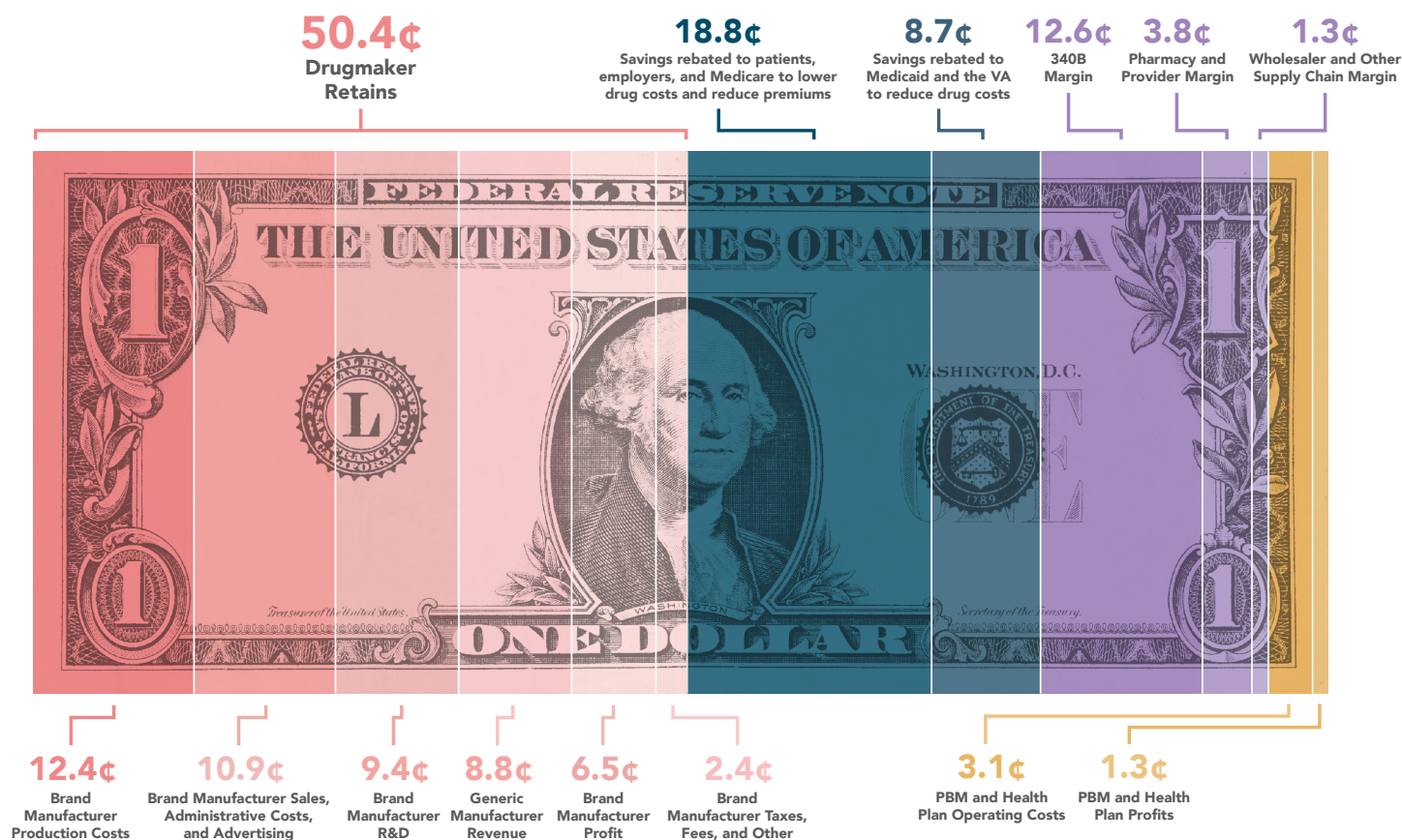


Where Does Your Prescription Drug Dollar Go?



50.4¢

Drugmaker Retains

Drugmakers retain over half of every dollar spent on prescription drugs — more than health plans, PBMs, pharmacies, providers, and wholesalers combined. In fact, 10 cents of every dollar spent on drugs goes to manufacturers' advertising and sales — expenses that Big Pharma writes off on their taxes.

27.5¢

Savings Passed Through to Patients, Plans, Employers and Government Programs

More than 27 cents of every dollar spent on prescription drugs is passed through as savings to patients, employers, and the Medicare and Medicaid programs — lowering insurance premiums and taxpayer costs.

17.7¢

Pharmacy, Provider and Wholesaler Margins

Nearly 18 cents of every dollar spent on drugs goes to the physical supply chain — pharmacies, providers, and wholesalers.

1.3¢

Health Plan and PBM Profits

Health plans and PBMs retain just over one cent of every dollar spent on prescription drugs as profits — compared to 6.5 cents brand manufacturers take in profits.

CATEGORIES	WHAT THIS INCLUDES:
Brand Manufacturer Production Costs	The amount retained by brand drug manufacturers that is spent on producing finished drugs for sale.
Brand Manufacturer R&D	The amount retained by brand drug manufacturers that is spent on research and development.
Brand Manufacturer Sales, Administrative Costs, and Advertising	The amount retained by brand drug manufacturers that is spent on sales, general administrative costs, and advertising. This includes both direct-to-consumer advertising as well as advertising to doctors and other forms of sponsorship.
Generic Manufacturer Revenue	The amount retained by generic drug manufacturers. This includes operating costs, production costs, and profits.
Brand Manufacturer Profit	The amount retained by brand drug manufacturers as profits.
Brand Manufacturer Taxes, Fees, and Other	The amount retained by brand drug manufacturers that is spent on other operating costs, including taxes.

CATEGORIES	WHAT THIS INCLUDES:
Savings rebated to patients, employers, and Medicare to lower drug costs and reduce premiums	Rebates paid by drug manufacturers to health plans and PBMs for commercial health insurance and Medicare Part D. Health plans and PBMs negotiate net drug prices with manufacturers when developing formularies. These rebates reduce health plan expenses, which results in lower premiums and lower overall cost-sharing.
Savings rebated to Medicaid and the VA to reduce drug costs	Rebates paid by drug manufacturers to state Medicaid programs and to the Department of Veterans Affairs. Medicaid rebates are calculated under a statutory formula, while VA rebates are negotiated as part of the formulary development process. These rebates reduce total drug spending under each program.
340B Margin	The amount retained by 340B providers. Under the 340B program, certain hospitals and clinics are able to purchase drugs at a lower price; when they are reimbursed at full price, they are allowed to keep the difference.
Pharmacy and Provider Margin	The amount retained by pharmacies and healthcare providers who administer drugs (e.g., injectable or infused drugs). This amount includes both operating margin and profit.
Wholesaler and Other Supply Chain Margin	The amount retained by drug wholesalers and other supply chain entities. This includes both operating costs and profits.
PBM and Health Plan Operating Costs	The amount retained by PBMs and health plans to cover their operating costs of administering a prescription drug benefit.
PBM and Health Plan Profits	The amount retained by PBMs and health plans as profit.

Methodology

The analysis in this brief largely follows the methodology used in Berkeley Research Group (BRG)'s "The Pharmaceutical Supply Chain, 2013–2023." Data for all spending categories in this infographic are drawn from Figure A2 and Tables A1-A3 and recalculated as shares of total gross drug spending. Margin estimates for *340B, Pharmacy and Provider, Wholesaler and Other Supply Chain, Generic Manufacturer, and Brand Manufacturer* are taken directly from BRG. We further disaggregated the *Brand Manufacturer Margin* into *profit; sales, administration and advertising; research and development (R&D); production costs; and other expenditures* using 2023 financial disclosures and annual reports for 35 major pharmaceutical companies with U.S. sales.¹ For most of these companies, the data was obtained from Form 10-K and 20-F filings with the Securities and Exchange Commission. For non-U.S. listed firms, data were drawn from the annual reports published on the company websites. *Rebates that Reduce Medicaid and VA Spending* were estimated by summing BRG's *Medicaid Drug Rebate Program amounts, Tricare rebates, and Federal Supply Schedule discounts*.

We disaggregated the *negotiated health plan and PBM rebates and fees* category into *Rebates that Reduce Premiums* in the commercial market and *PBM and Health Plan Margin*. To do so, we relied on BRG's "The Prescription Drug Landscape, Revisited: Changes in Retail Pharmaceutical Spending between 2016 and 2021," which estimates fees retained by PBMs and health plans at 6 percent of post-rebate net retail drug spending in 2021. We assumed this share remains constant in 2023 and applied it to both retail and non-retail drugs. Post-rebate net drug spending was estimated using IQVIA's "The Use of Medicines in the U.S. 2024" report, which provides data on *spending at list prices (WAC), payer net spending including patient OOP costs, and manufacturer net revenues*. Because BRG and IQVIA rely on different data sources, we used IQVIA estimates to calculate *rebates and discounts* as the difference between *WAC* and *payer net spending*. We applied the resulting share to BRG's *supply chain entities and retrospective rebates and discounts* category. AHIP estimated *PBM and Health Plan Margin* as 6 percent of the post-rebate net spending and calculated *Rebates that Reduce Premiums* in the commercial market as the residual amount.

AHIP's analysis uses a single all-drug denominator that represents total U.S. prescription drug spending across brand and generic products in retail and non-retail channels. It then reports each stakeholder component as a percentage of that total. Some component amounts (e.g., 340B margin) come from sources with a narrower scope - including the BRG brand-retail tables. AHIP scales those inputs to the all-drug total for comparability. Because published stakeholder breakouts for generics are limited, AHIP imputes those distributions using the best available published shares and flags them as assumptions. This analysis treats rebates and price concessions as amounts that offset gross spending and ultimately reduce premiums and/or patient cost sharing, not as value retained by supply-chain entities.

1 The pharmaceutical companies included in the analysis were the following: AbbVie, Amgen, Astellas, AstraZeneca, Bausch Health, Bayer, Biogen, Bristol-Myers Squibb, Daiichi Sankyo, Eisai, Eli Lilly, Gilead Sciences, GlaxoSmithKline, Hikma, Jazz Pharma, Johnson & Johnson, Incyte, Lundbeck, Merck & Co, Moderna, Novartis, Novo Nordisk, Otsuka Holdings, Pfizer, Regeneron, Roche, Sanofi, Shionogi, Sumitomo Dainippon, Takeda, Teva, UCB, United Therapeutics, Vertex, Viatrix.