



Healthcare's Paradox: 18% of the Economy, Just 9% of the Market

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There's a quiet disconnect running through American markets right now that deserves more attention than it's getting.

Healthcare currently commands roughly **18% of U.S. GDP** — a staggering figure that has climbed steadily for decades. National health expenditures have ballooned past \$5.3 trillion. Aging demographics, chronic disease trends, breakthrough therapies, and the steady march of medical innovation all point to healthcare's structural dominance in the real economy.

Yet in the stock market, the entire healthcare sector — spanning pharmaceuticals, biotechnology, managed care, devices, and more — represents only about **8.6–10%** of the total U.S. equity market. Its total market capitalization stands at roughly **\$7.29 trillion** (closer to 8.6% on broad Wilshire 5000 measures and 9.5–10% in the S&P 500).

This gap is more than just academic. It highlights a fundamental difference between *spending* and *profitable, scalable ownership*. In the real economy, healthcare is everywhere. Much of that activity is government-directed or reimbursement-constrained, creating high revenue but often compressed margins which don't always translate into the high-return profiles that drive outsized market valuations.

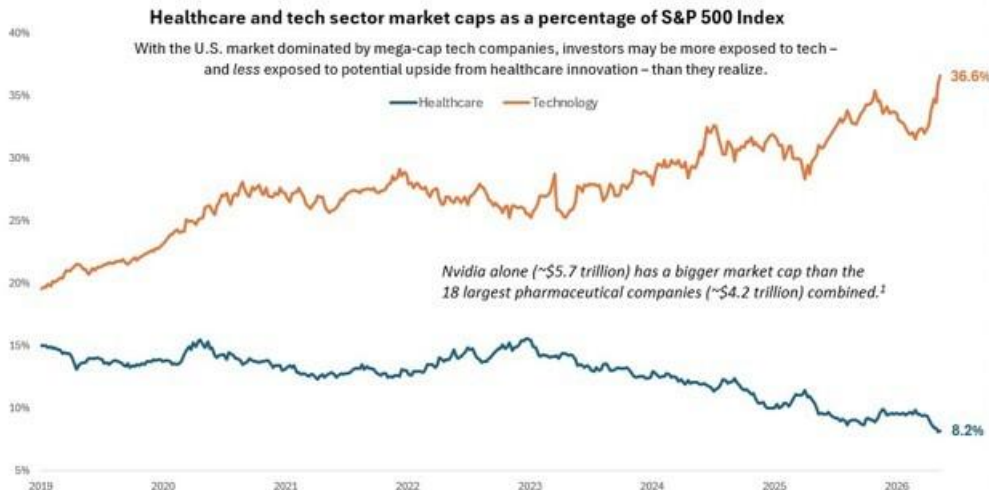
Meanwhile, the stock market has crowned a different champion. Information Technology now dominates, fueled by extraordinary

scalability and margin expansion. This concentration has pushed other sectors — even large, innovative ones — into relative obscurity.

The Pharma and Biotech Slice — and a Striking NVIDIA Comparison

Within healthcare itself, the **pharmaceuticals and biotechnology** segment remains the largest and most innovation-driven portion. As of mid-2026 (via the XLV benchmark), pharmaceuticals account for approximately **37.3%** of the healthcare sector, while biotechnology adds **17.9%** — for a combined **55.2%** weighting.

Recent Janus Henderson analysis is summed up in one striking note in the middle of a chart they recently published which highlighted NVIDIA surpassing the combined market cap of the 18 largest pharmaceutical companies:



Source: Bloomberg, data as of 1 January 2019 to 14 May 2026.

Represents GICS sector market capitalization as a percentage of S&P 500 Index total market capitalization. Healthcare = S&P 500 Health Care Sector, which comprises those companies included in the S&P 500 that are classified as members of the GICS Health Care Sector.

Technology = S&P 500 Information Technology Sector, which comprises those companies included in the S&P 500 that are classified as members of the GICS Information Technology Sector. Past performance is no guarantee of future results.

The comparison grows even more striking when viewed against the **entire healthcare sector**. NVIDIA's market capitalization now sits at approximately **\$5.2 trillion**. The total market capitalization of the entire U.S. healthcare sector is roughly **\$7.29 trillion**.

In other words, one company — NVIDIA — is worth more than **70%** of the entire publicly traded U.S. healthcare sector.

This is a powerful illustration of the market's current narrative: extraordinary premiums for AI scalability versus the more measured valuations assigned to the sector that literally keeps the population healthy. [Janus Henderson captures this tension well](#): while the market obsesses over tech concentration, it may be overlooking meaningful innovation and attractive valuations in healthcare — particularly in biopharma. The sector trades at a notable discount despite strong fundamentals, pipeline momentum, and catalysts like resurgent M&A and consistent new drug approvals.

Diverged Paths to (Re)Converge?

The extreme divergence — healthcare at ~18% of GDP but only ~9% of the stock market, with one company (NVIDIA) now worth ~70% of the entire healthcare sector — **increases the likelihood** of some form of mean reversion over the next 2–3 years. This could occur through a combination of healthcare catching up (via valuation expansion, innovation catalysts, and defensive characteristics) and/or tech

moderating, though full normalization is far from guaranteed and would depend on economic conditions, policy, and earnings delivery.

In a market increasingly defined by concentration risk, the sectors quietly powering the real economy may deserve a closer look.