

January 31, 2024

Health care price growth remained steady in December

HIGHLIGHTS

- ▲ The overall Health Care Price Index (HCPI) increased by 2.9% year over year in December, falling slightly from the revised growth rate of 3.0% a month prior.
- ▲ Economywide inflation stabilized in December, with year-over-year growth in the Consumer Price Index (CPI) moving to 3.4% and growth in the Producer Price Index (PPI) increasing slightly to 1.0%.
- ▲ Among the major health care categories, prices for dental care (5.0%), home health care (4.2%), and nursing home care (4.0%) grew the fastest, while physician and clinical services (0.3%) price growth was the slowest.
- ▲ Our implicit measure of health care utilization growth fell slightly to 4.4% year over year in November, mostly due to a slight decline in overall spending growth during the second half of 2023.
- ▲ The fastest utilization growth among health care categories occurred in home health care (8.6%), prescription drugs (8.5%) and physician services (7.8%), while dental services (1.4%) and hospital care (2.9%) utilization growth were the slowest.

	Dec 2021	Dec 2022	Nov 2023	Dec 2023
Health Care Price Index (HCPI)	2.6%	2.8%	3.0%	2.9%
GDP Deflator (GDPD)	6.3%	5.8%	2.5%	**
HCPI - GDPD	-3.7%	-3.0%	0.5%	**
Addendum				
Personal health care spending	10.0%	2.5%	7.3%	**
Health care utilization	7.4%	-0.4%	4.4%	**
Medical Consumer Price Index (MCPI)	2.2%	4.0%	0.2%	0.5%
Consumer Price Index, all items (CPI)	7.0%	6.5%	3.1%	3.4%
Producer Price Index, Final Demand (PPI)	10.0%	6.4%	0.8%	1.0%

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 Corwin (Corey) Rhyan at Corwin.Rhyan@altarum.org. Corey Rhyan (principal author), George Miller, PhD, Stephen McCall, and Matt Daly, PhD, contributed to this brief. We thank Ani Turner for her years of leadership of 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 2.9% year over year in December, falling 0.1 percentage points from the rate seen a month prior in November (3.0%). With full-year data now for 2023, year-over-year health care price growth has averaged 2.9%, slightly above the average rate from 2022 of 2.6% (Exhibit 1). While the increase was minor, 2023 has had the the fastest overall annual year over year price growth for the health care sector since 2007.

Additionally with new data for the GDP deflator measure of economywide inflation, for the first time since February 2021, year-over-year health care price growth in November exceeded economywide price growth by greater than 0.1 percentage points. The GDP deflator measure of inflation fell to 2.5% in November, while the overall HCPI increased to 3.0% that month. This break in the trend of comparatively slower HCPI growth ends the nearly 3-year period when economywide inflation has often significantly outpaced health care price increases. Economywide services price growth continues to exceed commodities inflation in 2023, where services prices increased 5.6% year-over-year in December, but economywide commodities prices increased by only 0.7% (Exhibit 4).

Among major health care categories in December, the fastest price growth occurred for dental care (5.0%), home health care (4.2%), and nursing home care (4.0%) (Exhibit 2). Price growth for some of these components have been slowing in the second half of 2023, including dental care price growth, which fell from 6.6% seven months ago to 4.2% in December, and nursing home care price growth, which declined from 6.4% to 4.0% last month. Prescription drug price growth in December fell to 3.3% year over year, which was slower than the 3.8% growth rate a month prior. Physician and clinical services prices remained the slowest growing major category—increasing only 0.3% year over year—marking the 23rd straight month of below 1.0% price growth for this component.

Among the major payers for health care services, price growth in December was fastest for Medicaid, 3.8% year over year, followed closely by private insurance patients’ price growth (3.4%) and Medicare patients’ price growth (1.1%) (Exhibit 7). Since January 2022, overall Medicare price growth has been at least below 2.0% and has been often below 1.0% growth.

Our implicit measure of overall health care utilization growth (total spending growth net of health care price inflation) declined slightly in November, now up 4.4% year-over-year (Exhibit 9), compared to 4.8% in October and 5.2% in September. We continue to find that utilization growth is playing a bigger role in overall spending growth this year, as utilization increases have outpaced price increases so far in 2023. We investigate how these two components contribute in more detail in this month’s [spending brief](#).

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

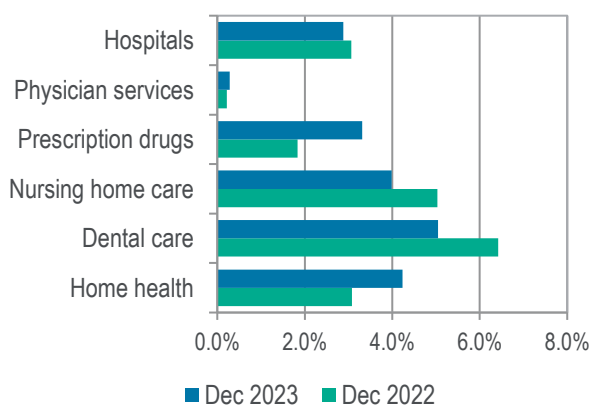
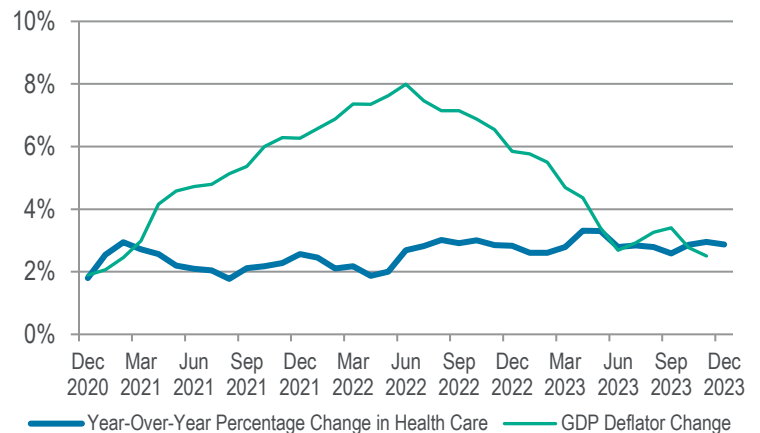


Exhibit 1. Year-over-Year Growth in HCPI & GDPD



Source: Altarum analysis of monthly BLS price data and monthly GDPD data published by Macroeconomic Advisers.

The fastest growing utilization component in November was home health care, which increased by 8.6% year over year. Prescription drugs were the next fastest growing category and increased 8.5% year over year. This was followed by increases in the use of physician and clinical services (7.8%). Increases in prescription drug use could be [the combined result of](#) a greater number of new drug approvals in 2023, increased use of new obesity and diabetes medications, and impacts of reduced co-pays mandated in the Inflation Reduction Act. If underlying trends continue, we would expect prescription drug utilization growth to remain high in 2024.

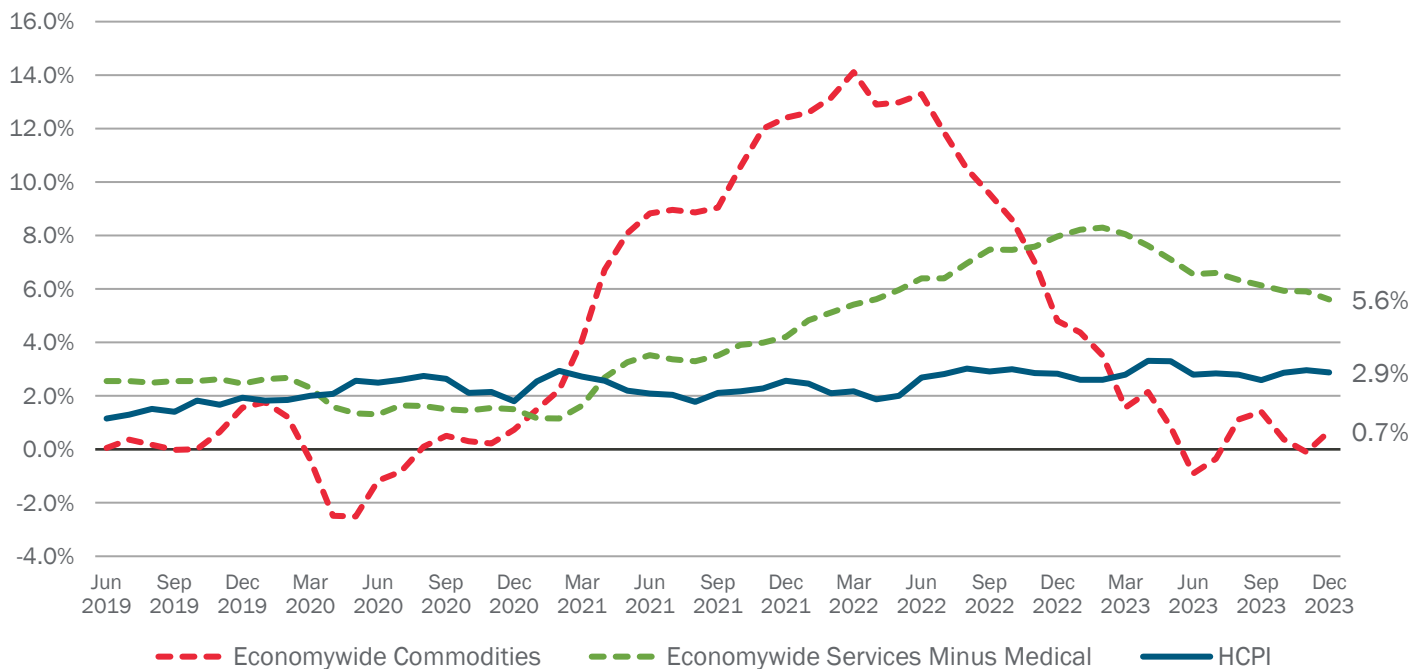
PRICE GROWTH BY DETAILED CATEGORIES

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

	Ending December 2021	Ending December 2022	Ending December 2023
Health Care Price Index (HCPI)	2.6%	2.8%	2.9%
Hospital care	2.4%	3.1%	2.9%
Physician and clinical services	4.0%	0.2%	0.3%
Prescription drugs	0.0%	1.8%	3.3%
Nursing home care	1.3%	5.0%	4.0%
Dental Services	2.2%	6.4%	5.0%
Home health care	2.2%	3.1%	4.2%
Other professional services	2.9%	2.1%	1.4%
Other personal health care	4.4%	4.7%	6.2%
Other nondurable medical products	0.8%	5.4%	8.3%
Durable medical equipment	3.7%	5.2%	3.2%

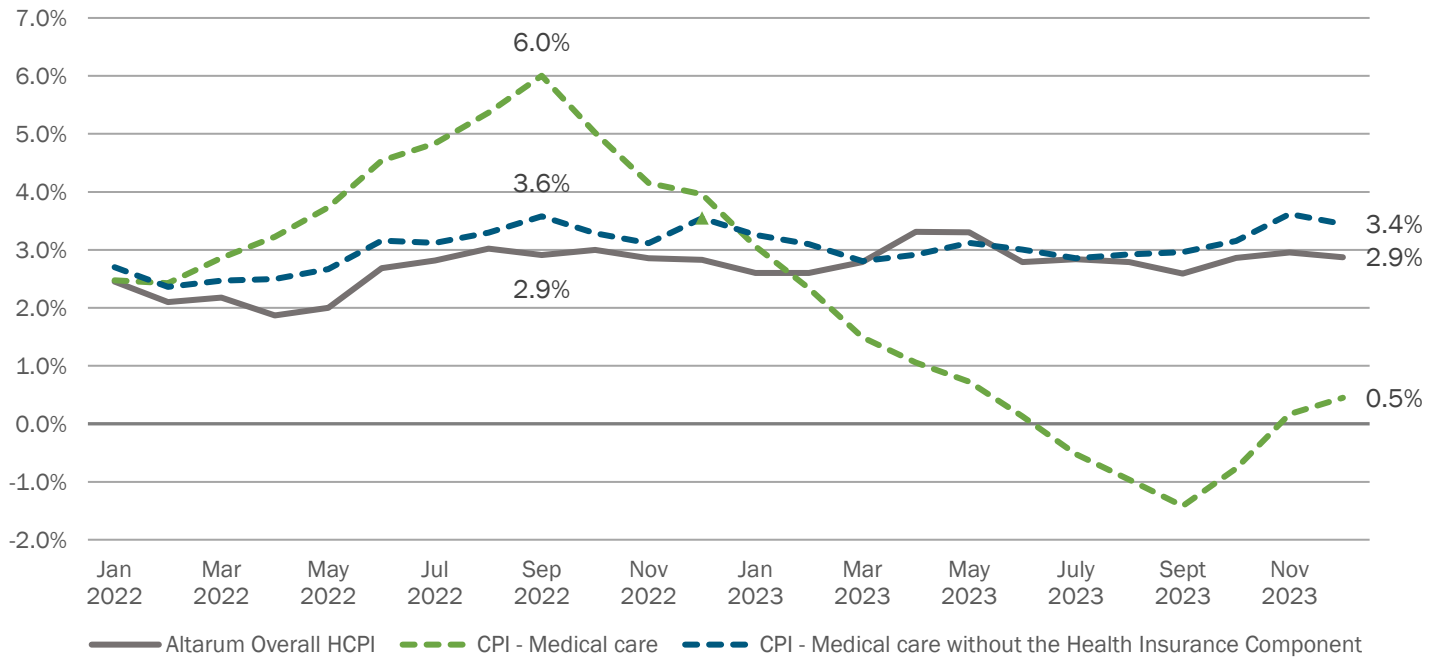
Source: Altarum analysis of monthly BLS data.

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



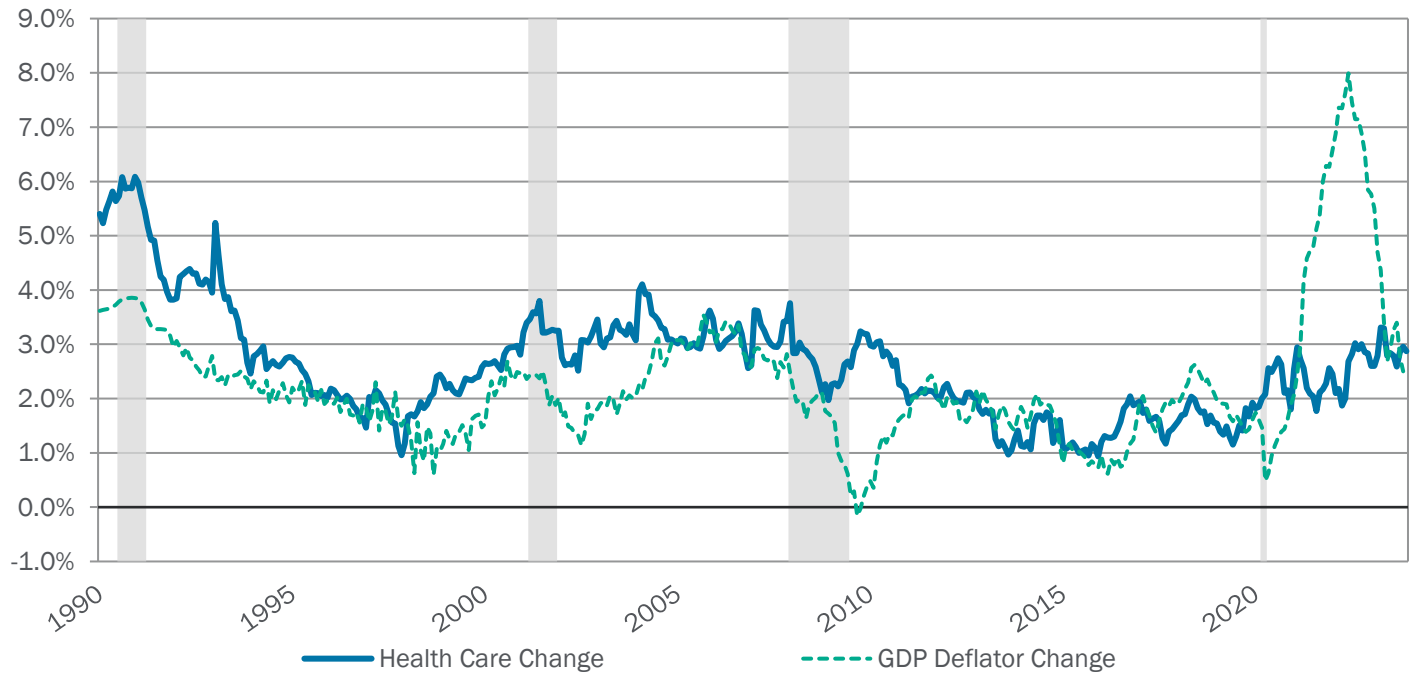
Methods. Altarum’s estimates for the monthly HCPI, a price index for personal health care spending within the National Health Expenditure Accounts, are essentially monthly versions of the annual index developed by the CMS National Health Statistics Group (NHSG). The advantages of this measure over the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

Exhibit 5. Year-over-Year Percentage Change in Medical Care CPI vs. Altarum Overall HCPI



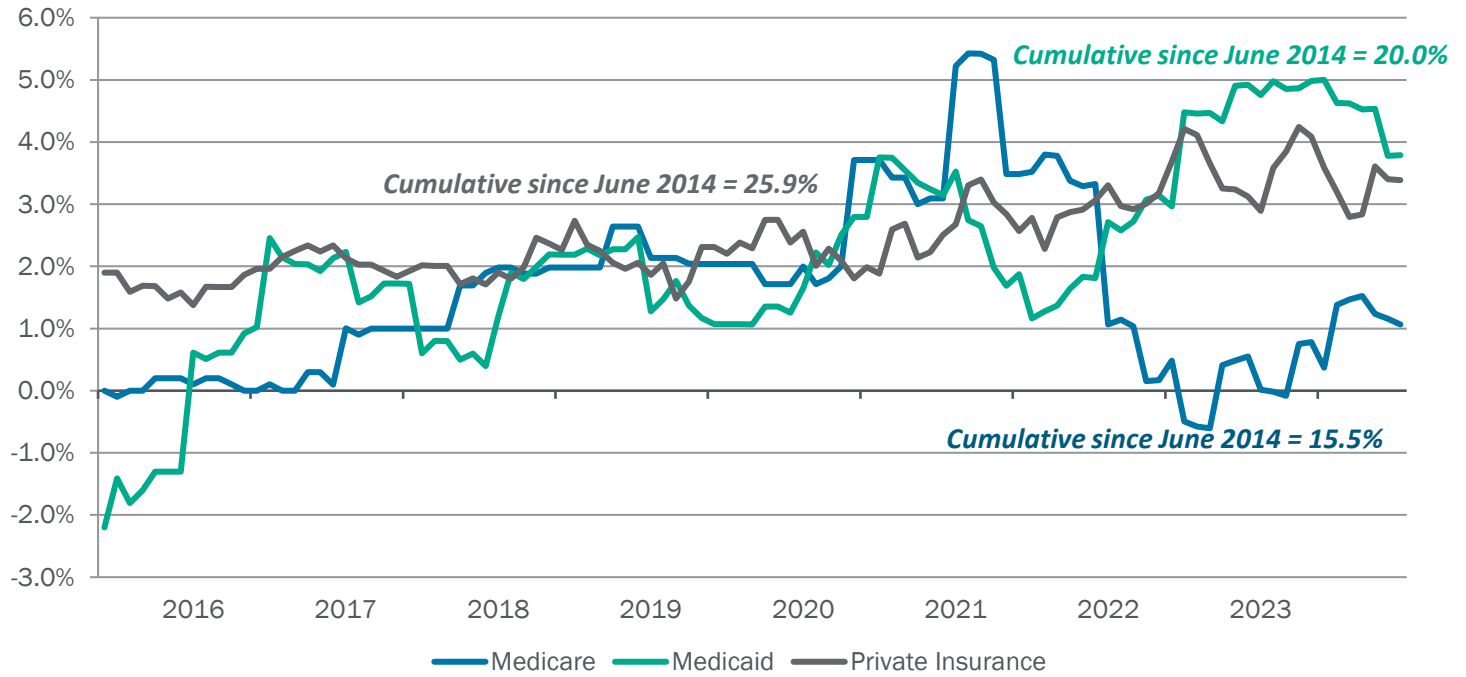
TIME SERIES TRACKER

Exhibit 6. Year-over-Year Percentage Change in Health Prices Compared with the GDP Deflator



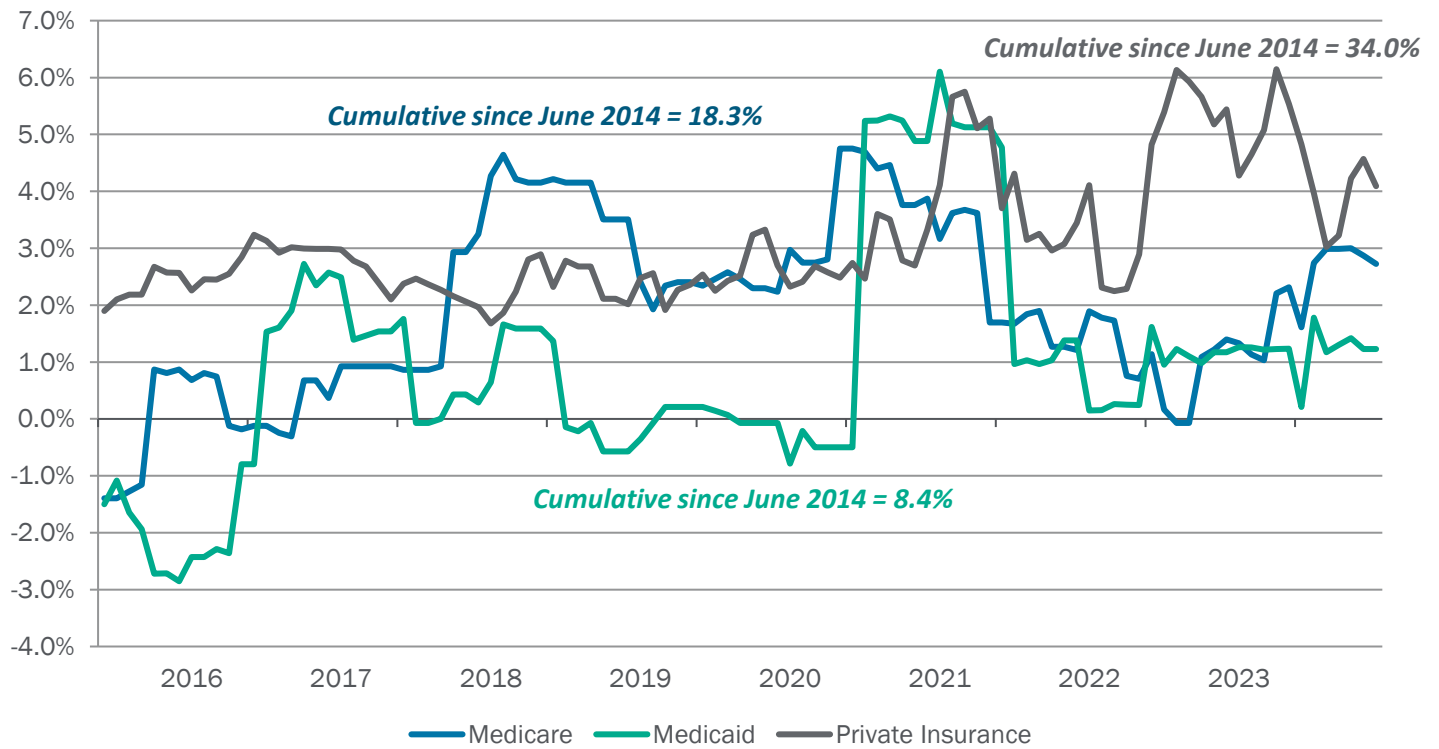
Source: Altarum monthly national health spending and price index estimates.
Note: Lightly shaded bars denote recession periods.

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



Source: Altarum analysis of monthly BLS data.

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



Source: Altarum analysis of monthly BLS data.

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

	November 2023	3-Month Moving Average	12-Month Moving Average
Total personal health care	4.4%	4.8%	4.5%
Hospital care	2.9%	3.7%	4.1%
Physician and clinical services	7.8%	7.8%	6.6%
Prescription drugs	8.5%	9.2%	7.7%
Nursing home care	3.8%	3.2%	4.1%
Dental Services	1.4%	2.0%	0.7%
Home health care	8.6%	8.7%	5.8%
Other professional services	5.5%	7.0%	6.6%
Other personal health care	-2.8%	-2.8%	-1.3%
Other nondurable medical products	-0.8%	-1.6%	0.8%
Durable medical equipment	0.5%	0.5%	1.1%

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.