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**SUSTAINABLE
Rx PRICING**
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THE FACTS ABOUT RISING PRESCRIPTION DRUG COSTS



THE ISSUE

Drug prices in the United States are too high and continue to skyrocket. The unsustainable cost of prescription drugs not only puts pressure on the health care system but increasingly; patients, employers, and providers are paying prices that are too high.



PRICE

- Today, prescription drug expenditures are nearly **20 percent** of health care costs.^{1,2}
- Prescription spending is growing faster than any other part of the health care dollar.³
- American spending on prescription drugs **increased 13.1 percent** in 2014—the largest annual increase since 2003. This uptick was largely driven by an **unprecedented 30.9 percent** increase in spending on specialty medications. In 2015, spending rose **another 12.2 percent**.^{4,5}
- Specialty drug pricing alone is far outpacing the Consumer Price Index and specialty drugs are expected to increase to **44 percent** of overall drug spending by 2017.^{6,7}
- Spending on 10 breakthrough drugs alone will cost just three government programs nearly **\$50 billion** over a decade.⁸
- According to a recent AARP report, the annual retail cost of widely-used specialty prescription drug therapies in 2013 averaged **\$53,384 annually**. This is more than the median US household income (\$52,250) for the same time period, twice as much as the median income for Medicare beneficiaries (\$23,500), and almost three and a half times higher than the average Social Security retirement benefit (\$15,526).⁹
- Spending on specialty medicines (drugs that require special handling, administration, or monitoring) increased by \$54 billion over the past five years, accounting for **73 percent** of all medicine spending growth.¹⁰
- Prices are rising on some common drugs, too. **Four of the top 10 prescription drugs** in the United States have increased in price by more than **100 percent** since 2011.¹¹

¹ IMS Institute for Healthcare Informatics. (2012, February). *Healthcare Spending Among Privately Insured Individuals Under Age 65*.

² MedPac. (2015, September). *Medicare drug spending*.

³ Altarum Institute. (2015, September). *Health Sector Economic Indicators. Insights from Monthly National Price Indices Through July 2015*.

⁴ The Express Scripts Lab. (2015). *The 2014 Drug Trend Report*.

⁵ IMS Institute for Healthcare Informatics. (2016, April). *Medicines Use and Spending in the U.S. – A Review of 2015 and Outlook to 2020*.

⁶ America's Health Insurance Plans. (2015, July). *Specialty Drugs: Issues and Challenges*.

⁷ Express Scripts. (2016, March). *2015 Drug Trend Report*.

⁸ Avalere Health LLC. (2015, June). *The Future Cost of Innovation: An Analysis of the Impact of Breakthrough Therapies on Government Spending*.

⁹ AARP. (2015, November). *Trends in Retail Prices of Specialty Prescription Drugs Widely Used by Older Americans, 2006-2013*.

¹⁰ IMS Institute for Healthcare Informatics. (2015, April). *Medicines Use and Spending Shifts: A Review of the Use of Medicines Use and Spending Shifts: A Review of the Use of Medicines in the U.S. in 2014*.

¹¹ Humer, C. (2016, April). Exclusive: Makers took big price increases on widely used U.S. drugs. *Reuters*.



EXAMPLES

- Pfizer Inc., the nation's largest drugmaker, has **raised prices on 133** of its brand-name products in the U.S. in 2016, according to research from UBS, more than three-quarters of those were increases of **10 percent or more**.¹²
- **Sovaldi**, a drug to treat Hepatitis C virus, costs \$1,000 per day for the 12-week course of treatment amounting to **\$84,000**. Additionally, a drug like Sovaldi is often prescribed in concert with other drugs, significantly raising the total treatment cost. An 18-month investigation by United States Senate Committee on Finance into Gilead Sciences' Hepatitis C drugs Sovaldi and Harvoni found that "the company pursued a marketing strategy and final wholesale price of Sovaldi...that it believed would maximize revenue...Fostering broad, affordable access was not a key consideration in the process of setting the wholesale prices."^{13,14}
- The recent FDA approval of **Orkambi**, a two-drug therapy designed to treat the most common mutation of Cystic Fibrosis, came with a **\$259,000 annual price tag**. While Orkambi is a major breakthrough in treating Cystic Fibrosis patients, its staggering price tag is an unaffordable option for many who desperately need the medication.¹⁵
- Some drug companies, like **Actavis**, have attempted to "product-hop," which results in discontinuing a medication in favor of a more expensive version, keeping prices high for consumers. According to an analysis from the Assistant Secretary for Planning and Evaluation (ASPE), the Medicare Part D program would have incurred a cost of \$288 million in 2015 if Actavis was allowed to do this with its top-selling Alzheimer's drug.¹⁶
- At **\$14,600 annually**, the PCSK9 inhibitor to treat high cholesterol **Praluent** is too expensive for many patients for even one year. Given the nature of the treatment though, most patients prescribed Praluent will be on it for the rest of their lives, skyrocketing the total cost of this treatment.¹⁷
- Since 2007, **Lyrica** has helped treat the pain of those who suffer from fibromyalgia. In 2014, the drug was Pfizer's top-selling drug and brought in \$5.17 billion in sales, and in 2015, the drug was the pharmaceutical giant's second-best selling drug bringing in \$4.8 billion. The price of the drug increased by about **51 percent** over the three years, which produced \$208 million sales attributed solely to the price hike.¹⁸

¹² Koons, C. (2015, October). Pfizer Raised Prices on 133 Drugs This Year, And It's Not Alone. *Bloomberg*.

¹³ Appleby, J. (2014, May). Who Should Get Pricey Hepatitis C Drugs? *Kaiser Health News*.

¹⁴ United States Senate Committee on Finance. (2015, December). *Wyden-Grassley Sovaldi Investigation Finds Revenue-Driven Pricing Strategy Behind \$84,000 Hepatitis Drug*.

¹⁵ LaMattina, J. (2015, June). Will The High Cost Of Vertex's New Cystic Fibrosis Drug Push The U.S. To European Style Pricing? *Forbes*.

¹⁶ America's Health Insurance Plans. *The High Prices of Prescription Drugs Increase Costs for Everyone*.

¹⁷ (2015, July). New cholesterol lowering drug Praluent far more expensive than statins. *CBS News, Associated Press*.

¹⁸ Koons, C. (2015, October). Pfizer Raised Prices on 133 Drugs This Year, And It's Not Alone. *Bloomberg*.