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IMS Health Study Points to a Declining Cost Curve for U.S. Medicines in 2012

Total Real Per Capita Spending on Medicines Fell 3.5 Percent; Fewer Doctor Office Visits and Non-Emergency Hospital Admissions; Prescription Use Down 0.1 Percent

PARSIPPANY, NJ, May 9, 2013 – Total spending on U.S. medicines fell 3.5 percent on a real per capita basis in 2012 and the use of healthcare services overall declined for the second consecutive year, according to a new study released today by the IMS Institute for Healthcare Informatics.

The report – *Declining Medicine Use and Costs: For Better or Worse?* – finds that total dollars spent on medications in the U.S. reached \$325.8 billion last year, or real per capita spending of \$898, down \$33 from 2011. Underlying drivers for the overall decline in healthcare service use included fewer patient visits to office-based physicians, fewer non-emergency admissions to hospitals and outpatient facilities, and a less severe flu season in the early part of 2012. Patent expiries in 2012 contributed \$28.9 billion to the reduction in medicine spending. This was their largest-ever impact as millions of patients accessed lower-cost generic versions of additional medicines.

Patients with insurance paid higher deductibles, copays and co-insurance for their overall healthcare, but prescription drug copays for most patients declined. At the same time, new transformative medicines became available to treat a large number of diseases with small or strictly defined patient populations.

“The cost curve for medicines was clearly bent in 2012, for better or for worse,” said Murray Aitken, executive director, IMS Institute for Healthcare Informatics. “To some extent, this is a harbinger of more efficient use of our healthcare resources, but it also reflects a decline in utilization that may be the result of under-treatment and an imbalance between prevention and care. On the eve of the most transformative period in U.S. healthcare, understanding the drivers of this cost-curve reduction is critical to effectively addressing the long-term implications.”

The report’s key findings include the following:

- **Changes in the utilization of healthcare services and medicines.** The number of patient visits to doctors’ offices fell 0.9 percent in 2012, a lower level of decline compared with the prior two years. Outpatient treatment and non-emergency room admissions also were down slightly. Only emergency room admissions increased, by 5.8 percent, in 2012. Use of medicines per person declined slightly by 0.1 percent, partly due to a milder cough, cold and flu season in the initial months of 2012.
- **Healthcare costs and spending on medicines.** The total cost of medicines declined by 3.5 percent on a real per capita basis to \$325.8 billion. In addition to lower utilization of branded drugs, the primary drivers were: the increased availability of lower-cost generics, which now account for 84 percent of all prescriptions; the moderating impact of price increases; and lower spending on recently launched medicines. Healthcare costs remain heavily concentrated among relatively few patients suffering from multiple chronic conditions, cancer or other specialty diseases. In the case of the commercially insured, under age 65

population, 5 percent of the members incurred 51 percent of total healthcare costs by using more than \$15,684 of healthcare services per person in 2012.

- **Patient payment for healthcare and medicines.** Patients with insurance are paying higher deductibles and higher copays or co-insurance, with nearly 20 percent of the insured now in a consumer-driven health plan. Average out-of-pocket costs for commercially insured under age 65 patients reached \$1,146 in 2012, a 30 percent jump from 2011 and entirely the result of higher deductibles. The average pharmacy benefit copay declined by \$2 to \$121 in 2012; patients filled 72 percent of all retail prescriptions with a copay of \$10 or less.
- **Transformations in disease treatment.** Patients gained access to 28 new molecular entities in 2012, including seven with orphan drug designations by the FDA for rare diseases, a novel oral therapy for rheumatoid arthritis, a treatment for cystic fibrosis that will significantly improve life expectancy for patients with a specific genetic mutation, and an inhalable anti-psychotic. Nine new cancer treatments were introduced last year, the most in more than a decade, including a breakthrough for treating basal-cell carcinoma.

The full report is available at www.theimsinstitute.org. The report can also be downloaded as an app via iTunes. The study was produced independently as a public service, without industry or government funding.

Analyses conducted for the report are based on IMS information resources and focus on prescription-bound products, including Insulins that are available without a prescription. OTC products are excluded from the report. Spending figures are derived from IMS National Sales Perspectives™ and reported at wholesaler invoice prices that do not reflect off-invoice discounts and rebates. Prescription data are derived from IMS National Prescription Audit™, which tracks national prescription trends and activity for all pharmaceutical products. Other IMS information resources used in this report include NPA Market Dynamics™, IMS National Disease and Therapeutic Index™, Vector One®: National, Vector One®: Payer, PharMetrics Plus, FAN® and IMS MIDAS™. More detail on information sources is included in the report.

About the IMS Institute for Healthcare Informatics

The IMS Institute for Healthcare Informatics provides key policy setters and decision makers in the global health sector with unique and transformational insights into healthcare dynamics derived from granular analysis of information. It is a research-driven entity with a worldwide reach that collaborates with external healthcare experts from across academia and the public and private sectors to objectively apply IMS's proprietary global information and analytical assets. More information about the IMS Institute can be found at:

<http://www.theimsinstitute.org>.

About IMS Health

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