

The AHIP Premium Dollar: Corrected

America's Health Insurance Plans (AHIP) would have you believe that brand medicines are the primary driver of insurance premium costs. But AHIP's own data show that this simply isn't true. A recent [AHIP infographic](#), "Where Does Your Premium Dollar Go?," gives the misleading impression that prescription medicines account for the largest share of insurance premiums. However, when you properly account for the share of spending that goes to brand biopharmaceutical companies vs. generic manufacturers and supply chain intermediaries, **brand medicines comprise less than 11 cents of the premium dollar, or about 50% less than what is spent on insurer administrative costs and profit.**^{1,2}



Furthermore, by breaking hospital inpatient, hospital outpatient, and emergency room spending into separate categories, AHIP's original infographic obscures the fact that hospital spending is by far the largest contributor to insurance premium costs. Combined, hospital costs account for nearly half (48%) of the insurance premium dollar, more than four times as much as brand medicines.

Both the original and corrected AHIP infographics also highlight an often overlooked fact about health care spending: **nearly 20 cents of every premium dollar is not spent on medical care, but instead goes towards administrative costs or is retained by the health plan as profit.**

1 Berkeley Research Group. "The Pharmaceutical Supply Chain; Addendum," 2020. Available at: <https://www.thinkbrg.com/insights/publications/the-pharmaceutical-supply-chain/>

2 This corrected infographic conservatively assumes that AHIP's original premium spending distribution was accurate. AHIP restricts its sample to patients younger than 65 years of age, who are younger and healthier than the population as a whole, and for whom spending on prescription medicines constitutes a proportionally higher percentage of total health expenditures. Spending captured in AHIP's premium dollar also excludes a significant share of health care spending, including long-term care and investments in public health. More comprehensive analysis shows that retail and non-retail prescription medicines (including brand, generic, and supply chain costs) account for [just 14% of total U.S. health care spending](#).