Health Care Often Used As A Wedge Issue In Presidential Elections

**View from the Observation Deck**

1. Today’s blog post features the total return performance of various indices in the health care sector as well as the S&P 500 Index over a specific period. We chose 9/21/15 as the start date for a reason.

2. On 9/21/15, presidential candidate Hillary Clinton spoke out on drug pricing practices after two companies were called out for “price gouging,” according to *Forbes*.

3. Her pledge to keep therapeutic costs in check if elected has been a bit of a drag on the performance of the drug makers, particularly biotechnology stocks (see chart), in our opinion.

4. In the five-year period before Hillary Clinton spoke out (9/21/10-9/21/15), the S&P 500 Biotechnology Index posted a cumulative total return of 315.23%, compared to 123.87% for the S&P 500 Pharmaceutical Index (not shown in chart), according to Bloomberg. Since 9/21/15, biotechnology stocks have been more vulnerable to profit taking, in our opinion.

5. For the record, the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services estimates that prescription drug spending in the U.S. accounted for just 16.7% of overall personal health care services in 2015, according to its own release.

6. The Affordable Care Act (“Obamacare”) is also in the political crosshairs. Hillary Clinton has stated she would like to stay the course with Obamacare, but make adjustments as needed, while Donald Trump has stated that he would like to repeal it, according to PBS. This topic directly impacts health insurers, which are represented by the S&P 500 Managed Health Care Index in the chart.

7. While drug prices and health insurance make for good wedge issues, innovation tends to win out in the end, in our opinion. The election is less than a month away. We intend to monitor this situation moving forward.

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*Source: Bloomberg. Past performance is no guarantee of future results.*

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 Health Care Index, S&P 500 Biotechnology Index, S&P 500 Health Care Equipment Index, S&P 500 Managed Health Care Index and S&P 500 Pharmaceuticals Index are all capitalization-weighted indices focused on either the health care sector or its subsectors. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.