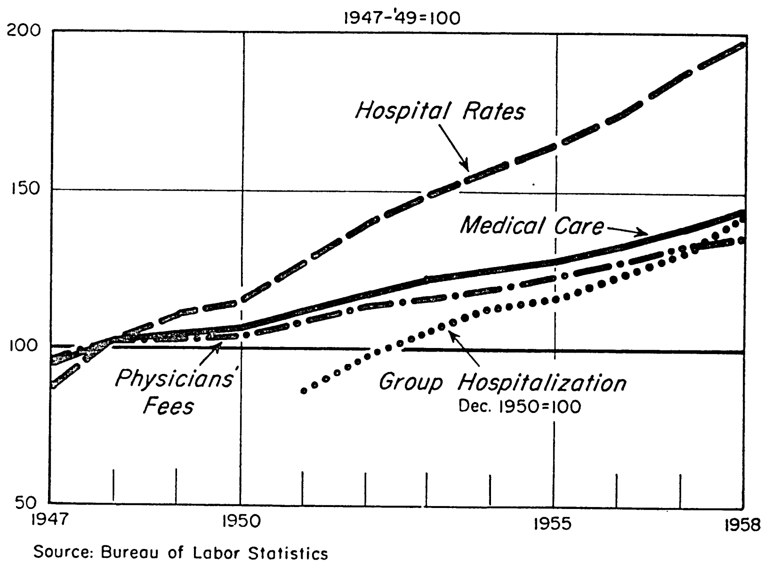
the medical care price index from 1947 to 1958 is 35 percent, only slightly above the all items CPI increase of 29 percent during the same period.

CHART 6.—Medical care price index and selected components.



The index of fees for general physician fees rose by only 44 percent, dentist fees by 38 percent, specialist fees by 35 percent and surgeon's fees by 27 percent.

Expressing the increases as average annual rates without compounding, the rise in the price of hospital rooms was 7 percent from 1947 to 1958; for group hospitalization insurance premiums it was 6.5 percent. No other component of the medical care price index rose as fast. General physician and specialist fees rose by only 3 percent a year during this period.

Thus, hospital expenses and hospitalization prepayments are clearly a major factor in the rapid increase in the price index of medical care. Introduction of payments for group hospitalization among the items priced for the medical care price index in December 1950 was a justified recognition of the rapid growth of voluntary health insurance, which in turn reflected a rechanneling of demand for increasingly expensive hospital care. However, as noted below, the rise in costs of prepayment is based not alone on hospital costs, but also on in creased hospital utilization.

The trend in group hospitalization premiums since December 1950, when first included in the CPI, has closely paralleled the trend in the room rate—the major cost item covered in such plans. However the average annual increase in group hospitalization premiums during these 6 years (1950–56) was 7.5 percent compared with 6.4 percent for hospital room rates, reflecting not only higher hospital costs but also greater utilization.[55]

[55] Elizabeth Langford. "Medical Care in the Consumer Price Index, 1936–56." Reprint from Monthly Labor Review, September 1957, p. 2.