

DISRUPTIVE DIALOGUE



PODCAST #6

HIGH DRUG COSTS

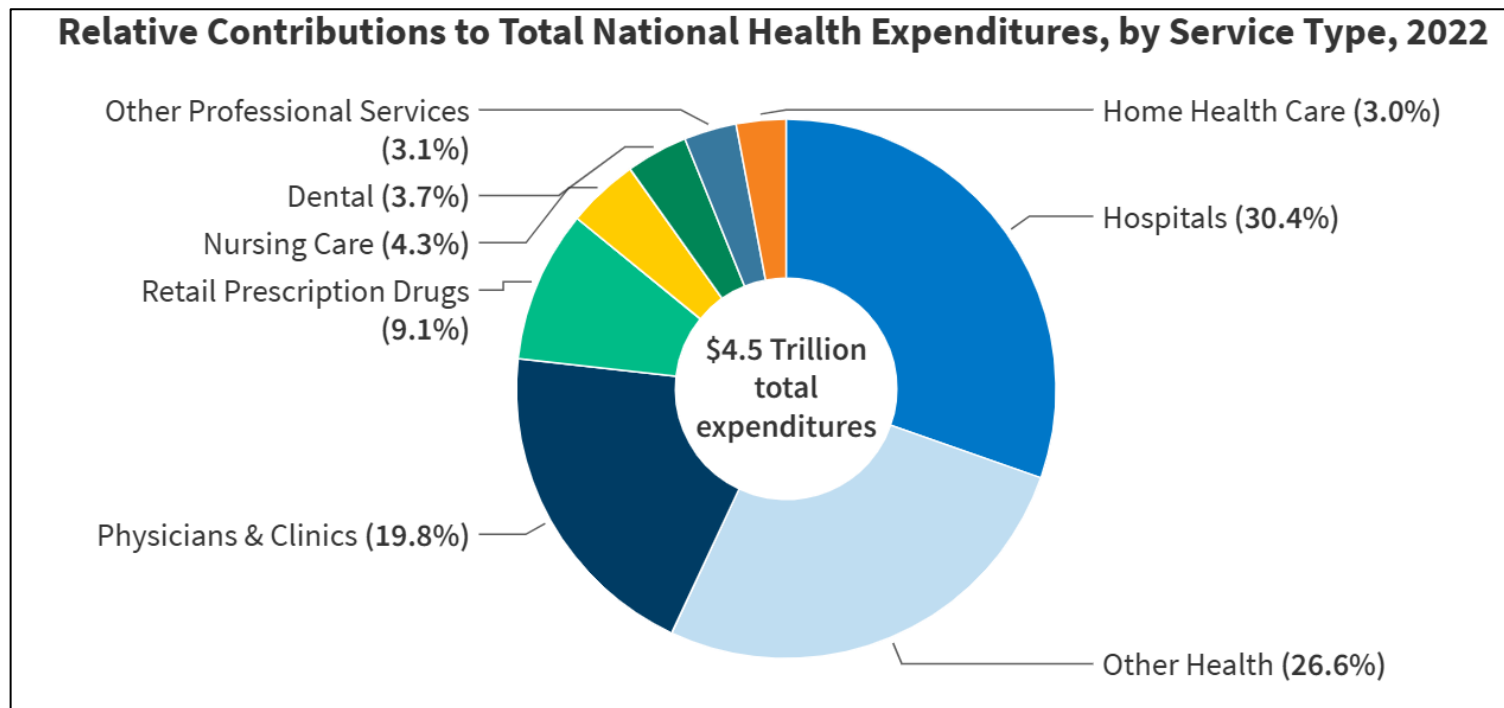
REMEMBER EPISODE 2 – “FOLLOW THE MONEY” WE DISCOVERED..

Americans are being ripped off in the current US healthcare system.

- ❖ Not just drugs, but EVERY aspect of the US healthcare system is more expensive than in other countries.
- ❖ Healthcare costs are hurting the American economy, as it has become the 2nd largest spend for US employers behind only salaries and wages.
- ❖ Hospitals and insurance companies are buying up physician practices across the US, promising that it will provide efficiency and save money when it actually has allowed them to gain more power and make more money.
- ❖ In 2023, seven U.S. Healthcare companies ranked among the 25 largest companies in the US and accounted for \$1.7 Trillion in sales. Five of them were insurance companies. (2)
- ❖ ***BOTTOM LINE – The data shows that insurance companies and their pharmacy benefit managers not only control the US healthcare system, but they are making by far the most money doing so.***

PHARMACEUTICAL DRUG PRICING

- ❖ Today we will talk about drug prices.
- ❖ Drug prices are the EASY BUTTON in health care for the media and politicians.
- ❖ The Kaiser Family Foundation breaks down where America spends its healthcare dollars.
- ❖ Pharmaceutical drugs account for approximately 15% of total healthcare spend in the US.



WHAT IS THE VALUE OF PHARMACEUTICAL DRUGS?

- ❖ When you or a loved one is sick, there are certain things you rely on for help:
 - ❖ Your doctor, pharmacist or other healthcare practitioner
 - ❖ A Hospital
 - ❖ A medication or some type of medical treatment/device/product to help you get better and function.
- ❖ Medicines are one of the key things we rely on and most would agree they have had an incredible impact on society.
- ❖ Diseases like Cancer, AIDS, diabetes and other horrific diseases have gone from a death sentence or debilitating condition to chronic diseases that can be managed while continuing a productive lifestyle.
- ❖ Unfortunately, like the rest of healthcare, the cost of drugs for patients in the US continues to rise.
- ❖ We need to find a solution to this issue because drugs are a pivotal piece to healthcare everywhere.
- ❖ The challenge is that many companies in the healthcare system profit tremendously off of pharmaceutical drugs and many of them have nothing to do with making them.

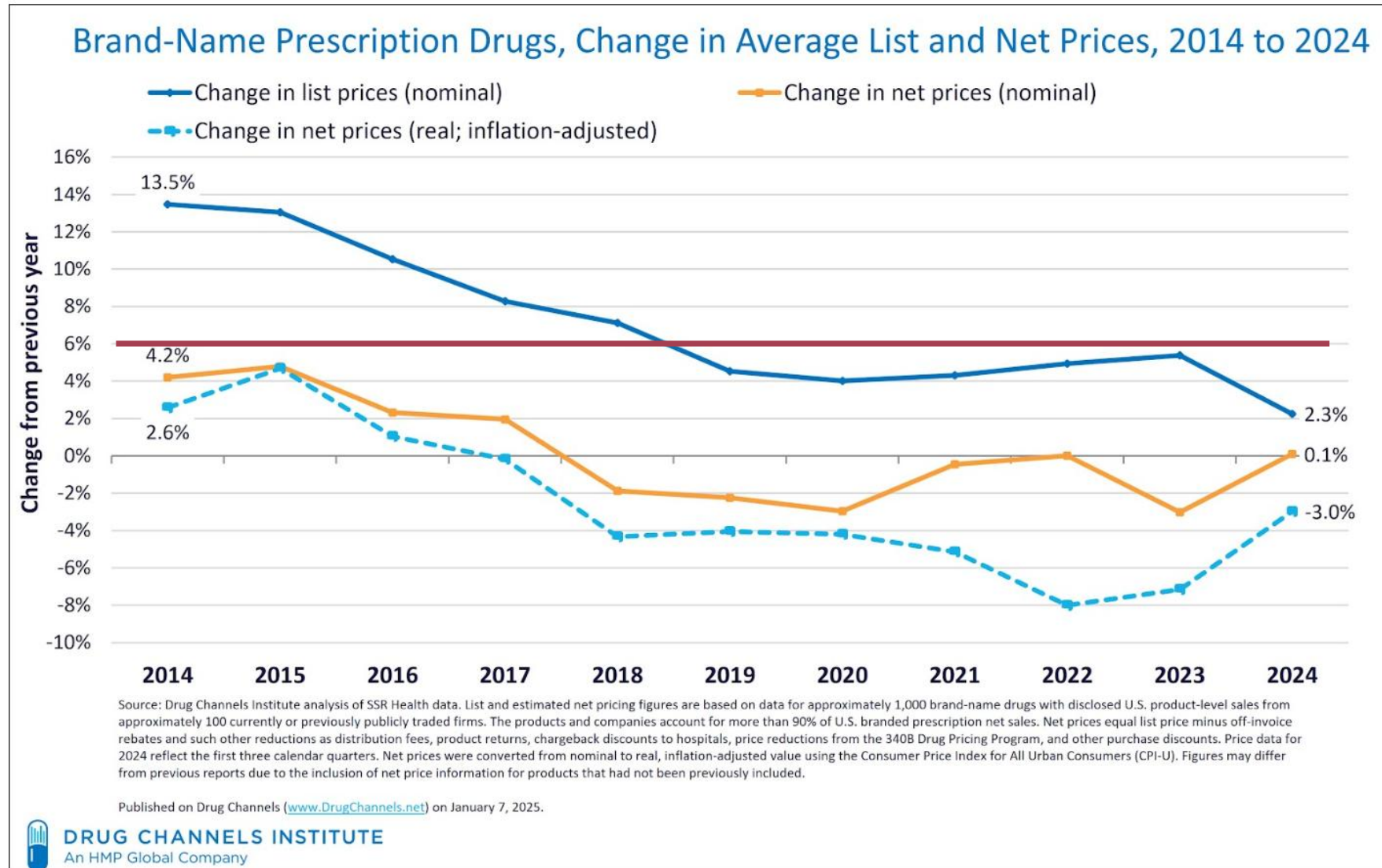
SOME FACTS ABOUT US DRUG PRICES?

- ❖ The FDA has approved more than 32,000 generic drugs in the US, to date.
- ❖ It is estimated that 91% of all prescriptions in the United States are filled as generic drugs.
- ❖ Generic drugs are cheaper on average in the US than they are in Canada.(1)
- ❖ While the story is good for generics, branded drugs account for the lions share of drug costs in our country even though they account for less than 10% of drugs used.
- ❖ So, what's their story? These are often newer drugs, without a generic option and do cost more. However, pressure on drug prices has seen their price increases decline for sometime now.
- ❖ In 2024, the average brand-name drugs' **list prices** grew by only 2.3%.(2) BUT NOBODY PAYS LIST PRICE.
- ❖ The **net prices** for brand name drugs in 2024, which is the actual cost of drugs for Hospitals, Insurers, Medicare and Medicaid has actually dropped the last 7 years in a row, after adjusting for overall inflation. (2)
- ❖ These Net Prices continue to fall because of negotiations between pharma and the middlemen. For 2023, Drug Channels Institute estimates that the total value of manufacturers' gross-to-net reductions for all brand-name drugs was \$334 billion. (2)
- ❖ Rebates and discounts reduced the selling prices of brand-name drugs at the biggest drugmakers to less than half of their list prices. (2)

1. <https://www.pharmacychecker.com/news/generic-drugs-cheaper-in-united-states-not-canada/#!>

2. <https://www.drugchannels.net/2025/01/inflation-adjusted-us-brand-name-drug.html>

WHAT HAVE DRUG PRICES DONE OVER THE PAST TEN YEARS?



IS THIS WAKE UP CALL #2?

- ❖ How is it possible that the cost of drugs to the system have actually fallen over the past 7 years when all we ever hear is that drug prices are going up and is one of the main reasons insurers are raising premiums??
- ❖ Most people don't realize that drug manufacturers don't set the price that patients pay for drugs. Insurers, hospitals and pharmacy benefit managers do.
- ❖ More than half of every dollar spent on medications in the US go to the middlemen in the system and not the companies that actually make the drugs.
- ❖ In 2024 alone, drug manufacturers paid out over \$300 Billion in rebates, discounts and fees to these middlemen, which should be lowering the cost of drugs for patients.
- ❖ The hospitals, Insurers and PBM's, who are getting these discounts then set the price they will reimburse a pharmacy, they set the price a patient pays at the hospital, and they set how much the co-insurance for medicine is at the pharmacy.
- ❖ We could try and fix this issue, BUT THESE MIDDLEMEN REFUSE TO SHARE WHAT THEIR COSTS ARE.
- ❖ If you listened to my 2nd episode, Follow The Money, this starts to explain how just two insurance companies, United Health Group (\$381 billion) and Aetna (\$357 Billion) each made more revenue in 2023 than the 5 largest drug manufacturers COMBINED.

SAME DRUG 2200 PRICES...

- ❖ An incredible story published in the Wall Street Journal last November, documented how drug prices in the US can fluctuate depending on where you live, who your insurer or PBM is, and your benefit design. (see the link below).
- ❖ Some amazing tidbits I took from this article include:
- ❖ Patients on Medicare Advantage are paying wildly different prices for the same drug, even when they are insured under the same carrier, only due to their benefit design.
- ❖ The price for a single medication can range by thousands of dollars depending on the drug plan.
- ❖ One of the examples the Wall Street Journal pointed out was a commonly used generic version of the prostate-cancer treatment Zytiga.
- ❖ Zytiga has more than 2,200 prices across Medicare drug plans. This generic came in at roughly \$815 a month in northern Michigan, about half of what it cost in suburban Detroit, while jumping to \$3,356 in a county along Lake Michigan. This was based on recent analysis of Medicare data.
- ❖ The article bluntly stated that the reason for the huge price differences is America's complicated [drug-reimbursement system](#), which [uses middlemen to negotiate prices](#).

SAME DRUG 2200 PRICES...

- ❖ To control drug spending, these firms have created a pricing patchwork, negotiating different prices for different plans.
- ❖ Not only is it confusing and costly for seniors, the wide range of drug prices are also costly to Medicare.
- ❖ Unfortunately, the Medicare program, farms out drug-price negotiations to these PBM's and insurers, and as a result is paying tens of millions of dollars extra for prescriptions.
- ❖ The Government likes to tout that they are negotiating with manufacturers on drug prices, but the fact is that these lower prices may have no impact on patients because PBM's and insurers still determine what, when and who can use these drugs that have been negotiated.
- ❖ One good thing they did with the Inflation Reduction Act was cap Part D patients OOP max at \$2000, which means that the only way for insurers to get more money from patients is to charge higher premiums....
- ❖ So, they increased premiums for Medicare PDP plans by over 40% in 2024.

WHO ARE THESE MIDDLEMEN IN THE US HEALTHCARE SYSTEM?

- ❖ When it comes to pharmaceutical drugs in the US, the primary **Middlemen** are:
 - ❖ **Insurance companies**
 - ❖ Blue Cross Blue Shield, United, Aetna, Cigna, Humana,, etc..
 - ❖ **Pharmacy Benefit Managers (PBM's)**
 - ❖ Optum, CVS Caremark, Express Scripts, Prime Therapeutics, etc..
 - ❖ **Hospital Systems**
- ❖ How these middlemen come up with the price people pay for prescription drugs is very complicated with very little explanation and rationale.
- ❖ Since there is no transparency on how much they mark up the price of drugs, there is no incentive to keep costs low.
- ❖ ***THIS IS AT THE HEART OF THE DRUG PRICE PROBLEM.***

PHARMACY BENEFIT MANAGERS (PBM'S)

- ❖ They have been around for a long time, but they have gotten bigger and more powerful in the last 25 years.
- ❖ The three largest PBM's (CVS Caremark, Express Scripts & Optum) control access to prescription drugs for nearly 80% (>250 million) of the US population.
- ❖ If a drug manufacturer does not pay them enough or do what they say in their contracts, the manufacturer can lose access to anywhere from 25% to 80% of the US population.

THE SYSTEM HAS BECOME VERY COMPLICATED AND SHROUDED IN SECRECY

- ❖ *This is a strategy for those who do not want change in the system.*
- ❖ To simplify it, think in terms of a grocery store.
- ❖ Companies that supply the food to grocery stores sell their products to a grocery chain. These suppliers provide incentives to the store for their products to be displayed prominently on a grocers' shelves.
- ❖ Once the grocer has purchased the product, they can mark it up as much as they want.
- ❖ Pharmaceutical drugs are handled similarly. Patients don't get their drugs directly from the drug manufacturer. They get it through their insurer, pharmacy manager or hospital who can mark up the price of drugs.
- ❖ The drug manufacturers (ex. Pfizer, Lilly, J&J, etc.) negotiate with these various players in the system who then provide their drugs to consumers at whatever price they want.
- ❖ Some differences between buying groceries and drugs include:
 - ❖ The price of the food item is known before you buy it.
 - ❖ You don't have the option to shop around because you are locked into your plan.
 - ❖ You can always decide to eat something else. Not an option when needing medication.

TAKE-AWAY'S FROM THIS EPISODE

- ❖ Generic drugs are cheaper in the US than in Canada and make up 90% of the drugs prescribed in our country.
- ❖ Brand named drugs are more expensive, but their cost to the system (their net price) has fallen over the past 7 years due to contract negotiations with Insurers, PBM's and the Government.
- ❖ Insurers, PBM's and Hospitals determine what patients pay for drugs the vast majority of the time.
- ❖ Drug list prices are increasing, but negotiations between the middlemen and the manufacturers result in discounts to the payers in the hundreds of billions of dollars every year, but who is benefitting from those negotiations?
- ❖ These same middlemen determine what drugs physicians can prescribe, what drugs patients can use and how much the patient has to pay.
- ❖ A lot of money being made by insurers, PBM's and hospitals, and the government has allowed this system to continue that allows them to make a lot of money for their shareholders and executives while continuing to ask more from patients.
- ❖ This needs to end.

BUT NONE OF IT MATTERS IF YOU DON'T GET INVOLVED!!

THIS PODCAST WILL INFORM YOU WITH THE INFORMATION AND TOOLS TO MAKE A DIFFERENCE!

I'M ALL IN.

ARE YOU?