



MARYLAND CITIZENS' HEALTH INITIATIVE

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Key Facts on Prescription Drug Price Affordability

- Prescription drugs are one of the biggest drivers of health care costs – in 2014, 8.4 million more prescriptions were abandoned at pharmacies compared to 2013.¹ To ensure that Marylanders have access to the life-saving drugs they need, we must ensure that these medicines are affordable for everyone.
 - Over the last half century, the health sector has more than tripled in size as a percentage of national income to more than 17% of GDP, more than \$3 trillion.²
 - Drug spending in 2015 was \$457 billion, about 1/6 of total health care spending - 72% from retail (drug stores) and 28% non-retail (administered in hospitals or other clinical settings).³
 - The profit margins of drug corporations are consistently in the highest tier. In 2015, according to the NYU Stern School of Business, they were more than double the 6.4% net profit margin of 7480 US firms.⁴ They shared “top ten” billing with banks, other financial sector companies, and tobacco—companies whose business models have been deservedly criticized.
- It's not fair that Marylanders are denied access to life-saving treatments because of high prices – Maryland taxpayer dollars have supported pharmaceutical innovation through NIH support, tax R&D credits, government-sanctioned monopoly pricing, and of course, reimbursement under federal Medicare and Medicaid programs. Consumers and businesses also pay through private insurer premium dollars and out-of-pocket payments.
- Maryland taxpayers shouldn't have to pay twice to access the drugs they need -- we must make sure that we place people and patients before profit.
 - In 2012, Maryland received over \$16 billion in federal R&D support, placing it first in the nation (NSF, Science and Engineering State Profiles, 2015).⁵

¹ IMS Institute of Healthcare Informatics. (2014). *Medicines Use and Spending Shifts: A Review of the Use of Medicines in the U.S. in 2014*. Retrieved from: https://www.imshealth.com/files/web/IMSH%20Institute/Reports/Medicines_Use_and_Spending_Shifts/Medicine-Spending-and-Growth_1995-2014.pdf

² Based on data from National Health Expenditure Accounts reports provided by the Centers for Medicare and Medicaid Services. Retrieved from: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/index.html>

³ Office of the Assistant Secretary for Planning and Evaluation – U.S. Department of Health and Human Services (2016, March 8). Observations on Trends in Prescription Drug Spending. *ASPE Issue Brief*. Retrieved from: <https://aspe.hhs.gov/sites/default/files/pdf/187586/Drugspending.pdf>

⁴ Based on data from Damodaran, Aswath (2016, January). Margins by Sector (US). Retrieved from http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/margin.html

⁵ National Science Foundation, Science and Engineering State Profiles--Maryland, available at: Retrieved from <http://nsf.gov/statistics/states/interactive/show.cfm?year=0&stateID=53%2C21%2C5>

**MARYLAND CITIZENS' HEALTH INITIATIVE**

- In 2015, Maryland received nearly \$1.3 billion in NIH funding, including 401 awards in the Small Business Innovation Research/Small Business Technology Transfer program (NIH, RePORT database, 2015).⁶
- Between 1988 and 2005, nearly half (48%) of all drugs approved by FDA and 65% of drugs receiving priority review benefited from U.S. government funding.
- Drug corporations' innovation is essential to developing life-saving drugs, and we can all benefit from taxpayer research to provide medicines to people that need them, making sure Marylanders who need life-saving drugs can afford them.
- Life-saving medicines doesn't work if people cannot afford it.
- The value of a drug that no one can afford is \$0.
 - Drug prices do not seem to be justified by underlying R&D costs, but rather by what the market will bear. The arbitrariness by which drug prices are set corroborates this. Transparency would go a long way in explaining to patients and payors the rationale, if any, behind such high prices.
 - Transparency behind the drug corporation's prices is critical to ensuring that the public sector and private sector payors are paying a just and fair price.
 - Providing time to Maryland consumers before large price increases is essential -- giving folks an opportunity to shop, renegotiate, or see their doctor to explore cheaper treatment options will provide a path to affordability.
 - Health reform has given us a chance to focus on a path to care that is safe, efficient, timely, patient-centered, and *equitable*. The prescription drug market is another example of room for improvement as minorities, in line with other health care sectors, receive less care and exposure to life-saving treatments disproportionately and inequitably because of high prices.

Some additional figures:

- The cost of specialty medicines is expected to exceed 50% of all drug spending in the U.S. by 2018. By 2024, specialty drugs could make up 25 percent of the country's health spending (Prime Therapeutics, 2015).
- Eleven of the 12 cancer drugs approved in 2012 were priced over \$100,000 per year (AARP, 2014).

⁶ NIH Awards by Location & Organization, NIH RePORT database, 2015, available at: <http://report.nih.gov/award/index.cfm?ot=&fy=2014&state=CA&ic=&fm=&orgid=&distr=&rfa=&om=n&pid=&view=statedetail#tab3>

**MARYLAND CITIZENS' HEALTH INITIATIVE**

- Among the top 100 drugs in the U.S., median revenue per patient rose from \$1,258 in 2010 to \$9,396 in 2014, a seven-fold increase (EvaluatePharma, 2014).
- In 2014, U.S. prescription drug spending climbed 13.1%, a rise unmatched since 2003. The key reason was a 30.9% rise in spending for specialty medications (ExpressScripts, March 2015).
- **EpiPen** - \$50 in 2004, now \$600 for a two pack -- they expire in a year, most people never use them -- no new technology. A drug originally developed by the Army.
 - It should be noted that in 2008, the *branded* version of EpiPen was \$100 for a two-pack. Now the generic version that Mylan is allowing for will be priced at \$300 for a two-pack.
- **Naloxone** - \$1 a dose ten years ago, now \$40 a dose. Price skyrocketed when it became a popular antidote of first responders.
 - Dr. Leana Wen comment on the rising cost of Naloxone - "There are very few antidotes that exist in modern medicine; I can count them on two hands, and if this medication is available then we should make it available to everyone."
- **Sovaldi** - Hepatitis C drug -- does wonders and can cure you (90% of the time) - \$1000 a DAY, 12 weeks of treatment - \$84,000.
 - Wyden and Grassley (December 2015) in their investigation found that the price of Sovaldi, initially justified by the "value" of the drug, was actually set in the U.S. to maximize profits.
 - Gilead, the manufacturer of Sovaldi, also did not develop this drug – they acquired this drug from Pharmasset, a small pharmaceutical startup founded by Emory University professor Raymond Schinazi, which discovered the drug with federal funding from NIH and the Department of Veteran Affairs.
 - In late June of this year, a new combination drug for Hepatitis with Sovaldi (Epclusa) was approved and priced at \$74,000 so despite these efforts to bring attention to this outrageous price, Gilead continues to justify the high prices based on "value" while millions are denied access.
- **Martin Shkreli**, Turing Pharmaceuticals, stoked outrage when it was reported that he raised the price of the 62-year-old anti-parasite drug Daraprim to \$750 per tablet, from \$13.50. Then he defended himself by saying, "I am a capitalist who plays to win."