

January 31, 2025

Economy-wide inflation extends recent lead over health care price increases

HIGHLIGHTS

- ▲ In December, the overall Health Care Price Index (HCPI) held steady at the 2.7% revised November year-over-year value.
- ▲ Economy-wide inflation rose, with year-over-year growth in the overall Consumer Price Index (CPI) increasing by 0.2% to 2.9% and growth in the Producer Price Index (PPI) increasing 0.3% to 3.3%. This extends the recent overtaking of general inflation over the HCPI seen last month.
- ▲ Among the major health care categories, prices for hospitals (3.3%) and dental care (3.0%) were the fastest-growing, while prescription drugs was the slowest (1.1%).
- ▲ For major payers, year-over-year Medicaid price growth (5.3%) 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 4.7% year over year in November, down from the revised October value of 5.1%.
- ▲ Home health care utilization increased 8.5% year over year. While this was the fastest-growing category this month (as it has been since August of 2023) it has been steadily declining in recent months since peaking at nearly 17% in May. This category was followed by physician and clinical services (6.4%), nursing care (6.0%), dental services (5.3%), and prescription drugs (4.8%), while hospital care and trailed the other categories at 3.9%.

	Dec 2022	Dec 2023	Nov 2024	Dec 2024
Health Care Price Index (HCPI)	2.8%	3.1%	2.7%	2.7%
GDP Deflator (GDPD)	6.0%	2.6%	**	**
HCPI - GDPD	-3.2%	0.5%	**	**
Addendum				
Personal health care spending	3.4%	9.4%	7.4%	**
Health care utilization	0.6%	6.3%	4.7%	**
Medical Consumer Price Index (MCPI)	4.0%	0.5%	3.1%	2.8%
Consumer Price Index, all items (CPI)	6.5%	3.4%	2.7%	2.9%
Producer Price Index, Final Demand (PPI)	6.4%	1.1%	3.0%	3.3%

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 Rhyon 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) held at the 2.7% year-over-year revised November value in December (Exhibit 1). The October value was 0.5% greater than economy-wide inflation as measured by the GDP deflator (November GDP data are not yet available) (Exhibit 1). Health care price growth in 2024 averaged 3.0% year over year, just as it did in 2023.

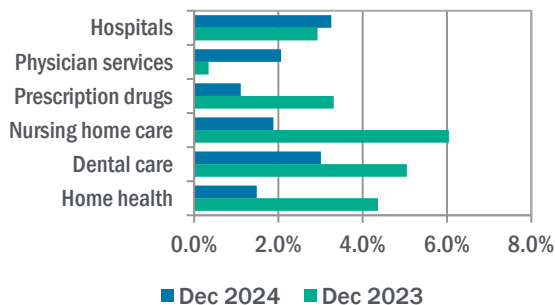
Regarding other measures of economy-wide inflation, CPI price growth rose 0.2% to 2.9% year over year in December, while PPI inflation rose 0.3% to 3.3%. Economy-wide price increases continue to be driven by services inflation (up 4.5% year over year) while commodities inflation rose to 0.3%, ending a recent negative trend (Exhibit 4).

Health care services continued to be the major driver of health care price growth in December, with hospital care up 3.3% and dental services up 3.0%.

Prescription drug prices was the slowest-growing component at 1.1%, 1.6 percentage points below the aggregate HCPI (Exhibits 2 and 3). 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.

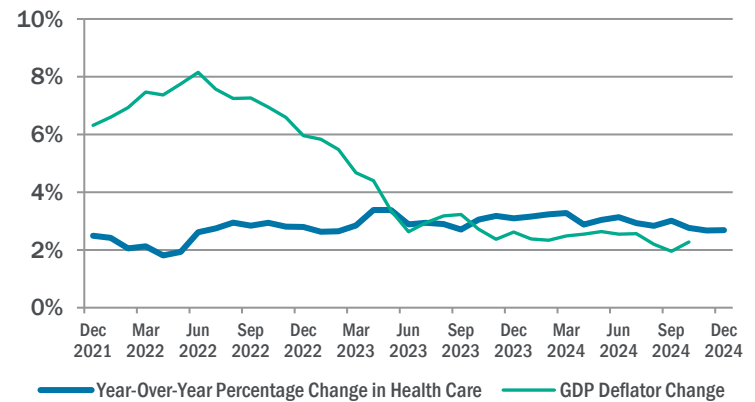
Among major payers for health care services, prices rose fastest for Medicaid patients last month, increasing 5.3% year over year, higher than price growth for private insurance patients (3.4%) and Medicare (1.3%), as shown in Exhibit 6. Along with last month's value, this is Medicare's lowest growth 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 12.0%, as shown in Exhibit 7). Hospital price growth rates for other payers in December were slower than Medicaid—private insurance hospital prices were up 4.2% year over year (up slightly from last month) while Medicare was up 1.9%.

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 0.4% in November to 4.7%, below the twelve-month moving average of 5.1% (Exhibit 9). The fastest-growing utilization component was again home health care, up 8.5% year over year, followed by physician services at 6.4%, nursing at 6.0%, and dental services at 5.3%. Hospital care ran behind at 3.9%.

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](#).

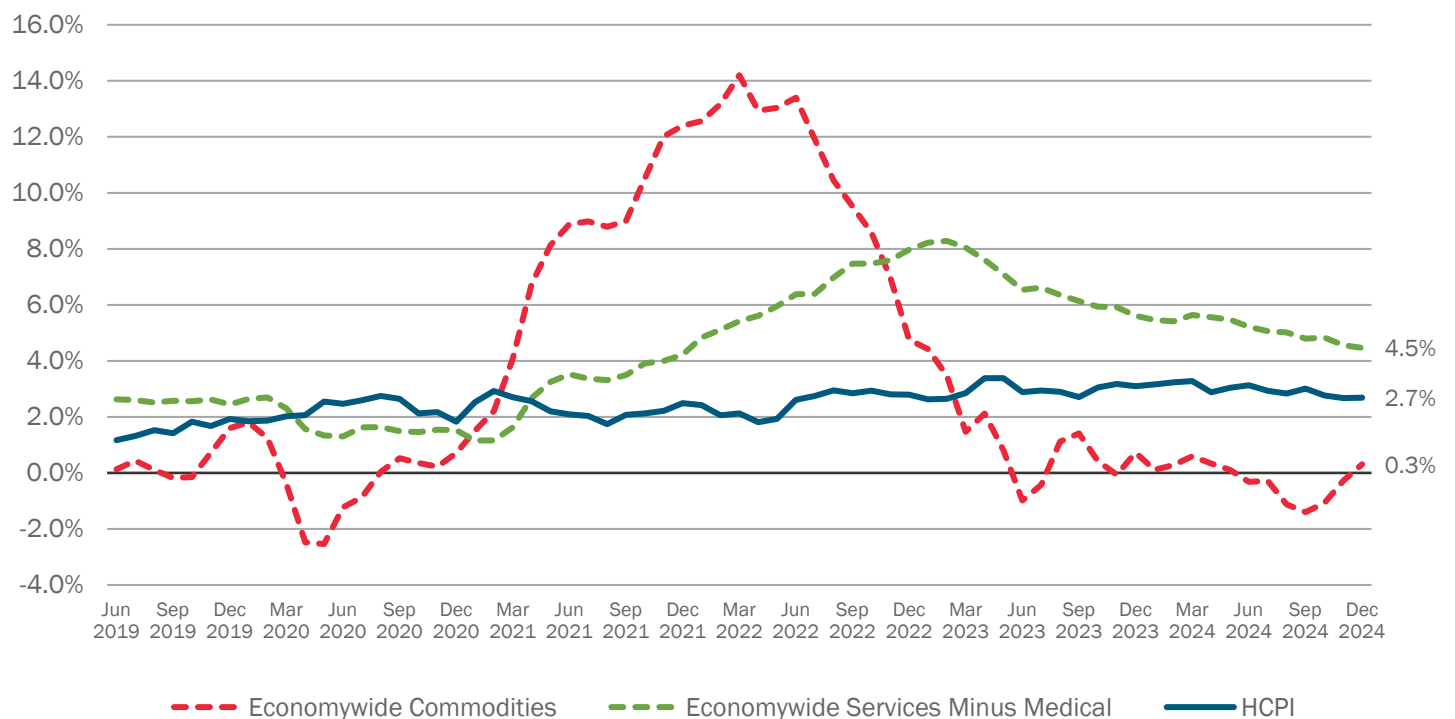
PRICE GROWTH BY DETAILED CATEGORIES

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

	Ending December 2022	Ending December 2023	Ending December 2024
Health Care Price index	2.8%	3.1%	2.7%
Hospital Care	3.1%	2.9%	3.3%
Physician and clinical services	0.2%	0.3%	2.1%
Prescription drugs	1.8%	3.3%	1.1%
Nursing home care	5.0%	6.0%	1.9%
Dental services	6.4%	5.0%	3.0%
Home health care	3.1%	4.4%	1.5%
Other professional services	2.1%	1.4%	1.8%
Other personal health care	4.7%	6.2%	6.8%
Other non-durable medical products	5.4%	8.3%	-0.3%
Durable medical equipment	5.2%	3.2%	1.7%

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

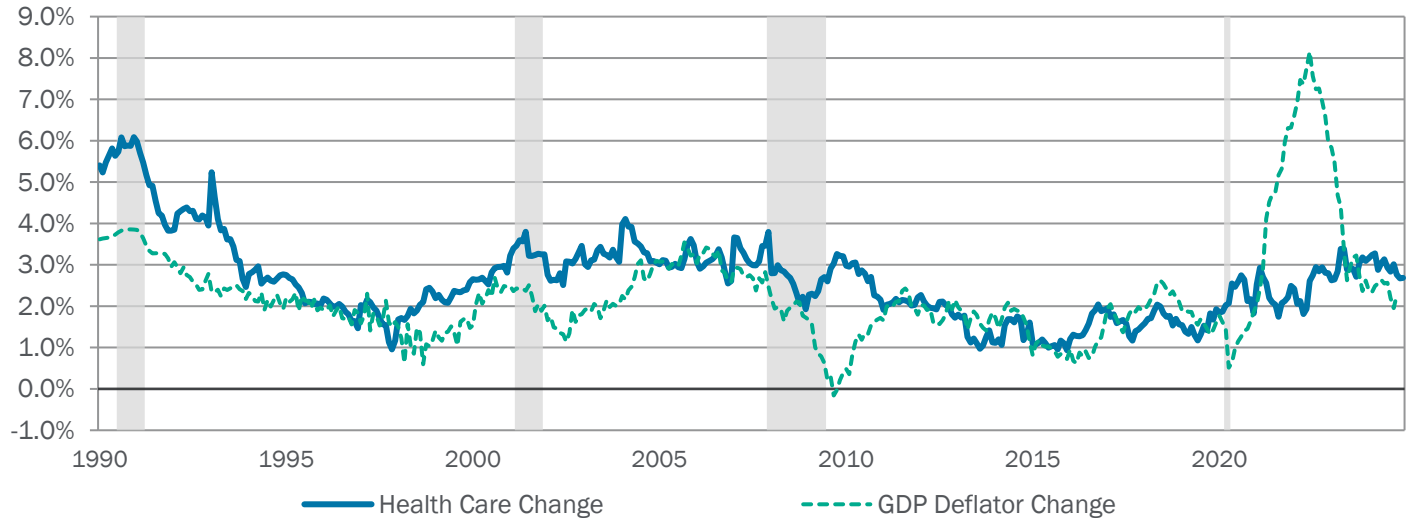


Methods. Altarum’s estimates for the monthly HCPI, a price index for personal health care spending within the National Health Expenditure Accounts, are essentially monthly versions of the annual index developed by the CMS National Health Statistics Group (NHSG). The advantages of this measure over the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

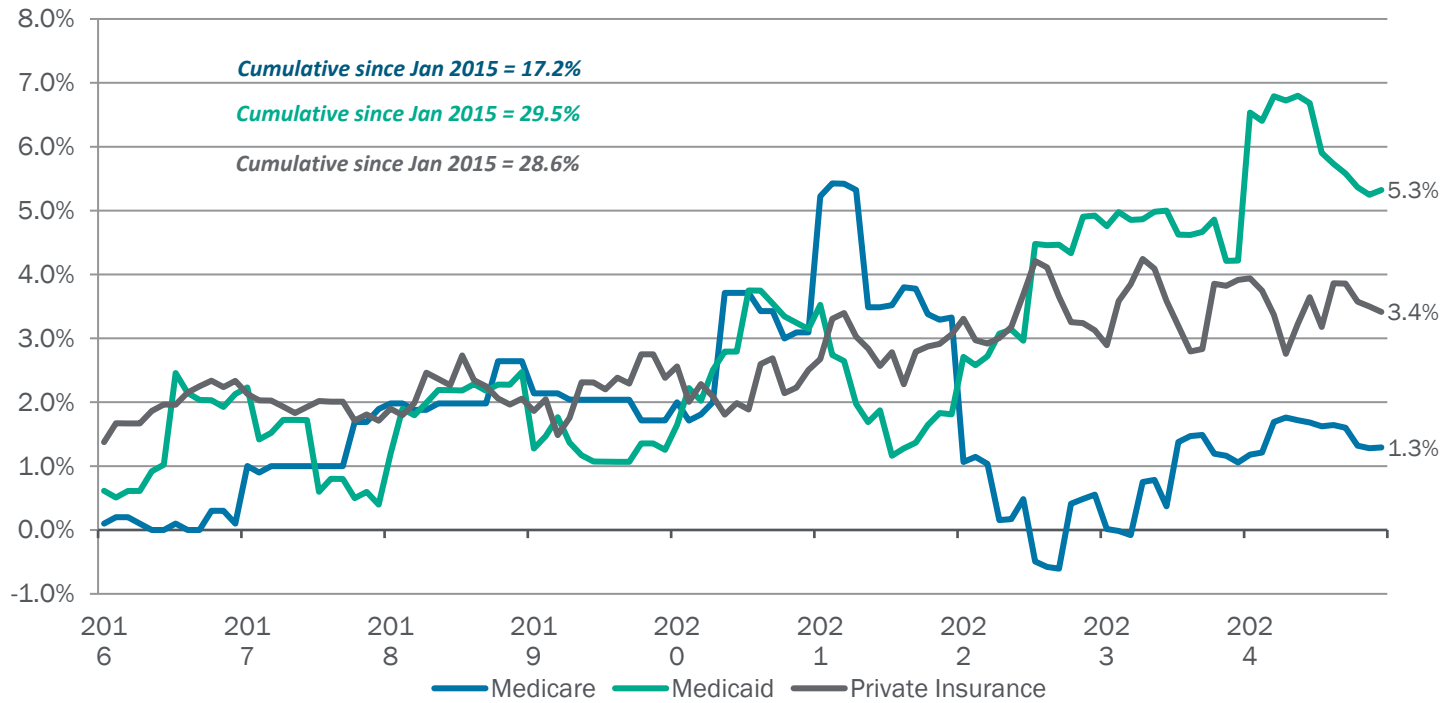
Exhibit 5. Year-over-Year Percentage Change in Health Prices Compared with the GDP Deflator



Source: Altarum analyses of BLS price data.

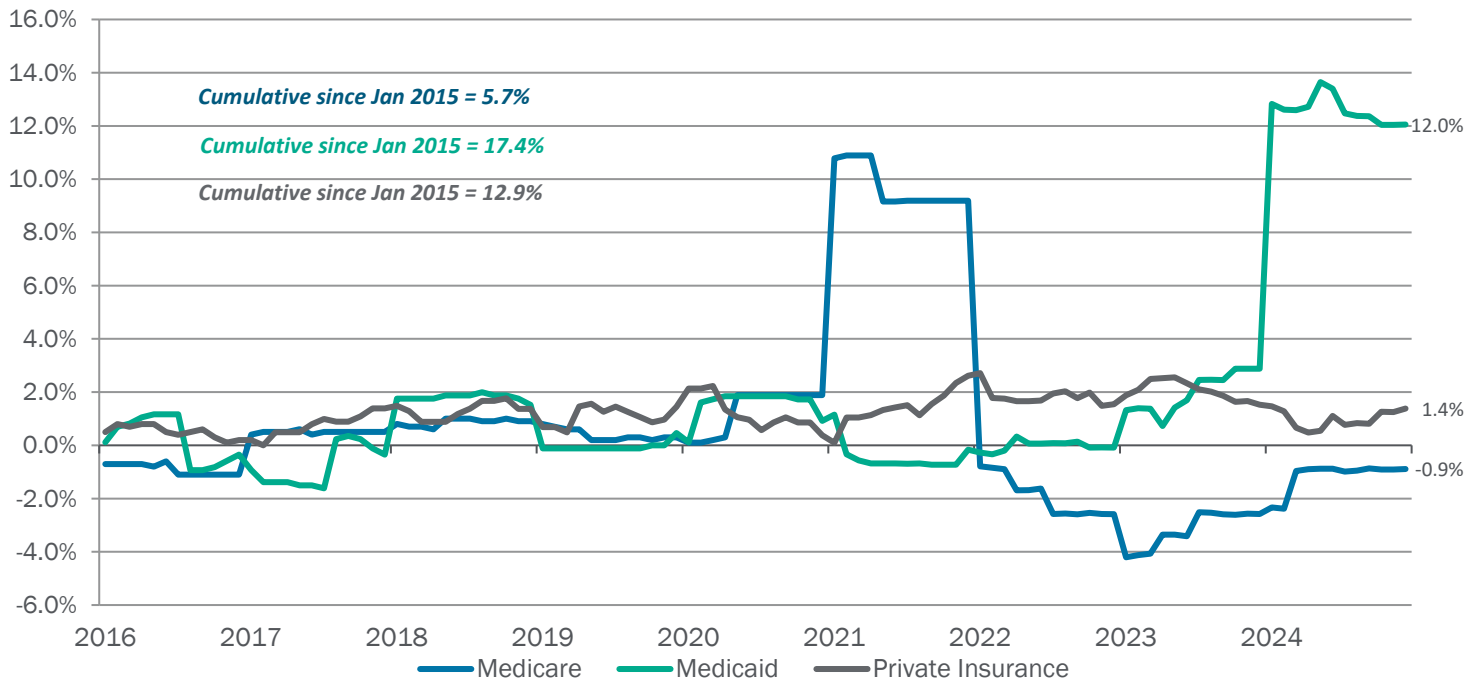
Note: Lightly shaded bars denote recession periods.

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



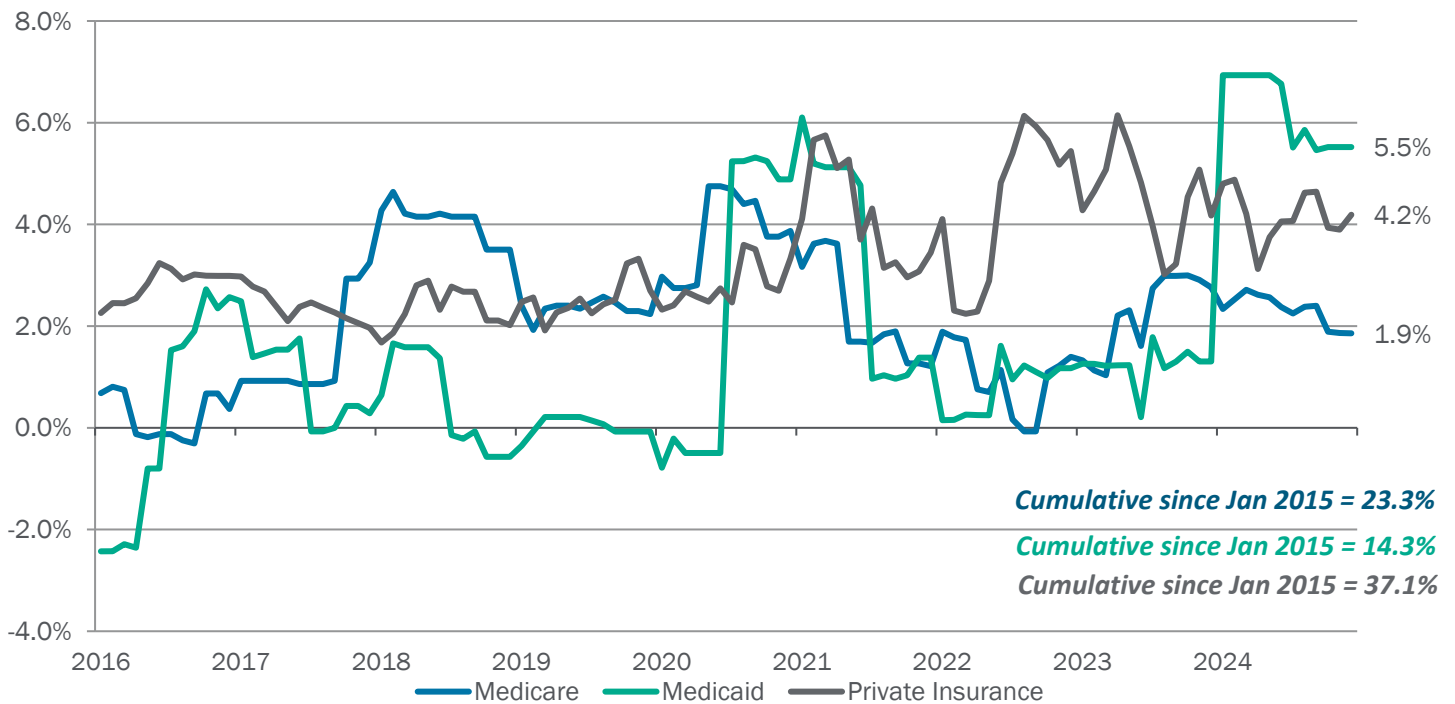
Source: Altarum analyses of BLS price data.

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

	November 2024	3-Month Moving Average	12-Month Moving Average
Total personal health care	4.7%	5.2%	5.1%
Hospital care	3.9%	3.9%	4.1%
Physician and clinical services	6.4%	7.5%	7.3%
Prescription drugs	4.8%	5.8%	6.7%
Nursing home care	6.0%	6.7%	5.7%
Dental Services	5.3%	4.8%	2.6%
Home health care	8.5%	8.5%	11.2%
Other professional services	7.8%	9.2%	9.2%
Other personal health care	-0.7%	-0.5%	-0.3%
Other nondurable medical products	4.7%	4.2%	-0.8%
Durable medical equipment	3.2%	3.8%	3.8%

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.