

Castellani Statement on Prescription Drug Costs

Washington, DC – The Pharmaceutical Research and Manufacturers of America (PhRMA) President and CEO John Castellani today released the following statement on the cost and value of medicines:

“It is penny wise and pound foolish to focus solely on the price of a new medicine while completely ignoring the value it provides to patients and the health care system broadly. Curing Hepatitis C not only dramatically improves patients’ lives, but has the potential to save the U.S. health care system as much as \$9 billion per year by preventing expensive hospitalizations and avoiding thousands of liver transplants that routinely cost over \$500,000 each. The health improvements and cost-savings new medicines provide explain why, despite repeated claims to the contrary, prescription drug spending continues to be a small and declining share of overall health care cost growth – a reality that often gets ignored in the public debate about drug costs.

“The increased attention on the cost of new medicines is being fueled by the fact that we have an outdated insurance model that is forcing patients to pay an ever-growing share of their prescription drug costs. Insurers are increasingly imposing unprecedented cost-sharing on patients that deters them from utilizing the medicines they need to manage – or even cure – their disease while covering the vast majority of costs of more expensive hospitalizations and services these medicines could prevent. We have a Blockbuster insurance model in a Netflix world and patients are being harmed as a result.

“The country needs to have a much broader discussion on how to best create a more sustainable, 21st century health care system that protects patients and incentivizes the development of new treatments that can do for other diseases what medicines have done for HIV, Hepatitis C, and many forms of cancer.”

GET THE FACTS ABOUT PRESCRIPTION DRUG SPENDING:

- **FACT:** The Congressional Budget Office (CBO) recently [changed their methodology](#) to account for the impact prescription drugs have on patients’ health and their need for medical services. The CBO is now estimating that “a 1 percent increase in the number of prescriptions filled by beneficiaries would cause Medicare’s spending on medical services to fall by roughly one-fifth of 1 percent.” The report found that “most often, pharmaceuticals have the effect of improving or maintaining an individual’s health.”

- **FACT:** Between 2008 and 2012, prescription medicines accounted for [just five percent](#) of overall health care expenditure growth.
- **FACT:** In 2012, retail prescription medicines accounted for just [9 cents](#) of every dollar spent on health care. For the past five years, prescription spending has grown an average of 3.3 percent annually and IMS Health estimates that it will continue to grow more slowly than overall health care spending.
- **FACT:** In 2013, nearly [86 percent](#) of prescriptions filled in the U.S. were for generic medicines.
- **FACT:** Patients are now [required to pay](#), on average, around 20 percent out of pocket for their prescription medicines, but just four and seven percent respectively for inpatient and outpatient hospital care.
- **FACT:** Many patients with Exchange coverage are required to pay [more than twice as much](#) out of pocket for prescription medicines than they would under a typical employer plan. This is a far larger increase in out-of-pocket costs than was found for other medical care.