

# IMS: US prescription drug spending jumped 13 pct. in 2014 (Update)

April 14 2015, by Linda A. Johnson

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U.S. spending on prescription drugs soared last year, driven up primarily by costly breakthrough medicines, manufacturer price hikes and a surge from millions of people newly insured due to the Affordable Care Act.

Spending rose 13 percent, the biggest jump since 2001, to a total of \$374 billion, according to a report released Tuesday by the IMS Institute for Healthcare Informatics. After accounting for population growth and inflation, the increase equaled 10 percent.

A record 4.3 billion prescriptions were filled in 2014, many of them for inexpensive generic pills going to patients now insured through Medicaid in states that expanded eligibility for the government health program for the poor and disabled. The number of prescriptions covered by Medicaid rose by nearly 17 percent, and that increase accounted for 70 percent of growth in the number of prescriptions filled at retail pharmacies.

Another sign of the Affordable Care Act's impact was that prescriptions paid for in cash, normally filled by uninsured people, declined 5.5 percent.

The higher spending, though, was mostly due to the many recent drugs with eye-popping price tags: tens of thousands of dollars for a year or course of treatment.

Last year saw an unusually high 42 novel medicines launched, 18 for rare diseases, those that affect fewer than 200,000 Americans. Ten of the new drugs were designated as breakthrough therapies, for conditions

including multiple sclerosis, various cancers and hepatitis C.

"2014 was a remarkable year," Murray Aitken, executive director of the IMS Institute, told The Associated Press. "We're probably not going to see it again."

Altogether, spending on prescription medicines in the U.S. rose by \$43.4 billion last year, including about \$10 billion due to price increases and \$20.3 billion spent on prescriptions for new drugs.

That included a combined \$11.3 billion spent on just four new medicines for hepatitis C, a liver-damaging virus so tough to eliminate that until recently, patients had to endure flu-like symptoms and other awful side effects for nearly a year, yet barely 60 percent were cured.

The new hepatitis C treatments cure upward of 90 percent, usually in 12 weeks. However, they carry list prices of \$84,000 or more for a course of treatment.

One of them, Sovaldi, was launched at the end of 2013 yet was the top-selling drug last year. It brought maker Gilead Sciences Inc. \$7.9 billion.

"Sovaldi is a record-breaker in so many ways," Aitkin said, yet Gilead's successor drug launched last fall, Harvoni, has already surpassed it in sales.

Specialty medicines—drugs for complex, chronic and often expensive disorders including hepatitis C—last year accounted for a full third of prescription spending. That's a likely harbinger of even higher prescription spending in years in the future.

The 2014 spending growth was somewhat restrained by insurers' efforts to hold down their costs. More and more insurance companies have been

shifting patients into plans that include high copayments for medicines, as well as large deductibles that must be met before insurance coverage kicks in.

IMS said that led to more prescriptions being abandoned at the pharmacy counters by patients who couldn't afford their portion of the cost. That ultimately resulted in 8.4 million fewer prescriptions being filled at retail pharmacies in 2014, compared to 2013, by patients who were commercially insured, either through their employer or a new health exchange plan.

The IMS figures are based on list prices for brand-name drugs, though wholesalers usually get discounts and rebates amounting to about 6 percent. Generic drugs, which are often as much as 90 percent cheaper than the brand-name drugs they copy, don't come with such large markdowns.

Last year, there were far fewer new generic drugs than in recent years, so generics reduced spending by only \$11.9 billion, compared to the peak level of \$30.7 billion in 2012.

## **US prescription drug spending at a glance**

Some figures on prescription medicine spending trends:

U.S. PRESCRIPTION SPENDING, 2014: \$373.9 billion

U.S. PRESCRIPTION SPENDING, 2013: \$330.5 billion

U.S. PRESCRIPTIONS DISPENSED, 2014: 4.33 billion

U.S. PRESCRIPTIONS DISPENSED, 2013: 4.24 billion

TOP DRUG TYPES BY PRESCRIPTION, 2014: Blood pressure, mental health, pain, antibacterials, cholesterol/blood fats, diabetes.

TOP DRUG TYPES BY SALES LEVEL, 2014: Cancer, diabetes, mental health, immune disorders, respiratory conditions, pain.

TOP DRUGS BY SALES, 2014: Sovaldi (hepatitis C), \$7.9 billion; Abilify (schizophrenia), \$7.8 billion; Humira (immune disorders), \$7.2 billion; Nexium (severe heartburn), \$5.9 billion; Crestor (cholesterol), \$5.8 billion; Enbrel (immune disorders), \$5.5 billion.

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