



# Prescription Medicines: Costs in Context

*Presentation to the New Mexico Legislative  
Health & Human Services Committee*

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# We are in a New Era of Medicine Where Breakthrough Science is Transforming Patient Care

**53 New Medicines Were Approved by the FDA in 2020**

**The  
Washington  
Post**

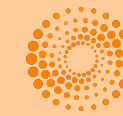
## Cancer Death Rate

Cancer death rate posts biggest one-year drop ever

**CBS**

## Game Changer

Newly approved drug being called 'game changer' for people who suffer from hemophilia



**REUTERS**

## Coronavirus Vaccine

Reasons for hope: the drugs, tests and tactics that may conquer coronavirus

# About 4,500 Medicines in Development in the U.S.

Biopharmaceutical researchers are working on new medicines\* for many diseases, including:



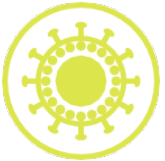
## **CANCERS**

1,120



## **HEART DISEASE & STROKE**

200



## **HIV**

52



## **ASTHMA & ALLERGY**

130



## **SKIN DISEASES**

328



## **MENTAL DISORDERS**

140



## **RARE DISEASES**

566



## **NEUROLOGICAL DISORDERS**

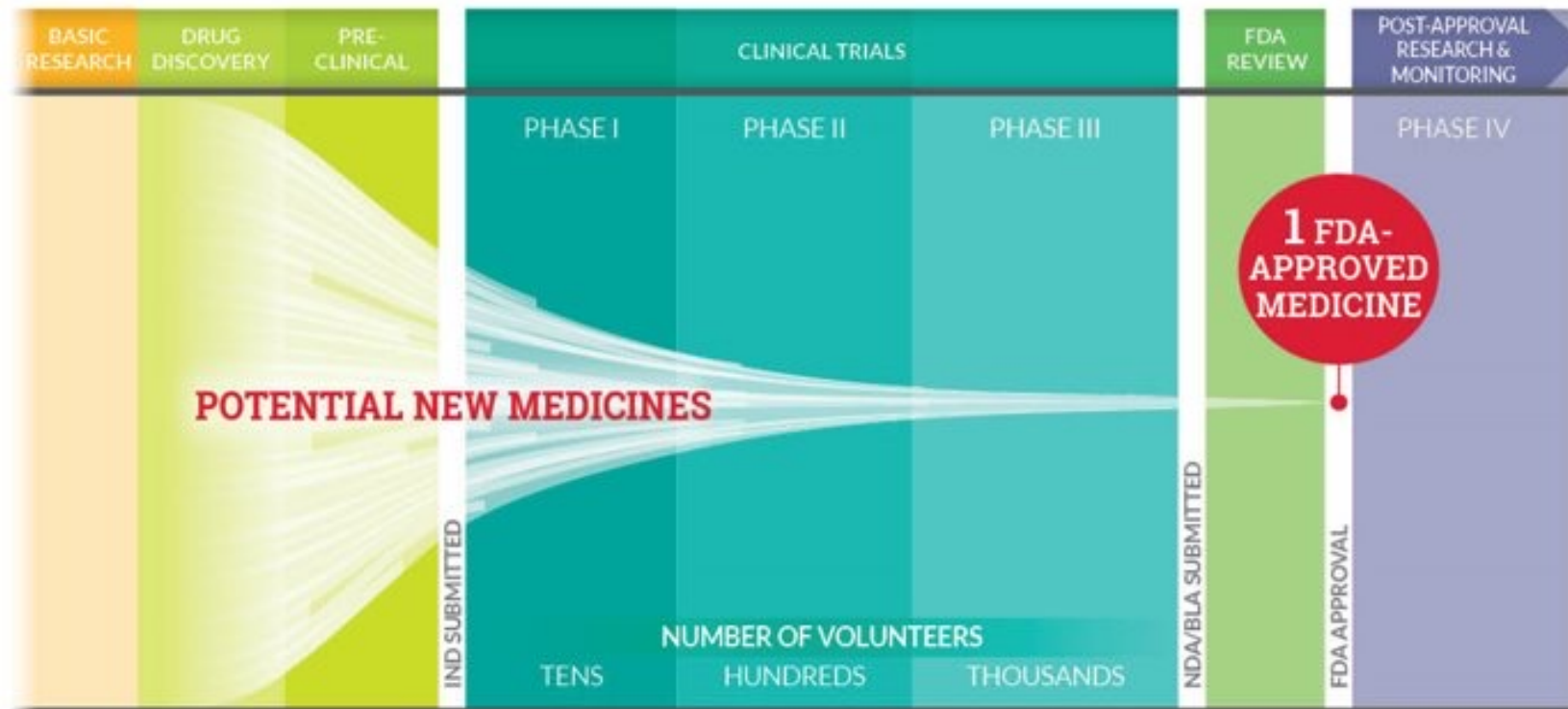
537

\*Defined as single products that are counted only once regardless of the number of indications pursued

Source: Adis R&D Insight Database<sup>2</sup>

# The R&D Process for New Drugs Is Lengthy and Costly, With High Risk of Failure

Less than 12% of the candidate medicines that make it into Phase I clinical trials are approved by the FDA

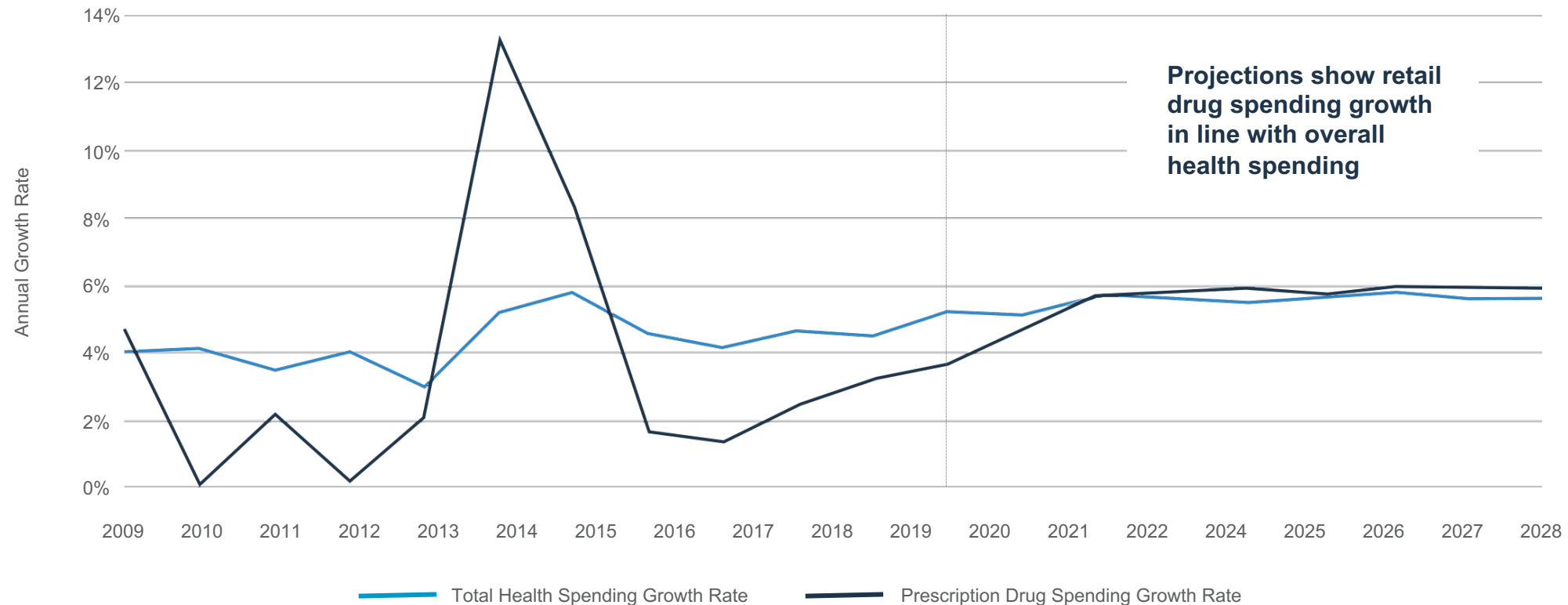


Key: IND=Investigational new drug application, NDA=New drug application, BLA=Biologics license application

\*The average R&D cost required to bring a new FDA-approved medicine to patients is estimated to be \$2.6 billion over the past decade (in 2013 dollars), including the cost of the many potential medicines that do not make it through to FDA approval.

# Medicine Spending is Projected to Grow in Line with Health Care Spending Through Next Decade

**In 7 of the last 10 years, Retail Drug Spending Growth was below Total Health Spending Growth**



# Though Growth in Medicine Prices and Spending Remains in Line With Inflation, Many Patients Still Struggle to Afford their Medicines

## Brand Medicine Prices

## Medicine Spending

IMS Health & Quintiles are now  
 IQVIA™

declined

**-2.9%**

in 2020

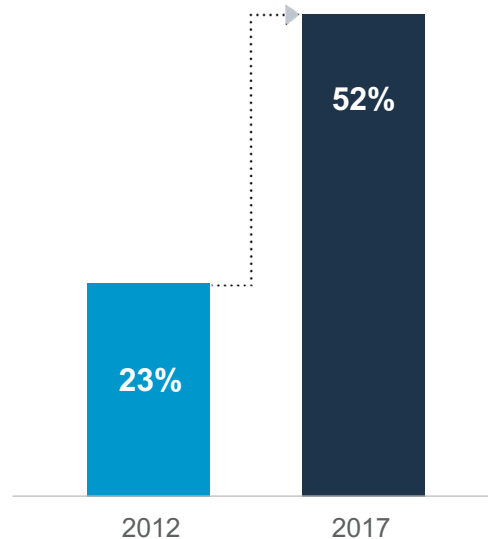
grew

**0.8%**

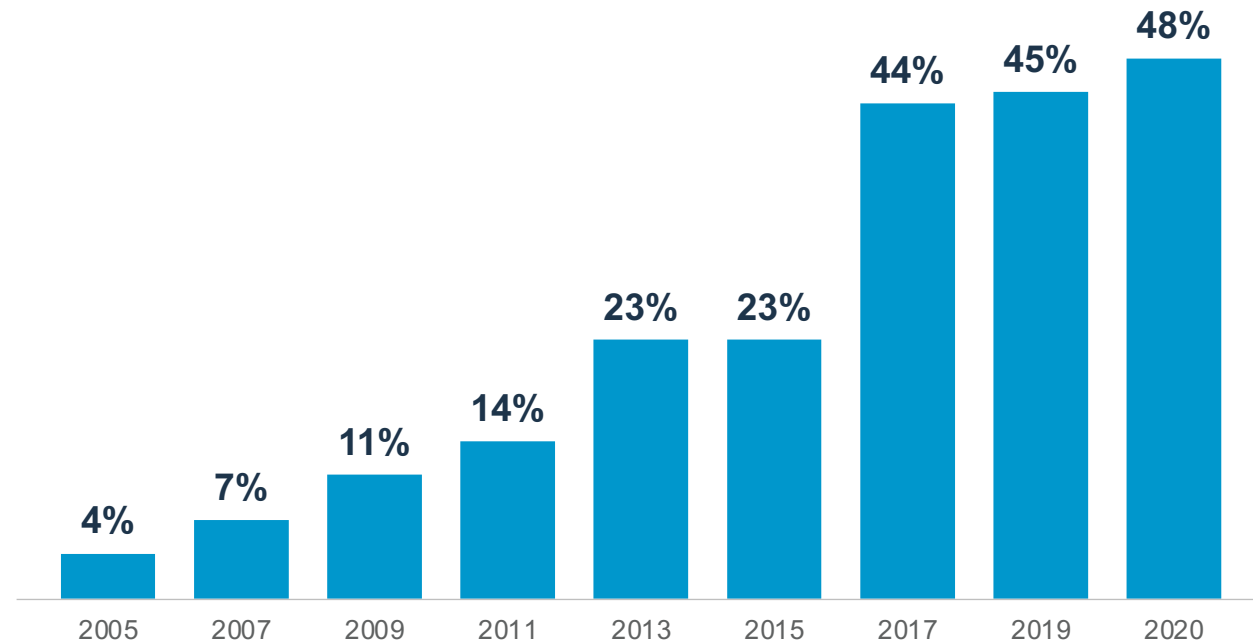
in 2020

# Insurers are Increasingly Shifting Costs to Patients Through the Use of Deductibles and Coinsurance

Percent of plans with deductibles on prescription drugs

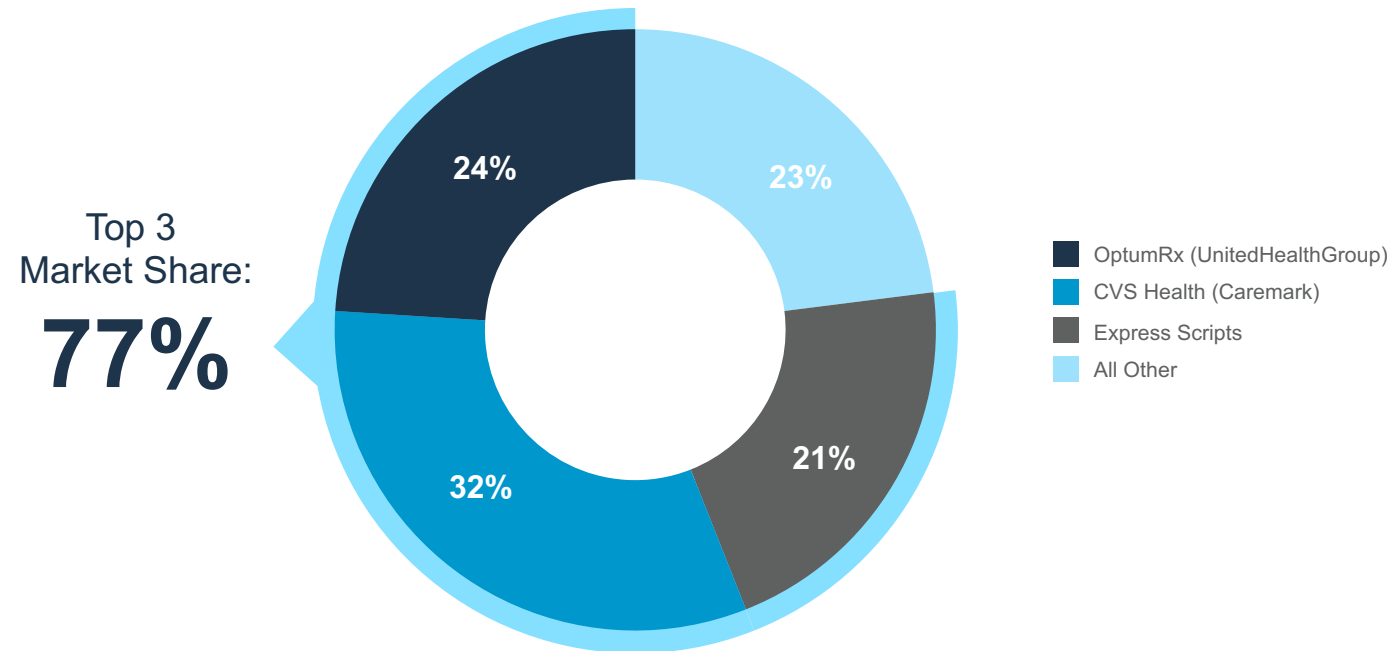


The use of four or more cost-sharing tiers is becoming more common on employer plans



# Insurers and PBMs Have a Lot of Leverage to Hold Down Medicine Costs

Negotiating power is increasingly concentrated among fewer pharmacy benefit managers (PBMs).



## Insurers determine:

### FORMULARY

if a medicine is covered

### TIER PLACEMENT

patient cost sharing

### ACCESSIBILITY

utilization management through prior authorization or fail first

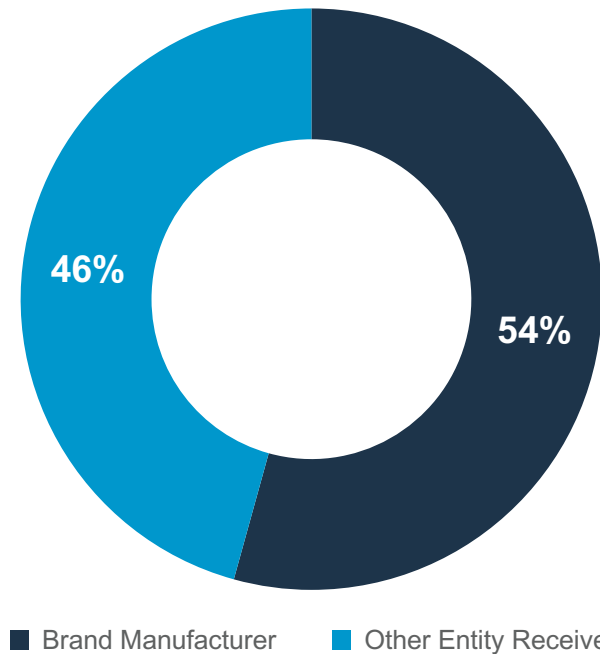
### PROVIDER INCENTIVES

preferred treatment guidelines and pathways



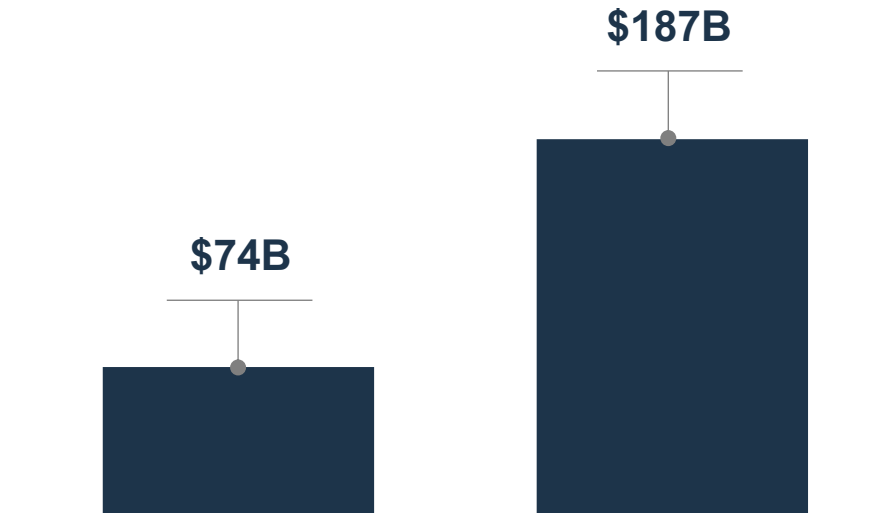
# Nearly Half of Spending on Brand Medicines Goes to Entities Other Than the Manufacturers Who Developed Them

**Percent of Total Spending on Brand Medicines Received by Manufacturers and Other Entities, 2018**



Source: Berkeley Research Group, 2020.

**Rebates, discounts, fees and other price concessions have more than doubled since 2012**

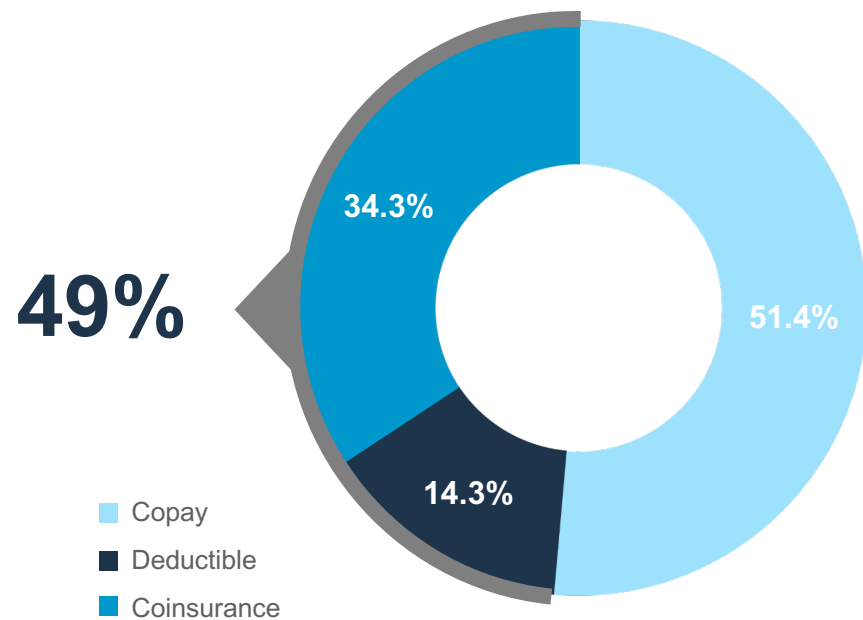


Source: Drug Channels Institute, March 2021.

# Too Often, Negotiated Savings Do Not Make Their Way to Patients at the Pharmacy Counter

Half of commercially insured patients' out-of-pocket spending for brand medicines is based on the full list price

Cost sharing for nearly 1 in 10 brand prescriptions is based on list price



# PhRMA Created the Medicine Assistance Tool, or MAT, To Help Patients Navigate Medicine Affordability

**MAT makes it easier for those struggling to afford their medicines to find and learn more about various programs that can make prescription medicines more affordable.**

## The Medicine Assistance Tool Includes:

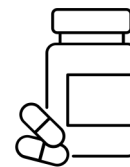
A search engine to connect patients with

**950+**

assistance programs offered by biopharmaceutical companies, including some free or nearly free options



Resources to help patients navigate their insurance coverage



Links to biopharmaceutical company websites where information about the cost of a prescription medicine is available

# PhRMA Supports State-level Reforms

## Policies That Help *Patients Pay Less*

