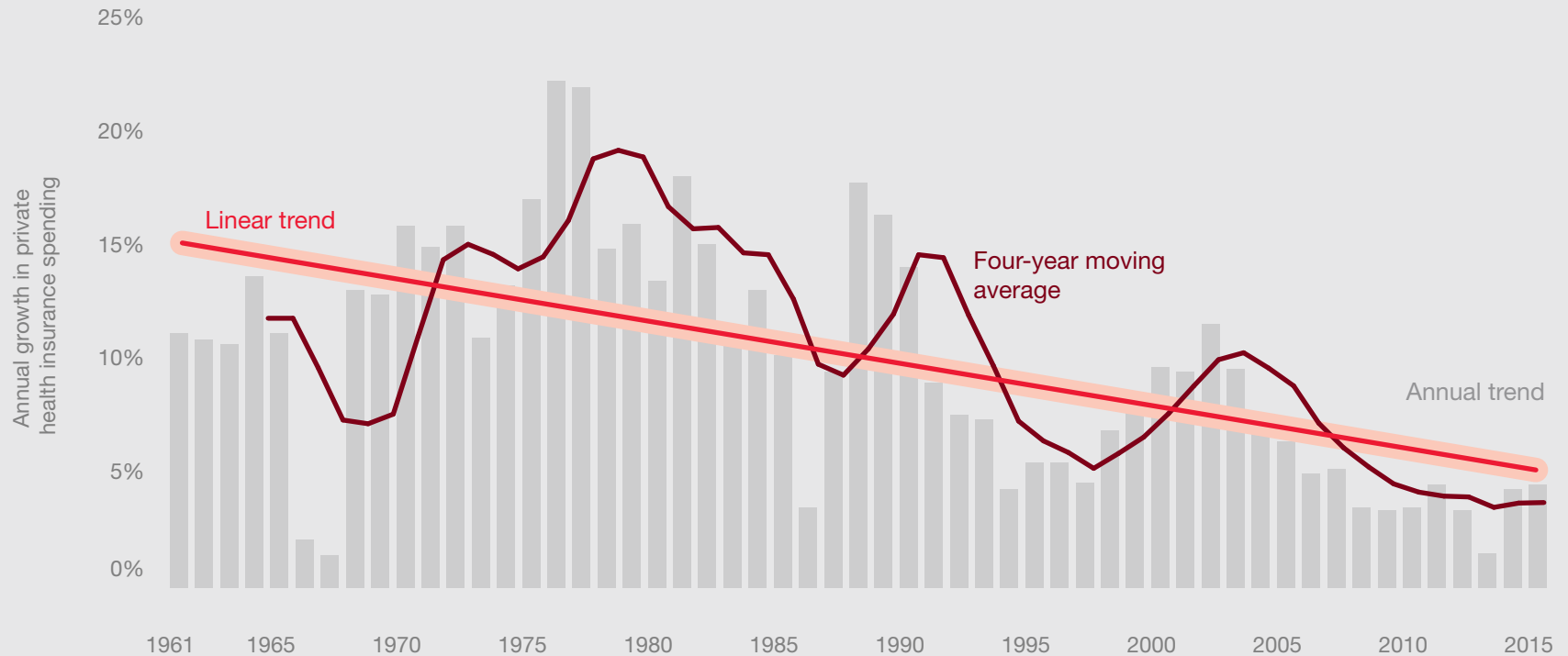

Medical Cost Trend

Behind the Numbers 2017

Chart pack

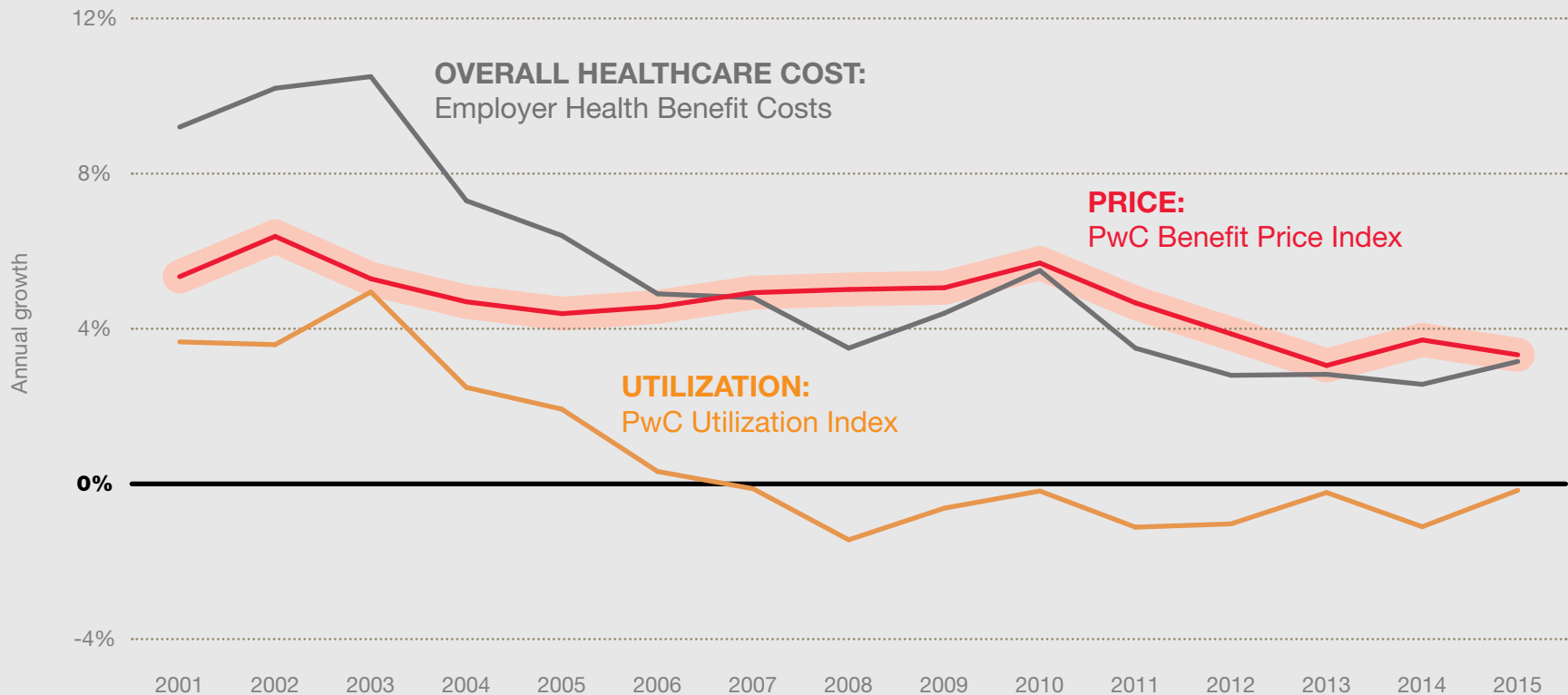


Recent trends in health insurance costs are at historical lows



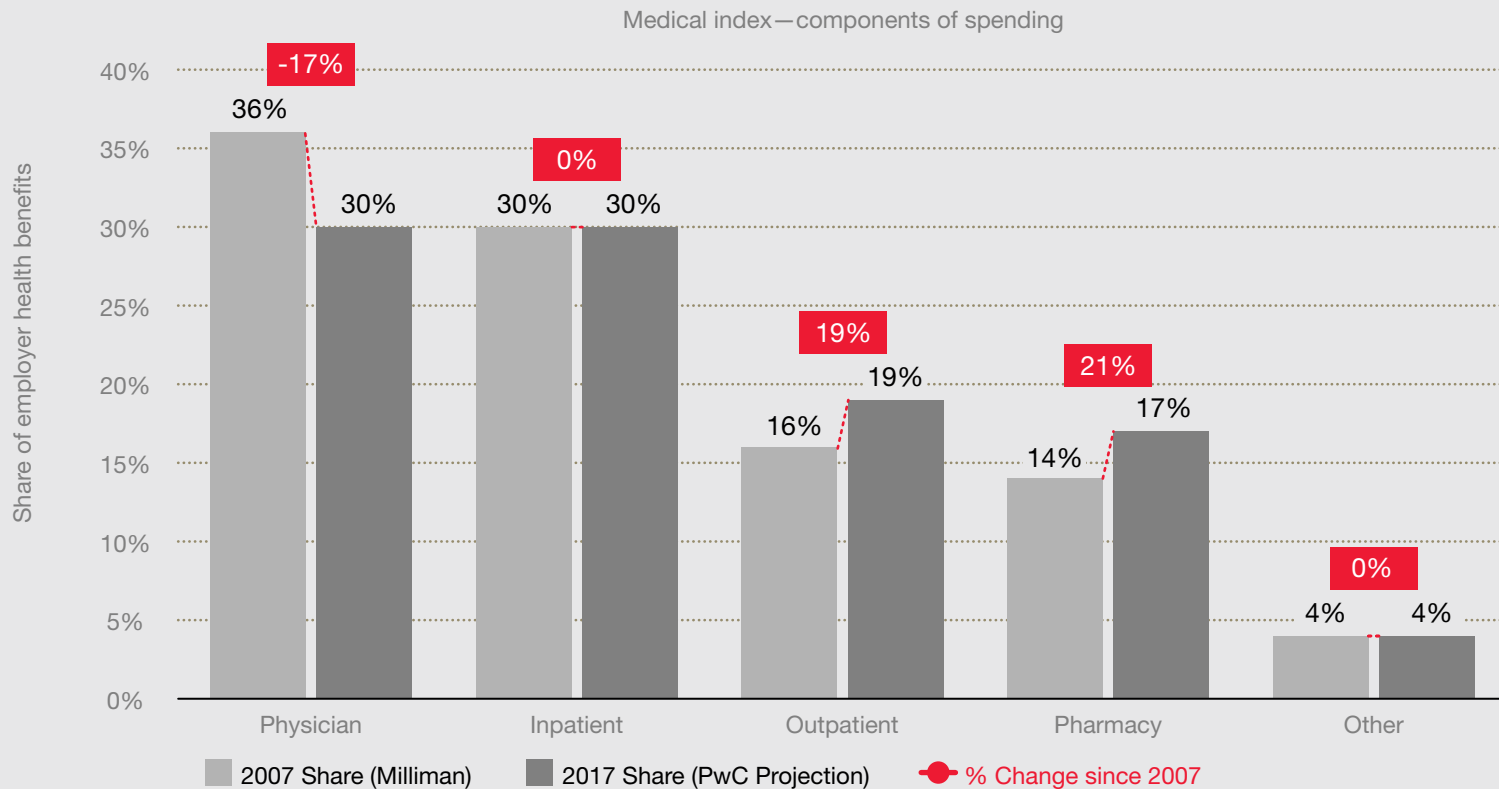
Source: PwC Health Research Institute analysis based on CMS National Health Expenditures Private Health Insurance Component data

Price, not utilization, is the historical force behind medical cost trend



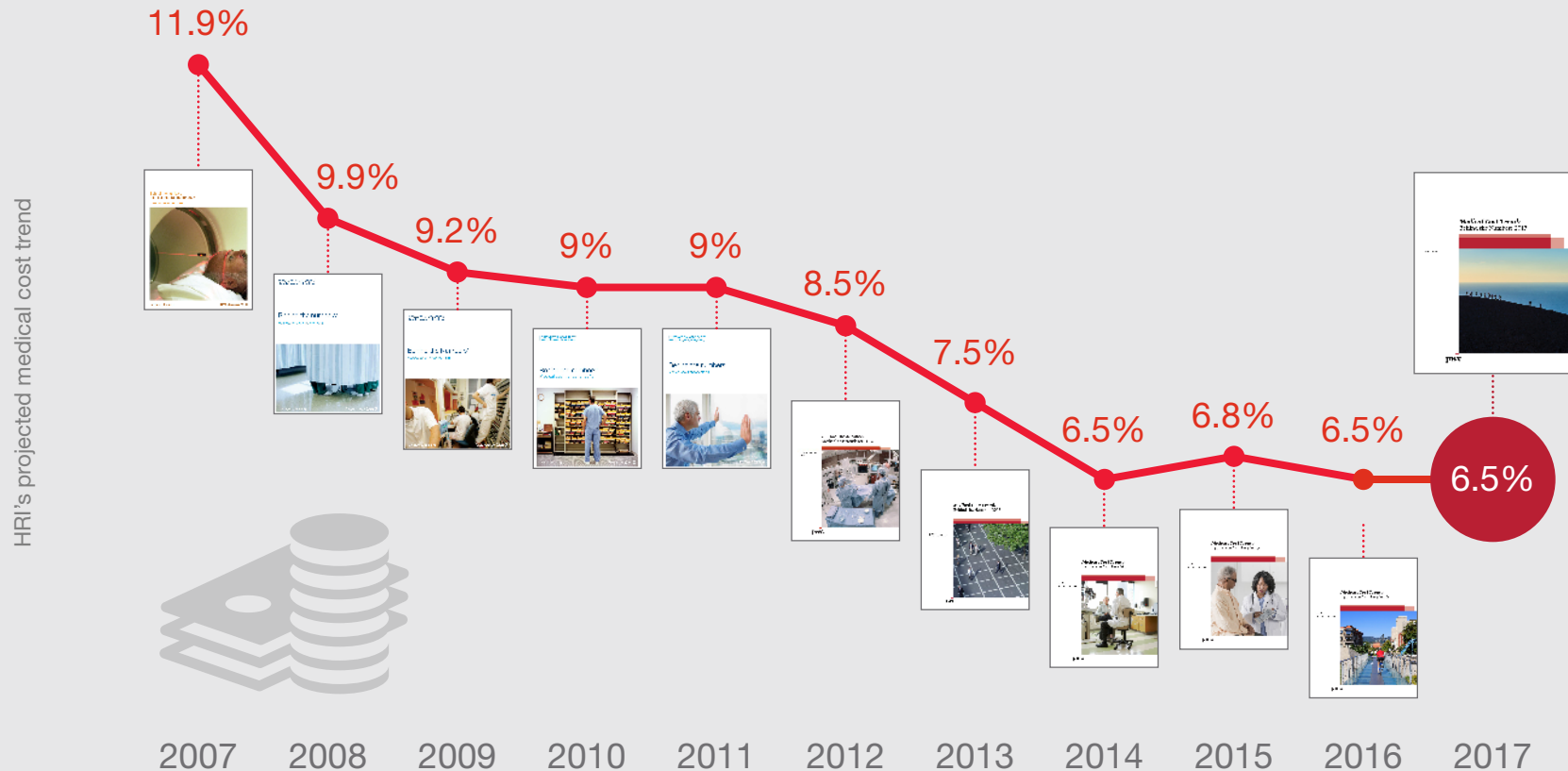
Source: PwC Health Research Institute analysis of Bureau of Labor Statistics data

Roughly half of employer health costs stem from hospital inpatient and outpatient services; the prescription drug share is small but increasing



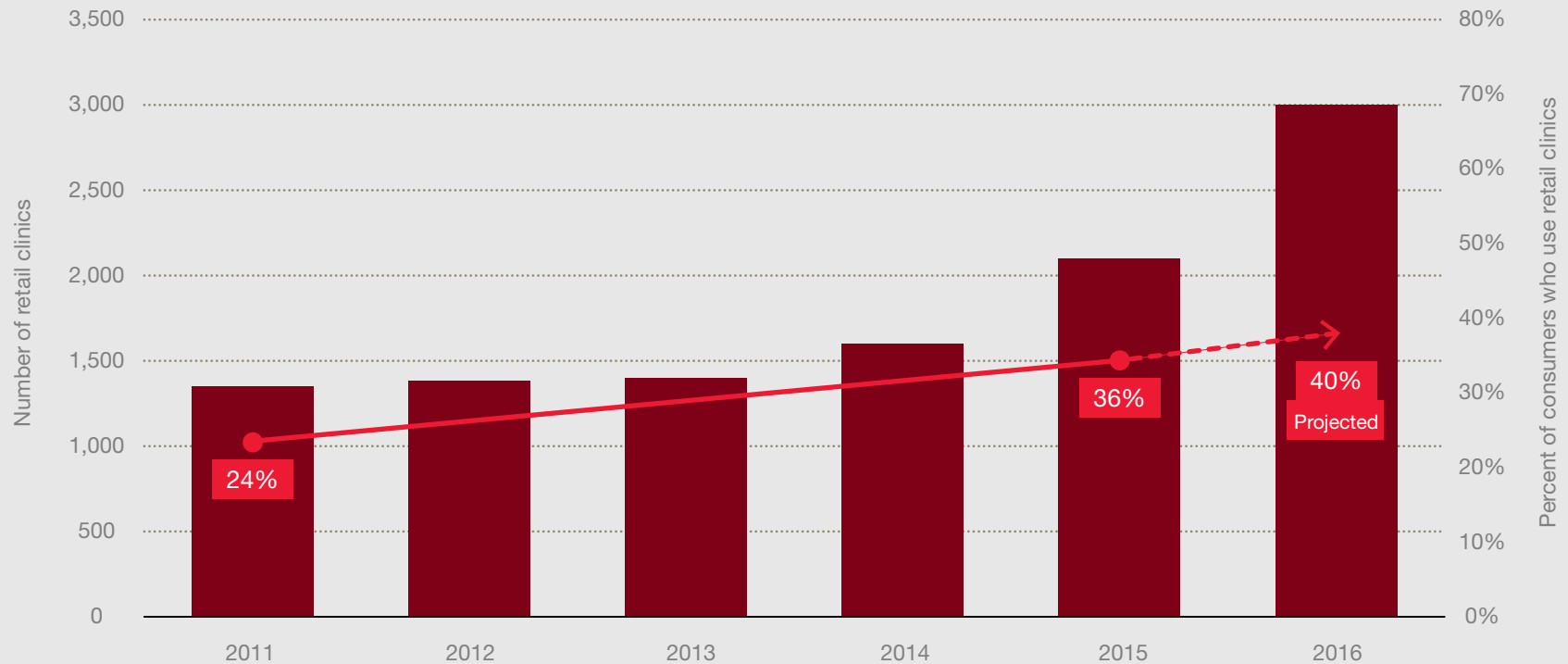
Source: Milliman Medical Index for 2007 and PwC Health Research Institute projections of 2017 medical spending based on the 2016 Milliman Medical Index. <http://us.milliman.com/insight/?pfid=2413>

HRI's projected medical cost trend 2007-2017



Source: PwC Health Research Institute medical cost trends 2007-2017

Use of retail clinics is increasing along with the number of places for treatment



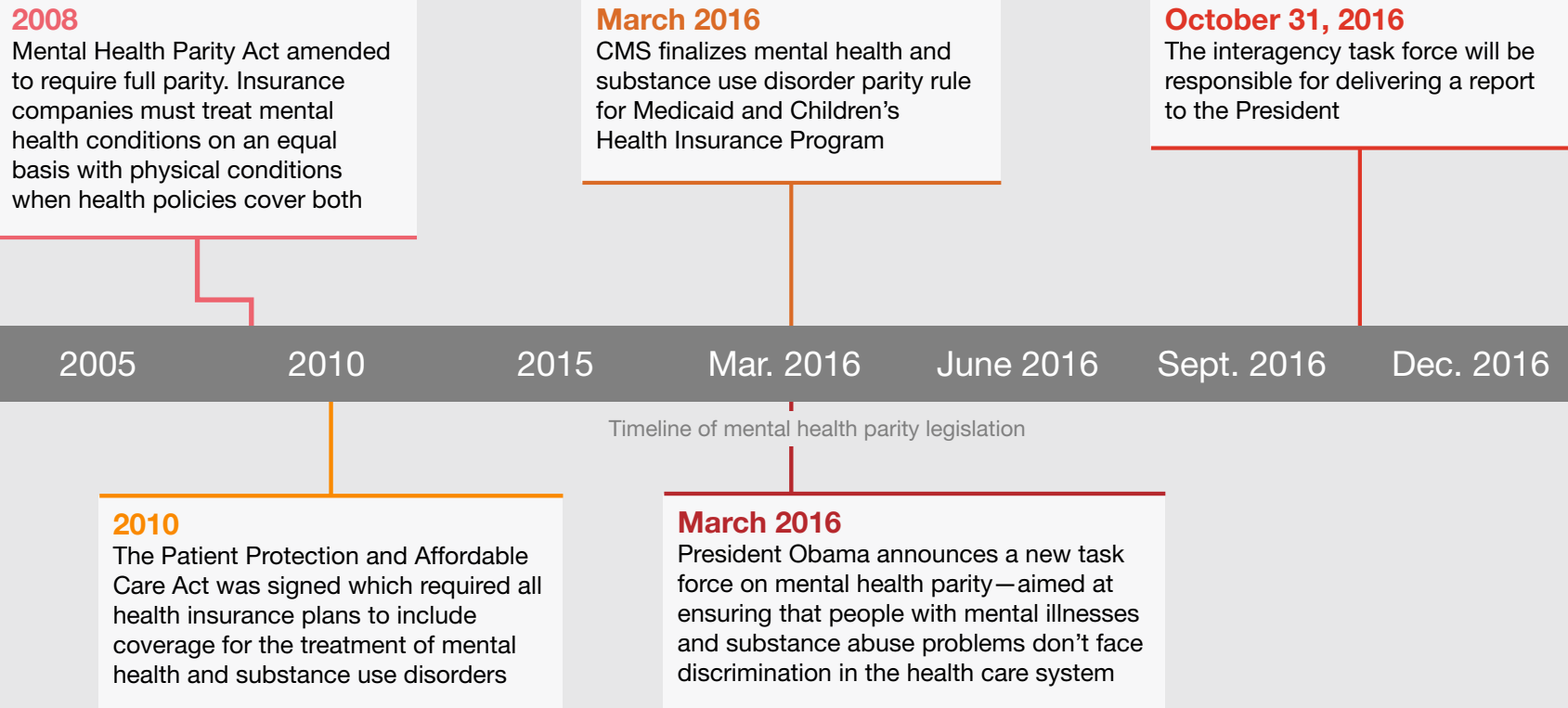
Source: PwC Health Research Institute Consumer Survey and Convenient Care Association data

The share of employer health spending on mental health services is increasing



Source: PwC Health Research Institute analysis based on Medical Expenditure Panel Survey data

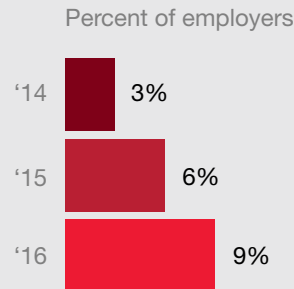
The new focus on mental health parity will likely increase utilization in 2017



Source: PwC Health Research Institute analysis, Kaiser Family Foundation, Kaiser Health News and Health Affairs

Interest in high performance networks has increased substantially

Already implemented a performance based network



Considering the implementation of a performance based network



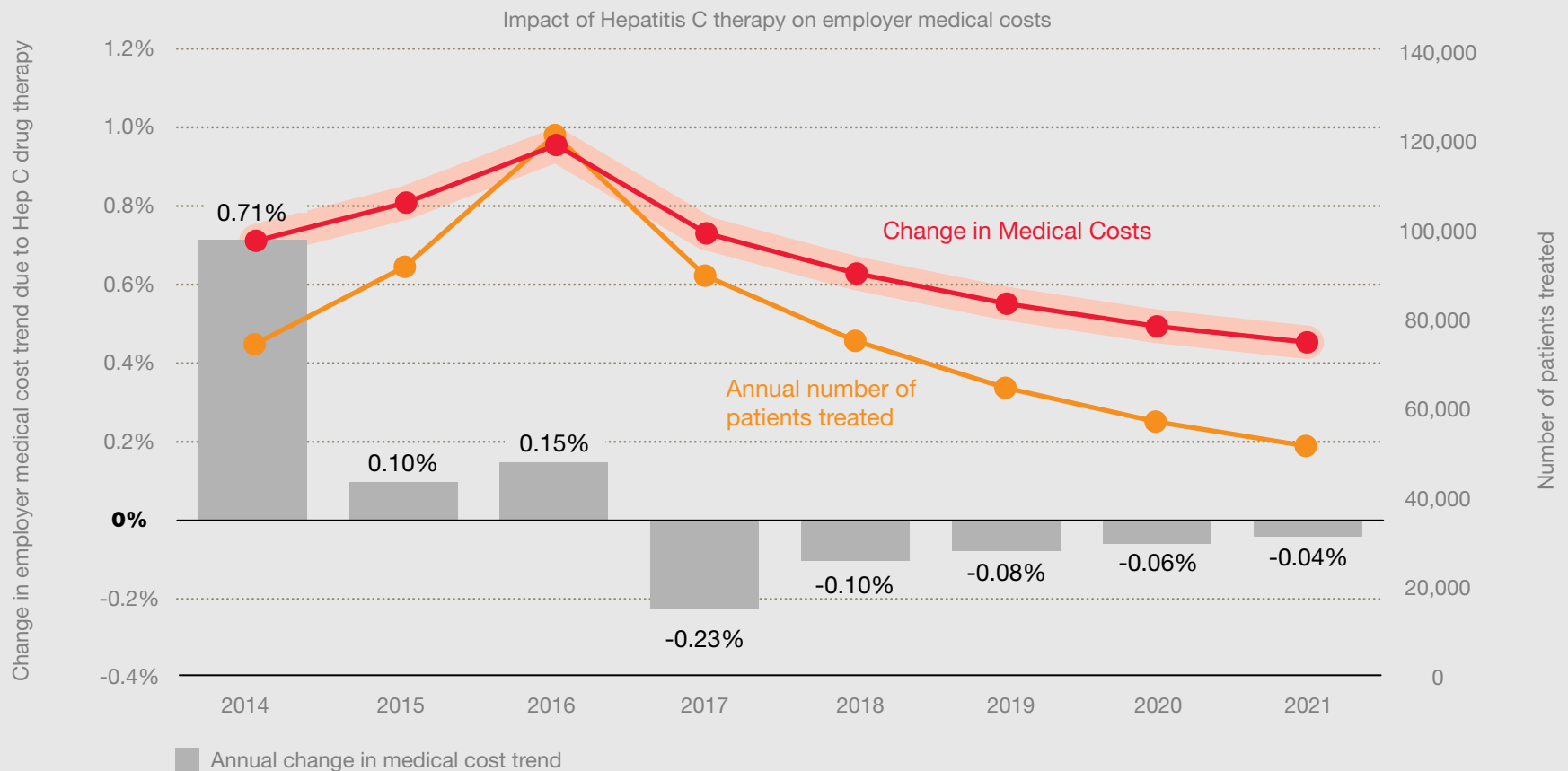
Source: PwC Health Research Institute analysis of PwC's Health and Well-being Touchstone survey for 2014, 2015 and 2016

The approval of a second specialty medication within a treatment class can give PBMs leverage to extract sizable rebates



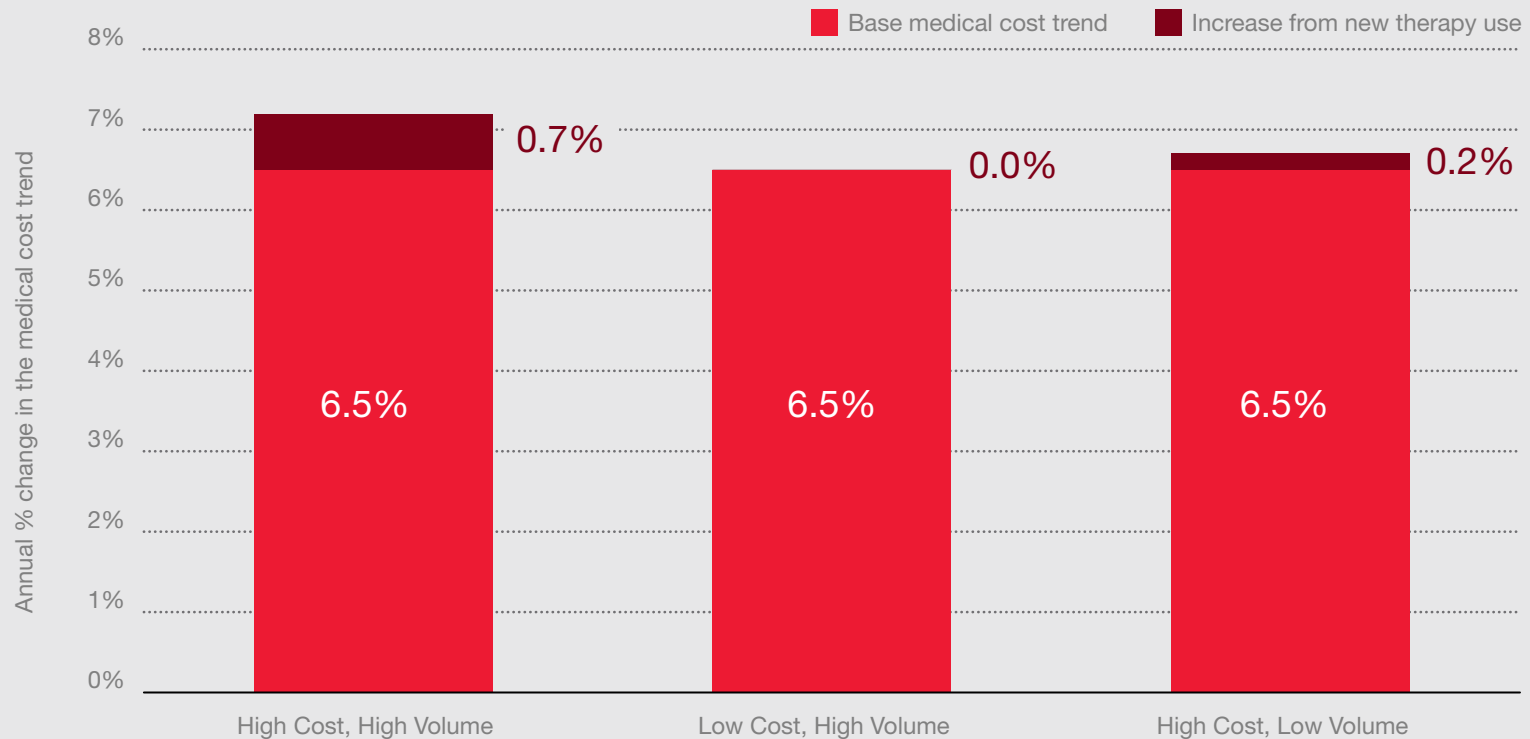
Source: PwC Health Research Institute

The impact of Hepatitis C therapy on medical cost trend declines after 2016 as the number of patients treated declines



Source: PwC Health Research Institute estimate based on National Health and Nutrition Examination Survey and 2012 Truven Health Analytics claims data from employers

The impact of a new specialty drug entering the market can vary greatly depending on price and volume of sales



Source: PwC Health Research Institute estimate