



## PhRMA-Funded Myths About Drug Prices

**LEARN THE FACTS:** PHARMACEUTICAL MANUFACTURERS POINT FINGERS TO DISTRACT FROM THEIR HIGH PRICES AND ANTICOMPETITIVE GAMESMANSHIP

PhRMA-FUNDED MYTH	FACT
<b>PBMs are to blame for rising drug prices.</b>	<p><b>Only drug companies set and raise the list price for drugs.</b> In the past year, there were 1,216 drug price increases above the inflation rate.</p> <p>In January 2022, the average price increase was nearly <b>\$150 per drug</b>. Six months later, it was <b>\$250</b><sup>1</sup>.</p> <p><b>PBMs save patients and health plans an average of \$123 per prescription and nearly \$1000 per year in health costs</b><sup>2</sup>.</p>
<b>Drug companies' list prices don't matter.</b>	<p><b>Rising list prices cause real harm to patients.</b> In 2022, several big drug companies increased their drugs' list prices <b>by more than \$20,000 – an increase of over 500%</b>.<sup>3</sup></p> <p>An HHS study concluded that “<b>high prescription drug prices create affordability challenges for patients</b> and the health care system.”<sup>4</sup></p> <p>Rising list prices lead to <b>higher out-of-pocket costs for patients</b>, particularly for patients paying deductibles or coinsurance.<sup>5</sup></p>
<b>Rebates force drug companies to raise their prices.</b>	<p>Multiple studies show that <b>rebates PBMs negotiate from drug companies are not responsible for rising drug prices.</b></p> <p>A 2022 Matrix Global Advisors (MGA) report found that rebates promote competition, lower insurance premiums, and are not linked to rising drug prices.<sup>6</sup></p> <p>Only 1 in 10 prescriptions generate a rebate<sup>7</sup> and recent research shows that manufacturers raise prices of drugs with and without rebates at roughly the same rate.<sup>8</sup></p>
<b>Drug companies wouldn't be able to invest as much in R&amp;D if they lowered their prices.</b>	<p><b>Profits – not R&amp;D costs – drive Big Pharma's high prices.</b> A 2022 analysis found that high drug prices are not caused by R&amp;D, they are caused by drug pharmaceutical companies choosing to raise their list prices.<sup>9</sup></p> <p>A 2021 report also showed that AbbVie specifically dedicated a significant portion of its research budget to suppressing biosimilar and generic competition.<sup>10</sup></p>
<b>Drug companies seek extended patent protections to cover the costs of R&amp;D.</b>	<p>Drug companies use patent thickets to <b>maintain their monopoly power and thwart competition.</b></p> <p>A recent analysis found <b>that 4x as many</b> patents are granted on top drugs in the U.S. compared to Europe. And drugmakers file more than <b>140 patent applications</b> on average per drug in the U.S.<sup>11</sup></p> <p>Affordable generic and biosimilar versions of the top 3 selling drugs launched in Europe an average of 7.7 years earlier than U.S. entry. As a result, Americans are estimated to spend more than <b>\$167 billion</b> on branded version of these drugs while other countries enjoy lower prices.<sup>12</sup></p> <p>For example, AbbVie has filed <b>over 250 patent applications</b> for Humira, which has delayed true competition for <b>39 years</b> and is likely to cost American payers and taxpayers <b>\$14.4 billion</b>.<sup>13</sup></p>
<b>PBMs increase costs to seniors and low-income patients.</b>	<p>PBMs saved Medicare Part D <b>\$29 billion</b> in 2016.<sup>14</sup> Over the next decade, PBMs are projected to save Medicare Part D nearly <b>\$445 billion</b>, and managed Medicaid plans, <b>more than \$46 billion</b>.<sup>15</sup> The GAO also reported that <b>PBM rebates directly contribute to lower premiums for beneficiaries in Part D</b>, noting savings from rebates are “one reason that premiums remained relatively unchanged between 2010 and 2015.” <b>Part D premiums have fallen 12%</b> on average since 2017.<sup>16</sup></p> <p>A recent AARP report <i>How States Helped Lower Prescription Drug Costs</i>, argued that “The reality is <b>PBMs have been a bit of a scapegoat for drug companies</b>, who've intentionally diverted attention away from them and towards PBMs...But really, <b>drug manufacturers are the only ones who can set and raise drug prices</b>.<sup>17</sup></p>

**PBMs increase out-of-pocket costs.**

**Without PBM savings, total costs to the patient and system would be nearly \$2,300 per person per year.** On average, the health system is currently paying approximately \$1,315 per person per year for prescriptions, **delivering a savings of \$962 per person per year.** And of that \$1,315, consumers pay an average of \$180 – less than 14% of the total cost – because of PBMs.<sup>18</sup>

**PBMs don't provide any value to the health care system**

PBMs are critical for our economy. **PBM create more than \$145 billion in savings for patients and payers.**<sup>19</sup>

These savings come from PBM-negotiated rebates and discounts combined with lower expenditures on other health care services due to increased adherence. PBMs help patients avoid dangerous drug interactions and increase access to prescription drugs.

For patients with diabetes, PBMs help to prevent more than 480,000 heart failures, 230,000 cases of kidney disease, 180,000 strokes and 8,000 amputations every year.<sup>20</sup>

Learn more at [affordableprescriptiondrugs.org](https://affordableprescriptiondrugs.org)

## CITATIONS

<sup>1</sup> **HHS Prescription Drug Report**, "Price Increases for Prescription Drugs, 2016-2022," <https://aspe.hhs.gov/sites/default/files/documents/d850985c20de42de984942c2d8e24341/price-tracking-brief.pdf>

<sup>2</sup> **PCMA**, [https://www.pcmamet.org/wp-content/uploads/2020/02/ROI-on-PBM-Services-FINAL\\_.pdf](https://www.pcmamet.org/wp-content/uploads/2020/02/ROI-on-PBM-Services-FINAL_.pdf)

<sup>3</sup> **HHS Prescription Drug Report**, "Price Increases for Prescription Drugs, 2016-2022," <https://aspe.hhs.gov/sites/default/files/documents/d850985c20de42de984942c2d8e24341/price-tracking-brief.pdf>

<sup>4</sup> **HHS Prescription Drug Report**, "Price Increases for Prescription Drugs, 2016-2022," <https://aspe.hhs.gov/sites/default/files/documents/d850985c20de42de984942c2d8e24341/price-tracking-brief.pdf> **PCMA**, [https://www.pcmamet.org/wp-content/uploads/2020/02/ROI-on-PBM-Services-FINAL\\_.pdf](https://www.pcmamet.org/wp-content/uploads/2020/02/ROI-on-PBM-Services-FINAL_.pdf)

<sup>5</sup> **Jama Network Open**, "Correlation Between Changes in Brand-Name Drug Prices and Patient Out-of-Pocket Costs" <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2779442>

<sup>6</sup> **Alex Brill**, "Understanding Drug Rebates and Their Role in Promoting Competition" file:///Users/julia.cohn/Downloads/CAPD-Brill-Report\_FINAL.pdf

<sup>7</sup> **Milliman**, "Prescription Drug Rebates and Part D Drug Costs" <https://www.ahip.org/documents/AHIP-Part-D-Rebates-20180716.pdf>

<sup>8</sup> **Alex Brill**, "Understanding Drug Rebates and Their Role in Promoting Competition" file:///Users/julia.cohn/Downloads/CAPD-Brill-Report\_FINAL.pdf

<sup>9</sup> **JAMA**, "Association of Research and Development Investments With Treatment Costs for New Drugs Approved From 2009 to 2018," <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2796669>

<sup>10</sup> **AbbVie—Humira and Imbruvica**, "Drug Pricing Investigation" <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Committee%20on%20Oversight%20and%20Reform%20-%20AbbVie%20Staff%20Report.pdf>

<sup>11</sup> **I-MAK**, "Overpatented, Overpriced," <https://www.i-mak.org/wp-content/uploads/2022/09/Overpatented-Overpriced-2022-FINAL.pdf>

<sup>12</sup> **I-MAK**, "Overpatented, Overpriced," <https://www.i-mak.org/wp-content/uploads/2022/09/Overpatented-Overpriced-2022-FINAL.pdf>

<sup>13</sup> **Humira, Overpatented, Overpriced Special Edition**, <https://www.i-mak.org/humira/>

<sup>14</sup> **United States Government Accountability Office**, "Use of Pharmacy Benefit Managers and Efforts to Manage Drug Expenditures

<sup>15</sup> **PCMA**, "NEW STUDY: PHARMACY BENEFIT MANAGERS (PBMS): GENERATING SAVINGS FOR PLAN SPONSORS AND CONSUMERS" <https://www.pcmamet.org/new-study-pharmacy-benefit-managers-pbms-generating-savings-for-plan-sponsors-and-consumers/>

<sup>16</sup> **Fierce Healthcare**, "Part D premiums likely to increase slightly in 2021: CMS", <https://www.fiercehealthcare.com/payer/part-d-premiums-likely-to-increase-slightly-2021-cms>

<sup>17</sup> **AARP**, "How States Helped Lower Prescription Drug Costs", [https://feeds.aarp.org/politics-society/advocacy/info-2022/states-prescription-drug-prices.html?\\_amp=true](https://feeds.aarp.org/politics-society/advocacy/info-2022/states-prescription-drug-prices.html?_amp=true)

<sup>18</sup> **Visante**, "The Return on Investment (ROI) on PBM Services", [https://www.pcmamet.org/wp-content/uploads/2020/02/ROI-on-PBM-Services-FINAL\\_.pdf](https://www.pcmamet.org/wp-content/uploads/2020/02/ROI-on-PBM-Services-FINAL_.pdf)

<sup>19</sup> **Mulligan, Casey B.** "The Value of Pharmacy Benefit Management," National Bureau of Economic Research, Jul. 2022, <https://www.nber.org/papers/w30231>

<sup>20</sup> **Visante**, "The Return on Investment (ROI) on PBM Services," PCMA, Feb. 2020, [https://www.pcmamet.org/wp-content/uploads/2020/02/ROI-on-PBM-Services-FINAL\\_.pdf](https://www.pcmamet.org/wp-content/uploads/2020/02/ROI-on-PBM-Services-FINAL_.pdf)