

# 10 Things You Should Know About Medicine Spending and Costs

1.

Today, there are more than 8,000 medicines in development.<sup>i</sup> Nearly 70% of medicines across the pipeline have the potential to be first-in-class treatments, representing entirely new approaches to treating disease.<sup>ii</sup>

2.

Total rebates, discounts and other payments from brand manufacturers to pharmacy benefit managers (PBMs), payers, providers, government and others have tripled since 2011, reaching \$236 billion in 2021.<sup>iii, iv</sup> These discounts and rebates significantly lower the prices of brand medicines—by an average of 49% just last year.<sup>v</sup>

3.

More than half of every \$1 spent on brand medicines went to entities in the pharmaceutical supply chain—including payers, PBMs, hospitals and other stakeholders in 2020.<sup>vi</sup>

4.

Net prices for brand medicine increased just 1%, on average, in 2021. Brand medicine prices have grown in line with or below the rate of inflation for the last five years.<sup>vii</sup>

5.

Over the past 10 years, net spending on medicines per person has remained effectively flat, increasing just 1.8% on average per year.<sup>viii</sup> This trend is expected to continue, with net spending on medicines projected to grow 1-4% annually through 2026, even as many new treatments reach patients.<sup>ix</sup>

6.

91% of all medicines dispensed in the United States are generic copies that cost a fraction of the price of the initial brand medicine.<sup>x</sup> In addition, competition from generics and biosimilars is expected to reduce U.S. brand sales by \$56 billion from 2022 to 2026.<sup>xi</sup>

In 2021, brand medicine prices grew just 1% on average after factoring in discounts and rebates.<sup>xv</sup>

7.

The prescription medicine lifecycle is unique. There is no similar type of cost containment for other health care services, like hospital procedures. For example, the price of a medicine commonly used to prevent cardiovascular disease dropped 95% between 2007 and 2017, while the average charge for a surgical procedure to treat it increased 94% over the same period.<sup>ii</sup>

8.

Hospitals mark up medicine prices, on average, nearly 500%. An analysis of 20 medicines also found the amount hospitals receive after negotiations with commercial payers is, on average, more than 250% of what they paid to acquire the medicine.<sup>xiii</sup>

9.

Help is available for patients with commercial insurance who have difficulty affording their medicine. That's why we created the Medicine Assistance Tool, or (MAT). This free online resource contains information on more than 900 public and private assistance programs that help patients access their prescription medicines, including some free or nearly free options. Visit [www.mat.org](http://www.mat.org) for more information.

10.

We are working to fix the health care system so it works better for patients by making sure rebates and discounts are shared with patients at the pharmacy counter, eliminating barriers to innovative payment arrangements and making insurance work like insurance again. Sharing negotiated discounts at the pharmacy counter could save certain commercially insured patients with high deductibles and coinsurance \$145 to \$800 annually.<sup>xiv</sup>

Innovative biopharmaceutical companies that research, develop and manufacture medicines retained less than half of every dollar of every dollar spent on brand medicines.<sup>xvi</sup>

i Analysis Group. [The Biopharmaceutical Pipeline: Innovative Therapies in Clinical Development](#), 2021.

ii Fein AJ. The 2017 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers. Drug Channels Institute. February 2017.

iii Fein AJ. ["Warped Incentives Update: The Gross to Net Bubble Exceeded \\$200 Billion in 2021."](#) Drug Channels. March 22, 2022.

iv IQVIA. ["The Use of Medicines in the U.S.: Spending and Usage Trends and Outlook to 2026."](#) April 2022.

v Vandervelde, A and A Brownlee. ["Revisiting the Pharmaceutical Supply Chain: 2013-2020,"](#) Berkeley Research Group. January 2022.

vi IQVIA. Use of Medicines in the U.S.: Spending and Usage Trends and Outlook to 2026, April 2022.

vii IQVIA. Use of Medicines in the U.S.: Spending and Usage Trends and Outlook to 2026, April 2022.

viii IQVIA. Use of Medicines in the U.S.: Spending and Usage Trends and Outlook to 2026, April 2022.

ix Fein, A. "The 2022 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers," Drug Channels Institute. March 2022.

x IQVIA. Use of Medicines in the U.S.: Spending and Usage Trends and Outlook to 2026, April 2022.

xi PhRMA analysis of [Healthcare Cost and Utilization Project \(HCUP\). National \(Nationwide\) Inpatient Sample \(NIS\) database](#). 2007, 2017. Accessed July 2020; IQVIA analysis for PhRMA. Invoice price data for atorvastatin 10mg from IQVIA National Sales Perspectives data for 2007 (branded Lipitor) and 2017 (generic). June 2020.

xii The Moran Company. [Hospital Charges and Reimbursement for Drugs: Analysis of Markups Relative to Acquisition Cost](#). October 2017.

xiii Bunker, A., et al., [Point of Sale Rebate Analysis in the Commercial Market: Sharing rebates may lower patient costs and likely has a minimal impact on premiums](#).

xiv IQVIA. Use of Medicines in the U.S.: Spending and Usage Trends and Outlook to 2026, April 2022.

xvi Vandervelde, A and A Brownlee. ["Revisiting the Pharmaceutical Supply Chain: 2013-2020,"](#) Berkeley Research Group. January 2022.