

S&P Healthcare Claims Indices Monthly Report June 2017

JANUARY INDIVIDUAL MARKET PMPM COSTS SHOW SIMILAR TREND TO A YEAR AGO

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 January 2017 three-month incurred indices, including data through March 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.

JANUARY 2017 SUMMARY

- National healthcare costs in the commercial market **increased 4.51%** year-over-year
 - Medical services costs increased **4.98%**
 - Drug costs increased **2.76%**
 - Brand-name drug costs increased **3.53%**
 - Generic drug costs increased **0.36%**
- Individual market Medical costs **decreased 3.0%** year-over-year

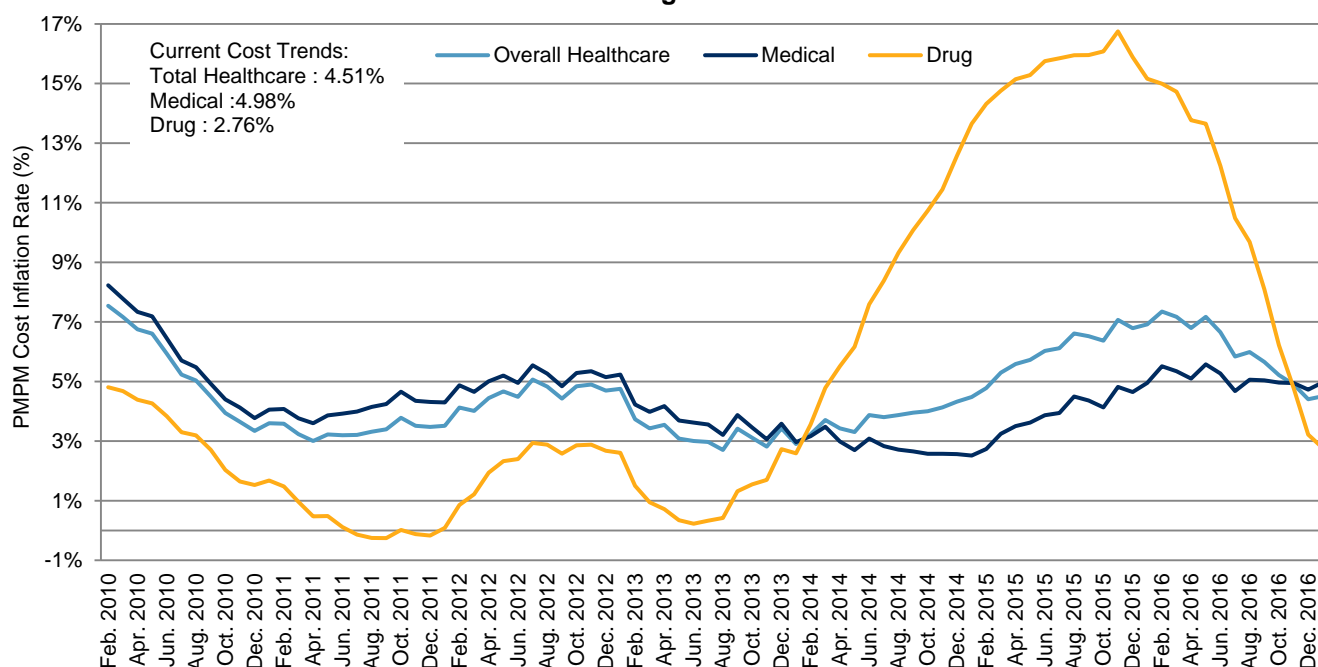
National healthcare costs in the commercial market increased 4.51% in January 2017, less than the 6.92% rise in costs seen in January 2016. Overall, medical cost trends have remained about the same, up 4.98% versus 4.95% the prior year. The decrease in healthcare trends is mainly due to the decrease in drug costs, which have fallen from their high of 15.16% in January 2016 to 2.76% in January 2017. 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	JANUARY 2017	JANUARY 2016
Overall Healthcare	4.51	6.92
Medical Services	4.98	4.95
Drugs	2.76	15.16
Brand-Name Drugs	3.53	18.29
Generic Drugs	0.36	6.37

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

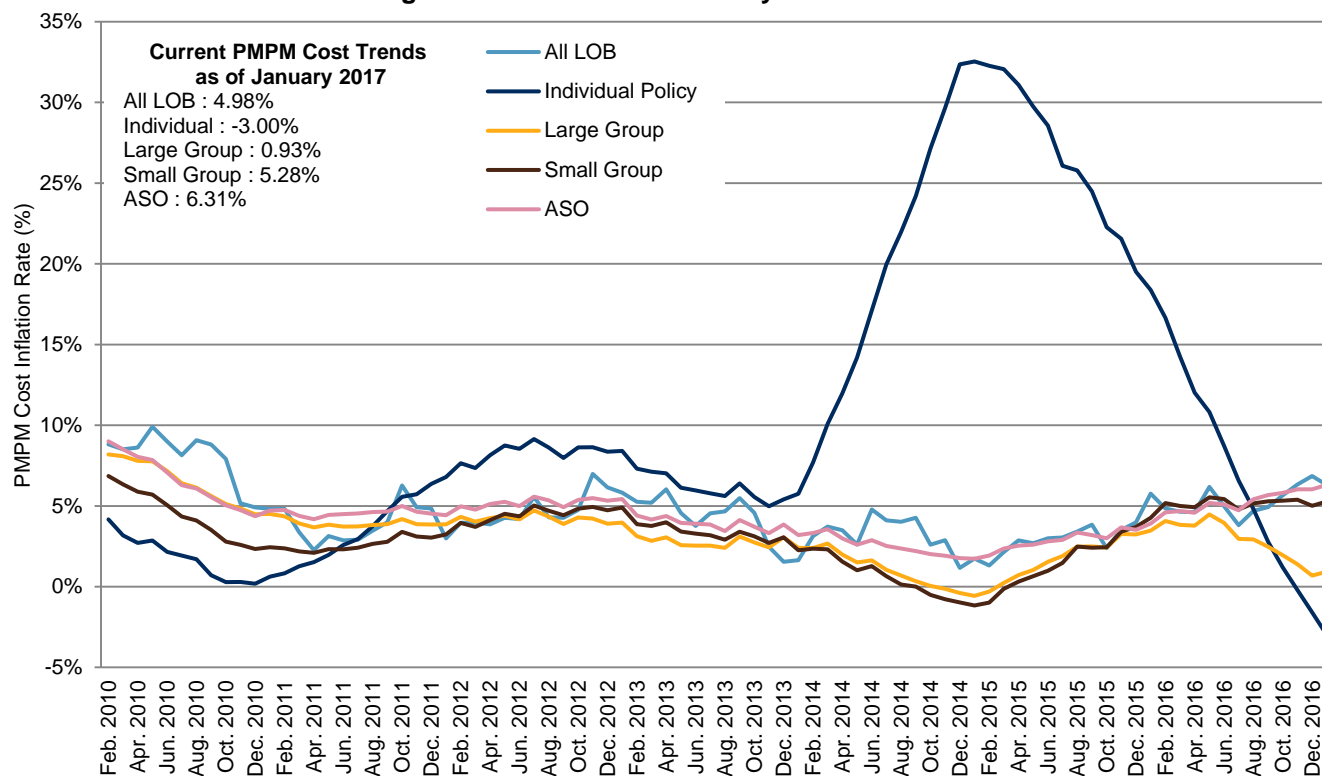
Overall individual market healthcare costs decreased by 0.41% compared with the 23.39% increase seen in January 2016. After removing the increase in drug costs (9.69% for January 2017), individual market medical costs declined by 3.00% in January 2017. The reason for this decrease is that the effect 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. This represents the first decline in costs for the individual market since the introduction of the ACA. Exhibit 3 summarizes the trends in individual market costs.

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

CATEGORY	JANUARY 2017	JANUARY 2016
Overall Healthcare	-0.41	23.39
Medical Services	-3.00	18.38
Drug	9.69	47.92

Source: S&P Dow Jones Indices LLC. Data as of January 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

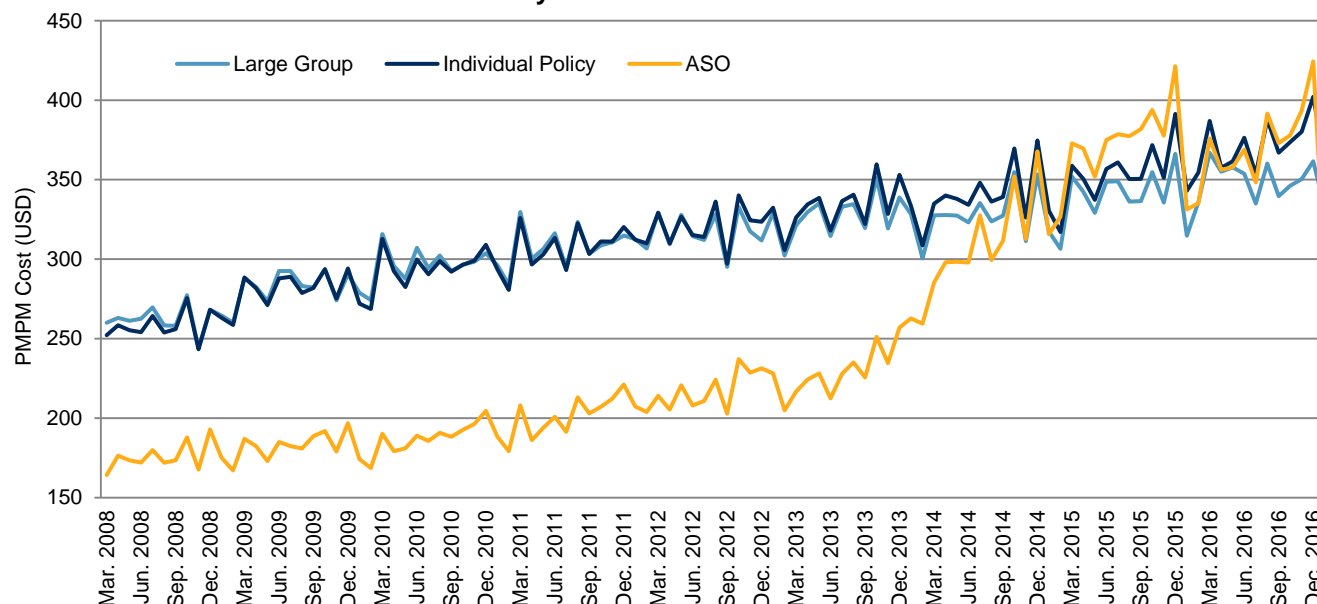
Source: S&P Dow Jones Indices LLC. Data from February 2008 to March 2017. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Monthly overall healthcare costs per covered member in the individual market dropped to USD 387.38 in January 2017. This cost has dropped below employer-provided healthcare market categories (large group and ASO/self-insured), which have average costs of USD 417.88 for large group and USD 447.95 for self-insured. When looking at medical costs only, removing the effect of drug costs, the individual market (USD 291.91) has moved lower than the self-insured market (USD 361.84) and the large group market (USD 332.18). It would appear that there is a pattern emerging of a significant run-up in costs each December as people hit plan maximums, maximizing the use of their services, followed by a significant drop in January, as enrollees become cautious about spending again in an attempt to avoid co-pays and plan deductibles. There is likely also still pent-up demand on the system due to people with pre-existing conditions, leaving open a key question: will this be a regular annual pattern, or are we still feeling the effects of the market adjusting to an influx of individuals with pre-existing conditions under the ACA who may be hitting Plan maximums for 2016? We must also

consider whether individuals, anticipating the repeal of the ACA by the new administration elected in late 2016, are opting to have their care done as early as possible to avoid loss of coverage.

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 February 2008 to March 2017. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The January 2017 S&P Healthcare Claims Indices Report shows data through the end of March 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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ABOUT THE S&P HEALTHCARE CLAIMS INDICES

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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