

June 26, 2024

Health care price growth breaks out to a 15-year record high

## HIGHLIGHTS

- ▲ The overall Health Care Price Index (HCPI) increased by 3.4% year over year in May, increasing from the 2.9% growth rate a month prior.
- ▲ Economywide inflation held mostly steady, with year-over-year growth in the overall Consumer Price Index (CPI) falling slightly to 3.3% and growth in the Producer Price Index (PPI) slowing to 2.2%.
- ▲ Among the major health care categories, prices for dental care (5.1%), nursing home care (4.8%), and hospital care (4.2%) were the fastest growing, while physician and clinical price growth was the slowest (1.4%).
- ▲ Increases in prescription drug, hospital care, and dental care year-over-year prices were major contributors to the record overall health care price index increase, with each at least 1 percentage point higher in May than they were a month prior.
- ▲ Among major payers, year-over-year Medicaid price growth (6.1%) exceeded services price growth for private insurance (3.5%) and Medicare (1.7%) patients.
- ▲ The implicit measure of health care utilization growth was 4.8% year over year in April, up 0.3 percentage points from the slightly revised value in March (4.5%).

|   | May<br>2022 | May<br>2023 | April<br>2024 | May<br>2024 |
|---|-------------|-------------|---------------|-------------|
| <b>Health Care Price Index (HCPI)</b>           | 2.0%        | 3.3%        | 2.9%          | 3.4%        |
| <b>GDP Deflator (GDPD)</b>                      | 7.6%        | 3.4%        | 2.5%          | **          |
| <b>HCPI - GDPD</b>                              | -5.6%       | -0.1%       | 0.3%          | **          |
| <b>Addendum</b>                                 |             |             |               |             |
| <b>Personal health care spending</b>            | 3.6%        | 9.1%        | 7.6%          | **          |
| <b>Health care utilization</b>                  | 1.6%        | 5.8%        | 4.8%          | **          |
| <b>Medical Consumer Price Index (MCPI)</b>      | 3.7%        | 0.7%        | 2.6%          | 3.1%        |
| <b>Consumer Price Index, all items (CPI)</b>    | 8.6%        | 4.0%        | 3.4%          | 3.3%        |
| <b>Producer Price Index, Final Demand (PPI)</b> | 11.1%       | 1.1%        | 2.3%          | 2.2%        |

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

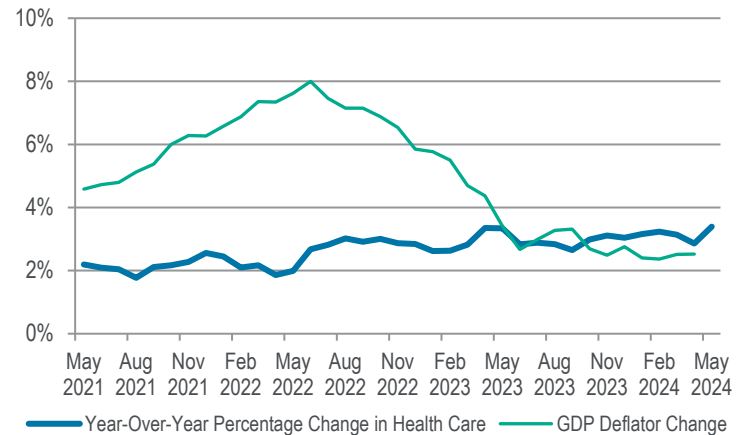
Altarum is a nonprofit research and consulting organization that creates and implements solutions to advance health among at-risk and disenfranchised populations. Since 2011, Altarum has researched cost growth trends and key drivers of U.S. health spending and formulated policy strategies to help bend 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 Corwin (Corey) Rhyan at [Corwin.Rhyan@altarum.org](mailto: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](mailto:press@altarum.org). For more information, visit <http://altarum.org/solution/health-sector-spending>.

## DISCUSSION

The overall health care price index (HCPI) increased by 3.4% year over year in May, growing 0.5 percentage points from the slightly-revised 2.9% growth in April (Exhibit 1). This 3.4% increase in health care prices is the fastest seen in our data since December 2007 and health care prices this month are now growing faster than both overall CPI and PPI inflation. Economywide CPI price growth fell to 3.3% year over year, while PPI inflation declined to 2.2% in May. Economywide price increases continue to be driven by services inflation, while economywide commodities inflation in May was negligible (0.1% year over year) (Exhibit 4). Overall health care price growth for the first five months of 2024 has averaged 3.2% year over year, up from the 2.9% overall 2023 annual average.

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



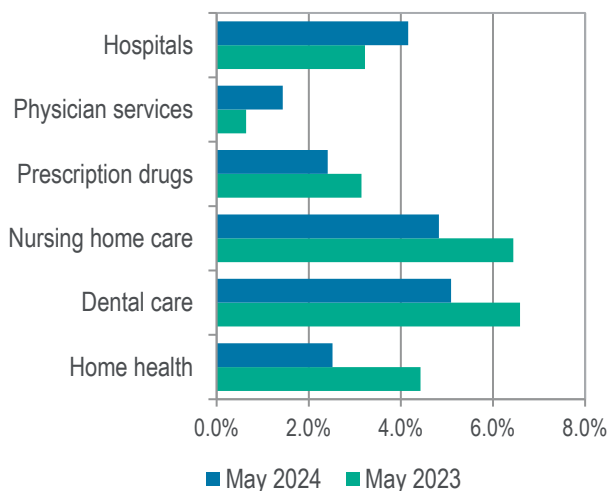
Source: Altarum analysis of monthly BLS price data.

The CMS [annual projections](#) of future health care spending were released this month and show that CMS actuaries expect health care price growth to average 3.1% in 2024 and 2.7% between 2025 and 2032. If the current health care price inflation trend continues, it is likely that overall health care price inflation could exceed the CMS projected value of 3.1% for this year.

While health care services continue to be the major driver of health care price growth (dental care services up 5.1%, nursing home care up 4.8%, and hospital care up 4.2%), there was a notable increase in prescription drug prices this month: year-over-year growth for this category increased from 0.4% in April to 2.4% in May (Exhibit 3). On a month-over-month basis, prescription drug prices increased 2.1% in May, representing a significant outlier in the data. While prescription drug prices typically increase significantly month-over-month in January each year (e.g. 2.1% in January 2023 and 1.3% in January 2022), such a large monthly increase mid-year is unusual. We will continue to track this metric in future months of our data series.

Among major payers for health care services, prices rose fastest for Medicaid patients last month, increasing 6.1% year over year, and much faster than price growth for private insurance patients (3.5%) and Medicare (1.7%) (Exhibit 6). Faster growth among Medicaid patients' prices was also seen in May specifically for hospital care (not shown) and physician and clinical care (Exhibit 7), while price growth for private insurance and Medicare patients was more subdued. For physician and clinical services prices, private insurance patients' prices increased by only 0.6% year over year, while Medicare physician prices continued to decline in May (down 1.0%) (Exhibit 7).

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



Our implicit measure of overall health care utilization growth (total spending growth net of health care price inflation) increased in April to 4.8%, now above the 3-month moving average of 4.6% (Exhibit 8). The fastest-growing utilization component in April was home health care (up 11.7%), followed by prescription drugs utilization (6.4%) and physician and clinical services (5.8%). 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.

The new CMS projections show that expected overall personal health care utilization growth for 2024 is 2.1% and will average 3.0% from 2026 to 2032. Given our data on current 2024 utilization increases through April, it appears overall use of health care is running above this trend so far this year. We will continue to monitor these data and this trend in our [price and spending brief in future months](#).

Source: Altarum analysis of monthly BLS price data.

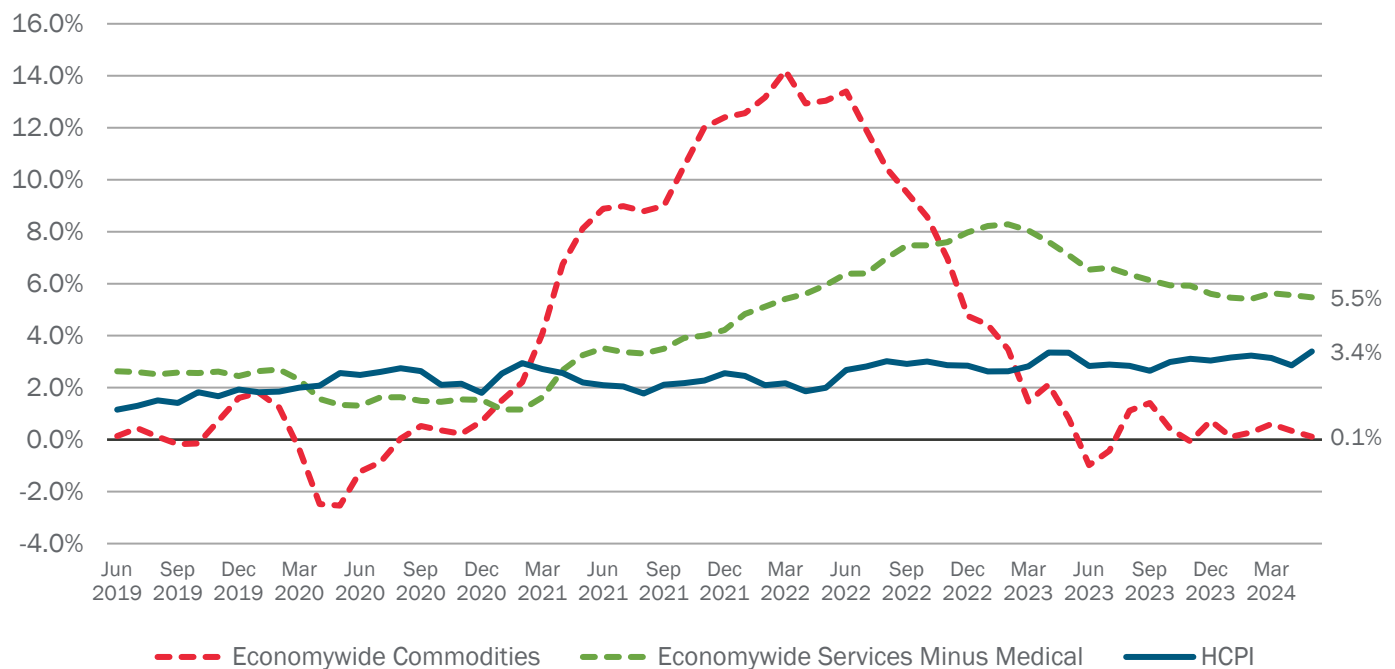
## PRICE GROWTH BY DETAILED CATEGORIES

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

|                                       | Ending May 2022 | Ending May 2023 | Ending May 2024 |
|---------------------------------------|-----------------|-----------------|-----------------|
| <b>Health Care Price Index (HCPI)</b> | 2.0%            | 3.3%            | 3.4%            |
| Hospital care                         | 2.1%            | 3.2%            | 4.2%            |
| Physician and clinical services       | 0.4%            | 0.6%            | 1.4%            |
| Prescription drugs                    | 1.9%            | 3.1%            | 2.4%            |
| Nursing home care                     | 2.1%            | 6.4%            | 4.8%            |
| Dental Services                       | 2.7%            | 6.6%            | 5.1%            |
| Home health care                      | 2.2%            | 4.4%            | 2.5%            |
| Other professional services           | 4.5%            | 0.8%            | -0.6%           |
| Other personal health care            | 4.1%            | 5.9%            | 5.9%            |
| Other nondurable medical products     | 3.2%            | 6.2%            | 5.9%            |
| Durable medical equipment             | 2.9%            | 5.7%            | 1.7%            |

Source: Altarum analysis of monthly BLS data.

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

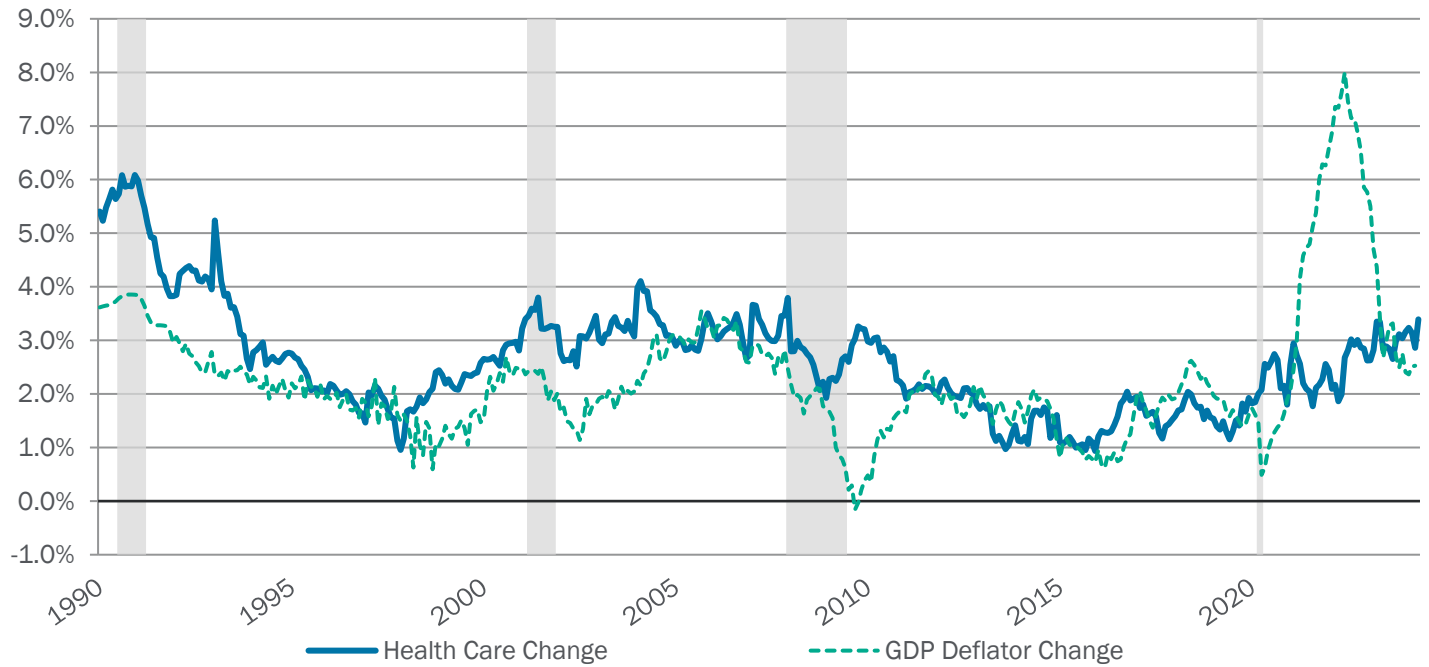


Source: Altarum analyses of BLS price data.

**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.

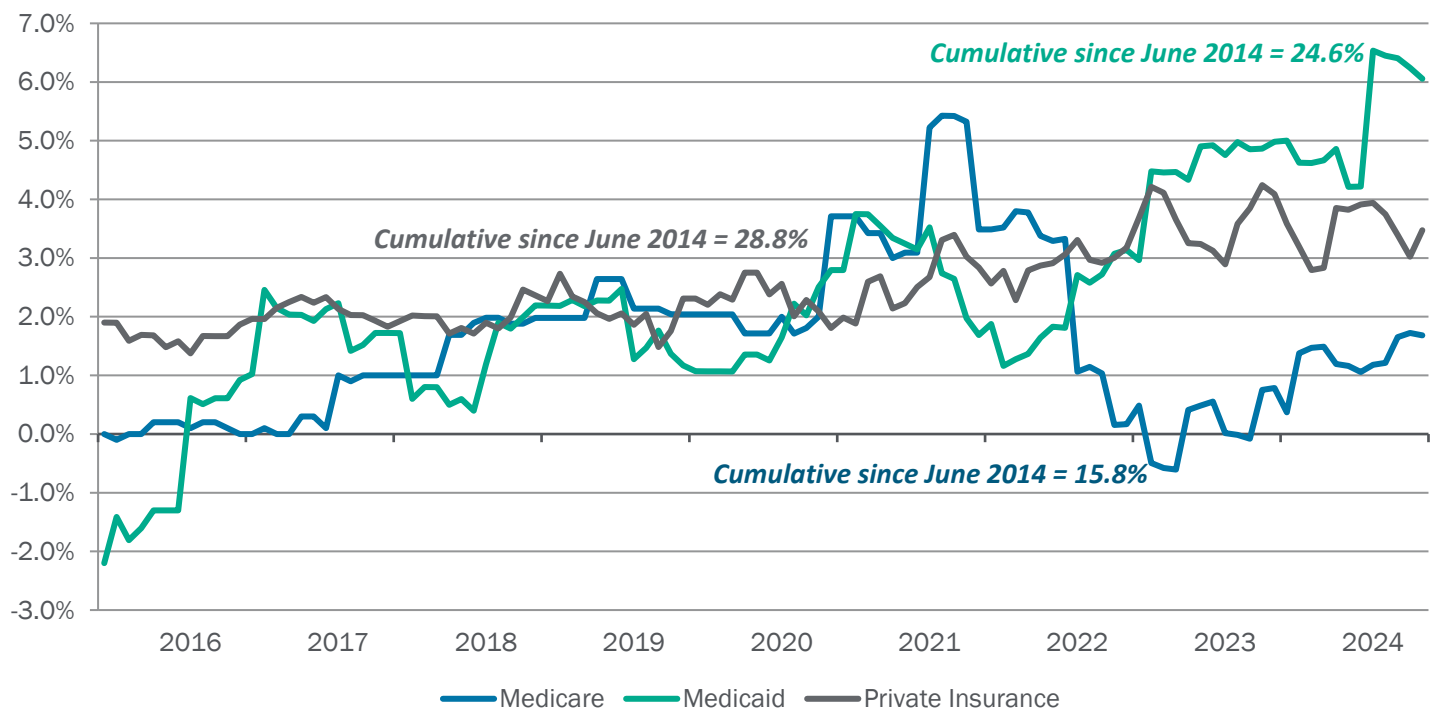
## TIME SERIES TRACKER

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



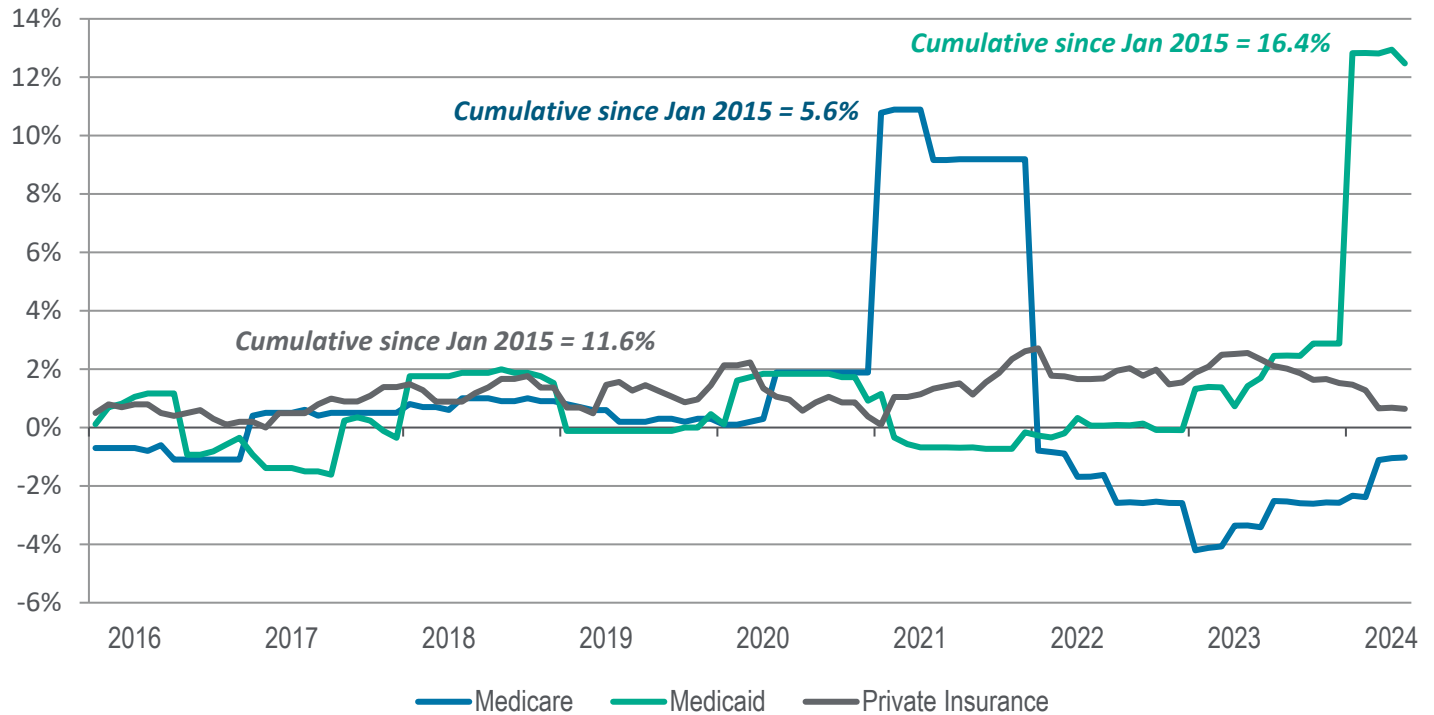
Source: Altarum analyses of BLS price data.  
Note: Lightly shaded bars denote recession periods.

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

|                                   | April 2024 | 3-Month Moving Average | 12-Month Moving Average |
|-----------------------------------|------------|------------------------|-------------------------|
| <b>Total personal health care</b> | 4.8%       | 4.6%                   | 5.1%                    |
| Hospital care                     | 4.7%       | 4.7%                   | 4.5%                    |
| Physician and clinical services   | 5.8%       | 5.8%                   | 7.6%                    |
| Prescription drugs                | 6.4%       | 7.0%                   | 7.9%                    |
| Nursing home care                 | 3.6%       | 3.7%                   | 4.2%                    |
| Dental Services                   | 2.9%       | 1.9%                   | 2.2%                    |
| Home health care                  | 11.7%      | 7.4%                   | 5.9%                    |
| Other professional services       | 10.9%      | 8.6%                   | 7.8%                    |
| Other personal health care        | -0.1%      | -0.3%                  | 1.2%                    |
| Other nondurable medical products | -4.7%      | -4.6%                  | -2.0%                   |
| Durable medical equipment         | 2.2%       | 3.0%                   | 1.2%                    |

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):  $U = S - P - Pop$ . 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.