

Impact of Prescription Drug Prices on PacificSource

Founded in Oregon in 1933, PacificSource is an independent, not-for-profit health plan providing healthcare coverage for commercial, Medicaid, and Medicare members across the Northwest.

Runaway prescription drug costs threaten our ability to fulfill our mission of providing better health, better care, and better cost to the people and communities we serve.

The biggest driver of health insurance premiums is the cost of medical care.

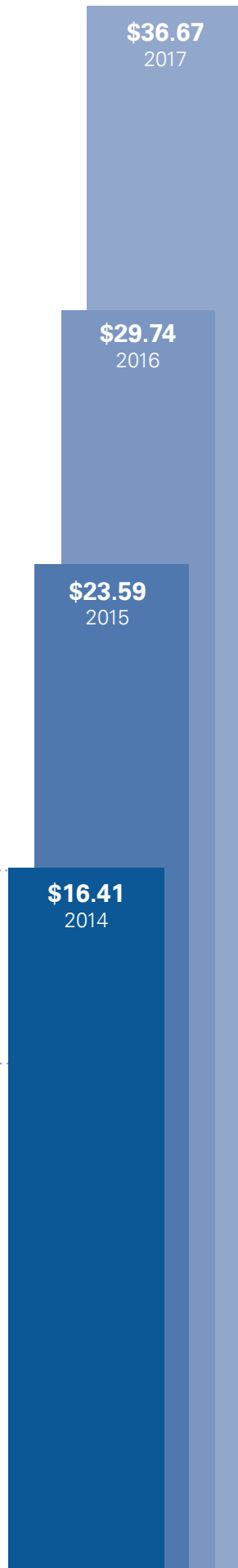
In addition to utilization, we evaluate trends in medical inflation and the cost of new treatments and technologies in order to accurately project future costs. Nationally and in Oregon, medical inflation continues to outpace the cost of other goods and services.

Gross Specialty Drug Cost Per Member Per Month Projection

In Summation

Until prescription drug costs are stabilized, insurance carriers throughout Oregon, and the nation, will be forced to raise rates and/or reduce service offerings.

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From 2014-2015, the total price for all prescription drugs increased 21 percent in PacificSource's commercial line of business.

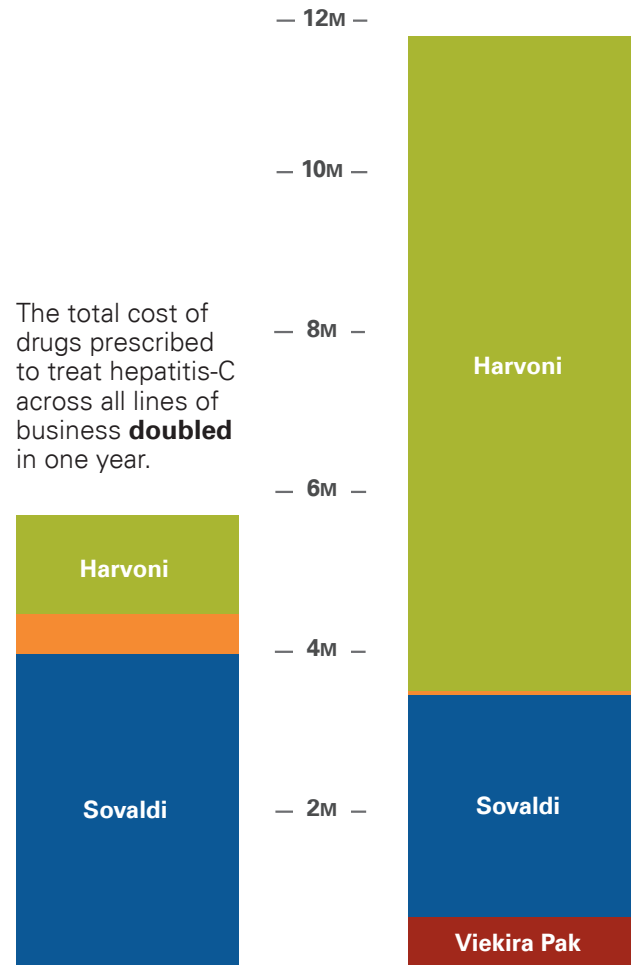


PacificSource absorbed double digit drug price increases each year from 2012-2015.



Approximately one percent of PacificSource members use specialty drugs, yet these drugs represent nearly 43 percent of the total prescription drug spend.

The total cost for specialty drugs increased 45 percent within commercial lines.



The total cost of drugs prescribed to treat hepatitis-C across all lines of business **doubled** in one year.

Data Sources: Graph: "Caremark Gross Specialty Drug Cost Per Member/Per Month Projection," exhibit from Caremark, provided in 2015. The exhibit is titled "Therapeutic Class Trend Projection Breakdown." The projection is calibrated on PacificSource commercial claims from January 1, 2012 to June 30, 2015.