Health Cost Drivers
Informational Meeting: Panel 1

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Healthcare Cost Trends: Why there is urgency

Nearly 90% of American adults believe lowering out-of-pocket health care costs should be a top priority for policy makers.
(Morning Consult)

And according to PhRMA’s Patient Experience Survey, more than 1/3 of insured Americans report at least one financial barrier to care.

About half of U.S. adults find it difficult to afford health care.
(Kaiser Family Foundation poll)
15% of Insured Americans Are Particularly Struggling with Unaffordable OOP costs, with Disproportionate Impact

% Insured Americans Reporting Unaffordable OOP Costs

- 19% of Women
- 19% of LGBTQ+ Americans
- 12% of Men
- 18% of Americans Managing Chronic Conditions
- 31% of Those in Poor Health
- 22% of Black Americans
- 21% of Hispanic Americans
- 11% of Those in Good Health
- 13% of White Americans

Source: PES Report, Sept 2022
Plan Design is Increasingly Shifting Costs to Patients Through the Use of Deductibles and Coinsurance

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

Percent of plans with deductibles on prescription drugs:
- 2012: 23%
- 2017: 52%

Source: PWC, KFF
Patients Face Higher Out-of-Pocket Costs at the Pharmacy Counter than Other Parts of the Health Care System

Total hospital spending is much higher than total prescription drug spending

$1,270B

$348B

Total U.S. Spending

■ Hospital Care  ■ Retail Prescription Drugs

Yet, total patient spending on medicines is more than on hospital care

$33B  $47B

Total Patient Out-of-Pocket Spending

■ Hospital Care  ■ Retail Prescription Drugs


Total U.S. Spending

Hospital Care  Retail Prescription Drugs

Total Patient Out-of-Pocket Spending

Hospital Care  Retail Prescription Drugs
Net Prices for Brand Medicines Have Stayed Nearly Flat For The Past Five Years

Average Net Price Growth for Brand Medicines, 2017-2021

2017: 2.1%
2018: 0.3%
2019: 1.7%
2020: -2.9%
2021: 1.0%

On average, a brand medicine’s net price is 49% lower than its list price.

Source: IQVIA, 2022.
Spending on Medicines Is a Small and Stable Share of Total Health Care Spending

Prescription medicines account for just

14%

of total health care spending

In 2021, per capita spending on medicines\(^*\) declined by

1%

* Excludes spending on COVID-19 vaccines and treatments

Source: Altarum, IQVIA, 2022.
A New Era of Medicine is Not Expected to Impact the Share of Total Health Care Spending on Medicines

Projected Spending on Prescription Medicines, Total Health Care, and Anticipated Cell & Gene Therapies ($B), 2021-2025

Generic and Biosimilar Medicines Drive Significant Savings in the Health Care System

91% of All Drugs Dispensed in the United States are Generics

Looking Ahead, Biosimilar Savings Projected to Grow 5x

Nearly $2.4 trillion

10-year savings from use of generic and biosimilars (2011 - 2020)

Sources: Drug Channels, AAM, IQVIA.

2014 - 2020
$19B

2021 - 2025
$104B

5.4x
Rebates and Discounts Lower the Net Prices of Medicines

Increasing Discounts and Rebates

Rebates, discounts, fees, and other price concessions have tripled since 2012

Large Difference Between List and Net Prices

On average, a brand medicine’s net price is 49% lower than its list price

2012: $74B
2021: $236B

Note: Includes single-source brand medicines.

Source: IQVIA. Use of Medicines in the U.S. 2022.
Many Stakeholders Have a Role in the Prescription Medicine Supply Chain

Vertical Consolidation among Market Participants

1. Cigna partners with providers via its Cigna Collaborative Care programs. However, Cigna does not directly own healthcare providers.
2. AllianceRx Walgreens Prime is jointly owned by Prime Therapeutics and Walgreens Boots Alliance.

Source: Drug Channels Institute research; Companies are listed alphabetically by insurer name.

This chart appears as Exhibit 21B in The 2021 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers. Available at http://drugch.in/pharmacy

March 2021
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 $236B in 2021.

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

- 50.5% Brand Manufacturer
- 49.5% Other Entity Received

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

Source: Drug Channels Institute, March 2022.
Medicines Provide Critical Savings to the U.S. Health Care System

Estimated **10-Year savings** to Medicare from improved adherence to congestive heart failure medications, 2013-2022*

$22.4 billion

Costs avoided by 2050 if we develop a new medicine that delays the onset of Alzheimer’s disease by just five years**

$367 billion


**Source: Alzheimer’s Association.
Unlike Other Aspects of the Health Care System, Medicine Costs Decrease Over Time

The price of medicines used to prevent cardiovascular disease decreased…

-95%

$0.13

$2.37

2007

2017

…while the cost of the surgical procedure to treat it increased over a decade.

$99,859

$51,460

2007

2017

Source: IQVIA analysis for PhRMA, June 2020; AHRQ HCUP, July 2020.
The U.S. health care system could save $213 billion annually if medicines were used properly.*

*Adherence to Medicines Lowers Total Health Spending for Chronically Ill Patients**

Medicines Help Patients Avoid Expensive Hospital Services

**Source: Reebuck M.C., et al. “Medication adherence leads to lower health care use and costs despite increased drug spending.” Health Affairs. 2011;30(1):59.”