



Nearly half of every dollar spent on medicines goes to someone who doesn't make them.

There's a long line of middlemen collecting a significant portion of what you pay for medicine.

Hospitals, health insurers, pharmacy benefit managers, the government and others got nearly 50% of what was spent on brand medicines in 2018, up from 33% five years prior.

Since 2015, the amount innovative biopharmaceutical companies received from the sale of brand medicines increased, on average, 2.6% annually, in line with inflation.

Policymakers can't help patients afford their medicine if they ignore where almost half the money is going.

You don't know the half of it.

Sharing Negotiated Discounts Could Save Patients More than \$800 Annually and Would Increase Premiums About 1 percent.

Negotiations between biopharmaceutical companies and health plans result in significant rebates.



\$145 - \$800+

Annually

Access to negotiated discounts at the pharmacy could save certain commercially insured patients with high deductibles and coinsurance hundreds of dollars annually.

Sharing all of the negotiated rebates with patients would increase premiums **1 percent or less**.

Mary has diabetes and is enrolled in a high-deductible health plan with a copay. She spends **\$1,000 annually** out of pocket on her medical and pharmacy expenses. She would save approximately **\$359 annually**.



Kevin has diabetes along with several other health conditions and is enrolled in a high-deductible health plan with coinsurance. He spends **\$5,000 annually** out of pocket on his medical and pharmacy expenses. He would save about **\$800 annually**.



Joe has chronic respiratory disease and is enrolled in a high-deductible health plan with coinsurance. He always reaches his maximum out-of-pocket limit on his medical and pharmacy expenses early in the year. He would save **\$204 per month** until he meets his deductible and then **\$41 per month** until he reaches his out-of-pocket maximum, allowing him to spread his costs throughout the year.



Why not let patients benefit?

THE AHIP PREMIUM DOLLAR: CORRECTED

America's Health Insurance Plans (AHIP) would have you believe that brand medicines are the primary driver of insurance premium costs. But AHIP's own data show that this simply isn't true. A recent AHIP infographic, "Where Does Your Premium Dollar Go?," gives the misleading impression that prescription medicines account for the largest share of insurance premiums. However, when you properly account for the share of spending that goes to brand biopharmaceutical companies vs. generic manufacturers and supply chain intermediaries, **brand medicines comprise just 10 cents of the premium dollar, or about half as much as what is spent on insurer administrative costs and profit.**^{1,2}



Furthermore, by breaking hospital inpatient, hospital outpatient, and emergency room spending into separate categories, AHIP's original infographic obscures the fact that hospital spending is by far the largest contributor to insurance premium costs. Combined, hospital costs account for nearly half (48%) of the insurance premium dollar, about four times as much as brand medicines.

Both the original and corrected AHIP infographics also highlight an often overlooked fact about health care spending: **nearly 20 cents of every premium dollar is not spent on medical care, but instead goes towards administrative costs or is retained by the health plan as profit.**

¹ Berkeley Research Group. "The Pharmaceutical Supply Chain; Addendum," 2020. Available at: <https://www.thinkbrg.com/insights/publications/the-pharmaceutical-supply-chain/>

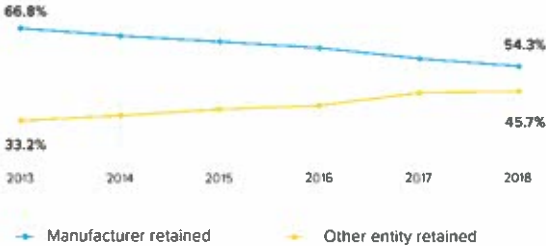
² This corrected infographic conservatively assumes that AHIP's original premium spending distribution was accurate. AHIP restricts its sample to patients younger than 65 years of age, who are younger and healthier than the population as a whole, and for whom spending on prescription medicines constitutes a proportionally higher percentage of total health expenditures. Spending captured in AHIP's premium dollar also excludes a significant share of health care spending, including long-term care and investments in public health. More comprehensive analysis shows that retail and non-retail prescription medicines (including brand, generic, and supply chain costs) account for [just 14% of total U.S. health care spending](#).

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A new analysis from the Berkeley Research Group reaffirms the need to look at the entire supply chain in order to solve patient affordability challenges.

Here are three key findings from the report:

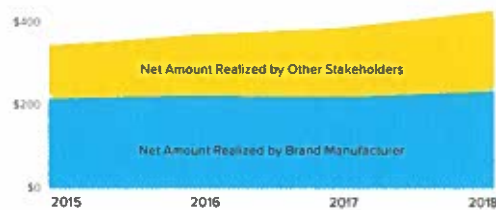
- 1 Hospitals, health insurers, pharmacy benefit managers, the government and others got nearly 50% of what was spent on brand medicines in 2018, up from 33% five years prior.



2

Between 2015 and 2018, the amount innovative biopharmaceutical companies retained from the sale of brand medicines increased, on average, 2.6% annually, in line with inflation.

Total Brand Medicine Spending (\$B), 2015-2018



Other Stakeholders:
-Health plans -Government -Hospitals -Other supply chain entities

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The amount hospitals, pharmacies and other health care providers retained on the sale of brand medicines nearly doubled between 2013 and 2018, increasing from \$24.7 billion to \$48.6 billion.



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