

## Your comprehensive guide to the drug cost ecosystem

The Biotechnology Innovation Organization (BIO) today launched [DrugCostFacts.org](http://DrugCostFacts.org), a new interactive web tool designed to help healthcare stakeholders gain a better understanding of the true facts surrounding drug costs, spending and value.

The site features a series of commonly asked questions—ranging from “Why are some drugs expensive?” to “What role do PBMs, insurance companies and wholesalers play in determining what patients pay for their drugs?”—and then answers these questions using infographics, videos and interactive tools. The site also has additional research and reading materials for those who want to dive deeper into these issues. The tool is mobile responsive, allowing users to access information on their phones and tablets.

The goal of the site is to provide information—drawn from independent studies, news articles and outside research—that policymakers, the media and the public can rely on when writing or engaging in discussions about issues relating to drug costs and spending. The site also features a “Follow the Debate” section, where users can get more information on topics ranging from drug importation to government negotiations in Medicare that are making headlines and that are part of the current policy and public debate.

### **Below are highlights of some of the elements of the site:**

*(Note: The interactive tools were developed based on publicly-available data and each tool includes an explanation of how the calculations were determined.)*

#### **Understanding Your Drug Costs: Follow the Pill**

[\*\*Understanding Your Drug Costs: Follow the Pill\*\*](#) is designed to give users a better understanding of how prescription drug costs are really determined and where the pharmaceutical dollar actually goes. The whiteboard video begins with a typical transaction at your local pharmacy. It then traces that purchase back through a series of complex transactions that occur throughout the pharmaceutical distribution and insurance chain. The video breaks down the differences between the list price and the net price of a medicine, explains how the various actors (e.g., pharmacy benefit managers (PBMs), wholesalers, insurance companies, etc.) in the health care ecosystem operate to deliver medicines to patients and at what cost, and demonstrates why it is that a biopharmaceutical company has very little power to determine what a patient ultimately pays for his or her medicine.

## **Insurance Calculator**

The [Insurance Calculator](#) is an interactive tool that allows you to explore how changes on the front end of insurance benefit design (e.g., to your deductible or required cost-sharing for drugs) ultimately impact what you pay each month for premiums and other out-of-pocket costs.

The calculator allows you to get a better understanding of how insurance design impacts patient out-of-pocket costs. The tool starts you off with two pre-set plans (i.e., an Affordable Care Act Silver Family Plan and a Large Corporate Individual Plan) to give you examples of what common deductible and co-payment amounts can be. Once you gain more familiarity with how to use the tool, choose the “customize” option to explore all of the various elements of a plan benefit. Users are encouraged to experiment with the different parameters, keeping a close eye on “Total Monthly Out-Of-Pocket Costs” on the left-hand side to see just what elements of your insurance plan’s structure impact the costs you bear the most.

For example, increasing deductibles may not have as much of an impact on your premiums as you may think. In addition, you’ll see that increasing brand drug cost-sharing by patients does little to lower your premium, but has a major impact on your out-of-pocket costs.

Like the tool discussed below, this insurance calculator is not meant to provide exact data on your individual plan or an individual patient’s costs—instead, it uses real-world data to map the relationship between insurance benefit design of a plan like yours and out-of-pocket costs to demonstrate the effect that one has on the other.

## **How Much Does the Cost of an Innovative New Drug Impact Overall Health Care Costs?**

When an innovative new medicine becomes available on the market, insurance companies often raise concerns that covering the drug will put upward pressure on health care costs. To take a deeper look at this issue, BIO developed an [interactive tool](#) that simulates the impact of adding a new innovative drug on average health care costs across a hypothetical insurance market. The site allows you to enter the monthly cost of a new medicine and the number of people who would take the drug to determine what an approximate monthly impact would be on health care costs if the cost were distributed equally nationwide. What you will see is that, even in the case of more expensive drugs, the incremental cost across all insured individuals is modest. This is important information to know when the alternative is restricting access to these new medicines, and in turn, restricting the potential benefits they would have for patients.

Here are a few scenarios you can try: Take your typical statin, which would cost about \$10 per

month. The population taking this drug would be about two million people. As the calculator shows, the incremental impact on each individual's health care costs would be about \$0.11 a month. Remember, these numbers are not meant to be exact for any particular plan or individual, but instead to demonstrate the magnitude of the impact of covering medicines on health care costs.

Another scenario would be a novel therapy costing \$1,000 per month and taken by 100,000 patients, which could be the case for a new medicine that treats a certain type of cancer or a specific form of cardiovascular disease. Ensuring coverage of this drug for all patients that need it would have a monthly impact of just \$0.56. Or, for example, if a more expensive rare disease drug cost \$25,000 per month, and is utilized by 2,000 patients, the monthly impact would be \$0.28.

Try it out yourself to see how both common and rarer medicines impact the insurance system. We think you'll quickly see how easy it is for insurance plans to provide robust drug coverage for patients who need new medicines without fear of significant cost increases.

#### **Additional Tools**

In addition to these tools, the site includes an animated video that follows a molecule from the lab through the drug development process, and it features a range of downloadable infographics on topics – from where new drugs are being developed to the role of private sector R&D in drug development.

With this resource, BIO has created a one-stop shop for factual information and answers to some of the most hotly debated questions regarding the role of drugs in our nation's health care system.