

April 16, 2024

Hospital price growth outpaces broader health care inflation so far in 2024

HIGHLIGHTS

- ▲ The overall Health Care Price Index (HCPI) increased by 3.1% year over year in March, decreasing slightly from the revised growth rate of 3.2% a month prior.
- ▲ Economywide inflation ticked up slightly, with year-over-year growth in the overall Consumer Price Index (CPI) increasing to 3.5% and growth in the Producer Price Index (PPI) increasing to 2.1%.
- ▲ Among the major health care categories, prices for dental care (4.1%), nursing home care (4.0%), and hospital care (3.6%) were the fastest growing, while prescription drug price growth was the slowest in March (0.4%).
- ▲ An alternative measure of hospital price growth, the CPI index for hospital and related services continued to rise in March, up a much greater 7.7% year over year.
- ▲ Our implicit measure of health care utilization growth fell slightly to 3.8% year over year in February, but continued to drive spending increases as it remained above overall health care price growth.
- ▲ Prescription drugs (7.8%) and physician and clinical services (5.6%) were the fastest growing utilization categories, while dental care (0.0%) was the slowest, with flat growth.

	Mar 2022	Mar 2023	Feb 2024	Mar 2024
Health Care Price Index (HCPI)	2.2%	2.8%	3.2%	3.1%
GDP Deflator (GDPD)	7.4%	4.7%	**	**
HCPI - GDPD	-5.2%	-1.9%	**	**
Addendum				
Personal health care spending	4.1%	8.1%	7.0%	**
Health care utilization	2.0%	5.3%	3.8%	**
Medical Consumer Price Index (MCPI)	2.9%	1.5%	1.4%	2.2%
Consumer Price Index, all items (CPI)	8.5%	5.0%	3.2%	3.5%
Producer Price Index, Final Demand (PPI)	11.7%	2.7%	1.6%	2.1%

Source: Altarum analysis of U.S. Bureau of Labor Statistics (BLS) data. HCPI is a composite price index designed to measure overall price changes for personal health care spending and is patterned after the price index developed by the Centers for Medicare & Medicaid Services (CMS). Details are provided below. Numbers may not subtract properly due to rounding.

**Data not available

Altarum is a nonprofit research and consulting organization that creates and implements solutions to advance health among at-risk and disenfranchised 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 (HSEI) reports are a monthly publication of Altarum providing analyses of health spending, employment, and prices. For more information, contact Corwin (Corey) Rhyan at Corwin.Rhyan@altarum.org. Corey Rhyan (principal author), George Miller, PhD, Stephen McCall, and Matt Daly, PhD, contributed to this brief. We thank Ani Turner for her years of leadership of this work. Media Contact: press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.

DISCUSSION

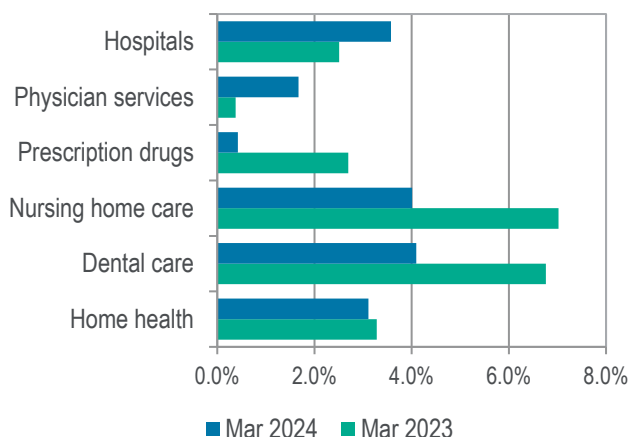
The overall health care price index (HCPI) increased by 3.1% year over year in March, decreasing only 0.1 percentage points from the rate seen a month prior and keeping health care price growth very near the 3.2% average growth so far in 2024 (Exhibit 1). This continues the pattern seen since October 2023, when health care price growth has exceeded economywide inflation as measured by the GDP deflator and overall PPI price index, although the alternative CPI economywide inflation index increased in March to 3.5% and was above health care price growth in the most recent month of data.

Since late 2022, economywide services price growth has continued to exceed commodities inflation, and services prices increased 5.6% year-over-year in March, while economywide commodities prices increased only 0.6% (Exhibit 4). After a period in 2021 and 2022 when a broad base of economic goods and services was driving economywide inflation, data in 2024 show that [higher housing costs](#) are now dominating economic inflationary trends. It is expected that housing price inflation will soon moderate in government price data, given the [slowing trend in alternative](#) private sector measures; however, this slowing has yet to appear in the BLS series.

Among major health care categories in March, prices for dental care (4.1%), nursing home care (4.0%) and hospital care (3.6%) increased fastest among major categories (Exhibit 2). We also observed faster physician and clinical services price growth in February (1.7%) compared to growth from a year ago (0.4%), and for the third straight month, this was above the 1.0% growth threshold for this component. Conversely, price growth for prescription drugs remained below average in March, down to 0.4% year over year and 2.3 percentage points slower than the price growth for this component from a year prior.

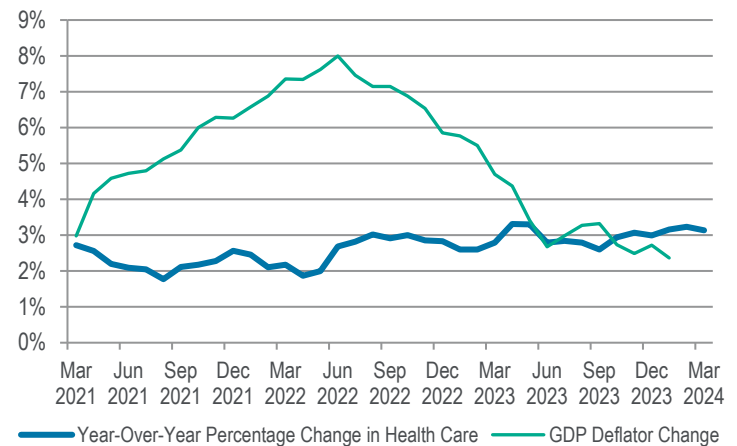
Of particular interest is an increase in an alternative measure of hospital prices, the CPI-only “Hospital and related services” price index, that has steadily increased in 2024 and is now 7.7% higher than it was a year ago. This makes it the second fastest growing CPI medical care price index (behind only “Care of invalids and elderly at home”), and is much greater than the blended overall hospital price growth measure used in our HCPI index. We will continue to monitor this trend going forward, which could indicate accelerating hospital prices in 2024. So far, prices by payer indicate hospital price growth to primarily be attributable to faster growth in Medicaid prices, which remained up 6.9% in March (data not shown). Yet, curiously, the CPI measure for hospital prices [specifically excludes Medicaid price](#) increases and, therefore, must be signaling price growth from self-pay, private insurance, or Medicare patients. We will continue to monitor these series going forward for indications of 2024 health care price growth drivers.

Exhibit 2. Year-over-Year Price Growth for Selected Categories



Source: Altarum analysis of monthly BLS price data.

Exhibit 1. Year-over-Year Growth in HCPI & GDPD



Source: Altarum analysis of monthly BLS price data and monthly GDPD data published by Macroeconomic Advisers.

Our implicit measure of overall health care utilization growth (total spending growth net of health care price inflation) declined slightly in February to 3.8% growth year-over-year (Exhibit 7) but remained above overall health care price growth over the same period (3.1%). The fastest growing utilization component in January remained prescription drugs, which increased by 7.8%. Physician and clinical services (5.6%) were the next fastest growing category. Utilization growth for dental care (0.0%) and nursing home care (3.5%) were the slowest growing categories in February, and all had utilization growth below their price increases last month.

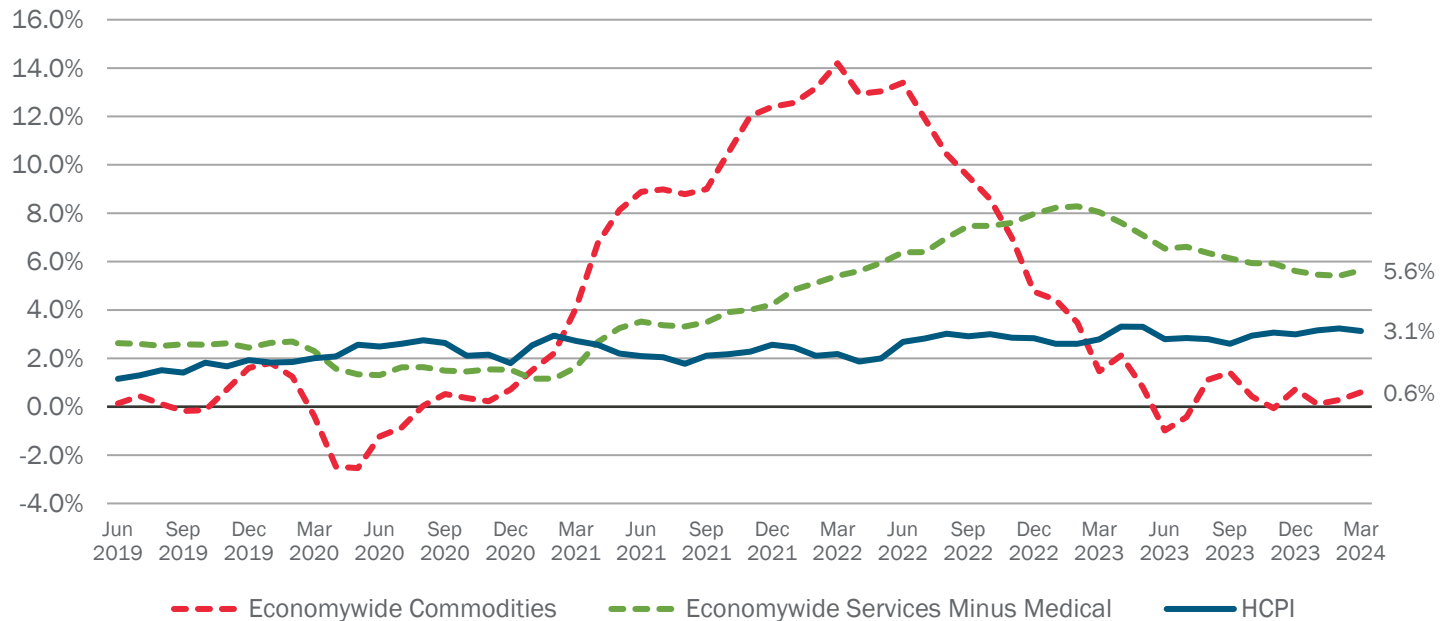
PRICE GROWTH BY DETAILED CATEGORIES

Exhibit 3. Annualized % Change in Prices for Major Components of National Health Expenditures

	Ending March 2022	Ending March 2023	Ending March 2024
Health Care Price Index (HCPI)	2.2%	2.8%	3.1%
Hospital care	2.2%	2.5%	3.6%
Physician and clinical services	0.7%	0.4%	1.7%
Prescription drugs	2.2%	2.7%	0.4%
Nursing home care	1.2%	7.0%	4.0%
Dental Services	2.4%	6.8%	4.1%
Home health care	2.7%	3.3%	3.1%
Other professional services	4.4%	-0.2%	1.6%
Other personal health care	4.6%	5.5%	7.8%
Other nondurable medical products	4.1%	4.7%	7.4%
Durable medical equipment	2.4%	5.1%	2.9%

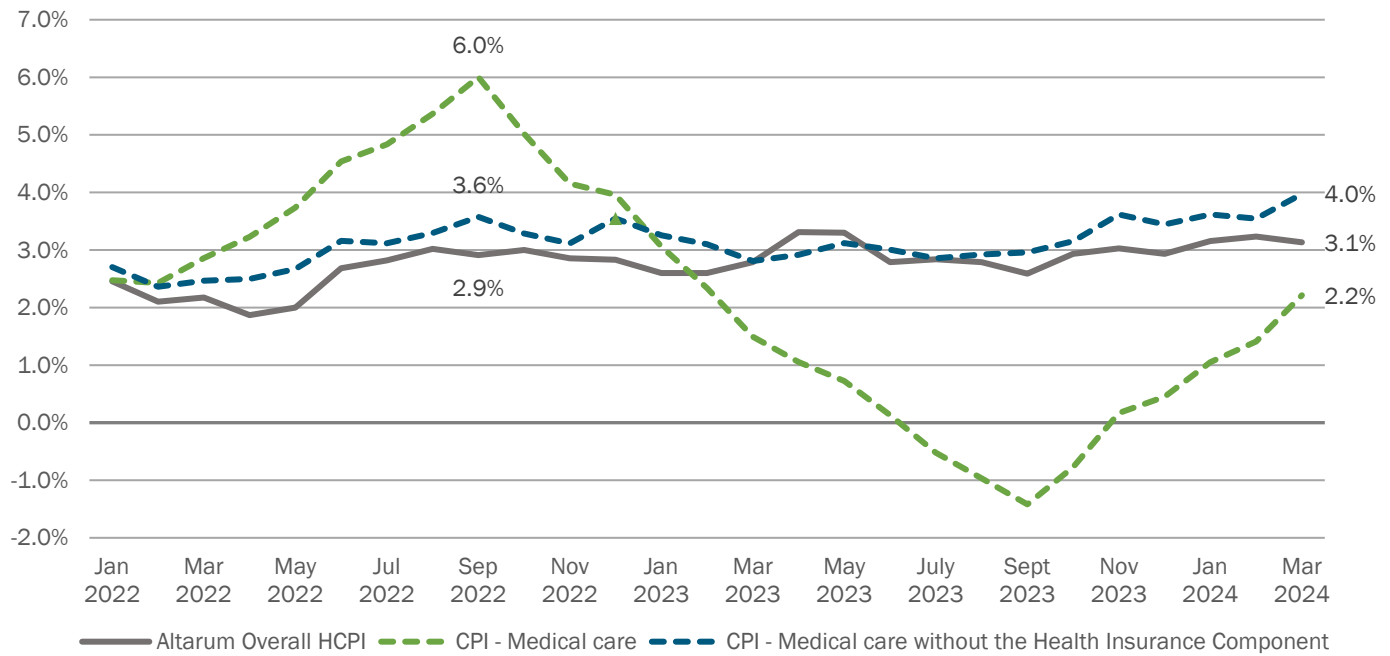
Source: Altarum analysis of monthly BLS data.

Exhibit 4. Year-over-Year Percentage Change in Health Prices Compared with Economywide Commodities vs. Economywide Services



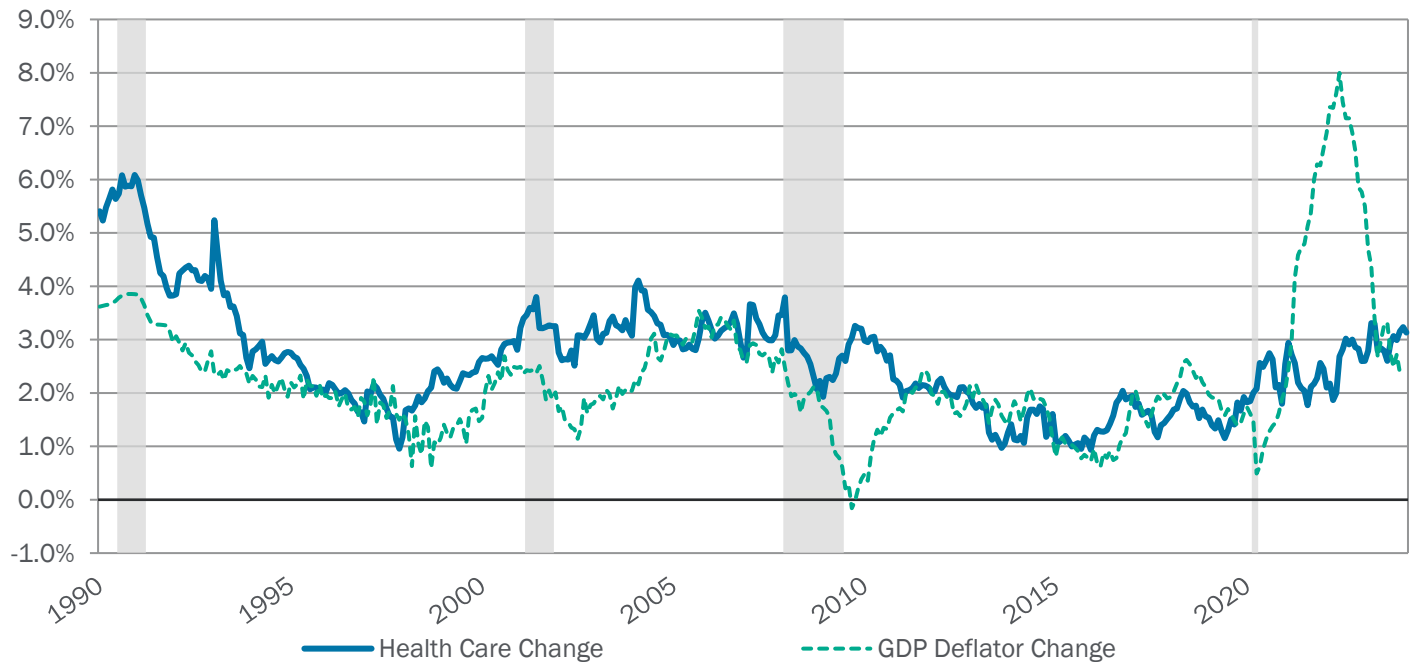
Methods. Altarum’s estimates for the monthly HCPI, a price index for personal health care spending within the National Health Expenditure Accounts, are essentially monthly versions of the annual index developed by the CMS National Health Statistics Group (NHSG). The advantages of this measure over the medical care component of the CPI are well documented. Information on the CMS index is presented in the following source: U.S. Department of Health and Human Services. (2019). *National Health Expenditure Accounts: Methodology Paper, 2018—Definitions, Sources, and Methods*. Washington, DC: Centers for Medicare & Medicaid Services. Retrieved from <http://www.cms.gov/files/document/definitions-sources-and-methods.pdf>. The HCPI is calculated by using BLS data on PPIs for hospital, physician, nursing home, and home health components and CPIs for prescription drugs and other remaining items. Following NHSG, we use the GDPD rather than the CPI as our measure of economy-wide inflation. While this brief focuses on prices, it also incorporates data from our spending brief and shows the power of looking at prices and spending together. In particular, it reveals the striking role of utilization in health spending growth trends.

Exhibit 5. Year-over-Year Percentage Change in Medical Care CPI vs. Altarum Overall HCPI



TIME SERIES TRACKER

Exhibit 6. Year-over-Year Percentage Change in Health Prices Compared with the GDP Deflator



Source: Altarum monthly national health spending and price index estimates.
Note: Lightly shaded bars denote recession periods.

Exhibit 7. Implicit Health Care Utilization Growth by Major Components of NHE, Year-over-year

	February 2024	3-Month Moving Average	12-Month Moving Average
Total personal health care	3.8%	4.4%	5.0%
Hospital care	3.9%	3.5%	4.5%
Physician and clinical services	5.6%	7.6%	7.8%
Prescription drugs	7.8%	8.0%	8.0%
Nursing home care	3.5%	4.2%	4.4%
Dental Services	0.0%	0.7%	1.9%
Home health care	3.8%	6.5%	5.8%
Other professional services	6.9%	7.3%	7.5%
Other personal health care	-2.7%	-2.6%	-2.2%
Other nondurable medical products	-6.5%	-4.5%	-1.1%
Durable medical equipment	-1.3%	0.6%	0.4%

Source: Altarum analysis of monthly BLS data combined with Altarum HSEI spending data.

Note: Beginning in March 2021, we slightly updated the computation of estimated implicit utilization shown in Exhibit 8 to be more consistent with our spending data. Previous iterations calculated implicit utilization growth (U) as spending growth (S) net of price growth (P) and population growth (Pop): $U = S - P - \text{Pop}$. New data (from March 2021 onward) now include population growth in utilization, with the new measure calculated as: $U = S - P$. This approach is an approximation, ignoring the interaction term between spending and prices growth ($S \cdot P$); however, as long as the two growth rates are small, this term is insignificant.