

PRESCRIPTION DRUG COSTS: BY THE NUMBERS



Growth in prescription spending has slowed again in 2016...

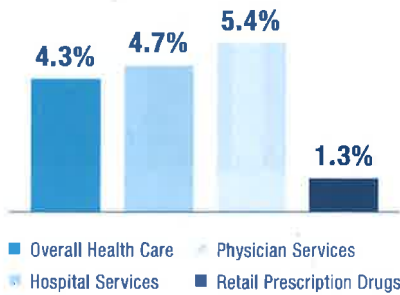


— Kaiser Family Foundation, January 2018



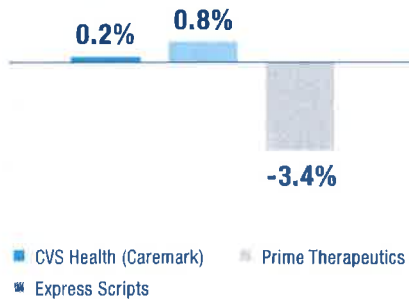
Spending on Prescription Medicines Remains Stable

Drug spending growth slower than other health care services in 2016.

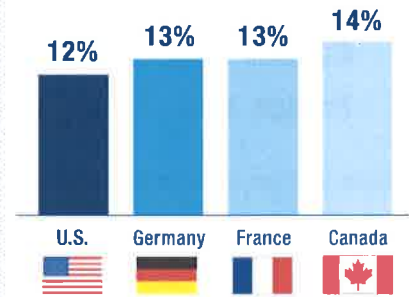


Source: Centers for Medicare & Medicaid Services, December 2017

Major pharmacy benefits managers all report stable drug prices for commercial plans in 2017.



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

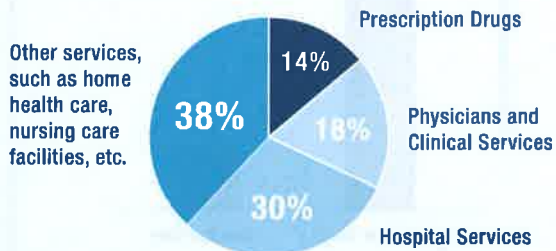


Source: OECD estimates of retail prescription drug spending, 2015



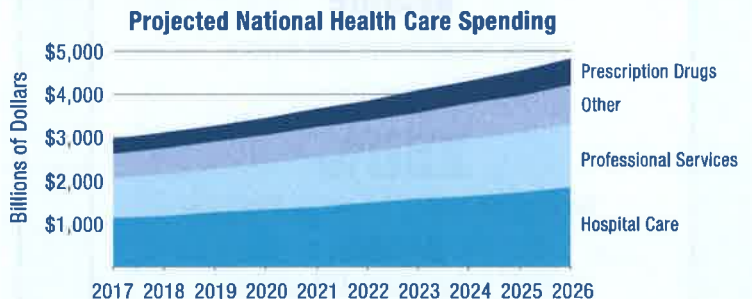
Prescription Drugs Are Not the Primary Drivers of Health Care Spending

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 2017; 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 \$1.1 trillion over the next decade — more than four times greater than the growth in prescription drug 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 2017–2026



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

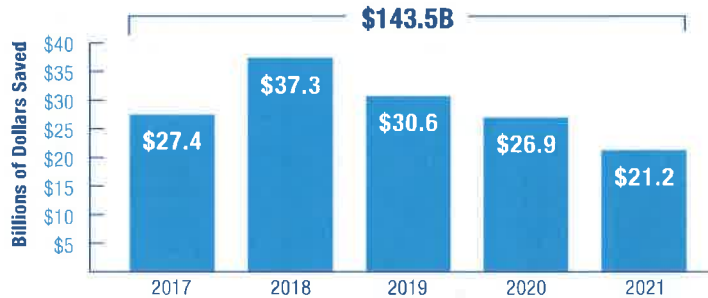
UK 83%	Germany 81%
Canada 73%	OECD 52%
France 30%	Japan 34%

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%

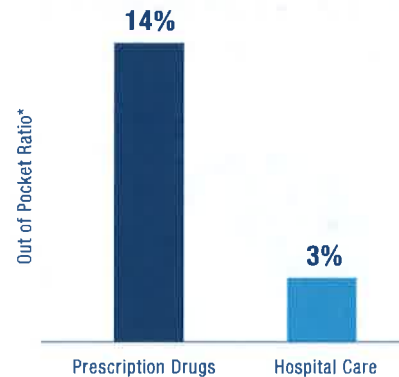
Average markup of drugs by hospitals **BEFORE** price negotiations with payers

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

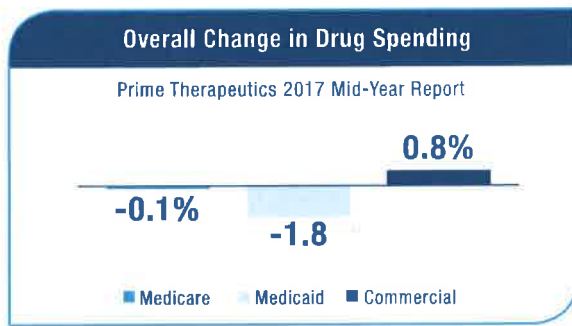


*Out-of-pocket expenditures divided by total expenditures

Source: Centers for Medicare & Medicaid Services, National Health Expenditure Data, 2017

MID-YEAR 2017 REPORT: DRUG SPENDING SIGNIFICANTLY LOWER

In a new mid-year report, Prime Therapeutics — a major pharmacy benefit manager (PBM) which serves 21 health insurance companies with more than 20 million members — shows negative or very low drug spending growth in 2017. As Adam Fein, an expert in pharmaceutical economics, notes, **“The results strongly contradict the public rhetoric about excessive growth in drug spending and prices.”**



According to Prime Therapeutics, in the first half of 2017, drug costs:



Decreased for Medicare Part D plans by **0.1%**

Decreased for Medicaid plans by **1.8%**

Increased for commercial plans by only **0.8%**

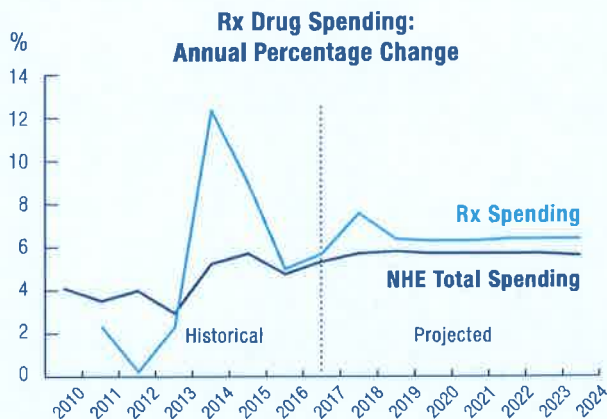
Negotiated rebates and discounts from drug manufacturers contributed to this lower trend in drug spending. Unfortunately, those negotiated savings realized by Prime and its health insurer clients are not often shared with patients to lower out-of-pocket costs at the pharmacy counter.

Source: Prime Therapeutics 2017 Mid-Year Report

In 2016, Drug Spending Kept in Line with Overall Health Care Expenditures

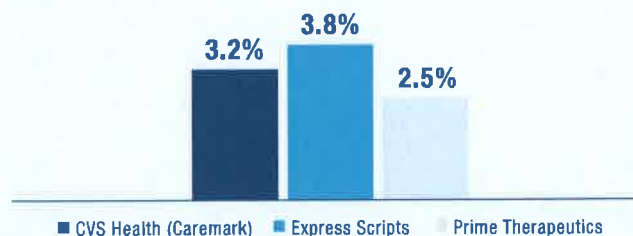
Following cyclical growth due to the introduction of cures for Hepatitis C and the coverage expansion of the Affordable Care Act, prescription drug spending is growing in line with overall health care expenditures. The Centers for Medicare & Medicaid Services (CMS)

projects this trend to continue until 2025. Prescription drug spending growth slowed from 9% in 2015 to 5% in 2016, and leading Pharmacy Benefit Managers report prescription drug spending increases of less than 4% for commercial payers in 2016.



Source: CMS/OACT NHE projections

2016
Leading pharmacy benefit managers all report drug spending increases by commercial payers in the low single digits for 2016.



Source: Adapted from "Which PBM Best Managed Drug Spending in 2016: CVS Health, Express Scripts, or Prime?" Drug Channels. March 2017