### We See Amazing Science, But It’s Overlooked in Washington

#### Exciting Advancements in Biopharmaceutical Labs Across the U.S.
- **The Washington Post**: Cancer death rate posts biggest one-year drop ever
- **CBS**: Newly approved drug being called ‘game changer’ for people who suffer from hemophilia
- **Reuters**: Drug developers take fresh aim at 'guided-missile' cancer drugs

#### But Washington Is Considering Policies That Would Disincentivize Continued R&D

For years, seniors & families across America have struggled under the skyrocketing costs of prescription drugs they need to stay healthy. Today, we introduce our solution to #LowerDrugCosts.

Read more here: washingtonpost.com/politics/health...

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Cancer death rate posts biggest one-year drop ever

Newly approved drug being called ‘game changer’ for people who suffer from hemophilia

Drug developers take fresh aim at 'guided-missile' cancer drugs
Despite Incredible Progress, Prices and Spending Growing at the Slowest Rate in Years

<table>
<thead>
<tr>
<th>Medicine Prices</th>
<th>Retail Medicine Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.3%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

2018

IMS Health & Quintiles are now IQVIA

CMS

Centers for Medicare & Medicaid Services
Spending on Retail and Physician-administered Medicines Represents Just 14% Of Health Care Spending

U.S. Health Care Spending, 2018

- Admin Costs: 8%
- Home Health & Nursing Home Care: 31%
- Prescription Medicines: 12%
- Physician & Clinical Services: 14%
- Other**: 13%
- Dental Services: 4%
- Hospital Care: 18%


** Other Professional Services, Durable Medical Equipment, Other Non-Durable Medical Products, Government Public Health Activities, and Investment
Medicines Were Not a Driver of Health Care Costs in Recent Years

Cumulative Spending Growth from 2015 to 2018 (in Billions)

Health Insurers Shifting More Costs to Patients

<table>
<thead>
<tr>
<th>Patient Out-of-Pocket Costs Increasing</th>
<th>Patient Costs Rising Faster Than Insurer Costs</th>
<th>Patients Paying Based on List Price of Medicines</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2018</td>
<td>2006-2017</td>
<td>More than half of commercially insured patients’ out-of-pocket spending for brand medicines is based on the full list price</td>
</tr>
<tr>
<td>Deductibles have increased 360% since 2006</td>
<td>92%</td>
<td>55%</td>
</tr>
<tr>
<td>Average Payments by Patients Toward Coinsurance</td>
<td>Average Payments by Insurers</td>
<td></td>
</tr>
</tbody>
</table>

Source: Kaiser Family Foundation, “Tracking the rise in premium contributions and cost-sharing for families with large employer coverage,” 2019.
Source: IQVIA, May 2018.
Patients Face Higher Out-of-pocket Costs at the Pharmacy Counter Even Though Total Spending on Hospital Care is Far Higher

Hospital spending is much higher than prescription drug spending.

$1,191.8B

$850B

$335B

Total U.S. Spending

Hospital Care
Retail Prescription Drugs

Yet patients pay more out-of-pocket for medicines than for hospital care.

$34.8B

$47.1B

Total Patient Out-of-Pocket Spending

Hospital Care
Retail Prescription Drugs

To Address Affordability Concerns, We Have to Look at the Entire Supply Chain

In 2015, Nearly 40% Of The List Price Was Rebated Back To Payers, The Government And Other Stakeholders

Source: Berkeley Research Group, Fein AJ, Drug Channels Institute
New Analysis Shows the Problem is Getting Worse

- Nearly 50% of share of brand spending going to payers, the supply chain and others in 2018.
- Annual increase in brand spending received by biopharmaceutical companies, on average, between 2015 and 2018 is 2.6%.
- Growth in amount retained by hospitals, pharmacies and providers between 2013 and 2018 is 2x.
Industry Supports Common Sense Reforms to Fix the System

Improving Patient Affordability
- Require insurers & PBMs to pass through negotiated rebates and discounts
- Establish an annual cap on patient out-of-pocket costs in Part D
- Allow patients to spread costs throughout the year
- Lower patients’ cost sharing from 25% to 20% in Part D

Fixing Market Incentives
- Delink supply chain payments from list prices
- Reduce 340B distortions

Shifting Toward Value
- Remove barriers to innovative payment arrangements
- Identify better tools for value assessment

Increasing Competition
- Citizen petitions
- Patent settlements
- Patent transparency
Aaron Vandervelde
Managing Director
Berkeley Research Group
Manufacturers are retaining an increasingly smaller share of total spending on brand prescription medicines.

Although total brand medicine spending at the point of sale increased from $269B in 2013 to $440B in 2018, the share of spending retained by manufacturers declined by 12.5 percentage points.
Despite growth in total brand medicine spending, the amount retained by manufacturers has remained flat.
Growth in brand spending realized by pharmacies/providers and payers far outpaced manufacturers share and inflation

### ANNUAL GROWTH RATE

<table>
<thead>
<tr>
<th></th>
<th>CPI</th>
<th>Brand Manufacturers</th>
<th>Payers</th>
<th>Pharmacy / Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.2%</td>
<td>3.8%</td>
<td>12.9%</td>
<td>20.5%</td>
</tr>
<tr>
<td>2017</td>
<td>2.1%</td>
<td>-1.2%</td>
<td>12.2%</td>
<td>12.0%</td>
</tr>
<tr>
<td>2018</td>
<td>2.7%</td>
<td>5.2%</td>
<td>18.5%</td>
<td>13.6%</td>
</tr>
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#### CAGR 2015 - 2018

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<td>Brand Manufacturers</td>
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<td>Payers</td>
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<tr>
<td>Pharmacy / Providers</td>
<td>15.3%</td>
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Payers received the largest share of the increase in total brand drug spending between 2015 and 2018

*“Other” includes wholesaler and provider margins, patient cost sharing assistance

**Note:** Payers include health plans, PBMs, the federal and state governments, and employer groups

47.7% of the increase in total point of sale brand drug spending went to payers
340B profits now account for 63% of gross provider and pharmacy margin – up from just 14% in 2013
The 340B program more than tripled in size between 2013 and 2018 as a result of three primary growth drivers.

<table>
<thead>
<tr>
<th>340B Growth Drivers</th>
<th>2013</th>
<th>2018</th>
<th>Increase</th>
</tr>
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<tr>
<td>Hospital Enrollments</td>
<td>1,895</td>
<td>2,488</td>
<td>31%</td>
</tr>
<tr>
<td>Hospital Contract Pharmacy Arrangements</td>
<td>13,662</td>
<td>29,292</td>
<td>114%</td>
</tr>
<tr>
<td>Hospital Child Site Enrollments</td>
<td>7,353</td>
<td>23,622</td>
<td>221%</td>
</tr>
<tr>
<td>340B Program Sales</td>
<td>$7.2B</td>
<td>$24.3B</td>
<td>238%</td>
</tr>
</tbody>
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Questions?