

September 17, 2020

National health spending recovery varies by expenditure type

HIGHLIGHTS

- ▲ At \$3.80 trillion (seasonally adjusted annual rate), national health spending in July 2020 was 0.5% lower than in July 2019.
- ▲ The July 2020 nominal gross domestic product (GDP) was 2.1% lower than in July 2019, and the resulting health-spending share of GDP was 18.0%, and 17.3% of PGDP.
- ▲ Spending in July 2020, year over year, declined in all major categories except prescription drugs, which grew by 5.7%. The greatest decline was in spending on dental services, at 28.6%. The decline in spending on physician and clinical services was only 0.1%

National Health Spending and GDP

	July 2018	July 2019	June 2020	July 2020
GDP	20.69	21.52	20.59	21.06
National Health Spending (HS)	3.68	3.82	3.73	3.80
HS Share of GDP	17.8%	17.7%	18.1%	18.0%
HS Share of PGDP	17.9%	17.9%	17.1%	17.3%
Growth from Prior 12 Months				
HS	5.4%	3.9%	-2.1%	-0.5%
GDP	6.1%	4.0%	-3.8%	-2.1%
HS minus GDP	-0.7%	-0.1%	1.7%	1.7%
HS minus PGDP	0.6%	0.3%	-5.0%	-3.5%

Source: Altarum monthly health spending estimates (see Methods box below). Monthly GDP is from IHS Markit and Altarum estimates. 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 Paul Hughes-Cromwick, at 202-776-5110 or paul.hughes-cromwick@altarum.org. George Miller, PhD (principal author), Paul Hughes-Cromwick, Ani Turner, Corwin Rhyon, and Matt Daly, PhD, contributed to this brief. 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 illustrates the continued recovery of health care spending in the midst of the COVID-19 pandemic. Year-over-year change in national health spending, which had declined by nearly 21% as of April, showed only a 0.5% decline in July compared to July 2019 (Exhibit 1). Spending is still 4.2% lower than its peak in February of this year, just before the pandemic began to have a significant impact. Similarly, the personal health

care portion of spending is now 2.0% below its July 2019 level (leftmost bars of Exhibit 2) and is 5.5% below its February peak.

However, Exhibit 2 also illustrates that the decline and subsequent recovery has varied significantly among components of personal health care. Hospital care spending, the largest component at nearly one-third of national health spending, is 2.0% lower in July of this year than in July 2019 and is 4.0% below its February peak. Spending on physician and clinical services has essentially fully recovered from its decline when compared to last July, though it remains 6.2% lower than in February. At the other extreme, spending on dental care, whose year-over-year decline was a massive 61.2% in April, remains at 28.6% below its July 2019 level. Spending on prescription drugs and nursing home care are outliers. Year-over-year, prescription drug

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

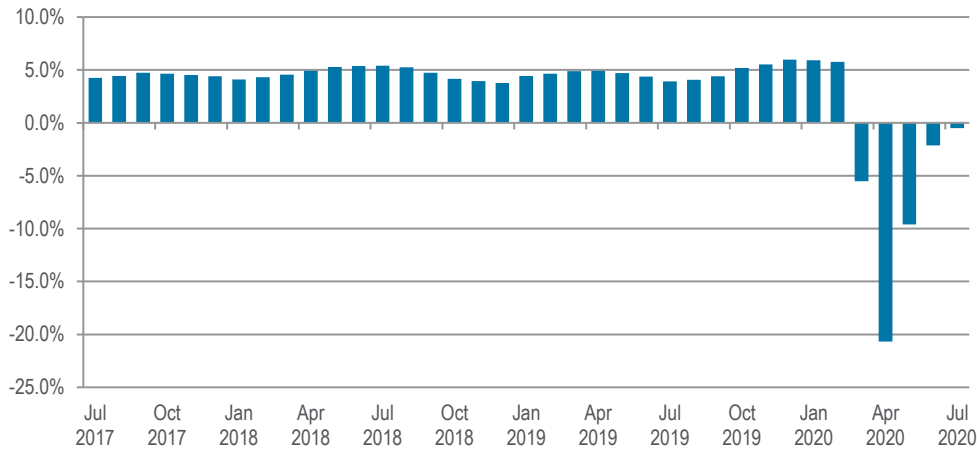
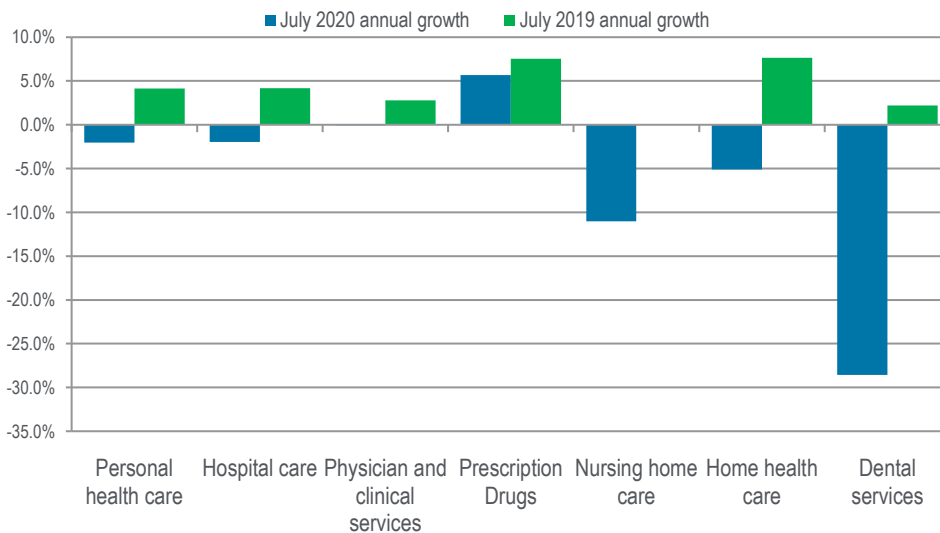


Exhibit 2. Health Care Spending 12-Month Growth for Selected Categories



spending has continued to increase throughout the pandemic (though it suffered a month-over-month 8.2% drop between March and April) and is now 5.7% higher than in July of last year, though it is only 1.2% above its February 2020 level. Spending on nursing home care, which did not begin to decline until April of this year – one month later than for most other categories – has continued to decline in each succeeding month, and now stands at 11.0% below its level in July 2019.

In the absence of a major increase in the overall COVID-19 infection rate, we anticipate a continued gradual recovery in spending overall and for most of these personal health care components.



DETAILED HEALTH SPENDING

Exhibit 3. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	July 2017	July 2018	July 2019	July 2020
GDP	\$19,501.3	\$20,687.8	\$21,521.6	\$21,061.4
National Health Spending	\$3,486.7	\$3,675.2	\$3,819.7	\$3,801.2
Personal health care	\$2,954.3	\$3,097.6	\$3,225.9	\$3,160.3
Hospital care	\$1,137.9	\$1,208.4	\$1,259.1	\$1,234.4
Physician and clinical services	\$698.8	\$726.8	\$746.9	\$746.5
Other professional services	\$97.7	\$104.6	\$110.1	\$104.2
Dental services	\$128.5	\$136.6	\$139.6	\$99.7
Other personal health care	\$183.7	\$191.9	\$200.3	\$210.6
Home health care	\$97.0	\$102.3	\$110.1	\$104.5
Nursing home care	\$165.3	\$169.5	\$169.5	\$150.8
Prescription Drugs	\$328.4	\$336.4	\$361.7	\$382.2
Durable medical equipment	\$52.9	\$54.8	\$57.9	\$51.7
Nondurable medical products	\$64.2	\$66.3	\$70.8	\$75.8
Program administration and net cost of private health insurance	\$271.5	\$309.8	\$315.6	\$350.9
Government public health activities	\$91.5	\$93.5	\$96.6	\$98.9
Research	\$50.2	\$52.6	\$55.7	\$58.8
Structures and equipment	\$119.1	\$121.7	\$126.0	\$132.3
HS Share of GDP	17.9%	17.8%	17.7%	18.0%
HS Share of PGDP	17.7%	17.9%	17.9%	17.3%

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

Growth Rates	July 2018	July 2019	July 2020
GDP	6.1%	4.0%	-2.1%
National Health Spending	5.4%	3.9%	-0.5%
Personal health care	4.9%	4.1%	-2.0%
Hospital care	6.2%	4.2%	-2.0%
Physician and clinical services	4.0%	2.8%	-0.1%
Other professional services	7.1%	5.2%	-5.3%
Dental services	6.3%	2.2%	-28.6%
Other personal health care	4.4%	4.4%	5.2%
Home health care	5.5%	7.6%	-5.1%
Nursing home care	2.5%	0.0%	-11.0%
Prescription Drugs	2.4%	7.5%	5.7%
Durable medical equipment	3.8%	5.5%	-10.6%
Nondurable medical products	3.3%	6.8%	7.0%
Program administration and net cost of private health insurance	14.1%	1.9%	11.2%
Government public health activities	2.2%	3.3%	2.4%
Research	4.7%	5.8%	5.6%
Structures and equipment	2.1%	3.5%	5.0%
HS Minus GDP	-0.7%	-0.1%	1.7%
HS Minus PGDP	0.6%	0.3%	-3.5%

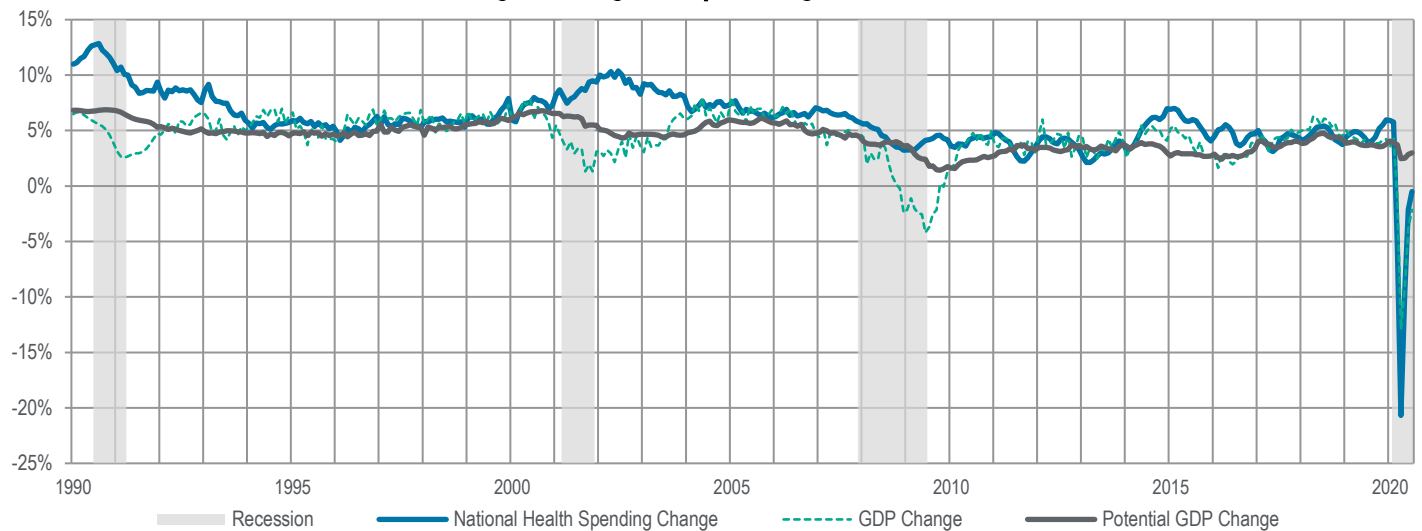
Source: Computed from Exhibit 3.

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



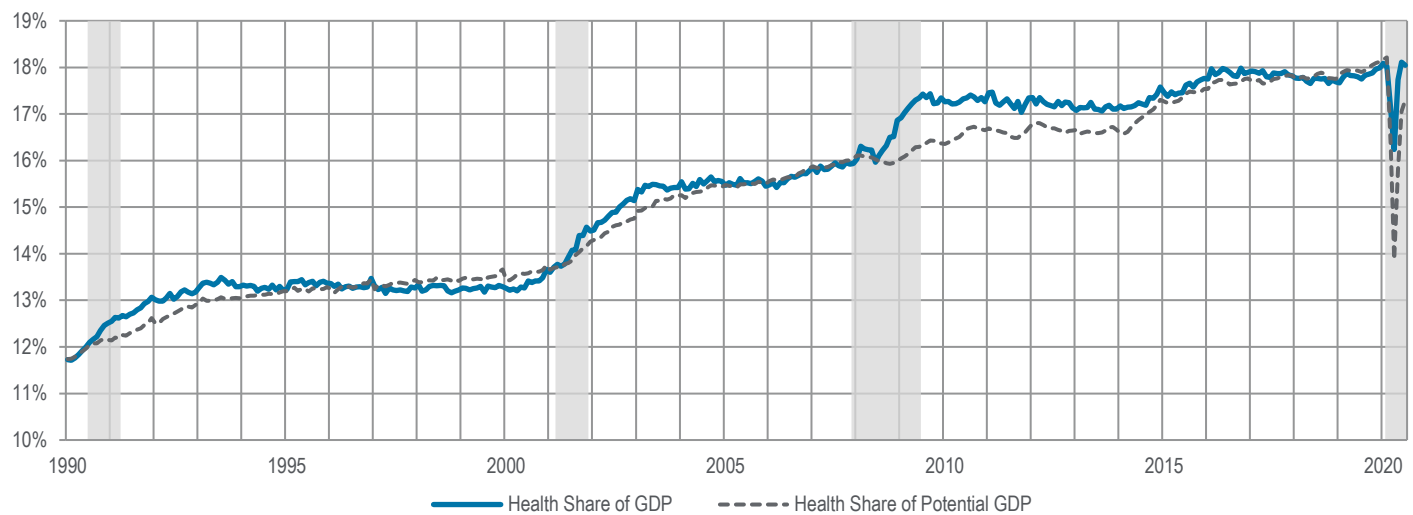
TIME SERIES TRACKER

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



Source: Altarum monthly national health spending estimates. Monthly GDP is from Macroeconomic Advisers and Altarum estimates.
 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 and Altarum estimates. 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 2018 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2018 ratios are used to adjust BEA spending for months in 2019 and 2020.