

S&P Healthcare Claims Index Monthly Report

2015 DATA RESULTS: Second Consecutive Year of Significantly Increasing Drug Costs; Individual Market Becomes More Costly Than the Employer-Based Market

The “**S&P Healthcare Claims Index Monthly Report**” provides the latest 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 public and policymakers with timely and independent data on the cost of healthcare in the U.S.

This Report summarizes data from the December 2015* S&P Healthcare Claims Indices – the latest to be published – and therefore presents the first complete picture of how healthcare costs changed over the course of 2015 based on the indices. The S&P Healthcare Claims Indices are published monthly and *this report will be updated the first week of every month.*

The December 2015 S&P Healthcare Claims Indices demonstrate the following:

2015 In-brief

- National healthcare costs in the commercial market **increased by 6.50%** year/year
 - Medical services costs increased by **4.30%**
 - Drug costs increased by **15.83%**
 - Brand-name drug costs increased by **19.17%**
 - Generic drug costs increased by **6.58%**
- Individual market costs **increased by 23.04%** year/year
- Monthly costs per covered member (PMPM costs) in the individual market reached an average of \$525.33 in December – about **8.14% more** than the employer-provided market (large group and ASO/self-insured)

2015 In-depth

National healthcare costs in the commercial market increased by 6.50% in 2015 – rising 50% more rapidly than 2014. This increase in total healthcare costs was driven by a 15.83% increase in drug costs and a 4.30% increase in medical services costs. Table 1 below summarizes the trends in national healthcare costs depicted by the S&P Indices.

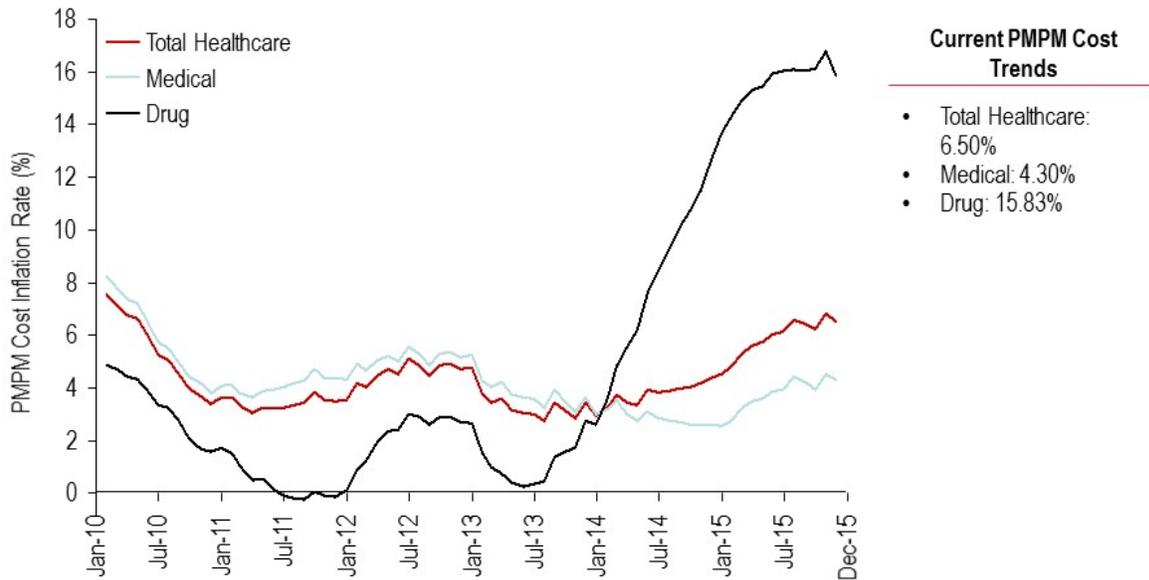
National Healthcare Cost Trend (Year/Year Percent Change)		
Index level	2015	2014
Total Healthcare	6.50%	4.33%
• Medical Services	4.30%	2.56%
• Drug	15.83%	12.58%
○ Brand-name	19.17%	13.16%
○ Generic	6.58%	10.99%

Source: S&P Dow Jones Indices LLC. Past performance is not necessarily an indication of future performance. Table is provided for illustrative purposes only.

Graph 1 below shows the year-over-year change (trend) in Per Member Per Month (PMPM) cost (the average monthly per member cost of providing healthcare), including by type of expense (medical services vs. drug) across all lines of business (LOB) combined (individual; large group; small group; and ASO/self-insured).

GRAPH 1: NATIONAL COST TREND – MEDICAL VS. DRUG

Year-Over-Year Change in PMPM Cost In The Commercial Insurance Market By Type of Expense (Medical vs. Drug)



Source: S&P Dow Jones Indices LLC. Data from January 2010 through December 2015. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.
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Individual market costs increased by 23.04% in 2015 – continuing to rise significantly more than overall market costs, although that trend has moved downward sharply from its peak of over 38% at the start of 2015. The S&P Indices continue to show this significant increase through year two of the Affordable Care Act (ACA) exchanges. The individual market was driven by a 49.81% increase in drug costs and a 17.70% increase in medical services costs. Table 2 below summarizes the trends in individual market costs.

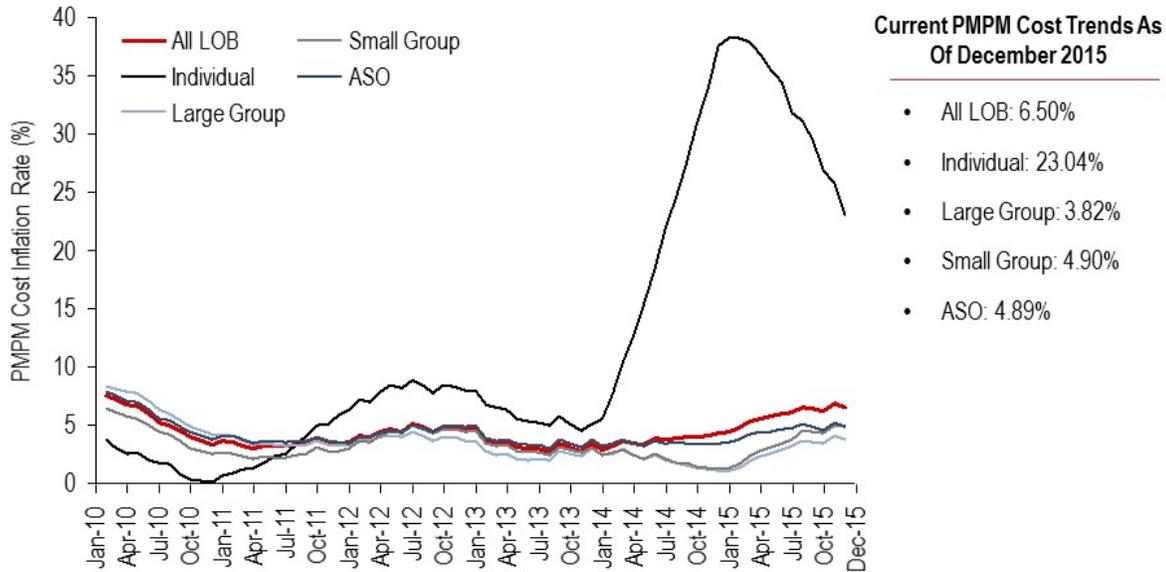
National Individual Market Cost Trend (Year/Year Percent Change)		
Index level	2015	2014
Total Healthcare	23.04%	37.53%
• Medical Services	17.70%	32.36%
• Drug	49.81%	70.92%

Source: S&P Dow Jones Indices LLC. Past performance is not necessarily indicative of future performance. Table is provided for illustrative purposes only.

Graph 2 below shows the year-over-year change (trend) in PMPM cost, including for each LOB (individual; large group; small group; and ASO/self-insured).

GRAPH 2: NATIONAL COST TREND – BY LOB

Year-Over-Year Change In PMPM Cost In The Commercial Insurance Market By Line Of Business



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Monthly costs per covered member in the individual market reached an average of \$525.33 in December 2015 – 8.14% more on average than the \$454.71 monthly cost within the employer-provided healthcare market (large group and ASO/self-insured). Until the 23.04% rate of increase in the individual market comes down in line with that of the employer-based market (6.50%), the gap in average monthly costs can be expected to widen. Table 3 below summarizes the PMPM costs in the individual and employer-provided markets.

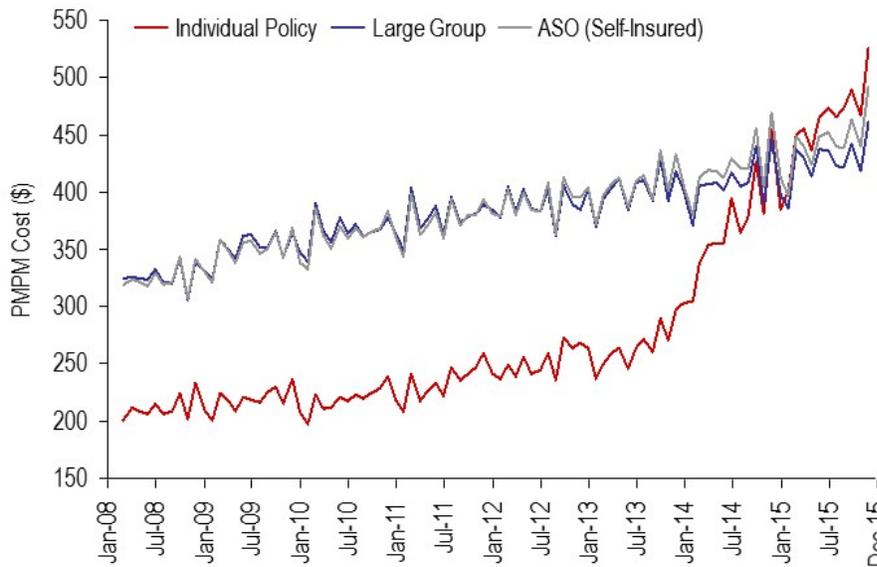
National Healthcare Costs Per Member			
Index level	December 2015	December 2014	Percent Change
<u>Total Healthcare</u>			
Individual	\$525.33	\$454.71	15.53%
Employer-provided	\$485.77	\$464.32	4.62%
Difference	\$39.56	-\$9.61	
Percent Difference	8.14%	-2.07%	

Source: S&P Dow Jones Indices LLC. Past performance is not necessarily indicative of future performance. Table is provided for illustrative purposes only.

Graph 3 below charts the PMPM cost by LOB (individual; large group; and ASO/self-insured).

GRAPH 3: NATIONAL PER MEMBER COST – BY LOB

Per Member Per Month Cost By Commercial Line Of Business



Highlights

- Per-member costs in the individual market have caught, begun to surpass the employer-based market
- **On average, it now costs \$39.56 (about 8.14%) more per covered member to treat a patient in the individual market vs. the employer-based market (large group and self-insured)**

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Whether individual market costs will begin tracking with the employer-based market, or instead continue to rise, is yet to be seen.

* The December 2015 S&P Healthcare Claims Indices reflect claims data through the end of February 2016.

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About 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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