



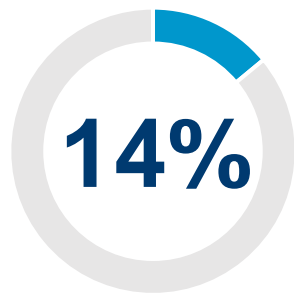
# Presentation to Vermont Senate Committee on Health and Welfare

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*February 2, 2024*

# Spending on Medicines Is a Small and Stable Share of Total Health Care Spending

Prescription medicines account for just

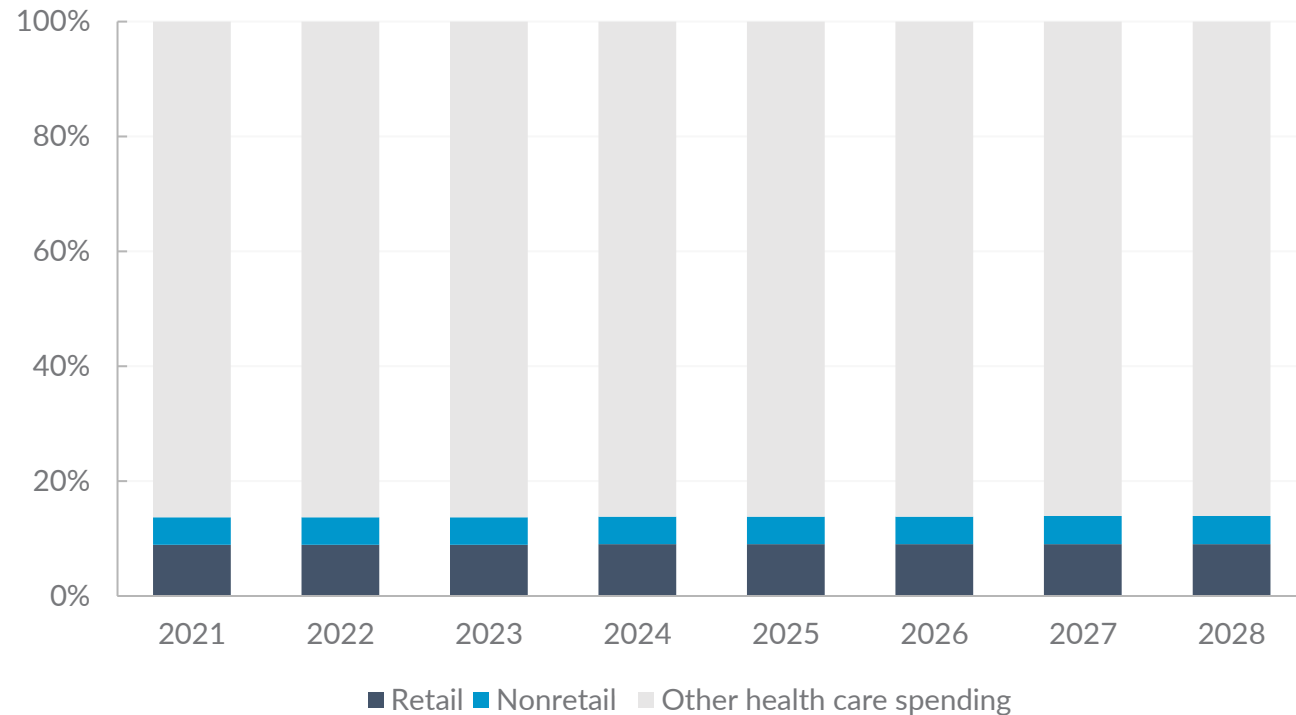


of total health care spending

In 2022, per capita spending on medicines\* grew, below inflation, at

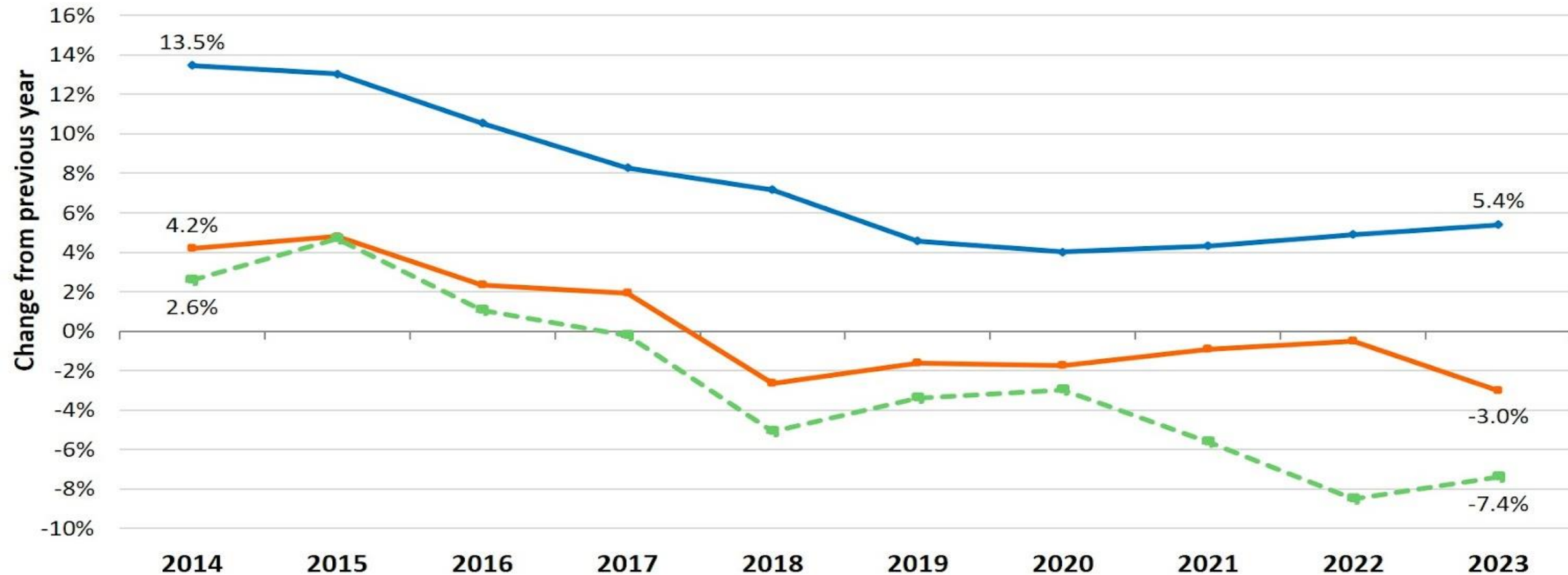
**2.5%**

**Projected US Health Care Expenditures Attributable to Retail and Nonretail Prescription Medicines, 2021-2028**



# Brand-Name Prescription Drugs, Change in Average List and Net Prices, 2014 to 2023

Change in list prices (nominal)      Change in net prices (nominal)  
Change in net prices (real; inflation-adjusted)



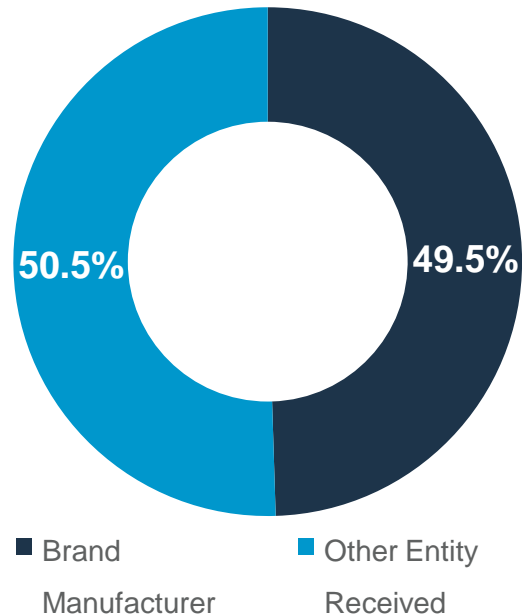
Source: Drug Channels Institute analysis of SSR Health data. List and estimated net pricing figures are based on data for approximately 1,000 brand-name drugs with disclosed U.S. product-level sales from approximately 100 currently or previously publicly traded firms. The products and companies account for more than 90% of U.S. branded prescription net sales. Net prices equal list price minus off-invoice rebates and such other reductions as distribution fees, product returns, chargeback discounts to hospitals, price reductions from the 340B Drug Pricing Program, and other purchase discounts. List price data for 2022 reflect first three quarters only. Net price data for 2023 reflect the first three calendar quarters. Net prices were converted from nominal to real, inflation-adjusted value using the Consumer Price Index for All Urban Consumers (CPI-U).

Published on Drug Channels ([www.DrugChannels.net](http://www.DrugChannels.net)) on January 3, 2024.

# More than 1/2 of Brand Spend on Medicines Goes to Other Stakeholders, not Patients (and not the Manufacturers)

**Rebates, discounts and other payments made by brand manufacturers reached \$256B in 2022.**

### Percent of Total Spending on Brand Medicines Received by Manufacturers and Other Entities, 2020



### Payments from brand manufactures to payers, middlemen, providers and other stakeholders tripled between 2012 and 2021



# Patients Often Do Not Directly Benefit From Negotiated Rebates and Discounts Paid by Manufacturers

Prices paid by wholesalers, pharmacies, pharmacy benefit managers (PBMs), and health plan sponsors vary and are determined by negotiations between stakeholders, each with varying degrees of negotiating power.

Flow of Payment for a \$400 Insulin Prescription for a Patient in the Deductible Phase



This graphic is illustrative of a hypothetical product with a wholesale acquisition cost (WAC) of \$400 and an average wholesale price (AWP) of \$480. It is not intended to represent every financial relationship in the marketplace. The payment amounts do not add up to \$400 due to markups and discounts along the supply chain.

# Reduce Cost-Related Barriers by Ensuring Patients Directly Benefit from Rebates and Discounts on Medicines at the Pharmacy Counter

“[T]he goal of point of sale (POS) discounts is to use a portion of the rebate to deliver lower out-of-pocket costs directly to eligible members, and help make prescriptions more affordable at the pharmacy counter.”

**UNITEDHEALTH GROUP®**



SOURCE: Optum, Jun 2019. *Point of Sale Discounts Mean Lower Costs*; UnitedHealth Group, Successful Prescription Drug Discount Program Expands to Benefit More Consumers at Point-of-sale, March 2019.

**According to UnitedHealth, employers who have opted to share discounts with patients at the point of sale have seen results:**



Saved patients \$130 per eligible prescription, on average



Improved patient adherence by up to 16%

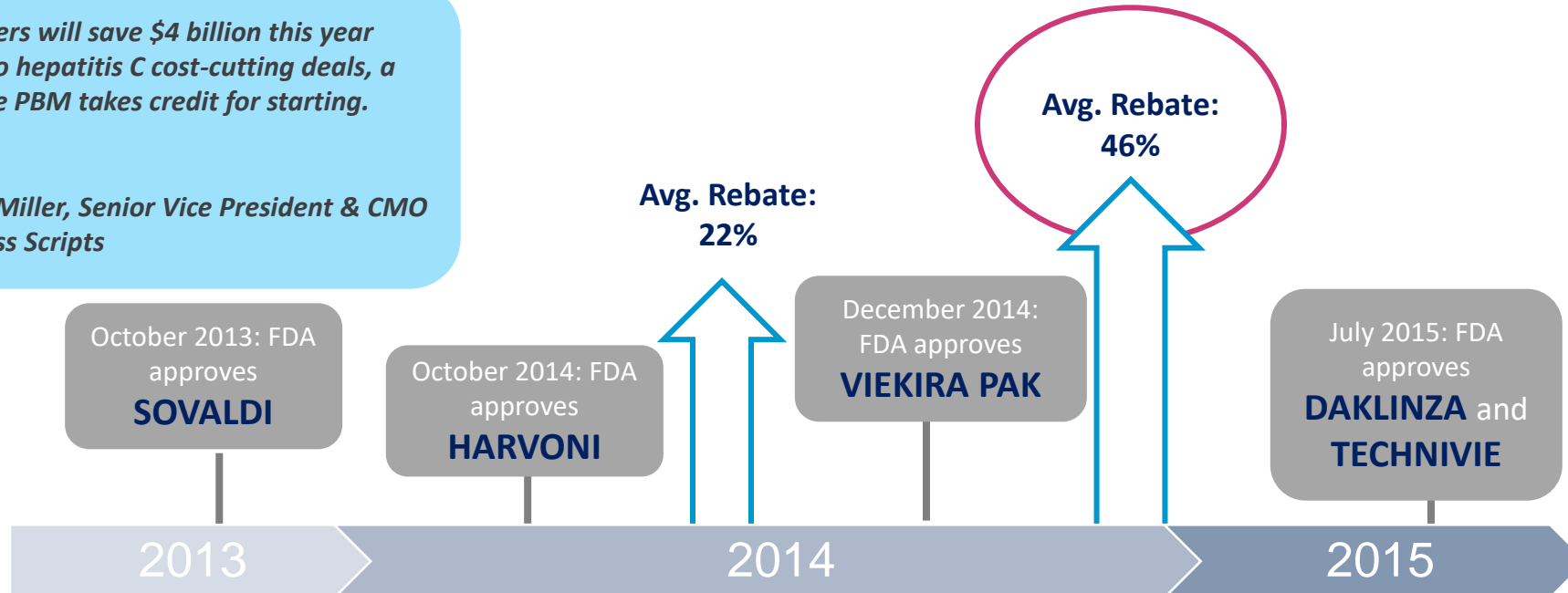
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# Competition and Aggressive Payer Negotiations Reduce Net Drug Costs

Discounts and rebates significantly reduce the net prices of brand medicines. This is particularly true when new medicines enter the market. Payers and PBMs leverage competition and negotiate lower prices through the aggressive use of formulary restrictions and the threat of coverage exclusions.

*U.S. payers will save \$4 billion this year thanks to hepatitis C cost-cutting deals, a trend the PBM takes credit for starting.*

*---Steve Miller, Senior Vice President & CMO of Express Scripts*

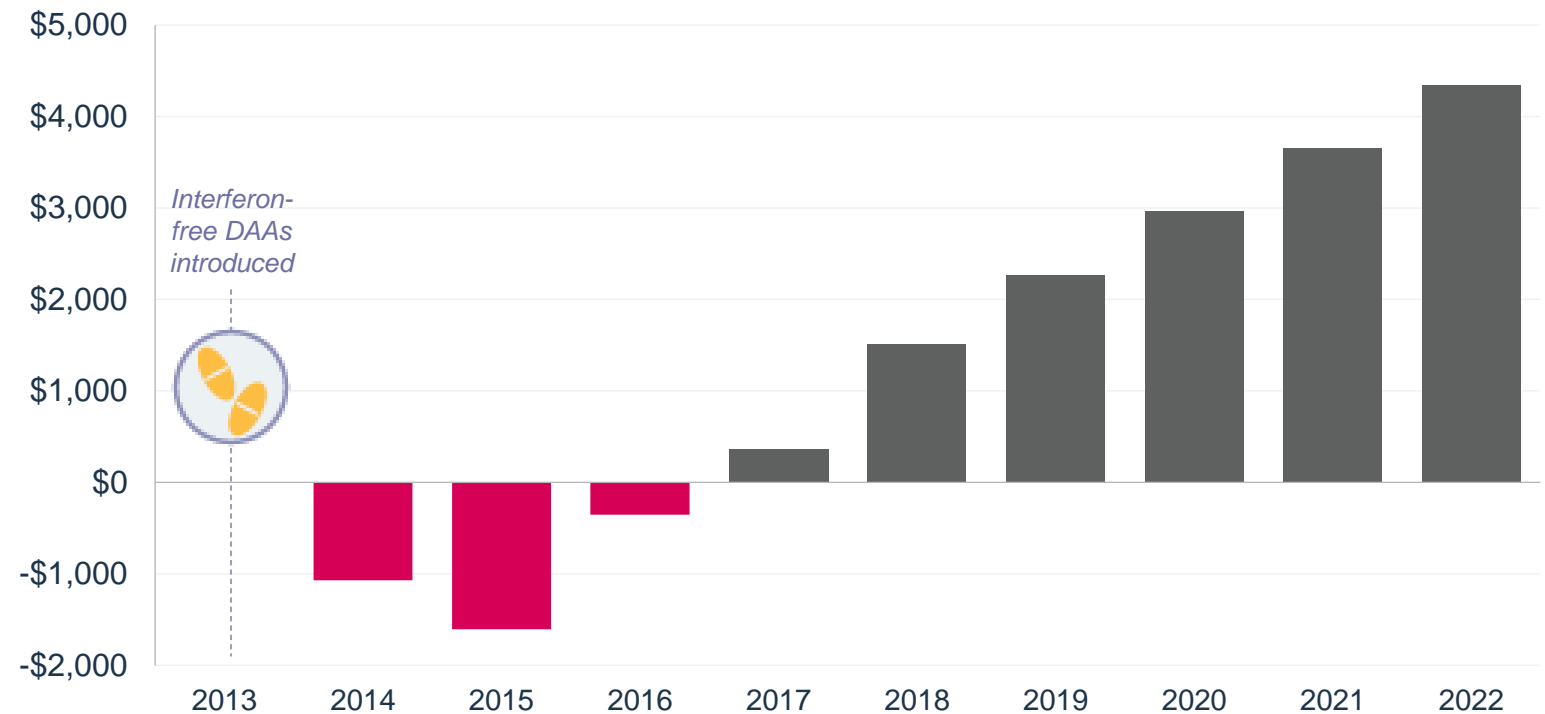


Sources: E. Wasserman. "Gilead Zooms Past AbbVie in Hep C Race With UnitedHealth Deal." *FiercePharma*. January 29, 2015; A. Fein. "What Gilead's Big Hepatitis C Discounts Mean for Biosimilar Pricing." *Drug Channels*. February 5, 2015.

# Hepatitis C Medicines Produce Savings in Medicaid

By 2019, the total cumulative costs of HCV medicines since the introduction of curative interferon-free DAA therapy were fully offset by the total cumulative savings in health care costs resulting from avoided disease complications in Medicaid. By 2020, Medicaid realized an estimated \$12 billion in cumulative savings.

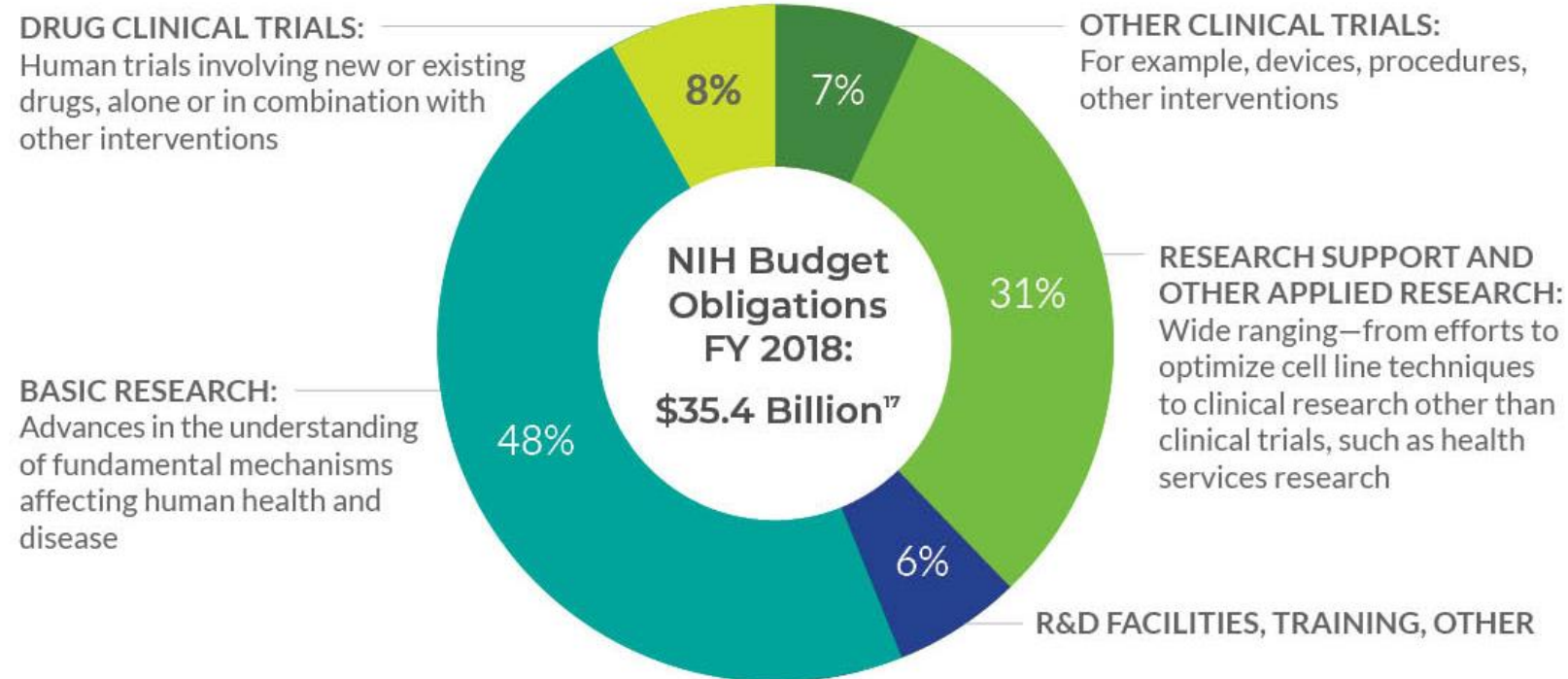
HCV DAA Therapy: Short-term Costs and Long-term Savings in Medicaid, 2013-2022 (in Millions)





# Biopharmaceutical Industry Does the Majority of Research to Advance Basic Science Into New Medicines

An estimated 8% (\$2.9 billion) of the 2018 NIH budget supported clinical trials involving new or existing drugs, alone or in combination with other interventions. In comparison, the US biopharmaceutical industry invested \$102 billion in R&D in 2018.



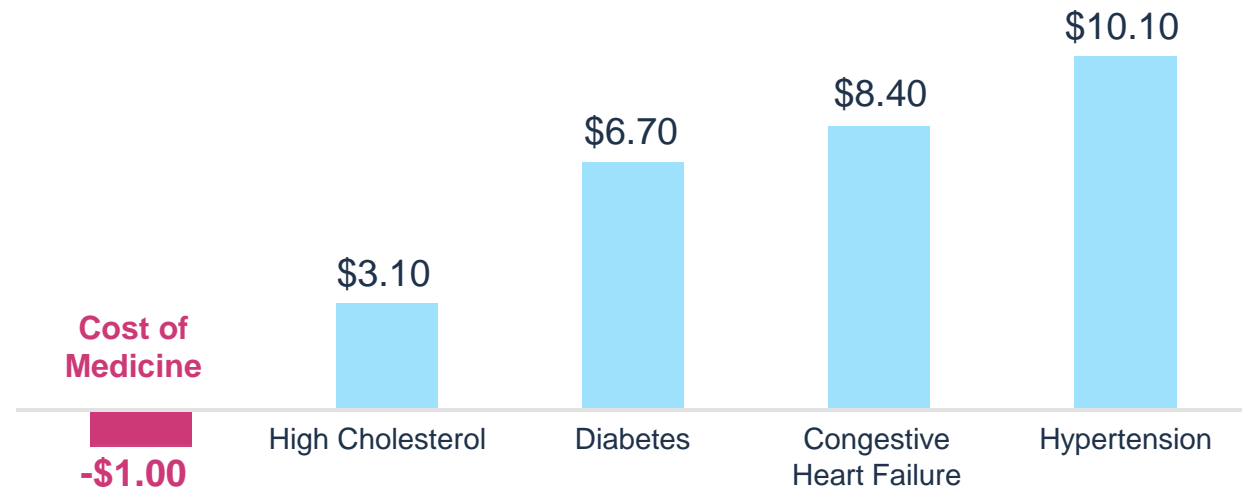
\*NIH budget refers to fiscal year 2018. Biopharmaceutical investment refers to 2018 calendar year.

# Prescription Medicines Can Lower Health Care Costs by Reducing the Need for More Costly Medical Services



**Every \$1 spent on medicines** for adherent commercially insured patients with common chronic conditions **saves up to \$10** in avoidable health care services, like emergency department visits and hospitalizations.

## Estimated Savings Per Dollar Spent on Medicines for Adherent Commercially Insured Patients with Common Chronic Condition



# Policies That Help *Patients Pay Less*



Share the savings



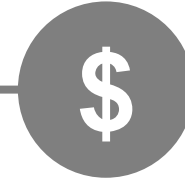
Make coupons count



Offer lower cost-sharing options



Cover medicines from day one



Hard-dollar cost sharing caps