

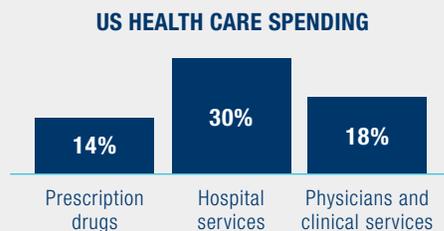
## A RESPONSE TO “A BETTER DEAL” ON DRUG PRICING

In July 2017, Democratic lawmakers released “A Better Deal,” an economic agenda that includes policy proposals on prescription drug costs. This document is meant to provide policymakers and the public a thorough response to the claims and policies outlined in the “A Better Deal” agenda.

### DRUG PRICES

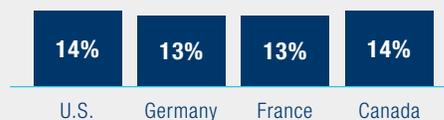
**Claim:** The United States spends an outsized portion of our health care resources on prescription drugs.

► **Fact:** Spending on prescription drugs is roughly 14% of all health care spending — about the same as in 1960.



► **Fact:** As a percentage of all health care spending, U.S. spending on prescription drugs is similar to other developed countries.

**U.S. SPENDING ON PRESCRIPTION DRUGS VS. OTHER COUNTRIES**



Sources: Analysis of Altarum Institute data; OECD Health Statistics

**Claim:** In 2017, prescription drug costs for individuals under the age of 65 are expected to rise by 11.6%.

► **Fact:** This is inaccurate. This number does not represent actual costs paid by individuals or health plans, according to the source of this statistic.

► **Fact:** The Centers for Medicare & Medicaid Services estimate prescription drug spending to grow by less than 6% in 2017.

Source: Segal Consulting

**Claim:** Rising drug prices are forcing Americans to pay more out-of-pocket for their prescription drugs.

► **Fact:** While drugmakers set a drug’s list price, insurance companies determine patients’ out-of-pocket costs for prescription drugs.

► **Fact:** Insurers require patients to pay on average **five times more** in out-of-pocket costs for prescription drugs than for hospital care.

► **Fact:** According to one estimate, more than 35% of a drug’s list price is rebated back to insurance companies, the government, and other players in the drug supply chain. All too often, these savings are not shared with patients.

Sources: CMS; Berkeley Research Group

**Claim:** Prescription drug prices are rising at an unsustainable rate.

► **Fact:** Prescription drug prices have been remarkably stable.

**In 2016**

**2.1%** Growth in prices for all drugs

**3.5%** Average increase in net prices for branded drugs

**In 2017**

**1.6%** Projected growth in prices for all drugs

Sources: Centers for Medicare and Medicaid Services (CMS); Pink Sheet article from 02/22/2017; Association for Accessible Medicines

► **Fact:** Nearly 90% of all drugs sold in the U.S. are low-cost generic drugs of previously novel brand name drugs, and the generic versions are sold at a fraction of the cost.

**“If your doctor writes you a prescription, there is a very good chance it will cost you \$10 or less.”**

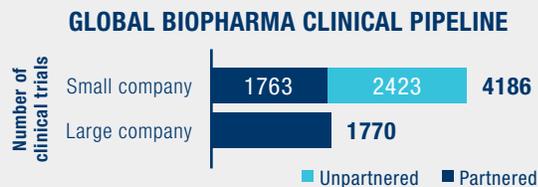
— *The New York Times*

# A RESPONSE TO “A BETTER DEAL” ON DRUG PRICING

## “PRICE GOUGING ENFORCER”

**Claim:** A “price gouging enforcer” will deter abusive drug price increases.

- ▶ **Fact:** A “price gouging enforcer” who interferes in the price of prescription drugs will make it harder for biotech companies to attract the private investment necessary to fund biomedical research. This is especially true for small biotech companies, which conduct **70%** of all clinical trials.



- ▶ **Fact:** If the U.S. had European-style price controls in place from 1986 to 2004, an estimated **117** fewer medicines would be available to patients.
- ▶ **Fact:** **57%** of all new drugs originate in the U.S. The U.S. leads the world in medical innovation because of competitive, free market policies that support the risk and reward of innovation. 
- ▶ **Fact:** The best way to fight price gouging is to ensure a robust and competitive marketplace for drugs. However, the proposed price gouging enforcer would increase regulation and government intervention, which will make the marketplace less competitive and less responsive to patients.

Sources: Milken Institute; BioMed Tracker, BIO Industry Analysis; Economists Joseph H. Golec and John A. Vernon

## SO-CALLED “TRANSPARENCY”

**Claim:** Mandating greater drug price transparency will allow the public to hold drugmakers accountable.

- ▶ **Fact:** Federal “transparency” mandates would force drugmakers to publicly disclose proprietary and confidential business information that no other industry is required to do, which will chill private-sector investment in biomedical research. 
- ▶ **Fact:** Federal “transparency” mandates would fall especially hard on small businesses — the source of **70% of all clinical trials** — because they rely on private-sector funding to support their research.
- ▶ **Fact:** The proposed “transparency” mandates would do little to empower consumers because they do not address the role insurers, pharmacy benefit managers, and others play in determining how much patients pay for medicines. Further, these mandates would not provide information on out-of-pocket drug costs consumers need when selecting their health plans.

Sources: BIO Industry Analysis, BioMed Tracker

## DIRECT MEDICARE NEGOTIATION

**Claim:** Prescription drug spending in the Medicare program is expected to rise faster than any other type of benefits offered through the program.

- ▶ **Fact:** This is a misleading snapshot of *projected spending* within the Medicare program and these projections change every year. For example, the 2017 Medicare trustees report estimates prescription drug spending in Part D will grow at an annual average rate of less than **5%**, which is lower than the trustees projected previously.
- ▶ **Fact:** Premiums for Medicare Part D beneficiaries are projected to decrease by **3%** in 2018.

Source: CMS

**Claim:** The Medicare program is restricted from negotiating drug prices, and eliminating this restriction will allow Medicare to “fight for the best possible deal.”

- ▶ **Fact:** The private insurance plans that administer the program already negotiate aggressively with drugmakers to achieve savings on behalf of seniors and taxpayers. 
- ▶ **Fact:** Plans and patients in Medicare Part D pay an estimated **35% below drugmakers’ list price** for a dozen widely-used treatment areas — a better discount than what the private sector generally pays for the same drugs.
- ▶ **Fact:** The nonpartisan Congressional Budget Office (CBO) has said that direct government price negotiation in Medicare **will not produce real savings** unless the federal government is also allowed to set prices and **restrict access to certain drugs**.
- ▶ **Fact:** Allowing Medicare to negotiate drug prices would **undermine a program that is working well for seniors and taxpayers**. The Medicare Part D prescription drug program has cost \$349 billion less than originally projected and nearly 90% of seniors are satisfied with the program.
- ▶ **Fact:** In 2017, more than **200 patient-advocacy groups** urged Congress to reject direct Medicare negotiations on drug prices because it could **“jeopardize beneficiaries’ access to comprehensive, affordable prescription drug coverage.”** 

Sources: CMS, Congressional Budget Office figures; Morning Consult

