


## “Miracle Drugs”: The Payer Perspective

- Health care costs and the economy
  - Growth of pharmacy cost and impact on premium
  - Hepatitis C
  - Cancer drugs
- 
- A large, decorative orange gradient shape that curves from the bottom left towards the bottom right, occupying the lower half of the slide.

## “Miracle Drugs”: The Payer Perspective

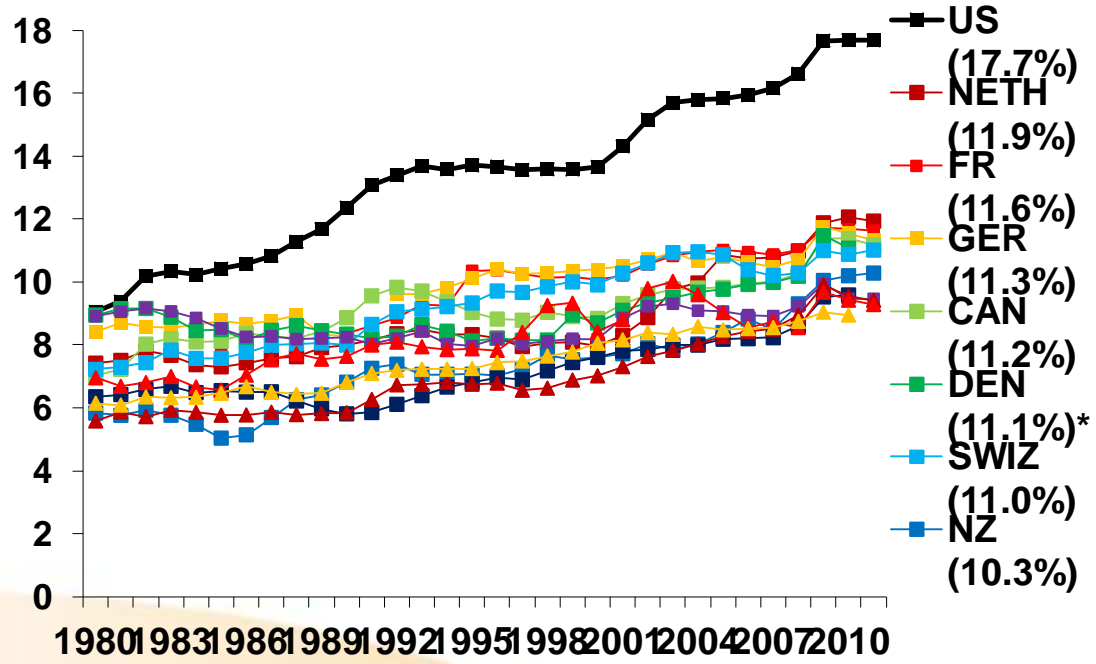
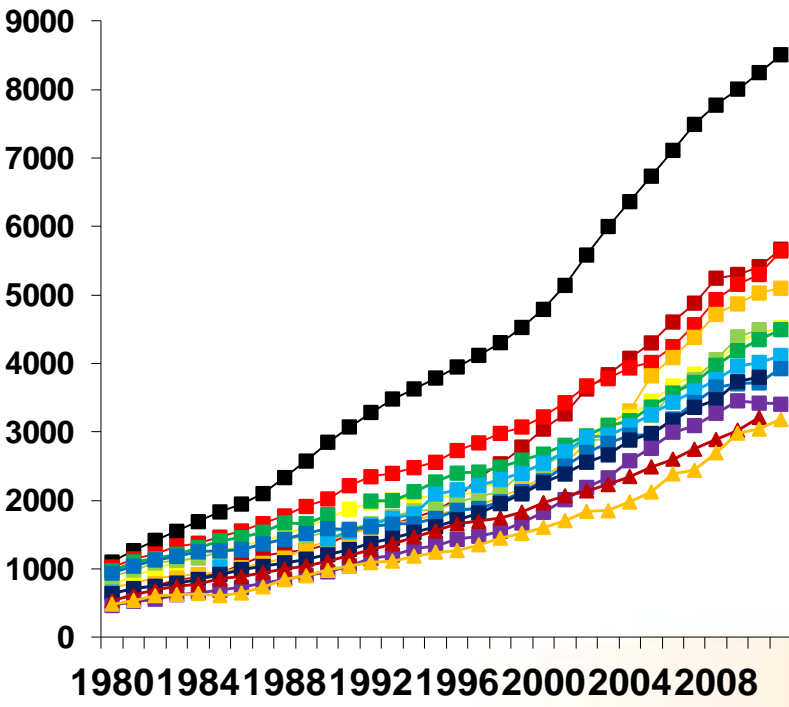
- Conflicts of Interest- Stock holdings
  - Abbvie
  - Abbott Labs
  - Bristol Myers Squibb
  - Proctor and Gamble
  - Walgreens

# International Comparison of Spending on Health, 1980–2011



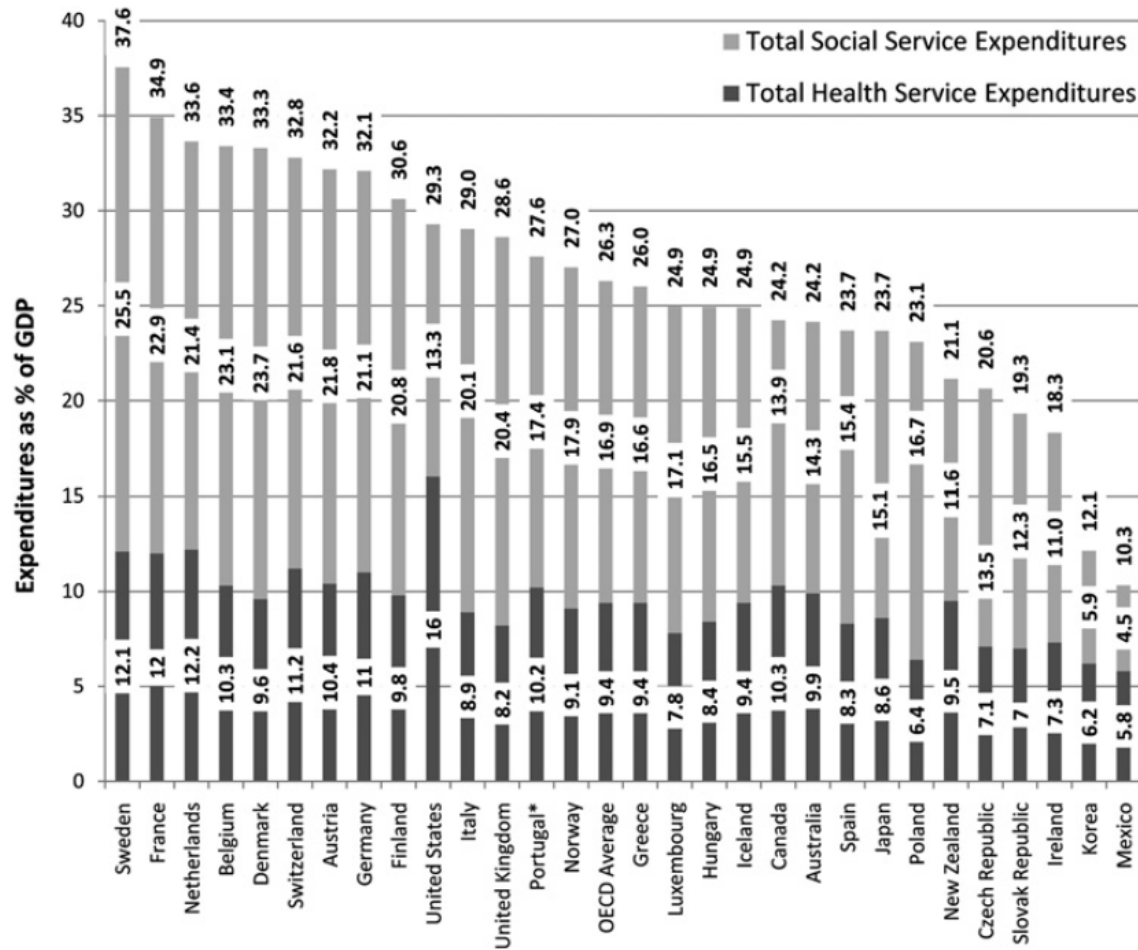
### Average spending on health per capita (\$US PPP)

### Total health expenditures as percent of GDP



Notes: PPP = purchasing power parity; GDP = gross domestic product.  
 Source: Commonwealth Fund, based on OECD Health Data 2013.

# Social Spending

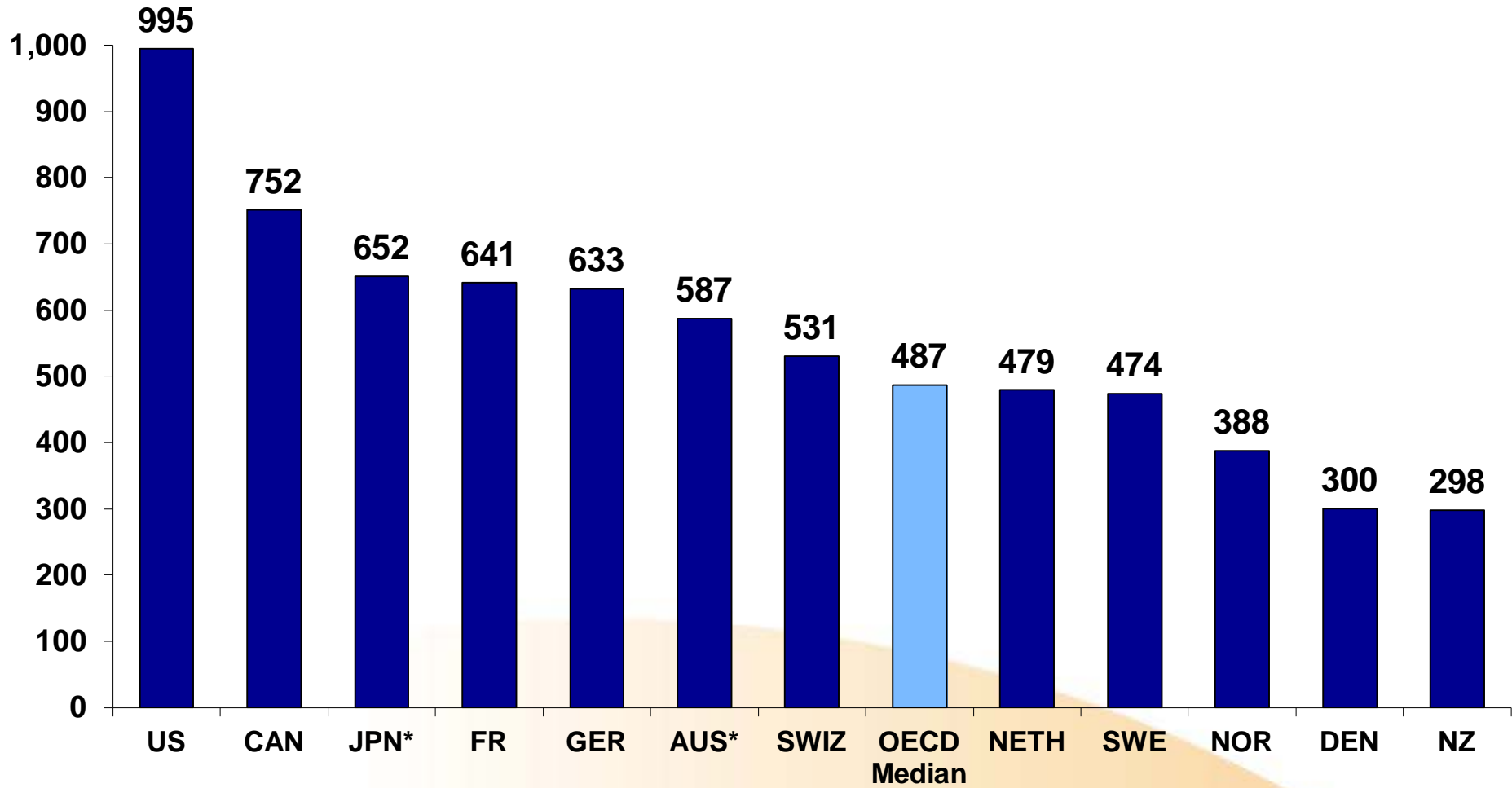


Harris J, Elbel B. "Health and social services expenditures: associations with health outcomes."

<http://qualitysafety.bmj.com/content/early/2011/03/28/bmjqs.2010.048363.abstract>

# Pharmaceutical Spending per Capita, 2011<sup>5</sup> Adjusted for Differences in Cost of Living

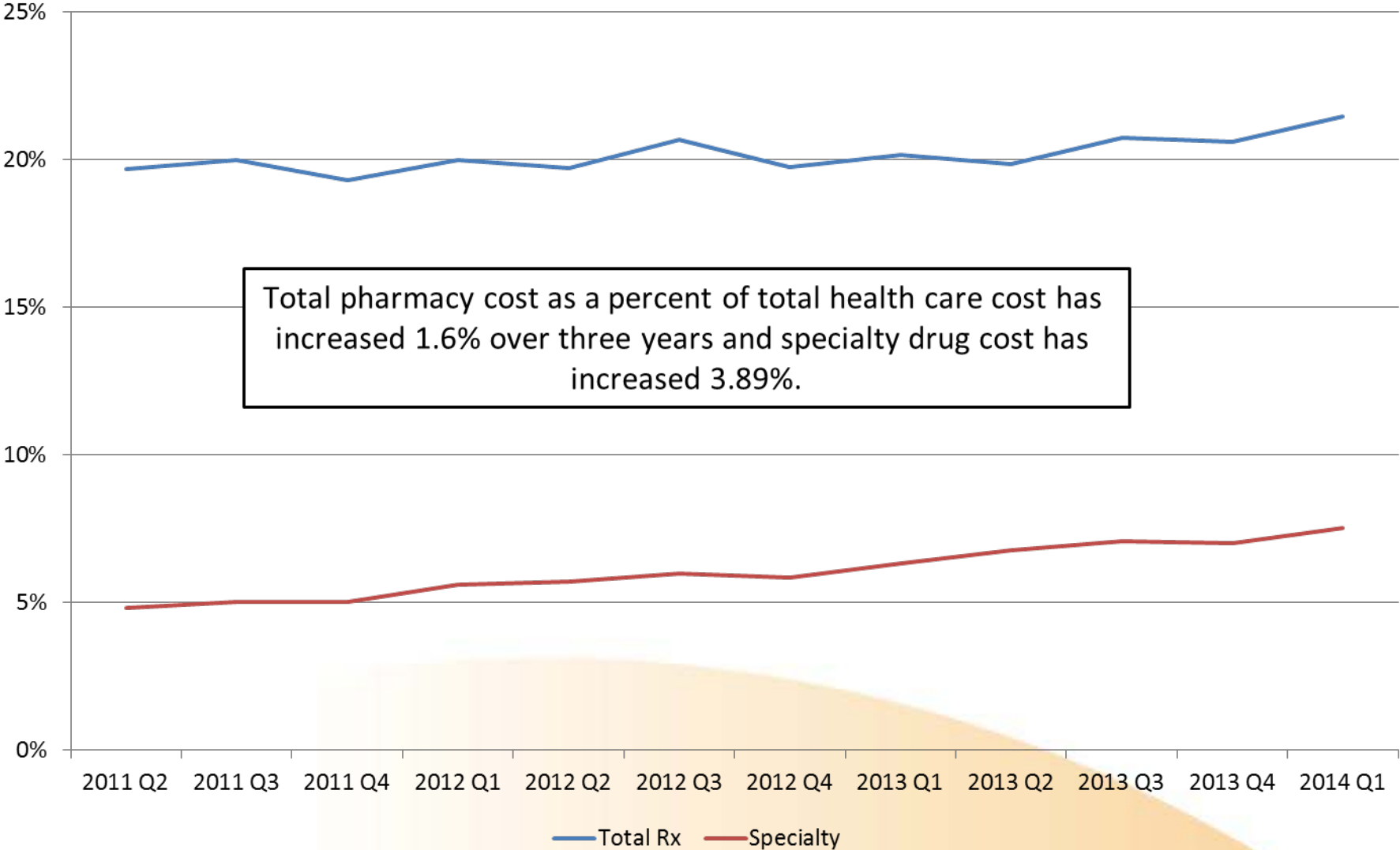
Dollars (\$US)



\* 2010.  
Source: OECD Health Data 2013.

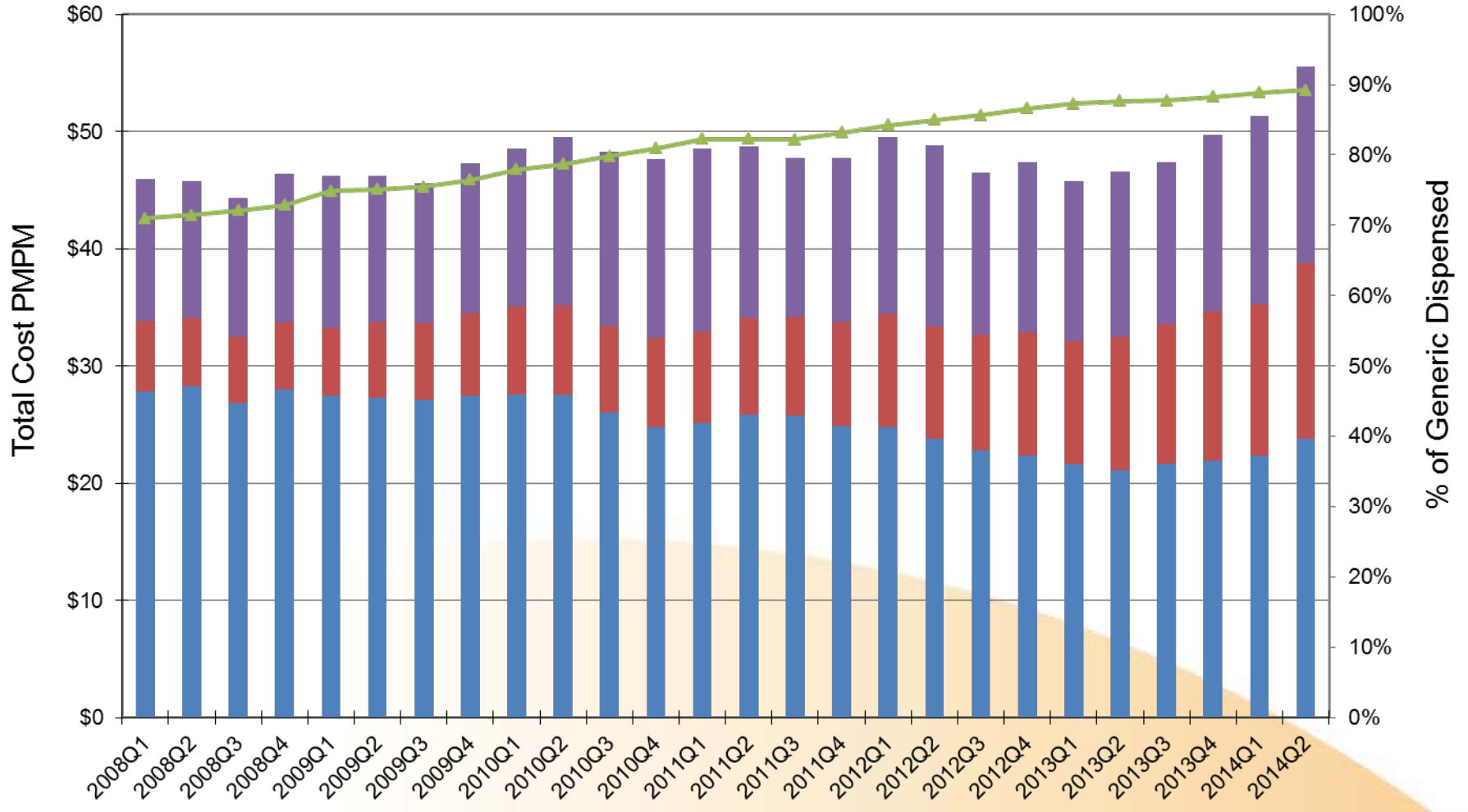


# Pharmacy Cost as a % of Total Health Care Cost



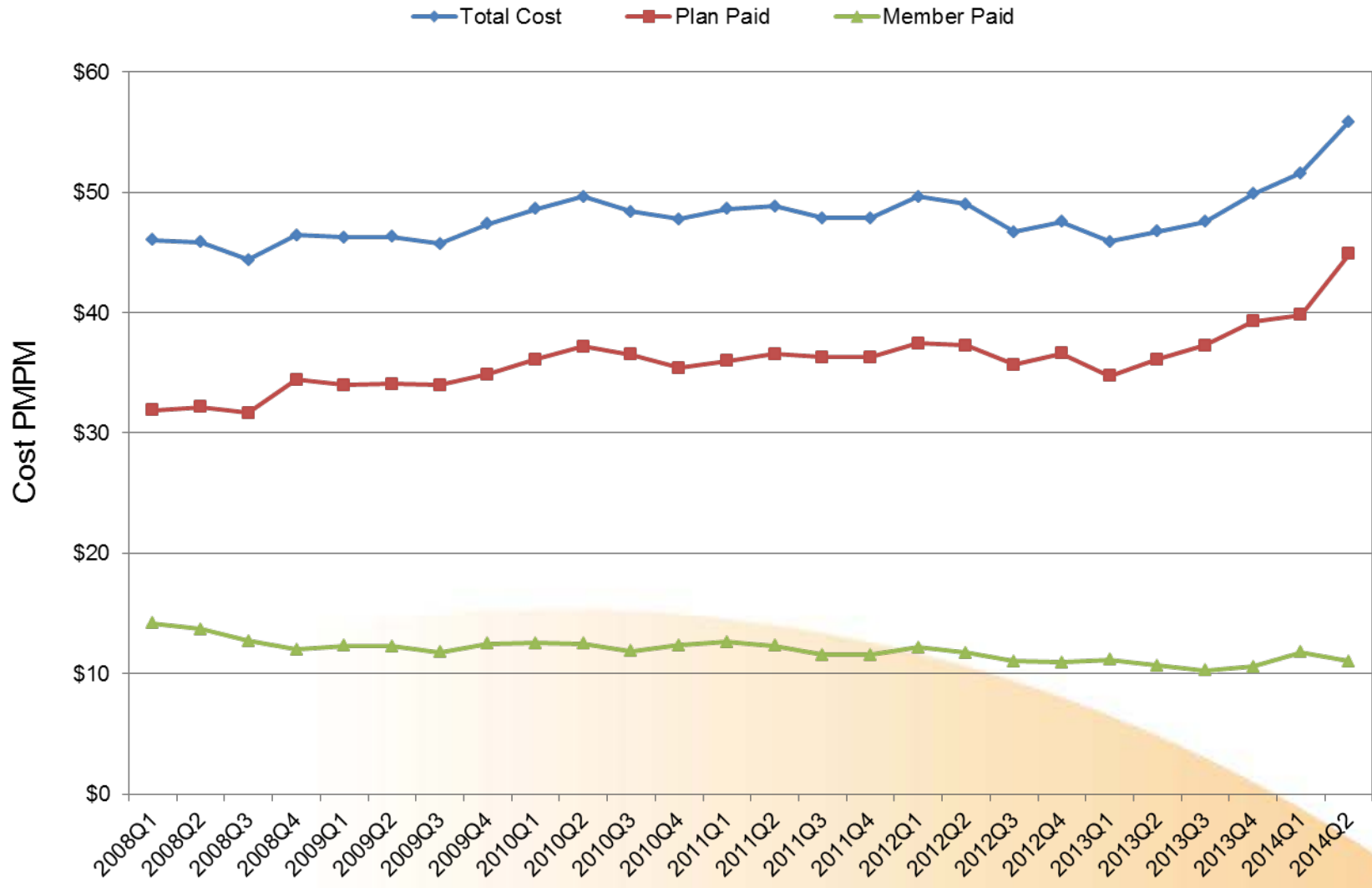
“Specialty” includes drugs adjudicated through both the pharmacy and medical claims processing systems

# Total Rx Drug Cost PMPM - Generic, Brand & Specialty Commercial (Exclude ASO)



# Total Rx Cost PMPM

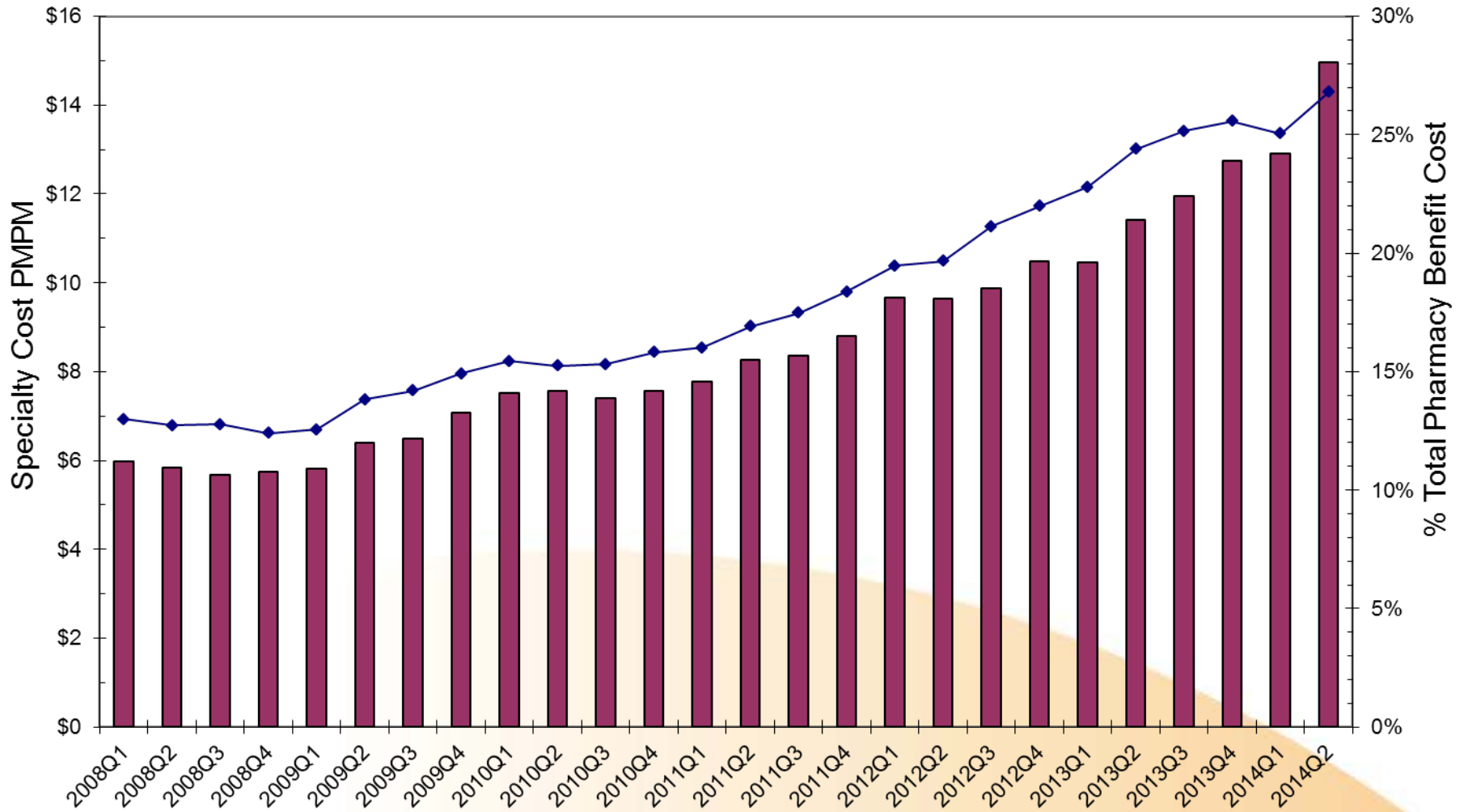
## Commercial (Excude ASO)



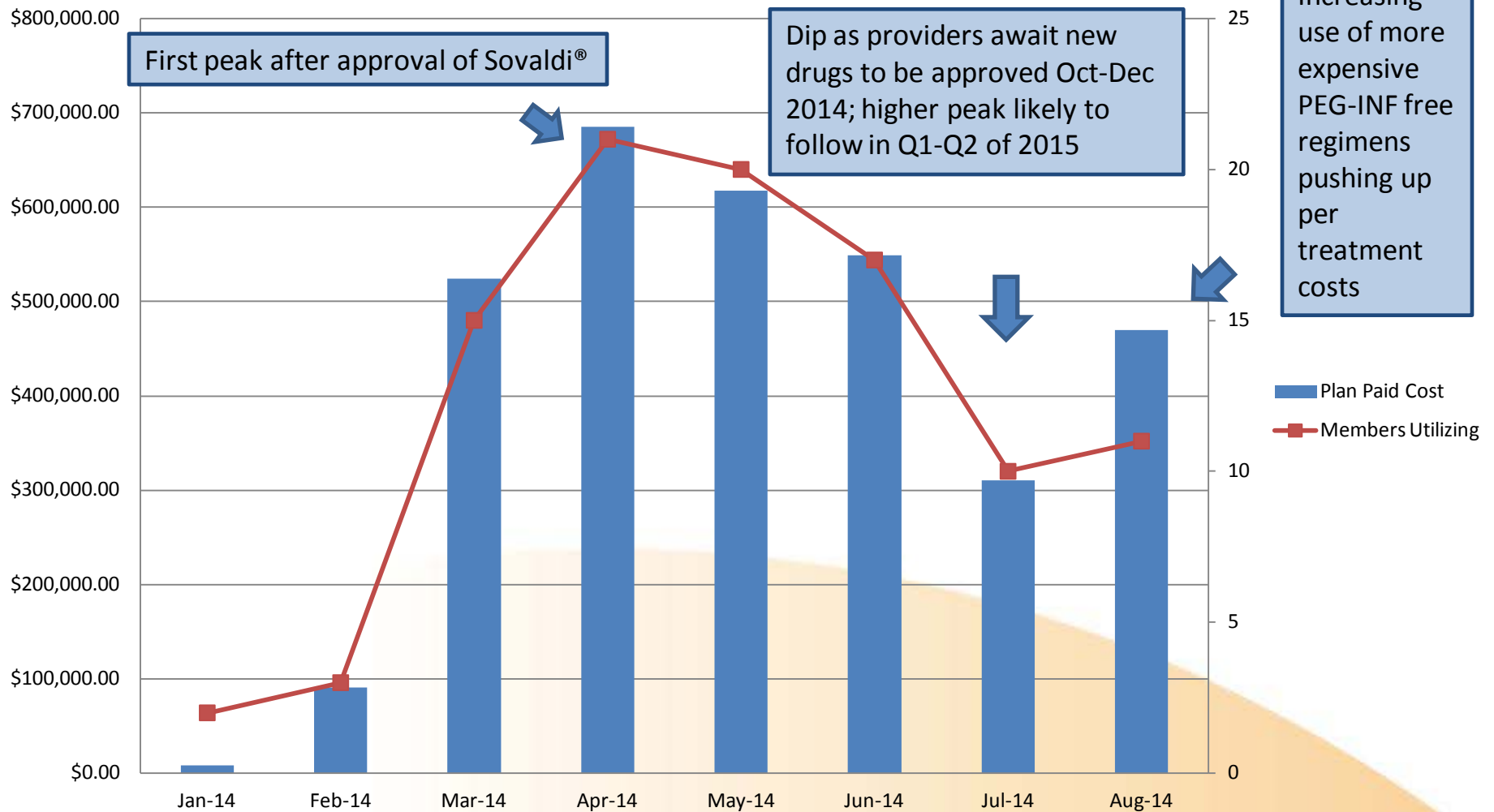


# Specialty Drug Expense PMPM

## Commercial (Exclude ASO)

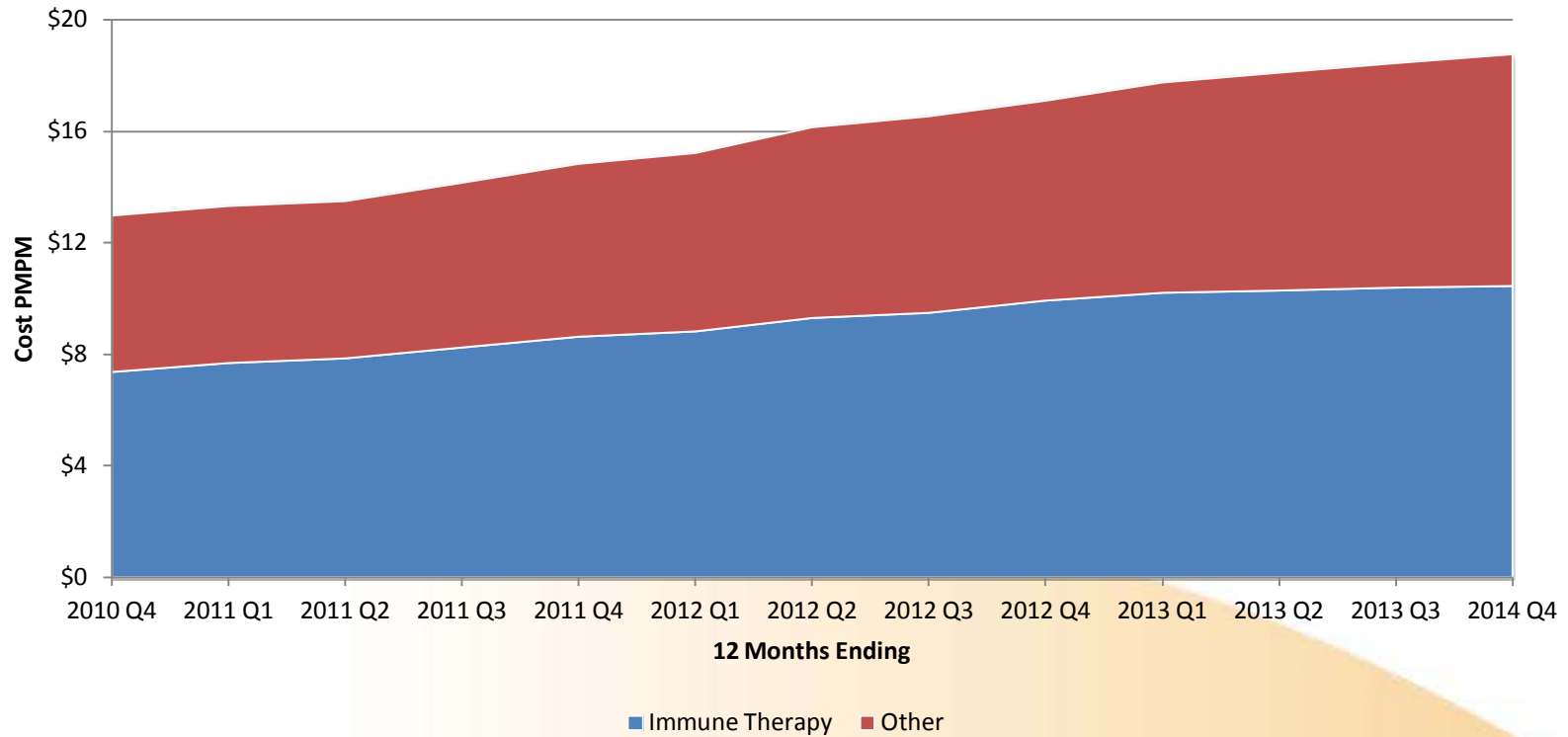


## Hepatitis C Drug Therapies and Utilizing Members Commercial (including ASO), YTD 2014



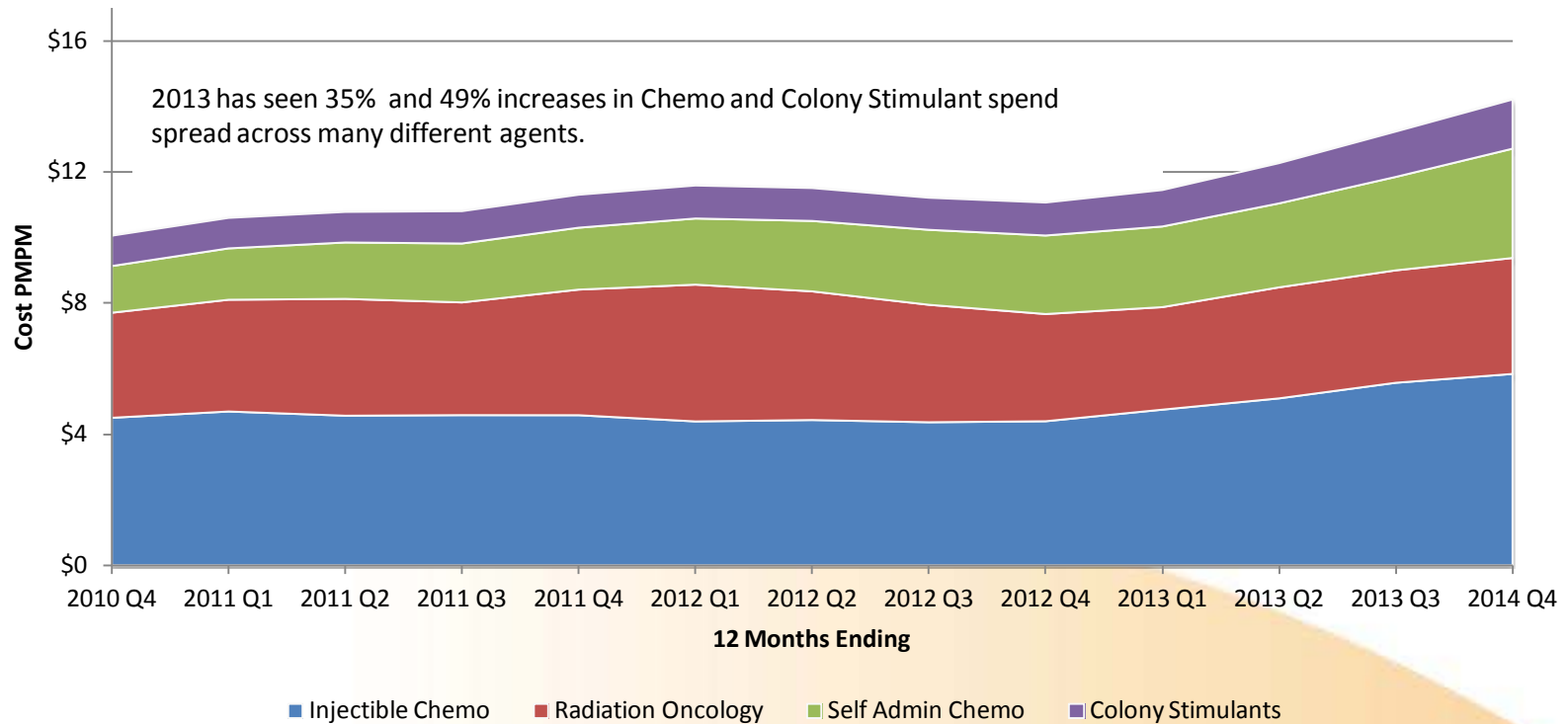
# Fully Insured Large & Small Group

## Injectable Cost PMPM

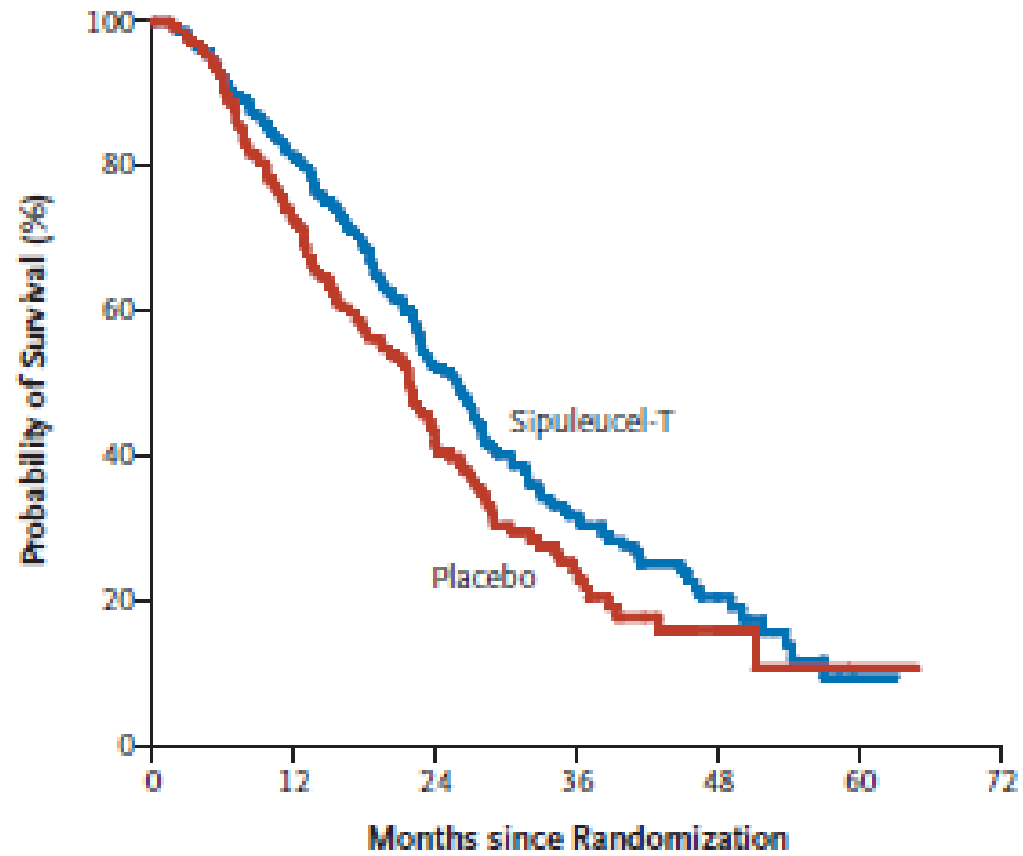


# Fully Insured Large & Small Group

## Outpatient Cancer Care Cost PMPM



**A Primary Efficacy**



# Pharmaceutical Industry Profit Margins

Gilead	85.85%
Amgen	79.13%
J&J	69.2%
Celgene	94.2%

[http://ycharts.com/companies/GILD/gross\\_profit\\_margin](http://ycharts.com/companies/GILD/gross_profit_margin)

Pharma revenue 6 times faster than R&D cost from 1995-2010

# Final Thoughts

- Health care costs crowd out other societal needs
- Pharmacy costs growing at faster rate than other health care services
- Some treatments are highly effective, others have marginal impact
- Should the US fund R&D for other developed nations?
- How can we expect to bend the cost curve and offer new expensive therapies without some change in pricing?