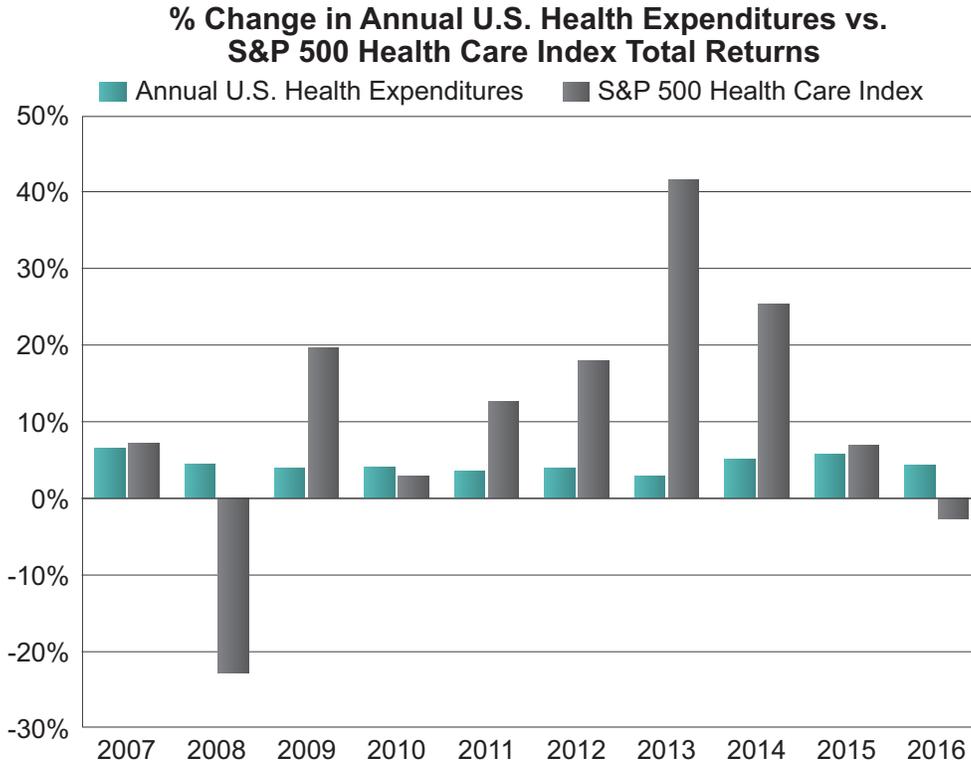


# Health Care Stock Returns Have Outpaced Rising Health Expenditures



Source: Centers for Medicare & Medicaid Services and Bloomberg.  
Past performance is no guarantee of future results.

## View from the Observation Deck

1. Today's blog post is another 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 2007 through 2016, the annual percentage rise in U.S. health expenditures ranged from 2.9% (2013) to 6.5% (2007). There were no years in which costs fell.
3. Over that same period, the S&P 500 Health Care Index posted a cumulative total return of 149.68%, or an average annual return of 9.57%, according to Bloomberg. This period included a 22.8% decline in 2008 and 2.7% decline in 2016.
4. In 2016 (most recent year for data), U.S. health care spending rose 4.3% to \$3.34 trillion, according to the Centers for Medicare & Medicaid Services.
5. Out-of-pocket health care costs for consumers rose 3.9% in 2016, the fastest growth rate since 2007, according to *The Washington Post*. It also points out that 29% of people who were getting insurance through their employer in 2016 were enrolled in high-deductible plans, up from 20% in 2014. Deductibles rose by 12% in 2016, compared to just a 7% hike in 2014.
6. Rising health care costs is an ongoing problem in need of some long-term solutions. Perhaps one of them might be to invest in the very companies that are raising said prices.

*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 is a capitalization-weighted index comprised of S&P 500 constituents operating in the health care sector.*

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