

PRESCRIPTION DRUG COSTS: BY THE NUMBERS



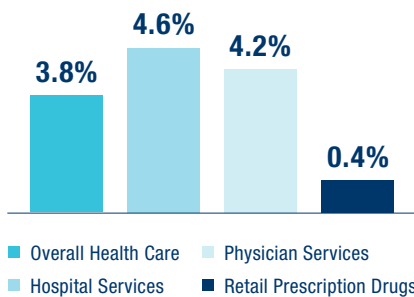
The 0.4 percent increase in 2017 marked the slowest rate of growth in prescription drug spending since 2012...

— Centers for Medicare & Medicaid Services, December 2018



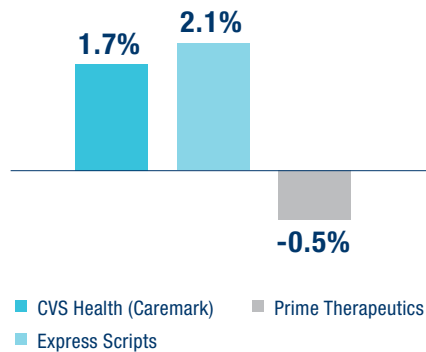
Spending on Prescription Medicines Remains Stable

Drug spending growth slower than other health care services in 2017.

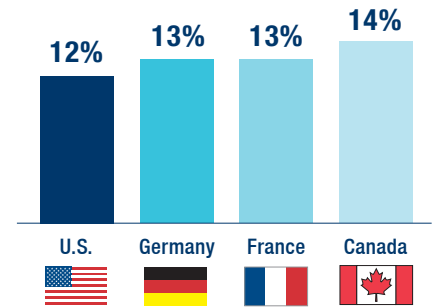


Source: Centers for Medicare & Medicaid Services, December 2018

Major pharmacy benefits managers all report stable drug prices for commercial plans in 2018.



U.S. spending on prescription drugs as a share of total health care dollars is similar to other developed countries.

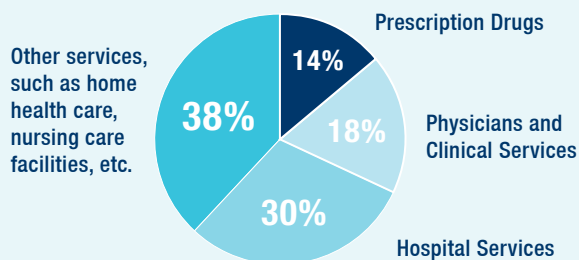


Source: OECD estimates of retail prescription drug spending, 2015



Prescription Drugs Are Not the Primary Drivers of Health Care Spending

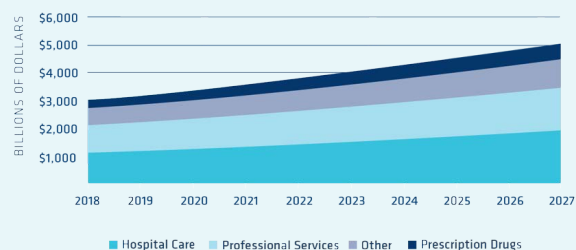
For every \$1 spent on health care in the U.S., just 14¢ is spent on prescription drugs.



Source: BIO Analysis of Altarum Institute data, December 2018; Prescription drugs include both retail & physician-administered 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



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

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

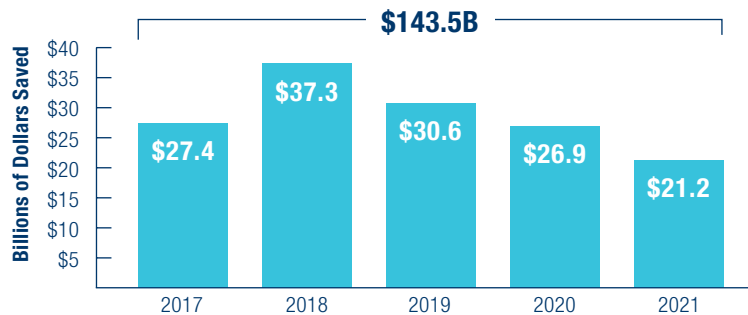
UK 83% **Germany 81%**
Canada 73% **OECD 52%**
France 30% **Japan 34%**

Source: OECD Health Statistics 2017

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).

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



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



How Hospitals and Insurers Impact Patients' Prescription Drug Costs

Hospitals mark up the cost
of medicines — significantly



500%

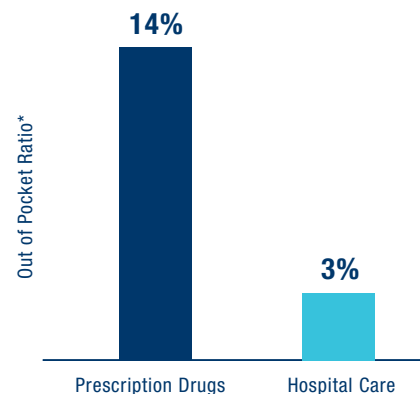
Average markup of drugs by hospitals
BEFORE
price negotiations with payers

250%

Average markup of drugs by hospitals
AFTER
price negotiations with payers

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

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



*Out-of-pocket expenditures divided by total expenditures

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