Healthcare Expenditures for Commercial Plans up 3.2% in the Year to August 2013: S&P Healthcare Claims Indices

- Total U.S. Medical Costs Rising at a Slower Pace
- Expenditures on Hospitalization and Professional Services rose faster than Prescription drugs
- Data based on actual health insurance claims expenditures in commercial plans nationally

NEW YORK, Jan. 9, 2014 /PRNewswire/ -- S&P Dow Jones Indices, a leading global provider of financial market indices, announced today the results of the S&P Healthcare Claims Indices showing total medical costs rose 3.2% in the 12 months ended August 2013 compared to the 4.8% rise for the 12 months ended August 2012. Medical costs - inpatient and outpatient hospitalization plus professional services - rose 3.7% and prescription drugs rose 0.9% over the same period. All rose less than a year earlier.

The S&P Healthcare Claim Indices are based on actual claims data obtained from 33 leading health insurance companies and other healthcare data providers covering approximately 60 million commercially insured Americans across all 50 States.

The data released today for the S&P Healthcare Claim Cost Indices compare the 12 month period ended August 2013 to the 12 month period ending August 2012, the calculation of expenditure changes commonly used for health care analyses.

Among the key components of medical costs, inpatient fee for service rose 4.2% compared to 4.4% in the earlier period while outpatient fee for service costs rose 5.7% compared to 7.9% in the earlier period. Prescription drugs expenditures were up 0.9% versus 2.9% in the 12 months ended August 2012. These figures, which represent the most current data available, are based on expenditures incurred in the 12 months ended August 2013. Due to standard industry lags in invoicing claims and resolving disputed charges, it is not possible for the indices to be calculated without a lag.

"The S&P Healthcare Claim Indices show health care expenditures rose less in the most recent period. This confirms other reports that the supposedly inexorable rise in health care costs is moderating," says David Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices. "While the slower cost increases are most welcome, there is debate over the cause. For some categories there is sufficient detail to examine price and usage separately. For instance, in inpatient fee for service, one area showing relatively stable cost increases, the indices show that declining usage is contributing to the slowdown while unit costs rise at about 6% annually.

"One often cited source of moderation is the growth of generic pharmaceuticals which compete with their branded counterparts on price. Among branded prescription drugs, prices continue to climb at more than 15% annually. Apparently the purveyors of branded pharmaceuticals chose to respond to price competition by increasing prices to offset declining usage. Compared to the branded where usage is dropping by 15% annually, generics see consistent increases.

"It is too soon to credit the slower cost increases to Obamacare, going forward the indices will show whether the slowing of cost growth continues."

The table below summarizes key changes in health care costs in the twelve periods ended in August 2013 and August 2012. These figures show expenditures and utilization per insured plan member and unit costs defined as expenditure divided by utilization. The indices reflect the expenditure or utilization per plan member per month, in effect the per capita expenditure and usage for individuals covered by commercially available health insurance programs.

Change in Expenditures, Unit Cost and Utilization
per Insured Plan Member for Selected Cost Categories

	12 Months Ended Aug 2013	12 Months Ended Aug 2012
Expenditures		
Total Medical Cost	3.2%	4.8%
Medical Cost	3.7%	5.3%
Prescription Drugs	0.9%	2.9%

Inpatient and Outpatient Compared

Inpatient Cost	4.2%	4.4%
Outpatient Cost	5.7%	7.9%
Branded and Generic Pharmaceuticals Compared		
Branded Cost	-2.0%	1.0%
Branded Unit Cost	15.9%	14.8%
Branded Utilization	-15.6%	-11.9%
Generic Cost	9.8%	9.0%
Generic Unit Cost	1.0%	2.4%
Generic Utilization	8.9%	6.3%

Source: S&P Healthcare Claims Indices

The S&P Healthcare Claims Indices are a series of indices providing data on the cost, utilization and unit costs of healthcare services covering inpatient and outpatient services and prescription pharmaceuticals. The expenditure and utilization measures cover inpatient and outpatient care, and generic and branded prescription pharmaceuticals. The indices are calculated for four lines of business: large insured plans, small insured plans, individual plans, and Administrative Services Only (ASO) plans.

The data used to calculate the indices are provided by several large data providers and leading health insurance plans and covers approximately 40% of the total commercially enrolled private Fee-for-Service (FFS) U.S. healthcare insurance market.

The development of the S&P Healthcare Claims Indices is the result of collaboration between S&P Dow Jones Indices and Health Index Advisors LLC (HIA), a joint venture between Aon Consulting, Inc. and Milliman, Inc. HIA's primary role is to provide healthcare consultation to S&P Dow Jones Indices in relation to the indices. S&P DJI also obtains advice and assistance from an advisory panel composed of the senior actuaries of several leading health insurance plans contributing data to the indices.

The S&P Healthcare Claim Indices are published on a monthly basis, with a press release published quarterly. An annual schedule of index release dates, as well as a methodology document and FAQ on the S&P Healthcare Claim Indices, is published to www.healthcare.spdji.com. History of the indices dates back toMarch 2008.

For more information, please visit:www.spdji.com.

About S&P Dow Jones Indices
S&P Dow Jones Indices LLC, a part of McGraw Hill Financial, is the world's largest, global resource for index-based concepts, data and research. Home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average™, S&P Dow Jones Indices LLC has over 115 years of experience constructing innovative and transparent solutions that fulfill the needs of investors. More assets are invested in products based upon our indices than any other provider in the world. With over 830,000 indices covering a wide range of asset classes across the globe, S&P Dow Jones Indices LLC defines the way investors measure and trade the markets. To learn more about our company, please visit www.spdji.com.

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https://press.spglobal.com/2014-01-09-Healthcare-Expenditures-for-Commercial-Plans-up-3-2-in-the-Year-to-August-2013-S-P-Healthcare-Claims-Indices