

Altarum Institute Center for Sustainable Health Spending Health Sector Trend Report

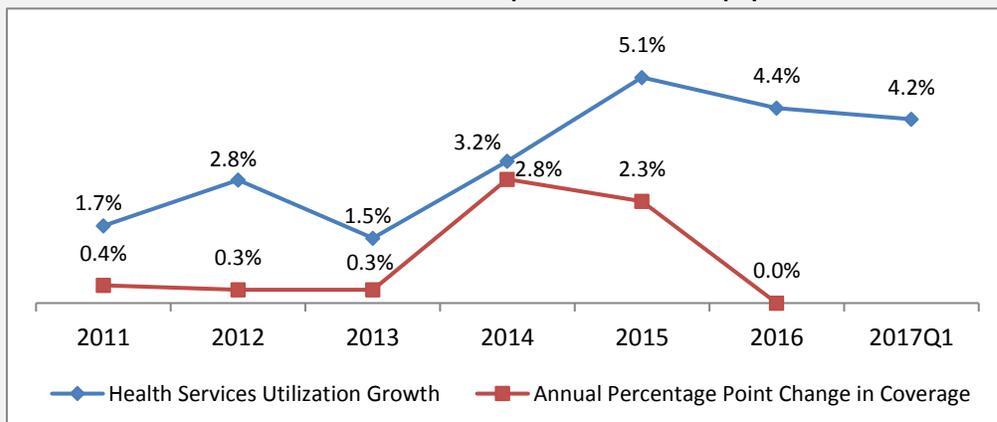
May 2017

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 May 2017 report, Q1 2017 spending estimates are based upon our own analysis of Advance QSS data as they will not be reflected in HSEI until next month.

Health spending growth in Q1 2017 remains stubbornly above 5%, despite leveling off in coverage.

- Health spending grew at 5.4% in Q1 2017, somewhat above the 5.2% growth currently estimated for 2016.
- Incorporation of Advance QSS data for Q1 2017, released earlier this month, showed the health care services component of spending up 5.7% in Q1 2017. Services price growth was only 1.4%, so growth in spending appears to be mainly due to utilization growth.
- Utilization of health care services averaged 2% growth in the 3 years prior to coverage expansion, accelerating to 5.1% in 2015 in response to gains in coverage of 2.8 percentage points in 2014 and 2.3 percentage points in 2015. Gains in coverage have been leveling off, but the growth in health care services utilization remains above 4% in Q1 2017.
- Health job growth has declined significantly in Q1 2017 (see next page) and could be predictive of a continuing drop in health care services utilization growth.

Growth in health care services utilization and percent of the U.S. population with health insurance



Source: Altarum Center for Sustainable Health Spending. Change in coverage is estimated from the American Community Survey (2010 – 2015) and CDC (2016). Utilization growth rates are estimated from spending and price growth rates.

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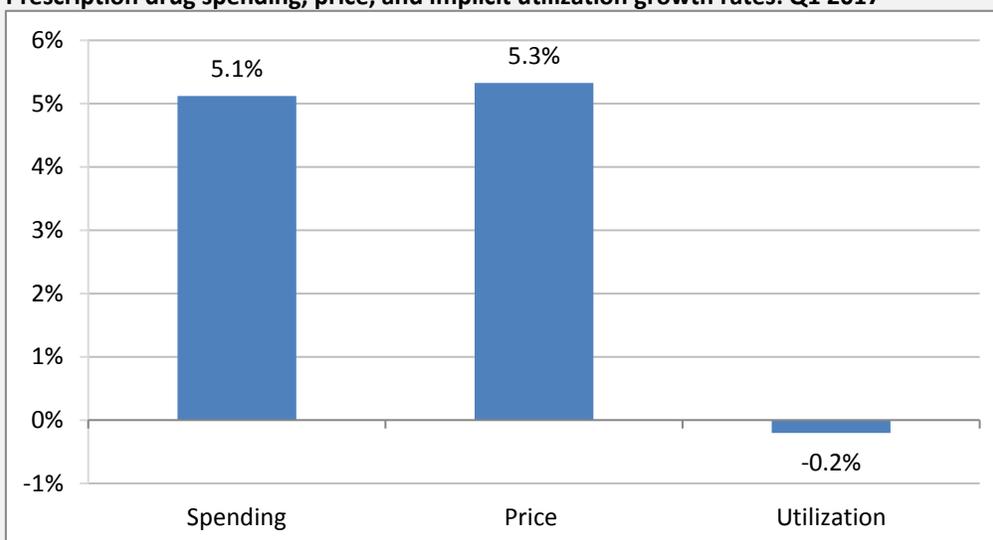
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¹ To be precise, these are the months in which the Bureau of Economic Analysis (BEA) incorporates the most recent QSS data into their spending estimates. HSEI incorporates QSS data indirectly via these BEA spending estimates.

Health care price growth remains low at 2.0% in Q1 2017, with physician prices at 0.4%, hospital prices at 1.6%, and prescription drug prices at 5.3%.

- Prices of prescription drugs, as measured by the prescription drug consumer price index, increased by 5.3% while spending on prescription drugs increased by 5.1% (see chart).
- This implies a negative 0.2% growth in prescription drug utilization—which contrasts with the 4.2% increase in utilization of health care services in Q1 2017 (previous chart).
- Estimating price and spending growth for prescription drugs is complicated by the introduction of expensive new products, patent cliffs, and manufacturer rebates and coupons. More research is needed into how well these effects are captured in current price and spending measures.

Prescription drug spending, price, and implicit utilization growth rates: Q1 2017



Source: CSHS HSEI estimates. Price growth is based upon Bureau of Labor Statistics Prescription Drug CPI. Spending growth rate based upon data from Bureau of Economic Analysis.

Average monthly health job growth slowed to 19,000 in Q1 2017, about 40% below the 32,000 average for 2016. This pattern continued into April, which showed 19,500 new jobs.

- If health job growth continues at 19,000 per month, the year-over-year growth rate will fall to 1.6% in Q4 2017, compared to 2.5% in Q4 2016.
- Health services utilization in Q1 2017 has slowed by a similar amount. If month-to-month growth in Q1 2017 continues for the rest of 2017, year-over-year growth in utilization will fall to 2.4% in Q4 2017 compared to 4.4% in Q4 2016.