

Analysis of 2007 Part B Premium Rate Increase

(based on FY07 MSRE Current Services baseline)

	Change in CY 2006 growth estimates from last year ¹	Growth in estimated spending from CY 2006 to CY 2007			Total spending increase: CY 2007 (current est's) vs. CY 2006 (last year's est.)	Share of pre- mium increase
		Price change ²	All other factors ³	Total increase		
Physician fee schedule	7.2%	-5.1%	5.0%	-0.4%	6.8%	2.5%
DME	8.3%	-1.6%	4.0%	2.3%	10.8%	0.5%
Lab	3.9%	0.0%	5.9%	5.9%	10.0%	0.2%
Physician-administered drugs ASC, ambulance, & other	2.7%	2.1%	10.2%	12.5%	15.5%	1.5%
Outpatient hospital	5.8%	3.4%	8.1%	11.8%	18.3%	2.1%
Lab	4.9%	0.0%	4.0%	4.0%	9.1%	0.2%
Other hospital	5.5%	3.4%	6.2%	9.8%	15.8%	0.2%
Home health	0.1%	4.0%	3.9%	8.1%	8.2%	0.4%
Dialysis, therapy & other	17.6%	(⁴)	(⁴)	-2.7%	14.4%	0.8%
Total fee-for-service	6.6%	(⁴)	(⁴)	3.9%	10.8%	8.4%
Managed care	-2.4%	(⁴)	(⁴)	0.8%	-1.6%	-0.3%
Total Part B benefit increase	4.6%	(⁴)	(⁴)	3.3%	8.1%	8.1%
Interest on Assets and Administrative Expenses						<u>-0.3%</u>
Total Part B increase before margin						<u>7.7%</u>
Change in premium contingency margin						<u>3.2%</u>
Part B premium increase (\$98.40 from \$88.50 in 2006)						<u>11.2%</u>

¹ Non-price factors only, such as utilization and intensity of services. Except for physicians' services, actual payment updates for 2006 were known at the time of last year's estimates.

² Represents actual or estimated weighted average Medicare payment update for category of services shown.

³ Estimated impact of all non-price factors, including changes in the utilization and intensity of services.

⁴ Separate price and non-price factors cannot be determined.