

CONSIDER THE SOURCE

Don't Believe the Drug Companies' Hype About Why Drug Prices Are So High

While pharmaceutical manufacturers should be recognized for discovering life-saving medicines, they are not a reliable source for legislators to make policy changes. Drug companies use many strategies to keep prices and profits high while blaming others in the process. These strategies directly affect patients by protecting drug companies' profits.



Drug Companies Alone Set and Raise Drug Prices

- Between 2008 and 2021, new drug launch prices increased exponentially by 20% per year.¹
- The median list price for a year's supply of a new brand name prescription drug was \$180,000 in 2021, but was just \$2,000 in 2008.¹
- Drug companies often raise list prices annually in January and July. In January 2021, 822 brand drugs raised prices an average of 4.6%,² and in 67 brand drugs raised prices an average of 3.5%³ in July.
- Drugs without rebates account for 9 of the 10 drugs with the largest price increases. Among the drugs with the top 20% price increases, those with no rebates had an average price hike of 93%.⁴

Drug Companies' Patents Directly Increase Patients' Cost

- Across the top 10 selling drugs, there are on average, 74 granted patents per drug. Majority (66%) of these patent applications were filed after the FDA approved the drug.⁵
- This has led to a 68% increase in branded drug prices since 2012.⁶
- Because of patent thickets, three of the top ten drugs face no competition and will cost patients an estimated \$167 billion before they face competition.⁵
- In 2016, patented drugs accounted for 63% of total spending despite generics accounting for 82% of prescriptions.⁷



Drug Companies Delay Patients' Access to Drugs, Keeping Costs High

- Brand drug companies pay generic/biosimilar drug companies to delay bringing lower-cost alternatives to the market. These deals may increase drug spending by up to \$37.1 billion per year.⁸
- Pay-for-delay settlements costs patients more than \$600 million in annual out-of-pocket costs and the Medicare Part D program at least \$2.3 billion annually.⁹

SAVE OUR

BENEFITS 

MASSACHUSETTS

Direct-to-Consumer (DTC) Advertisements Target Patients



- ➔ Drug companies spend roughly \$6 billion each year on DTC ads. From 2016 to 2018, they spent \$17.8 billion on DTC ads.¹⁰
- ➔ Ten of the largest drug companies spent \$36 billion, or 37%, more on selling and marketing expenses than on research and development (R&D).¹¹
- ➔ Drug companies use DTC ads to persuade patients to use their drugs. Patients who receive more exposure to DTC ads tend to request the advertised drug.¹²
- ➔ Medicare's beneficiaries spent \$560 billion on drugs from 2016 to 2018, \$324 billion (58%) was spent on advertised drugs.¹⁰

Providers' Prescribing Influenced by Drug Companies' Payments



- ➔ Drug companies paid doctors more than \$2 billion a year.¹³
- ➔ Over 2,500 doctors received at least half a million dollars apiece from drug companies in a five-year span (2014–18).¹²
- ➔ According to a recent study, "Physicians who receive money from a given company are more likely to prescribe that company's more expensive drug instead of other lower cost treatment options."¹⁴
- ➔ Payments to doctors from drug companies increased prescribing by 4–12%.¹²

Drug Companies Use Coupons to Steer Patients to Expensive Drugs



- ➔ The number of drugs with available coupons rose from about 200 in 2008 to more than 800 in 2018.¹⁵
- ➔ In 2018, 19% of commercially insured patients who filled a prescription for a branded drug used a coupon at least once
- ➔ in the year. The total value of redeemed coupons was \$13 billion.¹⁶
- ➔ Banning copay coupons would lower prescription drug costs by approximately \$1.2 billion per year.¹⁷

1 JAMA. "Trends in Prescription Drug Launch Prices, 2008–2021." 2022.

2 GoodRx Health. "Live Updates: January 2021 Drug Price Increases." 2021.

3 GoodRx Health. "Live Updates: July 2021 Drug Price Increases." 2021.

4 Matrix Global Advisors. "Rebates and Drug Price Increases: An Analysis." 2024.

5 I-MAK. "Overpatented, Overpriced Curbing patent abuse: Tackling the root of the drug pricing crisis." 2022.

6 I-MAK. "Overpatented, Overpriced: How Excessive Pharmaceutical Patenting is Extending Monopolies and Driving up Drug Prices." 2018.

7 BCBS. "Rising costs for patented drugs drive growth of pharmaceutical spending in the U.S." 2017.

8 I-MAK. "The Costs of Pharma Cheating." 2023.

9 UC Hastings Scholarship Repository. "The Price Tag of 'Pay-for-Delay.'" 2022.

10 GAO. "Prescription Drugs: Medicare Spending on Drugs with Direct-to-Consumer Advertising." 2021.

11 AHIP. "New Study: In the Midst of COVID-19 Crisis, 7 out of 10 Big Pharma Companies Spent More on Sales and Marketing than R&D." 2021.

12 Visante. "Drug Manufacturer Strategies for Keeping Drug Costs High." 2021.

13 Annals of Internal Medicine. "Are Financial Payments From the Pharmaceutical Industry Associated With Physician Prescribing?" 2021.

14 Fierce Pharma. "Pharma payments to physicians still deliver a big 'return on investment' in prescription growth." 2020.

15 NBER. "How Do Copayment Coupons Affect Branded Drug Prices and Quantities Purchased?" 2023.

16 Commonwealth of Massachusetts Health Policy Commission. "PRESCRIPTION DRUG COUPON STUDY Report to the Massachusetts Legislature." 2020.

17 1% Steps for Health Care Reform. "Eliminating Prescription Drug Copay Coupons." 2018.

SAVE OUR

BENEFITS



MASSACHUSETTS