

The Drug Cost Iceberg

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

- There is clear evidence that pharmaceutical innovation has led to improved patient-centered outcomes for those diagnosed with various chronic conditions
- Nearly 3 in 5 American adults take at least one prescription drug
- The percentage of Americans taking five or more prescription drugs nearly doubled between 2000 and 2012, from 8 to 15 percent
- Major policy changes such as Medicare Part D and the Affordable Care Act provided millions of Americans prescription coverage for the first time

Total drug costs are composed of two parts:

1. The cost paid by the patient (ie, the tip of the iceberg)
2. The cost paid by other payers (ie, the iceberg underneath the water, the government)

Current policy proposals to address total drug costs may leave out addressing what the patients actually pay.

- Industry stakeholders are likely to continue pointing fingers to different areas of the supply chain
- Actions to address the entire iceberg are politically contentious, and, if enacted, would unlikely address the public's concern about out of pocket costs.

The House can propose drug pricing policies that avoid the complex chicken or the egg game of drug costs by focusing foremost on out of pocket costs at the counter.

Policy option: expand secondary prevention safe harbor for HSA-HDHPs

- Trump Report on Health Care highlights this policy option, recognizing the distinction between overall costs and out of pocket costs
- Expanding safe harbor rules for secondary prevention could immediately reduce out of pocket costs for millions of Americans
- Spending on chronic disease encompasses more than 75 percent of total U.S. health expenditures.
- Published literature supports that when individuals with chronic disease forego recommended services, it not only impacts their health, but also can result in higher aggregate costs.
- Reducing financial barriers to evidence-based care for chronic conditions offers an opportunity to substantially enhance clinical outcomes and reduce the long-term rate of healthcare spending growth.

Drug prices are paid in two portions

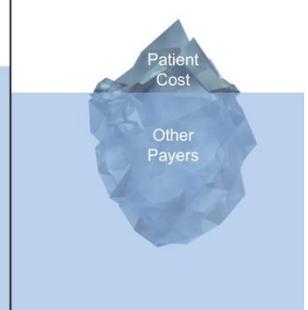


There are two ways to lower patient out-of-pocket spend

Raise the water line (enhance coverage)



Shrink the size of the iceberg (lower drug price)



What we don't want

Overall price shrinks, but the cost to the patient stays the same

