



New Medicines. New Hope.



Presentation to Joint California Assembly and Senate Health Committees

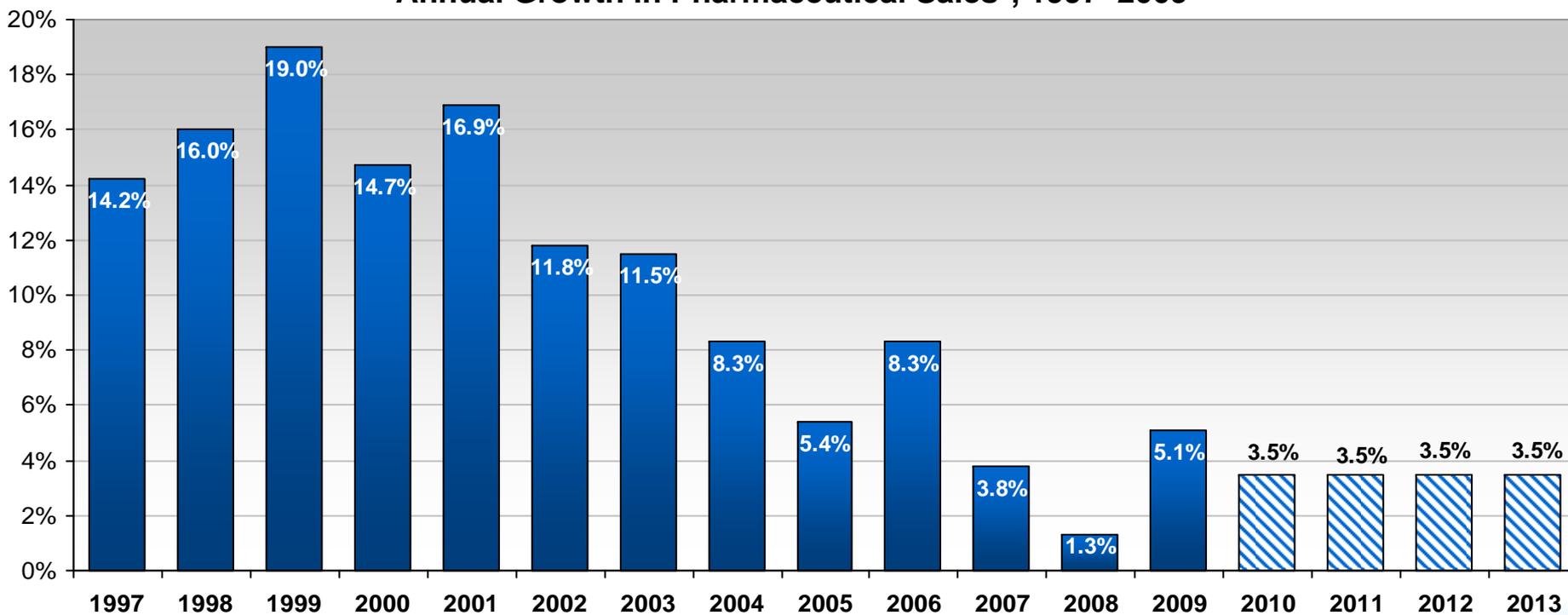
Clement Cypra
Deputy Vice President, PhRMA
March 15, 2011

Growth in Prescription Medicine Spending Has Been Declining Sharply



Spending growth for medicines has been at historic lows in recent years; IMS projects 3.5% average annual growth to 2013

Annual Growth in Pharmaceutical Sales*, 1997–2009



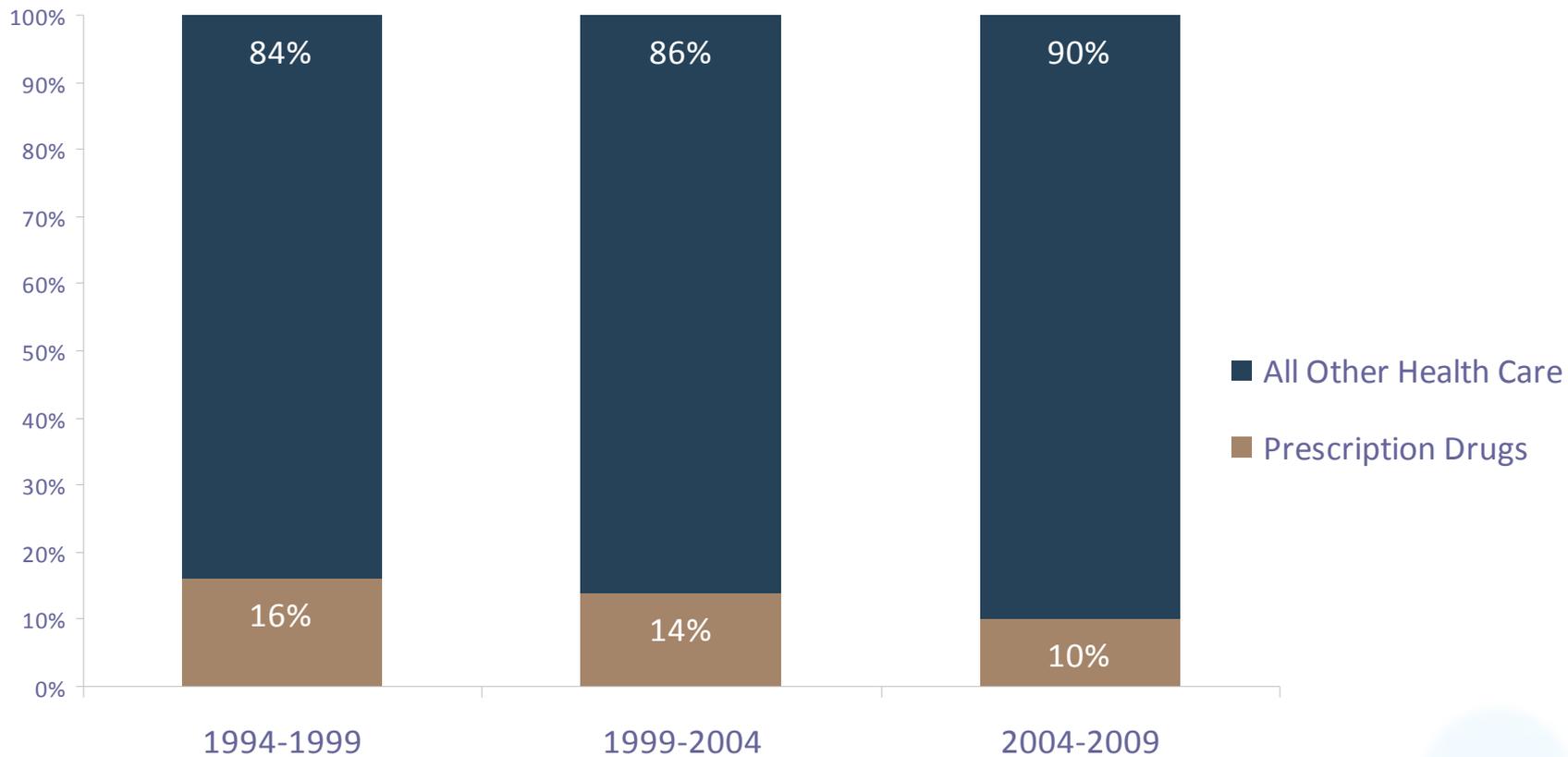
*Total sales from all channels (including retail, mail order, hospitals, institutional) for brand and generic ingredients.

Source: IMS Health, IMS Retail Drug Monitor, 2010.

Medicines Account for a Small and Declining Share of Health Spending Growth



• *Growth in Health Care Expenditures Attributable to Prescription Drugs 1996–2008*



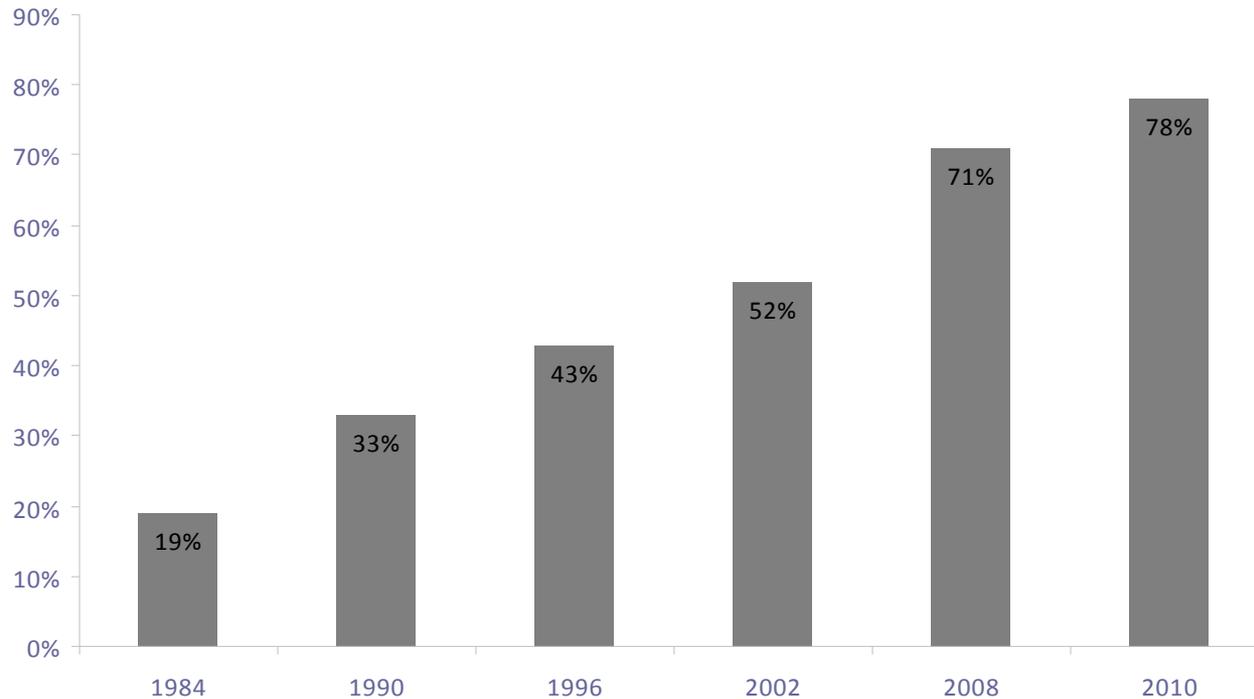
Source: CMS³

Three-Quarters of U.S. Prescriptions Are Filled with Generics



In 2008, generics accounted for 14 of the 15 most commonly prescribed medicines and 13 of the 15 medicines most commonly used by Medicare Part D beneficiaries.

• *Generic Share of Prescriptions Filled 1984–2009*



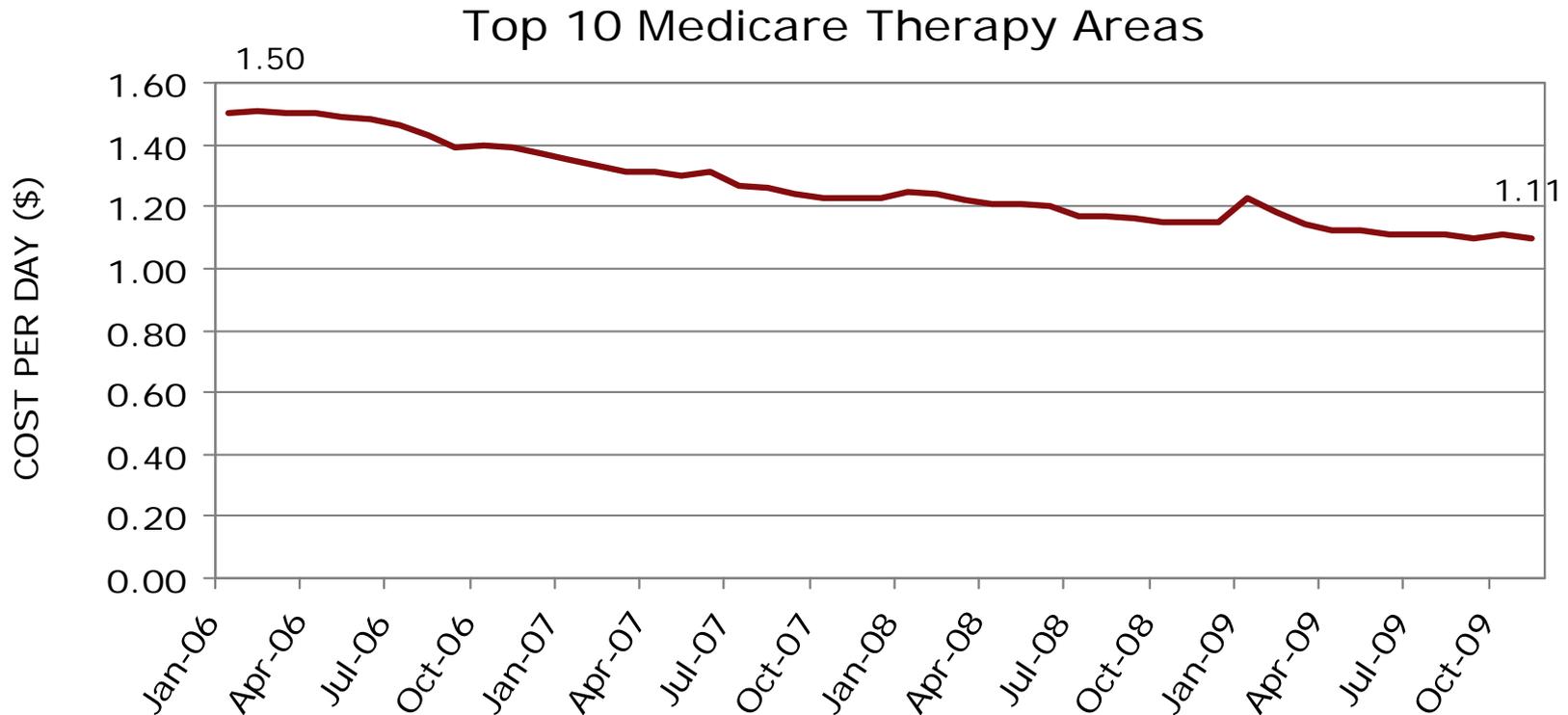
Source: IMS Health

Cost of the top 10 Medicare Part-D areas has declined



PRMA

The average daily cost of therapy in the top 10 Medicare therapy areas declined from \$1.50 in 2006 to \$1.11 in 2009



Source: Analysis by IMS Health based on IMS National Sales Perspectives, National Prescription Audit, Dec 2009

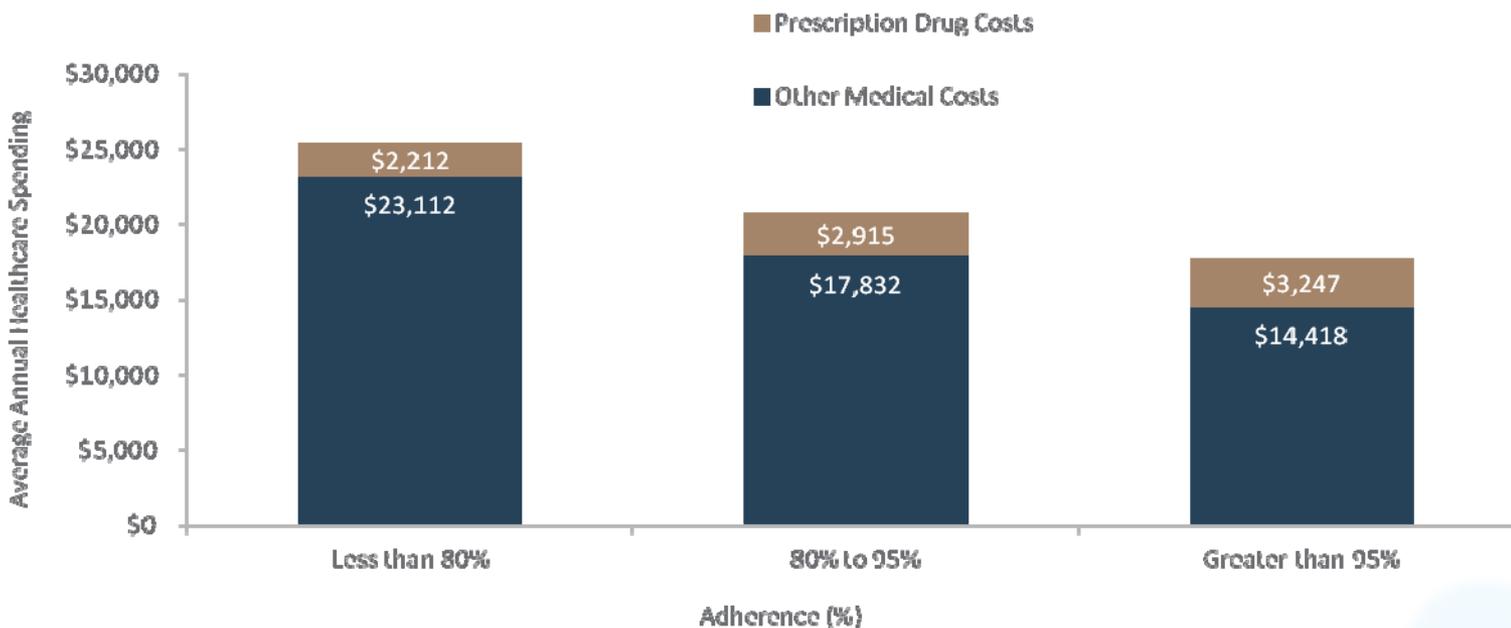
Greater Adherence to Medicines Can Reduce Spending on Other Healthcare Services



P/RMA

Among Medicaid beneficiaries with congestive heart failure, total healthcare costs for adherent patients* were 23 percent lower than those of non-adherent patients

Healthcare Spending by Level of Adherence Among Medicaid Beneficiaries with Congestive Heart Failure



* Adherent patients defined as patients with a “medication possession ratio” (i.e., total days supply of medication divided by number of days between first fill and the last day patient had medication available) of 80% or higher.



Employers Are Adopting New Approaches

P/RMA

Business Insurance

Free prescription drugs boost usage, cut costs
by JOANNE WOJCIK

The New York Times

To Save Later, Employers Offer Free Drugs Now

By MILT FREUDENHEIM

THE WALL STREET JOURNAL

Employers, Insurers Bet on Cutting Drug Copays

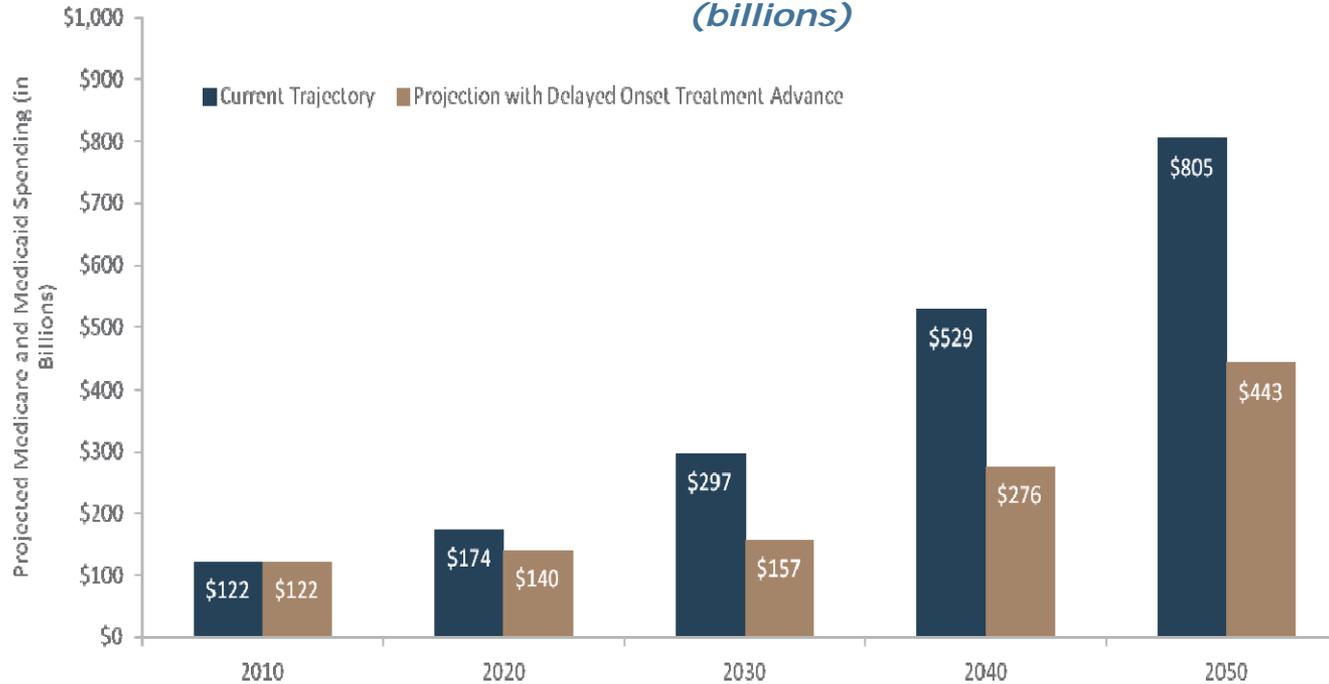
By Vanessa Furhmans

Need for New Treatments for Alzheimer's Disease



The development of a new treatment that delays the onset of Alzheimer's could reduce Medicare and Medicaid spending on patients with Alzheimer's by more than \$100 billion annually by 2030*

Projected Annual Medicare & Medicaid Spending, With and Without New Treatment Advances (billions)



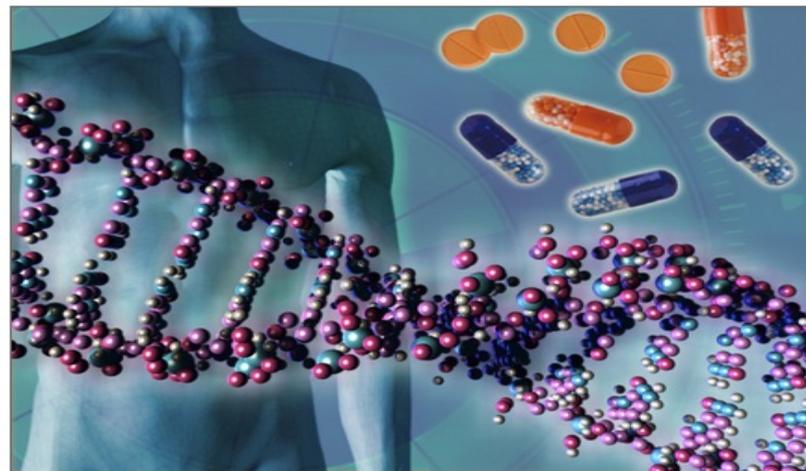
* Assumes research breakthroughs that delay the average age of onset of Alzheimer's disease by five years beginning in 2010.

Source: Alzheimer's Association

Need for Continued Innovation

National Economic Council has called for investment in innovation to meet the “grand challenges” of the 21st century, including:

- smart anti-cancer therapeutics that kill cancer cells and leave their normal neighbors untouched
- nanotechnology that delivers drugs precisely to the desired tissue
- personalized medicine that enables the prescription of the right dose of the right drug for the right person
- a universal vaccine for influenza that will protect against all future strains



“Over the long run, few issues are as important to a nation’s long-term economic security and global standing as being a leader in moving life sciences forward.”

Lawrence Summers, 2007