference for September 2021 Shown in Data Labels)**





## DETAILED HEALTH SPENDING

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

Levels (in billions of dollars)	Sept 2018	Sept 2019	Sept 2020	Sept 2021
<b>GDP</b>	\$20,785.3	\$21,585.5	\$21,419.1	\$23,383.0
<b>National Health Spending</b>	\$3,668.2	\$3,823.8	\$3,844.5	\$4,086.7
<b>Personal health care</b>	\$3,080.8	\$3,232.9	\$3,207.8	\$3,436.8
Hospital care	\$1,138.5	\$1,198.4	\$1,164.3	\$1,290.7
Physician and clinical services	\$744.6	\$781.5	\$779.2	\$815.0
Other professional services	\$104.1	\$112.6	\$111.1	\$123.9
Dental services	\$140.0	\$144.6	\$125.2	\$131.7
Other personal health care	\$191.8	\$194.6	\$206.1	\$217.6
Home health care	\$107.8	\$114.8	\$118.9	\$123.7
Nursing home care	\$168.3	\$173.3	\$158.1	\$166.0
Prescription Drugs	\$353.4	\$373.5	\$398.8	\$401.2
Durable medical equipment	\$54.4	\$57.3	\$56.5	\$66.9
Nondurable medical products	\$78.0	\$82.5	\$89.7	\$100.0
<b>Program administration and net cost of private health insurance</b>	\$300.7	\$288.1	\$322.0	\$320.3
<b>Government public health activities</b>	\$95.0	\$98.5	\$100.7	\$104.0
<b>Research</b>	\$54.2	\$57.2	\$60.3	\$63.7
<b>Structures and equipment</b>	\$137.5	\$147.1	\$153.6	\$161.9
<b>HS Share of GDP</b>	17.6%	17.7%	17.9%	17.5%
<b>HS Share of PGDP</b>	17.7%	17.8%	17.3%	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	Sept 2019	Sept 2020	Sept 2021
<b>GDP</b>	3.8%	-0.8%	9.2%
<b>National Health Spending</b>	4.2%	0.5%	6.3%
<b>Personal health care</b>	4.9%	-0.8%	7.1%
Hospital care	5.3%	-2.8%	10.9%
Physician and clinical services	5.0%	-0.3%	4.6%
Other professional services	8.1%	-1.3%	11.5%
Dental services	3.3%	-13.4%	5.2%
Other personal health care	1.5%	5.9%	5.6%
Home health care	6.5%	3.6%	4.0%
Nursing home care	2.9%	-8.8%	5.0%
Prescription Drugs	5.7%	6.8%	0.6%
Durable medical equipment	5.4%	-1.5%	18.5%
Nondurable medical products	5.8%	8.7%	11.6%
<b>Program administration and net cost of private health insurance</b>	-4.2%	11.8%	-0.5%
<b>Government public health activities</b>	3.7%	2.3%	3.3%
<b>Research</b>	5.5%	5.5%	5.6%
<b>Structures and equipment</b>	7.0%	4.4%	5.4%
<b>HS Minus GDP</b>	0.4%	1.3%	-2.9%
<b>HS Minus PGDP</b>	0.7%	-2.7%	-0.5%

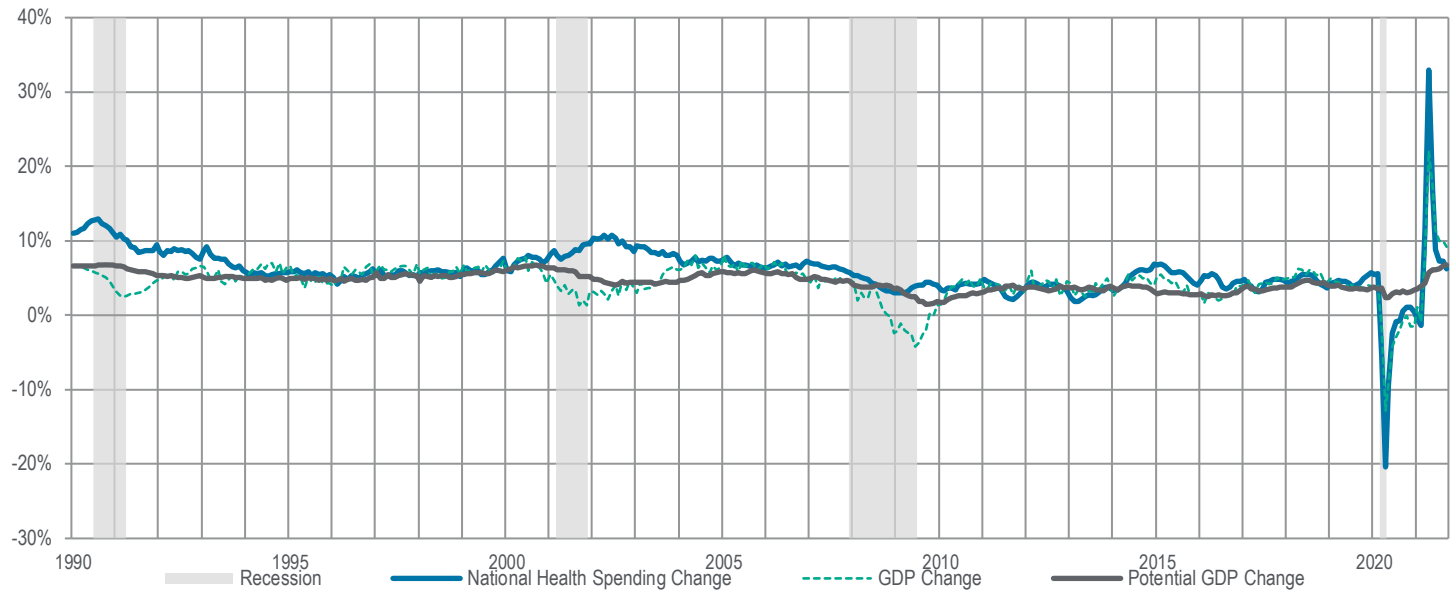
Source: Computed from Exhibit 2.

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



## TIME SERIES TRACKER

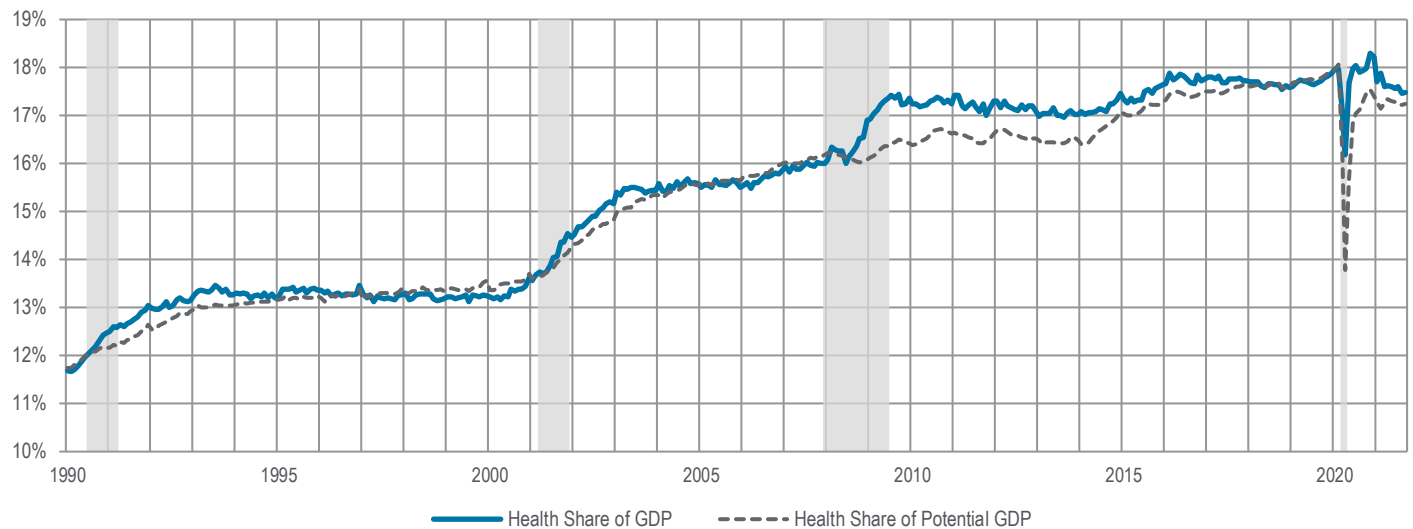
**Exhibit 5. Year-over-Year Percentage Change in Spending and GDP**



**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 \(1990–2019\) and projections \(2020–2021\)](#). 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 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.