



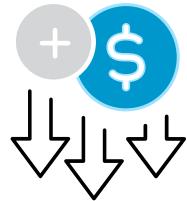
Health Cost Drivers Informational Meeting: Panel 1

Kelly Ryan, Deputy Vice President, State Policy

December 1, 2022



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)



About
half of U.S. adults

find it difficult to afford health care.

(Kaiser Family Foundation poll)

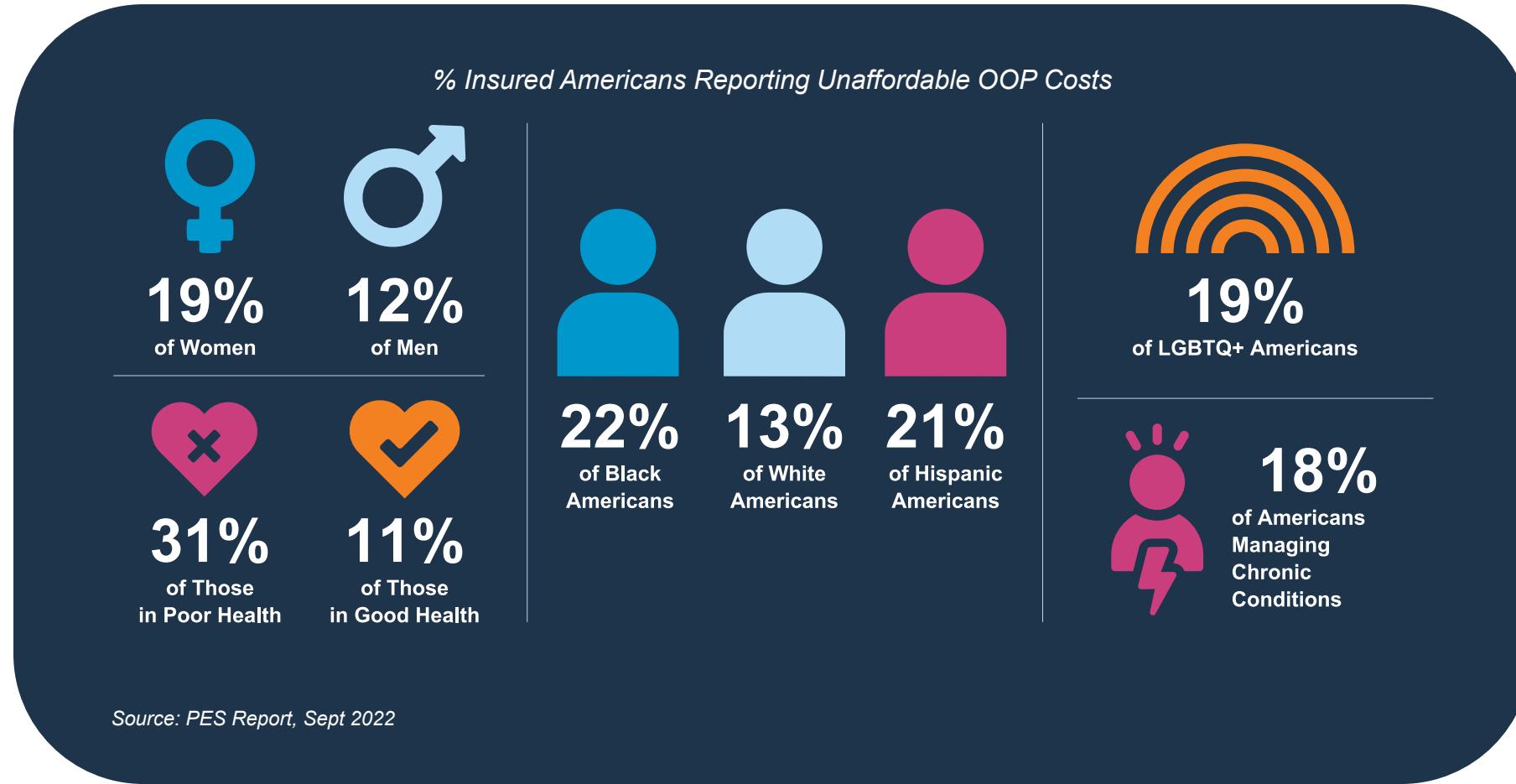


And according to PhRMA's
Patient Experience Survey,

more than 1/3

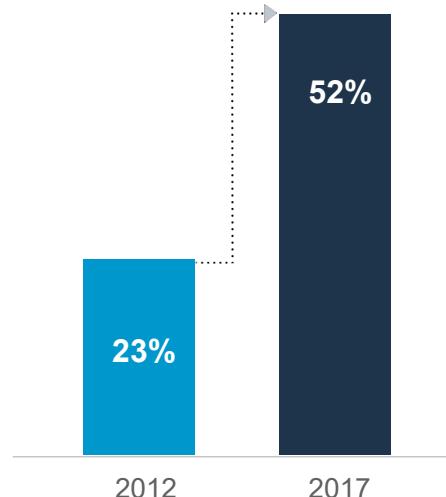
of insured Americans report at
least one financial barrier to care

15% of Insured Americans Are Particularly Struggling with Unaffordable OOP costs, with Disproportionate Impact

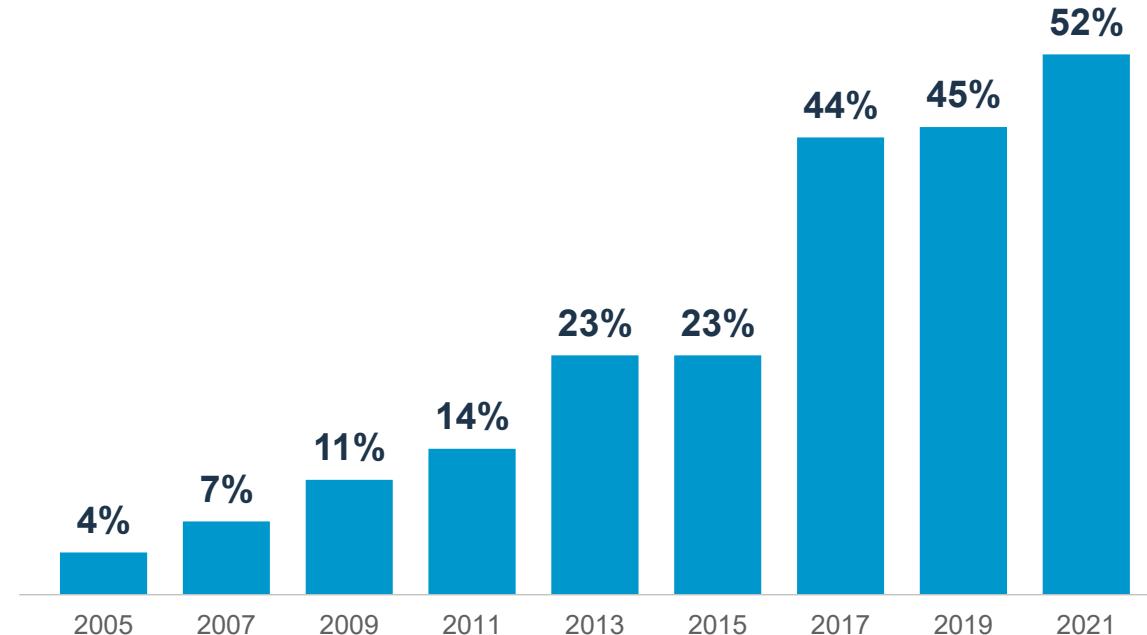


Plan Design is Increasingly Shifting Costs to Patients Through the Use of Deductibles and Coinsurance

Percent of plans with deductibles on prescription drugs

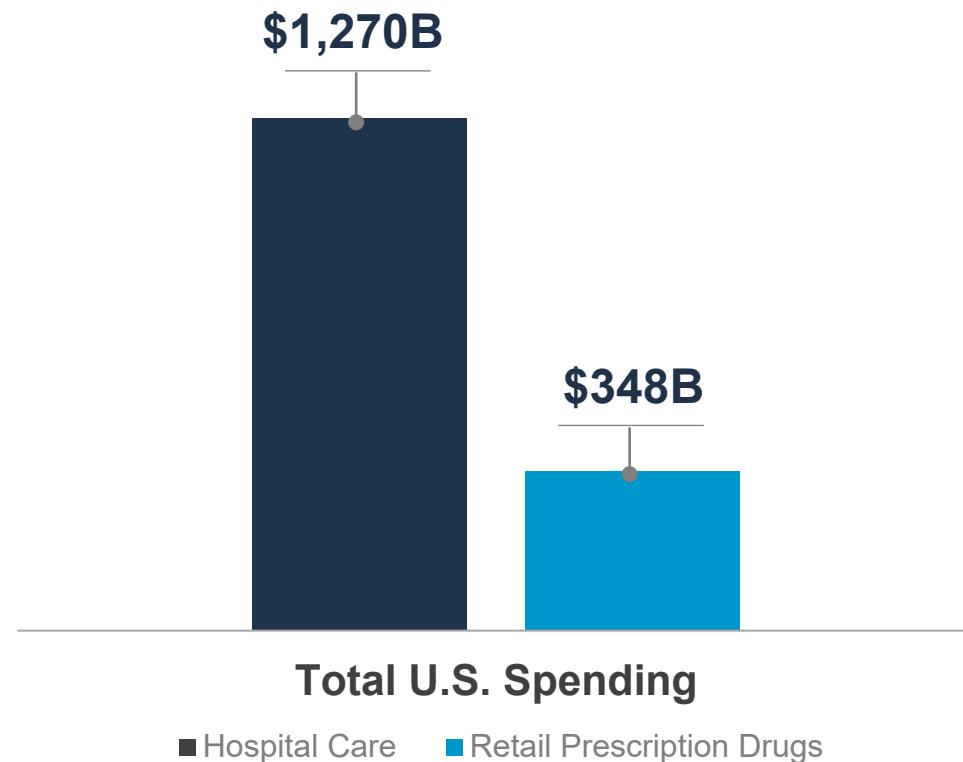


The use of four or more cost-sharing tiers is becoming more common on employer plans

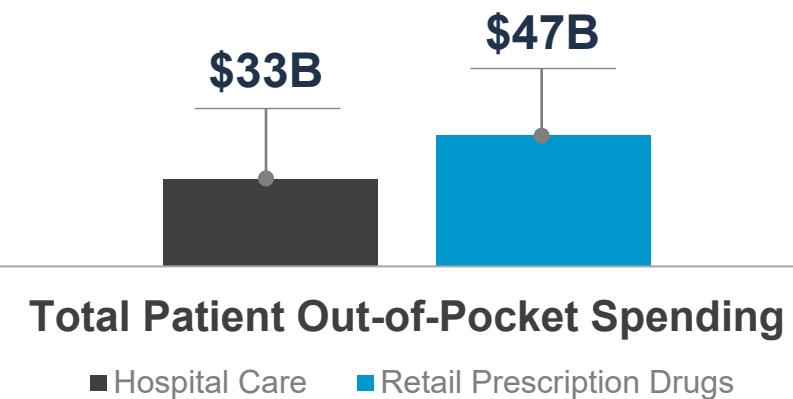


Patients Face Higher Out-of-Pocket Costs at the Pharmacy Counter than Other Parts of the Health Care System

Total hospital spending is much higher than total prescription drug spending



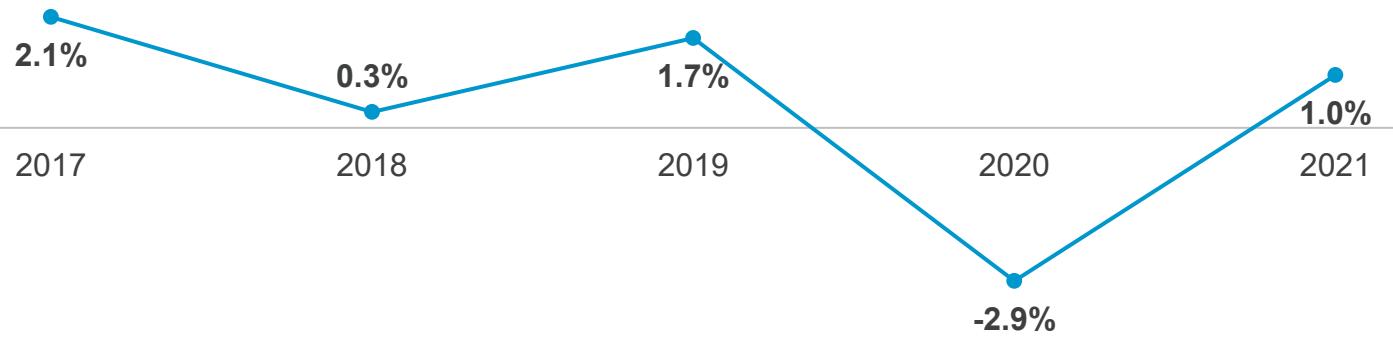
Yet, total patient spending on medicines is more than on hospital care



Source: Drug Channels Institute analysis of National Health Expenditure Accounts, Office of the Actuary in the Centers for Medicare & Medicaid Services, December 2021. Outpatient prescription drug figures exclude inpatient prescription drug spending within hospitals and nearly all provider-administered outpatient drugs. Figures in billions.

Net Prices for Brand Medicines Have Stayed Nearly Flat For The Past Five Years

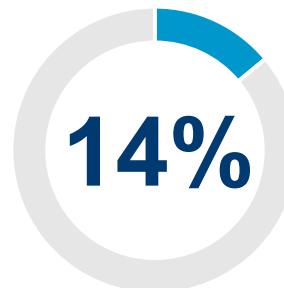
Average Net Price Growth for Brand Medicines, 2017-2021



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

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

Prescription medicines account for just

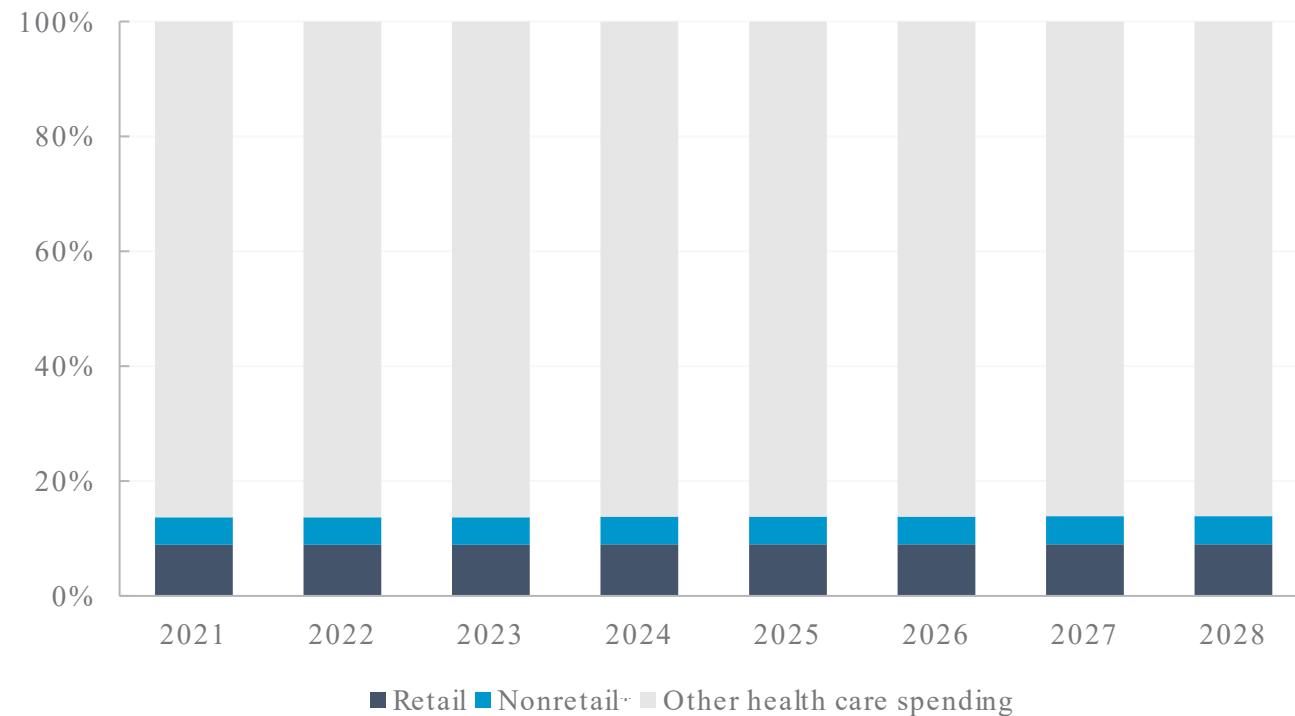


of total health care spending

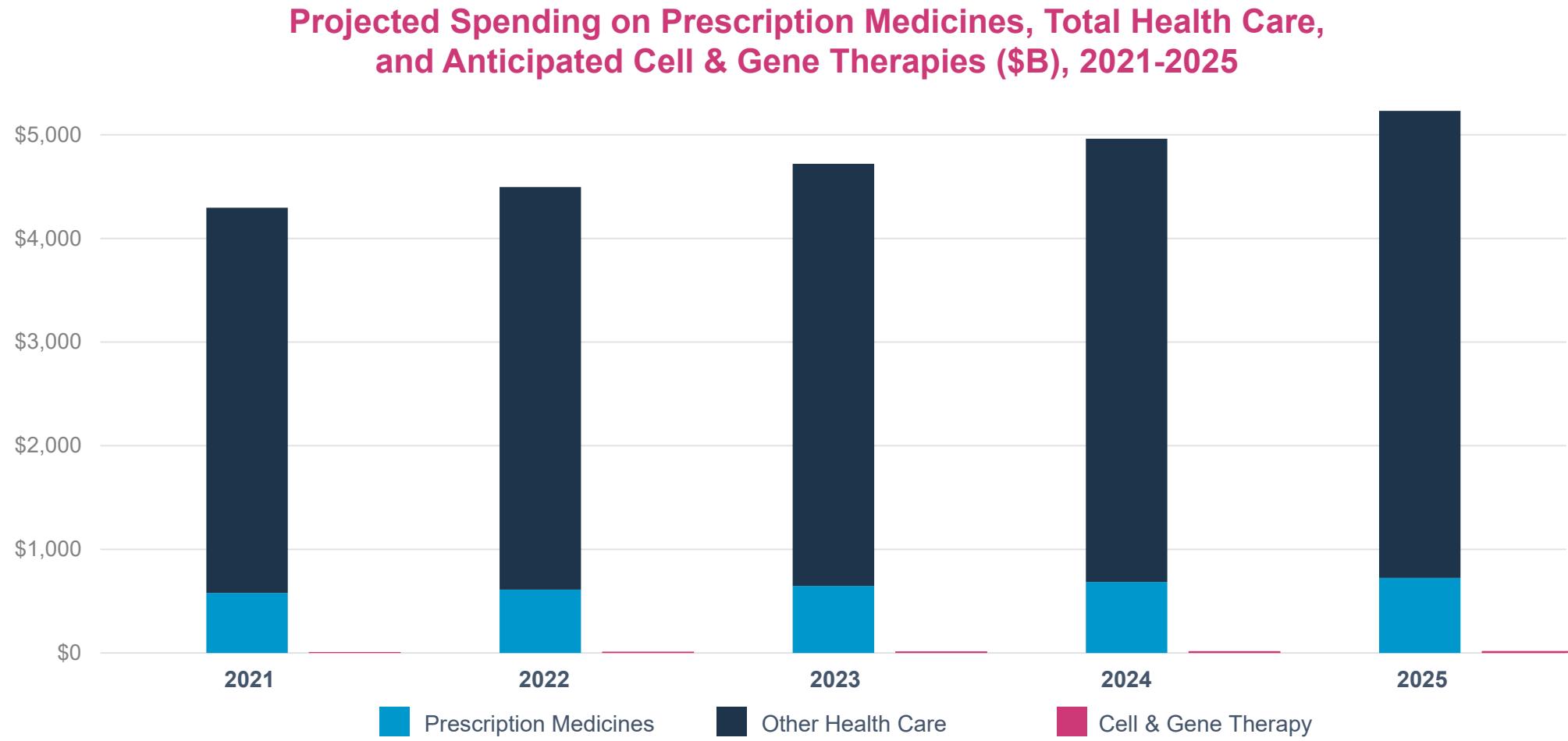
In 2021, per capita spending on medicines* declined by

1%

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

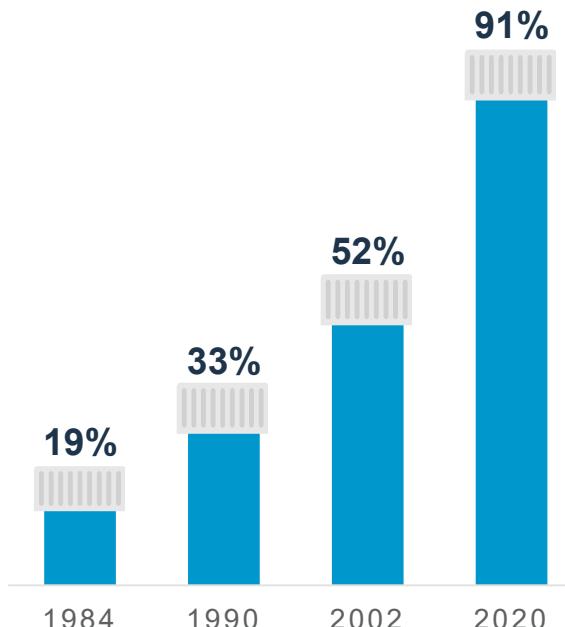


A New Era of Medicine is Not Expected to Impact the Share of Total Health Care Spending on Medicines



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

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

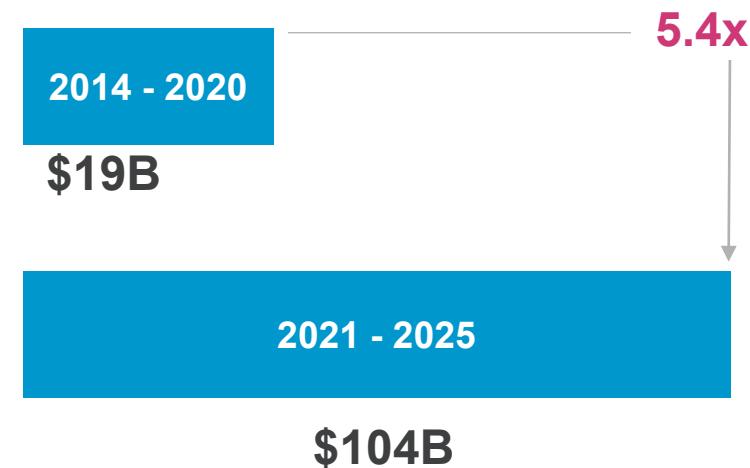


Nearly
\$2.4 trillion

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



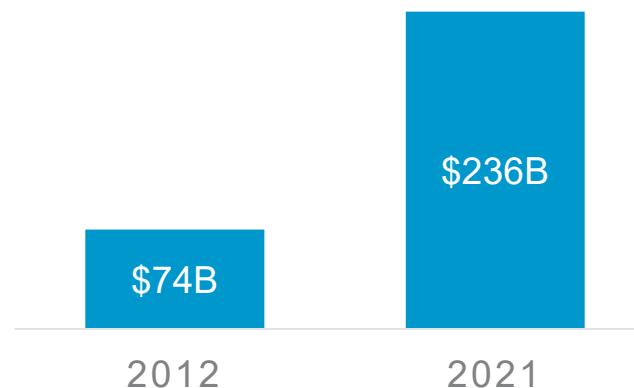
Looking Ahead, Biosimilar Savings Projected to Grow 5x



Rebates and Discounts Lower the Net Prices of Medicines

Increasing Discounts and Rebates

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



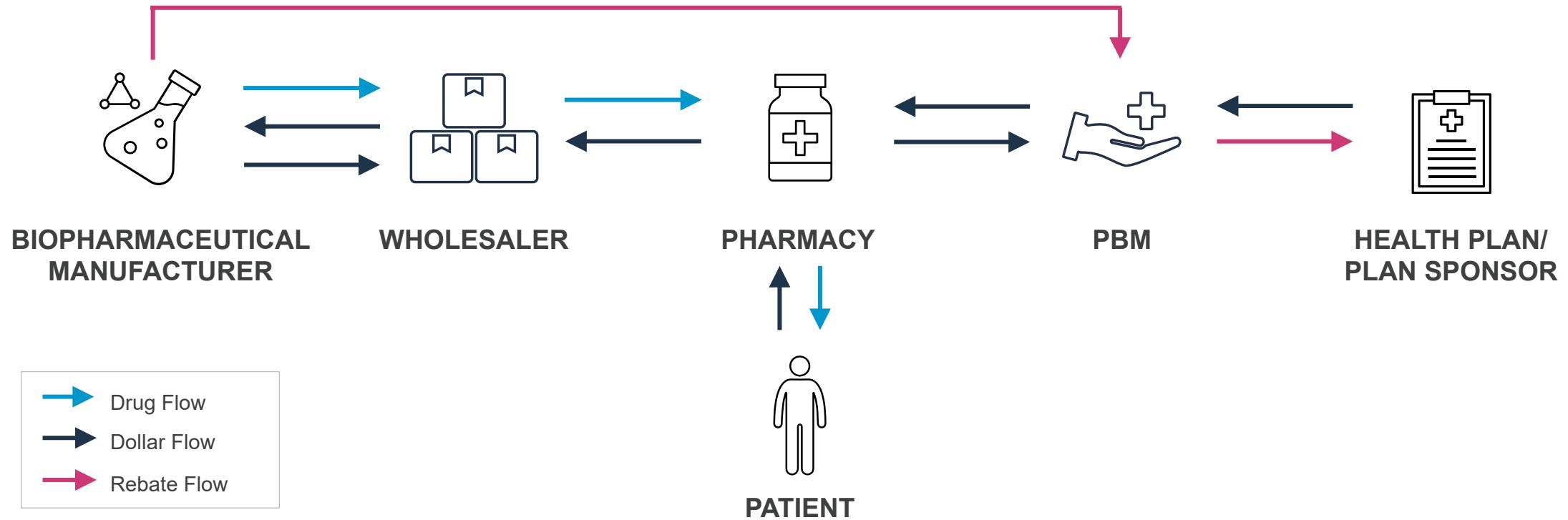
Large Difference Between List and Net Prices

On average, a brand medicine's net price is

49% lower

than its list price

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 program. However, Cigna does not directly own healthcare providers.

2. AllianceRx Walgreens Prime is jointly owned by Prime Therapeutics and Walgreens Boots Alliance.

3. Since 2020, Prime sources formulary rebates via Ascent Health Services. In 2021, Humana began sourcing formulary rebates via Ascent Health Services for its commercial plans.

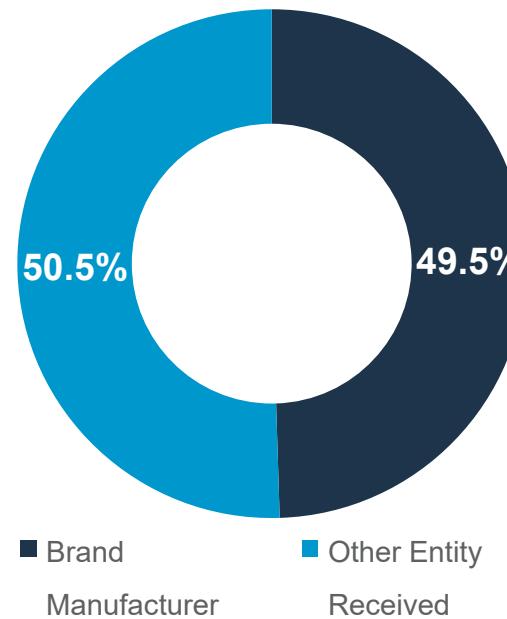
Source: Drug Channels Institute research; Companies are listed alphabetically by insurer name.

This chart appears as Exhibit 210 in *The 2021 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*. Available at <http://drugch.nl/pharmacy>

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

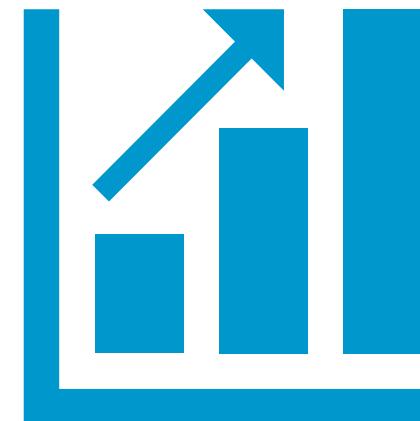
Rebates, discounts and other payments made by brand manufacturers reached \$236B in 2021.

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



Source: Berkeley Research Group, 2022.

Payments from brand manufacturers 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



\$367 billion

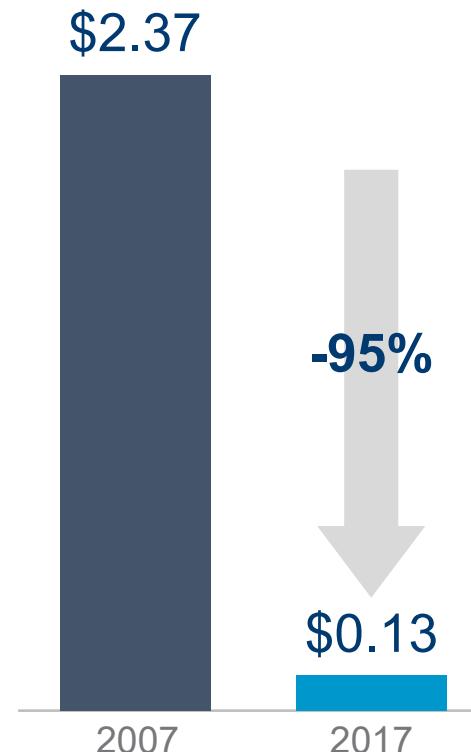
Costs avoided by 2050 if we develop a new
medicine that delays the onset of
Alzheimer's disease by
just five years**

*Source: Dall TM et. al. "The Economic Impact of Medicare Part D on Congestive Heart Failure." *American Journal of Managed Care*. 2013;19:S97-S100.

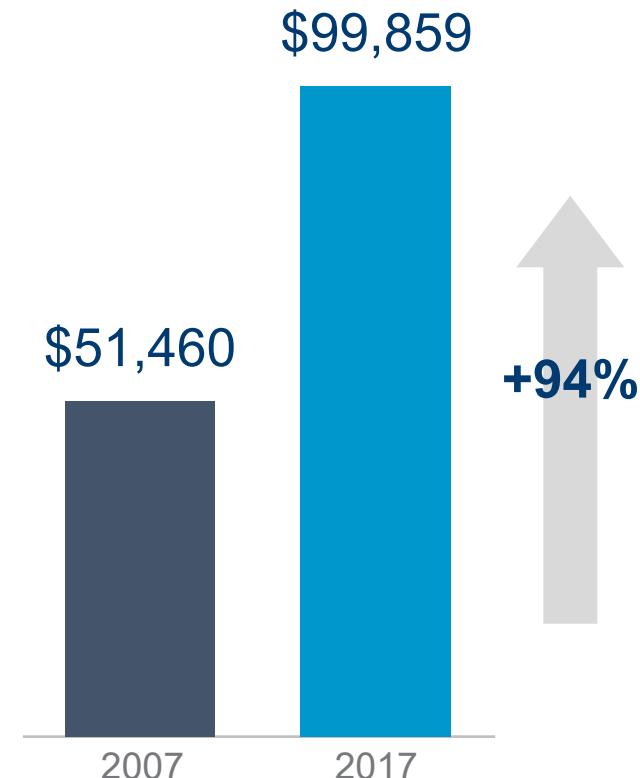
**Source: Alzheimer's Association.

Unlike Other Aspects of the Health Care System, Medicine Costs Decrease Over Time

The price of medicines used to prevent cardiovascular disease decreased...



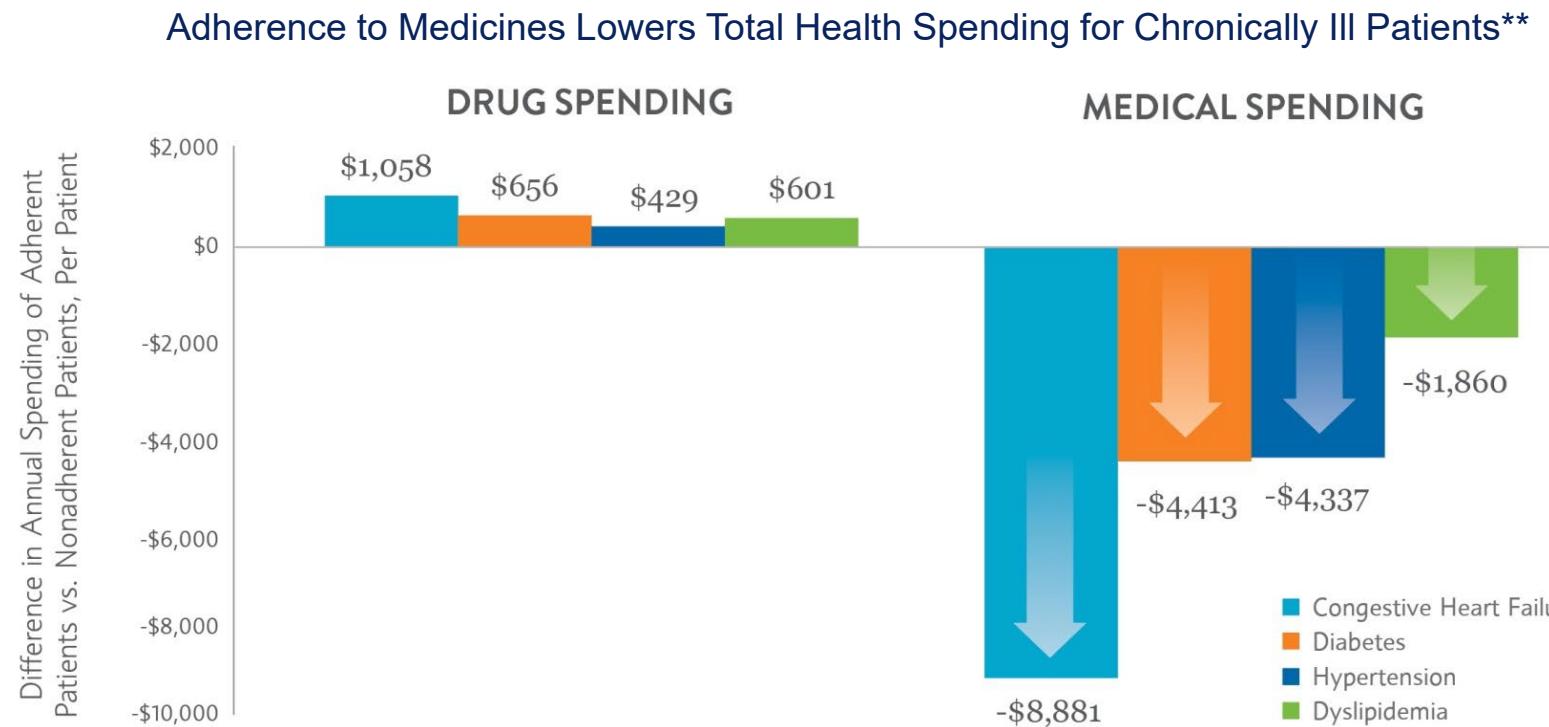
...while the cost of the surgical procedure to treat it increased over a decade.



Source: IQVIA analysis for PhRMA, June 2020.; AHRQ HCUP, July 2020.

Medicines Help Patients Avoid Expensive Hospital Services

The U.S. health care system could save \$213 billion annually if medicines were used properly.*



*Source: IMS Institute for Healthcare Informatics, "Avoidable Costs in U.S. Healthcare: The \$200 Billion Opportunity from Using Medicines More Responsibly," June 2013.

**Source: Roebuck M.C., et al. "Medication adherence leads to lower health care use and costs despite increased drug spending." *Health Affairs*. 2011;30(1):99.