

DRUG PRICING FACT SHEET



The U.S. drug pricing system yields high and rising drug prices that grew by nearly 20% over the 2014 - 2020 period, which was more than twice the rate of inflation.^{1, 2}

- Half of drugs used by more than 1 million Medicare Part D enrollees had list price increases between 2019 and 2020 above the rate of inflation, with a majority of these increasing their price by 3 to 8 times the rate of inflation.³ Medicare Part D and many commercial plans require patients to pay a share of list prices.
- Average net prices of brand-name prescription drugs paid by Medicare Part D plans, which account for rebates, more than doubled over the last decade.^{4, 5}
- Annual total spending on prescription drugs amounted to \$500 billion in 2018. It is anticipated to grow to \$863 billion by 2028.⁶
- Net federal expenditures in 2018 on outpatient prescription drugs in Medicaid and Medicare Part D amounted to \$21.8 billion and \$88.3 billion, respectively.⁷

\$500 BILLION

ANNUAL TOTAL SPENDING
on prescription drugs in 2018

Many patients struggle to afford their prescription medications.

- More than 5 million Medicare beneficiaries struggle to afford prescription medications, with minority groups being disproportionately affected.⁸
- Almost a third of adults reported not taking their medication as prescribed in 2018 because of cost.⁹
- A third of Americans currently cannot afford a \$400 emergency expense, making high drug copayments difficult to manage.¹⁰ For example, the average annual retail price of widely used specialty drugs reached \$84,442 in 2020.¹¹ Americans with employer-sponsored health insurance on average have to pay 25% of this amount or roughly \$21,000.^{12, 13}
- By the end of 2019, 22.9% of adults could not pay for a prescription in the past year, and this percentage has been on the rise.¹⁴
- A study of 9.5 million newly-diagnosed persons with cancer 50 years of age or older found that 42.4% of individuals depleted their life assets 2 years following a cancer diagnosis. Financial toxicity was independently associated with worsening cancer, demographic and socioeconomic factors, and clinical characteristics.¹⁵

Patients, employers, and taxpayers in the United States pay the highest pharmaceutical prices in the world.

- Single source brand-name drugs are, on average, 3.2 to 4.1 times higher in the US than in the United Kingdom, Japan, and Canada.¹⁶
- Europe has over 50 approved biosimilars on the market¹⁷ that have launched with discounts sometimes exceeding 70% of the price of their branded reference product.¹⁸

As of 2021, only 33 biosimilars are approved in the US¹⁹ with 21 on the market, denying Americans similar discounts.²⁰ For example, Humira revenues fell 9% internationally in 2021 when compared to 2020 due to biosimilar competition, while revenues increased 6% in the United States because Humira successfully blocked biosimilar competition.²¹

Part of the increase in high drug spending can be attributed to the shift towards costly specialty drugs, which frequently have high prices and are a growing share of the drug pipeline. These are drugs that typically treat chronic, complex, or rare conditions, and may require special handling or patient monitoring.

- Less than 3% of retail fills at pharmacies for the overall population are for specialty drugs, yet they account for 53% of total pharmacy spending.^{22, 23}
- Prices are much higher for specialty drugs than specialty drugs in federal programs. The average net price in Medicare Part D was \$4,293 for specialty drugs compared to \$184 for non-specialty drugs, and likewise \$1,889 and \$47 in Medicaid.²⁴
- In Medicare Part D, overall spending on specialty drugs rose more than tenfold from \$3.4 billion in 2007 to \$37.1 billion in 2017.²⁵
- In 2019, more than 483,000 Medicare Part D enrollees filled a prescription for which a single claim would have been sufficient to meet the catastrophic spending threshold, up from only 33,000 in 2010.²⁶

Anticompetitive behaviors by brand-name manufacturers extend monopoly pricing power long after FDA exclusivities or original patent protections expire.

- Brand-name manufacturers often obtain additional patents on features of drugs that do not change clinical effectiveness as a tactic to delay more affordable generic drugs from entering the market.^{27, 28}
- Between 2005 and 2015, about 75% of new patents for drugs were for existing drugs already on the market. Of the roughly 100 best-selling drugs, nearly 80% obtained an additional patent to extend their monopoly period at least once, but nearly 50% extended it more than once.²⁹
- Brand-name manufacturers can delay generic competition by paying a generic competitor to withhold their version of the product from the market. These “pay-for-delay” deals cost American consumers at least \$3.5 billion a year in the form of higher drug prices, though this value is likely vastly understated.^{30, 31}
- Abuse of the citizen’s petition process by brand-name manufacturers delays generic competition and has resulted in an estimated financial cost to society of \$1.9 billion.³²

Evidence demonstrates pharmaceutical revenues generated from high drug prices well exceeds private investments in R&D.

- Pharmaceutical manufacturers based in the US generated 176% of the revenues needed to fund their global R&D budgets by charging high prices in the US market.³³
- NIH funding contributed to the development of all new molecular entities approved by FDA between 2010 and 2016. Collectively, this research involved more than 200,000 years of grant funding totaling more than \$100 billion.³⁴
- Publicly supported research had a major role in the late stage development of at least 1 in 4 new drugs approved over the last decade, either through direct funding of late stage research or through spin-off companies created from public sector research institutions.³⁵
- House Oversight Committee investigations revealed that pharmaceutical manufacturers have raised prices to meet ever-increasing revenue targets and earning goals which often are tied to higher compensation for executives—not to fund R&D.³⁶

3% VS. 53%

SPECIALTY DRUGS

comprise less than 3% of retail fills at pharmacies for the overall population, yet they account for 53% of total pharmacy spending

75%

PERCENT OF NEW PATENTS

between 2005 and 2015, were for existing drugs already on the market

\$4,293

AVERAGE NET PRICE

in Medicare Part D for specialty drugs and only \$184 for non-specialty drugs

Endnotes

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