

Medical Care Price Changes in Medicare's First Five Years

by LOUCELE A. HOROWITZ*

THE FIRST OF JULY 1971 marked the fifth anniversary of the operation of the national health insurance program for the aged (Medicare). Since the inception of this program, the Office of Research and Statistics of the Social Security Administration has closely followed and reported the changes in the prices of medical care goods and services. As in previous reports,¹ data are presented on the prices for the various medical services and supplies that comprise the medical care component of the Consumer Price Index (CPI) prepared by the Bureau of Labor Statistics. Emphasis is placed on additional information relating to the increases in the prices of physicians' services derived from a special study of five in-hospital medical and surgical procedures especially important to aged persons.

To summarize medical care price changes, two measures are presented:

1. Monthly index numbers that demonstrate the amount of change from one month to the next. Quarterly, semiannual, and year-end changes are based on these monthly indexes. This measure does not take into account monthly fluctuations during the period and reflects only changes in the two index numbers from one period to the next.
2. Average annual index numbers that represent an arithmetic average of the 12 months. This measure takes into account monthly changes and tends to even out variations and fluctuations throughout the year.

Rapidly accelerating medical care prices do not affect any single segment of the population. Rather, they affect every American who at some time may have to pay for medical services. Al-

though Americans with low or moderate incomes and those who require medical attention because of advanced age or severe disabilities are more drastically affected by large increases in medical prices, such increases are not uniquely a problem of the poor, or the aged, or the chronically ill.

Public attention has been focused on the adverse impact increased medical care prices has had upon the costs of the Medicare program and upon its beneficiaries. But the effect is also being experienced by other health insurers who must decide either to withhold additional protection or to increase premiums to offset the increased costs. Moreover, prohibitive medical care costs may force the population segment that is unable to purchase adequate health insurance to forgo needed medical attention.

HISTORICAL TRENDS

During the past 25 years, the American economy has been characterized by an inflationary trend that has sharpened in recent years. The inflation evidenced in the general economy is reflected in the acceleration of medical care prices although the extent of the impact is difficult to measure. Prices for medical care goods and services have historically moved at a faster rate of increase than prices for goods and services in general.

Table 1 presents average annual figures for all items and for selected medical care components of the CPI for selected fiscal years 1946-71. During the 14-year period 1946-60, the "all items" CPI rose at an annual rate of 3.0 percent (chart 1). At the same time, the index for medical care prices rose at an annual rate of 4.2 percent—one and one-half times faster than the general price index.

The rate of increase as reflected in the index for all consumer prices slowed perceptibly during the 1960-67 period. During this time the all items CPI rose at about half the rate reported for the 1946-60 period (1.6 percent, compared with 3.0 percent). Medical care prices also moved upward,

* Division of Health Insurance Studies, Office of Research and Statistics

¹ Dorothy P. Rice and Loucele A. Horowitz, "Trends in Medical Care Prices," *Social Security Bulletin*, July 1967; *Magnitude and Frequency of Physicians' Fee Increases for Selected Procedures, December 1965-December 1969* (Research and Statistics Note No. 11), by Loucele A. Horowitz, Office of Research and Statistics, July 1970; and *Medical Care Prices Fact Sheet, 1966-1971* (Research and Statistics Note No. 6), by Loucele A. Horowitz, Office of Research and Statistics, March 1972.

but the deceleration was not as rapid as for the all items index. The slowdown in the rate of increase for the medical care component was about three-fourths the annual rate reported for the 1946-60 period (3.2 percent, compared with 4.2 percent).

This article is primarily concerned with the 5-year period, fiscal years 1967-71, that begins with the first year Medicare became operative. An overview of the changes in the price indexes for the all items CPI and its medical care component shows that inflationary pressures in the economy were narrowing the gap between the rate of increase in prices for all consumer items and for medical care.

During 1967-71, the medical care price index increased at twice the rate reported in the 1960-67 period—6.6 percent, compared with 3.2 percent. The long-term relationship between the index for all items and the medical care component changed significantly between 1967 and 1971. During fiscal years 1967 and 1968, the prices for medical care goods and services continued to rise at a rate more than twice that for consumer items and services in general.

In 1969, however, the all items index drama-

tically reflected the pervasive inflationary pressures in the economy and rose nearly 5 percent. By 1970, the rate of increase for the medical care component only slightly exceeded that reported for all items—6.4 percent, compared with 5.9 percent. In fiscal year 1971, medical care prices continued to accelerate at the rate of 6.9 percent, but prices for all items decelerated slightly to a yearly rate of increase of 5.2 percent, as shown below:

Fiscal year	Average annual percentage change for—			
	All items	Medical care, total	All services	Medical care services
1966-67.....	3.0	6.5	4.7	8.0
1967-68.....	3.3	6.4	4.4	7.9
1968-69.....	4.8	6.5	6.3	7.6
1969-70.....	5.9	6.4	7.5	7.3
1970-71.....	5.2	6.9	7.3	7.8
Average annual increase, 1967-71.....	4.8	6.6	6.4	7.7

Source *Consumer Price Index*, Bureau of Labor Statistics.

HOSPITAL SERVICE CHARGES

Three separate hospital service items are measured for the CPI: (1) hospital daily service

TABLE 1.—Consumer price index and percentage change for medical care components, selected fiscal years, 1946-71
[1967=100]

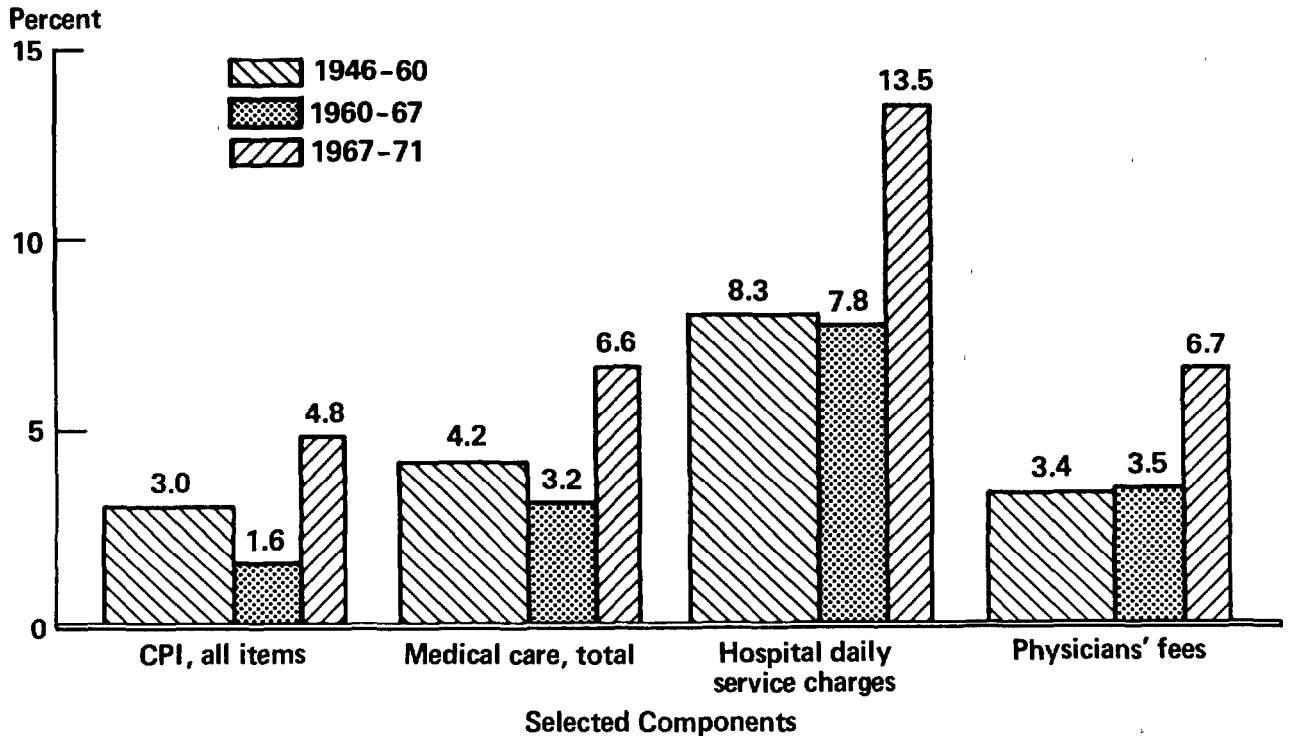
Item	Average annual price index								Percentage change							
									Average annual			Annual				
	1946 ¹	1960	1966	1967	1968	1969	1970	1971	1946-60	1960-67	1967-71	1966-67	1967-68	1968-69	1969-70	1970-71
CPI, all items.....	58.5	88.0	95.7	98.6	101.9	106.8	113.1	119.0	3.0	1.6	4.8	3.0	3.3	4.8	5.9	5.2
Less medical care.....	(?)	88.8	96.0	98.8	101.9	106.7	113.0	118.7	(?)	1.5	4.7	2.9	3.1	4.7	5.9	5.0
CPI, all services.....	49.1	82.2	93.6	98.0	102.3	108.7	116.9	125.4	3.9	2.5	6.4	4.7	4.4	6.3	7.5	7.3
Less medical care.....	(?)	83.9	96.0	98.4	102.1	108.3	116.6	124.9	(?)	2.3	6.1	2.5	3.8	6.1	7.7	7.1
Medical care, total.....	44.4	77.8	90.9	96.8	103.0	109.7	116.7	124.8	4.2	3.2	6.6	6.5	6.4	6.5	6.4	6.9
Medical care services.....	40.1	73.5	89.0	96.1	103.7	111.6	119.8	129.1	4.6	3.9	7.7	8.0	7.9	7.6	7.3	7.8
Professional services.....	48.3	76.1	90.2	96.9	102.8	109.1	117.0	125.8	3.4	3.5	6.7	7.4	6.1	6.1	7.2	7.5
Physicians' fees.....	48.1	75.2	89.7	96.5	103.0	109.2	117.8	127.4	3.3	3.6	7.2	7.6	6.7	6.0	7.9	8.1
General physician office visits.....	46.6	73.8	89.8	97.2	102.9	110.9	118.2	126.6	3.4	4.0	6.8	8.2	5.9	7.8	6.6	7.1
General physician house visits.....	(?)	(?)	92.9	97.2	102.4	106.8	111.0	119.7	(?)	(?)	5.3	4.6	5.3	4.3	3.9	7.8
Herniorrhaphy (adult).....	51.5	79.1	92.5	97.5	102.6	107.7	113.2	121.0	3.2	3.0	5.5	5.4	5.2	5.0	5.1	6.9
Tonsillectomy and adenoidectomy.....	43.5	78.5	90.3	96.8	102.3	109.8	118.1	125.2	4.4	3.0	6.0	7.2	5.7	7.3	7.6	6.0
Obstetrical cases.....	(?)	(?)	88.0	97.0	102.5	109.1	118.5	127.4	(?)	(?)	7.1	10.3	5.7	6.4	8.6	7.5
Pediatric care, office visits.....	(?)	(?)	93.7	98.4	102.2	109.0	116.9	122.1	(?)	(?)	5.5	5.0	3.9	6.7	7.2	4.4
Psychiatrist, office visits.....	(?)	(?)	93.7	97.6	102.7	108.7	116.1	123.1	3.2	2.6	6.0	4.2	5.2	5.8	6.8	6.0
Dentists' fees.....	62.5	81.4	93.7	97.6	102.7	108.7	116.1	123.1	3.2	2.6	6.0	4.2	5.2	5.8	6.8	6.0
Other professional services.....	65.1	83.9	93.8	97.7	101.7	105.1	110.5	116.8	1.9	2.2	4.6	4.2	4.1	3.3	5.1	5.7
Examination, prescription, and dispensing of eyeglasses.....	(?)	(?)	95.4	98.7	101.6	105.3	109.6	113.4	(?)	(?)	3.5	3.5	2.9	3.6	4.1	3.5
Routine laboratory tests.....	18.5	54.5	79.1	92.2	106.4	120.5	135.4	152.8	8.3	7.8	13.5	16.6	15.4	13.3	12.4	12.9
Hospital service charges.....	(?)	(?)	85.1	93.9	105.5	119.9	135.2	149.7	(?)	(?)	12.4	10.3	12.4	13.6	12.8	10.7
Daily service charges.....	(?)	(?)	91.2	97.5	102.1	106.7	112.1	121.0	(?)	(?)	5.5	6.9	4.7	4.5	5.1	7.9
Operating-room charges.....	76.2	104.8	100.3	100.3	100.1	100.6	102.2	104.7	2.3	(?)	1.1	0	-.2	.5	1.6	2.4
X-ray, diagnostic series, upper G I.....	74.0	115.5	101.9	101.1	99.2	98.6	100.5	101.0	3.2	(?)	(?)	-.8	-1.9	-.6	1.9	.5
Drugs and prescriptions.....	(?)	(?)	98.4	99.3	101.4	103.1	104.1	108.9	(?)	(?)	2.3	.9	-2.1	1.7	1.0	4.6
Over-the-counter items.....																

¹ Calendar-year data.

² Not available.

Source *Consumer Price Index*, Bureau of Labor Statistics

CHART 1.—Average annual percentage change in selected components of the consumer price index, fiscal years 1946-71



Source: *Consumer Price Index*, Bureau of Labor Statistics.

charge (room rate); (2) operating-room charges; and (3) X-ray diagnostic services for upper gastrointestinal (G.I.) series. The Bureau of Labor Statistics will shortly incorporate seven additional in-hospital ancillary services in the consumer price index. These services consist of routine laboratory tests (urinalysis), physical therapy, oxygen, intravenous solution, electrocardiogram, and one antibiotic and one tranquilizer (Tetracycline hydrochloride and Chloridazepoxide hydrochloride or Meprobamate).

Perhaps the most widely publicized growth in medical care prices since the beginning of Medicare has been the continued acceleration during the past 5 years in the index of hospital daily service charges as computed by the Bureau of Labor Statistics (BLS). As defined for the CPI, the hospital daily service charge is the amount charged to adult inpatients for routine nursing care, room, board, and minor medical and surgical supplies. It usually excludes such additional charges incorporated in the hospital bill as those for laboratory work, X-rays, operating room, and special nursing. The hospital daily service charge index reflects rate for the most frequently used type of

hospital accommodation—the semiprivate room.

The daily service charge component of the CPI has continued to increase at a faster rate than any other item of the medical care index. For the period 1946-60, it rose about 8 percent annually. During the first year of Medicare, the rate accelerated to 21.8 percent. For the following 4 years, the level of annual price increases was maintained at a rate of 12-13 percent, almost doubling in the 5-year period July 1966-June 1971.

The two additional hospital services priced for the CPI also rose substantially. Operating-room charges jumped 14.3 percent from June 1966 to June 1967; the previous year's increase was 6.6 percent. The rise in prices for X-ray, diagnostic series, upper G.I.—7.0 percent—was nearly three times the 2.5-percent rate of increase reported in 1966. During the following 4 years, acceleration continued in the prices for these two hospital services, with the rate of increase for operating-room services greatly exceeding the rate for X-rays.

The semiannual indexes for all of the medical care components and the percentage increases are shown in detail in table 2. The following tabula-

tion presents the yearly index changes from June 1966 to June 1971 for selected components.

Item	12 months ending June—						5 years ending June 1971
	1966	1967	1968	1969	1970	1971	
Medical care, total.....	3.9	7.3	5.9	7.5	6.2	6.7	38.4
Medical care services, total.....	4.7	9.2	7.1	8.7	6.8	7.7	46.2
Hospital service charges							
Daily service charges.....	7.7	21.8	12.2	13.0	12.1	12.9	95.5
Operating-room charges.....	6.6	14.3	10.9	16.1	9.7	9.8	77.1
X-ray, diagnostic series, upper G I.....	2.5	7.0	4.3	4.8	7.4	7.2	34.7

Source *Consumer Price Index*, Bureau of Labor Statistics.

The BLS index does not provide an overall measure with which to gauge increases in total hospital costs per patient day. Such increases are reflected in the average hospital cost per patient day reported by the American Hospital Association (AHA) as compiled from their annual and monthly surveys of community hospitals. Unlike the hospital daily service charge index, the AHA's figure for average expense per patient day represents an estimate of the total expense for a day of hospital care. It is an aggregate figure derived by dividing total expenses including outpatient expenses and other hospital operating expenses not attributable to inpatients, by the number of inpatient days (not counting any such

days for newborn infants). The AHA series tends to overstate hospital costs to some extent because the calculation of hospital expense per patient day includes in the numerator some expenses not related to the inpatients who make up the denominator—such as costs for newborn children, costs for outpatient clinics, and expenses for such subsidiary services as public restaurants, gift shops, etc.

In 1969, the AHA, in an attempt to eliminate the problem of upward bias, also began reporting average expense per adjusted patient day.² This figure is derived by dividing total hospital expenses by the number of adjusted inpatient days—that is, the sum of inpatient days and the number of equivalent inpatient days represented by outpatient visits. This number is computed by dividing the number of outpatient visits by the ratio of inpatient revenue per inpatient day to outpatient revenue per outpatient visit.

Comparison of hospital daily service charges in the CPI with the two AHA series—expense per patient day and expense per adjusted patient day—shows that although the three units of measure differ fundamentally (one reflects the price the patient pays daily for room and board charges,

² *Hospitals*, Journal of the American Hospital Association, August 1, 1969, Part 2, pages 466-467.

TABLE 2.—Semiannual consumer price indexes and medical care components, June 1965–June 1971

[1967=100]

Item	June 1965	Dec 1965	June 1966	Dec 1966	June 1967	Dec 1967	June 1968	Dec 1968	June 1969	Dec 1969	June 1970	Dec 1970	June 1971
CPI, all items.....	94.7	95.4	97.1	98.6	99.7	101.6	104.0	106.4	109.7	112.9	116.3	119.1	121.6
Less medical care.....	95.1	95.8	97.5	98.9	99.8	101.6	103.9	106.3	109.6	112.8	116.0	118.8	121.1
CPI, all services.....	92.1	93.4	95.5	98.0	99.8	101.9	104.9	108.1	112.2	116.1	121.4	125.6	128.2
Less medical care.....	93.0	94.3	96.3	98.5	99.8	101.7	104.6	107.9	111.6	115.8	121.0	125.3	127.4
Medical care, total.....	89.4	90.5	92.9	96.5	99.7	102.7	105.6	109.1	113.5	115.7	120.5	124.2	128.6
Medical care services.....	87.2	88.5	91.3	95.7	99.7	103.3	106.8	110.9	116.1	118.7	124.0	128.5	133.5
Professional services													
Physicians' fees.....	88.0	89.6	93.0	96.6	99.8	102.5	105.3	108.4	113.0	116.3	121.6	125.7	129.9
General physician, office visits.....	87.1	88.7	92.3	96.0	99.8	102.8	105.5	108.4	113.5	117.0	123.1	127.4	131.7
General physician, house visits.....	87.0	89.3	93.5	97.0	99.7	102.2	106.3	110.1	114.6	117.5	123.1	126.0	131.4
Herniorrhaphy (adult).....	90.6	92.8	94.4	97.0	100.2	101.8	104.7	106.4	108.0	110.1	114.7	120.3	123.3
Tonsillectomy and adenoidectomy.....	90.8	91.9	94.8	97.4	98.9	102.3	104.7	108.2	110.1	112.9	118.7	120.9	124.3
Obstetrical cases.....	89.0	89.6	92.1	96.4	100.2	101.7	104.6	108.0	112.9	117.2	122.3	124.6	128.9
Pediatric care, office visits.....	85.8	87.0	93.0	96.7	100.0	102.1	104.4	107.8	113.5	118.0	122.5	126.5	132.4
Psychiatrist, office visits.....	91.8	93.5	96.8	99.0	99.8	101.2	104.7	108.4	114.0	116.6	118.7	121.9	124.7
Dentists' fees.....	92.1	93.2	94.8	97.5	99.5	102.5	105.2	107.7	113.1	115.8	119.1	122.2	126.4
Other professional services													
Examination, prescription, and dispensing of eyeglasses.....	92.6	93.7	95.0	97.4	99.9	101.5	102.8	104.8	107.7	109.9	113.1	116.6	120.0
Routine laboratory tests.....	94.8	95.2	96.8	98.5	99.9	102.0	102.8	104.6	108.0	109.4	111.4	113.2	115.3
Hospital service charges													
Daily service charges.....	76.2	78.5	82.1	91.5	100.0	105.6	112.2	119.6	126.8	133.9	142.1	152.0	160.5
Operating-room charges.....	82.3	84.8	87.7	92.7	100.2	104.1	111.1	117.5	129.0	133.1	141.5	149.3	155.3
X-ray, diagnostic series, upper G I.....	90.8	91.4	93.1	98.0	99.6	101.9	103.9	106.0	108.9	111.0	117.0	120.2	125.4
Drugs and prescriptions.....	100.2	100.2	100.7	100.4	99.8	100.2	100.1	100.6	101.4	101.7	103.8	104.2	105.7
Prescriptions.....	102.0	101.9	101.7	101.5	99.8	99.3	98.0	98.4	99.6	100.1	101.8	100.2	101.2
Over-the-counter items.....	98.1	98.1	99.5	99.1	99.7	101.3	102.6	103.1	103.6	103.6	106.1	108.7	111.0

Source *Consumer Price Index*, Bureau of Labor Statistics.

and the other two reflect the cost to the hospital of providing a day of hospital care) the same general trend evolves. The tabulation below shows 1966-71 rates of change for these three measures.

Year	Annual percentage change in—		
	Hospital daily service charge ¹	Average expense per patient day ²	Average expense per adjusted patient day ²
12 months ending June			
1966.....	7.7	12.6	13.9
1967.....	21.8	13.7	8.8
1968.....	12.2	9.4	18.0
1969.....	13.0	18.7	11.7
1970.....	12.1	12.0	13.0
1971.....	12.9	13.1	

¹ Data from *Consumer Price Index*, Bureau of Labor Statistics

² Based on data from midmonth issues of *Hospitals*, Journal of the American Hospital Association

Among the factors contributing to the rise in hospital prices are technological changes, increased demand, and rising costs of labor and supplies.³ Most other industries increased their output by combining improvements in organization with the substitution of capital equipment for labor. In the hospital industry, organizational change has been slow. Improvements in medical technology have led to changes not only in the types of cases treated by hospitals but also in the methods of treatment—both requiring more expensive equipment as well as more highly skilled labor. The public also demands a larger number of more costly services from hospitals now than it did 2 decades ago—because of rising income, increasing insurance coverage, and changing demographic characteristics of the population.

PHYSICIANS' FEES

The CPI for physicians' fees is comprised of seven services. Since 1918, prices have been obtained for three items—general physicians' office visits, house visits, and obstetrical cases. In 1939, services of surgeons and specialists, whose fees are represented by tonsillectomy and adenoidectomy, were added. As a result of the major revision of the CPI in January 1964, the pricing of professional medical services was expanded to include pediatric and psychiatric office visits and a surgical fee for herniorrhaphy.

³ *The Effect of Changing Technology on Hospital Costs*, by Saul Waldman, (Research and Statistics Note No. 4), February 1972.

Physicians' fees, like hospital charges, rose substantially in fiscal year 1967, the first year of Medicare operations. The index for June 1967 was 7.3 percent higher than the June 1966 figure, which was the same rate of increase reported for the medical care component as a whole. A deceleration occurred in 1968 when the index for physicians' fees rose 5.5 percent. The upward movement resumed the following 2 years with annual rates of increase of 7.3 percent and 7.6 percent, respectively. Physicians' fees in 1971 continued to rise but at a somewhat slower rate than in 1970. For the 12 months ending June 1971, the index increased 6.8 percent, the lowest annual rate of increase reported for this component in 3 years.

The level of price increases among the different types of physicians' services priced for the CPI shows considerable variation. For the 5-year period ending June 1971, the increases in the indexes ranged from approximately 31 percent for adult herniorrhaphy, psychiatrist office visits, and tonsillectomy and adenoidectomy, to 40-43 percent for general physician office and house visits, obstetrical care, and pediatric office visits.

The following tabulation presents June to June and 5-year percentage changes in the medical care (total), medical care services, and the physicians' fee components of the CPI.

Item	12 months ending June—						5 years ending June 1971
	1966	1967	1968	1969	1970	1971	
Medical care, total.....	3.9	7.3	5.9	7.5	6.2	6.7	38.4
Medical care services, total.....	4.7	9.2	7.1	8.7	6.8	7.7	46.2
Physicians' fees.....	5.7	7.3	5.5	7.3	7.6	6.8	39.7
General physician, office visits.....	6.0	8.1	5.7	7.6	8.5	7.0	42.7
General physician, house visits.....	7.5	6.6	6.6	7.8	7.4	6.7	40.5
Herniorrhaphy (adult).....	4.2	6.1	4.5	4.1	5.2	7.5	30.6
Tonsillectomy and adenoidectomy.....	4.4	4.3	5.9	5.2	6.0	6.5	31.1
Obstetrical cases.....	3.5	8.8	4.4	7.9	8.3	5.4	40.0
Pediatric care, office visits.....	8.4	7.5	4.4	8.7	7.9	8.1	42.4
Psychiatrist, office visits.....	4.4	4.2	4.9	8.9	4.1	5.1	30.2

Numerous factors have influenced the escalation of the prices for doctors' services during the past 5 years. The Medicare and Medicaid programs have been identified as significant contributing forces since both programs expanded demand for services but did not ameliorate the short supply and maldistribution of providers of services. In effect, legislation provided access to medical care

by reducing the financial barriers to care but did not increase the capacity of providers.

An additional factor contributing to the increase in physicians' fees is the Medicare payment of customary and prevailing charges as the basis for reimbursement of physicians' services. The term "customary charges" refers to the amount that the individual physician usually and most frequently charges his patients for a specific service in similar medical circumstances; "prevailing charges" are those that fall within the range of charges most frequently and most widely used in a locality for particular medical procedures.

Before Medicare many physicians used a sliding scale of fees, charging less for services provided to aged persons with incomes lower than the general population. With the advent of Medicare, physicians' charges to aged persons are presumably higher than formerly, since they can now charge the same amount that they customarily charge other patients. Such increases, however, would not be reflected in the price index, since no increase in the physicians' usual or customary fee would have occurred.

OTHER MEDICAL CARE PRICES

In general, prices for other medical care goods and services, except prescriptions, followed the upward trend reported for hospital and physicians' services. Examination of index price changes for dentists' services, for the examination, prescription, and dispensing of eyeglasses, and for routine laboratory tests reveals variations in magnitude, extent, and timing of price changes. The tabulation below shows the index changes from June 1966 through June 1971.

Item	12 months ending June—						5 years ending June 1971
	1966	1967	1968	1969	1970	1971	
Medical care, total..	3.9	7.3	5.9	7.5	6.2	6.7	38.4
Medical care services, total.....	4.7	9.2	7.1	8.7	6.8	7.7	46.2
Physicians' fees.....	5.7	7.3	5.5	7.3	7.6	6.8	39.7
Dentists' fees.....	2.9	5.0	5.7	7.5	5.3	6.1	33.3
Fillings, adult, amalgam, one surface.....	3.6	5.6	5.4	7.8	6.2	5.8	34.8
Extractions, adult.....	2.7	3.4	5.2	8.0	4.4	7.0	31.3
Denture, full upper.....	2.4	5.1	6.7	6.6	4.6	5.6	32.0
Examination, prescription, and dispensing eyeglasses.....	2.6	5.2	2.9	4.8	5.0	6.1	26.3
Routine laboratory tests.....	2.1	3.2	2.9	5.1	3.1	3.5	19.1
Drugs and prescriptions.....	-.5	-.9	-.3	1.3	2.4	1.8	5.0
Prescriptions.....	-.3	-1.9	-1.8	1.6	2.2	-.6	-.5
Over-the-counter items.....	1.4	.2	2.9	1.0	2.4	4.6	11.6

The CPI for dentists' fees is a composite of three indexes: The index for fillings (adult, amalgam, one surface), for extractions (adult), and for full upper dentures. From June 1966 to June 1971, the charges for these services had increased almost as much as prices for physicians' services—one-third for the former and two-fifths for the later. During this time, however, the annual rates of increase varied for these professional services. The index for physicians' fees moved faster than that for dentists' in fiscal years 1966 and 1967. In 1968 and 1969, the index for dental services outpaced the index for physicians. In the 2 succeeding years, physicians' fees once again moved faster.

Prices for the examination, prescription, and dispensing of eyeglasses moved in the same upward direction as other medical components although to a lesser degree, rising by more than one-fourth for the period July 1966–June 1971. The charges for routine laboratory tests showed average yearly increases of roughly 2–3 percent, peaking in 1969 when the yearly rate of increase reached 5.1 percent. For the 5-year period, the index rose by one-fifth, considerably less than other medical service components.

Prices of drugs and prescriptions have moved differently from prices of the other medical care components of the CPI. In fact, decreases were reported in the prescriptions index for 4 of the 5 years between June 1966 and June 1971. The price changes reported for over-the-counter items, however, have followed the pattern of prices in general—with yearly percentage increases ranging from 0.2 percent to 4.6 percent. In the 5-year period ending June 1971, over-the-counter items increased nearly 12 percent.

The adequacy of the CPI drugs and prescriptions component has been questioned for some years.⁴ It had been generally acknowledged that, in the past, the index did not accurately reflect the changes in prices because of lags in incorporating the newer drugs into the CPI. The drugs and prescription index now includes six over-the-counter items and 15 prescriptions. The behavior

⁴ Testimony of Arthur M. Ross, Commissioner, Bureau of Labor Statistics, Department of Labor Hearings before the Subcommittee on Monopoly, Select Committee on Small Business, U.S. Senate, 90th Congress, 1st Session, "Present Status of Competition in the Pharmaceutical Industry," Part I, May 16, 1967, pages 183–202.

of the index for drugs reflects (1) the inability of a limited number of items to be fully representative of all actual prescription purchases at the retail level and (2) movements in the prices of the particular drugs included in the survey, obtained by comparing the current prices with a base price in some earlier period of time.⁵

FIVE SPECIAL PROCEDURES OF SIGNIFICANCE TO THE AGED

Additional information relating to the increase in the prices of physicians' services is available from data provided by a continuing study of five special in-hospital procedures of particular significance to the aged. The study was conducted by the Bureau of Labor Statistics for the Social Security Administration during the initial period of the Medicare program's implementation. The study has since been terminated since data on physicians' charges under Medicare are becoming available from the Medicare statistical reporting system.

Prices were collected for three surgical proce-

⁵ *Prescription Drug Prices and Costs*, by Vincent R. Gardner (Research and Statistics Note No. 12), June 1968.

dures (cholecystectomy, prostatectomy, and fractured neck of the femur) and two in-hospital medical services (myocardial infarction and cerebral hemorrhage). Prices for these five procedures are not incorporated in the regular sample of the consumer price index. It was believed that fees for such services might be sensitive to the new Medicare program and hence would provide baseline data to assess the impact of the program on physicians' fees.

The fees for the five procedures reflect only the care provided in hospitals. The fee quotations are obtained on a sample basis and, consequently, are subject to all the limitations of sampling variability. In addition, the BLS fee quotation is received from the physician in response to a request that he furnish information on his "usual" fee for this service. There could be some disparity between the physician's fee quotation and his actual charges to patients.

INDEX CHANGES

12-Month Changes

In the first year of Medicare, fiscal year 1967, the index for general physicians' office and house

TABLE 3.—Semiannual indexes for indexes for general physicians' office and house visits and in-hospital procedures for the aged, by item, June 1966–June 1971

[December 1965=100, unless otherwise specified]

Type of procedure	6 months ending—										
	June 1966	Dec 1966	June 1967	Dec 1967	June 1968	Dec 1968	June 1969	Dec 1969	June 1970	Dec 1970	June 1971
General physician, office visits (1967=100) ¹	92 3	96 0	99 8	102 8	105 5	108 4	113 5	117 0	123 1	127 4	131 7
General physician, house visits (1967=100) ¹	83 5	97 0	99 7	102 2	106 3	110 1	114 6	117 5	123 1	126 0	131 4
General physician, office visits ¹	104 1	108 2	112 5	115 9	118 9	122 2	128 0	131.9	138 8	143 6	148.5
General physician, house visits ¹	104 7	108 6	111 6	114.4	119 0	123 3	128 3	131.6	137 8	141 1	147.1
In-hospital medical care²											
Myocardial infarction.....	101.3	104 7	107 8	110 5	113 9	117.9	120 6	122 4	127 8	130 1	131 8
Cerebral hemorrhage.....	101 2	104.1	107 3	109 9	112.9	117 0	119 2	120 7	125 5	128 9	131 4
In-hospital surgical procedures²											
Cholecystectomy.....	101.4	102 5	106 0	109 9	113 0	115 7	118.4	120 8	123 4	128 6	133 3
Prostatectomy.....	102 5	106.9	109 4	114 3	116 6	121.2	124.8	126 9	131 2	134 4	140 0
Fractured neck of femur.....	101.2	103 5	107.7	111.3	116.2	119.6	128.3	133 1	136 5	139 4	148 0
	Percentage change										
General physician, office visits.....	4.1	4 0	3 9	3 0	2 6	2 9	4 7	3 0	5 2	3 5	3.4
General physician, house visits.....	4 6	3 8	2.8	2.5	4 0	3 5	4.1	2 6	4.7	2.4	2.3
In-hospital medical care²											
Myocardial infarction.....	1 3	3 4	3 0	2 5	3.1	3 5	2.3	1 5	4 4	1 8	1.3
Cerebral hemorrhage.....	1 2	2 9	3 1	2.4	2 7	3 6	1.9	1.3	4 0	2 7	1 9
In-hospital surgical procedures²											
Cholecystectomy.....	1.4	1.1	3 4	3 7	2 8	2.4	2 3	2 0	2.2	4.2	3 7
Prostatectomy.....	2.5	4.3	2 3	4 5	2.0	3 9	3 0	1 7	3 4	2 4	4 2
Fractured neck of femur.....	1.2	2.3	4.1	3 3	4 4	2.9	7.3	3 7	2 6	2.1	6 2

¹ Fees of general physicians for house and office visits are regularly reported in the CPI.

² From special study of prices for 5 procedures, not incorporated in the reg-

ular sample of the CPI, important to but not necessarily limited to the aged.

Source: Compiled by the Social Security Administration from unpublished data reported by the Bureau of Labor Statistics.

TABLE 4.—Percent of physicians reporting fee increases and average percentage increase in fees, by type of procedure, selected periods, June 1966–June 1971

Type of procedure	6 months ending—										12 months ending—					
	June 1966	Dec 1966	June 1967	Dec 1967	June 1968	Dec 1968	June 1969	Dec 1969	June 1970	Dec 1970	June 1971	June 1967	June 1968	June 1969	June 1970	June 1971
Percent of physicians reporting fee increases																
General physician, office visits.....	17.7	18 6	14 0	12 3	11 8	13.1	19 2	12 7	17 3	8 9	13.0	31 9	22.5	31.8	28 7	21.5
General physician, house visits.....	18 0	17.1	12 1	9 5	12 1	13 8	15 4	8 9	14 0	6 5	9 1	27 6	21 3	28.8	22.0	14 8
In-hospital medical care ¹																
Myocardial infarction.....	8 0	15 9	15 9	12 9	15 4	14 1	20 0	14 8	19.6	12 9	18 3	29 2	27.3	31.4	30.6	28 3
Cerebral hemorrhage.....	7.7	14.7	14 4	12 8	15 9	13 3	20 4	13 2	20.4	13 2	18 9	27 0	27.9	31 4	29 9	28.6
In-hospital surgical procedures ¹																
Cholecystectomy.....	13 6	14 3	17 6	17.2	19 3	14 2	21.8	12 5	19 4	17.2	18 5	29.7	33.5	30 9	30 3	33 2
Prostatectomy.....	18 6	21 0	25 3	20 0	18 1	18 9	23.5	13 6	23.0	19 3	18 7	43 8	35 5	38 8	32 8	36 0
Fractured neck of femur.....	9 5	17 1	18 9	18 7	25 3	15 5	26 4	14 3	22 2	21.1	24 4	34.0	38.0	38 1	34 3	40 9
Average percentage increase in fees																
General physician, office visits.....	26 3	25 1	29 2	25 9	22.8	23 2	26 3	24 9	23 2	26 0	22 3	27.7	26 1	25 6	25 6	22 4
General physician, house visits.....	26 8	25 3	30 5	30 1	30 3	32 4	33 0	27.3	29 8	43.3	30 8	29 4	31.0	30.0	29 5	37.6
In-hospital medical care ¹																
Myocardial infarction.....	18 9	26 4	20 7	20 9	23 4	25.1	19 1	27.5	21 4	21 4	27 0	25 8	23 5	24 0	27 5	27.6
Cerebral hemorrhage.....	19 1	25 3	23 0	20 1	25 0	25 0	19 8	25 1	22 8	20 0	25.1	26 3	24.3	23 9	26 8	27.0
In-hospital surgical care ¹																
Cholecystectomy.....	17.8	17 4	17.7	19 4	14 6	14 4	13 7	14.8	16 5	20 0	15 2	19 0	18 0	15 5	16 9	18.8
Prostatectomy.....	14 7	18 2	14 6	19 0	12 9	16 8	14 5	14 0	18.1	11 8	13 6	17.4	17 6	17 2	17 5	13 6
Fractured neck of femur.....	14.4	16 0	24.2	20 5	17.4	17 3	20 4	15 0	14 8	20 7	20.3	21.7	22.3	21 2	16.0	22.6

¹ From special study of prices for 5 procedures, not incorporated in the regular sample of the CPI, important to but not necessarily limited to the aged

Source: Compiled by the Social Security Administration from unpublished data reported by the Bureau of Labor Statistics

visits advanced more rapidly than any of the five special indexes of hospital procedures for the aged. During the second year, general practitioners and internists who provided fee quotations for office and house visits as well as in-hospital care for heart and stroke patients did not raise their fees as rapidly as they had in the first year. By contrast, fees for surgical procedures rose at a faster rate the second year than in 1967. During fiscal years 1969 and 1970, the indexes for office and house visits accelerated, outpacing the indexes for four of the five types of care. The index for fractured neck of femur reached a 5-year high when it rose 10.4 percent in 1969. During the fiscal year ending June 1971, the indexes for the three surgical procedures increased sharply, more than doubling the rate of increase reported for care of hospitalized heart and stroke patients.

5-Year Changes

By the end of the 5-year period between June 1967 and June 1971, the indexes for office and house visits increased by more than two-fifths. Only one procedure, fractured neck of femur, exceeded this rate, rising 46 percent. Indexes for the two in-hospital medical procedures and for chole-

cystectomy increased less than one-third; the index for prostatectomy rose about 37 percent. It is interesting to note that the 5-year CPI for adult herniorrhaphy, a component comparable to the three surgical procedures for the aged, increased at a lesser rate (30.6 percent) than did cholecystectomy (31.5 percent), prostatectomy (36.6 percent), and fractured neck of femur (46.2 percent).

Semiannual and annual indexes for general physicians' office and house visits and the five procedures are shown in detail in table 3. The following tabulation summarizes the yearly index changes in physicians' fees for these services from June 1967 to June 1971:

Type of procedure	12 months ending June—					5 years ending June 1971
	1967	1968	1969	1970	1971	
General physician						
Office visit.....	8 1	5.7	7.7	8 4	7.1	42 7
House visit.....	6 7	6 6	7.8	7.4	6 7	40 5
In-hospital medical care ¹						
Myocardial infarction.....	6 4	5.7	5 9	6.0	3.1	30.1
Cerebral hemorrhage.....	6 0	5.2	5 6	5 3	4.7	29.8
In-hospital surgical procedures ¹						
Cholecystectomy.....	4 5	6.6	4.8	4 2	8 0	31.5
Prostatectomy.....	6 7	6.6	7.0	5.1	6 7	36.6
Fractured neck of femur.....	6 4	7.9	10.4	6.4	8 4	46.2

¹ From special study of prices for 5 procedures, not incorporated in the regular sample of the CPI, important to but not necessarily limited to the aged
Source: Compiled by the Social Security Administration from unpublished data reported by the Bureau of Labor Statistics.

TABLE 5.—Percent of physicians reporting fee increases and average percentage increase in fees, by frequency of increase, type of procedure, selected periods, June 1967–June 1971

Type of procedure	Reporting Increases, 12 months ending—														
	June 1967			June 1968			June 1969			June 1970			June 1971		
	Total	One	More than one	Total	One	More than one	Total	One	More than one	Total	One	More than one	Total	One	More than one
Percent of physicians reporting fee increases															
General physician, office visits.....	31.9	30.9	0.9	22.5	21.4	1.1	31.8	31.3	0.5	28.7	26.3	2.3	21.5	20.7	0.8
General physician, house visits.....	27.6	25.8	1.8	21.3	20.6	.8	28.8	28.4	.4	22.0	21.4	.7	14.8	14.1	.7
In-hospital medical care ¹															
Myocardial infarction.....	29.2	25.6	3.5	27.3	25.4	1.9	31.4	27.8	3.6	30.6	25.0	5.6	28.3	24.9	3.5
Cerebral hemorrhage.....	27.0	23.8	3.1	27.9	25.9	2.0	31.4	27.8	3.6	29.9	25.2	4.7	28.6	23.7	4.9
In-hospital surgical procedures ¹															
Cholecystectomy.....	29.7	25.1	4.6	33.5	30.3	3.2	30.9	26.9	4.0	30.3	27.0	3.4	33.2	29.6	3.6
Prostatectomy.....	43.8	38.9	4.8	35.5	31.6	3.9	33.8	32.5	6.3	32.8	28.2	4.6	36.0	32.1	3.9
Fractured neck of femur.....	34.0	31.3	.7	38.0	31.6	6.4	38.1	31.8	6.3	34.3	30.8	.5	40.9	36.5	4.4
Average percentage increase in fees															
General physician, office visits.....	27.7	27.1	46.3	26.1	24.4	58.9	25.6	25.5	34.4	25.6	24.6	36.5	22.4	21.9	35.8
General physician, house visits.....	29.4	28.2	46.2	31.0	30.3	47.5	30.0	29.7	53.6	29.5	28.8	53.2	37.6	36.1	68.2
In-hospital medical care ¹															
Myocardial infarction.....	25.8	23.0	46.7	23.5	22.1	41.9	24.0	22.9	32.0	27.5	23.1	46.8	27.6	26.3	36.6
Cerebral hemorrhage.....	26.3	23.7	46.8	24.3	23.1	40.2	23.9	22.8	32.6	26.8	25.1	35.6	27.0	23.0	46.5
In-hospital surgical procedures ¹															
Cholecystectomy.....	19.0	18.1	23.5	18.0	17.0	26.9	15.5	13.4	29.4	16.9	16.5	20.6	18.8	18.3	22.8
Prostatectomy.....	17.4	16.2	27.3	17.6	16.5	26.3	17.2	13.9	34.2	18.5	17.4	25.5	13.6	13.1	17.2
Fractured neck of femur.....	21.7	20.7	33.5	22.3	19.1	37.8	21.2	19.7	29.2	16.0	14.4	30.0	22.6	21.2	34.3

¹ From special study of prices for 5 procedures, not incorporated in the regular sample of the CPI, important to but not necessarily limited to the aged

Source: Compiled by the Social Security Administration from unpublished data reported by the Bureau of Labor Statistics

MAGNITUDE AND FREQUENCY OF FEE CHANGES

In addition to index movements, two measures are used by the Social Security Administration to analyze changes in physicians' fees: the proportion of doctors reporting fee increases and the average percentage increase in fees for those reporting higher fees. Data based on these measures are shown in table 4 for selected periods from June 1966 to June 1971. Table 5 presents data on frequency of increases. Tables 6 and 7 provide the data by region and population of community.

12-Month Changes

The number of physicians raising fees during a given period and the average percentage increase in fees underlie the variations reflected in the indexes for these services. The index for office visits, for example, increased from 123.1 in June 1970 to 131.7 in June 1971 (table 2). This 12-

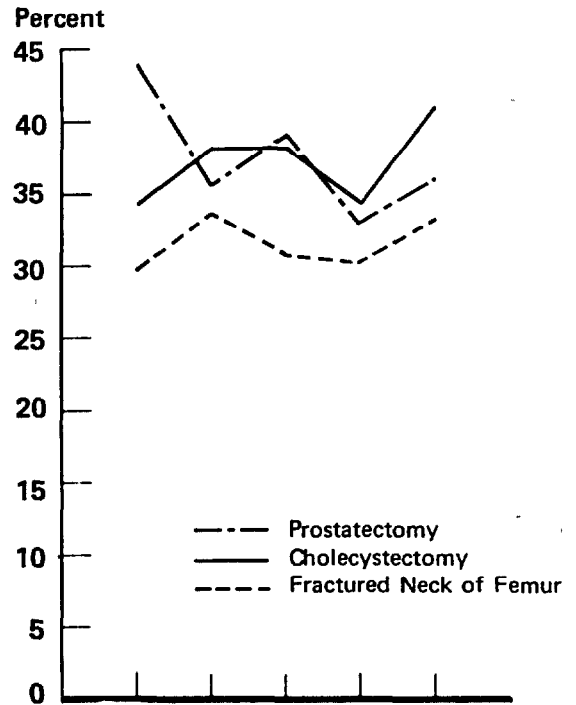
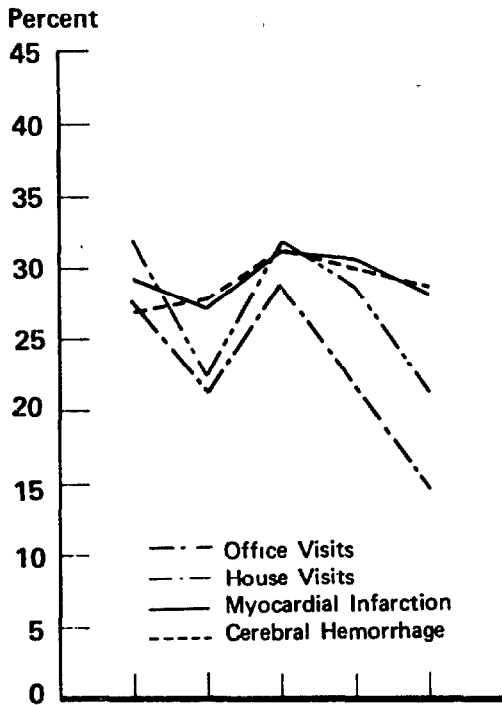
month increase of 7.0 percent reflects the fact that a little more than 1 in 5 general physicians (21.5 percent) raised fees for office visits by an average of about 22 percent (table 5).

In examining the data on fee increases for specific procedures, it must be recognized that the dollar amounts for office and house visits are very different from the fees for in-hospital medical and surgical procedures. Thus, a 20-percent increase in the fee for an office visit would amount to \$1.60 based on an \$8 charge. A 20-percent increase in fees for a stroke patient hospitalized for 14 days would amount to \$30 based on a \$150 charge, and a 20-percent rise in fees for hip surgery (fractured neck of femur) would amount to \$120 based on a \$600 fee.

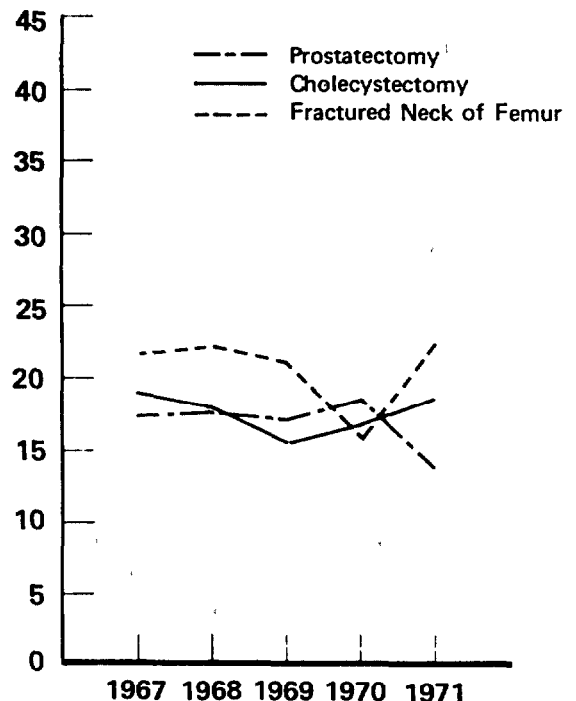
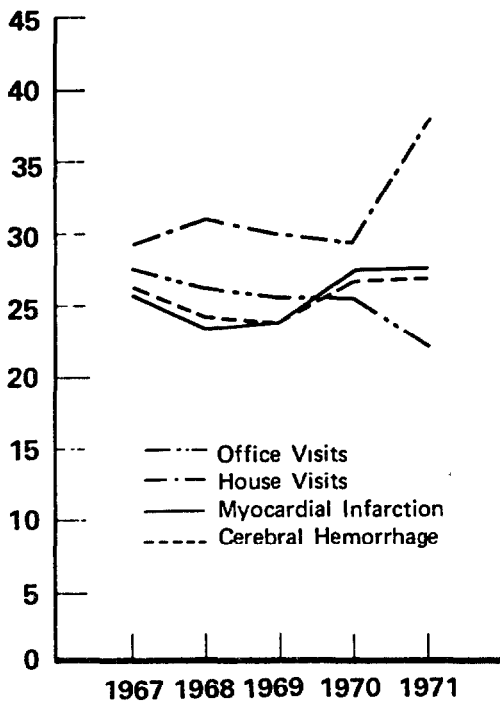
Chart 2 shows, for the 5-year period ending June 1971, the percentage of physicians reporting fee increases and the average percentage fee increase reported for the seven procedures studied. Since the same general practitioners and internists who provide fee quotations for office and house visits also report fees for in-hospital care of

CHART 2.—Percentage of physicians reporting fee increases and average percentage fee increase, by procedure, June 1967–June 1971

PHYSICIANS REPORTING FEE INCREASE



AVERAGE PERCENTAGE INCREASE IN FEES



Source: Compiled by the Social Security Administration from unpublished data reported by the Bureau of Labor Statistics.

TABLE 6—Percent of physicians reporting fee increases and average percentage increase in fees, by region, June 1967–June 1971

12 months ending June	Percent of physicians reporting fee increases					Average percentage increase in fees				
	Total	North-eastern	North Central	South	West	Total	North-eastern	North Central	South	West
Office visits										
1967	31.9	26.9	29.0	36.9	38.6	27.7	25.0	31.0	28.8	24.0
1968	22.5	18.4	21.9	26.2	25.6	26.1	31.1	26.3	25.9	19.1
1969	31.8	36.4	27.1	30.0	33.9	25.6	27.8	23.8	29.3	18.8
1970	28.7	28.2	25.5	26.2	38.7	25.6	29.9	20.3	30.7	20.4
1971	21.5	15.6	23.7	25.0	23.5	22.4	24.0	21.8	25.6	16.3
House visits										
1967	27.6	28.4	23.5	33.0	24.9	29.4	23.7	33.7	33.8	25.6
1968	21.3	21.1	24.5	14.8	20.7	31.0	30.7	29.4	32.4	33.4
1969	28.8	36.0	30.5	20.3	25.1	30.0	24.8	35.9	35.4	25.2
1970	25.0	25.2	14.0	24.1	26.9	29.5	30.4	26.2	35.3	23.2
1971	14.8	14.1	13.9	20.9	8.5	37.6	31.3	38.1	46.6	22.0
Myocardial infarction										
1967	29.2	31.4	31.9	25.4	25.5	25.8	31.5	21.4	25.5	22.1
1968	27.3	31.5	23.7	25.1	29.1	23.5	27.1	18.6	26.2	19.4
1969	31.4	30.3	35.9	29.6	28.3	24.0	22.7	24.3	24.1	25.8
1970	30.6	28.3	31.3	29.2	36.7	27.5	31.7	28.0	30.7	15.4
1971	28.3	19.5	31.2	28.2	41.8	27.6	25.1	30.7	33.3	19.3
Cerebral hemorrhage										
1967	27.0	27.8	29.4	23.4	26.8	26.3	34.8	20.1	27.4	21.0
1968	27.9	34.8	23.3	24.4	29.1	24.3	27.9	20.0	27.3	18.9
1969	31.4	29.4	34.3	32.0	28.8	23.9	20.7	26.2	23.2	26.1
1970	29.9	24.2	30.8	29.3	39.8	26.8	26.1	28.7	33.6	17.0
1971	28.6	23.1	30.8	23.5	42.7	27.0	29.9	28.2	33.2	17.3
Cholecystectomy										
1967	29.7	33.3	22.1	25.3	43.1	19.0	19.4	18.4	20.3	17.5
1968	33.5	36.5	36.0	29.6	29.8	18.0	24.8	15.4	14.0	13.7
1969	30.9	30.2	29.7	25.8	41.9	15.5	19.3	13.7	13.1	14.7
1970	30.3	32.3	25.2	24.3	44.7	16.9	17.4	15.0	22.6	13.5
1971	33.2	37.1	39.8	23.3	29.3	18.8	23.7	18.2	14.9	13.4
Prostatectomy										
1967	43.8	43.4	37.3	51.5	43.9	17.4	16.6	15.4	18.0	20.9
1968	35.5	38.4	38.3	22.0	45.6	17.6	21.4	15.5	15.2	16.5
1969	38.8	41.7	36.5	28.6	53.1	17.2	23.4	14.1	13.8	14.4
1970	32.8	29.1	31.6	33.2	41.3	18.5	14.7	26.9	16.9	14.5
1971	36.0	37.4	30.2	39.0	38.6	13.6	16.2	11.8	13.3	11.7
Fractured neck of femur										
1967	34.0	37.2	25.0	34.3	42.8	21.7	24.7	22.9	20.2	17.6
1968	38.0	45.3	40.4	32.0	29.6	22.3	27.8	19.9	14.7	24.3
1969	38.1	45.8	24.8	32.6	54.5	21.2	27.3	21.8	17.3	15.2
1970	34.3	33.2	29.6	40.3	35.5	16.0	12.5	16.0	18.0	18.2
1971	40.9	51.0	25.6	47.8	38.4	22.6	24.9	24.6	19.3	21.1

Source: Compiled by the Social Security Administration from unpublished data reported by the Bureau of Labor Statistics

heart and stroke patients, the timing of fee increases and the average percentage increase in fees may be observed. It is not surprising to note a consistent pattern among these physicians in the timing of their fee increases. The chart shows clearly that there is a close relationship in the proportion of doctors raising their fees each year for office and house visits (with the lowest percentage reporting increases for house visits) and for care of hospitalized heart and stroke patients.

Each year, excluding the first year of Medicare, slightly more physicians (ranging from 27 percent to 31 percent) raised their fees for heart and stroke care than for office and house visits (from 21 percent to 32 percent). Also, the frequency of fee increases for heart and stroke care was higher. The proportion of doctors who raised their fees for these two in-hospital procedures more than once in a 12-month period ranged from 2 percent to 6 percent. By contrast, only 0.4 percent to 2 percent of the physicians raised their fees for office and house visits more than once during each of the 5 years.

Although the pattern of annual change in the percentage of doctors reporting fee increases for office and house visits and for heart and stroke care is similar, differences occur in the average annual percentage increases, with the highest reported for office visits. There is a tendency, however, to increase fees for care of hospitalized heart and stroke patients by about the same relative amounts. The average percentage increase in fees during the 5-year period varied from 24 percent to 28 percent for care of hospitalized heart and stroke patients.

As is shown in chart 2, price movements among the three in-hospital surgical procedures differ considerably. These procedures are performed by three separate specialists. Fee quotations for cholecystectomy are provided primarily by general surgeons, for prostatectomy, by urologists, and for fractured neck of femur, by orthopedic surgeons. No pattern or trend is evident in either the percentage of physicians reporting fee increases or in the average percentage increase in fees. Only in the last fiscal year, 1971, do these three

TABLE 7.—Percent of physicians reporting fee increases and average percentage increase in fees, by community size, June 1967–June 1971

12 months ending June	Community size									
	Percent of physicians reporting fee increases					Average percentage increase in fees				
	Total	Less than 50,000	50,000–249,999	250,000–1,399,999	1,400,000 or more	Total	Less than 50,000	50,000–249,999	250,000–1,399,999	1,400,000 or more
Office visits										
1967.....	31.9	33.3	27.6	34.6	30.8	27.7	27.8	22.9	25.7	30.8
1968.....	22.5	23.0	17.5	29.8	18.8	26.1	22.7	24.0	26.9	28.0
1969.....	31.8	22.9	33.8	38.2	31.1	25.6	24.3	19.1	25.6	28.7
1970.....	28.7	29.3	30.8	30.1	26.6	25.6	20.9	26.0	25.3	28.4
1971.....	21.5	25.1	36.6	30.6	7.8	22.4	21.6	21.9	23.0	22.8
House visits										
1967.....	27.6	34.3	26.1	26.4	25.5	29.4	34.0	25.5	30.9	26.6
1968.....	21.3	18.9	24.7	19.6	22.5	31.0	29.5	28.8	32.9	31.3
1969.....	28.8	17.9	32.1	29.9	32.4	30.0	32.5	29.6	29.7	29.7
1970.....	22.0	19.0	24.3	24.2	21.3	29.5	25.7	32.8	31.4	28.7
1971.....	14.8	22.4	24.4	20.6	3.9	37.6	45.4	19.0	45.5	28.1
Myocardial infarction										
1967.....	29.2	22.4	38.1	26.8	31.3	25.8	18.7	24.4	23.6	30.6
1968.....	27.3	21.7	30.3	30.4	27.3	23.5	17.3	18.8	22.2	29.1
1969.....	31.4	23.7	49.4	33.9	27.7	24.0	19.0	19.4	25.2	28.2
1970.....	30.6	35.0	38.4	32.4	24.3	27.5	36.8	15.5	27.0	27.1
1971.....	28.3	30.6	33.0	33.0	22.3	27.6	28.7	28.8	24.0	29.6
Cerebral hemorrhage										
1967.....	27.0	21.4	37.8	25.6	26.6	26.3	20.6	23.8	26.4	30.1
1968.....	27.9	21.7	31.2	28.5	29.5	24.3	18.5	21.6	23.7	28.2
1969.....	31.4	25.8	47.9	36.1	25.0	23.9	19.0	21.7	24.6	27.6
1970.....	29.9	27.7	35.1	35.2	25.8	26.8	25.3	17.5	32.9	27.3
1971.....	28.6	31.2	34.9	34.0	21.5	27.0	35.1	17.6	22.6	31.0
Cholecystectomy										
1967.....	29.7	25.0	33.5	31.3	29.8	19.0	20.0	19.1	17.9	19.2
1968.....	33.5	32.3	32.4	32.4	35.3	18.0	14.4	11.7	15.4	23.2
1969.....	30.9	17.3	38.5	37.1	31.1	15.5	13.0	16.8	14.8	16.2
1970.....	30.3	25.3	40.6	29.6	29.8	16.9	23.5	19.3	13.8	15.0
1971.....	33.2	32.9	33.8	33.2	33.1	18.8	18.7	15.4	15.5	22.2
Prostatectomy										
1967.....	43.8	33.7	62.5	45.8	41.1	17.4	21.2	18.2	14.7	17.4
1968.....	35.5	31.7	22.3	29.5	45.8	17.6	17.8	22.1	12.5	18.9
1969.....	38.8	24.0	43.3	48.9	38.3	17.2	25.1	10.1	13.1	20.7
1970.....	32.8	28.4	27.0	46.3	28.3	18.5	28.3	23.7	15.2	15.4
1971.....	36.0	15.2	45.3	48.5	35.2	13.6	10.7	12.2	12.7	15.7
Fractured neck of femur										
1967.....	34.0	17.9	52.8	38.8	32.5	21.7	22.3	23.1	21.1	21.2
1968.....	38.0	35.9	43.1	33.9	40.0	22.3	19.9	19.4	18.8	26.4
1969.....	38.1	18.9	32.3	46.0	44.7	21.2	22.3	14.8	18.8	24.3
1970.....	34.3	33.0	43.0	36.9	30.2	16.0	13.1	12.8	16.6	18.5
1971.....	40.9	41.3	45.2	51.5	32.1	22.6	37.3	12.1	14.8	26.5

Source: Compiled by the Social Security Administration from unpublished data reported by the Bureau of Labor Statistics.

procedures move in the same direction for the same time period, with the highest proportion of orthopedic surgeons—41 percent—raising their fee for fractured neck of femur by the largest average percentage increase—23 percent.

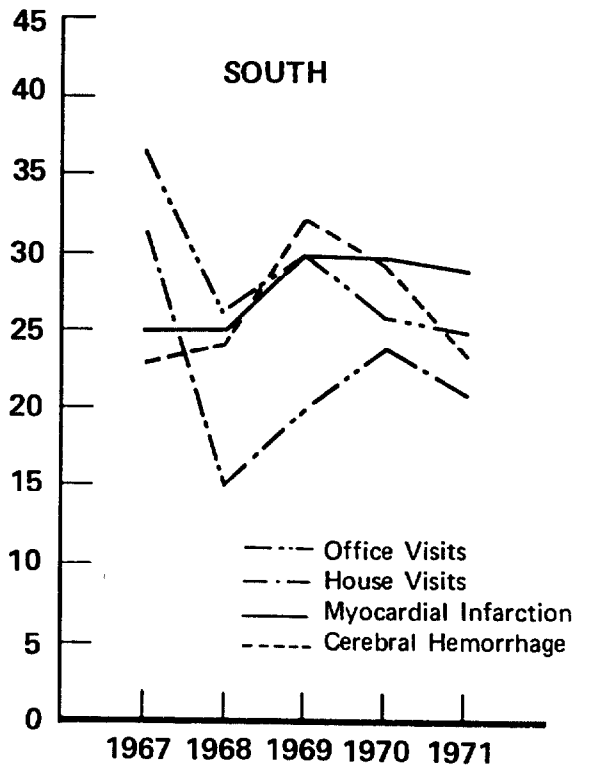
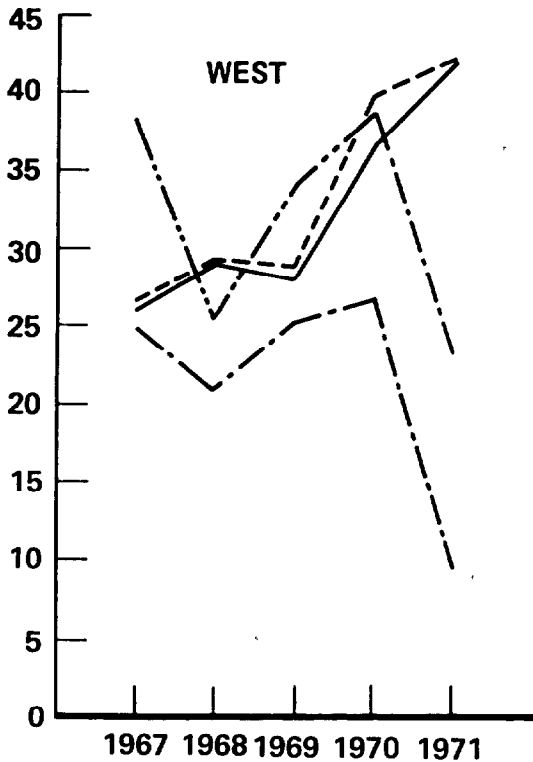
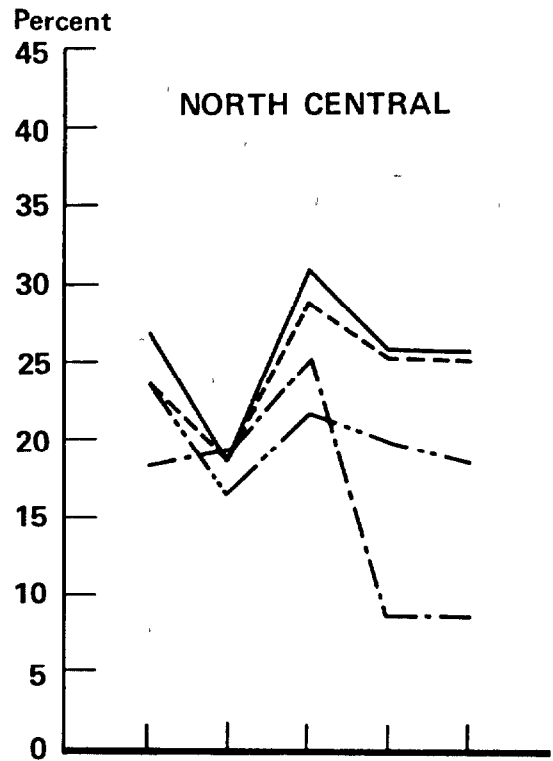
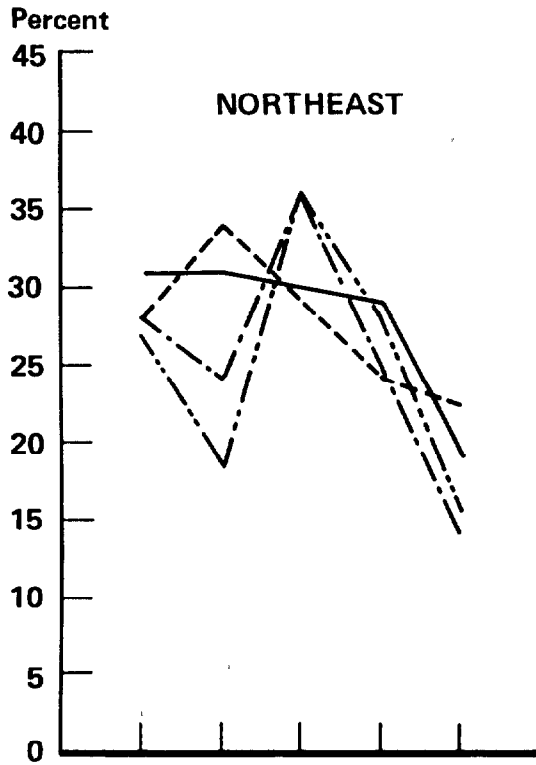
It is also interesting to note that the average percentage increase for those physicians who raised their fees more than once ranged from 17 percent to 38 percent for the three in-hospital surgical procedures and from 32 percent to 68 percent for office and house visits and hospitalized heart and stroke patients. When translated into dollar amounts, the significance of these more-than-once increases becomes apparent. For example, if the average fee for fractured neck of femur in 1971 was \$600, 37 percent of the physicians raised their fees once during the year by 23 percent or \$138. An additional 4 percent raised their fees more than once by a total of \$204.

REGIONAL VARIATIONS

Chart 3 presents the regional data on the proportion of physicians reporting fee increases for office and house visits and for in-hospital care of heart and stroke patients. No one region consistently shows the highest or the lowest proportion of doctors reporting increases in their fees over the 5-year period. There is a close relationship, however, among the physicians in the Northeast and North Central regions in the timing of their fee increases for these four procedures.

The declining number of doctors reporting fee increases for house visits in 1971 is most pronounced in the West where 8.5 percent of the general practitioners and internists raised their fees: from 19 percent to 31 percent of these doctors reported increases during fiscal years 1967–70. To some degree, the small proportion of doctors reflects the fact that during fiscal year

CHART 3.—Percentage of physicians reporting fee increases, by region, June 1967–June 1971



Source: Compiled by the Social Security Administration from unpublished data reported by the Bureau of Labor Statistics

1971 relatively few physicians in large cities on the West Coast reported increases and the weight of these cities in the sample affects the picture to some extent. With respect to the average amount of fee increases, the tendency to increase fees for care of hospitalized heart and stroke patients by about the same relative amounts is apparent in each of the four regions.

COMMUNITY SIZE

For community size, as for regions, no single category consistently shows the highest or the lowest proportion of doctors reporting increases in fees. The distribution by community size, however, again shows the close relationship in the timing of fee increases of general practitioners and internists for these four procedures. This pattern is especially evident in communities with populations of 50,000-249,999. This size of community also has the highest proportion of these doctors reporting fee increases for heart and stroke care. In June 1969, for example, almost half the physicians reported fee increases for care of heart and stroke patients.

It should be noted that in fiscal year 1971, in the largest communities (1,400,000 persons and over) a very small percentage of doctors reported fee increases for office visits (7.8 percent) and house visits (3.9 percent). This small proportion reflects the weight of the large communities in the sample where relatively few physicians reported fee increases.

With respect to the average percentage increase in fees, the largest communities show the least variation in fees for the four procedures. Thus, the average increase in fees in communities of 1,400,000 persons or more ranged from 23 to 31 percent a year. By contrast, in the smallest communities, the range in fee increases was from 18 to 45 percent.

DEFINITIONS OF FEES

GENERAL PHYSICIANS¹

House visit.—Usual fee for house visit during the day (usually 6 a.m.-6 p.m.) within corporate limits of the city to regular patients, i.e., not a first call but a subsequent call. Excludes special fees to participants in group hospitalization and surgical plans.

Office visit.—Usual fee for office visit to regular patients, i.e., not a first call but a subsequent call. Excludes special fees to participants in group hospitalization and surgical plans.

IN-HOSPITAL CARE OF SPECIAL SIGNIFICANCE TO THE AGED²

Myocardial infarction (heart attack).—Usual hospital fee for first day, second day, etc., and/or the constant charge per day to a regular patient suffering from myocardial infarction. Includes cost of admitting, hospital writeup, examination, and other physicians' services. Excludes cost of cardiograms, other laboratory fees, and medications. Assumes a 21-day stay in the hospital.

Cerebral hemorrhage (stroke).—Usual hospital visit fee for first day, second day, etc., and/or constant charge per day to a regular patient suffering from a cerebral hemorrhage. Includes cost of admitting, hospital writeup, examination, and other physicians' services. Excludes cost of laboratory fees and medications. Assumes a 14-day stay in the hospital.

Cholecystectomy (gall bladder).—Usual fee for cholecystectomy with exploration of common duct. Includes usual single preoperative visit and postoperative care. Excludes fee for diagnosis and tests, fee for appendectomy, and anesthesiologist's fee.

Prostatectomy.—Usual fee for prostatectomy by one of the following procedures: (a) transurethral electroresection of prostate; (b) perineal, subtotal; (c) suprapubic, one or two stages; or (d) retropubic. Includes usual single preoperative visit and postoperative care. Excludes fee for cystoscopy, diagnosis and tests, and anesthesiologist's fee.

Fractured neck of femur.—Usual fee to repair fractured neck of femur by open reduction with pinning. Includes usual single preoperative visit and postoperative care. Excludes fee for diagnosis and tests and anesthesiologist's fee.

¹ General physicians' fees are regularly reported in the CPI.

² Fees of internists and surgeons for these five procedures are not incorporated in the CPI but are reported separately to the Social Security Administration by the Bureau of Labor Statistics.