

January 8, 2025

Economy-wide inflation overtakes health care price increases

HIGHLIGHTS

- ▲ The overall Health Care Price Index (HCPI) increased by 2.6% year over year in November, down 0.1 percentage points from last month's revised value.
- ▲ Economy-wide inflation rose, with year-over-year growth in the overall Consumer Price Index (CPI) increasing by 0.1% to 2.7% and growth in the Producer Price Index (PPI) increasing 0.4% to 3.0%. This is the first time both indices have surpassed the health care price index since February 2023.
- ▲ Among the major health care categories, prices for dental care (3.9%), and hospitals (3.1%) were the fastest growing, while prescription drugs was the slowest (0.7%).
- ▲ For major payers, year-over-year Medicaid price growth (5.2%) exceeded services price growth for private insurance (3.4%) and Medicare patients (1.3%), continuing a trend beginning in June of 2022.
- ▲ The implicit measure of health care utilization growth was 5.1% year over year in October, down from the revised September value of 5.7%.

Home health care utilization increased 9.6% year over year. While this was the fastest-growing category this month (as it has been since August of 2023), it is now sitting below its 3-, 6-, and 12-month moving averages. This category was followed by physician and clinical services (7.1%), nursing care (5.9%), dental services (5.9%), and prescription drugs (also 5.9%), while hospital care and trailed the other categories at 3.6%.

	Nov 2022	Nov 2023	Oct 2024	Nov 2024
Health Care Price Index (HCPI)	2.9%	3.1%	2.7%	2.6%
GDP Deflator (GDPD)	6.6%	2.4%	2.3%	**
HCPI - GDPD	-3.7%	0.7%	0.4%	**
Addendum				
Personal health care spending	3.1%	8.8%	7.8%	**
Health care utilization	0.2%	5.7%	5.1%	**
Medical Consumer Price Index (MCPI)	4.2%	0.2%	3.3%	3.1%
Consumer Price Index, all items (CPI)	7.1%	3.1%	2.6%	2.7%
Producer Price Index, Final Demand (PPI)	7.4%	0.8%	2.6%	3.0%

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 IndicatorsSM (HSEI) reports are a monthly publication of Altarum providing analyses of health spending, employment, and prices. For more information, contact George Miller at George.Miller@altarum.org. George Miller, PhD, and Matt Daly, PhD (principal author) contributed to this brief. We thank Corwin Rhyan and Stephen McCall for their previous contributions to this work. Media Contact: press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.

DISCUSSION

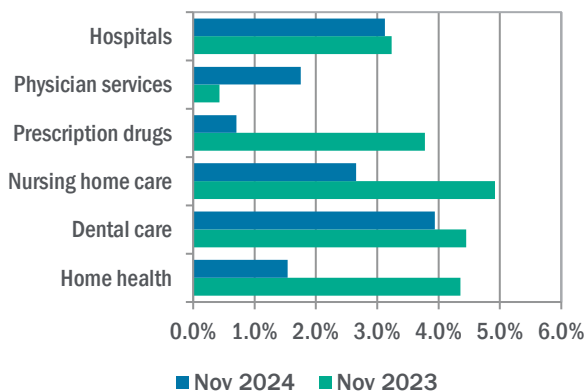
The overall health care price index (HCPI) increased by 2.6% year over year in November, down slightly from 2.7% in October (Exhibit 1). The October value was 0.4 percentage points greater than economy-wide inflation as measured by the GDP deflator (Exhibit 1). This marks the 13th straight month where health care prices have risen faster than economy-wide inflation. Through 2024 so far, health care price growth has averaged 3.0% year over year, up slightly from the 2.9% overall 2023 annual average.

Regarding other measures of economy-wide inflation, CPI price growth rose slightly to 2.7% year over year in November, while PPI inflation rose 0.4 percentage points to 3.0%. Economy-wide price increases continue to be driven by services inflation (up 4.6% year over year) while commodities inflation rose to -0.3% while continuing its recent negative trend (Exhibit 4).

Health care services continued to be the major driver of health care price growth in November, with dental services up 3.9%, and hospitals up 3.1%. The year-over-year increases in prescription drug prices observed in recent months continued but slowed this month to 0.7% (Exhibits 2 and 3). Price growth for physician and clinical services continues to be one of the slowest-growing categories, up 1.8% year over year and 0.8 percentage points below the aggregate HCPI. Home health grew the most slowly among services categories, at 1.5%. In July, CMS released their proposal for Medicare physician reimbursement for 2025, including a [2.8% cut for physician fees](#) next year. While the final impact of this proposed cut on overall physician payments may be mitigated by other changes to the physician fee schedule or by Congress [intervening as it has in years past](#), this proposal indicates significant possible downward pressure on physician and clinical care prices in the future.

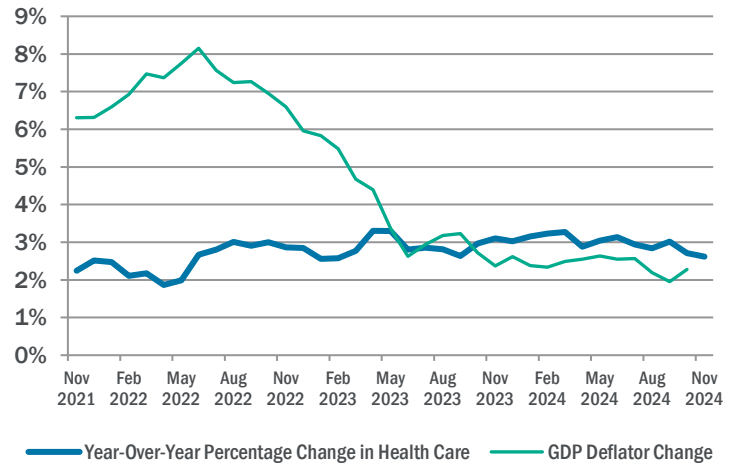
Among major payers for health care services, prices rose fastest for Medicaid patients last month, increasing 5.2% year over year, higher than price growth for private insurance patients (3.4%) and Medicare (1.3%), as shown in Exhibit 6. This is Medicare’s lowest growth rate since February. Among specific health sector components, faster price growth among Medicaid patients was seen in both hospital care (up 5.5% year over year, as shown in Exhibit 8) and physician and clinical care (up 11.9%, as shown in Exhibit 7). Hospital price growth rates for other payers in November were slower than Medicaid—private insurance hospital prices were up 3.9% year over year while Medicare was up 1.9%, both roughly holding steady after being marked by notable drops in October.

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



Source: Altarum analysis of monthly BLS price data.

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



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) fell by 0.6% in October to 5.1%, just under the twelve-month moving average of 5.2% (Exhibit 9). The fastest-growing utilization component was again home health care, up 9.6% year over year, followed by physician services at 7.1%, and prescription drugs, nursing, and dental services all at 5.9%. Hospital care ran behind at 3.6%.

This month continues the 2024 trend of higher overall growth in the use of health care services compared to health care prices; however, with health care price growth increasing, this trend could change in the future. We will continue to monitor these data and this trend in our future price and [spending briefs in upcoming months](#).

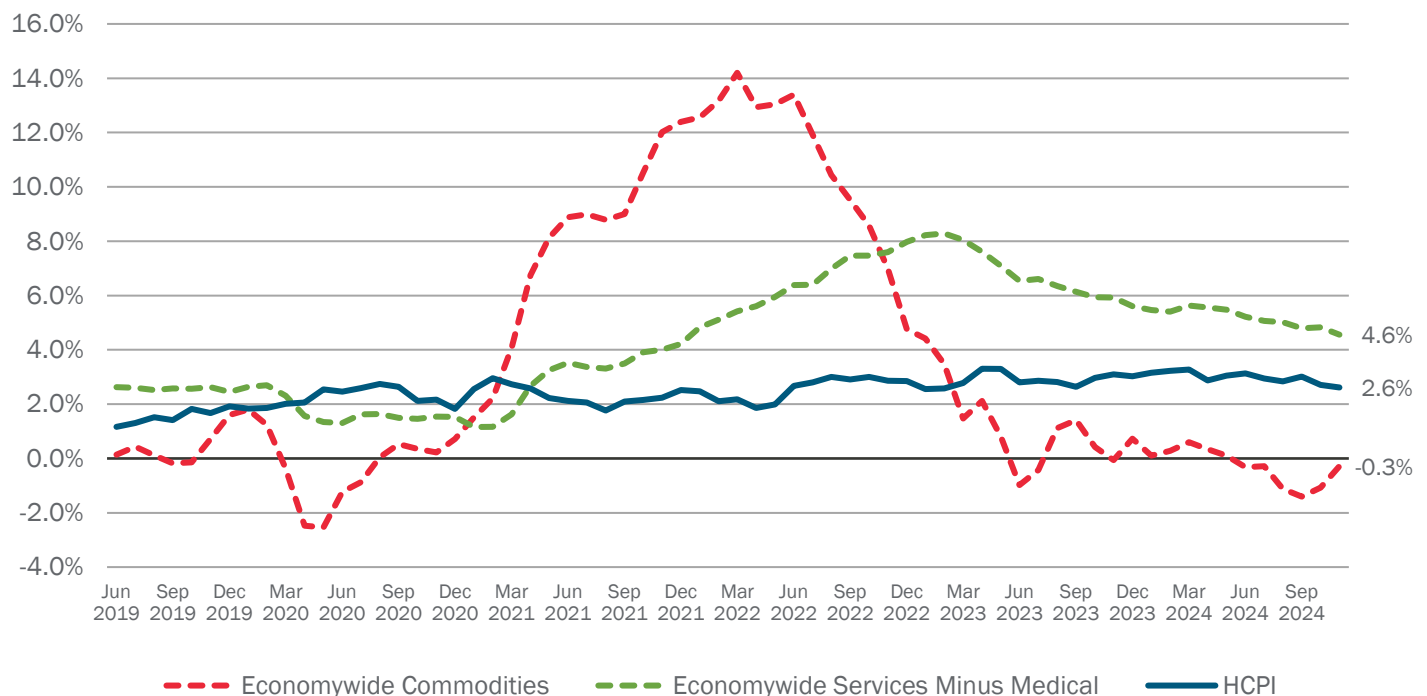
PRICE GROWTH BY DETAILED CATEGORIES

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

	Ending November 2022	Ending November 2023	Ending November 2024
Health Care Price index	2.9%	3.1%	2.6%
Hospital Care	3.1%	3.2%	3.1%
Physician and clinical services	0.2%	0.4%	1.8%
Prescription drugs	1.9%	3.8%	0.7%
Nursing home care	4.9%	4.9%	2.7%
Dental services	6.4%	4.4%	3.9%
Home health care	3.0%	4.4%	1.5%
Other professional services	3.7%	0.5%	1.5%
Other personal health care	4.3%	6.0%	6.9%
Other non-durable medical products	5.4%	7.8%	-0.4%
Durable medical equipment	4.4%	4.1%	2.6%

Source: Altarum analysis of monthly BLS data.

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

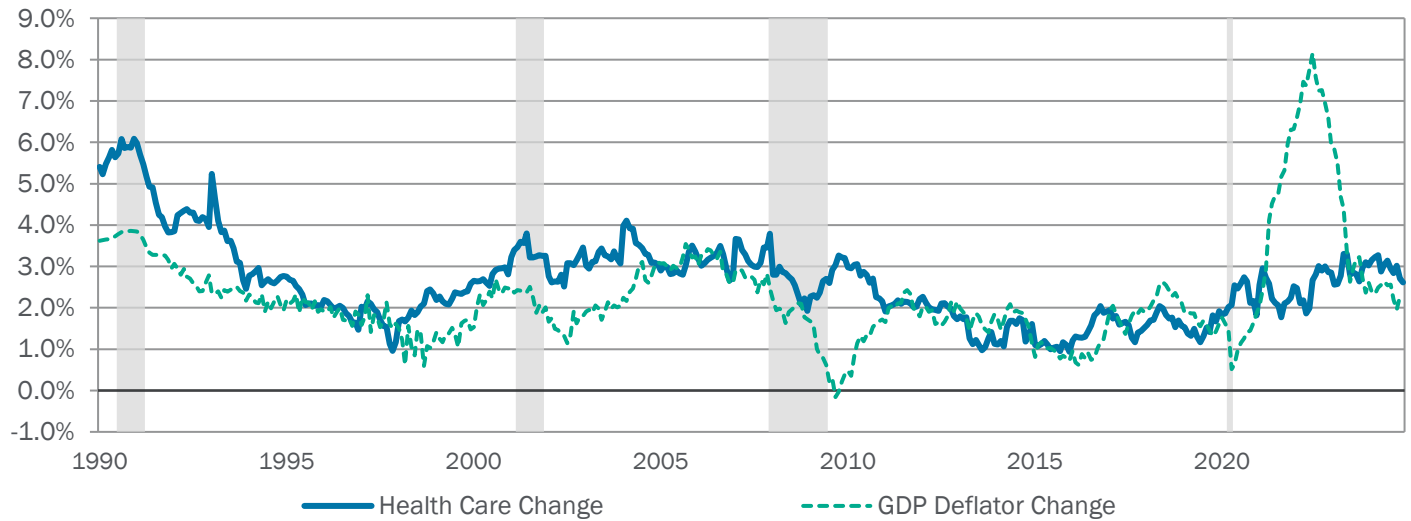


Source: Altarum analyses of BLS price data.

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.

TIME SERIES TRACKER

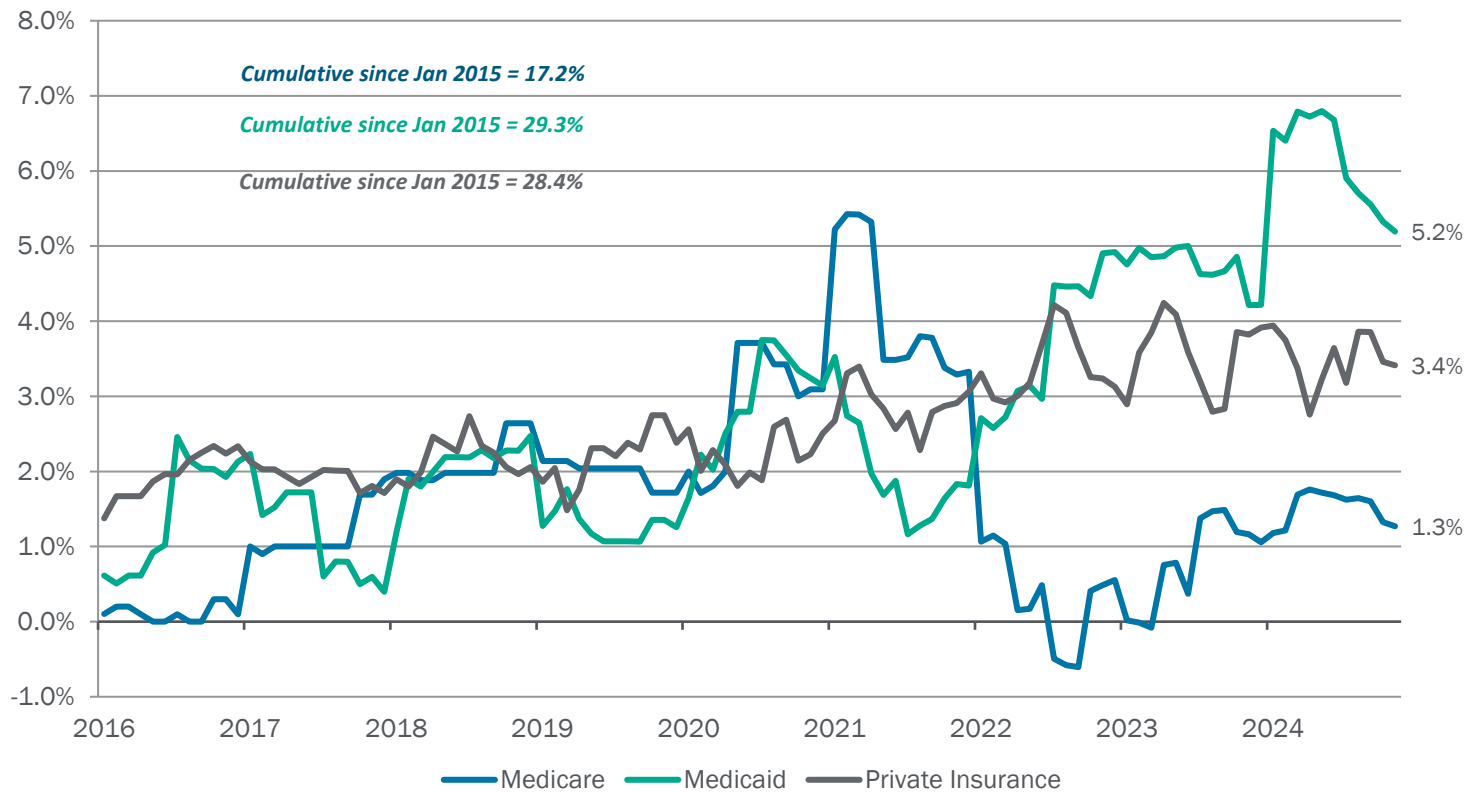
Exhibit 5. Year-over-Year Percentage Change in Health Prices Compared with the GDP Deflator



Source: Altarum analyses of BLS price data.

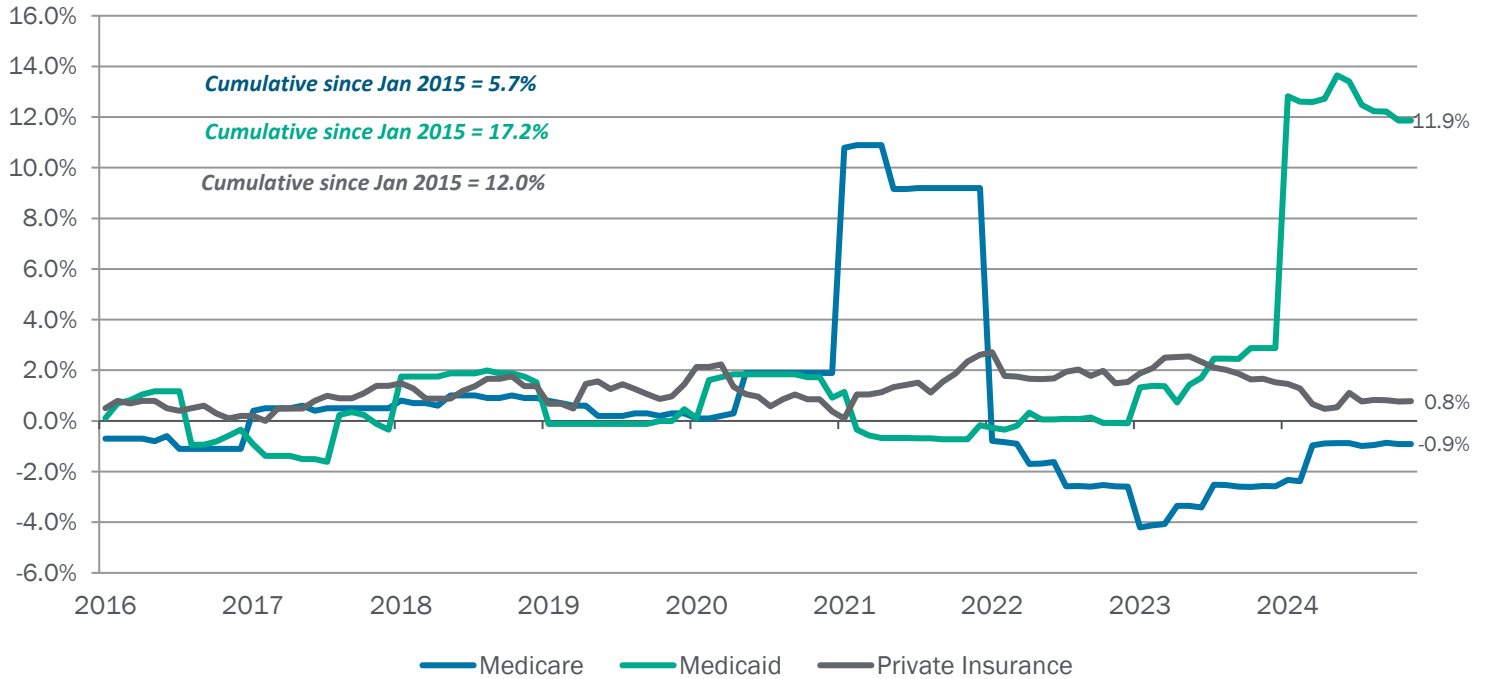
Note: Lightly shaded bars denote recession periods.

Exhibit 6. Year-over-Year Change in Health Care Services Price Growth by Payer



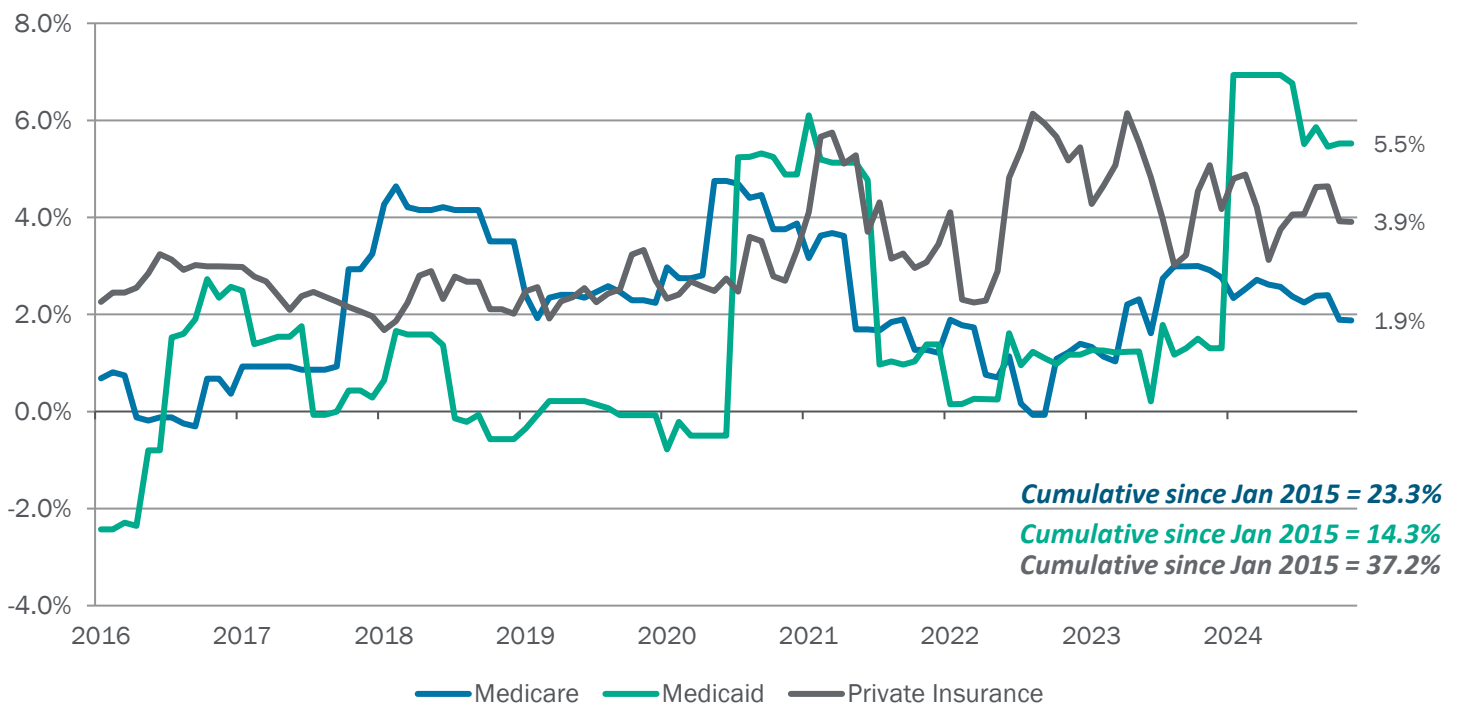
Source: Altarum analyses of BLS price data.

Exhibit 7. Year-over-Year Change in Physician Care Services Price Growth by Payer



Source: Altarum analyses of BLS price data.

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



Source: Altarum analyses of BLS price data.

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

	October 2024	3-Month Moving Average	12-Month Moving Average
Total personal health care	5.1%	5.5%	5.2%
Hospital care	3.6%	4.1%	3.8%
Physician and clinical services	7.1%	7.9%	7.6%
Prescription drugs	5.9%	6.5%	7.1%
Nursing home care	5.9%	5.8%	5.8%
Dental Services	5.9%	5.0%	2.5%
Home health care	9.6%	10.5%	12.1%
Other professional services	10.0%	10.0%	9.0%
Other personal health care	-0.3%	-0.1%	-0.3%
Other nondurable medical products	4.4%	3.0%	-1.3%
Durable medical equipment	2.9%	3.7%	3.6%

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.

Source: Altarum analyses of BLS price data.