

# US Healthcare Costs Rise 6.70% Over the 12-Months Ending October 2010

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NEW YORK, Dec. 16, 2010 /PRNewswire/ -- Data released today by Standard & Poor's for the S&P Healthcare Economic Composite Index indicates that the average per capita cost of healthcare services covered by commercial insurance and Medicare programs rose 6.70% over the 12-months ending October 2010. This is a deceleration from the 7.08% reported for the 12-months ending in September 2010.

Claim costs associated with hospital and professional services for patients covered under commercial health plans rose 8.21% over the year ending in October, as measured by the S&P Healthcare Economic Commercial Index. Looking at the S&P Healthcare Economic Medicare Index, Medicare claim costs for services rendered by hospitals and physicians rose at roughly half that growth rate, up 4.18%. This is the lowest annual growth rate for Medicare claims costs since January 2008, when it was +4.02%. These two indices both saw growth deceleration versus their September reports of 8.53% and 4.68%, respectively.

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 annual growth rate of Medicare and commercial insurance costs has slowed significantly in the last five months and substantially dropped in the month of October," says David M. Blitzer, Chairman of the Index Committee at Standard & Poor's. "In the 12 months ended in October, the composite index rose 6.70%, which is 1.7 percentage points less than our recorded peak of 8.40% in May 2010. Expenditures associated with commercial health insurance plans continue to significantly outpace expenditures for Medicare; the commercial increase over the 12 months to October was 8.21% vs. 4.18% for Medicare.

"We are seeing two patterns in these data. The first is the large and growing difference between commercial and Medicare annual growth rates, and the second is the across-the-board deceleration in these rates in 2010. Since May, 2010, most of the indices annual growth rates have declined month-to-month. Indeed, the slowdown in annual expenditure growth continued with this release. Comparing the 12-months-to-October with the 12-months-to-September, the Hospital Medicare Index showed the most moderation in costs, up 3.33% versus +3.96% reported for September; while the Professional Services Medicare Index showed the slightest decrease in the growth of expenditures, up 5.13% versus +5.41% in September. Both the Hospital and Professional Services Commercial Indices annual rates decelerated by about 0.3% in October."

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 October 2010. 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, are available from Standard & Poor's as a subscription service.

<b>Index</b>	<b>S&amp;P Healthcare Economic Indices (12-Month Moving Average)</b>	<b>1-Year Change (%)</b>
S&P Healthcare Economic Composite Index		6.70%
S&P Healthcare Economic Commercial Index		8.21%
S&P Healthcare Economic Medicare Index		4.18%
S&P Healthcare Economic Hospital Index		6.68%
S&P Healthcare Economic Hospital Medicare Index		3.33%
S&P Healthcare Economic Hospital Commercial Index		9.30%
S&P Healthcare Economic Professional Services Index		6.51%
S&P Healthcare Economic Professional Services Medicare Index		5.13%
S&P Healthcare Economic Professional Services Commercial Index		7.09%

*Source: Standard & Poor's  
Data through October 2010*

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](http://www.healthcareindices.standardandpoors.com). A whitepaper introducing the S&P Healthcare Economic Indices has been published by Standard & Poor's and can be accessed here <http://bit.ly/drlgL2>.

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