

# 10 Things You Should Know About Medicine Spending And Costs

- 1.** Today, there are more than 8,000 medicines in development.<sup>i</sup> And 42% of medicines in development have the potential to be personalized therapies that can be targeted to specific patients and their individual health needs.<sup>ii</sup> Among medicines approved by the FDA over the last 6 years, 1 in 4 were classified as personalized medicines.
- 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.<sup>iii</sup>
- 3.** Due to negotiations in the market, net prices for brand medicine declined by 2.9%, on average, in 2020. Brand medicine prices have grown in line with or below the rate of inflation for the last five years.<sup>iv</sup> Total spending on medicines grew just 0.8% last year. Looking ahead, net spending on all medicines is projected to grow between 0%-3% annually through 2025, even as many new treatments reach patients.<sup>v</sup>
- 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 \$128 billion from 2021 to 2025.<sup>vi,vii</sup>
- 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.<sup>viii</sup>
- 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.<sup>ix</sup> In 2016, Part B medicine spending was just 10% of total Part B spending and just 5% of total Medicare spending.<sup>x</sup>
- 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% of what they paid to acquire the medicine.<sup>xi</sup>

**In 2020, brand medicine prices fell 2.9% on average after factoring in discounts and rebates.**<sup>xiv</sup>

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.<sup>xii</sup>
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](http://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 high deductibles and coinsurance \$145 to \$800 annually and would increase premiums about 1% or less.<sup>xiii</sup>

**Innovative biopharmaceutical companies that research, develop and manufacture medicines retained just 54% of total point-of-sale spending on brand medicines.<sup>xv</sup>**



i Adis R&D Insight Database.

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

iii Vandervelde, 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>

iv IQVIA. "Use of Medicines in the U.S.: Spending and Usage Trends and Outlook to 2025." Published May 2021

v IQVIA. "Use of Medicines in the U.S.: Spending and Usage Trends and Outlook to 2025." Published May 2021

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

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

viii IQVIA. Medicine Spending and Affordability in the U.S. August 2020. Available at: <https://www.iqvia.com/insights/the-iqvia-institute/reports/medicine-spending-and-affordability-in-the-us>

ix The 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>.

x Analysis of 2019 Medicare Trustees Report and June 2020 MedPAC Databook by PhRMA, August 2020.

xi The 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](http://www.themorancompany.com/wp-content/uploads/2017/10/Hospital-Charges-Report-2017_FINAL.pdf).

xii Research!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).

xiii Bunger, 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 <https://www.milliman.com/en/insight/analysis-of-340b-hospitals-outpatient-department>

xiv IQVIA. "Use of Medicines in the U.S.: Spending and Usage Trends and Outlook to 2025." Published May 2021

xv Vandervelde, 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>