More Than Half of Every Dollar Spent on Medicines Goes to Someone Who Doesn’t Make Them

A new analysis from the Berkeley Research Group (BRG) reaffirms the need to look at the entire supply chain in order to solve patient affordability challenges. Here are three key findings from the report:

1. More than half of every $1 spent on brand medicines went to payers, middlemen, providers and other stakeholders in 2020. For the first time since BRG began tracking trends in pharmaceutical spending eight years ago, the share of brand medicine spending retained by biopharmaceutical companies has fallen to less than half (49.5%) of total spending.

2. Payers, including insurers, PBMs and government programs, received more than $140 billion in spending on brand medicines. This spending reflects rebates, discounts and other payments from biopharmaceutical companies that lower the cost of medicines. However, savings in the system are often not shared with patients at the pharmacy counter.

3. Unprecedented growth of the 340B drug pricing program resulted in a 1,100% increase in the amount hospitals and other 340B entities received from the sale of brand medicines purchased through the 340B program between 2013 and 2020. During that same time period, over 94,600 contract pharmacy relationships were established, contributing to the growth in 340B pharmacy and provider margins on brand medicines.

Policymakers need to correctly diagnose the problems that exist across the health care system and focus on holistic reforms that ensure all patients can access and afford the medicines they need.