



**WELCOME MEMBERS, SPONSORS and
GUESTS!**
NCBGH FALL 2017 MEETING
Proximity Hotel – September 22, 2017



WELCOME!!

NCBGH FALL AGENDA

Arrival and Breakfast, 8 am;

Welcome: Jon Rankin, NCBGH President (8:45 am – 9:00 am)

Views from Washington: Michael Thompson, President & CEO, National Alliance of Healthcare Purchaser Coalitions (9:00 am – 10:00 am)

- Legislative update
- Wellbeing Initiatives
- Consumerism
- The Value Agenda

Panel Discussion – Financial Wellness (10:00 am – 11:00 am)

- Moderator: Amy Reynolds, Partner, Mercer
 - Panelists:
 - Paula Stop, Director Benefits, Bell Partners Inc.
 - Erika Ross, Benefits Executive; US Employee Benefits, Bank of America.
 - David Stedman, CEO, BrightDime

BREAK 11:00 am – 11:15 am

Economic Outlook: Eugenio J. Alemán, Ph.D., Senior Economist, Wells Fargo Securities (11:15 am – 12:15 pm)

- Discussion on current economic trends and outlook
- Impact of current and potential legislation

NCBGH Best Practice Networking and Lunch (12:15 pm – 1:00 pm)

- Share ideas around topics chosen by your peer NCBGH member companies
- Network, learn, advise each other on challenges and best practices
- Build stronger relationships among our peer member companies

Questions & Answers; Event Wrap Up (1:00 pm)



WELCOME NCBGH PLATINUM SPONSOR



WELCOME NCBGH SPONSORS

Organization	Sponsor Since
Mercer – Founding Sponsor	2011
Aetna	2012
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Cigna	2012
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NFP	2014
American Behavioral	2016
ConnectYourCare	2016
Elliott Davis Decosimo	2016
Healthworks	2016
Willis Towers Watson	2016
Manning Fulton	2017



Promoting a better healthcare delivery system
Advocate. Innovate. Educate.



NCBGH Members: THANK YOU!!

Acuity Healthcare, LP	Charlotte Pipe & Foundry	International Textile Group	TIAA	Bernhardt Furniture	
Alex Lee Inc.	Charlotte Radiology	Old Dominion Freight Line	UNIFI Mfg.	bioMerieux	Manning Fulton
American & Efird LLC	City of Greensboro	OrthoCarolina, PA	University of NC	Coca-Cola Bottling Co.	Piedmont Natural Gas
Arysta Life Science	Coats North America	Parkdale Mills	VF Corporation	Compass Group	Polypore
Bahakel Communications	Crowder Construction Co.	Precision Fabrics Group	Volvo US	Cree Inc.	Sensus
BB&T Corporation	Davidson College	Recommunity	Wake Med Health	Culp, Inc.	Sonic Automotive, Inc.
CAI	Employers Association	Replacements, Ltd.	Aon Hewitt	Duke University	Zenith Freight Lines
Carolina Handling, LLC	Glen Raven Inc	RSC Brands	Bank of America Merchant Services	Easter Seals	PowerTeam Services, LLC
Carolinas Healthcare System	HAECO Americas	SAS	Belk	Mercer	PPD
Caromont Health	Indian Head Industries	Smith Turf	Bell Partners Inc.	National Gypsum	



ABOUT NCBGH

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- **What is NCBGH?**
 - 501c(6), Non-profit trade association. We are an advocacy group of senior HR and Finance leaders from area employers, with a common goal to positively impact and improve healthcare in North Carolina
- **Why should I be involved?**
 - NC lawmakers **and other stakeholders in the healthcare delivery system** need a unified voice on healthcare issues that impact the business community.
- **What does it cost to participate?**
 - Membership is only **\$100** per year and allows for you and a colleague to attend 2 meetings per year and gain access to unmatched “content” and “influence”.



ABOUT NCBGH

Mission and Charter

North Carolina Business Group on Health is a 501c(6) trade association which acts as advocacy group of employers who use their collective voice to influence decisions that impact the quality and cost of healthcare delivery systems. We will accomplish our mission and foster North Carolina's economic development in the following ways:

- **Advocate** – Create a business community with a shared vision and message on matters of healthcare policy, regulation, and legislation based on sound fiscal principles and quality standards.
- **Innovate** – Seek creative, common sense solutions to improve the overall cost and quality of our healthcare delivery system.
- **Educate** – Promote health and wellness education. Advocate for provider performance disclosure of both quality and outcomes to help employees become better consumers of healthcare services.



...An opportunity for you to get involved...

- **NCBGH Best Practices lunches** –We hosted “Best Practice” lunches in 2014, 2015, 2016 and 2017...holding a “live” one today at lunch!
- **Membership and Marketing** - Leigh Elrod, Chair (Easter Seals)
 - Focusing on helping attract and retain quality HR Leaders throughout North Carolina who can help us grow NCBGH both now and into the future

Have you visited us at www.ncbgh.org
Our website is growing in Capabilities
and great information!



PLEASE WELCOME!!

Michael Thompson

**President & CEO
National Alliance of Healthcare
Purchaser Coalitions**

North Carolina
Business Group on Health

Promoting a better healthcare delivery system
Advocate. Innovate. Educate.



A View from the National Alliance

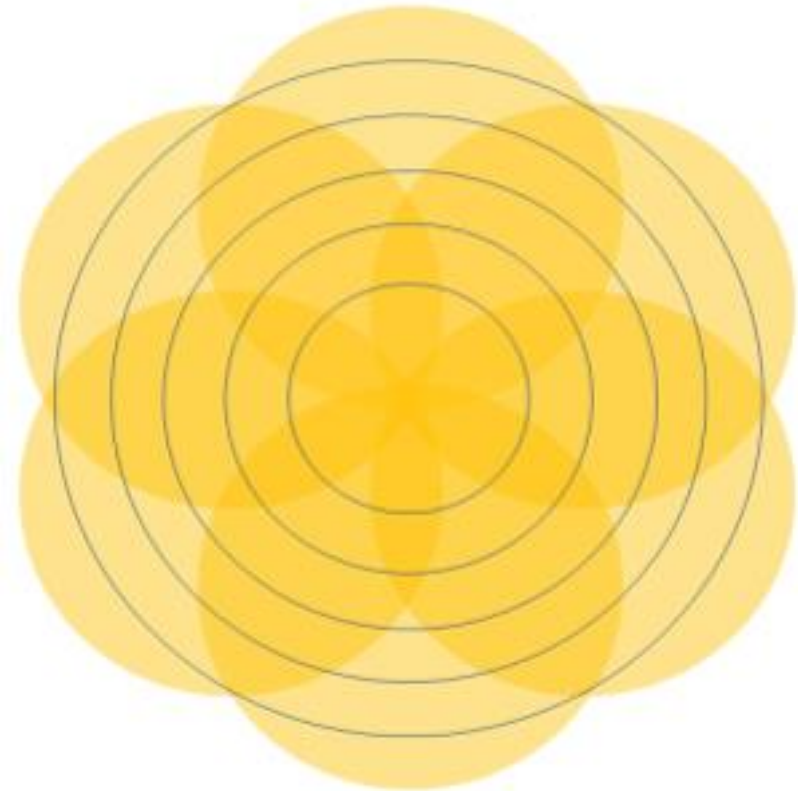
Discussion Guide with North Carolina Business Group on Health

Mike Thompson

mthompson@nationalalliancehealth.org

202-775-9300 x20

September 13, 2017



NBCH Moving Forward as the "National Alliance"



- Approximately 50 healthcare purchaser coalitions across the US, serving nearly every major metropolitan area and multiple primarily rural states
- Supports over 12,000 healthcare purchasers providing health coverage to over 45 million Americans
- Represents a cross-section of private sector, public sector, non-profit and Taft-Hartley organizations
- Driving improvements in health, well-being and value for our companies and communities across the country!

Our Differentiation

- *National/Regional Structure*
- *Distributed Change Agents*
- *Deep Knowledge of Issues*
- *Unparalleled Collaboration*
- *Objectivity/Independence*



Our Vision

- We have helped to define and are nationally recognized as a leading facilitator of a Value Based Marketplace
- Healthcare innovation has shifted to bend the cost curve and produce higher value for less cost
- Health and well-being have become fully integrated into human capital strategies and overall organizational success
- Regional innovation and experience lead to rapid learning, knowledge sharing and national adoption
- Our healthcare purchaser coalitions bring clear value to their local markets and contribute to achieving our collective mission

Our Values

- We will only promote practices, projects and service providers that are consistent with a value based marketplace
- We will consistently act in the collective best interest of purchasers and our National Alliance
- We will respect and honor the good work of purchasers, coalitions and their stakeholders
- We will be candid, transparent, collaborative, engaging and, at times, disruptive in our continuous efforts to challenge the status quo
- We will work together to support our mutual requirements for financial health and stability



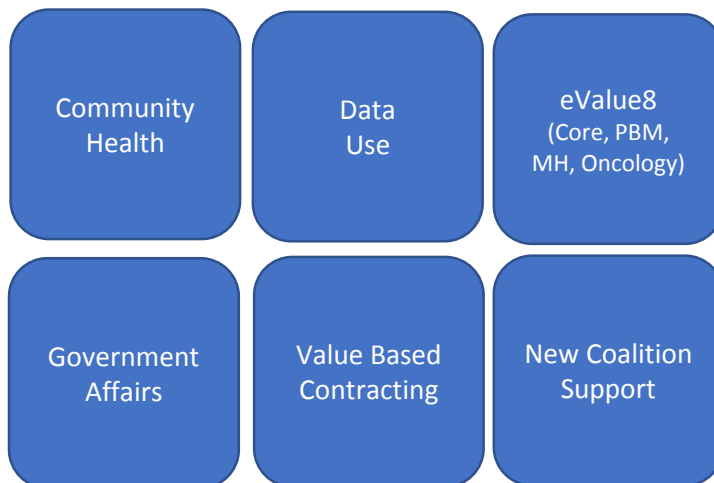


National Alliance Coalitions

Moving Forward

Coalition Affinity Groups and National Alliance Initiatives

Coalition Affinity Groups



National Initiatives



Health Policy in Transit

“A Purchaser Perspective”

- Avoid Increasing the # Uninsured
- Preserve Tax Exclusion for Employer Provided Coverage (Eliminate Cadillac Plan Tax)
- Move away from Fee-for-Service to Value-based Alternative Payment Models
- Expand Transparency
- Support Comparative Effectiveness Research
- Enhance value-based benefit design flexibility
- Maintain ERISA preemption

Health Policy in Transit
A Purchaser Viewpoint

National Alliance of Healthcare Purchaser Coalitions is a national, non-profit, membership association of employer led coalitions across the country collectively serving 32,000 purchasers and 41 million Americans.

- Do not repeal the Affordable Care Act without specifying what will replace it.
- Preserve employer-sponsored coverage by refraining from capping the individual tax exclusion for premiums and continue to allow businesses to fully deduct the costs. This coverage remains the dominant way through which most Americans receive their coverage.
- Avoid increasing the number of uninsured individuals, as the cost of their inevitable medical care will get shifted to those who pay the bills. This is a hidden and unregulated tax on employer-purchasers.
- Continue to support the move away from Fee-for-Service (or “volume-based reimbursement”) and toward Alternative Payment Models (APMs) where providers are rewarded for good outcomes and high quality and not reimbursed for medical errors, unnecessary procedures, and other low value care. Preserve the ability of the federal government to partner in these efforts (CMMI and other value-promoting elements of the ACA, MACRA).
- Expand assistance to states, regions, and local communities promoting transparency. This means pushing hospitals and medical groups to be more transparent about the quality of care they provide as well as statutory authority and funding to non-profit organizations developing robust healthcare price and quality information.
- Support comparative effectiveness research. Employer-purchasers need to know which new or higher cost therapies result in outcomes that are significantly better, somewhat better, about the same, or worse than current or less costly options.
- Allow employer-purchasers maximum flexibility in experimenting with benefit designs.
 - Flexibility around waiving co-pays and deductibles particularly under HDHPs (eg. preventive services, chronic care support, on-site clinic services)
 - Premium differentials and other incentives for non-smokers, healthy behaviors and outcomes, as well as wellness program participation
 - Narrow networks to encourage use of high-quality, lower cost providers
 - Protect against “surprise” bills (eg. “out-of-network” bill from the anesthesiologist or other provider when patient was “in-network”)
- Maintain ERISA preemption. Amend statutory language to explicitly exempt ERISA plans from any new requirements under Sect. 1332 waivers.

National Alliance of Healthcare Purchaser Coalitions
Driving Innovation, Health and Value

Value Based Marketplace

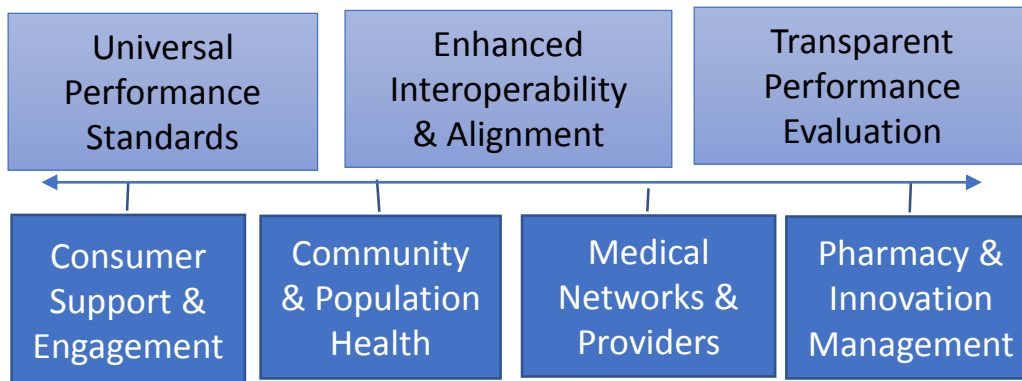


Value Based Delivery Options

- ACOs
- Bundled Payments
- Advanced Primary Care



Governance => Assessment => Integration => Evaluation



Purchaser Driven
Transparent
Choice-Based
Simplified Management
Independent of Conflicts

Data Driven, Evidence Based
Aligned Incentives
Stratified Experience
Supply Chain Excellence
Dynamic Adaptability

Healthcare Consumerism at Crossroads

- Consumerism “backlash” - Industry at a cross-roads
 - HDHP Impacts
 - Complexity & Literacy
 - Engagement
 - Cost Dynamics
- How will we reshape a “Value-based Marketplace” for the next 15 years?



RETHINKING HEALTHCARE CONSUMERISM STRATEGIES IN LIGHT OF EMERGING EVIDENCE

Consumer-directed health plans shown to reduce healthcare spending, but reductions may reduce use of needed health care services and productivity.

5 STRATEGIES TO MITIGATE ADVERSE EFFECTS OF CDHPS

1. Provide employer contributions to an HSA, especially for lower-wage workers
2. Establish wage-based benefit design
3. Reinforce how CDHPS and HSAs work and the value of preventive care
4. Provide more resources to help employees manage their healthcare decisions (e.g. advocacy, telemedicine) along with traditional CDHP transparency and other tools)
5. Implement value-based benefit designs

Employers have long sought ways to keep healthcare cost in check by offering employee benefits robust enough to attract new talent while retaining their current workforce. Over the past decade, there has been a popular and growing trend toward high deductible health plans and especially consumer-directed health plans (CDHPs). In 2016, PwC estimated that 72% of employers offered a high deductible health plan (HDHP) to their employees, and 60% of those employers offered an HDHP compatible with a health savings account (HSA). In addition, PwC found that 28% of employers surveyed had adopted an HDHP on a total replacement basis, and 39% of employers were considering total replacement HDHPs within three years.

One feature that makes these plans attractive is the incentive for patients to engage more effectively in their healthcare choices. And research has shown that these plans help mitigate healthcare costs, at least initially. In 2015, Truven Health Analytics estimated that “CDHP members experienced consistently lower healthcare costs—ranging from \$457 to \$832 per member

per year lower on an allowed basis over a three-year study.” They also indicated that “lower claim costs resulted primarily from lower utilization rates” and that “CDHP members were less likely to receive care for their chronic conditions.” Additional studies cited below show that the reductions in utilization may not be limited to discretionary care—especially for employees at lower income levels. Employees in these plans may be more prone to avoid care for necessary services resulting in prolonged and more serious illness as well as lost productivity. This section brief highlights the results of those studies and suggests five strategies to mitigate some of the emerging concerns.

EMERGING EVIDENCE ON POTENTIAL CONCERNS

We have known for years that when patients have more cost-sharing, they will likely use less care. In the 1990s, Rand’s Health Insurance Experiment¹ found cost sharing reduced the use of both effective and less effective care across the board. More recently, in its

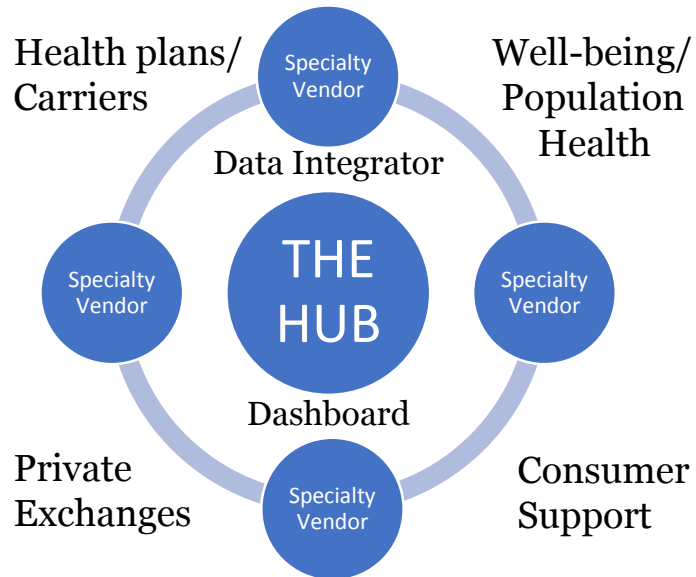
Innovators Proliferate

- Advocacy
- Telehealth
- Second Opinion
- Health Literacy
- Social Networks
- Well-being
- Population Health
- Health Savings Accounts
- Transparency
- Onsite/Near Site
- Concierge



New Battle for Consumer Hub

Advocacy
Telehealth
Second Opinion
Health Literacy
Social Networks
Well-being
Population Health
Health Savings Accounts
Transparency
Onsite/Near Site
Concierge



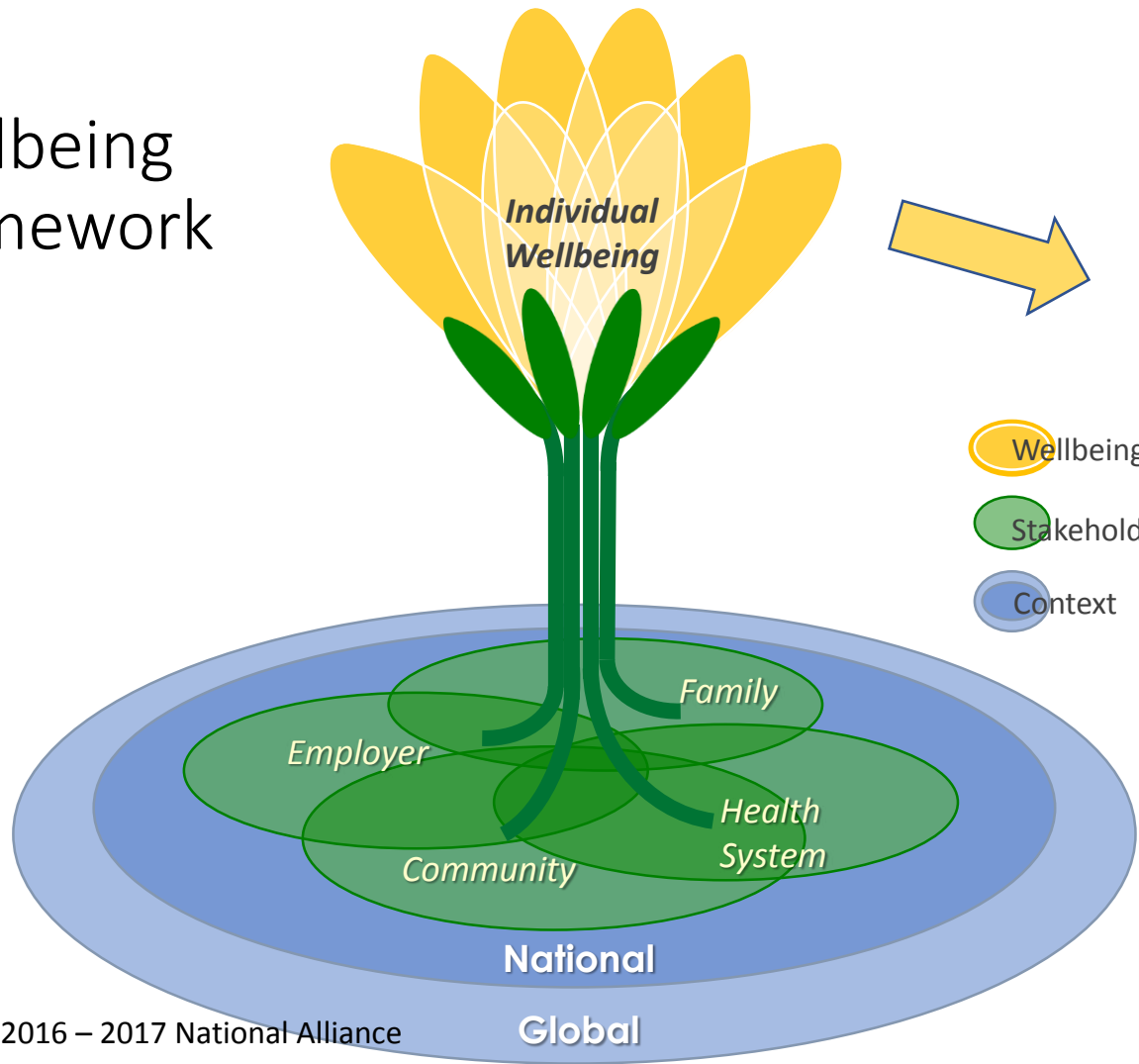
Rethinking Consumerism

- Key Trends
 - Value Based Choices
 - Advocacy & Support
 - Hub & Spoke
 - Nudge Economics
 - Simplification
- Key Issues
 - Who will determine value?
 - Income based benefits
 - High cost treatments
 - Values vs value

The screenshot shows the CFO.com website interface. At the top, there is a navigation bar with categories: Accounting & Tax, Banking & Capital Markets, Risk & Compliance, Human Capital & Careers, Growth Companies, Strategy, and Technology. Below this is a search bar and a 'CFO Newsletters' banner. The main content area features an article titled 'Health-Care Purchasers Take the Wheel' by Michael Thompson, dated May 25, 2017. The article text discusses managed care and health-care consumerism. To the right of the article is a sidebar with a 'CFO Newsletters' banner, a 'CFO' logo, and a promotion for the 'CFO Mobile App' with download links for the App Store, Google Play, and Amazon. Below the app promotion is a 'Popular Articles' section with a list of five articles.

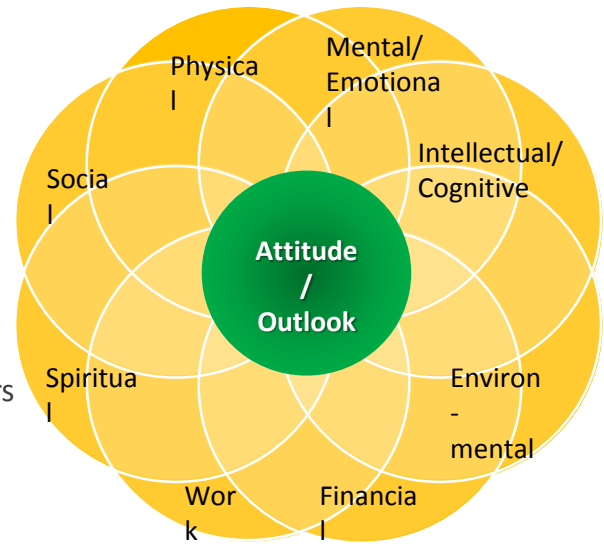
<http://ww2.cfo.com/health-benefits/2017/05/health-care-purchasers-take-wheel/>

Wellbeing Framework



- Wellbeing
- Stakeholders
- Context

Individual Wellbeing



In Organizations: Benefits of Wellbeing

There is compelling evidence that wellbeing is foundational to an organization and is directly tied to the cultivation of a highly-engaged and a high-performing workforce that can create:

- Higher productivity
- Higher innovation
- Higher loyalty

The *drivers of wellbeing* are very aligned with employee engagement

- Employees want to be a valued contributor to an organization – they seek connection, a work-friendly environment, and the ability to learn and thrive
- Employers seek an engaged workforce

.....*Two sides of the same coin*

When **defined as a people opportunity** rather than a health opportunity, Wellbeing gains **greater leadership support necessary to drive superior outcomes**

Potential Organizational Benefits Of Culture of Wellbeing

- 33% higher profitability (Gallup)
- 43% more productivity (Hay Group)
- 37% higher sales (Shawn Anchor)
- 300% more innovation (HBR)
- 51% lower turnover (Gallup)
- 66% decrease in sick leave (Forbes)
- 125% less burnout (HBR)
- Addresses “social determinants of health”

Employers: Wellness vs. Wellbeing

Wellness

- Main focus is to reduce cost of health care and show improvement in workforce clinical risk factors (BMI, Blood Pressure, Cholesterol, etc.)
- Emphasis is mainly on improvement of physical health
- Example data sources include healthcare claims, WC, preventive, biometric screenings
- Program-focused
- Use various incentives/disincentives to engage employees
- Can create a “big-brother” focused environment
- Requires a financial investment to be successful

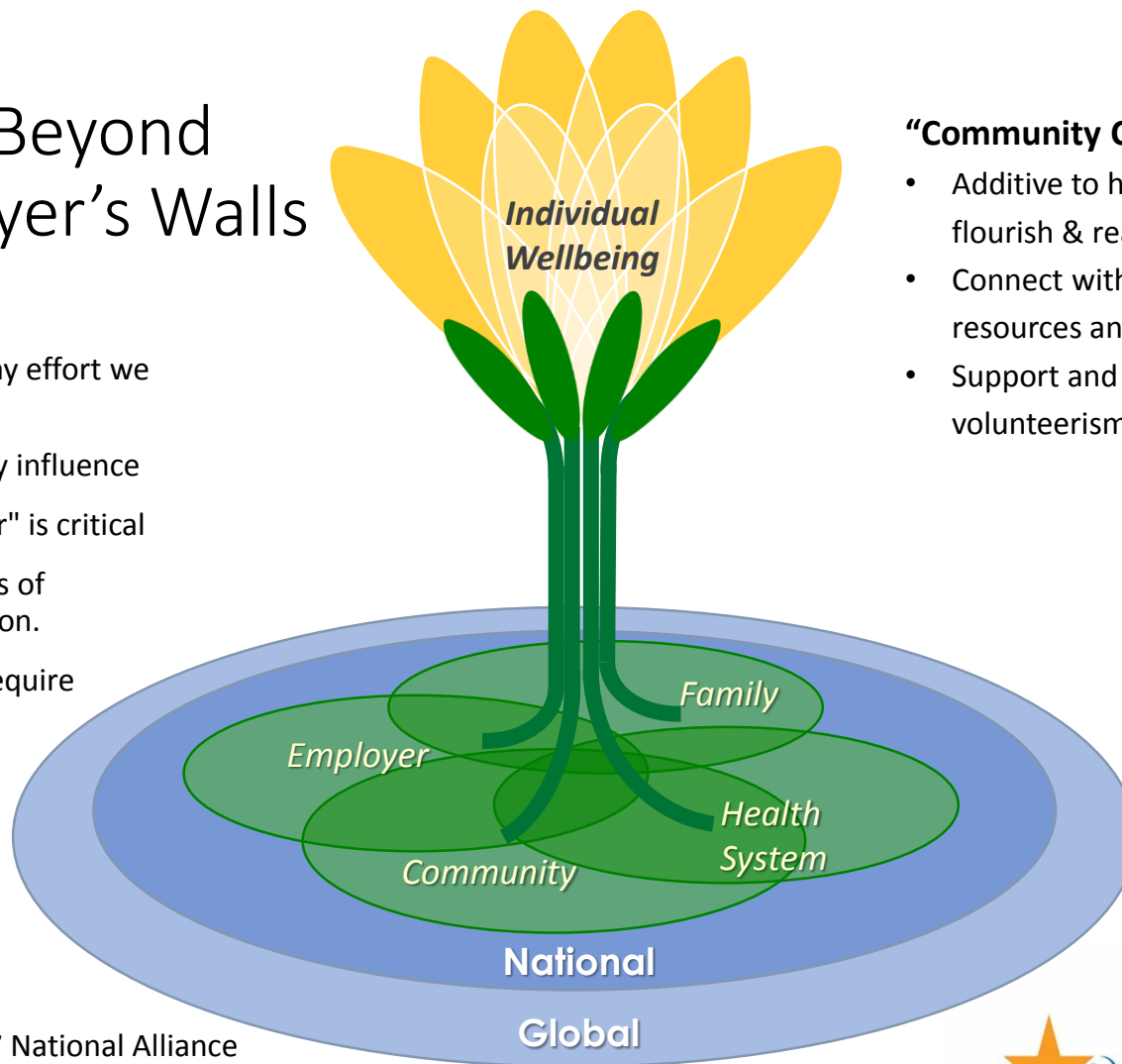
Wellbeing

- Is a people-focused strategy designed to enhance business performance by creating a culture where individuals thrive/perform to their fullest potential
- Uses a “whole-person” focus of *interrelated* dimensions that include: physical, mental, attitude/outlook, spiritual, social and financial – able to get to the root cause
- Example data sources include culture and performance assessments, engagement and employee retention data, outcomes tied to overall business objectives
- Outcomes-focused
- No incentives are needed to engage
- Creates a diversity-friendly environment
- Connects people through many areas of the organization – money is not required

Wellbeing Beyond The Employer's Walls

"Family inclusion"

- Force multiplier in any effort we make.
- Women are often key influence
- The role of "caregiver" is critical
- Related to risk factors of loneliness and isolation.
- Chronic conditions require 24 x 7 management



"Community Connectedness"

- Additive to helping employees flourish & reach potential
- Connect with community resources and initiatives
- Support and leverage volunteerism

"Systems of Total Health"

- Healers - Joy of Work
- Social Determinants of Health
- Integrative Medicine
- Redefined Outcomes

Wellbeing & Health Systems

Focus on Employees

Although the phrase “joy in work” sounds “soft,” this phrase encapsulates the aspirational goal of true workforce engagement. There is strong and growing evidence that a joyful, engaged workforce leads to better teamwork, productivity, patient experience, and outcomes.

Institute for Health Improvement



Focus on Integrative Medicine

Integrative medicine seeks to restore and maintain health and wellness across a person’s lifespan by understanding the patient’s unique set of circumstances and addressing the full range of physical, emotional, mental, social, spiritual and environmental influences that [affect health](#).

Adam Pearlman, MD, PhD
Duke Integrative Medicine
Duke University Health System

Focus on Wellbeing Outcomes

“The transformation to a value mindset begins with the simple observation that patients and families seek health, not more treatment. No one seeks an extra, unnecessary colonoscopy. The purpose of health care is to improve health – cure disease, repair injury, preserve capability, and to enhance wellbeing throughout life. Treatment is an intermediate good, a means to better health. Patients would prefer health without invasive tests and recovery without hospitalizations, surgery or the side effects of medications. They endure treatment in pursuit of regained capabilities, comfort and calm.”

Scott Wallace, JD, MBA

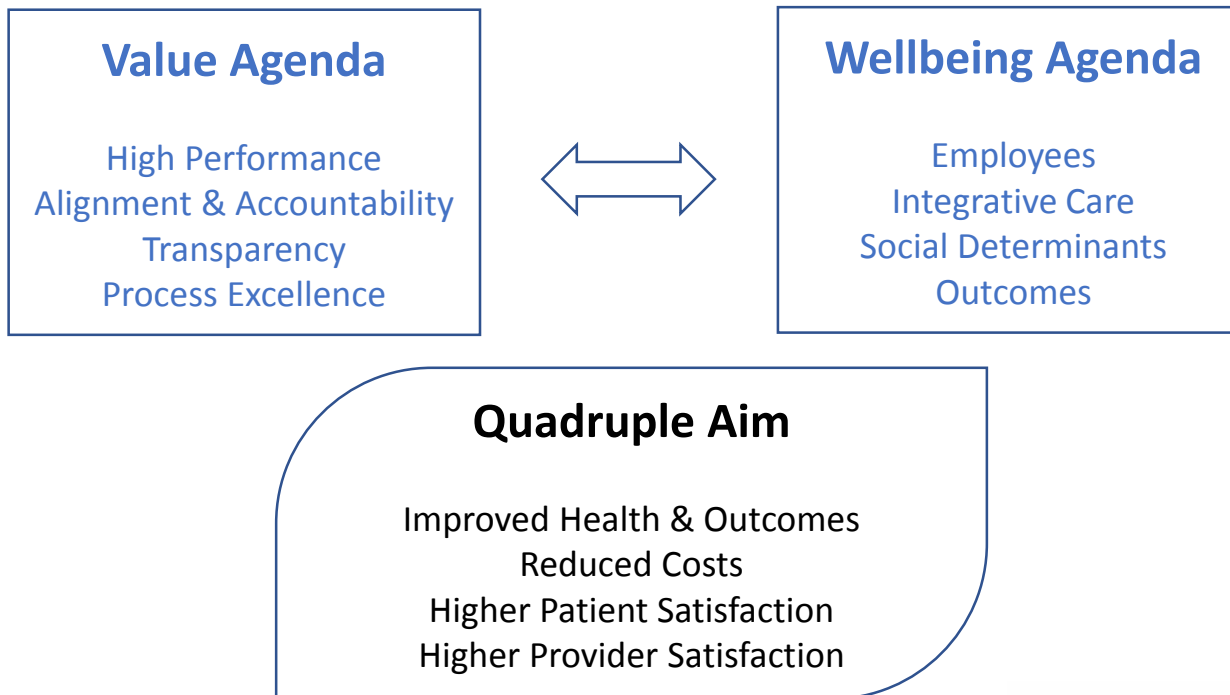
Dell Medical School, University of Texas - Austin

Focus on Communities & Social Determinants

Effective care for most illness requires understanding the social conditions of one’s patients. These “causes of the causes” are largely social and environmental ones.

Rishi Manchanda
Health Begins

Wellbeing Agenda can be “Force Multiplier” to Value Agenda



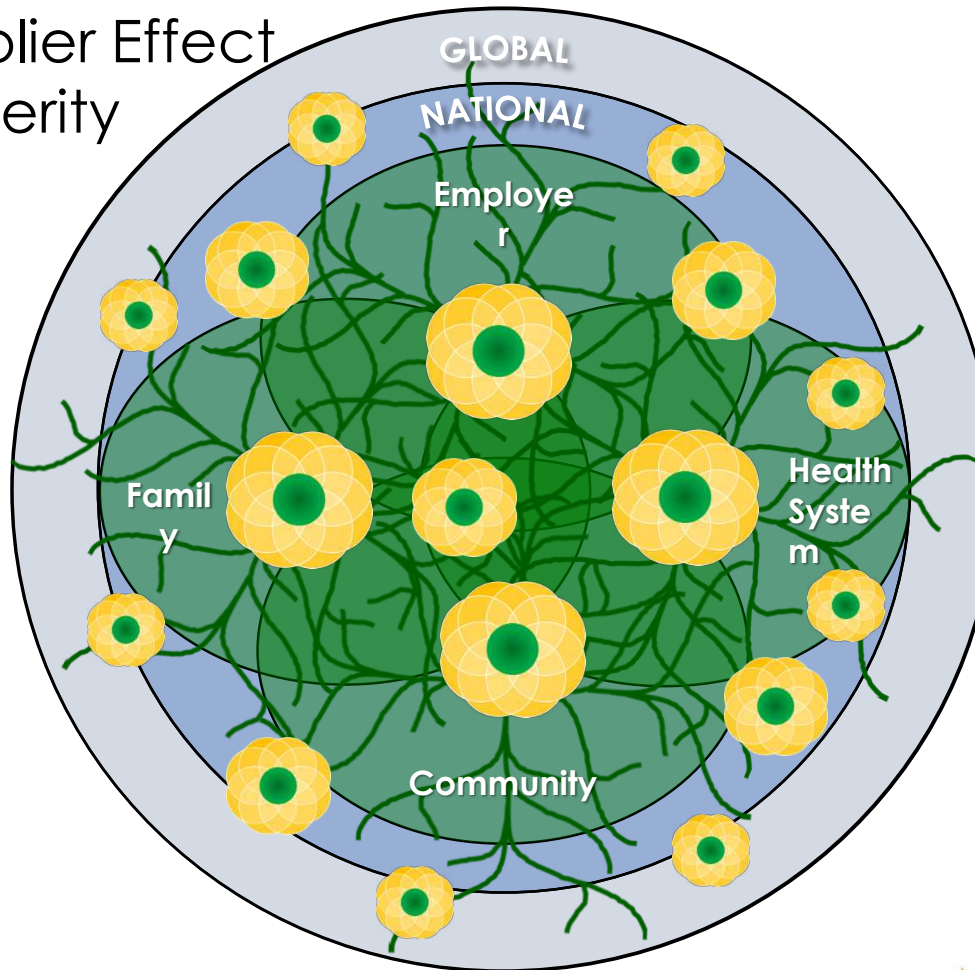
Wellbeing Multiplier Effect for Mutual Prosperity

Employer

- improves human capital performance, employee experience, brand value, business results
- Leads to greater engagement and improvement in communities, families and health systems

Family

- Flourish when employers, communities and health systems collaborate to adopt a whole-person approach to well-being.
- Contribute to support wellbeing of employee, community and health environment



Health Systems

- Adopt a holistic approach to population health & wellbeing addressing the full range of physical, emotional, and environmental influences with better health and business outcomes
- Become inclusive and integrative of community and employer resources, and, to the benefit of employees, their families and their community.

Community

- More connected, livable, and equitable conditions helps communities, families, and employers to flourish.
- Enhanced employer, health system and family engagement in community accelerates success of initiatives

Health and well-being across sectors ultimately influences national and global prosperity

Specialty Drugs

National Alliance Specialty Drug National Position

- Avoid conflicts/ use fiduciary std
- Cover personalized medicine
- Require transparency including NDC Codes
- Implement value-based contracting
- Site-of-care cost parity
- Patient support
- Discontinue bad practices

A FUTURE VISION FOR THE SPECIALTY DRUG MARKETPLACE

The National Alliance, working with its coalitions, is promoting a "Five Rights" framework for specialty drug stakeholders to improve value for healthcare purchasers

RAISING THE STAKES

Specialty drugs are one of the fastest growing areas of spending for both private & public purchasers

- Some drug prices grow at 500% or more
- US buys more and pays more than any other country

High Cost, High Variation, High Waste

- Variation in management of formulary, specialty list, utilization, clinical pipeline, etc.
- Wide variation in price 2x-25x
- Up to 30% not filled, 50% not taken, 10% admissions due to poor adherence

Complexity, Middlemen, Conflicts

- Employers are often left without the needed data and information to manage specialty drug use and cost
- Our "stewards" contribute to these issues by adding complexity and cost to an inefficient supply chain.

Specialty Drug Stakeholders

- Health Plans
- PBMs
- Providers
- Specialty Pharmacies
- Manufacturers

High Value

THE FIVE RIGHTS FRAMEWORK

Right Drug Right Price Right Place Right Data Right Support

- Base practices and decisions on clinical efficacy and safety independent of conflicted interests/PBMs accept ERISA fiduciary status.
- Cover testing that supports improved assessment of correct drug, doses and duration of treatment for specific patient.
- Require purchaser transparency and engagement on key issues and National Drug Codes used by all providers, in all settings related to: prior authorization, utilization management, payment & rebates, claim level reporting, data analysis, provider contracts, patient outcomes, and quality improvement
- Align value based contracting with performance and adherence to high value drugs with correct doses and duration consistent with guidelines.
- Require cost parity or benefit differentials across sites of care for same drugs and services.
- Support patients on drug administration and needed emotional/ social support to increase adherence and improve outcomes.
- Discontinue conflicting practices such as low value coupon programs, drug price increases more than Consumer Price Index, and exclusion of high value delivery options.

For infographic, press release, and stakeholder framework go to: <http://www.nationalalliancehealth.org/Vision-For-The-Specialty-Drug-Marketplace>

Pharmacy Benefit Management (PBM) Assessment

Key Opportunities for Quality Improvement:

- Reduce overuse
- Improve Adherence
- NDC Codes
- Heart disease and Asthma
- Non-fulfillment
- Anti-craving meds
- Generics

Not Addressed

- Lack of transparency
- Unwarranted margins

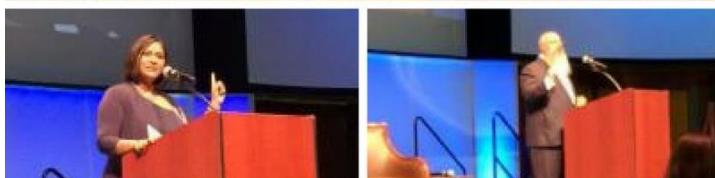
UNDERSTANDING PBM QUALITY

*2016 National Alliance of Healthcare
Purchaser Coalitions PBM Assessment*

JOHN MILLER, MidAtlantic Business Group on Health
FOONG-KHWAN SIEW, National Alliance of Healthcare Purchaser Coalitions



Mental Health



A “Collective Agenda”

- Collaborative care
- Behavioral health performance metrics & accountability
- Proactive strategies to break the silence and mitigate stigma
- Reassess impact of mental health on broader functioning and other healthcare costs
- Early identification and intervention
- Broaden access through telehealth, targeted networks
- Support pharmacogenomics to get to right answer faster
- Promote brain wellness
- Broaden focus on wellbeing

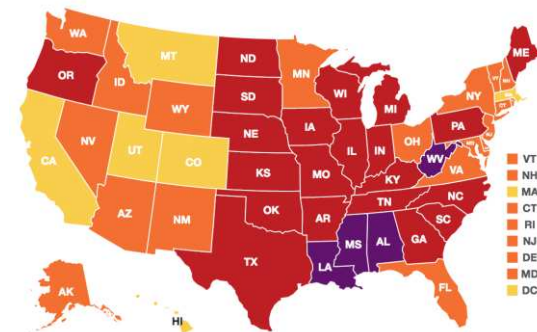
New Obesity Initiative

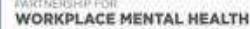
- Employers have struggled to make a significant impact with obesity at their organizations.
 - Over 85% of employers have wellness programs
 - Little impact on overall population health
- Sustained, multi-faceted effort:
 - Go well beyond what employers are doing today
 - Build on the emerging science and complex chemistry of obesity
- Kicked off in 2017, with longer-term focus on material impact through:
 - Education
 - Policy
 - Population and community health
 - Treatment



Path Forward

- A web-based Chronic Weight Management Portal
- A Playbook to support National Alliance coalitions
- A “matching funds” programs





2017 National Health Leadership Council



"Driving Innovation, Health and Value – Policy, Perspectives and Practices"

2017 Annual Conference Agenda

Health Benefits Strategy

- Strategies and Insights from the UAW Trust
- Bringing it Together for Health, Wellbeing and Value
- Applying Design Thinking to Health Benefits
- Consumerism: The Next Generation

Health & Wellbeing

- Population Health- A Fresh Look Across the Spectrum
- Leveraging Culture & Technology to Accelerate

Wellbeing

- Caregivers & the Workplace
- Stepping Up on Opioids and Pain Management
- Mental Health: Executing on our Collective Agenda

Value Based Marketplace

- Health Policy Perspectives: What's Next? What's needed?
- The Influencers: Accelerating Payment and Delivery Reform
- Getting out of the Box with Primary Care
- Surgical Care: Rewarding High Performance, Delivering Savings
- Value in Drug Spend- Getting to the Heart of the Matter

Innovation

- Employers Take the Wheel in Healthcare Marketplace
- eValue8 Showcase- Highlights of Market Leading Practices
- Innovator Showcase
- Innovation in Value-based Contracting
- Re-framing Our Approach to Successful Obesity Initiatives

REGISTER TODAY!

Visit the National Alliance Website to register. (nationalalliancehealth.org)



PLEASE WELCOME!!

Financial Wellness Panel

Moderator: **Amy Reynolds**, Partner, Mercer

Panelists:

- **Paula Stop**
Director Benefits, Bell Partners Inc.
- **Erika Ross**
Benefits Executive; US Employee Benefits, Bank of America
- **David Stedman**
CEO, BrightDime



PLEASE WELCOME!!

Eugenio J. Alemán, Ph.D.

Senior Economist, Wells Fargo Securities

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The U.S. Economy: “Bracing for Higher Interest Rates”

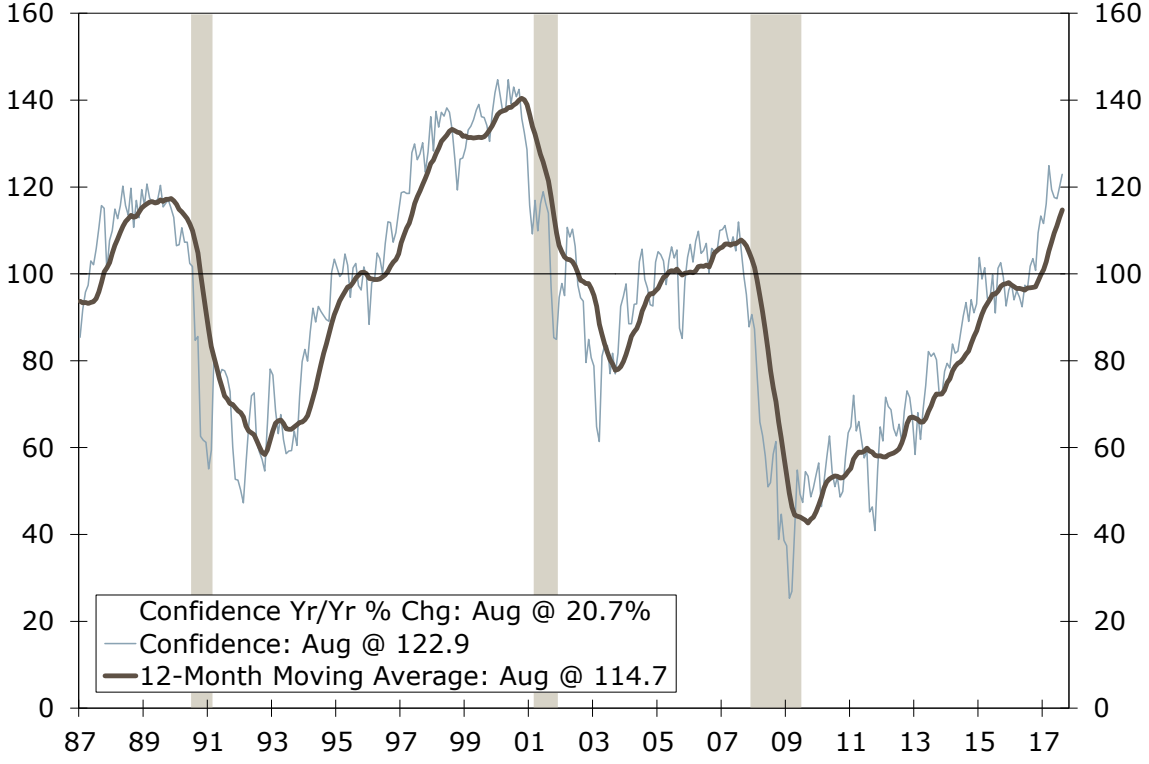
Eugenio J. Alemán, Ph.D.
Director and Senior Economist

September 2017



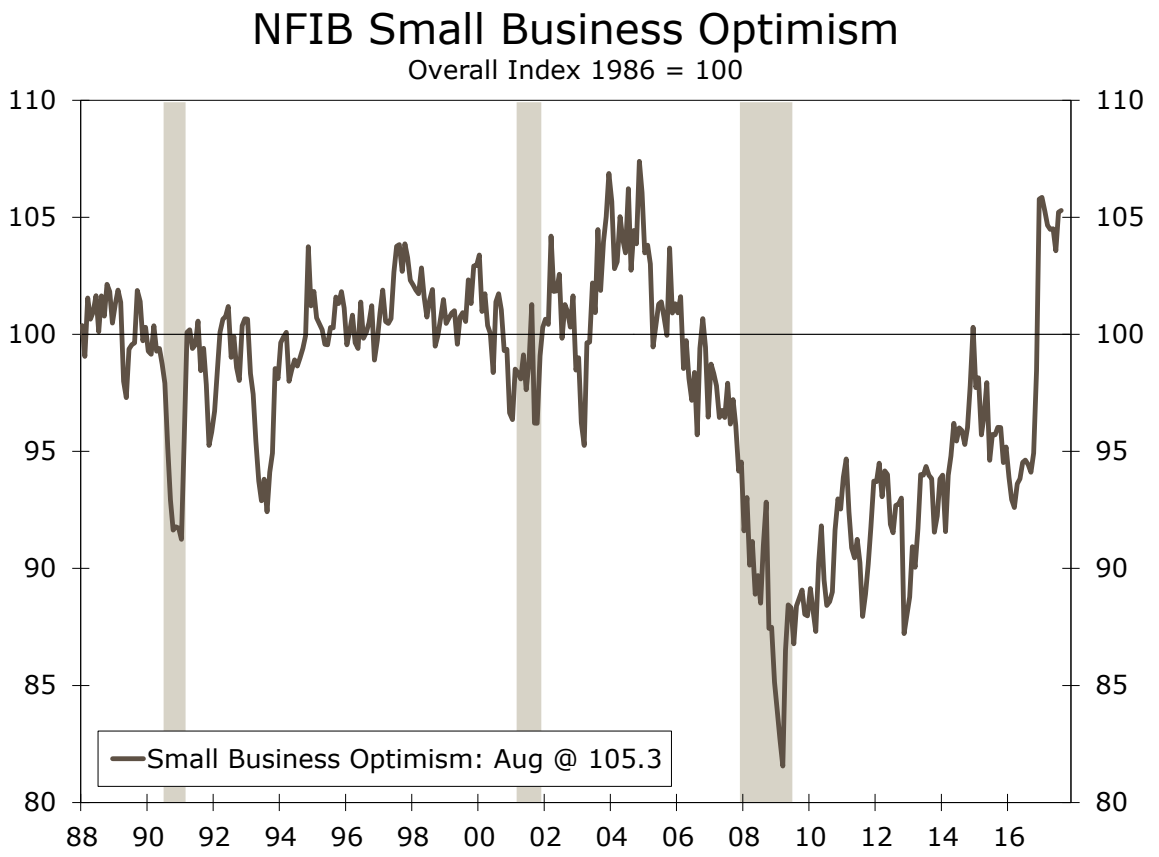
Consumer confidence has surged since the election

Consumer Confidence Index Conference Board



Source: The Conference Board and Wells Fargo Securities

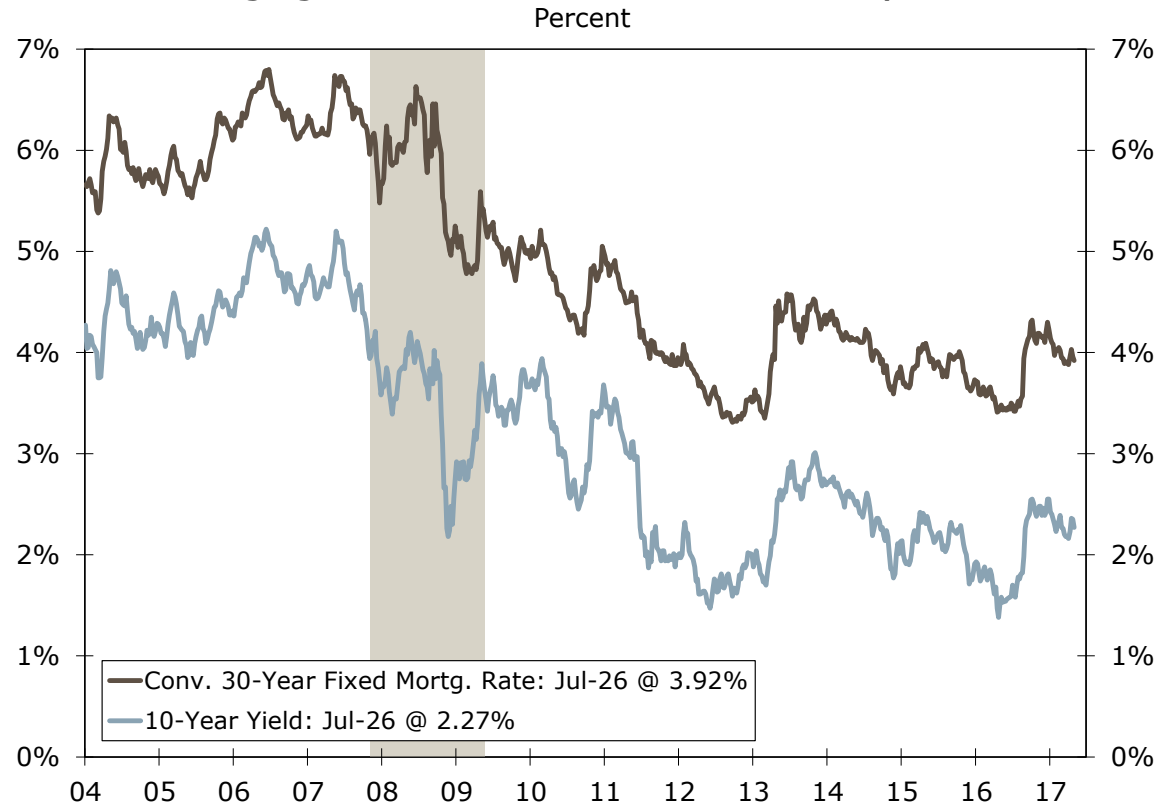
Small businesses are also upbeat due to the election



Source: The Conference Board and Wells Fargo Securities

After a post-election increase, mortgage rates have come down again

Mortgage Rate vs. 10-Year Treasury Yield

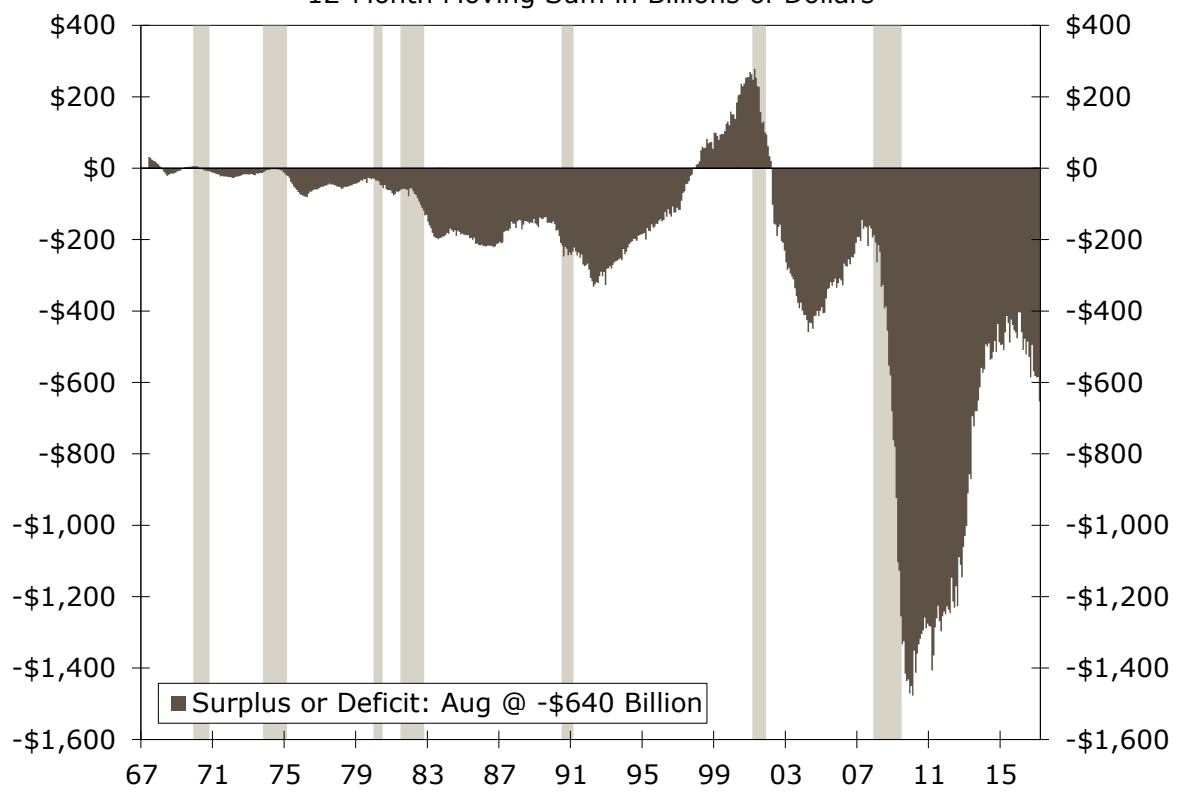


Source: Freddie Mac, Federal Reserve Board and Wells Fargo Securities

Not very good at generating surpluses!

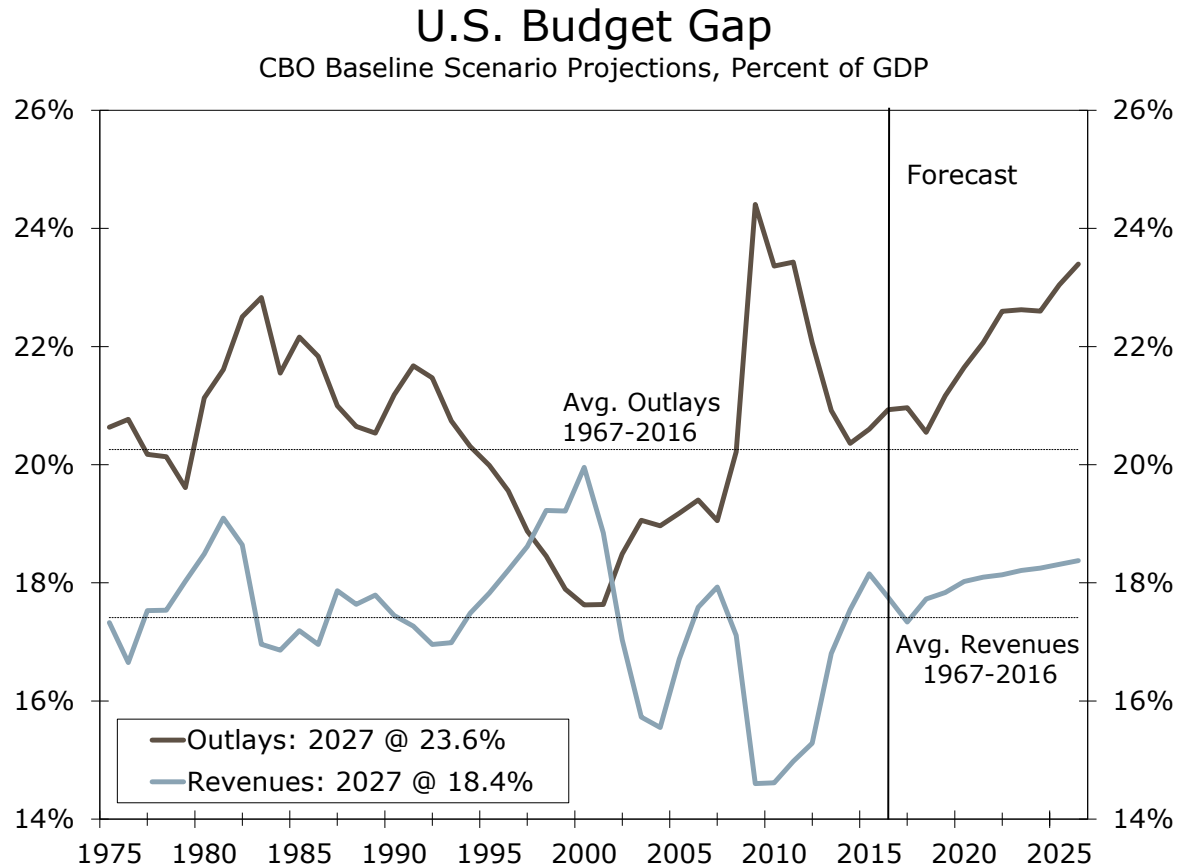
Federal Budget Surplus or Deficit

12-Month Moving Sum in Billions of Dollars



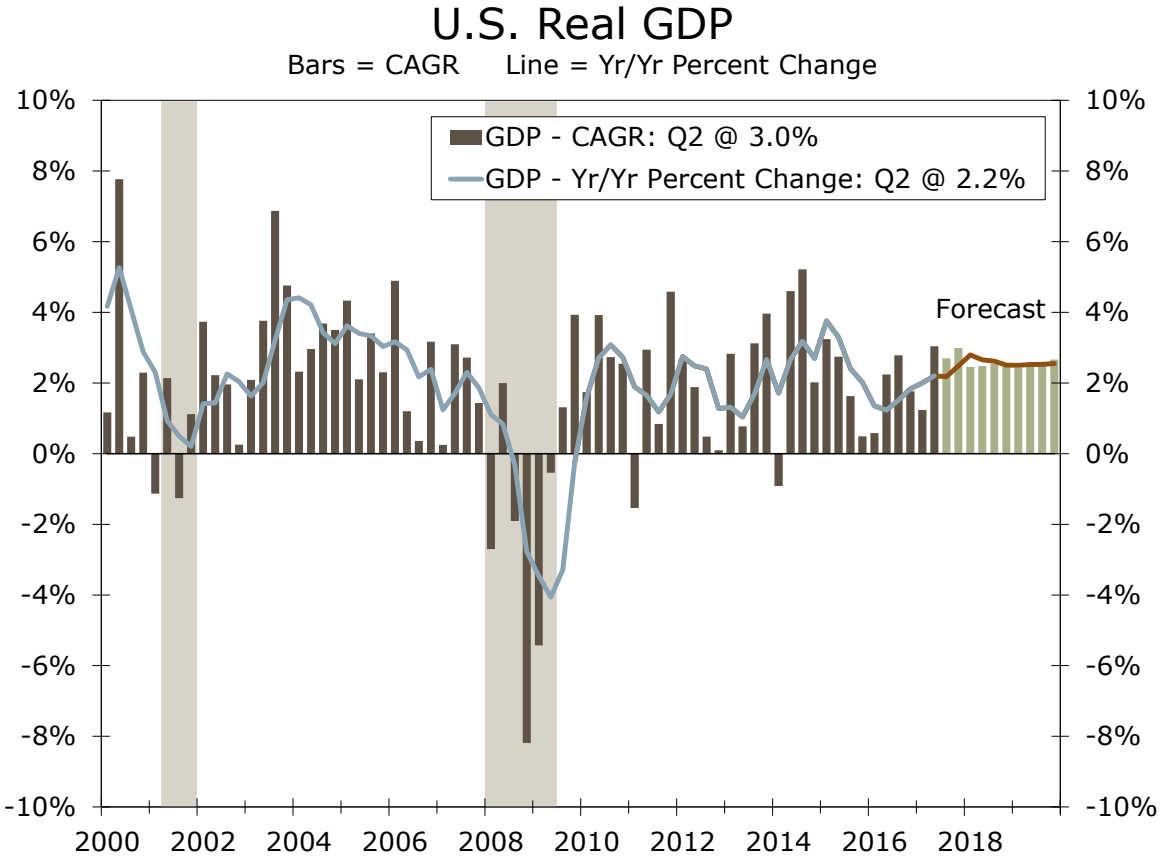
Source: U.S. Treasury and Wells Fargo Securities

The federal government faces some significant fiscal challenges—the current path is not sustainable



Source: Congressional Budget Office and Wells Fargo Securities

Outlook is for below-trend growth to continue

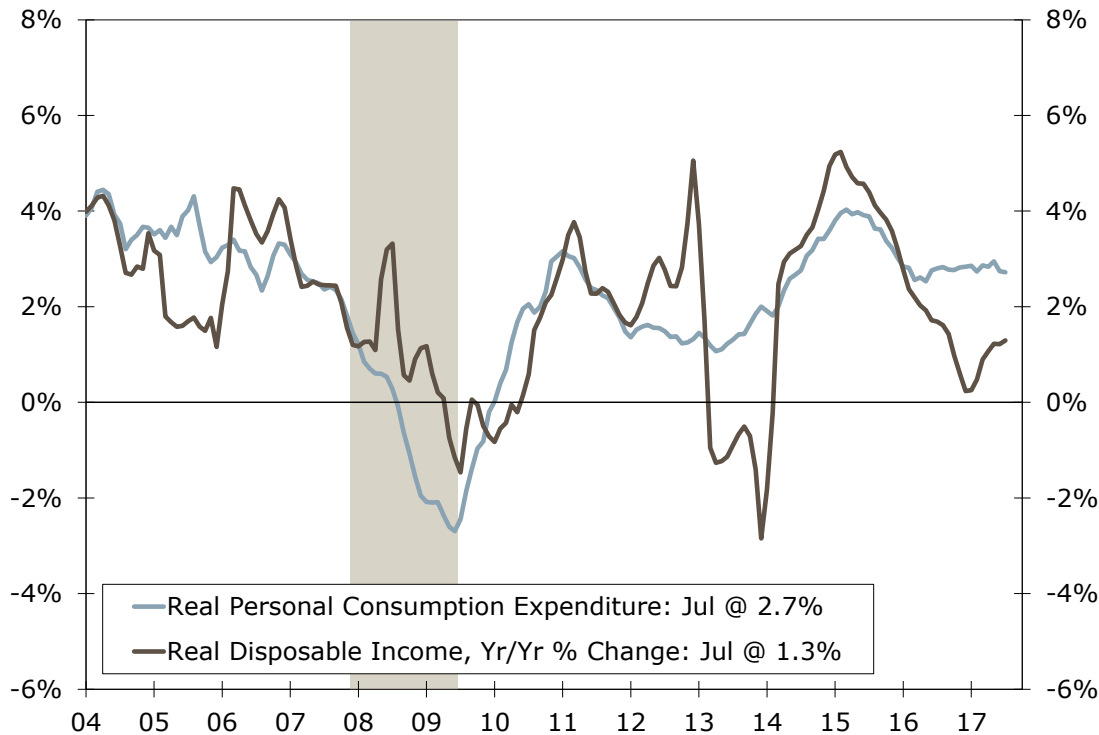


Source: U.S. Department of Commerce and Wells Fargo Securities

Americans dipped into their savings in order to keep consumption from slowing down further

Real Disposable Income vs. Real PCE

Both Series are 3-Month M.A., Year-over-Year Percent Change

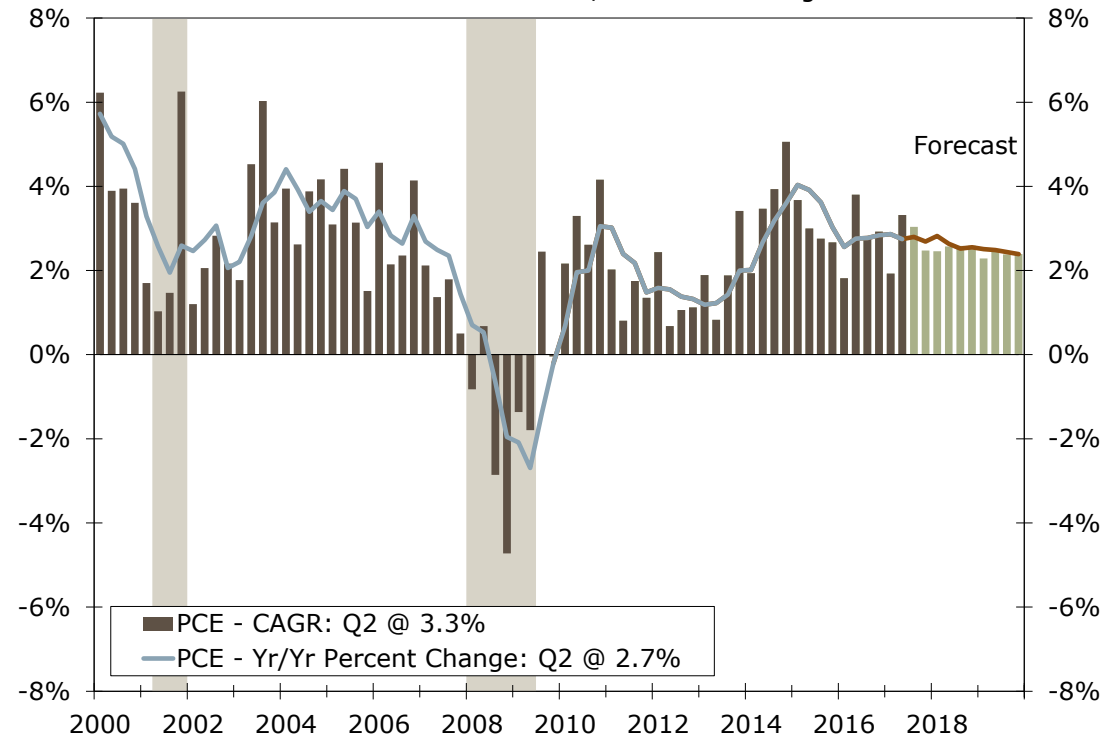


Source: U.S. Department of Commerce and Wells Fargo Securities

Personal consumption will remain the driver of economic growth

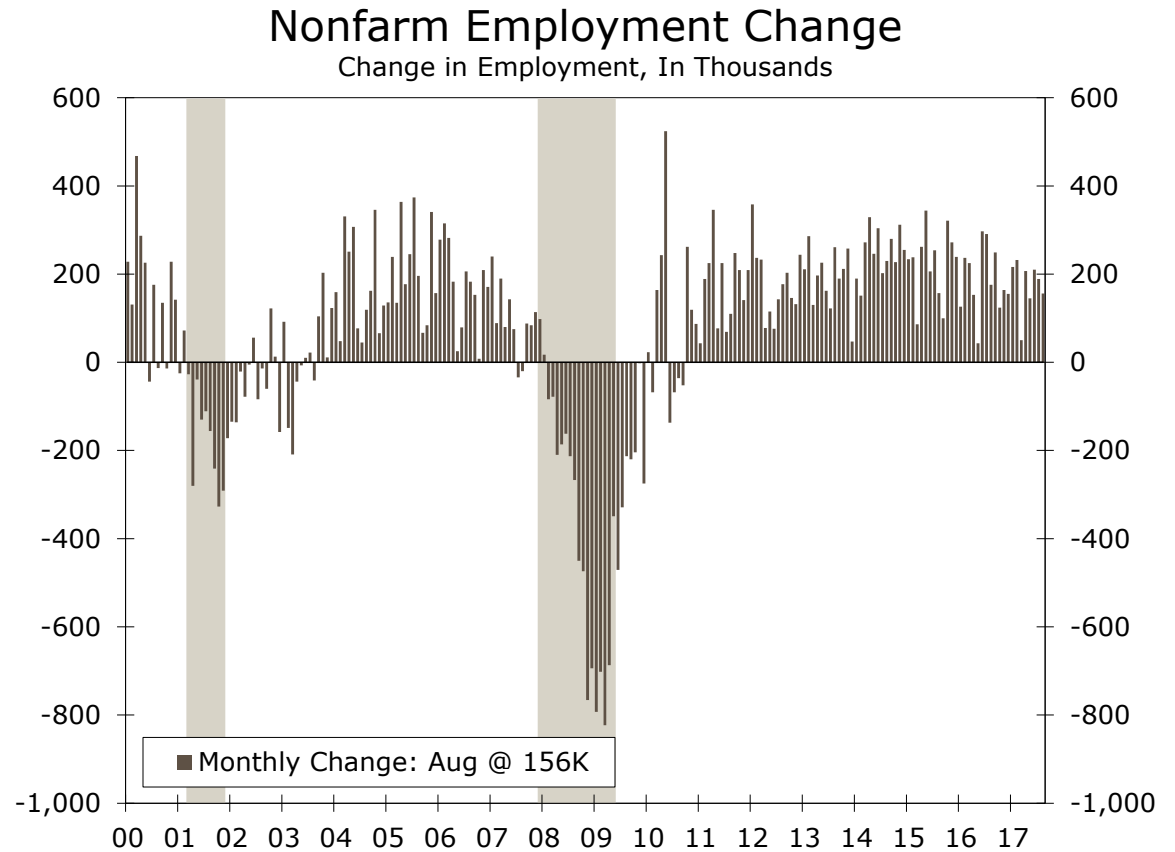
Real Personal Consumption Expenditures

Bars = CAGR Line = Yr/Yr Percent Change



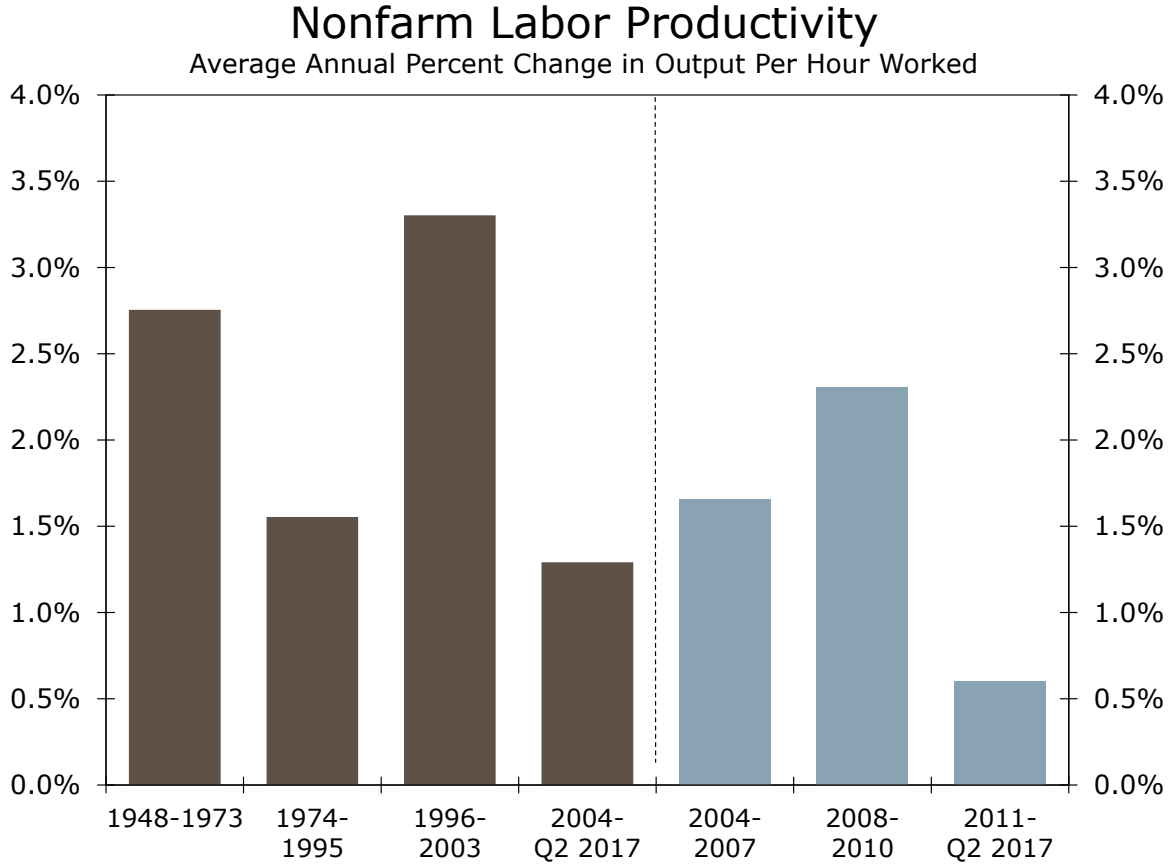
Source: U.S. Department of Commerce and Wells Fargo Securities

Employment continues to grow



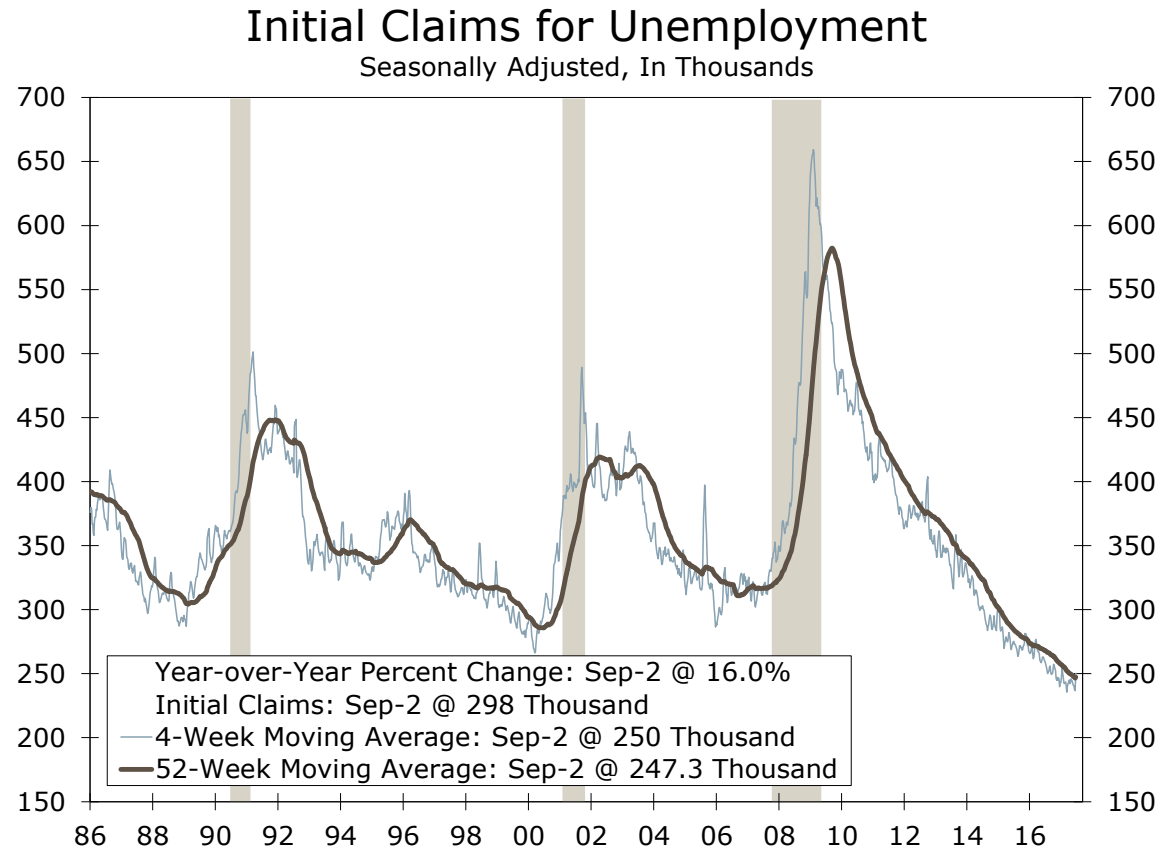
Source: U.S. Department of Labor and Wells Fargo Securities

Productivity growth has downshifted over the past cycle



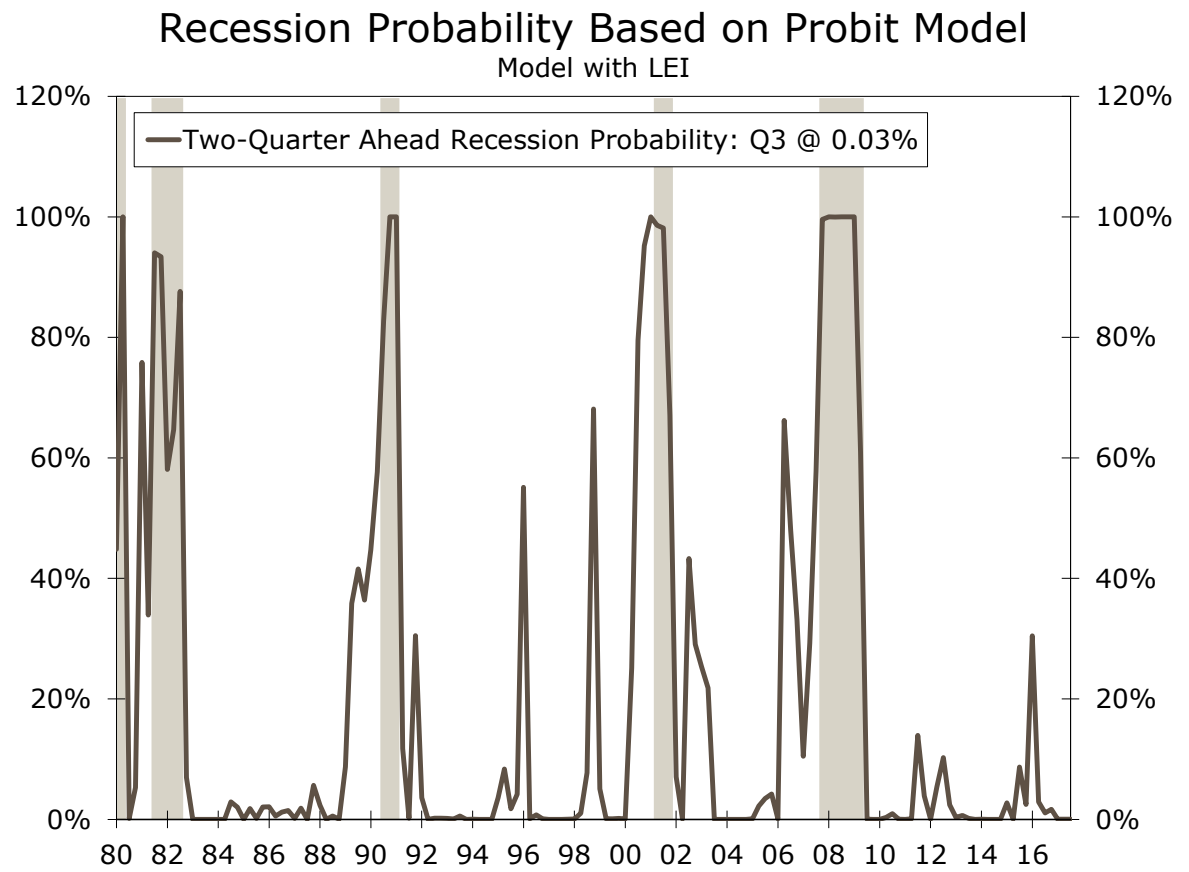
Source: U.S. Department of Labor and Wells Fargo Securities

No sign of employment weakening from claims



Source: U.S. Department of Labor and Wells Fargo Securities

The probability of recession in the next six months is very low, according to our model

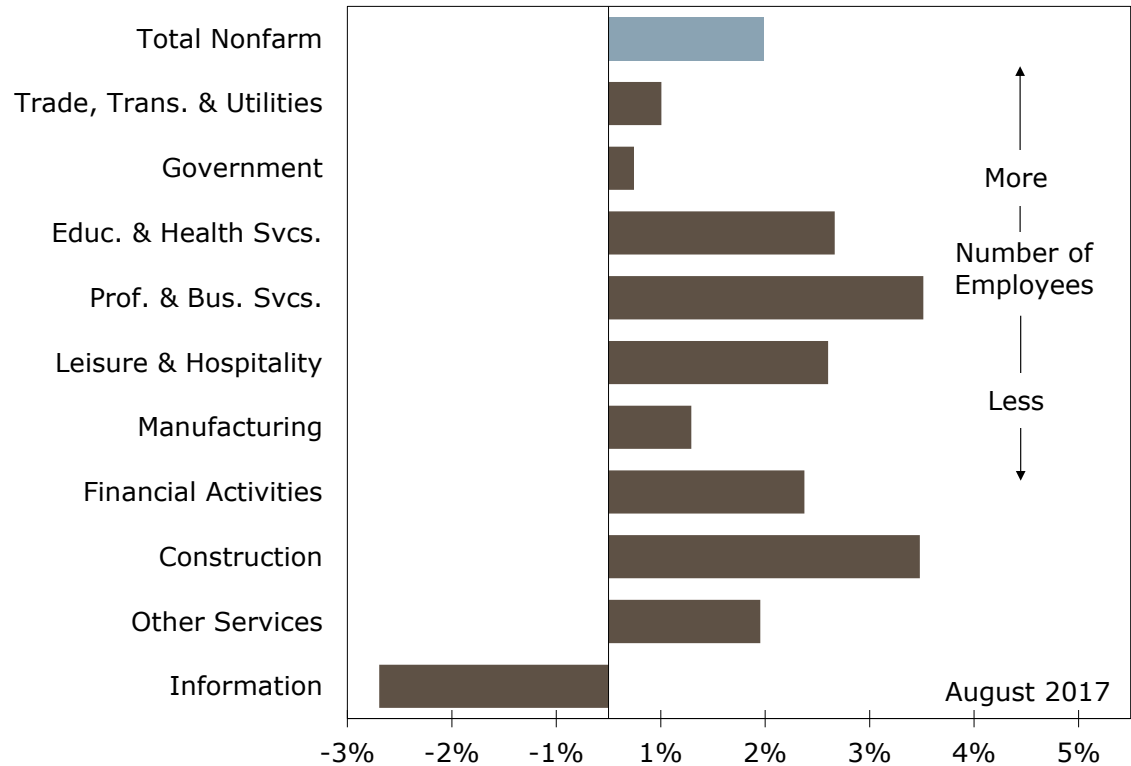


Source: Wells Fargo Securities

Employment growth is positive almost across the board

U.S. Employment by Industry

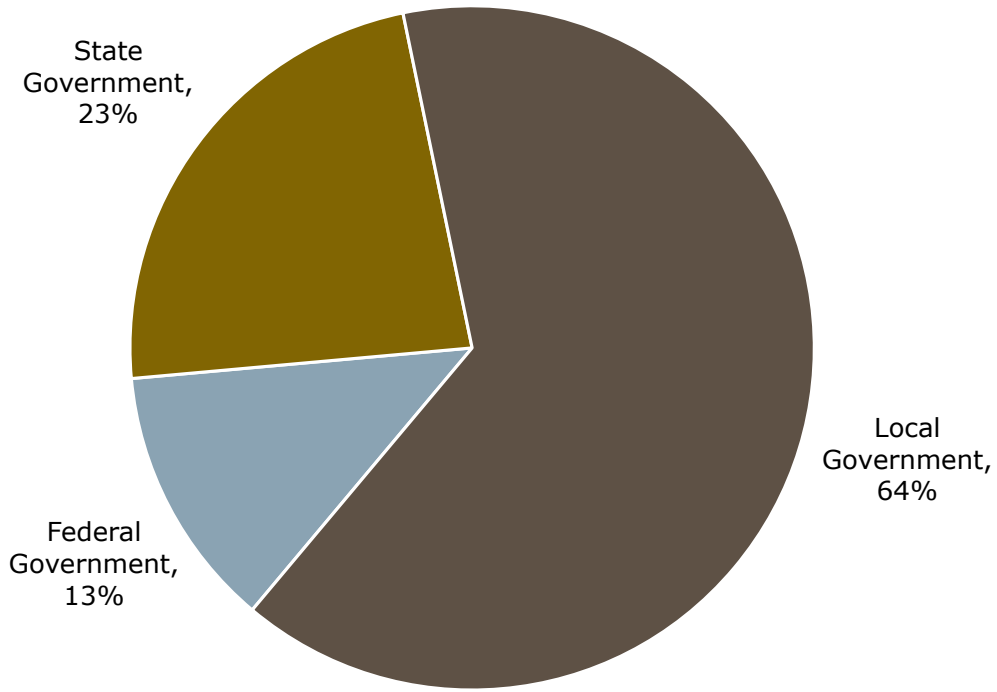
Year-over-Year Percent Change of 3-M Moving Average



Source: U.S. Department of Labor and Wells Fargo Securities

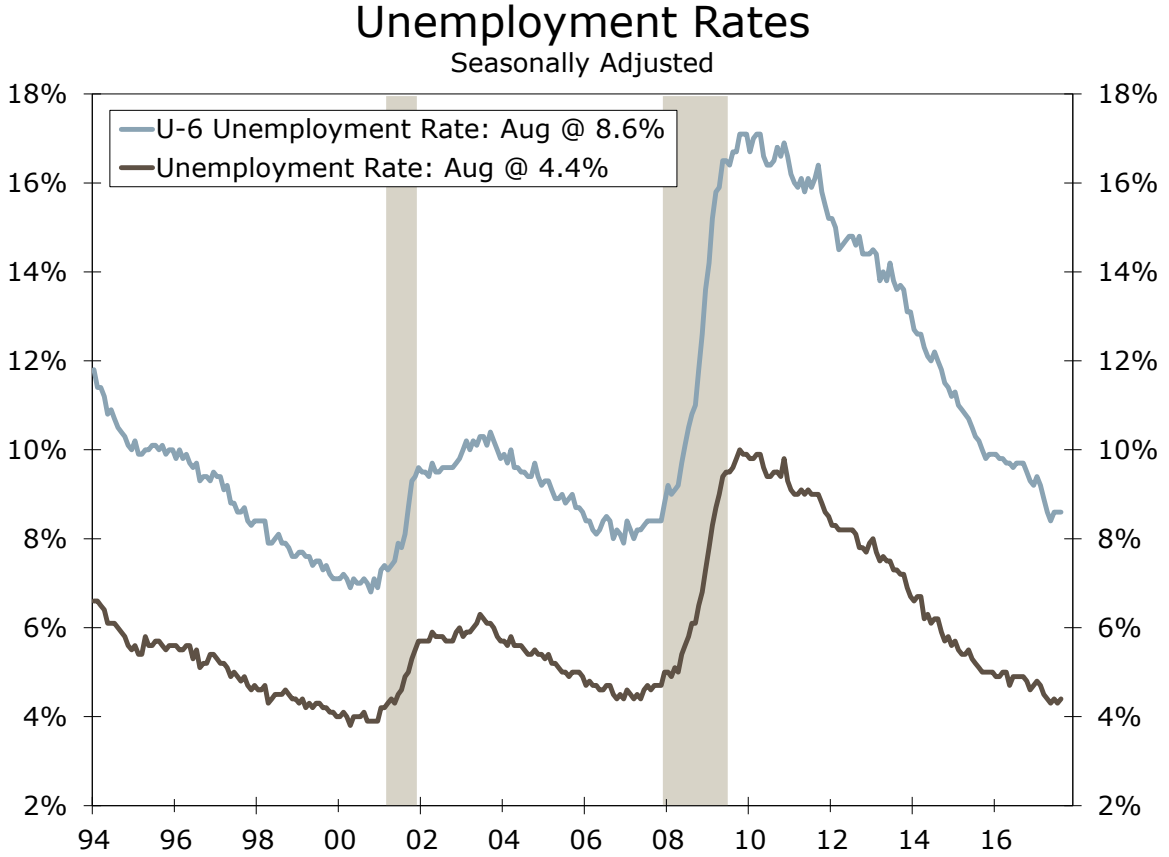
It is not the Federal Government!

U.S. Government Employment Composition



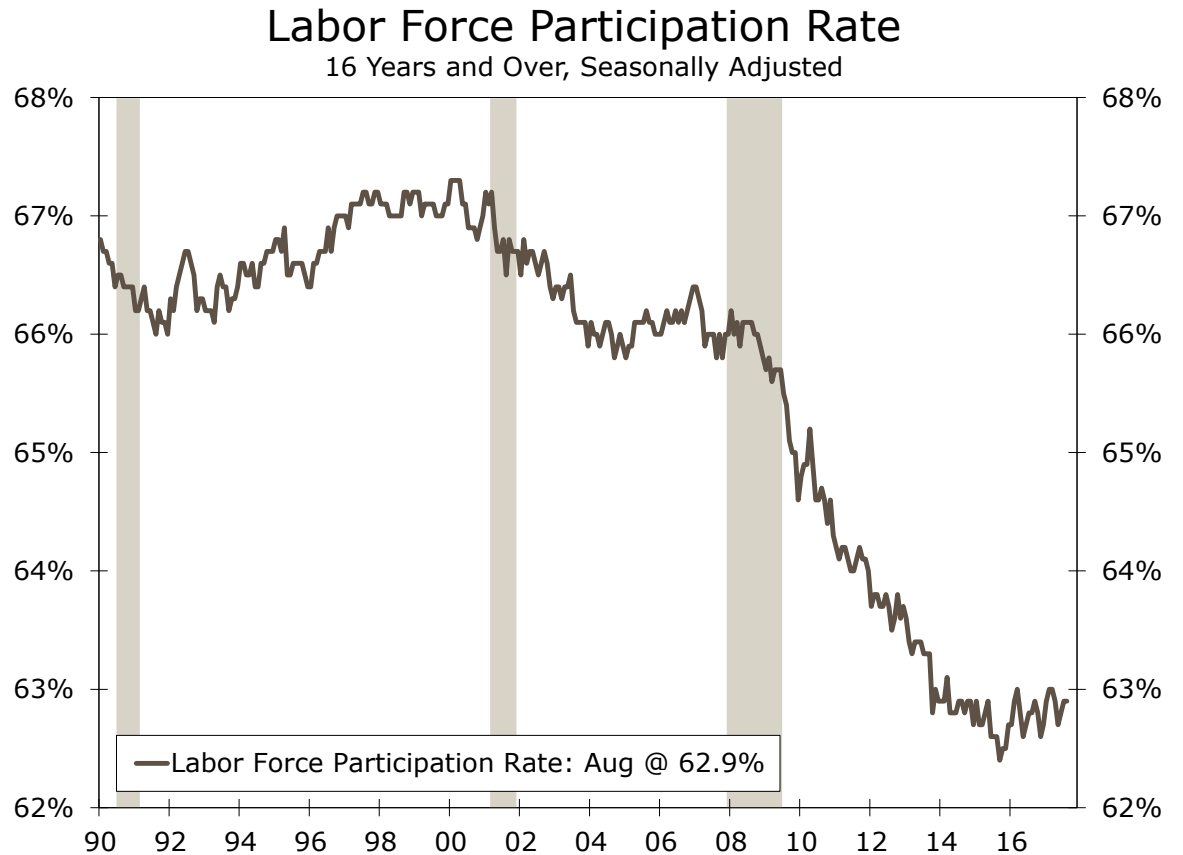
Source: U.S. Department of Labor and Wells Fargo Securities

Unemployment rate has stabilized close to full employment



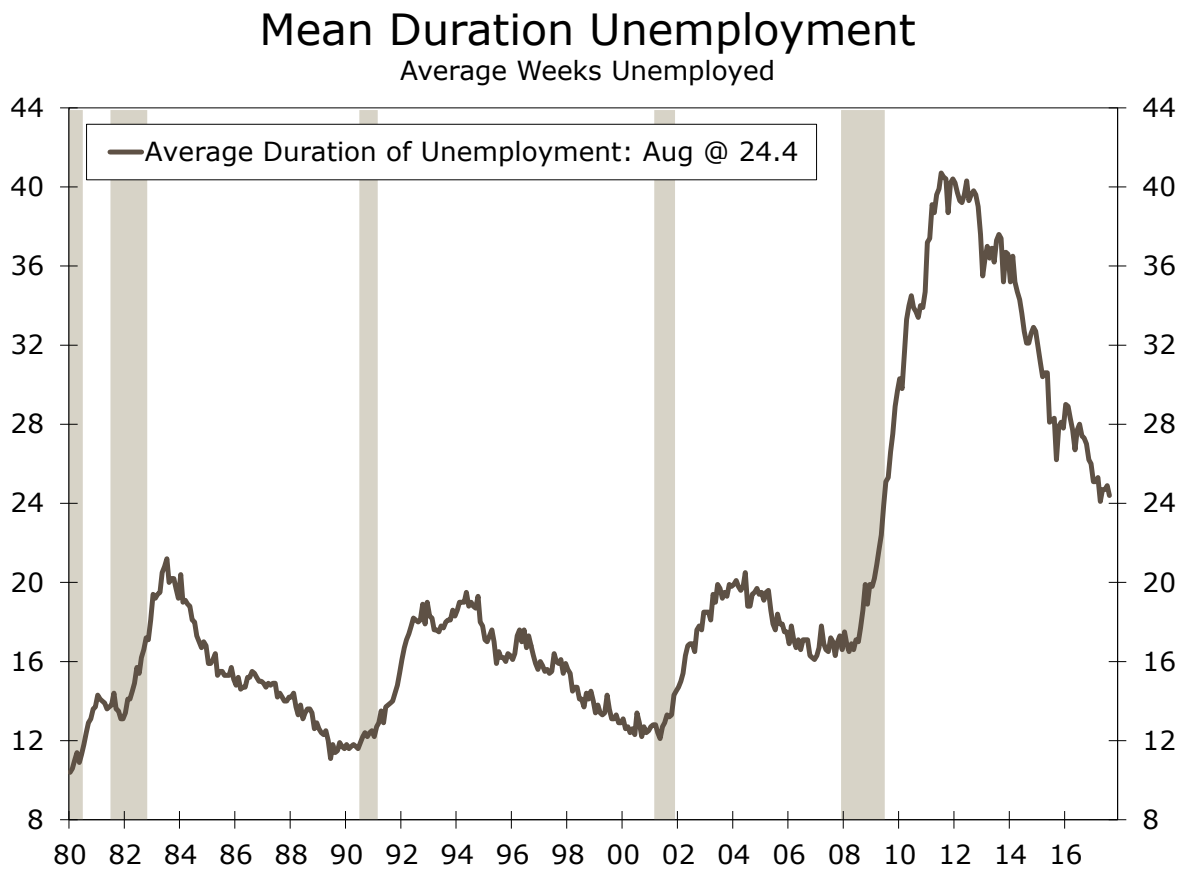
Source: U.S. Department of Labor and Wells Fargo Securities

One of the reasons for the decline in the unemployment rate is tied to the drop-off in the labor force participation rate



Source: U.S. Department of Labor and Wells Fargo Securities

Finally, the mean duration of unemployment has started to improve but it is still too high

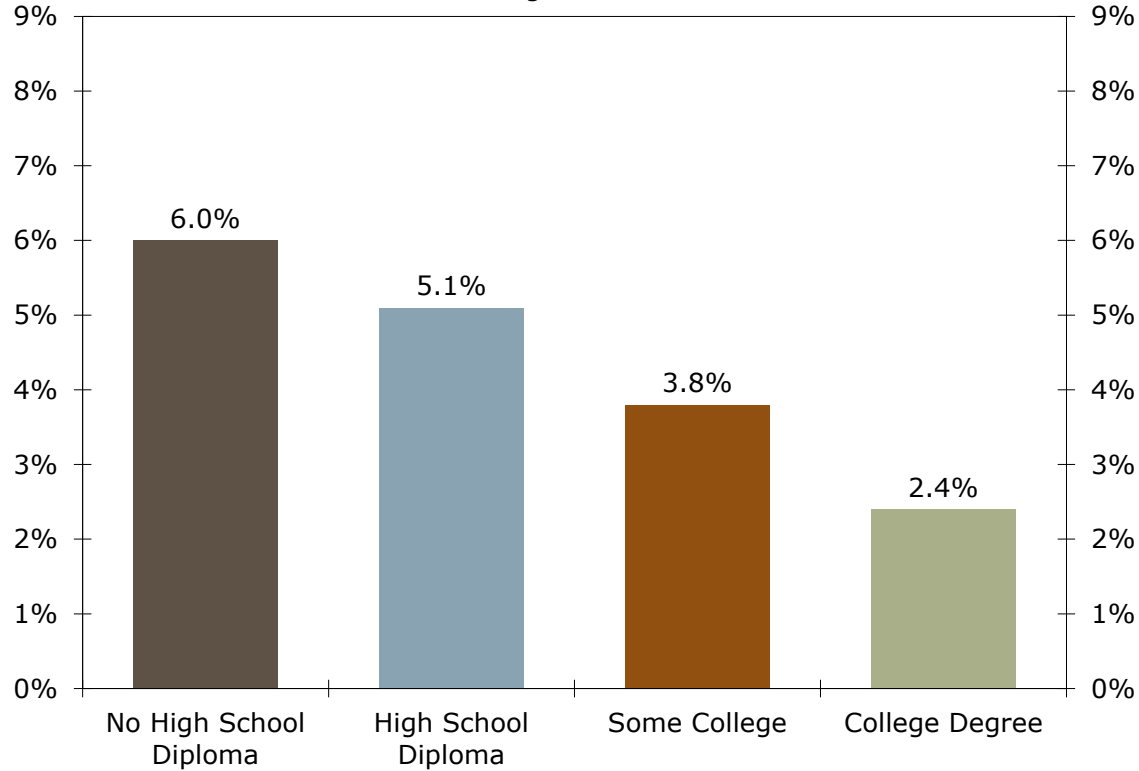


Source: U.S. Department of Labor and Wells Fargo Securities

Unemployment continues to come down, especially for those with education

Unemployment Rate by Education Level

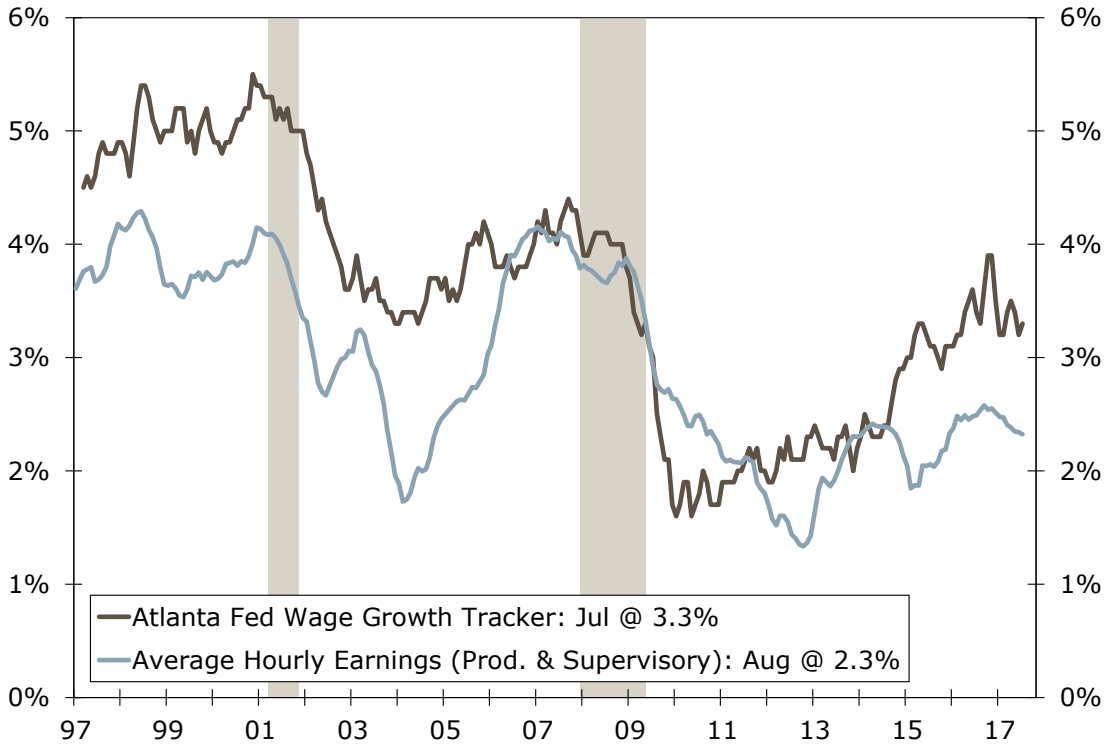
August 2017



Source: U.S. Department of Labor and Wells Fargo Securities

Average hourly earnings' growth has picked up modestly but remains limited by lower-skilled workers entering the workforce and Baby Boomers beginning to retire

Average Hourly Earnings vs. Atlanta Fed Wage Growth Tracker; YoY % Chg. of 3-MMA

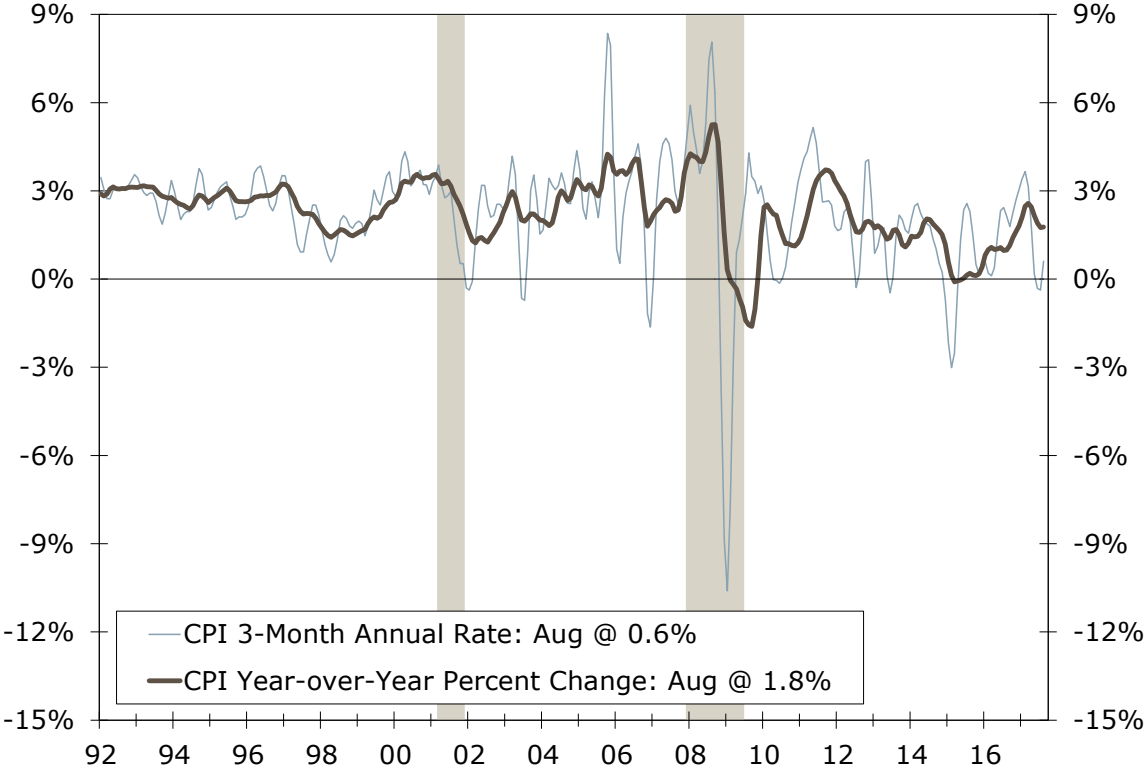


Source: Federal Reserve Bank of Atlanta, U.S. Department of Labor and Wells Fargo Securities

After increasing earlier this year inflation has come down a bit lately

U.S. Consumer Price Index

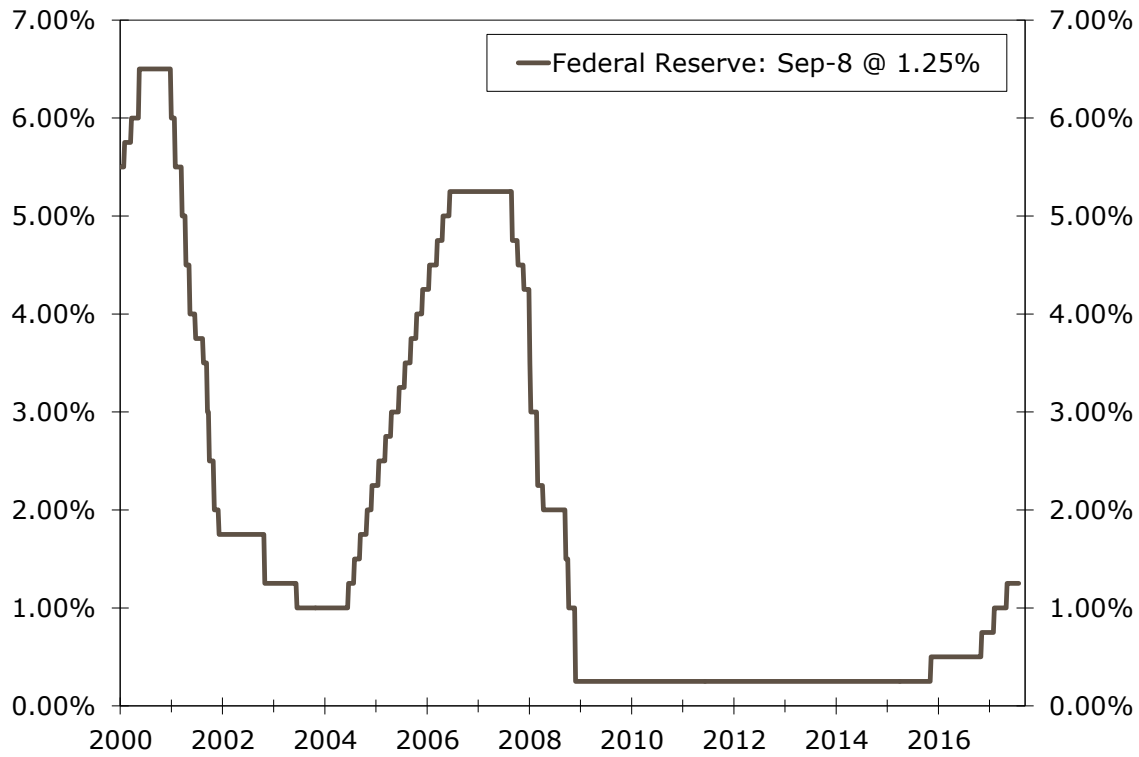
Both Series are 3-Month Moving Averages



Source: U.S. Department of Labor and Wells Fargo Securities

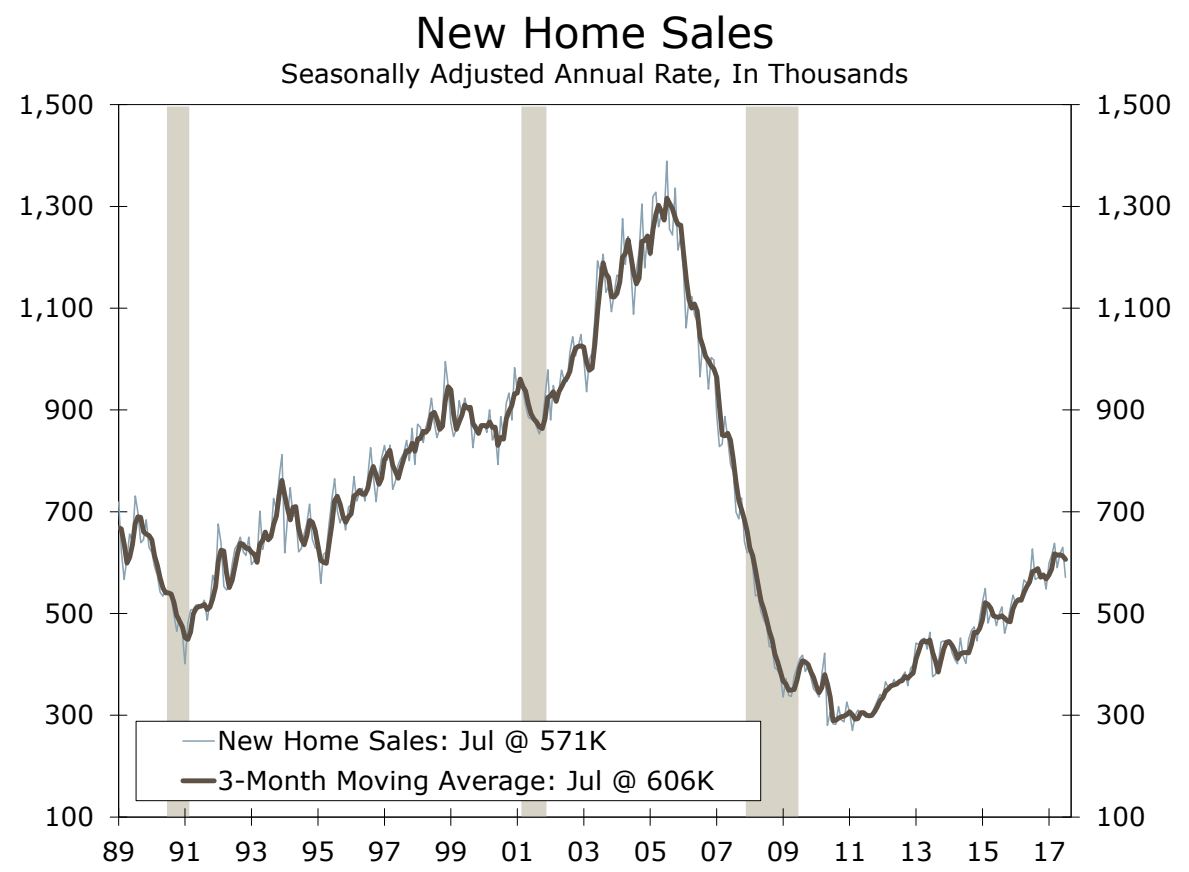
Monetary policy remains extremely expansive, even as the Fed has started to tighten

U.S. Federal Reserve Target Rate



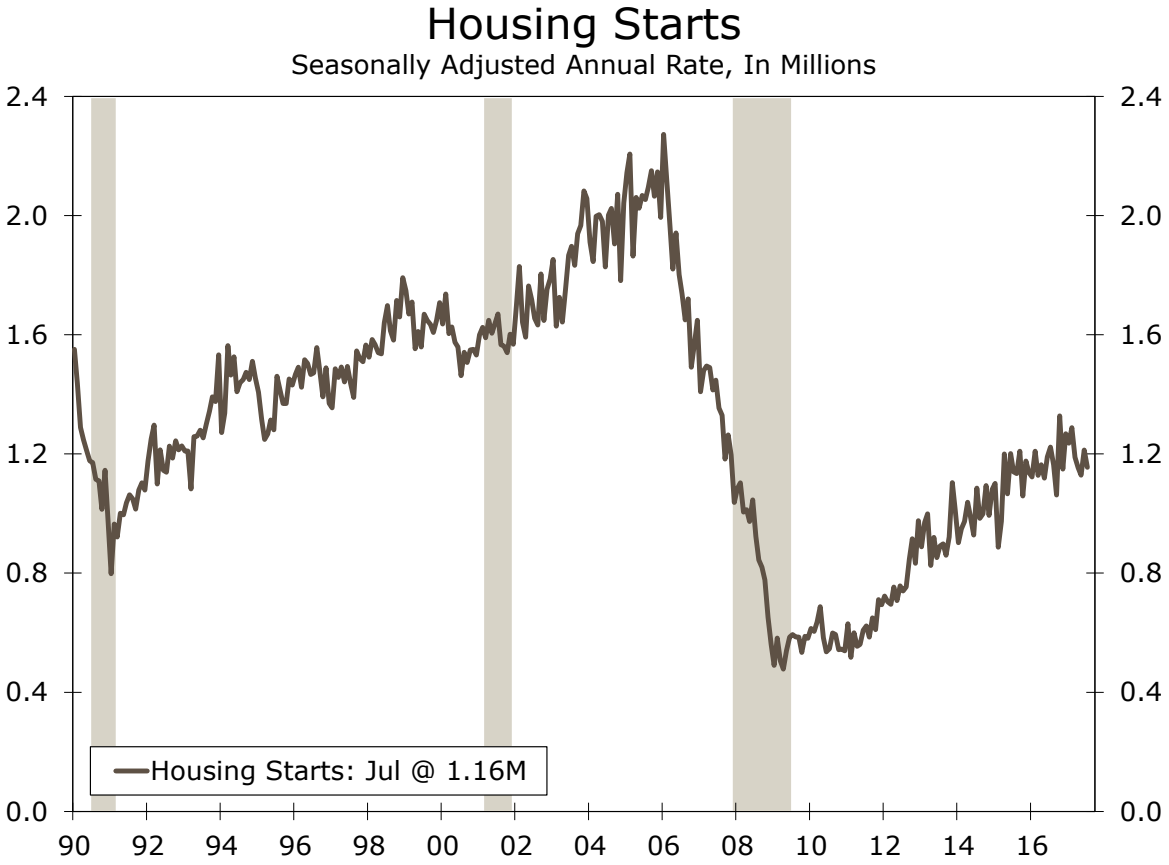
Source: Federal Reserve Board and Wells Fargo Securities

New home sales continue to improve



Source: U.S. Department of Commerce and Wells Fargo Securities

Housing starts continue to recover

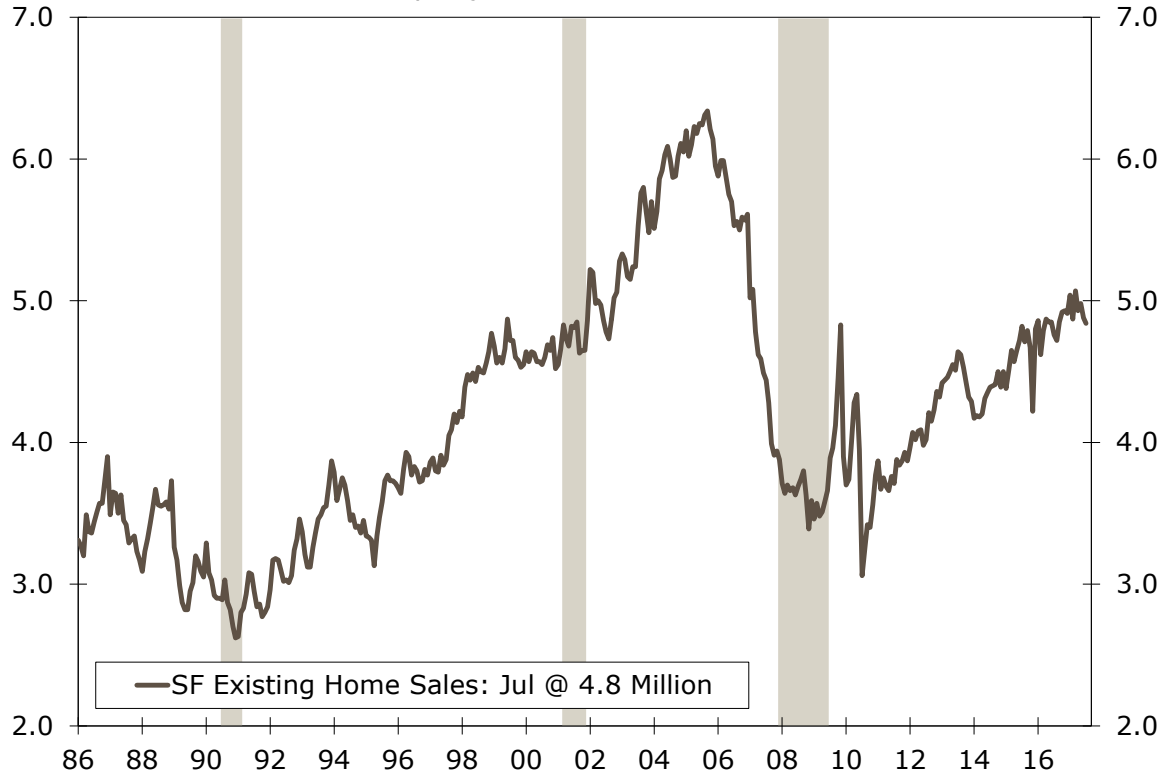


Source: U.S. Department of Commerce and Wells Fargo Securities

Existing home sales remain strong

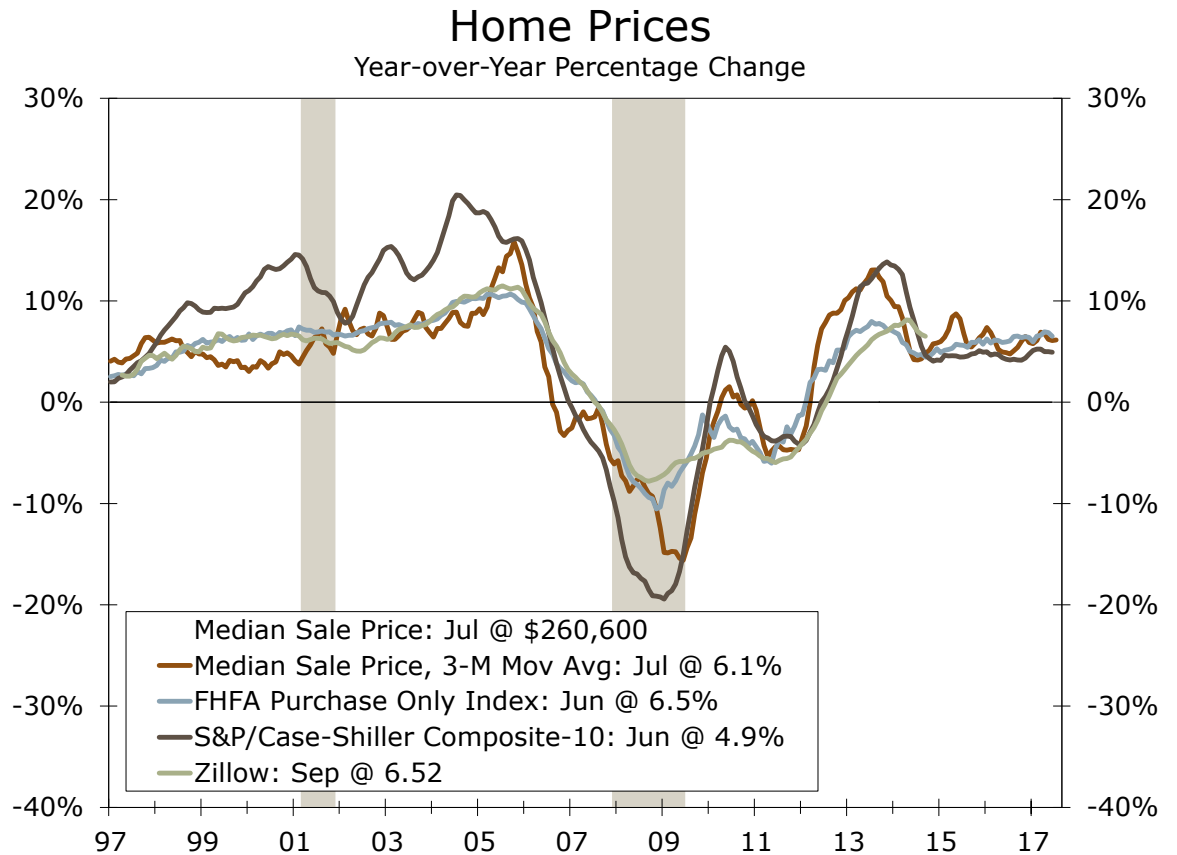
Existing Single-Family Home Resales

Seasonally Adjusted Annual Rate - In Millions



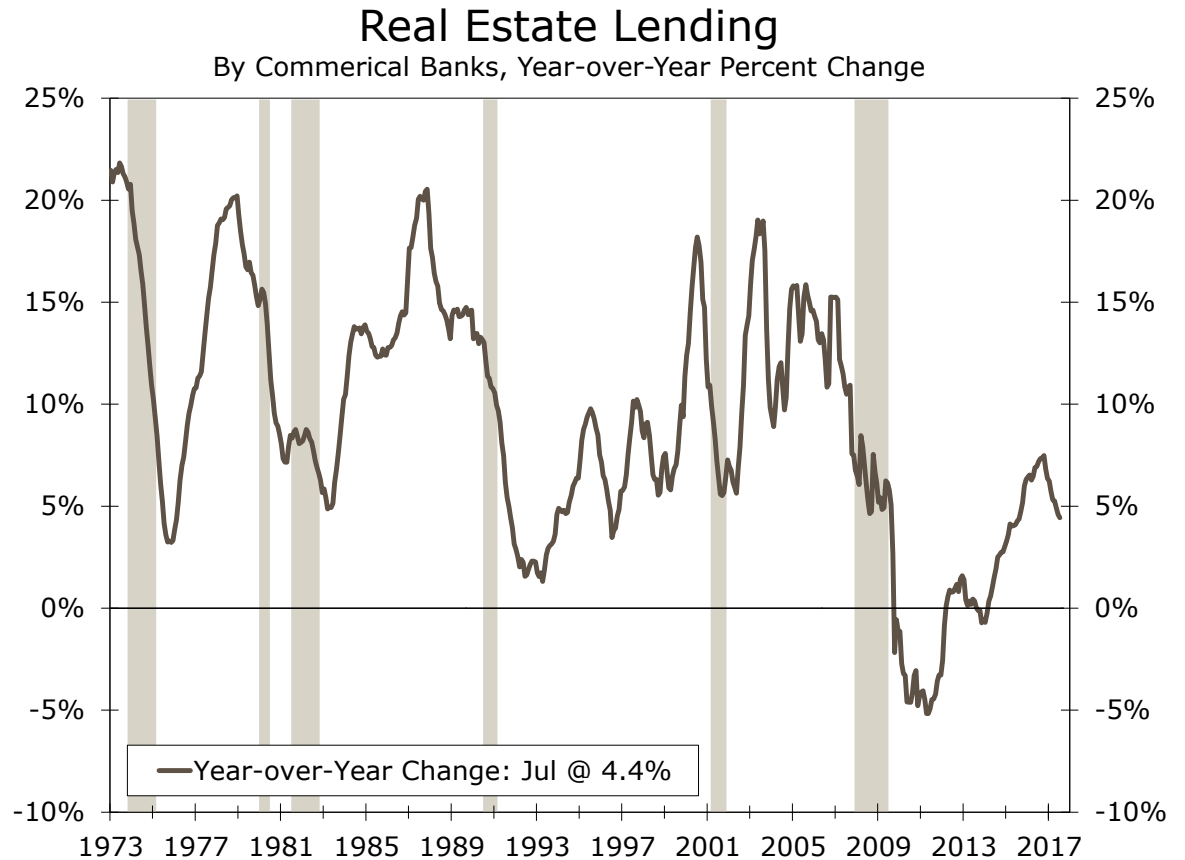
Source: U.S. Department of Commerce and Wells Fargo Securities

Home price growth has stabilized somewhat



Source: National Association of Realtors, FHFA, S&P Case-Shiller and Wells Fargo Securities

Mortgage lending has slowed

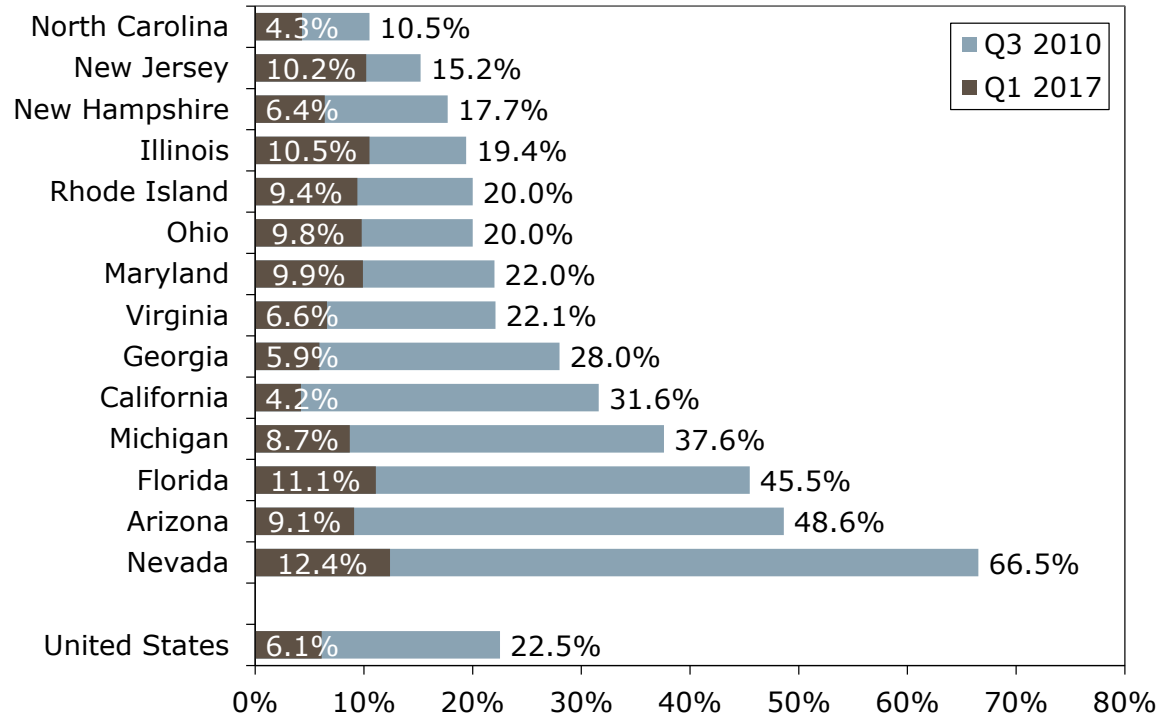


Source: Federal Reserve Board and Wells Fargo Securities

Negative equity continues to improve

Negative Equity by State

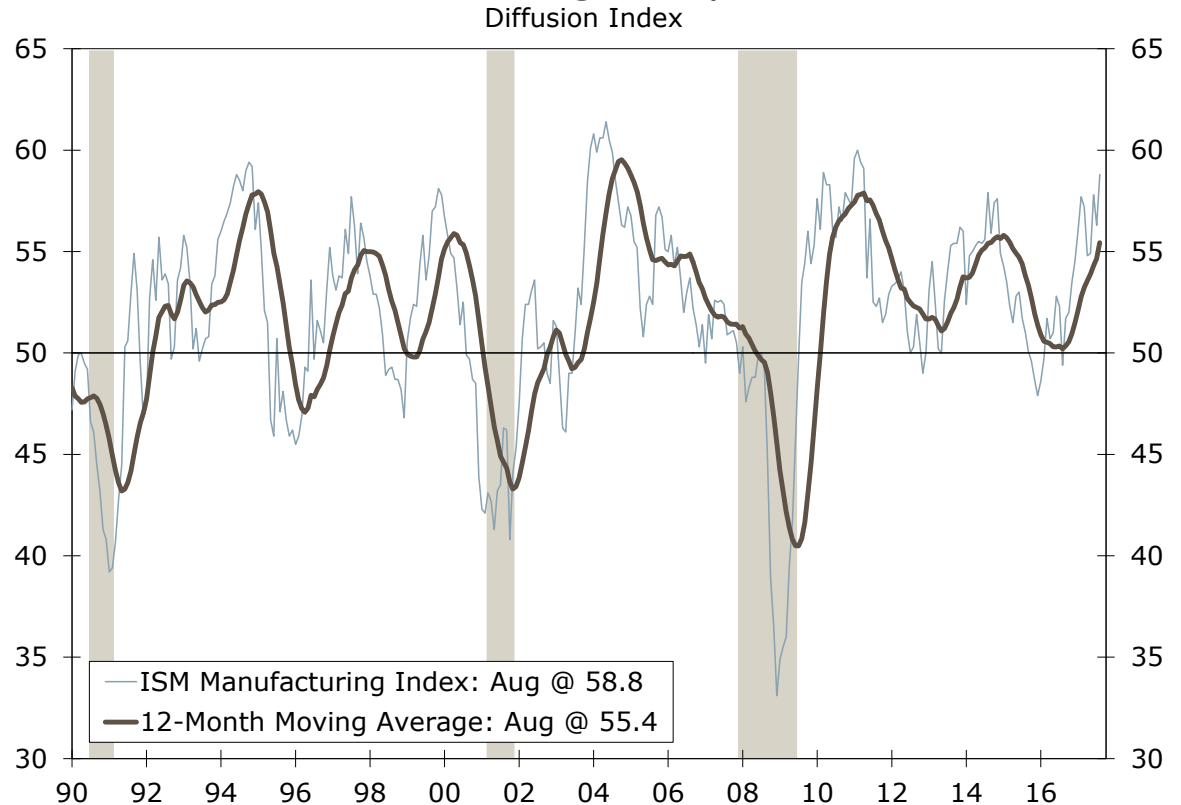
Percent of Mortgages Outstanding



Source: CoreLogic and Wells Fargo Securities

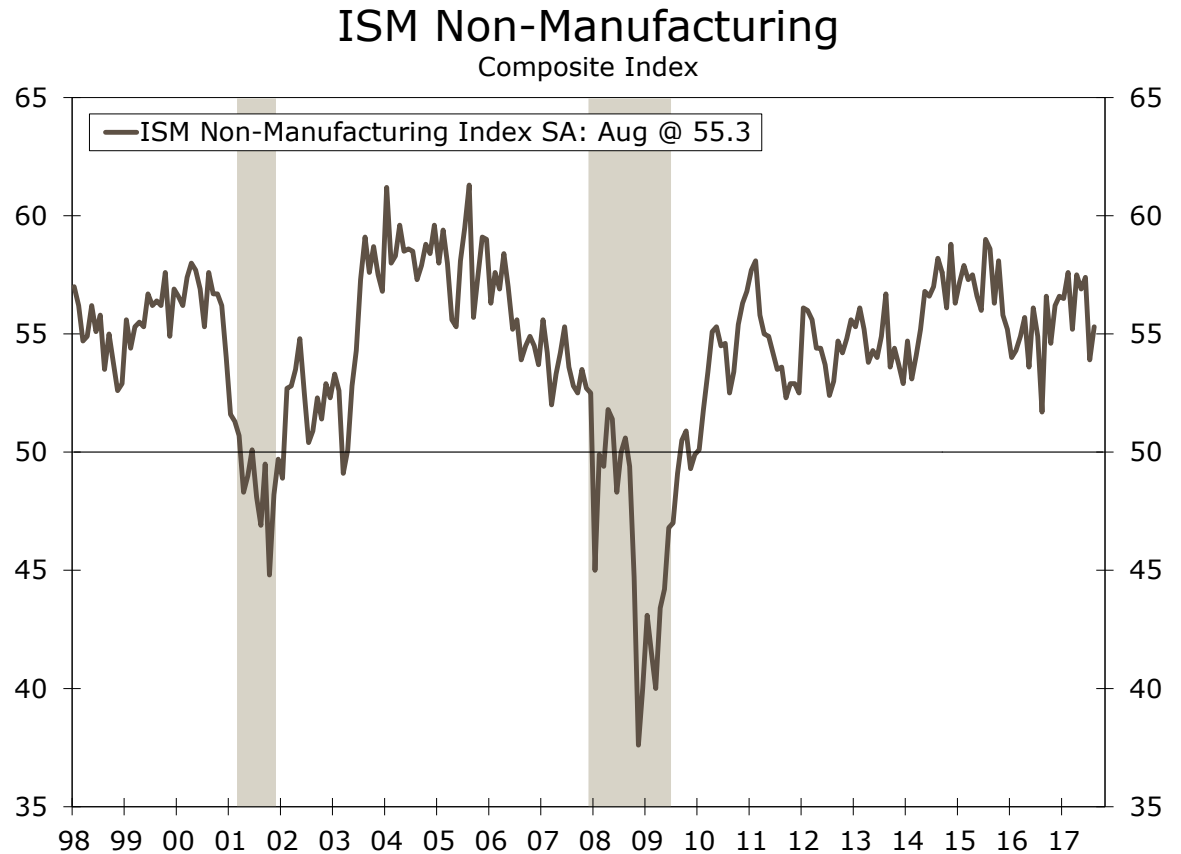
Manufacturing activity has improved over the last several months

ISM Manufacturing Composite Index



Source: Institute for Supply Management and Wells Fargo Securities

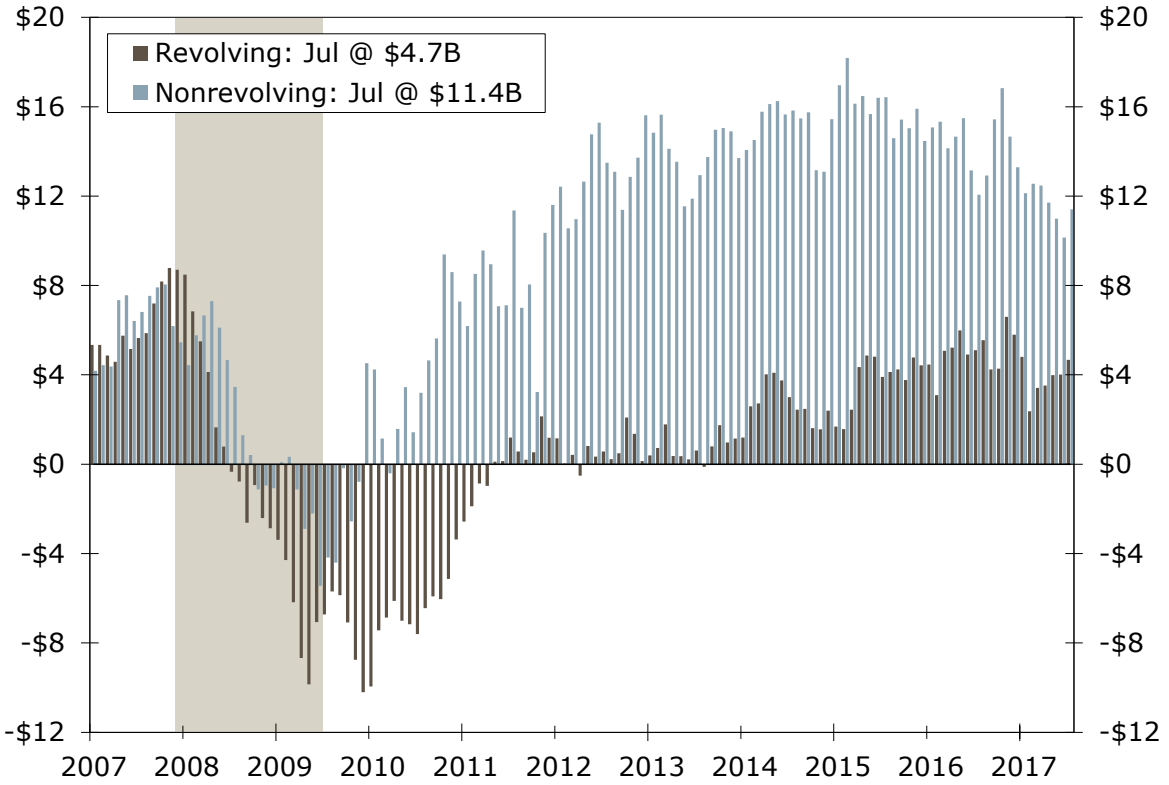
The service economy has continued to expand, although coming down somewhat in July



Source: Institute for Supply Management and Wells Fargo Securities

Credit card lending is improving

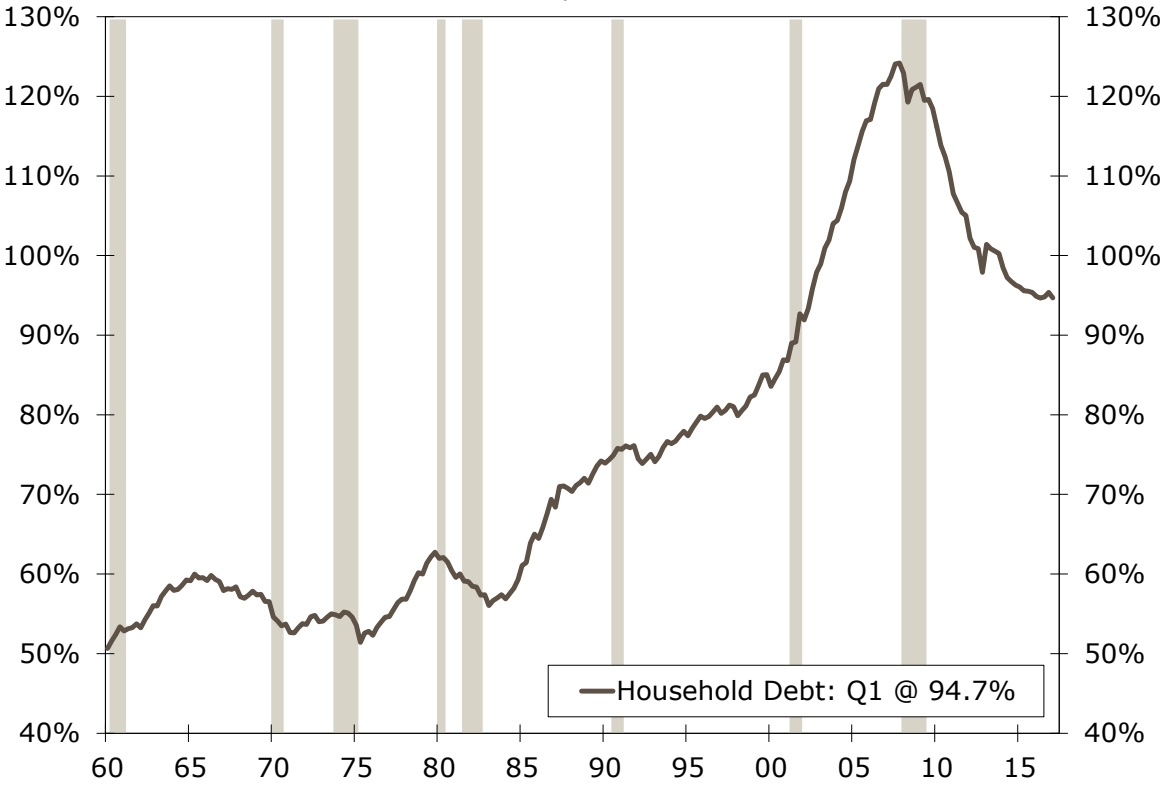
Revolving & Nonrevolving Debt
Change in Billions of Dollars, 3-Month Moving Average



Source: Federal Reserve Board and Wells Fargo Securities

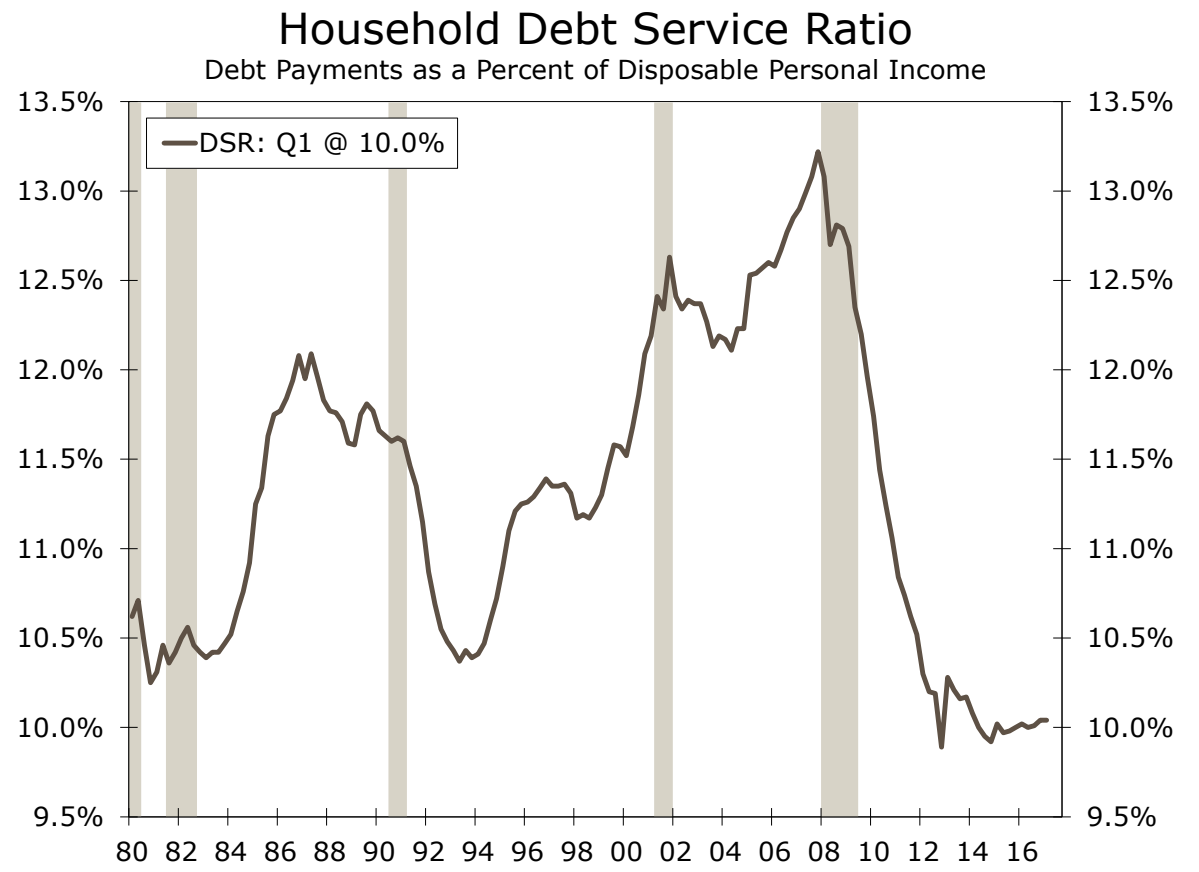
Households continue to deleverage

Household Debt - Consumer & Mortgage
As a Percent of Disposable Personal Income



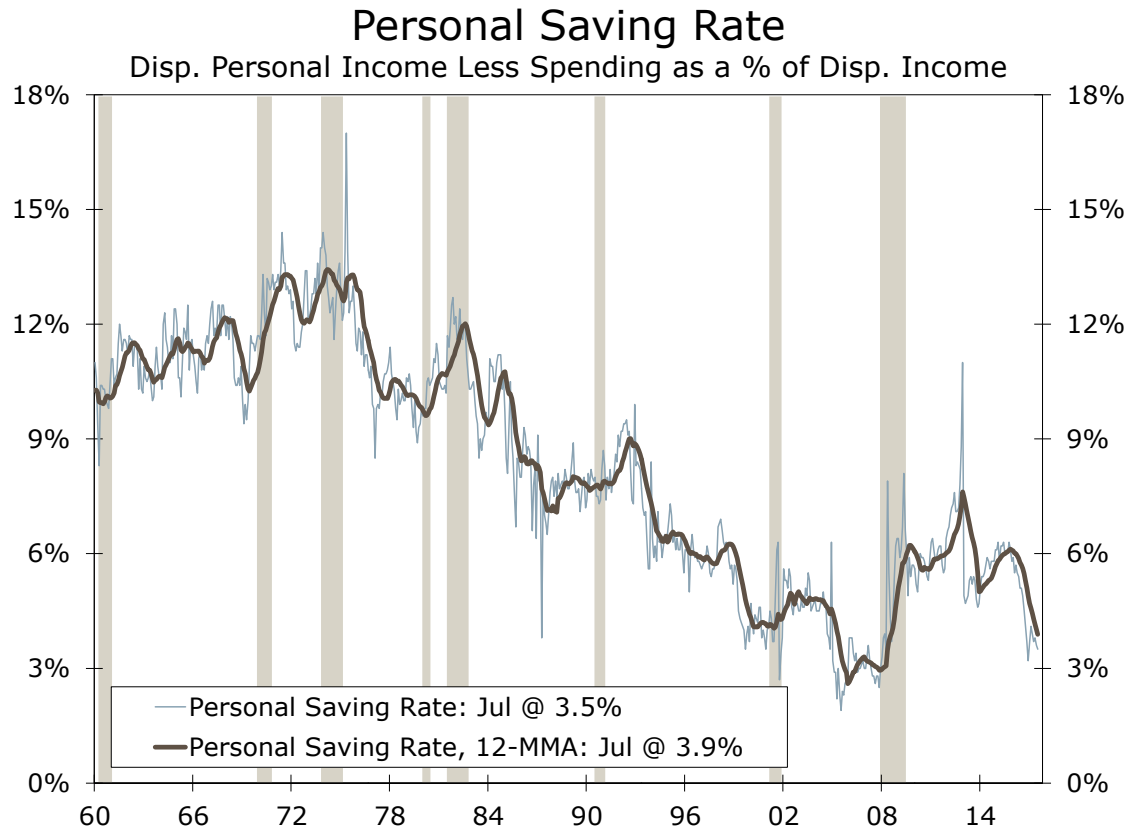
Source: Federal Reserve Board and Wells Fargo Securities

Households are feeling pretty good today!



Source: Federal Reserve Board and Wells Fargo Securities

Americans started to dip into their savings to sustain consumption



Source: U.S. Department of Commerce and Wells Fargo Securities

U.S. economic growth will remain range-bound

Wells Fargo International Economic Forecast

(Year-over-Year Percent Change)

	GDP			CPI		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Global (PPP Weights)	3.4%	3.4%	3.1%	3.2%	3.3%	3.1%
Global (Market Exchange Rates)	3.2%	3.3%	2.8%	3.2%	3.3%	3.1%
Advanced Economies ¹	2.3%	2.3%	1.8%	1.7%	1.9%	1.4%
United States	2.2%	2.6%	2.5%	1.9%	1.7%	2.2%
Eurozone	2.1%	2.0%	1.7%	1.5%	1.7%	1.9%
United Kingdom	1.6%	1.7%	1.6%	2.6%	2.1%	2.0%
Japan	1.9%	1.1%	0.7%	0.3%	0.7%	0.3%
Korea	2.9%	2.8%	3.0%	2.1%	2.0%	2.4%
Canada	3.0%	2.0%	1.9%	1.6%	1.9%	2.0%
Developing Economies ¹	4.5%	4.5%	4.3%	4.8%	4.8%	4.8%
China	6.6%	6.3%	5.9%	1.5%	2.0%	1.9%
India ²	7.1%	6.4%	7.2%	3.1%	4.1%	4.3%
Mexico	2.1%	2.3%	2.4%	6.0%	5.0%	5.2%
Brazil	0.6%	2.0%	2.2%	3.5%	3.5%	3.8%
Russia	1.7%	2.0%	2.2%	4.2%	4.3%	4.5%

Forecast as of: September 7, 2017

¹Aggregated Using PPP Weights

Source: IMF and Wells Fargo Securities

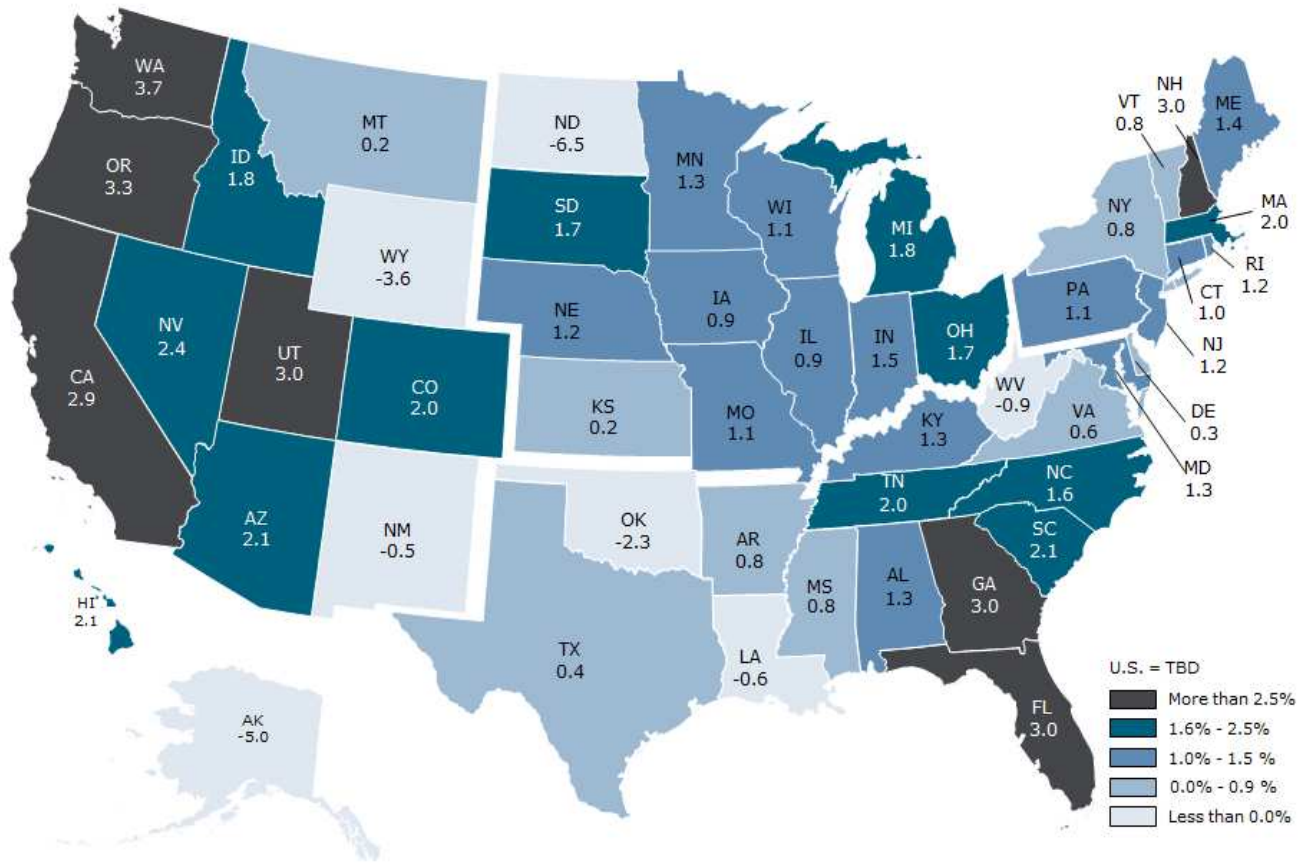
Regional Trends

Percentage Change in Real GDP by State, Full Year 2016-2017

The West Coast is growing solidly, led by the gains in the tech sector and a rebound in homebuilding.

The Southeast continues to benefit from an influx of new businesses and residents.

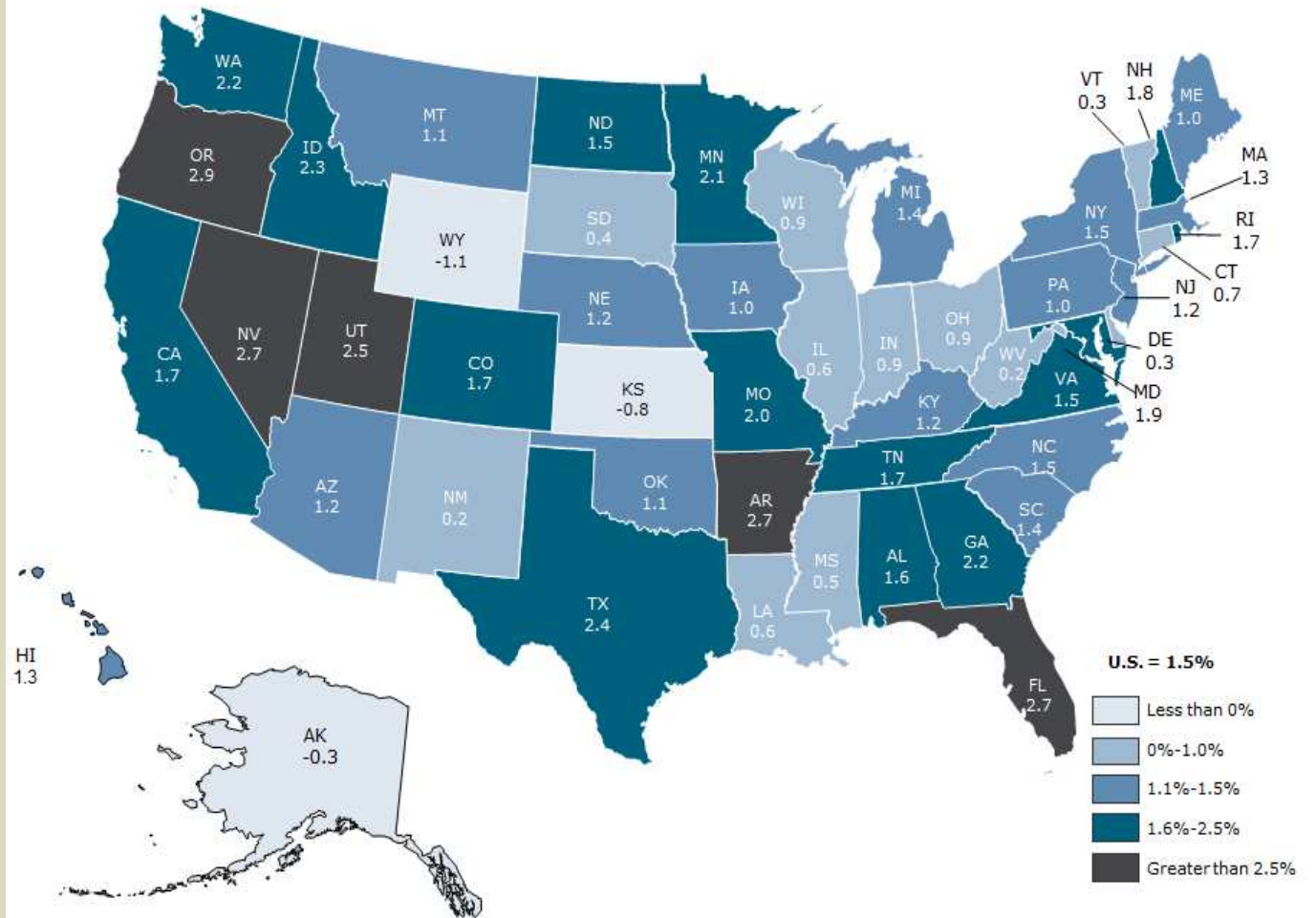
Economic conditions are rebounding in the energy producing states.



Source: U.S. Department of Commerce and Wells Fargo Securities

Year-over-Year Employment Growth by State, July 2017

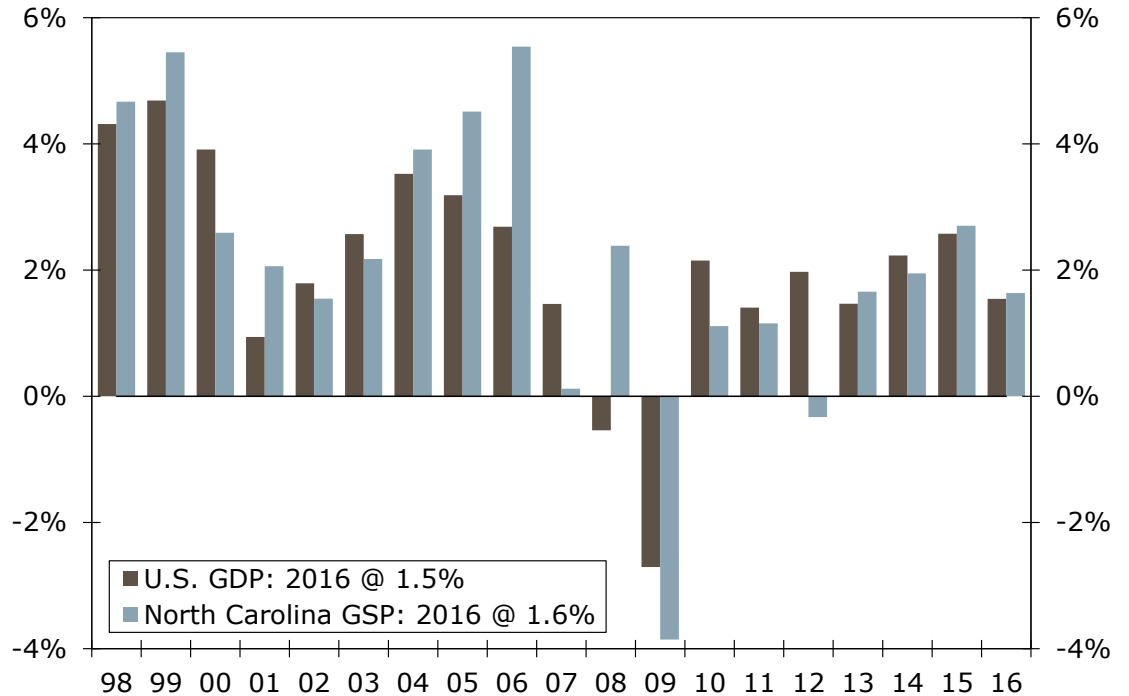
Job growth has been strongest in the Pacific Northwest and Southeast



Source: U.S. Department of Labor and Wells Fargo Securities

North Carolinas' economy has outpaced the rest of the nation

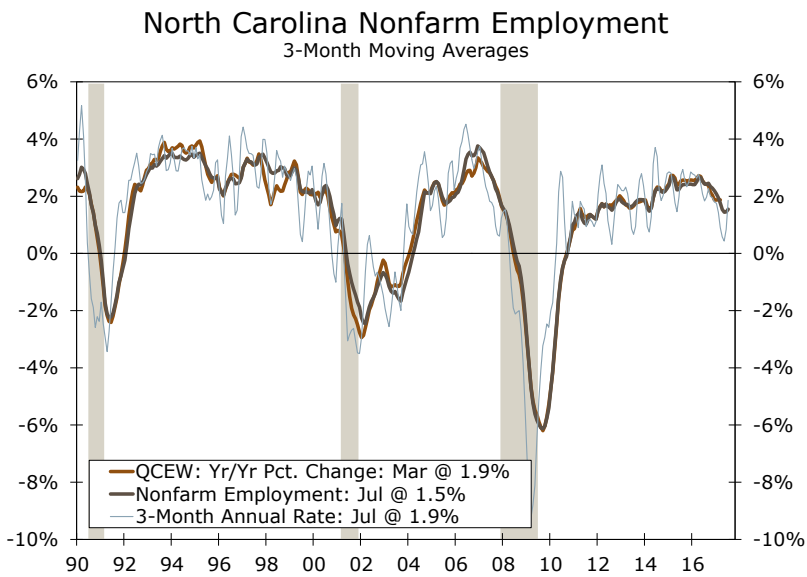
North Carolina Gross State Product & U.S. GDP Year-over-Year Percent Change



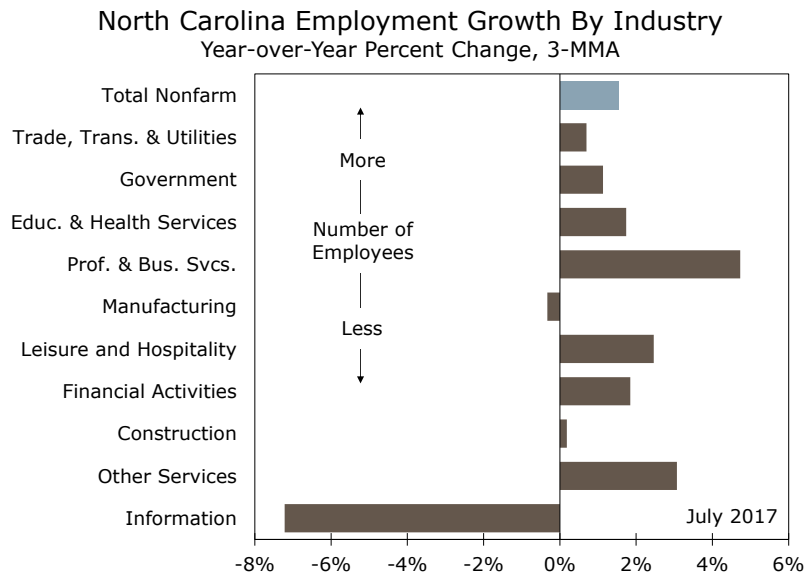
Source: U.S. Department of Commerce and Wells Fargo Securities

Employment has grown over the past year with almost every industry experiencing gains except for the information sector.

Employment



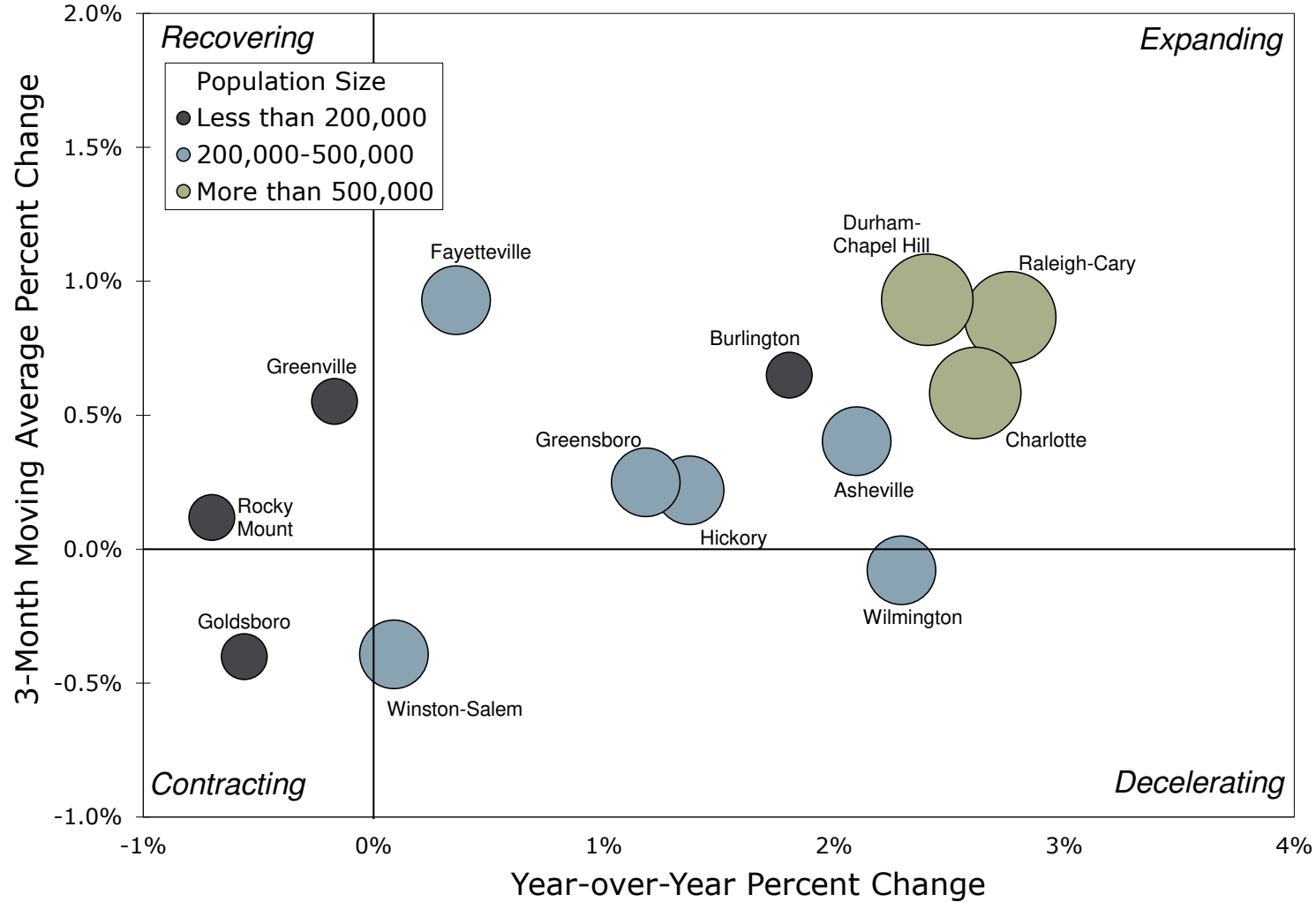
Employment by Industry



Source: U.S. Department of Labor and Wells Fargo Securities

North Carolina Job Growth: July 2017

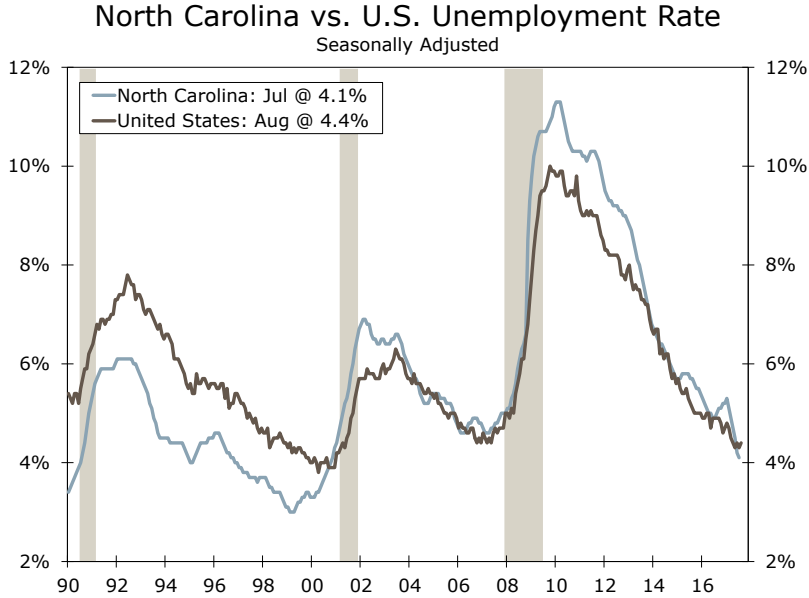
Year-over-Year Percent Change, 3-Month Moving Average



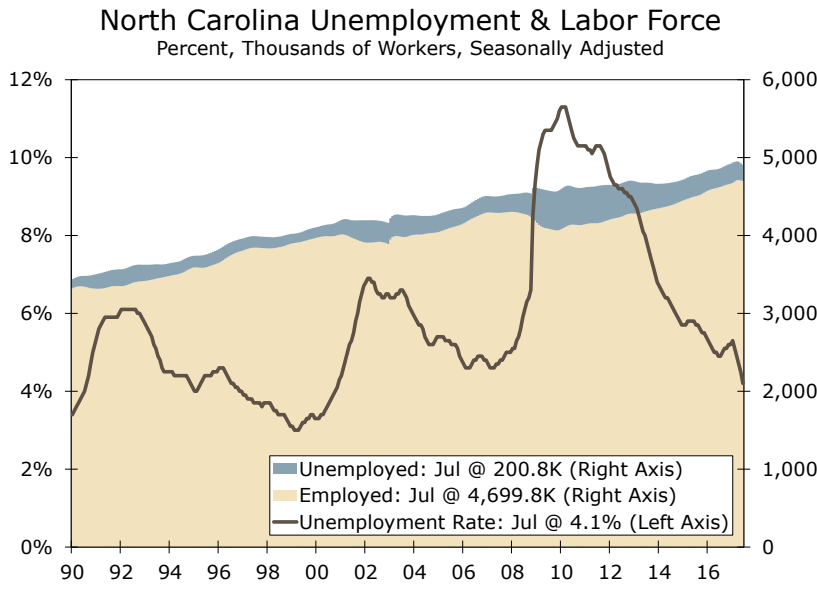
Source: U.S. Department of Labor and Wells Fargo Securities

The unemployment rate has declined in North Carolina, almost in pace with the national average.

Unemployment



Labor Force Participation

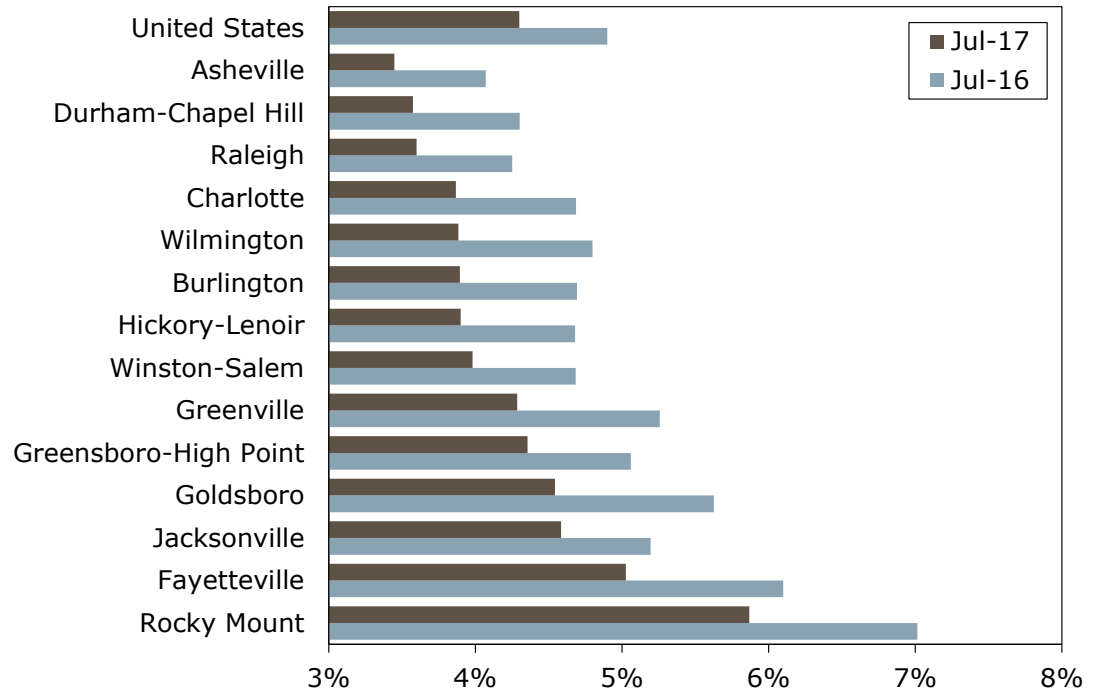


Source: U.S. Department of Labor and Wells Fargo Securities

There have been significant declines in the unemployment rate across MSA's in North Carolina

North Carolina MSA Unemployment Rates

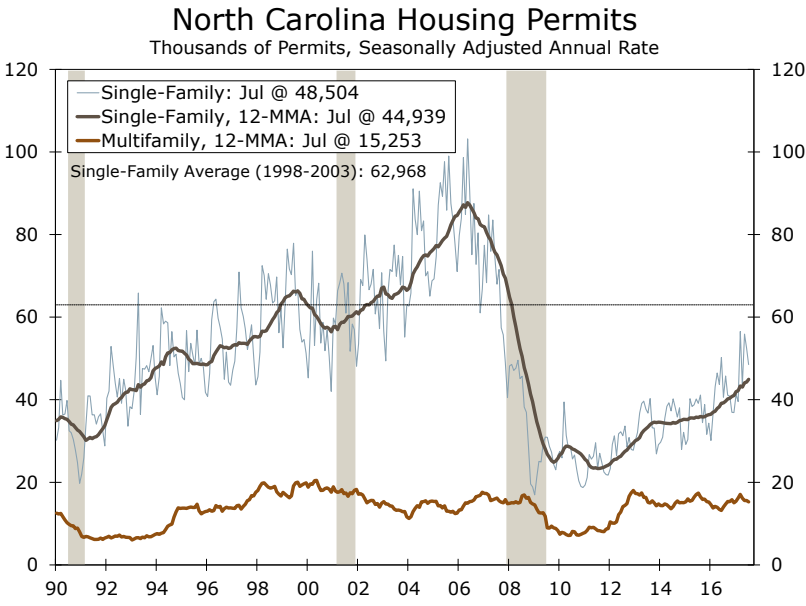
Percent, Seasonally Adjusted



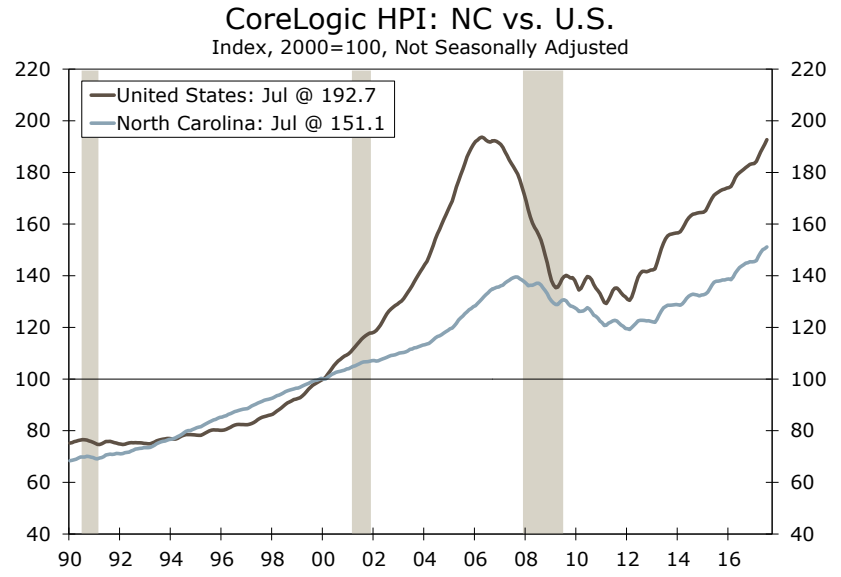
Source: U.S. Department of Commerce and Wells Fargo Securities

Residential construction is on a slight rise. Home prices continue to increase, but remain below the national average.

Housing Permits



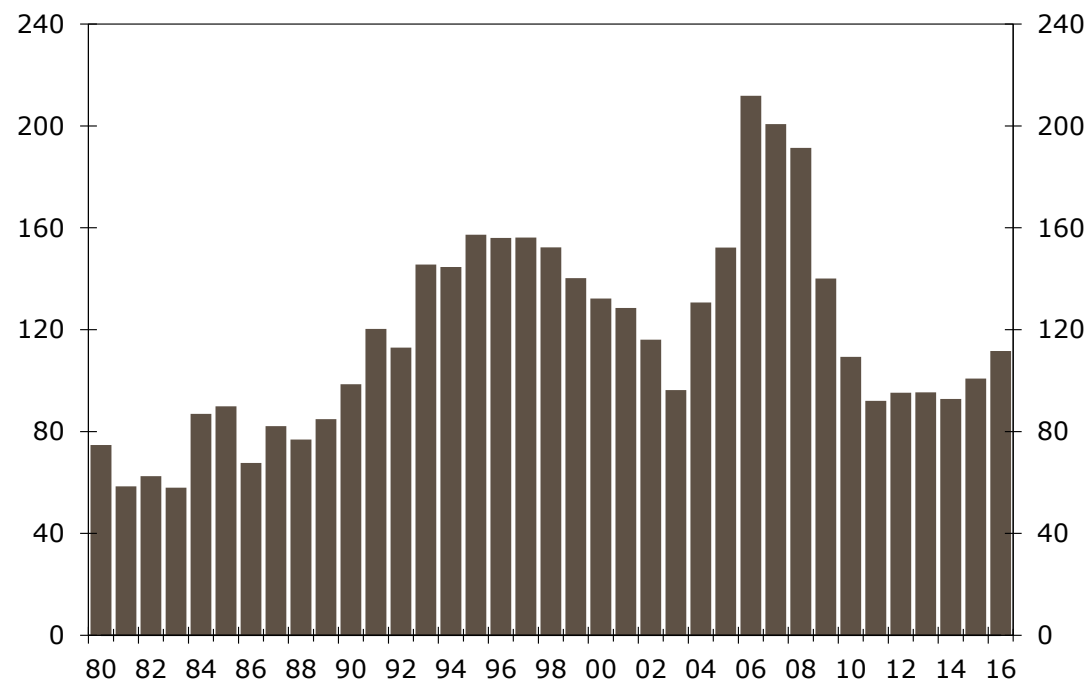
Home Prices



Source: U.S. Department of Commerce, CoreLogic and Wells Fargo Securities

Population growth has continued to rise in North Carolina

North Carolina Population Growth
In Thousands

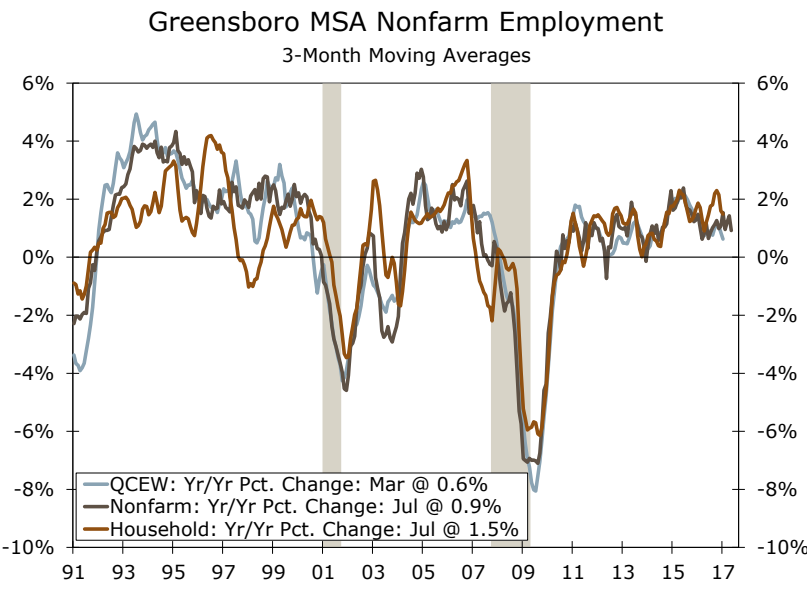


Source: U.S. Department of Commerce and Wells Fargo Securities

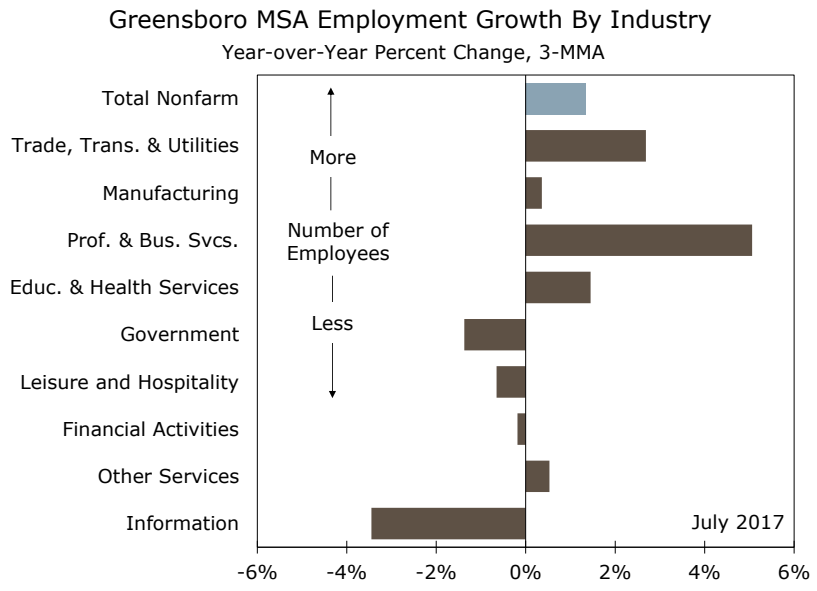
Greensboro – North Carolina

Greensboro has experienced an increase in employment, experiencing significant gains in the professional & business services sector.

Employment



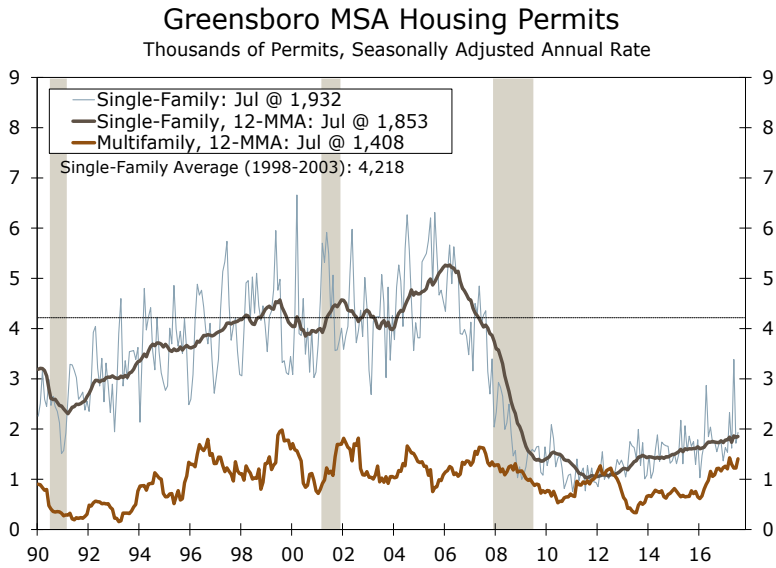
Employment by Industry



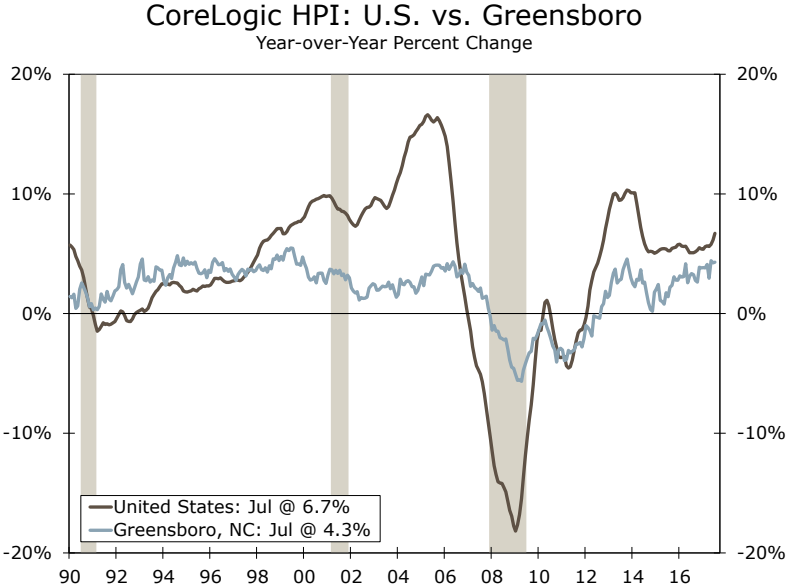
Source: U.S. Department of Labor and Wells Fargo Securities

Residential construction is on a slight rise and home prices have stabilized remaining below the national average

Housing Starts



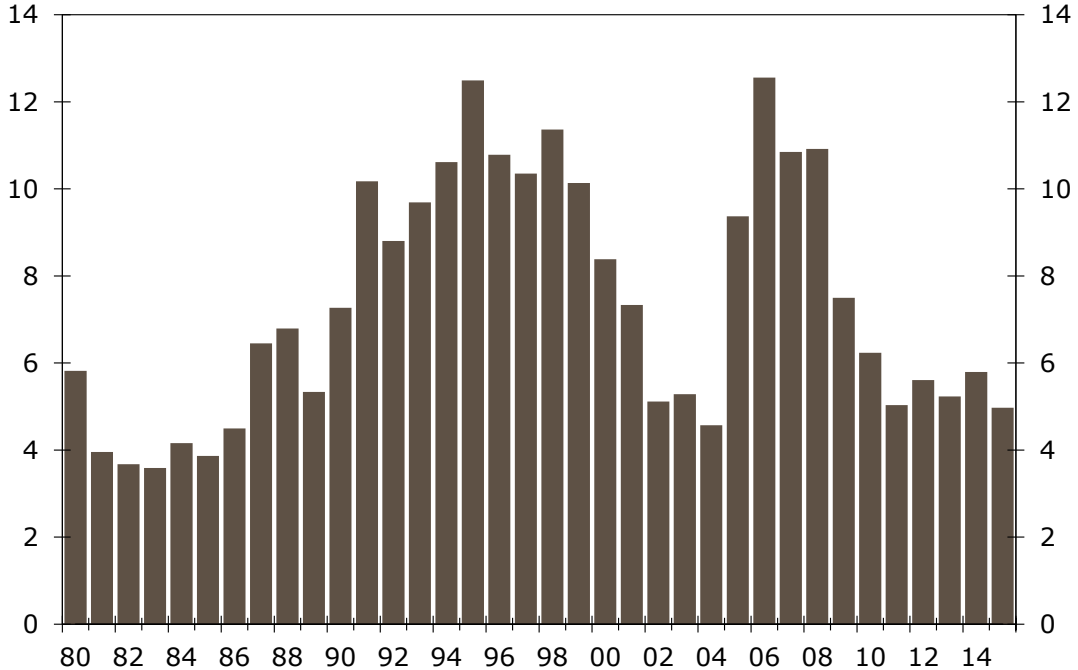
Home Prices



Source: U.S. Department of Commerce, CoreLogic and Wells Fargo Securities

Greensboro continues to see a rise in population

Greensboro MSA Population Growth
In Thousands



Source: U.S. Department of Commerce and Wells Fargo Securities

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