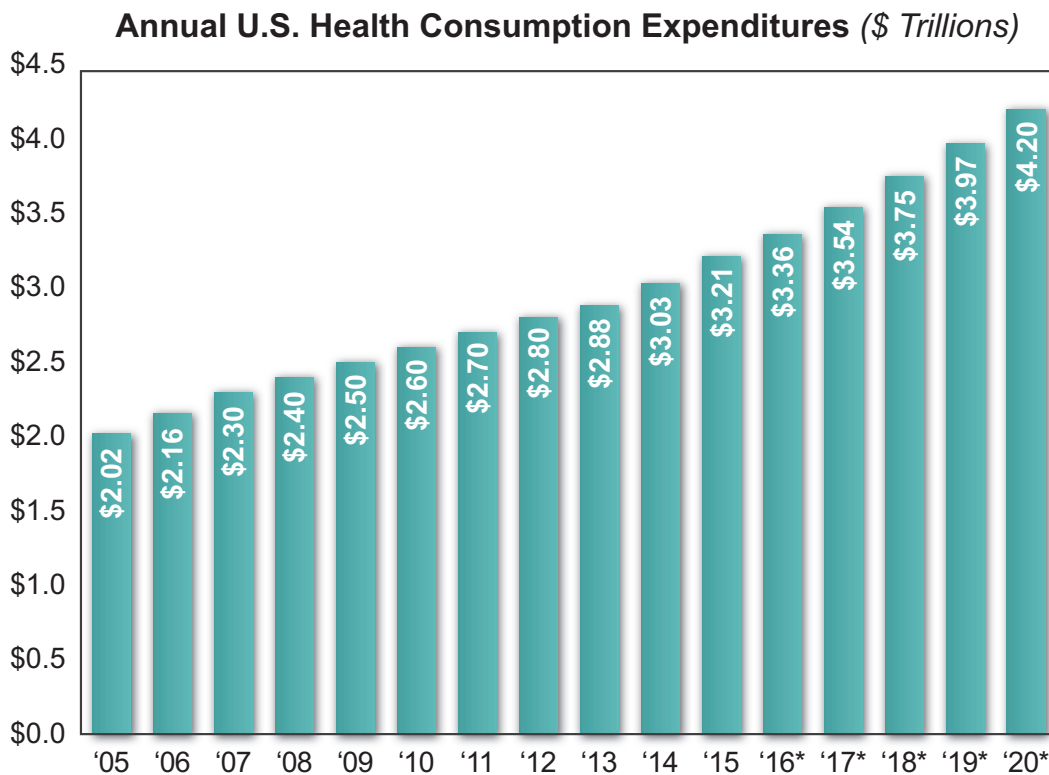


Health Care Stock Returns Outpacing Rise In Health Care Spending



Source: Centers for Medicare & Medicaid Services. *2016-2020 are estimates.

View from the Observation Deck

1. Today's blog post is an attempt to show that investors have a potential long-term remedy for mitigating rising health care costs – owning health care stocks.
2. As indicated in the chart, from 2005 through 2015 (11 years), the total cost of health care consumption in the U.S. rose by 58.9%, to \$3.21 trillion.
3. Health expenditures are projected to rise another 30.8%, from \$3.21 trillion in 2015 to an estimated \$4.20 trillion in 2020 (see chart).
4. In 2015, out-of-pocket spending grew by 2.6% to \$338.1 billion, according to the Centers for Medicare & Medicaid Services. Out-of-pocket represented 10.5% of the \$3.21 trillion in total spending.
5. From 2005-2015, the S&P 500 Health Care Index posted a cumulative total return of 193.7%, or an average annual total return of 10.3%, according to Bloomberg.
6. Health Care was the second-best performing sector for the period behind Consumer Staples, up 195.3%, as measured by the S&P 500 Consumer Staples Index, according to Bloomberg. For comparative purposes, the S&P 500 Index was up 112.3%.
7. A survey conducted by NPR, The Robert Wood Johnson Foundation and Harvard's T.H. Chan School of Public Health in 2015 revealed that 26% of those polled claimed that health care expenses sustained within the most recent two-year period caused a serious financial problem.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance. The S&P 500 Health Care Index is a capitalization-weighted index comprised of S&P 500 constituents operating in the health care sector. The S&P 500 Consumer Staples Index is a capitalization-weighted index comprised of S&P 500 constituents operating in the consumer staples sector.