

May 22, 2024

Medicaid price growth exceeded that of other payers in the first four months of 2024

HIGHLIGHTS

- ▲ The overall Health Care Price Index (HCPI) increased by 2.8% year over year in April, decreasing from the growth rate of 3.1% seen a month prior.
- ▲ Economywide inflation held mostly steady, with year-over-year growth in the overall Consumer Price Index (CPI) falling slightly to 3.4%, while growth in the Producer Price Index (PPI) increased to 2.2%.
- ▲ Among the major health care categories, prices for nursing home care (4.5%), dental care (4.1%), and hospital care (3.2%) were the fastest growing, while prescription drug price growth was the slowest in April (0.4%).
- ▲ An alternative measure of hospital price growth, the CPI index for hospital and related services, continued to rise in April, up a much greater 7.9% year over year.
- ▲ Among major payers, year-over-year Medicaid price growth (6.3%) exceeded services price growth for private insurance (3.2%) and Medicare (1.7%) patients.
- ▲ Our implicit measure of health care utilization growth was 4.3% year over year in March and continued to drive the majority of spending increases, as it remained above overall health care price growth.

	April 2022	April 2023	March 2024	April 2024
Health Care Price Index (HCPI)	1.9%	3.3%	3.1%	2.8%
GDP Deflator (GDPD)	7.3%	4.4%	2.5%	**
HCPI - GDPD	-5.5%	-1.1%	0.6%	**
Addendum				
Personal health care spending	3.4%	8.6%	7.3%	**
Health care utilization	1.6%	5.2%	4.3%	**
Medical Consumer Price Index (MCPI)	3.2%	1.1%	2.2%	2.6%
Consumer Price Index, all items (CPI)	8.3%	4.9%	3.5%	3.4%
Producer Price Index, Final Demand (PPI)	11.2%	2.3%	1.8%	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 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

Overall Health care price index (HCPI) growth slowed to 2.8% year over year in April, down 0.3 percentage points from the previous month (3.1%) (Exhibit 1). Despite this slowdown, the overall pattern seen since October 2023 continues as health care price growth has exceeded economywide inflation as measured by the GDP deflator and overall PPI price index, but has lagged behind economywide CPI price increases. The gap between economywide PPI and CPI shrank this month, with CPI growth falling to 3.4%, but PPI growth increasing to 2.2%.

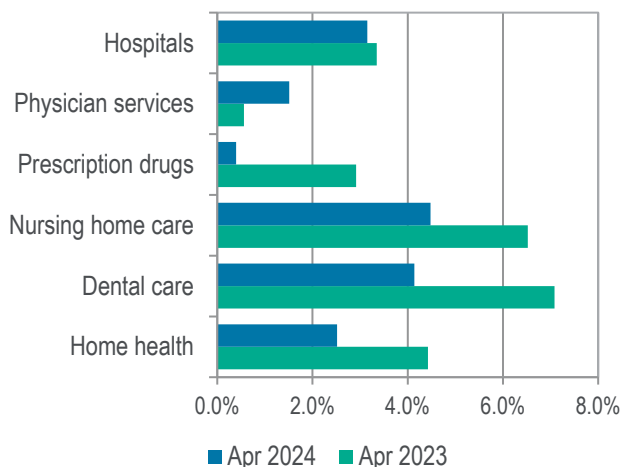
Since late 2022, economywide services price growth has exceeded commodities inflation, and services prices increased 5.6% year-over-year in April, while commodities prices increased only 0.3% (Exhibit 4). Overall, health care price growth has fallen somewhere between the two economywide measures.

Many health care services, such as nursing home care (4.5%), and dental care (4.1%), and hospital care (3.2%) have tended to have higher overall price growth (Exhibit 2) and have been exceeding the price growth of health care products, such as durable medical equipment (3.0%) and prescription drugs (0.4%).

Among major payers for health care services, prices rose fastest for Medicaid patients last month, increasing 6.3% year over year, and much faster than price growth for private insurance patients (3.2%) and Medicare (1.7%) (Exhibit 7). Prior to 2022, Medicaid price growth had typically been the slowest among these three, but its growth rate increased in 2022 and 2023 and then accelerated in 2024 and is now up 6.3% year over year. [Recent insurer financial](#) reports, specifically insurers with a Medicaid component, have shown that while Medicaid enrollment has declined in 2024 due to the expiration of the COVID-19 public health emergency and resulting unwinding, overall Medicaid revenues have remained steady or even increased. While enrollment has fallen, the remaining Medicaid enrollees are [likely to be an overall sicker population](#), therefore requiring greater costs per person to cover Medicaid needs and potentially driving higher prices (depending on how these greater needs are reflected in measures of prices versus utilization). At the same time, most states have [increased Medicaid rates or enhanced benefits](#) for major components of Medicaid coverage in FY 2023 and 2024, also likely contributing to higher overall prices.

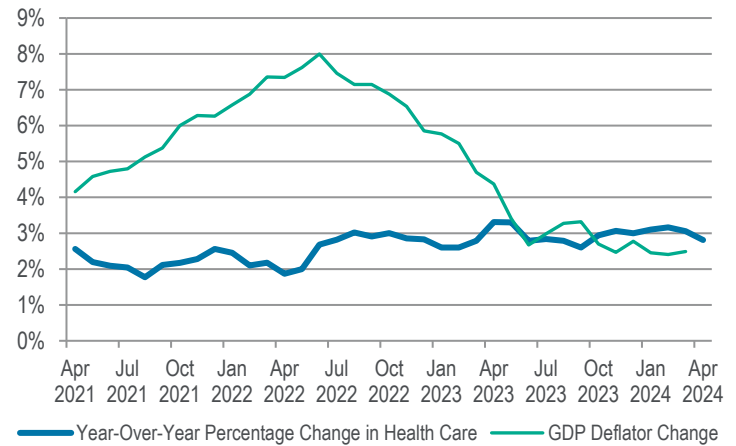
Of note again this month, the alternative measure of hospital prices, the CPI-only “Hospital and related services” price index, continued to increase in 2024 and is now 7.9% higher than it was a year ago. This makes it the second fastest-growing CPI medical care price index (behind only “care of invalids and elderly at home”), and is much greater than the blended overall hospital price growth measure used in our HCPI index. We will continue to monitor this trend going forward, which could indicate accelerating hospital prices in 2024.

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 and monthly GDPD data published by Macroeconomic Advisers.

Our implicit measure of overall health care utilization growth (total spending growth net of health care price inflation) increased in March to 4.3%, while February’s utilization growth was revised upward based on new data from 3.8% to 4.2% year-over-year (Exhibit 7). The fastest-growing utilization component in January remained prescription drugs, which increased by 6.7%. Physician and clinical services (6.1%) were the next fastest-growing category. Utilization growth for dental care (2.4%) and nursing home care (3.1%) were the slowest growing categories in March and had utilization growth below their price increases last month.

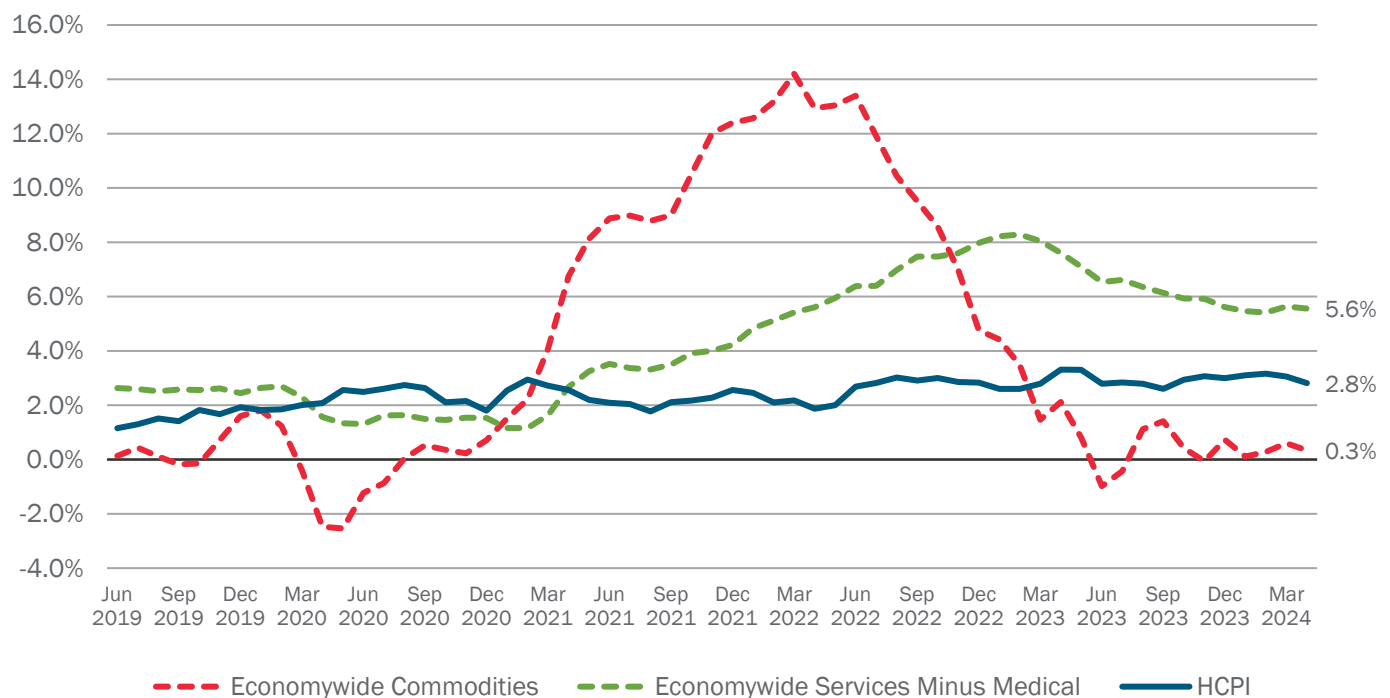
PRICE GROWTH BY DETAILED CATEGORIES

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

	Ending April 2022	Ending April 2023	Ending April 2024
Health Care Price Index (HCPI)	1.9%	3.3%	2.8%
Hospital care	1.9%	3.4%	3.2%
Physician and clinical services	0.4%	0.6%	1.5%
Prescription drugs	1.7%	2.9%	0.4%
Nursing home care	2.2%	6.5%	4.5%
Dental Services	2.0%	7.1%	4.1%
Home health care	2.3%	4.4%	2.5%
Other professional services	4.1%	0.3%	0.6%
Other personal health care	4.0%	6.1%	6.7%
Other nondurable medical products	3.0%	5.5%	7.7%
Durable medical equipment	2.9%	5.3%	3.0%

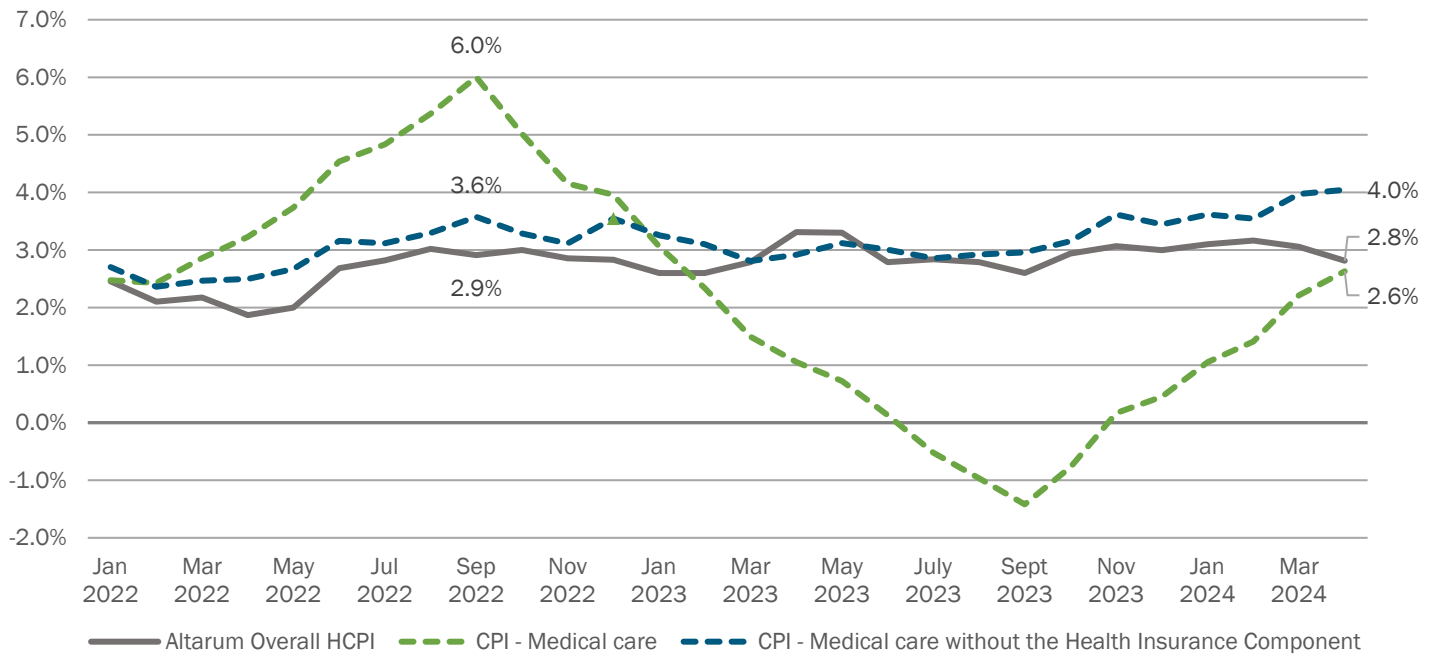
Source: Altarum analysis of monthly BLS data.

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



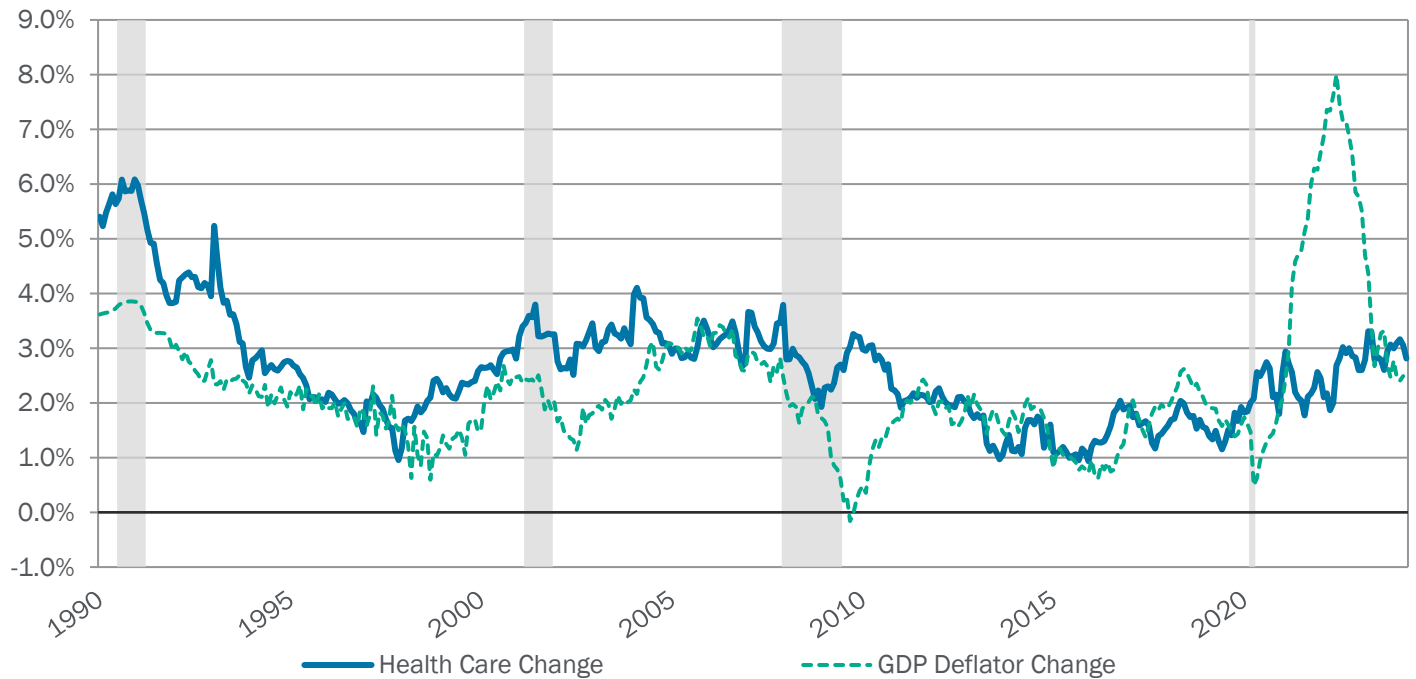
Methods. Altarum’s estimates for the monthly HCPI, a price index for personal health care spending within the National Health Expenditure Accounts, are essentially monthly versions of the annual index developed by the CMS National Health Statistics Group (NHSG). The advantages of this measure over the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

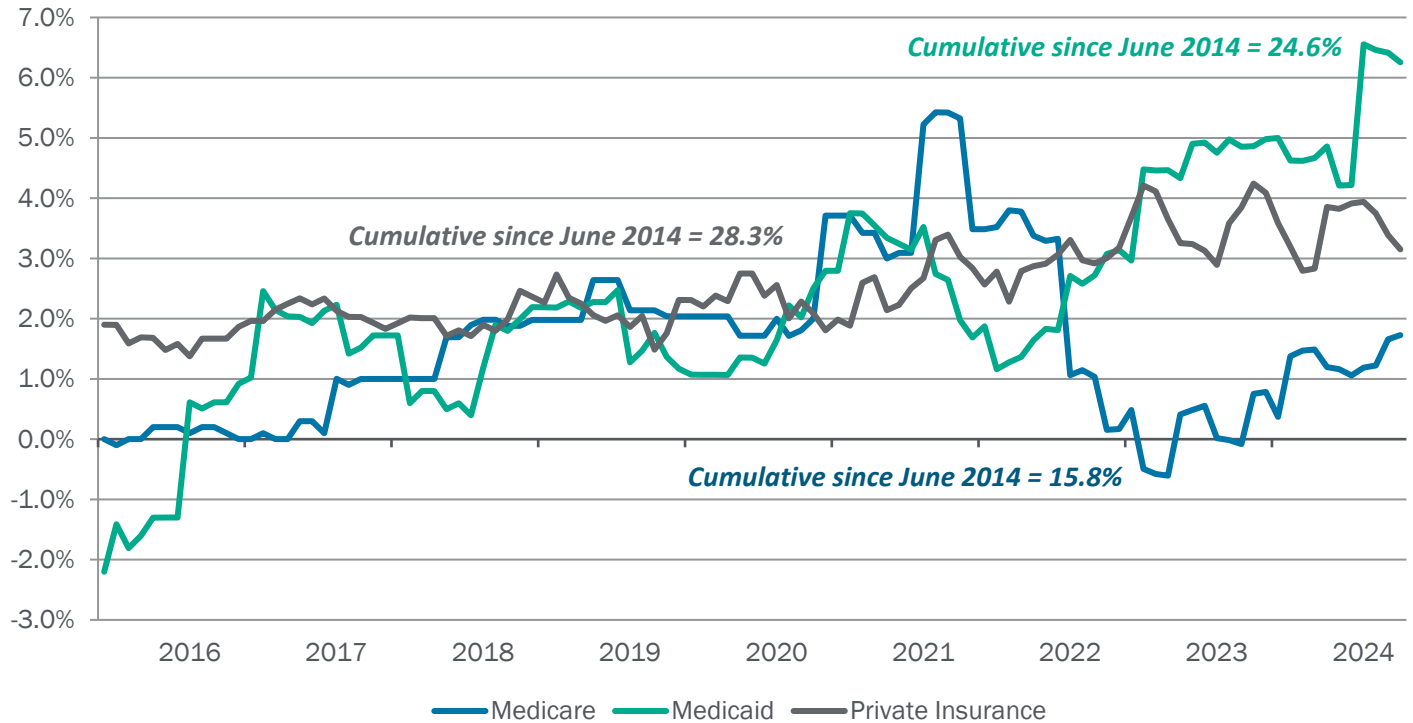


Exhibit 8. Implicit Health Care Utilization Growth by Major Components of NHE, Year-over-year

	March 2024	3-Month Moving Average	12-Month Moving Average
Total personal health care	4.3%	4.3%	4.9%
Hospital care	4.4%	4.0%	4.5%
Physician and clinical services	6.1%	6.8%	7.8%
Prescription drugs	6.7%	7.4%	8.0%
Nursing home care	3.1%	3.7%	4.3%
Dental Services	2.4%	1.5%	2.1%
Home health care	3.2%	4.0%	5.0%
Other professional services	7.7%	7.1%	7.4%
Other personal health care	-3.9%	-3.0%	-2.5%
Other nondurable medical products	-1.3%	-4.3%	-1.3%
Durable medical equipment	7.4%	3.3%	1.3%

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.