



Prescription Drug Supply Chain

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PhRMA
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Agenda Item VIII (HEALTH)
Meeting Date: 08-27-18

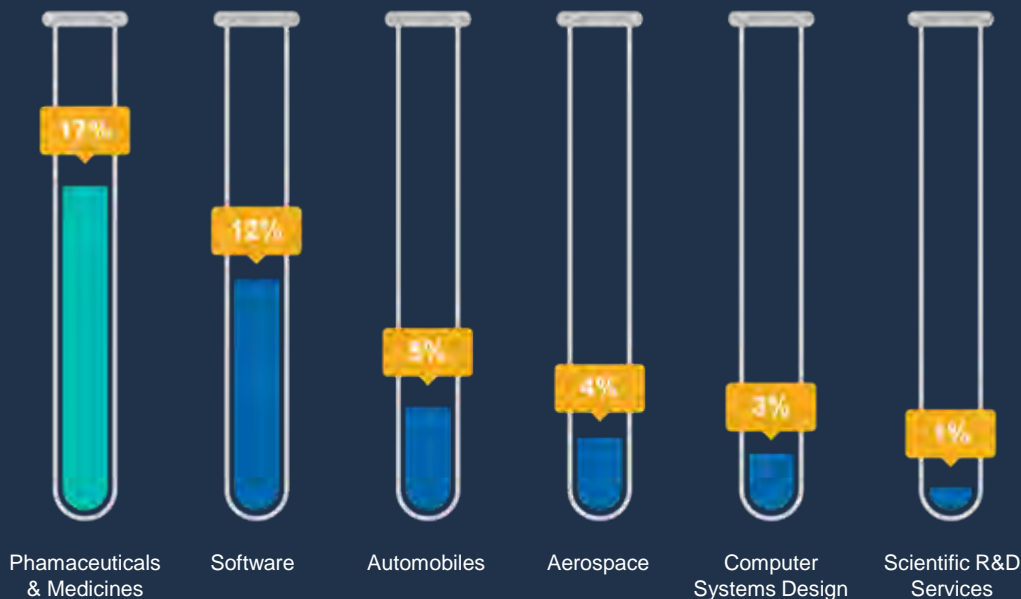
Biopharmaceutical companies invest in tomorrow's treatments and cures

Invested about
\$75 Billion
in R&D in 2015



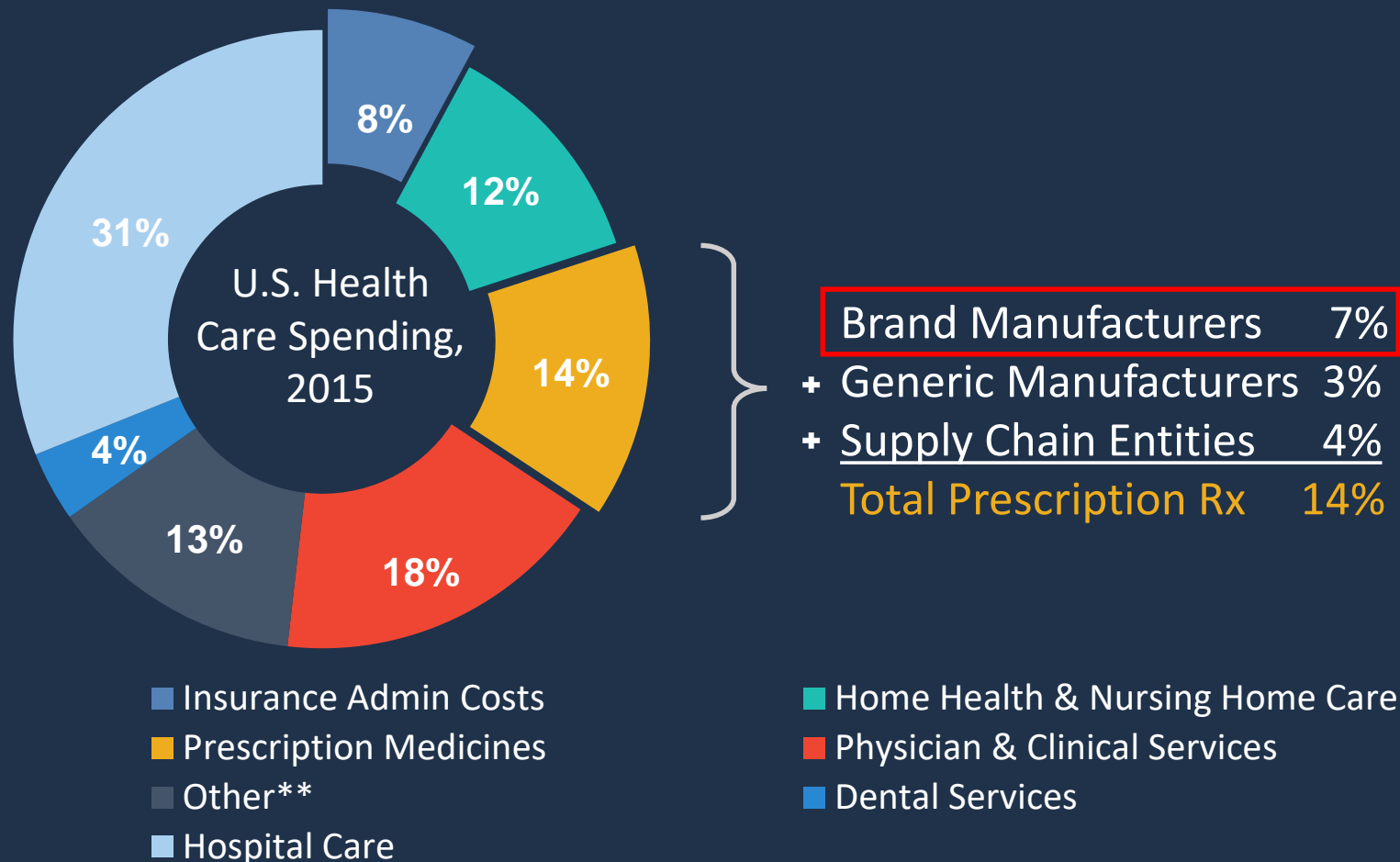
And
20%
of revenues are reinvested
into R&D

Industry invests **17%** of all domestic research and development funded by U.S. 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: Research!America report and PhRMA analysis of National Science Foundation data.

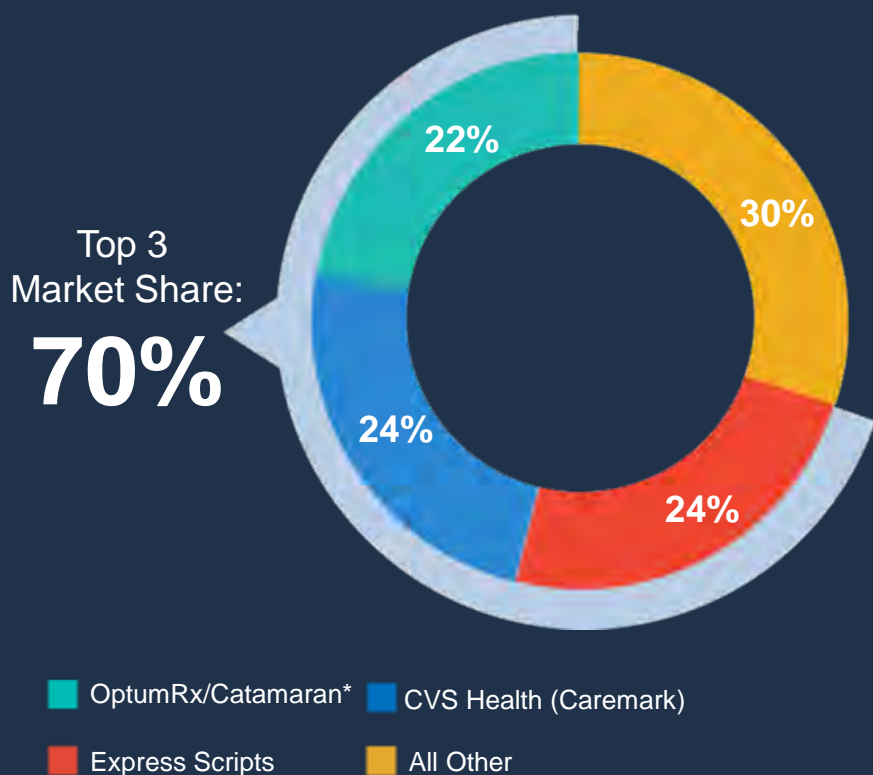
Spending on retail and physician-administered medicines continues to represent just 14% of spending



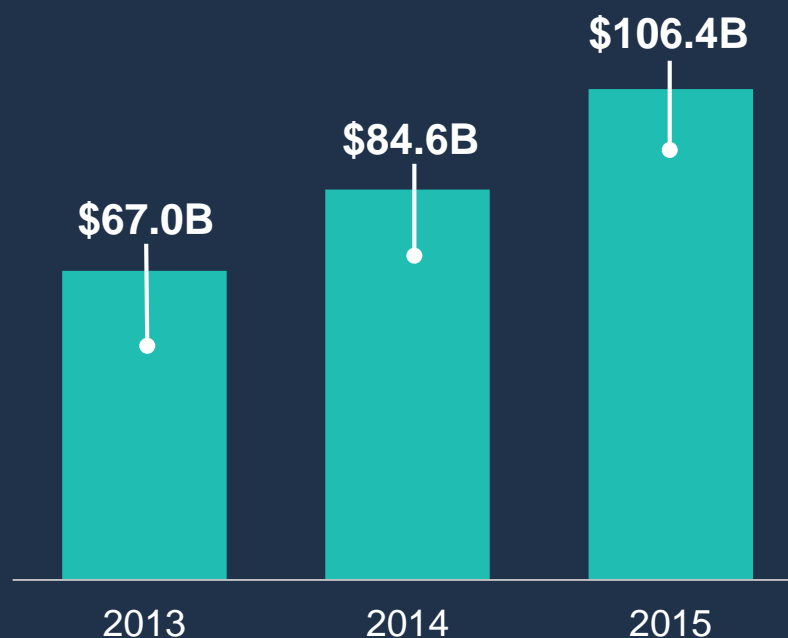
Source: PhRMA analysis of CMS National Health Expenditures data, Altarum Institute study and Berkley Research Group study.

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

Negotiating power concentrated among fewer pharmacy benefit managers (PBMs)



Rebates, discounts and fees keep increasing



Overall spending growing slower than inflation but patient costs increasing

Total Savings From Rebates
and Discounts



\$130 Billion

2017



Medicine Spending



Only Grew

0.6%

2017

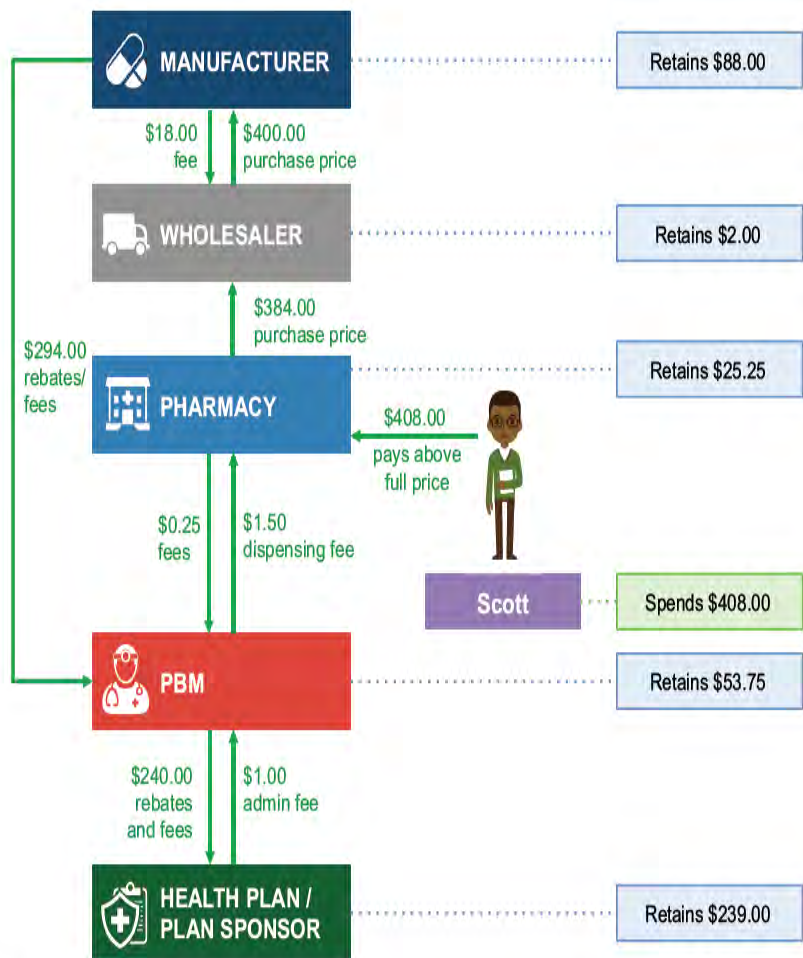
Deductibles have increased

300%

Since 2006

Note: IQVIA data is reflective of retail and physician-administered medicine spending.

Flow of Payment for a \$400 Insulin



- Since Scott hasn't reached his deductible, his insurer does not cover any of his costs
- Scott pays more than the list price of his medicine
- The PBM and health plan pay nothing, and actually earn \$292.75 on this prescription
- Due to industry consolidation, the PBM, health plan, and even the pharmacy are often part of the same parent company

Assumptions:

- \$400 list price per prescription
- 65% base rebate
- Patient pays full undiscounted price of medicine

Too often negotiated savings do not make their way to patients

More than 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 5 brand prescriptions is based on list price

