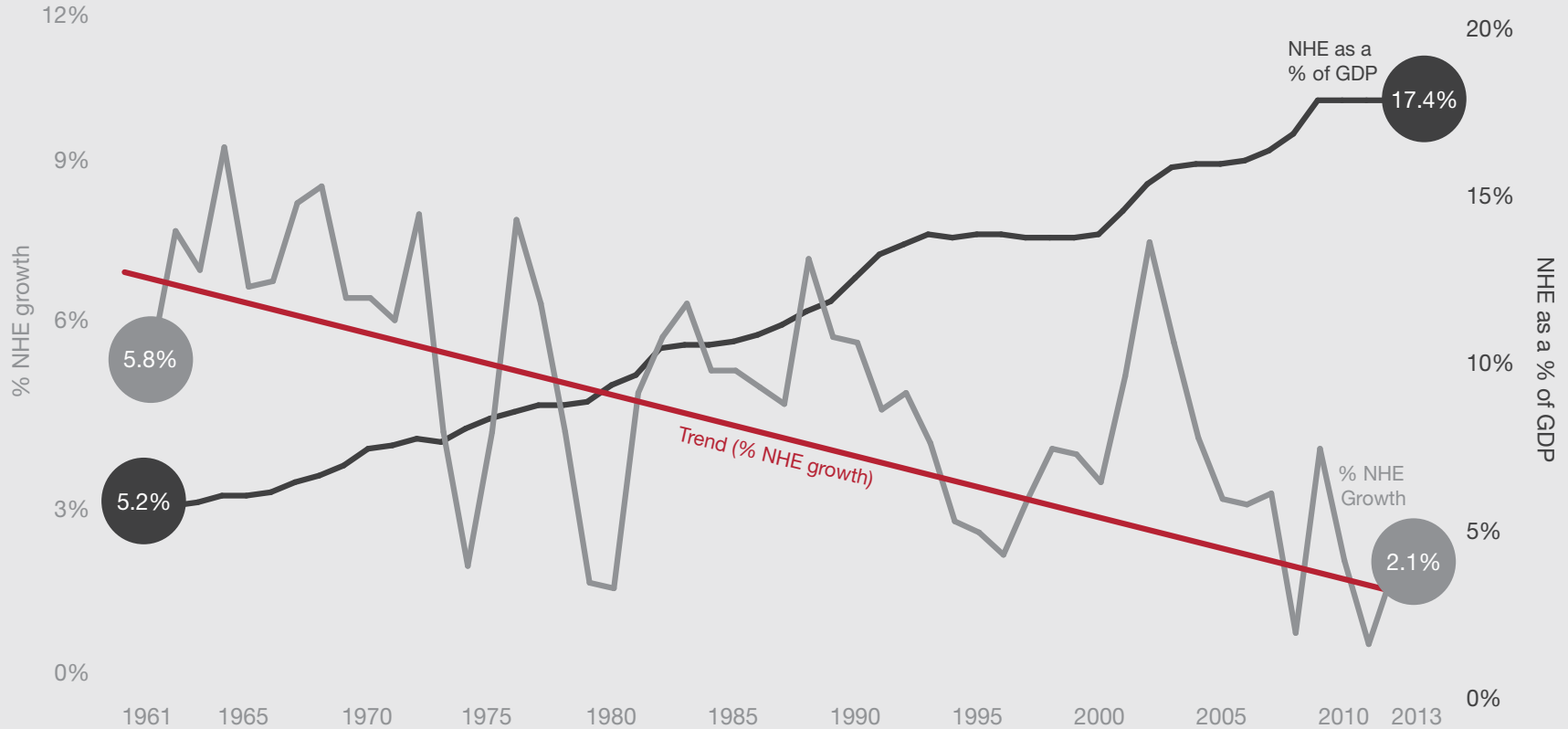

Medical Cost Trend: Behind the Numbers 2016

PwC Health Research Institute



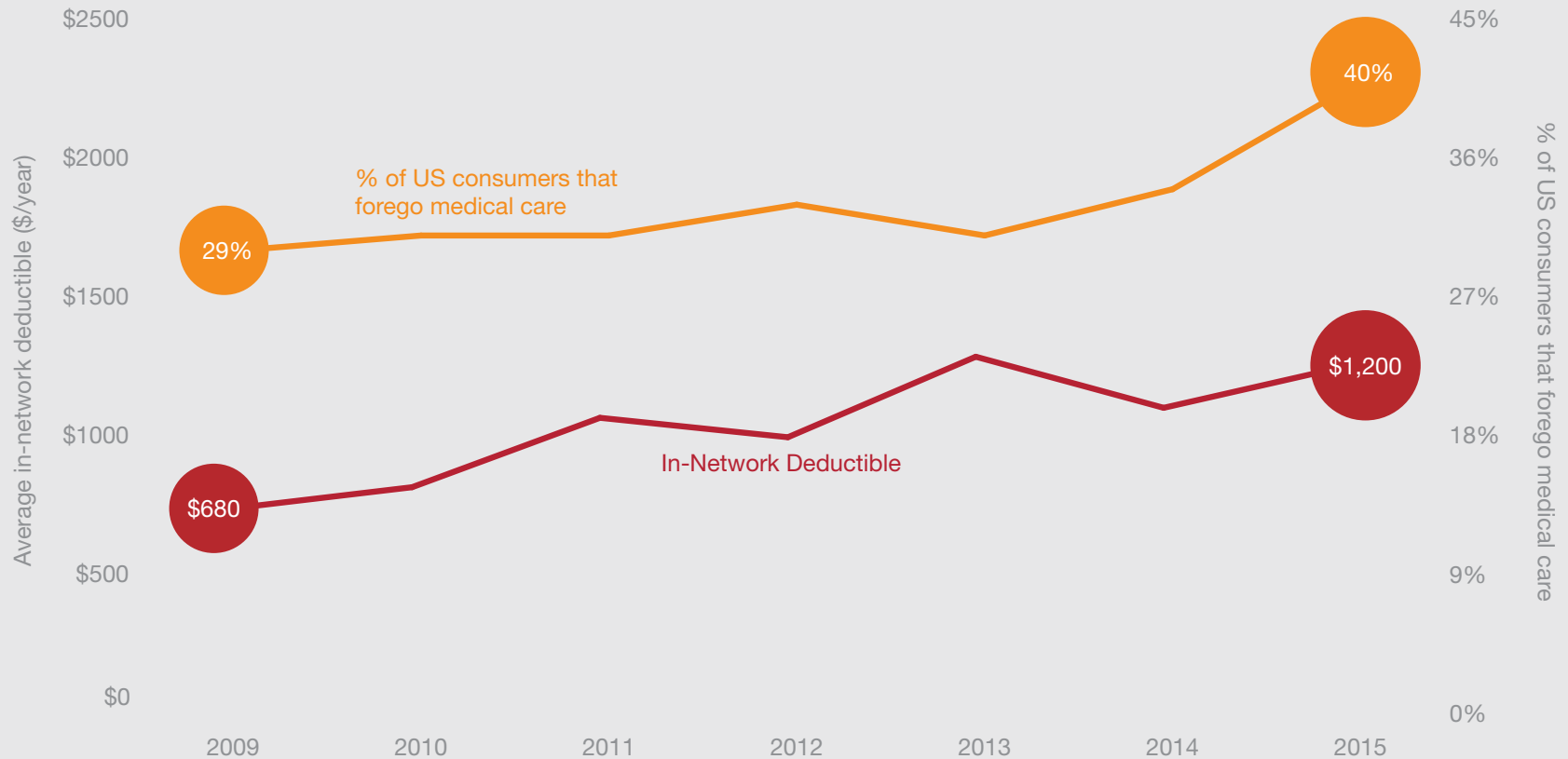
Although the health spending growth rate is slowing, it still continues to be a disproportionately large part of the US economy

Year-over-year growth in national health expenditures adjusted for inflation and % of total GDP



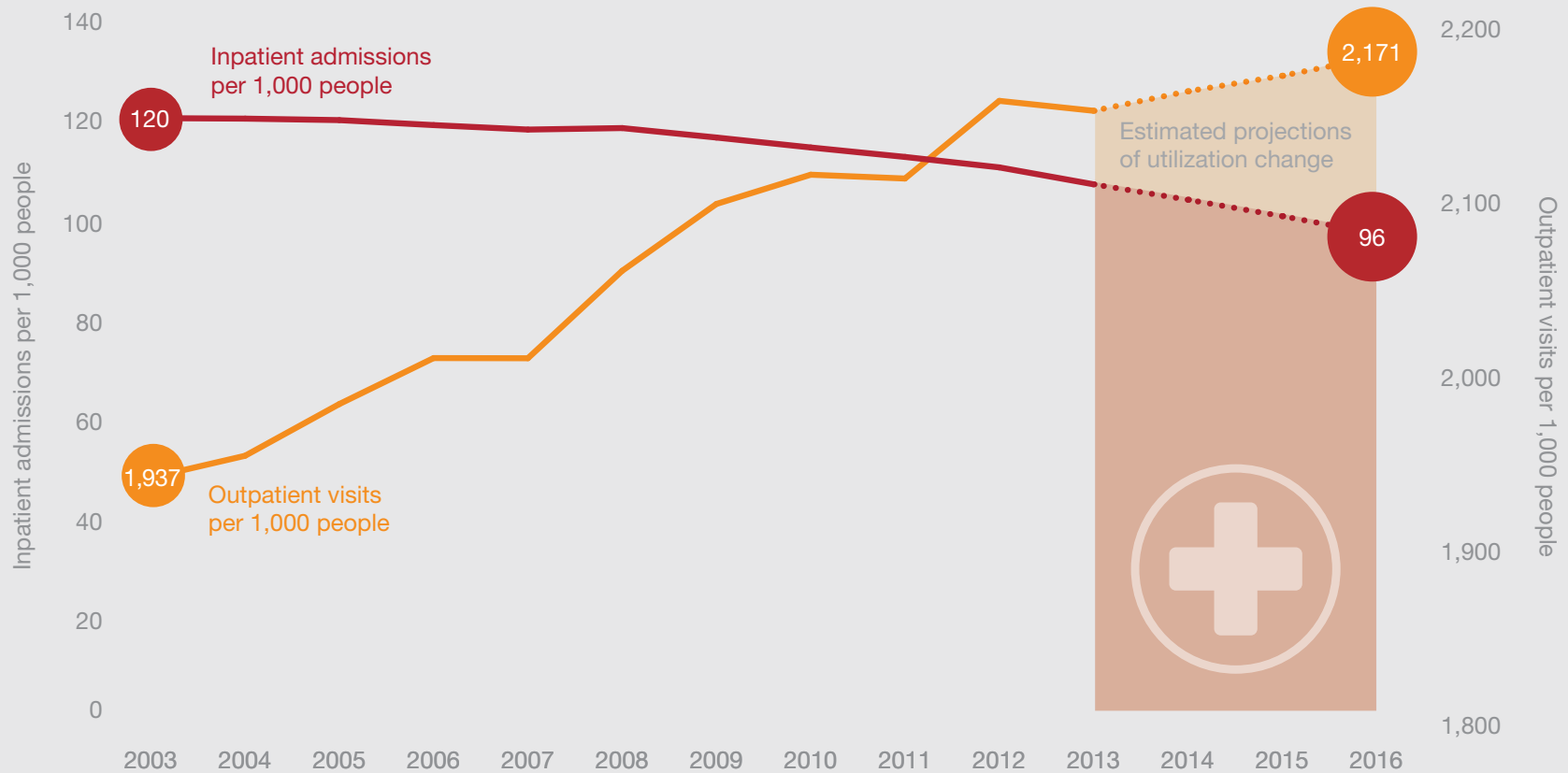
As cost-sharing increases, consumers forego care

Average employer insurance deductible vs. percentage of consumers foregoing care



Inpatient care volume on a rapid decline

Changes in hospital inpatient and outpatient utilization



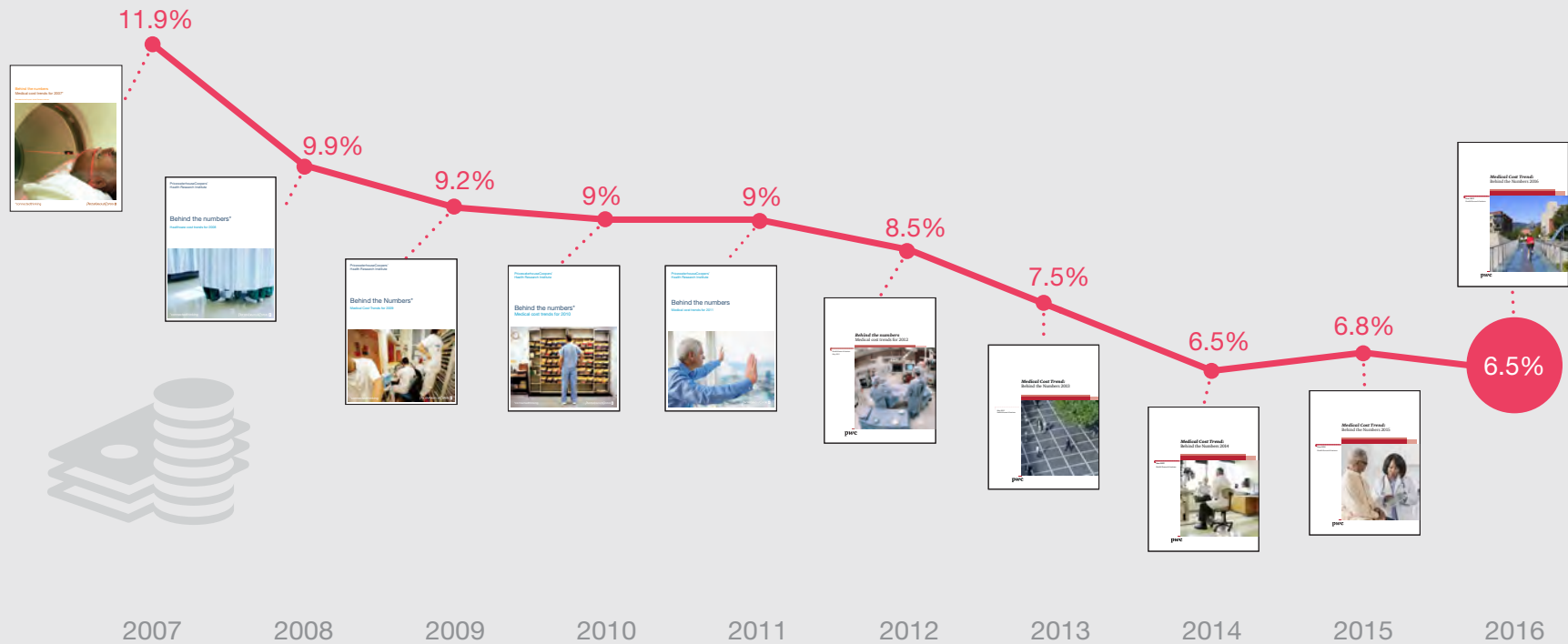
Most employers indicate ACA is not a major cost driver

Percentage of US employers that responded that the following ACA components have had a significant financial effect on their business



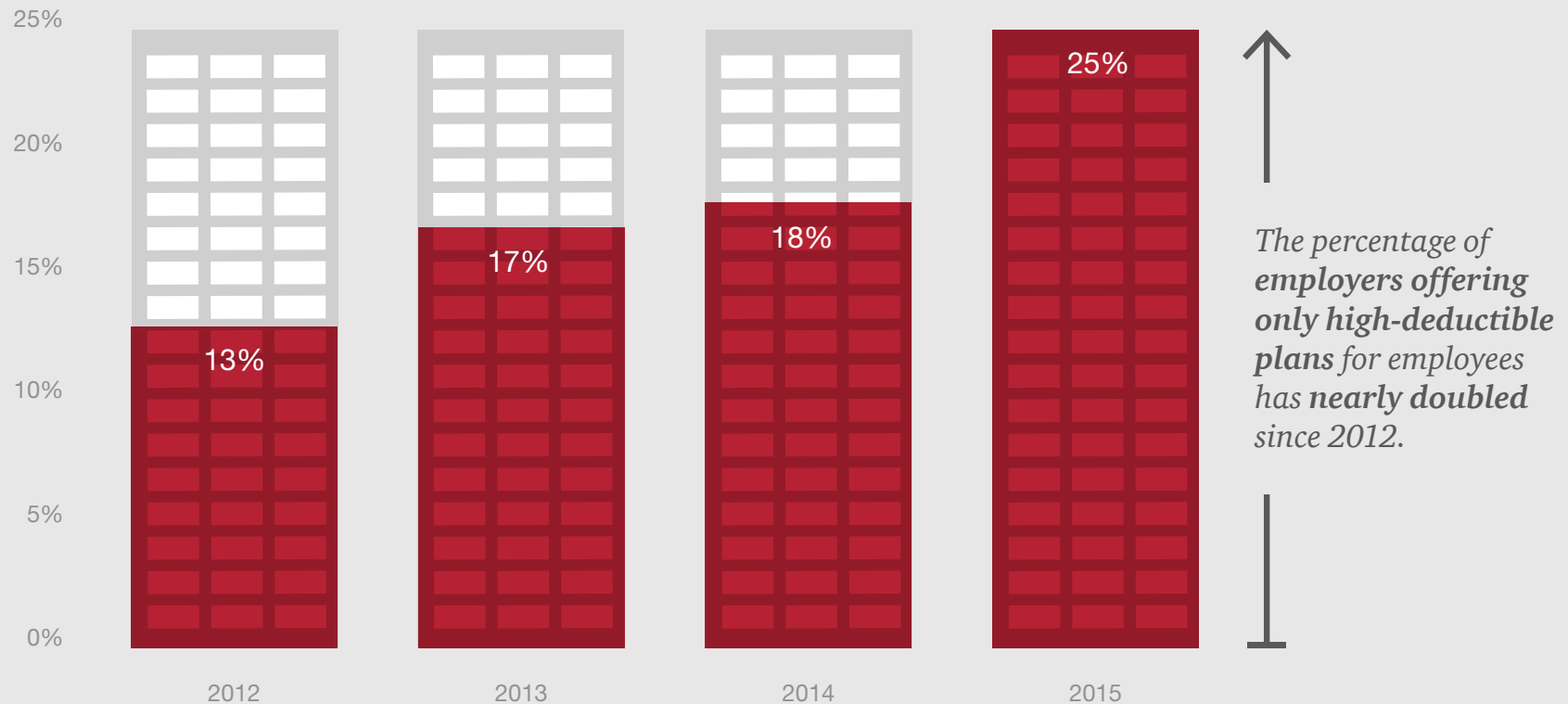
Healthcare spending growth rate for 2016 is 6.5%

HRI's projected medical cost trend over the years



Employers offering only high-deductible plans

Percentage of US employers that have already implemented high-deductible plans as the only option offered to their members



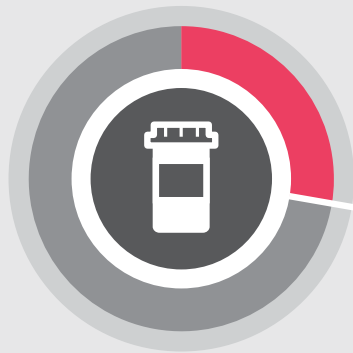
Cost-shifting pushes consumers to become more conscientious about their healthcare choices

Percentage of consumers with employer-based insurance who took the following actions in the last 12 months due to cost of care



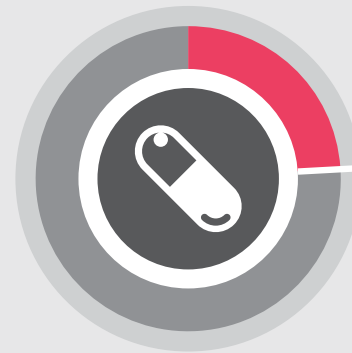
28%

Skipped seeing a doctor



28%

Asked for a generic prescription instead of a brand prescription



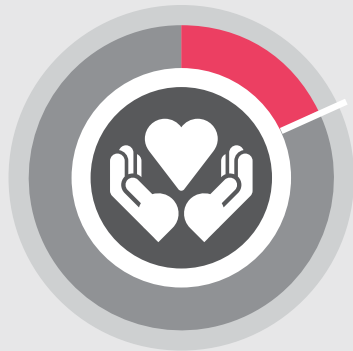
24%

Skipped prescription medicine or took less medication than prescribed



20%

Skipped seeing a specialist (such as an OB/GYN, dermatologist, orthopedic surgeon)



18%

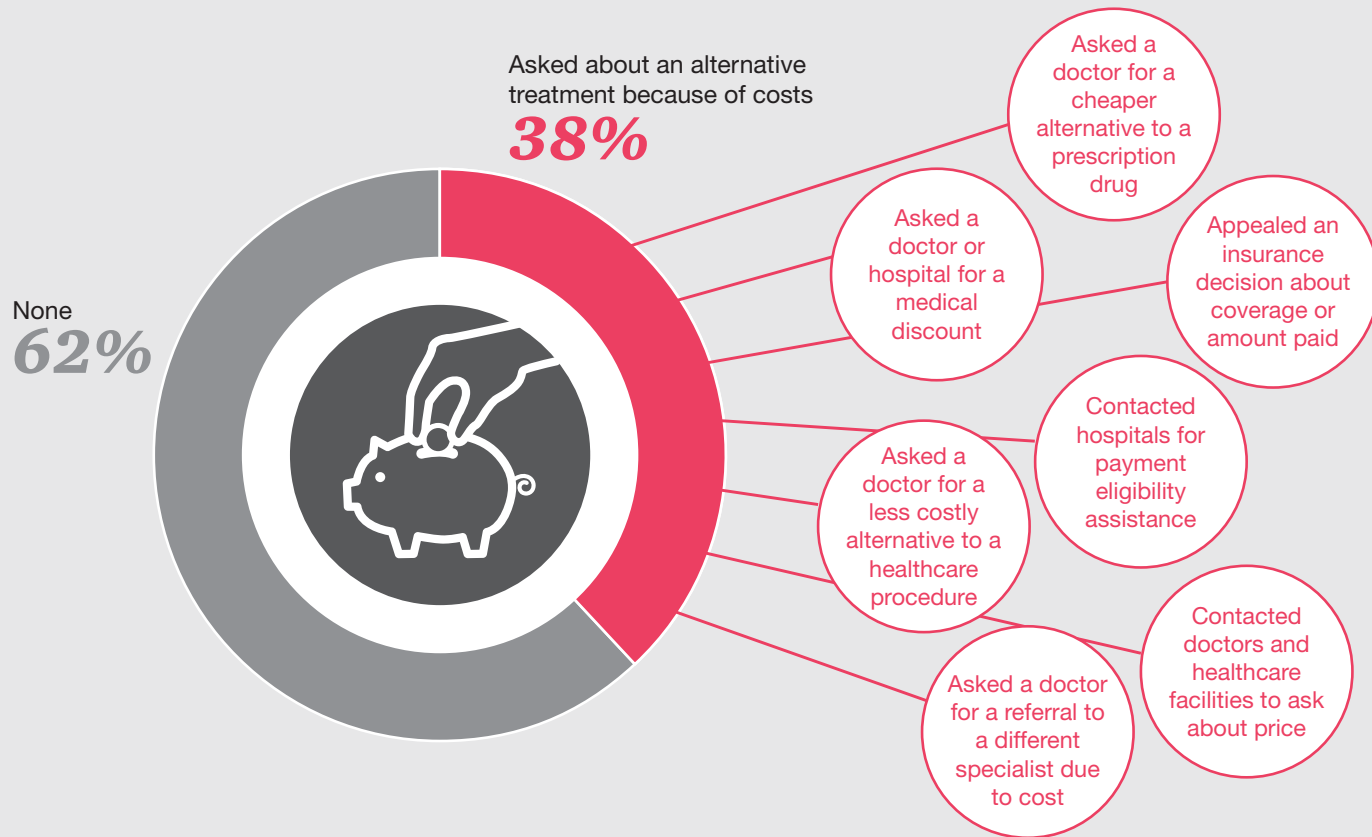
Skipped follow-up care (such as going to physical therapy sessions recommended by a doctor)



16%

Delayed or skipped a procedure or treatment

Consumers with employer-based insurance are seeking more affordable options



Diabetes management shows greater savings with the use of virtual care

Illustrative comparison of annual diabetes costs for in-person treatment vs. virtual care in US

	Base Case (No Virtual)		Virtual Care		Change
	Utilization per 100,000 individuals	Costs per 100,000 individuals (\$ Millions)	Utilization per 100,000 individuals	Costs per 100,000 individuals (\$ Millions)	Percentage
Hospital inpatient days	193,011	\$622 M	173,710	\$560 M	-10%
Physician office visits	792,697	\$158 M	673,792	\$134 M	-15%
Virtual visits	–	–	294,035	\$15 M	–
ER visits	69,256	\$71 M	62,330	\$64 M	-10%
Hospital outpatient visits	79,160	\$57 M	75,584	\$54 M	-5%
Total		\$908 M		\$827 M	-9%

New health advisers are guiding consumers to affordable care

Comcast Corporation

Accolade:

- **What is it?** A high-touch concierge service that provides consultative support to 95% of employees who have claims
- **How does it work?** Very popular and highly utilized service that helps employees find the most cost-effective providers through the use of various tools (such as Castlight and second-opinion tools) and partnerships (such as MD Anderson)
- **Results**—In the past 5 years, utilization and readmissions have steadily decreased

Fallon Health

Fallon SmartShopper tool:

- **What is it?** A tool that ranks providers based on procedure codes and geography, and lists increasing financial incentives (for example, \$50, \$100, \$125) for employees
- **How does it work?** Employees receive financial incentives towards a treatment if they choose a preferred facility
- **Results**—Increased savings overall and high satisfaction rates among employees who have used the service

Spendwell Health, Inc.

SpendWell e-commerce site:

- **What is it?** An online marketplace that allows consumers to purchase routine care at known prices by creating bundled health treatments and services that are easily priced by providers and consumed by shoppers
- **How does it work?** Providers select their services and prices and are no longer required to verify eligibility, benefits, or reconcile claims and remittances, and are paid in real-time, making the process a true e-commerce transaction
- **Results**—The marketplace simplifies health care purchasing which results in savings of 9-20% below health insurance negotiated fees

Commonwealth of Kentucky, Kentucky Employee's Health Plan

Vitals SmartShopper:

- **What is it?** Vitals SmartShopper team conducts specific outreach to members slated for certain procedures (such as MRIs, colonoscopies, ultrasounds) and offers alternative facilities
- **How does it work?** Both consumers and employers are offered savings for using alternative locations
- **Results**—Radiology outreach program had 85% success rate in ensuring employee chose preferred facility when outreach was conducted and they were offered alternative locations to conduct MRI

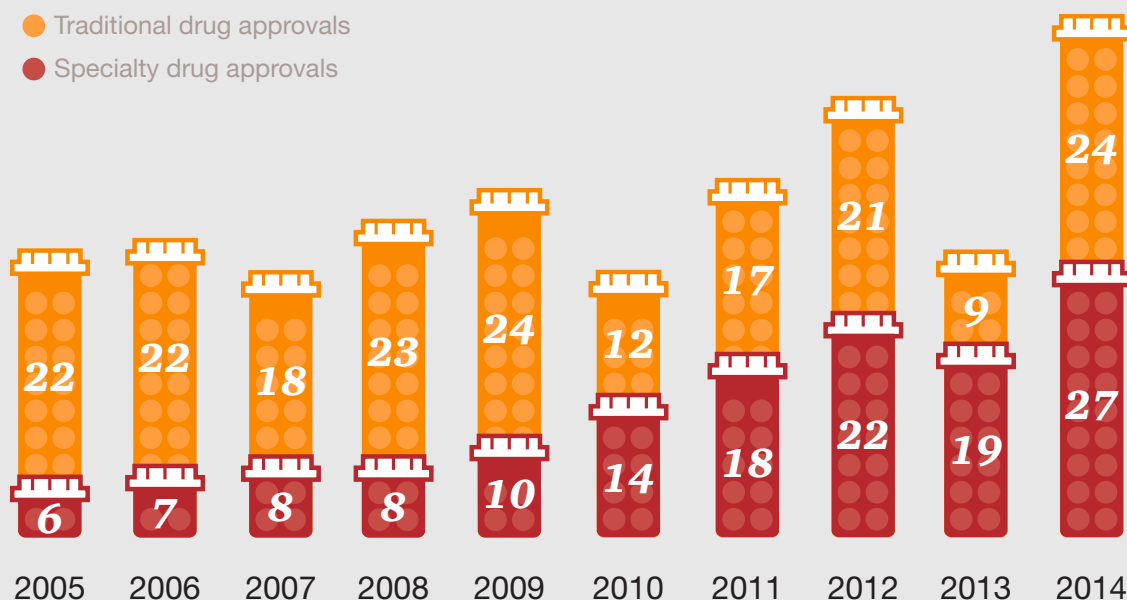
Honeywell International, Inc.

Surgery Decision Support:

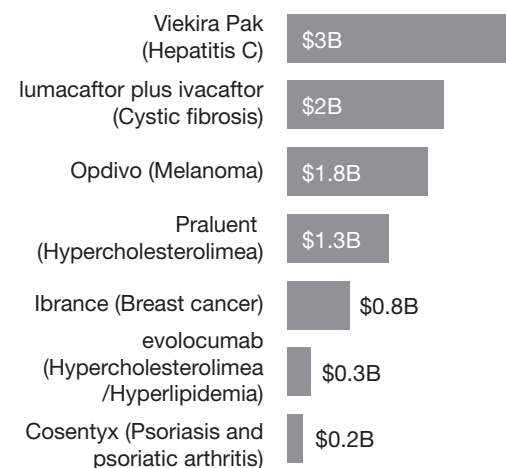
- **What is it?** A tool that provides employees resources for weighing options when surgery is needed for knee, hip, back, or hysterectomy; bariatric surgery will also be added in 2015
- **How does it work?** \$1000 penalty implemented for those who pursue surgery but do not go through the program
- **Results**—In 2013, employee participation jumped to 92% from an extremely low number the previous year

Specialty drug approvals continue to race ahead

Specialty drug approvals have surpassed traditional drugs in the past five years, and based on the FDA pipeline this trend will continue

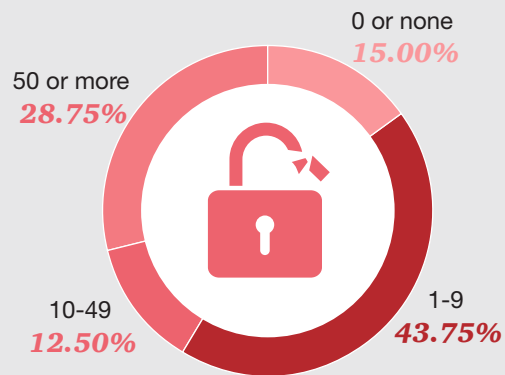


2016 Estimated sales for top 7 of 700 specialty drugs are \$9 Billion

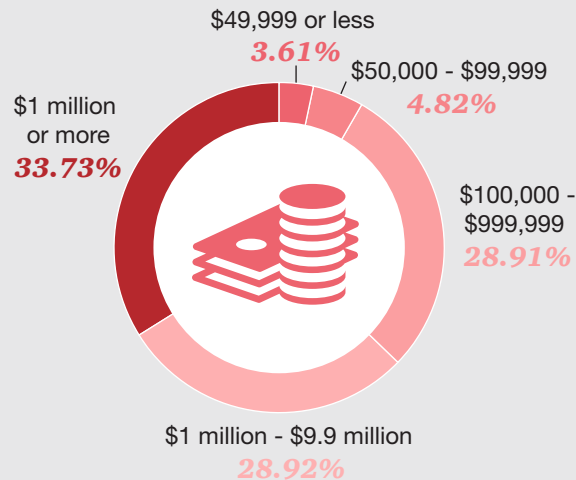


Health organizations are concerned about data breaches

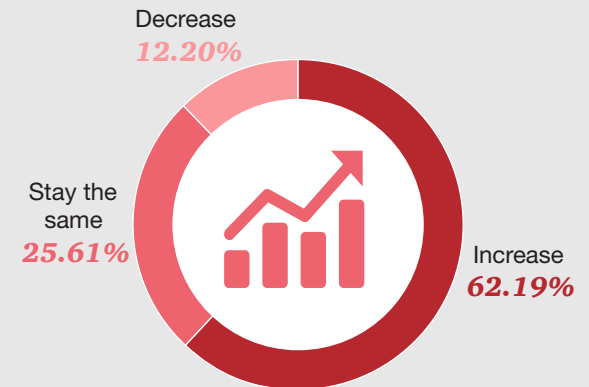
What is the number of security incidents detected in the past 12 months?



What is your organization's total information security budget for 2014?



When compared with last year, security spending over the next 12 months will?



Providers have strong incentives to spend now on cyber security to avoid high costs of future breaches



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