



Decoding The Drug Pricing Debate

THE CURRENT LANDSCAPE

Drug companies continue to raise their prices, year after year, sometimes multiple times a year, often for the exact same product.

- Over the last five years, prices increased on the top 20 most-prescribed brand-name drugs for seniors by an average of 12 percent each year.¹
- From 2017-2018, drug companies raised the price on 20 drugs by more than 200%.²

Drug companies manipulate the patent and regulatory process to block competition and keep prices high.

- Through "pay-for-delay" deals, brand drug manufacturers engage in anticompetitive patent settlements with potential generic competitors, resulting in \$3.5B in higher drug costs each year.³
- Brand drug manufacturers exploit the FDA Risk Evaluation and Mitigation Strategies (REMS) program to prevent generic drug makers from accessing needed samples, costing the US health care system \$5.4B each year.⁴

Employers, health plans and others partner with Pharmacy Benefit Managers (PBMs) to negotiate for lower prescription drug costs for more than 266 million Americans.⁵

- One in two Americans get their insurance from their employer.⁶
- From 2015-2018, employers' prescription drug costs increased an average of 11 percent year-over-year, compared to medical costs.⁷
- In 2009, just under half of employers (47 percent) chose to use a PBM. As drug prices continued to rise, that number grew to nearly two-thirds by 2018.⁸

THE VALUE OF A PBM PARTNERSHIP

PBMs make prescription drugs more affordable.

- PBMs save employers, health plans and government programs an average of \$941 per person per year, representing 40-50% savings on their annual prescription drug and related medical costs compared to what they would have spent without PBMs.⁹
- PBMs use several tools to encourage the use of lower-cost alternatives, including generic drugs, which are estimated to reduce costs by 7-19%.¹⁰

Innovative PBM programs and services improve care and lower out-of-pocket costs for patients.

- **Pricing Transparency:** PBMs provide digital tools that allow doctors and patients to see the price of various drugs at the point of prescribing so they can make the best decision for the patient's health. Nearly 20% of the time, physicians switch to a more affordable medicine when clinically equivalent alternatives are offered through UnitedHealth Group's RTBT, PreCheck MyScript, and 30% of prior authorizations are avoided or initiated electronically; CVS Health's Real Time Benefits tool has saved patients an average of \$120 to \$130 per fill.^{11, 12}
- **Point-of-Sale Rebate Programs:** Ensures the value of the rebates negotiated by PBMs on branded drugs are passed on directly to patients when they fill their prescriptions. The programs are growing in popularity and currently offer savings for nearly 20 million patients. At UnitedHealth Group, point-of-sale discounts average nearly \$150 in net cost savings for patients per year.¹³
- **Medication Adherence:** PBMs' coordinated patient-centric programs increase adherence in diabetes patients, helping to prevent some 480,000 heart failures; 230,000 incidents of kidney disease; 180,000 strokes; and 8,000 amputations annually.¹⁴

High list prices, not rebates, drive drug costs higher for patients.

- More than 90% of rebate savings are passed from PBMs to employers, unions, health plans, and government programs. Many clients require their PBMs to pass through 100% of rebates.¹⁵
- Studies have found no correlation between prices drug companies set for the top 200 brand name drugs and the rebates negotiated by PBMs.¹⁶

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2. Pharmacy Benefit Consultants Analysis, AWP Price Increases (12-2016 to 12-2017 by price increases, January 2017-March 2018.

3. Federal Trade Commission, "Pay-for-Delay: How Drug Company Pay-Offs Cost Consumers Billions." January 2010.

4. Alex Brill on behalf of GPhA (now AAM), "Lost Prescription Drug Savings from Use of REMS Programs to Delay Generic Market Entry." July 2014.

5. Visante, The Return on Investment (ROI) on PBM Services, November 2016.

6. Kaiser Family Foundation, Health Insurance Coverage of the Total Population, 2017.

7. The Segal Group, 2017 Segal Health Plan Cost Trend Survey, September 27, 2016

8. CNBC, How employers are shaking up pharmacy benefits for 2019, August 7, 2018.

9. Visante, The Return on Investment (ROI) on PBM Services, November 2016.

10. Visante, Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers, February 2016.

11. United Healthcare, "No More Surprises at the Pharmacy," January 16, 2019.

12. CVS Health, "Real-Time Prescription Benefits in Action," October 2, 2018.

13. UnitedHealth Group, Investor Conference, 2019.

14. Visante, The Return on Investment (ROI) on PBM Services, November 2016.

15. Visante: "Increasing prices set by drugmakers not correlated with rebates." June 2018.

16. Visante: "Increasing prices set by drugmakers not correlated with rebates." June 2018.