Drug Costs in Perspective

Are prescription drug prices really the primary drivers of rising health care costs and the cause of patient financial burden? Have we shed light on the way components of health care and their contribution to rising costs, the disproportionate ‘mile in the game’ for patients with regard to prescription medicines and what can be done to ensure that health care remains affordable for all?

Patients contribute more for prescription medicines even though medicines represent only 10% of total health care spend.1

Spending on non-prescription medicines is 16% of total U.S. health care spending, has grown in line with other health care prices and is projected to remain around 15% until 2023.2 Even with the inclusion of non-specialty medicines, prescription drug spend is only 10% of total spending.3 Conversely, hospital and physician services consume ~50% of every $1 and have grown ~70% since 2004.4

What’s causing my ‘financial burden’?

If you feel like you pay more for health care that’s because you did. Insurers have increased your premiums: introduced more cost-sharing tiers and co-pay tiers for branded therapies and increasingly shifted to coinsurance benefit designs where patients contribute more for medicines compared to hospital care.5

In reality, patients are paying for what they use: family health care premiums have almost doubled,6 family health care spending has grown by ~70% since 2004.7

Family health care premiums have almost doubled7

Family health care spending grew from $1,289 to $3,289

Although spending on prescription medicines has increased, patients have almost doubled their contributions.8

Conversely, hospital and physician services have grown from ~50% of every $1 to ~70%.

Increased hospital care spending has grown from $1,227 to $3,289.

Avoiding the medical and pharmacy expenses that result from non-adherence to medicines would cover the annual prescription drug bill.9

Family health care premiems have almost doubled7

If we consider what patients pay for their medicines alone, then even though medicines represent only 10% of total health care spend, we find that medicines consume almost 31% of family health care spending.

Avoiding the medical and pharmacy expenses that result from non-adherence to medicines would cover the annual prescription drug bill.9

Direct Medical Costs

• Increases E.R. visits 17% (For the next 15 years) wegen 15X hospitalization savings

• Could be saved in Direct Medical Costs By Adhering To Prescribed Medicines

• Pharmacy Related Costs Due To Non-Adherence To Medication Treatments

• Pays for ~340 Billion (PHS, May 2015)

• In 2015, patients spent an average of $16,834 on medicines, compared to hospital care, which averaged only $12,011.

• Despite this, a patient contributes 4x more for medicines than hospital care.

A dynamic and competitive market creates headroom to fund innovation.

Marketplace competition drives rebates typically in the 20-40% range.10 Consequently, the published list price is significantly different for the fag price received by the manufacturer. While any aspect of health care, medicines included, tends to decrease at patent expiration, by as much as 90% within months - creating additional funding available for innovation and ensure that U.S. patients benefit first from the latest scientific advances.11

SIGNIFICANT PRICE CONCESSIONS ARE COMMON IN TODAY’S COMPETITIVE MARKET PLACE

Savings created by patent expirations of branded products were more than enough to pay for cooperatively, needed, innovative medicines.

Savings due to patent expiration could have saved the U.S. $428B.

In 2012...

Significant price concessions are common in today’s competitive market place

...and the innovation system is working

$91 Billion

Based on small molecule patent expiration over the past 5 years13

$84 Billion

Net savings estimated for the next 5 years for small molecule patents13

How we price our medicines...

• We align our price with the value brought to patients, providers, payers and society

• We align with competitive rates, are contract and are not price usurers

• We fund continuous scientific innovation and ensure access to our therapies

• We balance affordability with availability of patient assistance programs

Our Solution

At Amgen, we believe providers and patients need choices to effectively manage complicated diseases.

We are committed to an ongoing dialogue with patients, providers, payers, policymakers and regulators to find ways to promote innovation and value-based solutions to alleviate the financial and societal burden of some of the world’s most serious diseases.


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