

March 20, 2025

Year-over-year prescription drug prices increase highest since 2017; first year-over-year increase in physician services prices for Medicare patients in three years

HIGHLIGHTS

- ▲ In February 2025, the overall Health Care Price Index (HCPI) rose to 2.8% from the revised January year-over-year value of 2.7%.
- ▲ Economy-wide inflation fell, with year-over-year growth in the overall Consumer Price Index (CPI) decreasing by 0.2% to 2.8% and growth in the Producer Price Index (PPI) dropping 0.5% to 3.2%.
- ▲ Among the major health care categories, prescription drug prices were the fastest-growing at 4.6%. This continues a sharp increase in 2025 from an average of 1.4% throughout 2024 and is the highest year-over-year increase since March of 2017
- ▲ For major payers, year-over-year private insurance prices growth for services (3.6%) continued to exceed Medicaid (2.6%) after overtaking it last month. Medicare service prices increased 1.6%. Notably, revised data show that Medicare year-over-year prices changes for physician services were positive in January for the first time since January 2022.
- ▲ The implicit measure of health care utilization growth was 3.7% year over year in January, down from the revised December 2024 value of 4.1%.
- ▲ Utilization of physician and clinical services was up 5.4% year over year in January, while dental services rose 5.2%. Home health care utilization increased 3.7%, continuing a steady drop from a recent peak value of 17.8% in June 2024. Nursing care facilities utilization trailed the other major categories, up 2.9%.

	Feb 2023	Feb 2024	Jan 2025	Feb 2025
Health Care Price Index (HCPI)	2.6%	3.2%	2.7%	2.8%
GDP Deflator (GDPD)	5.5%	2.3%	**	**
HCPI - GDPD	-2.8%	0.9%	**	**
Addendum				
Personal health care spending	9.3%	8.0%	6.4%	**
Health care utilization	6.6%	4.8%	3.7%	**
Medical Consumer Price Index (MCPI)	2.3%	1.4%	2.6%	2.9%
Consumer Price Index, all items (CPI)	6.0%	3.2%	3.0%	2.8%
Producer Price Index, Final Demand (PPI)	4.7%	1.6%	3.7%	3.2%

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 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 Rhyhan 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>.

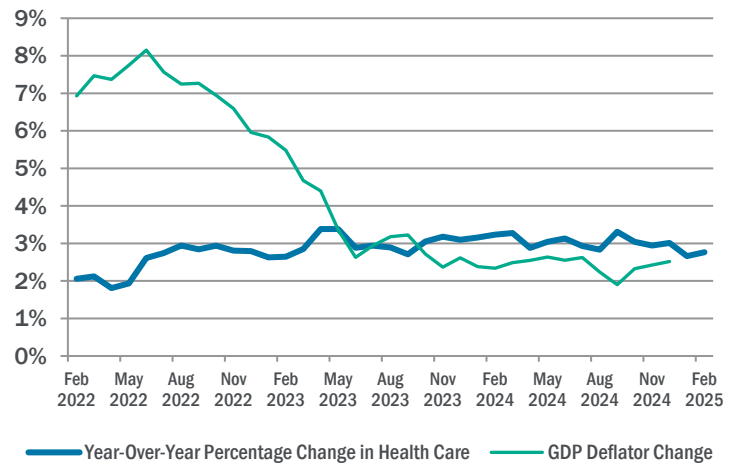
DISCUSSION

In February 2025, the overall health care price index (HCPI) rose 0.1% to 2.8% year-over-year from its revised January value (Exhibit 1). The December 2024 HCPI was 0.5% greater than economy-wide inflation as measured by the GDP deflator (January 2025 GDP data are not yet available).

Regarding other measures of economy-wide inflation, CPI prices growth fell 0.2% to 2.8% year over year in February, while PPI inflation fell 0.5% to 3.2%. Economy-wide price increases continue to be driven by services inflation (up 4.2% year over year but continuing a downward trend since hitting a recent peak of 8.0% in December of 2022) while commodities inflation dipped slightly to 0.6% (Exhibit 4).

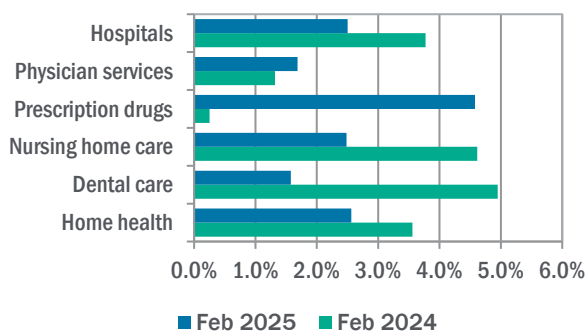
In a sharp reversal from recent trends, prescription drugs was the most significant driver of health care price increases, as it was last month, with a year-over-year value of 4.6% in February, well above the average 2024 value of 1.4%, 1.8 percentage points above the February composite HCPI, and the highest value seen for this category since March of 2017. All other categories increased between 1.7% (for physician services) and 2.6% (for home health) (Exhibits 2 and 3). Again contrary to recent trends, prices rose fastest for private insurance patients last month, increasing 3.6% year over year, having overtaken price growth for Medicaid patients last month (Exhibit 6). This month, Medicaid prices rose 2.6% while Medicare patients saw the slowest price growth at 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 and February 2025 have dropped precipitously from last year's values accordingly. For physician services, private insurance prices rose 2.5%, Medicaid prices rose 1.1%, and Medicare prices rose 0.1% after falling since January 2022 (see Exhibit 7). For hospitals, private insurance prices rose 3.8%, Medicare prices rose 2.0%, and Medicaid fell 0.1% (Exhibit 8).

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



Source: Altarum analysis of monthly BLS price data.

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) fell by 0.4% in January to 3.7%, one percentage point below the twelve-month moving average of 4.7% (Exhibit 9). The fastest-growing utilization component was physician services, up 5.4%, closely followed by dental care at 5.2%. Home health care, which was up nearly 18% seven months ago, rose only 3.7% year over year this month. Nursing care facilities had the smallest utilization increase at 2.9%

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](#).

Source: Altarum analysis of monthly BLS price data.

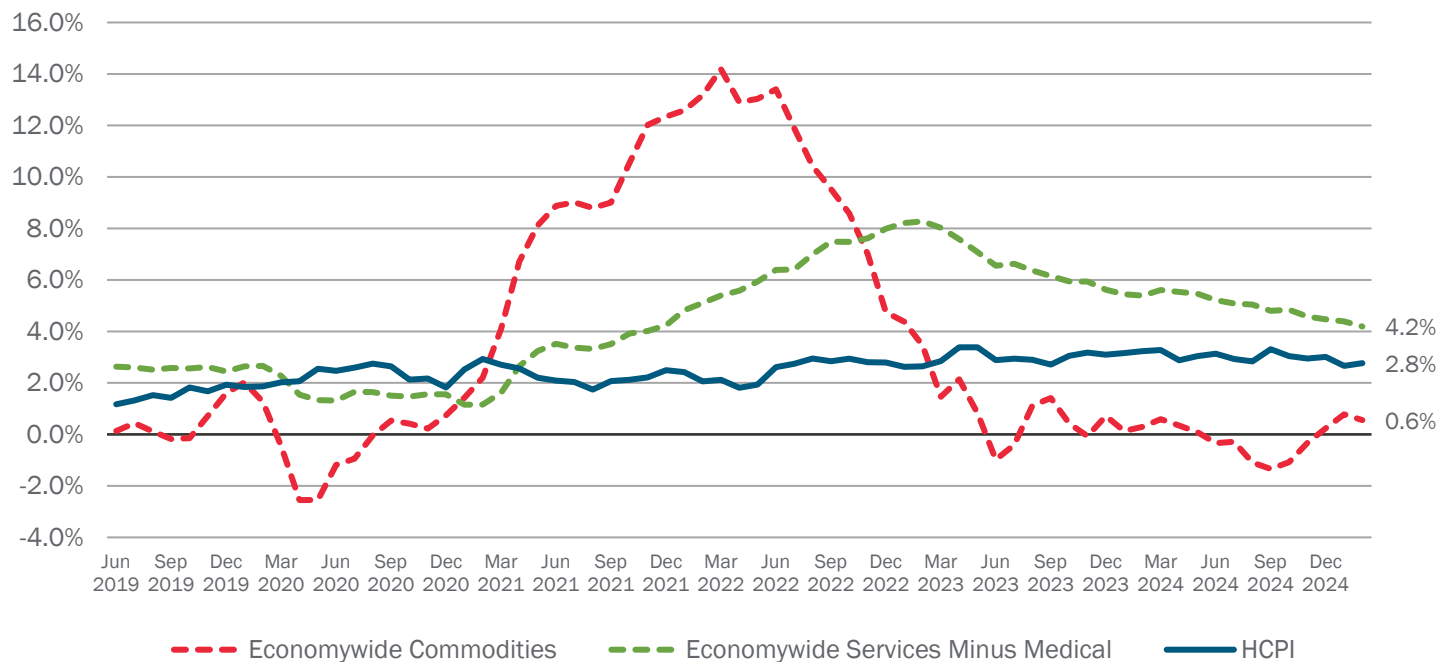
PRICE GROWTH BY DETAILED CATEGORIES

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

	Ending February 2023	Ending February 2024	Ending February 2025
Health Care Price index	2.6%	3.2%	2.8%
Hospital Care	2.3%	3.8%	2.5%
Physician and clinical services	0.2%	1.3%	1.7%
Prescription drugs	2.4%	0.3%	4.6%
Nursing home care	6.8%	4.6%	2.5%
Dental services	6.6%	4.9%	1.6%
Home health care	3.1%	3.6%	2.6%
Other professional services	-0.9%	1.5%	1.8%
Other personal health care	6.0%	6.4%	7.7%
Other non-durable medical products	4.5%	9.3%	-1.1%
Durable medical equipment	4.3%	3.3%	1.8%

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

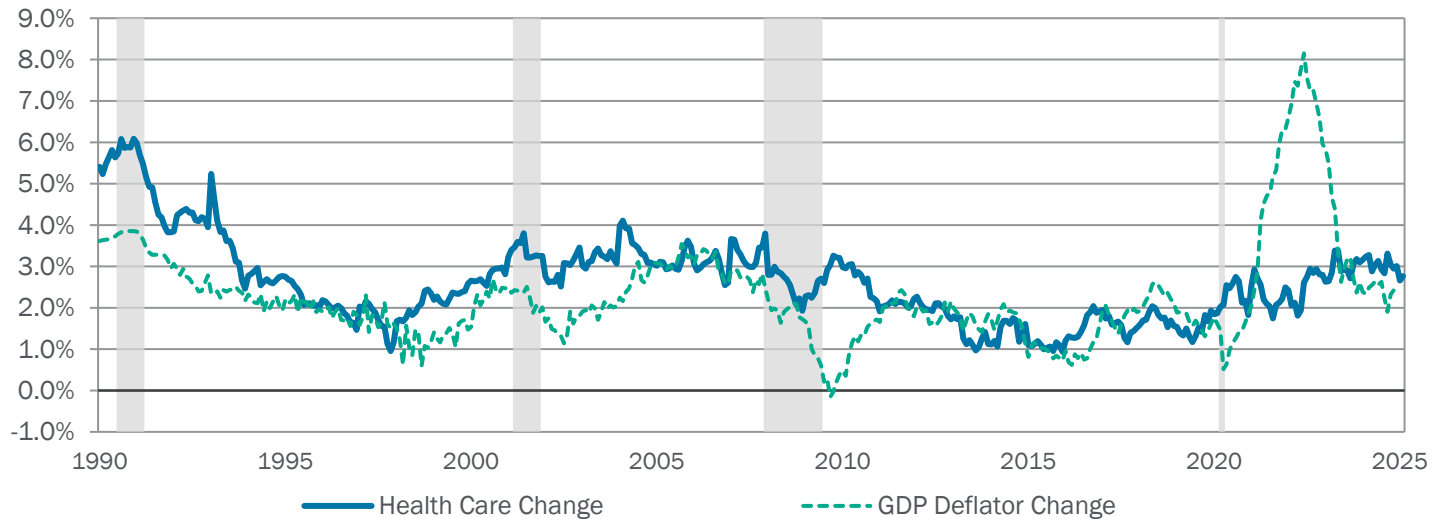


Source: Altarum analyses of BLS price data.

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

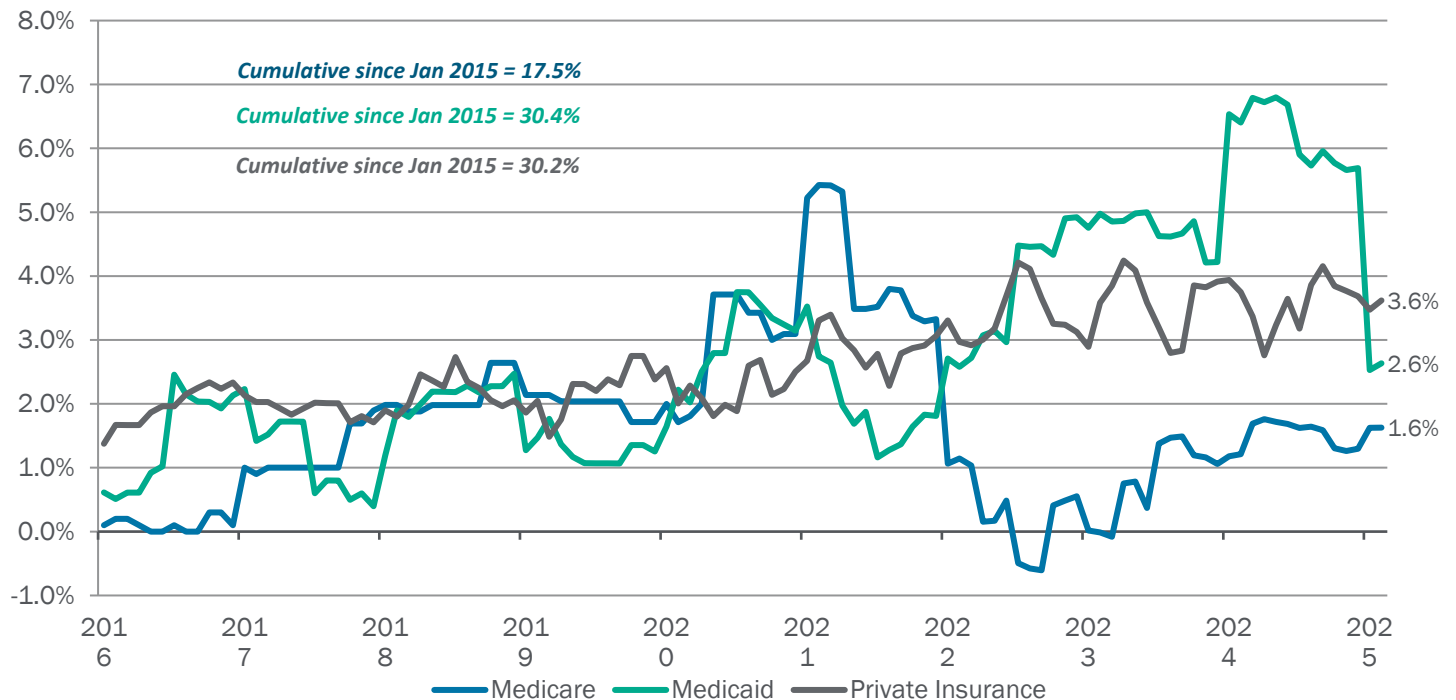
Exhibit 5. Year-over-Year Percentage Change in Health Prices Compared with the GDP Deflator



Source: Altarum analyses of BLS price data.

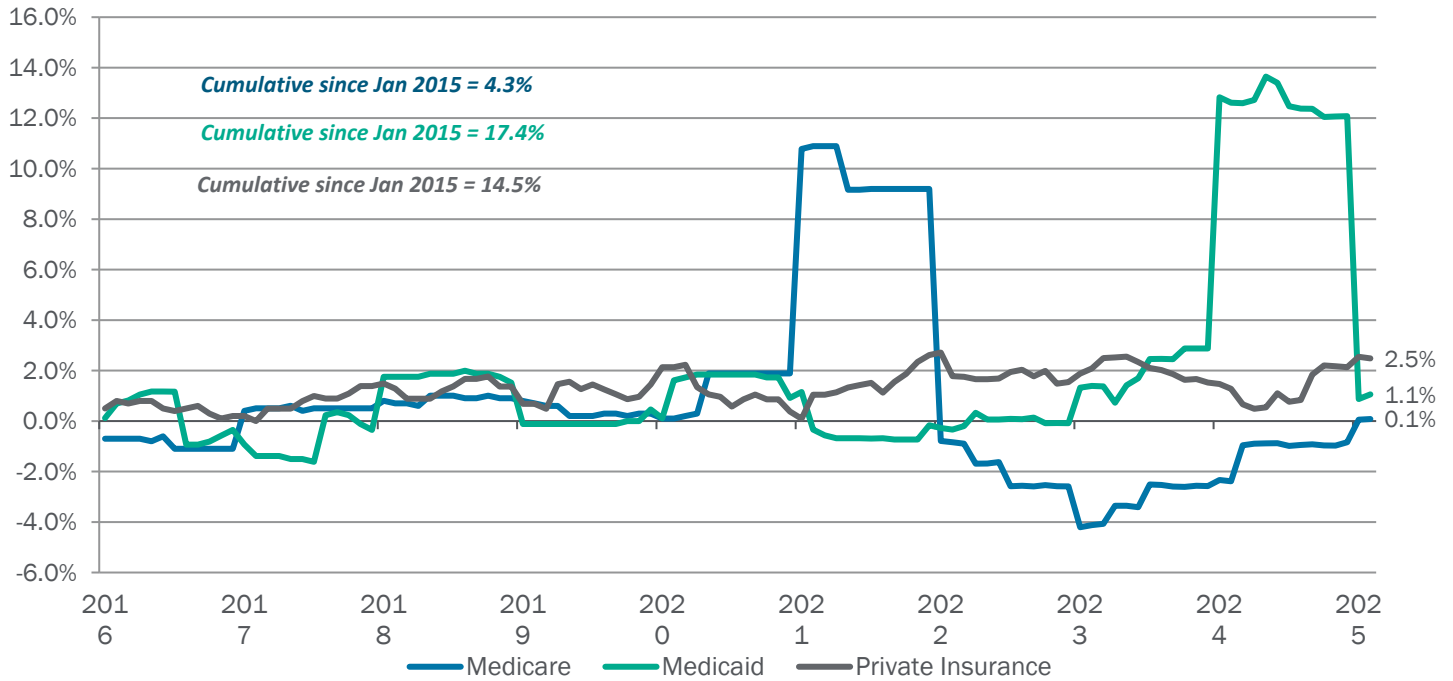
Note: Lightly shaded bars denote recession periods.

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



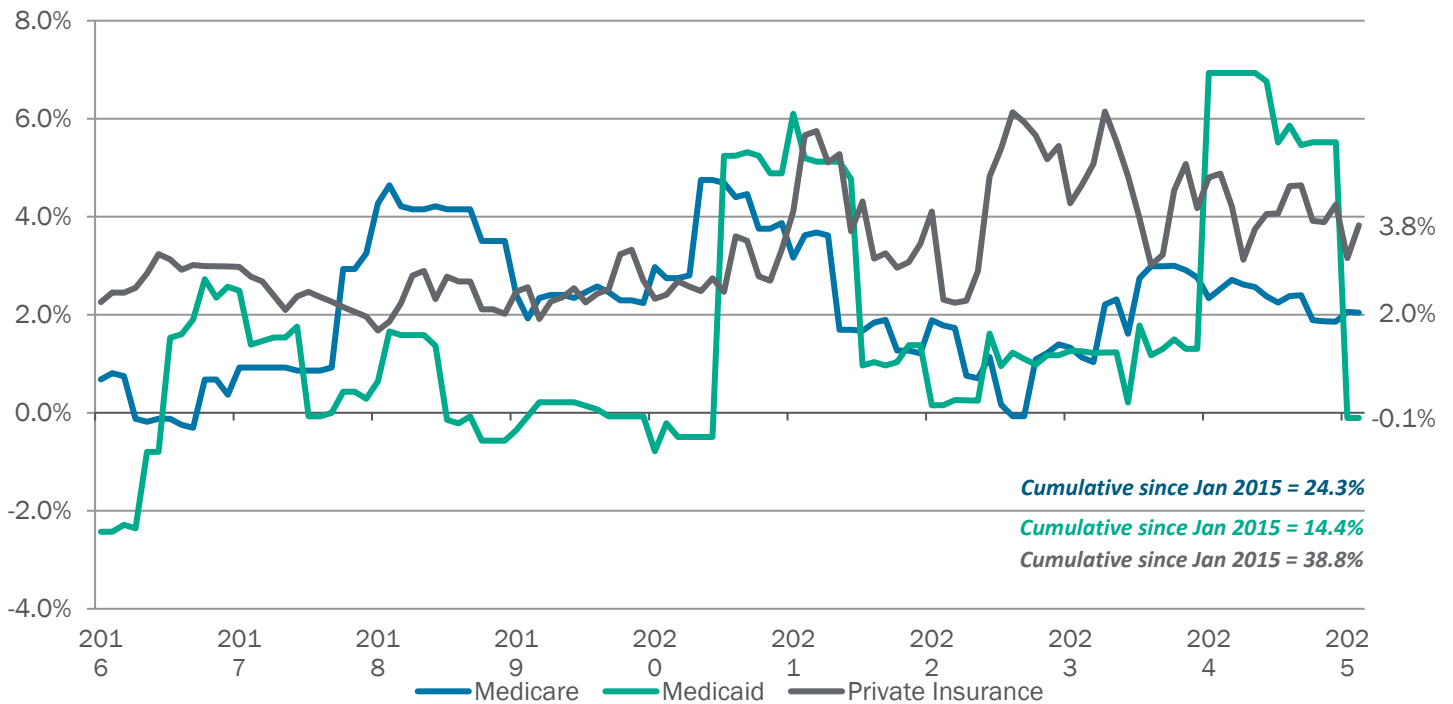
Source: Altarum analyses of BLS price data.

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

	January 2025	3-Month Moving Average	12-Month Moving Average
Total personal health care	3.7%	4.1%	4.7%
Hospital care	3.6%	3.6%	3.9%
Physician and clinical services	5.4%	5.8%	6.8%
Prescription drugs	3.8%	4.1%	5.8%
Nursing home care	2.9%	4.2%	5.4%
Dental Services	5.2%	5.6%	3.5%
Home health care	3.7%	5.7%	10.1%
Other professional services	5.1%	7.2%	8.8%
Other personal health care	-1.4%	-2.4%	-1.5%
Other nondurable medical products	4.8%	4.4%	0.4%
Durable medical equipment	3.1%	3.7%	4.0%

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.