

10 THINGS YOU SHOULD KNOW ABOUT MEDICINE SPENDING AND COSTS

Discussions about costs are important. Many patients struggle to access the medicine they need and have important questions about their costs. America's biopharmaceutical companies are committed to working with policymakers to advance solutions that further enhance the private marketplace, lower costs for patients and promote continued medical innovation.

AFTER FACTORING IN DISCOUNTS AND REBATES, PRICES FOR BRAND MEDICINES INCREASED JUST 1.9% IN 2017^x

1. Today, there are more than 140 personalized medicines and 43 percent of new medicines in development have the potential to be personalized therapies that can be targeted to specific patients and their individual health needs.
2. Medicines are this country's best chance at tackling the country's biggest cost driver: chronic disease. Health conditions, such as cancer, diabetes and heart disease, are the leading causes of death and disability in the United States and account for about 90 percent of health care spending.
3. 90 percent of all medicines dispensed in the United States are generic copies that cost a fraction of the price of the initial brand medicine. In addition, competition from generics and biosimilars are expected to reduce U.S. brand sales by \$105 billion from 2018 to 2022.ⁱ
4. Health insurers and pharmacy benefit managers (PBMs) are powerful, sophisticated purchasers who use their leverage to negotiate steep discounts. After factoring in discounts and rebates, prices for brand medicines increased just 1.9 percent in 2017 and total spending on medicines increased just 0.6 percent last year. ⁱⁱ
5. More than one-third of the initial list price of a medicine is rebated back to insurance companies, PBMs and the government, or retained by other stakeholders in the biopharmaceutical supply chain.ⁱⁱⁱ And rebates, discounts and other reductions in price provided by manufacturers totaled more than \$150 billion in 2017.^{iv}
6. Hospitals mark up medicine prices, on average, nearly 500 percent. An analysis of 20 medicines also found the amount hospitals receive after negotiations with commercial payers is, on average, more than 250 percent what they paid to acquire the medicine.^v
7. As a result of negotiation and competition in the marketplace, the share of health care spending attributable to medicines in the United States is in line with other countries such as Canada, France, Germany and Italy, among others. Even though scores of new medicines are approved every year, only 14.1 percent of overall U.S. health care spending is attributable to medicines.^{vi}

8. Health insurers are shifting more costs onto patients through deductibles, increased use of coinsurance and the use of four or more tiers for prescription drugs. The share of employer sponsored plans requiring deductibles for the pharmacy benefit has increased from 23 percent in 2012 to 52 percent in 2017.^{vii}
9. Unlike care received at an in-network hospital or physician's office, patients with high deductibles or coinsurance pay cost sharing based on the list price of a medicine, even if their insurer receives a steep discount. More than half of commercially insured patients' out-of-pocket spending for brand medicines is based on the full list price. Patients with a deductible have seen their out-of-pocket costs for brand medicines increase 50 percent since 2014.^{viii}
10. Sharing negotiated discounts could save certain commercially insured patients with high deductibles and coinsurance \$145 to \$800 annually and would increase premiums about one percent or less.^{ix}

**ACCORDING TO THE
LATEST NATIONAL HEALTH
EXPENDITURES REPORT
FROM CMS, MEDICINE
SPENDING GROWTH SLOWED
TO 1.3% IN 2016, DOWN FROM
9% IN 2015.^x**



i IQVIA Institute for Human Data Science. Medicine use and spending in the U.S.: A review of 2017 and outlook to 2022. <https://www.iqvia.com/institute/reports/medicine-use-and-spending-in-the-us-review-of-2017-outlook-to-2022>. Published April 19, 2018. Accessed April 2018.

ii IQVIA Institute for Human Data Science. Medicine use and spending in the U.S.: A review of 2017 and outlook to 2022. <https://www.iqvia.com/institute/reports/medicine-use-and-spending-in-the-us-review-of-2017-outlook-to-2022>. Published April 19, 2018. Accessed April 2018.

iii Vandervelde A, Blalock E; Berkeley Research Group. The pharmaceutical supply chain: gross drug expenditures realized by stakeholders. http://www.thinkbrg.com/media/publication/863_Vandervelde_PhRMA-January-2017_WEB-FINAL.pdf. Published 2017. Accessed May 2017.

v AJ Fein; Pembroke Consulting, Inc. Drug Channels Institute. "The Gross-to-Net Bubble Topped \$150 Billion in 2017!" April 2018. <https://www.drugchannels.net/2018/04/the-gross-to-net-rebate-bubble-topped.html>

v The Moran Company. Hospital Charges and Reimbursement for Drugs: Analysis of Markups Relative to Acquisition Cost. http://www.themorancompany.com/wp-content/uploads/2017/10/Hospital-Charges-Report-2017_FINAL.pdf (Accessed April 11, 2018). Published October 2017. Accessed June 2018.

vi Altarum Institute. "Projections of the prescription drug share of national health expenditures including non-retail." Published May 2018. Available at: https://altarum.org/sites/all/libraries/documents/Projections_of_the_Prescription_Drug_Share_of_National_Health_Expenditures_June_2018.pdf.

vii PwC Health and Well-Being Touchstone Survey, June 2017. <https://www.pwc.com/us/en/hr-management/publications/assets/pwctouchstone-2017.pdf>. Accessed March 2018

viii Devane, K. Patient Affordability Part One, The Implications of Changing Benefit Designs and High Cost-Sharing, Available at <https://www.iqvia.com/locations/united-states/patient-affordability-part-one> May 2018.

ix Bunger, A., et al., Point of Sale Rebate Analysis in the Commercial Market: Sharing rebates may lower patient costs and likely has a minimal impact on premiums. Available at <http://phrma-docs.phrma.org/download.cfm?objectid=5F5FD190-AEDD-11E7-833F0050569A4B6C>

x IQVIA Institute for Human Data Science. Medicine use and spending in the U.S.: A review of 2017 and outlook to 2022. <https://www.iqvia.com/institute/reports/medicine-use-and-spending-in-the-us-review-of-2017-outlook-to-2022>. Published April 19, 2018. Accessed April 2018.

xi Centers for Medicare & Medicaid Services (CMS). National health expenditure (NHE) data. NHE 2016. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/index.html>. Published December 2017. Accessed December 2017.