

July 20, 2022

Overall health care price growth finally accelerates as private prices jump in June

HIGHLIGHTS

- ▲ Growth in the overall Health Care Price Index (HCPI) increased to 2.8% year over year in June, up from 2.0% in May. This 0.8 percentage point increase from the prior month was the fastest since January 2007.
- ▲ The acceleration in overall prices is mainly attributable to higher private prices—private price growth for all services jumped from 3.0% in the prior month to 3.9% in June and private price growth for hospitals was even faster at 4.9% year over year.
- ▲ Economywide inflation also continued in June, as CPI year-over-year growth increased to 9.1% and PPI growth increased to 11.3%. Services CPI growth (excluding healthcare) increased to 6.4% and commodities inflation increased again to 13.4% year over year.
- ▲ Among major health care categories, physician services increased the least in June (0.5%), while hospital price growth (3.5%) and dental care services (4.7%) increased the fastest.
- ▲ Growth in our implicit measure of utilization for May slowed slightly to 2.4%, while the somewhat smoother three-month average was even lower, at 2.1%.

	June 2020	June 2021	May 2022	June 2022
Health Care Price Index (HCPI)	2.7%	2.3%	2.0%	2.8%
GDP Deflator (GDPD)	0.9%	4.2%	7.5%	**
HCPI - GDPD	1.8%	-1.9%	-5.5%	**
<i>Addendum</i>				
Personal health care spending	7.0%	4.2%	4.5%	**
Health care utilization	4.3%	1.9%	2.4%	**
Medical Consumer Price Index (MCPI)	5.1%	0.4%	3.7%	4.5%
Consumer Price Index – all items (CPI)	0.6%	5.4%	8.6%	9.1%
Producer Price Index – Final Demand (PPI)	-0.7%	7.6%	10.9%	11.3%

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 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. Corwin Rhyan (principal author), Ani Turner, George Miller, PhD, and Matt Daly, PhD, contributed to this brief. Media Contact: press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.



DISCUSSION

For the first time since economywide inflation began to accelerate in early 2021, Health Care Price Index (HCPI) growth has meaningfully accelerated this month, potentially marking the end of a period where health care price growth was below its historical average, while most of the other goods and services in the US got significantly more expensive. In June 2022, the HCPI year-over-year growth jumped to 2.8%, up from 2.0% growth in May (Exhibit 1). While 2.8% year-over-year price growth is still quite moderate, the month over month growth (0.8 percentage points) is a notable acceleration and may portend a future period of further health care price increases. Economywide price growth has continued to climb from already high rates, as CPI growth hit 9.1% in June and PPI 11.3% year over year (Highlights Table).

As we had hypothesized [in prior price briefs](#), the acceleration in health care prices appears to be showing first amongst private prices, as the measures of private price growth for both overall services and hospital services increased faster than for public payers in June (Exhibits 6 and 7). Prices paid by private insurance for overall services grew at the fastest rate since 2015, reaching 3.9% year-over-year growth, and price growth for private insurance for hospital services (a subset of the overall component) increased even more rapidly, at 4.9%. We expect private price growth is likely to remain high and potentially even accelerate further in 2022 and 2023, particularly given the recent news of the 2023 health insurance marketplace rate filings, where many insurers are baking in assumptions of [much faster cost growth](#), upwards of 10% year over year. Conversely, we expect public price growth to remain more subdued, as indications from CMS indicate [hospital](#) and [physician](#) rate increases for Medicare in 2023 will be low.

Among the major sectors, the greatest increase in health care prices in June occurred in Dental and Hospital settings (each rising 4.7% and 3.5%, respectively). Conversely, physician and clinical services prices again increased at the slowest rate among major health care sectors at only 0.5% growth and marking the fifth straight month of below 1.0% price growth for physicians (Exhibit 3). Prescription drug price growth also increased slightly in June at 2.5%, up from 1.9% in May and the fastest since February 2020.

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

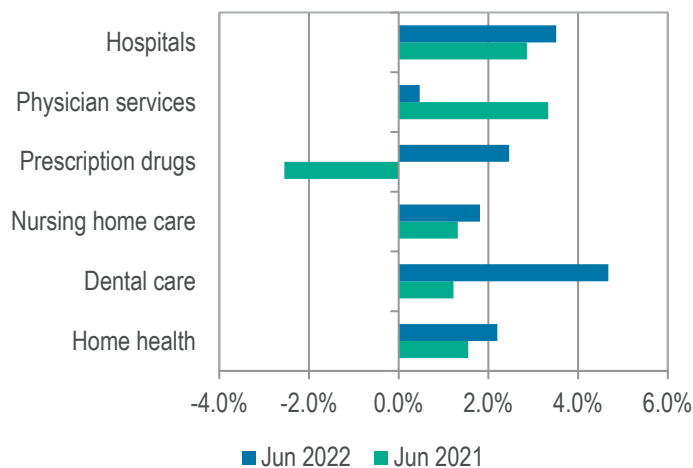
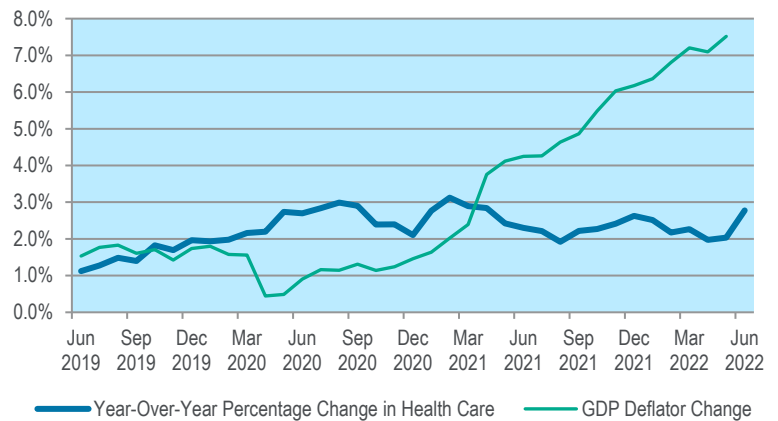


Exhibit 1. Year-over-Year Growth in HCPI & GDPD



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

As for our implicit measure of overall health care utilization for May 2022, we find that it grew by 2.4% year over year (Exhibit 8), while April's utilization growth was revised downward with refreshed price and spending data to 2.2%. As a result, the three-month average utilization growth fell to 2.1%. Prescription drug utilization growth was the fastest among the major categories at 5.7%, while hospital care utilization growth was the slowest at 1.6% in May. Use of physician and clinical services continued its climb over recent months, accelerating to 4.3%. Overall utilization increases appear to have moderated over recent months and are closer to the historical average following the massive 2020 and 2021 disruptions in health care spending.



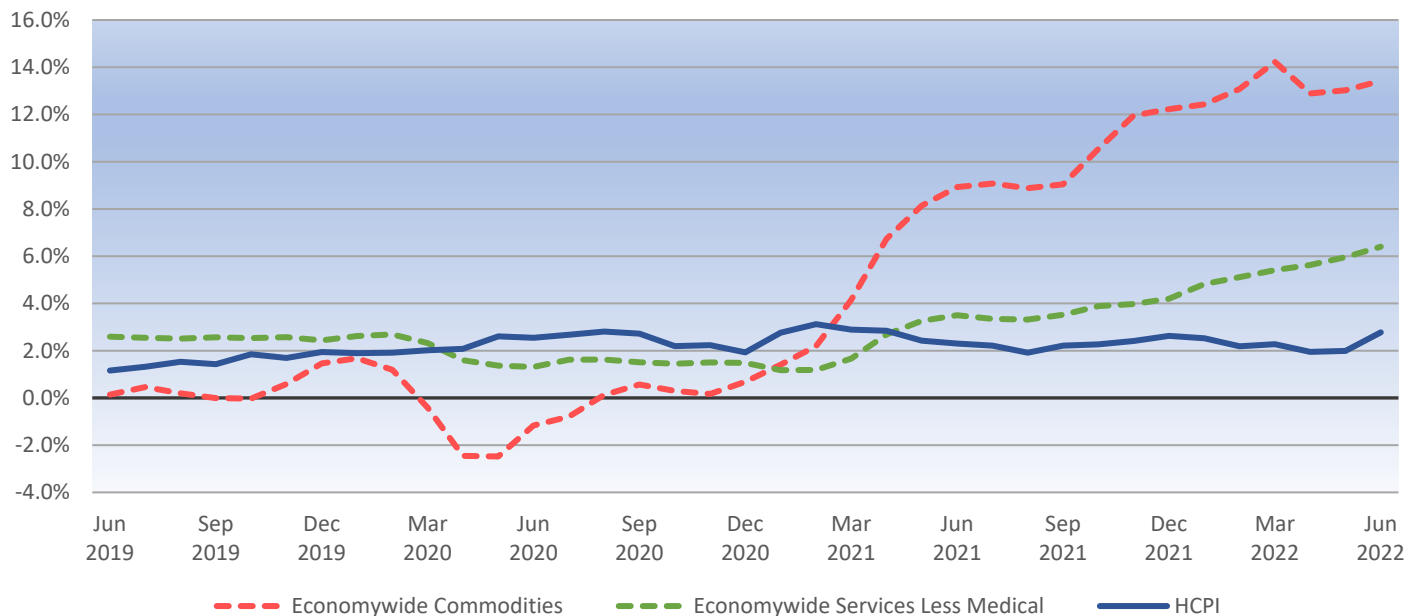
PRICE GROWTH BY DETAILED CATEGORIES

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

	Ending June 2020	Ending June 2021	Ending June 2022
Health Care Price Index (HCPI)	2.7%	2.3%	2.8%
Hospital care	3.4%	2.9%	3.5%
Physician and clinical services	1.2%	3.3%	0.5%
Prescription drugs	2.0%	-2.5%	2.5%
Nursing home care	4.8%	1.3%	1.8%
Dental Services	3.2%	1.2%	4.7%
Home health care	3.7%	1.6%	2.2%
Other professional services	1.3%	2.3%	4.7%
Other personal health care	2.9%	5.5%	3.9%
Other nondurable medical products	-1.0%	-0.5%	4.7%
Durable medical equipment	-0.5%	-3.3%	4.5%

Source: Altarum analysis of monthly BLS data.

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

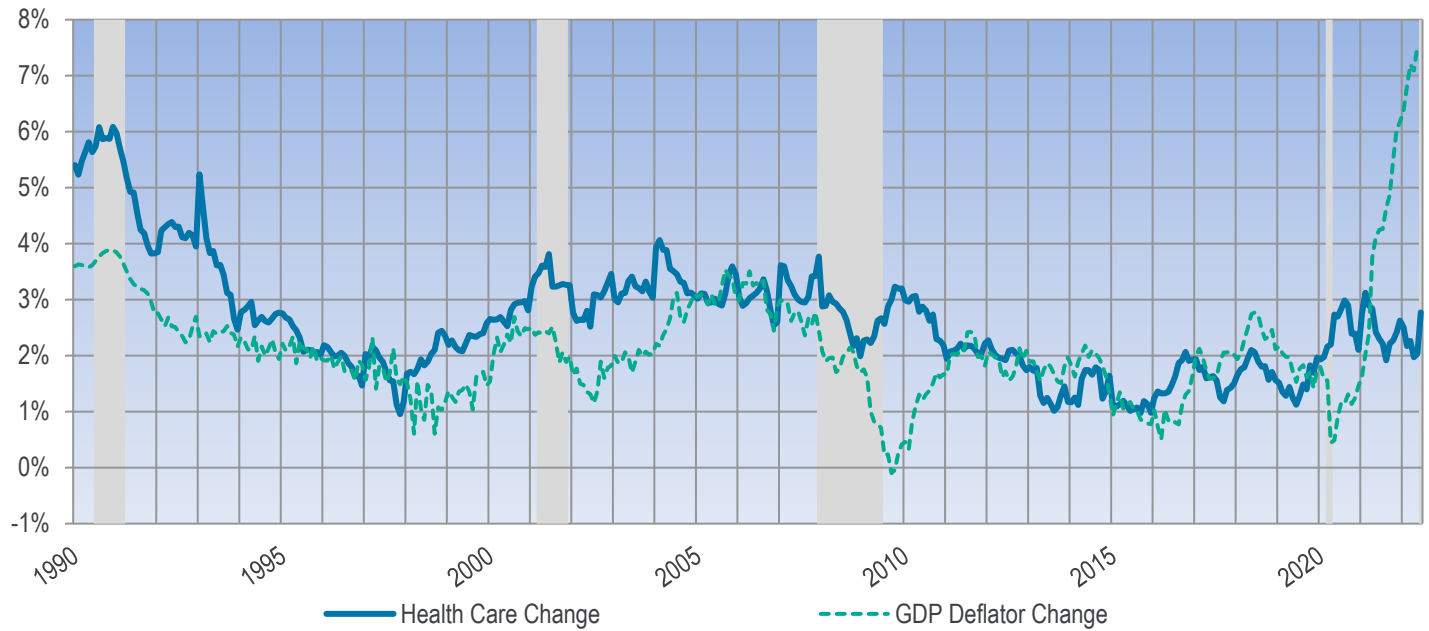


Methods. Altarum’s estimates for the monthly HCPI, a price index for personal health care spending within the National Health Expenditure Accounts, are essentially monthly versions of the annual index developed by the CMS National Health Statistics Group (NHSG). The advantages of this measure over the 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 19th, 2021)

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

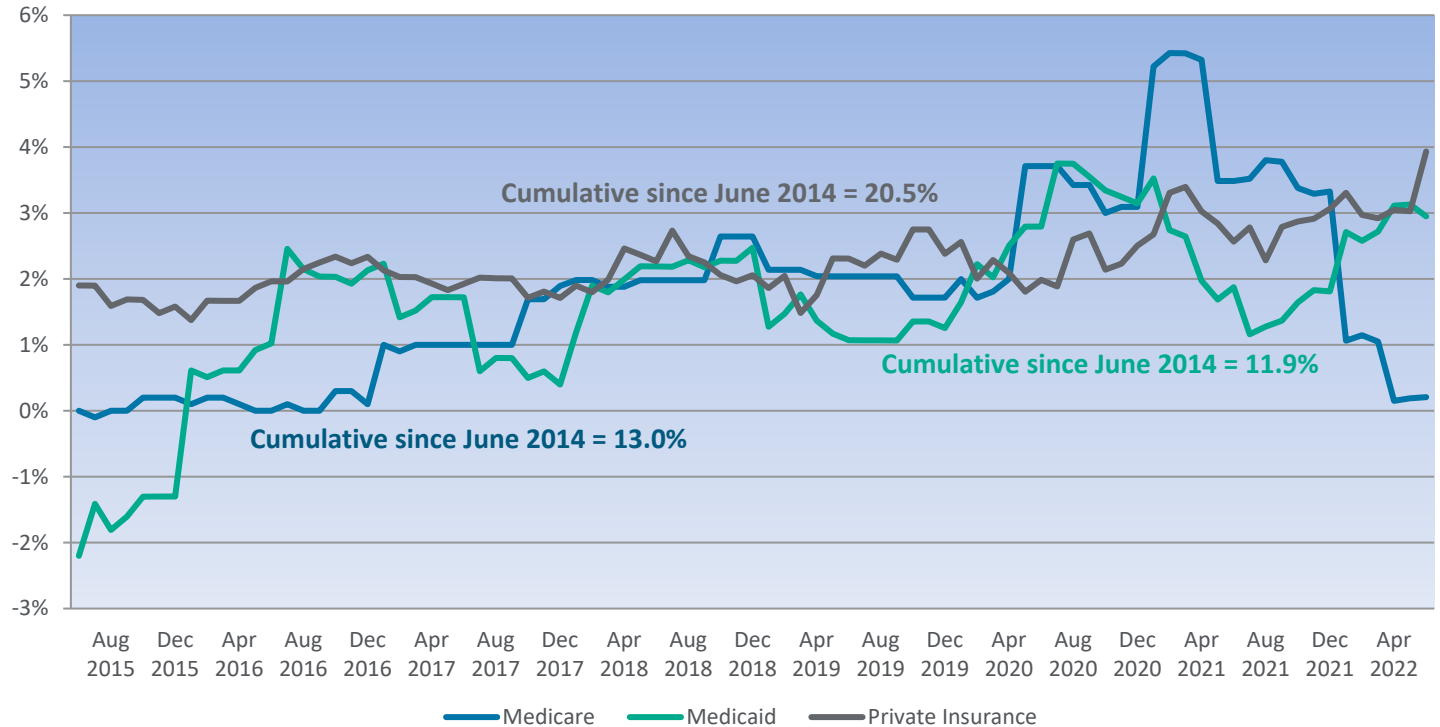
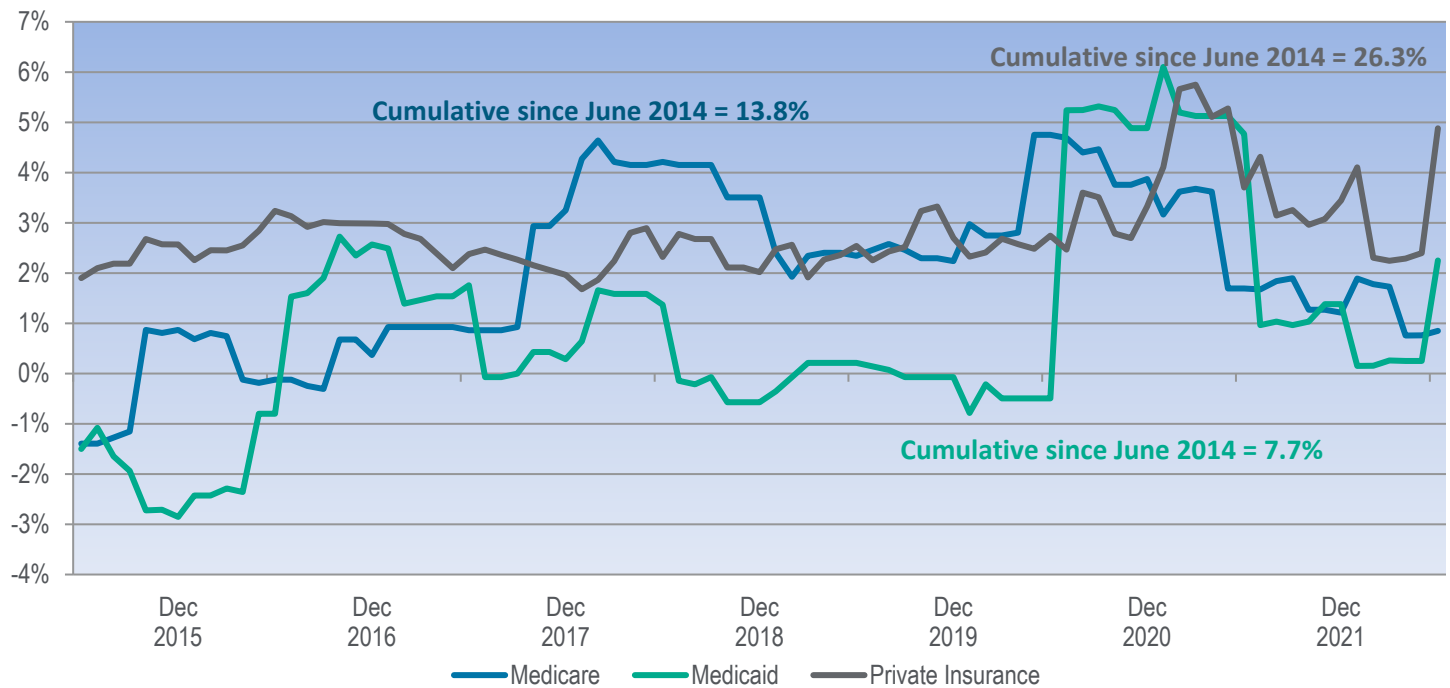




Exhibit 7. Year-over-Year Change in Hospital Services Price Growth, by Payer



Source: Altarum analysis of monthly BLS data.

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

	May 2022	3-Month Moving Average	12-Month Moving Average
Total health care	2.4%	2.1%	2.6%
Hospital care	1.6%	2.3%	3.2%
Physician and clinical services	4.3%	3.5%	3.1%
Prescription drugs	5.7%	5.1%	6.7%
Nursing home care	4.6%	4.8%	2.4%
Dental Services	4.6%	3.0%	9.2%
Home health care	-0.5%	-0.8%	-1.0%
Other professional services	-2.9%	-1.9%	3.3%
Other personal health care	-1.7%	-3.0%	-5.5%
Other nondurable medical products	2.3%	0.2%	2.3%
Durable medical equipment	5.0%	2.1%	1.5%

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.