



Prescription Drug Pricing, Transparency, and Improving Patient Access

Scott Woods, Vice President, Policy & Research

April 14, 2024

Prescription Drug Price Transparency

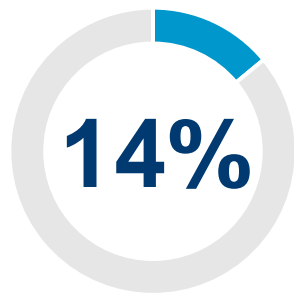
PhRMA supports meaningful transparency for the entire supply chain

- Over half the states have passed prescription drug price transparency measures
 - The U.S. House of Representatives passed the *Lower Costs, More Transparency Act* in December 2023
- The NCOIL model set the bar high for accountability and transparency throughout the supply chain since its adoption in 2019
- Meaningful transparency throughout the *entire* supply chain that helps patients and employers make better choices can make our health care system operate more efficiently

Thank you, Dr. Oliverson, for your leadership at NCOIL and in Texas to advance meaningful transparency

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

Prescription medicines account for just

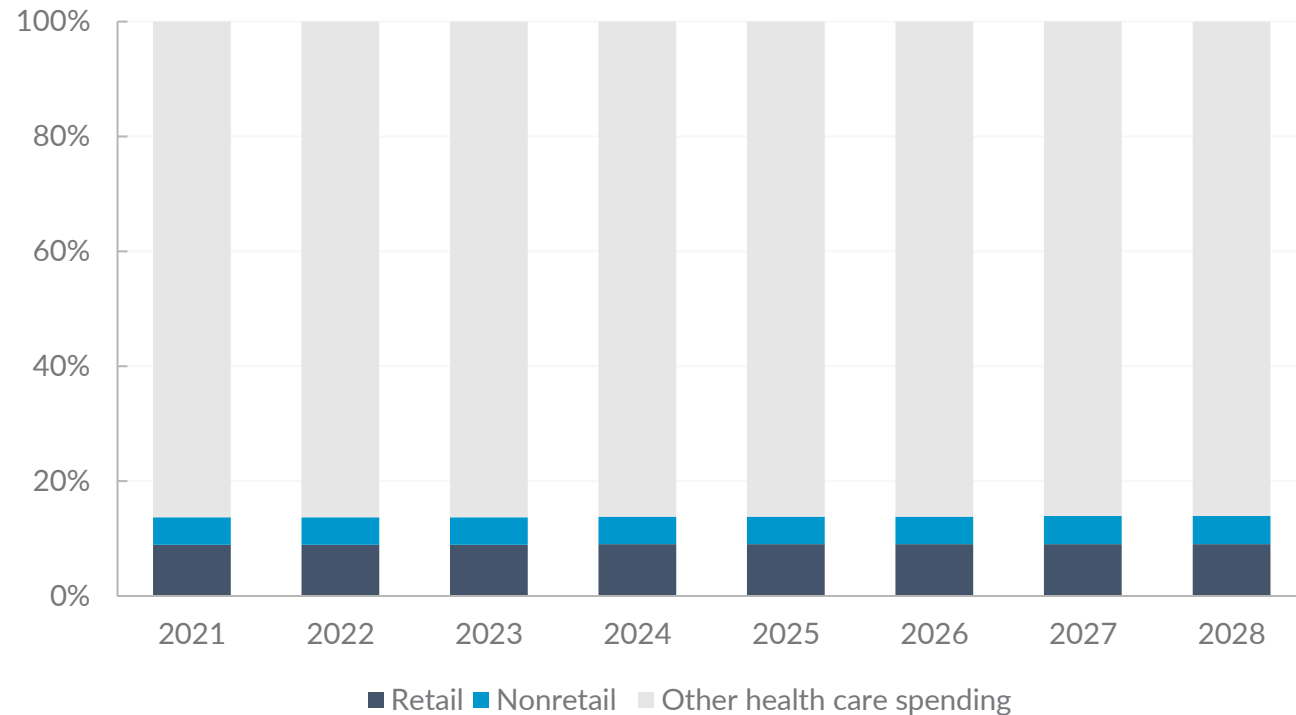


of total health care spending

In 2022, per capita spending on medicines* grew, below inflation, at

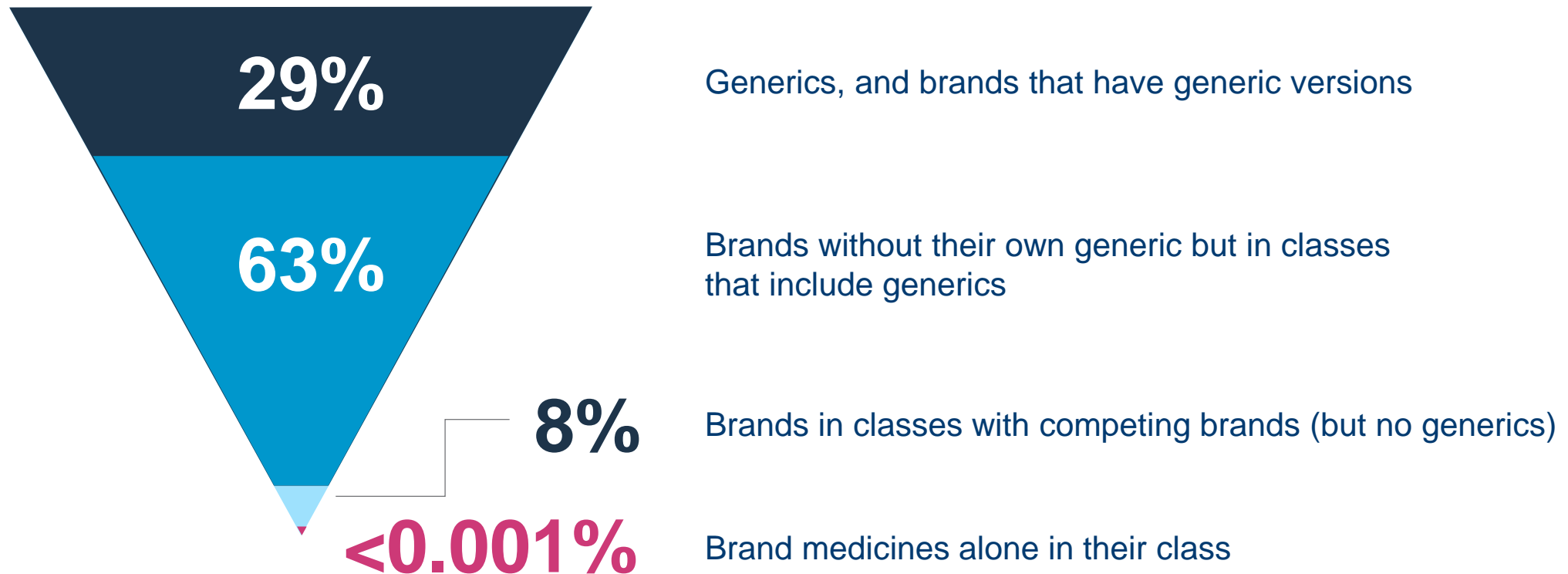
2.5%

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



The Majority of Brand Medicines Face Generic and Brand Competition

More than 99% of Part D spending in 2019 was for medicines with competition



PBMs, Patient Cost Sharing, and Access to Medicines

The Influence Pharmacy Benefit Managers (PBMs) Have Over Patient Access and Affordability Continues to Grow

Negotiating power is increasingly concentrated among a small number of PBMs.

Insurers & PBMs determine:

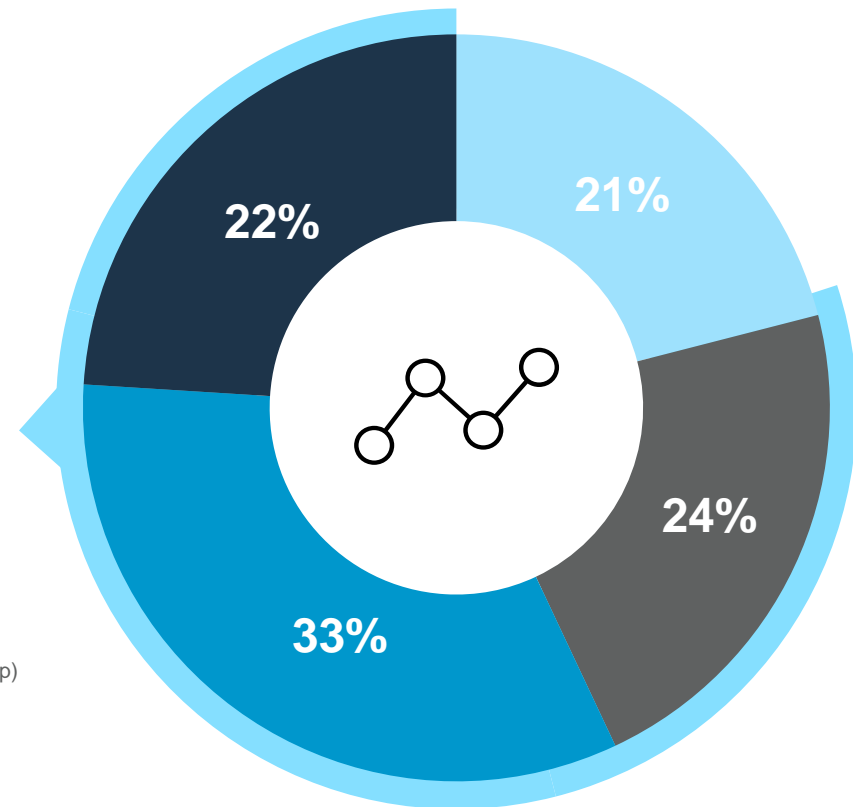
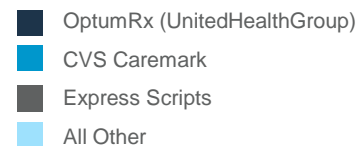
IF MEDICINE IS COVERED
on the formulary

PATIENT OUT-OF-POCKET COST
based on tier placement

ACCESS BARRIERS
like prior authorization or fail first

PROVIDER INCENTIVES
through preferred treatment guidelines and pathways

Top 3 PBMs' Market Share:
79%

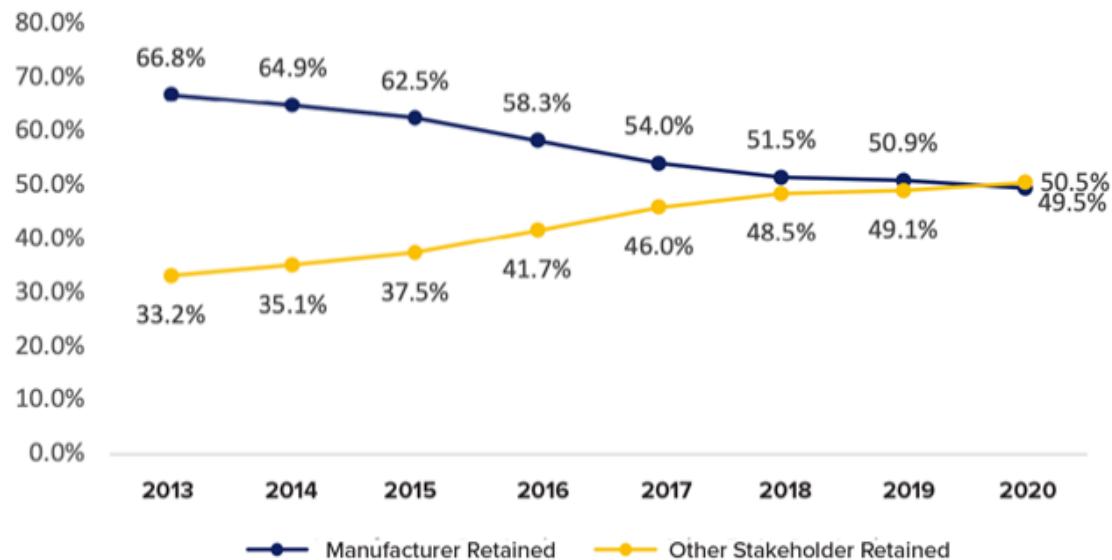


Insurers, PBMs And Others Receive An Increasing Share Of Total Spending On Brand Medicines

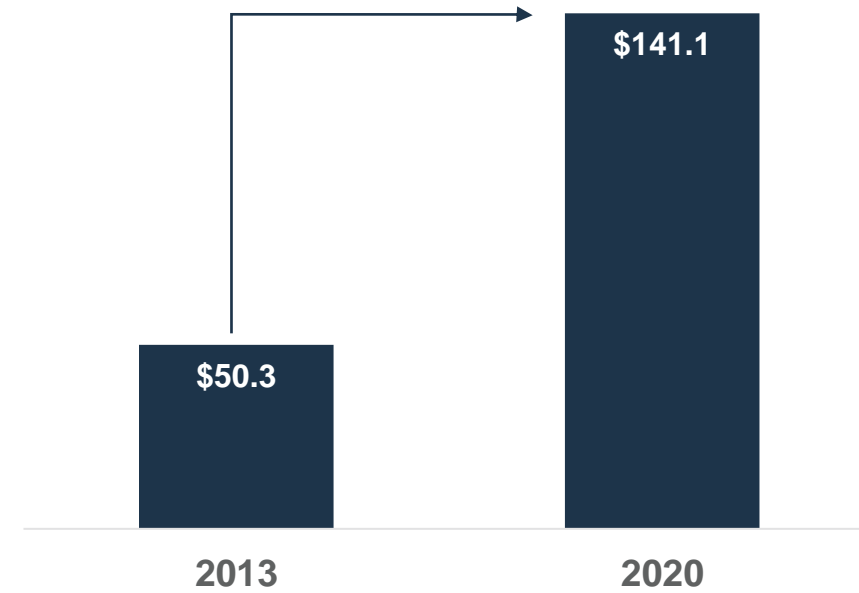
**Total Brand Medicine Spending (\$B)
2013-2020**

**Total Brand Medicine Spending
Received by Payers (\$B)**

2020 marks the first year on record that the supply chain and other stakeholders received a larger share of total brand medicine spending than the companies that developed them.



180% increase

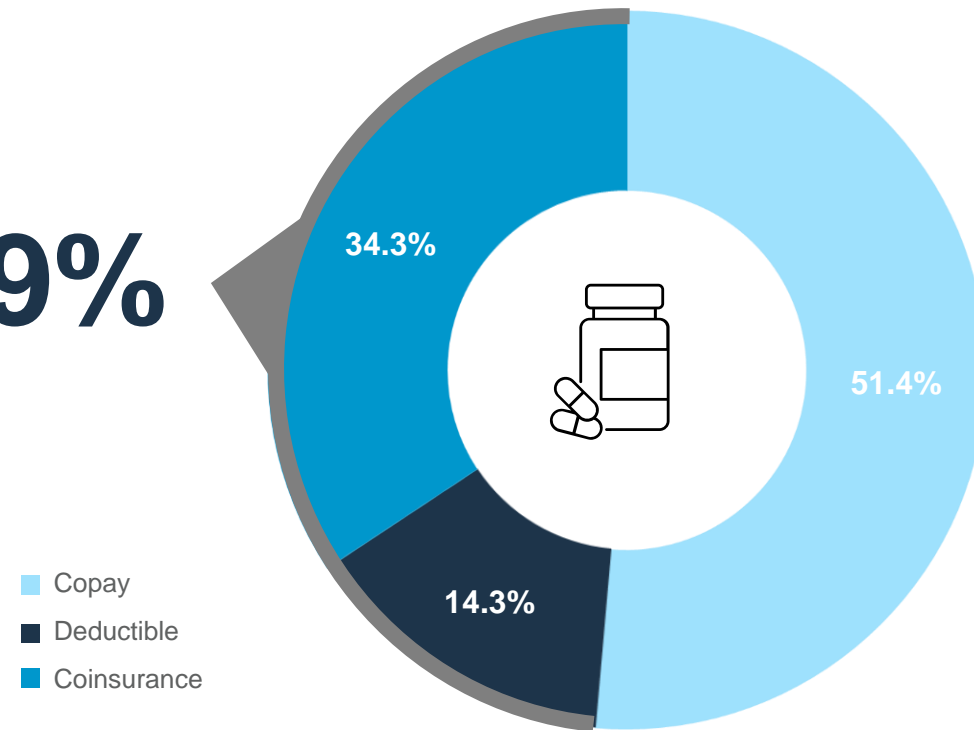


Middlemen are Shifting Costs to Patients Through Coinsurance and Deductibles

In 2021, rebates, discounts and other payments made by brand manufacturers reached \$236B, but insurers and PBMs do not always share these savings directly with patients.

Half of commercially insured patients' out-of-pocket spending for brand medicines is based on the full list price

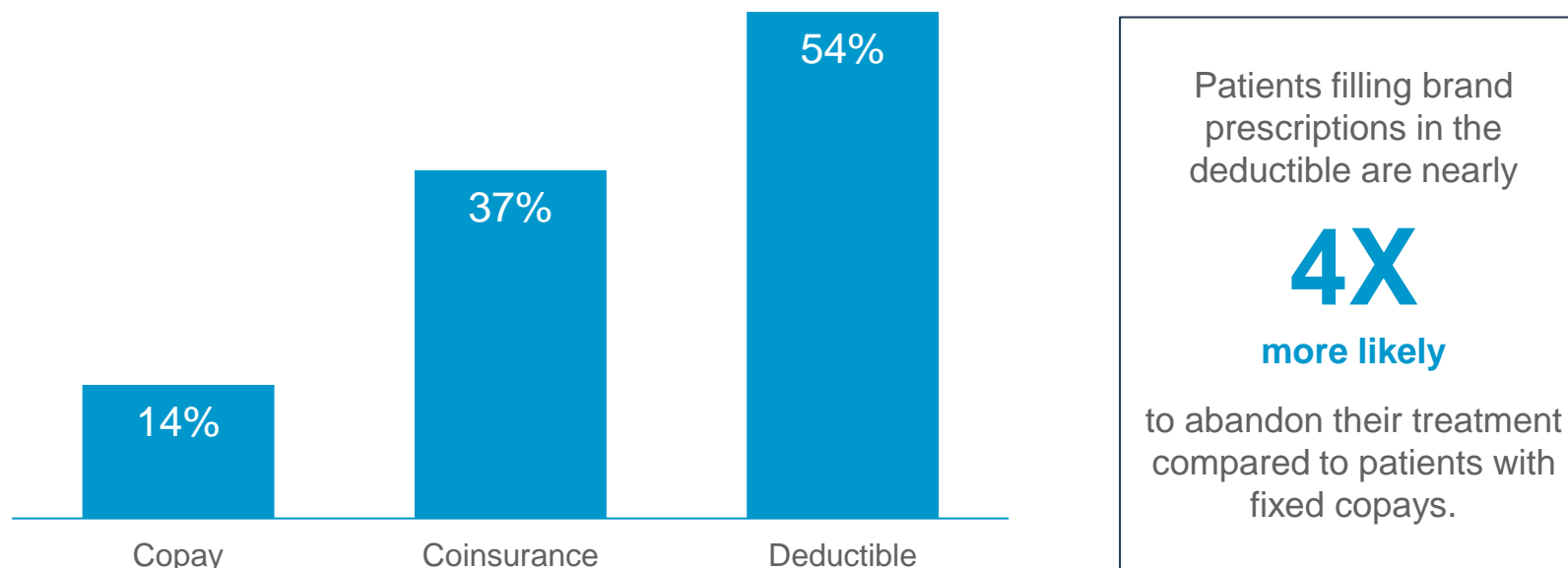
49%



Patients Were Nearly Four Times More Likely to Abandon Newly Prescribed Brand Medicines Filled in the Deductible, Compared to Those Filled With Copays

Growing use of high deductibles and coinsurance for medicines presents affordability challenges for many patients with commercial insurance. Patients faced with high out-of-pocket costs are more likely to abandon their medicines at the pharmacy counter.

Rate of Abandonment of New Brand Prescriptions by Type of Cost Sharing, 2021

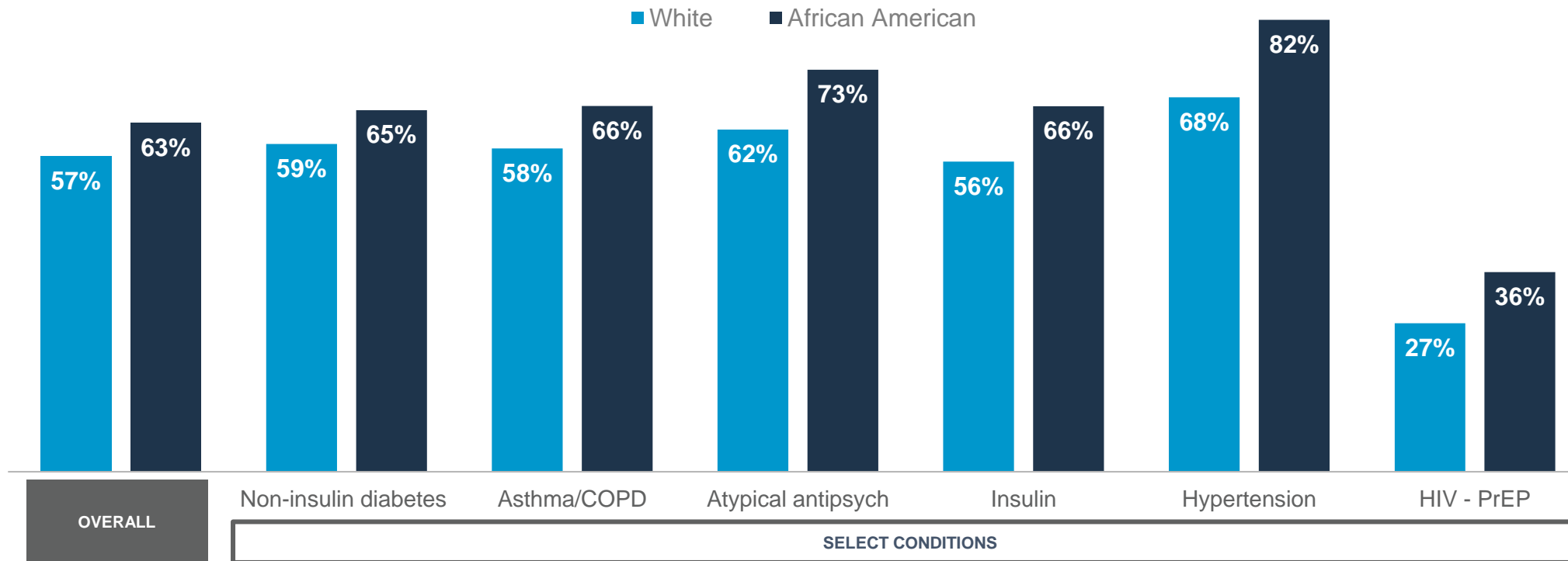


1. PhRMA. Deductibles and coinsurance drive high out-of-pocket costs for commercially insured patients taking brand medicines. November 14, 2022. <https://phrma.org/en/resource-center/Topics/Access-to-Medicines/Deductibles-and-Coinsurance-Drive-High-Out-Of-Pocket-Costs-for-Commercially-Insured-Patients-Taking-Brand-Medicines>

High Cost Sharing Disproportionately Impacts Disadvantaged Populations

When faced with high costs at the pharmacy, African American patients are 10%+ more likely to abandon new prescriptions than White patients.

Rate of Abandonment of Newly Prescribed Brand Medicines With Out-of-Pocket Costs of \$125+, 2020



Notes: Data reflect commercial payers and include brand medicines. New prescriptions are those for which patients have not had a prescription for the specific brand or generic drug within the prior year. Abandonment is defined as the prescription in question not being dispensed to the patient within 14 days of the initial fill.

1. PhRMA. Understanding medicine abandonment as a barrier to health equity. 2022. https://phrma.org/-/media/Project/PhRMA/PhRMA-Org/PhRMA-Org/PDF/S-U/Understanding-Medicine-Abandonment-as-a-Barrier-to-Health-Equity_2022.pdf

Patient-oriented Solutions

Policies That Help Patients Pay Less



Share the savings



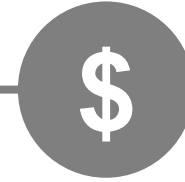
Make coupons count



Offer lower cost-sharing options



Cover medicines from day one



Hard-dollar cost sharing caps