

Health Sector Economic IndicatorsSM

Insights from Monthly National Health Spending Data Through March 2017

May 11, 2017

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SPENDING BRIEF

Health spending growth in March remains modest, but reaches all-time high of 18.4% of GDP

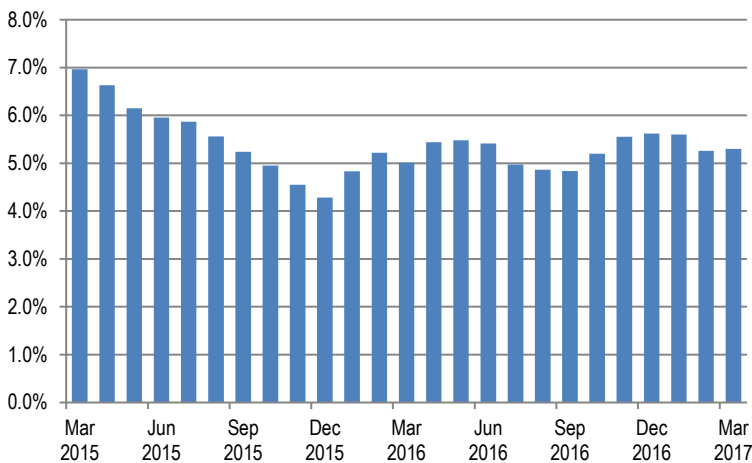
HIGHLIGHTS

- ▲ At \$3.49 trillion (seasonally adjusted annual rate), national health spending¹ in March 2017 was 5.3% higher than health spending in March 2016.
- ▲ The March 2017 nominal gross domestic product (GDP) growth over a 12-month period was 3.7%.
- ▲ The health spending share of GDP was 18.4% in March, an all-time high.
- ▲ The health spending share of potential GDP (PGDP) was 18.2% in March,² which was also an all-time high.
- ▲ Spending in March 2017, year over year, increased in all major categories. Nursing home care grew the fastest, at 7.0%. Dental services grew at a 2.7% rate, the slowest among the major categories.

HEALTH SPENDING

In March 2017, health spending reached a seasonally adjusted annual rate (SAAR) of \$3.49 trillion, slightly above its February value of \$3.48 trillion. March's health spending accounted for 18.4% of GDP, an all-time high and slightly above its February value of 18.3%. As a share of PGDP, March's spending was 18.2%, slightly above its February value of 18.1% and also an all-time high. Year over year, health spending in March grew by 5.3%, equaling its February rate (Exhibit 1). (Exhibits 7 and 8 show long-term comparisons.)

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



Source: Altarum monthly national health spending estimates.
Note: This exhibit compares a given month's health spending with that of the same month from the previous year.

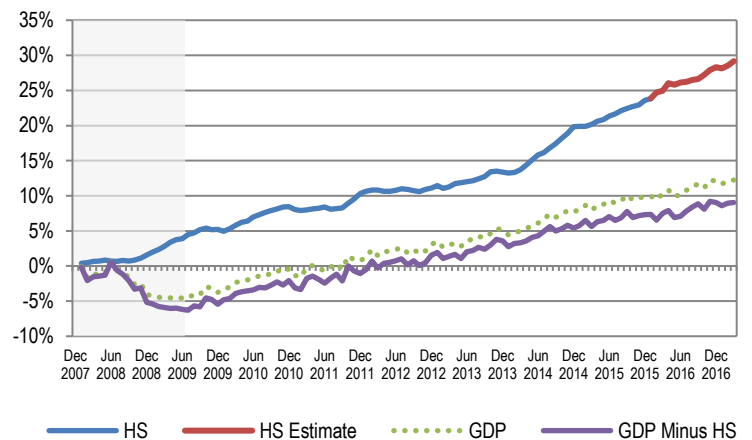
National Health Spending and GDP*

	Mar 2015	Mar 2016	Feb 2017	Mar 2017
GDP	17.79	18.36	19.03	19.03
National Health Spending	3.16	3.32	3.48	3.49
Health Spending Share of GDP	17.8%	18.1%	18.3%	18.4%
Health Spending Share of PGDP	17.5%	17.9%	18.1%	18.2%
Growth from Prior 12 Months				
Health Spending	7.0%	5.0%	5.3%	5.3%
GDP	4.1%	3.2%	4.6%	3.7%
Health Spending Minus GDP	2.9%	1.8%	0.7%	1.6%
Health Spending Minus PGDP	4.1%	2.3%	1.5%	1.8%

Source: Altarum Institute monthly health spending estimates (see Methods on page 4). Monthly GDP is from Macroeconomic Advisers 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.

Since the start of the recession in December 2007, real health spending (using the GDP deflator) through March 2017 has increased by 29.2% (an annual rate of 2.8%). Real GDP, excluding health spending, fell by more than 6% in mid-2009 and is now 9.0% above its December 2007 level. Including health care, real GDP in February was 12.2% above its pre-recession level (Exhibit 2).

Exhibit 2. Health Spending and GDP: Cumulative Percentage Change (Constant Dollars) Since December 2007



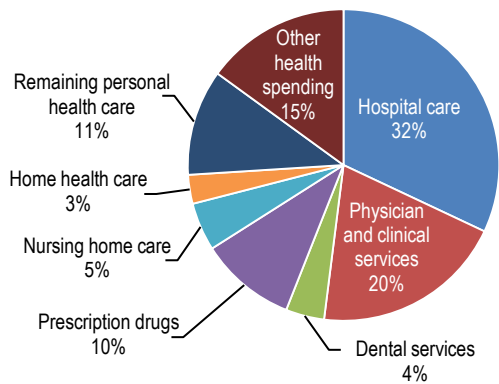
Source: "Health spending" (HS) consists of Altarum monthly estimates that match the government's official National Health Expenditure Accounts (NHEA). "HS estimates" are Altarum estimates designed to be consistent with future NHEA values. Monthly GDP is from Macroeconomic Advisers and Altarum estimates.
Note: Shading indicates the recession period.

HEALTH CARE SPENDING BY CATEGORY

In March 2017:

- ▲ Hospital spending was \$1.13 trillion (SAAR) and represented 32% of total health spending (Exhibits 3 and 5).
- ▲ Physician and clinical services spending was \$700 billion, representing 20% of total health spending.
- ▲ Prescription drug spending was \$355 billion, 10% of total health spending.
- ▲ Nursing home care and home health care spending combined were \$267 billion, 8% of total health spending.
- ▲ Spending on personal health care goods and services accounted for 85% of total health spending. Other major components include public health, research, construction, and net cost of private insurance.

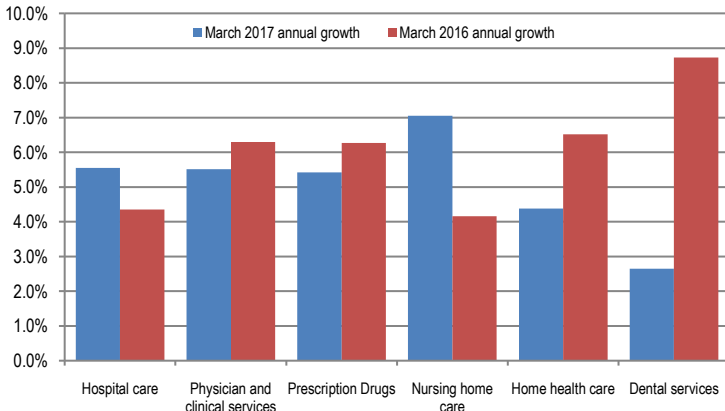
Exhibit 3. Health Spending by Category, March 2017



Source: Altarum monthly national health spending estimates.
 Note: See Exhibit 5 for a complete list of spending categories.

Growth over the past 12 months: Nursing home care grew most rapidly among the major categories, at 7.0%. Expenditures for dental services grew the slowest among major categories, at 2.7%. For the preceding 12-month period ending March 2016, dental services spending showed the highest growth among the major categories, at 8.7%, and nursing home care was lowest, at 4.2% (Exhibits 4 and 6).

Exhibit 4. Health Spending Year-over-Year Growth for Selected Categories



Source: Altarum monthly national health spending estimates.

DISCUSSION

National health spending growth in March remained moderate at 5.3%, year over year, but spending as a percent of GDP reached an all-time high at just below 18.4%. (While last month’s spending brief indicated that January spending reached 18.4% of GDP, that estimate has been revised downward to 18.3%.) The overall growth rate was similar to that among major spending categories: hospital care grew at a 5.5% rate, physician and clinical services at 5.5%, and prescription drug spending at 5.4%. Together, these 3 categories account for just over 62% of total spending. The year-over-year growth rates for hospital care and for physician spending have both declined gradually since November 2016, when spending growth was 6.7% for hospital care and 6.6% for physician and clinical services.

This month’s brief provides an initial look at spending for the first quarter of 2017 and indicates that year-over-year spending growth was 5.4%. This growth rate is consistent with the 5.4% growth for all of 2017 that was recently projected by the Centers for Medicare & Medicaid Services (CMS).³ For the same period, GDP growth was 4.0%, thus, spending grew at a rate of GDP + 1.4. These growth rates are based largely on data from the Bureau of Economic Analysis (BEA). The BEA data are tentative and will be updated over the next two months. The Census Bureau’s Quarterly Services Survey data, to be released later this month, will shed light on the accuracy of these preliminary estimates for the first quarter of 2017.

¹ Altarum’s monthly estimates of national health spending are intended to approximate the official NHEA produced annually by the Centers for Medicare & Medicaid Services (CMS). Our estimates match NHEA values that are currently available through 2015 and (for some spending categories) NHEA projections for 2016 and 2017.

² For further discussion of PGDP, see our blog at <http://altarum.org/health-policy-blog/the-case-for-tracking-health-spending-as-a-share-of-potential-gdp>.

³ <http://content.healthaffairs.org/content/36/3/553.full>

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Altarum Institute is a 501(c)(3) nonprofit health care research and consulting organization. Altarum integrates independent research and client-centered consulting to deliver comprehensive, system-based solutions that improve health and health care.

The Center for Sustainable Health Spending (CSHS) was launched in 2011 to lead Altarum’s research on the cost growth trends and key drivers of U.S. health spending and to formulate policy strategies to help bend the cost growth curve.

The Health Sector Economic IndicatorsSM reports are a monthly publication of CSHS and provide an analysis of health spending, employment, and prices. For more information, contact **Charles Roehrig, PhD**, at 734-302-4600 or charles.roehrig@altarum.org. George Miller, PhD (principal author), Paul Hughes-Cromwick, Ani Turner, and Matt Daly, PhD, contributed to this brief. Media Contact: Sarah Litton, 202-772-5062, press@altarum.org. For more information, visit <http://www.altarum.org/cshs>.

DETAILED HEALTH SPENDING

Exhibit 5. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	Mar 2014	Mar 2015	Mar 2016	Mar 2017
GDP	\$17,094.9	\$17,794.3	\$18,363.3	\$19,034.8
National health spending	\$2,953.5	\$3,159.3	\$3,317.6	\$3,493.4
Personal health care	\$2,495.3	\$2,675.2	\$2,821.1	\$2,972.9
Hospital expenditures	\$949.4	\$1,027.1	\$1,071.8	\$1,131.3
Physician and clinical expenditures	\$586.2	\$624.1	\$663.4	\$699.9
Other professional services expenditures	\$79.9	\$85.4	\$92.7	\$99.4
Dental services expenditures	\$110.8	\$114.6	\$124.7	\$128.0
Other health, residential, and personal care expenditures	\$148.2	\$160.5	\$168.1	\$175.9
Home health care expenditures	\$82.6	\$86.5	\$92.1	\$96.2
Nursing care facilities and continuing care retirement communities	\$148.7	\$153.5	\$159.9	\$171.2
Prescription drug expenditures	\$287.8	\$316.6	\$336.5	\$354.7
Durable medical equipment expenditures	\$45.5	\$48.5	\$50.6	\$52.6
Nondurable medical products expenditures	\$56.1	\$58.4	\$61.3	\$63.7
Administration and net cost of health insurance expenditures	\$229.1	\$250.2	\$257.6	\$274.3
Public health activity	\$78.4	\$80.5	\$81.9	\$84.4
Research	\$45.8	\$46.4	\$47.5	\$49.1
Structures and equipment	\$104.8	\$107.0	\$109.5	\$112.7
National health spending share of GDP	17.3%	17.8%	18.1%	18.4%
National health spending share of PGDP	16.8%	17.5%	17.9%	18.2%

Source: Altarum monthly national health spending estimates. The monthly GDP is from Macroeconomic Advisers and Altarum estimates.

Note: Spending is expressed in billions of dollars at a SAAR.

** Data are not yet available.

Exhibit 6. National Health Spending 12-Month Growth Rates by Detailed Category

Growth Rates	Mar 2015	Mar 2016	Mar 2017
GDP	4.1%	3.2%	3.7%
National health spending	7.0%	5.0%	5.3%
Personal health care	7.2%	5.5%	5.4%
Hospital expenditures	8.2%	4.4%	5.5%
Physician and clinical expenditures	6.5%	6.3%	5.5%
Other professional services expenditures	6.9%	8.5%	7.3%
Dental services expenditures	3.4%	8.7%	2.7%
Other health, residential, and personal care expenditures	8.3%	4.8%	4.6%
Home health care expenditures	4.7%	6.5%	4.4%
Nursing care facilities and continuing care retirement communities	3.3%	4.2%	7.0%
Prescription drug expenditures	10.0%	6.3%	5.4%
Durable medical equipment expenditures	6.5%	4.5%	3.9%
Nondurable medical products expenditures	4.1%	4.9%	4.0%
Administration and net cost of health insurance expenditures	9.2%	2.9%	6.5%
Public health activity	2.6%	1.8%	3.1%
Research	1.2%	2.4%	3.4%
Structures and equipment	2.1%	2.4%	2.9%
National health spending minus GDP	2.9%	1.8%	1.6%
National health spending minus PGDP	4.1%	2.3%	1.8%

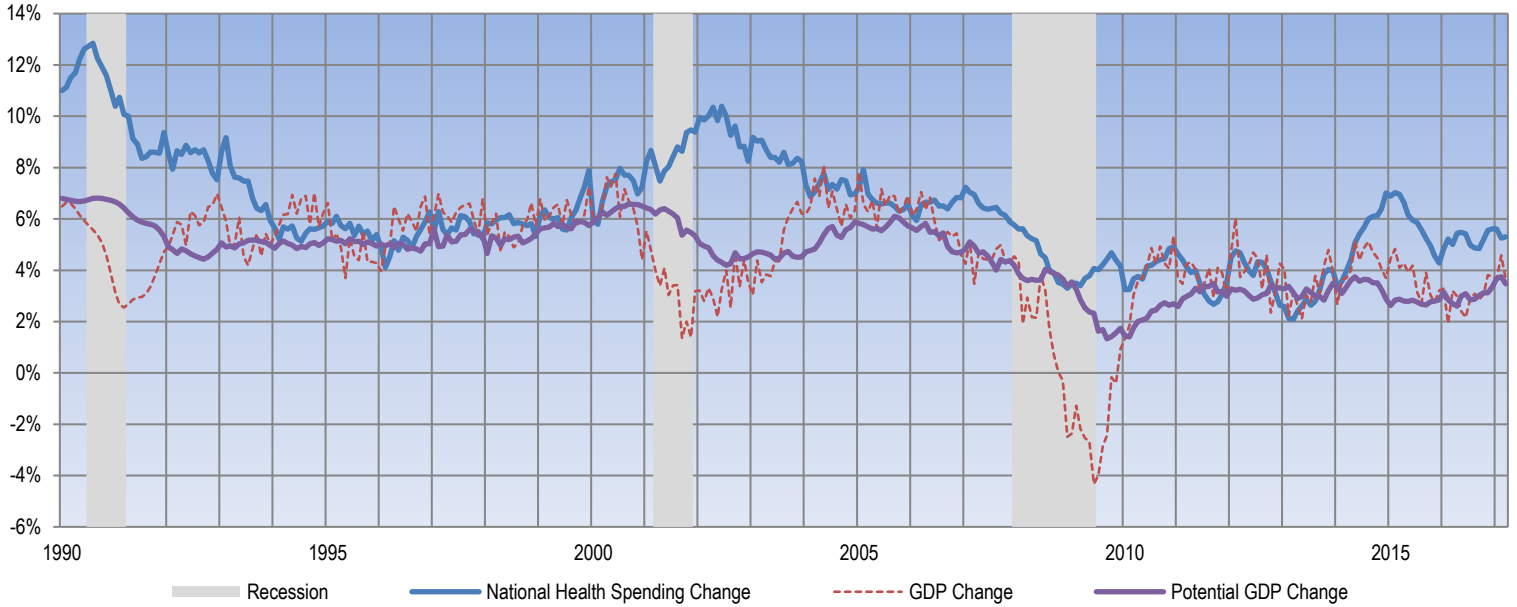
Source: Computed from Exhibit 5.

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

** Data are not yet available.

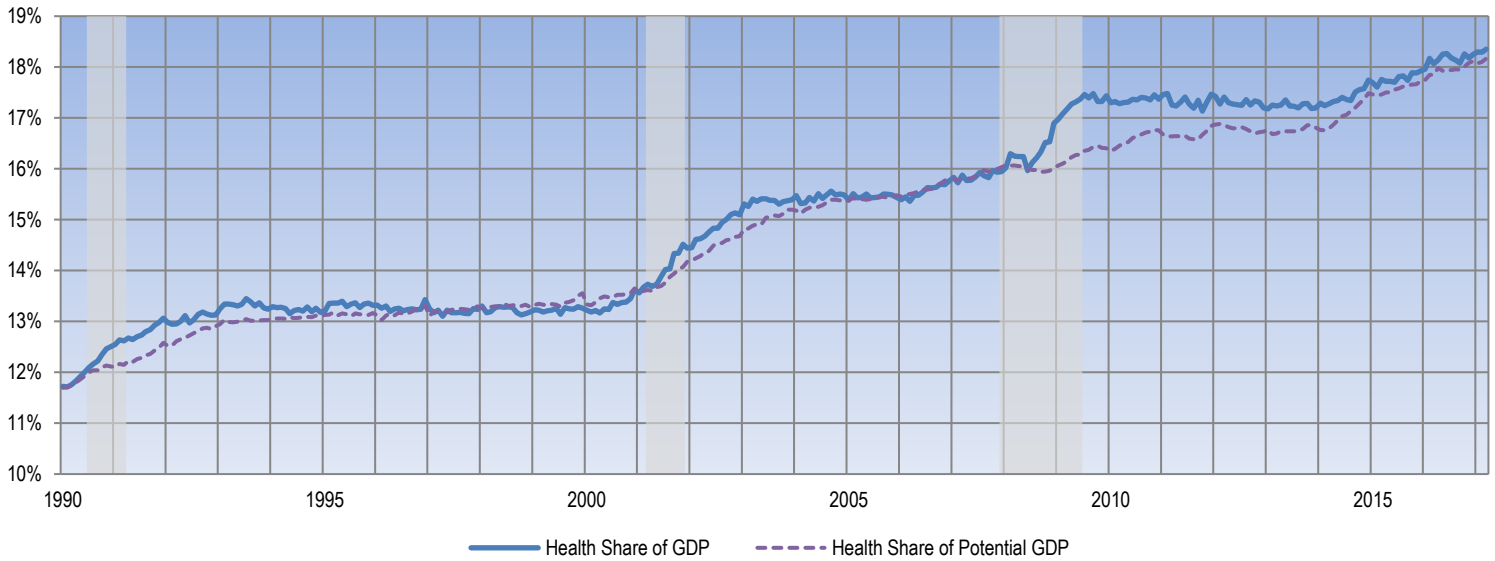
TIME SERIES TRACKER

Exhibit 7. 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 8. Monthly Health Spending as a Percentage of Monthly GDP



Source: Altarum monthly national health spending estimates. Monthly GDP is from Macroeconomic Advisers 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 (<http://www.bea.gov/iTable/iTable.cfm?ReqID=12&step=1>) and CMS annual NHE estimates (1990–2015) and projections (2016 and 2017) (<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/index.html>). 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 2015 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2015 ratios are used to adjust BEA spending for months in 2016 and 2017.