

## Altarum Institute Center for Sustainable Health Spending Health Sector Trend Report

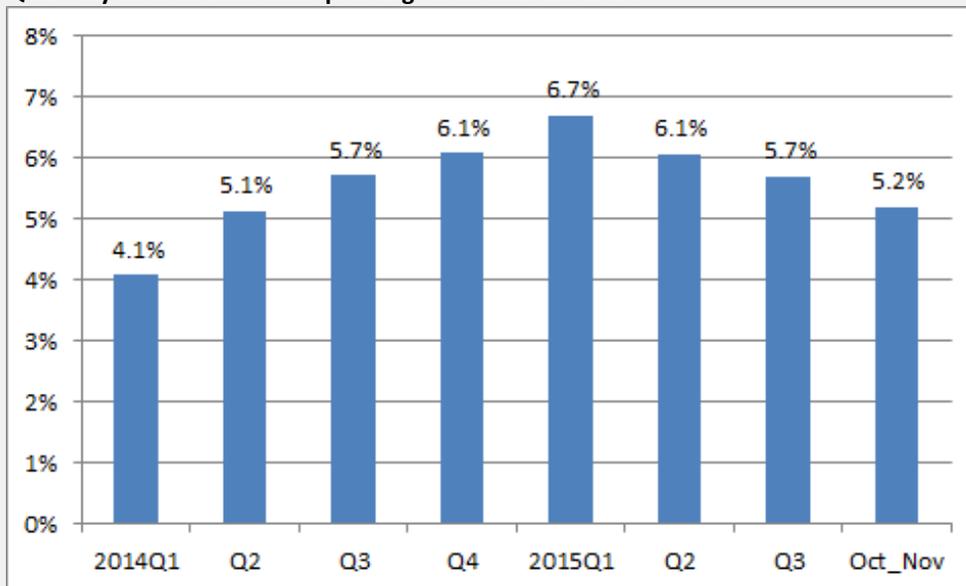
January 2016

This report provides a monthly summary of key trends in U.S. health care spending, prices, utilization, and employment. The reports build on Altarum Institute's [Health Sector Economic Indicators<sup>SM</sup> briefs \(HSEI\)](#) and make direct use of the U.S. Census Bureau's [Quarterly Services Survey \(QSS\)](#), the timeliest source of detailed, survey-based spending information for health care services, which account for more than 70% of national health spending. When new QSS data are released (in March, June, September, and December), an expanded version of this report is published with a more detailed analysis of health care services trends. The next expanded report, covering the fourth quarter (Q4) of 2015, will be produced in March. Interim reports highlight noteworthy health sector trends and early indications of results for the next quarter. In this January 2016 report, spending estimates are available through November 2015 while prices and labor are available through December.

### Health spending growth averaged 6.0% for the first 11 months of 2015

- HSEI data show health spending growth of 5.2% for October and November 2015, bringing the 11-month average rate down to 6.0%.
- The quarterly pattern for 2014–2015 (see chart below) shows a clear peak of 6.7% in Q1 2015, declining to 5.2% for the first 2 months of Q4 2015.
- If this downward trend continues, 2016 could begin with health spending growth at less than 5%.

### Quarterly Pattern in Health Spending Growth: 2014–2015



Source: Altarum analysis of HSEI data. Growth rates are year over year.

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Support for this report was provided by a grant from the Robert Wood Johnson Foundation.

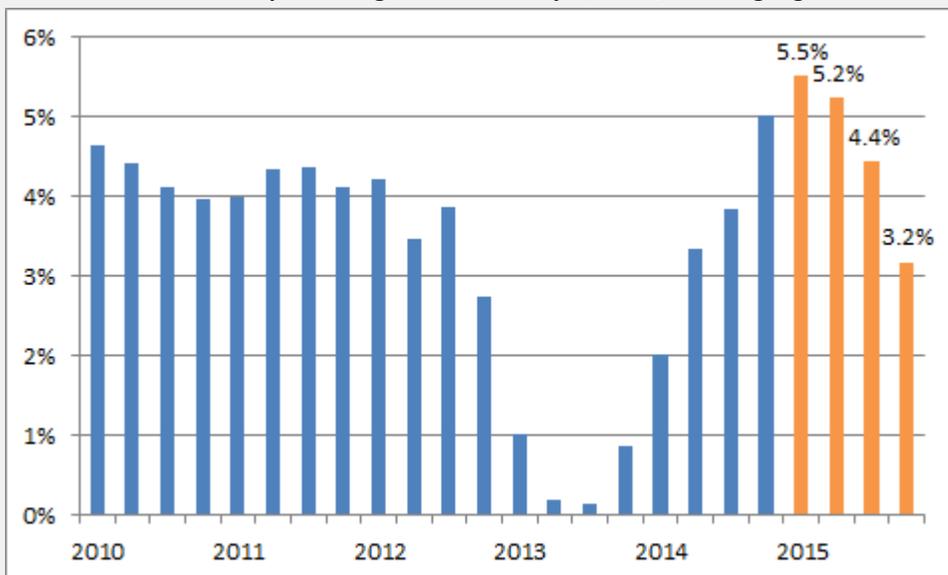
### **Growth in spending on prescription drugs has leveled off in recent months at around 9%**

- The growth rate in spending on prescription drugs peaked at nearly 13% in Q4 2014, declining to 9.2% in Q3 2015.
- The growth rate for the first 2 months of Q4 2015 averaged 9.1%, suggesting a leveling off from the downward trend observed earlier in the year.
- This leveling off is somewhat surprising, given the steep fall in the growth rate of prescription drug prices (see chart below).

### **Health care prices grew by 1.1% in 2015, the slowest annual rate ever in our historical series going back to 1990**

- The historically low 1.1% growth in health care prices in 2015 was heavily influenced by physician prices, which actually *fell* by 1%; and more generally by economy-wide inflation, which, at 1.0% in 2015 (as measured by the gross domestic product deflator), barely exceeds the 0.8% rate seen in 2009, the last year of the recession.
- Prescription drug prices grew by 4.6% overall in 2015, but the rate of growth declined over the course of the year, from a peak of 5.5% in Q1 to a low of 3.2% in Q4 2015.

**Price Growth for Prescription Drugs: 2010–2015 by Quarter, 2015 Highlighted**



Source: Altarum analysis of HSEI data. Growth rates are year over year.

### **Health care hiring was strong throughout 2015, although the hiring boom in hospitals has been slightly slowing over the second half of the year.**

- Health care jobs grew by more than 3% year over year in each of the last 6 months of 2015, a rate of growth not seen since 2002. Close to half a million health jobs were added in 2015.
- Hospitals added 172,000 jobs in 2015, four times the 42,000 jobs that were added in 2014 and more than one-third of total 2015 health sector growth. Monthly growth in hospital jobs was highest in July at 22,000 new jobs and declined steadily each month to December's figure of 12,000 new jobs.