



Biopharmaceutical Industry Update

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Michigan House Insurance and Financial Services Committee

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America's biopharmaceutical industry is tireless in the pursuit of new treatments and cures.



900+

**New medicines approved
by the FDA since 2000**



8,000+

**Medicines in development
around the globe**

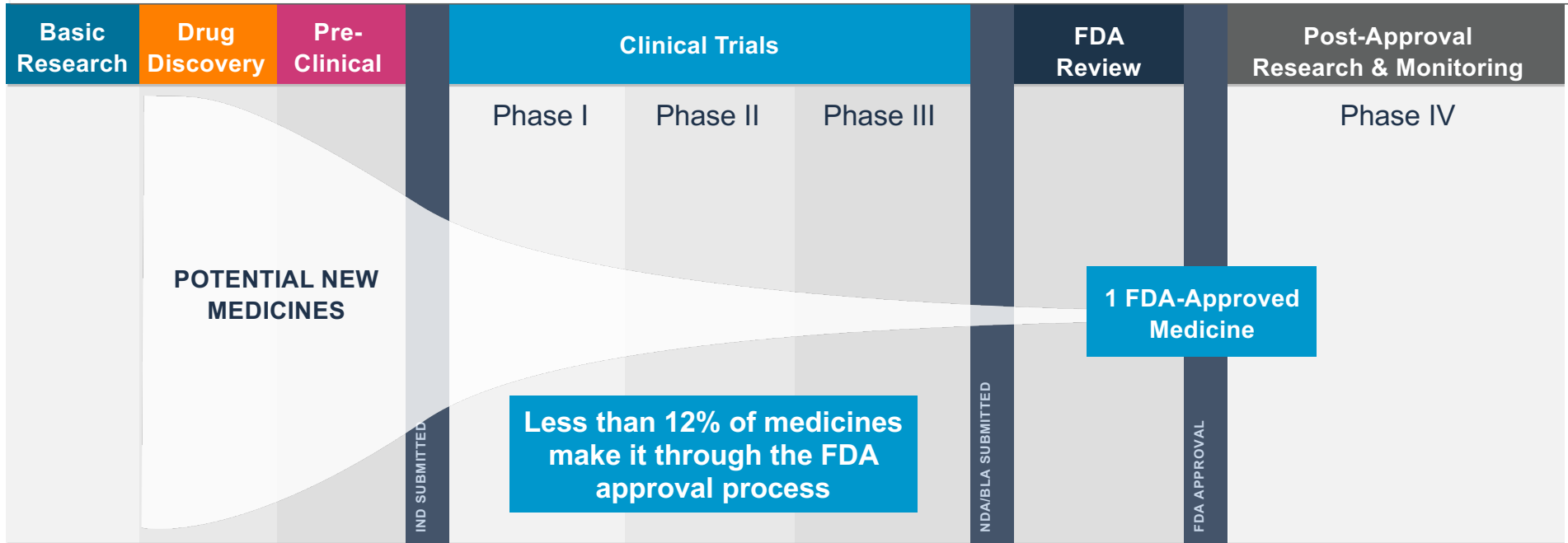


\$1.1T

**Invested in R&D by PhRMA
member companies since 2000**

R&D Process Overview: Lengthy, Costly and Uncertain

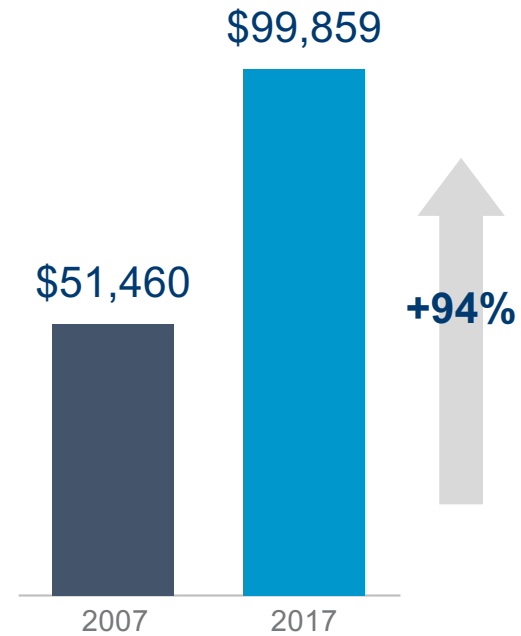
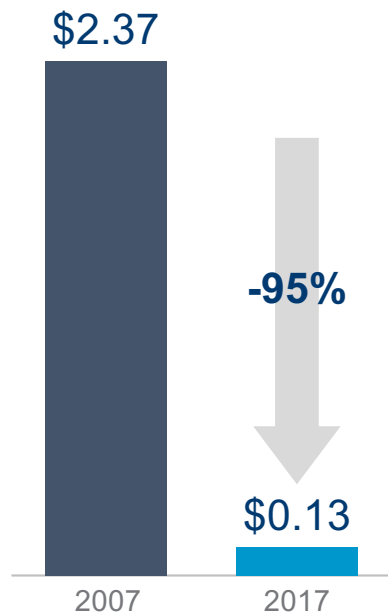
Developing a new medicine takes 10 to 15 years and costs an average of \$2.6 billion.¹



Unlike Other Aspects of the Health Care System, Medicine Costs Decrease Over Time

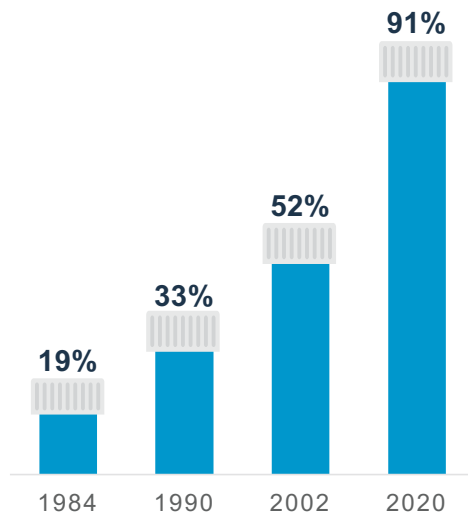
The price of medicines used to prevent cardiovascular disease decreased...

...while the cost of the surgical procedure to treat it increased over a decade.



Generic and Biosimilar Medicines Drive Significant Savings in the Health Care System

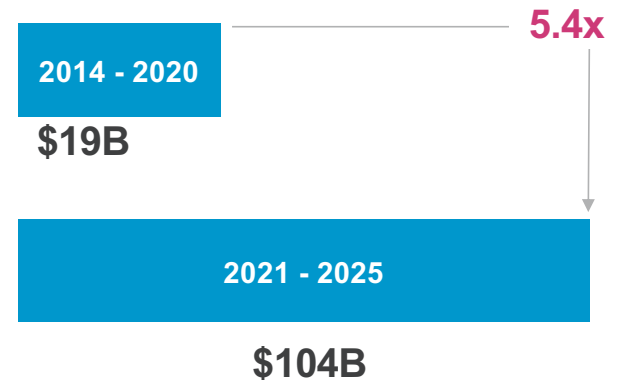
91% of All Drugs Dispensed in the United States are Generics



Nearly
\$2.4 trillion

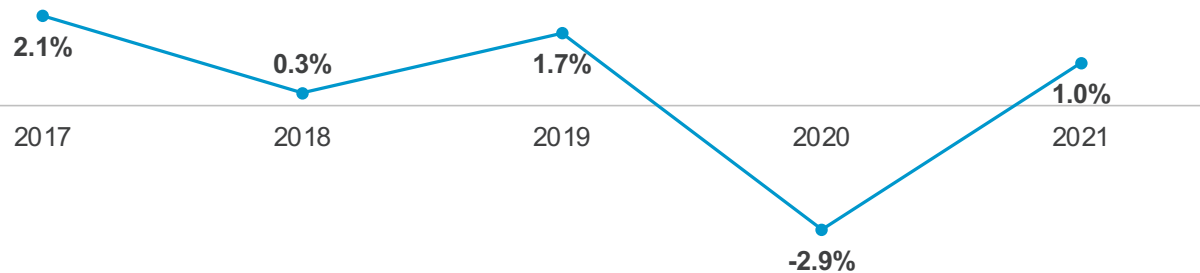
10-year savings from use of generic and biosimilars (2011 - 2020)

Looking Ahead, Biosimilar Savings Projected to Grow 5x



Net Prices for Brand Medicines Have Stayed Nearly Flat For The Past Five Years

Average Net Price Growth for Brand Medicines, 2017-2021



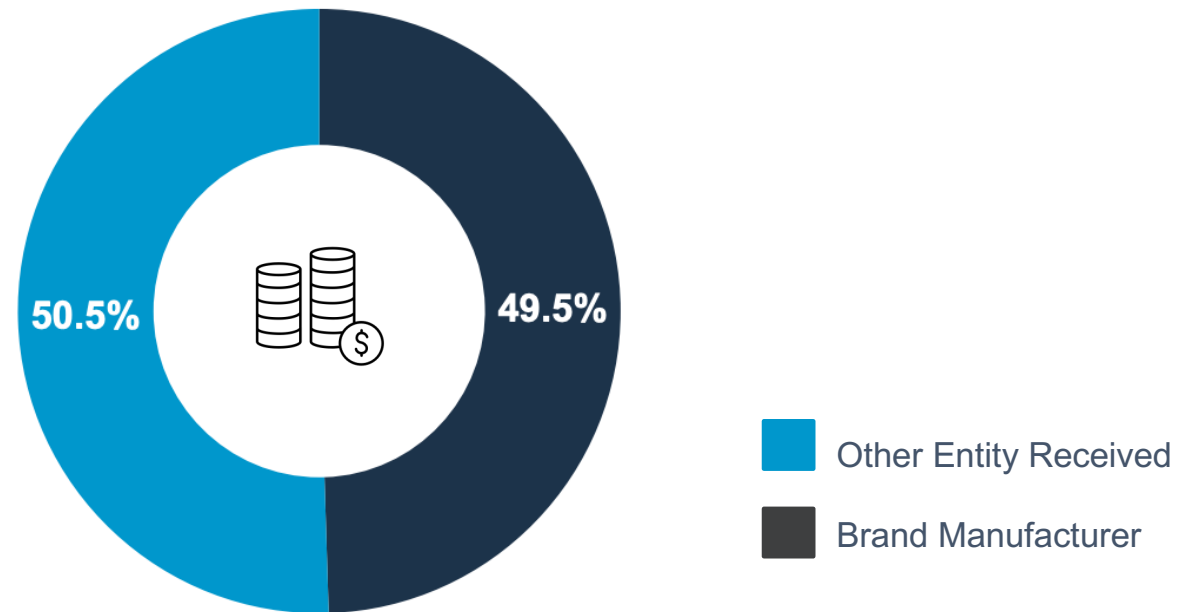
On average, a brand medicine's net price is

50%

lower than its list price.

More than Half of Every Dollar Spent on Brand Medicines Goes to Entities Who Did Not Develop Them

Percent of Total Spending on Brand Medicines Received by Manufacturers and Other Entities, 2020





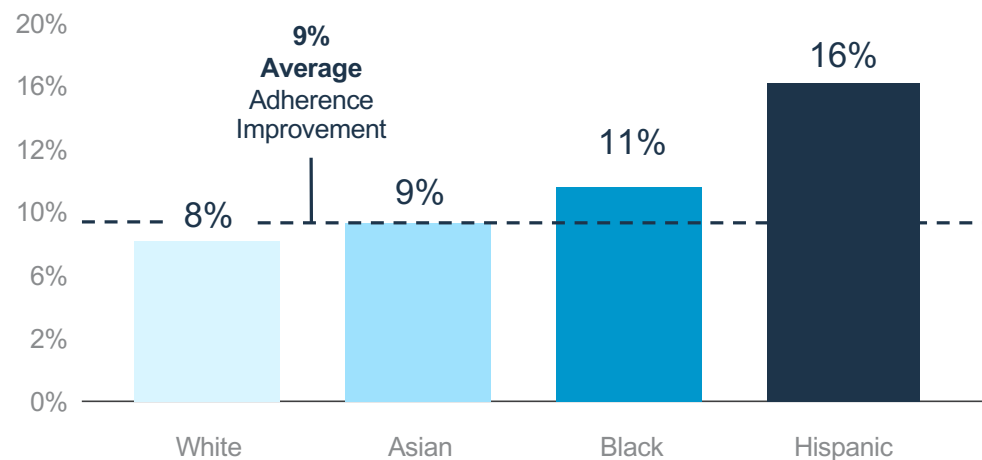
Sharing Manufacturer Rebates Directly with Patients Is One Way to Improve Access, Especially for Black and Hispanic Communities

Sharing rebates directly with commercially-insured patients could **reduce**¹:

- Total health care costs by **\$1,000 per person annually** or **\$8 billion over 10 years**
- Patient spending by **\$1.5 billion over 10 years**
- Mortality by **700 deaths annually**

Sharing manufacturer rebates directly with commercially-insured patients can result in a **9% average improvement in adherence**¹

Adherence Improvement from Sharing Rebates on Oral Antidiabetic Drugs, by Race



1. The Impact of Sharing Manufacturer Rebates for Oral Anti-Diabetic Medications at the Point of Sale with Patients in the Commercial Market: Analysis by Race and Ethnicity. GlobalData. 2022. Available at: <https://www.globaldata.com/reports/1-the-impact-of-sharing-manufacturer-rebates-for-oral-anti-diabetic-medications-at-the-point-of-sale-with-patients-in-the-commercial-market/>

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

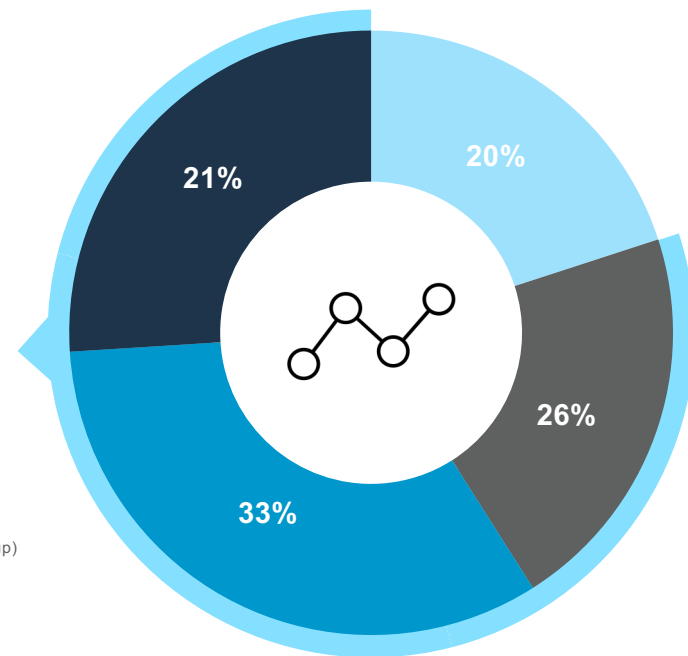
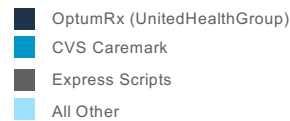
like prior authorization or fail first

PROVIDER INCENTIVES

through preferred treatment guidelines and pathways

Top 3 PBMs' Market Share:

80%



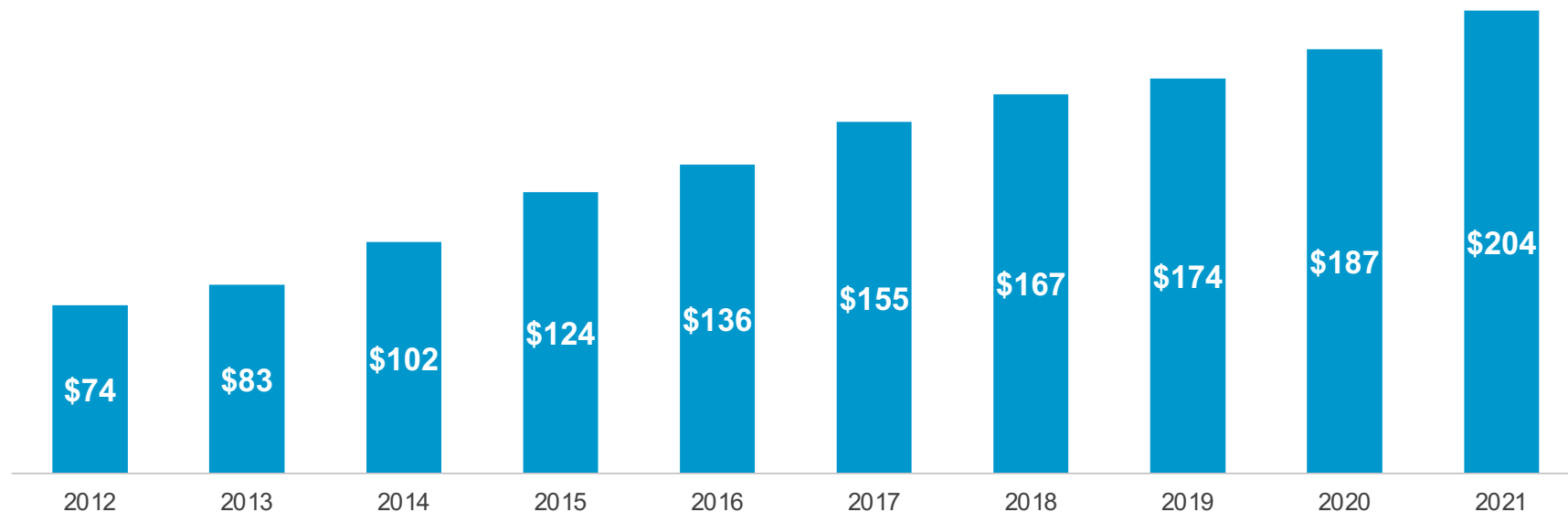
A Snapshot of PBM Market Consolidation



1. Cigna also partners with providers via its Cigna Collaborative Care program.
 2. Since January 2021, Prime's Blue Cross and Blue Shield plans have had the option to use Express Scripts or AllianceRx/Walgreens Prime for mail and specialty pharmacy services. In December 2021, Walgreens Boots Alliance purchased Prime Therapeutics' 43% ownership in AllianceRx/Walgreens Prime.
 3. In 2021, Centene has announced its intention to consolidate all PBM operations onto a single platform and outsource its PBM operations to an external company.
 4. In 2021, Centene sold a majority stake in its U.S. Medical Management to a group of private equity firms.
 5. Since 2020, Prime has sourced formulary rebates via Ascent Health Services. In 2021, Humana began sourcing formulary rebates via Ascent Health Services for its commercial plans.
 Source: Drug Channels Institute research

Rebates and Other Manufacturer Price Concessions Have More Than Doubled Since 2012

Total Value of Manufacturers' Gross-to-Net Reductions for Patent-Protected, Brand Name Drugs (\$B), 2012-2021

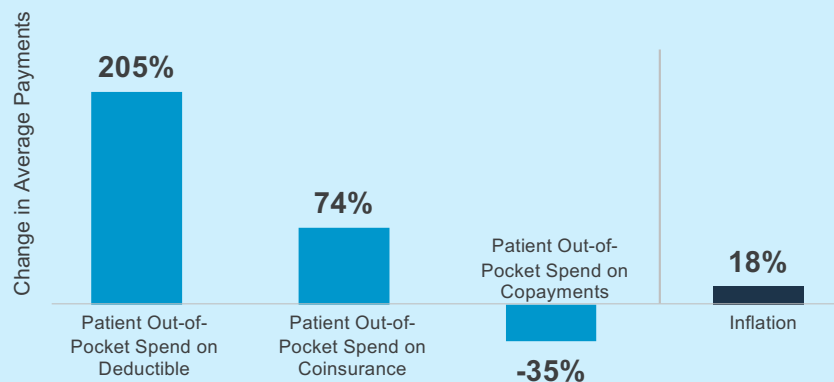


Patient Cost Sharing Is Increasingly Tied to List Prices through Coinsurance and Deductibles

Patient Spending Rises as Plans Use More Deductibles and Coinsurance

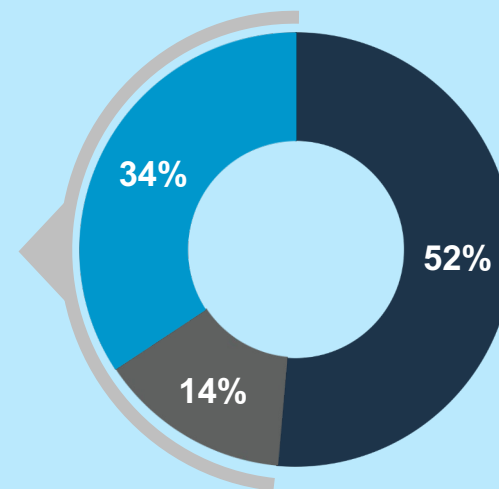
Nearly Half of Commercially Insured Patients' Cost Sharing For Brand Medicines Is Based on the Undiscounted List Price

Change Among Large Employer Health Plans, 2007-2017



50%
of patient cost sharing is based on list price

- Copay
- Deductible
- Coinsurance



Source: Peterson Center on Healthcare and Kaiser Family Foundation. Tracking the rise in premium contributions and cost-sharing for families with large employer coverage. August 2019.

Source: IQVIA Institute for Human Data Science. Medicine spending and affordability in the United States. August 2020.

According to Experts, PBMs May Have Incentives to Prefer Medicines with Higher List Prices and Large Rebates

Public sources have noted that manufacturer efforts to reduce list prices have been met with significant headwinds by PBMs

Contract terms that discourage list price reductions

Source: Gal A, Wilkes L, Chen A, et al. Bernstein Research. February 8, 2019.

Demand letters from PBMs requiring additional payments in the event of list price decreases

Source: Sagonowsky E. "UnitedHealthcare demands drug rebates even if pharma cuts list prices: analyst," February 2019. <https://www.fiercepharma.com/pharma/letter-to-pharmas-unitedhealthcare-seeks-to-protect-drug-rebates-from-price-reductions>

Excluding lower list price versions of brand medicines from formularies in favor of higher list price versions

Sources:

1. 2022 Prescription Drug List." UnitedHealthcare & Affiliated Companies. <https://www.uhcprovider.com/content/dam/provider/docs/public/resources/pharmacy/pdl-commercial-effective-jan-2022.pdf>; 2. 2022 National Preferred Formulary Exclusions." Express Scripts. March 22, 2022. https://www.express-scripts.com/art/pdf/NPF_Preferred_Formulary_Exclusions2022.pdf

Hospitals Account for 1/3 of All U.S. Health Care Spending and Contribute to Patient Costs by Marking Up Medicines

Hospitals that mark up the cost of medicines can make more from administering a medicine than the pharmaceutical company that manufactured it.

250%

The average amount hospitals mark up the cost of medicines for patients with commercial insurance

Source: STAT, 2021.



The amount 340B hospitals receive for administering medicines to commercially insured patients is

3x more

than what they paid to acquire the medicines

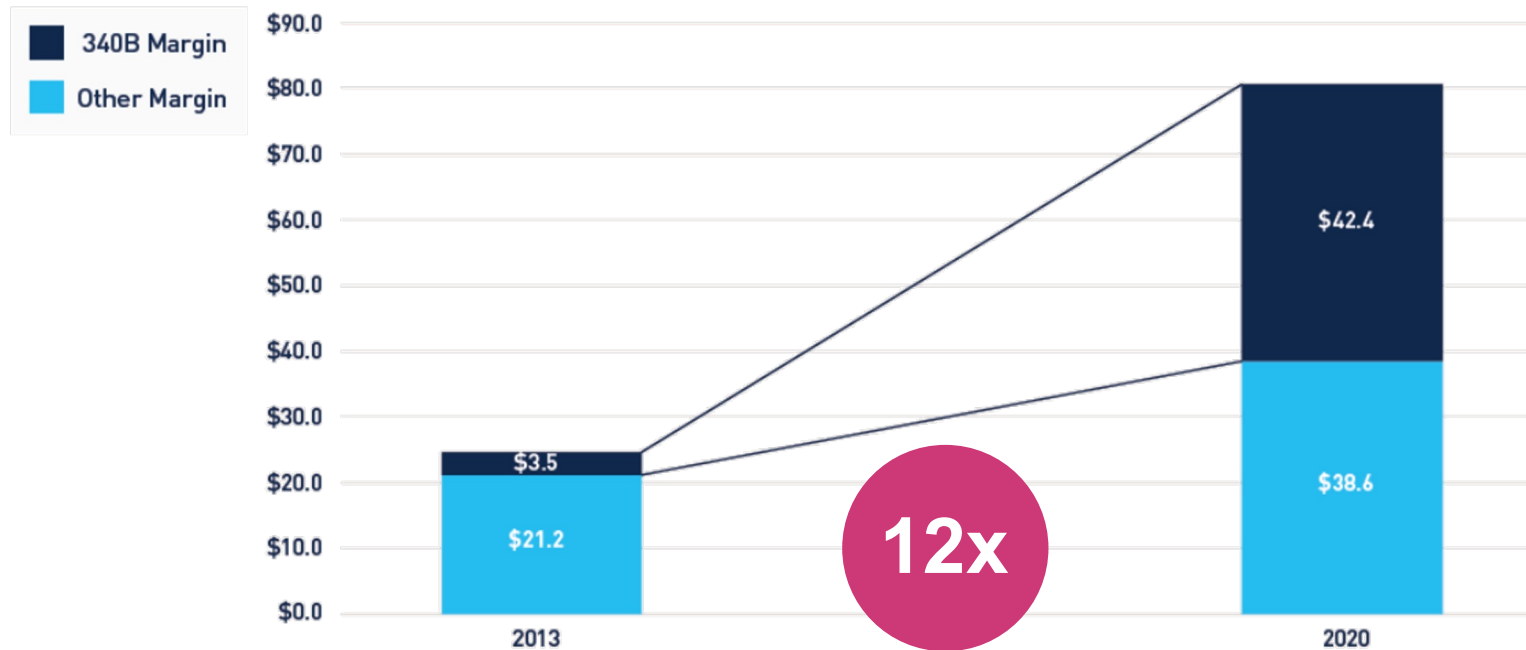
Source: Milliman, 2019.



634%

Amount some hospitals mark up the cost of oncology medicines

Brand Medicine Spending Retained by Hospitals and Other Providers From the 340B Program Grew 12x Since 2013



PhRMA Created the Medicine Assistance Tool (MAT) To Help Patients Navigate Medicine Affordability

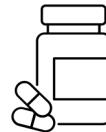
A search engine to connect patients with

900+

assistance programs offered by
biopharmaceutical companies, including
some free or nearly free options



Resources to help patients
navigate their insurance coverage



Links to biopharmaceutical
company websites where
information about the cost of a
prescription medicine is available

Learn more at www.MAT.org



Additional Resources: www.phrma.org/states

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