

October 19, 2023

Health care price growth and economywide inflation remain stable

HIGHLIGHTS

- ▲ Growth in the Health Care Price Index (HCPI) remained at 2.8% year over year in September, matching the overall growth rate in August.
- ▲ Economywide inflation also remained moderate in September, with Consumer Price Index (CPI) growth holding at 3.7% and the Produce Price Index (PPI) growth increasing slightly from 2.0% in August to 2.2%.
- ▲ Among the major health care categories, prices for home health care (6.1%), nursing home care (5.1%), and dental care (4.7%) grew the fastest, while physician and clinical services (0.6%) price growth was the slowest.
- ▲ Price growth of overall health care services for Medicaid patients was 4.2% year over year in September, above private insurance price growth (2.9%), and Medicare patients' price growth (1.5%).
- ▲ Our implicit measure of health care utilization growth slowed again in August to 4.0% year-over-year, down from its peak rate in March (4.8% growth).

	September 2021	September 2022	August 2023	September 2023
Health Care Price Index (HCPI)	2.1%	2.9%	2.8%	2.8%
GDP Deflator (GDPD)	5.4%	7.1%	3.1%	**
HCPI - GDPD	-3.3%	-4.2%	-0.3%	**
Addendum				
Personal health care spending	8.0%	5.5%	6.8%	**
Health care utilization	5.9%	2.6%	4.0%	**
Medical Consumer Price Index (MCPI)	0.4%	6.0%	-1.0%	-1.4%
Consumer Price Index, all items (CPI)	5.4%	8.2%	3.7%	3.7%
Producer Price Index, Final Demand (PPI)	8.8%	8.5%	2.0%	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

The overall health care price index (HCPI) increased by 2.8% year over year in September, the same as the growth rate from a month prior and very close to the average rate seen through the first nine months of 2023 (2.9%) (Exhibit 1). Over the past year, health care price growth has remained in a very tight range, between 2.6% and 3.3% year-over-year growth, while economywide price growth had been gradually declining from its peak in June 2022 through June 2023.

This month's CPI growth held steady at 3.7% in September, when a slight increase in economywide commodities inflation offset declines in non-medical economywide services growth (Exhibit 4). After declining for thirteen

straight months between May 2022 and June 2023, year-over-year PPI growth has now increased three months in a row and is up to 2.2% year over year in September from 0.2% in June. It appears that all three measures of economywide inflation (CPI, PPI, and GDP deflator price growth) are generally converging with overall health care price growth at rates near 3.0%. An alternative measure of health care price growth, Medical Care CPI, has been showing price declines over recent months, and now sits at -1.4% year-over-year growth, although this is almost exclusively driven by anomalies in the CPI measure of health insurance price changes [that are significantly lagged](#). When removing this health insurance component, we see year-over-year growth nearly matches (3.0%) our overall HCPI (2.8%) in September (Exhibit 5).

In assessing health care price growth by payer, we see relatively constant price growth in September across the three major payers. Private patient price growth held at 2.9% year-over-year growth, Medicaid patient price growth was 4.2%, and Medicare patient price growth was 1.5% (Exhibit 7). After falling significantly since April 2023, private payer hospital prices settled at 3.3% growth in September, while Medicare and Medicaid hospital price growth also remained steady (Exhibit 8). This is surprising as private payer prices were expected to rise in 2023 as new provider contracts took effect, but [future private patient price growth](#) in 2024 could still occur.

Among major health care categories in September, the fastest growth occurred for home health care services (6.1%), nursing home care (5.1%), and dental services (4.7%) (Exhibit 2). Hospital price growth increased 0.3 percentage points from the month prior (to 2.5%) and physician and clinical services prices remained the slowest growing major category—increasing only 0.6% year over year—marking the twentieth straight month of below 1.0% price growth (Exhibit 3). Prescription drug price growth in September fell slightly to 2.2% growth year over year.

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

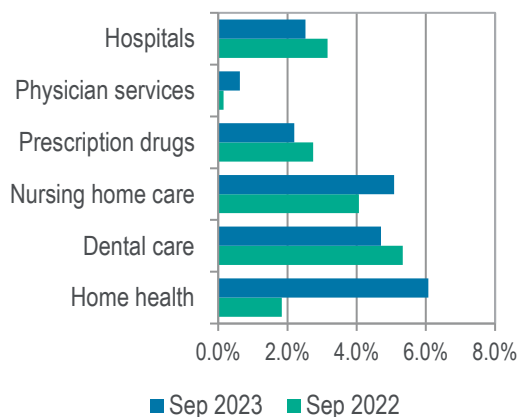
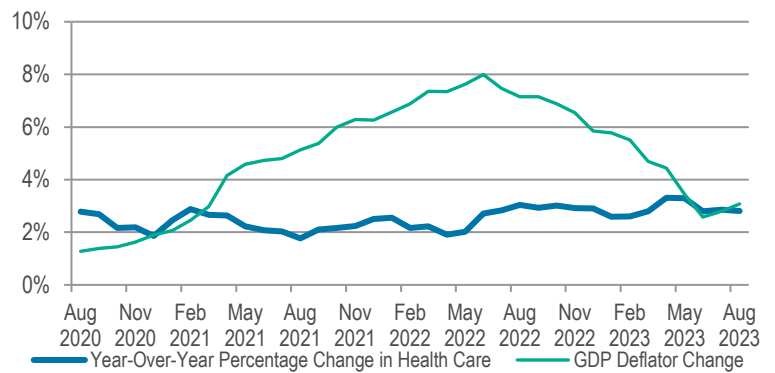


Exhibit 1. Year-over-Year Growth in HCPI & GDPD



Source: Altarum analysis of monthly BLS price data and monthly GDPD data published by Macroeconomic Advisers.

Our implicit measure of overall health care utilization growth (total spending growth net of health care price inflation) slowed again in August, now up 4.0% year-over-year (Exhibit 9), down from the 4.8% growth rate in February and March. Overall data on other measures of health care utilization have shown trends have generally stabilized in 2023, for example, data on [hospital volumes from last month](#). Among the major categories, growth in use for hospital care (3.1%) and home health care (-1.4%) were the slowest in our data, while there were significant increases in the use of physician services (7.1%) and prescription drugs (8.0%).

It is not yet clear how quickly the rising [utilization of the new GLP-1 agonists](#) for diabetes and obesity will impact prescription drug utilization data, but they will likely put upward pressure on this measure in future periods; while, if optimistic projections hold, use of these medications could actually result in long-term reductions in utilization of other types of medical care, such as [hospital spending](#) and [dialysis treatment](#).

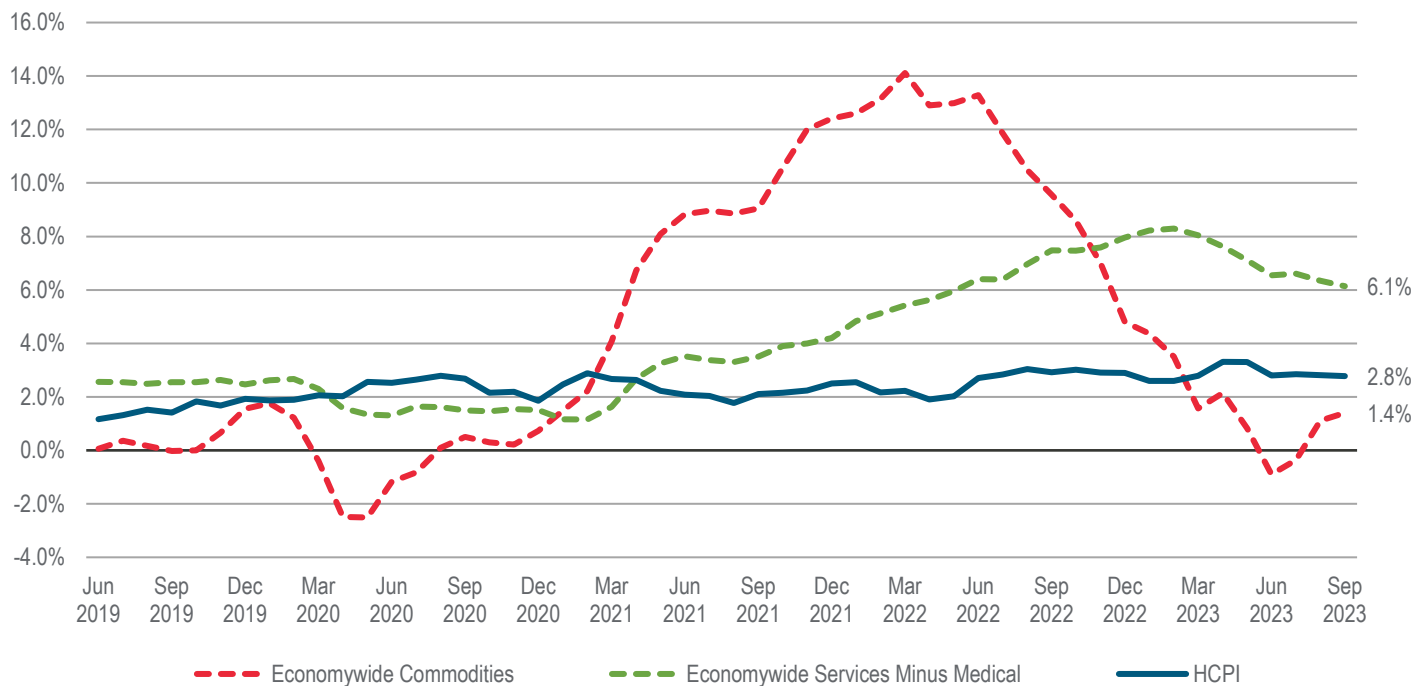
PRICE GROWTH BY DETAILED CATEGORIES

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

	Ending Sept. 2021	Ending Sept. 2022	Ending Sept. 2023
Health Care Price Index (HCPI)	2.1%	2.9%	2.8%
Hospital care	2.5%	3.2%	2.5%
Physician and clinical services	3.4%	0.2%	0.6%
Prescription drugs	-1.6%	2.7%	2.2%
Nursing home care	1.3%	4.1%	5.1%
Dental Services	2.3%	5.3%	4.7%
Home health care	1.8%	1.8%	6.1%
Other professional services	2.1%	4.1%	0.1%
Other personal health care	4.8%	4.9%	6.0%
Other nondurable medical products	-1.7%	5.6%	8.4%
Durable medical equipment	-0.7%	5.3%	3.9%

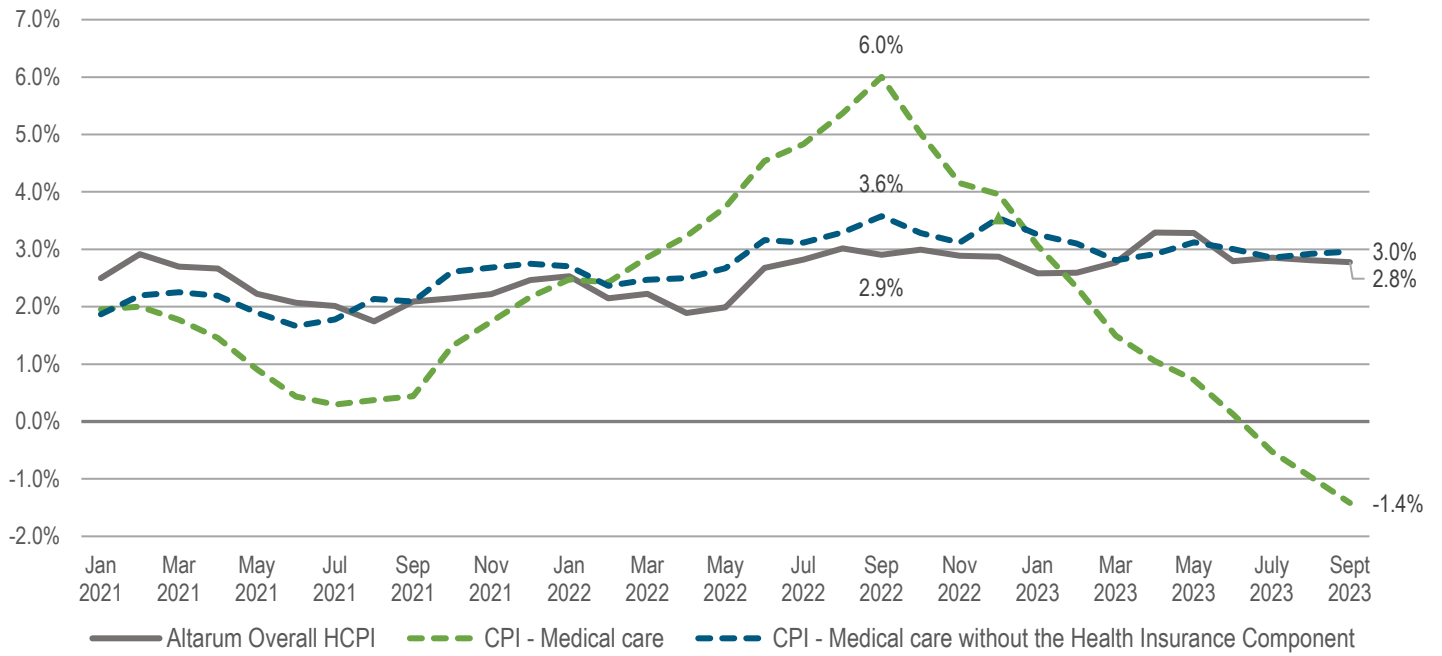
Source: Altarum analysis of monthly BLS data.

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



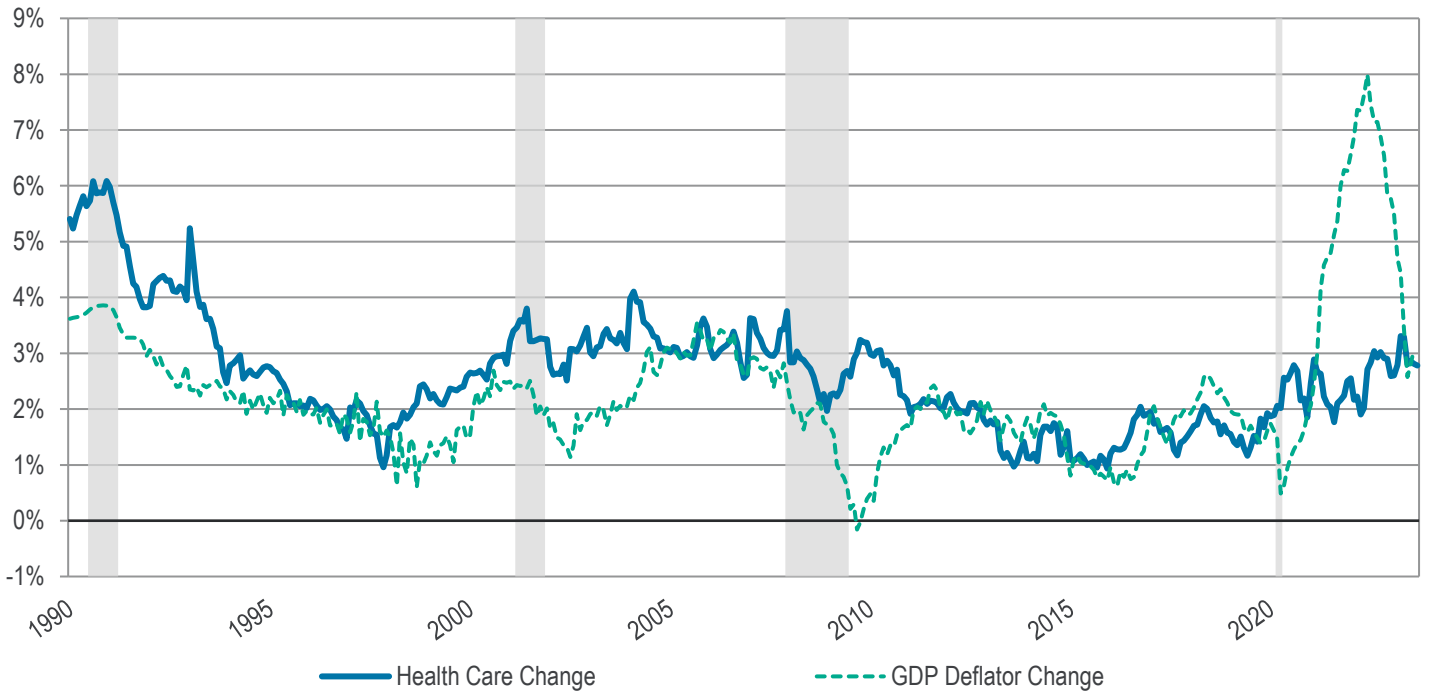
Methods. Altarum’s estimates for the monthly HCPI, a price index for personal health care spending within the National Health Expenditure Accounts, are essentially monthly versions of the annual index developed by the CMS National Health Statistics Group (NHS). The advantages of this measure over the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



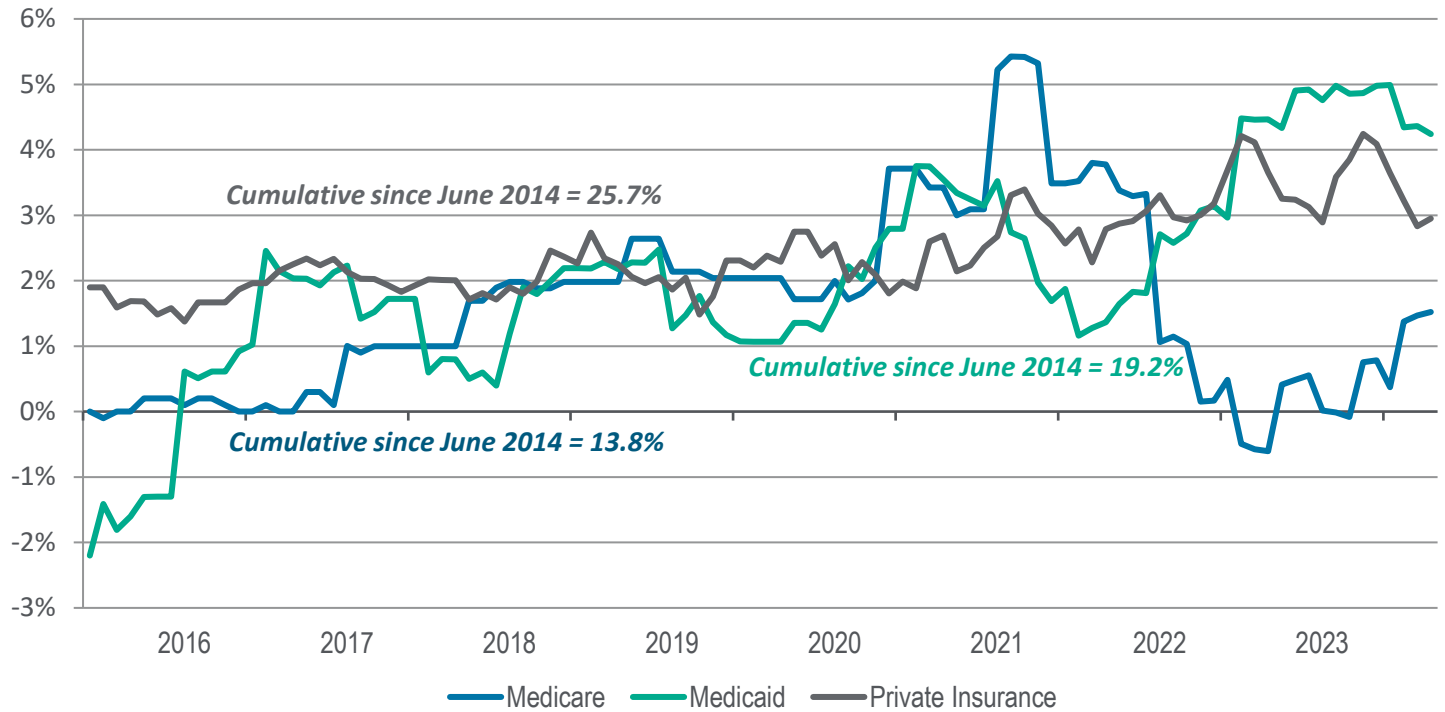
TIME SERIES TRACKER

Exhibit 6. Year-over-Year Percentage Change in Health Prices Compared with the GDP Deflator



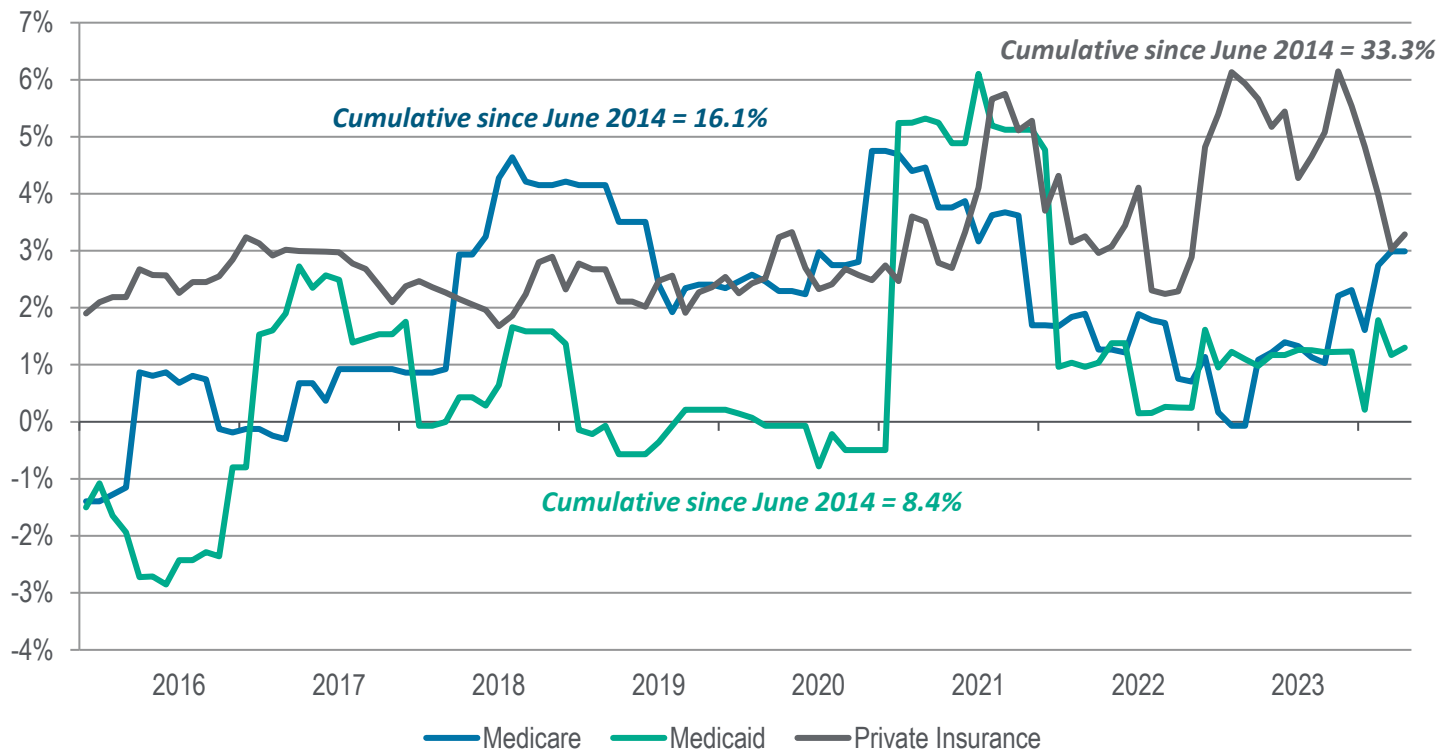
Source: Altarum monthly national health spending and price index estimates.
Note: Lightly shaded bars denote recession periods.

Exhibit 7. Year-over-Year Change in Health Care Services Price Growth, by Payer



Source: Altarum analysis of monthly BLS data.

Exhibit 8. Year-over-Year Change in Hospital 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

	August 2023	3-Month Moving Average	12-Month Moving Average
Total personal health care	4.0%	4.2%	3.3%
Hospital care	3.1%	3.9%	3.1%
Physician and clinical services	7.1%	7.0%	4.4%
Prescription drugs	8.0%	7.4%	6.9%
Nursing home care	3.9%	4.1%	4.5%
Dental Services	4.0%	3.2%	1.0%
Home health care	-1.2%	-2.6%	2.8%
Other professional services	6.4%	6.6%	4.0%
Other personal health care	-2.7%	-2.3%	-1.2%
Other nondurable medical products	-1.5%	0.3%	1.9%
Durable medical equipment	-1.5%	-0.3%	1.1%

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.