

# The Prescription Drug Landscape, Revisited: Changes in Retail Pharmaceutical Spending between 2016 and 2021



## Background

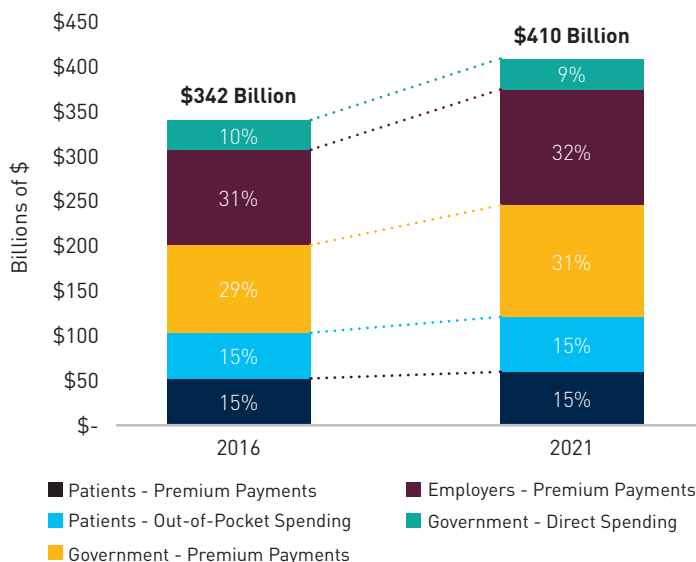
The pharmaceutical supply chain in the United States is complex and involves a variety of stakeholders and transaction types. Adding to this complexity, many estimates of spending on pharmaceuticals exist, employing different methodological approaches and capturing different sets of stakeholders. In 2019, the Pew Charitable Trusts released the report *The Prescription Drug Landscape, Explored*, which the author and others at Berkeley Research Group assisted in preparing.<sup>1</sup> This report analyzed spending on retail drugs between 2012 and 2016 and incorporated both premium payments and out-of-pocket expenditures. Since the report was released, the prescription drug landscape has continued to evolve against the backdrop of the COVID-19 pandemic, introduction of biosimilars, and other market changes. This data brief updates the prior analysis to reflect the evolution in retail prescription drug spending between 2016 and 2021.

## Key Findings

Between 2016 and 2021, net spending on retail prescription drugs increased by \$68 billion (20 percent); employers and the government bore most of that increase in the form of premiums paid for retail drug coverage (Figure 1). Patient spending (premium payments and out-of-pocket costs such as deductibles, copayments, and coinsurance) grew more slowly.

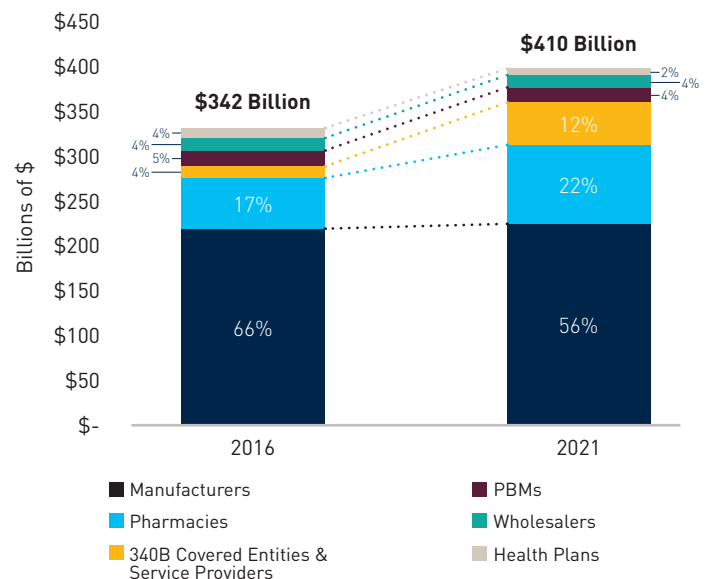
The share of net spending retained by each stakeholder also evolved between 2016 and 2021. The share retained by payers (health plans and pharmacy benefit managers (PBMs)) fell from 9 to 6 percent over this period. Meanwhile, the share retained by providers (pharmacies along with 340B covered entities and their vendors) increased from 21 to 34 percent.

Figure 1. Net Spending on Retail Prescription Drugs by Source of Funds, 2016 versus 2021\*



\* Percentages do not sum to 100 due to rounding.

Figure 2. Net Spending on Retail Prescription Drugs by Retaining Stakeholder, 2016 versus 2021



Amounts retained by each stakeholder reflect revenue less costs of goods sold and, because they do not account for other operating costs, should not be interpreted as profits earned.

1 Pew Charitable Trusts, *The Prescription Drug Landscape, Explored* (March 2019). [https://www.pewtrusts.org/-/media/assets/2019/03/the\\_prescription\\_drug\\_landscape-explored.pdf](https://www.pewtrusts.org/-/media/assets/2019/03/the_prescription_drug_landscape-explored.pdf)

## Methodology

The methodology for this data brief largely mirrored the methodology for *The Prescription Drug Landscape, Explored*. As before, this updated analysis considered only prescription drugs reimbursed through the pharmacy benefit and generally dispensed through retail, specialty, mail-order, or long-term-care pharmacies. For corporations with multiple functions, such as PBM and pharmacy, retained dollars were apportioned between each applicable stakeholder category based on financial reporting and other sources. The methodology relied on a collection of third-party data sets and government and industry reports. These sources were incorporated into a model that estimated financial flows between stakeholder categories. While the prior analysis relied on original survey research to estimate certain inputs, a new survey was not conducted for this data brief. Rather, third-party data and reports, along with reasonable assumptions, were used to update these estimates.

For information, please contact:

**Eleanor Blalock**  
eblalock@thinkbrg.com  
Director  
Washington, DC



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