

March 22, 2023

## Overall health care price growth remains moderate as private prices increase

### HIGHLIGHTS

- ▲ The overall Health Care Price Index (HCPI) increased by 2.7% year over year in February, up from the slightly revised 2.6% growth rate a month prior in January.
- ▲ Growth in the HCPI continues to remain remarkably steady, sitting between a tight 2.0% to 3.0% year-over-year growth rate range for 17 of the most recent 18 months.
- ▲ Prices for health care services paid for by private insurance increased by 4.1% in February (up from 3.5% in January), while Medicare prices actually fell slightly last month, down -0.2% year over year.
- ▲ Economywide inflation slowed again in February, as overall CPI growth fell from 6.4% to 6.0% and PPI price growth fell to 4.6%. Economywide services (less healthcare) inflation rose again, up 8.3% year over year.
- ▲ Among the major health care categories, prices for dental care (6.6%) and nursing home care (5.6%) grew fastest, while physician services (0.6%) and home health care (1.9%) price growth were the slowest.
- ▲ Our implicit measure of health care utilization returned to positive growth in January, up 3.7% year over year. Home health care utilization (7.5%) and prescription drug utilization (5.3%) increased most last month.

	Feb 2021	Feb 2022	Jan 2023	Feb 2023
Health Care Price Index (HCPI)	2.9%	2.1%	2.6%	2.7%
GDP Deflator (GDPD)	2.4%	6.9%	5.6%	**
HCPI - GDPD	0.6%	-4.8%	-3.0%	**
<i>Addendum</i>				
Personal health care spending	1.7%	4.6%	6.3%	**
Health care utilization	-1.2%	2.5%	3.7%	**
Medical Consumer Price Index (MCPI)	2.0%	2.4%	3.1%	2.3%
Consumer Price Index – all items (CPI)	1.7%	7.9%	6.4%	6.0%
Producer Price Index – Final Demand (PPI)	3.0%	10.4%	5.7%	4.6%

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> reports are a monthly publication of Altarum and provide an analysis of health spending, employment, and prices. For more information, contact Ani Turner at [ani.turner@altarum.org](mailto:ani.turner@altarum.org). Corwin (Corey) Rhyan (principal author), Ani Turner, George Miller, PhD, and Matt Daly, PhD, contributed to this brief. Media Contact: [press@altarum.org](mailto:press@altarum.org). For more information, visit <http://altarum.org/solution/health-sector-spending>.



## DISCUSSION

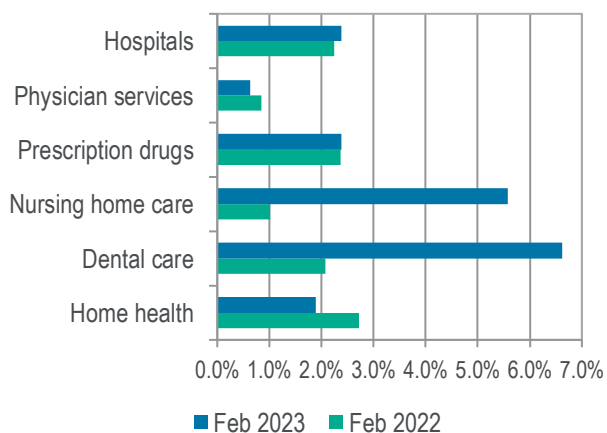
The overall health care price index (HCPI) increased by 2.7% year over year in February, up from 2.6% growth in January (Exhibit 1). This marks the seventeenth of the last eighteen months where overall health care inflation has been between a very tight range of 2.0% and 3.0%. Health care price growth remains moderate despite above average economywide inflation. Overall inflation remains high but slowed slightly again last month as measured by the CPI and PPI, and this decline appears to be almost exclusively driven by slower growth in commodities prices (Exhibit 4). Non-health economywide services inflation reached a new record (8.3%) last month and now sits 3.2 percentage points higher than it was a year earlier.

Despite the longer than expected period where health care price growth has remained significantly below economywide inflation, we continue to expect health care price inflation will increase in 2023. We expect that private payer price growth will significantly exceed Medicare price growth, and that Medicaid price growth will fall somewhere between the two. Data for February show that health care prices paid for by private insurance jumped up noticeably from a month prior including data for all services (4.1% vs. 3.5%), hospital services alone (4.6% vs. 4.5%), and physician services alone (3.7% vs. 2.6%). Across these three measures private payer price growth now exceeds Medicare growth by between 3.5 to 8.5 percentage points (Exhibits 6-8).

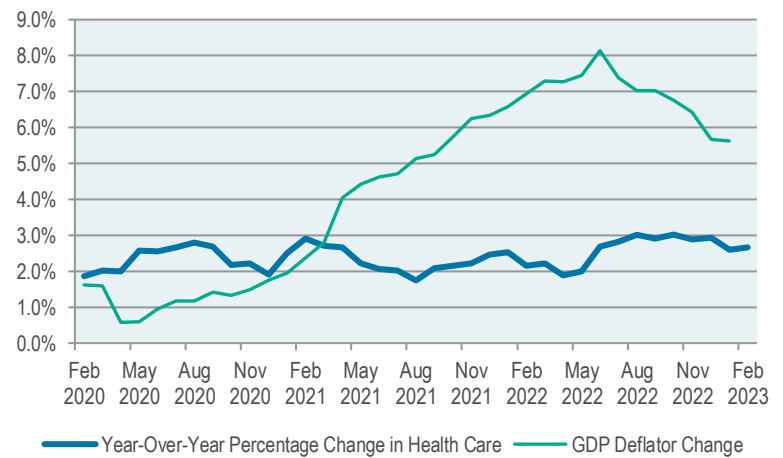
Among major health care categories in February, the greatest increases in health care prices occurred for dental care and nursing homes (rising 6.6% and 5.6% respectively) (Exhibit 2). Conversely, physician and clinical services prices increased at the slowest rate among major sectors—at only 0.6% growth—marking the thirteenth straight month of below 1.0% price growth for this component (Exhibit 3).

Our implicit measure of overall health care utilization (total spending growth net of health care price inflation) increased in January by 3.7% year over year (Exhibit 9). This is a significant increase from a month prior (December), when utilization growth was negative (-0.8%). Utilization growth among home health care services (7.5%) and

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



### 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.

prescription drugs (5.3%) was the fastest, while growth among physician and clinical services (3.3%) was the slowest. As [we discussed last month](#), this swing to now positive year-over-year utilization growth in January 2023 was expected and is partly a result of changes in the base year data from twelve months ago. As this implicit measure of utilization represents health spending growth that includes federal government Covid-19-related subsidies, the new January 2023 data are now compared to January 2022, a month that saw smaller shares of federal government subsidies, resulting in positive utilization growth in the first month of 2023. Going forward this year we expect our implicit measure of utilization will continue to remain positive as the lingering swings in federal pandemic assistance abated throughout the new 2022 comparison year.



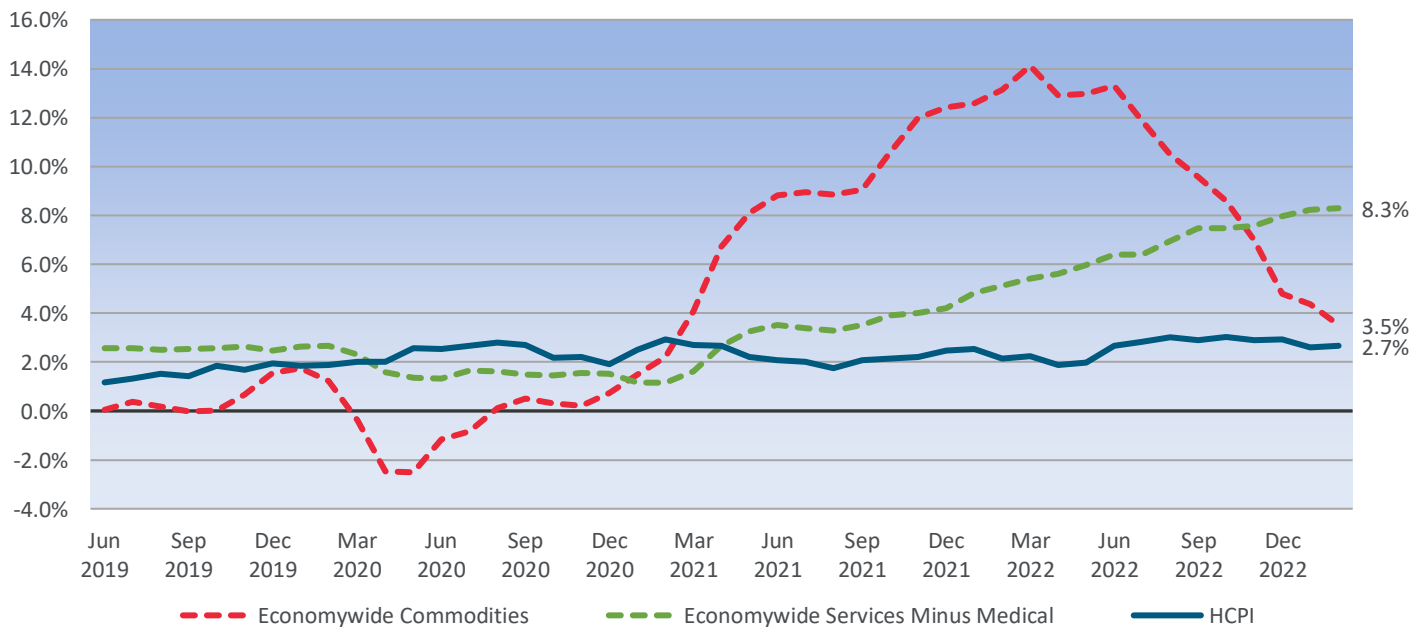
## PRICE GROWTH BY DETAILED CATEGORIES

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

	Ending February 2021	Ending February 2022	Ending February 2023
Health Care Price Index (HCPI)	2.9%	2.1%	2.7%
Hospital care	4.4%	2.2%	2.4%
Physician and clinical services	3.5%	0.8%	0.6%
Prescription drugs	-2.7%	2.4%	2.4%
Nursing home care	3.2%	1.0%	5.6%
Dental Services	3.5%	2.1%	6.6%
Home health care	2.5%	2.7%	1.9%
Other professional services	2.5%	4.8%	-0.9%
Other personal health care	5.0%	4.0%	5.4%
Other nondurable medical products	-1.6%	3.0%	4.5%
Durable medical equipment	-2.2%	2.3%	4.3%

**Source:** Altarum analysis of monthly BLS data.

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

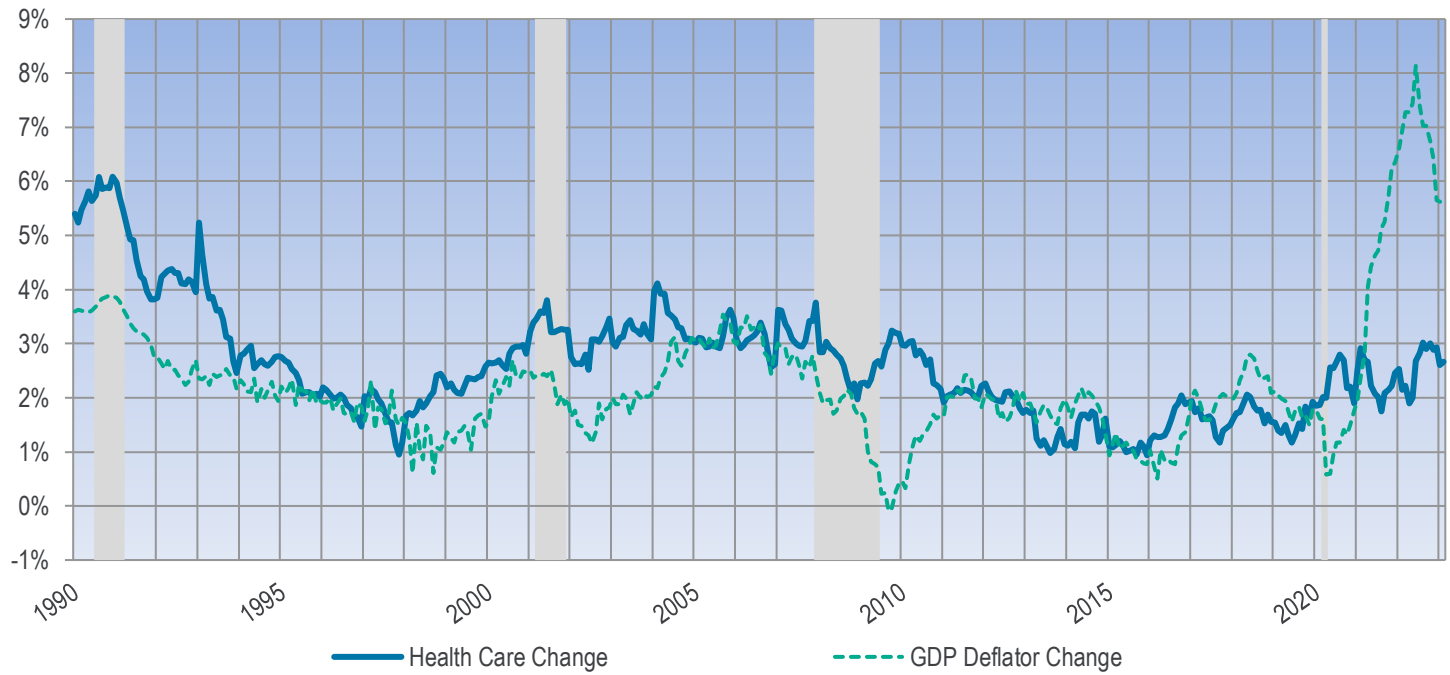


**Methods.** Altarum’s estimates for the monthly HCPI, a price index for personal health care spending within the National Health Expenditure Accounts, are essentially monthly versions of the annual index developed by the CMS National Health Statistics Group (NHSG). The advantages of this measure over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



## TIME SERIES TRACKER

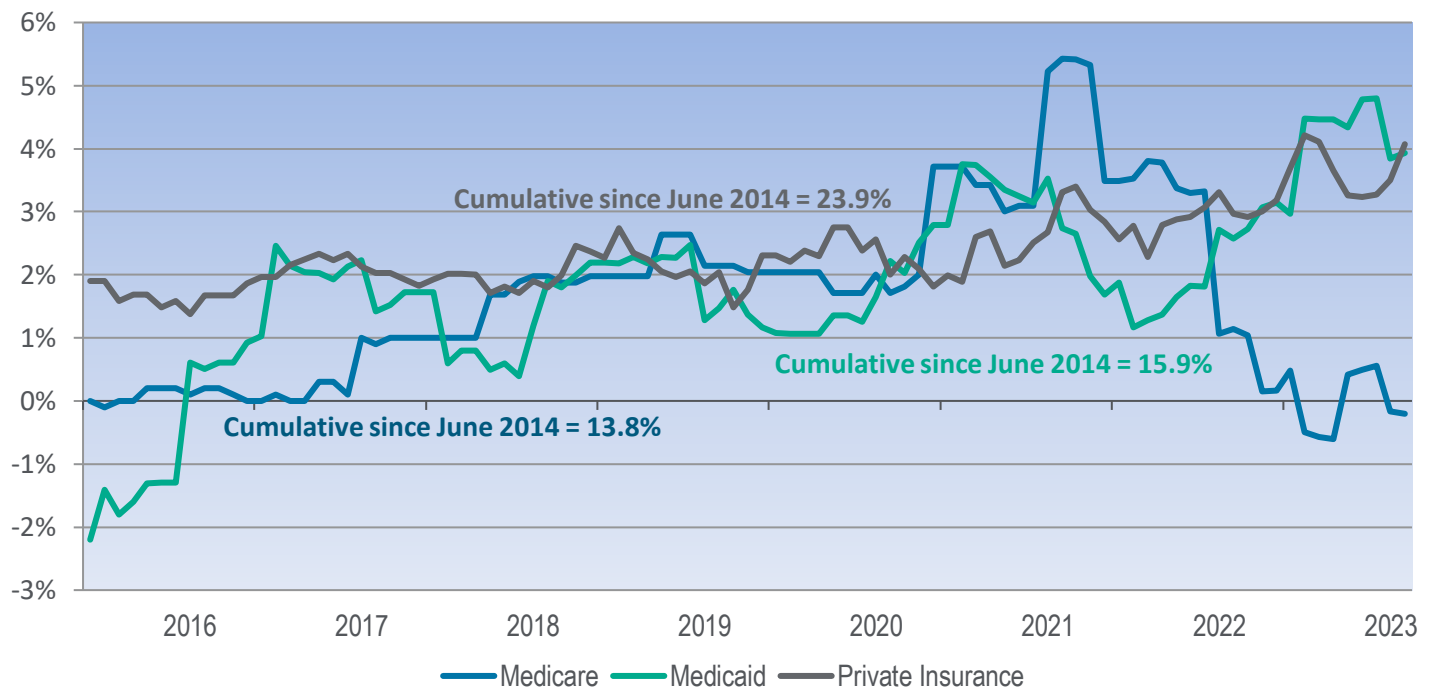
**Exhibit 5. Year-over-Year Percentage Change in Health Prices Compared with the GDP Deflator**



Source: Altarum monthly national health spending and price index estimates.

Note: Lightly shaded bars denote recession periods. (The [2020 recession timing](#) was announced by NBER on July 19<sup>th</sup>, 2021)

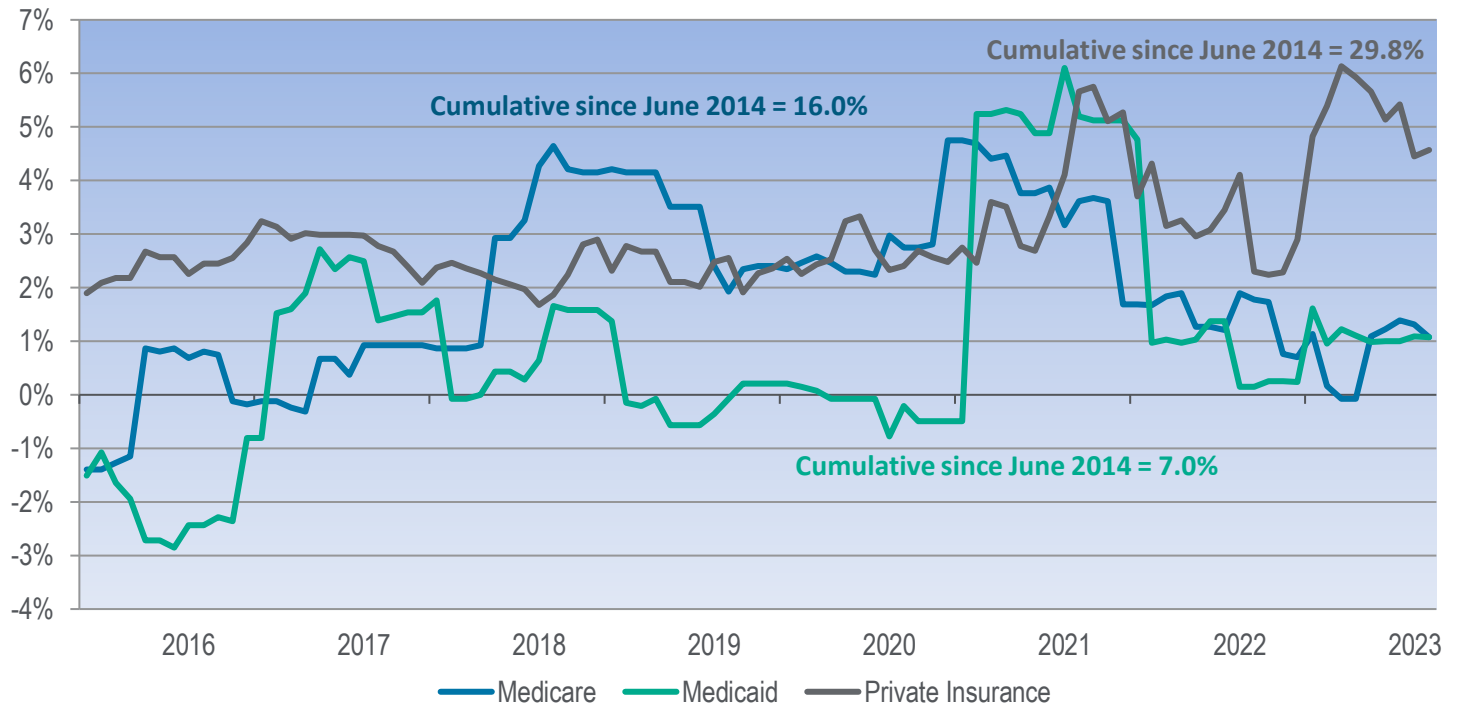
**Exhibit 6. Year-over-Year Change in Health care Services Price Growth, by Payer**



Source: Altarum analysis of monthly BLS data.

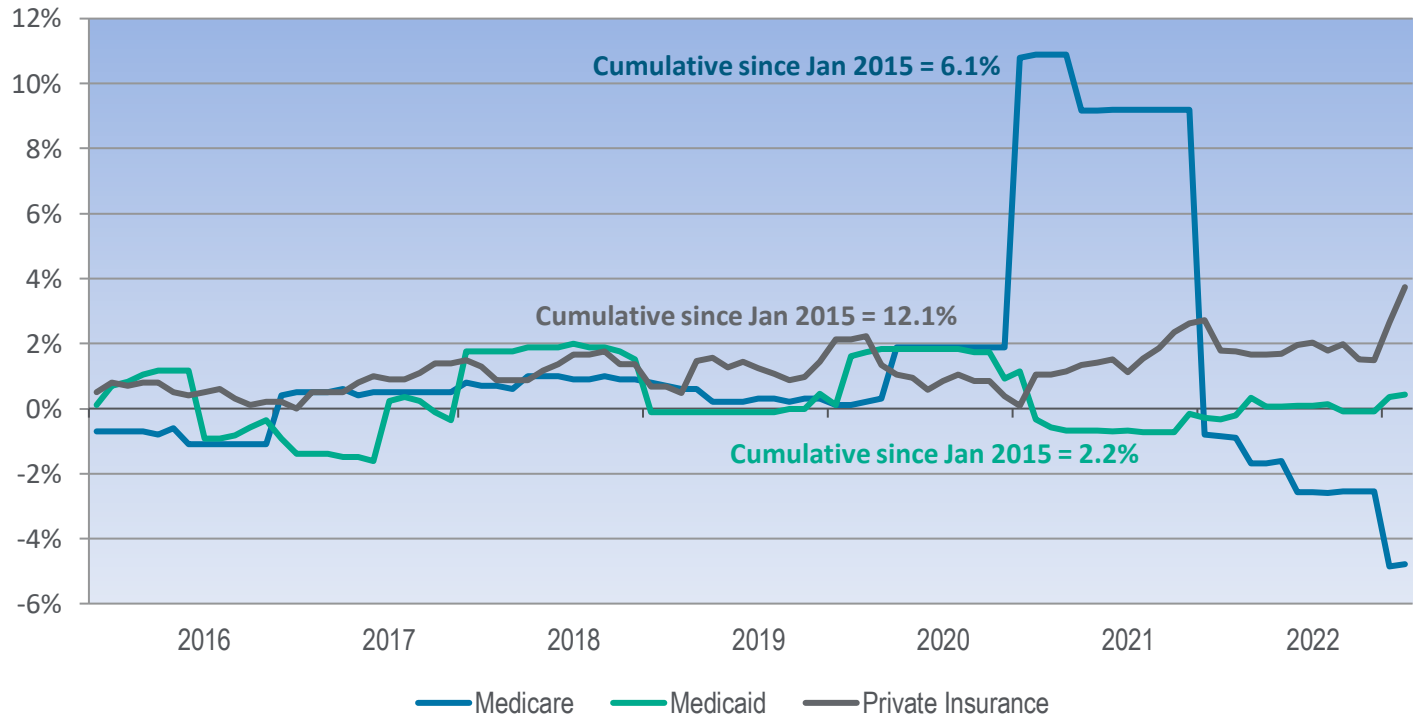


**Exhibit 7. Year-over-Year Change in Hospital Services Price Growth, by Payer**



Source: Altarum analysis of monthly BLS data.

**Exhibit 8. Year-over-Year Change in Physician Services Price Growth, by Payer**



Source: Altarum analysis of monthly BLS data.



### Exhibit 9. Implicit Health Care Utilization Growth by Major Components of NHE, Year-over-year

	January 2023	3-Month Moving Average	12-Month Moving Average
Total personal health care	3.7%	0.9%	3.7%
Hospital care	4.1%	1.5%	4.1%
Physician and clinical services	3.3%	-0.6%	3.3%
Prescription drugs	5.3%	6.3%	5.3%
Nursing home care	3.9%	2.4%	3.9%
Dental Services	4.0%	-1.3%	4.0%
Home health care	7.5%	3.2%	7.5%
Other professional services	8.3%	0.7%	8.3%
Other personal health care	-0.4%	-3.2%	-0.4%
Other nondurable medical products	0.4%	0.5%	0.4%
Durable medical equipment	6.5%	4.6%	6.5%

**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 ( $S*P$ ); however, as long as the two growth rates are small, this term is insignificant.