

HEALTHCARE SPENDING INDEX FOR PRIVATE INSURANCE

July 2011

2011 Q1 FINDINGS

The Thomson Reuters Healthcare Spending Index for Private Insurance (HSI-PI) rose in 2011 Q1, reaching 165 versus 159 in 2010 Q1. The rate of inflation slowed, however, with overall annual inflation estimated at 3.8 percent in 2011 Q1 versus 6.3 percent inflation for the 12-month period ending in 2010 Q1.

INDEX TRENDS

Hospital (facility) per capita spending has shown the most rapid increases of all subcomponent indexes over the period 2002-2011 Q1, with an index value of 182 in 2011 Q1. In 2004, increases in prescription drug spending matched those for hospital care, but have slowed steadily since then, resulting in a value of 145 in 2011 Q1, the smallest of the components being tracked. The long-term increase in per capita spending on physician (professional) care was less than that for total spending, with an index value of 159 in 2011 Q1 (see Figure 1).

FIGURE 1: Thomson Reuters Healthcare Spending Index for Private Insurance

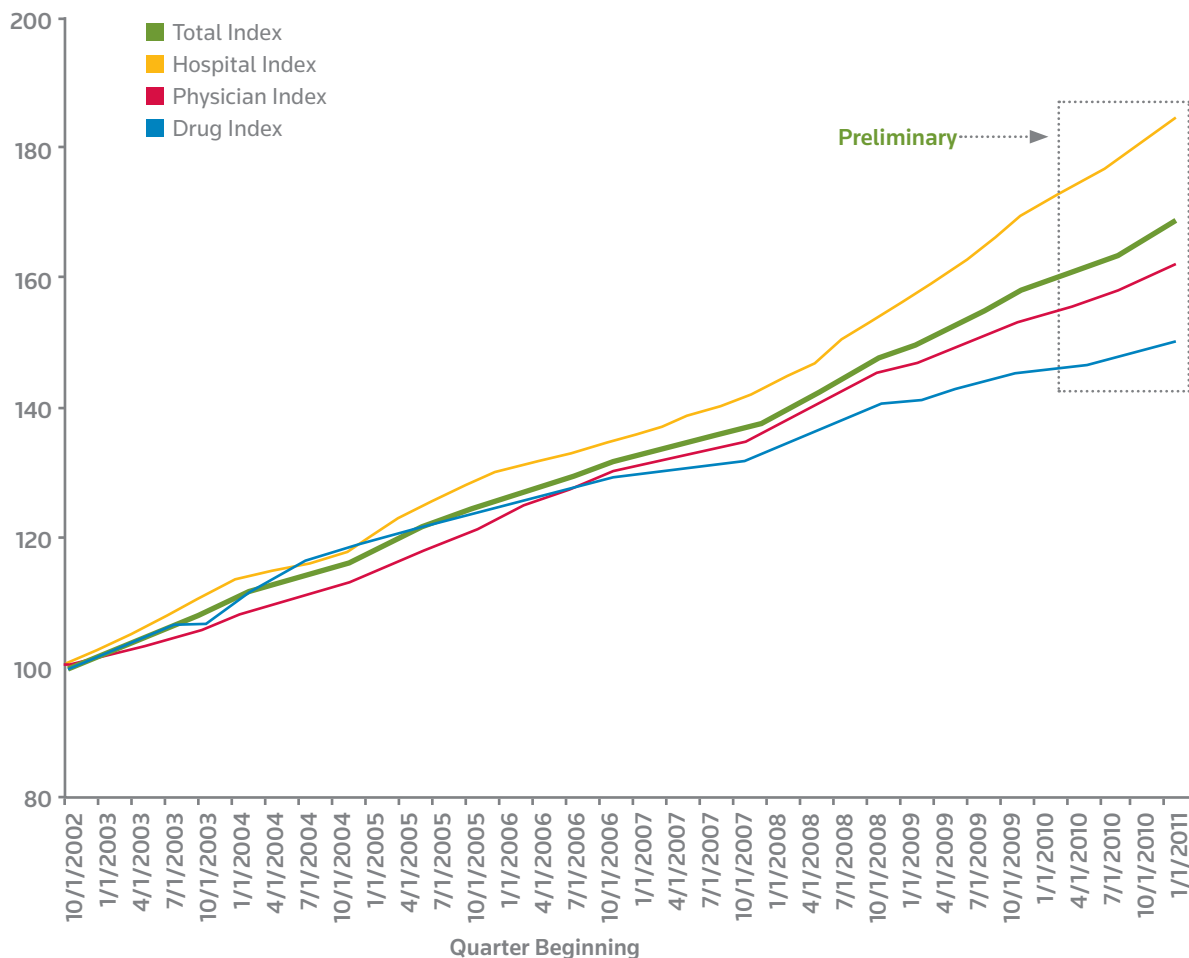


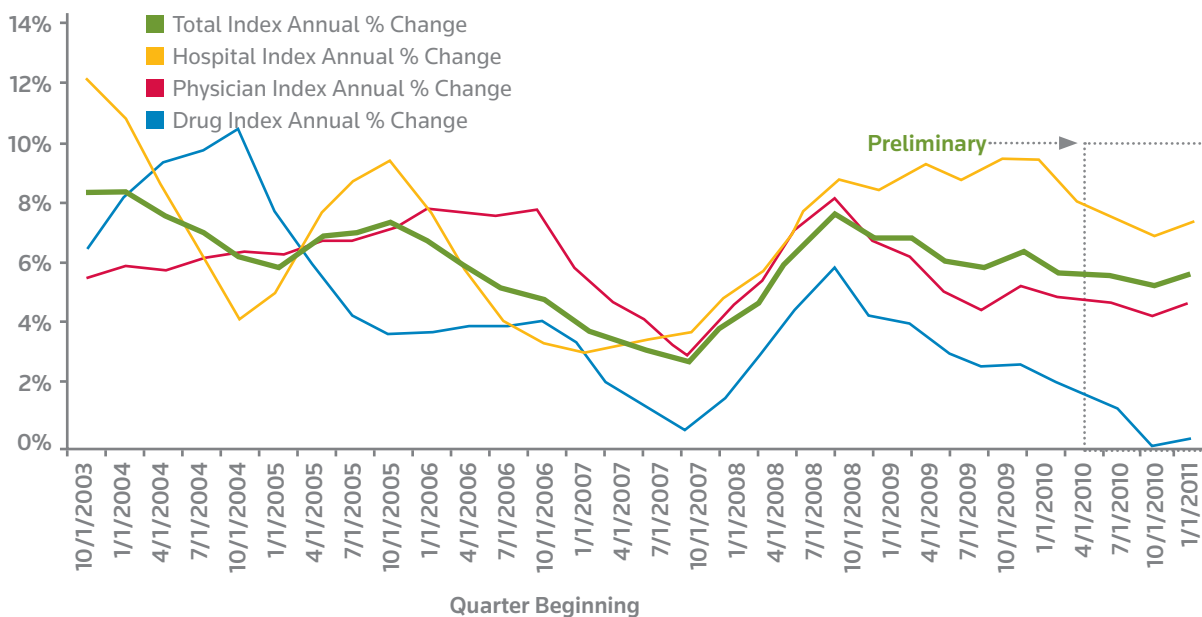
Table 1 contains preliminary values of the *HSI-PI* for 2011 Q1, as well as annual and quarterly rates of inflation.

TABLE 1: Thomson Reuters Healthcare Spending Index for Private Insurance: 2011 Q1¹

SPENDING CATEGORY	2010 Q1 INDEX	2010 Q4 PRELIMINARY INDEX	2011 Q1 PRELIMINARY INDEX	ANNUAL % CHANGE	QUARTERLY % CHANGE
Total	159	163	165	3.8%	1.3%
Hospital	171	178	182	5.9%	1.9%
Physician	154	157	159	3.2%	1.1%
Drug	145	145	145	-0.1%	0.3%

Annual changes in the *HSI-PI* can be used to estimate per capita healthcare spending inflation. Per capita spending inflation for prescription drugs was the most rapidly increasing index in our series around 2004. Since then, the rate of increase has fallen, with the result that prescription drug annual spending inflation is the lowest of the components we are tracking in 2011 Q1 (-0.1 percent, see Figure 2). In contrast, hospital per capita spending has increased at the most rapid rate since mid-2007, with an annual inflation rate of 5.9 percent in 2011 Q1. Overall, we estimate the per capita healthcare spending for those covered by private insurance is increasing at a rate of 3.8 percent annually for the 12-month period ending 2011 Q1.

FIGURE 2: Annual Rate of Change in the Thomson Reuters Healthcare Spending Index for Private Insurance



BACKGROUND

The *Thomson Reuters Healthcare Spending Index for Private Insurance (HSI-PI)* measures historical and current levels of per capita spending on healthcare for individuals with private health insurance. The *HSI-PI* estimates are based on data from the *Thomson Reuters MarketScan® Databases*, a large dataset containing paid claims for inpatient and outpatient services, as well as outpatient prescription drugs. In 2010, claims payment information from just over 12 million employees and dependents was used to compute the index. The current release of the *HSI-PI* is confined to self-insured employers offering healthcare coverage to employees and dependents. Only nonelderly individuals and those with noncapitated health insurance coverage are included in the dataset used to compute the *HSI-PI*. We estimate that in 2009, this segment of the privately insured population represented roughly 25 percent of the total U.S. population.

The *HSI-PI* is released quarterly, approximately 90 days after the end of the quarter in which healthcare services were used. The leading four quarters of estimates are preliminary and are subject to revision in subsequent quarterly releases of the index. Additional information about the methodology used for the *HSI-PI* can be found elsewhere.²

The *HSI-PI* is reported at several levels. Total, hospital (facility), physician (professional), and drug per capita spending levels are reported quarterly; out-of-pocket spending by consumers also will be tracked annually.³ The index measures levels of annual per capita spending on a rolling four-quarter basis. The base of the index (value of 100) is set at 2002 Q4 for all reported components.

FOOTNOTES

¹ In this table, quarterly percent change refers to the quarter-over-quarter percent change in rolling four-quarter per capita spending. Annual percent change refers to the year-over-year percent change in rolling four-quarter per capita spending.

² For additional information on methodology used for the *Thomson Reuters HSI-PI*, see http://healthcarescience.thomsonreuters.com/indexes/assets/HPAYEMP10119145HSI-PIWP_web.pdf

³ References to “hospital” spending are technically spending on facility types of healthcare providers, predominantly hospitals. Similarly, “physician” spending is reimbursement to professional providers, mostly physicians, but also other nonphysician licensed professionals, such as physical therapists, nurse practitioners or physician assistants, and other nonfacility suppliers.

FOR MORE INFORMATION

Visit healthcarescience.thomsonreuters.com/indexes/ to read the details of our findings each quarter. Additional analyses by demographic characteristics, geography, or specific healthcare segments can be developed as custom datasets. To request information, contact:

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