S&P Dow Jones Indices

A Division of S&P Global

S&P Healthcare Claims Indices Monthly Report September 2017

HEALTHCARE TRENDS ACROSS ALL LINES OF BUSINESS CONTINUE TO MOVE DOWN

The **S&P Healthcare Claims Indices Monthly Report** provides the latest national results for the **S&P Healthcare Claims Indices**—a measure of the change in healthcare costs based on actual expenses paid to healthcare providers through commercial health insurance plans—with the goal of providing the general public with timely and independent data on the cost of healthcare in the U.S.

This report summarizes changes in healthcare cost trends to the consumer as measured by costs paid to healthcare service providers by insurers, including co-pays and deductibles. Trends measured by this report utilize the April 2017 three-month incurred indices, including data through June 2017. The S&P Healthcare Claims Indices are published monthly. A further breakdown of costs by census division, census region, state, and metropolitan area are available by subscription from S&P Dow Jones Indices.

APRIL 2017 SUMMARY

- National healthcare costs in the commercial market **increased 0.34%** year-over-year
  - Medical services costs increased **1.47%**
  - Drug costs decreased **3.82%**
    - Brand-name drug costs decreased **3.93%**
    - Generic drug costs decreased **3.47%**
- Individual market Medical costs **decreased 5.54%** year-over-year

National healthcare costs in the commercial market increased 0.34% in April 2017, less than the 6.75% rise in costs seen in April 2016. Overall, medical cost trends have increased at a slower pace, up 1.47% versus 5.10% the prior year. Drug trends are now running at -3.82%, with the decrease coming as a result of the impact of key new specialty drugs such as Sovaldi, Harvoni, and others working their way through the market. The peak costs for these drugs was in November 2016, thus, factoring in a 12-month trend, we would expect the decline to bottom out with the November 2017 index. Exhibit 1 summarizes the trends in national healthcare costs as depicted by the S&P Healthcare Indices.

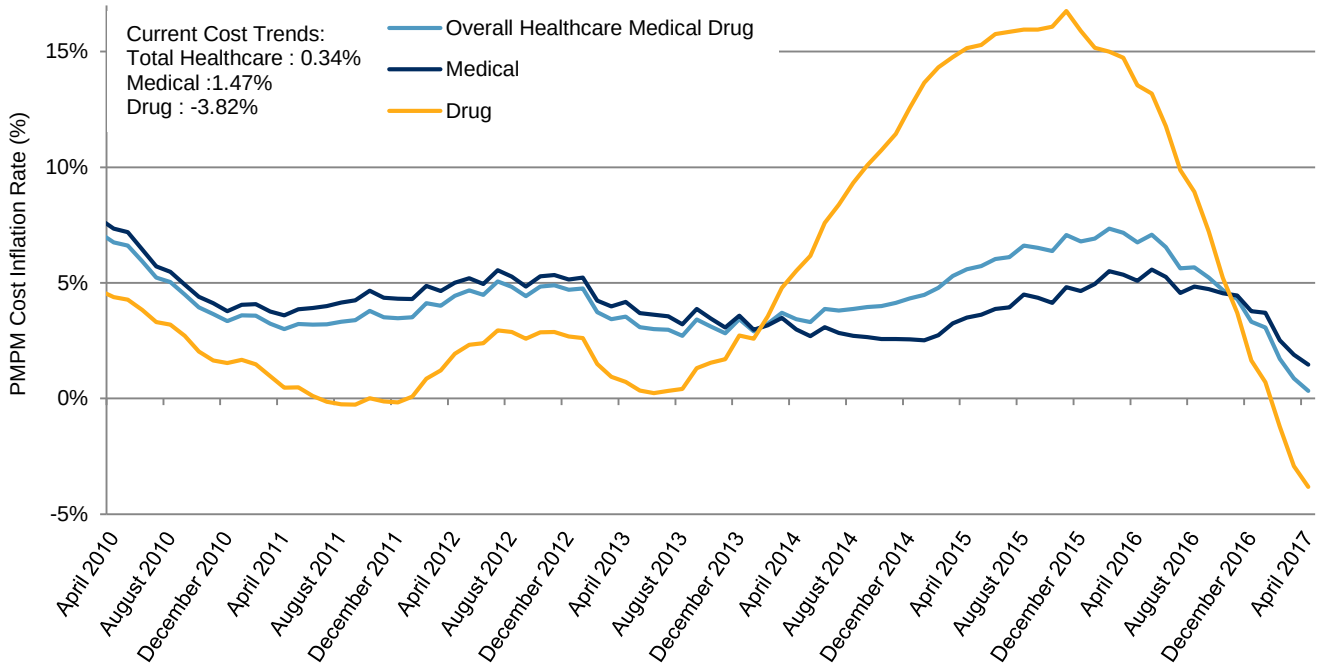
Exhibit 1: National Healthcare Cost Trends (Year-Over-Year Percent Change)

CATEGORY	APRIL 2017	APRIL 2016
Overall Healthcare	0.34	6.75
Medical Services	1.47	5.10
Drugs	-3.82	13.54
Brand-Name Drugs	-3.93	16.45
Generic Drugs	-3.47	5.16

Source: S&P Dow Jones Indices LLC. Data as of April 2017. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 2 shows the year-over-year change (trend) in per member per month (PMPM) costs (the average monthly per member cost of providing healthcare), including by type of expense (medical services versus drug) across all lines of business (LOB) combined *(*individual, large group, small group, and ASO/self-insured).

Exhibit 2: National Cost Trend – Medical Versus Drug



Source: S&P Dow Jones Indices LLC. Data from April 2010 to April 2017. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Overall individual market healthcare costs decreased 4.11% compared with the 16.75% increase seen in April 2016. After removing the increase in drug costs (1.26% for April 2017), individual market medical costs declined 5.54% in April 2017. The reason for this decrease is that the effect of individuals entering the marketplace with pre-existing conditions through the introduction of the Affordable Care Act (ACA) has largely worked its way through the market, and individual market costs are normalizing in line with employer costs. Exhibit 3 summarizes the trends in individual market costs.

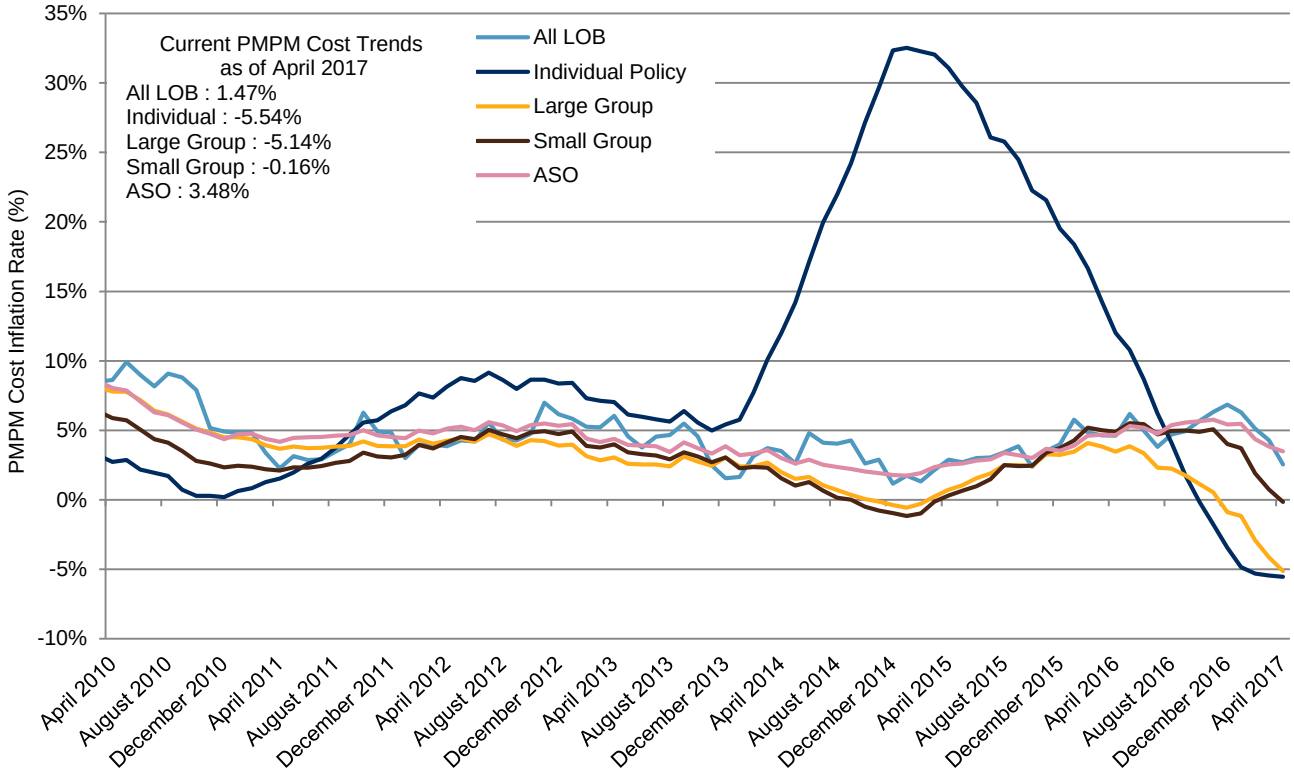
Exhibit 3: National Individual Market Cost Trend (Year-Over-Year Percent Change)

CATEGORY	APRIL 2017	APRIL 2016
Overall Healthcare	-4.11	16.75
Medical Services	-5.54	12.00
Drug	1.26	38.79

Source: S&P Dow Jones Indices LLC. Data as of April 2017. Past performance is no guarantee of future results. Table is provided for illustrative purposes. Note – Drug trends include the effect of specialty drugs

Exhibit 4 shows the year-over-year change (trend) in PMPM costs, including for each LOB (individual, large group, small group, and ASO/self-insured).

Exhibit 4: Year-Over-Year Change in Medical PMPM Costs by Line of Business

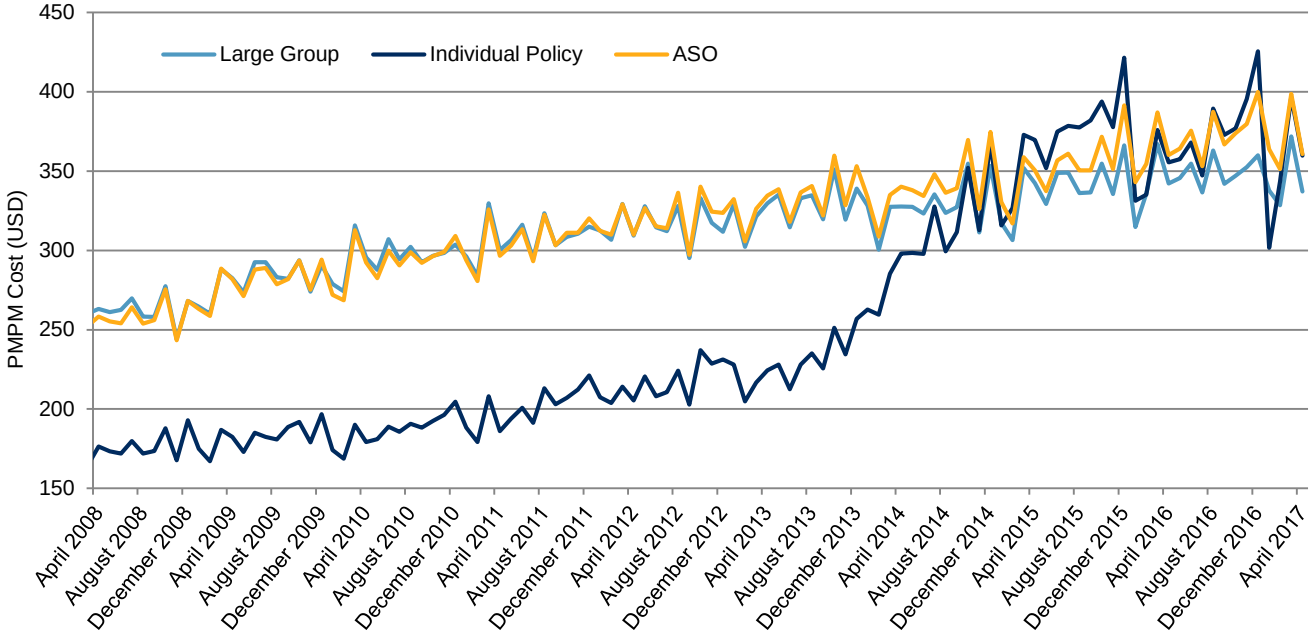


Source: S&P Dow Jones Indices LLC. Data from April 2010 to April 2017. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

As indicated by Exhibit 4, individual market cost decreases have begun to bottom out, illustrating that the full effect of the introduction of the ACA is now in the market. Barring further changes, we would expect individual market costs to behave more in line with normal market movements from here out. Monthly overall healthcare costs per covered member in the individual market decreased to USD 470.5 in April 2017. These costs are in line with employer-provided healthcare market categories (large group and ASO/self-insured), which have average costs of USD 425.7 for large group and USD 448.6 for self-insured. Per Exhibit 5, when looking at medical costs only, removing the effect of drug costs, the individual market (USD 359.8) was in line with the self-insured market (USD 360.8) and the large group market (USD 337.1).

Exhibit 5 shows the medical PMPM cost by LOB (individual, large group, and ASO/self-insured).

Exhibit 5: National Medical PMPM Costs by Line of Business



Source: S&P Dow Jones Indices LLC. Data from April 2008 to April 2017. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The April 2017 S&P Healthcare Claims Indices Report shows data through the end of June 2017. For more information on the indices, or if you would like to subscribe to the broader data set including indices at the census division, census region, state, or metropolitan level, please contact:

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The S&P Healthcare Claims Indices ("S&P Indices") use actual claims data from industry participants – making them an independent measurement tool for healthcare cost trends. The S&P Healthcare Claims Indices are based on claims data from over 30 health plans covering over 60 million participants, capturing approximately 40% of the commercial market. Over 10,000 indices track healthcare trends by region, type of expense, and line of business, and are updated on a monthly basis.

As health plans, ACOs, and employers move to outcomes-based programs, the S&P Indices can be an essential toolset to assist with the management of healthcare costs.

The launch date of the S&P Healthcare Claims Indices is October 2, 2013. All information presented prior to the launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical. Back-tested information is prepared with the benefit of hindsight and prospective application of the index methodology may not result in performance commensurate with the back-test results shown. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. Complete index methodology details are available at www.spdji.com.

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Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. Back-tested information reflects the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities, fixed income, or commodities markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

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