

PRESCRIPTION MEDICINES: COSTS IN CONTEXT



2015

Since 2000, biopharmaceutical companies have brought
MORE THAN 500 NEW TREATMENTS AND CURES
to U.S. patients



Medicines have helped raise average U.S. life expectancy from **47 years to 78 years***



5 year cancer survival rates are **up 39 percent across all cancers****



Death rates for HIV/AIDS and cancer have **fallen nearly 85 percent and 22 percent respectively*****

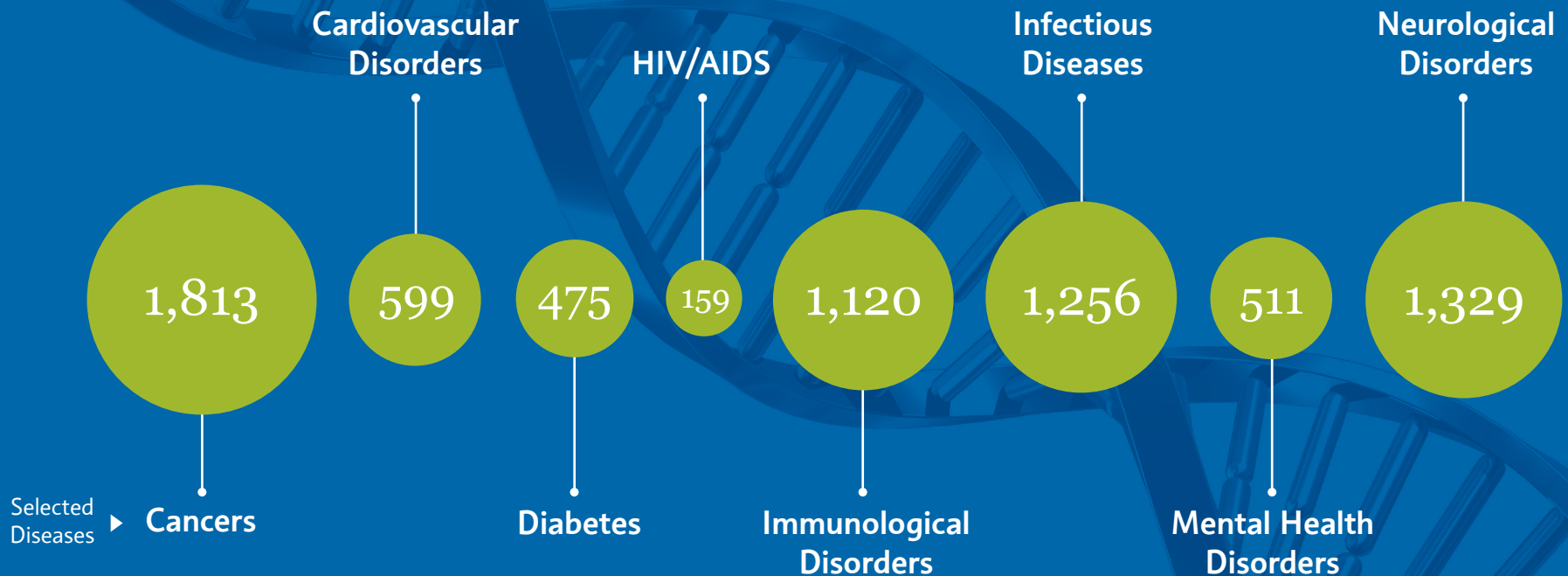


Hepatitis C therapies have cure rates of **more than 90 percent******

TODAY MORE THAN 7,000 MEDICINES

are in development around the world

Medicines in Development*

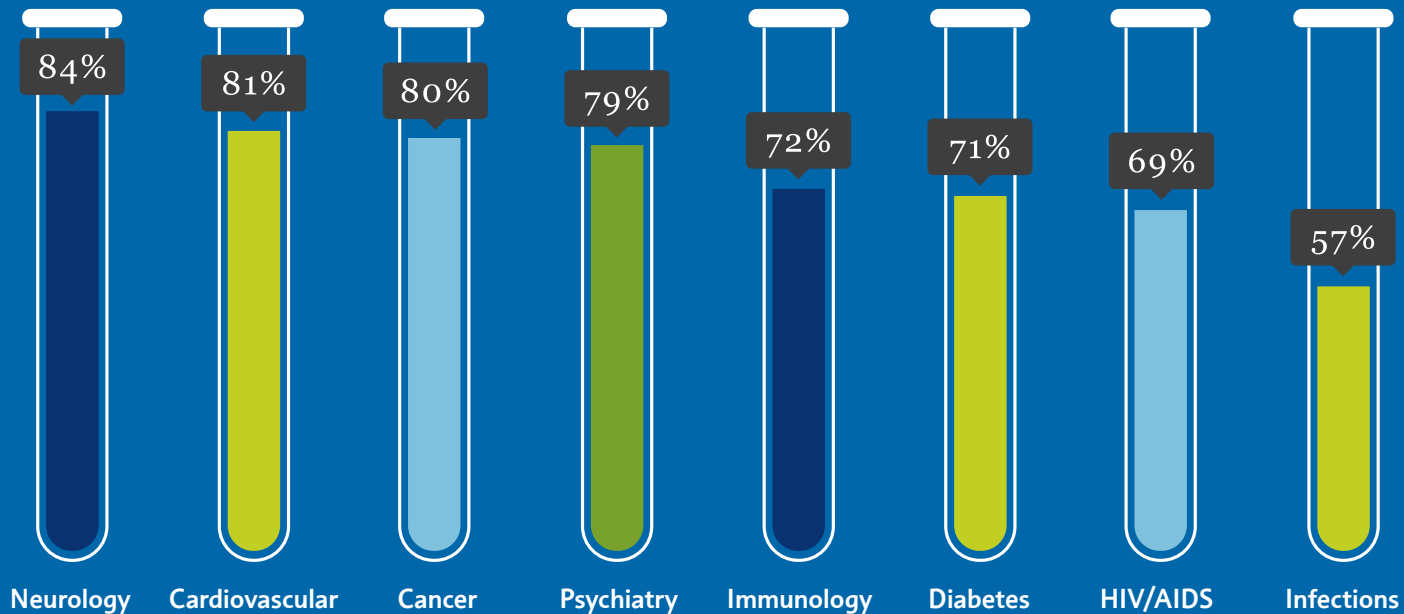


*Defined as single products which are counted exactly once regardless of the number of indications pursued

AN AVERAGE OF 70% OF DRUGS

are potential first-in-class therapies, meaning they use a completely new approach to fighting a disease

Percentage of Projects in Development that Are Potentially First-in-Class Medicines in Selected Therapeutic Areas, 2011

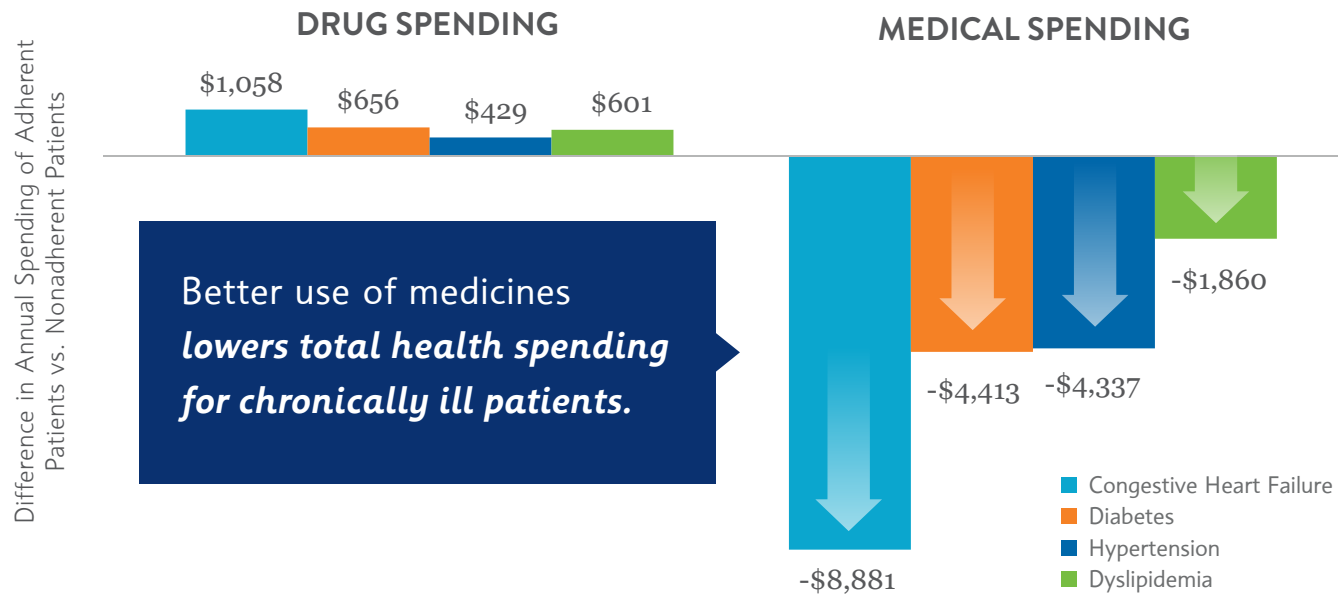


Medicines save lives and help patients

AVOID EXPENSIVE HOSPITALIZATIONS AND EMERGENCY ROOM VISITS

THE U.S. HEALTH CARE SYSTEM COULD SAVE \$213 BILLION ANNUALLY
IF MEDICINES WERE USED PROPERLY*

Adherence to Medicines Lowers Total Health Spending for Chronically Ill Patients**



Medicine Use Yields

SIGNIFICANT HEALTH GAINS AND SAVINGS ON OTHER SERVICES

Due to a growing body of evidence, the Congressional Budget Office (CBO) began recognizing reductions in non-drug expenditures associated with increased use of prescription medicines in Medicare.

“Pharmaceuticals have the effect of improving or maintaining an individual’s health...adhering to a drug regimen for a chronic condition such as diabetes or high blood pressure may prevent complications...taking the medication may also avert hospital admissions and thus reduce the use of medical services.”

—CONGRESSIONAL BUDGET OFFICE



Researchers also found that gaining Medicare Part D prescription drug coverage was tied to an

8% decrease
IN HOSPITAL ADMISSIONS
for seniors overall, with higher reductions
for certain conditions*

The cost of disease could bankrupt the United States health care system,
WITHOUT NEW MEDICINES



Estimated 10-Year Savings to Medicare From
Improved Adherence to Congestive
Heart Failure Medications, 2013-2022

\$22.4 billion

Savings to Medicare if adherence
reached recommended levels

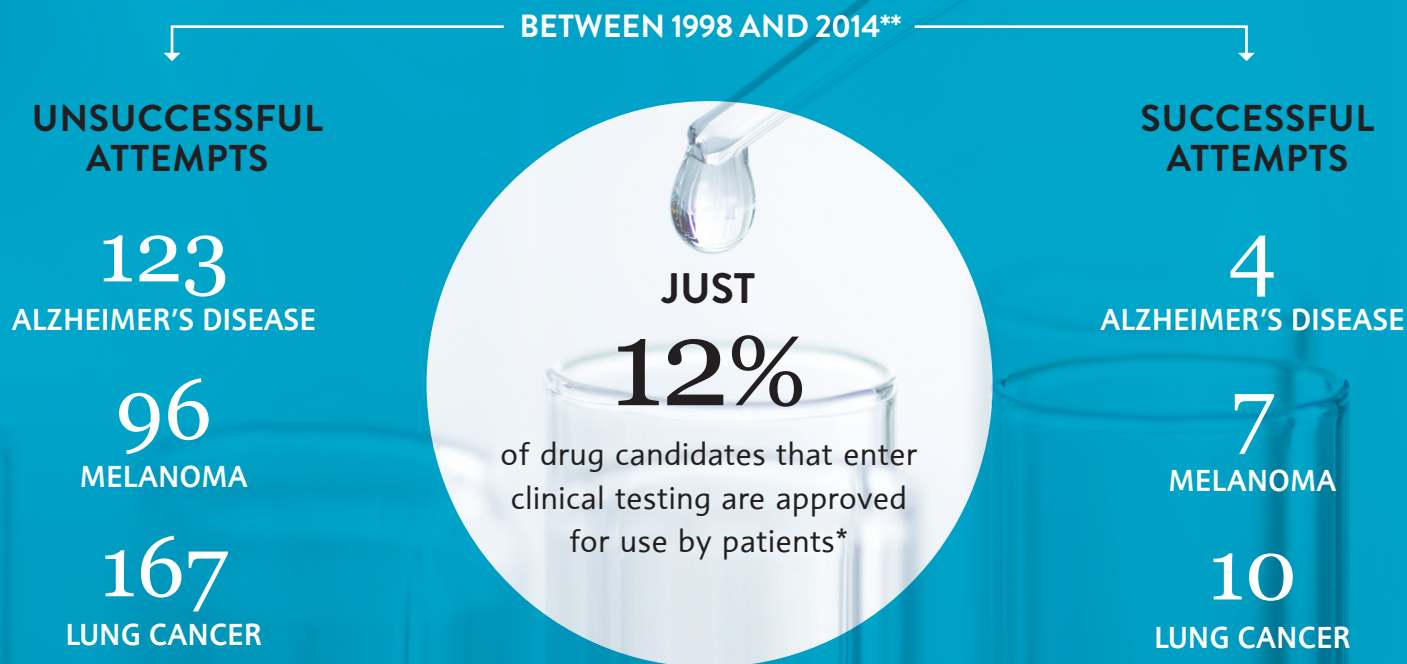


\$367 billion

The amount America would save
in health services by 2050 if we develop
a new medicine that delays the
onset of Alzheimer's disease by
just five years

Medicines offer great hope, but developing
NEW TREATMENTS AND CURES IS CHALLENGING

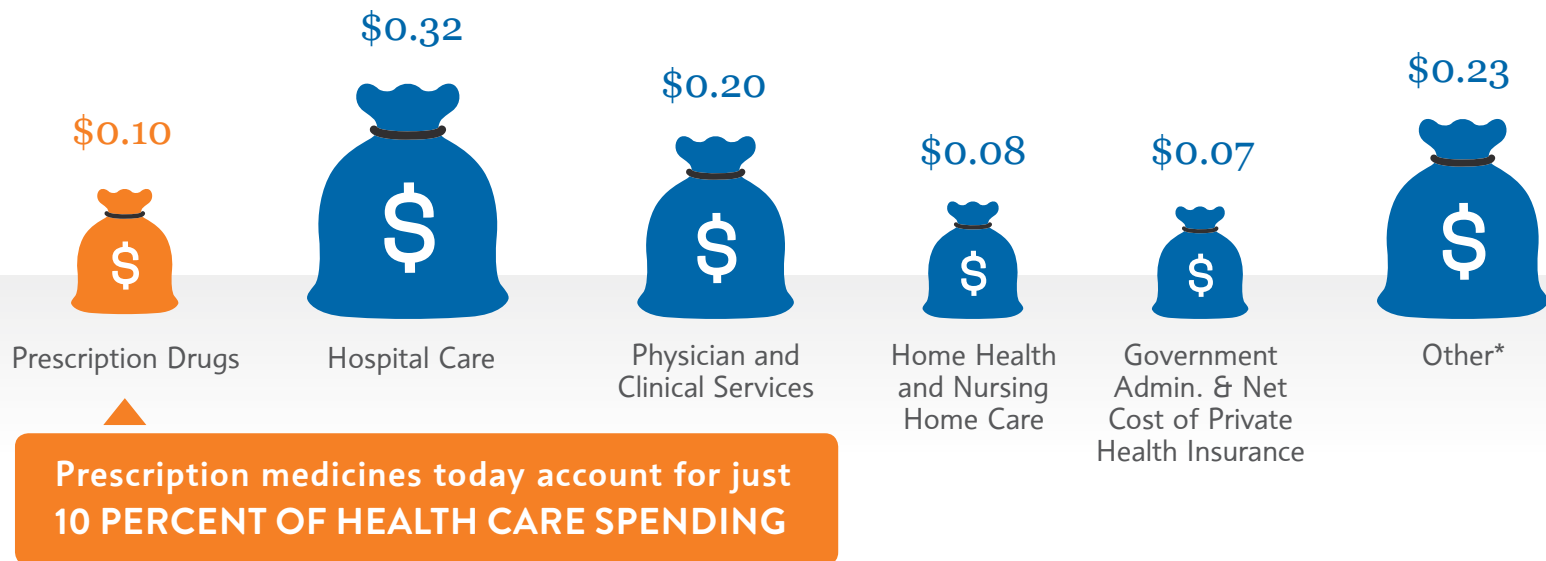
On average, it takes more than
10 YEARS AND MORE THAN \$2.6B TO RESEARCH AND DEVELOP A NEW MEDICINE*



Spending on retail prescription medicines is
**THE SAME PERCENTAGE OF HEALTH CARE
SPENDING TODAY AS IN 1960 – 10%**

Retail spending on prescription medicines is
A SMALL SHARE OF TOTAL U.S. HEALTH CARE SPENDING

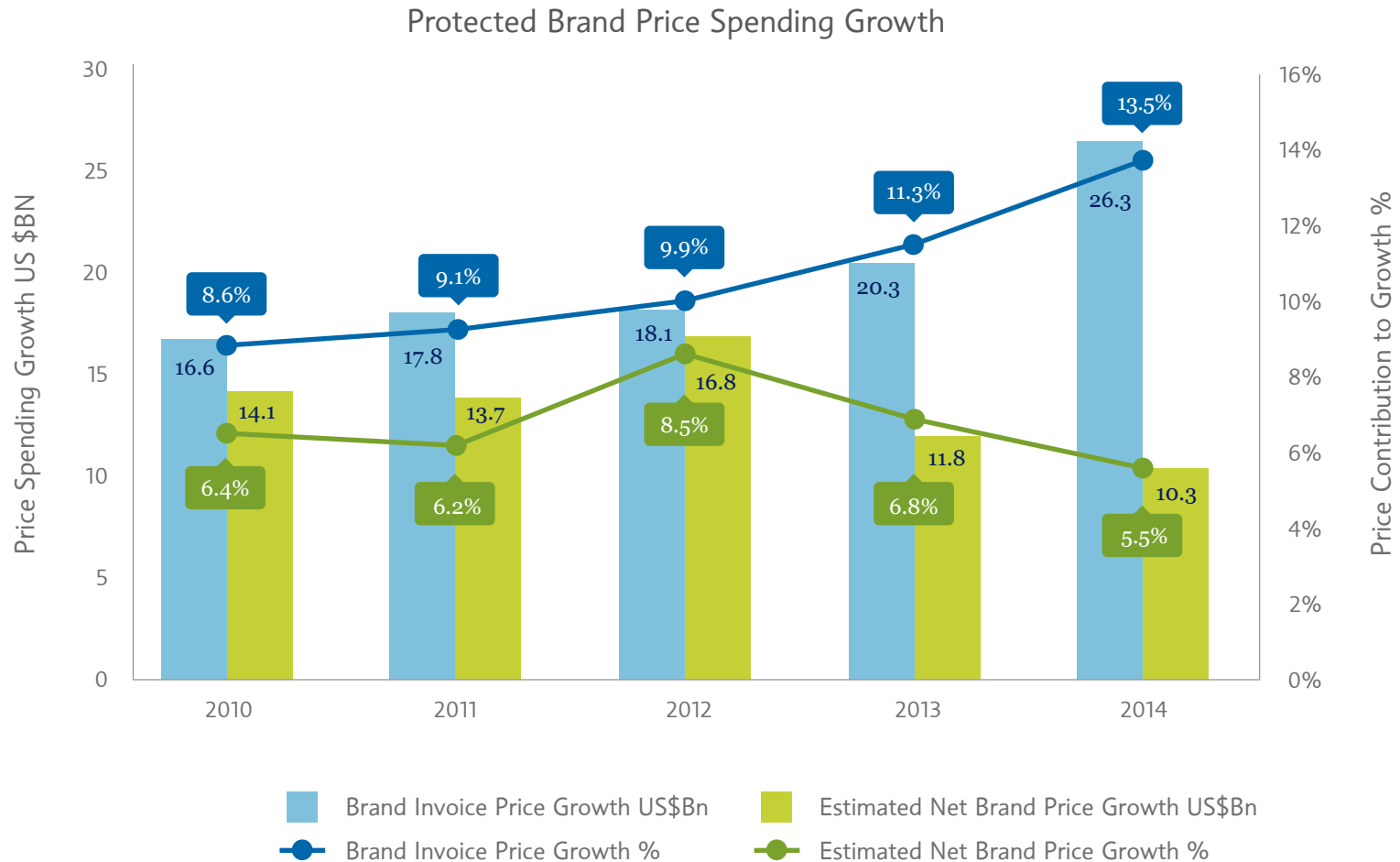
Health Care Dollar, 2014



*Other includes dental, home health, and other professional services as well as durable medical equipment costs.

INVOICE PRICES INCREASED IN 2014,

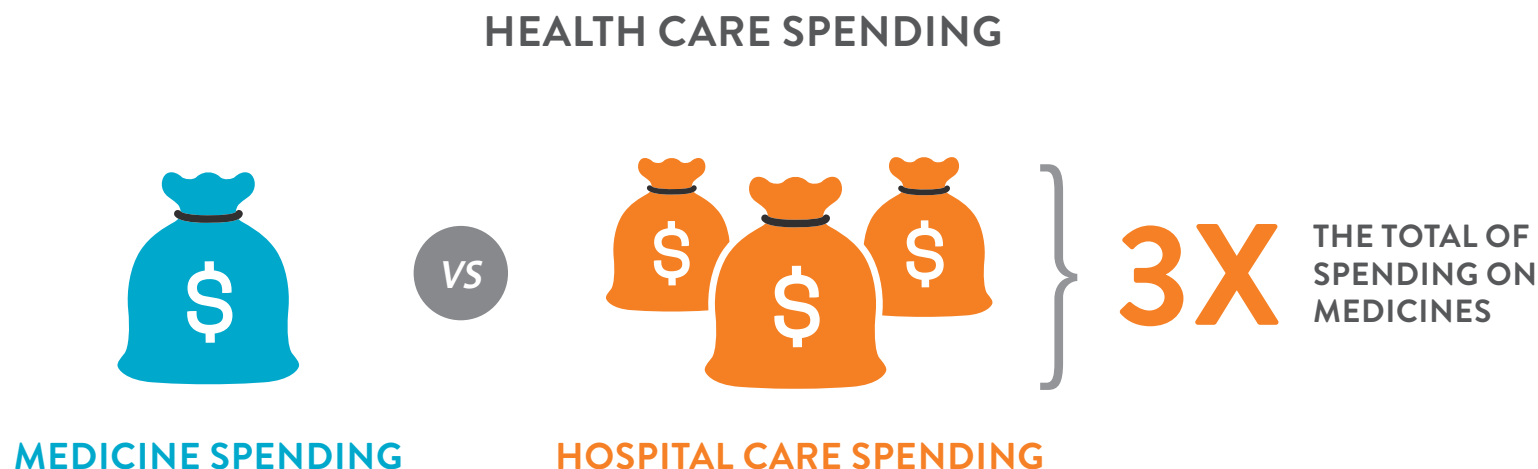
but were offset by off-invoice discounts, rebates and other price concessions



TO PUT SPENDING ON MEDICINES IN PERSPECTIVE

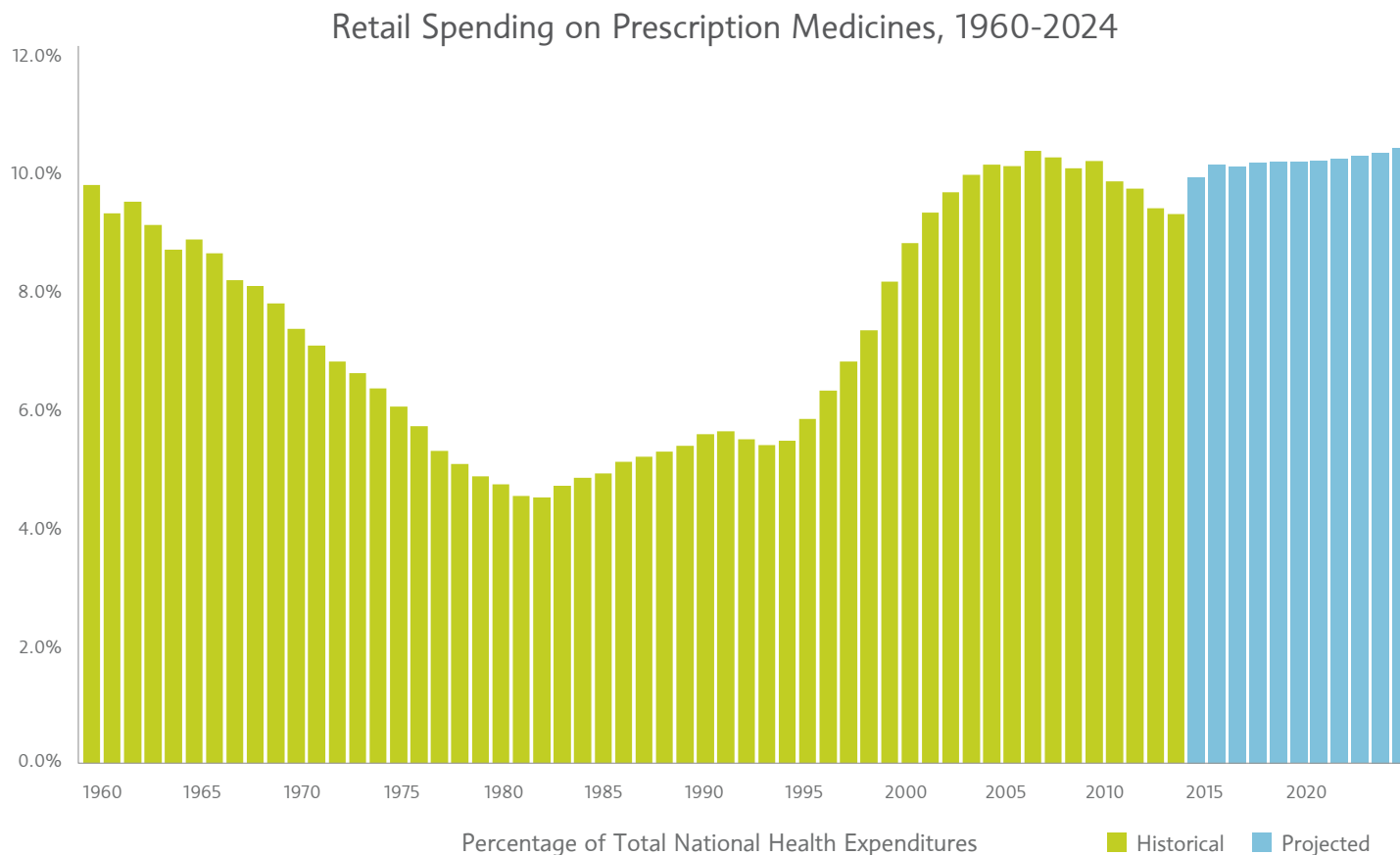
Private insurers spent nearly as much on medicines as on administrative costs in 2013
and the U.S. will spend \$13.5 trillion on hospital care over the next decade

That's more than three times the total spending on prescriptions



Actuaries project spending on medicines will grow at

A RATE CONSISTENT WITH OVERALL HEALTH CARE SPENDING THROUGH THE NEXT DECADE



The competitive U.S. marketplace helps to control costs while

ENCOURAGING DEVELOPMENT OF NEW TREATMENTS AND CURES

Brand-Name Competition

Generally there is competition from another brand in less than two years.

High Generic Utilization Rates

Ninety percent of all medicines prescribed to U.S. patients are generics. The cost of a generic medicine is typically up to 80 percent less than that of the brand medicine.

Manufacturer-Payer Negotiations

Private payers are receiving discounts of up to 40 percent for hepatitis C medicines. Similar rebates occur in government programs. According to the Medicare Trustees, there are significant rebates for brand medicines in the Medicare Part D program.

Example

THEN & NOW

How Prescription Drug Prices Fall
Significantly Over Time

Biopharmaceutical companies
invest in pioneering research
to bring new treatments to
patients, and over time those
medicines become available as
lower-cost generic copies.

MEDICINE		BRAND NAME THEN	VS.	GENERIC NOW	% CHANGE
DIOVAN HCT® <i>Hypertension</i>	2010	\$87		\$13	-85%
LIPITOR® <i>Cholesterol</i>	2010	\$85		\$4	-95%
PLAVIX® <i>Blood Thinner</i>	2011	\$166		\$5	-97%
SEROQUEL® <i>Schizophrenia</i>	2010	\$87		\$3	-97%
ZYPREXA® <i>Schizophrenia & Bipolar Disorder</i>	2010	\$393		\$8	-98%

CASE STUDY

Manufacturer-payer hepatitis C negotiations

What Payers Claimed Would Happen

“What they have done with this particular drug will break the country.... It will make pharmacy benefits no longer sustainable. Companies just aren’t going to be able to handle paying for this drug.”

–EXPRESS SCRIPTS (APRIL 2014)

“This pricing, which Gilead attempts to justify as the cost of medical advancement, will have a tsunami effect across our entire health care system.”

–AMERICA’S HEALTH INSURANCE PLANS (JULY 2014)

What Actually Happened

“The price is sufficiently low that we can go to our clients and say that they can treat every patient with hepatitis C.”

–EXPRESS SCRIPTS (JANUARY 2015)

“We are receiving market-leading rates from both companies. Neither company wanted to be left off the formulary.”

–PRIME THERAPEUTICS (JANUARY 2015)

“Competitive market forces and hard-nosed bargaining” make ‘tremendously effective’ new hepatitis C medicines not just more accessible to ailing patients – but also offer good value to the U.S. health care system.”

–THE NEW YORK TIMES EDITORIAL BOARD (SEPTEMBER 2015)

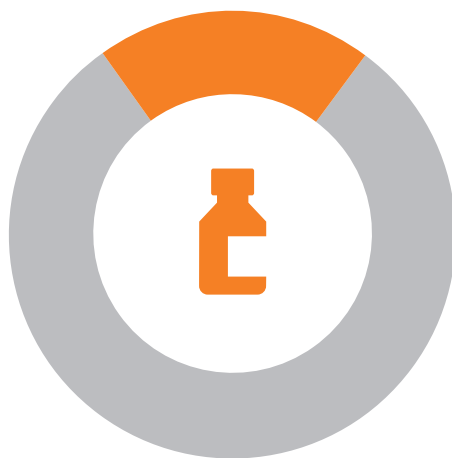
MEDICINES ARE OFTEN SINGLED OUT BY INSURERS

for high cost sharing and restrictions on access

On average, patients pay out of pocket nearly
**20 PERCENT OF THEIR TOTAL PRESCRIPTION DRUG COSTS
COMPARED TO 5 PERCENT OF HOSPITAL CARE COSTS***

PRESCRIPTION DRUGS

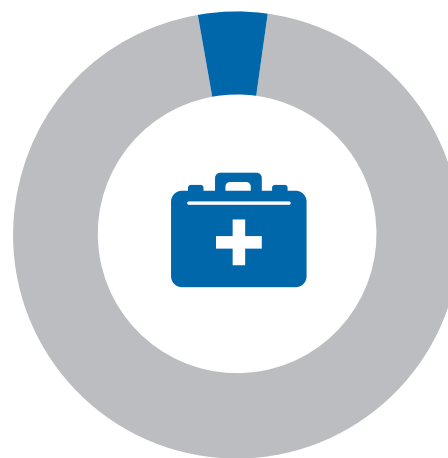
20%



VS.

HOSPITAL CARE

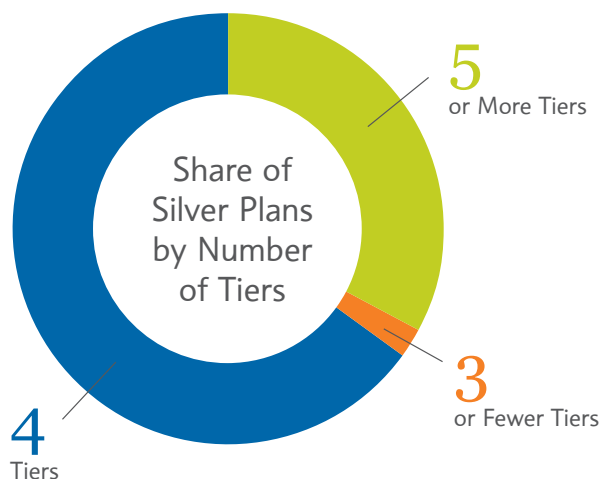
5%



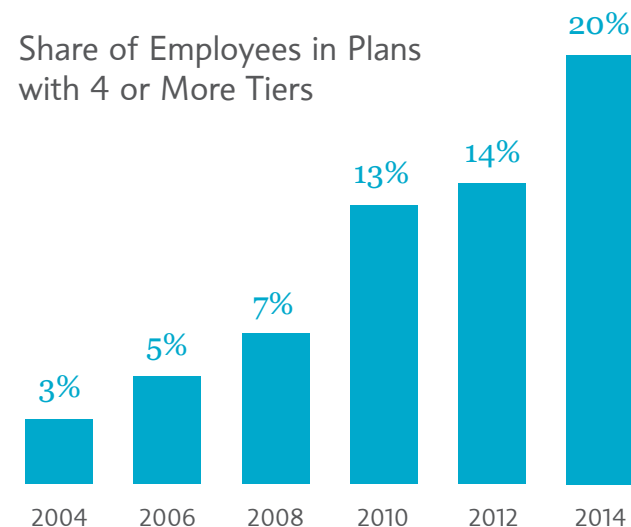
*Includes brand and generic

THE USE OF 4 OR MORE COST-SHARING TIERS*

...is the norm for plans in Health Insurance Exchanges



...and is becoming more common in employer plans



Beyond high cost sharing, barriers to access include insurer practices like prior authorization and step therapy.

*Silver Plans account for a majority of Health Insurance Exchange enrollment. "Tiers" refer to the different levels of cost sharing that plans require patients to pay for different groupings of medicines.

At the same time, the biopharmaceutical industry works with patients to
HELP PATIENTS ACCESS NEEDED MEDICINES



**Partnership for
Prescription Assistance**

Despite more Americans having insurance, barriers to accessing needed medicines still exist, underscoring the importance of platforms such as The Partnership for Prescription Assistance (PPA), to educate and empower patients and caregivers to obtain information about their prescription assistance options.

www.pparx.org

Since the program's launch in April 2005, PPA has connected

nearly 9.5 million

uninsured or underinsured Americans to public and private assistance programs.

RAPID CHANGE IN THE MARKET FOR MEDICINES

COMPETITIVE BIOPHARMACEUTICAL MARKETPLACE IS WORKING
TO FIND NEW WAYS TO HAVE PRICE ALIGN WITH VALUE

VALUE-BASED
INSURANCE DESIGN

BUNDLED PAYMENTS

OUTCOME-BASED
CONTRACTING

INFLATION CAPS

“VALUE ASSESSMENT”
TOOLS

CLINICAL PATHWAYS

PROVIDERS AT RISK
FOR RX COSTS

COVERAGE TIED TO
CLINICAL THRESHOLDS

AGGRESSIVE NEGOTIATION
OVER REBATES, DISCOUNTS

Medicines are Part of the Solution...
AND MORE CAN BE DONE TOGETHER

COST CONTAINMENT

Look at all health care costs, reduce administrative costs and waste, replicate effective cost-containment practices.

PAY FOR VALUE

Promote evidence-driven assessment, with strong data sources and quality measures, using metrics that matter to patients.

SOLUTIONS

Avoid blanket policies that chill investment, and collaborate to find new approaches.