

US Healthcare Costs Annual Growth Rates Show Broad Based Increases in December 2011, According to the S&P Healthcare Economic Indices

PR Newswire
NEW YORK

NEW YORK, Feb. 16, 2012 /PRNewswire/ -- S&P Indices today announced the results of its S&P Economic Healthcare Indices for the year ending December 2011. Across the board, healthcare costs as measured by annual rates of change went up in the last month of the year. The S&P Healthcare Economic Composite Index indicates that the average per capita cost of healthcare services covered by commercial insurance and Medicare programs increased by 5.28% over the 12-months ending December 2011. This was an increase from the +4.85% annual growth rate posted for November 2011.

As measured by the S&P Healthcare Economic Commercial Index, healthcare costs covered by commercial insurance plans increased by 7.11% over the year ending December 2011, moving up from the +6.63% reported for November. Growth rates in Medicare claim costs rose by 2.51%, as measured by the S&P Healthcare Economic Medicare Index, up from the 2.15% reported for November. The broad Hospital and Professional Services Indices annual growth rates also posted increases from their November 2011 rates; they increased 4.99% and 5.34%, respectively, from their December 2010 levels. These are above the +4.69% and +4.76% respective annual rates posted in November 2011.

Looking at the narrower sub-indices, the Professional Services Medicare Index rose from its recent low of +3.42% in the year ending November 2011 to +3.72% in December. The Hospital Medicare Index increased to +1.50% in December, from its +1.09% November annual rate. The Professional Services Commercial Index went up to +6.09% in December from +5.38% in November; and the Hospital Commercial Index increased to +7.95% in December from +7.75% in the previous month.

"After November's deceleration, healthcare costs annual growth rates bounced back in December," says David M. Blitzer, Chairman of the Index Committee at S&P Indices. "Since the end of the summer we have generally seen increasing annual growth rates, particularly with healthcare costs covered by commercial plans. Last month's data, which was through November 2011, showed a modest deceleration; however, December's data has returned to the accelerated pace and this time it affected all types of healthcare costs.

"In December, the Composite Index posted an annual rate of +5.28%, the Commercial Index +7.11% and the Medicare Index +2.51%. All three were up from their respective November annual growth rates. December's increase in healthcare costs was also seen in our Professional Services and Hospital indices. But the steepest increase, 0.71 percentage points, was in the Professional Services Commercial Index; while the smallest increase, 0.20 percentage points, was in the Hospital Commercial Index.

"Looking back over the past three years, while there were differences across types of coverage, we generally witnessed the annual rates of change in healthcare costs accelerating from the beginning of 2009 and peaking around May of 2010. For the next year or so, through the first half of 2011 the trends were more towards deceleration, with annual growth rates generally reaching their recent lows in the summer of 2011. Since then, growth rates started to once again accelerate, most notably for hospital costs and those covered by commercial insurance plans. In fact, our Hospital Commercial Index stands out as the one whose annual growth rate, +7.95%, is back to its May 2010 rate. We appear to be entering 2012 witnessing a renewed acceleration in healthcare costs."

The S&P Healthcare Economic Indices estimate the per capita change in revenues accrued each month by hospital and professional services facilities for services provided to patients covered under traditional Medicare and commercial health insurance programs in the U.S. The annual growth rates are determined by calculating a percent change of the 12-month moving averages of the monthly index levels versus the same month of the prior year.

The S&P Healthcare Economic Composite Index is a weighted average of the S&P Healthcare Economic Commercial Index and the S&P Healthcare Economic Medicare Index. Alternatively, it is a weighted average of the S&P Healthcare Economic Hospital Index and the S&P Healthcare Economic Professional Services Index, as each of these indices has the analogous Commercial and Medicare component.

The table below summarizes the year-over-year change in the S&P Healthcare Economic Indices for the 12-month period ending December 2011. With each monthly release, the index levels, including the 12-month moving averages, are recalculated for the full history of the indices, whenever there are revisions to underlying data used in the models. The entire revised history, as well as full results for the underlying S&P Healthcare Economic Indices, is available from S&P Indices as a subscription service.

**S&P Healthcare Economic Indices
(12-Month Moving Average)**

Index	1-Year Change (%)
S&P Healthcare Economic Composite Index	5.28%
S&P Healthcare Economic Medicare Index	2.51%
S&P Healthcare Economic Commercial Index	7.11%
S&P Healthcare Economic Hospital Index	4.99%
S&P Healthcare Economic Hospital Medicare Index	1.50%
S&P Healthcare Economic Hospital Commercial Index	7.95%
S&P Healthcare Economic Professional Services Index	5.34%
S&P Healthcare Economic Professional Services Medicare Index	3.72%
S&P Healthcare Economic Professional Services Commercial Index	6.09%

Source: S&P Indices

Data through December 2011

The S&P Healthcare Economic Indices were developed in consultation with Health Index Advisors, a joint venture between Aon Hewitt and Milliman, Inc., and were derived from the former Milliman, Inc. Health Cost Index™ which was first published in 1987. The complete methodology, fact sheet and supporting research for the S&P Healthcare Economic Indices are available at www.healthcareindices.standardandpoors.com. A whitepaper introducing the S&P Healthcare Economic Indices has been published by S&P Indices and can be accessed at <http://bit.ly/hhTvLb>.

About S&P Indices

S&P Indices, a leading brand of the McGraw-Hill Companies (NYSE:MHP), maintains a wide variety of investable and benchmark indices to meet an array of investor needs. Over \$1.45 trillion is directly indexed to our indices, which includes the S&P 500, the world's most followed stock market index, the S&P/Case-Shiller Home Price Indices, the leading measure of U.S. home prices, the S&P Global BMI, an index with approximately 11,000 constituents, the S&P GSCI, the industry's most closely watched commodities index, and the S&P National AMT-Free Municipal Bond Index, the premier investable index for U.S. municipal bonds. For more information, please visit: www.standardandpoors.com/indices.

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