

Altarum Institute Center for Sustainable Health Spending Health Sector Trend Report

January 2017

This report provides a monthly summary of key trends in U.S. health care spending, prices, utilization, and employment. The reports build on Altarum's [Health Sector Economic IndicatorsSM briefs \(HSEI\)](#) and make direct use of the U.S. Census Bureau's [Quarterly Services Survey \(QSS\)](#). When new QSS data are released (March, June, September, December), an expanded version of this report is published. Interim reports highlight noteworthy health sector trends and early indications of results for the next quarter. In this January 2017 report, spending estimates are available through November 2016, while prices and labor are available through December 2016.

Based on data through November, health spending is on track for 5.4% annual growth in 2016, somewhat higher than the 4.8% growth projected for 2016 by the Centers for Medicare & Medicaid Services (CMS).

- Health spending growth was pulled up by the 6.2% growth in spending on physician services, much higher than the 4.5% projected by CMS for 2016, despite virtually no increase in physician prices (0.2%).
- Health spending growth was pulled down by the 5% growth in prescription drug spending, much lower than the 6.3% projected by CMS for 2016, despite very high drug price growth (4.8%).

Looking at the most recent 2 months of data, October and November 2016, health spending slowed in late 2016 to 5.1%, with the prescription drug component dropping to 3.4% growth.

- October/November data for the health services component of spending are very preliminary and will be updated when the QSS data for Q4 are released in March 2017.
- Data for prescription drugs are less subject to revision and show a surprisingly low growth rate (3.4%), particularly given that prescription drug price growth accelerated to 6.4% in Q4.

CMS has projected 5.1% growth in health spending for 2017 but this assumed a continuation of the Affordable Care Act (ACA).

- We appear to be entering 2017 at 5.1% growth, the same rate projected for all of 2017 by CMS.
- If the ACA gains in coverage are reversed under the new administration, there will be a reduction in health care utilization and a rise in uncompensated care, leading to lower growth in jobs and spending.
- Despite the uncertainties about ACA, health jobs spiked in December and stock prices remain high for publicly traded insurers.

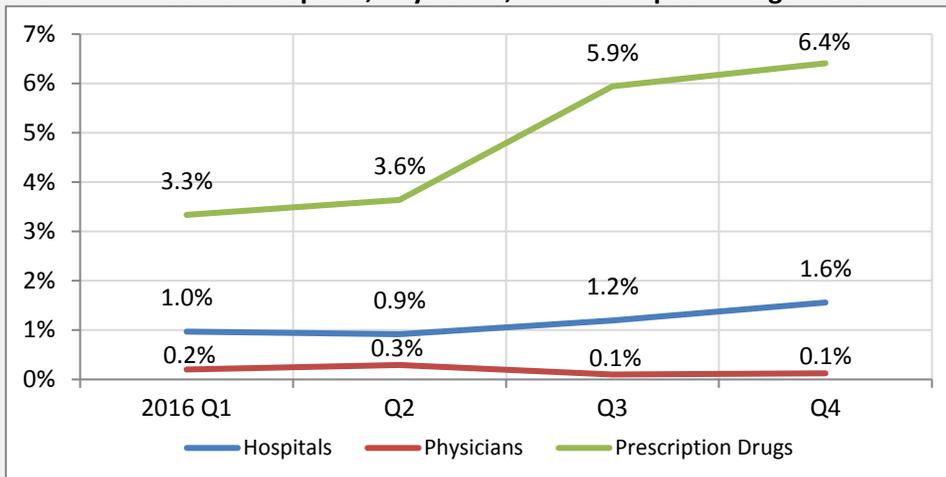
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The growth rate in health care prices increased during 2016 from 1.4% in Q1 to 2.1% in Q4

- Prescription drug prices exhibited the highest growth and the greatest acceleration, increasing from 3.3% growth in Q1 to 6.4% growth in Q4.
- Hospital prices grew slowly, but with some acceleration during the year.
- Physician prices showed almost no growth in 2016.

Growth in Prices for Hospitals, Physicians, and Prescription Drugs: 2016

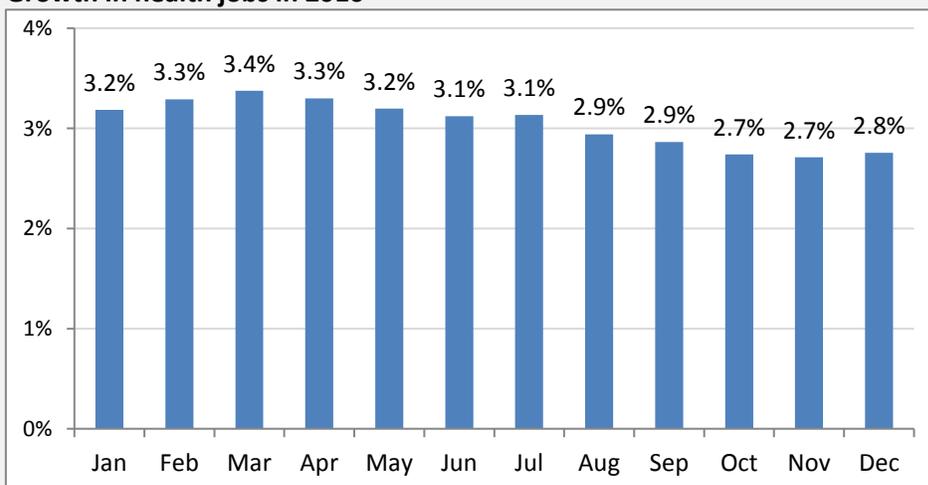


Source: Altarum Center for Sustainable Health Spending. Growth rates are relative to the same quarter of the previous year.

The rate of health job growth peaked in March 2016, then declined until a surprising uptick in December.

- The decline in health job growth from March through November was expected due to a leveling off of expanded coverage.
- The high growth in December was especially surprising, given the possibility that expanded coverage would be reversed under the new administration.

Growth in health jobs in 2016



Source: Altarum Center for Sustainable Health Spending. Growth rates are relative to the same month of the previous year