NAAG: The Value of Medicines

April 27, 2017
Kipp Snider
Hepatitis C
The leading cause of liver transplants and the reason liver cancer is on the rise – is now curable in more than 90 percent of treated patients.*

Cancer
New therapies have contributed to a 23% decline in the cancer death rate since its peak in 1991. Today, 2 out of 3 people diagnosed with cancer survive at least 5 years.**

High Cholesterol
America’s biopharmaceutical companies are currently developing 190 medicines to treat heart disease, stroke and other cardiovascular diseases. New PCSK9 inhibitors have revolutionized high cholesterol treatment. Between 1991 and 2011, the death rate from heart disease dropped 46%.***

---

*Source: U.S. Food and Drug Administration.
**Source: American Cancer Society.
***Source: Pharmaceutical Research and Manufacturers of America (PhRMA) and the Association of Black Cardiologists (ABC), "Medicines in Development for Heart Disease and Stroke," December 2015.
The Biopharmaceutical Sector is the SINGLE LARGEST FUNDER OF BUSINESS R&D IN THE UNITED STATES

Share of Total US Business R&D by Industry, 2013

The biopharmaceutical sector accounts for the single largest share of all US business R&D, representing 17% of all domestic R&D funded by US businesses.

NOTE: The remaining 57% share of business R&D spending is conducted by other industries, including subsectors of the machinery sector, the electrical equipment sector, and the professional, scientific, and technical services sector.

Source: PhRMA analysis of National Science Foundation data.
Health Care Expenditures Attributable to Retail and Non-Retail Brand and Generic Prescription Drugs 2008-2024

Medicines Account for a Stable Share of Health Care Spending

Source: Altarum Institute, "A Ten Year Projection of the Prescription Drug Share of National Health Expenditures Including Non-Retail," August 2015.
Payers Have Significant Leverage to Negotiate Rebates and Discounts

Insurers and PBMs 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

**PBM Market Share, by Total Equivalent Prescriptions**

- **Express Scripts**: 29%
- **CVS Health (Caremark)**: 24%
- **OptumRx/Catamaran***: 25%
- **All Other**: 22%

**Top 3 Market Share**: 75%

*NOTE: OptumRx and Catamaran merged in 2015. Their 2014 shares are shown combined.
BRAND MEDICINE NET PRICE GROWTH SLOWED IN 2015

as Discounts, Rebates Negotiated by Payers Rose Sharply

Source: IMS Institute for Healthcare Informatics, National Sales Perspectives, March 2016.

Prescription Medicines: Costs in Context www.phrma.org/cost
Multiple Data Sources Confirm

DRAMATIC SLOWDOWN IN PRESCRIPTION MEDICINE SPENDING GROWTH

Accounting for discounts and rebates, net spending growth rates in 2016 dipped to between 2% and 4%

QuintilesIMS™
IMS reported that the 2016 net prescription medicine spending growth rate was between 2% to 3%

CVS Health
CVS Health reported that net prescription medicine spending for its clients grew by 3.2% in 2016, which was the lowest growth rate in four years

Altarum Institute
Altarum Institute reported that the 2016 prescription medicine spending growth rate of 4.0% was lower than the growth rates for physician and hospital spending

Express Scripts
Express Scripts reported that net prescription medicine spending growth for its clients was 3.8% in 2016

CMS
CMS reported that spending growth for prescription medicines fell by nearly a third between 2014 and 2015, from 12.4% to 9.0%
**Example**

**THEN & NOW**

*How Prescription Drug Prices Fall Significantly Over Time*

<table>
<thead>
<tr>
<th>MEDICINE</th>
<th>BRAND NAME THEN</th>
<th>VS GENERIC NOW</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIOVAN HCT</strong>&lt;sup&gt;®&lt;/sup&gt;</td>
<td>$87</td>
<td>$13</td>
<td>-85%</td>
</tr>
<tr>
<td>Hypertension</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIPITOR</strong>&lt;sup&gt;®&lt;/sup&gt;</td>
<td>$85</td>
<td>$4</td>
<td>-95%</td>
</tr>
<tr>
<td>Cholesterol</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PLAVIX</strong>&lt;sup&gt;®&lt;/sup&gt;</td>
<td>$166</td>
<td>$5</td>
<td>-97%</td>
</tr>
<tr>
<td>Blood Thinner</td>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SEROQUEL</strong>&lt;sup&gt;®&lt;/sup&gt;</td>
<td>$87</td>
<td>$3</td>
<td>-97%</td>
</tr>
<tr>
<td>Schizophrenia</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ZYPREXA</strong>&lt;sup&gt;®&lt;/sup&gt;</td>
<td>$393</td>
<td>$8</td>
<td>-98%</td>
</tr>
<tr>
<td>Schizophrenia &amp; Bipolar Disorder</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Biopharmaceutical companies invest in pioneering research to bring new treatments to patients, and over time those medicines become available as lower-cost generic copies.

NOTE: Figures represent the average annual price for 30 pills of the most commonly dispensed form and strength. “Then” price represents the average price in the year prior to generic entry. “Now” price represents the average price in CY 2014.

Source: IMS analysis for PhRMA, May 2015.
State Legislative Proposals: Drug Pricing

- Pricing “Transparency”
- Price Controls
- Price Gouging Prohibitions