

S&P Dow Jones Indices

A Division of **S&P Global**

S&P Healthcare Claims Indices Monthly Report August 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 March 2017 three-month incurred indices, including data through May 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.

MARCH 2017 SUMMARY

- National healthcare costs in the commercial market **increased 2.12%** year-over-year
 - Medical services costs increased **3.10%**
 - Drug costs decreased **1.49%**
 - Brand-name drug costs decreased **1.51%**
 - Generic drug costs decreased **1.43%**
- Individual market Medical costs **decreased 4.79%** year-over-year

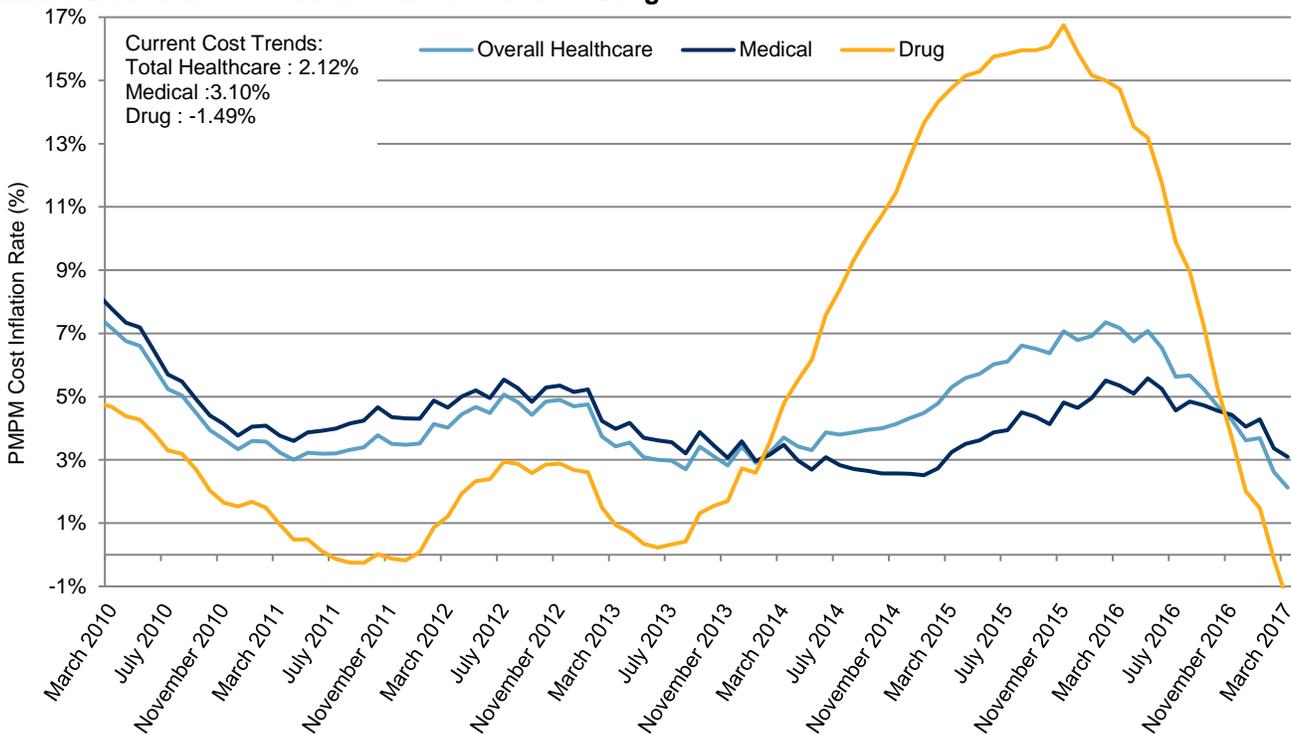
National healthcare costs in the commercial market increased 2.12% in March 2017, less than the 7.17% rise in costs seen in March 2016. Overall, medical cost trends have increased at a slower pace, up 3.10% versus 5.35% the prior year. Drug trends are now running at -1.49%, with the decrease coming as a result of the impact of key new specialty drugs such as Sovaldi, Harvoni, and others working their way through the market. According to a recent study by Healthline, approximately 2.7 million people in the U.S. suffer from chronic hepatitis C. These new drugs, meant to treat this disease, added costs of USD 60,000-USD 95,000 per treatment to the system. 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	MARCH 2017	MARCH 2016
Overall Healthcare	2.12	7.17
Medical Services	3.10	5.35
Drugs	-1.49	14.73
Brand-Name Drugs	-1.51	17.88
Generic Drugs	-1.43	5.73

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

Overall individual market healthcare costs decreased 3.02% compared with the 19.15% increase seen in March 2016. After removing the increase in drug costs (3.68% for March 2017), individual market medical costs declined 4.79% in March 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.

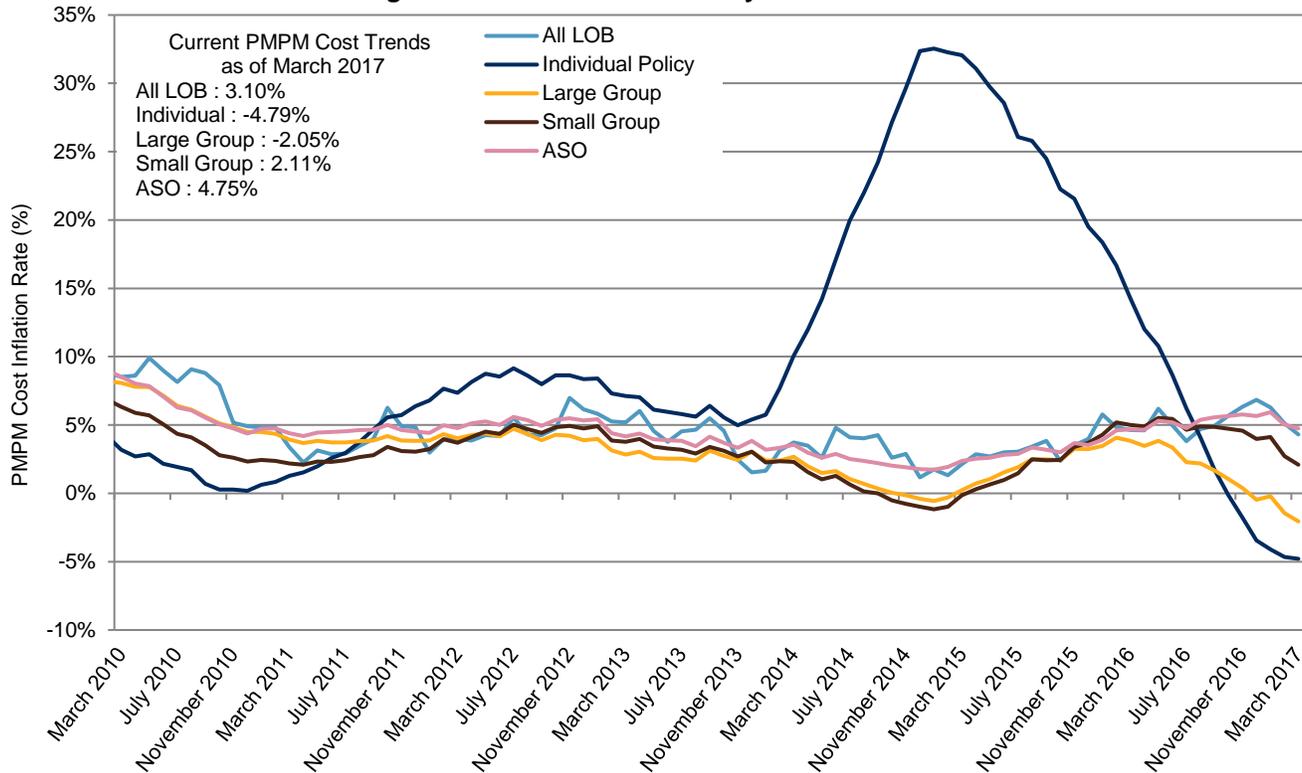
Exhibit 3: National Individual Market Cost Trend (Year-Over-Year Percent Change)

CATEGORY	MARCH 2017	MARCH 2016
Overall Healthcare	-3.02	19.15
Medical Services	-4.79	14.27
Drug	3.68	42.19

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

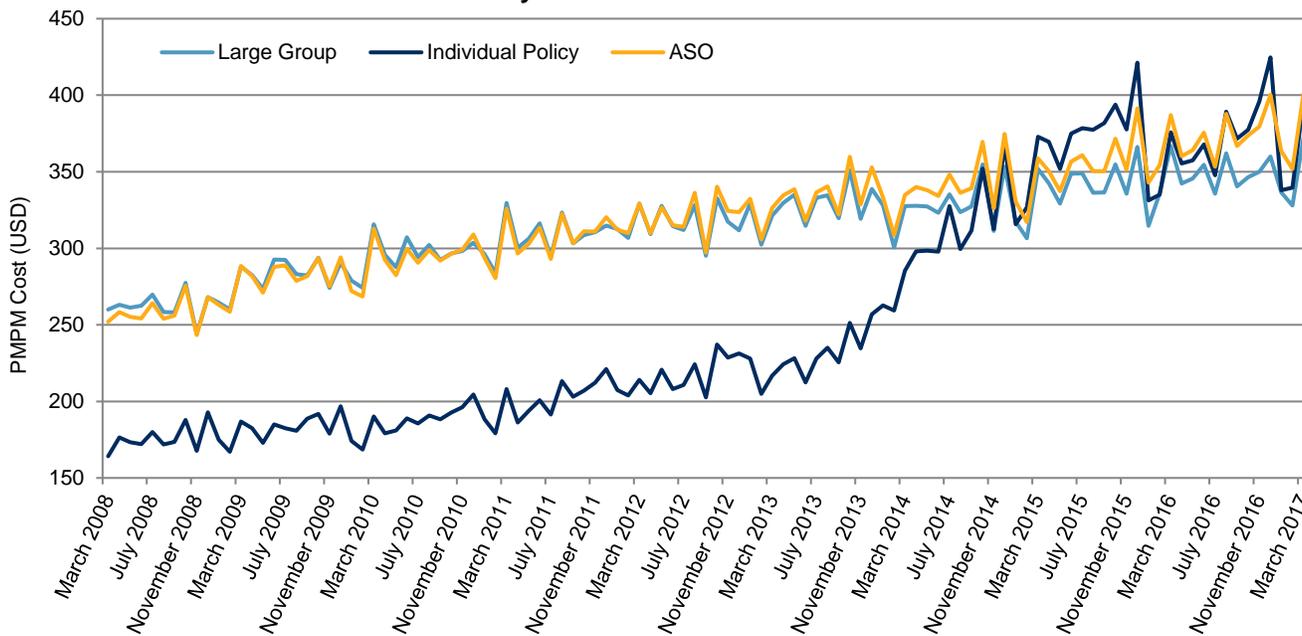


Source: S&P Dow Jones Indices LLC. Data from March 2010 to March 2017. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Monthly overall healthcare costs per covered member in the individual market increased to USD 514.3 in March 2017. These costs are in line with employer-provided healthcare market categories (large group and ASO/self-insured), which have average costs of USD 469.6 for large group and USD 498.0 for self-insured. When looking at medical costs only, removing the effect of drug costs, the individual market (USD 396.8) was also in line with the self-insured market (USD 401.1) and the large group market (USD 372.7). Recent discussion in the market indicates an expectation for overall trends to move back up; however, recent data has not backed this assertion. While trends in Exhibit 4 continue to move down, current PMPM levels in Exhibit 5 indicate a sharp move back up in the current month. With the recent January effect for 2017 behind us, and two January effects now factored into the 12 month trend, if current PMPM levels continue to be higher than the recent January low, we would expect trend levels to move back up in coming months.

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

The March 2017 S&P Healthcare Claims Indices Report shows data through the end of May 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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S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the Index is set at a fixed value for calculation purposes. The Launch Date designates the date upon which the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its datafeed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

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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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