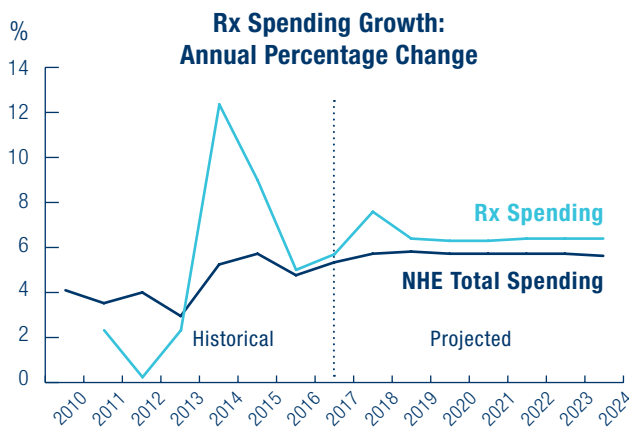


HEALTH CARE SPENDING

Drug Spending Growth Slowing, Keeping In Line With Health Care Expenditures

Following cyclical growth due to the introduction of cures for Hepatitis C and the coverage expansion of the Affordable Care Act, prescription drug spending is growing in line with overall health care expenditures. The Centers for Medicare & Medicaid Services (CMS)

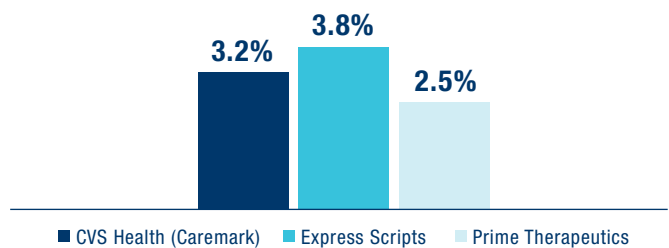
projects this trend to continue until 2025. Prescription drug spending growth slowed from 9% in 2015 to 5% in 2016, and leading Pharmacy Benefit Managers report prescription drug spending increases of less than 4% for commercial payers in 2016.



Source: CMS/OACT NHE projections

Drug Spending Growing in Line with Health Care Spending

Leading Pharmacy Benefit Managers all report prescription drug spending increases by commercial payors in the low single digits for 2016



Source: Adapted from "Which PBM Best Managed Drug Spending in 2016: CVS Health, Express Scripts, or Prime?" Drug Channels. March 2017

Hospital and Professional Services Driving Premium Increases in the ACA Market

A study by Avalere Health reports hospital and professional services are driving approximately 75% of premium increases. Data reported by health plans show that hospital costs and doctor payments accounted for 47% and 28.7% (respectively) in 2015, while prescription drugs accounted for 17.7% of spending.

Percentages do not add up to 100% due to rounding.

Source: 2015 Allowed Claims, "Outpatient Services Are the Largest Driver of 2017 Premium Increases." Avalere. August 2016

