



New Jersey Spotlight

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Kipp Snider, J.D.

National Vice President, State Policy

Pharmaceutical Research & Manufacturers of America (PhRMA)

PhRMA
RESEARCH • PROGRESS • HOPE

Medicines Are Transforming the Treatment of Devastating Diseases



HEPATITIS C

The leading cause of liver transplants and the reason liver cancer is on the rise – is now curable in more than 90 percent of treated patients.*



CANCER

New therapies have contributed to a 23% decline in the cancer death rate since its peak in 1991. Today, 2 out of 3 people diagnosed with cancer survive at least 5 years.**



HIGH CHOLESTEROL

America's biopharmaceutical companies are currently developing 190 medicines to treat heart disease, stroke and other cardiovascular diseases. New PCSK9 inhibitors have revolutionized high cholesterol treatment. Between 1991 and 2011, the death rate from heart disease dropped 46%.***

The Washington Post

November 16, 2015

Gov. Hogan's Cancer is in Remission, 30 Days After He Completed Chemo

The New York Times

December 6, 2015

Former President Jimmy Carter Says He is Free of Cancer

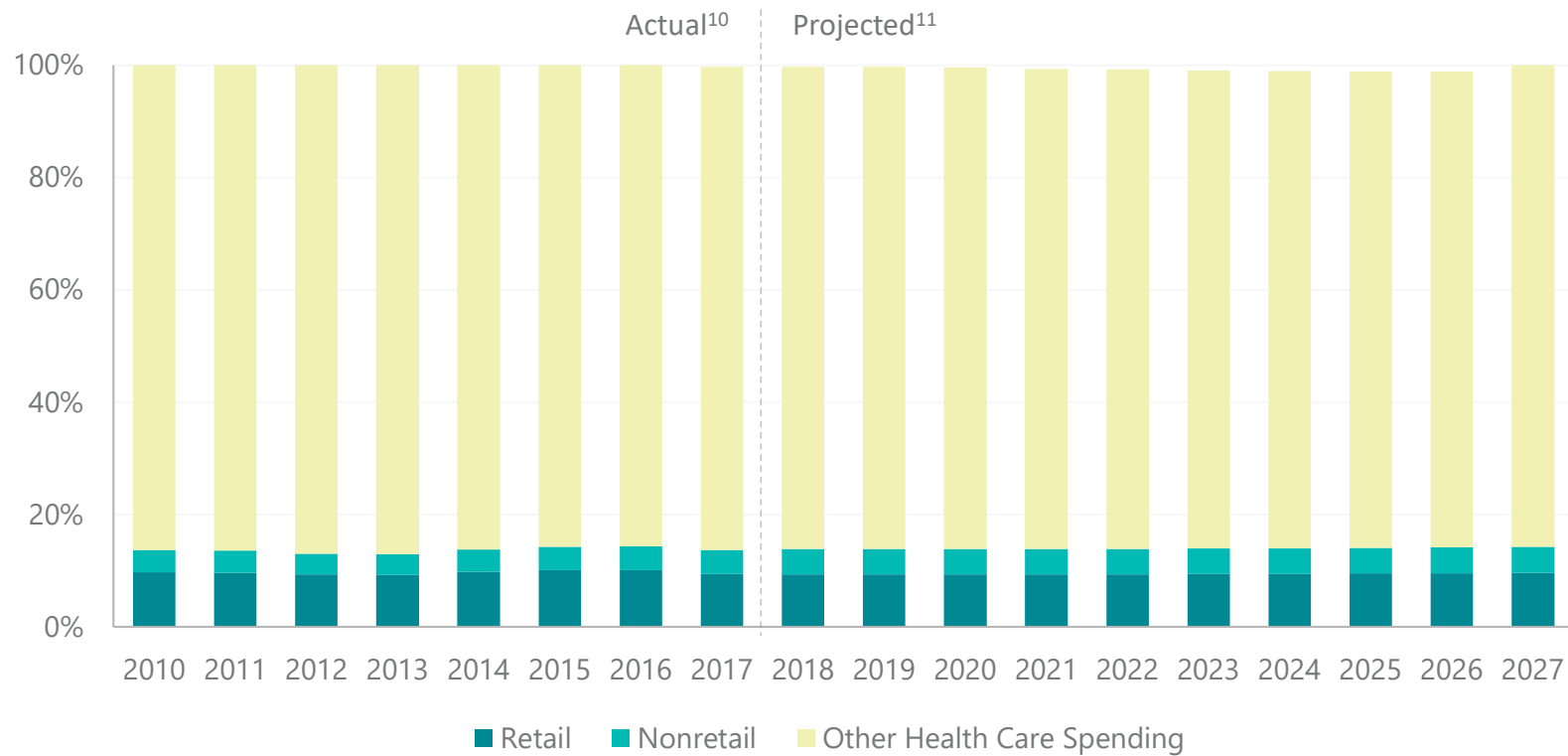


1965



Prescription Medicines Are Expected to Account for a Stable Share of Total Health Care Expenditures Through the Next Decade

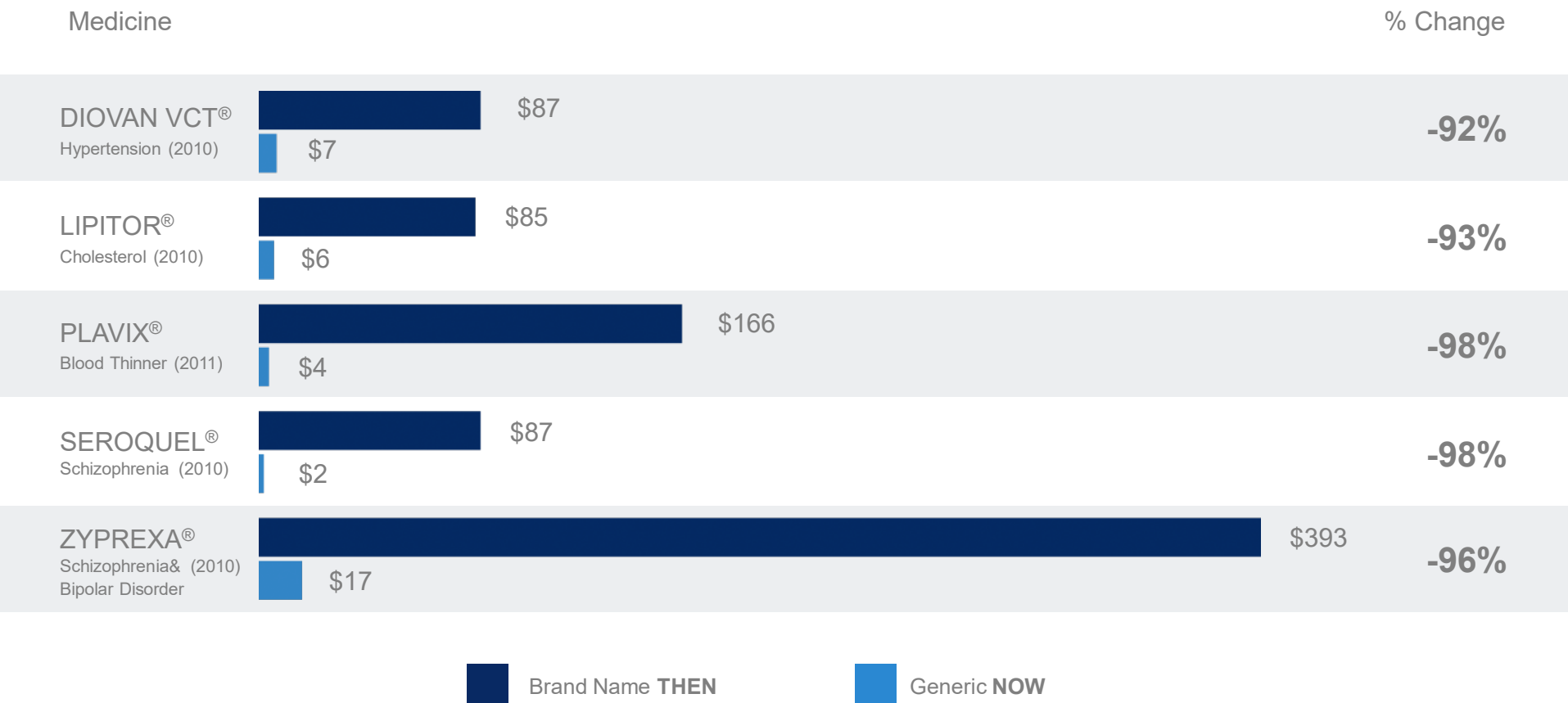
US Health Care Expenditures Attribute to Retail and Nonretail Prescription Medicines, 2010-2027*



*Retail prescription medicines are those filled at retail pharmacies or through mail service. Nonretail prescription medicines are those purchased through physicians' offices, clinics, and hospitals and are typically administered to the patient by the provider.

Sources: Altarum Institute^{10,11}

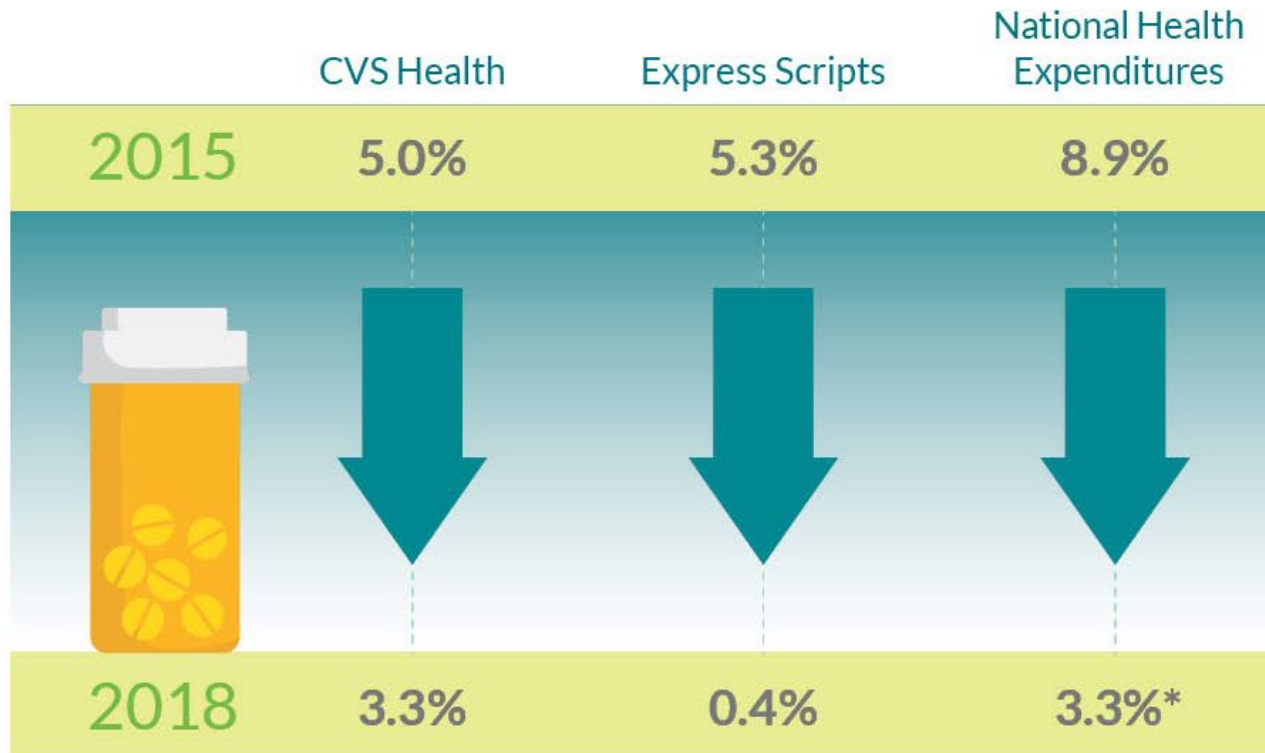
Generics cost a fraction of the price of the initial brand medicine.



Note: Figures represent the average annual price for 30 pills of the most commonly dispensed form and strength. "Then" price represents the average price in the year prior to generic entry. "Now" price represents the average price in December 2017.
Source: IQVIA Institute for Human Data Science analysis for PhRMA, May 2018.

Pharmacy Benefit Managers (PBMs) and Government Actuaries Report Declining Growth in Medicine Spending

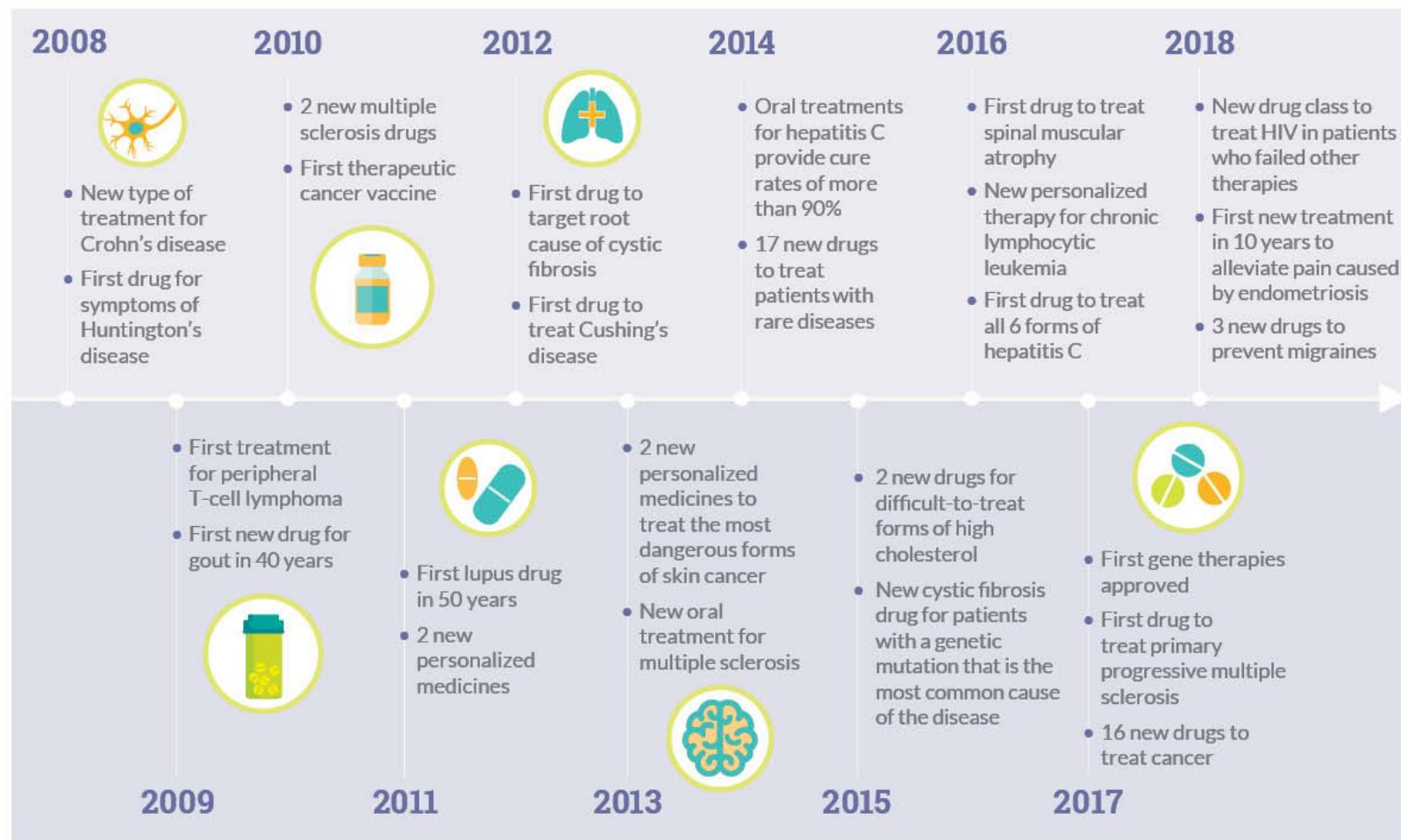
Annual Growth in Net Retail Prescription Medicine Spending



*Projected

Additional Information Slides

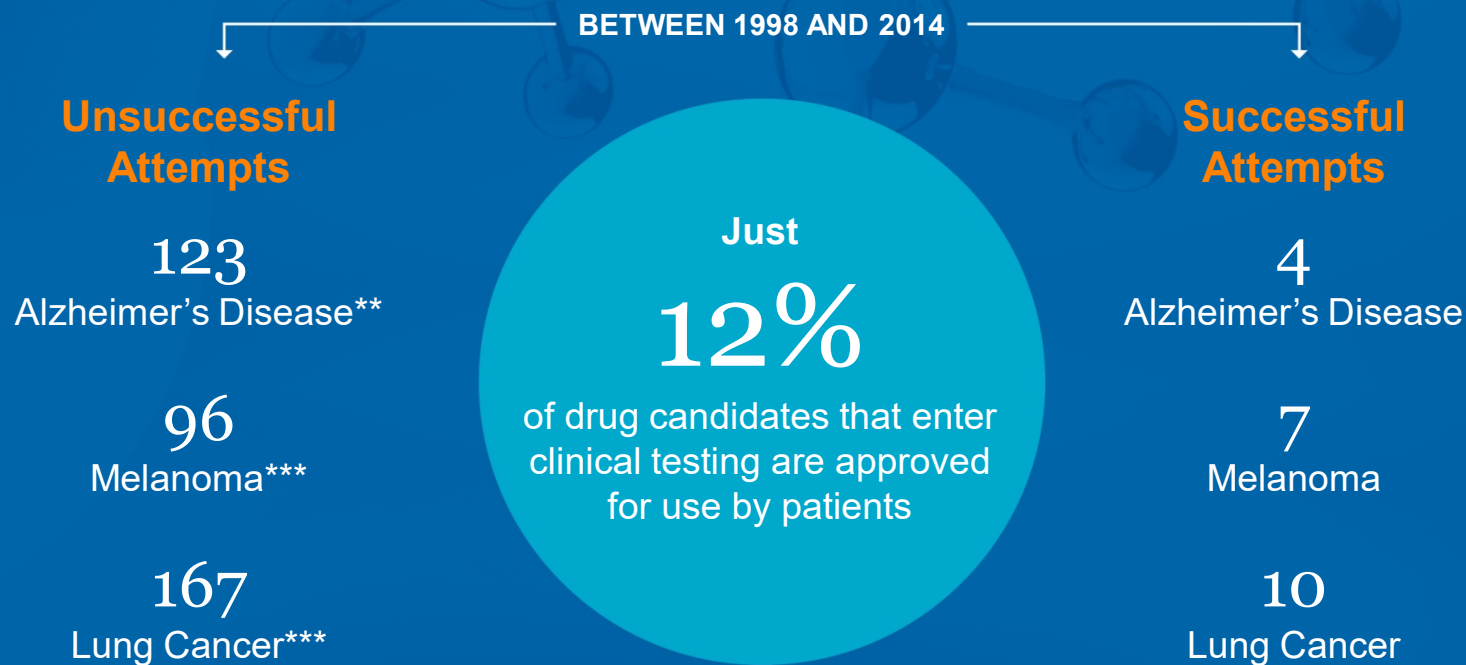
A Decade of Advances



• Source: FDA³

Developing New Treatments and Cures Is a Complex and Risky Undertaking

On average, it takes more than
10 years and \$2.6B to research and develop a new medicine.*



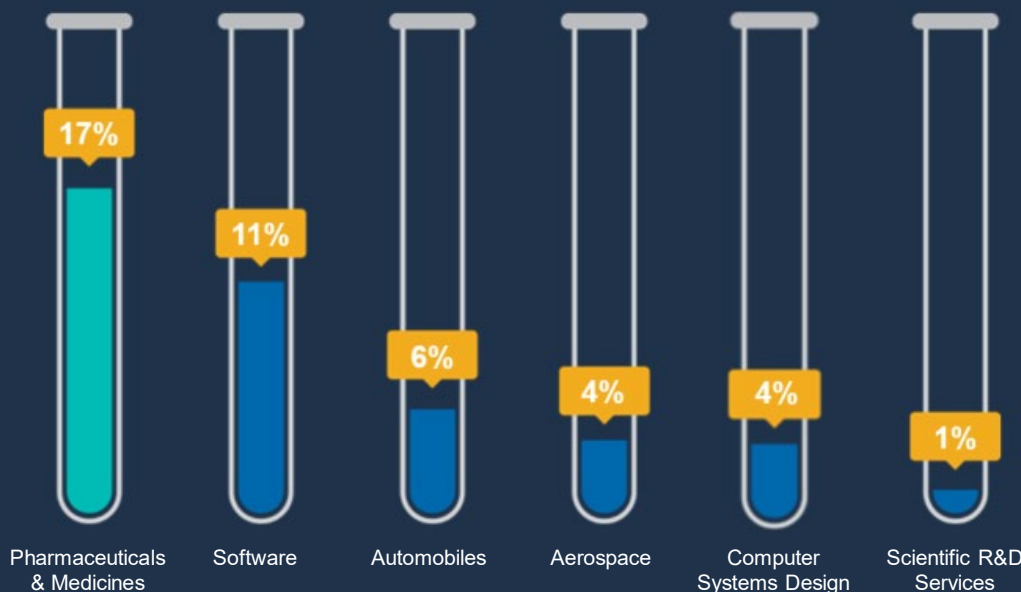
Biopharmaceutical companies use today's revenues to invest in tomorrow's treatments and cures.

Invested about
\$90 Billion
in R&D in 2016



And
20%
of revenues are reinvested
into R&D

Industry invests **17%** of all domestic research and development funded by U.S. businesses

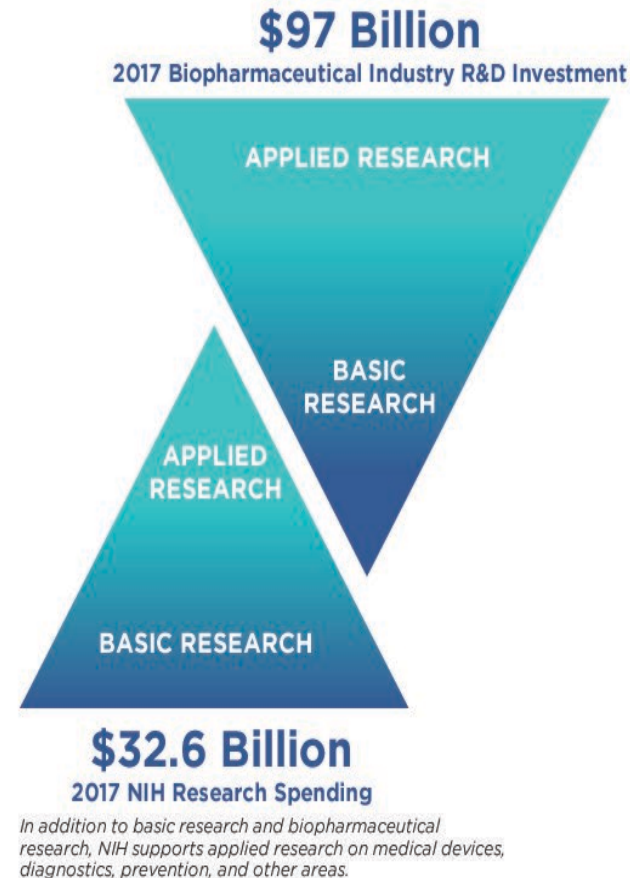


NOTE: The remaining 57% share of business R&D spending is conducted by other industries, including subsectors of the machinery sector, the computer and electronics products sector, and the electrical equipment, appliance, and components sector.
Source: Research!America report and PhRMA analysis of National Science Foundation data.

The Biopharmaceutical Industry Invests More R&D Per Employee Than Any Other Industry

Biopharmaceutical Industry Does the Majority of Research to Translate Basic Science Into New Medicines

While science is often initiated in government and academia, it is biopharmaceutical firms that provide the necessary expertise and experience needed to develop new medicines.

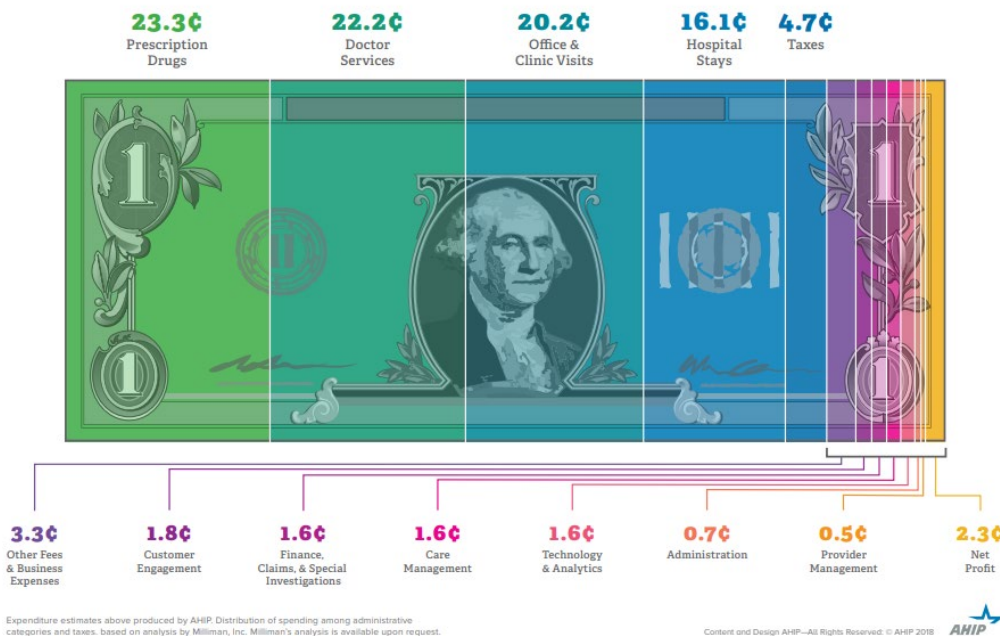


AHIP Premium Infographic

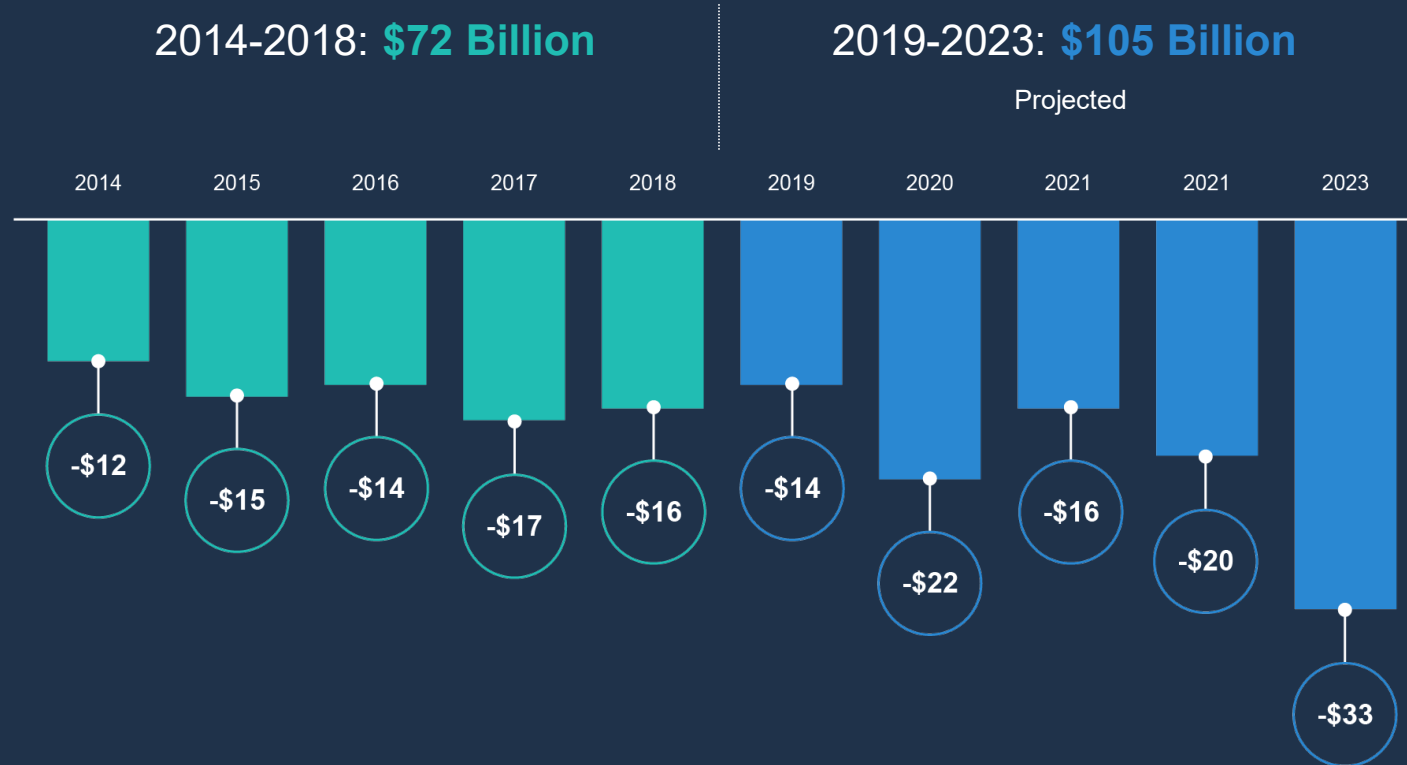
- AHIP focuses only on the list price of medicines, which does not account for the sizable rebates and discounts paid by biopharmaceutical companies, even though those rebates and discounts significantly reduce the amount that health plans actually spend on medicines.
- Based on patients younger than 65, with lower hospital spend
- AHIP presents its data in a way that overemphasizes the role of prescription medicines, while minimizing the contribution of other sectors

Where Does Your Health Care Dollar Go?

Your premium—how much you pay for your health insurance coverage each month—helps cover the costs of the medications and care you receive. It also helps to improve health care quality and affordability for all Americans. Here is where your health care dollar really goes.

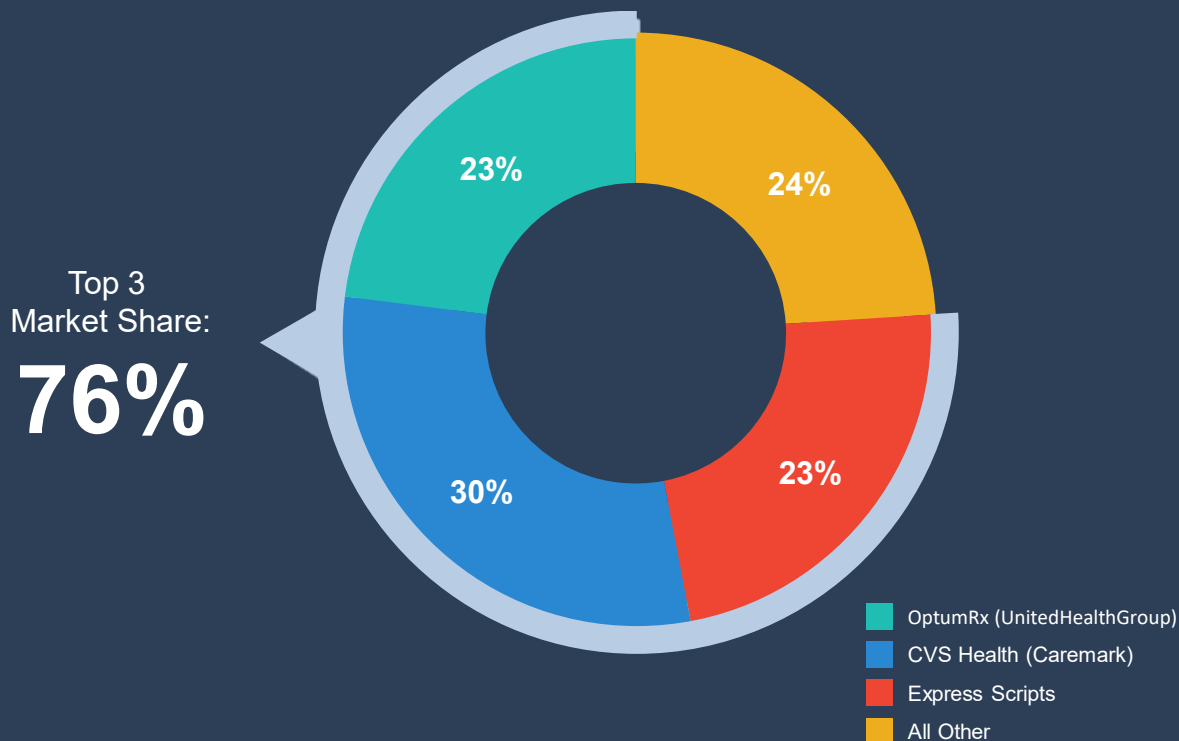


Competition from generics and biosimilars is expected to reduce U.S. brand sales by \$95 billion from 2019 to 2023.



Insurers and PBMs have a lot of leverage to hold down medicine costs.

Negotiating power is increasingly concentrated among fewer pharmacy benefit managers (PBMs).



Source: Drug Channels Institute, March 2019.

Insurers determine:

FORMULARY

if a medicine is covered

TIER PLACEMENT

patient cost sharing

ACCESSIBILITY

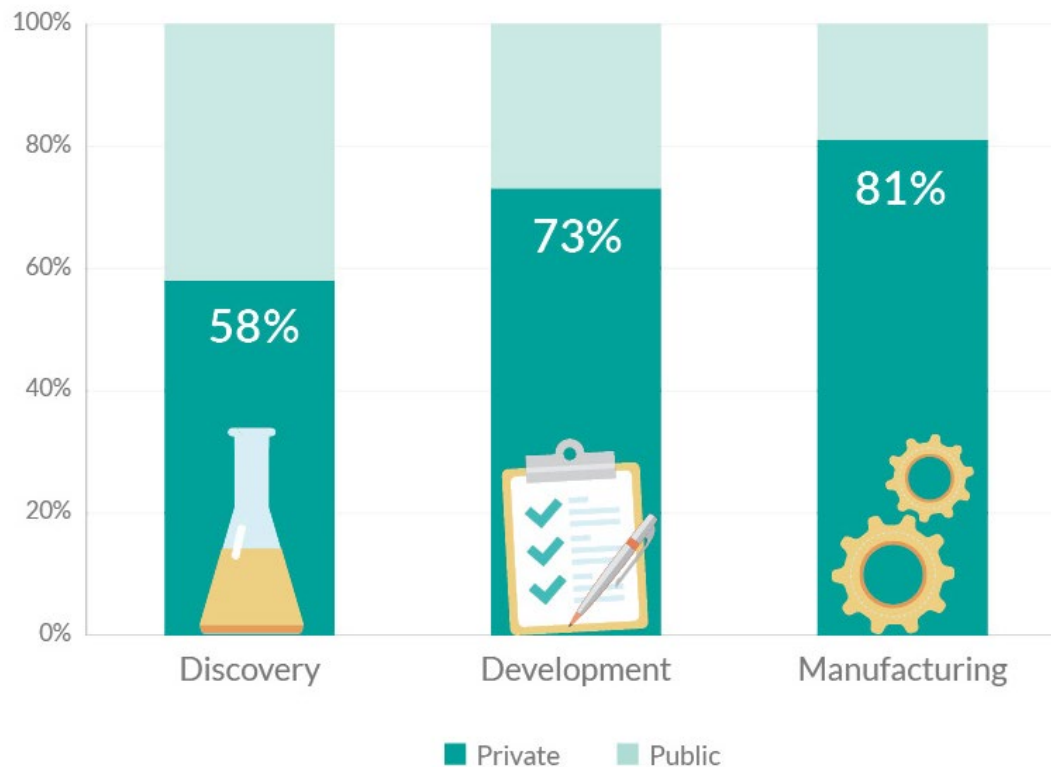
utilization management through prior authorization or fail first

PROVIDER INCENTIVES

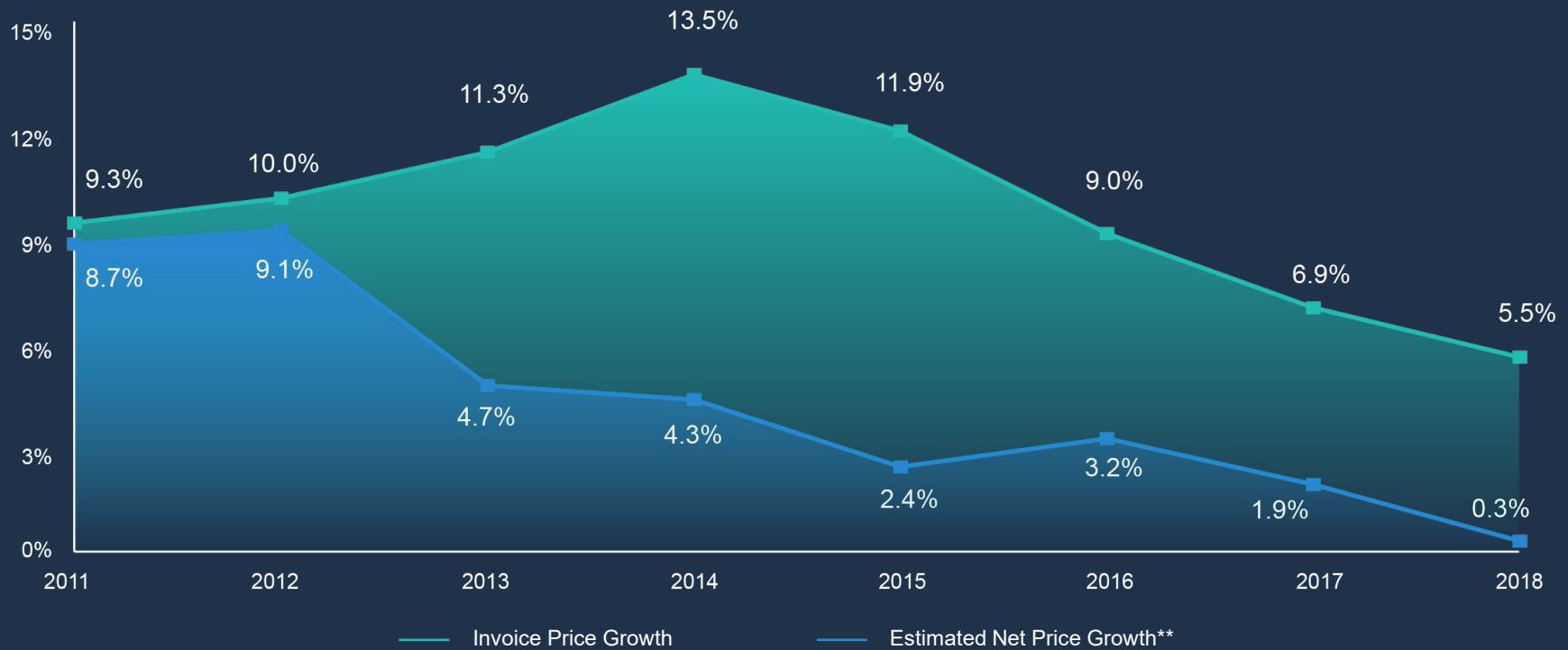
preferred treatment guidelines and pathways

The private sector leads the translation of basic research findings into new medicines

Percent Contribution of R&D Milestones Achieved by Private and Public Sectors



After discounts and rebates, brand medicine prices grew just 0.3% in 2018.



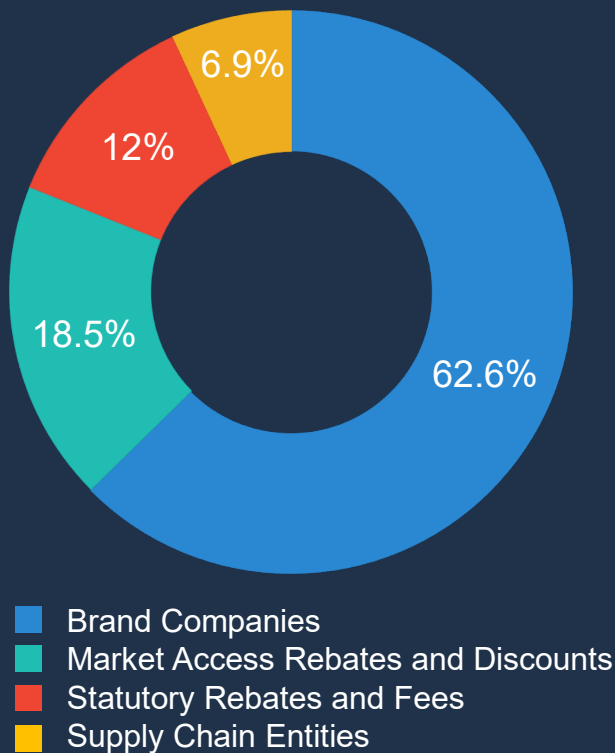
Source: IQVIA, January 2019.

*Includes protected brand medicines only (ie, brand medicines without generic versions available in the year indicated).

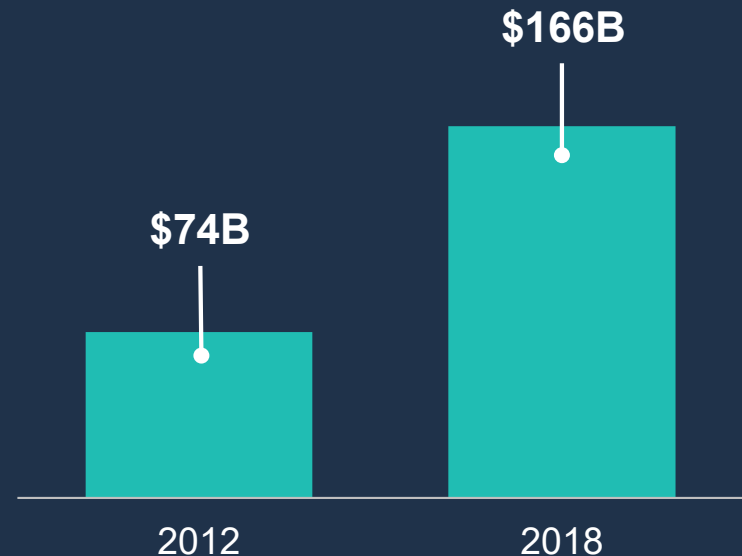
**Net price growth reflects impact of off-invoice rebates and discounts provided by manufacturers.

More than 1/3 of the list price is rebated back to payers, the government and other stakeholders in the supply chain.

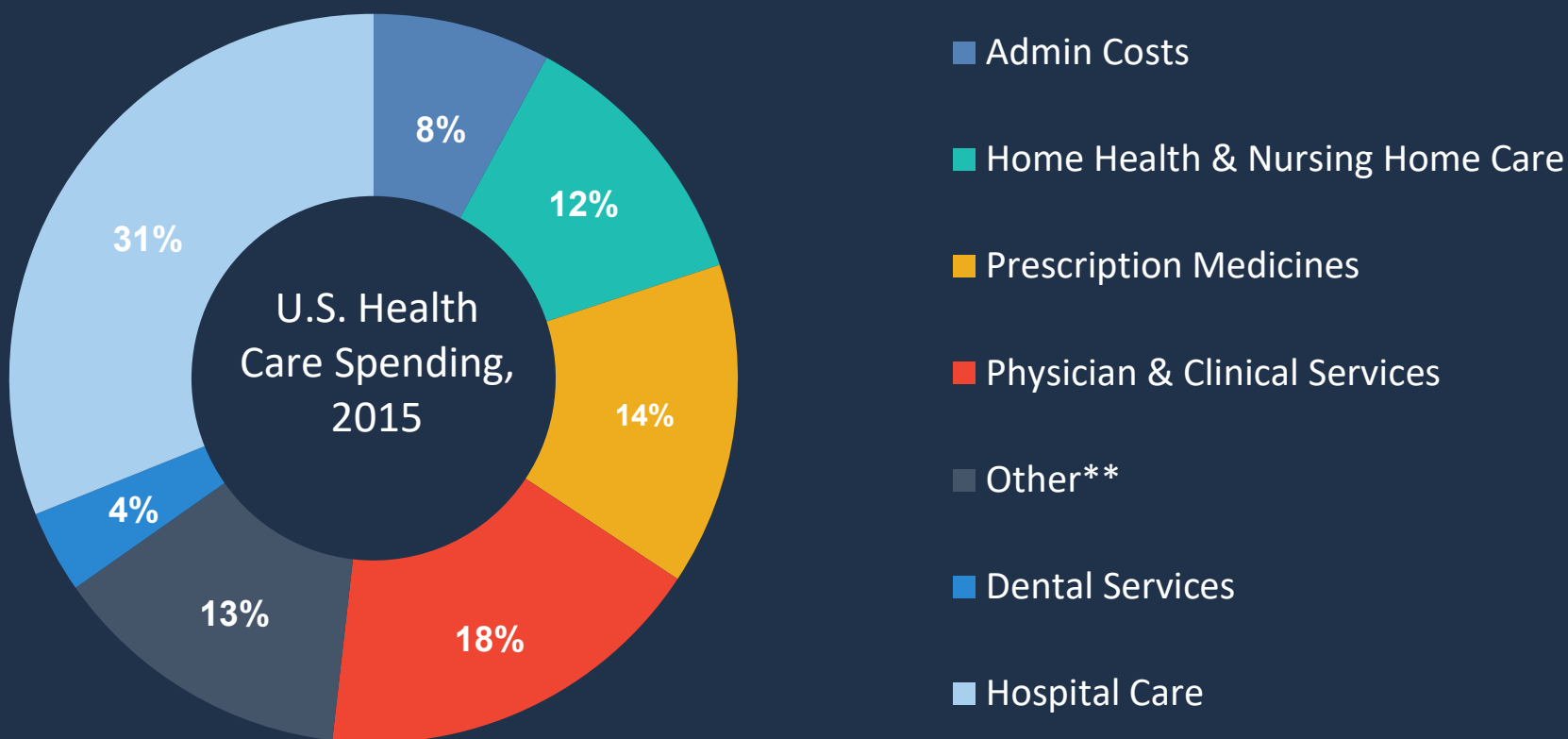
Brand companies retain just 63% of list price spending on medicines



Rebates, discounts, fees and other price concessions have more than doubled since 2012



Spending on retail and physician-administered medicines continues to represent just 14% of spending...



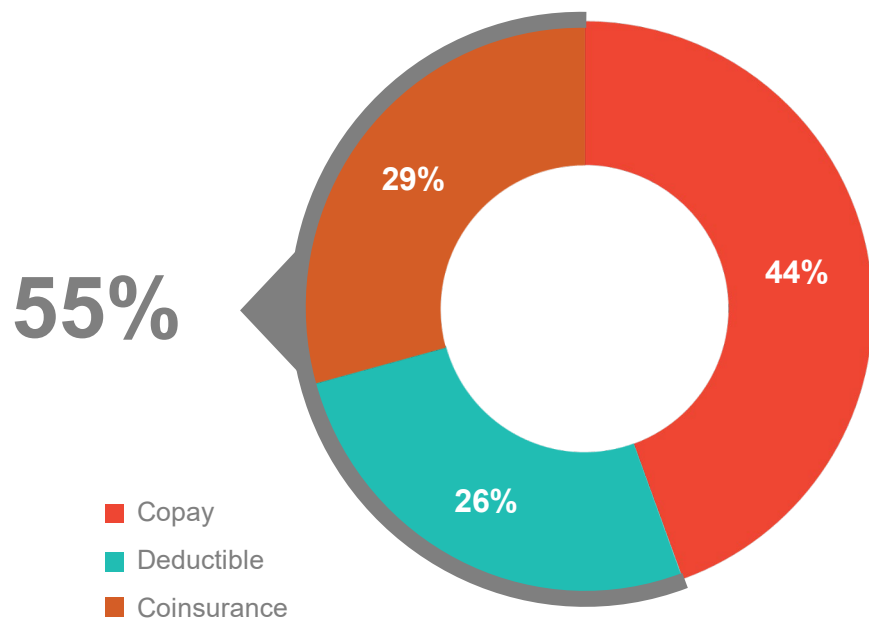
Source: PhRMA analysis of CMS National Health Expenditures data, Altarum Institute study and Berkley Research Group study.

**Supply chain entities- stakeholders involved in bringing medicines from manufacturer to patient, including wholesalers, pharmacies, PBMs and healthcare provider locations.

Negotiated savings are often not shared with patients.

More than half of commercially insured patients' out-of-pocket spending for brand medicines is based on the full list price

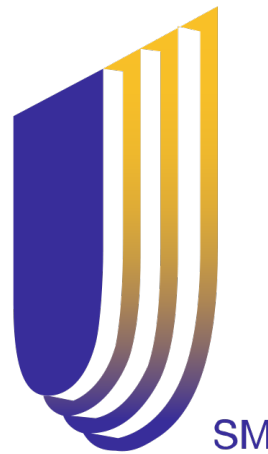
Cost sharing for nearly 1 in 5 brand prescriptions is based on list price



UnitedHealthcare Says It Will Pass On Rebates From Drug Companies to Consumers

“In response to growing consumer frustration over drug prices, UnitedHealthcare, one of the nation’s largest health insurers, said on Tuesday that it would stop keeping millions of dollars in discounts it gets from drug companies and share them with its consumers.”

The New York Times



UnitedHealth Group®

Sharing negotiated discounts with patients would increase premiums about 1%.

Certain commercially insured patients could save \$145 to more than \$800 annually.

Change in Plan Costs with Shared Rebates

	PLAN TYPE		
	Traditional PPO	Copay HDHP*	Coinsurance HDHP
Net Plan Per Member Per Month Spend	\$433.91	\$374.41	\$372.89
Change in Plan Costs \$	\$0.82	\$2.62	\$3.84
Change in Plan Costs %	0.2%	0.7%	1.0%

NOTE: Plan cost includes medical and pharmacy claims
*HDHP = High-deductible health plan