

# THE FIVE ESSENTIAL TRUTHS ABOUT PRESCRIPTION DRUG SPENDING

**Every day patients around the world are living healthier, more productive lives thanks to innovative medicines developed by biopharmaceutical companies. Retail prescription medicines have consistently accounted for just 10 percent of United States health care spending and federal actuaries project this share will remain stable through the next decade.**

**A**t the same time, these medicines have helped to curb downstream health care system costs by reducing spending on expensive hospitalizations and long-term care. Any discussion of prescription drug spending needs to consider the following five facts:

**1. Government data shows that retail prescription medicines will continue to account for just 10 percent of U.S. health care spending through the next decade.**

Contrary to recent rhetoric, spending on prescription medicines accounts for the same percentage of health care spending today as in 1960 – just [10 percent](#). In fact, the most recent national health spending projections show that it is expected to grow at rates in line with overall health care spending through 2023. This share is expected to remain stable for at least the [next decade](#), even as important advances continue in areas such as cancer, hepatitis C, and rare diseases. To put this in context, private insurers spent roughly as much on drugs as on administrative costs in 2013 and the U.S. will spend \$13.6 trillion on hospital care over the next decade, [more than three times](#) total spending on prescription medicines.

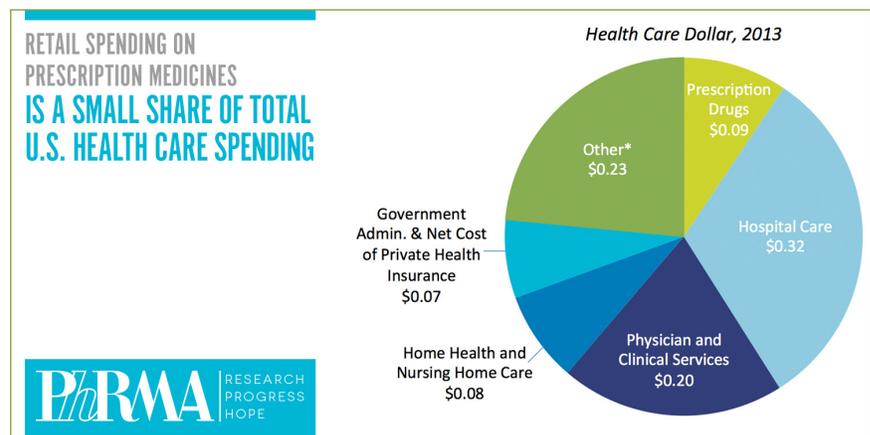
**2. 2014 was an unusual year, in which roughly 10 million of uninsured patients gained coverage, and a record number of new medicines were approved.**

Increases in health care costs were expected in 2014, given the expansion of insurance coverage under the Affordable Care Act. In addition, the [U.S. Food and Drug Administration’s Center for Drug Evaluation and Research \(CDER\)](#) approved a record number of 41 new medicines, of which nearly 41 percent were first in class treatments, and more than 20 percent were personalized

medicines. Among the new medicines are innovative cancer treatments with the potential to prolong and transform patients’ lives, therapies for [hepatitis C with cure rates of more than 90 percent](#), and a record-setting 17 medicines to treat rare diseases. The latest official government projection for spending growth for retail drugs in 2014 is [6.8 percent](#) (slightly higher than, but in-line with overall healthcare spending growth of 5.6 percent). IMS Institute for Healthcare Informatics projects that after spiking in 2014 at 13.1 percent, growth will moderate in the next few years to [5-8 percent](#) – back in line with health spending. Neither IMS nor National Health Expenditures has published actual figures for 2014.

**3. Focusing on a small subset of medicines and excluding rebates is misleading.**

Private payers are receiving discounts of up to 40 percent for hepatitis C medicines. In addition, a recent [actuarial analysis](#) of pharmacy benefit manager drug trend reports show that trends for “specialty” medicines are frequently misleading, and often use inconsistent definitions and methods which can inflate and bias reported trends.



#### 4. Medicines can play a crucial role in controlling future health care costs.

Many medicines shift the treatment paradigm toward prevention by allowing patients to avoid expensive hospital and long-term care. And every additional dollar spent on medicines for adherent patients with congestive heart failure, high blood pressure, diabetes and high cholesterol generated [\\$3 to \\$10 dollars in savings](#) on emergency room visits and inpatient hospitalizations. Researcher findings from University of Chicago establish that a 10 percent decrease in the cancer death rate is worth roughly [\\$4.4 trillion in economic value](#) to current and future generations. By preventing the need for expensive hospital, emergency, or long term care, medicines can reduce the growth in health care spending, and in some cases, result in savings. For example, based on a large body of research

showing that better use of medicines can reduce spending on other medical services, the [Congressional Budget Office](#) (CBO) now credits Medicare policies that increase use of medicines with savings on other Medicare costs.

#### 5. Medicines help patients live longer, healthier lives.

In many cases, research and medicines from the biopharmaceutical sector are the only chance for survival for patients and their families. Medicines have helped raise average U.S. life expectancy from [47 years in 1900 to 78 years](#). Since its peak in 1991, the cancer death rate in the U.S. has fallen [22 percent](#) and 2 out of 3 patients diagnosed with cancer are now living at least 5 years following diagnosis. And new hepatitis C therapies have [cure rates above 90 percent](#) and dramatically decrease the burden of the disease on the U.S. health care system and the economy.