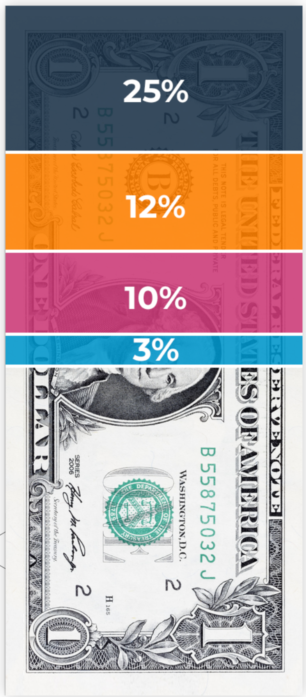
Entities That Don't Make Medicines Get Half of What Is Spent on Those Medicines

A new analysis from the Berkeley Research Group (BRG) highlights a growing problem: spending on medicines is padding the profits of middlemen and subsidizing many parts of the health care system, often at the expense of patients.

Where's the Drug Dollar Going?

50% of every dollar



Breakdown of Spending on Brand Medicines in 2023

PBMS, INSURERS & OTHER SUPPLY CHAIN ENTITIES

Middlemen retained the largest share of spending among non-manufacturers, getting $170 billion in rebates, discounts, fees and other payments from biopharmaceutical companies in 2023 alone. While this represents 25 percent of all brand spending, middlemen can take up to 80 percent or more on some medicines. These payments lower the cost of medicines for insurers and PBMs, yet patients are often forced to pay based on the full price.

GOVERNMENT STATUTORY REBATES & FEES

Biopharmaceutical companies paid $79 billion in required rebates, discounts, and fees to government programs, including Medicaid and Medicare Part D. The Inflation Reduction Act (IRA) will further increase the share of spending going to the government, eroding the investment in future research and development.

340B PROVIDER MARKUPS & 340B PHARMACY MARGIN

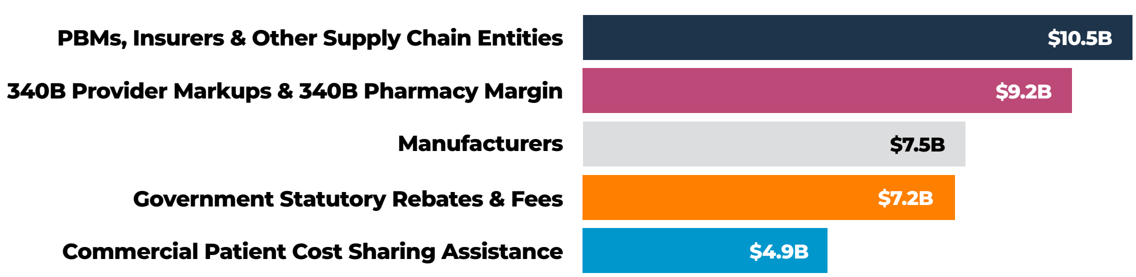
340B providers and for-profit companies get 18 times more of the drug dollar than they did a decade ago while patients, taxpayers and employers are saddled with a hidden tax that inflates their costs. The largest share of 340B costs is driven by hospital markups—where big tax-exempt hospitals often mark up drugs 7x or more.

COMMERCIAL PATIENT COST SHARING ASSISTANCE

As insurers force commercially insured patients to pay higher out-of-pocket costs, biopharmaceutical manufacturers provide billions in assistance to help them afford their medicines. This assistance represents nearly $23 billion in spending. In fact, insurers and PBMs kept nearly $5 billion of cost-sharing assistance for themselves through abusive copay accumulator and maximizer programs.

What's Driving Drug Spending Growth?

Growth in Spending on Brand Medicines (2022-2023)



From 2022 to 2023, spending on medicines increased $39 billion. The rebates, fees and other payments middlemen siphon out of the system was the single largest driver of this growth in spending. The second largest contributor was the growth 340B hospital markups on prescription drugs. As policymakers continue to look for ways to address rising health care costs and spending on medicines, the report's findings are essential to help diagnose the right problems and pinpoint meaningful solutions.

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