

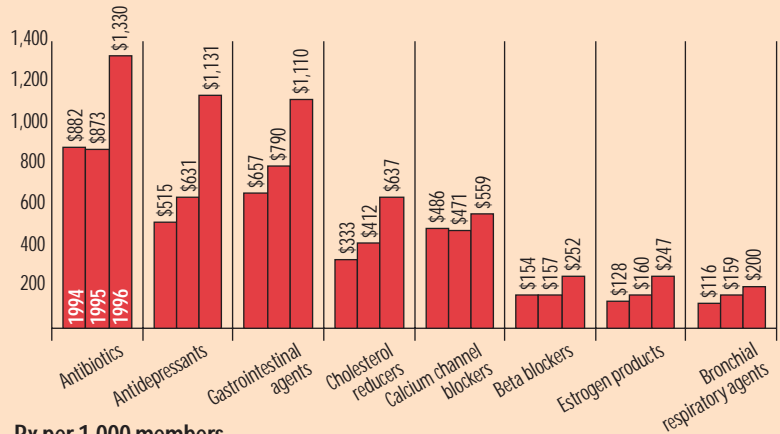
What's behind increases in pharmaceutical spending?

A dramatic increase in pharmaceutical expenses contributed to HMOs' less-than-stellar financial performances during the last two years. Sharp cost hikes for some of the most widely prescribed classes of drugs, coupled with new uses of medicines to treat chronic illnesses, are spurring this trend.

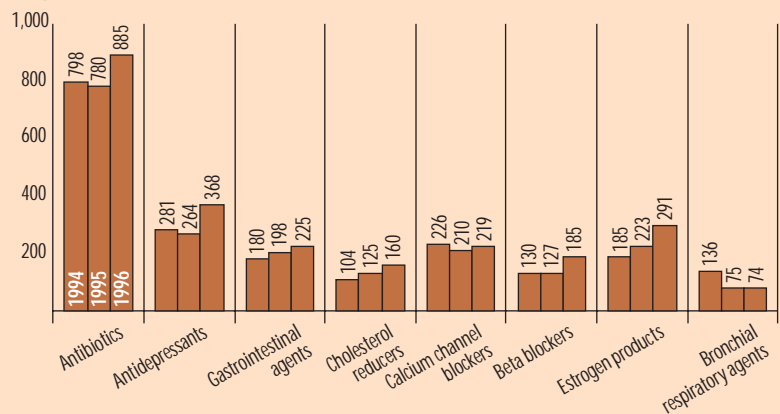
Antidepressants move up to second in drug spending

The development of disease management programs, a growing acceptance of specific treatment protocols for certain conditions (such as use of beta blockers in patients who have had heart attacks) and a proliferation of new, effective medications with minimal side effects converged to fuel demand for some classes of drugs—particularly those used to treat depression, ulcers, cardiovascular disease and asthma. In 1996, antidepressant use mushroomed, making this class the second-most-prescribed for HMO members. In recent years, estrogen use has risen steadily, making it today's third-most-prescribed class.

Volume in dollars (millions)

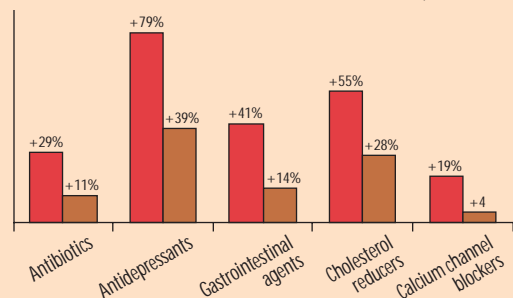


Rx per 1,000 members



Drug prices rise faster than demand

Pharmaceutical prices rose significantly from 1995 to 1996, after only modest increases the previous year. For each of the top five classes (dollar volume) dispensed to HMO members, cost increases far outpaced percentage increases for prescriptions per 1,000 members.



SOURCES: NOVARTIS PHARMACY BENEFITS REPORTS, 1997, 1996, 1995; IMS AMERICA, TOTOWA, N.J., 1997