NCSL Insurance Task Force Session –
*Drug Pricing and Insurance Plans*

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December 7, 2018
We need a public policy environment that recognizes and rewards risk taking.

On average, it takes more than 10 years and $2.6B to research and develop a new medicine.

Between 1998 and 2014:

**Unsuccessful Attempts**
- 123 Alzheimer’s Disease
- 96 Melanoma
- 167 Lung Cancer

**Successful Attempts**
- 4 Alzheimer’s Disease
- 7 Melanoma
- 10 Lung Cancer

Just 12% of drug candidates that enter clinical testing are approved for use by patients.

Source: Tufts Center for the Study of Drug Development (CSDD).
Spending on retail and physician-administered medicines continues to represent just 14% of spending.
In the midst of incredible scientific progress, medicine cost growth is declining

<table>
<thead>
<tr>
<th>Year</th>
<th>Expense Growth Rate</th>
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<tbody>
<tr>
<td>2016</td>
<td>3.8%</td>
</tr>
<tr>
<td>2017</td>
<td>1.5%</td>
</tr>
<tr>
<td>2016</td>
<td>3.2%</td>
</tr>
<tr>
<td>2017</td>
<td>1.9%</td>
</tr>
<tr>
<td>2016</td>
<td>3.9%</td>
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<tr>
<td>2017</td>
<td>0.6%</td>
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Note: IQVIA data is reflective of retail and physician-administered medicine spending.
In fact, after discounts and rebates, brand medicine prices grew just 1.9% in 2017


*Includes protected brand medicines only (ie, brand medicines without generic versions available in the year indicated).

**Net price growth reflects impact of off-invoice rebates and discounts provided by manufacturers.
There has been a tremendous amount of horizontal and vertical integration in the distribution system.
But too often negotiated savings do not make their way to patients

More than half of commercially insured patients’ out-of-pocket spending for brand medicines is based on the full list price

Cost sharing for nearly 1 in 5 brand prescriptions is based on list price

Source: IQVIA. May 2018.