

Brand-Name Drug Prices: The Key Driver of High Pharmaceutical Spending in the U.S.

An International Comparison of Prescription Drug Spending and Costs

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The
Commonwealth
Fund

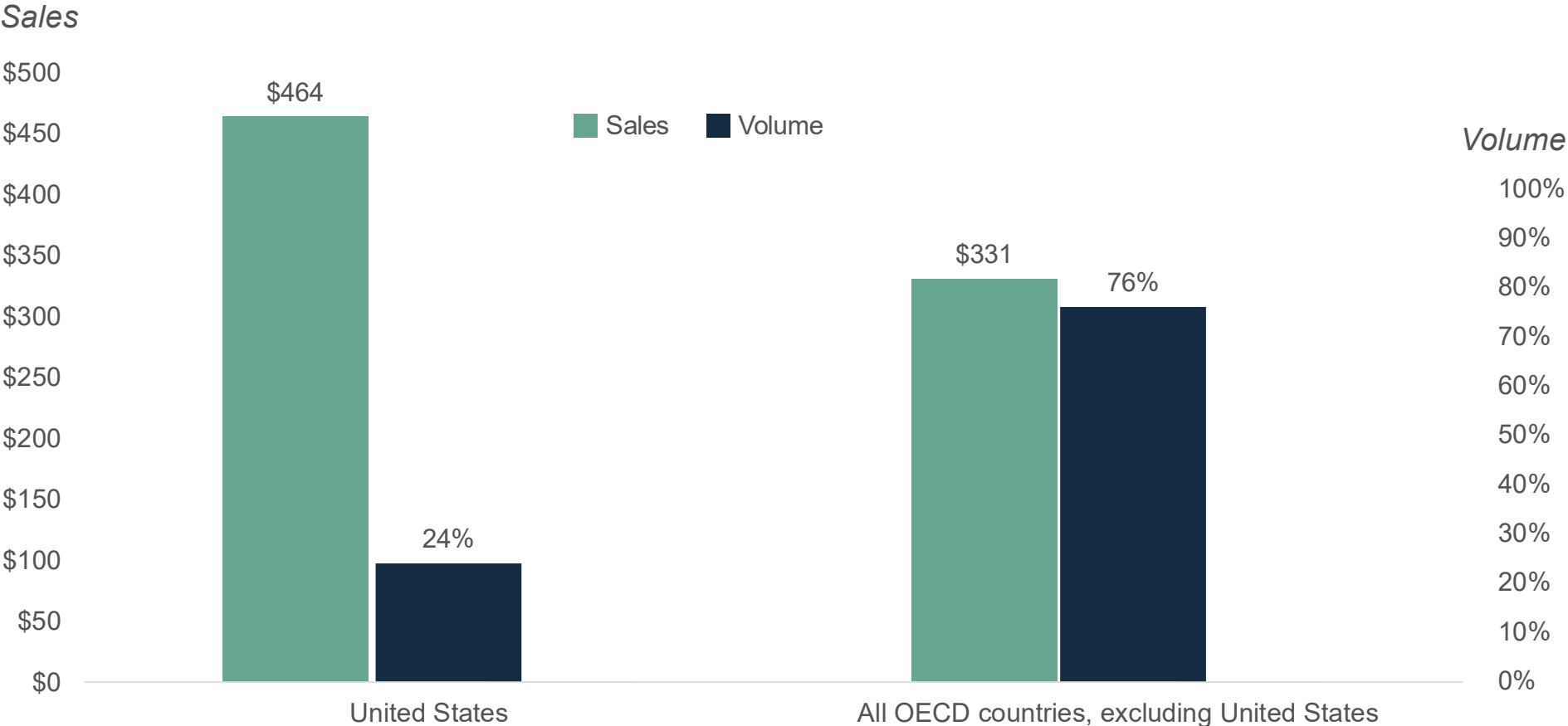
BACKGROUND

High U.S. drug prices are a financial strain for patients, employers, and state and federal governments. In the following charts, we present the findings from a number of studies on prescription drug costs and spending in the United States with other high-income countries to reveal the main culprit: **high U.S. prices for brand-name drugs.**

The data for this chartpack come from the following sources: the Commonwealth Fund's 2020 International Health Policy Survey; 1980–2020 pharmaceutical spending data from the Organisation for Economic Co-operation and Development (OECD); 2020 individual-level administrative claims or registry data compiled by the International Collaborative on Costs, Outcomes, and Needs in Care (ICCONIC); and IQVIA's MIDAS database for 33 OECD member countries for 2018.

The United States spends more on prescription drugs than 32 OECD countries combined. But U.S. sales represent fewer than 25 percent of drug sales.

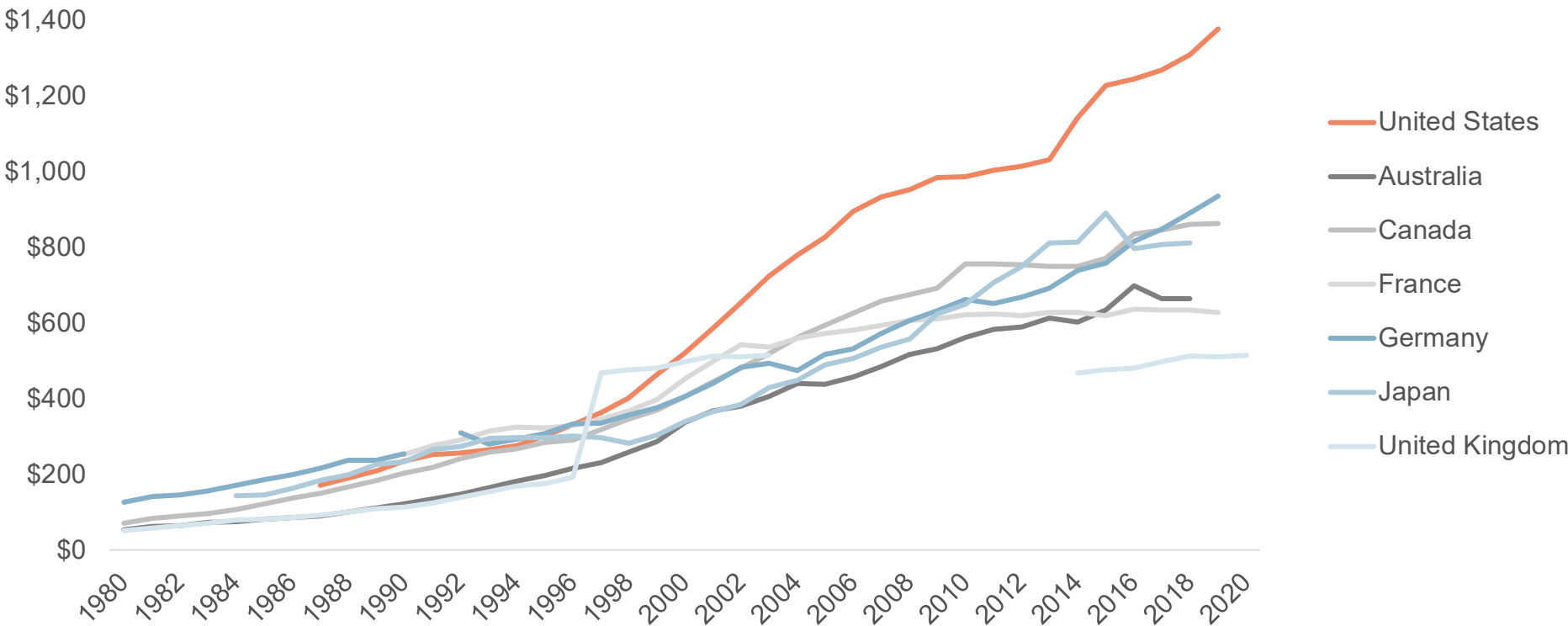
Prescription drug sales and volume in 2018, in billions of U.S. dollars



Notes: Numbers in each column might not sum to totals because of rounding. "All OECD countries" refers to 32 OECD comparison countries combined.
Data: Adapted from Andrew W. Mulcahy et al., [International Prescription Drug Price Comparisons: Current Empirical Estimates and Comparisons with Previous Studies](#) (RAND Corporation, Jan. 2021).

When adjusted for population, the U.S. spends at least 30 percent more on prescription drugs than other high-income countries.

Pharmaceutical spending per person, 1980–2020, in U.S. dollars

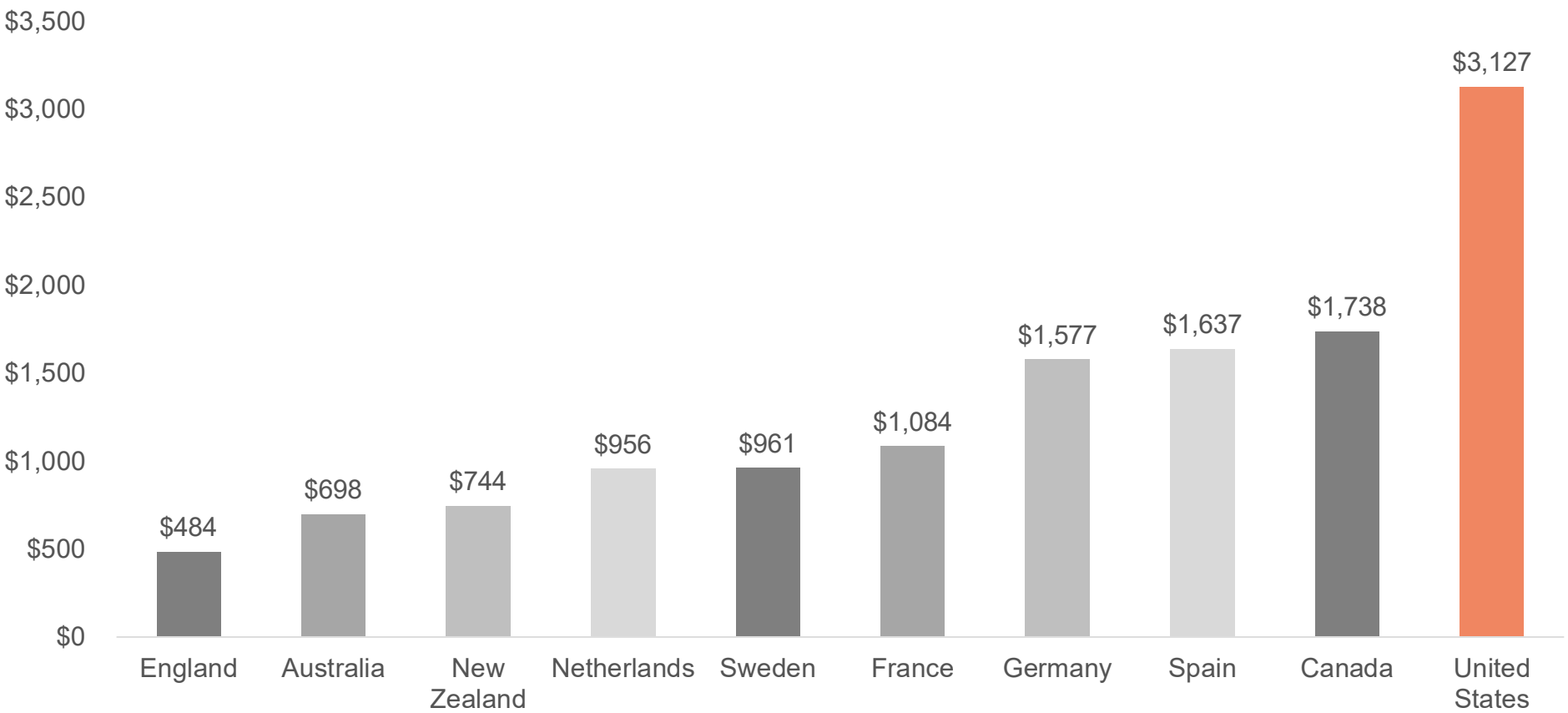


Notes: Pharmaceutical spending covers expenditures for prescription medicines and self-medication, often referred to as over-the-counter products. In some countries, other medical nondurable goods also are included. Pharmaceuticals consumed in hospitals and other health care settings are excluded. Final expenditure on pharmaceuticals includes wholesale and retail margins and value-added tax. Total pharmaceutical spending refers in most countries to “net” spending, i.e., adjusted for possible rebates payable by manufacturers, wholesalers, or pharmacies. This indicator is measured as a share of total health spending, in U.S. dollars per capita (using economy-wide PPPs) and as a share of GDP.

Data: Organisation for Economic Co-operation and Development, “Pharmaceutical spending” (indicator) (OECD, 2021).

A prime example of far higher U.S. drug spending can be seen in the care of hip fractures in frail older adults.

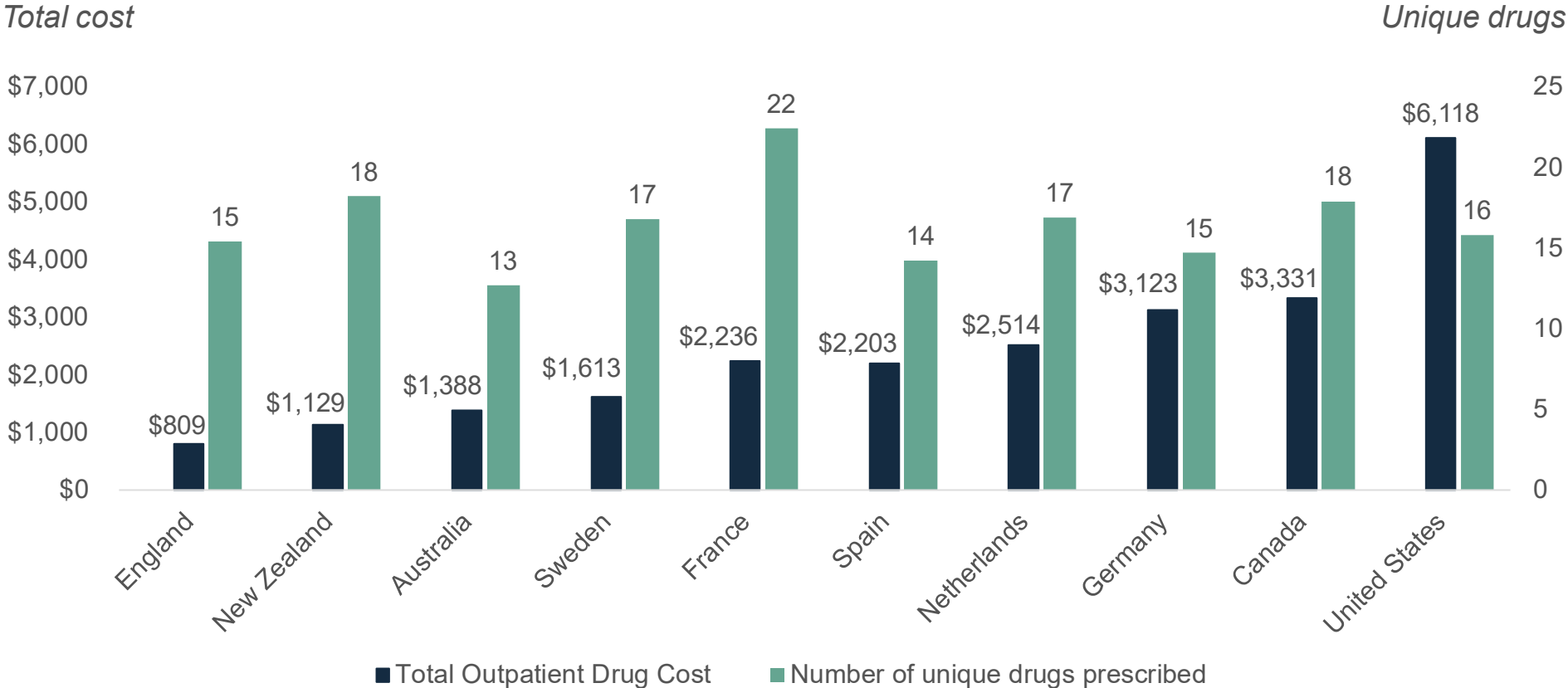
Average outpatient drug spending in 2021 for persona of older frail adult recovering from hip fracture, in U.S. dollars



Data: Adapted from Irene Papanicolas et al., [“Differences in Health Care Spending and Utilization Among Older Frail Adults in High-income Countries: ICCONIC Hip Fracture Persona,”](#) *Health Services Research* 56, no. S3 (Dec. 2021): 1335–46.

Higher U.S. drug spending does not stem from higher use: for example, across nations, older adults with diabetes who are hospitalized with heart failure have comparable drug use.

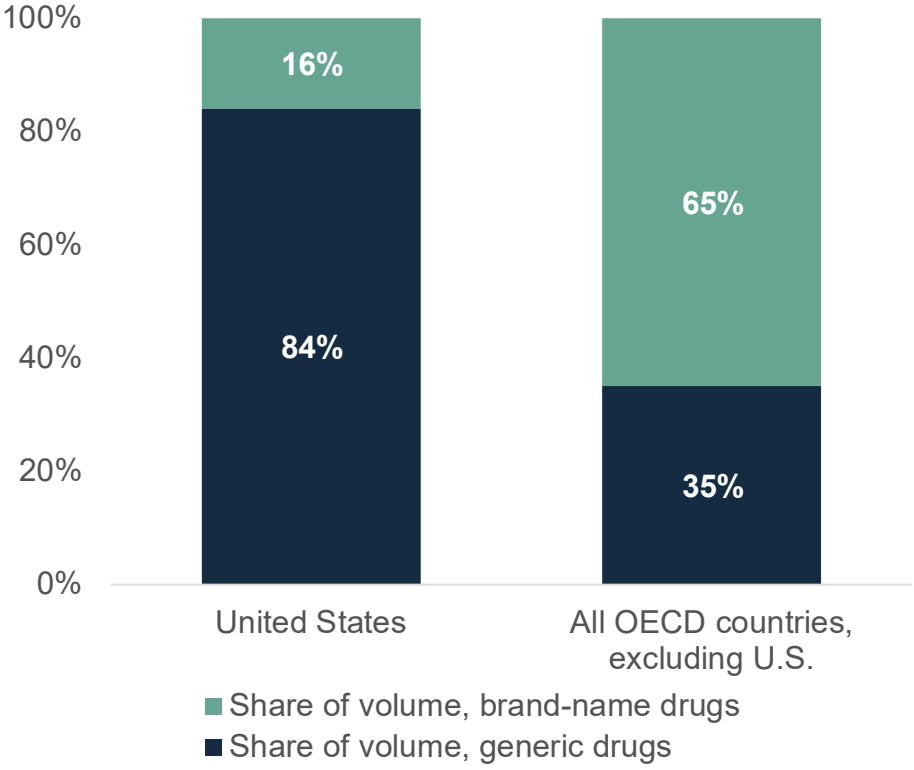
Average outpatient drug spending for persona of older adult with diabetes who is hospitalized with heart failure



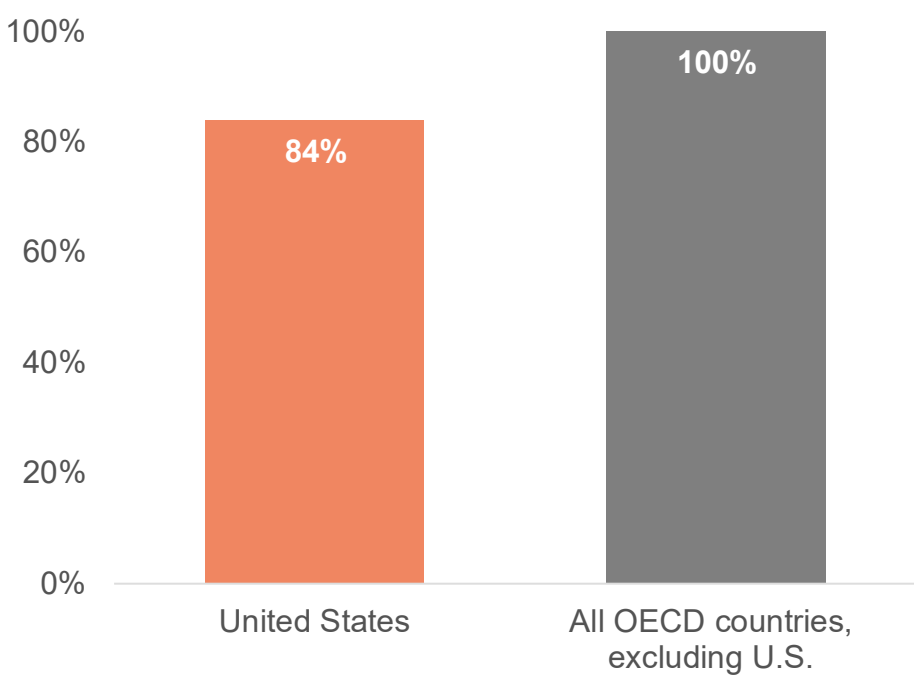
Data: Adapted from Jose F. Figueroa et al., "[International Comparison of Health Spending and Utilization Among People with Complex Multimorbidity](#)," *Health Services Research* 56, no. S3 (Dec. 2021): 1317–34.

Pharmaceutical spending is higher in the U.S. despite its greater use of less-costly generic drugs, which are cheaper in the U.S. than in other countries.

Share of brand-name and generic drugs in 2018



U.S. generic drug prices in 2018 as a percentage of prices in other countries

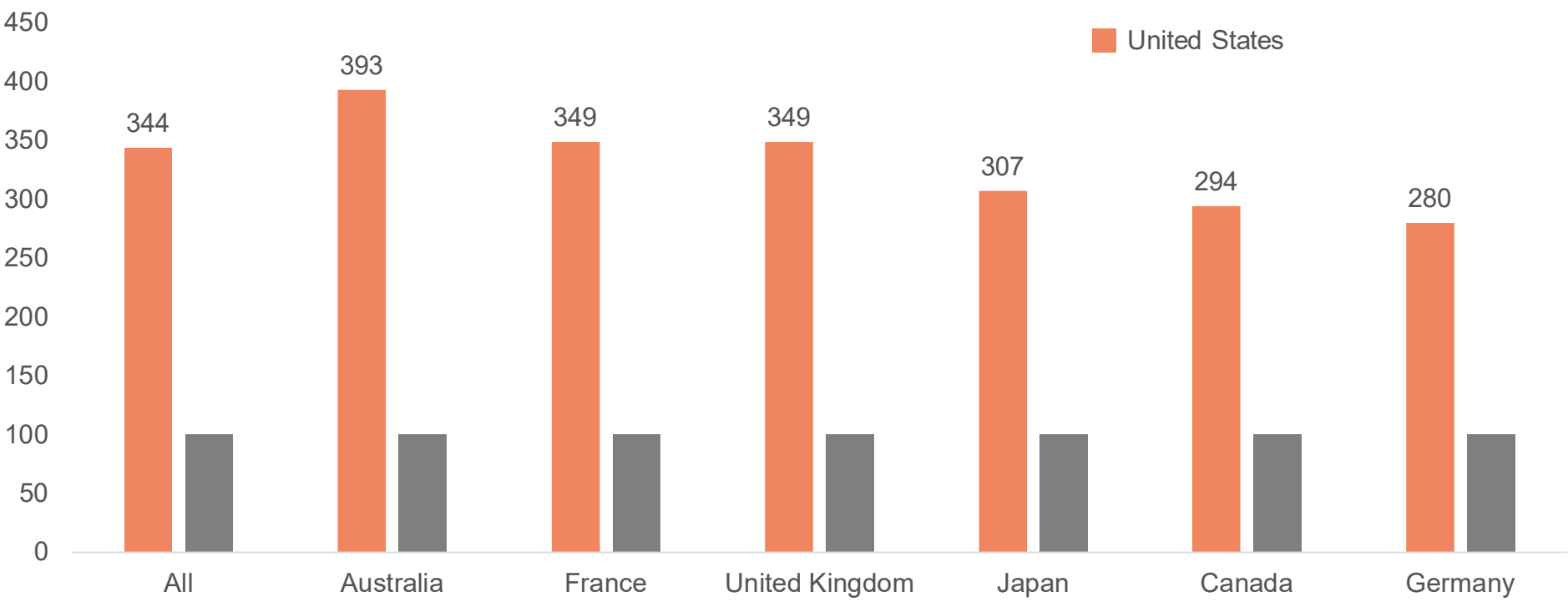


Notes: Numbers in each row might not sum to totals because of rounding. "All countries" refers to all 32 OECD comparison countries combined. Biologics are excluded. Other-country prices are set to 100. Only some presentations sold in each country contribute to bilateral comparisons. Brand-name drugs include brand-name originators and brand-name nonoriginators. Generic drugs are unbranded.

Data: Adapted from Andrew W. Mulcahy et al., [International Prescription Drug Price Comparisons: Current Empirical Estimates and Comparisons with Previous Studies](#) (RAND Corporation, Jan. 2021).

High prices for branded drugs are the reason the U.S. pays more for prescription drugs: brand-name prices in 2018 were nearly 3.5 times more in the U.S. than in other high-income countries.

U.S. brand-name originator drug prices as a percentage of prices in other countries, 2018

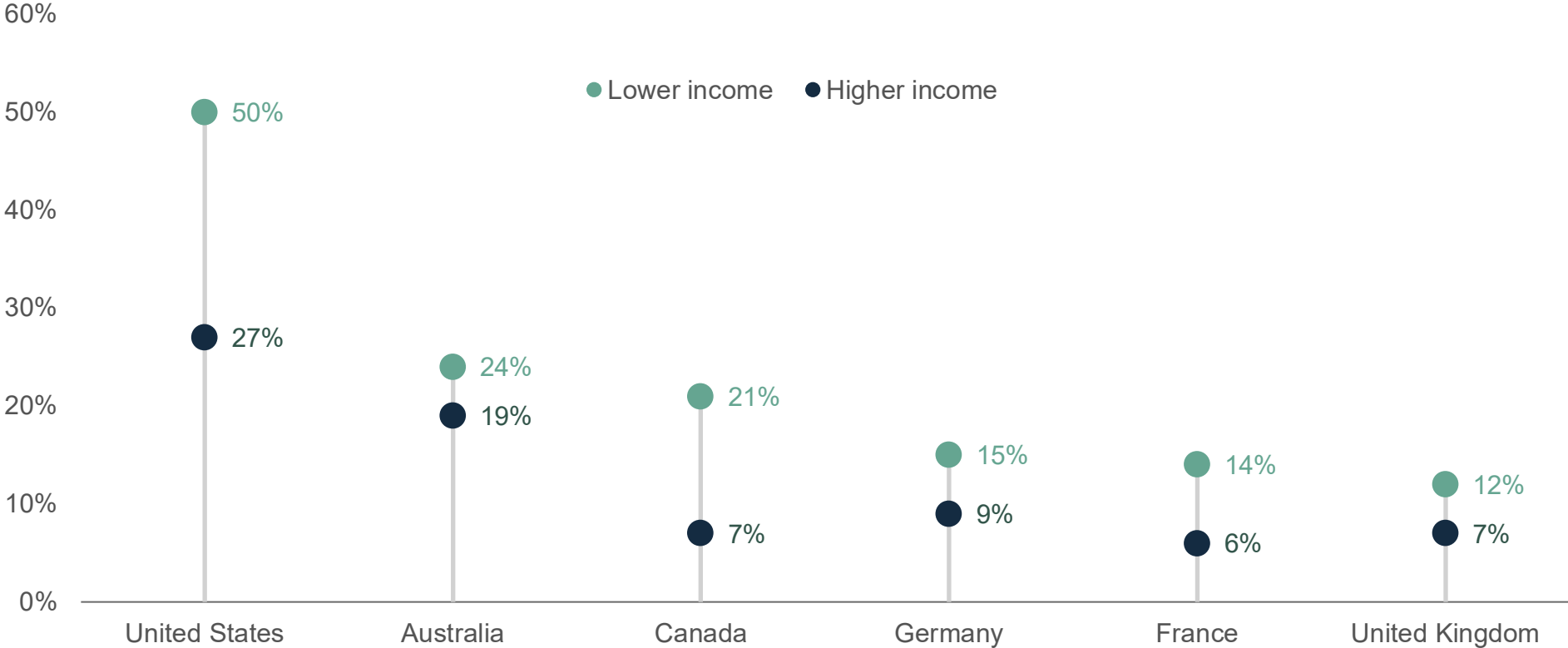


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Data: Adapted from Andrew W. Mulcahy et al., [International Prescription Drug Price Comparisons: Current Empirical Estimates and Comparisons with Previous Studies](#) (RAND Corporation, Jan. 2021).

High prices make prescription drugs difficult for patients to afford. Adults skip necessary care at much higher rates in the U.S. than in comparison countries.

Percentage of adults, by income level, reporting they skipped needed medical care or a prescription in 2020



Notes: Skipped care = doctor visits, tests, treatments, follow-up, or prescription medicines skipped because of cost in past year. Higher income = much above or somewhat above national average. Lower income = somewhat below or much below national average.

Data: Michelle M. Doty et al., "[Income-Related Inequalities in Affordability and Access to Primary Care in Eleven High-Income Countries](#)," *Health Affairs*, published online Dec. 9, 2020.

Why are prescription drug prices in other countries lower than in the U.S.?

Other countries have strategies in place to control drug costs. For example, they:



Negotiate prices with drug manufacturers, usually through the central government, to harness needed leverage



Base the price of a drug on its clinical value and refuse coverage if value doesn't match price



Use both international and domestic reference pricing



Limit patent extensions that lengthen a drug's market exclusivity period

Learn more about the root causes of high drug prices and what we can do about them.

See these resources:

- [Allowing Medicare to Negotiate Drug Prices](#)
- [External Reference Pricing: The Drug-Pricing Reform America Needs?](#)
- [Domestic Reference Pricing and Its Potential Role in Medicare Pharmaceutical Price Negotiations](#)
- [Getting to Lower Prescription Drug Prices: The Key Drivers of Costs and What Policymakers Can Do to Address Them](#)
- [Policymakers' Attention Turns to Drug Patents in the Debate on Prices](#)
- [Drug Price Moderation in Germany: Lessons for U.S. Reform Efforts](#)
- [What Can the United States Learn from Pharmaceutical Spending Controls in France?](#)