

PRESCRIPTION DRUG SPENDING

Prescription Drug Spending is Stable

Prescription medicines, including retail pharmacy sales and provider-administered drugs, are only about 14% of overall healthcare spending — roughly the same share as in 1960. That spending has been remarkably stable, even though more than 450 new medicines have been brought to market for millions of suffering patients over the past 15 years, thanks to competition between branded drug makers in the same treatment class and the availability of low-cost generic drugs after a limited period of exclusivity for innovator products.

So where do most healthcare dollars get spent? Hospitals comprise by far the largest share, at about 30% of U.S. healthcare spending, or close to \$1 trillion annually. Physicians and clinical services are another 20%. These services are also driving premiums increases for many insured Americans.

Policy Position

Ensuring individuals and families have access to affordable medicines is a top priority for BIO. That's why we've teamed up with the Council for Affordable Health Coverage – a group of pharmacy benefit managers, drug manufacturers, insurers, patients, consumers and employers – to promote market-based reforms that will help ensure patients have access to the right medicines for them, while maintaining incentives for continued medical innovation to better serve patients in the future. These include:

- Increasing Competition: Bring more generics and brand name drugs to market to drive down costs and increase choice;
- Rewarding Value: Reward improved outcomes and lower costs by reforming outdated laws that inhibit value-based arrangements for prescription drugs;
- Improving Data Infrastructure and Utilization: Create better infrastructure and streamline processes needed to bring value-based arrangements and higher value treatments to market;
- Preserving What Works: Reject policies that undermine functioning markets, hamper innovation, or jeopardize safety or access.

Key Points

- ✓ The Centers for Medicare and Medicaid Services (CMS) reports that national **spending on retail drugs increased by only 1.3% in 2016**, well below spending on hospitals (4.7 percent), physicians and clinical services (5.4 percent) and private health insurance (5.1 percent).
- ✓ Roughly **14% of all health care dollars** go toward prescription drugs, which is similar to other developed countries like Germany (13%), France (13%) and Canada (14%).
- ✓ The Altarum Institute reports that **drug prices increased by only 1% over the last year** — and that's **before** factoring in manufacturers rebates and discounts.
- ✓ Data from Prime Therapeutics (a pharmacy benefits manager owned by Blue Cross Blue Shield plans) shows **negative growth in net prices for drugs** for both government and private payers for 2017.