HOW A COMPETITIVE BIOPHARMACEUTICAL MARKETPLACE HELPS TO CONTROL COSTS

Too often conversations on the cost of medicines fail to acknowledge the competitive biopharmaceutical market that exists in the U.S., which helps to control costs while encouraging the development of innovative new therapies.

Spending on retail prescription medicines has consistently accounted for just 10 percent of health care spending - a figure that is projected by government actuaries to remain stable through the next decade. This is possible because of high utilization rates of generics, competition among brand-name medicines and aggressive tactics by insurers and pharmacy benefit managers to negotiate lower prices.

Recent activity with hepatitis C medicines highlights the uniqueness of this marketplace. When new innovative hepatitis C medicines with cure rates of more than 90 percent were recently approved, insurers and pharmacy benefit managers made exaggerated claims about the cost impact these medicines would have on the U.S. health care system - claims that were refuted once competition among brand-name hepatitis C medicines resulted in significant cost savings.

We previously saw the competitive marketplace work with HIV medicines, it has been evident with recent activity in the hepatitis C market, and we expect to see similar outcomes with new classes of cholesterol medicines that are on the horizon. As we continue to discuss costs, it is important to understand the key parts of our nation’s distinctive competitive marketplace:

Companies race to be first to market with a new medicine.
Medicines race to be first to the market. It is a race because most medicines already have competitors also in development. This race closes quickly after medicines are approved and generally there is competition from another brand in less than two years. Once these patents end, brand medicines then face additional competition from lower-cost generics. According to an article in Forbes, in 2012 alone, the sales value of medicines coming off patent was $33 billion and another $47.5 billion is estimated this year.

Innovator companies produce medical advances that lead to low-cost generic copies.
Innovator companies invest in pioneering research to bring new treatments to patients, and over time those medicines become available as lower-cost generic copies. Currently nearly 90 percent of all medicines prescribed to U.S. patients are generics. Because significant research and development resources are not required for the manufacturing of generic medicines, the cost of a generic medicine is typically up to 80 percent less than that of the brand medicine.

Insurers and pharmacy benefit managers aggressively negotiate the prices of medicines.
Medicines are purchased in a uniquely competitive market, where concentrated purchasers use more aggressive cost containment tools than for other parts of the U.S. health care system. In fact, Express Scripts has publicly stated it will save the U.S. $4 billion annually as a result of its aggressive negotiations for hepatitis C medicines. The irony is that they excluded such savings in their recent public estimate of drug spending. This is surprising since public reports indicate that private payers are receiving discounts of up to 40 percent for hepatitis C medicines.

Our nation’s competitive marketplace is why we have seen such tremendous - and sustainable - progress against hepatitis C, cancer and other challenging diseases.