

Prescription Drug Affordability Boards: Myths vs. Facts on Drug Supply Chain

Patients can struggle to afford their medications due to a complicated drug supply chain that includes rebates, reimbursement, copays and coinsurance. To address this issue, New Jersey policymakers have unfortunately proposed the establishment of a Prescription Drug Affordability Board. BioNJ believes that a Prescription Drug Affordability Board is the wrong way to address Patient out-of-pocket drug costs. Rather than taking a holistic, systemwide approach to finding a solution to consumer costs, the proposed Affordability Board focuses primarily on the biopharmaceutical sector which has proven to be the source of treatment discovery and innovation.

MYTH: Government is the primary funder of research.

TRUTHS...

- The private sector funds a much larger percentage of R&D than does the government.
- Private investment was more than 65 times greater for those treatments that received FDA approval in an examined cohort of more than 23,000 recent NIH grants that became FDA-approved treatments.
- The biopharma sector continues to invest in R&D – doubling spending since 2000 – resulting in a 60% increase in FDA new and novel approvals over the last decade.

MYTH: Manufacturers control when Patients pay the “list” price.

TRUTHS...

- A complicated drug supply chain and a system where Insurers increasingly shift cost to patients through deductibles and co-insurance often increase Patient costs.
- More than 90% of all prescriptions filled in the U.S. are for generics, saving Patients \$2.2 trillion over 10 years.
- 90% of all American consumers pay less than \$500 in annual prescription costs.

MYTHS on which the proposed Prescription Drug Affordability Board is based:



MYTH: Government price controls will not harm innovation.

TRUTHS...

- Innovation investment declines when price controls are put into place. In Europe, where price controls exist, data show that 46 fewer new treatments came to market over the period from 1986 to 2004 and treatments often become available months and years after Patients can access them in the United States.
- The U.S. biopharmaceutical sector contributes more to R&D in the U.S. than any other sector in any other country.

MYTH: Prescription spending is rising in the United States.

TRUTHS...

- Retail prescription prices declined by 0.4 percent in 2019 and retail drug spending growth has been below total health spending growth in seven of the last 10 years.
- Spending on U.S. medicines only increased 0.8 percent in 2020.
- National prescription spending remains roughly 10% of national health expenditures.

¹Vital Transformation. (2021, March 22). H.R. 3 and Reference Pricing Total Market Impact. Retrieved from http://vitaltransformation.com/wp-content/uploads/2021/04/HR3_4.5.21_v10.1.pdf.

²Congressional Budget Office. (2021, April). Research and Development in the Pharmaceutical Industry. Retrieved from <https://www.cbo.gov/publication/57126>.

³Atkinson, Robert D. (2018, November). How the Biopharmaceutical Industry Contributes to Open Scientific Knowledge. Retrieved from https://www2.itif.org/2018-biopharmaceutical-open-knowledge.pdf?_ga=2.9304117.1894398339.1625845070-1752737669.1625845070.

⁴PhRMA. (2020, July). The United States vs. Other Countries: Availability of New Medicines Varies. Retrieved from <https://www.phrma.org/-/media/Project/PhRMA/PhRMA-Org/PhRMA-Org/G-I/PI-Model—Comparison-of-Availability—All-meds—072020.pdf>.

⁵Association for Accessible Medicines. (2020). 2020 Generic Drug & Biosimilars Access and Savings in the U.S. Report. Retrieved from <https://accessiblemeds.org/sites/default/files/2020-09/AAM-2020-Generic-Drug-Biosimilars-Access-Savings-Report-US-Web.pdf>.

⁶OECD. (2021, July 2). Pharmaceutical market: generic market. Retrieved from <https://www.oecd.org>.

⁷IQVIA. (2020, August 4). Medicine Spending and Affordability in the U.S. Retrieved from <https://www.iqvia.com/insights/the-iqvia-institute/reports/medicine-spending-and-affordability-in-the-us>.

⁸IQVIA. (2021, May 27). The Use of Medicines in the U.S. Spending and Usage Trends and Outlook to 2025. Retrieved from <https://www.iqvia.com/insights/the-iqvia-institute-reports/the-use-of-medicines-in-the-us>.

⁹Centers for Medicare and Medicaid Services. (2020). National Health Expenditures 2019 Highlights. Retrieved from <https://www.cms.gov/files/document/highlights.pdf>.