

Medical care inflation rising as consumer sentiment hits historic low

In June 2022, US inflation **reached** its highest rate in four decades, with energy and food price increases leading the way. In the graphic below, we use Bureau of Labor Statistics **data** to examine the extent to which this post-pandemic price spike has impacted healthcare. After experiencing above-average inflation, the 12-month inflation rate for medical care (which includes both medical services and medical commodities) began falling in July 2020, just as overall inflation started its recent climb. However, **after bottoming out last summer, medical care prices have risen in tandem with all goods**. In other words, **healthcare inflation lagged economy-wide inflation by a year, but is now catching up**. Rising prices across the board have had a significant effect on the psyche of the American public, with at least **one measure of consumer sentiment reaching a historic low earlier this summer**. Americans are worried about medical expenses specifically: according to a recent **survey, four of consumers' top seven affordability concerns are healthcare-related**. With inflation pinching everyone's wallets, and medical care prices no longer an exception to the rising tide, **health systems should expect care deferrals to continue as consumers prioritize their reduced spending power on household necessities instead of healthcare**.

Healthcare Inflation is Catching Up to Economy-Wide Inflation

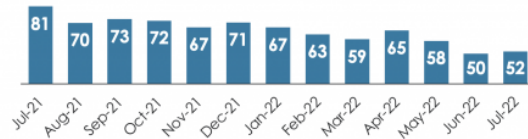
Rising Costs, Dwindling Consumer Confidence May Lead to Care Deferrals

12-Month Percent Change In Prices¹, Monthly by Sector



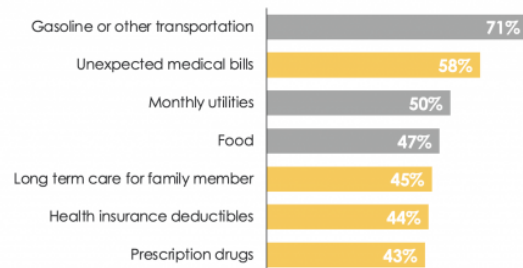
1. Bureau of Labor Statistics consumer price index for all urban consumers, seasonally adjusted.
 2. Out-of-pocket spending on medical care, defined by the Bureau of Labor Statistics as 62% medical services (professional services, hospital services, health insurance) and 38% medical commodities (medical drugs, medical equipment and supplies).
 3. Combines surveys on current economic conditions and consumer expectations.

US Consumer Sentiment Index³, Last Twelve Months



Top Seven Things Households Worry About Affording

n = 1,243; Mar. 2022



Source: Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers," Aug. 2022; University of Michigan, "Surveys of Consumers," Aug. 2022; Montero, et al., "Americans' Challenges with Health Care Costs," Kaiser Family Foundation, 14 Jul. 2022; Gist Healthcare analysis.