

March 4, 2025

Year-over-year prescription drug prices increase highest since 2017

## HIGHLIGHTS

- ▲ In January 2025, the overall Health Care Price Index (HCPI) fell to 2.7% from the revised December 2024 year-over-year value of 3.0%.
- ▲ Economy-wide inflation was largely unchanged, with year-over-year growth in the overall Consumer Price Index (CPI) increasing by 0.1% to 3.0% and growth in the Producer Price Index (PPI) holding at 3.5%.
- ▲ Among the major health care categories, prices for prescription drugs was the fastest-growing at 4.5%. This is a sharp increase from an average of 1.4% throughout 2024 and is the highest year-over-year increase since March of 2017. This was followed by hospitals (2.4%) and nursing home care (2.2%). Physician services was the slowest-growing at 1.6%.
- ▲ For major payers, year-over-year private insurance prices growth for services (3.7%) overtook Medicaid (2.3%). Medicare service prices increased 1.6%.
- ▲ The implicit measure of health care utilization growth was 4.1% year over year in December, down from the revised November value of 4.5%.
- ▲ Home health care utilization increased 7.3% year over year, continuing a drop from a recent peak value of 17.8% in June 2024. This category was followed dental services (5.8%) and physician and clinical services (5.6%). Hospital care and prescription drugs utilization trailed the other major categories, both at 3.6%.

|   | Jan 2023 | Jan 2024 | Dec 2024 | Jan 2025 |
|---|----------|----------|----------|----------|
| <b>Health Care Price Index (HCPI)</b>           | 2.6%     | 3.2%     | 3.0%     | 2.7%     |
| <b>GDP Deflator (GDPD)</b>                      | 5.8%     | 2.4%     | 2.5%     | **       |
| <b>HCPI - GDPD</b>                              | -3.2%    | 0.8%     | 0.5%     | **       |
| <b>Addendum</b>                                 |          |          |          |          |
| <b>Personal health care spending</b>            | 8.3%     | 8.2%     | 7.1%     | **       |
| <b>Health care utilization</b>                  | 5.7%     | 5.1%     | 4.1%     | **       |
| <b>Medical Consumer Price Index (MCPI)</b>      | 3.1%     | 1.1%     | 2.8%     | 2.6%     |
| <b>Consumer Price Index, all items (CPI)</b>    | 6.4%     | 3.1%     | 2.9%     | 3.0%     |
| <b>Producer Price Index, Final Demand (PPI)</b> | 5.7%     | 1.0%     | 3.5%     | 3.5%     |

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 Indicators<sup>SM</sup>* (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](mailto:George.Miller@altarum.org). George Miller, PhD, and Matt Daly, PhD (principal author) contributed to this brief. We thank Corwin Rhyon and Stephen McCall for their previous contributions to this work. Media Contact: [press@altarum.org](mailto:press@altarum.org). For more information, visit <http://altarum.org/solution/health-sector-spending>.

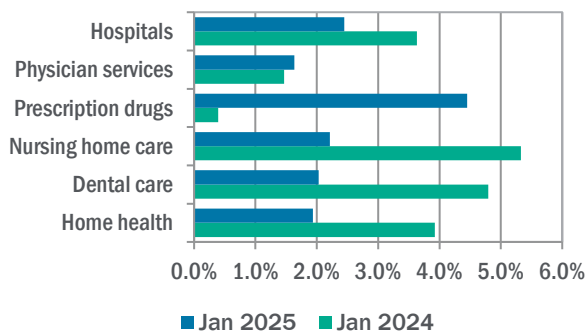
## DISCUSSION

In January 2025, the overall health care price index (HCPI) fell 0.3% to 2.7% year-over-year from its revised December 2024 value of 3.0% (Exhibit 1). The December HCPI was 0.5% greater than economy-wide inflation as measured by the GDP deflator (January 2025 GDP data are not yet available) (Exhibit 1). Health care prices growth for the year 2024 averaged 3.0% year over year, just as it did for 2023.

Regarding other measures of economy-wide inflation, CPI prices growth rose 0.1% to 3.0% year over year in January, while PPI inflation remained at 3.5%. Economy-wide price increases continue to be driven by services inflation (up 4.4% year over year) while commodities inflation rose to 0.8% (Exhibit 4).

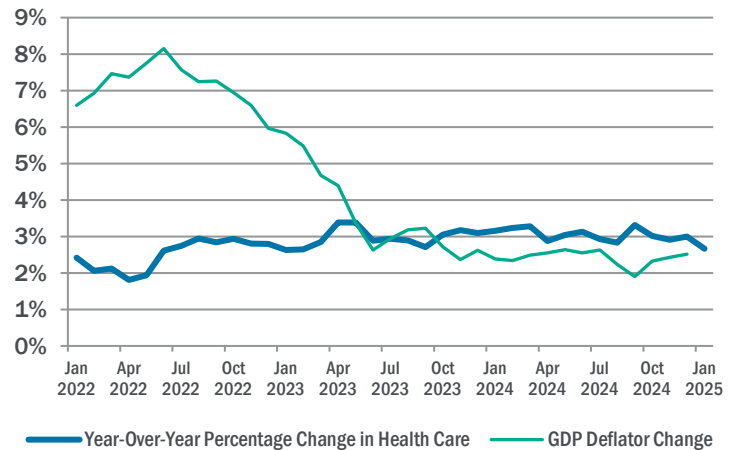
In a sharp reversal from recent trends, prescription drugs became the most significant driver of health care price increases with a year-over-year value of 4.5%, well above the average 2024 value of 1.4%, 1.8 percentage points above the January composite HCPI, and the highest value seen for this category since March of 2017. All other categories increased between 1.6% (for physician services) and 2.4% (for hospitals) (Exhibits 2 and 3). In another reversal, this time among major payers for health care services, prices rose fastest for private insurance patients last month, increasing 3.7% year over year, overtaking price growth for Medicaid patients (2.3%, dropping from 5.6% in December 2024 and the lowest value seen since December 2021) (Exhibit 6). As has been the recent norm, Medicare patients saw the slowest price growth (1.6%). Because of sudden and steep Medicaid price increases in January of 2024, the year-over-year changes in Medicaid prices overall and for specific health care sectors for January 2025 have dropped precipitously from last month's values accordingly. For physician services, private insurance prices rose 2.3%, Medicaid prices rose 0.9%, and Medicare prices fell 0.1% (see Exhibit 7). For hospitals, private insurance prices rose 3.5%, Medicare prices rose 2.1%, and Medicaid fell 0.1% (Exhibit 8).

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



[upcoming months.](#)

### 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 0.4% in December 2024 to 4.1%, below the twelve-month moving average of 4.9% (Exhibit 9). The fastest-growing utilization component was again home health care, up 7.3% year over year, followed by dental services at 5.8% and physician services at 5.6%. Hospital care and prescription drugs 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](#)

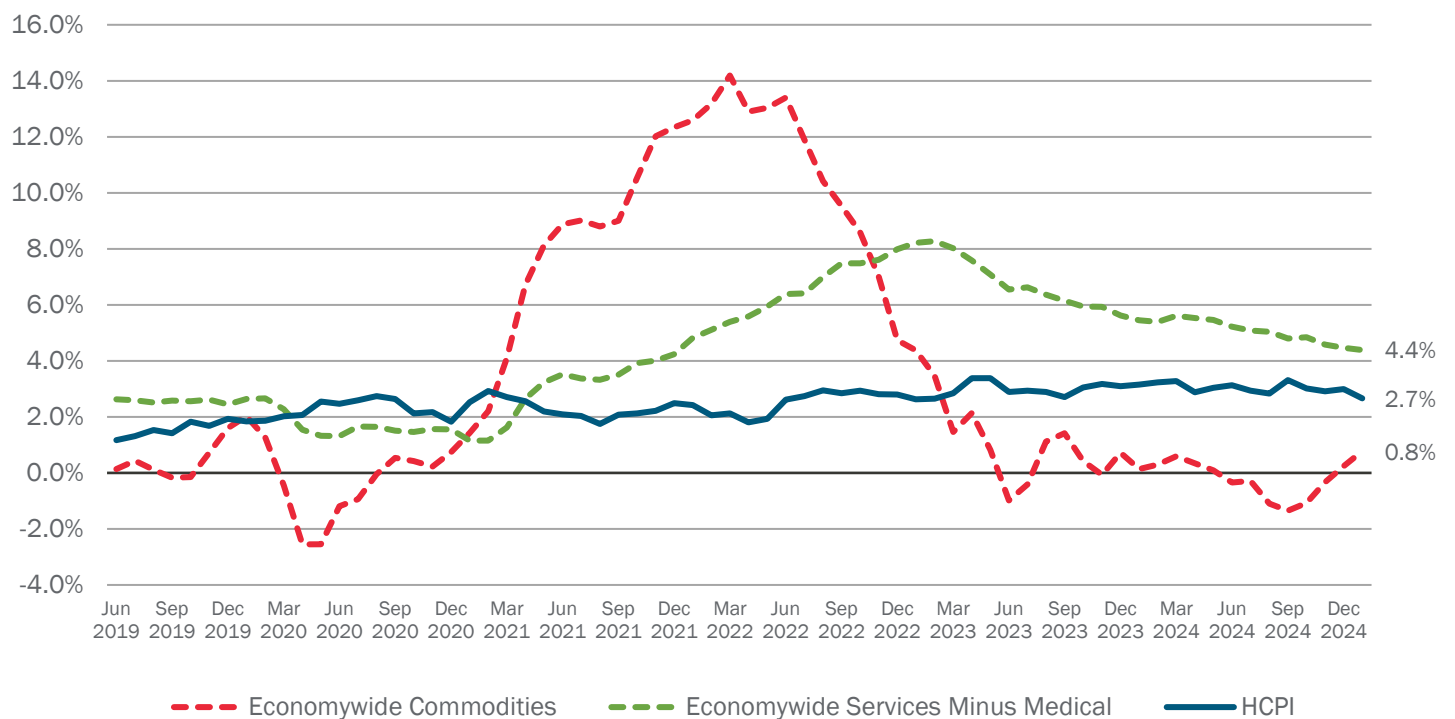
## PRICE GROWTH BY DETAILED CATEGORIES

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

|                                    | Ending January 2023 | Ending January 2024 | Ending January 2025 |
|------------------------------------|---------------------|---------------------|---------------------|
| Health Care Price index            | 2.6%                | 3.2%                | 2.7%                |
| Hospital Care                      | 2.2%                | 3.6%                | 2.4%                |
| Physician and clinical services    | 0.2%                | 1.5%                | 1.6%                |
| Prescription drugs                 | 2.6%                | 0.4%                | 4.5%                |
| Nursing home care                  | 5.9%                | 5.3%                | 2.2%                |
| Dental services                    | 6.6%                | 4.8%                | 2.0%                |
| Home health care                   | 2.8%                | 3.9%                | 1.9%                |
| Other professional services        | -0.4%               | 2.1%                | 1.3%                |
| Other personal health care         | 6.2%                | 5.7%                | 7.4%                |
| Other non-durable medical products | 4.8%                | 9.2%                | -1.3%               |
| Durable medical equipment          | 3.9%                | 3.1%                | 2.1%                |

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**

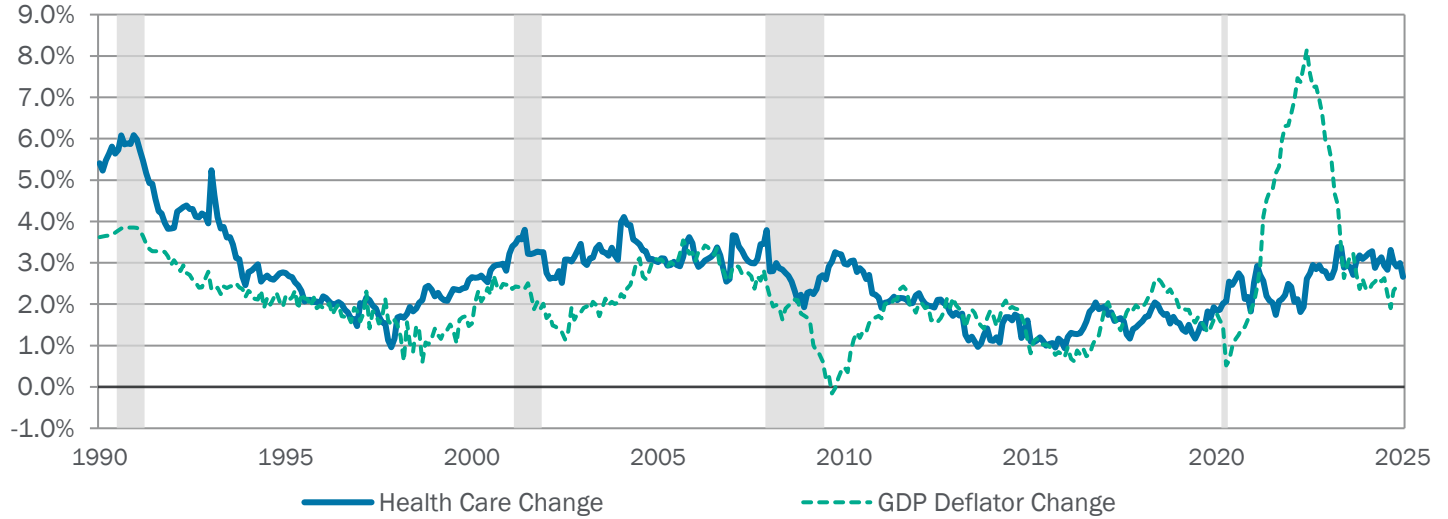


**Methods.** Altarum’s estimates for the monthly HCPI, a price index for personal health care spending within the National Health Expenditure Accounts, are essentially monthly versions of the annual index developed by the CMS National Health Statistics Group (NHSG). The advantages of this measure over 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.

Source: Altarum analyses of BLS price data.

## TIME SERIES TRACKER

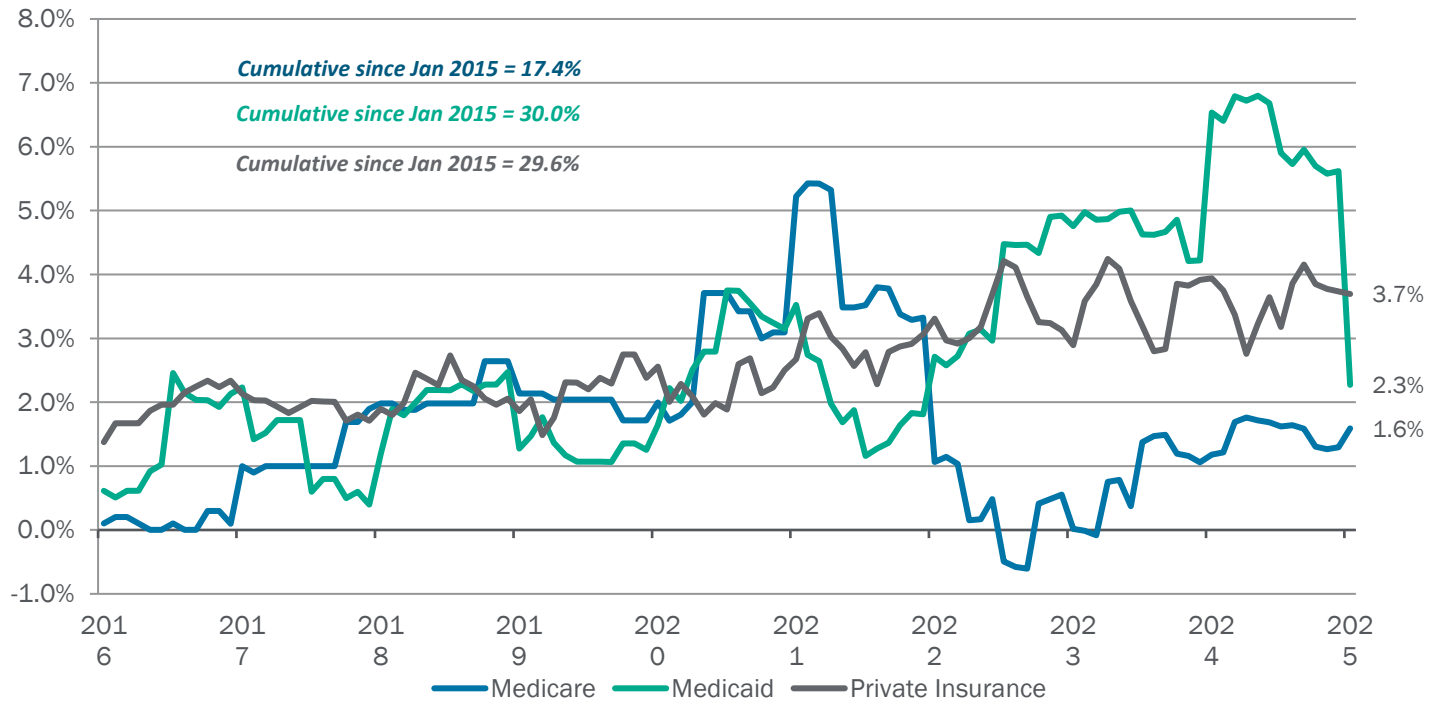
**Exhibit 5. Year-over-Year Percentage Change in Health Prices Compared with the GDP Deflator**



Source: Altarum analyses of BLS price data.

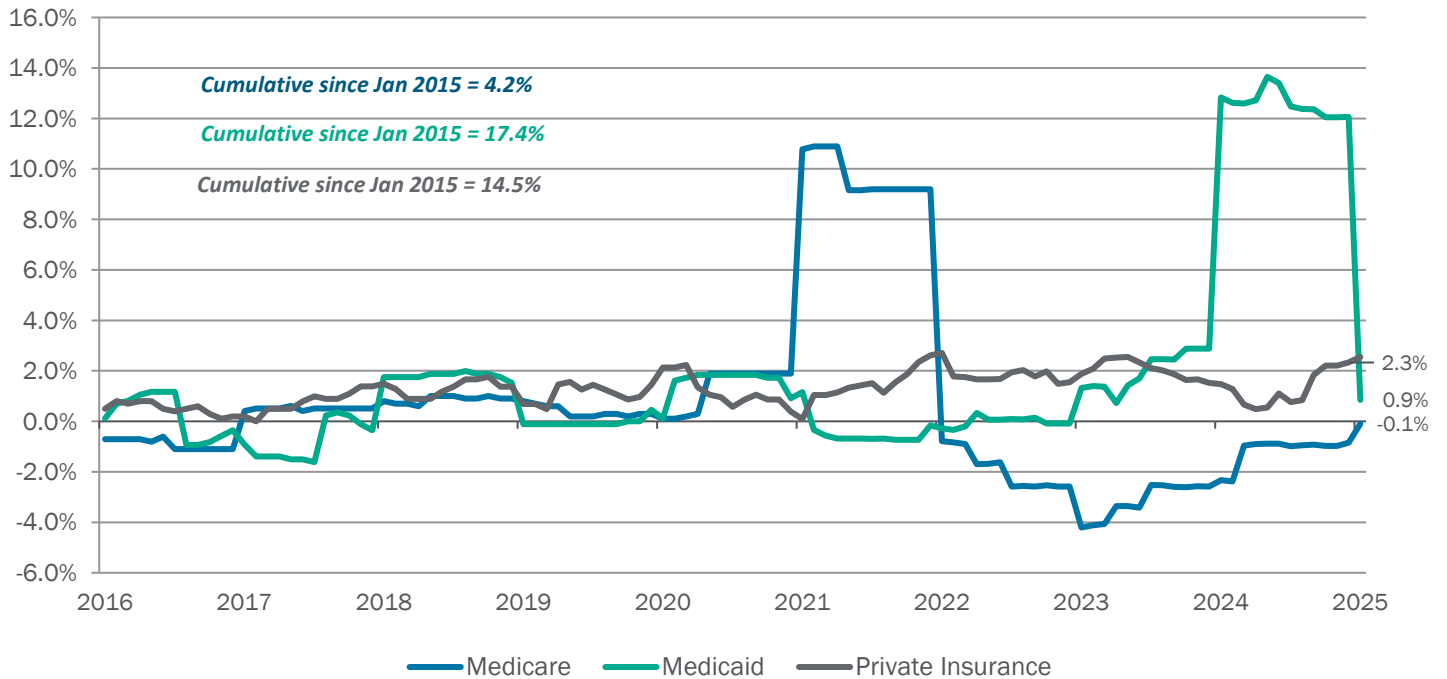
Note: Lightly shaded bars denote recession periods.

**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**

|  | December 2024 | 3-Month Moving Average | 12-Month Moving Average |
|--|---------------|------------------------|-------------------------|
| <b>Total personal health care</b>        | 4.1%          | 4.5%                   | 4.9%                    |
| <b>Hospital care</b>                     | 3.6%          | 3.6%                   | 3.9%                    |
| <b>Physician and clinical services</b>   | 5.6%          | 6.4%                   | 7.0%                    |
| <b>Prescription drugs</b>                | 3.6%          | 4.3%                   | 6.1%                    |
| <b>Nursing home care</b>                 | 4.3%          | 5.8%                   | 5.7%                    |
| <b>Dental Services</b>                   | 5.8%          | 5.3%                   | 3.0%                    |
| <b>Home health care</b>                  | 7.3%          | 7.4%                   | 10.8%                   |
| <b>Other professional services</b>       | 7.4%          | 8.7%                   | 9.0%                    |
| <b>Other personal health care</b>        | -2.4%         | -2.5%                  | -1.1%                   |
| <b>Other nondurable medical products</b> | 4.3%          | 4.4%                   | -0.4%                   |
| <b>Durable medical equipment</b>         | 4.1%          | 4.4%                   | 3.9%                    |

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 ( $S*P$ ); however, as long as the two growth rates are small, this term is insignificant.

Source: Altarum analyses of BLS price data.