



PRESCRIPTION DRUG COSTS TREND UPDATE

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OVERVIEW

At more than \$100 billion, spending on prescription drugs represents over 20 percent of overall healthcare spending for Blue Cross Blue Shield (BCBS) commercially insured members.¹ For that reason, analyzing prescription drug spending trends is critical to understanding overall healthcare costs.

Last year, Blue Cross Blue Shield Association (BCBSA), in collaboration with Blue Health Intelligence (BHI), explored baseline trends in the prescription drug market. The 2017 Health of America report, "[Rising costs for patented drugs drive growth of pharmaceutical spending in the U.S.](#)," examined the costs of branded and generic drugs and found a steady increase in overall drug spending between 2010 and 2016. This increase occurred despite the fact that inexpensive generic drugs dominated the market, representing 82 percent of total prescriptions filled in 2016.

One would expect the large market share of generic drugs to drive down overall prescription drug spending. But this is not the case. Why not?

To probe into why generic drugs are not reining in prescription drug costs as anticipated, this year, BCBSA and BHI performed a more in-depth review of two types of branded prescription drugs. Spending on these two types—branded patent-protected drugs and branded specialty drugs—has accelerated rapidly over the last eight years. In 2017, generic drugs maintained their large market share, rising to 83 percent of prescriptions filled, while overall drug spending increased by 2 percent. From 2016 to 2017, spending on both branded patent-protected drugs and branded specialty drugs rose even more rapidly at 5 percent and 10 percent, respectively. These trends highlight the underlying cost drivers in the prescription drug market and foreshadow potential surges in overall drug costs in the near future.²

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PRESCRIPTION DRUG TYPES

In general, prescription drugs can be allocated into two large types—generic drugs and branded drugs. Branded drugs can also be divided into several categories, two of which are branded patent-protected drugs and branded specialty drugs. There is considerable overlap among the drugs in these two types of branded drugs.

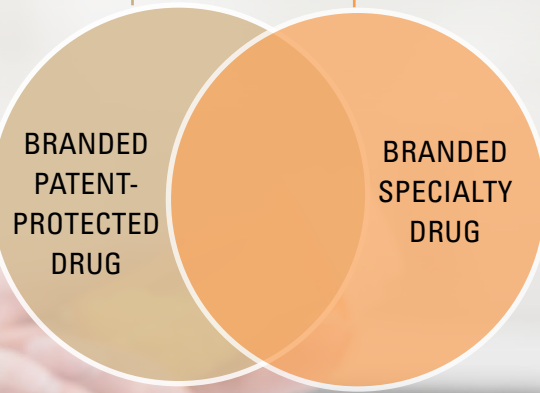
GENERIC DRUG

A drug with the same active chemical component as an existing branded drug in dosage form, administration, safety and quality. Generic drugs do not carry a brand name and are typically sold at a low cost.³

BRANDED DRUG

A drug sold under a brand name, often copyrighted or trademarked in the retail space for use of specific chemical components, dosage forms, administration and intended use. Branded drugs are typically sold at a higher cost than generic drugs.⁴

A drug sold under a brand name and legally protected in the U.S. from being made, used or sold by other manufacturers for a specific period of time.^{5, 6}



A drug sold under a brand name and used to treat complex, chronic health conditions, often requiring special handling, administration or monitoring.⁷



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TOP FINDINGS

2017 REPORT
KEY TAKEAWAYS

- The introduction of generic drug alternatives reduces overall spending within a drug class
- Total prescription drug spending increased 10 percent annually since 2010
- Inexpensive generic drugs made up 82 percent of total prescriptions filled in 2016
- Expensive branded drugs accounted for only 18 percent of total prescriptions filled, but 78 percent of total spending
- Costs for single-source drugs with no generic alternatives increased at more than double the rate of average annual drug spending⁸

For more information on the 2017 Health of America report, visit <https://www.bcbs.com/the-health-of-america>.

2018 TREND UPDATE

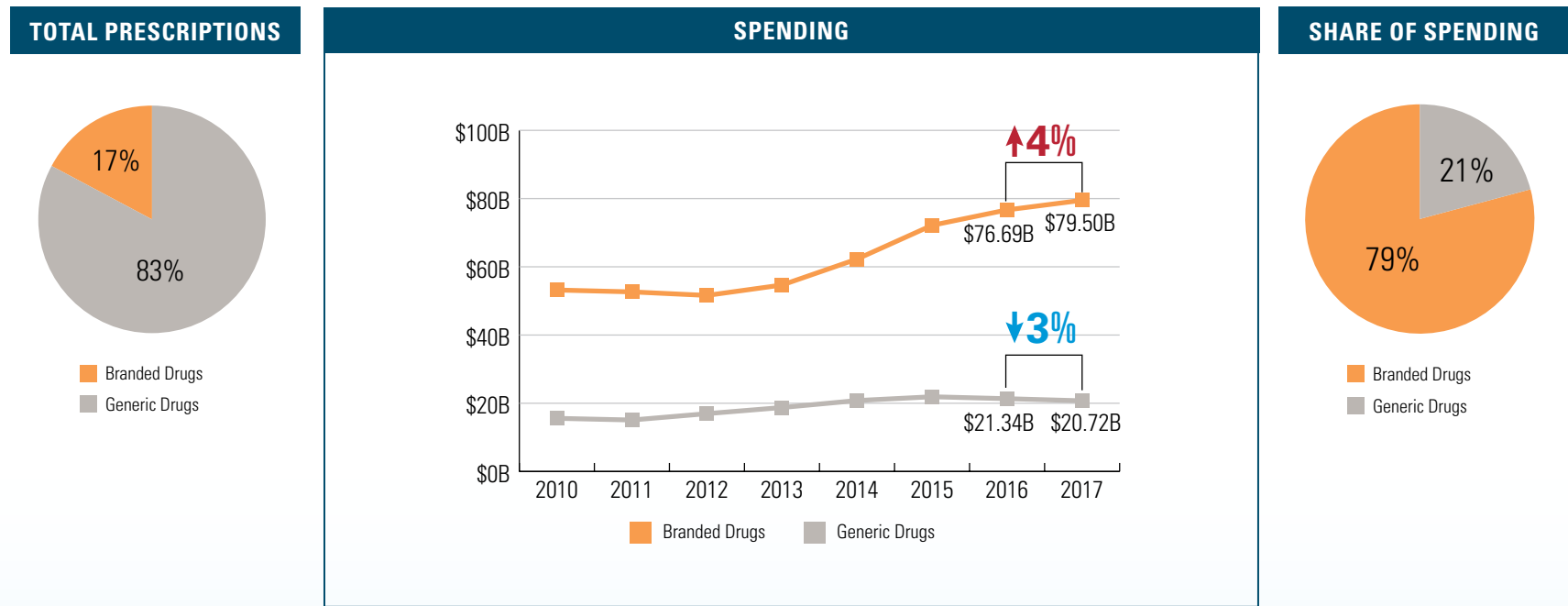
- The strong market share of inexpensive generic drugs continued to slow the increase in total drug spending
- There is limited competition for both branded patent-protected and branded specialty drugs in the marketplace, enabling substantial cost hikes year over year (5 percent for branded patent-protected drugs and 10 percent for branded specialty drugs)
- Expensive branded prescription drugs accounted for only 17 percent of total prescriptions filled, but 79 percent of total prescription drug spending (\$79.5 billion)
- Branded specialty drugs made up 3 percent of branded drug prescriptions filled but accounted for 34 percent of total branded drug spending (\$27 billion)

The following pages provide more in-depth, data-driven insights on key cost drivers in the drug market—branded patent-protected drugs and branded specialty drugs.

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Trend Update: Generic and Branded Drugs

Generic drugs outpace branded drugs in terms of prescriptions filled at 83 percent, and total spending on generic drugs has declined 3 percent since 2016. In marked contrast, branded prescription drug spending is up 4 percent since 2016. Branded prescription drugs comprise only 17 percent of total prescriptions filled but dominate overall drug spending at 79 percent.

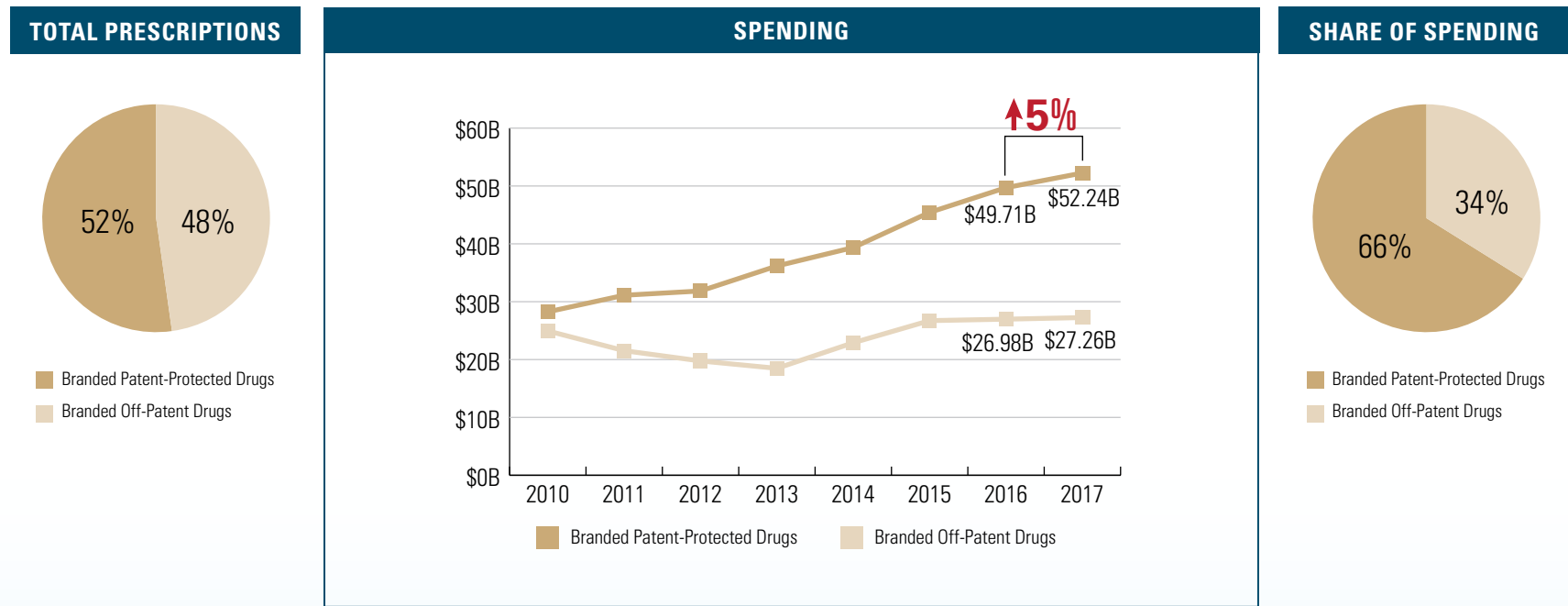


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Branded Drugs: A Closer Look at \$79.5 Billion in Spending

Branded Patent-Protected Drug Trends

Steady annual increases in branded patent-protected prescription costs drive the majority of spending in the branded drug space, growing 5 percent in the past year alone. Branded patent-protected prescription drugs make up 52 percent of branded prescription drugs filled, but account for 66 percent of total branded drug spending.

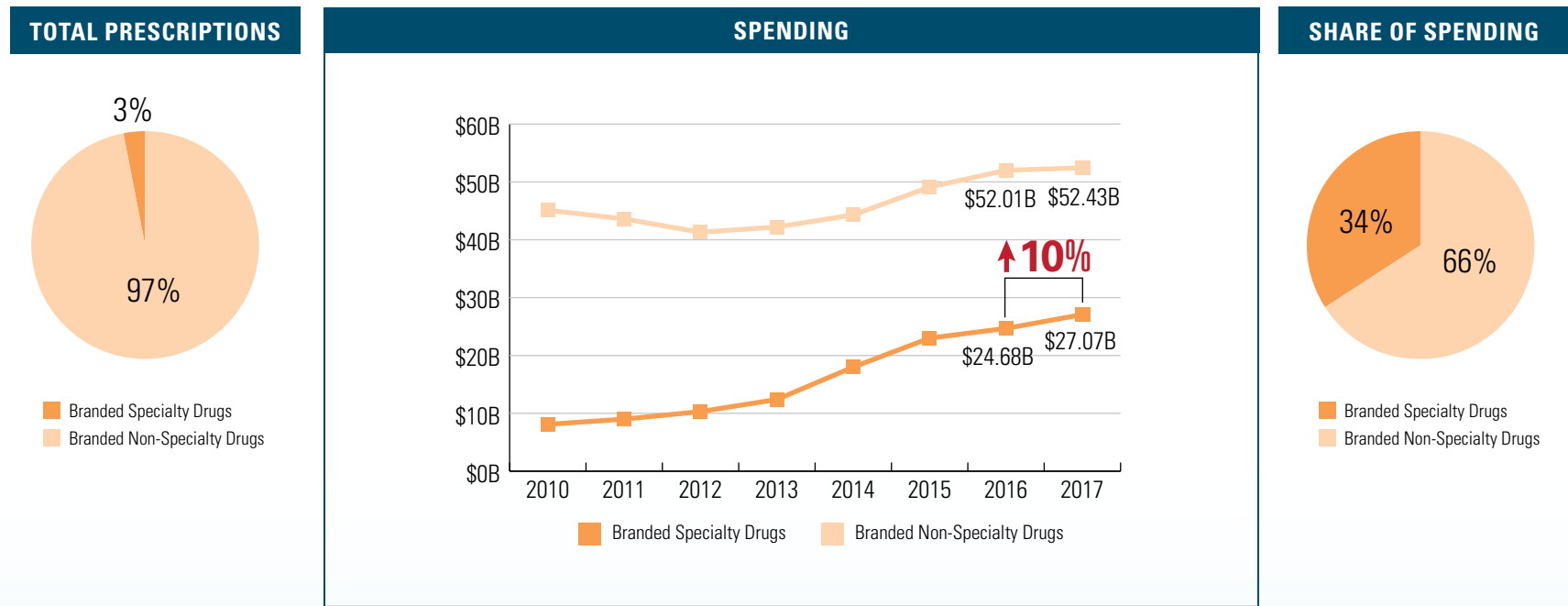


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Branded Drugs: A Closer Look at \$79.5 Billion in Spending

Branded Specialty Drug Trends

Branded specialty drugs make up a small share of branded prescription drugs filled at 3 percent, but account for 34 percent of branded drug spending in 2017. This is the fastest growing branded drug type in terms of spending—rising 10 percent in just the past year.



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Top 30 Medications in 2017

The top 30 medications list includes both branded and generic drug types. Yet 22 of the 30 medications are costly branded specialty drugs, many of which are also patent-protected. Without competitive alternatives to expensive branded drugs, their costs are likely to drive annual upticks in overall drug spending.

RANK*	CHEMICAL NAME	DRUG NAME	SPECIALTY DRUG	CONDITION TREATED/USAGE	BCBS TOTAL PRESCRIPTIONS PERCENT CHANGE 2016-2017	BCBS TOTAL SPENDING PERCENT CHANGE 2016-2017
1	Adalimumab	Humira®	Yes	Rheumatoid arthritis, psoriatic arthritis, plaque psoriasis, ankylosing spondylitis, Crohn's disease, ulcerative colitis	7%	20%
2	Infliximab	Remicade®	Yes	Rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis, Crohn's disease, plaque psoriasis, ulcerative colitis	3%	7%
3	Etanercept	Enbrel®	Yes	Rheumatoid arthritis, plaque psoriasis, psoriatic arthritis, ankylosing spondylitis, juvenile idiopathic arthritis	-5%	5%
4	Insulin Aspart	Novolog®	No	Type I diabetes, type II diabetes	8%	4%
5	Pegfilgrastim	Neulasta®	Yes	White blood cell booster to help reduce the risk of infection during strong chemotherapy	-9%	2%
6	All Immune Globulin	Gammagard®, Gamunex-C®, Gammaked™, etc.	Yes	Primary immunodeficiency disease, idiopathic thrombocytopenic purpura	2%	1%
7	Ledipasvir/Sofosbuvir	Harvoni®	Yes	Hepatitis C	-23%	-23%
8	Insulin Glargine	Lantus®, Lantus® SoloStar®, Toujeo® SoloStar®, Basaglar®, KwikPen®	No	Type I diabetes, type II diabetes	0%	-2%
9	Trastuzumab	Herceptin®	Yes	Cancer	5%	9%
10	Ustekinumab	Stelara®	Yes	Crohn's disease, plaque psoriasis, psoriatic arthritis	38%	50%
11	Glatiramer Acetate	Copaxone®, Glatopa®	Yes	Multiple sclerosis	-7%	-2%
12	Rituximab	Rituxan®	Yes	Cancer, rheumatoid arthritis, granulomatosis with polyangiitis, microscopic polyangiitis, pemphigus vulgaris	-2%	6%

* Medications in this list were ranked by total BCBS drug spending in 2017, listed in order from highest amount spent to lowest amount spent.

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Top 30 Medications in 2017

RANK*	CHEMICAL NAME	DRUG NAME	SPECIALTY DRUG	CONDITION TREATED/USAGE	BCBS TOTAL PRESCRIPTIONS PERCENT CHANGE 2016-2017	BCBS TOTAL SPENDING PERCENT CHANGE 2016-2017
13	Dimethyl Fumarate	Tecfidera®	Yes	Multiple sclerosis	-5%	4%
14	Lisdexamfetamine Dimesylate	Vyvanse®	No	ADHD, binge-eating disorder	3%	10%
15	Liraglutide	Victoza®	No	Type II diabetes	10%	20%
16	Bevacizumab	Avastin®	Yes	Cancer	2%	-5%
17	Elvitegravir/ Cobicistat/ Emtricitabine/ Tenofovir	Genvoya®, Stribild®	Yes	HIV-1	31%	34%
18	Interferon Beta-1A	Avonex®, Rebif®	Yes	Multiple sclerosis	-12%	-4%
19	Amphetamine/ Dextroamphetamine	Adderall®, Dextroamphetamine	No	ADHD	4%	-6%
20	Somatropin	Norditropin® Flexpro®, Omnitrope®, Humatrope®, Nutropin®, Genotropin®, Zomacton®	Yes	Growth hormone deficiency	3%	10%
21	Mesalamine	Canasa®, Apriso®, Lialda®, Pentasa®, Asacol® HD, sfRowasa®, Delzicol®	No	Ulcerative colitis	-4%	-3%
22	Nivolumab	Opdivo®	Yes	Cancer	15%	10%
23	Methylphenidate Hydrochloride	Concerta®, Quillivant XR®, QuilliChew ER®, Metadate CD®, etc.	No	ADHD, narcolepsy	-1%	3%

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24	Fingolimod Hydrochloride	Gilenya®	Yes	Multiple sclerosis	-1%	8%
25	Fluticasone/Salmeterol	Advair Diskus®, AirDuo® Respiclick®, Advair® HFA	No	Asthma	-9%	-4%
26	Natalizumab	Tysabri®	Yes	Multiple sclerosis	-7%	4%
27	Pembrolizumab	Keytruda®	Yes	Cancer	162%	168%
28	Vedolizumab	Entyvio®	Yes	Ulcerative colitis, Crohn's disease	37%	45%
29	Aflibercept	Eylea®	Yes	Age-related macular degeneration (AMD), macular edema, diabetic retinopathy	10%	13%
30	Denosumab	Prolia®, Xgeva®	Yes	Postmenopausal osteoporosis	0%	7%

* Medications in this list were ranked by total BCBS drug spending in 2017, listed in order from highest amount spent to lowest amount spent.

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METHODOLOGY

This is the 22nd study of the Blue Cross Blue Shield, The Health of America Report® series, a collaboration between Blue Cross Blue Shield Association and Blue Health Intelligence (BHI), which uses a market-leading claims database to uncover key trends and insights in healthcare affordability and access to care.

This report is based on the claims of more than 40 million BCBS commercially insured members (under age 65) each year from 2010 to 2017 that are available in the Blue Cross Blue Shield Axis® database.

Pharmacy claims were used to estimate total spending and utilization. Prescriptions were defined equally regardless of their dosage and up to a duration of 30 days. Prescriptions greater than 30 days were broken out into 30-day increments.

The findings in this report do not include the impact of drug rebates. Drug rebates are given at the level of negotiated contracts, not at the level of prescription drug claims, and vary by a number of factors (e.g., market segment, pharmacy benefits manager, manufacturer, insurer, etc.).

Total spending and utilization results were extrapolated to the entire 88 million BCBS commercially insured population in 2017 and are adjusted for year-over-year membership growth.

In addition to claims data from BCBS members, this study also leveraged external data sources. The information on patents was

obtained from the FDA website (as of July 2018) and then matched with the claims data based on New Drug Application Numbers and National Drug Codes. This report defines branded patent-protected drugs as drugs legally protected in the U.S. from being made, used or sold by other manufacturers for a specific period of time. According to the FDA, exclusivity of branded patent-protected drugs “refers to certain delays and prohibitions on approval of competitor drugs available under the statute that attach upon approval of a drug or of certain supplements.”

Specialty drugs were identified by referencing the CVS Comprehensive Specialty Pharmacy Drug List (as of April 2018) and in consultation with the University of Maryland School of Pharmacy. This report defines branded specialty drugs as drugs sold under a brand name and used to treat complex, chronic health conditions, often requiring special handling, administration or monitoring.

Each of the independently owned and locally operated BCBS companies helps members maximize their prescription coverage to get the drugs they need at the most affordable cost. For example, BCBS members are encouraged to use generic prescription medicines, mail order delivery and home infusion, when available, and follow medication plans as prescribed by their doctors.⁹

For more information and to read past reports from The Health of America Report series, visit www.bcbs.com/the-health-of-america/reports.

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ENDNOTES

1. In this report, total spending amounts were extrapolated to the entire 88 million BCBS commercially insured population in 2017 and are adjusted for membership growth in prior years.
2. While the findings in this report do not include the impact of drug rebates, BCBS recognizes that drug rebate programs impact overall drug spending. The impact will depend on the total dollars of drug rebates available, the annual growth rate of drug rebates and the ability of the drug rebate program to change market dynamics.

Using the Public Use Files from the Medical Loss Ratio reporting requirements as a proxy, BCBS has estimated a downward impact to the rate of drug spending experienced in the market in 2017 if rebates continued to grow in 2017 similar to rebate growth experienced in 2016 compared to 2015 and if other market dynamics are ignored. For example, in this report, brand drug spending increased by 4 percent. After consideration of drug rebates growth similar to 2016, the brand drug spending increase would be 1 to 2 percent, but importantly this estimate does not consider impacts beyond direct spending.

The reduction can only be applied to brand drug spending in this report and only to the most recent year experience. For more information, see: <https://www.cms.gov/CCIIO/Resources/Data-Resources/mlr.html>

3. For more information from the U.S. Food and Drug Administration (FDA) on generic drugs, see: <https://www.fda.gov/drugs/resourcesforyou/consumers/buyingusingmedicinesafely/genericdrugs/ucm167991.htm>
4. For more information from the FDA on the differences between branded and generic drugs, see: <https://www.fda.gov/drugs/resourcesforyou/consumers/questionsanswers/ucm100100.htm>
5. For more information on patents granted by the U.S. government, see: <https://www.uspto.gov/patents-getting-started/general-information-concerning-patents>
6. In addition to patents, drugs can also obtain legal protection through “exclusivity” status from the FDA. The FDA defines “exclusivity” as “refer[ing] to certain delays and prohibitions on approval of competitor drugs available under the statute that attach upon approval of a drug or of certain supplements.” For more information, see: <https://www.fda.gov/drugs/developmentapprovalprocess/ucm079031.htm>
7. To identify and define specialty drugs, this report utilized the CVS Comprehensive Specialty Pharmacy Drug List (April 2018) and consulted with the University of Maryland School of Pharmacy. For more information, see: <https://www.cvsspecialty.com/wps/wcm/connect/d5405d7b-685e-4377-b998-2e4c4daf0b13/SpecialtyDrugs.pdf?MOD=AJPERES&CACHEID=d5405d7b-685e-4377-b998-2e4c4daf0b13> and <https://cvshealth.com/thought-leadership/whats-special-about-specialty>
8. In the 2017 Health of America Report, “single-source drugs” were defined as branded drugs that were the only option available within a drug class. In the 2018 Health of America Trend Update, this categorization was refined by using FDA information to classify branded drugs based as either “patent-protected” or “non-patent protected” as of January 1, 2018.
9. To learn more about how BCBS companies are committed to providing access to safe, effective and affordable prescription drugs, see: <https://www.bcbs.com/issues-indepth/providing-access-to-safe-effective-and-affordable-prescriptions> and <https://www.bcbs.com/sites/default/files/file-attachments/page/BCBS.DrugPricingAndAccess.pdf>



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