The High Prices of Prescription Drugs Increase Costs for Everyone
Prescription drugs are one of the major drivers of rising health care costs. Soaring drug costs put a financial burden on patients who need access to lifesaving medications as well as on the entire U.S. health care system. As a result, we are all forced to pay for high-cost drugs either through higher premiums, out-of-pocket costs, or a combination of the two.
Prescription Drug Spending is Increasing at its Fastest Rate in More than a Decade

U.S. spending on prescription medicines jumped 13% to $374 billion in 2014, the biggest percentage increase since 2001.

Source: IMS
Spending on specialty drug medications increased by an explosive 30.9%. Estimates suggest spending on specialty drugs could quadruple by 2020, reaching about $400 billion. Some newer specialty drugs may cost upwards of $100,000 per year or course of treatment.

Source: Express Scripts, UnitedHealth Center for Health Reform & Modernization
Despite the introduction of new, and in many cases, more innovative medical treatments, prescriptions that have been around for years continue to get more and more expensive. When the price of one drug rises by an astounding 9,145% in one year, can innovation really be the justification?
An Overwhelming Majority of Registered Voters Say Prescription Medicines are Too Expensive

The poll of 2,059 registered voters show an overwhelming majority – 75 percent – say that prescription medication is too expensive. And they would know – 68 percent are on medication, with most, 46 percent, taking between two to four.

While survey respondents are unlikely to say something they have to pay for is too cheap, the 75 percent figure is unusually high. On a similar issue, taxes, a 2014 Gallup poll found only 52 percent said their income tax burden is “too high.”

Source: Morning Consult
Multiple Sclerosis Drugs Cost Much More Today Than When They Were First Introduced

<table>
<thead>
<tr>
<th>Drug</th>
<th>Date approved</th>
<th>Initial cost (in 2013 dollars)</th>
<th>2013 cost</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interferon-β-1b (Betaseron)</td>
<td>7/23/1993</td>
<td>$18,591</td>
<td>$61,529</td>
<td>231.0%</td>
</tr>
<tr>
<td>Interferon-β-1a IM (Avonex)</td>
<td>5/17/1996</td>
<td>$12,951</td>
<td>$62,394</td>
<td>381.8%</td>
</tr>
<tr>
<td>Glatiramer acetate (Copaxone)</td>
<td>12/20/1996</td>
<td>$12,312</td>
<td>$59,158</td>
<td>380.5%</td>
</tr>
<tr>
<td>Interferon-β-1a SC (Rebif)</td>
<td>3/7/2002</td>
<td>$19,763</td>
<td>$66,394</td>
<td>236.0%</td>
</tr>
<tr>
<td>Natalizumab (Tysabri)</td>
<td>11/23/2004</td>
<td>$31,879</td>
<td>$64,233</td>
<td>101.5%</td>
</tr>
<tr>
<td>Interferon-β-1b (Extavia)</td>
<td>8/14/2009</td>
<td>$35,644</td>
<td>$51,427</td>
<td>44.3%</td>
</tr>
<tr>
<td>Fingolimod (Gilenya)</td>
<td>9/21/2010</td>
<td>$54,245</td>
<td>$63,806</td>
<td>17.6%</td>
</tr>
<tr>
<td>Teriflunomide (Aubagio)</td>
<td>9/12/2012</td>
<td>$48,349</td>
<td>$57,553</td>
<td>19.0%</td>
</tr>
<tr>
<td>Dimethyl fumarate (Tecfidera)</td>
<td>3/27/2013</td>
<td>$57,816</td>
<td>$63,315</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

Patients Stressed Out By Soaring Drug Costs

A recent study from Oregon State University and the Oregon Health and Science University finds that the cost for MS drugs averages $60,000 a year, compared to $8,000 to $11,000 a year in the 1990s. The price for some climbed by an average of 30 percent per year for two decades, according to the report in the journal Neurology.
Physicians Raise Concerns that Soaring Drug Prices Harm Access and Affordability for Patients

Why Drugs Cost So Much

“Companies are taking advantage of a mix of laws that force insurers to include essentially all expensive drugs in their policies, and a philosophy that demands that every new health care product be available to everyone, no matter how little it helps or how much it costs.”

Peter B. Bach is a physician and director of the Center for Health Policy and Outcomes at Memorial Sloan Kettering Cancer Center.

High Prices for Drugs Attacked at Meeting

“All of the stakeholders involved need to stop pretending that price is something we don’t need to discuss, because it affects all of us, and it’s affecting our ability to deliver quality care to everyone.”

Comments made by Leonard Saltz, chief of gastrointestinal oncology at Memorial Sloan Kettering Cancer Center during the annual meeting of the American Society of Clinical Oncology.
Consumer Protections, Such as Limits on Patient Cost-sharing, and Out-of-pocket Limits are Required by Law

Example coverage for individual with silver plan for twelve week course of Harvoni:

<table>
<thead>
<tr>
<th>12 Week Course of Harvoni</th>
<th>Individual Income</th>
<th>Silver Plan Out of Pocket Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>$95,000</td>
<td>$46,680</td>
<td>$5,370</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Patient Cost</th>
<th>Insurer Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>94%</td>
</tr>
</tbody>
</table>

An individual at 150% of the federal poverty level would pay 1% of the drug cost, while the plan would pay 99% due to low-income subsidies.
What’s Driving Prices? Patent Abuses and other Monopoly Pricing Schemes

Product-hopping
Artificially prolonging drug patents to avoid competition from generics, resulting in fewer treatment options and sky-high costs for consumers

Biosimilar Blocking
Delaying or blocking a less costly biosimilar version of a drug

Pay-to-Delay
Paying generic drugmakers to keep lower-cost competition out of the market

Acquisitions of Drug Rights
Buying specific drug rights deemed undervalued to subsequently increase prices
Case in Point: Actavis Attempts Forced Switch to Pricier Drug

Actavis cannot drop old version of Alzheimer’s drug - appeals court

“Actavis Plc cannot pull its top-selling Alzheimer's drug from the market in favor of a pricier extended-release version, a federal appeals court in New York ruled on Friday.”

Product-hopping results in a monopoly pricing scheme with serious consequences. 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 alone if Actavis was allowed to force patients to a newer version of its Alzheimer’s pill. The New York Attorney General challenged this action, and a US Court of Appeals upheld a district court’s injunction preventing the forced switch.
Acquisitions of Drug Rights Precede Dramatic Price Increases in the Market

**Price Spikes**

After some deals buying drugs from other companies, drug makers have hiked the prices significantly. Average wholesale prices:

- **NITROPRESS** (Treats high blood pressure)
  - $1,500
  - Marathon Pharmaceuticals

- **OFIRMEV** (Pain)
  - $806 per vial
  - Valeant Pharmaceuticals

- **ISUPREL** (Heart problems)
  - $1,347 per vial
  - Valeant

- **VIMOVO** (Pain)
  - $1,678 per 60 tablets
  - Horizon Pharma

Source: Truven Health Analytics

THE WALL STREET JOURNAL
But What about R&D? That’s Driving Drug Prices, Right?

Research and development investments are often cited as a reason for the high prices of prescription drugs, but the reality is that significantly more is spent on sales and marketing.

Source: GlobalData, DadaViz
Abuse of the Orphan Drug Act: When Drugs for Rare Diseases become Blockbusters

The Orphan Drug Act of 1983

Way to lure pharmaceutical companies to develop drugs for rare diseases that had been “orphaned” – deemed unprofitable.

Law gives drugmakers financial incentives:
- Market exclusivity for seven years,
- Tax breaks, and
- Abbreviated testing.

Unintended abuses: “salami slicing” diseases

Now fastest-growing sector of America’s prescription-drug system

Orphan Oncology Drug Rituxan

World’s second most profitable drug, behind blockbuster, Lipitor

Commonly prescribed to treat the non-orphan conditions, such as rheumatoid arthritis, multiple sclerosis, and autoimmune anemia.

Expected to garner more than $150 billion in revenue over its lifetime.

Source: Thomson Reuters
The Drug Pipeline Poses Serious Threats to Affordability

According to a new report by Avalere, over the next decade, just 10 breakthrough drugs are estimated to cost just three government programs nearly $50 billion. This price tag represents a ‘small subset’ of the total cost of the pharmaceutical pipeline for patients and the federal government. Approximately 5,400 drugs are currently in the pipeline.
PCSK9 Enzyme Inhibitors: A New Class of Hyper-Expensive Medications

Health Affairs Blog

In The Debate About Cost And Efficacy, PCSK9 Inhibitors May Be The Biggest Challenge Yet

As this is chronic therapy, PCSK9 sales could be expected to persist and grow over time, and will likely be the highest selling class of medications in history. Plus, as a biologic agent, there will not be a simple pathway to cheaper generics in a 10-15 year timeframe. Even in a system that costs $4 trillion per year, a single therapy adding $100-200 billion in costs annually is extraordinary.

Projected to Increase Premiums by $50 per month
Consumers Blame Pharma Companies for High Drug Prices

It is not just health plans that are sounding the alarm. An overwhelming percentage of consumers say medication costs are unjustified, and 76 percent blame drugmakers for unreasonable prescription drug prices, according to the latest Kaiser Health Tracking Poll.

The poll also found that about 25 percent of patients taking a prescription medicine have split pills or skipped doses simply because of the high prices drugmakers charge for their treatments.
More than half a million Americans now take at least $50,000 worth of prescription drugs each year.

Source: Washington Post Wonknblog
The Public Wants Greater Transparency with Drug Prices

A recent Kaiser Health Tracking Poll found an overwhelming percentage of consumers support greater price transparency to keep high drug costs down.

- **86%** support requiring drug companies to release information on how they set prices.
- **81%** say such efforts would be effective.
Price Hikes Outpace Inflation, Imposed Despite Falling Prescription Demand

**Upping the Bill**
U.S. prices for 30 top-selling drugs rose nearly four times as fast as prescription volume, on average, from 2010 through 2014.

![Bar Chart]

<table>
<thead>
<tr>
<th>Price</th>
<th>Revenue</th>
<th>Prescriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>+76%</td>
<td>+61%</td>
<td>+20%</td>
</tr>
</tbody>
</table>

Note: Wholesale list prices, not reflecting rebates and discounts given by drug makers.
Sources: Truven Health Analytics; IMS Health Inc.; EvaluatePharma; SEC Filings
THE WALL STREET JOURNAL.

**Revenue Infusions**
Medicare payments for 10 big drugs administered in doctors’ offices rose an average of 8% over four years despite an average 4% drop in unit volume. Below are the three with the biggest price increases from 2010 through 2013.

<table>
<thead>
<tr>
<th>Drug</th>
<th>Source</th>
<th>Not price</th>
<th>Total Medicare payments to doctors</th>
<th>Billing claims from doctors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neulasta (Amgen)</td>
<td>Treats chemotherapy-related infection</td>
<td>+12%</td>
<td>2010-13</td>
<td>25%</td>
</tr>
<tr>
<td>Herceptin (Genentech unit of Roche)</td>
<td>Cancer</td>
<td>+13%</td>
<td>2010-13</td>
<td>25%</td>
</tr>
<tr>
<td>Rituxan (Genentech unit of Roche)</td>
<td>Cancer</td>
<td>+16%</td>
<td>2010-13</td>
<td>25%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total payment, 2013</th>
<th>Total claim, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neulasta</td>
<td>$489.7 million</td>
</tr>
<tr>
<td>Herceptin</td>
<td>$210.2 million</td>
</tr>
<tr>
<td>Rituxan</td>
<td>$684.6 million</td>
</tr>
</tbody>
</table>

Note: Prices reflect the average net price companies reported receiving from their customers, excluding rebates given to certain government health programs.
Source: Centers for Medicare and Medicaid Services
THE WALL STREET JOURNAL.
There is no debate about it – the harmful effects of rising drug prices go beyond just the patients who need new, innovative and sometimes life-saving treatments. Everyone pays for the cost of higher drug prices.

No Justification for High Drug Prices

“There is ample evidence that drug prices have been pushed to astronomical heights for no reason other than the desire of drug makers to maximize profits. Prices in many cases far exceed what’s needed to cover the costs of research and clinical trials, and some companies have found ways to rake in profits even without shouldering the cost of drug development.”
Another year of sky-high pharmaceutical price increases draining patients and taxpayers’ dollars

Prescription drug spending rose by double digits to reach $425 billion in 2015, driven by:

- New specialty medications with six-figure price tags
- High price hikes for older branded drugs
- Protection of weak patents that command higher prices for longer

Source: IMS Health
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