



[RunawayRx](#), a project of the California Association of Health Plans, highlights noteworthy articles and information on the acceleration of prescription drug pricing.

Renowned oncologist Dr. Peter Bach is setting the record straight on the pharmaceutical industry's perpetuation of a long-standing myth that prescription drug costs account for 10 percent of the health care dollar. In reality, prescription drug costs are escalating faster than any other sector of the health care industry, accounting for 14-22 percent of the health care dollar and growing at their fastest rate since 2003.

Debunking The 10 Percent Myth

November 20, 2015

By Peter Bach



"...[T]he pharmaceutical industry will make several points in their defense, among which will be the well worn assertion that drug spending accounts for only 10 percent of all healthcare spending. They will say that this statistic has been stable for decades and is projected to stay right where it is. Why, they will ask, are drugs being singled out?

"Of course drug spending has not been singled out. The Affordable Care Act took on nearly every pocket of healthcare spending, but barely touched drugs... That reality aside, the 10 percent talking point just keeps popping up.

"I think it might be time to retire it. After all, this 'fact' is not even accurate as drugs used in hospitals and given to patients in doctors' offices are not included in the estimate. The IMS Institute for Health Informatics estimates that drugs account for 22% of healthcare spending, Altarum Institute pegs the number at 14%. MEDPAC reports that drugs amount to 19% of Medicare spending. Whether it's ten percent, fourteen percent, or twenty-two percent, we're talking huge numbers. Fourteen percent of healthcare spending is around \$400 Billion, more than \$1,000 per person per year...

"For all these reasons, I think it is time that the pharmaceutical industry retires its 10 percent talking point..."

"[W]e need an innovative pricing system that ensures that patients receive the benefits of those breakthroughs."

"Then there's the fact that the talking point contradicts another argument the pharmaceutical industry regularly makes. Drugs are worth their high pricetags because they lead to reductions in other types of healthcare spending..."

Read more: <http://morningconsult.com/opinions/debunking-the-10-percent-myth/>

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The California Association of Health Plans' RunawayRx project sheds light on the acceleration of prescription drug pricing and how it impacts health care affordability, encouraging a route toward sustainable pricing. For more information, please visit www.RunawayRx.org or follow us on Twitter at [@Runaway_Rx](https://twitter.com/Runaway_Rx).