Consumer Perspective on Recent Prescription Drug Price Trends

Leigh Purvis, Director, Health Services Research
AARP Public Policy Institute
OVERVIEW

• Why is AARP so concerned about this issue?

• What do consumers think?

• What’s the path forward?
Jaw-dropping prices

$2,095,000 5 bd 6 ba 5,081 sqft
5155 Rockwood Plwy NW, Washington, DC 20016
For sale | Zestimate® $2,387,740
Est. payment: $9,646/mo
Get pre-qualified

Overview

<table>
<thead>
<tr>
<th>Time on Zillow</th>
<th>Views</th>
<th>Saves</th>
</tr>
</thead>
<tbody>
<tr>
<td>418 days</td>
<td>621</td>
<td>11</td>
</tr>
</tbody>
</table>

This is a stunning renovation of a beautiful Spring home with fantastic curb appeal. The photos can't capture the great light and airy feel at this wonderful home, and it is one that must be seen in person. To and light-filled on a large lot, this is a gorgeous central hall with four finished levels. The fabulous, sleek.
Tip of the iceberg

• Specialty drug approvals have exceeded traditional drug approvals since 2010

• Roughly half of drugs in the late stage of the FDA approval process are expensive specialty drugs

• Increased manufacturer focus on biologic drugs, orphan drugs, personalized medicine
  o Translation: products that can command high prices
Prices continue to grow after drugs come on the market

- For over a decade, brand name drug price increases have exceeded inflation by 2-fold to more than 100-fold

- See similar trends for specialty drugs, which are already expensive
  - The average annual cost for one specialty medication used on a chronic basis was $78,781 in 2017

- Relentless price increases add up over time
  - Average annual cost for one specialty medication would have been almost $50,000 lower if the price changes were limited to general inflation between 2006 and 2017
Older adults are particularly vulnerable to high drug prices

- High utilization
  - Part D enrollees take an average of 4.5 prescriptions/month
  - More than 2/3 are being treated for 2+ chronic illnesses

- Limited financial resources
  - Median income is ~$26,000
    - 1/4 have incomes below ~$15,000
  - 1/4 have less than ~$15,000 in savings
Taxpayer-funded programs are under increasing pressure

- Medicare Part B prescription drug spending more than doubled from $13 billion to $32 billion between 2005 and 2017
  - Beneficiaries are responsible for 20% of their costs
- Total Medicare Part D spending is approaching $150 billion
  - Enrollees have out-of-pocket limit but...
- Medicaid program is also under considerable stress, which isn’t helping state budgets
Private insurance is also being affected

- An increasing number of employer-sponsored plans have a fourth or even higher tier of drug cost sharing
  - Average copayment for a fourth-tier drug is $105 and the average coinsurance is 31%
- High deductibles can create financial hardship
- Enrollees benefit from out-of-pocket maximums ($7,900/single, $15,800/family) but…
High drug prices affect everyone
OVERVIEW

• Why is AARP so concerned about this issue?

• **What do consumers think?**

• What’s the path forward?
Vast majority of consumers want change

- 80% or more of consumers believe:
  - Prescription drug prices are too high
  - Prescription drug companies make too much profit
  - High prices charged by drug companies are a major reason for the nation’s high health care costs
  - It is extremely important for politicians to take action to lower prescription drug prices
Americans strongly support a wide variety of options to reduce prescription drug prices

Vast Majority of 50+ Want Lower Drug Prices

- Make it easier to get generics. 91% (Democrat), 95% (Republican), 95% (Ind./Other)
- Let Medicare negotiate with drug makers for lower prices. 90% (Democrat), 93% (Republican), 95% (Ind./Other)
- Require drug companies to disclose how prices are set. 88% (Democrat)
- Let states negotiate with drug companies for lower prices. 86% ( Democrat)
- Cap out-of-pocket costs. 84% (Democrat)

Most Americans favor several actions to lower drug costs:

- Requiring drug companies to include list prices in ads 88%
- Making it easier for generic drugs to come to market 88%
- Allowing the govt to negotiate with drug companies to get a lower price for people with Medicare 86%
- Allowing Americans to buy drugs imported from Canada 80%
- Placing an annual limit on out-of-pocket drug costs for people with Medicare 76%
- Lowering what Medicare pays based on amounts in other countries 65%
- Increasing taxes on drug companies whose prices are too high 63%
- Ending the tax break given to drug companies for their advertising spending 57%
- Allowing Medicare plans to put more restrictions on use of certain drugs 53%
- Allowing Medicare drug plans to exclude more drugs 25%

SOURCE: KFF Health Tracking Poll (conducted February 14-21, 2019)
Public understanding of taxpayer contributions to new drugs is relatively limited

- Consumers are clearly aware of the costs associated with research and development

- Much less evidence of consumer awareness of the role of taxpayer-funded research—although that could be changing…

Commentary: Taxpayers are entitled to reasonable prices on federally funded drug discoveries

‘Paying Twice’: A Push for Affordable Prices for Taxpayer-Funded Drugs

Taxpayers — not Big Pharma — have funded the research behind every new drug since 2010

Op-Ed: How taxpayers prop up Big Pharma, and how to cap that
OVERVIEW

• Why is AARP so concerned about this issue?
• What do consumers think?
• What’s the path forward?
Improve consumer engagement

• Consumer awareness of taxpayer contributions to new drug development can and should be improved

• Build on (small amount of) evidence that consumers support policy solutions that ensure that drugs developed with taxpayer dollars are affordable to everyone (e.g., limit patents, require certain % spending on R&D)
  
  o Current climate is supportive of solutions that appeal to fairness
What if nothing changes?

- Regardless of where prescription drugs originate, current price trends are not sustainable for patients or payers.
- Efforts to reduce costs could save taxpayer-funded programs like Medicare and Medicaid billions of dollars.
- Many patients will be unable to afford their prescription drugs if they do not receive some level of price relief.

**Innovation is meaningless if no one can afford to use it**
Leigh Purvis
Director, Health Services Research
lpurvis@aarp.org

AARP Public Policy Institute
www.aarp.org//ppi

Twitter:@leighdrugwonk
www.Facebook.com/AARPPolicy
Blog: www.aarp.org/policyblog