The Drug Cost Iceberg

As stakeholders attempt to tackle this issue, it is important to understand that drug costs are paid in two portions:

1. Cost paid by the patient
   - Copayments
   - Coinsurance
   - Deductibles

2. Other payers
   - Government
   - Insurers
   - Employers

The Drug Cost Iceberg illustrates the two components of drug pricing:

- Patient Cost
- Other Payers

Two approaches to lower patient out-of-pocket spending:

1. Enhance prescription insurance coverage
   - Raise the water line
2. Lower total drug cost
   - Melt the iceberg

Policies that attempt to lower overall drug cost should simultaneously consider initiatives that also reduce patient financial burden.

The True Value Iceberg

The total drug cost is determined by the clinical benefit to patients, compared to available alternatives. Under this scenario, the patient pays close to zero.