

February 20, 2024

## Health care services price growth increases in the first month 2024

### HIGHLIGHTS

- ▲ The overall Health Care Price Index (HCPI) increased by 2.8% year over year in January, falling slightly from the revised growth rate of 3.0% a month prior.
- ▲ Among the major health care categories, prices for nursing home care (4.9%) and dental care (4.8%) were the fastest growing, while prescription drug price growth was the slowest last month (0.4%).
- ▲ Prices for physician services increased 1.3% in January, slower than overall health care inflation, but is the fastest rate seen for this component since January 2022.
- ▲ Economywide inflation remained stable and moderate in January, with year-over-year growth in the Consumer Price Index (CPI) falling slightly to 3.1% and growth in the Producer Price Index (PPI) falling slightly to 0.9%.
- ▲ Our implicit measure of health care utilization growth fell slightly to 4.3% year over year in December, but continued to drive spending increases as it remained above overall health care price growth.

	Jan 2022	Jan 2023	Dec 2023	Jan 2024
Health Care Price Index (HCPI)	2.5%	2.6%	3.0%	2.8%
GDP Deflator (GDPD)	6.6%	5.8%	2.7%	**
HCPI - GDPD	-4.1%	-3.2%	0.3%	**
<b>Addendum</b>				
Personal health care spending	3.9%	6.6%	7.2%	**
Health care utilization	1.4%	4.0%	4.3%	**
Medical Consumer Price Index (MCPI)	2.5%	3.1%	0.5%	1.1%
Consumer Price Index, all items (CPI)	7.5%	6.4%	3.4%	3.1%
Producer Price Index, Final Demand (PPI)	10.1%	5.7%	1.0%	0.9%

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 Indicators<sup>SM</sup>* (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](mailto: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](mailto:press@altarum.org). For more information, visit <http://altarum.org/solution/health-sector-spending>.

## DISCUSSION

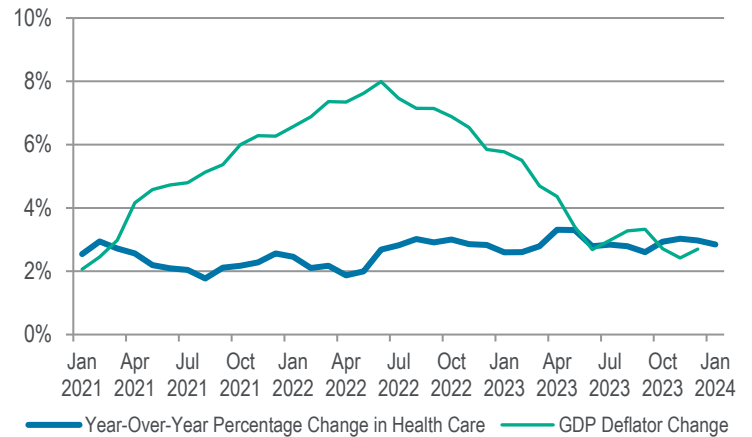
The overall health care price index (HCPI) increased by 2.8% year over year in January, falling 0.2 percentage points from the rate seen a month prior in December (3.0%). December's data were revised slightly in the updated series released this month, up from 2.9% previously to the 3.0% growth rate in the most recent data (Exhibit 1). Over the past twelve months, overall HCPI growth has stayed within a tight range, between 2.6% and 3.3% year-over-year growth.

An alternative measure of health care price inflation, the CPI medical care price index, has recently shown signs of faster health care price increases, and reached 3.6% year-over-year growth in January (after excluding the volatile and lagged health insurance component) (Exhibit 5). Much of this increase in the medical care CPI index has been the result of price growth among major health care services, including faster growth among hospital and physician and clinical services prices compared to their average price growth over the past twelve months.

Health care price growth exceeded economywide price growth as measured by the GDP deflator for the third straight month and was 0.3 percentage points faster in the most recent data. This now three-month trend of comparatively faster HCPI growth ends the nearly 3-year period when economywide inflation has often significantly outpaced health care price increases (Exhibit 1). Economywide services price growth continues to exceed commodities inflation, where services prices increased 5.5% year-over-year in January, but economywide commodities prices increased by only 0.1% (Exhibit 4).

Among major health care categories in January, prices for hospital care and physician and clinical services increased faster compared to their growth rates from a year prior (Exhibit 2). For hospital care, price growth increased from 2.2% in January 2023 to 3.1% growth in January 2024 and for physician services, prices increased from 0.2% to 1.3% over the same period. This faster physician and clinical services price growth in January breaks the two-year streak of below 1.0% price growth for this component. Increases in physician prices appear to primarily be attributable to faster growth in Medicaid prices for this care, which jumped up 10.3% in January (data not shown). This is a large increase that we will continue to monitor into future months. Conversely, price growth for prescription

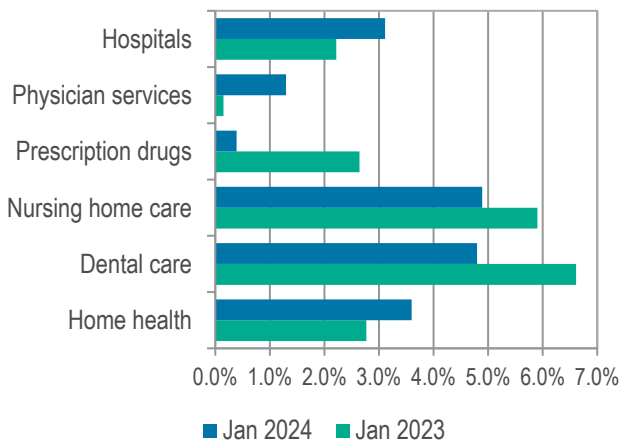
**Exhibit 1. Year-over-Year Growth in HCPI & GDPD**



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

drugs slowed significantly in January, to 0.4% year over year, and is now 2.2 percentage points slower than the price growth for this component from a year prior.

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



Source: Altarum analysis of monthly BLS price data.

Our implicit measure of overall health care utilization growth (total spending growth net of health care price inflation) declined slightly in December, now at 4.3% growth year-over-year (Exhibit 9). The fastest growing utilization component in December was prescription drugs, which increased by 9.5%. Home health care was the next fastest growing category and increased 8.4% year over year. This was followed by increases in the use of physician and clinical services (7.5%). Increases in prescription drug use could be [the combined result of](#) a greater number of new drug approvals in 2023, increased use of new obesity and diabetes medications, and impacts of reduced co-pays mandated in the Inflation Reduction Act. If underlying trends continue, we expect prescription drug utilization growth to remain high in the rest of 2024.

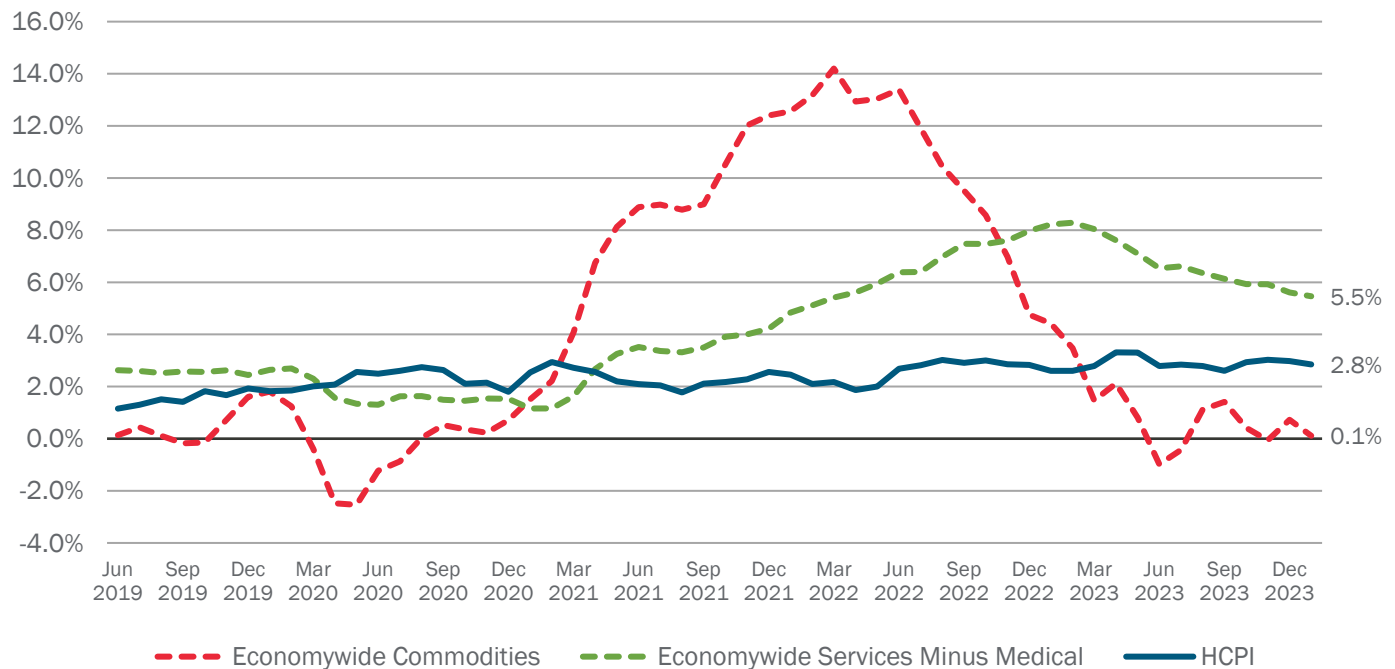
## PRICE GROWTH BY DETAILED CATEGORIES

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

	Ending January 2022	Ending January 2023	Ending January 2024
<b>Health Care Price Index (HCPI)</b>	2.5%	2.6%	2.8%
Hospital care	3.1%	2.2%	3.1%
Physician and clinical services	1.3%	0.2%	1.3%
Prescription drugs	1.3%	2.6%	0.4%
Nursing home care	1.4%	5.9%	4.9%
Dental Services	2.3%	6.6%	4.8%
Home health care	2.8%	2.8%	3.6%
Other professional services	3.8%	-0.4%	2.1%
Other personal health care	4.5%	6.2%	4.8%
Other nondurable medical products	1.7%	4.8%	9.2%
Durable medical equipment	2.9%	3.9%	3.1%

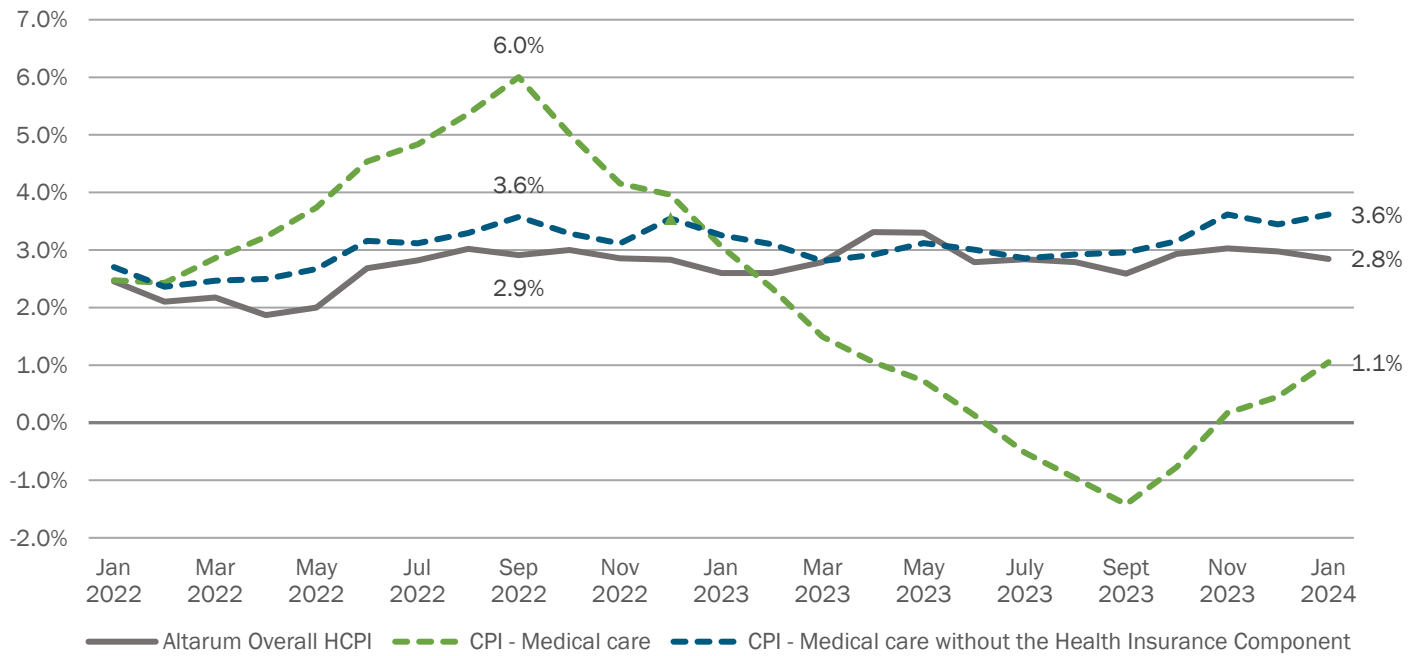
Source: Altarum analysis of monthly BLS data.

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



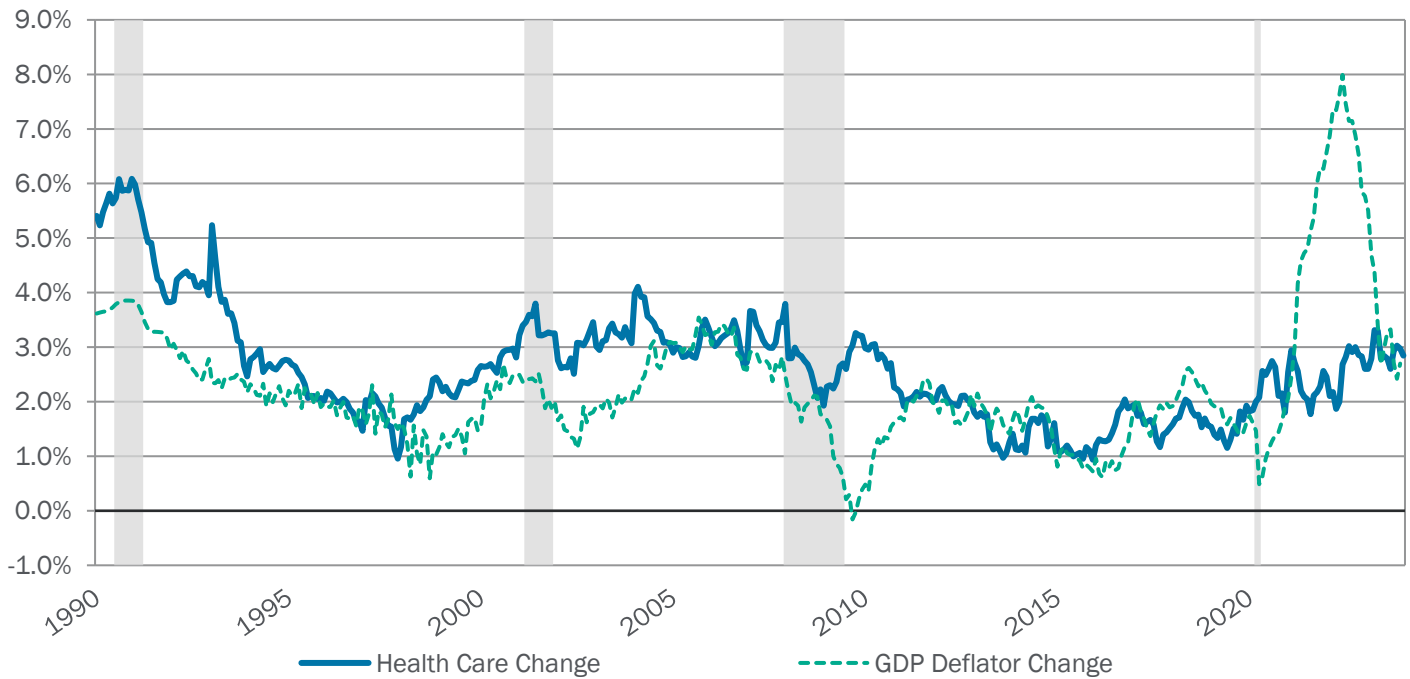
**Methods.** Altarum’s estimates for the monthly HCPI, a price index for personal health care spending within the National Health Expenditure Accounts, are essentially monthly versions of the annual index developed by the CMS National Health Statistics Group (NHSG). The advantages of this measure over 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**



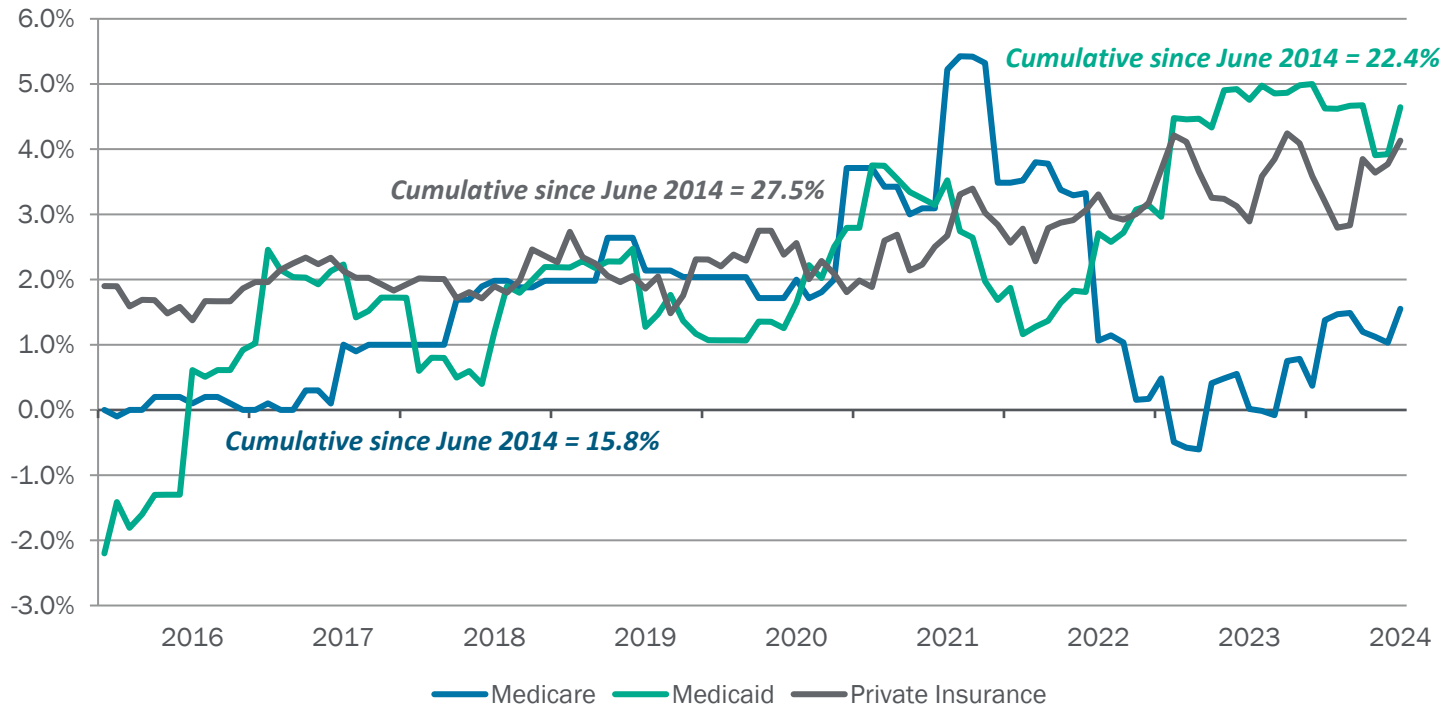
**TIME SERIES TRACKER**

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



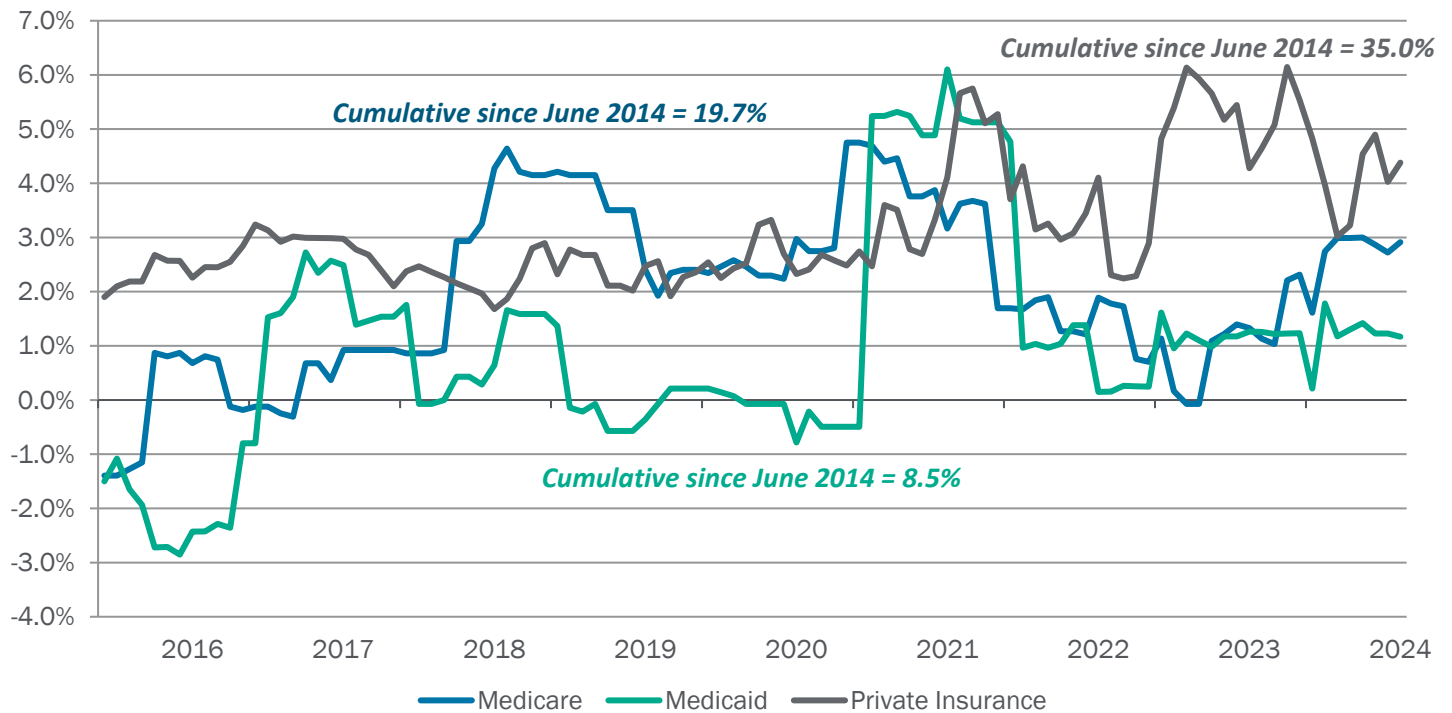
Source: Altarum monthly national health spending and price index estimates.  
Note: Lightly shaded bars denote recession periods.

**Exhibit 7. Year-over-Year Change in Health Care Services Price Growth, by Payer**



Source: Altarum analysis of monthly BLS data.

**Exhibit 8. Year-over-Year Change in Hospital Services Price Growth, by Payer**



Source: Altarum analysis of monthly BLS data.

**Exhibit 9. Implicit Health Care Utilization Growth by Major Components of NHE, Year-over-year**

	December 2023	3-Month Moving Average	12-Month Moving Average
<b>Total personal health care</b>	4.3%	4.4%	4.9%
<b>Hospital care</b>	2.7%	3.0%	4.4%
<b>Physician and clinical services</b>	7.5%	7.4%	7.2%
<b>Prescription drugs</b>	9.5%	9.0%	7.9%
<b>Nursing home care</b>	1.2%	2.5%	4.1%
<b>Dental Services</b>	1.1%	1.8%	2.0%
<b>Home health care</b>	8.4%	8.6%	6.4%
<b>Other professional services</b>	7.8%	7.5%	7.5%
<b>Other personal health care</b>	-2.8%	-2.8%	-1.7%
<b>Other nondurable medical products</b>	-0.9%	-1.4%	0.5%
<b>Durable medical equipment</b>	1.6%	0.8%	1.1%

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.