The 0.4 percent increase in 2017 marked the slowest rate of growth in prescription drug spending since 2012... 

— Centers for Medicare & Medicaid Services, December 2018

Prescription Drugs Are Not the Primary Drivers of Health Care Spending

For every $1 spent on health care in the U.S., just 14¢ is spent on prescription drugs.

The drivers of health care spending are payments to hospitals and doctors, which are expected to grow by $1.4 trillion over the next decade — nearly six times greater than the growth in prescription drug spending.

Projected National Health Care Spending

Note: Some physician-administered drugs are included in hospital and physician spending, which today is 3–5% of national health spending.

Source: CMS, National Health Expenditure Projections 2018–2027

drugcostfacts.org
How Hospitals and Insurers Impact Patients’ Prescription Drug Costs

**Hospitals mark up the cost of medicines — significantly**

- **500%**
  - Average markup of drugs by hospitals
  - BEFORE price negotiations with payers

- **250%**
  - Average markup of drugs by hospitals
  - AFTER price negotiations with payers

**Insurers require patients to pay almost 5x more out of pocket for prescription drugs than for hospital care**

- **14%**
  - Out of Pocket Ratio
  - Prescription Drugs

- **3%**
  - Out of Pocket Ratio
  - Hospital Care

*Out-of-pocket expenditures divided by total expenditures

Source: Analysis by the Moran Company of 20 medicines from a range of therapeutic classes, October 2017

Source: Centers for Medicare & Medicaid Services, National Health Expenditure Data, December 2018

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The Role of Competition and Low-Cost Generic Drugs in the Health Care System

**Increasing Competition Leads to Consumer Savings**

Competition in the market and expiring patents produce substantial savings on prescription drugs. In fact, new competition from generic and biosimilar drugs will reduce prescription drug spending by $143.5 billion (between 2017 and 2021).

**Generic Share of Total Prescriptions Dispensed in the U.S.**

- **89%**
  - Source: 2017 Association for Accessible Medicines
  - Generic Drug Access & Savings in the U.S. report

- **UK 83%**
- **Germany 81%**
- **Canada 73%**
- **OEDC 52%**
- **France 30%**
- **Japan 34%**

**Source: OECD Health Statistics 2017**

**Patent Expirations Driving Savings in Prescription Drugs Over Next Five Years**

- **$27.4**
  - Millions of Dollars Saved
  - 2017

- **$37.3**
  - Millions of Dollars Saved
  - 2018

- **$30.6**
  - Millions of Dollars Saved
  - 2019

- **$26.9**
  - Millions of Dollars Saved
  - 2020

- **$21.2**
  - Millions of Dollars Saved
  - 2021

Source: IQVIA, “Outlook for Global Medicines through 2021"