

Health Care Indicators

Employment and Price Indicators for the Health Care Industry through 4th Quarter 2006

This report presents highlights from statistics on health care utilization, prices, expenses, employment, and work hours, as well as national economic activity, with brief analysis of these economic indicators. These statistics provide an indication of changes occurring in the health care sector and within the general economy. All chart data are produced by the Bureau of Labor Statistics (BLS), unless otherwise noted. *Please also note that all percent changes are calculated from the same quarter of the previous year, unless otherwise indicated.*

Data in this release is based on the most current data available as published by the original data sources. Therefore, historical data that appeared in prior issues of the health care indicators may differ from that in this issue due to these periodic revisions.

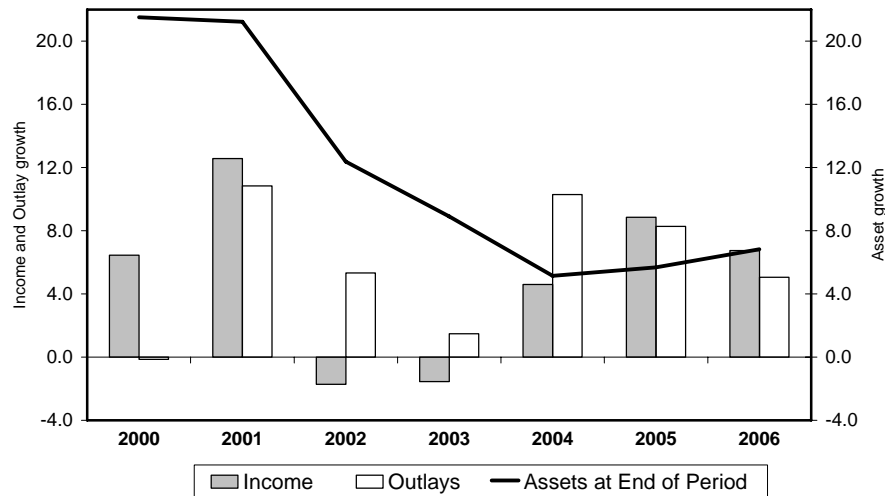
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Key Highlights

- The Trustees project that, under current financing arrangements, growing deficits will exhaust the Hospital Insurance (HI) trust fund reserves by 2019.
- Health care accounted for 13.5 percent of total private non-farm job growth in 2006, although it accounted for only 11% of total private non-farm employment.
- In the 4th quarter of 2006, health care workers earned \$19.03 per hour on average, \$2.00 more than all private sector employees.
- Medical care *commodity* prices rose rapidly in the first three quarters of 2006 (averaging 3.8%), but decelerated sharply in the 4th quarter to 2.5 percent, in large part due to prescription drug price growth.
- The Consumer Price Index (CPI) for Hospital Services accelerated from 5.8 percent in the 1st quarter to 6.7 percent in the 2nd quarter to 7.1 percent in the 3rd quarter, marking a peak in growth since the most recent low of 5.0 percent in 2005:Q3.
- Since early 2002, new job growth in the home health industry has substantially outpaced the growth in health care service employment.
- Growth in earnings for Continuing Care Retirement Community workers accelerated in the first three quarters to a recent high of 6.6 percent in 2006:Q3.
- Growth in both consumer and producer prices for prescription drugs plummeted in second half of 2006, mainly due to the price cuts in the generic side of the market.

Medicare Trust Fund Operations

**Medicare Hospital Insurance (HI) Trust Fund, Percent Change in
Income, Outlays, and Assets from the Same Period of the Previous
Year: 2000-2006**



SOURCE: U.S. Treasury, *Monthly Treasury Statement*, Washington, D.C., January 2000-December 2006.

Despite a quarterly deceleration in growth for Medicare HI (or Part A) trust fund income, HI asset growth rebounded in 2006. In 2006:Q1, HI income grew 12.5 percent over the 1st quarter of 2006, then slowed to 8.5 percent in 2006:Q2, 3.8 percent in 2006:Q3, and 2.4 percent in 2006:Q4 (Table 1). Growth in HI outlays, however, fluctuated more strongly on a quarterly basis, growing 15.8 percent in 2006:Q1, 2.9 percent in 2006:Q2, declining 12.6 percent in 2006:Q3, and rebounding to 16.3 percent in 2006:Q4. These fluctuations can be attributed to the timing of managed care payments². By the end of 2006, HI income stood at \$213.7 billion, while HI outlays comprised \$194.1 billion. There were \$306.7 billion in assets in the HI trust fund at the end of 2006.

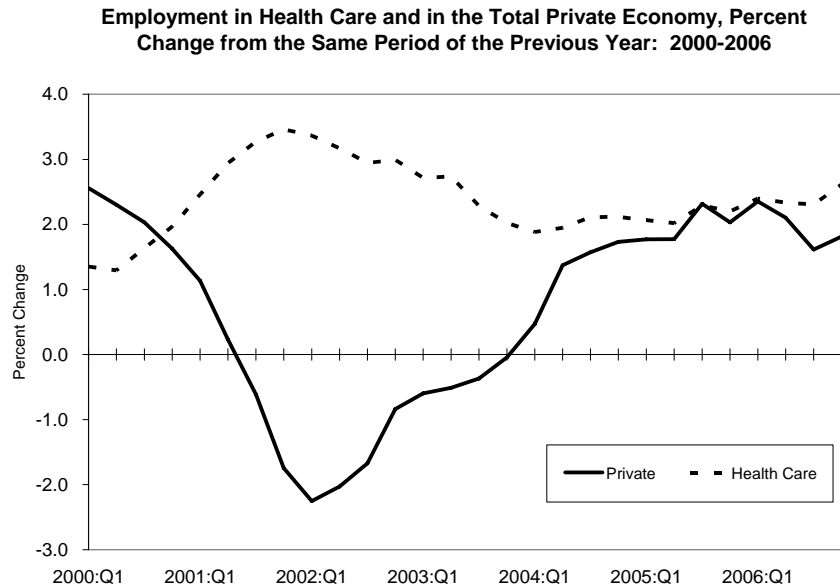
According to the 2007 Annual Report of the Board of Trustees, expenditures of Medicare's HI Trust Fund are projected to exceed taxes and other dedicated revenues in 2007. The Trustees project that, under current financing arrangements, growing deficits will exhaust HI trust fund reserves by 2019. For the second year in a row, Medicare expenditures are projected to surpass 45 percent of general revenues in the first seven years of the forecast. This finding triggers the legislatively-mandated "Medicare Funding Warning," which requires the President and Congress to propose legislative action that would address this issue in the next federal budget cycle. In addition, the Trustees state that, given the current 75-year outlook, the Medicare Supplementary Medical Insurance (SMI, or Part B) Trust Fund will also require substantial increases in both general revenue financing and beneficiary premium charges.

² When funds transfers took place it influences which quarter an outlay was made and affected the quarterly growth rates.

Health Care Industries

Employment

Health care services added 297,000 jobs to payrolls in 2006. The growth in health care employment was 2.4 percent and outpaced the employment growth in the private non-farm economy, which grew by 2.0 percent. While employment growth in the total private economy decelerated through the first three quarters of 2006, employment growth in health care accelerated

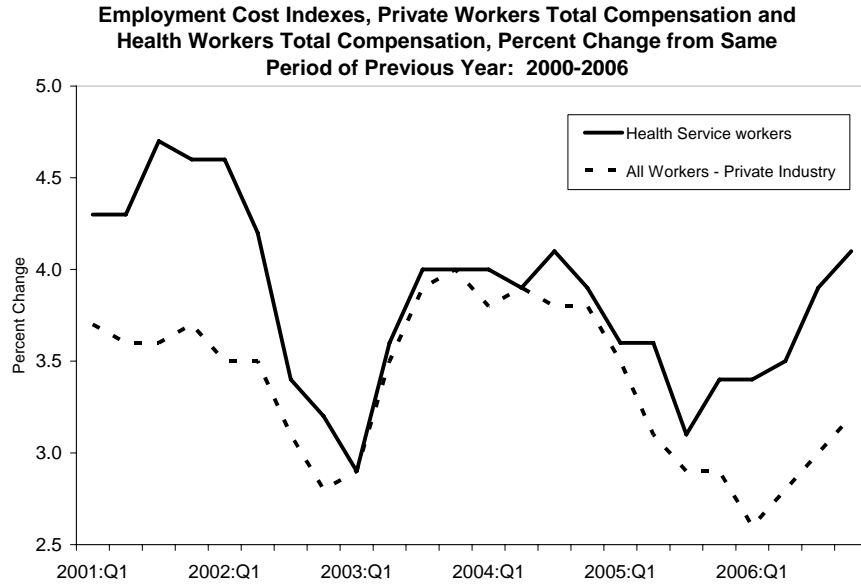


slightly. Within health care in 2006, ambulatory care services employment rose by 3.3 percent, private hospital employment rose 1.9 percent, and nursing and residential care facility employment grew 1.6 percent in 2006. Jobs in health care accounted for 13.5 percent of total private job growth in 2006, although it accounted for only 11% of total private non-farm employment.

The fastest growing health care industries, in terms of over-the-year employment growth, were home health care services, which rose 5.6 percent, and continuing care retirement communities, which grew 4.2 percent. Job growth in these two industries has outpaced those of other health care-related industries since 2002. This is the first year since 2002 that growth in home health care employment has outpaced employment growth in continuing care retirement communities. Though employment growth has been fastest within the home health and continuing care industries, the largest contributors to the number of new jobs in 2006 were private hospitals, adding 85,000 jobs to payrolls.

Non-Supervisory Hours and Earnings

Total compensation growth in private health and social assistance workers accelerated beginning in the 3rd quarter of 2005, and continued to drastically outpace growth in compensation for total private workers through the 4th quarter of 2006. In the 4th quarter of 2006, the Employment Cost Index (ECI) for health and social assistance workers grew 4.1 percent compared to 3.2 percent for the total private economy.

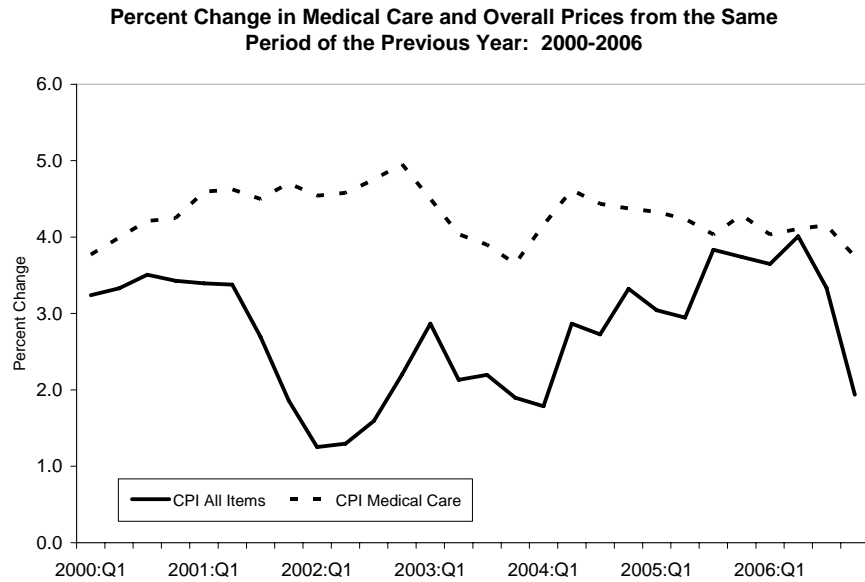


In the 4th quarter of 2006, health care workers earned \$19.03 per hour on average, \$2.00 more than total private sector nonfarm employees. Within the health care industry, the highest paid workers were in the private hospital industry (earning on average \$22.53 per hour) while the lowest paid workers were in the nursing and residential care facilities category (earning an average \$13.00 per hour). In 2006, average weekly hours for private health care workers (33.3 hours) were very similar to the average weekly hours for the total private sector (33.9 hours).

Prices

The CPI for medical care grew at a relatively stable rate (around 4.1 percent) through the 3rd quarter of 2006. In the 4th quarter, medical care price growth decelerated slightly, posting a 3.7 percent gain relative to the same quarter of the previous year. Medical care prices have historically grown faster than the prices for all items and that trend continued in

2006 when medical care *service* prices rose 4.1 percent, with prices for hospital and dental services growing faster than other components within health care services (Table 7). Medical care *commodity* prices rose rapidly in the first three quarters of 2006 (averaging 3.8%), but decelerated sharply in the 4th quarter to 2.5 percent. The main category contributing to the price growth slowdown was prescription drugs. Prescription drug prices rose just 2.9 percent in the 4th quarter, which was noticeably slower than the first three quarters' average growth of 4.8 percent.

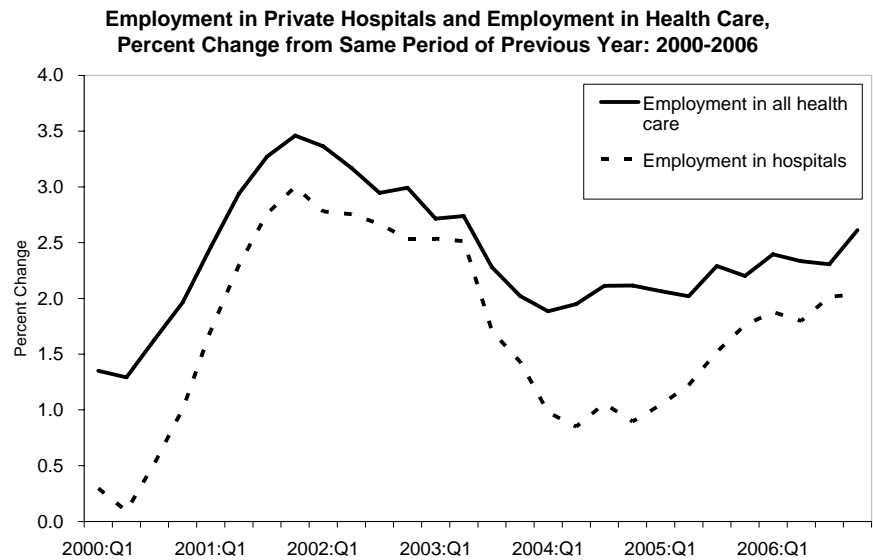


Hospitals

Employment & Earnings

Private Hospital employment growth accelerated slightly in 2006, ranging between 1.8 percent and 2.0 percent. This upward trend is also evident across employment in all health care sectors.

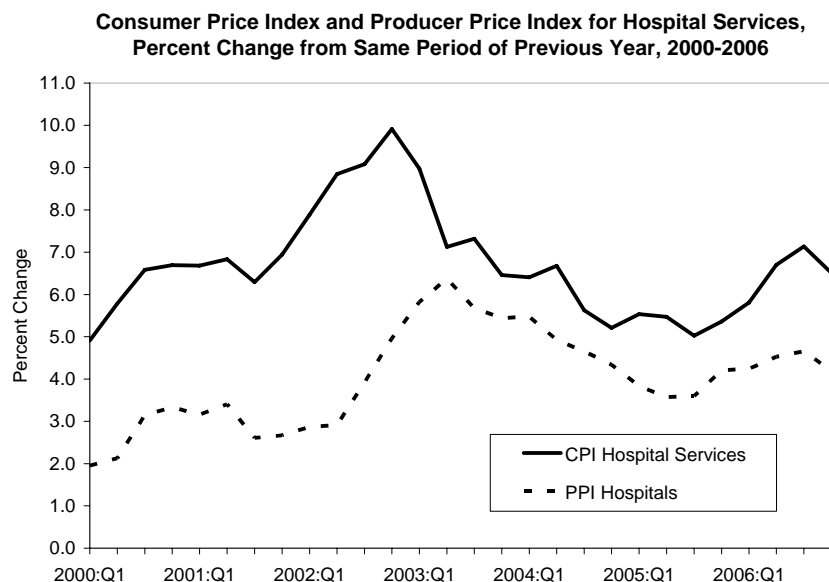
Growth in hourly earnings for private hospital workers decelerated in 2006. In 2006:Q1, growth stood at 4.9 percent, and then decelerated to 4.3 percent in 2006:Q2 and to 3.7 percent in 2006:Q3, the slowest growth in earnings exhibited since 2003:Q4. It then stabilized at 3.8 percent in 2006:Q4. Growth in hourly earnings for all health sectors remained essentially flat through 2006, remaining within the 4.0 to 4.5 percent range.



Prices

Hospital prices, as measured by the CPI, accelerated by 1.1 percentage points in 2006, most of which occurred in the first three quarters of the year. The CPI for Hospital Services accelerated from 5.8 percent in the 1st quarter, to 6.7 percent in the 2nd quarter, and to 7.1 percent in the 3rd quarter, marking a peak in growth since the most recent low of 5.0 percent in 2005:Q3. In the 4th quarter, however, growth in the CPI Hospital Services slowed to 6.5 percent. This slight reversal in trend could likely be attributed to some widely discussed drivers of hospital prices, such as the effects of competition and contract negotiations.

In addition, growth in the CPI Inpatient Services continues to exceed growth in the CPI Outpatient Services.



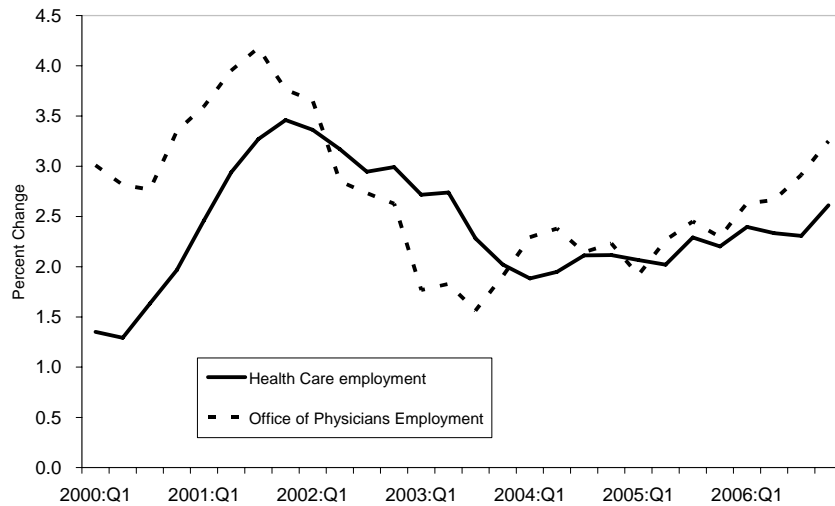
Hospital prices, as measured by the Producer Price Index (PPI), exhibited a similar, but more muted pattern of acceleration, growing to a peak of 4.7 percent in the 3rd quarter. Growth in the PPI Hospital also slowed in the 4th quarter, to 4.2 percent. The peak in the third calendar quarter in the PPI series is likely attributed to the Medicare-payer component, as the legislatively-mandated updates to the Medicare prospective payment system for inpatient and outpatient services for fiscal year 2007 took effect in that quarter. The series for other payers of hospital services also accelerated in that same quarter.

Physicians

Employment & Earnings

Employment in Offices of Physicians continued to accelerate throughout 2006, growing 2.6, 2.7, 2.9, and 3.2 percent from the 1st quarter through the 4th quarter, respectively, and added 69,000 jobs to payrolls since 2005:Q4. Since the beginning of 2006, the rate of growth in offices of physicians employment has outpaced growth in employment for overall health care.

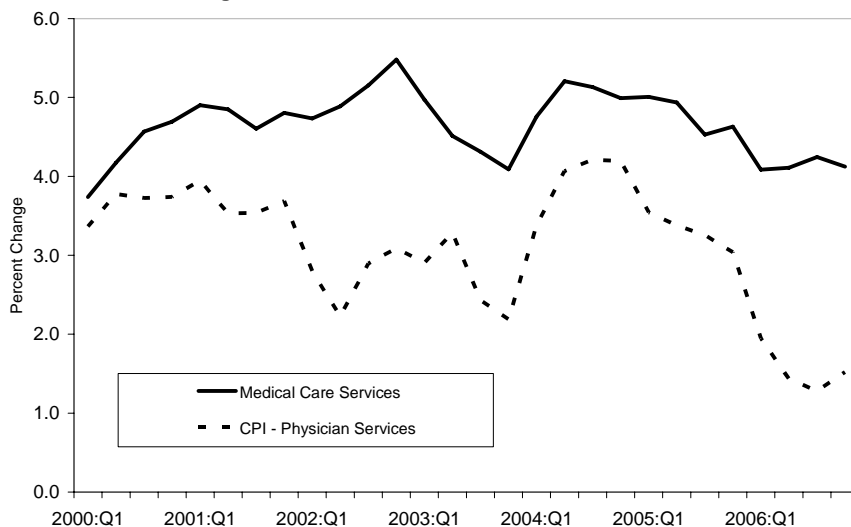
Employment in Health Care and Employment in Office of Physicians, Percent Change from Same Period of Previous Year, 2000-2006



The average hourly earnings for employees working in office of physicians were \$20.33 in 2006:Q4, a 5.1 percent increase from the same quarter of the prior year. The recent acceleration of employment and wages in this industry is likely a result of increased demand for services as the population ages, as well as the changing the mix of health services as utilization moves from the inpatient to the outpatient setting.

Prices

CPI Physician Services and CPI Medical Care Services, Percent Change from Same Period of Previous Year, 2000-2006



Prices for physician services (as measured by the CPI) decelerated rapidly throughout 2006, averaging 1.5 percent over-the-year. This has been the slowest annual increase reported since 1950. Physician price growth peaked in the 4th quarter of 2004, and has continued to decelerate through the 3rd quarter of 2006. Prices rose on average 1.7 percent in the 1st and 2nd quarter of 2006 and decelerated in the 3rd quarter to 1.3 percent. The 4th quarter of 2006 showed a slight increase in physician prices of 1.5 percent; however, it is

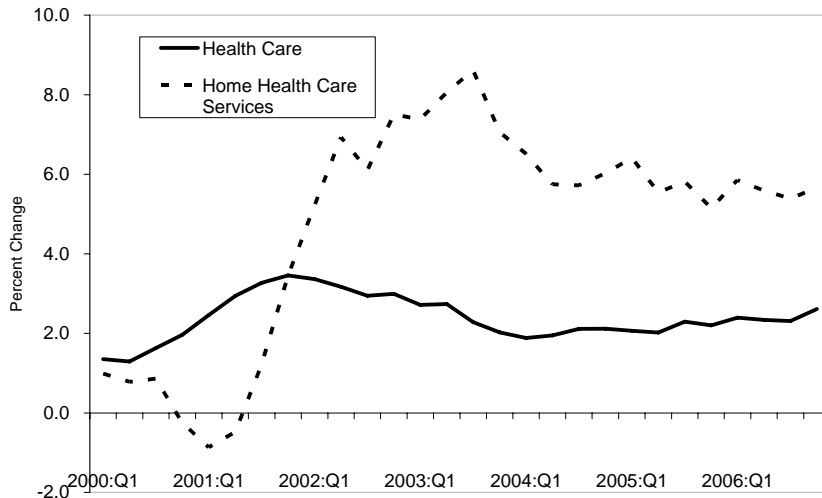
unclear whether this positive trend will continue. Although consumer prices for physician services rapidly decelerated through 2006, the price growth in all medical care services was stable, growing around 4.1 percent. The price increase for physician services was the lowest of all medical care services in the 4th quarter. The 2006 physician price trend is likely a result of a continued freeze on Medicare payment rates combined with private insurance reimbursement freezes and reductions.

Home Health Care

Employment

Home health employment growth peaked in 2003:Q3 and has grown at a stable rate since the beginning of 2004. In 2006:Q4, there were 887,000 employees in the industry, an increase of 5.7 percent over the previous 4th quarter. Since early 2002, new job growth in the home health industry has substantially outpaced

Employment in Home Health Care Services and Total Health Care Services, Percent Change from Same Period of Previous Year, 2000-2006

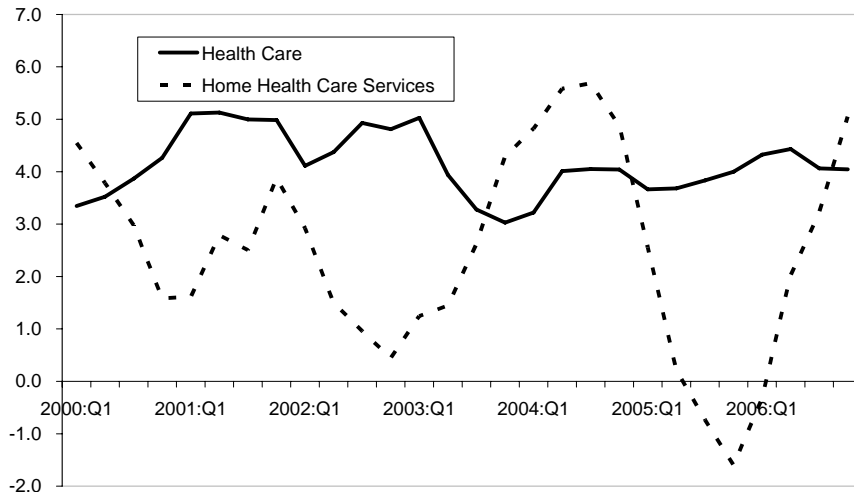


the growth in health care service employment. Demand for home health services is likely to continue as the population ages.

Non-Supervisory Earnings

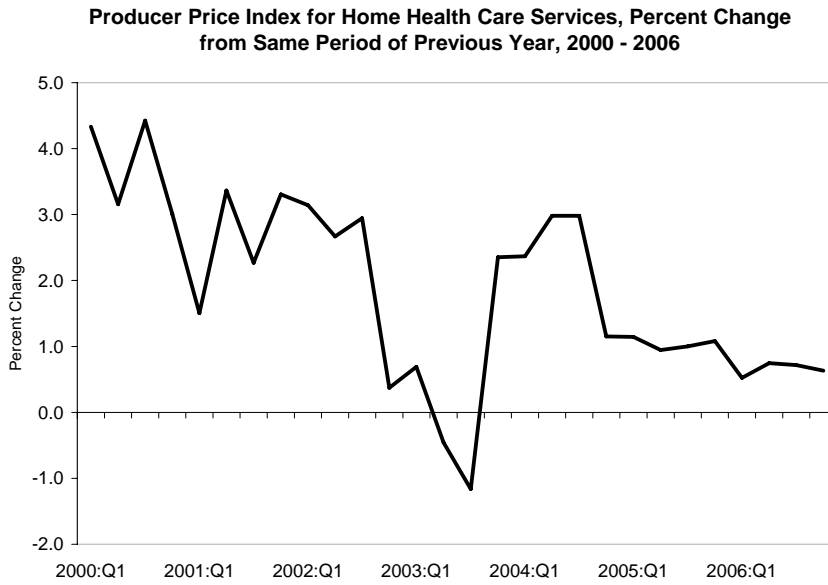
In 2006:Q4, the average hourly earnings for a home health care service worker was \$15.12. Average hourly earnings growth peaked in the 3rd quarter of 2004, and then decelerated rapidly over 2005 reaching a low of -1.6 percent by 2005:Q4. Beginning in 2006:Q1, growth in home health average hourly earnings rebounded dramatically, increasing

Average Hourly Earnings of Health Care Workers and Home Health Workers, Percent Change from Same Period of Previous Year: 2000 - 2006



by 2.0 percent in the 2nd quarter and by 5.0 percent in the 4th quarter. There are two opposing factors that likely impact home health hourly earnings rates: the addition of less-skilled, lower-paid workers, who assist with personal care needs rather than provide medical care, that would push wages down, and the increased demand for the services that would push wages up.

Prices



Home health care prices, as measured by the PPI, increased on average 0.6 percent in 2006 as price growth remained relatively stable throughout the year. Home health prices fell in 2006:Q1 to 0.5 percent from 1.1 percent in 2005:Q4. Price increases then remained relatively flat through 2006:Q4, growing by 0.7 percent.

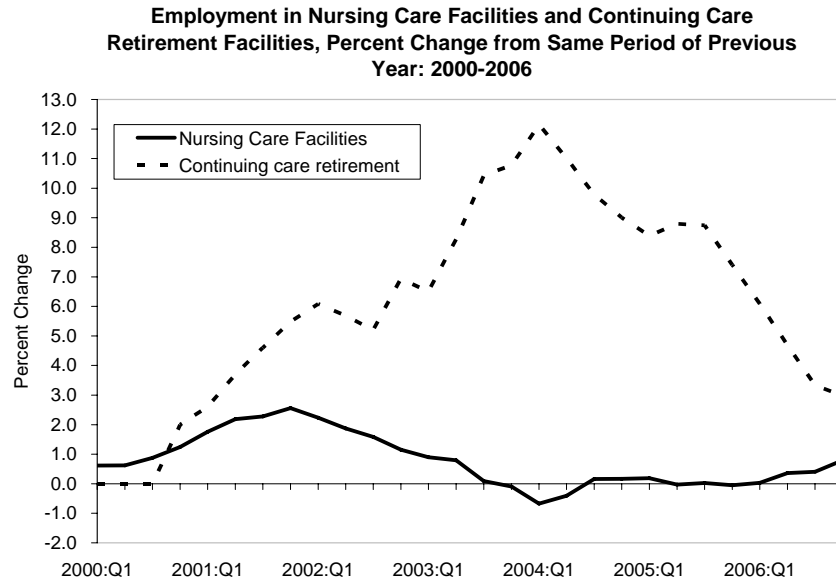
Nursing Home Care & Continuing Care Retirement Facilities

Employment & Earnings

Total employment growth in continuing care retirement communities (CCRCs) continued to slow in 2006, as each successive quarter of 2006 exhibited slower growth over the same quarter of the previous year (Table 3). Growth was highest in the 1st quarter of 2006 at 6.1 percent, and then fell just over three

percentage points to 3.0 percent by the 4th quarter. Nursing care facilities employment, on the other hand, while still growing slowly, accelerated slightly during 2006. Despite this slight acceleration, growth in total employment for this sector remained under one percent by 2006:Q4.

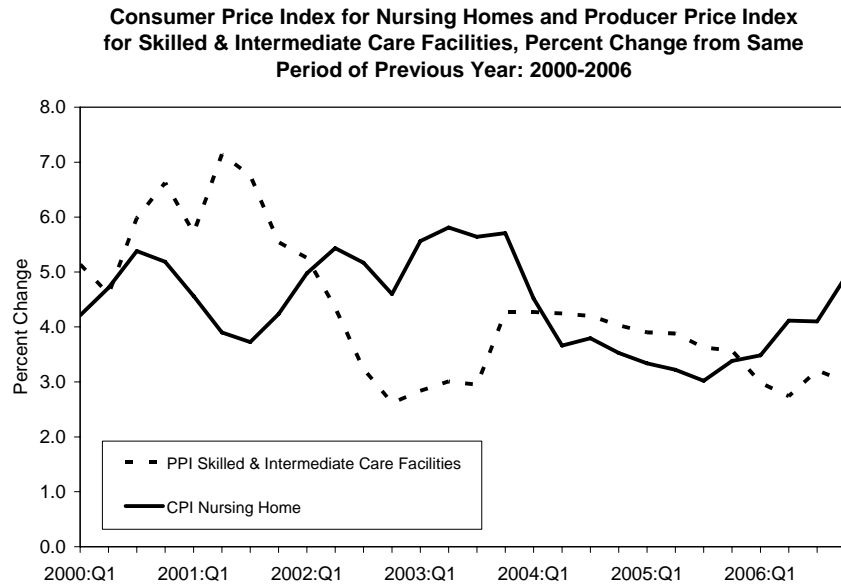
Growth in hourly earnings for nursing care and CCRC workers, however, remained relatively robust in 2006. Earnings for nursing facility workers grew at least 3.0 percent in each quarter, relative to the same quarter in the previous year. Growth in earnings for CCRC workers accelerated in the first three quarters to a recent high of 6.6 percent in 2006:Q3. In 2006:Q4, however, growth slowed to 4.8 percent relative to 2005:Q4. Despite this slowdown, earnings growth for CCRC workers remains among the fastest among health care establishments.



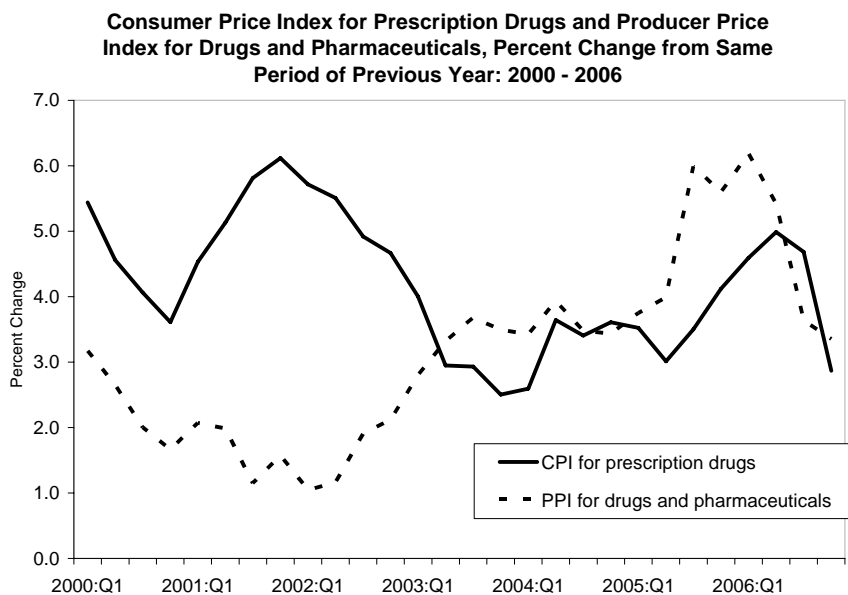
Prices

Nursing home prices, as measured by the CPI, generally accelerated in 2006. Growth in prices in 2006:Q1 remained very similar to the growth experienced in 2005 (around 3.5 percent); however, in 2006:Q2 and 2006:Q3, consumer prices accelerated to 4.1 percent over the same quarters in 2005. By 2006:Q4, growth

reached 4.9 percent. This acceleration is likely due to higher growth in input costs, such as labor and overhead. Nursing home prices, as measured by the PPI for Skilled and Intermediate Care Facilities, fluctuated slightly on a quarterly basis, but remained around 3.0 percent.



Prescription Drugs



Both consumer and producer price growth for prescription drugs plummeted in 2006. The producer price index for drugs and pharmaceuticals peaked in the 1st quarter of 2006 at 6.2 percent and by the 4th quarter of 2006 had slowed to 3.4 percent. Although the deceleration in growth was pronounced, the PPI grew at an exceptionally high rate

from 2005:Q2 through 2006:Q2. The CPI exhibited a similar trend with price growth peaking at 5.0 percent in the 2nd quarter of 2006, and rapidly decelerating to 2.9 percent by the 4th quarter of 2006. There are two major reasons that account for the deceleration in consumer and producer prices: (1) Patent protection losses for two major drugs, Zocor and Zoloft, beginning in the 3rd quarter, and (2) the implementation of “big-box” retailer generic prescription drug programs beginning in the 4th quarter. When a brand name drug loses its patent, both the price of the drug and the dollar value of its sales each tend to drop about 80 percent over the next year as competition opens to generic drug makers. Additionally, Wal-Mart introduced their \$4 generics drug program at the end of September 2006 and once implemented, other large retailers followed suit. Medicare Part D became effective in January of 2006; however, the rapid deceleration in prices does not appear to be driven by Part D.

Table 1: Hospital Insurance and Supplementary Medical Insurance Trust Fund Operations, 2003-2006

	Calendar Year				2003	2003	2004	2004	2004	2004	2004	2004	2005	2005	2005	2005	2006	2006	2006	2006
	2003	2004	2005	2006	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Total Medicare Outlays in Millions of Dollars																				
Hospital Insurance Trust Fund	\$280,831	\$308,914	\$339,412	\$409,324	\$71,214	\$74,642	\$70,690	\$77,199	\$78,974	\$82,051	\$78,410	\$87,321	\$91,651	\$82,030	\$105,367	\$103,927	\$90,491	\$109,539		
Supplementary Medical Insurance Trust Fund	154,688	170,607	184,721	194,055	39,166	41,097	40,180	43,163	42,577	44,687	44,021	48,165	48,832	43,703	50,978	49,557	42,696	50,824		
	126,143	138,307	154,691	215,269	32,048	33,545	30,510	34,036	36,397	37,364	34,389	39,156	42,819	38,327	54,389	54,370	47,795	58,715		
Hospital Insurance Trust Fund																				
Operations: In Millions of Dollars																				
Income	\$175,800	\$183,889	\$200,162	\$213,651	\$37,325	\$45,992	\$39,720	\$55,018	\$40,084	\$49,067	\$43,756	\$60,202	\$44,371	\$51,833	\$49,206	\$65,302	\$46,055	\$53,088		
Outlays	154,688	170,607	184,721	194,055	39,166	41,097	40,180	43,163	42,577	44,687	44,021	48,165	48,832	43,703	50,978	49,557	42,696	50,824		
Difference	21,111	13,285	15,443	19,593	-1,841	4,895	-460	11,857	-2,492	4,380	-265	12,038	-4,460	8,130	-1,773	15,746	3,358	2,262		
Assets at End of Period ¹	258,334	271,619	287,062	306,655	253,439	258,334	257,874	269,731	267,239	271,619	271,354	283,392	278,932	287,062	285,289	301,035	304,393	306,655		
Supplementary Medical Insurance Trust Fund																				
Operations: In Millions of Dollars																				
Income	\$115,790	\$133,762	\$158,596	\$224,285	\$25,419	\$32,724	\$32,624	\$33,674	\$27,782	\$39,682	\$38,955	\$39,506	\$34,684	\$45,451	\$55,851	\$56,087	\$53,870	\$58,477		
Outlays	126,143	138,307	154,691	215,269	32,048	33,545	30,510	34,036	36,397	37,364	34,389	39,156	42,819	38,327	54,389	54,370	47,795	58,715		
Difference	-10,353	-4,547	3,905	9,017	-6,629	-822	2,113	-362	-8,616	2,318	4,566	350	-8,134	7,123	1,462	1,719	6,075	-239		
Assets at End of Period ¹	22,148	17,601	21,506	30,523	22,970	22,148	24,261	23,899	15,283	17,601	22,167	22,517	14,383	21,506	22,968	24,687	30,762	30,523		
Total Medicare Outlays																				
	5.7	10.0	9.9	20.6	6.4	4.1	10.4	8.8	10.9	9.9	10.9	13.1	16.1	0.0	34.4	19.0	-1.3	33.5		
Hospital Insurance Trust Fund	1.5	10.3	8.3	5.1	2.5	2.2	16.2	8.3	8.7	8.7	9.6	11.6	14.7	-2.2	15.8	2.9	-12.6	16.3		
Supplementary Medical Insurance Trust Fund	11.5	9.6	11.8	39.2	11.7	6.6	3.5	9.5	13.6	11.4	12.7	15.0	17.6	2.6	58.2	38.9	11.6	53.2		
Hospital Insurance Trust Fund																				
Operations																				
Income	-1.5	4.6	8.8	6.7	0.2	0.0	2.1	2.7	7.4	6.7	10.2	9.4	10.7	5.6	12.5	8.5	3.8	2.4		
Outlays	1.5	10.3	8.3	5.1	2.5	2.2	16.2	8.3	8.7	8.7	9.6	11.6	14.7	-2.2	15.8	2.9	-12.6	16.3		
Assets at End of Period	8.9	5.1	5.7	6.8	9.5	8.9	6.8	5.7	5.4	5.1	5.2	5.1	4.4	5.7	5.1	6.2	9.1	6.8		
Supplementary Medical Insurance Trust Fund																				
Operations																				
Income	9.2	15.5	18.6	41.4	-1.3	20.6	15.7	14.3	9.3	21.3	19.4	17.3	24.8	14.5	43.4	42.0	55.3	28.7		
Outlays	11.5	9.6	11.8	39.2	11.7	6.6	3.5	9.5	13.6	11.4	12.7	15.0	17.6	2.6	58.2	38.9	11.6	53.2		
Assets at End of Period	-31.9	-20.5	22.2	41.9	-37.6	-31.9	-22.3	-19.3	-33.5	-20.5	-8.6	-5.8	-5.9	22.2	3.6	9.6	113.9	41.9		

¹ As shown in the Monthly Treasury Statement. Excludes undisbursed balance.

NOTE: Q designates quarter of year. Quarterly data are not seasonally adjusted.

SOURCES: Monthly Treasury Statement of Receipts and Outlays of the United States Government. Financial Management Service, U.S. Department of the Treasury. 2006 Annual Reports of the Board of Trustees of the HI and SMI Trust Funds. Office of the Actuary, Centers for Medicare & Medicaid Services.

Table 5: Selected National Economic Indicators, 2003-2006

	Calendar Year				2003	2003	2004	2004	2004	2004	2004	2005	2005	2005	2005	2006	2006	2006	2006
	2003	2004	2005	2006	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Gross Domestic Product																			
Billions of Dollars	10,961	11,712	12,456	13,254	11,086	11,220	11,431	11,649	11,799	11,970	12,173	12,346	12,574	12,731	13,008	13,197	13,323	13,487	
Billions of 1996 Chain Weighted Dollars	10,301	10,704	11,049	11,422	10,399	10,467	10,566	10,672	10,753	10,823	10,914	11,002	11,115	11,164	11,316	11,388	11,444	11,542	
Implicit Price Deflator (1996 = 100.0)	106.4	109.4	112.7	116.0	106.6	107.2	108.2	109.2	109.7	110.6	111.5	112.2	113.1	114.0	115.0	115.9	116.4	116.9	
Personal Income																			
Personal Income in Billions	9,164	9,731	10,239	10,884	9,204	9,341	9,498	9,641	9,768	10,019	10,049	10,162	10,263	10,484	10,721	10,807	10,939	11,068	
Disposable Income in Billions	8,163	8,682	9,036	9,523	8,261	8,326	8,482	8,607	8,706	8,931	8,891	8,970	9,048	9,236	9,389	9,446	9,577	9,681	
Prices¹																			
Consumer Price Index, All Items	184.0	188.9	195.3	201.6	184.6	184.6	186.3	188.9	189.6	190.7	191.9	194.5	196.9	197.9	198.9	202.3	203.4	201.7	
All Items Less Medical Care	178.1	182.7	188.7	194.7	178.6	178.6	180.2	182.7	183.3	184.4	185.4	188.0	190.3	191.2	192.2	195.5	196.6	194.7	
Energy	136.5	151.4	177.1	196.9	140.7	133.9	140.4	153.2	155.3	156.7	156.0	170.6	191.0	190.6	188.2	207.3	209.6	182.3	
Food and Beverages	180.5	186.6	191.2	195.7	180.8	183.1	184.6	186.1	187.2	188.6	189.5	190.9	191.5	192.8	194.5	194.7	196.1	197.4	
Medical Care	297.1	310.1	323.2	336.2	298.4	300.9	305.7	309.1	311.6	314.1	318.9	322.2	324.2	327.6	331.8	335.4	337.7	339.8	
Producer Price² Index Finished																			
Consumer Goods	145.3	151.7	160.5	166.0	145.8	147.0	148.2	151.6	151.9	155.0	156.0	158.6	162.2	165.0	164.4	167.2	167.7	164.6	
Energy	102.0	113.0	132.6	145.9	104.4	101.5	106.2	111.9	115.2	118.6	119.6	126.6	139.2	145.0	142.6	151.5	151.6	137.9	
Food	146.0	152.7	155.7	156.7	146.4	150.5	149.1	154.4	152.4	154.9	155.3	156.2	154.7	156.5	155.1	155.0	158.0	158.8	
Finished Goods Except Food & Energy	157.9	160.3	164.3	166.6	157.1	159.2	159.5	159.9	159.6	162.3	163.7	164.0	164.1	165.3	166.4	166.7	165.6	167.7	
Gross Domestic Product																			
Billions of Dollars	4.7	6.9	6.3	6.4	5.3	5.9	6.8	7.5	6.4	6.7	6.5	6.0	6.6	6.4	6.9	6.9	6.0	5.9	
Billions of 1996 Chain Weighted Dollars	2.5	3.9	3.2	3.4	3.1	3.7	4.3	4.5	3.4	3.4	3.3	3.1	3.4	3.1	3.7	3.5	3.0	3.4	
Implicit Price Deflator (1996 = 100.0)	2.1	2.8	3.0	2.9	2.2	2.2	2.3	2.9	2.9	3.2	3.1	2.8	3.1	3.1	3.1	3.3	2.9	2.5	
Personal Income																			
Personal Income in Billions	3.2	6.2	5.2	6.3	3.5	4.7	5.6	5.8	6.1	7.3	5.8	5.4	5.1	4.6	6.7	6.4	6.6	5.6	
Disposable Income in Billions	4.2	6.4	4.1	5.4	5.3	5.6	6.3	6.4	5.4	7.3	4.8	4.2	3.9	3.4	5.6	5.3	5.9	4.8	
Prices¹																			
Consumer Price Index, All Items	2.3	2.7	3.4	3.2	2.2	1.9	1.8	2.9	2.7	3.3	3.0	2.9	3.8	3.7	3.6	4.0	3.3	1.9	
All Items Less Medical Care	2.2	2.6	3.3	3.2	2.1	1.8	1.7	2.7	2.6	3.2	2.9	2.9	3.8	3.7	3.6	4.0	3.3	1.9	
Energy	12.2	10.9	16.9	11.2	11.8	7.3	3.8	12.5	10.4	17.0	11.1	11.3	23.0	21.7	20.6	21.6	9.7	-4.4	
Food and Beverages	2.1	3.4	2.4	2.3	2.3	3.2	3.3	3.7	3.5	3.0	2.7	2.6	2.3	2.2	2.6	2.0	2.4	2.4	
Medical Care	4.0	4.4	4.2	4.0	3.9	3.7	4.2	4.6	4.4	4.4	4.3	4.2	4.0	4.3	4.0	4.1	4.2	3.7	
Producer Price² Index Finished																			
Consumer Goods	4.2	4.4	5.8	3.4	4.3	4.6	2.9	5.2	4.2	5.4	5.3	4.6	6.7	6.5	5.4	5.4	3.4	-0.2	
Energy	14.9	10.7	17.4	10.0	14.0	10.2	4.7	11.1	10.3	16.8	12.6	13.2	20.8	22.3	19.3	19.7	8.9	-4.9	
Food	4.2	4.6	2.0	0.7	5.1	8.0	4.7	6.8	4.1	2.9	4.2	1.1	1.5	1.1	-0.1	-0.7	2.1	1.4	
Finished Goods Except Food & Energy	0.1	1.5	2.5	1.4	0.1	0.6	1.0	1.7	1.6	1.9	2.7	2.6	2.8	1.8	1.6	1.6	1.0	1.5	

¹ Base Period = 1982-84, unless noted.

² Formerly called the "Wholesale Price Index."

NOTE: Q designates quarter of year. Unlike tables 1-4, quarterly data on GDP, personal income, and disposable personal income, are seasonally adjusted at annual rate

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis: *Survey of Current Business*. Washington. U.S. Government Printing Office. Monthly reports for January 2001 - September 2006;
U. S. Department of Labor, Bureau of Labor Statistics: CPI Detailed Report and Producer Price Indexes, Washington. U.S. Government Printing Office. Monthly reports for January 2001 - September 2006

Table 6: Index Levels in Medical Prices, 2003-2006

	Calendar Year				2003	2003	2004	2004	2004	2004	2005	2005	2005	2005	2006	2006	2006	2006
	2003	2004	2005	2006	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Consumer Price Indexes, All Urban Consumers¹</u>																		
Medical Care Services ²	306.0	321.3	336.7	350.6	307.3	310.5	316.3	320.0	323.0	326.0	332.1	335.8	337.7	341.1	345.7	349.6	352.0	355.2
Professional Services	261.2	271.5	281.7	289.3	262.0	263.4	267.7	271.0	273.0	274.2	278.2	281.5	282.7	284.5	286.3	288.9	290.2	291.9
Physicians' Services	267.7	278.3	287.5	291.9	268.3	269.5	274.6	278.1	279.6	280.8	284.4	287.5	288.7	289.3	289.9	291.6	292.4	293.7
Dental Services	292.5	306.9	324.0	340.9	294.6	296.6	301.2	305.7	309.3	311.4	318.2	323.7	325.4	328.7	334.3	340.5	343.0	345.7
Hospital and Related Services	394.8	417.9	439.9	468.1	397.4	404.4	412.0	415.0	419.4	425.2	434.3	437.4	440.1	447.6	459.1	466.1	470.8	476.4
Hospital Services (12/96=100)	144.7	153.4	161.6	172.1	145.7	148.3	151.2	152.3	153.9	156.1	159.5	160.7	161.6	164.4	168.8	171.4	173.2	175.1
Inpatient Hospital Services (12/96=100)	140.1	148.1	156.6	167.5	141.1	143.0	146.0	147.1	148.8	150.6	154.8	155.9	156.8	159.0	164.0	167.1	168.3	170.3
Outpatient Hospital Services (12/86=100)	337.9	356.3	373.0	395.0	340.6	346.1	351.7	354.6	356.7	362.1	367.7	370.4	373.1	380.7	388.8	392.7	397.0	401.5
Nursing Home Services (12/96=100)	135.2	140.4	145.0	151.0	136.1	137.1	138.9	139.7	141.3	141.9	143.5	144.2	145.5	146.7	148.5	150.1	151.5	153.9
Medical Care Commodities	262.8	269.3	276.0	285.9	264.2	264.6	266.5	269.1	270.3	271.2	272.6	274.6	276.9	280.0	283.1	286.0	287.6	286.9
Prescription Drugs	326.3	337.1	349.0	363.9	327.8	328.8	332.2	336.6	338.9	340.6	343.9	346.7	350.8	354.7	359.7	364.0	367.2	364.8
Non-prescription Drugs & Medical Supplies (1986=100)	152.0	152.3	151.7	154.6	153.0	152.6	152.5	152.4	152.0	152.1	150.8	151.5	151.4	153.2	153.9	154.6	154.3	155.5
Internal and Respiratory Over-the-Counter Drugs	181.2	180.9	179.7	183.4	182.8	181.7	181.6	181.7	180.5	180.0	177.9	179.6	179.8	181.4	182.3	183.5	183.3	184.5
Non-prescription Medical Equipment and Supplies	178.1	179.7	180.6	183.2	178.3	179.2	179.2	178.7	179.8	181.2	181.1	179.9	179.2	182.3	182.9	183.3	182.5	184.3
<u>Producer Price Indexes³</u>																		
<u>Industry Groupings⁴</u>																		
Offices and Clinics of Doctors of Medicine (12/92=100)	120.9	123.4	125.6	126.7	121.5	121.7	123.3	123.4	123.4	123.4	125.2	125.6	125.8	125.9	126.2	126.6	127.1	127.0
Hospitals (12/92=100)	134.9	141.5	146.8	153.3	135.3	137.6	140.0	140.7	141.6	143.5	145.3	145.7	146.7	149.6	151.5	152.3	153.6	155.8
General Medical and Surgical Hospitals (12/92=100)	135.3	141.9	147.3	153.5	135.7	138.0	140.4	141.2	142.1	144.0	145.8	146.2	147.0	150.2	151.7	152.5	153.7	156.0
Medicare Patients (12/92=100)	122.1	126.5	131.2	137.1	121.7	124.3	125.4	125.6	125.8	129.1	130.1	130.2	129.9	134.6	135.5	136.3	136.7	139.8
Medicaid Patients (12/92=100)	125.5	128.4	130.3	133.0	125.7	127.7	128.3	128.7	128.2	128.3	129.2	129.5	131.1	131.6	132.0	132.3	133.6	133.8
All Other Patients (12/92=100)	147.0	157.4	164.1	171.2	148.1	150.9	155.0	156.4	158.2	159.9	162.5	163.1	164.1	166.9	169.2	170.0	171.6	174.2
Nursing Care Facilities (12/94=100)	149.4	155.6	161.4	166.3	150.1	151.5	153.8	154.7	156.4	157.6	159.8	160.7	162.0	163.2	164.6	165.1	167.2	168.1
Public Payers (12/94=100)	149.5	155.6	161.3	164.2	150.2	151.8	153.4	154.5	156.5	157.8	159.5	160.5	161.8	163.3	162.6	162.7	165.1	166.2
Private Payers (12/94=100)	151.2	157.6	163.8	171.8	151.9	153.2	156.4	156.9	158.0	159.1	162.4	163.0	164.4	165.3	169.9	170.9	172.9	173.5
Medical Laboratories (6/94=100)	118.2	119.0	125.7	126.2	118.8	119.1	119.0	119.1	119.0	119.0	124.8	125.8	125.9	126.2	125.9	126.3	126.3	126.3
Home Health Care Services (12/96=100)	117.0	119.8	121.1	121.8	116.3	118.8	119.6	119.7	119.7	120.2	120.9	120.8	120.9	121.5	121.6	121.7	121.8	122.3
Medicare Payers (12/96=100)	114.7	117.7	119.2	121.0	113.2	117.2	117.3	117.5	117.4	118.4	119.3	118.8	118.8	119.9	120.8	120.9	120.6	121.8
<u>Commodity Groupings</u>																		
Drugs and Pharmaceuticals	274.7	284.5	298.3	312.1	275.9	277.5	280.8	284.6	285.5	287.1	291.3	296.0	302.6	303.1	309.4	312.0	313.6	313.3
Pharmaceutical Preparations (06/01=100)	107.3	112.0	117.9	124.3	107.9	108.8	110.2	112.2	112.5	113.2	114.8	116.7	120.0	120.2	123.0	124.3	125.0	124.7
Medical, Surgical, and Personal Aid Devices	154.7	157.8	159.2	161.4	154.7	155.7	157.4	157.9	158.4	157.4	158.7	158.9	159.2	159.8	160.8	161.8	161.7	161.3
Personal Aid Equipment	162.3	165.4	167.5	172.1	162.3	162.3	164.6	165.7	165.7	165.7	166.4	167.9	167.9	167.9	172.1	174.2	174.2	
Medical Instruments and Equipment (6/82=100)	132.8	134.2	134.9	134.1	133.1	132.9	133.8	134.4	135.2	133.5	135.1	135.1	134.8	134.7	134.4	134.7	134.2	133.1
Surgical Appliances and Supplies (6/83=100)	178.2	184.3	186.0	188.9	177.5	180.8	183.8	184.2	184.2	185.1	184.9	185.6	186.3	187.2	188.3	188.5	189.4	189.5
Ophthalmic Goods (12/83=100)	120.0	120.8	121.8	124.9	120.1	120.3	120.7	120.7	120.9	120.9	121.3	121.4	122.0	122.5	124.3	124.8	125.3	125.2
Dental Equipment and Supplies (6/85=100)	179.1	182.3	187.0	206.0	179.6	180.2	182.4	183.8	184.6	178.5	185.1	184.9	187.1	190.9	200.4	209.2	206.3	208.0

¹ Unless otherwise noted, base year is 1982-84 = 100

² Includes the net cost of private health insurance, not shown separately.

³ Unless otherwise noted, base year is 1982 = 100.

⁴ Further detail for Producer Price Industry groupings, such as types of physician practices, hospital DRG groupings, etc., are available from BLS.

NOTE: Q designates quarter of year. Quarterly data are not seasonally adjusted. With the January 2004 data release, the Bureau of Labor Statistics converted industry-grouped PPIs from SIC-based PPIs to NAICS-based PPIs. Commodity groupings did not change.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics: *CPI Detailed Report and Producer Price Indexes*. Washington, U.S. Government Printing Office. Monthly reports for January 2000 - December 2006.

Table 7: Percent Change in Medical Prices: 2003-2006

Indicator	Calendar Year				2003	2003	2004	2004	2004	2004	2004	2005	2005	2005	2005	2006	2006	2006	2006
	2003	2004	2005	2006	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Consumer Price Indexes, All Urban Consumers¹																			
Medical Care Services ²	4.5	5.0	4.8	4.1	4.3	4.1	4.8	5.2	5.1	5.0	5.0	4.9	4.5	4.6	4.1	4.1	4.2	4.1	4.1
Professional Services	2.9	4.0	3.8	2.7	2.8	2.7	3.5	4.0	4.2	4.1	3.9	3.9	3.6	3.8	2.9	2.6	2.7	2.6	2.6
Physicians' Services	2.7	4.0	3.3	1.5	2.4	2.2	3.4	4.1	4.2	4.2	3.5	3.4	3.3	3.0	1.9	1.4	1.3	1.5	1.5
Dental Services	4.1	4.9	5.6	5.2	4.2	4.3	4.9	4.7	5.0	5.0	5.6	5.9	5.2	5.5	5.0	5.2	5.4	5.4	5.2
Hospital and Related Services	7.4	5.9	5.3	6.4	7.2	6.4	6.3	6.5	5.5	5.1	5.4	5.4	4.9	5.3	5.7	6.6	7.0	6.4	6.4
Hospital Services (12/96=100)	7.4	6.0	5.3	6.5	7.3	6.5	6.4	6.7	5.6	5.2	5.5	5.5	5.0	5.4	5.8	6.7	7.1	6.5	6.5
Inpatient Hospital Services (12/96=100)	6.8	5.7	5.7	6.9	6.7	5.9	6.1	6.2	5.5	5.3	6.0	6.0	5.4	5.6	6.0	7.2	7.4	7.1	7.1
Outpatient Hospital Services (12/86=100)	9.1	5.4	4.7	5.9	8.8	6.6	6.0	6.5	4.7	4.6	4.5	4.4	4.6	5.2	5.7	6.0	6.4	5.4	5.4
Nursing Home Services (12/96=100)	5.7	3.9	3.2	4.2	5.6	5.7	4.5	3.7	3.8	3.5	3.3	3.2	3.0	3.4	3.5	4.1	4.1	4.1	4.9
Medical Care Commodities	2.5	2.5	2.5	3.6	2.5	2.2	2.2	2.8	2.3	2.5	2.3	2.0	2.5	3.2	3.9	4.2	3.9	2.5	2.5
Prescription Drugs	3.1	3.3	3.5	4.3	2.9	2.5	2.6	3.6	3.4	3.6	3.5	3.0	3.5	4.1	4.6	5.0	4.7	2.9	2.9
Non-prescription Drugs & Medical Supplies (1986=100)	1.1	0.2	-0.4	1.9	1.5	1.3	1.2	0.5	-0.7	-0.3	-1.1	-0.6	-0.4	0.7	2.1	2.1	1.9	1.5	1.5
Internal and Respiratory Over-the-Counter Drugs	1.3	-0.1	-0.7	2.1	1.8	1.4	1.4	0.4	-1.2	-0.9	-2.0	-1.1	-0.4	0.8	2.5	2.2	1.9	1.7	1.7
Non-prescription Medical Equipment and Supplies	0.3	0.9	0.5	1.5	0.8	1.1	0.9	0.7	0.8	1.1	1.0	0.7	-0.3	0.6	1.0	1.9	1.8	1.1	1.1
Producer Price Indexes³																			
Industry Groupings⁴																			
Offices and Clinics of Doctors of Medicine (12/92=100)	1.5	2.1	1.8	0.9	2.0	2.2	3.2	2.1	1.6	1.4	1.5	1.7	1.9	2.0	0.9	0.8	1.0	0.9	0.9
Hospitals (12/92=100)	5.8	4.8	3.8	4.4	5.7	5.4	5.5	4.9	4.7	4.3	3.8	3.6	3.6	4.2	4.2	4.5	4.7	4.2	4.2
General Medical and Surgical Hospitals (12/92=100)	5.8	4.9	3.8	4.2	5.7	5.4	5.6	5.0	4.7	4.4	3.8	3.6	3.4	4.3	4.0	4.3	4.6	3.9	3.9
Medicare Patients (12/92=100)	5.2	3.6	3.7	4.5	4.4	4.7	3.9	3.3	3.3	3.8	3.7	3.7	3.3	4.3	4.2	4.7	5.3	3.8	3.8
Medicaid Patients (12/92=100)	3.8	2.3	1.5	2.0	3.1	4.0	3.5	3.1	2.0	0.5	0.7	0.6	2.3	2.5	2.2	2.2	1.9	1.7	1.7
All Other Patients (12/92=100)	8.0	7.0	4.3	4.3	8.5	7.5	8.1	7.2	6.9	5.9	4.9	4.3	3.7	4.4	4.1	4.2	4.6	4.4	4.4
Nursing Care Facilities (12/94=100)	3.3	4.2	3.7	3.0	2.9	4.3	4.3	4.2	4.2	4.0	3.9	3.9	3.6	3.6	3.0	2.7	3.2	3.0	3.0
Public Payers (12/94=100)	2.3	4.0	3.7	1.8	1.8	3.9	3.9	4.0	4.2	4.0	4.0	3.9	3.4	3.5	1.9	1.4	2.0	1.8	1.8
Private Payers (12/94=100)	4.9	4.2	3.9	4.9	4.7	5.0	4.6	4.4	4.0	3.9	3.8	3.9	4.1	3.9	4.6	4.9	5.2	5.0	5.0
Medical Laboratories (6/94=100)	1.7	0.7	5.6	0.4	2.1	2.1	1.4	1.2	0.1	-0.1	4.8	5.7	5.8	6.1	0.9	0.4	0.3	0.1	0.1
Home Health Care Services (12/96=100)	0.4	2.4	1.0	0.7	-1.2	2.4	2.4	3.0	3.0	1.2	1.1	0.9	1.0	1.1	0.5	0.7	0.7	0.6	0.6
Medicare Payers (12/96=100)	-3.0	2.6	1.3	1.5	-5.3	2.1	2.1	3.8	3.7	1.0	1.7	1.1	1.2	1.3	1.3	1.8	1.5	1.5	1.5
Commodity Groupings																			
Drugs and Pharmaceuticals	3.3	3.6	4.8	4.6	3.7	3.5	3.4	3.9	3.5	3.4	3.8	4.0	6.0	5.6	6.2	5.4	3.6	3.4	3.4
Pharmaceutical Preparations (6/01=100)	4.4	4.5	5.2	5.4	4.8	4.4	4.5	5.1	4.3	4.1	4.1	4.0	6.6	6.2	7.1	6.6	4.2	3.7	3.7
Medical, Surgical, and Personal Aid Devices	2.5	2.0	0.9	1.4	2.5	2.6	2.1	2.3	2.4	1.1	0.8	0.6	0.5	1.5	1.3	1.8	1.5	0.9	0.9
Personal Aid Equipment	0.5	1.9	1.3	2.7	0.0	0.0	1.4	2.1	2.1	2.1	1.1	1.3	1.3	1.3	0.9	2.5	3.8	3.8	3.8
Medical Instruments and Equipment (6/82=100)	2.9	1.0	0.5	-0.6	2.9	2.7	1.1	1.1	1.6	0.5	1.0	0.5	-0.3	0.9	-0.5	-0.3	-0.4	-1.2	-1.2
Surgical Appliances and Supplies (6/83=100)	2.4	3.4	0.9	1.6	2.1	2.8	3.5	4.1	3.8	2.3	0.6	0.7	1.1	1.1	1.8	1.6	1.7	1.3	1.3
Ophthalmic Goods (12/83=100)	0.6	0.7	0.8	2.5	0.6	0.8	0.9	0.8	0.6	0.4	0.4	0.6	1.0	1.4	2.5	2.8	2.7	2.2	2.2
Dental Equipment and Supplies (6/85=100)	4.1	1.8	2.6	10.2	4.7	4.2	2.8	2.6	2.8	-1.0	1.5	0.6	1.4	7.0	8.3	13.2	10.2	9.0	9.0

¹ Unless otherwise noted, base year is 1982-84 = 100

² Includes the net cost of private health insurance, not shown separately.

³ Unless otherwise noted, base year is 1982 = 100. Producer price indexes are classified by industry (price changes received for the industry's output sold outside the industry) and commodity (price changes by similarity of end use or material composition).

⁴ Further detail for Producer Price Industry groupings, such as types of physician practices, hospital DRG groupings, etc., are available from BLS.

NOTE: Q designates quarter of year. Quarterly data are not seasonally adjusted.