Generic Medicines Continue to Provide Critical Savings to the U.S. Healthcare System

Extraordinary Generic Savings

- Generics medicines saved the United States health system nearly $1.5 trillion over the past 10 years, including $239 billion in savings in 2013 alone. This savings represents a 14% increase over cost savings achieved in 2012.¹

- Generic medicines are a critical part of system-wide efforts to hold down healthcare costs and generic manufacturers have a proven track record of providing affordable prescription drug options to consumers.

- Since the landmark Hatch-Waxman Act was enacted to encourage generic competition in 1984, the industry’s record of bringing patient savings and access is unquestionable.

- The generic industry has been able to consistently deliver such tremendous savings to the U.S. health care system through robust competition and the manufacture of high quality, affordable generic medicines.

U.S. Consumers Have Access to More than 12,000 Affordable Generic Medicines

- Some recent analyses of generic drug prices have found select instances of increasing generic drug prices but these analyses are not indicative of the overall market trend.

- In fact, most studies show that, overall, prices for generic drugs continue to decrease.

- For example, Express Scripts 2013 Drug Trend Report issued in 2014 shows that, since 2008, the price of brand drugs has almost doubled, but the price of generic drugs has been cut roughly in half.² The Express Scripts analysis is based on the top 80% of utilized drugs.

- A recent study by Drug Channels comparing generic drug costs in the third quarter of 2014 to costs in the second quarter of 2014 found that 78% of generic drugs decreased in cost, stayed the same, or increased in cost by less than 5%. The study also found that during that same time period only 3% of generic drug increased in cost by more than 100%.³

- Claims of increasing generic drug costs also lack context around the actual amount of the increase. While examining generic costs it is important to remember that on average generic drugs are 80-85% cheaper than the brand product, and as a result of these incredibly low costs,

¹ http://www.gphaonline.org/media/cms/GPhA_Savings_Report_9.10.14_FINAL.pdf
² http://lab.express-scripts.com/~/media/7f14884da6ef434dbf30abd82dd7e655.ashx
a change in the price by a matter of pennies could manifest itself as a high percentage cost increase.

**Generic Manufacturers Are Dedicated to Bringing More Low-Cost Medicines to Market**

- When it comes to generic drug costs, the best way to keep drugs affordable is to increase competition. Millions of patients, and the entire healthcare system, would benefit from streamlining and expediting the approval process so that more generics can reach the market sooner.

- In order to continue to save American patients and the healthcare system trillions of dollars in drug costs, generic pharmaceutical companies will continue to work with policymakers on ways to further foster generic competition and improve access to generic drugs. Some examples include:
  1. Partner with the industry to encourage the timely FDA review of the more than 3,000 generic drug applications that generic companies have filed with the agency. Once those are approved, consumers will have more options than ever, and the competition that comes with more products on the market will help drive down prices.
  2. Look into the abuse of programs designed for protecting patient safety that some pharmaceutical companies are misusing as a way to keep generics out of the market, lowering competition, and keeping prices high.

**Prescription Drug Prices Fluctuate Throughout the Supply Chain**

- Recent discussions around generic drug increases have lacked critical context about the role of multiple actors in the pharmaceutical supply chain who impact the price of generics.

- All of the drug supply chain partners, including chain, small and independent pharmacies, wholesalers, distributors, large purchasing organizations, insurer or the pharmacy benefit managers (PBMs), play a role in the ultimate access and savings benefit of having generics in the marketplace.

**Market Forces Play a Significant Role in Generic Drug Savings**

- As with many manufactured products, unit price is set to reflect supply and demand. But, unlike many other types of products, generic drug manufacturers cannot simply ramp up production immediately.

- The process that brings generic medicines to patients involves extensive regulatory requirements. Scientific, clinical and legal criteria must be met in order to bring patients the high quality, safe, more affordable therapies they have come to rely on.

- The price of medicines also may be impacted by changes in the business landscape (production levels among the manufacturers, changes in demand, fluctuations in the cost of raw materials, etc.).