

Altarum Institute Center for Sustainable Health Spending Health Sector Trend Report

July 2017

This report provides a monthly summary of key trends in U.S. health care spending, prices, utilization, and employment, based primarily upon data from Altarum's [Health Sector Economic IndicatorsSM briefs \(HSEI\)](#). Every March, June, September, and December, we issue an expanded version to coincide with the incorporation of the latest U.S. Census Bureau's [Quarterly Services Survey \(QSS\)](#) in the HSEI data.¹ In this July 2017 report, spending estimates are available through May 2017, while prices and labor are available through June 2017.

Estimates for the first 2 months of Q2 2017 (April & May) put health spending growth at 4.5% year over year, compared to 5.2% for Q1 2017 and 5.2% for all of 2016. Estimates for the full Q2 2017 will be presented next month with the release of Advance QSS data.

- Preliminary estimates put health spending growth at 4.5% for April and May 2017, down from the 5.2% growth estimated for 2016 and Q1 2017. It will be interesting to see if this slowdown is confirmed when Advance QSS data for Q2 are released next month.
- The decline in health spending growth was led by hospitals (representing about one-third of spending). Hospital spending growth fell from 5.0% in Q1 2017 to 3.6% for April and May 2017.
- Growth in spending on prescription drugs remains at 5.1% for April and May 2017, the same as for Q1 2017.²

Health care price growth averaged 1.6% in Q2 2017, down from 2.0% in Q1.

- Health care price growth declined to 1.6% during Q2 2017. The decline was driven in large part by prescription drug price growth, which fell from 5.3% in Q1 2017 to 3.6% in Q2.
- Hospital price growth remained steady at 1.6% in both Q1 and Q2 2017, suggesting that lower volumes may be driving the decrease in hospital spending growth. This is consistent with findings from the Credit Suisse *CS Hospital Volume Tracker*, which shows preliminary Q2 2017 inpatient volumes slowing from Q1 2017.³
- Price growth for physician services increased slightly, but remained very low at 0.5%.

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

¹ To be precise, these are the months in which the Bureau of Economic Analysis (BEA) incorporates the most recent QSS data into their spending estimates. HSEI incorporates QSS data indirectly via these BEA spending estimates.

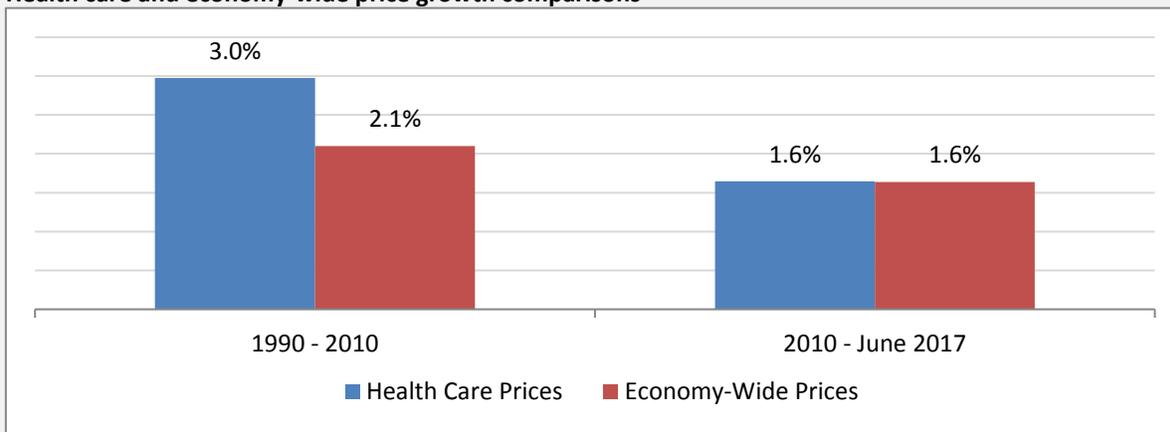
² Estimates of prescription drug spending and prices should be viewed with some skepticism as the data may not account for changing shares of rebates and coupons. Our Center is conducting ongoing research into the impact of rebates, discounts, and coupons on trends in prescription drug spending.

³ *CS Hospital Volume Tracker: Prelim. June Volume Update*, July 24, 2017.

Year to date, 2017 health care price growth is 1.8%, slightly below the 1.9% growth in economy-wide inflation as measured by the GDP deflator.

- Health care prices have historically risen faster than other prices in the economy, but, since 2010, have risen at the same rate as economy-wide prices (see chart).

Health care and economy-wide price growth comparisons

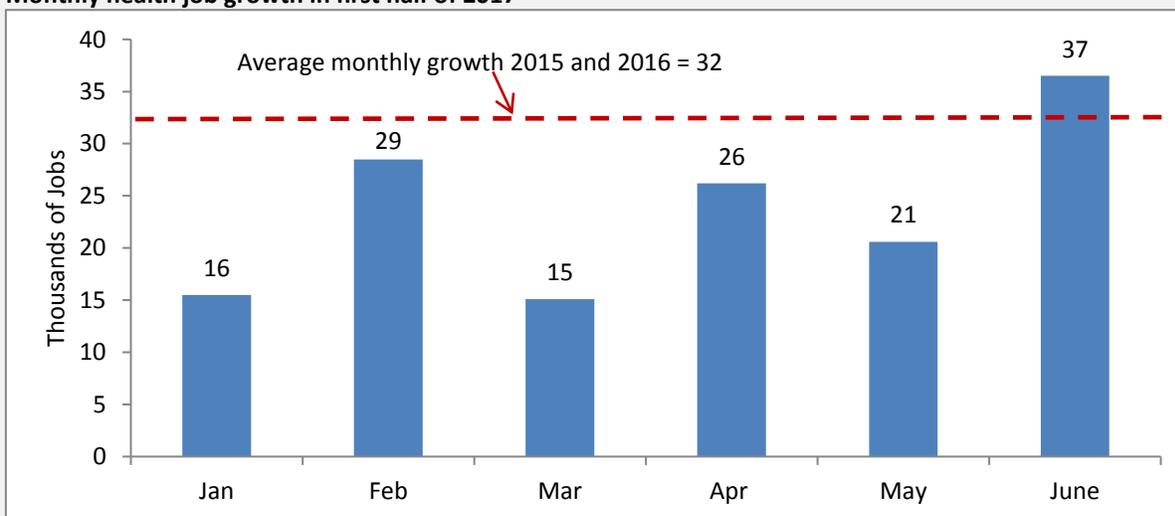


Source: Health care price growth from Altarum’s Health Care Price Index. Economy-wide price growth from the GDP deflator.

Health care job growth spiked unexpectedly to 37,000 new jobs in June, but monthly growth in 2017 remains well below that of the previous 2 years.

- Health care is adding an average of 24,000 jobs per month in the first half of 2017, versus 32,000 during 2015 and 2016 (see chart).
- The addition of 37,000 new health jobs in June was considerably higher than the 21,000 per month average in the first 5 months of 2017. July data, due on August 4, and including revisions to May and June, may reveal whether this is only noise or the start of an unexpected uptick in hiring.

Monthly health job growth in first half of 2017



Source: Altarum analysis of BLS Current Employment Statistics data.