Rising health care costs have long been considered a significant threat to the American economy, but data released by the Congressional Budget Office (CBO) last month fortunately reveals a surprising reality: the projections for the rate of annual health care expenditures have been revised to reflect lower-than-expected long-term health care costs. Simply put, the fastest-growing part of the federal budget—spending on health care programs—has slowed sharply. The CBO now estimates that Medicare spending will drop by $49 billion (less than 1%) between 2015 and 2024, while Medicaid spending is expected to drop by $40 billion (approximately 1%) over the next decade\(^1\). Generic medicines remain a key part of this slow-down in health care spending.

As this year’s generic drug savings report shows, increased reliance by American patients and payors on generic pharmaceuticals, which provide the same medicine and same outcomes for patients at a lower price, is well-placed, saving federal and state programs, consumers, taxpayers, businesses and others $239 billion in 2013 alone. This savings represents a 14% increase over cost savings achieved in 2012.

IMS Institute for Healthcare Informatics’ report shows a tremendous impact on health costs in 2013, with the savings number continuing to increase year-over-year, and a growing savings number for the last 10 years, as well.

**Figure 1. Generic Cost Savings by Year (2004-2013)**

Key findings from this year’s *Sixth Annual Generic Drug Savings in the U.S.* report include:

- Cost savings in 2013 alone reached $239 billion, representing a 14% increase over cost savings achieved in 2012.
- Generic products saved the U.S. health system nearly $1.5 trillion over the past 10 years (2004-2013).
- Nervous system and cardiovascular treatments accounted for more than half (57%) of cost savings, nearly $140 billion, in 2013.

\(^1\) Congressional Budget Office: *An Update to the Budget and Economic Outlook: 2014 to 2024*. August 27, 2014
In addition, the report examines the therapeutic areas in which generics delivered the highest level of savings. In 2013, patients across the spectrum benefitted from the availability of safe, affordable generic drugs, but this year’s report shows that some therapeutic areas deliver a larger proportion of the savings than others. With 57% of savings derived from cardiovascular and nervous system conditions, these areas dominate the proportion of generic savings. But a closer look shows that metabolic drugs (14%) and anti-infectives (7%) also play a significant role.

Finally, the report confirms that the story of generic savings remains one of growth. In addition to the yearly growth of the savings totals, the report reveals that new generic products coming to market in 2013 saved the U.S. health system $140 billion alone. Established generic products continue to provide cost savings and, in 2013, they accounted for $98 billion in savings.
This year’s cost savings report coincides with the 30th anniversary of the Drug Price Competition and Patent Term Restoration Act of 1984, more commonly known as the Hatch-Waxman Act. Thirty years ago this month, this legislation was signed into law, creating a successful balance between pharmaceutical innovation and competition and paving the way for access to generic choices for millions of Americans.

With more than 1,500 brand and 1,600 generic medicines available today, the Hatch-Waxman legislation can be credited with encouraging the development of new breakthroughs while spurring competition, lowering prices, and generating trillions of dollars of savings to the American health care system. And because 86% of prescriptions dispensed in the United States are now generic, more than ever, safe and effective generic treatment options can be found in every health care setting, including hospitals, pharmacies, and the medicine cabinets of millions of Americans.

The 30th anniversary of the law represents both a milestone and a pivot point for generic medicines. The industry has a remarkable track record. There is no doubt that safe, effective and affordable generic medicines have helped millions of patients and saved trillions of dollars. But what lies ahead is even more exciting. The coming years hold the promise to deliver increased access and more advanced technology to the patients who need it most, as the next wave of lower-cost medicines for Americans, known as biosimilars, emerge. With FDA’s first acceptance of the application for a filing of a biosimilar therapy this year, the next decade promise to show major cost savings from biosimilars, with the potential to reach more than $250 billion over 10 years, according to Express Scripts3.

All data were compiled by IMS Institute for Healthcare Informatics on behalf of GPhA.

---
