

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 competitive marketplace, lower costs for patients and promote continued medical innovation.

1. Today, there are more than 8,000 medicines in development, including 140 personalized medicines. And 42 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.¹
2. Nearly half of total spending on brand medicines – the sum of all payments made at the pharmacy or paid on a claim to a health care provider – went to the supply chain and other entities in 2018.²
3. Rebates, discounts, and other price concessions exceeded \$175 billion in 2019 alone and have been growing every year.³ Due to these negotiations in the market, net prices for brand medicines have increased in line with or below inflation for the past five years, growing just 1.7% in 2019.⁴ And spending on medicines for one of the nation's largest pharmacy benefit managers (PBMs) grew just 1.4% last year.⁵
4. 91% 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 is expected to reduce U.S. brand sales by \$105 billion from 2019 to 2023.^{6,7}

0.3%: THE AMOUNT PRICES FOR BRAND MEDICINE INCREASED IN 2018, AFTER FACTORING DISCOUNTS AND REBATES.¹³

5. Unlike care received at an in-network hospital or physician's office, more than half of commercially insured patients' out-of-pocket spending for brand medicines is based on the full list price.
6. The market-based Average Sales Price system helps control costs and spending in Medicare Part B. It is estimated that the government and seniors have saved \$132 billion from 2005 to 2017 as a result of switching to this system.⁸ In 2016, Part B medicine spending was just 8% of total Part B spending and just 3% of total Medicare spending.⁹
7. Hospitals mark up medicine prices, on average, nearly 500%. An analysis of 20 medicines also found the amount hospitals receive after negotiations with commercial payers is, on average, more than 250% what they paid to acquire the medicine.¹⁰

8. The biopharmaceutical industry spends three times more on research and development (R&D) than on marketing and promotion. To put this into context, U.S. biopharmaceutical companies spent \$90.5 billion in 2016 on R&D, three times the \$28.1 billion spent on marketing and promotion that year.¹¹
9. We have a responsibility to not just develop treatments and cures, but to also help patients access them. That's why we created the Medicine Assistance Tool, or MAT. This free search engine contains information on more than 900 public and private assistance programs that help patients access their prescription medicines, including some free or nearly free options. Visit www.mat.org for more information.
10. We are also working to fix the health care system so it works better for patients by making sure rebates and discounts are shared with patients at the pharmacy counter, eliminating barriers to innovative payment arrangements and making insurance work like insurance again. Sharing negotiated discounts could save certain commercially insured patients with

INNOVATIVE BIOPHARMACEUTICAL COMPANIES THAT RESEARCH, DEVELOP AND MANUFACTURE MEDICINES RETAINED JUST 54% OF TOTAL POINT-OF-SALE SPENDING ON BRAND MEDICINES.¹⁴

¹Tufts Center for the Study of Drug Development (CSDD). Personalized medicine gains traction but still faces multiple challenges. Tufts CSDD Impact Rep. 2015;17(3).

²Vandervelde, A and A Brownlee. "Revisiting the Pharmaceutical Supply Chain: 2013-2018," Berkeley Research Group. January 2020. Available at: <https://www.thinkbrg.com/newsroom-publications-revisit-pharma-supply-chain.html>

³Fein, Adam J., The 2020 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers, Drug Channels Institute, 2020.

⁴IQVIA. "Diabetes Costs and Affordability in the United States." June 2020.

⁵CVS. "2019 Drug Trend Report." May 2020.

⁶Fein, A. "The 2020 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers," Drug Channels Institute. March 2020.

⁷IQVIA. "2018 Medicine Use and Spending." Published May 2019.

⁸The Moran Company. Average Sales Price Reimbursement: Significant Savings from Prior Benchmark. December 2018. <http://www.themorancompany.com/wp-content/uploads/2019/02/AWP-Savings-Report-2018.pdf>.

⁹The Moran Company. Hospital Charges and Reimbursement for Drugs: Analysis of Markups Relative to Acquisition Cost. October 2017. http://www.themorancompany.com/wp-content/uploads/2017/10/Hospital-Charges-Report-2017_FINAL.pdf.

¹⁰The Moran Company. Hospital Charges and Reimbursement for Drugs: Analysis of Markups Relative to Acquisition Cost. October 2017. http://www.themorancompany.com/wp-content/uploads/2017/10/Hospital-Charges-Report-2017_FINAL.pdf.

¹¹Research!America. U.S. investments in medical and health research and development, 2013-2017, Fall 2018 (for R&D estimate). Schwartz LM, Woloshin S. Medical marketing in the United States, 1997-2016. JAMA. 2019;321(1):80-96 (for marketing and promotion estimate).

¹²Bunger, 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>

¹³IQVIA. "2018 Medicine Use and Spending." Published May 2019.

¹⁴Vandervelde, A and A Brownlee. "Revisiting the Pharmaceutical Supply Chain: 2013-2018," Berkeley Research Group. January 2020. Available at: <https://www.thinkbrg.com/newsroom-publications-revisit-pharma-supply-chain.html>