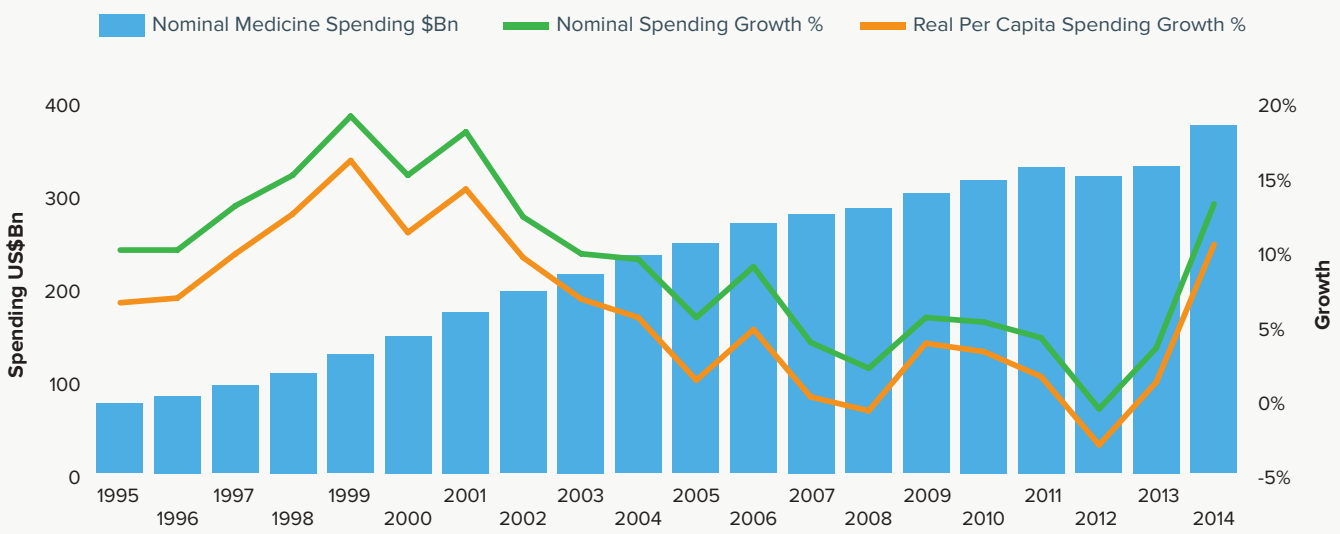
Spending on medicines increased 13.1% in 2014, the highest level since 2001 when spending growth reached 17.0%

Medicine Spending & Growth 1995-2014



Source: IMS Health, National Sales Perspectives, Dec 2014; U.S. Census Bureau; U.S. Bureau of Economic Analysis

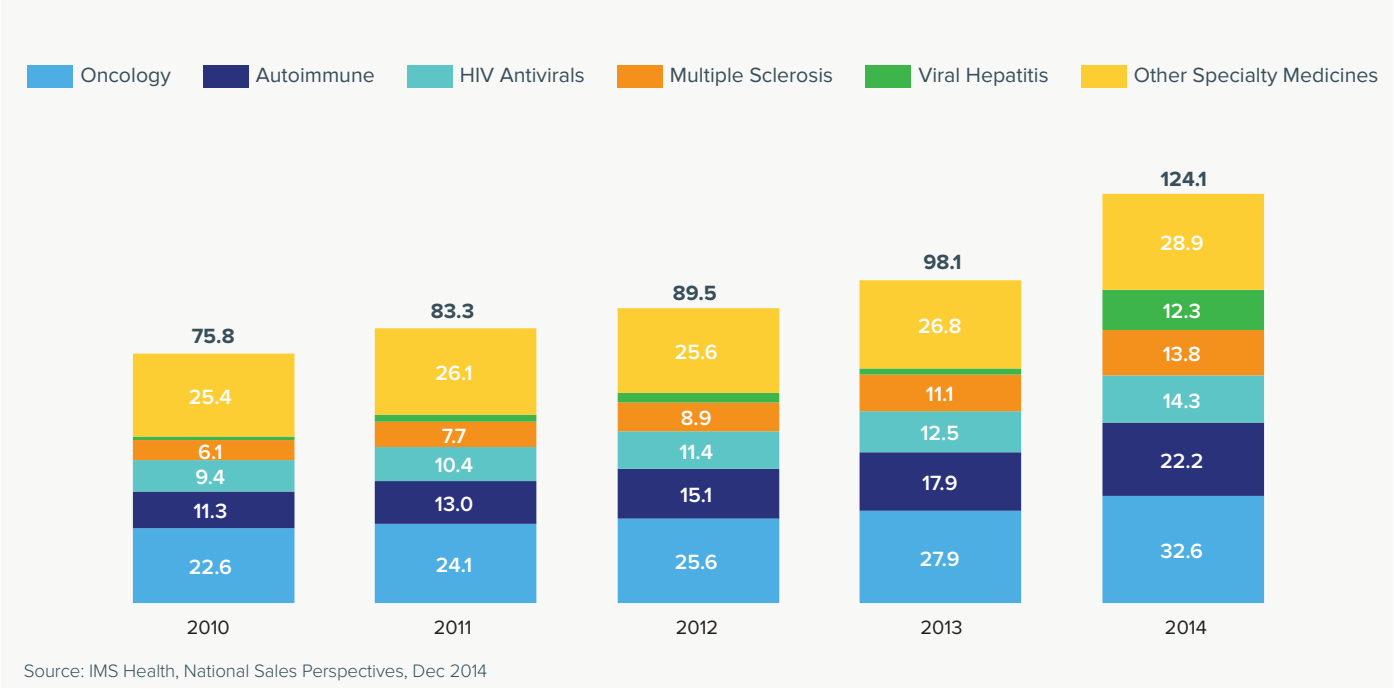
- Real per capita spending was $995 in 2014 and has nearly tripled since 1995 when it was $339, both measured in 2005 dollars.
- Higher spending growth between 1997 and 2003 reflected the period when the largest number of blockbuster drugs launched and were increasingly used by millions of Americans.
- Lower levels of growth in spending between 2002 and 2013 were due to lower volume growth, increased use of generics, loss of patent protection for major branded products and reduced spending on new drugs.
- The sharp increase in spending in 2014 was driven by new brands, lower impact from patent expiries and increases in the list prices of branded medicines.

Chart notes:

Measures total value of pharmaceutical spending, including generics, branded products, biologics, small-molecules, retail and non-retail channels. Value measured at Trade Price – the price paid to wholesalers or manufacturers by retail and non-retail pharmacies and excluding off-invoice discounts and rebates that lower net prices received by manufacturers. Real Per capita adjustments based on data from U.S. Census Bureau and U.S. Bureau of Economic Analysis.

Specialty medicines now account for one-third of spending driven by a wave of recent innovations

Spending on Specialty Medicines US$Bn



Source: IMS Health, National Sales Perspectives, Dec 2014

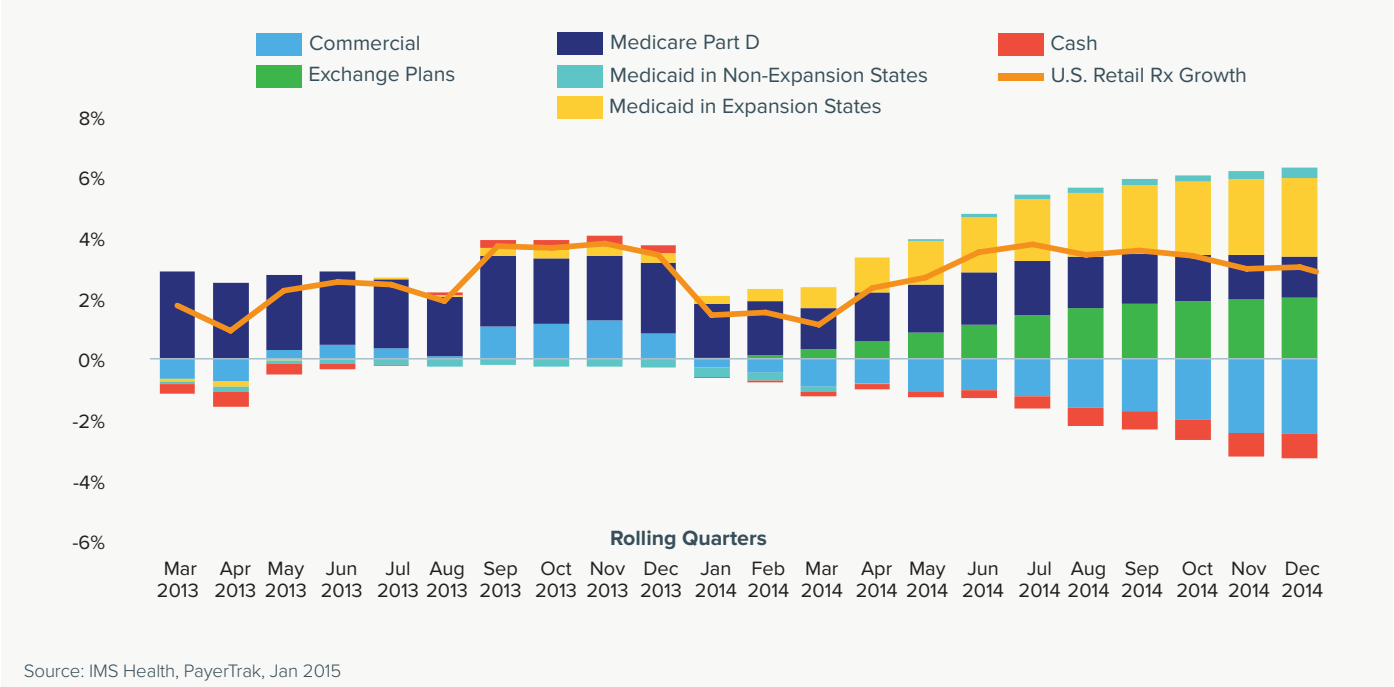
- Spending on specialty medicines has increased by $54.0Bn in the last five years, contributing 73% of overall medicine spending growth in that period.
- Increased specialty spending was driven by innovations in treatment for autoimmune diseases, hepatitis C and oncology, accounting for $34.7Bn of increased spending.
- Specialty medicine spending increased by 26.5% to $124.1Bn in 2014; the increase was 16.3% excluding hepatitis C treatments.
- The biggest driver of specialty spending growth, $12.3Bn in spending on treatments for hepatitis C, caught many payers by surprise, forcing budget holders to weigh the cost and the value of new cures.
- Spending on oncology and autoimmune treatments increased by 16.8% and 24.0% respectively.
- Multiple sclerosis spending increased 24.4%, driven by new treatment options offering new mechanisms of action and more convenient dosing.

Chart notes:

Specialty therapies are defined by IMS Health as products that are often injectable, high-cost, biologics or require cold-chain distribution. They are mostly used by specialists, and include treatment for cancer and other serious chronic conditions. Specialty therapies often involve complex patient follow-up and monitoring. Oncology includes therapeutic treatments and not supportive care.

Medicaid was the leading driver of retail prescription growth in the first year of expanded coverage under the Affordable Care Act

Contribution to Retail Prescription Growth (%)



Source: IMS Health, PayerTrak, Jan 2015

- Retail prescriptions rose 2.4% in 2014, the first year of major coverage expansion.
- Overall Medicaid prescriptions increased 16.8% in 2014, accounting for 70% of the growth in retail prescription demand.
- Medicaid prescriptions increased 25.4% in states that expanded Medicaid coverage, and 2.8% in states that did not expand Medicaid coverage.
- Cash prescriptions, typically filled by uninsured patients, declined 5.5%.
- An estimated 12.6 million prescriptions were filled through exchange plans in 2014.
- The commercially insured, including patients who purchased coverage on the exchanges, filled 8.4 million fewer scripts in retail pharmacies in 2014 than in 2013.
- Prescription demand dipped in the first quarter of 2014 as plan cancellations and website glitches plagued the autumn enrollment period.
- Seniors with coverage through Medicare Part D filled almost 1 billion prescriptions in retail pharmacies in 2014.

Chart notes:

Retail prescriptions only. Medicaid includes fee for service and Managed Medicaid. Growth represents three-month rolling average. The Medicaid expansion category includes 27 states and the District of Columbia. Estimates of retail prescriptions filled by patients with exchange plans is based on IMS Health's analysis of commercial plan names.