The Drug Price Iceberg: More Than Meets the Eye

Access to affordable prescription drugs is a topic of increasing public concern.

3 in 5
American adults take at least 1 prescription drug

AND

48 million
Americans take 5 or more prescription drugs

82% of respondents in a recent survey identified medical costs as their biggest financial challenge.

1. Price paid by the patient
   - Cosmeters
   - Co-insurance
   - Deductibles

2. Other payers
   - Insurance Companies
   - Employers
   - Government

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

Patient Cost
Insurance Coverage
Other Payers

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

1. Enhance prescription insurance coverage
   - Raise the waterline
   - Increase the eligible medications

2. Lower total drug price
   - Met the iceberg
   - Reduce the drug price

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

Total cost shrinks; patient cost unchanged
Total cost shrinks; patient cost shrinks

The ‘True Value’ Iceberg

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

Center for Value-Based Insurance Design