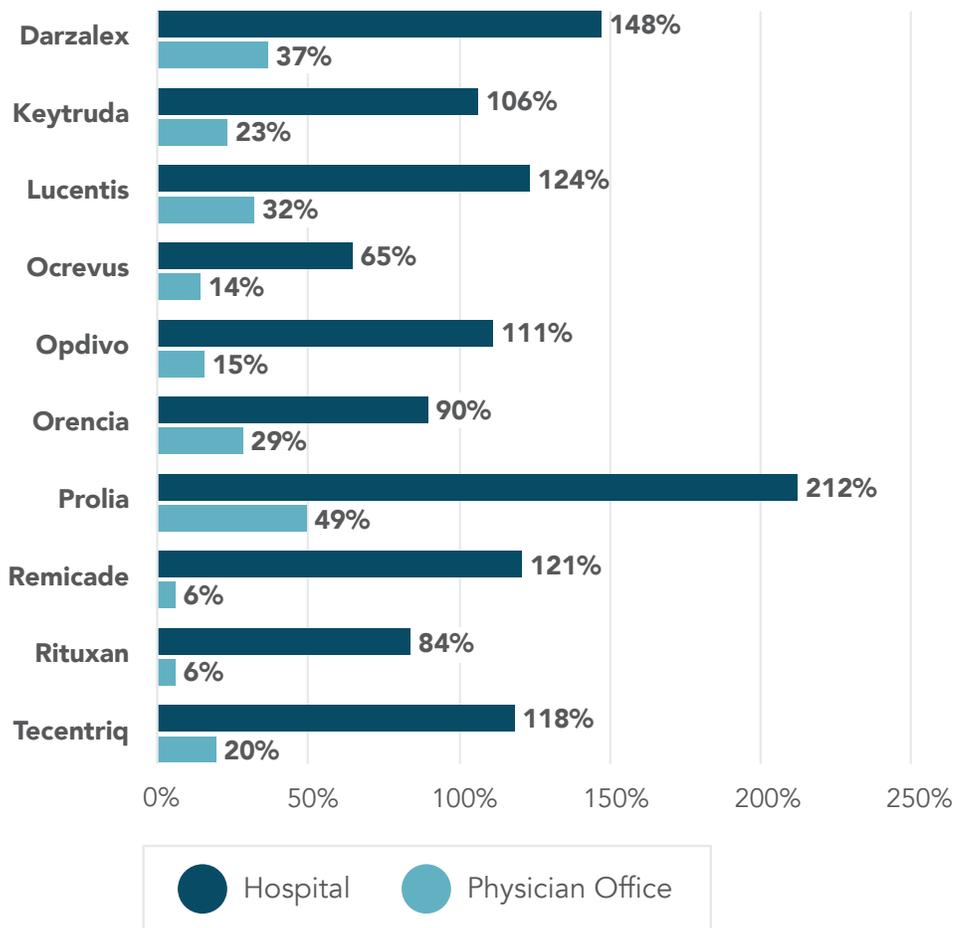


HOSPITAL PRICE HIKES:

Markups for Drugs Cost Patients Thousands of Dollars

Everyone should be able to get the medications they need at a cost they can afford. But drug prices are out of control, and hardworking families feel the consequences every day. Health insurance providers have developed innovative solutions to make prescription drugs more affordable, including leveraging lower-cost specialty pharmacies to safely distribute physician-administered drugs (sometimes called “white bagging” or “brown bagging”). These solutions help reduce Americans’ out-of-pocket costs and what they pay in premiums – making health care more affordable and accessible for everyone.

Figure 1. Average Markups for Drugs in Hospitals and Physician Offices Over Specialty Pharmacies (2019-2021)



Note: Drugs with the highest total spend in 2020, which are also commonly delivered through specialty pharmacies. The drug cost estimate in physician offices and hospitals does not include the cost of administering the drugs.

\$8,200

Costs per single treatment for drugs administered in hospitals (2019-2021) were an average of \$8,200 more than those purchased through specialty pharmacies. Drugs administered in physician offices were an average of \$1,500 higher than specialty pharmacies.

118% More

Hospitals, on average, charged double the prices for the same drugs, compared to specialty pharmacies. Physician offices charged 23% higher prices than specialty pharmacies for the same drugs, on average.

Specialty pharmacies lower a patient’s health care costs **by preventing hospitals and physicians from charging exorbitant fees to buy and store specialty medicines themselves.** Secure, direct delivery is more efficient and effective and reduces health care costs.

Table 1. Average Markup Amounts for a Single Treatment for Drugs Administered in Hospitals and Physician Offices Over Specialty Pharmacies (2019-2021)

Drug	Indication	Physician Office Markup	Hospital Markup
Darzalex	Cancer	\$2,498	\$10,023
Keytruda	Cancer	\$2,309	\$10,582
Lucentis	Diabetic Retinopathy	\$394	\$1,520
Ocrevus	Multiple Sclerosis	\$4,937	\$22,078
Opdivo	Cancer	\$1,072	\$7,802
Orencia	Rheumatoid Arthritis	\$1,013	\$3,193
Prolia	Osteoporosis	\$651	\$2,795
Remicade	Crohn's Disease & Psoriasis	\$277	\$5,496
Rituxan	Rheumatoid Arthritis	\$579	\$8,030
Tecentriq	Cancer	\$1,860	\$11,258
Average		\$1,559	\$8,278

Note: Markup amounts are estimated for a single treatment. All drugs in the list require multiple treatments.

Innovative Solutions to Keep Drugs Affordable

Specialty pharmacies improve health care affordability while protecting patient safety. AHIP encourages lawmakers to support the use of specialty pharmacies, and to reject policies that take away lower-cost choices from patients.

Methodology

The list of drugs included in the study was obtained as follows. From the list of top 25 drugs by spending in Medicare Part B in 2020,¹ we identified, in consultation with our member plans, the drugs that are also commonly delivered through specialty pharmacies. The resulting list included 10 drugs.

For each drug, all medical and pharmacy claims data were extracted from the Merative® MarketScan® Commercial Database for the period January 1, 2019 to December 31, 2021. Using the claims data, we calculated a 3-year average cost for a single treatment for each drug in 3 different settings: (1) specialty pharmacy, (2) physician office, and (3) hospital. All claims were adjusted for inflation to 2021 dollars.

The average cost for a single treatment in specialty pharmacy setting was obtained by dividing the total claim cost of the drug (including both insurance and out-of-pocket costs) by the metric quantity purchased and then multiplying it by the average adult dose per single treatment. The average adult dose per single treatment was estimated based on the dosing information in the FDA approved label.

The average cost for a single treatment in physician office and hospital setting was obtained as the total claim cost for a single day of treatment. When drugs had multiple dosing regimens for different indications, the most common indication was used in calculation. Medical claims were limited to that indication based on the diagnostic codes and dosing frequency.

The physician office and hospital markups were calculated as a ratio of the average cost for a single treatment in physician office or hospital setting to the average cost for a single treatment in pharmacy setting. Similarly, markup amounts were calculated as the difference between the average cost for a single treatment in physician office or hospital setting and the average cost for a single treatment in pharmacy setting.

ABOUT AHIP

AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and coverage more affordable and accessible for everyone. Visit [AHIP.org](https://www.ahip.org) to learn how working together, we are Guiding Greater Health.

¹ data.cms.gov/summary-statistics-on-use-and-payments/medicare-medicaid-spending-by-drug/medicare-part-b-spending-by-drug