An Rx for What Ails Healthcare

Annual spending on healthcare comprises an ever larger portion of U.S. GDP, now more than 3x the share over the past 50 years. Innovation in healthcare science and technology can curtail these increases by reducing costs and increasing the efficiency and quality of care, thus benefiting patients—and investors in the Healthcare sector.


- Healthcare spending in the U.S. continues to rise, up 5.8% in 2015, according to the latest government data available. Total healthcare spending is $3.2 trillion, or nearly $10,000 per person.
- The key is for innovative companies to address unmet medical needs for drugs, diagnostic methods, and devices that improve upon the current standard of care and/or reduce costs.
- This is an attractive time for investing in Healthcare as companies in this sector may benefit from potential fiscal stimulus, including reduced corporate taxes and profit repatriation.
- Additionally, the S&P 500 Healthcare sector is trading very cheaply relative to the broader market. Over the past 20 years it has traded at an 8% premium to the market and, as of April 30, was at a 10% discount.
Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country’s borders in a specific time period. S&P 500 is an index of 500 stocks seen by economists as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe.

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