Trends in health care spending

Health spending in the U.S. increased by 9.7% in 2020 to $4.1 trillion or $12,530 per capita. This growth rate is substantially higher than 2019 (4.3 percent). This substantial acceleration in spending can be attributed to increases in government spending to manage the unprecedented COVID-19 pandemic.

This includes expenditures by the government to disseminate vaccines and public health information as well as expenditures related to federal relief programs for health care organizations and providers. Likewise, health spending was 19.7 percent of GDP in 2020 compared with 17.6 percent of GDP in 2019.

Policy research perspective


Health care spending explained

The United States spent $4,124.0 billion on health care in 2020.
The U.S. spent $4,124.0 billion on health care in 2020 where did it go?

- Hospital care: $1,270.1 billion (30.8%)
- Physician services: $593.1 billion (14.4%)
- Clinical services: $216.3 billion (5.2%)
- Home health care: $123.7 billion (3.0%)
- Nursing care facilities: $196.8 billion (4.8%)
- Government administration: $48.4 billion (1.2%)
- Net cost of health insurance: $301.4 billion (7.3%)
- Other personal health care: $609.2 billion (14.8%)
- Prescription drugs: $348.4 billion (8.4%)
- Government public health activities: $223.7 billion (5.4%)
- Investment: $192.7 billion (4.7%)
This spending can be broken down into the following categories:

- Hospital care
- Physician services
- Clinical services
- Prescription drugs
- Nursing care facilities
- Home health care
- Other personal health care costs
- Government administration: includes all administrative costs associated with insuring individuals in health insurance programs
- Net cost of health insurance: The difference between what insurers incur in premiums and the amount paid in benefits. This includes administrative costs, additions to reserves, rate credits and dividends, premium taxes and fees, and net underwriting gains or losses
- Government public health activities
- Investment spending

Although physician services was the second largest category of health spending, over the last 10 years, spending on physician services has grown more slowly than spending in the other large categories of personal health care. Physician spending grew by an average of 3.9% per year between 2009 and 2019 while hospital services (4.5%) and clinical services (6.5%) had higher growth rates.

In 2020, spending on physician services grew 5.3%, a substantially higher growth rate compared to previous years. This acceleration was driven by spending on federal relief programs (classified as “other federal programs” in the following chart). When removing this component from the estimates, spending on physician services decreased by 1.0%. This modified estimate better reflects the substantial drop in utilization of medical goods and services in 2020.
Who pays the bill?
2020 health care spending decomposed by source of funds

- Private health insurance: $1,151.4 million (27.9%)
- Medicare: $829.5 million (20.1%)
- Medicaid: $671.2 million (16.3%)
- Other health insurance programs: $157.2 million (3.8%)
- Government public health activity: $223.7 million (5.4%)
- Other federal programs: $193.9 million (4.7%)
- Other third party payers and programs: $315.8 million (7.7%)
- Out-of-pocket: $388.6 million (9.4%)
- Investment: $192.7 million (4.7%)
The $4.1 trillion in spending can also be broken down by “who pays the bill”?

- Private health insurance
- Out-of-pocket
- Medicare
- Medicaid
- Other health insurance programs
- Government public health activities: spending by federal, state and local governments to prevent or control public health concerns and to organize and deliver publicly provided health services
- Other federal programs include pandemic-related funding
- Other third-party payers and programs
- Investment spending

Although government public health activities and other federal programs make up a comparatively small share of health spending, spending in these categories increased substantially in 2020 by 113.1% and 1282.0%, respectively. Government public health activities involved spending on vaccination services as well as epidemiological surveillance, disease prevention programs, and the operation of public health laboratories (Centers for Medicare and Medicaid Services, 2021*).

Other federal programs included funding provided through the Provider Relief Fund and the Paycheck Protection Program. The Provider Relief Fund assisted providers that diagnosed, tested, or cared for patients that possibly had COVID-19 and had expenses or revenue loss from the pandemic (Health Resources and Services Administration, 2021**). The Paycheck Protection Program assisted small businesses, including health care organizations such as physician practices, keep their workforce employed during the pandemic (U.S. Small Business Administration, 2022***).


**Health Resources and Services Administration. About the Provider Relief Fund and Other Programs. Health Resources and Services Administration, November 2021.


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