

## LET'S TALK ABOUT COST

# 10 THINGS YOU SHOULD KNOW ABOUT MEDICINE SPENDING AND COSTS

- 1 Today, there are more than 7,000 medicines in development, including 140 personalized medicines. And 42% of new medicines in development have the potential to be personalized therapies that can be targeted to specific patients and their individual health needs.
- 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.
- 3 Due to negotiations in the market, net prices for brand medicines grew just 1.7%, on average, in 2019, less than the rate of inflation. And spending on medicines for one of the nation's largest pharmacy benefit managers (PBMs) grew just 2.3% last year.
- 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 \$121 billion from 2020 to 2024.
- 5 Unlike care received at an in-network hospital or physician's office, 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. In 2018, Part B medicine spending was just 10% of total Part B spending and just 5% of total Medicare spending.

**1.7%**

The amount prices for brand medicine increased in 2019, after factoring in discounts and rebates.

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

- 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.
- 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.
- 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.

Learn more at [LetsTalkAboutCost.org](http://LetsTalkAboutCost.org)

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