

National Health Expenditures 2021 Highlights

US health care spending grew 2.7 percent to reach \$4.3 trillion in 2021, slower than the increase of 10.3 percent in 2020. The slower growth in 2021 was driven by a 3.5 percent decline in federal government expenditures for health care that followed strong growth in 2020 that occurred largely in response to the COVID-19 pandemic and that more than offset the impact of greater use of health care goods and services and increased insurance coverage in 2021.

Gross domestic product increased 10.7 percent in 2021, contributing to a drop in the share of the economy devoted to health, from 19.7 percent in 2020 to 18.3 percent in 2021, but higher than the 17.6 percent share in 2019. In 2021, the number of uninsured individuals declined for the second consecutive year as Medicaid and Marketplace enrollment increased.

Federal COVID-19 supplemental funding, including the Provider Relief Fund and the Paycheck Protection Program, is included in the category “Other federal programs”. These programs assisted businesses with payroll, increased expenses, and lost revenue due to the pandemic. Spending for other federal programs declined 62.7 percent from \$193.1 billion in 2020 to \$71.9 billion in 2021, however, this was still higher than the level in 2019 of \$14.0 billion.

Health Spending by Type of Service or Product:

- **Hospital Care (31 percent share):** Spending for hospital care services increased 4.4 percent in 2021 to reach \$1.3 trillion, however, this was a slower growth rate compared to 6.2 percent that was experienced in 2020. The slower growth in 2021 reflected a substantial decrease in funding from other federal programs (COVID-19 relief is included in this category). Spending growth in 2021 was higher than in 2020 for the major payers of hospital care services—Medicare, Medicaid, and private health insurance.
- **Physician and Clinical Services (20 percent share):** Spending on physician and clinical services increased 5.6 percent to \$864.6 billion in 2021, down slightly from 6.6 percent growth in 2020. Like hospital care, this slower growth was largely due to a decline in funding from federal programs that provided COVID-19 relief. Spending growth for physician and clinical services accelerated in 2021 for the major payers—Medicare, Medicaid, private health insurance, and out-of-pocket.
- **Retail Prescription Drugs (9 percent share):** Retail prescription drug spending increased 7.8 percent to \$378.0 billion in 2021, a faster rate than in 2020 when spending increased by 3.7 percent. The acceleration in growth was due to an increase in the use of prescription drugs in 2021.
- **Other Health, Residential, and Personal Care Services (5 percent share):** This category includes expenditures for medical services that are generally delivered by providers in non-traditional settings such as schools, community centers, and the workplace, as well as by ambulance providers and residential mental health and substance abuse facilities. Spending for other health, residential, and personal care services grew 6.1 percent in

2021 to \$223.5 billion, slowing from 8.2 percent growth in 2020. The deceleration was driven by slower growth in spending for Medicaid home and community-based waivers.

- **Nursing Care Facilities and Continuing Care Retirement Communities (4 percent share):** Spending for services provided at freestanding nursing care facilities and continuing care retirement communities declined in 2021 by 7.9 percent to \$181.3 billion, compared to 13.1 percent growth in 2020. The decline in 2021 was attributable to decreased spending from other federal programs, and to a lesser extent, declines in out-of-pocket and private health insurance payments.
- **Dental Services (4 percent share):** Spending for dental services rose 16.1 percent in 2021 to \$161.8 billion following a decline of 3.0 percent in 2020. The acceleration in dental services expenditures was driven by increased out-of-pocket and private health insurance spending, which more than offset the decline in federal funding from Paycheck Protection Program loans and the Provider Relief Fund.
- **Home Health Care (3 percent share):** Spending for services provided by freestanding home health care agencies increased 0.2 percent in 2021 to \$125.2 billion, decelerating from growth of 11.2 percent in 2020. The slower growth in 2021 was due to less federal funding through Paycheck Protection Program loans and the Provider Relief Fund.
- **Other Professional Services (3 percent share):** Spending for other professional services reached \$130.6 billion in 2021 and increased 11.0 percent, a faster rate of growth compared to 6.1 percent in 2020. The faster growth in 2021 was due primarily to spending from Medicare and private health insurance. Spending in other professional services includes establishments of independent health practitioners (except physicians and dentists) that primarily provide services such as physical therapy, optometry, podiatry, or chiropractic medicine.
- **Other Non-durable Medical Products (2 percent share):** Retail spending for other non-durable medical products, such as over-the-counter medicines, medical instruments, and surgical dressings, increased 14.1 percent to \$97.4 billion in 2021 compared to a rate of growth of 5.1 percent in 2020. Out-of-pocket spending accounted for 98 percent of total spending in this category.
- **Durable Medical Equipment (2 percent share):** Retail spending for durable medical equipment, which includes items such as contact lenses, eyeglasses and hearing aids, increased 21.8 percent in 2021 to \$67.1 billion following a decline of 2.4 percent in 2020. The acceleration was driven primarily by faster growth in out-of-pocket and private health insurance spending in 2021.

Health Spending by Major Sources of Funds:

- **Private Health Insurance (28 percent share):** Private health insurance spending increased by 5.8 percent in 2021 to \$1.2 trillion and was driven by strong growth in spending for medical goods and services, due to both increased utilization and increased

enrollment in 2021. Private health insurance enrollment increased 0.3 percent in 2021 to reach 200.7 million.

- **Medicare (21 percent share):** Medicare spending increased 8.4 percent to reach \$900.8 billion in 2021 following slower growth of 3.6 percent in 2020. The growth in 2021 reflected the combination of a 3.9-percent rise in spending for fee-for-service expenditures (accounting for 54 percent of total Medicare expenditures) and a 14.1 percent increase in Medicare private health plan spending. Medicare enrollment increased 1.7 percent in 2021 compared to growth of 2.1 percent in 2020.
- **Medicaid (17 percent share):** Medicaid spending increased 9.2 percent to \$734.0 billion in 2021, similar to the 9.3 percent growth in 2020. Medicaid enrollment grew faster in 2021, increasing 11.2 percent following growth of 4.8 percent in 2020. This faster growth in enrollment was due largely to the continuous enrollment requirement of the Families First Coronavirus Response Act of 2020.
- **Out-of-Pocket (10 percent share):** Total out-of-pocket spending increased by 10.4 percent in 2021 following a decline of 2.6 percent in 2020. The increase in 2021 was driven by increased use of medical goods and services following a decrease in use in 2020 that resulted from the impact of the COVID-19 pandemic.

Health Spending by Type of Sponsor¹:

- In 2021, the federal government and households accounted for the largest shares of national health spending (34 percent and 27 percent, respectively), followed by private businesses (17 percent), state and local governments (15 percent), and other private revenues (7 percent).
- Federal government spending declined 3.5 percent in 2021 compared to growth of 36.8 percent in 2020. In 2021, the decline in federal government health spending was driven by a reduction in federal COVID-19 funding, and to a lesser extent, a decrease in federal public health expenditures and slower growth in the federal portion of Medicaid payments.
- Health care spending by households experienced faster growth in 2021, increasing 6.1 percent after growth of 1.2 percent in 2020. This faster growth was due largely to household out-of-pocket expenditures, which accounted for 38 percent of household spending and increased 10.4 percent after a decline of 2.6 percent in 2020.
- Growth in state and local government health care spending rose 5.8 percent in 2021 following a decline of 1.9 percent in 2020. The growth in 2021 was driven primarily by a 4.6 percent increase in state and local Medicaid spending (a 35 percent share of state and local spending) after declining 7.0 percent in 2020.
- Spending on health care by private businesses increased 6.5 percent in 2021 after decreasing by 2.9 percent in 2020. The largest share of private business' health spending was contributions to employer-sponsored private health insurance premiums (a 75 percent share), which grew 6.5 percent in 2021 after a 3.0 percent decline in 2020.

¹ Type of sponsor is defined as the entity that is ultimately responsible for financing the health care bill, such as private businesses, households, and governments. These sponsors pay health insurance premiums and out-of-pocket costs, or finance health care through dedicated taxes and/or general revenues.