follow the pill

multiple actors impact what patients pay for prescription drugs. this is a snapshot of how the drug cost ecosystem works. it provides a simplified example of how medicines get to the pharmacy, and it shows how patients’ out-of-pocket costs are determined by health plans and other middlemen within the system.

a wholesaler buys the drug at a discounted price that is negotiated with the manufacturer.

the wholesaler marks up the price of the drug and sells it to a pharmacy.

three wholesalers control 90% of the market.

a drugmaker sets the list price for the drug, which is rarely what the drug company makes or what patients pay.

drugmakers received just 56% of the list price of all brand-name drugs sold in 2017.

rebates and other discounts by drugmakers totaled $153 billion in 2017.

health plans are shifting greater drug costs onto patients through higher deductibles and co-insurance.

the health plan sets the patient’s out-of-pocket costs — such as co-pays and co-insurance — based on a number of factors, including the amount the health plan expects to pay the PBM.

the PBM uses a complex formula to reimburse the pharmacy for each prescription that is filled.

a wholesaler buys the drug at a discounted price that is negotiated with the manufacturer.

the net price reflects what the drugmaker actually receives after discounts and rebates paid to others in the ecosystem.

a health plan hires a PBM to negotiate a rebate from the drugmaker. the PBM may pass the rebate to the health plan, keep some of it, or keep all of it.

footnotes

1dollar amounts are illustrative
2iqvia medicine use & spending report, 2018
3drug channels analysis of iqvia data
4kaiser employer health benefits survey