

## Altarum Institute Center for Sustainable Health Spending Health Sector Trend Report

February 2017

*This report provides a monthly summary of key trends in U.S. health care spending, prices, utilization, and employment. The reports build on Altarum's [Health Sector Economic Indicators<sup>SM</sup> briefs \(HSEI\)](#) and make direct use of the U.S. Census Bureau's [Quarterly Services Survey \(QSS\)](#). When new QSS data are released (March, June, September, December), an expanded version of this report is published. Interim reports highlight noteworthy health sector trends and early indications of results for the next quarter. In this February 2017 report, spending estimates are available through December 2016, while prices and labor are available through January 2017. For the first time, we also examine new Advance QSS data for indications of Q4 2016 spending ahead of the full QSS release in March 2017.*

### ***New data result in substantial revisions to individual components of health spending but these were offsetting and our overall estimate for 2016 remains at 5.4% growth.***

- In our [January Trend Report](#), we estimated that health spending was on track for 5.4% growth in 2016.
- The Census Bureau has initiated a new [Advance QSS](#) that provides an early look at aspects of the full QSS data. The first Advance QSS was released on February 17<sup>th</sup> (20 days early!) and showed unexpectedly high 7.0% growth in Q4 2016 health services spending (compared to Q4 2015).
- Also in mid-February, CMS released updates to its ten-year health spending projections. This release showed much slower growth in 2016 spending for non-health care components of health spending.<sup>1</sup>
- The Advance QSS pushed our estimate for Q4 growth in spending on the health services component upward while the CMS release lowered our estimated annual growth rates for the non-health care components.
- The net result was to leave our 2016 overall health spending growth estimate at 5.4%. This is higher than the new CMS 2016 projection of 4.8% growth with most of the difference attributable to the Advance QSS results for Q4.

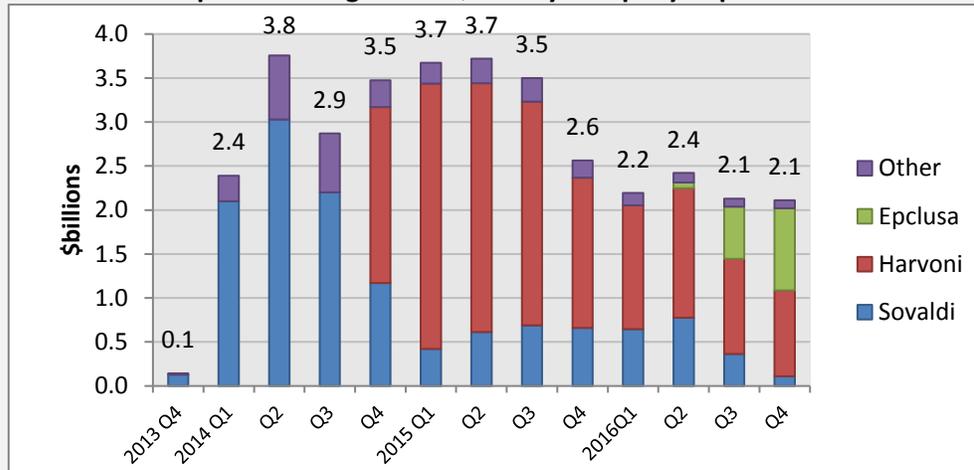
### ***The prescription drug component of health spending grew by 5.0% in 2016, but only 3.6% in Q4 2016.***

- The surge in spending on health care services in Q4 reported by the Advance QSS is particularly surprising in view of the slow Q4 growth in spending on prescription drugs.
- A partial explanation for the slow growth in prescription drug spending is that spending for hepatitis C drugs has leveled off (see chart on page 2).

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**U.S. Sales of Hepatitis C Drugs from Quarterly Company Reports**



Source: Altarum Center for Sustainable Health Spending analysis of company reports.

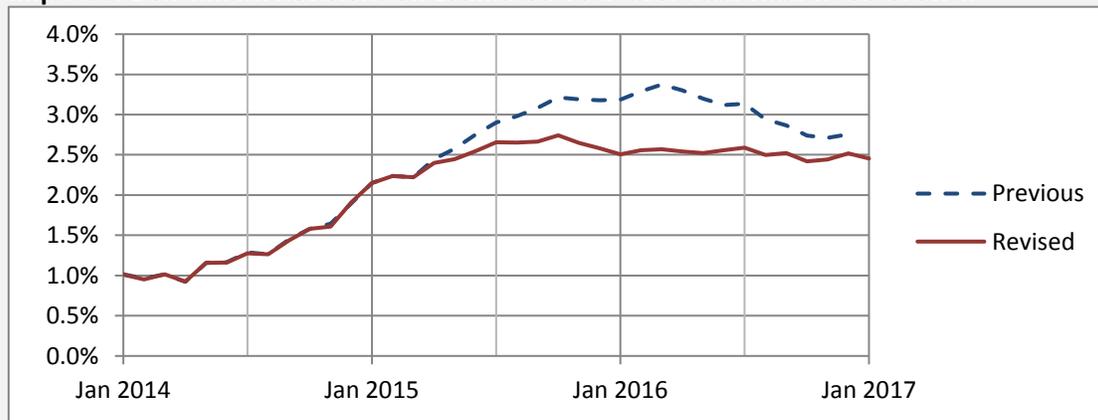
**Health services price growth remains low at 1.4% for Q4 and 1.2% for 2016, while prescription drug price growth has accelerated from 3.3% in Q1 to 6.4% in Q4 (averaging 4.8% for 2016).**

- Physician prices exhibited essentially no growth in 2016 while hospital prices increased slightly from 1.0% growth in Q1 to 1.6% in Q4, averaging 1.2% for the year
- The acceleration in prescription drug prices in Q4 coincides with a deceleration in prescription drug spending, a finding that is only partially explained by the leveling off in spending on hepatitis C drugs.

**Benchmark revisions reduced the estimated rate of growth in health jobs during most of 2015 and all of 2016.**

- Revisions not only lowered recent health job growth estimates but also changed the shape of the time series graph. In place of a 3.34% peak and subsequent decline in 2016, the growth rate has remained steady at around 2.5% year over year.
- With the future of ACA expanded coverage in doubt, one might expect more cautious health sector hiring. Signals are mixed with strong growth in December (+40,500) but weak growth in January (+18,300), month to month, seasonally adjusted.

**Impact of Benchmark Revisions on Estimated Year-over-Year Health Job Growth**



Source: Altarum Center for Sustainable Health Spending analysis of BLS Current Employment Statistics data.