

MYTHBUSTERS

Big Pharma Fact Check



Once again, the pharmaceutical industry is shifting blame for their outsized prescription drug prices.

No matter how you slice it, higher prescription drug prices increase premiums for everyone.

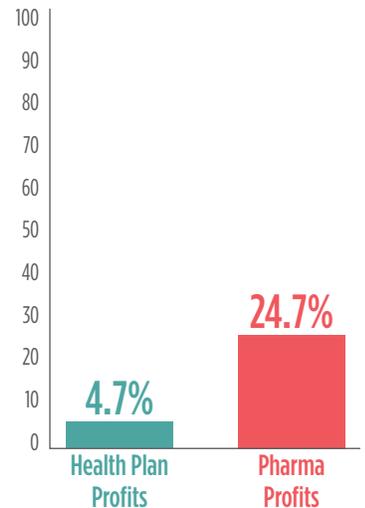
PHARMA FICTION VS THE FACTS

Health premiums increased primarily due to health plan profits.

✓ **Prescription drug expenses are nearly three times the percentage of health plan profit expenses.** Prescription drugs remain the second largest cost of the health plan premium dollar, next to other medical expenses.

Did you know?

Big pharma's profits are unlimited, whereas health plans in California are tightly regulated and must comply with extensive transparency requirements for how they set prices and spend taxpayer, employer, and consumer health care dollars. These consumer protections limit health plan profits.



The DMHC report concludes that prescription drug expenditures in 2019 were still lower than they were in 2017.

✓ Prescription drug expenditures are NOT lower in 2019. In fact, each year health plans have spent more on prescription drugs -- \$8.6 billion in 2017, \$9 billion in 2018 and \$9.6 billion in 2019.

Health plans spend more toward non-medical expenses than for prescription drugs.

✓ **Health plans spend 86% of every health plan dollar on medical costs. In fact, prescription drugs are the second largest expense paid by health plan premium dollars.** The adjusted 11.2% for Rx Costs cited by Pharma only accounts for drugs dispensed through retail or mail order pharmacies. It does not capture drugs administered in hospitals, doctors' offices, and paid for through certain providers. When these in-patient drugs are included, **actual prescription drug spending by health plans is closer to 20%-25%* of overall medical expenses.**

*AHIP

Pharma rebates aren't passed onto patients and are often retained by health plans.

✓ Health plans pass on rebate savings to members by lowering premiums. Rebates helped mitigate the overall impact of rising prescription drug prices by reducing the total health plan premium by 1.6% in 2019 - Which helps but comes nowhere near to offsetting the \$9.6 billion in drug costs in 2019.

Taxpayers support R&D at the front end and still foot the bill for expensive drugs at the pharmacy counter.
Prescription drug expenses are the second costliest expense for health plans, next to medical expenses.