

Drug Costs in Perspective

Are prescription drug prices really the primary drivers of rising health care costs and the cause of patient financial burden? Here we shed light on the key components of health care and their contribution to rising costs, the disproportionate 'skin in the game' for patients with regard to prescription medicines and ask what can we do to ensure that health care remains affordable for all.

Patients contribute more for prescription medicines even though medicines represent only 10% of total health care spend.¹

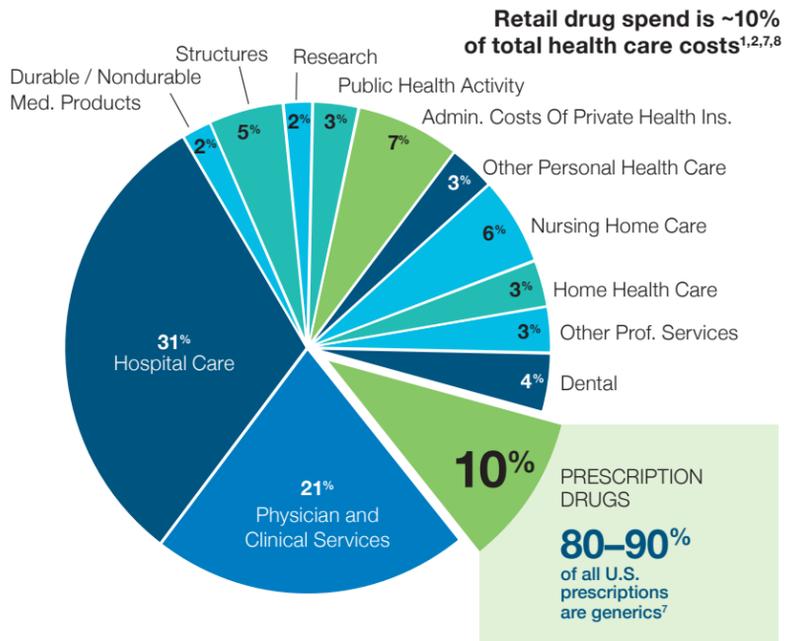
Spending on retail prescription medicines is ~10% of total U.S. health care spending, has grown in line with other health care prices and is predicted to remain around 10% until 2023.³ Even with the inclusion of non-retail specialty medicines, prescription drug spend is only 13% of total spending.⁴ Conversely, hospital and physician services consume ~50% of every \$1 and have grown ~70% since 2004.^{5,6} Despite this, a patient contributes 4x more for medicines compared to hospital care.⁵

Insurers require patients to contribute 4x more for medicines than hospital care⁵

Prescription Drugs 20%



Hospital Care 5%



What's causing my 'financial burden'?

If you feel like you pay more for health care that's because you do! Insurers have increased your premiums; introduced more cost-sharing tiers and co-pay tiers for branded therapies and increasingly shifted to co-insurance benefit designs where patients contribute as much as 40% of all pharmacy costs.¹⁷

Family health care premiums have almost doubled⁹



Plans increasingly charge patients a percentage of a medicine's total cost rather than fixed copays⁵

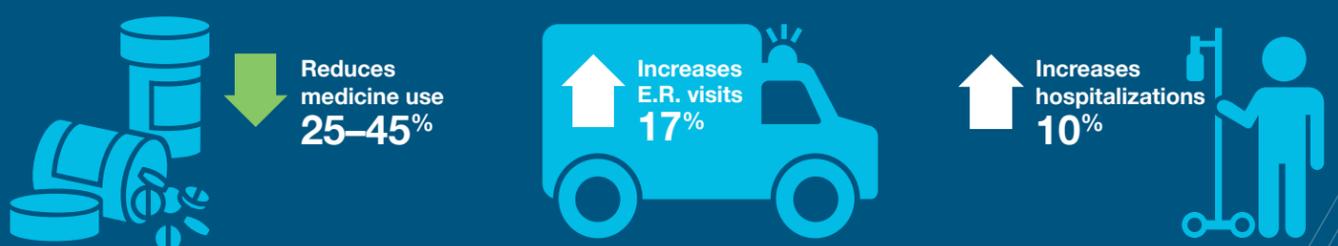


The sickest 3-4% patients pay 15x more out of pocket costs than the national average for specialty medicines¹⁶



Practices that increase the financial burden have negative impacts on patients and health care systems.

DOUBLING MEDICATION COPAYS FOR CHRONIC CONDITIONS...¹⁰



Avoiding the medical and pharmacy expenses that result from non-adherence to medicines would cover the annual prescription drug bill.^{7,11}



75% Due To Non-Adherence To Medication Treatments



A dynamic and competitive market creates headroom to fund innovation.

Marketplace competition drives rebates typically in the 20-40% range.¹² Consequently, the published list price is significantly different to the net price received by the manufacturer. Unlike any other aspect of health care, medicine prices tend to decrease at patent expiration, by as much as 90% within months - creating additional funding available for innovation and ensure that U.S. patients benefit first from the latest scientific advances.¹³

SIGNIFICANT PRICE CONCESSIONS ARE COMMON IN TODAY'S COMPETITIVE MARKET PLACE



23.1%*¹⁴

Medicaid

*Mandatory discount that can be negotiated further

**Average minimum discount

22.5%**¹⁴

340B Hospitals

36%¹²

Insurance Plans and Pharmacy Benefit Managers

In 2012...

Savings created by patent expirations of branded products were more than enough to pay for desperately needed, innovative medicines.



...and the innovation system is working

\$91 Billion Saved on small molecule patent expiries over the past 5 years¹³

\$84 Billion Net savings estimated for the next 5 years for small molecules¹³

How we price our medicines...

- Are based on value brought to patients, providers, payers and society
- Align with population size, investment and risk we undertake
- Fund continued scientific innovation and ensure access to our therapies
- Balance affordability with availability of patient assistance programs



Our Solution



At Amgen, we believe providers and patients need choices to effectively manage complicated diseases. We are committed to an ongoing dialogue with patients, providers, payers, policymakers and regulators to find ways to promote innovation and value-based solutions to alleviate the financial and societal burden of some of the world's most serious diseases.

1. Keehan SP et al. National Health Expenditures Projections 2014-2024 Health Expenditures, CMS. July 2015. Health Affairs. 2. California Biotechnology Foundation. Breakthrough Medications Save Money and Save Lives. February 2015;(1)5. 3. Drug Channels Institute. Share of U.S. National Health Expenditures, by Major Spending Category, 1973-2023. September 2014. 4. Center for Sustainable Health Spending Data Brief: A 10-Year Projection of the Prescription Drug Share of National Health Expenditures, Including Nonretail. October 2014. 5. PhRMA. Biopharmaceuticals in Perspective, ChartPack: Version 5.0. Spring 2015. Washington DC. 6. PhRMA. National health expenditures by type of service and source of funds, CY 1960-2013. Baltimore, Md.: CMS; 2013. 7. IMS Institute for Healthcare Informatics. Medicines Use and Spending Shifts: A Review of the Use of Medicines in the U.S. in 2013. April 2014. 8. Fleming C. Specialty Drugs: Cost, Impact, and Value. Health Affairs Blog. October 2014. 9. Kaiser Family Foundation/Health Research & Educational Trust. Employer health benefits: 2014 annual survey. 10. Goldman DP. Pharmacy Benefits and the Use of Drugs by the Chronically Ill. JAMA. 2004 May 19;291(19):2344-50. 11. Express Scripts, Inc. 2013 Drug Trend Report, Annual Report. April 2014. 12. Ballin J et al. Rising US Rebates limit margin expansion, Credit Suisse Annual Report. May 2015. 13. Amgen Inc. Data on file. IMS Consulting Group: Measuring Impact of LOE. May 2015. 14. Medicare Payment Advisory Commission. Report to the Congress: Overview of the 340B Drug Pricing Program. May 2015. Washington, DC. 15. IMS Institute for Healthcare Informatics, Declining medicines Use and Costs: For Better or Worse, May 2013. 16. IMS Institute, Medicine Use and Shifting Cost of Care, April, 2014. 17. Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2015.