

# Big Pharma's BIG Falsehoods



Drug manufacturers are manufacturing falsehoods, and shifting the blame yet again, for their outsized role in increased health care costs. Runaway Rx is here to set the record straight on **Big Pharma's Big Falsehoods** with **Pharma Facts**.

## Big Pharma's BIG Falsehoods

**X** In 2021, the prices health plans paid for brand medicines increased by an average of just **1.0%**.

**X** Patient assistance programs offered by biopharmaceutical companies provide a valuable source of support for many to afford out-of-pocket costs associated with insurance coverage for their medicines.

**X** Requiring prior authorization can create significant barriers between patients and the medicines their doctors prescribe.

**X** Health Plan profits are being put before your medicine.

**X** Health plans get tens of billions in rebates and discounts on medicine — savings that should be going to patients.

**X** To fix our health care system, we need a robust discussion about the drivers of health care spending.

## PharmaFACTS

**✓** In 2021, Health plans paid \$10.8 billion for prescription drugs, an **increase of nearly \$700 million** from 2020. Prescription drug spending is increasing rapidly and accelerated in 2021 by **6.6%**, resulting in a **15% increase in just 3 years**. Brand-name drugs account for **62.9%** of all prescription drug spending.

**✓** KFF Health News Editor Elisabeth Rosenthal called Big Pharma's patient assistance programs a "scheme" and "mirage" that contribute to escalating insurance premiums and deductibles by pushing patients to use more expensive drugs instead of cheaper ones. These programs are even considered illegal kickbacks by the federal government.

**✓** Prior authorization is used in limited circumstances to prevent physical or financial harm to patients. It is not used in routine care. When health plans require prior authorization for medications, it reduces costs, promotes safety, reduces abuse and overuse, and prevents waste for patients, consumers, and employers.

**✓** According to the 2021 DMHC Prescription Drug Cost Transparency Report, DMHC reported health plans had a negative profit margin due to higher medical costs and rising prescription drug prices. While health plans have to comply with strict transparency requirements, Big Pharma profits are not limited and regularly exceed **20%**, a much larger percentage than that of health plans.

**✓** In 2021, drug rebates represented about **15.5%** of total prescription drug spending — and these savings do get passed to patients. In 2021, rebates helped reduce total health plan premiums by **2.1%**, and while this helps, it comes nowhere near to offsetting the **\$10.8 billion** California health plans spent on drug costs in 2021.

**✓** In this case, Big Pharma is telling the truth. The fact remains that drug costs are the second highest cost driver of health plan premiums. In fact, according to the DMHC, prescription drugs accounted for **13.3%** of total health plan premiums in 2021, a **6.6% increase** since 2020.

**A robust discussion, AND an even more robust solution, such as holding Big Pharma accountable, is needed to finally rein in the ever-increasing prices of prescription drugs which, year after year, continue to have an outsized impact on health plan premium costs and the affordability of health care for all.**

## The Problem is the Price