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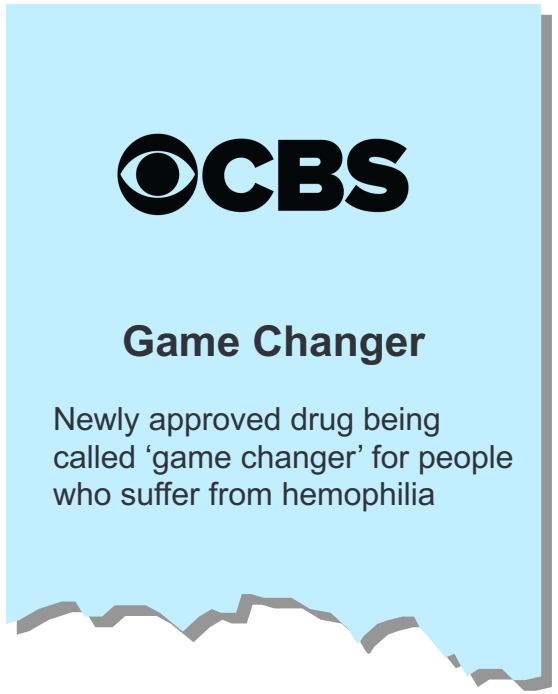
# Prescription Medicines: Costs in Context

*2023*

# We are in a New Era of Medicine Where Breakthrough Science is Transforming Patient Care

**45 new medicines were approved by the FDA in 2022.**



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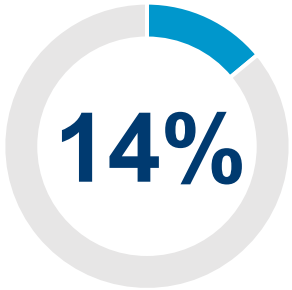
Source: US FDA. Center for Drug Evaluation and Research (CDER) Advancing Health through Innovation. New Drug Therapy Approvals 2022. & US FDA. Center for Biologics Evaluation and Research (CBER)

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

**Prescription medicines account for just**

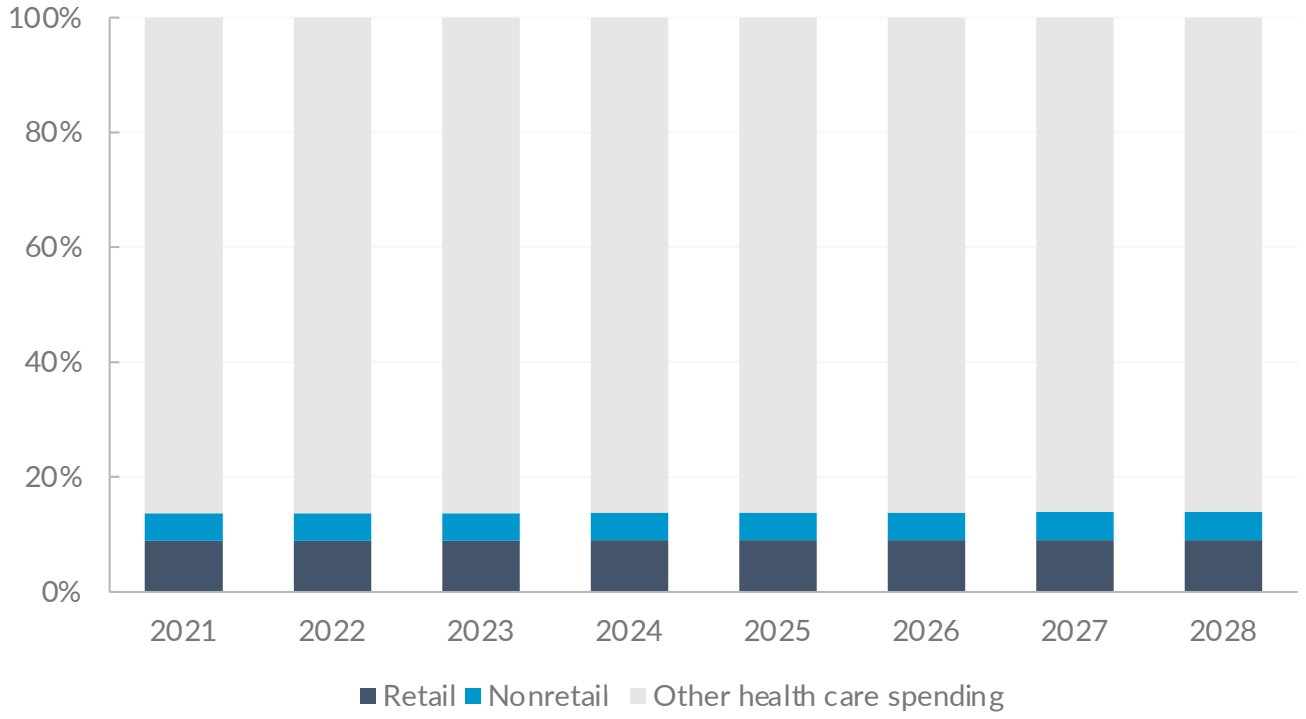



**of total health care spending**

**In 2022, per capita spending on medicines* grew, below inflation, at**

**2.5%**

## Projected US Health Care Expenditures Attributable to Retail and Nonretail Prescription Medicines, 2021-2028

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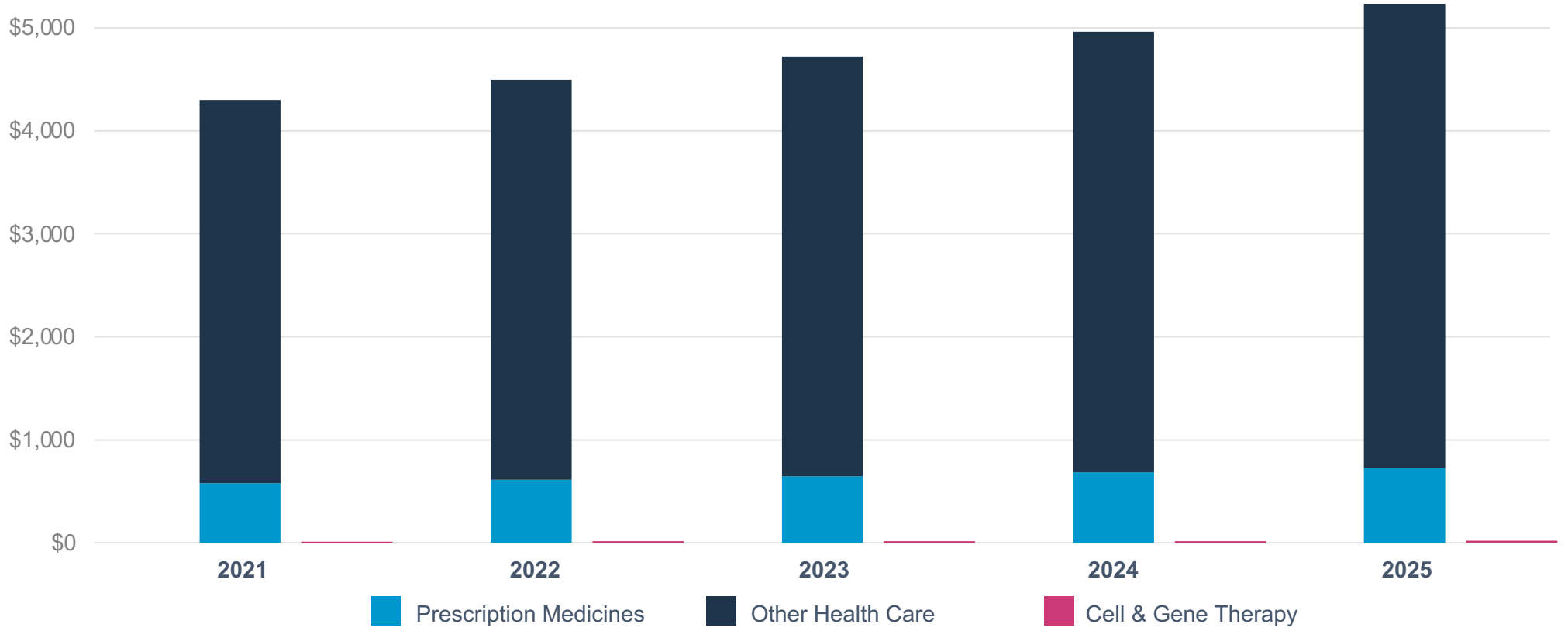
* Excludes spending on COVID-19 vaccines and treatments
Source: Altarum, IQVIA, 2023.

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.

# A New Era of Medicine is Not Expected to Impact the Share of Total Health Care Spending on Medicines

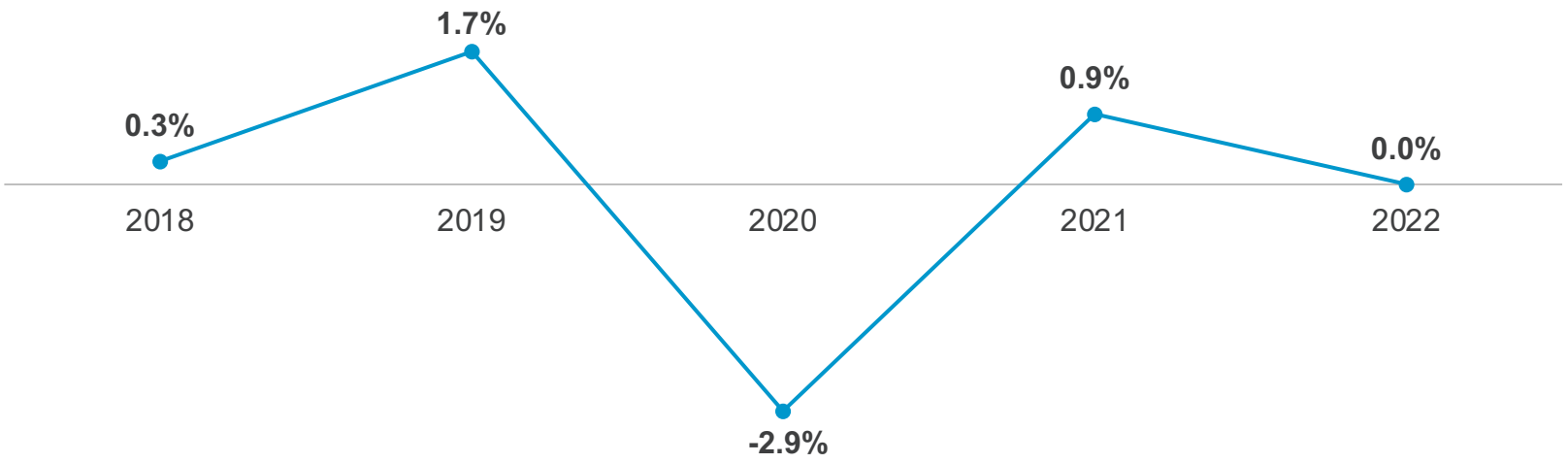
## Projected Spending on Prescription Medicines, Total Health Care, and Anticipated Cell & Gene Therapies ($B), 2021-2025



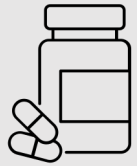

SOURCES: Young CM et al. Drug Discovery Today, 27(1): 2022.; CMS National Health Expenditures (NHE) Projections, 2022.; Altarum Institute. "Projections of the Non-Retail Prescription Drug Share of National Health Expenditures." September 2020.

# Net Prices for Brand Medicines Have Stayed Nearly Flat For The Past Five Years

## Average Net Price Growth for Brand Medicines, 2018-2022




Source: IQVIA, 2023.



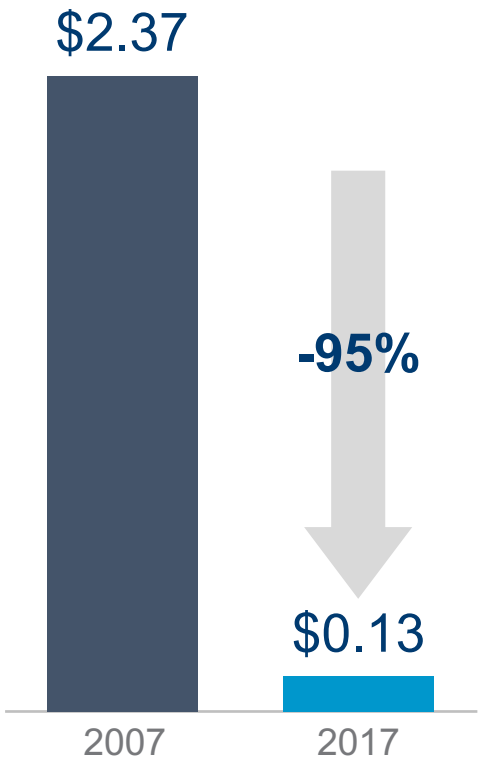
On average, a brand medicine's net price is

**50%**

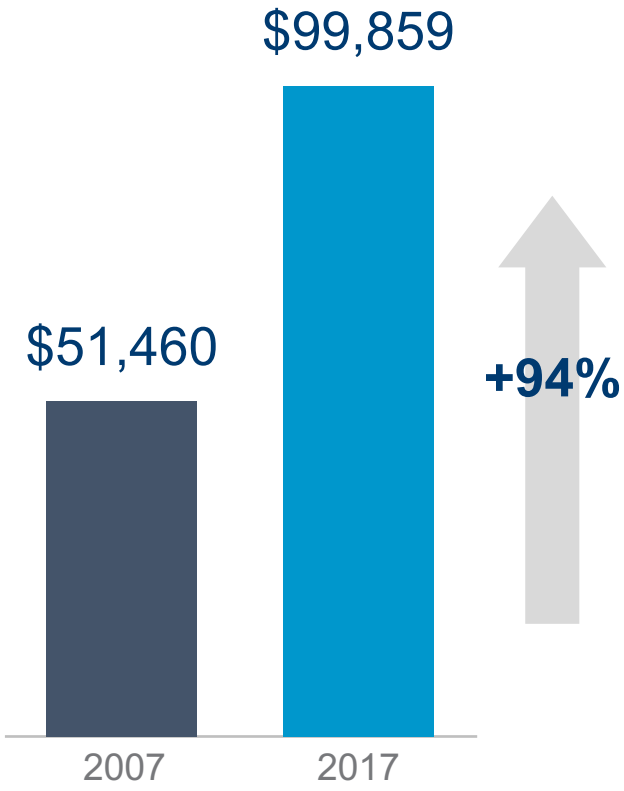
lower than its list price.

# Unlike Other Aspects of the Health Care System, Medicine Costs Decrease Over Time

**The price of medicines used to prevent cardiovascular disease decreased…**



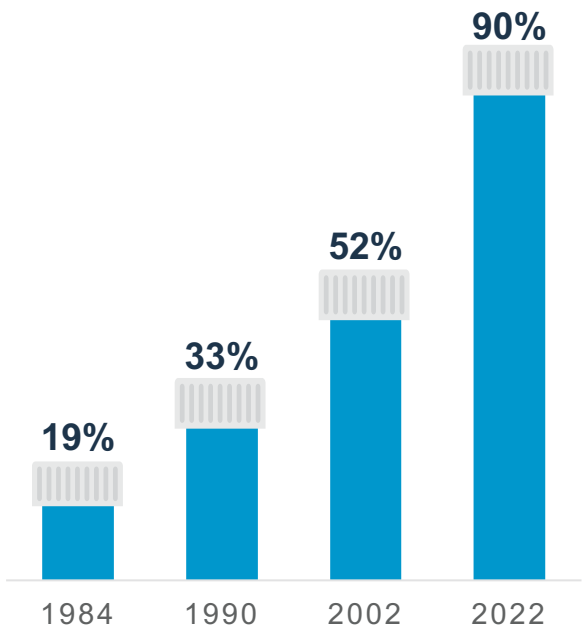

**…while the cost of the surgical procedure to treat it increased over a decade.**




Source: IQVIA analysis for PhRMA, June 2020.; AHRQ HCUP, July 2020.

# Generic and biosimilar medicines drive significant savings in the health care system.

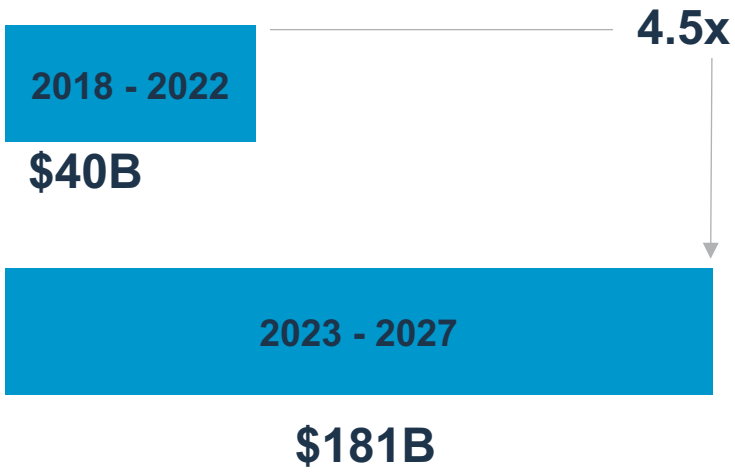
## 91% of All Drugs Dispensed in the United States are Generics




## Nearly $2.6 trillion

10-year savings from use of generic and **biosimilars** (2013 - 2022)

## Looking Ahead, Biosimilar Savings Projected to Grow More than 4x

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Sources: Drug Channels, AAM, IQVIA.

# The Influence Pharmacy Benefit Managers (PBMs) Have Over Patient Access and Affordability Continues to Grow

**Negotiating power is increasingly concentrated among a small number of PBMs.**

## Insurers & PBMs determine:

**IF MEDICINE IS COVERED**
on the formulary

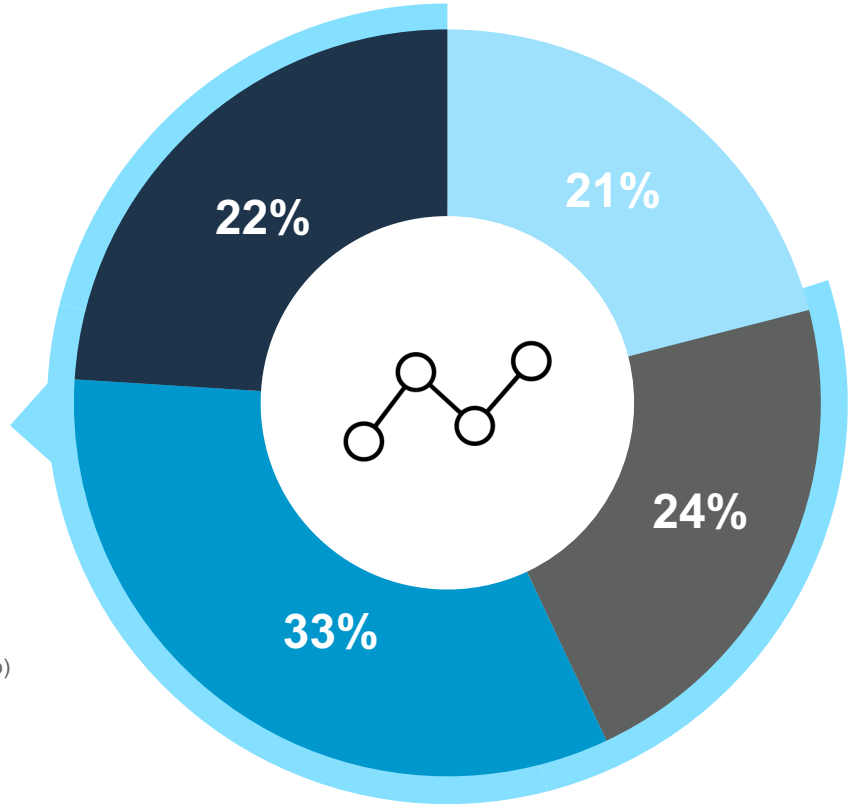
**PATIENT OUT-OF-POCKET COST**
based on tier placement

**ACCESS BARRIERS**
like prior authorization or fail first

**PROVIDER INCENTIVES**
through preferred treatment guidelines and pathways

Top 3 PBMs' Market Share:

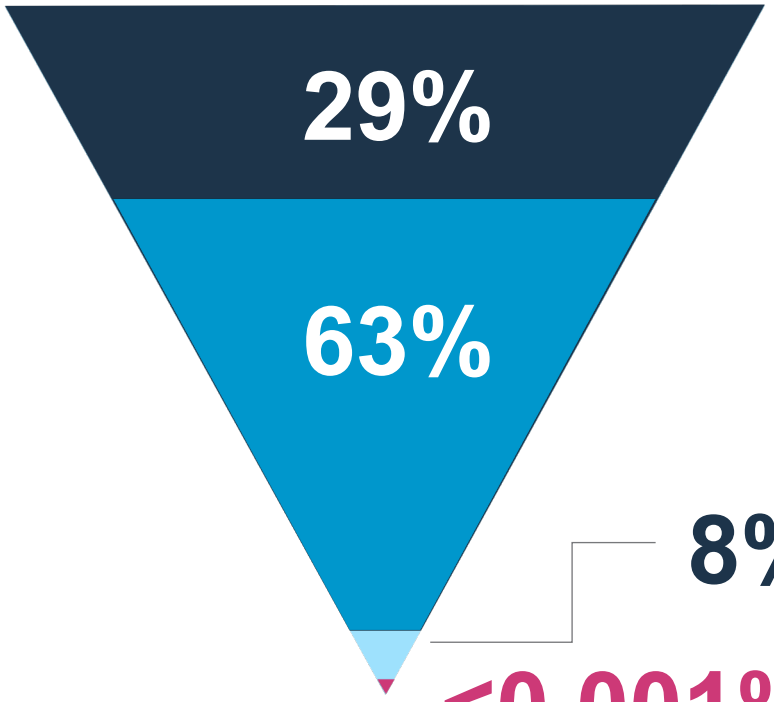
**79%**




Source: Drug Channels Institute, March 2023.

# The Majority of Brand Medicines Face Generic and Brand Competition

## More than 99% of Part D spending in 2019 was for medicines with competition




Generics, and brands that have generic versions

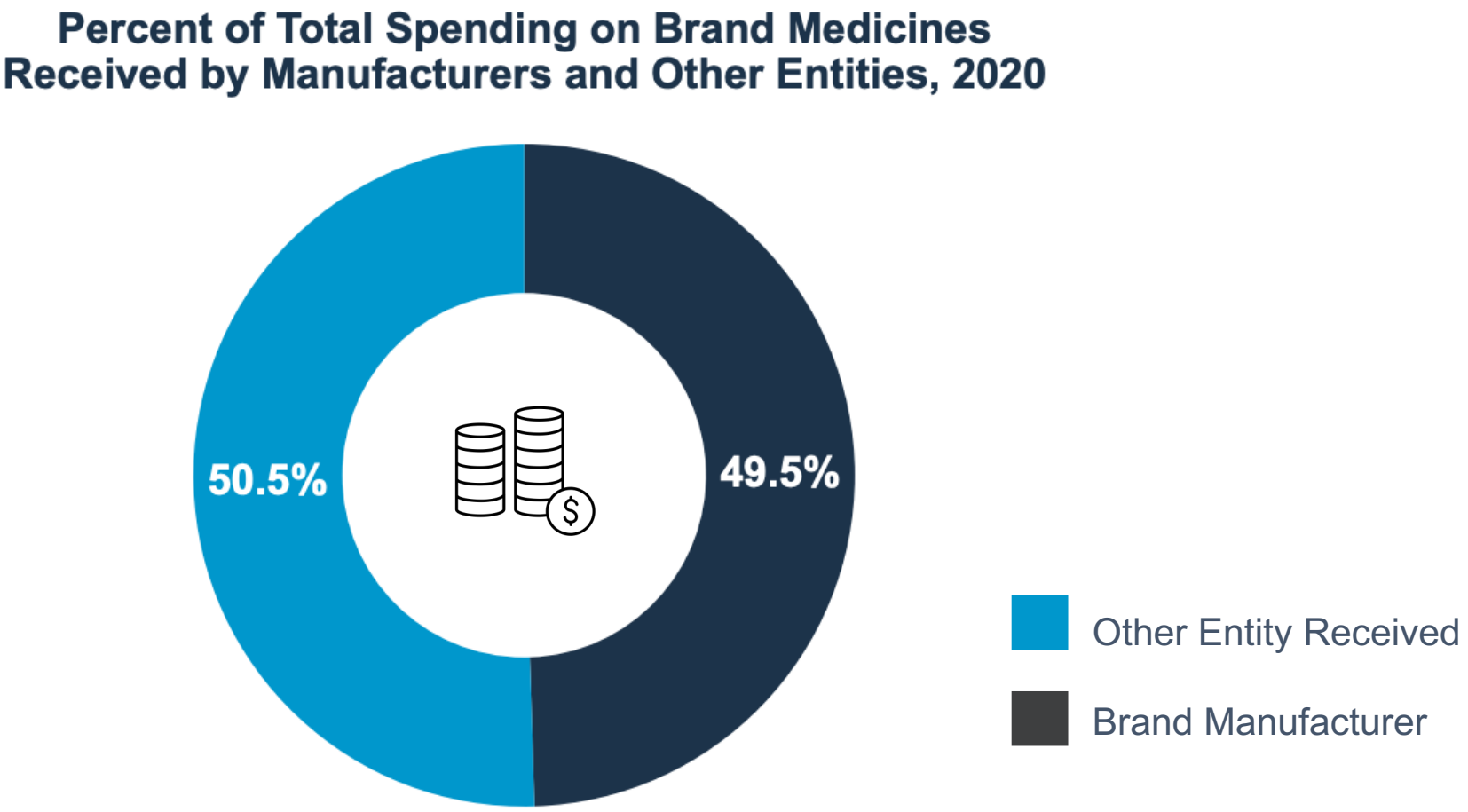
Brands without their own generic but in classes that include generics

Brands in classes with competing brands (but no generics)

Brand medicines alone in their class

Class analysis is based on USP classification system. Part D plans are generally required to cover two medicines per USP class, and CMS uses USP to review Part D plan formularies to ensure plans meet formulary standards.
Source: Avalere, 2022.

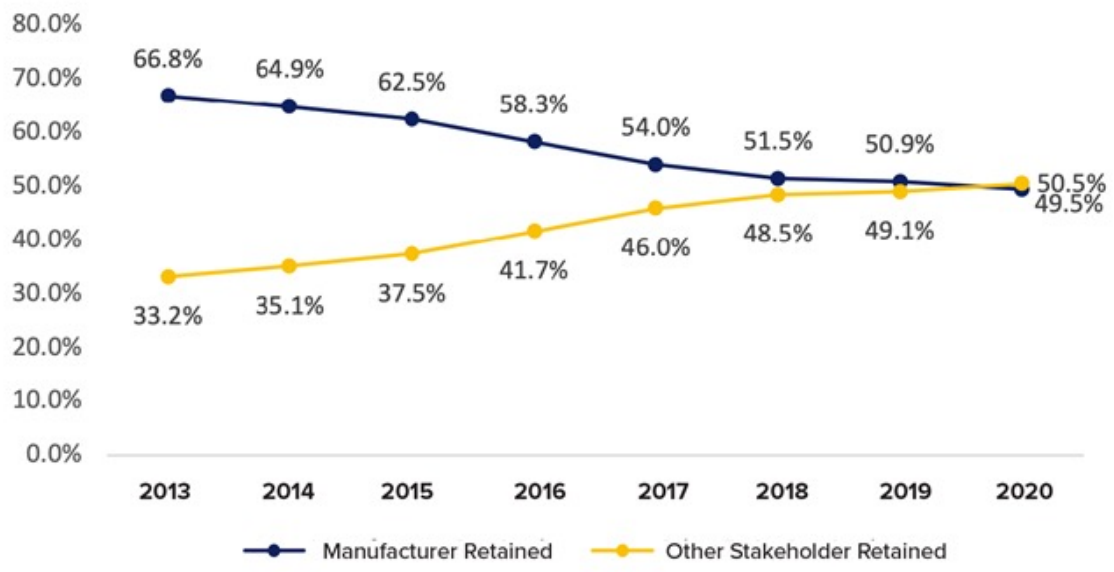
# More than Half of Every Dollar Spent on Brand Medicines Goes to Entities Who Did Not Develop Them



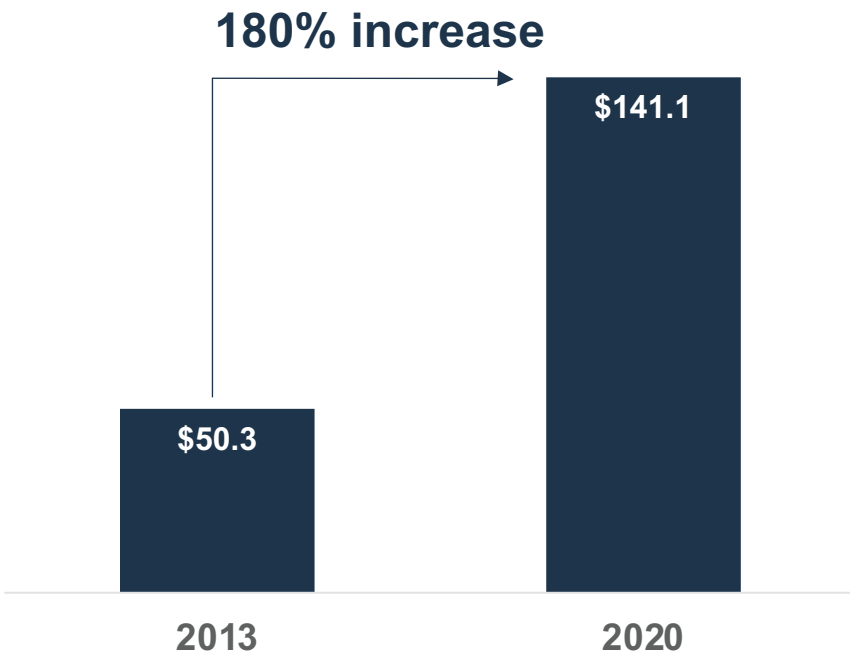

Source: Berkley Research Group, 2022.

# Insurers, PBMs And Others Receive An Increasing Share Of Total Spending On Brand Medicines

## Total Brand Medicine Spending ($B) 2013-2020




## Total Brand Medicine Spending Received by Payers ($B)




Source: Berkley Research Group, 2022.

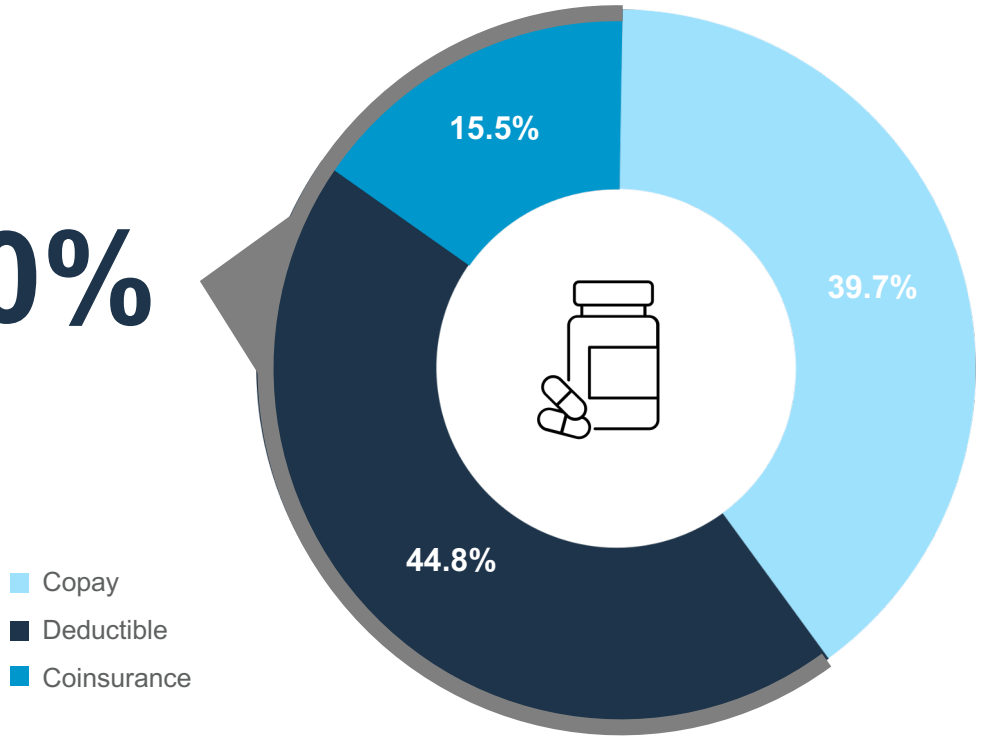
Payers include health plans, PBMs, federal and state governments, and employers

# Middlemen are Shifting Costs to Patients Through Coinsurance and Deductibles

**In 2022, rebates, discounts and other payments made by brand manufacturers reached $256B, but insurers and PBMs do not always share these savings directly with patients.**

**More than half of commercially insured patients' out-of-pocket spending for brand medicines is based on the full list price**

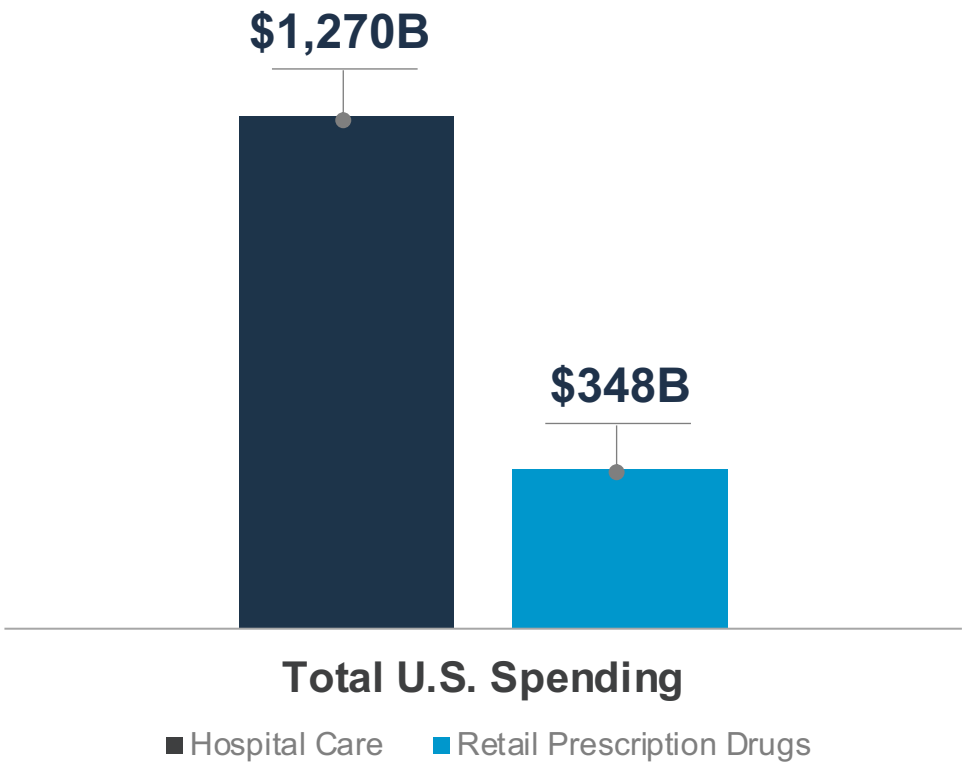
**60%**



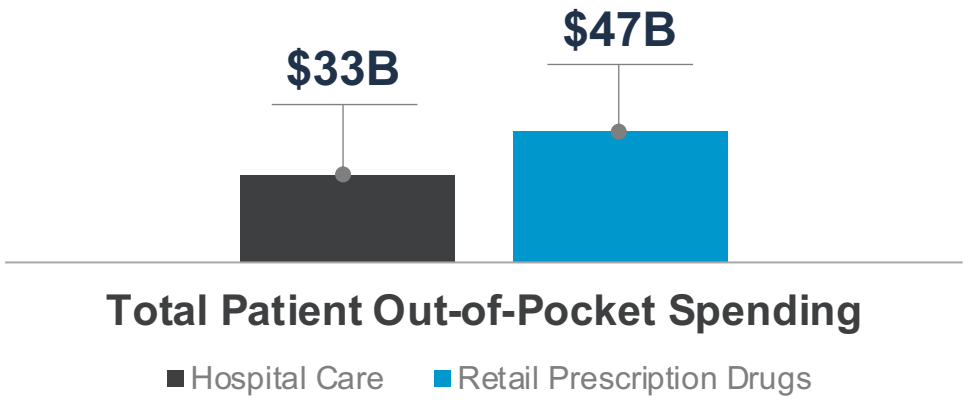

Source: IQVIA, August 2020. Fein A, March 2023.

# 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.

# Hospitals Account for 1/3 of All U.S. Health Care Spending and Contribute to Patient Costs by Marking Up Medicines

**Hospitals that mark up the cost of medicines can make more from administering a medicine than the pharmaceutical company that manufactured it.**

**250%**

The average amount hospitals mark up the cost of medicines for patients with commercial insurance

Source: STAT, 2021.

The amount 340B hospitals receive for administering medicines to commercially insured patients is

**3x more**

than what they paid to acquire the medicines

Source: Milliman, 2019.

**634%**

Amount some hospitals mark up the cost of oncology medicines

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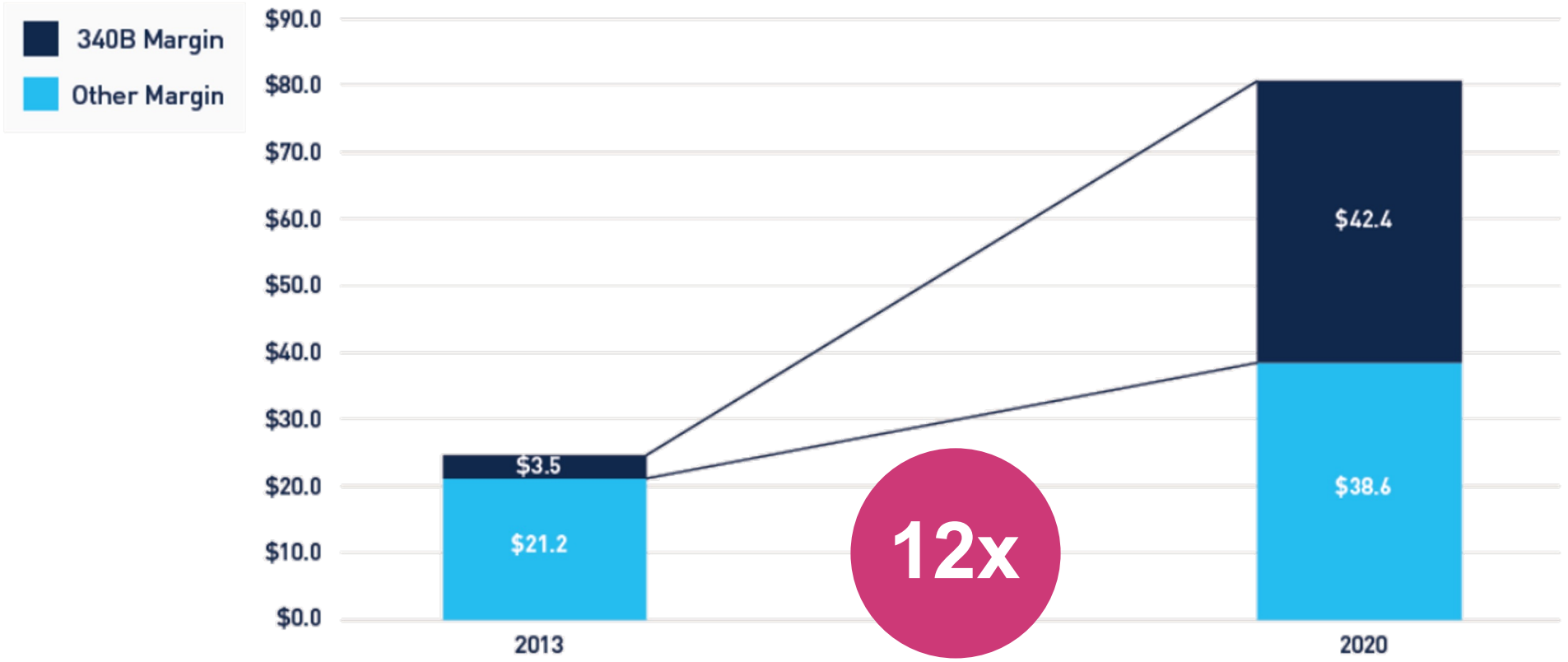
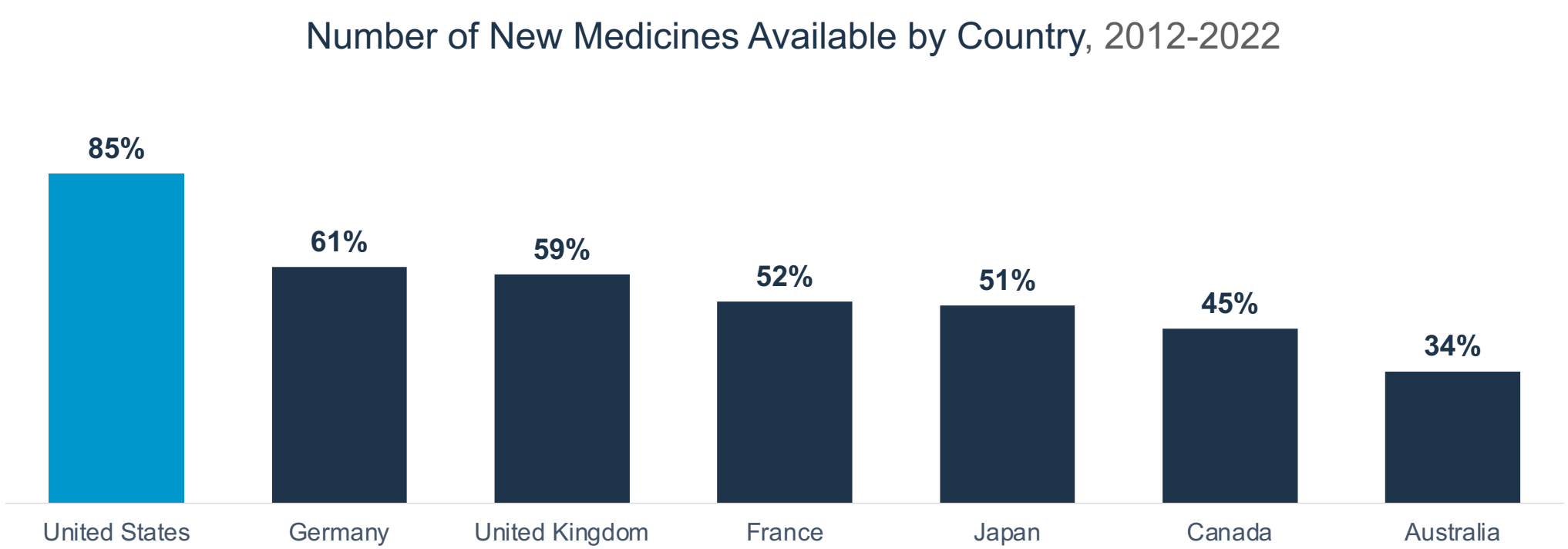
# Brand Medicine Spending Retained by Hospitals and Other Providers From the 340B Program Grew 12x Since 2013




Source: Berkeley Research Group.

# More Medicines are Available to U.S. Patients as Compared with Other Countries that Set Prices Artificially Low

**The 5-year survival rate for all cancers is 42% higher for men and 15% higher for women in the U.S. than in Europe.**




Source: PhRMA analysis of IQVIA MIDAS® and country regulatory data. October 2022.
Note: New active substances approved by FDA, EMA and/or PMDA and first launched in any country between January 1, 2011, and December 31, 2020. Many launched medicines are subject to additional government coverage restrictions.

# PhRMA Created the Medicine Assistance Tool, or MAT, To Help Patients Navigate Medicine Affordability

**MAT makes it easier for those struggling to afford their medicines to find and learn more about various programs that can make prescription medicines more affordable.**

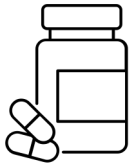
## The Medicine Assistance Tool Includes:

A search engine to connect patients with

**900+**

assistance programs offered by biopharmaceutical companies, including some free or nearly free options

Resources to help patients navigate their insurance coverage



Links to biopharmaceutical company websites where information about the cost of a prescription medicine is available

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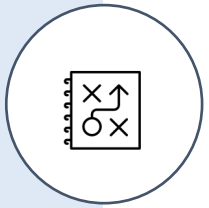
# Common-sense, Patient-centered Reforms to Make Medicines More Affordable

Making sure patients share in the savings our industry provides

Capping what seniors pay out of pocket for medicines



Addressing insurance practices that restrict access to care

Strengthening safety-net programs to ensure they deliver the support vulnerable patients need

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