Implications of the Drug Pricing Provisions in Reconciliation

July 2022

The Latest Drug Pricing Plan Puts Too Much at Risk

$300 billion hyper-partisan and profoundly anti-innovation proposal

Arbitrary Government Price Setting

A Direct Threat to Innovation & Hope for the Future

Doesn’t do Enough to Help Patients Better Afford Medicines

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This Proposal is NOT “Negotiation”

It’s heavy-handed, arbitrary government price setting and patients are the losers

Manufacturers are left with two non-negotiable ultimatums:

Agree to the government’s

arbitrarily set price

OR

Pay a massive tax of as much as

1900%

of gross sales for the medicine*

Or remove

ALL

of their medicines from Medicare & Medicaid

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*Source: Congressional Research Service. Tax Provisions in the Inflation Reduction Act of 2022. August 3, 2022

Threatens U.S. Jobs & Economic Competitiveness

Over next 10 years, siphons

$455+ billion

from biopharmaceutical innovators

With an estimated loss of roughly

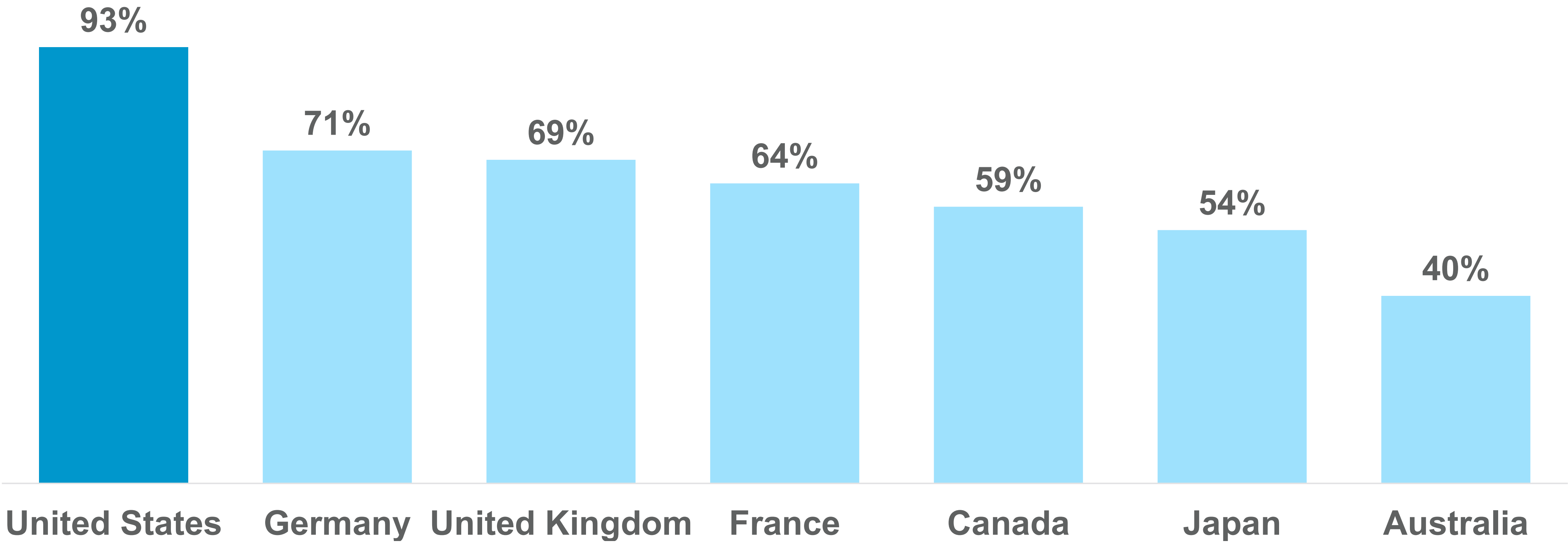
600,000 U.S. jobs

including high-value research and manufacturing jobs

Source: Avalere. Drug Pricing Bill Could Reduce Manufacturer Revenue by Over $450B. July 27, 2022.
Source: Vital Transformation, Build Back Better Act: Total market impact of price controls in Medicare parts D and B. July 28, 2022.

When Governments Set Prices, Patients Have Access to Fewer New Treatments and Cures

Percent of new cancer medicines approved globally since 2012 available in the United States compared to other countries



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Source: PhRMA analysis of IQVIA MIDAS and U.S. Food and Drug Administration (FDA), European Medicines Agency (EMA), Japan Pharmaceuticals and Medical Devices Agency (PMDA), Australia Therapeutic Goods Administration (TGA) and Health Canada data. July 2022. Note: New active substances approved by FDA, EMA and/or PMDA and first launched in any country between January 1, 2012 and December 31, 2021.

Could Sacrifice 100+ New Treatments Over Next 2 Decades

Which diseases could go untreated?

90

medicines in development today for Alzheimer's disease

119

medicines in development today for breast cancer

26

medicines in development today for childhood diabetes

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Guts Incentives for R&D After Medicines are Approved

Innovation doesn't stop when the FDA approves a new medicine

Additional FDA approvals for post-approval R&D can include:

New uses or indications to treat a different medical condition

New patient populations such as children or patients with different stages of disease

New formulations that offer significant advances in therapy

New dosage forms that can help increase patient adherence

Research After Approval is Particularly Crucial for Cancer

These discoveries take additional research and investment

Nearly 60% of oncology medicines approved a decade ago are approved to treat additional types of cancer today*

Case Study: New Indications

- Biologic to treat unresectable or metastatic melanoma
- Originally approved in 2011
- Today, it’s approved to treat 9 additional types of cancer, including in first-line settings

Case Study: New Patient Populations

- Oral pill to treat adults with anaplastic lymphoma kinase positive (ALK+) non-small cell lung cancer originally approved in 2011
- Today, it’s approved for children with two different kinds of ALK+ tumors, as well as adults with other ALK+ cancers

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*Source: Findings based on analysis of FDA approval data conducted by Partnership for Health Analytic Research

It Doesn't Do Enough to Help Patients Afford Their Medicines

Saves government $300B, only $25B goes toward improving the Part D benefit

- Significantly delays a policy that would have directly lowered costs at the pharmacy for millions of seniors
- Doesn't lower coinsurance for most seniors in Part D
- Doesn't address abusive insurance practices or stop them from shifting the cost of medicines to patients

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Solutions that Would Make Medicines More Affordable Without Sacrificing Access or Innovation

- Make sure patients share in the savings our industry provides
- Make what seniors pay out of pocket for medicines more affordable and predictable
- Address insurance practices that shift costs to patients and restrict access to care

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Putting Cost in Context

Medicine Prices Are Not Driving Inflation

Since June 2021,

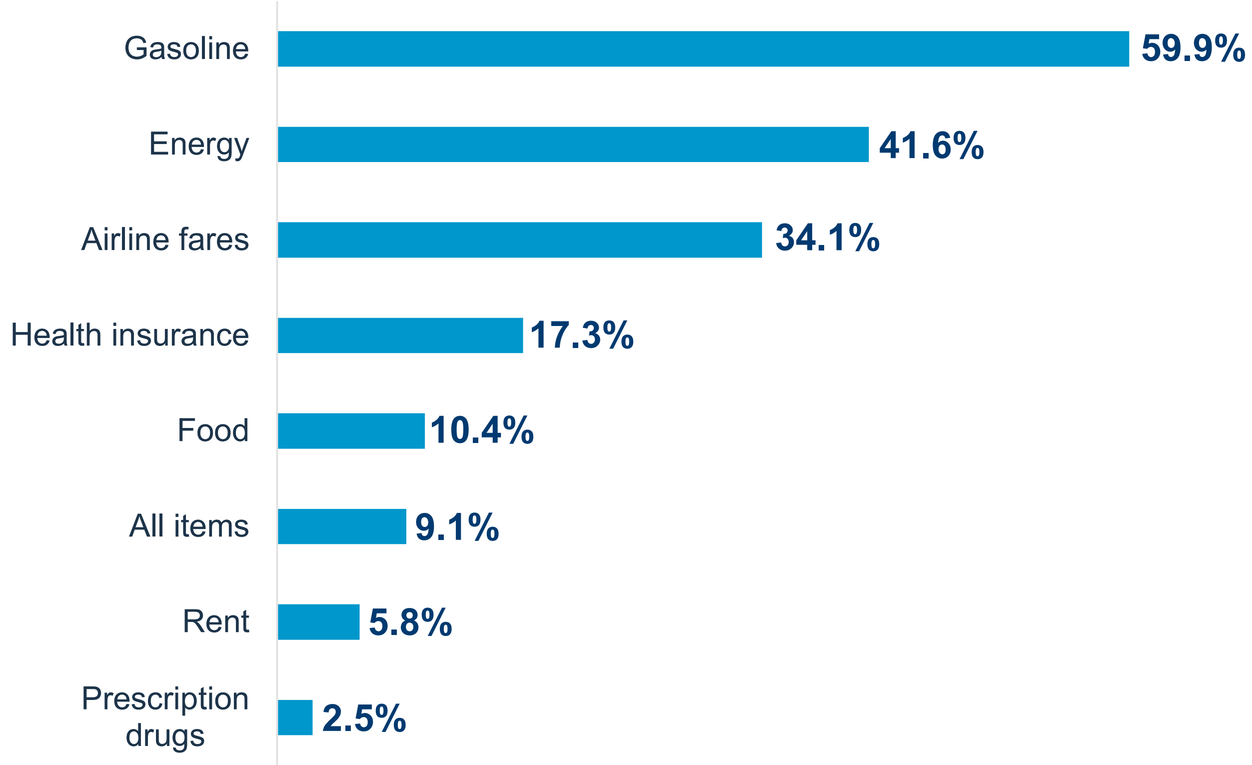
overall inflation surged by 9.1%

while

prices for medicines grew just 2.5%

12-Month Percent Change in the Consumer Price Index for All Urban Consumers

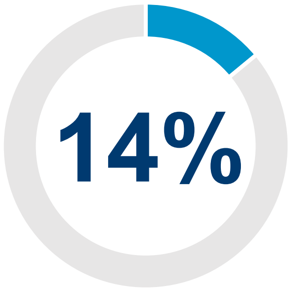
Selected Items, Not Seasonally Adjusted



SOURCE: Bureau of Labor Statistics using the June 2021-June 2022 data

Spending on Medicines Is a Small and Stable Share of Total Health Care Spending

Prescription medicines account for just

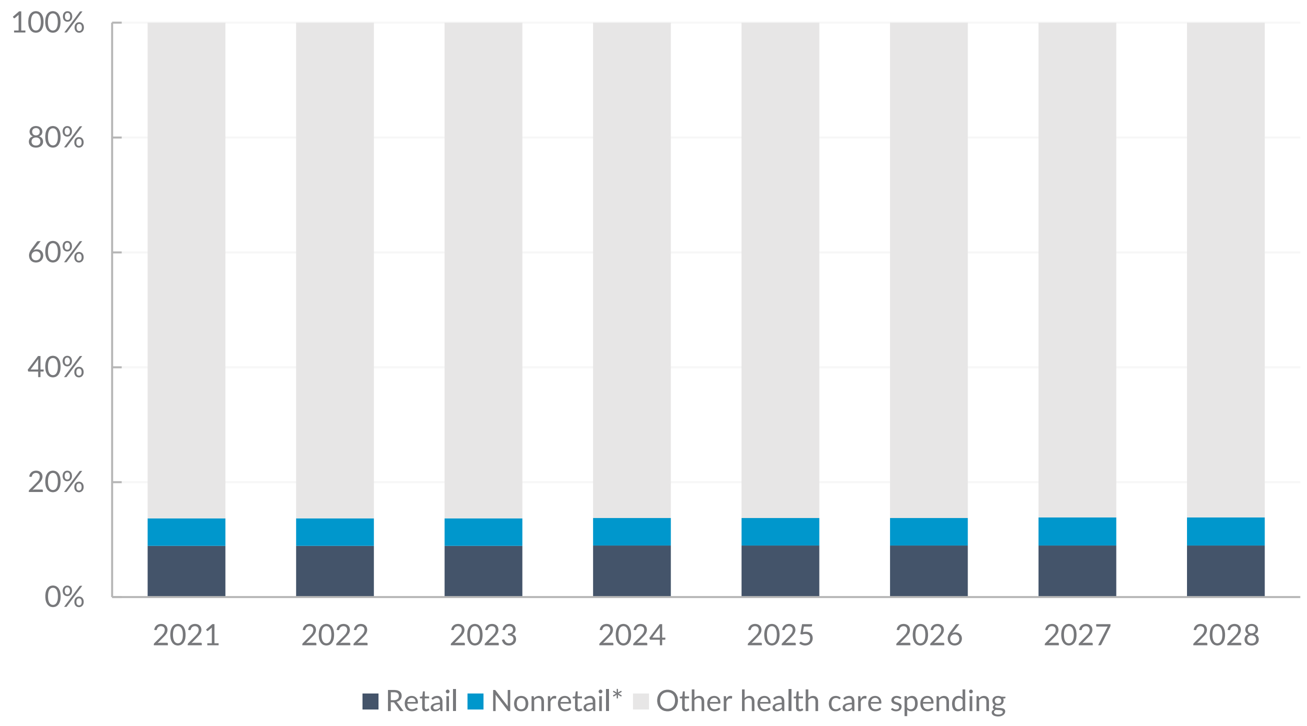


of total health care spending

In 2021, per capita spending on medicines* *declined* by

1%

Projected US Health Care Expenditures Attributable to Prescription Medicines, 2021-2028



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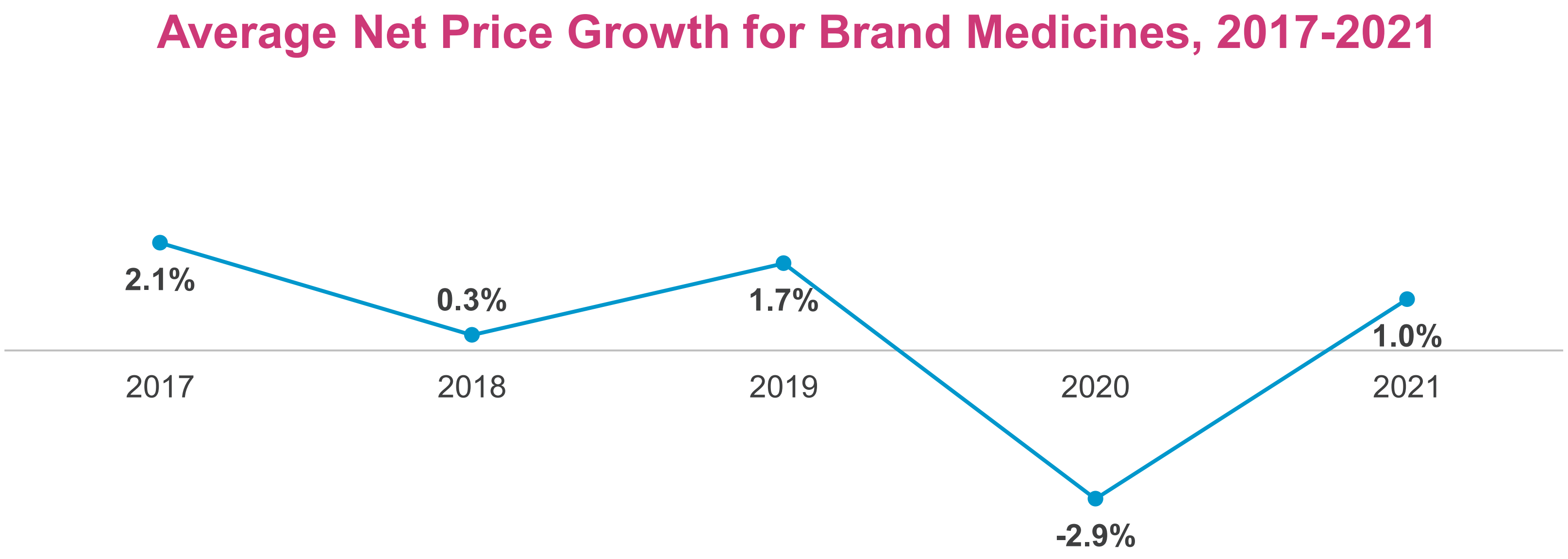
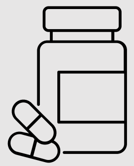
* Excludes spending on COVID-19 vaccines and treatments
Source: Altarum, IQVIA, 2022.

Note: Nonretail prescription medicines are those purchased through physicians' offices, clinics and hospitals and are typically administered to the patient by the provider. Retail prescription medicines are those filled at retail pharmacies or through mail service.

Net Prices for Brand Medicines Have Stayed Nearly Flat for the Past Five Years





On average, a brand medicine's net price is

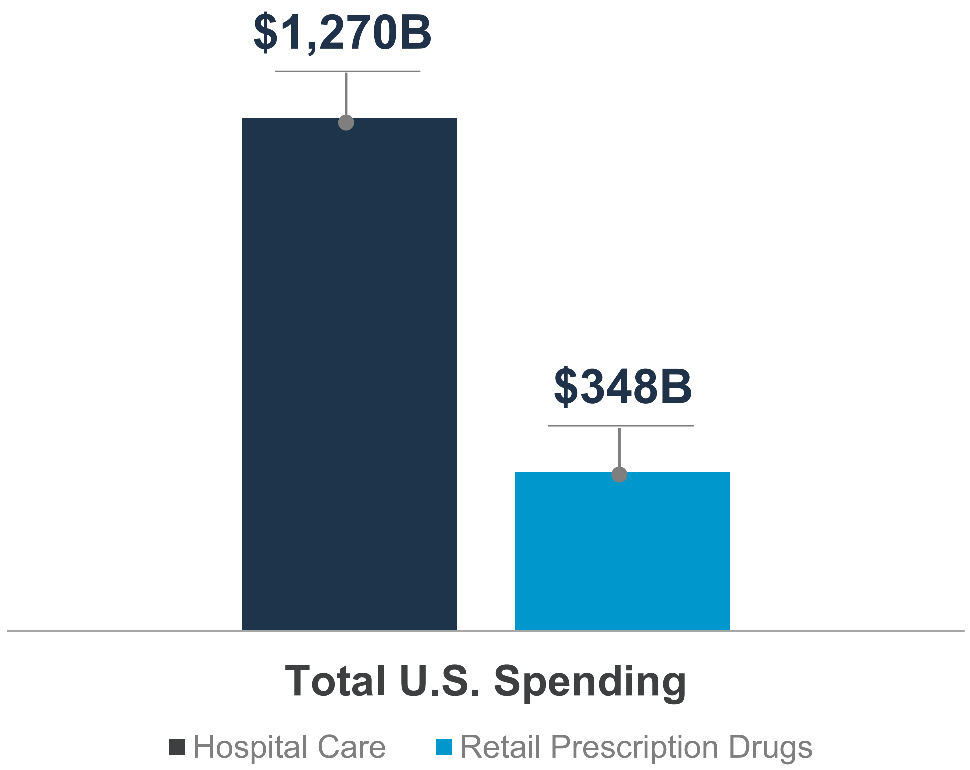
49%

lower than its list price.

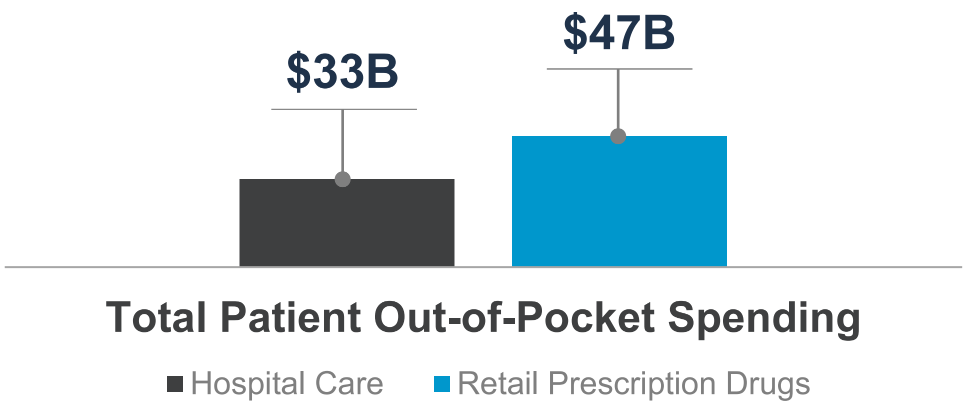
Source: IQVIA, 2022.

Patients Face Higher Out-of-Pocket Costs at the Pharmacy Counter than Other Parts of the Health Care System

Total hospital spending is much higher than total prescription drug spending



Yet, total patient spending on medicines is more than on hospital care

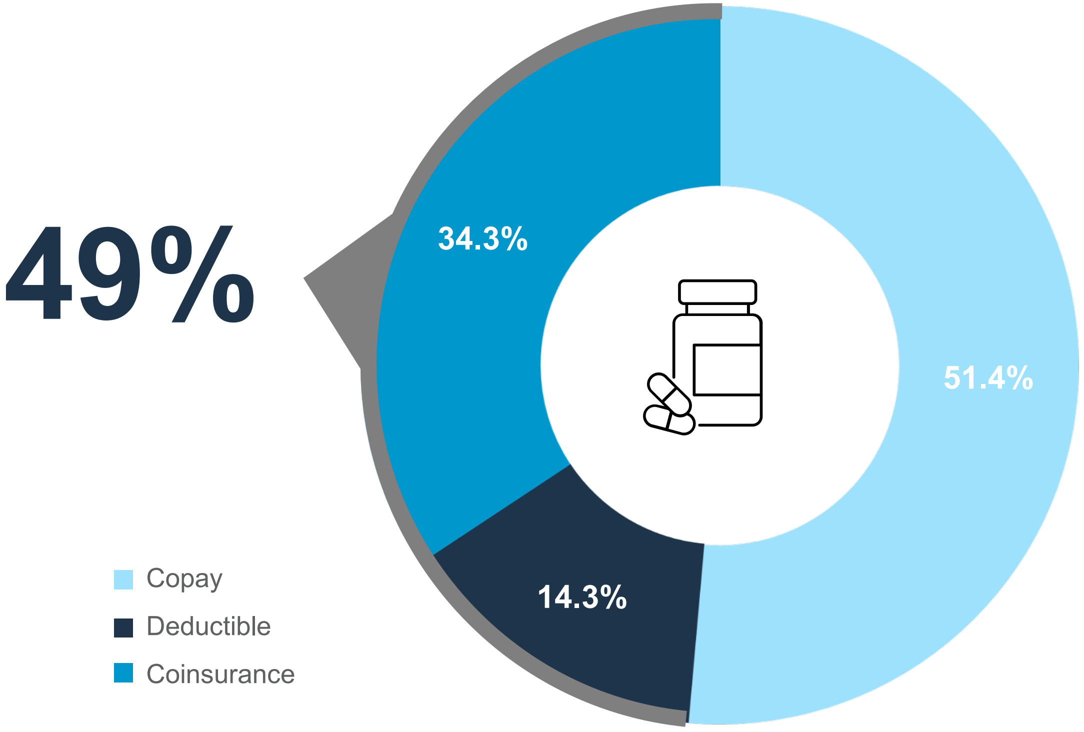


Source: Drug Channels Institute analysis of National Health Expenditure Accounts, Office of the Actuary in the Centers for Medicare & Medicaid Services, December 2021. Outpatient prescription drug figures exclude inpatient prescription drug spending within hospitals and nearly all provider-administered outpatient drugs. Figures in billions.

Middlemen and Insurers Are Shifting Costs to Patients Through Coinsurance and Deductibles

In 2021, rebates, discounts and other payments made by brand manufacturers reached $236B*, but insurers and PBMs do not always share these savings directly with patients

Half of commercially insured patients' out-of-pocket spending for brand medicines is based on the full list price



Sources:
- IQVIA. August 2020.
- Drug Channels, 2022 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers