

Altarum Institute Center for Sustainable Health Spending Health Sector Trend Report

May 2015

This report provides a monthly summary of key trends in health care spending, prices, utilization, and employment. These reports build on Altarum's [Health Sector Economic IndicatorsSM \(HSEI\) briefs](#) and make direct use of the Census Bureau's [Quarterly Services Survey \(QSS\)](#), the timeliest source of detailed, survey-based spending information for health care services, which account for more than 70% of national health spending. Each quarter, when new QSS data are released (March, June, September, and December), an expanded version of this report will be published with a more detailed analysis of health care services trends. The regular monthly reports will supplement the most recent full quarterly analysis with new data on other aspects of health care spending, health care prices and utilization, jobs, and early indications of the trends for the next quarter.

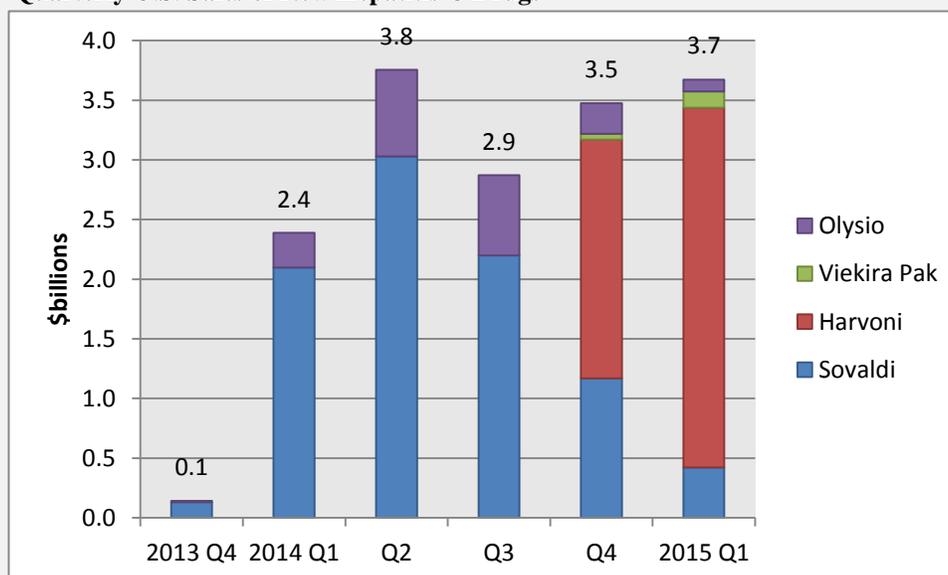
Preliminary estimates put health spending growth at 6.6% for the first quarter (Q1) of 2015, but this figure is subject to revision when QSS data are released on June 10.¹ Our next report will have the results.

- Altarum's [March Trend Report](#) showed the growth rate in health spending at 5% for 2014 but increasing throughout the year, beginning at 3.3% in Q1 and ending at 6.2% in Q4. Data for Q1 2015, from [Altarum's May HSEI spending brief](#), show growth trending even higher at 6.6%. However, this figure is subject to revision when QSS data for Q1 2015 are released on June 10.
- There are reasons to expect growth to drop back below 6% as 2015 progresses. First, the growth rate in spending on prescription drugs should start to slow due to a leveling-off in spending on the new drugs that treat hepatitis C and a somewhat higher rate of patent expirations.² Second, the net gains in insurance coverage will likely be smaller, as the largest impact of the Patient Protection and Affordable Care Act-expanded coverage provisions should now be behind us.³
- The chart on the next page displays quarterly U.S. sales for the four major hepatitis C drugs from Q1 2013 through Q1 2015.⁴ Sales peaked at \$3.8 billion in Q2 2014 and then dropped to \$2.9 billion in Q3 in anticipation of Harvoni becoming available. Sales rebounded to \$3.5 billion in Q4 and then rose only slightly to \$3.7 billion in Q1 2015—an apparent leveling-off.
 - Total sales for 2014 were \$12.5 billion, an increase of \$12.3 billion compared to 2013.
 - Total sales for 2015 will be \$14.7 billion if Q1 sales are repeated throughout the year. This represents an increase of only \$2.2 billion compared to 2014. Thus, these drugs are likely to contribute much less to health spending growth in 2015 than in 2014.

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Quarterly U.S. Sales of New Hepatitis C Drugs



Source: Derived from Gilead, AbbVie, and Johnson & Johnson public announcements

Price inflation for health care services during the first 3 months of 2015 has averaged only 0.6%, compared to 1.3% for 2014, with hospitals (0.2%) and physicians (-0.2%) especially low.

- The first 3 months of 2015 show very low growth in prices for health care services at 0.6%, down from 1.3% in 2014. By contrast, the estimated growth rate in spending on health care services has begun the year at a higher growth rate (6.2%) than in 2014 (4.1%). This implies a jump in the growth rate of health care services utilization, from 2.8% for 2014 to 5.6% for the first 3 months of 2015—a trend that we will closely monitor.
- The implicit growth in utilization during the first 3 months of 2015 is especially noteworthy for hospitals, where spending growth is estimated at 9.1% and price growth is a paltry 0.2%. This suggests utilization growing at a very high 8.9%. Perhaps the June QSS will result in a downward revision to hospital spending growth.

Job growth in health care services shows no signs of trailing off, with an average of 34,000 additional jobs per month during the first 4 months of 2015.

- The jump in monthly health care job growth that began in Q2 2014 has continued into 2015, with an average of 34,000 new jobs per month from January through April. This compares to only 13,300 jobs per month during 2013, 11,600 for Q1 2014, and about 30,000 for the final three quarters of 2014.
- About one-third of the job growth so far in 2015 was from hospitals.

¹ Growth rates in this report are year over year. For example, spending in Q1 2015 was 6.6% above spending in Q1 2014.

² Pharmaceutical sales subject to patent expirations were at a [5-year low in 2014](#) and should be [somewhat higher in 2015](#).

³ A [recent report](#) shows a net increase of 16.9 million people with health insurance between September 2013 and February 2015, with essentially all gains occurring by the middle of 2014.

⁴ These company sales differ from what is reported in the health accounts but should be indicative of the overall trend.