

The SingleCare Report

2020 Pharmaceutical Trends





Introduction

Our nation's prescription drug market is rapidly evolving. Americans spend between \$228 and \$660 per capita more on prescription drugs than any other industrialized nation in the world. Policymakers and drug manufacturers are under tremendous pressure to limit the ever-increasing costs.

At the same time, the introduction of new medications (the Food and Drug Administration approved 48 novel drugs in 2019, and generic approvals are at an all-time high) and technological advancements that help improve the patient experience are driving forward innovation. Pharmacists are contributing to the evolution, as their role expands to include more patient management, such as helping with opioid addiction.

In our first **Pharmaceutical Trends Report**, we identify and outline the factors driving these changes.

American Rx use by the numbers

Americans rely on a lot of medication—and we spend an incredible amount of money on it, too.

Per capita spending on prescription drugs exceeds \$1,200, which is more than any other country in the world. Comparatively, our neighbor to the north, Canada, spends just \$832.



45.8%
of Americans use
at least one
prescription
drug

11.2%
use five
or more

21.8%
use three or
more

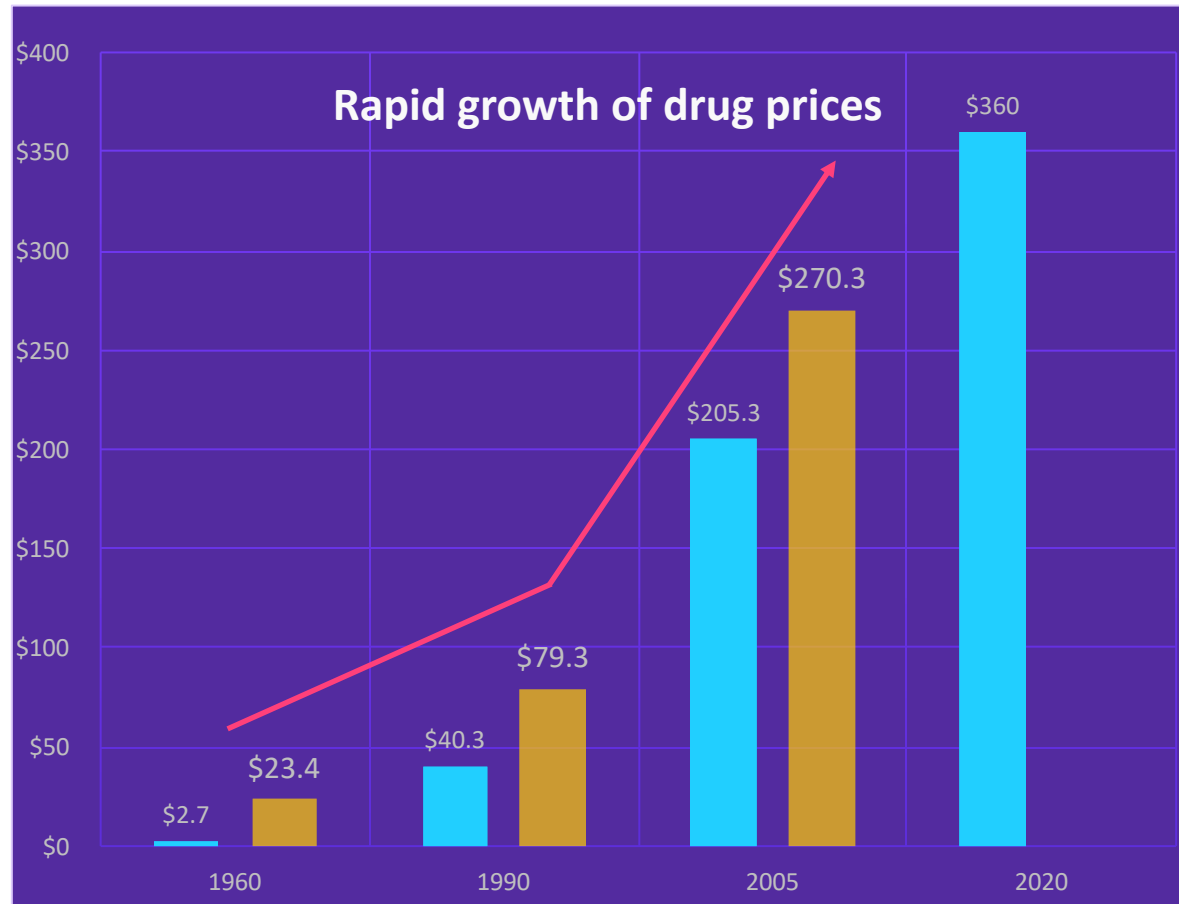
49.7%
of women use at least
one Rx, compared to
41.7% of men

89.1%
of seniors take
at least one
prescription drug, and
40.9% use five or
more

Sources: CDC / OECD Data / NCBI

The meteoric rise of drug prices

- **1960:** Americans spent \$2.7 billion on prescription medication.
- **1990:** Spending jumped to \$40.3 billion.
- **2005:** Spending climbed to \$205.3 billion and has increased every year since.
- **2020:** Spending is currently exceeding \$360 billion.



Drug price growth shown in billions; blue graphs are actual amounts spent; yellow are estimated amounts adjusted for inflation.

Sources: Statista / NY Times / AARP / Healthy System Tracker / AAFP / Ramzi Yacoub

- The biggest surge happened in the late 1990s to mid 2000s, when several biologics and blockbuster drugs (such as Lipitor and Nexium,) were introduced and pharmaceutical advertising increased.
- Since 2014, the price of brand-name drugs has increased upward of 60%. Likewise, generics have dropped 37% in the same time period.
- Increases in prescription drug pricing surpass inflation rates. In 2018, prices increased by 5.8%. The general rate of inflation that same year? Just 2.4%.

What's behind the ever-increasing drug prices?

Americans spend more per capita on prescription drugs than anyone else in the world



There is no question that medication is expensive. In 2014, Americans spent an average of \$458 more per capita than people in other industrialized nations. Studies indicate that prices increased in 2019 to the tune of 6.3%.

Why? Pharmaceutical developers point to research and development as one of the main factors, including the time and money involved in earning FDA approval for new and/or specialty drugs.

High costs have also been attributed to lack of

competition (e.g., only one or two companies manufacturing certain medications), conflicts of interest among various industry players, inflation, and simple price increases. Some studies indicate that drug manufacturers have raised prices on certain existing oral brand-name prescription medications by an average of 9.2% per year. Injectable specialty drugs have been subjected to price hikes of more than 15%.

Legislation to help curb these costs is on the table. The bipartisan *Elijah E. Cummings Lower Drug Costs Now Act* passed in the House of

Representatives in December and is expected to head to the Senate this year. The act caps Medicare Part D out-of-pocket spending and requires increased transparency among pharmacy benefits managers and drug manufacturers, among other provisions.

SingleCare's price transparency charts (found on drug pages) provide a window into normally opaque pricing structure. They show the average cash price compared to the average SingleCare coupon price for the past year, across several pharmacies.

Sources: Data OECD / NCBI / Whitehouse / ASPE / CBO / Congress / Health Affairs / Statista / Fortune / U.S. News Health / Peter G. Peterson Foundation / Forbes SingleCare

The good news: Generics

Although consumers often refer to drugs by their brand names, they're likely taking the generic form.

- **85.6% of patients receive generics** instead of their brand-name counterparts (up from just over 50% in 2005).
- **4 billion generic prescriptions were filled in 2018.**
- **1,171 generic drugs received FDA approval in 2019** (an all-time high). In contrast, **48 brand-name novel (or newly developed) drugs were approved in 2019.**

This disparity is no surprise, considering generics save the entire healthcare system a lot of money: \$1.67 trillion total between 2007 and 2016.

The savings for the individual consumer are significant, too. The average copay for a generic medication is \$5.63, compared to \$40.65 for a brand-name one.



Sources: Statista / FDA / Accessible Meds

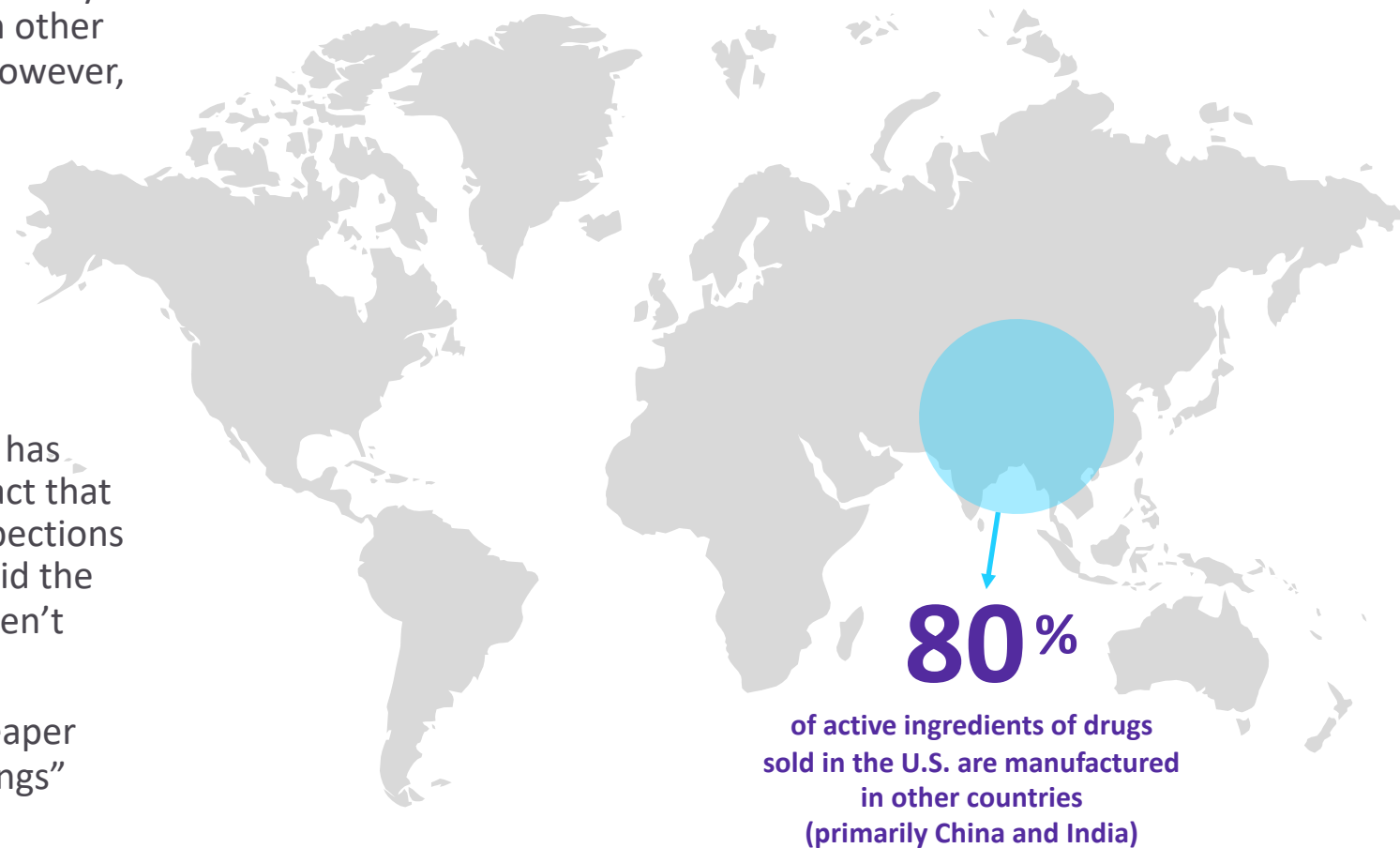
The pitfalls of imported pharmaceuticals

At least 60% of drugs sold in the U.S.—and approximately 80% of the active ingredients—are manufactured in other countries (primarily China and India). Consumers, however, are often unaware that their medications are made on foreign soil because...

1. Pharmaceutical companies are headquartered in the U.S.
2. The FDA does not require drug companies to disclose this information on the label.

The lack of transparency about foreign-made drugs has drawn criticism in recent years, due in part to the fact that the number of FDA foreign drug manufacturing inspections dropped to a five-year low in September 2019 (as did the number of domestic inspections), implying drugs aren't monitored as closely.

Manufacturing drugs in other countries is often cheaper for the pharmaceutical companies; so far that “savings” isn't being passed on to consumers.



Sources: FDA / Pharmacy Checker / FDA / GAO / Wired

How to save on prescriptions

While policy-level debate about how to control prescription drug prices continues, to help soften the financial blow, customers turn to these types of savings tools.

Pharmacy savings cards

Savings cards offer customers a break on the price of prescriptions. Some negotiate discounts with drug manufacturers, but SingleCare has relationships with pharmacies and can negotiate directly for the best prices. Savings cards are helpful for customers who lack insurance, are underinsured, or prefer to pay out of pocket. Savings vary by card, drug, and location, but SingleCare users can save up to 80%.



downloadable from the manufacturer or pharmacy website. Also, retail pharmacies offer financial incentives to customers for using their services, such as getting a \$25 gift card when filling a new prescription or receiving store reward benefits when transferring a prescription.

Patient assistance programs (PAPs)

PAPs offer financial help to people who cannot afford prescriptions. Some are run by drug companies themselves. Certain states, municipalities, and nonprofit organizations also have PAPs in place. To qualify, applicants must demonstrate financial need and meet various other criteria. Through distribution of benefits is patient- and

program-dependent, one study indicates an average savings of \$3,000+ per patient annually.

Copayment offset programs

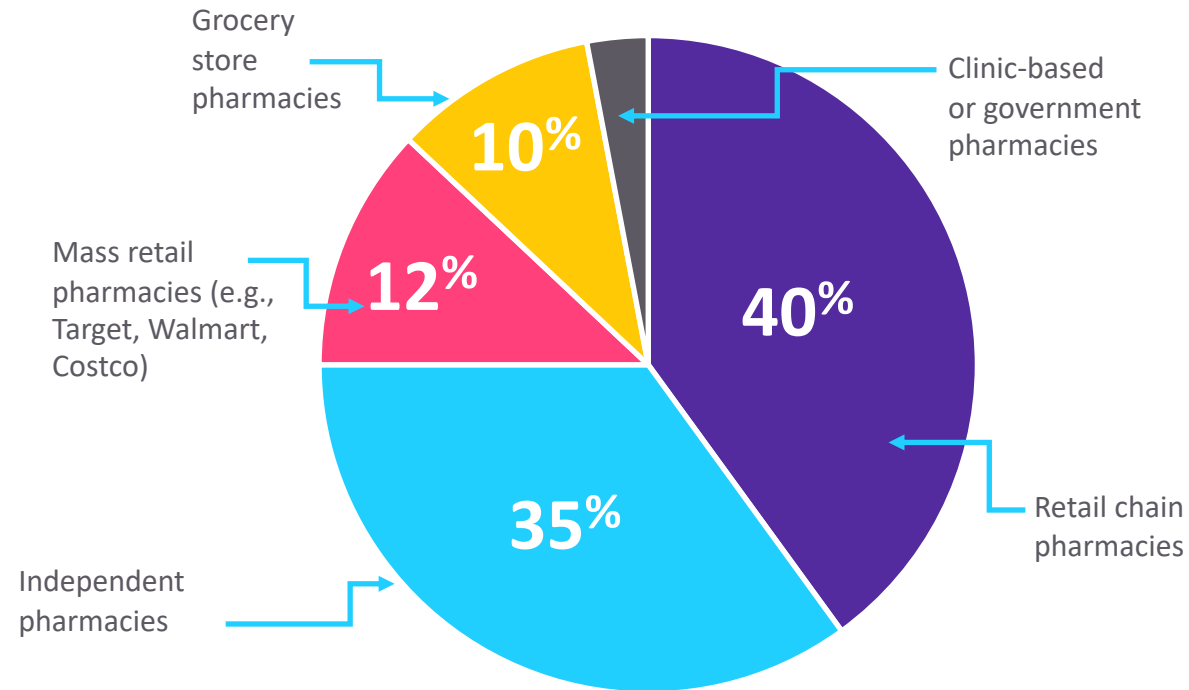
Historically, with copay offset programs, drug manufacturers help insured patients meet their deductibles by covering some or all costs for the patients (typically, the programs are used for expensive, brand-name specialty drugs). Many still work this way, but certain insurance companies no longer allow the funds to count toward a deductible or an out-of-pocket max.



Sources: SingleCare / WebMD / Drug Channels / JMCP / AAFP

The state of pharmacy in 2020

A pharmacy on every corner? Not quite, but the number of brick-and-mortar pharmacies has increased (ever-so-slightly) in the past decade. In 2007, there were just 63,752 physical pharmacies in the U.S. As of the latest numbers (2015), there are an estimated 67,000+. What's the breakdown?



While the number of pharmacies seems to be holding steady overall, independent pharmacies aren't faring as well as a subgroup.

- **9,654** (or 1 in 8) pharmacies closed between 2009 and 2015.
- In 2018, the number of independent pharmacies dropped from **21,909** to **21,767**.
- Independent pharmacies are considered **3x** more likely to close than chain pharmacies.

Sources: Pharmacy Times / Access Market Intell / NCPANET / Plos One

The changing landscape of pharmacies

Although brick-and-mortar stores are up, that doesn't mean everything is business as usual.

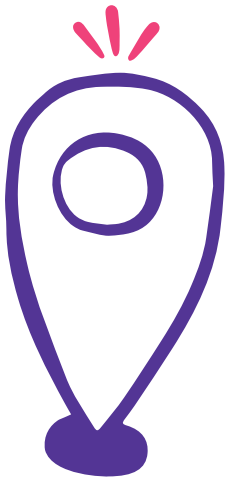
In today's technology-driven marketplace, pharmacies are evolving right along with everything else. Online-only and app-based pharmacies are on the rise. Retail pharmacies are merging, switching retail affiliations, and even closing. Kmart, for example, has closed numerous stores throughout the country due to bankruptcy. Walgreens is also shutting down stores, as are Rite Aid and CVS (the nation's largest retail pharmacy chain). The number of independent community pharmacies also dropped slightly in 2018.

Meanwhile, despite closures, CVS is increasing its presence in certain parts of the country, thanks to a \$1.9 billion acquisition in 2015 of Target's pharmacies and clinics.

Walgreens, too, is slated to add new locations: The company is in the process of developing a so-called "small store" concept. The stores will primarily be located in urban areas and will focus on pharmacy and over-the-counter health products.

So how does this changing landscape impact customers?

In some populations, a correlation has been found between pharmacy closure and lack of adherence to medication regimens. On the flipside, the expansion of the digital and app-based pharmacy market means increased access to pharmacy service—particularly people with reduced access to brick-and-mortar pharmacies (due to either transportation, location, or personal mobility).



Sources: CNBC / NY Times / Statista / Jama Network / Forbes / Perspectives / Fool / Chicago Tribune / RIS / NCPANET

Rise of e-pharmacies

Consumers can have just about anything delivered to their doorsteps nowadays, and prescription medication is no exception.

Companies such as **NowRx** and **Capsule** focus on same-day delivery and easy access to pharmacists. While others, like **PillPack** (an Amazon subsidiary), take it a step further to sort medication and packages it into dosage groups (adding a level of convenience for patients who take multiple medications). Traditional pharmacies, such as Walgreens and CVS, are also adding e-pharmacy services, which allows customers to take advantage of new technologies without switching where they fill prescriptions.

Although the overall implications for the pharmaceutical industry are unknown, economically-speaking, they are already making an impact: The global e-pharmacy



market (which includes mail-order pharmacies) generated \$42 billion in 2018. That number is expected to increase to about \$107 billion plus by 2025.

Finding a legitimate online pharmacy

How do customers know, whether a web-based pharmacy is legitimate, especially when some data indicates that only 4% of online pharmacies are following federal and state laws? One way is to check the National Association of Boards of Pharmacy's Verified Internet Pharmacy Practice Sites database. More than 12,000 pharmacies are currently accredited through the VIPPS program.

Sources: McKinsey / Global Newswire / NABP Pharmacy / Poison

Digital prescription access

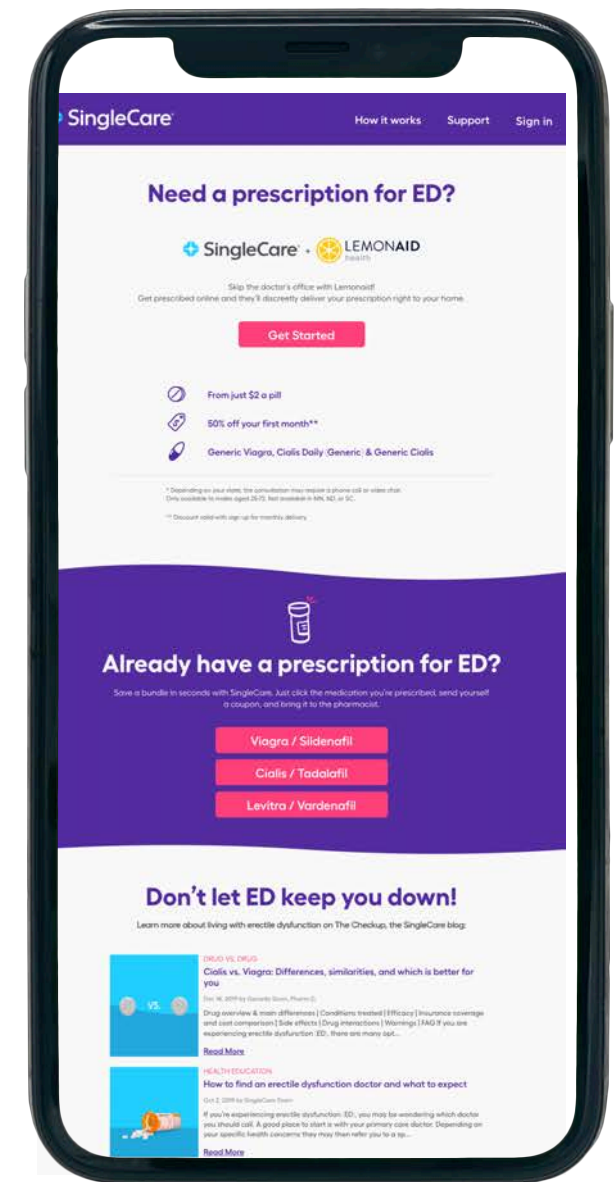
Lack of insurance. High costs. The ability to get to a doctor's office.

All are common barriers to obtaining medication. In recent years, however, more and more app-based prescription options have entered the marketplace, easing at least some of the burden caused by these barriers.

They differ from online pharmacies in that patients communicate with healthcare providers (often via screening questionnaires) and order prescriptions through websites or apps on their phones (which are then shipped discreetly to the patient's front door), rather than prescriptions being sent to online pharmacies by separate prescribers. Most focus on niche areas such as birth control and STI screening, migraine relief, erectile dysfunction, and even prescriptions for

eyelash-growth serum. A few well-known digital options include Nurx, Roman, Alpha, and Lemonaid.

The system is not foolproof, though, and there are concerns ranging from failure to properly screen for contraindications to an inability to determine whether patients are likely to comply with a prescription regimen. Nonetheless, one recent analysis published in *The New England Journal of Medicine* found that the safety and efficacy of the care provided through the apps offering birth control specifically is generally solid. Plus, they definitely fill a need—19.5 million women live in so-called contraceptive deserts, meaning reasonable access to birth control is not available via traditional methods.



Sources: Healthy People / NEJM / Power to Decide

The opioid crisis

Opioid abuse and misuse is, without a doubt, an epidemic in the United States.

- On average, 130 people die each day from an opioid overdose.
- In 2017 the overall opioid-related death total reached 47,000.

While these medications certainly have their place, between 21% and 29% of those who receive opioid prescriptions to deal with chronic pain will wind up misusing them—and up to 12% of that group will develop an opioid-use disorder.

Along with doctors and other healthcare professionals, **the pharmaceutical industry plays an important part in combating opioid misuse and abuse.** Pharmacists, specifically, are taking an active role by providing counseling to patients about the risk of opioids, along with education on safe storage and disposal methods, and resources for addiction treatment. Pharmacists also assist with the utilization of prescription drug monitoring programs, deprescribing opioids, and dispensing naloxone (a drug used to counteract the effects of opioid overdose).

What we do at SingleCare

At SingleCare we, too, are taking a hands-on approach to fighting this very concerning issue of opioid abuse. In 2017, we began **closely monitoring refill dates**, and requiring patients to be at least 75% into the supply period in order to qualify for a refill. We also **cap prescription durations** at five months for short-acting opioids and nine months for long-acting ones, and we **prohibit the dispensing of duplicates** (e.g., a patient cannot receive two short-acting opioids at the same time).

Sources: CDC / Drug Abuse / NCBI / Ramzi Yacoub, SingleCare

Tech for medication adherence

Studies show that adherence levels improve by up to 40% with the use of certain tech tools, and that the majority of patients find them beneficial.

Patient non-adherence to medication regimens is an ongoing struggle for pharmacists, doctors, and other healthcare providers as they work toward improving health outcomes. Some research indicates that a mere 50% of patients are adherent. For the remaining 50%, the risk of treatment failure, hospitalization, and death increases significantly. The goal, industry experts say, is 80% adherence—the tipping point for improved efficacy, better outcomes, and significant cost savings (it is estimated that up to \$300 billion in healthcare costs could be saved with 80% adherence).

Reasons for lack of adherence range from fear and cost to not understanding the need for the medication and lacking trust in the prescriber. Some patients, however, might simply need easy ways to remember to take their medications. Enter: technology.

Tools patients and providers are turning to in 2020 include:



MOBILE APPS

Easily downloadable to your smartphone, these apps (some free; some paid) remind patients to take medication, manage refills, and check for medication contraindications.



WEARABLES

Also known as fitness trackers, these devices don't specifically remind patients to take medication, but they do track other contributors to health outcomes, like sleep, movement, and heart rate. How do these devices improve medication adherence? For whatever reason, patients who use them are more apt to comply—possibly because the devices increase awareness of their overall health.



REMOTE PATIENT MONITORING

Designed for patients with complex regimens, RPM uses telecommunications and sensors to monitor key data points such as vital signs, blood sugar and oxygen levels. That data is then sent to the patient's healthcare providers, enabling them to work with the patient to make improvements.



ELECTRONIC PILL BOXES

An older but still very useful technology (particularly for those who don't use smartphones) electronic pill boxes come equipped with alarms that can be customized to a patient's schedule.

Sources: US Pharmacist / NCBI / AMA / JMIR / MHealth Intelligence CCHPCA

Many of the pharmaceutical industry developments in the year ahead are expected to be positive for consumers, yet prices continue to climb, the delivery system is changing, and supply-chain savings does not always make it to the consumer's wallets.

At SingleCare, we believe the future of pharmaceuticals hinges on more affordable medications for all and we are doing everything in our power to make that a reality.

